

Fiscal Year 2025
Financial Statements

For Presentation to the SDRS Board of Trustees on
December 10, 2025

SOUTH DAKOTA RETIREMENT SYSTEM

Management's Discussion and Analysis

June 30, 2025

This section presents management's discussion and analysis of the South Dakota Retirement System's (SDRS or the System) financial position and performance as of and for the year ended June 30, 2025. This section is intended to supplement the SDRS financial statements and should be read in conjunction with the remainder of the SDRS financial statements.

Financial Highlights

- The fiduciary net position of SDRS increased by $350 million during fiscal year 2025. This increase was primarily due to the investment performance of 5.44 percent, which was below the assumed rate of 6.50 percent.
- SDRS paid $762 million to SDRS benefit recipients in fiscal year 2025 compared to $735 million in 2024.
- SDRS received $355 million in SDRS member and employer contributions in fiscal year 2025 compared to $335 million in 2024.

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

The System presents the statement of the fiduciary net position as of June 30, 2025, and the statement of changes in fiduciary net position for the year then ended. These statements reflect resources available for the payment of benefits as of the year-end and sources and uses of those funds during the year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules. Information in the notes provides disclosures concerning SDRS's organization, contributions and reserves, investments, the use of derivatives and securities lending, and other information.

Supplemental Information

In addition to this discussion and analysis, the required supplemental information consists of four schedules of trend data and related notes concerning the funded status of SDRS, changes in net pension liability (asset), investment returns, actuarial assumptions, and employer contributions.

Other supplementary schedules include detailed information on administrative expenses incurred by SDRS and a breakout of investment manager fees.

Financial Analysis

SDRS is a cost-sharing, multiple-employer public employee retirement system. SDRS provides retirement, disability, and survivor benefits for employees of the state of South Dakota and its political subdivisions. The benefits are funded through member and employer contributions and investment income.

SDRS benefits are based on the members' final average compensation, their years of credited service, and a benefit multiplier.

A summary of the fiduciary net position is shown below:

Summary of Fiduciary Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 7,999,016	$ 9,072,379
Receivables	77,381,748	74,841,798
Investments, at fair value	15,210,238,019	14,841,283,609
Other assets	27,218	199,490
Due from brokers – futures transactions	-	10,053,575
Total assets	15,295,646,001	14,935,450,851
Liabilities		
Accounts payable and accrued expenses	4,499,074	3,499,470
Unsettled investment purchases	11,779,824	9,641,894
Due to brokers – futures transactions	7,849,500	-
Total liabilities	24,128,398	13,141,364
Net position restricted for pension benefits	$ 15,271,517,603	$ 14,922,309,487

Change in Fiduciary Net Position

Additions to the fiduciary net position include member and employer contributions and net investment income. The fixed member and employer contribution rates are established by law. On an annual basis, an actuarial valuation of SDRS is made to determine the adequacy of the fixed contribution rates to pay the normal cost of benefits, expenses, and amortize the unfunded actuarial accrued liability. In addition to the fixed contributions, members and employers may make additional contributions to purchase uncredited prior service. These purchase or acquisition payments are also included as contributions.

Income from investments is the other primary source of revenue for SDRS. The actuarial assumed investment rate was 6.50 percent at June 30, 2025. The net money-weighted investment returns were 5.44 percent for 2025 and 5.98 percent for 2024.

Deductions from fiduciary net position are primarily benefit payments. During 2025, SDRS paid $762 million to benefit recipients, or 3.58 percent more than in 2024. The increase is due to the annual cost-of-living adjustment, which increased benefits by 1.91 percent at the beginning of fiscal year 2025, and additional annuitants. Refunds of accumulated contributions during 2025 increased 26.88 percent. Administrative costs of SDRS increased 6.38 percent during 2025. The increase in administrative costs is due to the change in compensated absences reporting and the addition of two employees.

A summary of the changes in fiduciary net position is shown below:

Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

	2025	2024	Percentage change
Additions			
Employee contributions	$ 176,641,822	$ 167,162,702	5.67%
Employer contributions	178,517,895	168,329,948	6.05%
Investment income	798,505,462	856,068,350	-6.72%
Total additions	1,153,665,179	1,191,561,000	-3.18%
Deductions			
Benefits	761,846,186	735,491,608	3.58%
Refunds of contributions	36,510,202	28,776,190	26.88%
Administrative expenses	5,783,686	5,436,819	6.38%
Total deductions	804,140,074	769,704,617	4.47%
Net change in net position	349,525,105	421,856,383	-17.15%
Plan net position restricted for pension benefits			
Beginning of year	14,922,309,487	14,500,453,104	2.91%
Prior year adjustment *	(316,989)	-	
End of year	$ 15,271,517,603	$ 14,922,309,487	2.34%

** SDRS adopted GASB statement 101 Compensated Absences. As a result of this change in accounting principle, it was not appropriate for SDRS to restate prior period information for earlier periods than those presented in the financial statements. See Note 13 to the financial statements for further information on the change in accounting principle.*

Investments

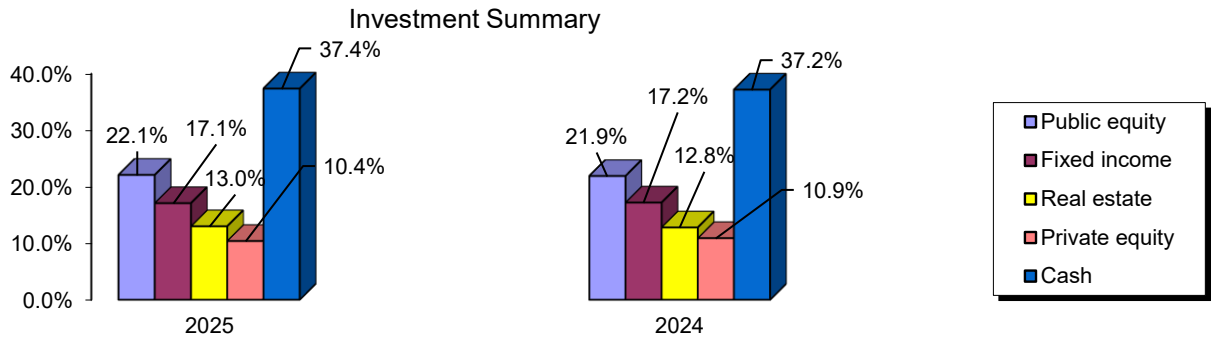
SDRS investment portfolio management is the statutory responsibility of the South Dakota Investment Council. The South Dakota Investment Office is the primary investment manager, but the Investment Council may utilize the services of external money managers.

Net money-weighted investment performance during 2025 and 2024 was 5.44 percent and 5.98 percent, respectively.

The Investment Council is governed by the prudent-person standard, as defined in South Dakota Codified Law §4-5-27:

§4-5-27. Prudent-person standard required in investments. Any investments under the provisions of §4-5-12 to §4-5-39, inclusive, shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Though monthly benefit payments exceed monthly contributions, subject to sudden, substantial, and unexpected withdrawals. As a result, it is not necessary to maintain a high percentage of assets in short-term investments unless that is deemed to be the best investment strategy. This allows the SDRS trust fund to be fully invested in a diversified portfolio of securities.



Plan Status

SDRS's funding policy established objectives necessary for the management of SDRS based on statutory member and employer contributions. SDRS continues to be a very well-funded system with a fair value funded ratio of 100.06 percent.

Requests for Information

Requests for information about SDRS may be directed to the South Dakota Retirement System at P.O. Box 1098, Pierre, SD 57501. You may also contact SDRS online at sdrs.sd.gov.

SOUTH DAKOTA RETIREMENT SYSTEM

Statement of Fiduciary Net Position

June 30, 2025

Assets	
Cash and cash equivalents	$ 7,999,016
Receivables	
Employer	3,961,572
Employee	4,025,510
Benefits	279,739
Unsettled investment sales	10,846,143
Accrued interest and dividends	58,268,784
Total receivables	77,381,748
Investments, at fair value	
Fixed income	5,728,569,655
Equities	5,909,103,885
Real estate	1,991,365,530
Private equity	1,581,198,949
Total investments, at fair value	15,210,238,019
Properties, at cost (net of accumulated depreciation of $28,648)	6,873
Assets used in plan operations, at cost (net of accumulated depreciation of $2,042,088)	-
Other assets	20,345
Total assets	**15,295,646,001**
Liabilities	
Accounts payable and accrued expenses	4,499,074
Due to brokers	7,849,500
Unsettled investment purchases	11,779,824
Total liabilities	**24,128,398**
Net position held in trust for pension benefits	**$15,271,517,603**

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions		
Contributions		
Employee	$	176,641,822
Employer		178,517,895
Total contributions		355,159,717
Investment Income		
From investing activities		
Net increase in fair value of investments		475,415,399
Interest		233,402,181
Dividends		136,608,007
Real estate		5,342,432
Investment activity income		850,768,019
Less investment activity expenses		(52,549,222)
Net investment activity income		798,218,797
From security lending activities		
Security lending income		422,619
Security lending expenses		(135,954)
		286,665
Total additions		1,153,665,179
Deductions		
Benefits		761,846,186
Refunds of contributions		36,510,202
Administrative expenses		5,783,686
Total deductions		804,140,074
Net change in net position		349,525,105
Net position held in trust for pension benefits:		
Beginning of year		**14,922,309,487**
Prior Year Adjustment (See Note 13)		**(316,989)**
Restated June 30, 2024 Net Position Restricted for Pension Benefits		**14,921,992,498**
End of year		**$15,271,517,603**

See accompanying notes to financial statements.

(1) General Description of the System

The South Dakota Retirement System (SDRS or the System) is a cost sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the state of South Dakota (the State) and its political subdivisions. Members of SDRS include full time employees of public schools, the State, the Board of Regents, city and county governments, and other public entities. Public schools, cities, and counties may choose not to include certain full time employees in the System.

SDRS is a component unit of the State of South Dakota and as such is included in the State's financial report as a pension trust fund. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law (SDCL) 3-12C.

The South Dakota Retirement System Board of Trustees (the Board) is the governing authority of SDRS. The Board consists of 14 elected representatives from participating groups, two appointees of the governor, and an ex officio nonvoting representative of the South Dakota Investment Council. The elected representatives of the Board are two teacher members; two State employee members; a participating municipality member; a participating county member; a participating classified employee member; a current contributing Class B member other than a justice, judge, or magistrate judge; a county commissioner of a participating county; a school district board member, a justice, judge, or magistrate judge, an elected municipal official of a participating municipality; a retiree; and a faculty or administrative member employed by the Board of Regents. The two Governor's appointees consist of one head of a principal department established pursuant to SDCL 1-32-2, or one head of a bureau under the office of executive management and one individual from the private or public sector.

SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions. The system includes four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members. Members and their employers make matching contributions, which are defined in State statute. SDRS may expend up to 3 percent of the annual contributions for administrative expenses subject to approval by the executive and legislative branches of the State.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation judicial members who retire after age 65 with three years of service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of foundational members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the

above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Class C Cement Plant Retirement Fund members have a normal retirement age of 65, and early retirement is at age 55 with the required credited service. Class C Cement Plant provides for disability payments for those disabled on or before March 16, 2001. All members of the Cement Plant Retirement Plan on March 15, 2001, were 100 percent vested. Class C members may elect a single-life benefit or joint and survivor benefits as described in their plan documents.

Class D Department of Labor and Regulation plan members entered SDRS on July 1, 2020, with benefits determined under the terms of the prior plan. All Class D members are currently retired and receiving benefits and are eligible for SDRS COLA.

Legislation enacted in 2017 and established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25 percent.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
    * The increase in the 3rd quarter CPI-W, no less than 0.5 percent and no greater than 3.5 percent.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
    * The increase in the 3rd quarter CPI-W, no less than 0.5 percent and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2023 and reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

SDRS is a qualified defined benefit retirement plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes. SDRS last received a favorable determination letter dated October 3, 2016, in which the Internal Revenue Service stated that the System, as then designated, was in compliance with the applicable requirements of the Internal Revenue Code. SDRS believes that the System currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code, and therefore, SDRS continues to be tax-exempt as of June 30, 2025. Therefore, no provision for income taxes has been included in SDRS's financial statements.

SDRS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SDRS participates in the various programs administered by the State. These risk management programs are funded through assessments charged to participating entities. The risk management programs include (1) coverage for risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability) through the State's Public Entity Pool for Liability Fund, (2) coverage of employee medical claims through the State's health insurance program, (3) coverage for unemployment benefits through the State's Unemployment Insurance Fund, and (4) coverage for workers' compensation benefits through the State's Workers' Compensation Fund. Financial

information relative to the self-insurance funds administered by the State is presented in the State of South Dakota Annual Comprehensive Financial Report.

As of June 30, 2025, the number of participating governmental employers is as follows:

School Districts	164
State of South Dakota	1
Board of Regents	1
Municipalities	172
Counties	66
Board and Commissions	106
Total employers	510

As of June 30, 2025, SDRS membership consists of the following:

Retirees and beneficiaries currently receiving benefits:	
Class A (general employees)	32,402
Class B (public safety and judicial employees)	2,207
Class C (cement plant employees)	220
Class D (Department of Labor employees)	132
Total retirees and beneficiaries	34,961
Terminated members entitled to benefits but not yet receiving them:	
Class A (general employees)	24,897
Class B (public safety and judicial employees)	1,811
Class C (cement plant employees)	20
Class D (Department of Labor employees)	-
Total terminated members	26,728
Current active members:	
Vested:	
Class A (general employees)	30,832
Class B (public safety and judicial employees)	2,694
Class C (cement plant employees)	7
Class D (Department of Labor employees)	-
Nonvested:	
Class A (general employees)	9,148
Class B (public safety and judicial employees)	1,103
Total current active members	43,784
Grand total	105,473

There are 97 class A and 9 class B public safety and judicial members or beneficiaries whose benefits are currently suspended but are entitled to future benefits. These members or beneficiaries are included as retirees and beneficiaries in their respective classes as listed.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles applicable to governmental accounting for a pension trust fund. Employee and employer contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(b) Method Used to Value Investments

Investments are reported at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

Additional required disclosures can be found in Note 5: Cash and Investments.

Investments denominated in foreign currencies are translated into United States Dollars (USD) using the year-end spot foreign currency exchange rates. Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments.

Alternative investments consist of investments in a variety of markets and industries through partnerships, corporate entities, co-investments, and other investment vehicles. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. For all of these alternative investments, SDRS has determined that net asset value reported by the underlying fund approximates the fair value of the investment. These fair value estimates are, by their nature, subjective and based on judgment. These alternative investments were valued at $3,572,564,479 (23.39 percent of net position) at June 30, 2025. The estimated fair value of these investments may differ significantly from values that would have been used had a ready market existed.

(1) Futures contracts are marked to market based on quoted futures prices with changes in fair value reflected in the current period.

(2) Interest is accrued in the period in which it is earned, and dividend income is recorded on the ex-dividend date.

The arithmetically calculated money-weighted return net of fees was 5.44 percent in 2025. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investment by the proportion of time they are available to earn during that period. The rate of return equates the sum of weighted external cash flows into and out of pension plan investments to the ending fair value of the pension plan investment.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

(d) Subsequent Events

SDRS has evaluated subsequent events through October 23, 2025, the date on which the financial statements were issued, and we determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

(e) Capital Assets

Capital assets consisted of the following for fiscal year 2025:

	Beginning balance	Additions	Deductions	Ending balance
Capital Assets Being Depreciated				
Properties	$ 35,521	$ -	$ -	$ 35,521
Intangible Asset -Software	2,042,088	-	-	2,042,088
Total Assets being depreciated	2,077,609	-	-	2,077,609
Less Accumlated Depreication				
Properties	25,694	2,954	-	28,648
Intangible Asset -Software	1,871,914	170,174	-	2,042,088
Total Accumulated Depreciation	1,897,608	173,128	-	2,070,736
Net Capital Assets Being Depreciated	$ 180,001	$ (173,128)	$ -	$ 6,873

(3) Contributions and Reserves

(a) Contributions

Covered employees are required by statute to contribute a percentage of their salary to SDRS as follows:

Class A members	6.0% of Salary
Class B public safety members	8.0% of Salary
Class B judicial members	9.0% of Salary

All participating employers are required to contribute an amount equal to the members' contributions. Members may make an additional contribution of 1.5 percent of compensation for optional spouse coverage (closed to new enrollees after July 1, 2010).

SDRS is funded by fixed member and employer contributions at a rate established by South Dakota law. On an annual basis, an actuarial valuation of SDRS is performed to determine the adequacy of the fixed contributions to pay the normal costs and expenses, if the System is fully funded or pay the normal costs, expenses and amortize the unfunded actuarial accrued liability (UAAL) if the System is not fully funded. The June 30, 2025, actuarial valuation of the plan determined that the System is fully funded and that the statutorily required employer contributions meet the requirements for the annual required contributions of the employers under GASB Statement No. 67*, Financial Reporting for Pension Plans*; and the statutorily required employer contributions are sufficient to pay the employer normal cost and expenses. Annual required contributions of the employers equal to the statutorily required contributions have been listed below pursuant to GASB Statement No. 68*, Accounting and Financial Reporting for Pensions.*

Contributions during fiscal year 2025 totaling $355,159,717 ($176,641,822 employee, $178,517,895 employer) were made in accordance with statutory rates. The employer contributions exceed the employee contributions due to the effect of SDCL 3-12C-1405, which governs the contributions of retired members who enter covered employment. Contributions for the last 5 fiscal years are as follows:

	Employer	Percentage contributed
Year ending June 30:		
2025	$ 178,517,895	100%
2024	168,329,948	100
2023	154,761,704	100
2022	143,270,826	100
2021	136,159,432	100

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years. Interest is charged at the assumed rate of return for the plan at the date the contract is initiated.

Future payments will be received as follows:

	Employees
Year ending June 30:	
2026	$ 21,902
2027	20,701
2028	20,183
2029	16,688
2030	9,614
Later	31,935
Deferred contributions receivable at June 30, 2025	$ 121,023

(4) Net Pension Liability (Asset) of the System

The components of the net pension liability (asset) of the System at June 30, 2025, was as follows:

Total pension liability	$15,263,012,420
Plan fiduciary net position	(15,271,517,603)
Net pension liability (asset)	$ (8,505,183)
Fiduciary net position as a percentage of net pension liability (asset)	100.06%

***Actuarial Assumptions* –** The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50%, net of investment expenses. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLA's	1.56%

All mortality rates were based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement Scale MP-2020.

Active and Terminated Vested Members:
Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:
Teacher, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:
PubG-2010 contingent survivor mortality table

Disabled Members:
Public Safety: PubS-2010 disabled member mortality table
Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Discount rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of (asset)/liability to changes in the discount rate – The following presents the net pension liability/(asset) of the System, calculated using the discount rate of 6.50 percent, as well as what the System's net pension (asset) liability would be if it were calculated using a discount rate that is 1 percent point lower (5.50 percent) or 1 percent point higher (7.50 percent) than the current rate:

	1 percent Decrease	Current Discount Rate	1 percent Increase
System's net pension (asset)/liability	$2,084,431,536	$ (8,505,183)	$(1,723,120,453)

(5) Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents are held by the State Treasurer and were invested in the State's pooled investment fund. Investments in the State's pooled investment fund consist primarily of short-term U.S. Treasury and Agency obligations, short-term U.S. Corporate securities, bank certificates of deposit, and money market funds.

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are held in the possession of an outside party. SDRS has a formal deposit policy specific to custodial credit risk and foreign currencies. Policy states that the USD equivalent of any non-USD currency cannot exceed 2.0 percent of any portfolio on a trade date +2 business days basis. All portfolios as of June 30, 2025, meet policy guidelines. These deposits are not collateralized or covered by depository insurance. As a result, $22,367,549 was exposed to custodial credit risk, which is recorded in investments in the statement of fiduciary net position.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Person Rule (i.e., the council should use the same degree of care as a prudent person). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In addition, the long-term expected rate of return includes an expectation that a portion of the consistent, historical outperformance relative to expectations due to the dynamic asset allocation process will continue.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3 percent	3.8 percent
Investment Grade Debt	22.8 percent	2.3 percent
High Yield Debt	7.0 percent	2.9 percent
Real Estate	12.0 percent	4.0 percent
Cash	1.9 percent	0.8 percent
	100.0 percent	

Below is a detail of the investment balances and amounts managed by the respective fund managers:

	Cost	Fair Value
South Dakota Investment Council	$ 9,816,587,799	$ 11,368,256,194
Blackstone Capital Partners	52,738,830	99,221,906
Blackstone Energy Partners	88,793,688	168,375,045
Blackstone Real Estate Partners	1,035,227,423	1,156,644,244
Bridgewater	36,742,005	128,890,808
Brookfield Strategic Partners	285,634,854	340,268,371
Capital International	6,983,985	1,706,534
Carlyle	25,115,859	22,606,867
Cinven	167,199,862	230,446,590
CVC	229,859,193	328,478,605
EnCap Energy Capital	28,432,351	32,305,808
Lone Star Real Estate	156,888,313	126,227,703
Pinebridge	3,666,789	2,666,137
Riverstone	65,040,161	51,046,580
Rockpoint Real Estate	136,033,564	127,439,106
Sanders Capital	74,273,100	123,311,603
Silver Lake	372,062,903	644,344,877
Starwood Real Estate	229,629,560	240,786,106
Telsey	14,472,374	17,214,935
Total	$ 12,825,382,613	$ 15,210,238,019

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment grade fixed income portfolios of SDRS are benchmarked to the duration of the FTSE US Broad Investment Grade (USBIG) Index and must fall between 70 percent and 130 percent of the USBIGs duration.

The durations of the various investment types are listed in the following table:

The SDRS fixed income portfolios invest in mortgage-backed securities. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the value of these securities.

	Fair value	(in years)
Investment type:		
U.S. Treasuries	$ 535,096,000	6.07
U.S. Treasury Bills	2,137,699,327	0.14
U.S. Treasury STRIPS	507,313,622	7.24
U.S. Agencies	37,061,381	2.08
Investment Grade Corporates	452,438,033	3.56
Bond Exchange Traded Funds	46,375,901	5.89
High-Yield Corporates	490,572,314	2.94
Agency Mortgage-Backed Securities	371,239,189	5.57
Total	$ 4,577,795,767	2.77

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to SDRS. SDIC sets the investment policy annually for SDRS. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. As of June 30, 2025, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. government, which are not considered to have credit risk. The investments are grouped according to the Standards & Poor's (S&P) Global Ratings.

	Fair value
S&P Global ratings:	
AAA	$ 6,959,574
AA	390,312,699
A	211,879,250
BBB	139,985,884
BB	281,645,925
B	157,115,905
CCC	47,286,558
U.S. Government Guaranteed	3,291,710,144
Unrated	859,722,775
Total	$ 5,386,618,714

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of SDRS's investment in a single issuer. SDRS does not have guidelines to limit its investments in any particular investment. SDRS does not have investments in any one issuer that represent 5 percent or more of the total fair value of investments as of June 30, 2025 (excluding those issued by or explicitly guaranteed by the U.S. government).

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. SDRS's exposure to foreign currency risk derives from its positions in foreign currency and foreign-currency-denominated equity and fixed income investments. SDRS does not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark), but does allow hedging under certain circumstances, when deemed appropriate. The portfolio's exposure to foreign currency risk at June 30, 2025, is as follows (in U.S. dollar fair value):

	Equities	Cash	Total
Currency:			
Australian Dollar	$ 12,642,237	$ 666,762	$ 13,308,999
British Pound	196,010,004	5,441,774	201,451,778
Canadian Dollar	118,610,552	1,717,389	120,327,941
Danish Krone	10,571,367	125,442	10,696,809
Euro	489,623,398	9,812,699	499,436,097
Hong Kong Dollar	1,028,796	5,201	1,033,997
Japanese Yen	168,639,861	3,578,751	172,218,612
South Korean Won	101,189,820	-	101,189,820
Norwegian Krone	5,488,519	88,769	5,577,288
Singapore Dollar	4,226,493	64,943	4,291,436
Swedish Krona	17,764,570	3	17,764,573
Swiss Franc	148,167,139	865,816	149,032,955
Thai Baht	894,824	-	894,824
Total fair value	$ 1,274,857,580	$ 22,367,549	$ 1,297,225,129

Investments with limited partnerships and certain global equity investments with external managers, which are not included in the table above, may expose SDRS's portfolio to additional foreign currency risk. The total fair value of investments in real estate and private equity limited partnerships as of June 30, 2025, was $3,572,564,479. The total fair value of hedge funds investments managed by external managers was $146,105,744.

(e) Return on Investments

During fiscal year 2025, SDRS's investments (including investments bought and sold, as well as held during the year) appreciated in value by $475,415,399.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior years and current year.

Changes in Fair Value of Investments

Appreciation (Depreciation) in Fair Value of Investments:		
Equities	$	133,403,160
Fixed Income		103,563,579
Real Estate		10,992,804
Private Equity		(762,594)
Change in Accrued Income		(598,297)
Total increase (decrease) in fair value		**246,598,652**
Realized gain (loss) on investments:		
Equities		310,880,039
Fixed Income		2,822,015
Real Estate		(10,044,690)
Private Equity		131,959,434
Total net realized gains		**435,616,798**
Futures - change in unrealized gain (loss)		(59,753,335)
Futures - realized gain (loss)		(147,046,716)
Net loss on futures		**(206,800,051)**
Net appreciation in investments	**$**	**475,415,399**

(f) Securities Lending

State statutes and SDRS policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. SDRS's securities custodian is an agent in lending securities and shall accept only U.S. government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102 percent of fair value plus accrued interest for corporate debt securities, 102 percent of fair value for U.S. equity securities, and 105 percent of fair value for foreign securities, except in the case of loans of foreign securities, which are denominated and payable in U.S. dollars, in which event the collateral required is 102 percent of fair value. The earnings generated from the collateral investments result in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

The fair value of securities on loan as of June 30, 2025, was $120,627,111, and the collateral held on the same date was $124,542,137. SDRS has no credit risk exposure to borrowers because the amounts SDRS owes the borrowers exceed the amounts the borrowers owe SDRS. The contract with the lending agent requires the agent to indemnify SDRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

All securities loans can be terminated on demand by either SDRS or the borrower. SDRS does not have the ability to pledge or sell collateral securities unless the borrower defaults; therefore, no asset and corresponding liability for the collateral value of securities received have been established on the

statement of fiduciary net position. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

(g) Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. SDRS securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2025, SDRS does not have custodial credit risk with regard to the security lending collateral.

(h) Fair Value Measurements and Applications

The following table shows the fair value in accordance with the GASB hierarchy:

Investments Measured at Fair Value	6/30/2025	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
US Treasuries	$ 535,096,000	$ -	$ 535,096,000	$ -
US Treasury Bills	2,137,699,327	-	2,137,699,327	-
US Treasury STRIPS	507,313,622	-	507,313,622	-
US Agencies	37,061,381	-	37,061,381	-
Investment Grade Corporates	452,438,033	-	452,438,033	-
High-Yield Corporates	490,572,314	-	490,572,314	-
Bond ETF - Exchange traded funds	46,375,901	46,375,901	-	-
Agency Mortgage-Backed Securities	371,239,189	-	371,239,189	-
Total Fixed Income Securities	**4,577,795,767**	**46,375,901**	**4,531,419,866**	**-**
Equity Securities				
Domestic Stock	4,712,118,020	4,712,118,020	-	-
International Stock	1,274,857,579	1,274,857,579	-	-
Preferred Stock	1,135,174	-	1,135,174	-
Total Equity Securities	**5,988,110,773**	**5,986,975,599**	**1,135,174**	**-**
Total Investments by Fair Value Level	**$ 10,565,906,540**	**$ 6,033,351,500**	**$ 4,532,555,040**	**$ -**
Investments Measured at Net Asset Value (NAV)				
Short-Term Investment Funds	808,822,947			
Multi-Strategy Hedge Funds	146,105,744			
Alternative Investments				
Real Estate Funds	1,991,365,530			
Private Equity Funds	1,581,198,949			
Total alternative investments	3,572,564,479			
Investments, Measured at NAV	**$ 4,527,493,170**			
Total Investments measured at fair value	**$ 15,093,399,710**			
Plus: Cash Held by Fund Managers	132,563,266			
Less GL of FX Transactions	1,101,881			
Less: Accrued Monthly Interest	(16,826,838)			
	$ 15,210,238,019			
Investment derivative instruments				
Futures Contracts	$ (7,849,500)	$ (7,849,500)	$ -	$ -
Foreign Exchange Forward Contracts (liability)	1,100,748	-	1,100,748	-
Total investment derivative instruments	$ (6,748,752)	$ (7,849,500)	$ 1,100,748	$ -

Equity and Fixed income securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical securities as of the measurement date as issued by pricing vendors. Securities classified in Level 2 of the fair value hierarchy include valuations using quoted prices for a similar security in active markets and using observable inputs other than quoted prices for identical securities.

Fixed income securities classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The prices are determined by matrix pricing techniques maintained by various pricing vendors/brokers for these securities. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices.

SDRS holds shares or interests in investments whose fair value is measured on a recurring basis using the net asset value per share (or its equivalent) as a practical expedient. The NAV valuations are based on the valuations of the underlying companies as determined and reported by the fund manager or general partner.

Derivative instruments classified in Level 1 of the fair value hierarchy represent the pending variance margin on futures contracts, which is calculated using quoted prices in active markets for identical securities. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The foreign currency forward contract valuations are determined by interpolating fx rates for various settlement dates as of June 30, 2025.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short Term Investment Funds (a)	$ 808,822,947	n/a	Daily	0 days
Multi-Strategy Hedge Funds (b)	146,105,744	n/a	Monthly	5-90 days
Alternative Investments				
Real Estate Funds (c)	1,991,365,530	$ 686,032,527		
Private Equity Funds (d)	1,581,198,949	441,137,145		
Investments, Measured at net asset value (NAV)	$ 4,527,493,170			

(a) Short Term Investment Funds. This type includes investments in four open-end mutual funds that invest exclusively or primarily in high-quality, short-term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. The fair values of the investments in this type have been determined using the NAV per share of the investments.

(b) Multi-Strategy Hedge Funds. This type includes two investments in funds that may invest in a wide range of asset classes in order to meet fund objectives. The fair value of the investment in this type has been determined using the NAV per share of the investment.

(c) Real Estate funds. This type includes 26 real estate funds that invest primarily in commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying

investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

(d) Private Equity Funds. This type includes 29 private equity funds that invest primarily in leveraged buyouts. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

(6) Derivatives

Derivatives are generally defined as contracts whose values depend on, or derive from, the value of an underlying asset, reference rate, or index. SDRS is exposed to various derivative products through the investment management of the SDIC and its external managers. All of SDRS's derivatives are classified as investment derivatives.

Futures Contracts

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The South Dakota Investment Council purchases and sells futures contracts as a means of adjusting the SDRS portfolio mix at a lower transaction cost than the transactions, which would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2025, S&P 500 futures and 10-year U.S. Treasury note futures were utilized. Upon entering into such a contract, SDRS pledges to the broker cash or U.S. government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, SDRS receives or pays a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The change in fair value of the futures contracts is presented in the statement of changes in fiduciary net position as "Net increase in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2025 was $(206,800,051).

Futures contract positions at June 30, 2025 were as follows:

Description	Expiration date	Open position	Number of contracts	Notional Contract size	Fair value
S&P 500 Index	September 2025	Short	8,733	$50 x S&P 500 index	$ (2,730,699,938)

Foreign Currency Forward Contracts

The SDIC enters into foreign exchange forward contracts for SDRS to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Fiduciary Net Position as Investments, at fair value – Equities. The change in fair value of the forward contracts is presented in the statement of changes in fiduciary net position as "Net increase in fair value of investments."

The net change in fair value from foreign currency forward contracts for the fiscal year ended June 30, 2025, was $3,202,333. At June 30, 2025, the foreign currency forward contracts outstanding were as follows:

Description	Notional amount	Currency	date	Fair value
Forward buy	$ 7,718,000,000	JPY	8/15/2025	$ 1,100,748

(a) Credit Risk

SDRS is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. At June 30, 2025, the net fair value of foreign currency forward contracts was $1,100,748. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

(b) Foreign Currency Risk

SDRS is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in U.S. dollars is $0.

(7) Compensated Absences

Annual leave is earned by all SDRS employees. Upon termination, SDRS employees are eligible to receive compensation for their accrued annual leave balances. Employees who have been continuously employed by SDRS and the State for at least seven years prior to the date of their retirement, voluntary resignation, or death will receive payment for one-fourth of their accumulated sick leave balance, with such payment not to exceed the sum of 12 weeks of the employee's annual compensation. For employees who have not been employed for seven continuous years, an accrued liability is calculated assuming the likelihood that they will meet the seven-year threshold in the future. At June 30, 2025, a liability existed for accumulated and accrued annual and sick leave calculated at the employees' June 30, 2025 pay rate in the amount of $911,976. The total leave liability for the current year is on the statement of fiduciary net position available for benefits in accounts payable and accrued expenses.

GASB 101 updated the recognition and measurement of compensated absences. The statement required the recalculation of the FY24 amount and requires a prior period adjustment, which is shown in note number 13, New Pronouncements. The following table shows the amounts calculated:

	Balance July 1, 2024	Additions	Payments	Balance June 30, 2025	Due within One Year
Compensated Absences*	$ 533,418	$ 378,558	$ -	$ 911,976	$ 369,350

** The roll-forward schedule only reports the net change in the compensated liability.*

(8) Supplemental Retirement Plan

SDRS offers a deferred compensation plan known as the Supplemental Retirement Plan (SRP), created in accordance with Internal Revenue Code Section 457. SRP is available to all public employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the SRP, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are at all times held in trust for the exclusive benefit of the participants until made available to a participant or the participant's beneficiary.

Of the $827,341,151 net position restricted for plan benefits at June 30, 2025, $487,561,965 was held in trust for employees of the State, while the remaining $339,779,186 represents the assets held in trust for employees of other jurisdictions.

(9) Special Pay Plan

The Special Pay Plan (SPP) was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the SDRS Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the plan. The SPP mandates that qualifying employees (over age 55 and $600 or more in special pay) of participating units defer 100 percent of their special lump sum termination pay to the plan. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination, upon later retirement, or to beneficiaries or an estate upon the participant's death.

Of the $85,307,597 net position restricted for plan benefits at June 30, 2025, $45,633,088 was held in trust for employees of the State, while the remaining $39,674,509 represents the assets held in trust for employees of other jurisdictions.

(10) Plan Termination

SDRS is administered in accordance with South Dakota statutes. The statutes provide for full vesting in accrued benefits upon termination of the plan (SDCL 3-12C-221).

(11) Commitments

As of June 30, 2025, SDRS had uncalled capital commitments to private equity limited partnerships totaling $441,137,145 and to real estate limited partnerships totaling $686,032,527. The commitments may be called at the discretion of the general partner or may never be called.

(12) Litigation

In 2014 and 2015, SDRS held an interest in Fourth Cinven Fund Limited Partnership (the "LP"), an English Limited Partnership. In those years, the LP received material dividends from Avio S.p.A. ("Avio"), an Italian joint stock company; said dividends were promptly distributed by LP to its limited partners, including SDRS.

Upon distribution, Avio subjected the Avio Dividends to withholding tax at statutory rates (the "WHT"). In 2018, SDRS, in its capacity as limited partner of a tax transparent vehicle (LP), applied for the full refund of the WHT suffered on the pro rata portion of the Avio Dividends, claiming the application of withholding tax rates reduced to zero according to the Double Tax Treaty between the United States of America and Italy.

The Italian Tax Authorities never replied to the refund application (a so-called "silent denial"); accordingly, in compliance with Italian laws, SDRS commenced litigation proceedings before the Tax Court of First Instance in order to obtain the declaration of the right to the requested refund.

In February 2023, the Tax Court of First Instance disallowed SDRS appeal. In September 2023, SDRS appealed to the Tax Court of Second Instance. In June 2024, the Tax Court of the Second Instance confirmed the First Instance's decision, denying the 2014 and 2015 refund requests. In December 2024, an appeal was filed with the Italian Supreme Court, and we are awaiting a decision.

The legal action does not represent an immediate negative contingency.

(13) New Pronouncements

The GASB issued Statement No. 101, *Compensated Absences*, which took effect for this year's financial statements. The objective of Statement 101 is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Statement 101 requires recalculating the previous year's ending balance with the new GASB implementation guide, which results in a restatement of the beginning equity.

Net Position Restricted for Pension Benefits, previously reported June 30, 2024	$14,922,309,487
Change for the recalculation of compensated absences under GASB 101	(316,989)
Restated June 30, 2024 Net Position Restricted for Pension Benefits	$14,921,992,498

Required Supplementary Information
June 30, 2025

South Dakota Retirement System

SCHEDULE OF CHANGES IN THE SYSTEM'S NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	$ 307,650,433	$ 291,155,784	$ 275,103,735	$ 260,129,052	$ 228,793,696	$ 237,264,711	$ 233,802,396	$ 222,709,592	$ 192,682,191	$ 184,923,317
Interest	964,146,155	936,372,466	911,947,973	895,957,242	795,666,742	805,447,155	791,288,656	752,702,794	781,413,919	745,774,586
Changes in benefit terms	-	-	-	-	-	2,246,202	-	-	(567,079,980)	-
Differences between expected and actual experience	94,763,707	260,469,110	199,176,582	209,192,709	30,918,486	6,447,338	(6,190,846)	5,220,615	97,593,700	78,645,840
Changes of assumptions	(223,452,997)	(296,160,706)	(277,074,634)	(418,989,267)	1,134,566,674	(594,816,177)	(193,660,111)	181,931,669	820,191,401	-
Department of Labor and Regulation Plan Merger	-	-	-	-	44,637,384	-	-	-	-	-
Benefit payments, including refunds	(798,356,388)	(764,267,798)	(735,080,247)	(696,040,676)	(661,208,044)	(625,796,378)	(596,424,723)	(564,141,147)	(541,090,032)	(510,496,482)
Net change in total pension liability	344,750,910	427,568,856	374,073,409	250,249,060	1,573,374,938	(169,207,149)	228,815,372	598,423,523	783,711,199	498,847,261
Total pension liability - beginning	14,918,261,510	14,490,692,654	14,116,619,245	13,866,370,185	12,292,995,247	12,462,202,396	12,233,387,024	11,634,963,501	10,851,252,302	10,352,405,041
Total pension liability - ending	15,263,012,420	14,918,261,510	14,490,692,654	14,116,619,245	13,866,370,185	12,292,995,247	12,462,202,396	12,233,387,024	11,634,963,501	10,851,252,302
Plan fiduciary net position										
Contributions - employer	178,517,895	168,329,948	154,761,704	143,270,826	136,159,432	131,681,949	127,572,348	124,734,270	121,907,646	114,090,075
Contributions - member	176,641,822	167,162,702	153,798,895	143,041,545	136,159,404	131,541,783	127,454,956	124,262,387	122,144,961	114,443,295
Net investment income	798,505,462	856,068,350	806,061,088	(91,538,866)	2,672,026,722	192,238,245	583,573,718	911,695,475	1,431,977,414	22,836,265
Benefit payments, including refunds	(798,356,388)	(764,267,798)	(735,080,247)	(696,040,676)	(661,208,044)	(625,796,378)	(596,424,723)	(564,141,147)	(541,090,032)	(510,496,482)
Administrative expense	(5,783,686)	(5,436,819)	(5,158,204)	(4,862,000)	(4,905,128)	(5,127,029)	(5,095,897)	(4,870,334)	(4,363,512)	(3,944,641)
Department of Labor and Regulation Plan Merger	-	-	-	-	56,628,426	-	-	-	-	-
Net change in plan fiduciary net position	349,525,105	421,856,383	374,383,236	(506,129,171)	2,334,860,812	(175,461,430)	237,080,402	591,680,651	1,130,576,477	(263,071,488)
Plan fiduciary net position - beginning	14,921,992,498 *	14,500,453,104	14,126,069,868	14,632,199,039	12,297,338,227	12,472,799,657	12,235,719,255	11,644,038,604	10,513,462,127	10,776,533,615
Plan fiduciary net position - ending	$ 15,271,517,603	$ 14,922,309,487	$ 14,500,453,104	$ 14,126,069,868	$ 14,632,199,039	$ 12,297,338,227	$ 12,472,799,657	$ 12,235,719,255	$ 11,644,038,604	$ 10,513,462,127
System's net pension liability(asset) - ending	$ (8,505,183)	$ (4,047,977)	$ (9,760,450)	$ (9,450,623)	$ (765,828,854)	$ (4,342,980)	$ (10,597,261)	$ (2,332,231)	$ (9,075,103)	$ 337,790,175

* *includes prior period adjustment for GASB 101*

SOUTH DAKOTA RETIREMENT SYSTEM

Schedules of Required Supplementary Information

June 30, 2025

SCHEDULE OF SYSTEM'S NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
SCHEDULE OF SYSTEM'S NET PENSION LIABILITY (ASSET)										
Total pension liability	$ 15,263,012,420	$ 14,918,261,510	$ 14,490,692,654	$ 14,116,619,245	$ 13,866,370,185	$ 12,292,995,247	$ 12,462,202,396	$ 12,233,387,024	$ 11,634,963,501	$ 10,851,252,302
Plan fiduciary net position	15,271,517,603	14,922,309,487	14,500,453,104	14,126,069,868	14,632,199,039	12,297,338,227	12,472,799,657	12,235,719,255	11,644,038,604	10,513,462,127
System's net pension liability (asset)	$ (8,505,183)	$ (4,047,977)	$ (9,760,450)	$ (9,450,623)	$ (765,828,854)	$ (4,342,980)	$ (10,597,261)	$ (2,332,231)	$ (9,075,103)	$ 337,790,175
Plan fiduciary net position as a percentage of the Total pension liability	100.06%	100.03%	100.07%	100.07%	105.52%	100.04%	100.09%	100.02%	100.08%	96.89%
Covered payroll	$ 2,858,132,919	$ 2,698,373,036	$ 2,482,638,144	$ 2,300,011,798	$ 2,186,209,401	$ 2,115,630,733	$ 2,048,204,895	$ 2,001,885,527	$ 1,954,735,217	$ 1,829,641,009
System's net pension liability (asset) as a percentage of covered payroll	-0.30%	-0.15%	-0.39%	-0.41%	-35.03%	-0.21%	-0.52%	-0.12%	-0.46%	18.46%

SCHEDULE OF SYSTEM'S CONTRIBUTIONS
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 178,517,895	$ 168,329,948	$ 154,761,704	$ 143,270,826	$ 136,159,432	$ 131,681,949	$ 127,572,348	$ 124,734,270	$ 121,907,646	$ 114,090,075
Contributions in relation to the actuarially determined contribution	178,517,895	168,329,948	154,761,704	143,270,826	136,159,432	131,681,949	127,572,348	124,734,270	121,907,646	114,090,075
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reported covered payroll	$2,858,132,919	$2,698,373,036	$2,482,638,144	$ 2,300,011,798	$2,186,209,401	$ 2,115,630,733	$ 2,048,204,895	$2,001,885,527	$1,954,735,217	$1,829,641,099
Contributions as a percentage of covered payroll	6.25%	6.24%	6.23%	6.23%	6.23%	6.22%	6.23%	6.23%	6.24%	6.24%

See Notes to Schedules of Required Supplementary Information

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate or return, net of investment expenses	5.44%	5.98%	5.80%	-0.64%	22.01%	1.56%	4.84%	7.95%	13.84%	0.21%
Annual time-weighted rate or return, net of investment expenses	5.45%	6.02%	5.84%	-0.69%	22.03%	1.59%	4.88%	7.94%	13.81%	0.30%

Methods and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of System's contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Assumptions **–** The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50%, net of investment expenses. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLA's	1.56%

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement Scale MP-2020.

Active and Terminated Vested Members:
- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:
- Teacher, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:
- PubG-2010 contingent survivor mortality table

Disabled Members:
- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2025 Actuarial Valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021.

Other Supplementary Information
June 30, 2025

South Dakota Retirement System

SOUTH DAKOTA RETIREMENT SYSTEM

Other Supplementary Information

Year Ended June 30, 2025

Schedule of Administrative Expenses

Personal services:		
Salary and per diem	$	3,028,036
Employee benefits		738,140
Total personal services		3,766,176
Operating expenses:		
Travel		95,671
Contractual services:		
Audit		131,400
External actuarial		15,300
Legal		17,201
Operations		1,185,493
Total contractual services		1,349,394
Supplies and materials		361,373
Capital assets		211,072
Total operating expenses		2,017,510
Total administrative expenses	$	5,783,686

SOUTH DAKOTA RETIREMENT SYSTEM

Other Supplementary Information

Year Ended June 30, 2025

Schedule of Investment Activity Expenses

Investment Category	
Fixed income	$ 14,572,500
Equity	547,488
Real Estate	23,338,864
Private Equity	14,090,370
Total investment activity expenses	$ 52,549,222

Schedule of Payments to Consultants

Investment Management Fees	$ 52,549,222
Actuarial	15,300
Audit	131,400
Legal	17,201
Total paid to consultants	$ 52,713,123



Supplemental Retirement Plan

Fiscal Year 2025

Financial Statements

For Presentation to the SDRS Board of Trustees on

December 10, 2025

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Management's Discussion and Analysis

June 30, 2025

This section presents management's discussion and analysis of the South Dakota Retirement System Supplemental Retirement Plan's (SRP or the Plan) financial position and performance for the year ended June 30, 2025. This section is intended to supplement the SRP financial statements.

Financial Highlights

* The net position available for plan benefits of the SRP increased by $105 million during fiscal year 2025. This increase was primarily attributable to investment gains, transfers from other plans, and contributions during the year, which outweighed distributions to participants.
* The SRP paid $35.2 million to benefit recipients in fiscal year 2025 compared to $35.0 million in 2024. The SRP received $51.1 million in contributions in fiscal year 2025 compared to $49.1 million in 2024.

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

The Plan presents the statement of fiduciary net position as of June 30, 2025, and the statement of changes in fiduciary net position for the year then ended. These statements reflect resources available for the payment of benefits as of year-end and sources and uses of those funds during the year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules.

Financial Analysis

The SRP was established in accordance with Internal Revenue Code Section 457 and under the administrative responsibility of the South Dakota Retirement System Board of Trustees. The Plan is funded by participant contributions and investment income. Marketing and record-keeping services for the Plan are provided by Nationwide Retirement Solutions, Inc.

SRP benefits are based on the participant's balances in the Plan.

A summary of the net position held in trust for plan benefits is shown below:

Summary of Fiduciary Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Investments, at fair value	$ 824,092,930	$ 719,716,333
Cash	1,398,298	1,136,943
Revenue sharing receivable	137,236	96,640
Accrued interest	4,896	4,241
Contributions receivable	1,869,135	1,453,633
Total assets	827,502,495	722,407,790
Liabilities		
Accounts payable	161,344	118,862
Net position held in trust for plan benefits	$ 827,341,151	$ 722,288,928

Change in Fiduciary Net Position

Additions to the net position include contributions and net investment income. Deductions from net position are primarily benefit payments. During 2025, SRP paid $35.2 million to benefit recipients, or 0.1 percent more than 2024.

A summary of the changes in fiduciary net position is shown below:

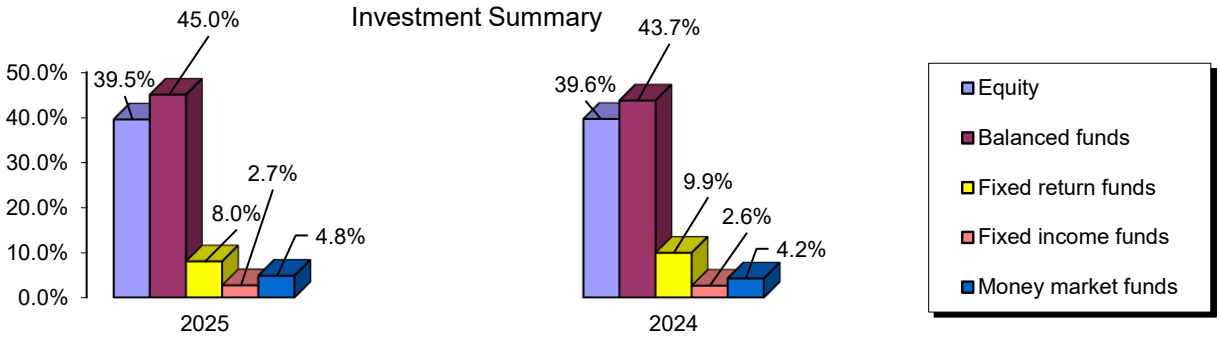
Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

	2025	2024	Percentage Change
Additions			
Employee contributions	$ 51,064,362	$ 49,125,621	3.95%
Investment income (loss)	89,916,211	88,577,780	1.51%
Other income (loss)	40,596	(70,775)	-157.36%
Transfers from related plan	627,745	429,258	46.24%
Total additions	141,648,914	138,061,884	2.60%
Deductions			
Distributions to participants	35,229,397	35,016,607	0.61%
Administrative expenses	1,363,425	1,117,464	22.01%
Transfers to related plan	3,869	3,313	100.00%
Total deductions	36,596,691	36,137,384	1.27%
Net change in net position	105,052,223	101,924,500	3.07%
Plan net position held in trust for plan benefits:			
Beginning of year	722,288,928	620,364,428	16.43%
End of year	$ 827,341,151	$ 722,288,928	14.54%

Investments

The selection of SRP investment portfolio alternatives is the statutory responsibility of the South Dakota Investment Officer. The following exhibit indicates the percentage of investment in each of the SRP fund types.



Requests for Information

Requests for information about the SRP may be directed to the Supplemental Retirement Plan at 222 East Capitol Ave, Suite 1, Pierre SD 57501. You may reach the SRP at (605) 224-2230, 1 (800) 959-4457, or online at www.srp457.com. You may link to the SRP Web site from the SDRS Web site at www.state.sd.us/sdrs/.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Statement of Fiduciary Net Position

June 30, 2025

Assets	
Cash	$ 1,398,298
Investments, at fair value:	
Equity funds	326,127,816
Balanced funds	370,977,754
Fixed return funds	65,556,193
Fixed income funds	22,060,404
Money market funds	39,370,763
Total investments, at fair value	824,092,930
Revenue sharing	137,236
Accrued interest	4,896
Contributions receivable	1,869,135
Total assets	827,502,495
Liabilities	
Accounts payable	161,344
Net position held in trust for plan benefits	$ 827,341,151

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions	
Employee contributions	$ 51,064,362
Investment income	89,916,211
Revenue sharing	40,596
Transfers from related plan	627,745
Total additions	141,648,914
Deductions	
Distributions to participants	35,229,397
Administrative expenses	1,363,425
Transfers to related plan	3,869
Total deductions	36,596,691
Net change in plan net position	105,052,223
Net position held in trust for plan benefits	
Beginning of year	722,288,928
End of year	$ 827,341,151

See accompanying notes to financial statements.

(1) Plan Description

The following description of the South Dakota Retirement System Supplemental Retirement Plan (the Plan) provides only general information. Participants should refer to the plan provisions for a more complete description of the Plan.

(a) General

The Plan was established in July 1987 in accordance with Internal Revenue Code Section 457 under the administrative responsibility of the South Dakota Retirement System Board of Trustees. The state of South Dakota is a participating unit, and every political subdivision thereof may become a participating unit in the Plan. The Plan consists of 38,398 participants and 379 employers. The Plan permits employees of participating units to defer a portion of their salary until future years. The deferred compensation is not available to the participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights held by the fund, at all times until made available to a participant or the participant's beneficiary, shall be held in trust for the exclusive benefit of the participant.

(b) Contributions

Participants of the Plan may contribute an amount of not less than $25 per month and not in excess of $23,500 for the calendar year 2025 or 100 percent of includable compensation. A participant may make a one-time election to defer an additional amount of twice the otherwise applicable limit during any of the three calendar years immediately preceding a participant's elected normal retirement age. If age 50 or over, participants may also defer additional contributions of $7,500. If age 60-63, participants may also defer $11,250.

There is a special catch-up provision that allows a participant for three years prior to the normal retirement age to contribute the lesser of:

- Twice the annual limit ($47,000 in 2025) or
- The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions)

(c) Participant's Account

Each participant's account is credited with the participant's contributions, an allocation of the investment earnings or losses, and administrative expenses. Allocations are made based on the participant's percentage of the total investment balance. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

(d) Distribution to Participants

Distributions of benefits to participants can be made upon termination, retirement, death, or unforeseeable emergency. Distributions are in the form of a lump-sum payment in cash equal to the value of the funds allocated to their account or installments, as defined in the plan agreement.

(e) Vesting

Participants are vested immediately in their contributions plus actual earnings thereon.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded when incurred. Employee contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Distributions to participants are recognized when paid in accordance with the terms of the Plan.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Subsequent Events

SDRS has evaluated subsequent events through October 23, 2025, the date which the financial statements were able to be issued and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

(3) Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 736,476,333	$ 736,476,333	$ -	$ -
Fixed income and return funds	87,616,597	22,060,404	-	65,556,193
Investments at fair value	$824,092,930	$ 758,536,737	$ -	$ 65,556,193

The fair value of mutual funds is determined based on the value of the portfolio's underlying assets. Fixed-return funds are carried at contract value, which approximates fair value.

Money market funds invest in short-term, interest-bearing instruments consisting of Treasury Bills, certificates of deposit, and commercial paper. Fixed income funds invest in interest-bearing instruments with varying maturities, including government or corporate bonds, notes, bills, and debentures. Equity funds invest in common and preferred stock and convertible securities of United States and foreign corporations. Balanced funds are invested in a combination of short-term, fixed income, and equity instruments. Fixed return funds are invested in an insurance company group annuity.

The interest rate on fixed return funds is set each quarter and guaranteed for up to two years. These funds are subject to certain restrictions. No more than 20 percent of the beginning of the year aggregate fixed return fund balance may be transferred annually to another investment alternative.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments denominated in foreign currencies are translated into USD using the year-end spot foreign currency exchange rates. Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

Changes in fiduciary net position for the year ended June 30, 2025 by investment alternatives available to participants were as follows:

	Beginning balance	Contributions	Investment Income	Transfers In/Out	Additions/ Deductions	Ending balance	Fair value as a percentage of plan assets
Money Market							
Vanguard Treasury Money Mark	$ 30,120,248	$ 3,070,605	$ 1,607,927	$ 110,073	$ 4,461,910	$ 39,370,763	4.76%
Fixed Return:							
Prudential	**70,922,851**	**1,683,590**	**1,972,730**	**237,072**	**(9,260,050)**	**65,556,193**	**7.92%**
Fixed Income							
Vanguard Bond Market	18,724,701	990,272	1,194,725	850	1,149,856	22,060,404	2.67%
Balanced							
* Vanguard Trgt Rtrmt 2020 Inv	33,879,430	1,151,788	3,320,020	-	(3,857,180)	34,494,058	4.17%
* **Vanguard Trgt Rtrmt 2025 In**	**49,492,095**	**3,099,827**	**5,753,741**	**(49,465)**	**(4,196,781)**	**54,099,417**	**6.54%**
* **Vanguard Trgt Rtrmt 2030 In**	**50,943,492**	**4,892,433**	**6,637,469**	**42,010**	**(1,617,367)**	**60,898,037**	**7.36%**
* **Vanguard Trgt Rtrmt 2035 In**	**36,306,088**	**4,603,882**	**5,022,110**	**1,614**	**(2,582,370)**	**43,351,324**	**5.24%**
* Vanguard Trgt Rtrmt 2040 Inv	30,142,598	4,680,822	4,500,132	(60,192)	(1,758,575)	37,504,785	4.53%
* Vanguard Trgt Rtrmt 2045 Inv	31,082,423	4,559,876	4,903,255	74,123	(963,751)	39,655,926	4.79%
* Vanguard Trgt Rtrmt 2050 Inv	30,660,771	3,779,928	5,077,251	(13,150)	(504,815)	38,999,985	4.71%
* Vanguard Trgt Rtrmt 2055 Inv	18,391,752	3,101,922	3,105,650	(8,901)	(551,506)	24,038,917	2.91%
* Vanguard Trgt Rtrmt 2060 Inv	7,371,844	1,856,070	1,300,391	(5,190)	(211,431)	10,311,684	1.25%
* Vanguard Trgt Rtrmt 2065 Inv	1,237,961	861,357	309,569	-	379,954	2,788,841	0.34%
* Vanguard Trgt Rtrmt Inc	25,202,089	267,699	2,290,279	-	(2,925,287)	24,834,780	3.00%
Total Balanced	314,710,543	32,855,604	42,219,867	(19,151)	(18,789,109)	370,977,754	44.84%
Equity							
* Vanguard Growth Indx Inst	$ 19,222,097	$ 1,686,997	$ 3,660,285	$ 51,951	$ (445,147)	$ 24,176,183	2.92%
* Vanguard Value Indx Adml	4,802,065	479,306	603,817	84,737	283,359	6,253,284	0.76%
* **Windsor II Admiral**	**46,371,465**	**773,285**	**4,596,075**	**5,371**	**(3,452,575)**	**48,293,621**	**5.84%**
* **Vanguard Instit Index**	**97,399,279**	**2,793,207**	**14,783,210**	**132,155**	**(3,170,647)**	**111,937,204**	**13.53%**
* Vanguard Tot Intl Stock Ind	13,694,995	908,539	2,492,426	21,547	(832,616)	16,284,891	1.97%
* TRowePr Real Asst	57,558	14,001	5,348	-	11,957	88,864	0.01%
Vanguard RealEst Indx Adml	756,281	120,191	78,789	668	(34,857)	921,072	0.11%
* Dodge Cox Global Stock	2,894,137	161,238	418,518	-	(124,373)	3,349,520	0.40%
* Dodge & Cox Int Stock Fnd	4,216,873	306,336	993,606	1,503	(50,233)	5,468,085	0.66%
* Growth Fund of America	31,125,759	1,668,950	6,668,260	1,336	(1,927,126)	37,537,179	4.54%
* Capital World Grth & Inc	9,893,598	490,556	1,701,745	(2,607)	(537,883)	11,545,409	1.40%
* Vanguard Small Cap Indx Inst	9,943,195	726,251	1,021,129	667	(811,405)	10,879,837	1.32%
* Vanguard Ext Mkt Idx Inst	20,946,483	741,440	3,180,093	(3,131)	(1,567,838)	23,297,047	2.82%
* Vanguard Wlsly Inc Adml	13,374,684	312,343	1,280,759	-	(984,671)	13,983,115	1.69%
* Vanguard Strategic Equity	10,539,521	612,517	1,432,006	835	(472,374)	12,112,505	1.46%
Total Equity	285,237,990	11,795,157	42,916,066	295,032	(14,116,429)	326,127,816	39.42%
Total Investments	719,716,333	50,395,228	89,911,315	623,876	(36,553,822)	824,092,930	99.61%
Other Assets and Liabilities	2,572,595	669,134	45,492	-	(39,000)	3,248,221	0.39%
Total Fiduciary Net Position	$ 722,288,928	$ 51,064,362	$ 89,956,807	$ 623,876	$ (36,592,822)	$ 827,341,151	100.00%

Investments in bold represent investments exceeding 5 percent or more of net position as of June 30, 2025. Investments with an asterisk (*) represent investments with international mutual funds.

(4) Risks and Uncertainties

The Plan invests in various investment securities. Investments securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as pandemic or global conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position. Since all investments are participant directed, all risks exist at the participant level. Each individual within the plan has the responsibility for managing their exposure to fair value loss.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The portfolios of the SDRS Supplemental Retirement Plan are benchmarked to the duration of the International Index and must fall between 70 percent and 130 percent of the duration.

As of June 30, 2025, the Plan had the following investments and maturities in its fixed income investment and certain mutual funds which include investments in bonds. The durations of the various investment types are listed in the following table:

	Fair Value	Ave Credit Quality	Duration (in years)
Money Market			
Vanguard Fed Mny Mkt Inv	$ 11,787,606	unrated	
Fixed Income			
Vanguard Bond Market	21,883,921	AA	8.2
Balanced			
Vngrd Trgt Rtrmt 2020 Inv	21,172,453	A	7.13
Vngrd Trgt Rtrmt 2025 Inv	25,778,372	A	7.5
Vngrd Trgt Rtrmt 2030 Inv	23,214,332	A	8.34
Vngrd Trgt Rtrmt 2035 Inv	13,256,835	A	8.34
Vngrd Trgt Rtrmt 2040 Inv	8,562,342	A	8.35
Vngrd Trgt Rtrmt 2045 Inv	6,170,462	A	8.35
Vngrd Trgt Rtrmt 2050 Inv	3,291,599	A	8.35
Vngrd Trgt Rtrmt 2055 Inv	2,026,481	A	8.35
Vngrd Trgt Rtrmt 2060 Inv	871,337	A	8.35
Vngrd Trgt Rtrmt 2065 Inv	235,657	A	8.35
Vngrd Trgt Rtrmt Inc	16,681,522	A	7.01
Equity			
TRowePr Real Asst	196	unrated	
Vanguard Wlsly Inc Adml	8,591,226	A	9.8
Capital World Grth & Inc	8,082	unrated	
	$ 163,532,423		

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2025, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. government, which are not considered to have credit risk. The investments are grouped as rated by Morningstar.

A	$	129,852,618
AA		21,883,921
Unrated		11,795,884
Total		163,532,423
Fixed Income presented in balanced and equity funds		141,472,019
Fixed Income per Statement of Fiduciary Net Position	$	22,060,404

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the plan's investment in a single issuer. The plan's investments are managed by several fund managers. The concentration of investments is determined by the participants' elections to invest in available investment options as selected by the SD Investment Council. The investments that exceed 5 percent are identified in bold on pages 50.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was $134,765,952 as of June 30, 2025.

International mutual funds are as follows:

Investment		
Vanguard Trgt Rtrmt 2020 Inv	$	5,070,627
Vanguard Trgt Rtrmt 2025 Inv		10,928,082
Vanguard Trgt Rtrmt 2030 Inv		14,639,888
Vanguard Trgt Rtrmt 2035 Inv		11,657,171
Vanguard Trgt Rtrmt 2040 Inv		11,225,182
Vanguard Trgt Rtrmt 2045 Inv		13,217,320
Vanguard Trgt Rtrmt 2050 Inv		14,036,095
Vanguard Trgt Rtrmt 2055 Inv		8,656,414
Vanguard Trgt Rtrmt 2060 Inv		3,714,269
Vanguard Trgt Rtrmt 2065 Inv		1,003,704
Vanguard Trgt Rtrmt Inc		3,094,414
Vanguard Growth Indx Inst		58,023
Vanguard Value Indx Adml		45,024
Windsor II Admiral		5,225,370
Vanguard Instit Index		570,880
Vanguard Tot Intl Stock Ind		15,653,037
TRowePr Real Asst		36,523
Dodge & Cox Int Stock Fnd		1,564,226
Dodge Cox Global Stock		4,777,466
Growth Fund of America		3,258,227
Capital World Grth & Inc		4,967,989
Vanguard Small Cap Indx Inst		151,230
Vanguard Ext Mkt Idx Inst		316,840
Vanguard Wlsly Inc Adml		627,842
Vanguard Strategic Equity		270,109
	$	134,765,952

(5) Plan Administration

Nationwide Retirement Solutions, Inc. (NRS) of Columbus, Ohio, is the private sector administrator and marketing agent of the Plan. NRS provides various accounting, reporting, and marketing services and receives compensation through maintenance and asset fees charged against each participant account.

(6) Federal Income Tax Status

The Plan is an eligible nonqualified deferred compensation plan under Section 457(a) of the Internal Revenue Code and is exempt from federal income taxes. The Plan has received a favorable determination letter dated September 15, 1988. The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

(7) Plan Termination

Although they have not expressed any intent to do so, the South Dakota Retirement System Board of Trustees and the South Dakota Legislature have the right to terminate the Plan. In the event of plan termination, participants continue to be 100 percent vested in their account balances.



Special Pay Plan

Fiscal Year 2025

Financial Statements

For Presentation to the SDRS Board of Trustees on

December 10, 2025

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Management's Discussion and Analysis

June 30, 2025

This section presents management's discussion and analysis of the South Dakota Retirement System Special Pay Plan's (SPP or the Plan) financial position and performance for the year ended June 30, 2025. This section is intended to supplement the SPP financial statements and notes.

Financial Highlights

- The net position available for plan benefits of the SPP increased by $2.5 million during fiscal year 2025. This increase was primarily attributable to additional participant contributions.
- The SPP paid $12.7 million to benefit recipients in fiscal year 2025 compared to $11.2 million in 2024. The SPP received $12.2 million in contributions in fiscal year 2025 compared to $9.6 million in 2024.

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

The Plan presents the statement of fiduciary net position as of June 30, 2025, and the statement of changes in fiduciary net position for the year then ended. These statements reflect resources available for the payment of benefits as of year-end and sources and uses of those funds during the year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules.

Financial Analysis

The SPP was established in accordance with Internal Revenue Code Section 401 and under the administrative responsibility of the South Dakota Retirement System Board of Trustees. The Plan is funded by participant contributions and investment income. Marketing strategies and record-keeping services for the Plan are provided by Nationwide Retirement Solutions, Inc.

SPP benefits are based on the participant's balances in the Plan.

A summary of the net position held in trust for plan benefits is shown below:

Summary of Fiduciary Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Investments, at fair value	$ 82,976,426	$ 81,448,246
Cash	1,642,992	1,219,004
Revenue sharing	74,176	69,362
Accrued interest	757	2,311
Contributions receivable	664,211	50,600
Total assets	85,358,562	82,789,523
Liabilities		
Accounts payable	50,965	12,072
Net position held in trust for plan benefits	$ 85,307,597	$ 82,777,451

Changes in Fiduciary Net Position

Additions to the net position mainly were due to contributions during the year. Deductions from net position are primarily benefit payments and administrative expenses. During 2025, SPP paid $12.7 million to benefit recipients, or 13.45 percent more than 2024.

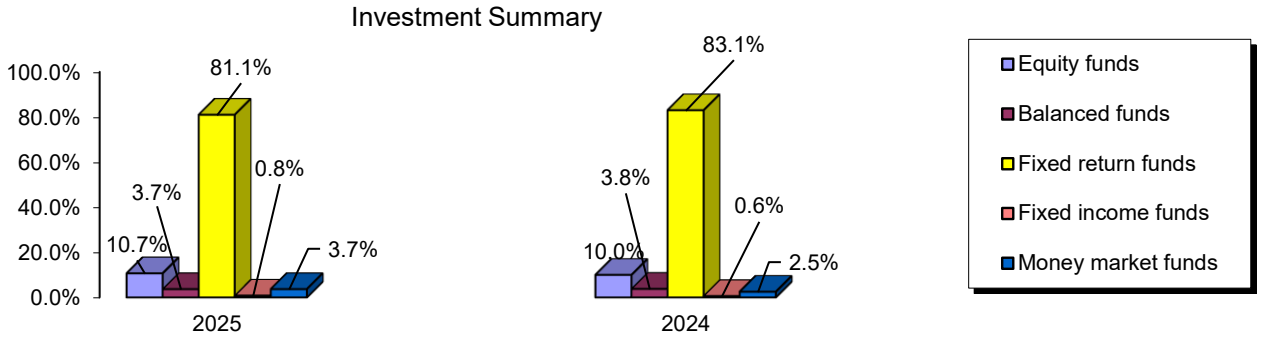
A summary of the changes in fiduciary net position is shown below:

Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

	2025	2024	Percentage Change
Additions			
Employee contributions	$ 12,235,762	$ 9,577,084	27.76%
Investment income	3,734,945	3,802,524	-1.78%
Revenue sharing	4,815	4,719	2.03%
Other income	33,615	31,320	7.33%
Transfers from related plan	3,869	3,313	16.78%
Total additions	16,013,006	13,418,960	19.33%
Deductions			
Distributions to participants	12,696,012	11,190,653	13.45%
Administrative expenses	159,102	153,297	3.79%
Transfers to related plan	627,746	429,258	46.24%
Total deductions	13,482,860	11,773,208	14.52%
Net change in plan net position	2,530,146	1,645,752	53.74%
Net position held in trust for plan benefits:			
Beginning of year	82,777,451	81,131,699	2.03%
End of year	$ 85,307,597	$ 82,777,451	3.06%

Investments



The selection of SPP investment portfolios alternatives is the statutory responsibility of the South Dakota Investment Officer. The following exhibit indicates the percentage of investment in each of the SPP fund types.

Requests for Information

Requests for information about the SPP may be directed to the Special Pay Plan at 222 East Capitol Ave, Suite 1, Pierre SD 57501. You may reach the SPP at (605) 224-2230 or 1 (800) 959-4457.

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Statement of Fiduciary Net Position

June 30, 2025

Assets		
Investments, at fair value:		
Equity funds	$	8,851,283
Balanced funds		3,057,700
Fixed return funds		67,382,827
Fixed income funds		645,297
Money market funds		3,039,319
Total investments, at fair value		82,976,426
Cash		1,642,992
Revenue sharing		74,176
Accrued interest		757
Contributions receivable		664,211
Total assets		85,358,562
Liabilities		
Accounts payable		50,965
Net position held in trust for plan benefits	$	85,307,597

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions		
Contributions	$	12,235,762
Investment income		3,734,945
Revenue sharing		4,815
Other income		33,615
Transfers from related plan		3,869
Total additions		16,013,006
Deductions		
Distributions to participants		12,696,012
Administrative expenses		159,102
Transfers to related plan		627,746
Total deductions		13,482,860
Net change in plan net position		2,530,146
Net position held in trust for plan benefits:		
Beginning of year		82,777,451
End of year	$	85,307,597

See accompanying notes to financial statements.

(1) Plan Description

The following description of the South Dakota Retirement System Special Pay Plan (the Plan) provides only general information. Participants should refer to the plan provisions for a more complete description of the Plan.

(a) General

The Plan was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the South Dakota Retirement System Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the Plan. The Plan consists of 4,807 participants and 149 employers. The Plan mandates that qualifying employees (over age 55 and $600 or more in special pay) of participating units defer 100 percent of their special lump-sum termination pay to the plan. Special pay is compensation other than regular salary or wages granted to a member of the South Dakota Retirement System and transferred in a sum to the Plan at termination of the member's employment. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination, upon later retirement, or to beneficiaries or an estate upon the participant's death.

All amounts of special termination pay deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights held by the fund, at all times until made available to a participant or the participant's beneficiary for estate, shall be held in trust for the exclusive benefit of the participant.

(b) Contributions

Participants in the Plan can contribute the lesser of 100 percent of their one-time, lump-sum special pay associated with their termination or $70,000 for calendar year 2025.

(c) Participant's Account

Each participant's account is credited with the participant's contribution, an allocation of the investment earnings or losses, and administrative expenses. Allocations are made based on the participant's percentage of the total investment balance. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

(d) Distribution to Participants

Distributions of benefits to participants can be made immediately after the participant's termination, or upon the participant's retirement, or to a beneficiary or an estate upon the participant's death. Distributions are in the form of a lump-sum payment in cash equal to the value of the funds allocated to their account or in the form of installments as defined in the plan agreement.

(e) Risks and Uncertainties

The Plan invests in various investment securities. These securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded when incurred. Employee contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Distributions to participants are recognized when paid in accordance with the terms of the Plan.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Subsequent Events

SDRS has evaluated subsequent events through October 23, 2025, the date which the financial statements were able to be issued and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

(3) Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

	Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 14,948,302	$ 14,948,302	$ -	$ -
Fixed Income funds	68,028,124	645,297	-	67,382,827
Investments at fair value	$ 82,976,426	$ 15,593,599	$ -	$ 67,382,827

Fair value for the mutual funds is determined based on the value of the underlying assets in the portfolio. Fixed return funds are carried at contract value, which approximates fair value.

Money market funds invest in short-term, interest-bearing instruments consisting of Treasury Bills, certificates of deposit, and commercial paper. Fixed income funds invest in interest-bearing instruments with varying maturities, including government or corporate bonds, notes, bills, and debentures. Equity funds invest in common and preferred stock and convertible securities of United States and foreign corporations. Balanced funds are invested in a combination of short-term, fixed income, and equity instruments. Fixed return funds are invested in an insurance company group annuity.

The interest rate on fixed return funds is set each quarter and guaranteed for up to two years. These funds are subject to certain restrictions. No more than 20 percent of the beginning of the year aggregate fixed return fund balance may be transferred annually to another investment alternative.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments denominated in foreign currencies are translated into USD using the year-end spot foreign currency exchange rates. Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments.

Changes in fiduciary net position for the year ended June 30, 2025 by investment alternatives available to participants were as follows:

	Beginning Balance	Contributions	Investment Income	Transfers In/Out	Additions/ Deductions	Ending Balance	Fair Value as a Percentage of Plan Assets
Money Market							
Vanguard Federal	$ 2,050,264	$ 74,848	$ 124,734	$ (99,688)	$ 889,161	$ 3,039,319	3.56%
Fixed Return:							
Prudential	**67,677,155**	**10,988,065**	**1,975,522**	**(237,072)**	**(13,020,843)**	**67,382,827**	**78.99%**
Fixed Income							
Vanguard Bond Market	534,409	69,000	33,264	-	8,624	645,297	0.76%
Balanced							
Vngrd Trgt Rtrmt 2020 Inv	483,248	-	47,822	-	(27,461)	503,609	0.59%
Vngrd Trgt Rtrmt 2025 Inv	673,864	-	48,836	(78,125)	(303,319)	341,256	0.40%
Vngrd Trgt Rtrmt 2030 Inv	505,724	69,000	62,915	(49,257)	48,267	636,649	0.75%
Vngrd Trgt Rtrmt 2035 Inv	197,616	-	26,851	-	5,799	230,266	0.27%
Vngrd Trgt Rtrmt 2040 Inv	200,428	9,108	24,311	(8,683)	(38,735)	186,429	0.22%
Vngrd Trgt Rtrmt 2045 Inv	79,640	-	13,180	-	22,972	115,792	0.14%
Vngrd Trgt Rtrmt 2050 Inv	52,985	-	10,281	-	17,577	80,843	0.09%
Vngrd Trgt Rtrmt 2055 Inv	86,337	-	13,339	105	(26)	99,755	0.12%
Vngrd Trgt Rtrmt 2060 Inv	15,600	-	9,517	-	62,399	87,516	0.10%
Vngrd Trgt Rtrmt 2065 Inv	21,409	-	3,326	-	(37)	24,698	0.03%
Vngrd Trgt Rtrmt Inc	755,107	-	69,362	-	(73,582)	750,887	0.88%
Total Balanced	3,071,958	78,108	329,740	(135,960)	(286,146)	3,057,700	3.58%
Equity	-						
Dodge and Cox Int Stock Fd	52,850	-	13,554	-	1,383	67,787	0.08%
DodgeCox Global Stock	168,476	-	24,220	-	(1,287)	191,409	0.22%
Vanguard RealEst Indx Adml	13,047	-	1,189	-	7,289	21,525	0.03%
Am Funds Capital World Grtl	148,823	-	12,002	-	(106,326)	54,499	0.06%
Vanguard Ext Mkt Ind Inst	803,470	-	128,860	-	(137,664)	794,666	0.93%
TRowePr Real Asst	-	-	203	-	10,853	11,056	0.01%
Growth Fund of America	1,132,231	739	236,742	-	(122,226)	1,247,486	1.46%
Windsor II Admiral	667,323	-	61,788	-	(162,117)	566,994	0.66%
Vanguard SmCap Indx Inst	280,088	-	31,151	-	(54,070)	257,169	0.30%
Vanguard Instit Index	2,227,667	-	333,044	(16,139)	(77,563)	2,467,009	2.89%
Vanguard Tot Intl Stock Ind	225,469	-	45,056	-	30,304	300,829	0.35%
Vanguard Wlsly Inc Adml	575,216	18,047	56,373	-	(14,072)	635,564	0.75%
Vanguard Gr Indx Inst	1,163,303	7,531	255,215	(51,116)	328,487	1,703,420	2.00%
Vanguard Val Indx Adml	198,415	-	21,044	(83,902)	13,132	148,689	0.17%
Vanguard Strategic Equity	458,082	3,030	50,487	-	(128,418)	383,181	0.45%
Total Equity	8,114,460	29,347	1,270,928	(151,157)	(412,295)	8,851,283	10.38%
Total Investments	81,448,246	11,239,368	3,734,188	(623,877)	(12,821,499)	82,976,426	97.27%
Other Assets and Liabilities	1,329,205	1,016,584	5,572	-	(20,190)	2,331,171	2.73%
Total Fiduciary Net Position	$ 82,777,451	$ 12,255,952	$ 3,739,760	$ (623,877)	$ (12,841,689)	$ 85,307,597	100.00%

Investments in bold represent investments exceeding 5 percent or more of net position as of June 30, 2025.

(4) Plan Administration

Nationwide Retirement Solutions, Inc. (NRS) of Columbus, Ohio, is the private sector administrator and marketing agent of the Plan. NRS provides various accounting, reporting, and marketing services and receives compensation through maintenance and asset fees charged against each participant account.

(5) Federal Income Tax Status

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes. The Plan has received a favorable determination letter dated October 28, 2004. The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

(6) Plan Termination

Although they have not expressed any intent to do so, the South Dakota Retirement System Board of Trustees and the South Dakota Legislature have the right to terminate the Plan. In the event of plan termination, participants would continue to be 100 percent vested in their account balances.

Financial Statements
June 30, 2025
South Dakota Retirement System,
South Dakota Retirement System Supplemental Retirement Plan, and
South Dakota Retirement System Special Pay Plan

SOUTH DAKOTA RETIREMENT SYSTEM,
SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN,
SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Table of Contents

South Dakota Retirement System

Independent Auditor's Report 1
Management's Discussion and Analysis 4
Financial Statements
- Statement of Fiduciary Net Position 8
- Statement of Changes in Fiduciary Net Position 9
- Notes to Financial Statements 10

Required Supplementary Information
- Schedule of Changes in the System's Net Pension Liability (Asset) 30
- Schedule of System's Net Pension Liability (Asset) 31
- Schedule of System's Contributions 31
- Schedule of Investment Returns 32
- Notes to Schedules of Required Supplementary Information 33

Other Supplementary Information
- Schedule of Administrative Expenses 34
- Schedule of Investment Activity Expenses 35
- Schedule of Payments to Consultants 35

Independent Auditor's 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* 36

South Dakota Retirement System Supplemental Retirement Plan

Independent Auditor's Report 38
Management's Discussion and Analysis 41
Financial Statements
- Statement of Fiduciary Net Position 45
- Statement of Changes in Fiduciary Net Position 46
- Notes to Financial Statements 47

Independent Auditor's 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* 54

South Dakota Retirement System Special Pay Plan

Independent Auditor's Report 56
Management's Discussion and Analysis 59
Financial Statements
- Statement of Fiduciary Net Position 63
- Statement of Changes in Fiduciary Net Position 64
- Notes to Financial Statements 65

Independent Auditor's 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* 70

Independent Auditor's Report

To the Board of Trustees
South Dakota Retirement System
Pierre, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the pension fund of the South Dakota Retirement System (SDRS), a component unit of the State of South Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SDRS's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the South Dakota Retirement System, a component unit of the State of South Dakota as of June 30, 2025, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SDRS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphases of Matter

The financial statements present only the South Dakota Retirement System and do not purport to, and do not present fairly, the financial position of the State of South Dakota, as of June 30, 2025, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, the financial statements include investments valued at $3,572,564,479 (23.39 percent of net position) whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

eidebailly.com
877 W. Main St., Ste. 800 • Boise, ID 83702-5858 • T 208.344.7150 • F 208.344.7435 • EOE

As described in Note 13 to the financial statements, SDRS has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the SDRS net position as of July 1, 2024, to restate beginning net position held in trust for pension benefits. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDRS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SDRS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDRS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension schedules, and notes to the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SDRS' basic financial statements. The additional supplementary information accompanying financial information listed as additional supplemental schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information accompanying financial information listed as additional supplemental schedules in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of SDRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDRS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDRS's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 23, 2025

This section presents management's discussion and analysis of the South Dakota Retirement System's (SDRS or the System) financial position and performance as of and for the year ended June 30, 2025. This section is intended to supplement the SDRS financial statements and should be read in conjunction with the remainder of the SDRS financial statements.

Financial Highlights

- The fiduciary net position of SDRS increased by $350 million during fiscal year 2025. This increase was primarily due to the investment performance of 5.44 percent, which was below the assumed rate of 6.50 percent.
- SDRS paid $762 million to SDRS benefit recipients in fiscal year 2025 compared to $735 million in 2024.
- SDRS received $355 million in SDRS member and employer contributions in fiscal year 2025 compared to $335 million in 2024.

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

The System presents the statement of the fiduciary net position as of June 30, 2025, and the statement of changes in fiduciary net position for the year then ended. These statements reflect resources available for the payment of benefits as of the year-end and sources and uses of those funds during the year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules. Information in the notes provides disclosures concerning SDRS's organization, contributions and reserves, investments, the use of derivatives and securities lending, and other information.

Supplemental Information

In addition to this discussion and analysis, the required supplemental information consists of four schedules of trend data and related notes concerning the funded status of SDRS, changes in net pension liability (asset), investment returns, actuarial assumptions, and employer contributions.

Other supplementary schedules include detailed information on administrative expenses incurred by SDRS and a breakout of investment manager fees.

Financial Analysis

SDRS is a cost-sharing, multiple-employer public employee retirement system. SDRS provides retirement, disability, and survivor benefits for employees of the state of South Dakota and its political subdivisions. The benefits are funded through member and employer contributions and investment income.

SDRS benefits are based on the members' final average compensation, their years of credited service, and a benefit multiplier.

A summary of the fiduciary net position is shown below:

Summary of Fiduciary Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 7,999,016	$ 9,072,379
Receivables	77,381,748	74,841,798
Investments, at fair value	15,210,238,019	14,841,283,609
Other assets	27,218	199,490
Due from brokers – futures transactions	-	10,053,575
Total assets	15,295,646,001	14,935,450,851
Liabilities		
Accounts payable and accrued expenses	4,499,074	3,499,470
Unsettled investment purchases	11,779,824	9,641,894
Due to brokers – futures transactions	7,849,500	-
Total liabilities	24,128,398	13,141,364
Net position restricted for pension benefits	$ 15,271,517,603	$ 14,922,309,487

Change in Fiduciary Net Position

Additions to the fiduciary net position include member and employer contributions and net investment income. The fixed member and employer contribution rates are established by law. On an annual basis, an actuarial valuation of SDRS is made to determine the adequacy of the fixed contribution rates to pay the normal cost of benefits, expenses, and amortize the unfunded actuarial accrued liability. In addition to the fixed contributions, members and employers may make additional contributions to purchase uncredited prior service. These purchase or acquisition payments are also included as contributions.

Income from investments is the other primary source of revenue for SDRS. The actuarial assumed investment rate was 6.50 percent at June 30, 2025. The net money-weighted investment returns were 5.44 percent for 2025 and 5.98 percent for 2024.

Deductions from fiduciary net position are primarily benefit payments. During 2025, SDRS paid $762 million to benefit recipients, or 3.58 percent more than in 2024. The increase is due to the annual cost-of-living adjustment, which increased benefits by 1.91 percent at the beginning of fiscal year 2025, and additional annuitants. Refunds of accumulated contributions during 2025 increased 26.88 percent. Administrative costs of SDRS increased 6.38 percent during 2025. The increase in administrative costs is due to the change in compensated absences reporting and the addition of two employees.

A summary of the changes in fiduciary net position is shown below:

Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

	2025	2024	Percentage change
Additions			
Employee contributions	$ 176,641,822	$ 167,162,702	5.67%
Employer contributions	178,517,895	168,329,948	6.05%
Investment income	798,505,462	856,068,350	-6.72%
Total additions	1,153,665,179	1,191,561,000	-3.18%
Deductions			
Benefits	761,846,186	735,491,608	3.58%
Refunds of contributions	36,510,202	28,776,190	26.88%
Administrative expenses	5,783,686	5,436,819	6.38%
Total deductions	804,140,074	769,704,617	4.47%
Net change in net position	349,525,105	421,856,383	-17.15%
Plan net position restricted for pension benefits			
Beginning of year	14,922,309,487	14,500,453,104	2.91%
Prior year adjustment *	(316,989)	-	
End of year	$ 15,271,517,603	$ 14,922,309,487	2.34%

** SDRS adopted GASB statement 101 Compensated Absences. As a result of this change in accounting principle, it was not appropriate for SDRS to restate prior period information for earlier periods than those presented in the financial statements. See Note 13 to the financial statements for further information on the change in accounting principle.*

Investments

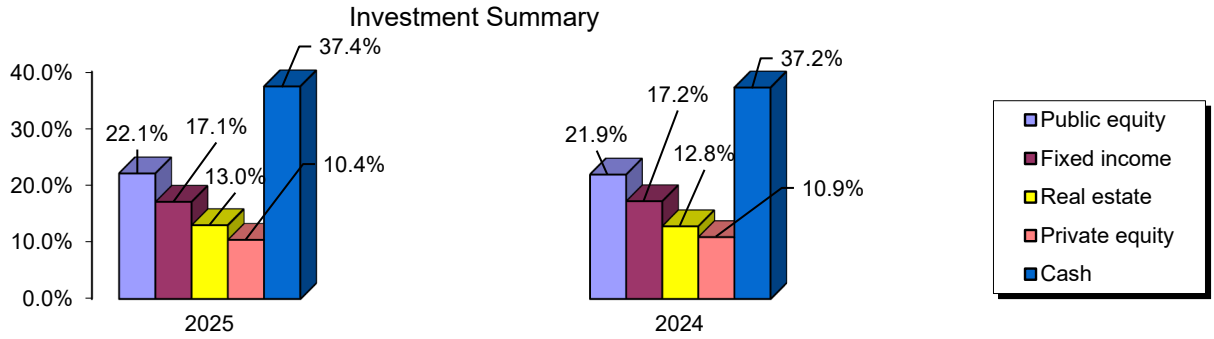
SDRS investment portfolio management is the statutory responsibility of the South Dakota Investment Council. The South Dakota Investment Office is the primary investment manager, but the Investment Council may utilize the services of external money managers.

Net money-weighted investment performance during 2025 and 2024 was 5.44 percent and 5.98 percent, respectively.

The Investment Council is governed by the prudent-person standard, as defined in South Dakota Codified Law §4-5-27:

§4-5-27. Prudent-person standard required in investments. Any investments under the provisions of §4-5-12 to §4-5-39, inclusive, shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Though monthly benefit payments exceed monthly contributions, subject to sudden, substantial, and unexpected withdrawals. As a result, it is not necessary to maintain a high percentage of assets in short-term investments unless that is deemed to be the best investment strategy. This allows the SDRS trust fund to be fully invested in a diversified portfolio of securities.



Plan Status

SDRS's funding policy established objectives necessary for the management of SDRS based on statutory member and employer contributions. SDRS continues to be a very well-funded system with a fair value funded ratio of 100.06 percent.

Requests for Information

Requests for information about SDRS may be directed to the South Dakota Retirement System at P.O. Box 1098, Pierre, SD 57501. You may also contact SDRS online at sdrs.sd.gov.

SOUTH DAKOTA RETIREMENT SYSTEM

Statement of Fiduciary Net Position

June 30, 2025

Assets	
Cash and cash equivalents	$ 7,999,016
Receivables	
Employer	3,961,572
Employee	4,025,510
Benefits	279,739
Unsettled investment sales	10,846,143
Accrued interest and dividends	58,268,784
Total receivables	77,381,748
Investments, at fair value	
Fixed income	5,728,569,655
Equities	5,909,103,885
Real estate	1,991,365,530
Private equity	1,581,198,949
Total investments, at fair value	15,210,238,019
Properties, at cost (net of accumulated depreciation of $28,648)	6,873
Assets used in plan operations, at cost (net of accumulated depreciation of $2,042,088)	-
Other assets	20,345
Total assets	**15,295,646,001**
Liabilities	
Accounts payable and accrued expenses	4,499,074
Due to brokers	7,849,500
Unsettled investment purchases	11,779,824
Total liabilities	**24,128,398**
Net position held in trust for pension benefits	**$ 15,271,517,603**

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions	
Contributions	
Employee	$ 176,641,822
Employer	178,517,895
Total contributions	355,159,717
Investment Income	
From investing activities	
Net increase in fair value of investments	475,415,399
Interest	233,402,181
Dividends	136,608,007
Real estate	5,342,432
Investment activity income	850,768,019
Less investment activity expenses	(52,549,222)
Net investment activity income	798,218,797
From security lending activities	
Security lending income	422,619
Security lending expenses	(135,954)
	286,665
Total additions	1,153,665,179
Deductions	
Benefits	761,846,186
Refunds of contributions	36,510,202
Administrative expenses	5,783,686
Total deductions	804,140,074
Net change in net position	349,525,105
Net position held in trust for pension benefits:	
Beginning of year	**14,922,309,487**
Prior Year Adjustment (See Note 13)	**(316,989)**
Restated June 30, 2024 Net Position Restricted for Pension Benefits	**14,921,992,498**
End of year	**$ 15,271,517,603**

See accompanying notes to financial statements.

(1) General Description of the System

The South Dakota Retirement System (SDRS or the System) is a cost sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the state of South Dakota (the State) and its political subdivisions. Members of SDRS include full time employees of public schools, the State, the Board of Regents, city and county governments, and other public entities. Public schools, cities, and counties may choose not to include certain full time employees in the System.

SDRS is a component unit of the State of South Dakota and as such is included in the State's financial report as a pension trust fund. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law (SDCL) 3-12C.

The South Dakota Retirement System Board of Trustees (the Board) is the governing authority of SDRS. The Board consists of 14 elected representatives from participating groups, two appointees of the governor, and an ex officio nonvoting representative of the South Dakota Investment Council. The elected representatives of the Board are two teacher members; two State employee members; a participating municipality member; a participating county member; a participating classified employee member; a current contributing Class B member other than a justice, judge, or magistrate judge; a county commissioner of a participating county; a school district board member, a justice, judge, or magistrate judge, an elected municipal official of a participating municipality; a retiree; and a faculty or administrative member employed by the Board of Regents. The two Governor's appointees consist of one head of a principal department established pursuant to SDCL 1-32-2, or one head of a bureau under the office of executive management and one individual from the private or public sector.

SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions. The system includes four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members. Members and their employers make matching contributions, which are defined in State statute. SDRS may expend up to 3 percent of the annual contributions for administrative expenses subject to approval by the executive and legislative branches of the State.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation judicial members who retire after age 65 with three years of service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of foundational members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the

above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Class C Cement Plant Retirement Fund members have a normal retirement age of 65, and early retirement is at age 55 with the required credited service. Class C Cement Plant provides for disability payments for those disabled on or before March 16, 2001. All members of the Cement Plant Retirement Plan on March 15, 2001, were 100 percent vested. Class C members may elect a single-life benefit or joint and survivor benefits as described in their plan documents.

Class D Department of Labor and Regulation plan members entered SDRS on July 1, 2020, with benefits determined under the terms of the prior plan. All Class D members are currently retired and receiving benefits and are eligible for SDRS COLA.

Legislation enacted in 2017 and established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25 percent.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
    * The increase in the 3rd quarter CPI-W, no less than 0.5 percent and no greater than 3.5 percent.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
    * The increase in the 3rd quarter CPI-W, no less than 0.5 percent and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2023 and reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

SDRS is a qualified defined benefit retirement plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes. SDRS last received a favorable determination letter dated October 3, 2016, in which the Internal Revenue Service stated that the System, as then designated, was in compliance with the applicable requirements of the Internal Revenue Code. SDRS believes that the System currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code, and therefore, SDRS continues to be tax-exempt as of June 30, 2025. Therefore, no provision for income taxes has been included in SDRS's financial statements.

SDRS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SDRS participates in the various programs administered by the State. These risk management programs are funded through assessments charged to participating entities. The risk management programs include (1) coverage for risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability) through the State's Public Entity Pool for Liability Fund, (2) coverage of employee medical claims through the State's health insurance program, (3) coverage for unemployment benefits through the State's Unemployment Insurance Fund, and (4) coverage for workers' compensation benefits through the State's Workers' Compensation Fund. Financial

information relative to the self-insurance funds administered by the State is presented in the State of South Dakota Annual Comprehensive Financial Report.

As of June 30, 2025, the number of participating governmental employers is as follows:

School Districts	164
State of South Dakota	1
Board of Regents	1
Municipalities	172
Counties	66
Board and Commissions	106
Total employers	510

As of June 30, 2025, SDRS membership consists of the following:

Retirees and beneficiaries currently receiving benefits:	
Class A (general employees)	32,402
Class B (public safety and judicial employees)	2,207
Class C (cement plant employees)	220
Class D (Department of Labor employees)	132
Total retirees and beneficiaries	34,961
Terminated members entitled to benefits but not yet receiving them:	
Class A (general employees)	24,897
Class B (public safety and judicial employees)	1,811
Class C (cement plant employees)	20
Class D (Department of Labor employees)	-
Total terminated members	26,728
Current active members:	
Vested:	
Class A (general employees)	30,832
Class B (public safety and judicial employees)	2,694
Class C (cement plant employees)	7
Class D (Department of Labor employees)	-
Nonvested:	
Class A (general employees)	9,148
Class B (public safety and judicial employees)	1,103
Total current active members	43,784
Grand total	105,473

There are 97 class A and 9 class B public safety and judicial members or beneficiaries whose benefits are currently suspended but are entitled to future benefits. These members or beneficiaries are included as retirees and beneficiaries in their respective classes as listed.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles applicable to governmental accounting for a pension trust fund. Employee and employer contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(b) Method Used to Value Investments

Investments are reported at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

Additional required disclosures can be found in Note 5: Cash and Investments.

Investments denominated in foreign currencies are translated into United States Dollars (USD) using the year-end spot foreign currency exchange rates. Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments.

Alternative investments consist of investments in a variety of markets and industries through partnerships, corporate entities, co-investments, and other investment vehicles. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. For all of these alternative investments, SDRS has determined that net asset value reported by the underlying fund approximates the fair value of the investment. These fair value estimates are, by their nature, subjective and based on judgment. These alternative investments were valued at $3,572,564,479 (23.39 percent of net position) at June 30, 2025. The estimated fair value of these investments may differ significantly from values that would have been used had a ready market existed.

(1) Futures contracts are marked to market based on quoted futures prices with changes in fair value reflected in the current period.

(2) Interest is accrued in the period in which it is earned, and dividend income is recorded on the ex-dividend date.

The arithmetically calculated money-weighted return net of fees was 5.44 percent in 2025. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investment by the proportion of time they are available to earn during that period. The rate of return equates the sum of weighted external cash flows into and out of pension plan investments to the ending fair value of the pension plan investment.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

(d) Subsequent Events

SDRS has evaluated subsequent events through October 23, 2025, the date on which the financial statements were issued, and we determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

(e) Capital Assets

Capital assets consisted of the following for fiscal year 2025:

	Beginning balance	Additions	Deductions	Ending balance
Capital Assets Being Depreciated				
Properties	$ 35,521	$ -	$ -	$ 35,521
Intangible Asset -Software	2,042,088	-	-	2,042,088
Total Assets being depreciated	2,077,609	-	-	2,077,609
Less Accumlated Depreication				
Properties	25,694	2,954	-	28,648
Intangible Asset -Software	1,871,914	170,174	-	2,042,088
Total Accumulated Depreciation	1,897,608	173,128	-	2,070,736
Net Capital Assets Being Depreciated	$ 180,001	$ (173,128)	$ -	$ 6,873

(3) Contributions and Reserves

(a) Contributions

Covered employees are required by statute to contribute a percentage of their salary to SDRS as follows:

Class A members	6.0% of Salary
Class B public safety members	8.0% of Salary
Class B judicial members	9.0% of Salary

All participating employers are required to contribute an amount equal to the members' contributions. Members may make an additional contribution of 1.5 percent of compensation for optional spouse coverage (closed to new enrollees after July 1, 2010).

SDRS is funded by fixed member and employer contributions at a rate established by South Dakota law. On an annual basis, an actuarial valuation of SDRS is performed to determine the adequacy of the fixed contributions to pay the normal costs and expenses, if the System is fully funded or pay the normal costs, expenses and amortize the unfunded actuarial accrued liability (UAAL) if the System is not fully funded. The June 30, 2025, actuarial valuation of the plan determined that the System is fully funded and that the statutorily required employer contributions meet the requirements for the annual required contributions of the employers under GASB Statement No. 67*, Financial Reporting for Pension Plans*; and the statutorily required employer contributions are sufficient to pay the employer normal cost and expenses. Annual required contributions of the employers equal to the statutorily required contributions have been listed below pursuant to GASB Statement No. 68*, Accounting and Financial Reporting for Pensions.*

Contributions during fiscal year 2025 totaling $355,159,717 ($176,641,822 employee, $178,517,895 employer) were made in accordance with statutory rates. The employer contributions exceed the employee contributions due to the effect of SDCL 3-12C-1405, which governs the contributions of retired members who enter covered employment. Contributions for the last 5 fiscal years are as follows:

	Employer	Percentage contributed
Year ending June 30:		
2025	$ 178,517,895	100%
2024	168,329,948	100
2023	154,761,704	100
2022	143,270,826	100
2021	136,159,432	100

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years. Interest is charged at the assumed rate of return for the plan at the date the contract is initiated.

Future payments will be received as follows:

	Employees
Year ending June 30:	
2026	$ 21,902
2027	20,701
2028	20,183
2029	16,688
2030	9,614
Later	31,935
Deferred contributions receivable at June 30, 2025	$ 121,023

(4) Net Pension Liability (Asset) of the System

The components of the net pension liability (asset) of the System at June 30, 2025, was as follows:

Total pension liability	$15,263,012,420
Plan fiduciary net position	(15,271,517,603)
Net pension liability (asset)	$ (8,505,183)
Fiduciary net position as a percentage of net pension liability (asset)	100.06%

***Actuarial Assumptions* –** The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50%, net of investment expenses. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLA's	1.56%

All mortality rates were based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement Scale MP-2020.

Active and Terminated Vested Members:
Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:
Teacher, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:
PubG-2010 contingent survivor mortality table

Disabled Members:
Public Safety: PubS-2010 disabled member mortality table
Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Discount rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of (asset)/liability to changes in the discount rate – The following presents the net pension liability/(asset) of the System, calculated using the discount rate of 6.50 percent, as well as what the System's net pension (asset) liability would be if it were calculated using a discount rate that is 1 percent point lower (5.50 percent) or 1 percent point higher (7.50 percent) than the current rate:

	1 percent Decrease	Current Discount Rate	1 percent Increase
System's net pension (asset)/liability	$2,084,431,536	$ (8,505,183)	$(1,723,120,453)

(5) Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents are held by the State Treasurer and were invested in the State's pooled investment fund. Investments in the State's pooled investment fund consist primarily of short-term U.S. Treasury and Agency obligations, short-term U.S. Corporate securities, bank certificates of deposit, and money market funds.

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are held in the possession of an outside party. SDRS has a formal deposit policy specific to custodial credit risk and foreign currencies. Policy states that the USD equivalent of any non-USD currency cannot exceed 2.0 percent of any portfolio on a trade date +2 business days basis. All portfolios as of June 30, 2025, meet policy guidelines. These deposits are not collateralized or covered by depository insurance. As a result, $22,367,549 was exposed to custodial credit risk, which is recorded in investments in the statement of fiduciary net position.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Person Rule (i.e., the council should use the same degree of care as a prudent person). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In addition, the long-term expected rate of return includes an expectation that a portion of the consistent, historical outperformance relative to expectations due to the dynamic asset allocation process will continue.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3 percent	3.8 percent
Investment Grade Debt	22.8 percent	2.3 percent
High Yield Debt	7.0 percent	2.9 percent
Real Estate	12.0 percent	4.0 percent
Cash	1.9 percent	0.8 percent
	100.0 percent	

Below is a detail of the investment balances and amounts managed by the respective fund managers:

	Cost	Fair Value
South Dakota Investment Council	$ 9,816,587,799	$ 11,368,256,194
Blackstone Capital Partners	52,738,830	99,221,906
Blackstone Energy Partners	88,793,688	168,375,045
Blackstone Real Estate Partners	1,035,227,423	1,156,644,244
Bridgewater	36,742,005	128,890,808
Brookfield Strategic Partners	285,634,854	340,268,371
Capital International	6,983,985	1,706,534
Carlyle	25,115,859	22,606,867
Cinven	167,199,862	230,446,590
CVC	229,859,193	328,478,605
EnCap Energy Capital	28,432,351	32,305,808
Lone Star Real Estate	156,888,313	126,227,703
Pinebridge	3,666,789	2,666,137
Riverstone	65,040,161	51,046,580
Rockpoint Real Estate	136,033,564	127,439,106
Sanders Capital	74,273,100	123,311,603
Silver Lake	372,062,903	644,344,877
Starwood Real Estate	229,629,560	240,786,106
Telsey	14,472,374	17,214,935
Total	$ 12,825,382,613	$ 15,210,238,019

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment grade fixed income portfolios of SDRS are benchmarked to the duration of the FTSE US Broad Investment Grade (USBIG) Index and must fall between 70 percent and 130 percent of the USBIGs duration.

The durations of the various investment types are listed in the following table:

The SDRS fixed income portfolios invest in mortgage-backed securities. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the value of these securities.

	Fair value	(in years)
Investment type:		
U.S. Treasuries	$ 535,096,000	6.07
U.S. Treasury Bills	2,137,699,327	0.14
U.S. Treasury STRIPS	507,313,622	7.24
U.S. Agencies	37,061,381	2.08
Investment Grade Corporates	452,438,033	3.56
Bond Exchange Traded Funds	46,375,901	5.89
High-Yield Corporates	490,572,314	2.94
Agency Mortgage-Backed Securities	371,239,189	5.57
Total	$ 4,577,795,767	2.77

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to SDRS. SDIC sets the investment policy annually for SDRS. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. As of June 30, 2025, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. government, which are not considered to have credit risk. The investments are grouped according to the Standards & Poor's (S&P) Global Ratings.

	Fair value
S&P Global ratings:	
AAA	$ 6,959,574
AA	390,312,699
A	211,879,250
BBB	139,985,884
BB	281,645,925
B	157,115,905
CCC	47,286,558
U.S. Government Guaranteed	3,291,710,144
Unrated	859,722,775
Total	$ 5,386,618,714

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of SDRS's investment in a single issuer. SDRS does not have guidelines to limit its investments in any particular investment. SDRS does not have investments in any one issuer that represent 5 percent or more of the total fair value of investments as of June 30, 2025 (excluding those issued by or explicitly guaranteed by the U.S. government).

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. SDRS's exposure to foreign currency risk derives from its positions in foreign currency and foreign-currency-denominated equity and fixed income investments. SDRS does not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark), but does allow hedging under certain circumstances, when deemed appropriate. The portfolio's exposure to foreign currency risk at June 30, 2025, is as follows (in U.S. dollar fair value):

	Equities	Cash	Total
Currency:			
Australian Dollar	$ 12,642,237	$ 666,762	$ 13,308,999
British Pound	196,010,004	5,441,774	201,451,778
Canadian Dollar	118,610,552	1,717,389	120,327,941
Danish Krone	10,571,367	125,442	10,696,809
Euro	489,623,398	9,812,699	499,436,097
Hong Kong Dollar	1,028,796	5,201	1,033,997
Japanese Yen	168,639,861	3,578,751	172,218,612
South Korean Won	101,189,820	-	101,189,820
Norwegian Krone	5,488,519	88,769	5,577,288
Singapore Dollar	4,226,493	64,943	4,291,436
Swedish Krona	17,764,570	3	17,764,573
Swiss Franc	148,167,139	865,816	149,032,955
Thai Baht	894,824	-	894,824
Total fair value	$ 1,274,857,580	$ 22,367,549	$ 1,297,225,129

Investments with limited partnerships and certain global equity investments with external managers, which are not included in the table above, may expose SDRS's portfolio to additional foreign currency risk. The total fair value of investments in real estate and private equity limited partnerships as of June 30, 2025, was $3,572,564,479. The total fair value of hedge funds investments managed by external managers was $146,105,744.

(e) Return on Investments

During fiscal year 2025, SDRS's investments (including investments bought and sold, as well as held during the year) appreciated in value by $475,415,399.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior years and current year.

Changes in Fair Value of Investments

Appreciation (Depreciation) in Fair Value of Investments:		
Equities	$	133,403,160
Fixed Income		103,563,579
Real Estate		10,992,804
Private Equity		(762,594)
Change in Accrued Income		(598,297)
Total increase (decrease) in fair value		**246,598,652**
Realized gain (loss) on investments:		
Equities		310,880,039
Fixed Income		2,822,015
Real Estate		(10,044,690)
Private Equity		131,959,434
Total net realized gains		**435,616,798**
Futures - change in unrealized gain (loss)		(59,753,335)
Futures - realized gain (loss)		(147,046,716)
Net loss on futures		**(206,800,051)**
Net appreciation in investments	**$**	**475,415,399**

(f) Securities Lending

State statutes and SDRS policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. SDRS's securities custodian is an agent in lending securities and shall accept only U.S. government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102 percent of fair value plus accrued interest for corporate debt securities, 102 percent of fair value for U.S. equity securities, and 105 percent of fair value for foreign securities, except in the case of loans of foreign securities, which are denominated and payable in U.S. dollars, in which event the collateral required is 102 percent of fair value. The earnings generated from the collateral investments result in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

The fair value of securities on loan as of June 30, 2025, was $120,627,111, and the collateral held on the same date was $124,542,137. SDRS has no credit risk exposure to borrowers because the amounts SDRS owes the borrowers exceed the amounts the borrowers owe SDRS. The contract with the lending agent requires the agent to indemnify SDRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

All securities loans can be terminated on demand by either SDRS or the borrower. SDRS does not have the ability to pledge or sell collateral securities unless the borrower defaults; therefore, no asset and corresponding liability for the collateral value of securities received have been established on the

statement of fiduciary net position. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

(g) Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. SDRS securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2025, SDRS does not have custodial credit risk with regard to the security lending collateral.

(h) Fair Value Measurements and Applications

The following table shows the fair value in accordance with the GASB hierarchy:

Investments Measured at Fair Value	6/30/2025	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
US Treasuries	$ 535,096,000	$ -	$ 535,096,000	$ -
US Treasury Bills	2,137,699,327	-	2,137,699,327	-
US Treasury STRIPS	507,313,622	-	507,313,622	-
US Agencies	37,061,381	-	37,061,381	-
Investment Grade Corporates	452,438,033	-	452,438,033	-
High-Yield Corporates	490,572,314	-	490,572,314	-
Bond ETF - Exchange traded funds	46,375,901	46,375,901	-	-
Agency Mortgage-Backed Securities	371,239,189	-	371,239,189	-
Total Fixed Income Securities	**4,577,795,767**	**46,375,901**	**4,531,419,866**	**-**
Equity Securities				
Domestic Stock	4,712,118,020	4,712,118,020	-	-
International Stock	1,274,857,579	1,274,857,579	-	-
Preferred Stock	1,135,174	-	1,135,174	-
Total Equity Securities	**5,988,110,773**	**5,986,975,599**	**1,135,174**	**-**
Total Investments by Fair Value Level	**$ 10,565,906,540**	**$ 6,033,351,500**	**$ 4,532,555,040**	**$ -**
Investments Measured at Net Asset Value (NAV)				
Short-Term Investment Funds	808,822,947			
Multi-Strategy Hedge Funds	146,105,744			
Alternative Investments				
Real Estate Funds	1,991,365,530			
Private Equity Funds	1,581,198,949			
Total alternative investments	3,572,564,479			
Investments, Measured at NAV	**$ 4,527,493,170**			
Total Investments measured at fair value	**$ 15,093,399,710**			
Plus: Cash Held by Fund Managers	132,563,266			
Less GL of FX Transactions	1,101,881			
Less: Accrued Monthly Interest	(16,826,838)			
	$ 15,210,238,019			
Investment derivative instruments				
Futures Contracts	$ (7,849,500)	$ (7,849,500)	$ -	$ -
Foreign Exchange Forward Contracts (liability)	1,100,748	-	1,100,748	-
Total investment derivative instruments	$ (6,748,752)	$ (7,849,500)	$ 1,100,748	$ -

Equity and Fixed income securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical securities as of the measurement date as issued by pricing vendors. Securities classified in Level 2 of the fair value hierarchy include valuations using quoted prices for a similar security in active markets and using observable inputs other than quoted prices for identical securities.

Fixed income securities classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The prices are determined by matrix pricing techniques maintained by various pricing vendors/brokers for these securities. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices.

SDRS holds shares or interests in investments whose fair value is measured on a recurring basis using the net asset value per share (or its equivalent) as a practical expedient. The NAV valuations are based on the valuations of the underlying companies as determined and reported by the fund manager or general partner.

Derivative instruments classified in Level 1 of the fair value hierarchy represent the pending variance margin on futures contracts, which is calculated using quoted prices in active markets for identical securities. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The foreign currency forward contract valuations are determined by interpolating fx rates for various settlement dates as of June 30, 2025.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short Term Investment Funds (a)	$ 808,822,947	n/a	Daily	0 days
Multi-Strategy Hedge Funds (b)	146,105,744	n/a	Monthly	5-90 days
Alternative Investments				
Real Estate Funds (c)	1,991,365,530	$ 686,032,527		
Private Equity Funds (d)	1,581,198,949	441,137,145		
Investments, Measured at net asset value (NAV)	$ 4,527,493,170			

(a) Short Term Investment Funds. This type includes investments in four open-end mutual funds that invest exclusively or primarily in high-quality, short-term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. The fair values of the investments in this type have been determined using the NAV per share of the investments.

(b) Multi-Strategy Hedge Funds. This type includes two investments in funds that may invest in a wide range of asset classes in order to meet fund objectives. The fair value of the investment in this type has been determined using the NAV per share of the investment.

(c) Real Estate funds. This type includes 26 real estate funds that invest primarily in commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying

investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

(d) Private Equity Funds. This type includes 29 private equity funds that invest primarily in leveraged buyouts. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

(6) Derivatives

Derivatives are generally defined as contracts whose values depend on, or derive from, the value of an underlying asset, reference rate, or index. SDRS is exposed to various derivative products through the investment management of the SDIC and its external managers. All of SDRS's derivatives are classified as investment derivatives.

Futures Contracts

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The South Dakota Investment Council purchases and sells futures contracts as a means of adjusting the SDRS portfolio mix at a lower transaction cost than the transactions, which would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2025, S&P 500 futures and 10-year U.S. Treasury note futures were utilized. Upon entering into such a contract, SDRS pledges to the broker cash or U.S. government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, SDRS receives or pays a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The change in fair value of the futures contracts is presented in the statement of changes in fiduciary net position as "Net increase in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2025 was $(206,800,051).

Futures contract positions at June 30, 2025 were as follows:

Description	Expiration date	Open position	Number of contracts	Notional Contract size	Fair value
S&P 500 Index	September 2025	Short	8,733	$50 x S&P 500 index	$ (2,730,699,938)

Foreign Currency Forward Contracts

The SDIC enters into foreign exchange forward contracts for SDRS to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Fiduciary Net Position as Investments, at fair value – Equities. The change in fair value of the forward contracts is presented in the statement of changes in fiduciary net position as "Net increase in fair value of investments."

The net change in fair value from foreign currency forward contracts for the fiscal year ended June 30, 2025, was $3,202,333. At June 30, 2025, the foreign currency forward contracts outstanding were as follows:

Description	Notional amount	Currency	date	Fair value
Forward buy	$ 7,718,000,000	JPY	8/15/2025	$ 1,100,748

(a) Credit Risk

SDRS is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. At June 30, 2025, the net fair value of foreign currency forward contracts was $1,100,748. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

(b) Foreign Currency Risk

SDRS is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in U.S. dollars is $0.

(7) Compensated Absences

Annual leave is earned by all SDRS employees. Upon termination, SDRS employees are eligible to receive compensation for their accrued annual leave balances. Employees who have been continuously employed by SDRS and the State for at least seven years prior to the date of their retirement, voluntary resignation, or death will receive payment for one-fourth of their accumulated sick leave balance, with such payment not to exceed the sum of 12 weeks of the employee's annual compensation. For employees who have not been employed for seven continuous years, an accrued liability is calculated assuming the likelihood that they will meet the seven-year threshold in the future. At June 30, 2025, a liability existed for accumulated and accrued annual and sick leave calculated at the employees' June 30, 2025 pay rate in the amount of $911,976. The total leave liability for the current year is on the statement of fiduciary net position available for benefits in accounts payable and accrued expenses.

GASB 101 updated the recognition and measurement of compensated absences. The statement required the recalculation of the FY24 amount and requires a prior period adjustment, which is shown in note number 13, New Pronouncements. The following table shows the amounts calculated:

	Balance July 1, 2024	Additions	Payments	Balance June 30, 2025	Due within One Year
Compensated Absences*	$ 533,418	$ 378,558	$ -	$ 911,976	$ 369,350

** The roll-forward schedule only reports the net change in the compensated liability.*

(8) Supplemental Retirement Plan

SDRS offers a deferred compensation plan known as the Supplemental Retirement Plan (SRP), created in accordance with Internal Revenue Code Section 457. SRP is available to all public employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the SRP, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are at all times held in trust for the exclusive benefit of the participants until made available to a participant or the participant's beneficiary.

Of the $827,341,151 net position restricted for plan benefits at June 30, 2025, $487,561,965 was held in trust for employees of the State, while the remaining $339,779,186 represents the assets held in trust for employees of other jurisdictions.

(9) Special Pay Plan

The Special Pay Plan (SPP) was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the SDRS Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the plan. The SPP mandates that qualifying employees (over age 55 and $600 or more in special pay) of participating units defer 100 percent of their special lump sum termination pay to the plan. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination, upon later retirement, or to beneficiaries or an estate upon the participant's death.

Of the $85,307,597 net position restricted for plan benefits at June 30, 2025, $45,633,088 was held in trust for employees of the State, while the remaining $39,674,509 represents the assets held in trust for employees of other jurisdictions.

(10) Plan Termination

SDRS is administered in accordance with South Dakota statutes. The statutes provide for full vesting in accrued benefits upon termination of the plan (SDCL 3-12C-221).

(11) Commitments

As of June 30, 2025, SDRS had uncalled capital commitments to private equity limited partnerships totaling $441,137,145 and to real estate limited partnerships totaling $686,032,527. The commitments may be called at the discretion of the general partner or may never be called.

(12) Litigation

In 2014 and 2015, SDRS held an interest in Fourth Cinven Fund Limited Partnership (the "LP"), an English Limited Partnership. In those years, the LP received material dividends from Avio S.p.A. ("Avio"), an Italian joint stock company; said dividends were promptly distributed by LP to its limited partners, including SDRS.

Upon distribution, Avio subjected the Avio Dividends to withholding tax at statutory rates (the "WHT"). In 2018, SDRS, in its capacity as limited partner of a tax transparent vehicle (LP), applied for the full refund of the WHT suffered on the pro rata portion of the Avio Dividends, claiming the application of withholding tax rates reduced to zero according to the Double Tax Treaty between the United States of America and Italy.

The Italian Tax Authorities never replied to the refund application (a so-called "silent denial"); accordingly, in compliance with Italian laws, SDRS commenced litigation proceedings before the Tax Court of First Instance in order to obtain the declaration of the right to the requested refund.

In February 2023, the Tax Court of First Instance disallowed SDRS appeal. In September 2023, SDRS appealed to the Tax Court of Second Instance. In June 2024, the Tax Court of the Second Instance confirmed the First Instance's decision, denying the 2014 and 2015 refund requests. In December 2024, an appeal was filed with the Italian Supreme Court, and we are awaiting a decision.

The legal action does not represent an immediate negative contingency.

(13) New Pronouncements

The GASB issued Statement No. 101, *Compensated Absences*, which took effect for this year's financial statements. The objective of Statement 101 is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Statement 101 requires recalculating the previous year's ending balance with the new GASB implementation guide, which results in a restatement of the beginning equity.

Net Position Restricted for Pension Benefits, previously reported June 30, 2024	$14,922,309,487
Change for the recalculation of compensated absences under GASB 101	(316,989)
Restated June 30, 2024 Net Position Restricted for Pension Benefits	$14,921,992,498

Required Supplementary Information
June 30, 2025

South Dakota Retirement System

SCHEDULE OF CHANGES IN THE SYSTEM'S NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	$ 307,650,433	$ 291,155,784	$ 275,103,735	$ 260,129,052	$ 228,793,696	$ 237,264,711	$ 233,802,396	$ 222,709,592	$ 192,682,191	$ 184,923,317
Interest	964,146,155	936,372,466	911,947,973	895,957,242	795,666,742	805,447,155	791,288,656	752,702,794	781,413,919	745,774,586
Changes in benefit terms	-	-	-	-	-	2,246,202	-	-	(567,079,980)	-
Differences between expected and actual experience	94,763,707	260,469,110	199,176,582	209,192,709	30,918,486	6,447,338	(6,190,846)	5,220,615	97,593,700	78,645,840
Changes of assumptions	(223,452,997)	(296,160,706)	(277,074,634)	(418,989,267)	1,134,566,674	(594,816,177)	(193,660,111)	181,931,669	820,191,401	-
Department of Labor and Regulation Plan Merger	-	-	-	-	44,637,384	-	-	-	-	-
Benefit payments, including refunds	(798,356,388)	(764,267,798)	(735,080,247)	(696,040,676)	(661,208,044)	(625,796,378)	(596,424,723)	(564,141,147)	(541,090,032)	(510,496,482)
Net change in total pension liability	344,750,910	427,568,856	374,073,409	250,249,060	1,573,374,938	(169,207,149)	228,815,372	598,423,523	783,711,199	498,847,261
Total pension liability - beginning	14,918,261,510	14,490,692,654	14,116,619,245	13,866,370,185	12,292,995,247	12,462,202,396	12,233,387,024	11,634,963,501	10,851,252,302	10,352,405,041
Total pension liability - ending	15,263,012,420	14,918,261,510	14,490,692,654	14,116,619,245	13,866,370,185	12,292,995,247	12,462,202,396	12,233,387,024	11,634,963,501	10,851,252,302
Plan fiduciary net position										
Contributions - employer	178,517,895	168,329,948	154,761,704	143,270,826	136,159,432	131,681,949	127,572,348	124,734,270	121,907,646	114,090,075
Contributions - member	176,641,822	167,162,702	153,798,895	143,041,545	136,159,404	131,541,783	127,454,956	124,262,387	122,144,961	114,443,295
Net investment income	798,505,462	856,068,350	806,061,088	(91,538,866)	2,672,026,722	192,238,245	583,573,718	911,695,475	1,431,977,414	22,836,265
Benefit payments, including refunds	(798,356,388)	(764,267,798)	(735,080,247)	(696,040,676)	(661,208,044)	(625,796,378)	(596,424,723)	(564,141,147)	(541,090,032)	(510,496,482)
Administrative expense	(5,783,686)	(5,436,819)	(5,158,204)	(4,862,000)	(4,905,128)	(5,127,029)	(5,095,897)	(4,870,334)	(4,363,512)	(3,944,641)
Department of Labor and Regulation Plan Merger	-	-	-	-	56,628,426	-	-	-	-	-
Net change in plan fiduciary net position	349,525,105	421,856,383	374,383,236	(506,129,171)	2,334,860,812	(175,461,430)	237,080,402	591,680,651	1,130,576,477	(263,071,488)
Plan fiduciary net position - beginning	14,921,992,498 *	14,500,453,104	14,126,069,868	14,632,199,039	12,297,338,227	12,472,799,657	12,235,719,255	11,644,038,604	10,513,462,127	10,776,533,615
Plan fiduciary net position - ending	$ 15,271,517,603	$ 14,922,309,487	$ 14,500,453,104	$ 14,126,069,868	$ 14,632,199,039	$ 12,297,338,227	$ 12,472,799,657	$ 12,235,719,255	$ 11,644,038,604	$ 10,513,462,127
System's net pension liability(asset) - ending	$ (8,505,183)	$ (4,047,977)	$ (9,760,450)	$ (9,450,623)	$ (765,828,854)	$ (4,342,980)	$ (10,597,261)	$ (2,332,231)	$ (9,075,103)	$ 337,790,175

* *includes prior period adjustment for GASB 101*

SCHEDULE OF SYSTEM'S NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
SCHEDULE OF SYSTEM'S NET PENSION LIABILITY (ASSET)										
Total pension liability	$ 15,263,012,420	$ 14,918,261,510	$ 14,490,692,654	$ 14,116,619,245	$ 13,866,370,185	$ 12,292,995,247	$ 12,462,202,396	$ 12,233,387,024	$ 11,634,963,501	$ 10,851,252,302
Plan fiduciary net position	15,271,517,603	14,922,309,487	14,500,453,104	14,126,069,868	14,632,199,039	12,297,338,227	12,472,799,657	12,235,719,255	11,644,038,604	10,513,462,127
System's net pension liability (asset)	$ (8,505,183)	$ (4,047,977)	$ (9,760,450)	$ (9,450,623)	$ (765,828,854)	$ (4,342,980)	$ (10,597,261)	$ (2,332,231)	$ (9,075,103)	$ 337,790,175
Plan fiduciary net position as a percentage of the Total pension liability	100.06%	100.03%	100.07%	100.07%	105.52%	100.04%	100.09%	100.02%	100.08%	96.89%
Covered payroll	$ 2,858,132,919	$ 2,698,373,036	$ 2,482,638,144	$ 2,300,011,798	$ 2,186,209,401	$ 2,115,630,733	$ 2,048,204,895	$ 2,001,885,527	$ 1,954,735,217	$ 1,829,641,009
System's net pension liability (asset) as a percentage of covered payroll	-0.30%	-0.15%	-0.39%	-0.41%	-35.03%	-0.21%	-0.52%	-0.12%	-0.46%	18.46%

SCHEDULE OF SYSTEM'S CONTRIBUTIONS
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 178,517,895	$ 168,329,948	$ 154,761,704	$ 143,270,826	$ 136,159,432	$ 131,681,949	$ 127,572,348	$ 124,734,270	$ 121,907,646	$ 114,090,075
Contributions in relation to the actuarially determined contribution	178,517,895	168,329,948	154,761,704	143,270,826	136,159,432	131,681,949	127,572,348	124,734,270	121,907,646	114,090,075
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reported covered payroll	$ 2,858,132,919	$ 2,698,373,036	$ 2,482,638,144	$ 2,300,011,798	$ 2,186,209,401	$ 2,115,630,733	$ 2,048,204,895	$ 2,001,885,527	$ 1,954,735,217	$ 1,829,641,099
Contributions as a percentage of covered payroll	6.25%	6.24%	6.23%	6.23%	6.23%	6.22%	6.23%	6.23%	6.24%	6.24%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate or return, net of investment expenses	5.44%	5.98%	5.80%	-0.64%	22.01%	1.56%	4.84%	7.95%	13.84%	0.21%
Annual time-weighted rate or return, net of investment expenses	5.45%	6.02%	5.84%	-0.69%	22.03%	1.59%	4.88%	7.94%	13.81%	0.30%

Methods and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of System's contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50%, net of investment expenses. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLA's	1.56%

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement Scale MP-2020.

Active and Terminated Vested Members:
- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:
- Teacher, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:
- PubG-2010 contingent survivor mortality table

Disabled Members:
- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2025 Actuarial Valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021.

Other Supplementary Information
June 30, 2025

South Dakota Retirement System

SOUTH DAKOTA RETIREMENT SYSTEM

Other Supplementary Information

Year Ended June 30, 2025

Schedule of Administrative Expenses

Personal services:		
Salary and per diem	$	3,028,036
Employee benefits		738,140
Total personal services		3,766,176
Operating expenses:		
Travel		95,671
Contractual services:		
Audit		131,400
External actuarial		15,300
Legal		17,201
Operations		1,185,493
Total contractual services		1,349,394
Supplies and materials		361,373
Capital assets		211,072
Total operating expenses		2,017,510
Total administrative expenses	$	5,783,686

SOUTH DAKOTA RETIREMENT SYSTEM

Other Supplementary Information

Year Ended June 30, 2025

Schedule of Investment Activity Expenses

Investment Category	
Fixed income	$ 14,572,500
Equity	547,488
Real Estate	23,338,864
Private Equity	14,090,370
Total investment activity expenses	$ 52,549,222

Schedule of Payments to Consultants

Investment Management Fees	$ 52,549,222
Actuarial	15,300
Audit	131,400
Legal	17,201
Total paid to consultants	$ 52,713,123

Independent Auditor's 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*

To the Board of Trustees
South Dakota Retirement System
Pierre, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the South Dakota Retirement System (SDRS), as of and for the year ended June 30, 2025, and the related notes to the financial statements which collectively comprise SDRS's basic financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SDRS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SDRS's internal control. Accordingly, we do not express an opinion on the effectiveness of the SDRS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

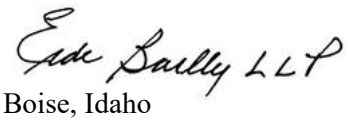
eidebailly.com
877 W. Main St., Ste. 800 • Boise, ID 83702-5858 • T 208.344.7150 • F 208.344.7435 • EOE

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SDRS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boise, Idaho
October 23, 2025

Financial Statements
June 30, 2025

South Dakota Retirement System
Supplemental Retirement Plan

Independent Auditor's Report

To the Board of Trustees
South Dakota Retirement System
Pierre, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the South Dakota Retirement System Supplemental Retirement Plan (SRP or the Plan), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the South Dakota Retirement System Supplemental Retirement Plan, as of June 30, 2025, and the respective changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SRP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The financial statements present only the South Dakota Retirement System Supplemental Retirement Plan and do not purport to, and do not present fairly, the financial position of the State of South Dakota, as of June 30, 2025, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

eidebailly.com
877 W. Main St., Ste. 800 • Boise, ID 83702-5858 • T 208.344.7150 • F 208.344.7435 • EOE

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SRP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate,that raise substantial doubt about SRP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDRS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 23, 2025

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Management's Discussion and Analysis

June 30, 2025

This section presents management's discussion and analysis of the South Dakota Retirement System Supplemental Retirement Plan's (SRP or the Plan) financial position and performance for the year ended June 30, 2025. This section is intended to supplement the SRP financial statements.

Financial Highlights

* The net position available for plan benefits of the SRP increased by $105 million during fiscal year 2025. This increase was primarily attributable to investment gains, transfers from other plans, and contributions during the year, which outweighed distributions to participants.
* The SRP paid $35.2 million to benefit recipients in fiscal year 2025 compared to $35.0 million in 2024. The SRP received $51.1 million in contributions in fiscal year 2025 compared to $49.1 million in 2024.

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

The Plan presents the statement of fiduciary net position as of June 30, 2025, and the statement of changes in fiduciary net position for the year then ended. These statements reflect resources available for the payment of benefits as of year-end and sources and uses of those funds during the year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules.

Financial Analysis

The SRP was established in accordance with Internal Revenue Code Section 457 and under the administrative responsibility of the South Dakota Retirement System Board of Trustees. The Plan is funded by participant contributions and investment income. Marketing and record-keeping services for the Plan are provided by Nationwide Retirement Solutions, Inc.

SRP benefits are based on the participant's balances in the Plan.

A summary of the net position held in trust for plan benefits is shown below:

Summary of Fiduciary Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Investments, at fair value	$ 824,092,930	$ 719,716,333
Cash	1,398,298	1,136,943
Revenue sharing receivable	137,236	96,640
Accrued interest	4,896	4,241
Contributions receivable	1,869,135	1,453,633
Total assets	827,502,495	722,407,790
Liabilities		
Accounts payable	161,344	118,862
Net position held in trust for plan benefits	$ 827,341,151	$ 722,288,928

Change in Fiduciary Net Position

Additions to the net position include contributions and net investment income. Deductions from net position are primarily benefit payments. During 2025, SRP paid $35.2 million to benefit recipients, or 0.1 percent more than 2024.

A summary of the changes in fiduciary net position is shown below:

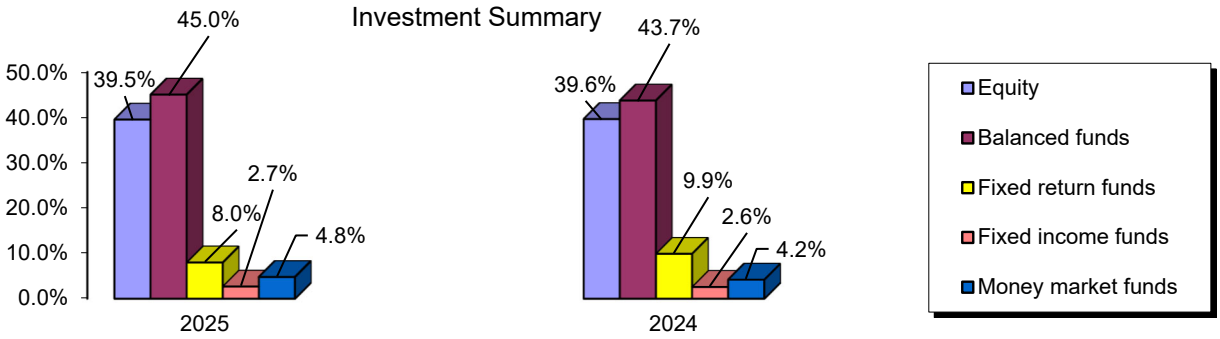
Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

	2025	2024	Percentage Change
Additions			
Employee contributions	$ 51,064,362	$ 49,125,621	3.95%
Investment income (loss)	89,916,211	88,577,780	1.51%
Other income (loss)	40,596	(70,775)	-157.36%
Transfers from related plan	627,745	429,258	46.24%
Total additions	141,648,914	138,061,884	2.60%
Deductions			
Distributions to participants	35,229,397	35,016,607	0.61%
Administrative expenses	1,363,425	1,117,464	22.01%
Transfers to related plan	3,869	3,313	100.00%
Total deductions	36,596,691	36,137,384	1.27%
Net change in net position	105,052,223	101,924,500	3.07%
Plan net position held in trust for plan benefits:			
Beginning of year	722,288,928	620,364,428	16.43%
End of year	$ 827,341,151	$ 722,288,928	14.54%

Investments

The selection of SRP investment portfolio alternatives is the statutory responsibility of the South Dakota Investment Officer. The following exhibit indicates the percentage of investment in each of the SRP fund types.



Requests for Information

Requests for information about the SRP may be directed to the Supplemental Retirement Plan at 222 East Capitol Ave, Suite 1, Pierre SD 57501. You may reach the SRP at (605) 224-2230, 1 (800) 959-4457, or online at www.srp457.com. You may link to the SRP Web site from the SDRS Web site at www.state.sd.us/sdrs/.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Statement of Fiduciary Net Position

June 30, 2025

Assets	
Cash	$ 1,398,298
Investments, at fair value:	
Equity funds	326,127,816
Balanced funds	370,977,754
Fixed return funds	65,556,193
Fixed income funds	22,060,404
Money market funds	39,370,763
Total investments, at fair value	824,092,930
Revenue sharing	137,236
Accrued interest	4,896
Contributions receivable	1,869,135
Total assets	827,502,495
Liabilities	
Accounts payable	161,344
Net position held in trust for plan benefits	$ 827,341,151

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions	
Employee contributions	$ 51,064,362
Investment income	89,916,211
Revenue sharing	40,596
Transfers from related plan	627,745
Total additions	141,648,914
Deductions	
Distributions to participants	35,229,397
Administrative expenses	1,363,425
Transfers to related plan	3,869
Total deductions	36,596,691
Net change in plan net position	105,052,223
Net position held in trust for plan benefits	
Beginning of year	722,288,928
End of year	$ 827,341,151

See accompanying notes to financial statements.

(1) Plan Description

The following description of the South Dakota Retirement System Supplemental Retirement Plan (the Plan) provides only general information. Participants should refer to the plan provisions for a more complete description of the Plan.

(a) General

The Plan was established in July 1987 in accordance with Internal Revenue Code Section 457 under the administrative responsibility of the South Dakota Retirement System Board of Trustees. The state of South Dakota is a participating unit, and every political subdivision thereof may become a participating unit in the Plan. The Plan consists of 38,398 participants and 379 employers. The Plan permits employees of participating units to defer a portion of their salary until future years. The deferred compensation is not available to the participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights held by the fund, at all times until made available to a participant or the participant's beneficiary, shall be held in trust for the exclusive benefit of the participant.

(b) Contributions

Participants of the Plan may contribute an amount of not less than $25 per month and not in excess of $23,500 for the calendar year 2025 or 100 percent of includable compensation. A participant may make a one-time election to defer an additional amount of twice the otherwise applicable limit during any of the three calendar years immediately preceding a participant's elected normal retirement age. If age 50 or over, participants may also defer additional contributions of $7,500. If age 60-63, participants may also defer $11,250.

There is a special catch-up provision that allows a participant for three years prior to the normal retirement age to contribute the lesser of:

- Twice the annual limit ($47,000 in 2025) or
- The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions)

(c) Participant's Account

Each participant's account is credited with the participant's contributions, an allocation of the investment earnings or losses, and administrative expenses. Allocations are made based on the participant's percentage of the total investment balance. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

(d) Distribution to Participants

Distributions of benefits to participants can be made upon termination, retirement, death, or unforeseeable emergency. Distributions are in the form of a lump-sum payment in cash equal to the value of the funds allocated to their account or installments, as defined in the plan agreement.

(e) Vesting

Participants are vested immediately in their contributions plus actual earnings thereon.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded when incurred. Employee contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Distributions to participants are recognized when paid in accordance with the terms of the Plan.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Subsequent Events

SDRS has evaluated subsequent events through October 23, 2025, the date which the financial statements were able to be issued and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

(3) Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 736,476,333	$ 736,476,333	$ -	$ -
Fixed income and return funds	87,616,597	22,060,404	-	65,556,193
Investments at fair value	$824,092,930	$ 758,536,737	$ -	$ 65,556,193

The fair value of mutual funds is determined based on the value of the portfolio's underlying assets. Fixed-return funds are carried at contract value, which approximates fair value.

Money market funds invest in short-term, interest-bearing instruments consisting of Treasury Bills, certificates of deposit, and commercial paper. Fixed income funds invest in interest-bearing instruments with varying maturities, including government or corporate bonds, notes, bills, and debentures. Equity funds invest in common and preferred stock and convertible securities of United States and foreign corporations. Balanced funds are invested in a combination of short-term, fixed income, and equity instruments. Fixed return funds are invested in an insurance company group annuity.

The interest rate on fixed return funds is set each quarter and guaranteed for up to two years. These funds are subject to certain restrictions. No more than 20 percent of the beginning of the year aggregate fixed return fund balance may be transferred annually to another investment alternative.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments denominated in foreign currencies are translated into USD using the year-end spot foreign currency exchange rates. Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

Changes in fiduciary net position for the year ended June 30, 2025 by investment alternatives available to participants were as follows:

	Beginning balance	Contributions	Investment Income	Transfers In/Out	Additions/ Deductions	Ending balance	Fair value as a percentage of plan assets
Money Market							
Vanguard Treasury Money Market	$ 30,120,248	$ 3,070,605	$ 1,607,927	$ 110,073	$ 4,461,910	$ 39,370,763	4.76%
Fixed Return:							
Prudential	**70,922,851**	**1,683,590**	**1,972,730**	**237,072**	**(9,260,050)**	**65,556,193**	**7.92%**
Fixed Income							
Vanguard Bond Market	18,724,701	990,272	1,194,725	850	1,149,856	22,060,404	2.67%
Balanced							
* Vanguard Trgt Rtrmt 2020 Inv	33,879,430	1,151,788	3,320,020	-	(3,857,180)	34,494,058	4.17%
* **Vanguard Trgt Rtrmt 2025 Inv**	**49,492,095**	**3,099,827**	**5,753,741**	**(49,465)**	**(4,196,781)**	**54,099,417**	**6.54%**
* **Vanguard Trgt Rtrmt 2030 Inv**	**50,943,492**	**4,892,433**	**6,637,469**	**42,010**	**(1,617,367)**	**60,898,037**	**7.36%**
* **Vanguard Trgt Rtrmt 2035 Inv**	**36,306,088**	**4,603,882**	**5,022,110**	**1,614**	**(2,582,370)**	**43,351,324**	**5.24%**
* Vanguard Trgt Rtrmt 2040 Inv	30,142,598	4,680,822	4,500,132	(60,192)	(1,758,575)	37,504,785	4.53%
* Vanguard Trgt Rtrmt 2045 Inv	31,082,423	4,559,876	4,903,255	74,123	(963,751)	39,655,926	4.79%
* Vanguard Trgt Rtrmt 2050 Inv	30,660,771	3,779,928	5,077,251	(13,150)	(504,815)	38,999,985	4.71%
* Vanguard Trgt Rtrmt 2055 Inv	18,391,752	3,101,922	3,105,650	(8,901)	(551,506)	24,038,917	2.91%
* Vanguard Trgt Rtrmt 2060 Inv	7,371,844	1,856,070	1,300,391	(5,190)	(211,431)	10,311,684	1.25%
* Vanguard Trgt Rtrmt 2065 Inv	1,237,961	861,357	309,569	-	379,954	2,788,841	0.34%
* Vanguard Trgt Rtrmt Inc	25,202,089	267,699	2,290,279	-	(2,925,287)	24,834,780	3.00%
Total Balanced	314,710,543	32,855,604	42,219,867	(19,151)	(18,789,109)	370,977,754	44.84%
Equity							
* Vanguard Growth Indx Inst	$ 19,222,097	$ 1,686,997	$ 3,660,285	$ 51,951	$ (445,147)	$ 24,176,183	2.92%
* Vanguard Value Indx Adml	4,802,065	479,306	603,817	84,737	283,359	6,253,284	0.76%
* **Windsor II Admiral**	**46,371,465**	**773,285**	**4,596,075**	**5,371**	**(3,452,575)**	**48,293,621**	**5.84%**
* **Vanguard Instit Index**	**97,399,279**	**2,793,207**	**14,783,210**	**132,155**	**(3,170,647)**	**111,937,204**	**13.53%**
* Vanguard Tot Intl Stock Ind	13,694,995	908,539	2,492,426	21,547	(832,616)	16,284,891	1.97%
* TRowePr Real Asst	57,558	14,001	5,348	-	11,957	88,864	0.01%
Vanguard RealEst Indx Adml	756,281	120,191	78,789	668	(34,857)	921,072	0.11%
* Dodge Cox Global Stock	2,894,137	161,238	418,518	-	(124,373)	3,349,520	0.40%
* Dodge & Cox Int Stock Fnd	4,216,873	306,336	993,606	1,503	(50,233)	5,468,085	0.66%
* Growth Fund of America	31,125,759	1,668,950	6,668,260	1,336	(1,927,126)	37,537,179	4.54%
* Capital World Grth & Inc	9,893,598	490,556	1,701,745	(2,607)	(537,883)	11,545,409	1.40%
* Vanguard Small Cap Indx Inst	9,943,195	726,251	1,021,129	667	(811,405)	10,879,837	1.32%
* Vanguard Ext Mkt Idx Inst	20,946,483	741,440	3,180,093	(3,131)	(1,567,838)	23,297,047	2.82%
* Vanguard Wlsly Inc Adml	13,374,684	312,343	1,280,759	-	(984,671)	13,983,115	1.69%
* Vanguard Strategic Equity	10,539,521	612,517	1,432,006	835	(472,374)	12,112,505	1.46%
Total Equity	285,237,990	11,795,157	42,916,066	295,032	(14,116,429)	326,127,816	39.42%
Total Investments	719,716,333	50,395,228	89,911,315	623,876	(36,553,822)	824,092,930	99.61%
Other Assets and Liabilities	2,572,595	669,134	45,492	-	(39,000)	3,248,221	0.39%
Total Fiduciary Net Position	$ 722,288,928	$ 51,064,362	$ 89,956,807	$ 623,876	$ (36,592,822)	$ 827,341,151	100.00%

Investments in bold represent investments exceeding 5 percent or more of net position as of June 30, 2025. Investments with an asterisk (*) represent investments with international mutual funds.

(4) Risks and Uncertainties

The Plan invests in various investment securities. Investments securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as pandemic or global conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position. Since all investments are participant directed, all risks exist at the participant level. Each individual within the plan has the responsibility for managing their exposure to fair value loss.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The portfolios of the SDRS Supplemental Retirement Plan are benchmarked to the duration of the International Index and must fall between 70 percent and 130 percent of the duration.

As of June 30, 2025, the Plan had the following investments and maturities in its fixed income investment and certain mutual funds which include investments in bonds. The durations of the various investment types are listed in the following table:

	Fair Value	Ave Credit Quality	Duration (in years)
Money Market			
Vanguard Fed Mny Mkt Inv	$ 11,787,606	unrated	
Fixed Income			
Vanguard Bond Market	21,883,921	AA	8.2
Balanced			
Vngrd Trgt Rtrmt 2020 Inv	21,172,453	A	7.13
Vngrd Trgt Rtrmt 2025 Inv	25,778,372	A	7.5
Vngrd Trgt Rtrmt 2030 Inv	23,214,332	A	8.34
Vngrd Trgt Rtrmt 2035 Inv	13,256,835	A	8.34
Vngrd Trgt Rtrmt 2040 Inv	8,562,342	A	8.35
Vngrd Trgt Rtrmt 2045 Inv	6,170,462	A	8.35
Vngrd Trgt Rtrmt 2050 Inv	3,291,599	A	8.35
Vngrd Trgt Rtrmt 2055 Inv	2,026,481	A	8.35
Vngrd Trgt Rtrmt 2060 Inv	871,337	A	8.35
Vngrd Trgt Rtrmt 2065 Inv	235,657	A	8.35
Vngrd Trgt Rtrmt Inc	16,681,522	A	7.01
Equity			
TRowePr Real Asst	196	unrated	
Vanguard Wlsly Inc Adml	8,591,226	A	9.8
Capital World Grth & Inc	8,082	unrated	
	$ 163,532,423		

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2025, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. government, which are not considered to have credit risk. The investments are grouped as rated by Morningstar.

A	$	129,852,618
AA		21,883,921
Unrated		11,795,884
Total		163,532,423
Fixed Income presented in balanced and equity funds		141,472,019
Fixed Income per Statement of Fiduciary Net Position	$	22,060,404

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the plan's investment in a single issuer. The plan's investments are managed by several fund managers. The concentration of investments is determined by the participants' elections to invest in available investment options as selected by the SD Investment Council. The investments that exceed 5 percent are identified in bold on pages 50.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was $134,765,952 as of June 30, 2025.

International mutual funds are as follows:

Investment		
Vanguard Trgt Rtrmt 2020 Inv	$	5,070,627
Vanguard Trgt Rtrmt 2025 Inv		10,928,082
Vanguard Trgt Rtrmt 2030 Inv		14,639,888
Vanguard Trgt Rtrmt 2035 Inv		11,657,171
Vanguard Trgt Rtrmt 2040 Inv		11,225,182
Vanguard Trgt Rtrmt 2045 Inv		13,217,320
Vanguard Trgt Rtrmt 2050 Inv		14,036,095
Vanguard Trgt Rtrmt 2055 Inv		8,656,414
Vanguard Trgt Rtrmt 2060 Inv		3,714,269
Vanguard Trgt Rtrmt 2065 Inv		1,003,704
Vanguard Trgt Rtrmt Inc		3,094,414
Vanguard Growth Indx Inst		58,023
Vanguard Value Indx Adml		45,024
Windsor II Admiral		5,225,370
Vanguard Instit Index		570,880
Vanguard Tot Intl Stock Ind		15,653,037
TRowePr Real Asst		36,523
Dodge & Cox Int Stock Fnd		1,564,226
Dodge Cox Global Stock		4,777,466
Growth Fund of America		3,258,227
Capital World Grth & Inc		4,967,989
Vanguard Small Cap Indx Inst		151,230
Vanguard Ext Mkt Idx Inst		316,840
Vanguard Wlsly Inc Adml		627,842
Vanguard Strategic Equity		270,109
	$	134,765,952

(5) Plan Administration

Nationwide Retirement Solutions, Inc. (NRS) of Columbus, Ohio, is the private sector administrator and marketing agent of the Plan. NRS provides various accounting, reporting, and marketing services and receives compensation through maintenance and asset fees charged against each participant account.

(6) Federal Income Tax Status

The Plan is an eligible nonqualified deferred compensation plan under Section 457(a) of the Internal Revenue Code and is exempt from federal income taxes. The Plan has received a favorable determination letter dated September 15, 1988. The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

(7) Plan Termination

Although they have not expressed any intent to do so, the South Dakota Retirement System Board of Trustees and the South Dakota Legislature have the right to terminate the Plan. In the event of plan termination, participants continue to be 100 percent vested in their account balances.

Independent Auditor's 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*

To the Board of Trustees
South Dakota Retirement System
Pierre, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the South Dakota Retirement System Supplemental Retirement Plan (SRP), as of and for the year ended June 30, 2025, and the related notes to the financial statements which collectively comprise SRP's basic financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SRP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SRP's internal control. Accordingly, we do not express an opinion on the effectiveness of the SRP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

.

eidebailly.com
877 W. Main St., Ste. 800 • Boise, ID 83702-5858 • T 208.344.7150 • F 208.344.7435 • EOE

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SRP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ede Bailly LLP

Boise, Idaho
October 23, 2025

Financial Statements
June 30, 2025

South Dakota Retirement System
Special Pay Plan

Independent Auditor's Report

To the Board of Trustees
South Dakota Retirement System
Pierre, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of pension of the South Dakota Retirement System Special Pay Plan (SPP or the Plan), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the South Dakota Retirement System Special Pay Plan, as of June 30, 2025, and the respective changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SPP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The financial statements present only the South Dakota Retirement System Special Pay Plan and do not purport to, and do not present fairly, the financial position of the State of South Dakota, as of June 30, 2025, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

eidebailly.com
877 W. Main St., Ste. 800 • Boise, ID 83702-5858 • T 208.344.7150 • F 208.344.7435 • EOE

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SPP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS *and Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate,that raise substantial doubt about SPP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SPP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 23, 2025

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Management's Discussion and Analysis

June 30, 2025

This section presents management's discussion and analysis of the South Dakota Retirement System Special Pay Plan's (SPP or the Plan) financial position and performance for the year ended June 30, 2025. This section is intended to supplement the SPP financial statements and notes.

Financial Highlights

- The net position available for plan benefits of the SPP increased by $2.5 million during fiscal year 2025. This increase was primarily attributable to additional participant contributions.
- The SPP paid $12.7 million to benefit recipients in fiscal year 2025 compared to $11.2 million in 2024. The SPP received $12.2 million in contributions in fiscal year 2025 compared to $9.6 million in 2024.

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

The Plan presents the statement of fiduciary net position as of June 30, 2025, and the statement of changes in fiduciary net position for the year then ended. These statements reflect resources available for the payment of benefits as of year-end and sources and uses of those funds during the year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules.

Financial Analysis

The SPP was established in accordance with Internal Revenue Code Section 401 and under the administrative responsibility of the South Dakota Retirement System Board of Trustees. The Plan is funded by participant contributions and investment income. Marketing strategies and record-keeping services for the Plan are provided by Nationwide Retirement Solutions, Inc.

SPP benefits are based on the participant's balances in the Plan.

A summary of the net position held in trust for plan benefits is shown below:

Summary of Fiduciary Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Investments, at fair value	$ 82,976,426	$ 81,448,246
Cash	1,642,992	1,219,004
Revenue sharing	74,176	69,362
Accrued interest	757	2,311
Contributions receivable	664,211	50,600
Total assets	85,358,562	82,789,523
Liabilities		
Accounts payable	50,965	12,072
Net position held in trust for plan benefits	$ 85,307,597	$ 82,777,451

Changes in Fiduciary Net Position

Additions to the net position mainly were due to contributions during the year. Deductions from net position are primarily benefit payments and administrative expenses. During 2025, SPP paid $12.7 million to benefit recipients, or 13.45 percent more than 2024.

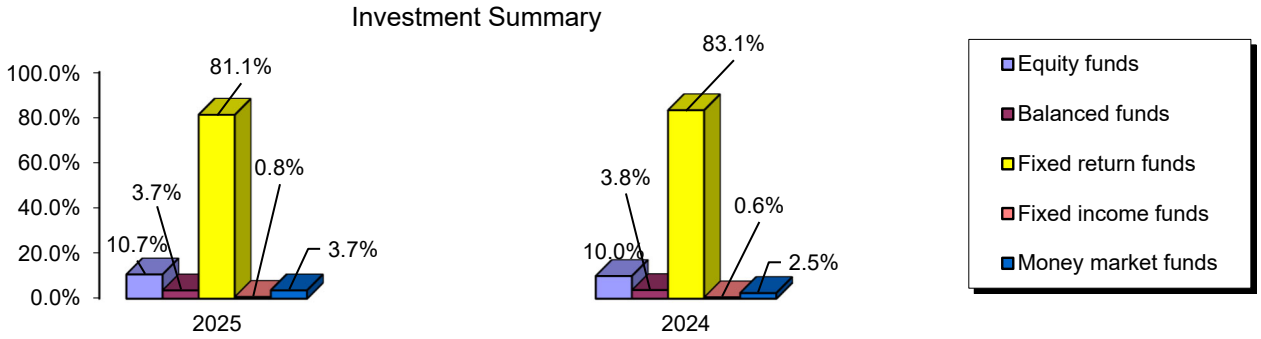
A summary of the changes in fiduciary net position is shown below:

Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

	2025	2024	Percentage Change
Additions			
Employee contributions	$ 12,235,762	$ 9,577,084	27.76%
Investment income	3,734,945	3,802,524	-1.78%
Revenue sharing	4,815	4,719	2.03%
Other income	33,615	31,320	7.33%
Transfers from related plan	3,869	3,313	16.78%
Total additions	16,013,006	13,418,960	19.33%
Deductions			
Distributions to participants	12,696,012	11,190,653	13.45%
Administrative expenses	159,102	153,297	3.79%
Transfers to related plan	627,746	429,258	46.24%
Total deductions	13,482,860	11,773,208	14.52%
Net change in plan net position	2,530,146	1,645,752	53.74%
Net position held in trust for plan benefits:			
Beginning of year	82,777,451	81,131,699	2.03%
End of year	$ 85,307,597	$ 82,777,451	3.06%

Investments



The selection of SPP investment portfolios alternatives is the statutory responsibility of the South Dakota Investment Officer. The following exhibit indicates the percentage of investment in each of the SPP fund types.

Requests for Information

Requests for information about the SPP may be directed to the Special Pay Plan at 222 East Capitol Ave, Suite 1, Pierre SD 57501. You may reach the SPP at (605) 224-2230 or 1 (800) 959-4457.

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Statement of Fiduciary Net Position

June 30, 2025

Assets		
Investments, at fair value:		
Equity funds	$	8,851,283
Balanced funds		3,057,700
Fixed return funds		67,382,827
Fixed income funds		645,297
Money market funds		3,039,319
Total investments, at fair value		82,976,426
Cash		1,642,992
Revenue sharing		74,176
Accrued interest		757
Contributions receivable		664,211
Total assets		85,358,562
Liabilities		
Accounts payable		50,965
Net position held in trust for plan benefits	$	85,307,597

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions		
Contributions	$	12,235,762
Investment income		3,734,945
Revenue sharing		4,815
Other income		33,615
Transfers from related plan		3,869
Total additions		16,013,006
Deductions		
Distributions to participants		12,696,012
Administrative expenses		159,102
Transfers to related plan		627,746
Total deductions		13,482,860
Net change in plan net position		2,530,146
Net position held in trust for plan benefits:		
Beginning of year		82,777,451
End of year	$	85,307,597

See accompanying notes to financial statements.

(1) Plan Description

The following description of the South Dakota Retirement System Special Pay Plan (the Plan) provides only general information. Participants should refer to the plan provisions for a more complete description of the Plan.

(a) General

The Plan was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the South Dakota Retirement System Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the Plan. The Plan consists of 4,807 participants and 149 employers. The Plan mandates that qualifying employees (over age 55 and $600 or more in special pay) of participating units defer 100 percent of their special lump-sum termination pay to the plan. Special pay is compensation other than regular salary or wages granted to a member of the South Dakota Retirement System and transferred in a sum to the Plan at termination of the member's employment. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination, upon later retirement, or to beneficiaries or an estate upon the participant's death.

All amounts of special termination pay deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights held by the fund, at all times until made available to a participant or the participant's beneficiary for estate, shall be held in trust for the exclusive benefit of the participant.

(b) Contributions

Participants in the Plan can contribute the lesser of 100 percent of their one-time, lump-sum special pay associated with their termination or $70,000 for calendar year 2025.

(c) Participant's Account

Each participant's account is credited with the participant's contribution, an allocation of the investment earnings or losses, and administrative expenses. Allocations are made based on the participant's percentage of the total investment balance. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

(d) Distribution to Participants

Distributions of benefits to participants can be made immediately after the participant's termination, or upon the participant's retirement, or to a beneficiary or an estate upon the participant's death. Distributions are in the form of a lump-sum payment in cash equal to the value of the funds allocated to their account or in the form of installments as defined in the plan agreement.

(e) Risks and Uncertainties

The Plan invests in various investment securities. These securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded when incurred. Employee contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Distributions to participants are recognized when paid in accordance with the terms of the Plan.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Subsequent Events

SDRS has evaluated subsequent events through October 23, 2025, the date which the financial statements were able to be issued and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements.

(3) Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

	Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 14,948,302	$ 14,948,302	$ -	$ -
Fixed Income funds	68,028,124	645,297	-	67,382,827
Investments at fair value	$ 82,976,426	$ 15,593,599	$ -	$ 67,382,827

Fair value for the mutual funds is determined based on the value of the underlying assets in the portfolio. Fixed return funds are carried at contract value, which approximates fair value.

Money market funds invest in short-term, interest-bearing instruments consisting of Treasury Bills, certificates of deposit, and commercial paper. Fixed income funds invest in interest-bearing instruments with varying maturities, including government or corporate bonds, notes, bills, and debentures. Equity funds invest in common and preferred stock and convertible securities of United States and foreign corporations. Balanced funds are invested in a combination of short-term, fixed income, and equity instruments. Fixed return funds are invested in an insurance company group annuity.

The interest rate on fixed return funds is set each quarter and guaranteed for up to two years. These funds are subject to certain restrictions. No more than 20 percent of the beginning of the year aggregate fixed return fund balance may be transferred annually to another investment alternative.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments denominated in foreign currencies are translated into USD using the year-end spot foreign currency exchange rates. Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments.

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Notes to Financial Statements

June 30, 2025

Changes in fiduciary net position for the year ended June 30, 2025 by investment alternatives available to participants were as follows:

	Beginning Balance	Contributions	Investment Income	Transfers In/Out	Additions/ Deductions	Ending Balance	Fair Value as a Percentage of Plan Assets
Money Market							
Vanguard Federal	$ 2,050,264	$ 74,848	$ 124,734	$ (99,688)	$ 889,161	$ 3,039,319	3.56%
Fixed Return:							
Prudential	**67,677,155**	**10,988,065**	**1,975,522**	**(237,072)**	**(13,020,843)**	**67,382,827**	**78.99%**
Fixed Income							
Vanguard Bond Market	534,409	69,000	33,264	-	8,624	645,297	0.76%
Balanced							
Vngrd Trgt Rtrmt 2020 Inv	483,248	-	47,822	-	(27,461)	503,609	0.59%
Vngrd Trgt Rtrmt 2025 Inv	673,864	-	48,836	(78,125)	(303,319)	341,256	0.40%
Vngrd Trgt Rtrmt 2030 Inv	505,724	69,000	62,915	(49,257)	48,267	636,649	0.75%
Vngrd Trgt Rtrmt 2035 Inv	197,616	-	26,851	-	5,799	230,266	0.27%
Vngrd Trgt Rtrmt 2040 Inv	200,428	9,108	24,311	(8,683)	(38,735)	186,429	0.22%
Vngrd Trgt Rtrmt 2045 Inv	79,640	-	13,180	-	22,972	115,792	0.14%
Vngrd Trgt Rtrmt 2050 Inv	52,985	-	10,281	-	17,577	80,843	0.09%
Vngrd Trgt Rtrmt 2055 Inv	86,337	-	13,339	105	(26)	99,755	0.12%
Vngrd Trgt Rtrmt 2060 Inv	15,600	-	9,517	-	62,399	87,516	0.10%
Vngrd Trgt Rtrmt 2065 Inv	21,409	-	3,326	-	(37)	24,698	0.03%
Vngrd Trgt Rtrmt Inc	755,107	-	69,362	-	(73,582)	750,887	0.88%
Total Balanced	3,071,958	78,108	329,740	(135,960)	(286,146)	3,057,700	3.58%
Equity	-						
Dodge and Cox Int Stock Fd	52,850	-	13,554	-	1,383	67,787	0.08%
DodgeCox Global Stock	168,476	-	24,220	-	(1,287)	191,409	0.22%
Vanguard RealEst Indx Adml	13,047	-	1,189	-	7,289	21,525	0.03%
Am Funds Capital World Grtl	148,823	-	12,002	-	(106,326)	54,499	0.06%
Vanguard Ext Mkt Ind Inst	803,470	-	128,860	-	(137,664)	794,666	0.93%
TRowePr Real Asst	-	-	203	-	10,853	11,056	0.01%
Growth Fund of America	1,132,231	739	236,742	-	(122,226)	1,247,486	1.46%
Windsor II Admiral	667,323	-	61,788	-	(162,117)	566,994	0.66%
Vanguard SmCap Indx Inst	280,088	-	31,151	-	(54,070)	257,169	0.30%
Vanguard Instit Index	2,227,667	-	333,044	(16,139)	(77,563)	2,467,009	2.89%
Vanguard Tot Intl Stock Ind	225,469	-	45,056	-	30,304	300,829	0.35%
Vanguard Wlsly Inc Adml	575,216	18,047	56,373	-	(14,072)	635,564	0.75%
Vanguard Gr Indx Inst	1,163,303	7,531	255,215	(51,116)	328,487	1,703,420	2.00%
Vanguard Val Indx Adml	198,415	-	21,044	(83,902)	13,132	148,689	0.17%
Vanguard Strategic Equity	458,082	3,030	50,487	-	(128,418)	383,181	0.45%
Total Equity	8,114,460	29,347	1,270,928	(151,157)	(412,295)	8,851,283	10.38%
Total Investments	81,448,246	11,239,368	3,734,188	(623,877)	(12,821,499)	82,976,426	97.27%
Other Assets and Liabilities	1,329,205	1,016,584	5,572	-	(20,190)	2,331,171	2.73%
Total Fiduciary Net Position	$ 82,777,451	$ 12,255,952	$ 3,739,760	$ (623,877)	$ (12,841,689)	$ 85,307,597	100.00%

Investments in bold represent investments exceeding 5 percent or more of net position as of June 30, 2025.

(4) Plan Administration

Nationwide Retirement Solutions, Inc. (NRS) of Columbus, Ohio, is the private sector administrator and marketing agent of the Plan. NRS provides various accounting, reporting, and marketing services and receives compensation through maintenance and asset fees charged against each participant account.

(5) Federal Income Tax Status

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes. The Plan has received a favorable determination letter dated October 28, 2004. The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

(6) Plan Termination

Although they have not expressed any intent to do so, the South Dakota Retirement System Board of Trustees and the South Dakota Legislature have the right to terminate the Plan. In the event of plan termination, participants would continue to be 100 percent vested in their account balances.

Independent Auditor's 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*

To the Board of Trustees
South Dakota Retirement System
Pierre, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the South Dakota Retirement System Special Pay Plan (SPP), as of and for the year ended June 30, 2025, and the related notes to the financial statements which collectively comprise SPP's basic financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SPP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SPP's internal control. Accordingly, we do not express an opinion on the effectiveness of the SPP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SPP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

eidebailly.com
877 W. Main St., Ste. 800 • Boise, ID 83702-5858 • T 208.344.7150 • F 208.344.7435 • EOE

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
October 23, 2025

SOUTH DAKOTA RETIREMENT SYSTEM

Actuarial Valuation

As of June 30, 2025



Table of Contents

Transmittal Letter **1**

Executive Summary **4**

Summary of Principal Results 4

Section 1 – The June 30, 2025 Actuarial Valuation **5**

Purpose of the Actuarial Valuation 5

Changes from Prior Valuation 5

SDRS Benefit Provision Changes 5

SDRS Actuarial Method Changes 6

SDRS Actuarial Assumption Changes 6

Impact of Actuarial Assumption Changes 6

SDRS Actuarial Valuation Results and Implications of SDRS's Funding Policy 6

Section 2 – Statutory Determinations **8**

Determination of SDRS COLA Payable Next July 8

Satisfying Conditions of SDCL 3-12C-228 9

Section 3 – Actuarial Funding Results **10**

Funded Ratios 10

Actuarially Determined Contributions 12

Funding Summary 14

Unfunded Actuarial Accrued Liability 15

Changes from Prior Year 15

Liability Gains and Losses for the Fiscal Year Ended June 30, 2025 16

Asset Gains and Losses for the Fiscal Year Ended June 30, 2025 17

Summary of June 30, 2025 Actuarial Valuation Results 17

SDRS Actuarial Valuation Results Compared to SDRS Funding Policy Objectives 17

Actuarial Soundness 18

Section 4 – SDRS Plan Assets **20**

SDRS Fair Value of Assets Available for Benefits 20

Changes in SDRS Fair Value of Assets 20

SDRS Actuarial Value of Assets 20

Section 5 – Funding Risks 21
Background 21
Risk Identification 21
Initial Risk Assessment 21
Investment Risk Scenario Testing 22
Projected Future COLAs and Corrective Action Recommendations 24
Plan Maturity Measurements 28
Low-Default-Risk Obligation Measure 32
Section 6 – Accounting Information 33
Background 33
Plan Description 33
Net Pension Liability/(Asset) as of June 30, 2025 34
Actuarial Cost Method 34
Actuarial Assumptions 34
Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate 35
Changes in the Net Pension Liability/(Asset) 36
Pension Plan Expense/(Revenue) 37
Reconciliation of Net Balance Sheet Impact 37
Collective Pension Amounts 38
Schedule of Member and Employer Contributions 41
Schedule of Investment Returns 41
Section 7 – Member Data 42
Section 8 – Basis of the Valuation 49
Summary of Principal Benefit Provisions of SDRS as Amended Through the 2025 Legislative Session 49
Principal Benefit Provisions for Former Cement Plant Retirement Plan Members 60
Principal Benefit Provisions for Former Department of Labor and Regulation Plan Members 62
Section 9 – Description of Actuarial Methods and Valuation Procedures 64
Actuarial Cost Method 64
Asset Valuation Method 64
Contribution Allocation Procedure 65
Valuation Procedures 65
Section 10 – Summary of Actuarial Assumptions for the June 30, 2025 Actuarial Valuation 66
Section 11 – Glossary of Actuarial Terms 76
Section 12 – Board of Trustees' Funding and System Management Policies 79

October 30, 2025

Board of Trustees
South Dakota Retirement System
Post Office Box 1098
Pierre, SD 57501-1098

Dear Trustees:

I am pleased to submit the results of the annual Actuarial Valuation of the South Dakota Retirement System (SDRS), prepared as of June 30, 2025.

The purposes of this report are to:

- Determine if the funded status of SDRS is at least 100% assuming future COLAs are equal to the baseline COLA assumption of 2.25% and if not, to determine the restricted maximum COLA that results in a funded status of 100%;
- Determine the 2026 SDRS COLA as defined in South Dakota Codified Law (SDCL);
- Determine the funded status of SDRS as of June 30, 2025;
- Confirm that the fixed, statutory member and employer contributions are the Actuarially Determined Contributions (ADC);
- Determine if corrective action recommendations are required to be made to the Retirement Laws Committee in accordance with SDCL 3-12C-228;
- Provide accounting information under Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68);
- Identify, assess, and disclose risks to future SDRS funding.

This Actuarial Valuation is based on financial and member data provided by SDRS staff and summarized in this report. The actuary did not audit the submitted data but performed tests for consistency and reasonableness.

All members of SDRS and all benefits in effect on June 30, 2025 have been considered in this Actuarial Valuation. SDRS benefit provisions, member data, and trust information are summarized in the sections that follow. No adjustments for events after the June 30, 2025 measurement date have been included.

The actuarial assumptions and methods used in this valuation for funding purposes and for assessing the funded status of SDRS meet the parameters set by the Actuarial Standards of Practice maintained by the Actuarial Standards Board. The assumptions and methods used to determine the ADC, as outlined in this report and all supporting schedules, meet the parameters and requirements for disclosure as outlined in GASB 67. All SDRS benefits are included in the determination of the ADC that is developed using the Entry Age actuarial cost method. The Actuarial Value of Assets is equal to the Fair Value of Assets. The undersigned believes the assumptions are, individually and in the aggregate, reasonably related to past experience and to expectations of future experience.

SDRS's Funding Policy establishes funding objectives necessary for the management of SDRS based on fixed, statutory member and employer contributions. The Funding Policy objectives include:

- Fair Value Funded Ratio (FVFR) of at least 100%
- A fully funded system based on the Fair Value of Assets and the Entry Age Normal Cost method
- Actuarially determined benefits that are supported by the fixed, statutory member and employer contributions

The results of this valuation indicate that, as of June 30, 2025, SDRS remains a well-funded system with a Fair Value Funded Ratio of 100.1%. The fixed, statutory member and employer contributions support the actuarially determined benefits. All funding objectives are met as of June 30, 2025.

The SDRS Board of Trustees' Funding and System Management Policies are attached in Section 12.

A valuation model was used to develop the liabilities for this actuarial valuation. The model relies on ProVal actuarial valuation software, which is leased from Winklevoss Technologies, LLC, to calculate liabilities and projected benefits. The undersigned actuary coded and reviewed the software for the SDRS provisions, assumptions, methods, and data, and has relied on the ProVal programming. In the professional judgement of this actuary, the ProVal programming can provide results that are consistent with the purposes of the actuarial valuation and has no material limitations or known weaknesses. Detailed sample life calculations are analyzed to ensure that ProVal reasonably models the intended liability calculations.

In addition, the projections included in Section 5 of this report were developed using a spreadsheet-based projection model to determine the impact of a range of potential investment returns on SDRS funding and to assess progress towards SDRS' funding objectives. To determine the likelihood of meeting specific funding thresholds reported in Section 5, the actuary has relied on estimated investment portfolio statistics determined by the staff of the South Dakota Investment Council. The projection model excludes the effect of future demographic gains and losses.

Future actuarial results may differ significantly from current measurements presented in this report due to such factors as plan experience differing from that anticipated by the economic and demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed. Assessment of specific risks to future funding measurements is included in Section 5 of this report.

The results presented herein are suitable for evaluating the ability of accumulated assets and future contributions to fund SDRS benefits, but do not assess the funded status of the system if it were to settle (i.e., purchase annuities) for a portion or all of its liabilities. In various sections of this report, Funded Ratios and liabilities are presented based on different sets of assumptions, as required for specific disclosure information under accounting rules, Actuarial Standards of Practice, or South Dakota law. Where this has been done, it has been clearly indicated.

The undersigned is an Enrolled Actuary, an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and a Fellow of the Conference of Consulting Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. He is an employee of SDRS and is available to answer any questions regarding the material contained in the report or to provide explanations or further details as needed.

This report has been prepared in accordance with all applicable Actuarial Standards of Practice. The undersigned believes all actuarial assumptions and methods used to develop the following results were reasonable and appropriate.

Respectfully submitted,



Douglas J. Fiddler, ASA, EA, MAAA, FCA
Senior Actuary
South Dakota Retirement System

Note: 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 failure to understand applicable assumptions or methods or the inapplicability of this report for other purposes. The attached pages should not be provided without a copy of this cover letter. Because of the risk of misinterpretation of actuarial results, you should ask the report's author to review any statement you wish to make on the results contained in this report.

Executive Summary

The South Dakota Retirement System (SDRS) provides retirement, survivor, disability, and termination benefits to eligible employees of participating public employers in the State of South Dakota. The Board of Trustees, comprised of employer, member, and appointed representatives, is responsible for the management and administration of SDRS. The South Dakota Investment Council is responsible for managing and investing SDRS assets. This report presents the results of the June 30, 2025 Actuarial Valuation of SDRS.

Summary of Principal Results

Membership Summary Valuation Date	June 30, 2025	June 30, 2024
Number of Active Members	43,784	42,873
Prior Year's Annual Member Compensation	$ 2,671,524,123	$ 2,524,981,565
Projected Covered Payroll[1]	$ 2,888,618,170	$ 2,746,415,744
Number of Benefit Recipients[2]	34,961	34,119
Annual Benefits	$ 774,572,921	$ 747,966,037
Number of Vested Terminated Members	13,000	13,042
Number of Non-Vested Terminated Members	13,728	13,265
Total System Members	105,473	103,299
Funded Status **Valuation Date**	**June 30, 2025**	**June 30, 2024**
Fair Value of Assets	$ 15,271,517,603	$ 14,922,309,487
Actuarial Value of Assets	$ 15,271,517,603	$ 14,922,309,487
Actuarial Accrued Liability	$ 15,263,020,587	$ 14,918,279,802
Unfunded Actuarial Accrued Liability	$ 0	$ 0
Assumed Future COLAs	1.56%	1.71%
Fair Value Funded Ratio/Actuarial Value Funded Ratio	100.1%	100.0%
Statutory and Actuarially Determined Contribution Rates **Valuation Date**	**June 30, 2025**	**June 30, 2024**
Fixed, Statutory Member and Employer Contribution Rate	12.437%	12.429%
Actuarially Determined Requirement, Minimum Statutory COLA	9.734%	9.640%
Actuarially Determined Requirement, Maximum Statutory COLA	14.312%	14.212%
Actuarially Determined Contribution Rate (Fixed, Statutory Member and Employer Contribution Rate, not less than Actuarially Determined Requirement, Minimum Statutory COLA, and not greater than Actuarially Determined Requirement, Maximum Statutory COLA)	12.437%	12.429%

[1]Prior year compensation, annualized for new hires/rehires, projected with assumed salary increases. Excludes compensation for rehired retirees.
[2]Includes members whose benefits have been suspended but are entitled to future benefits, 97 as of June 30, 2025 and 85 as of June 30, 2024.

The June 30, 2025 Actuarial Valuation confirms:

- The maximum COLA for 2026 is 1.56%
- The SDRS Fair Value Funded Ratio is 100.1%
- The fixed, statutory contributions are the Actuarially Determined Contributions
- The requirements of SDCL 3-12C-228 are satisfied, and no corrective action recommendations are required

Section 1 – The June 30, 2025 Actuarial Valuation

Purpose of the Actuarial Valuation

The Actuarial Valuation is a snapshot of the funded position of SDRS, performed each June 30 for the following purposes:

- To determine:
  - if the funded status is at least 100% assuming future COLAs are equal to the baseline COLA assumption of 2.25%, and
  - if it is less than 100%, the restricted maximum COLA that results in a funded status of 100% assuming future COLAs are equal to the restricted maximum;
- To set the COLA paid at the beginning of the following fiscal year based on the rate of inflation for the prior year and the funded status determinations;
- To review the current funded status of SDRS;
- To disclose the system asset and liability measures as of the valuation date;
- To confirm the fixed, statutory member and employer contributions are the Actuarially Determined Contributions;
- To determine if a recommendation for corrective actions is required to be made to the Retirement Laws Committee, in accordance with statutory requirements;
- To compare actual and expected experience under SDRS during the most recent fiscal year;
- To disclose the accounting measures as required by GASB Statement Nos. 67 and 68 as of the end of the fiscal year;
- To report trends in contributions, assets, liabilities, and funded status; and
- To identify, assess, and disclose risks to future SDRS funding.

This June 30, 2025 Actuarial Valuation is the fortieth Actuarial Valuation of SDRS since consolidation in 1974. It is based on the statutory plan provisions as amended through the 2025 Legislative Session and membership, assets, and actuarial assumptions as of the valuation date.

Changes from Prior Valuation

The June 30, 2025 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024 Actuarial Valuation, as discussed below.

SDRS Benefit Provision Changes

During the 2025 Legislative Session, no significant SDRS benefit changes were made.

SDRS Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

SDRS Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in an FVFR equal to or exceeding 100%.

As of June 30, 2024, the FVFR, assuming the long-term COLA is equal to the baseline COLA assumption (2.25%), was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.71%.

As of June 30, 2025, the FVFR, assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

The changes in the actuarial assumption for future COLAs decreased the Actuarial Accrued Liability by $223 million, or 1.44% of the Actuarial Accrued Liability based on the 1.71% prior COLA assumption.

Actuarial assumptions are reviewed for reasonableness annually and in depth periodically. The next experience analysis is anticipated before the June 30, 2027, Actuarial Valuation. Any recommended changes approved by the Board of Trustees are anticipated to be implemented for the first time in the June 30, 2027, Actuarial Valuation.

Impact of Actuarial Assumption Changes

The impact of the actuarial assumption change on the Actuarial Accrued Liability is detailed in Table 1.1.

Table 1.1 – Actuarial Accrued Liability Change	June 30, 2025 Actuarial Accrued Liability	Actuarial Accrued Liability Change	Percentage Change
Prior Actuarial Assumptions (1.71% Future COLAs)	$ 15,486,473,585		
Revised Actuarial Assumptions (1.56% Future COLAs)	$ 15,263,020,587	$ (223,452,998)	(1.44%)

SDRS Actuarial Valuation Results and Implications of SDRS's Funding Policy

The Board of Trustees' Funding Policy objectives are designed to sustainably manage SDRS based on the fixed, statutory member and employer contributions. The objectives include a Fair Value Funded Ratio of at

least 100%, a fully funded system, and actuarially determined benefits that are variable and are supported by the fixed, statutory contributions. These objectives are currently met as no Unfunded Actuarial Accrued Liability exists, and the Fair Value Funded Ratio is 100.1% as of June 30, 2025.

Based on the current Funded Ratios, the SDRS Funding Policy, fixed statutory contribution rates, and future experience matching the actuarial assumptions detailed in this report, the Fair Value Funded Ratio is expected to remain 100% or greater and the fixed, statutory contribution rates are expected to remain greater than the Normal Cost and amortization of any Unfunded Actuarial Accrued Liability, if one should arise.

The current restricted maximum COLA of 1.56% is expected to remain stable in the absence of unexpected future gains or losses.

Adherence to the SDRS Funding Policy has effectively funded SDRS benefits, as is evidenced by the Fair Value Funded Ratio history shown in Table 3.2. The SDRS Funding Policy is consistent with SDRS accumulating adequate assets to make all promised benefit payments.

Section 2 – Statutory Determinations

Determination of SDRS COLA Payable Next July

Table 2.1 – Determination of SDRS COLA Payable Next July Valuation Date	June 30, 2025	June 30, 2024
Fair Value of Assets (Table 4.1)	$ 15,271,517,603	$ 14,922,309,487
Actuarial Accrued Liability – Baseline COLA Assumption (2.25%)	$ 16,338,033,870	$ 15,741,286,526
Preliminary Fair Value Funded Ratio – Baseline COLA Assumption	93.5%	94.8%
Actuarial Accrued Liability – Future COLAs assumed to be 1.56% in 2025/ 1.71% in 2024	$ 15,263,020,587	$ 14,918,279,802
Actuarial Accrued Liability – Future COLAs assumed to be 1.57% in 2025[1] / 1.72% in 2024	$ 15,277,748,680	$ 14,932,677,617
Restricted Maximum COLA (Largest COLA resulting in Actuarial Accrued Liability that is less than the Fair Value of Assets)[1]	1.56%	1.71%
Fair Value Funded Ratio (Assumed COLAs = 1.56% for 2025; 1.71% for 2024)	100.1%	100.0%
Increase in the most recent Third Calendar Quarter Average CPI-W over the prior period	2.76%	2.49%
Minimum SDRS COLA	0.00%	0.00%
Maximum SDRS COLA	1.56%	1.71%
SDRS COLA Effective next July	1.56%	1.71%

[1] The June 30, 2025 Fair Value of Assets is greater than the Actuarial Accrued Liability assuming 1.56% future COLAs but less than the Actuarial Accrued Liability assuming 1.57% future COLAs. The June 30, 2024 Fair Value of Assets was greater than the Actuarial Accrued Liability assuming 1.71% future COLAs but less than the Actuarial Accrued Liability assuming 1.72% future COLAs.

The SDRS COLA equals the percentage increase in the third calendar quarter average CPI-W for the prior year, no less than 0% and no greater than 3.5%. However, if the Fair Value Funded Ratio, assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%), is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in an FVFR equal to or exceeding 100%. The 2024 increase in the CPI-W of 2.49% was greater than the 2024 maximum COLA of 1.71%; therefore, monthly benefits were increased by 1.71% effective with the July 2025 payment. The 2025 increase in the CPI-W of 2.76% is greater than the 2025 maximum COLA of 1.56%; therefore, monthly benefits will be increased by 1.56% effective with the July 2026 payment.

Satisfying Conditions of SDCL 3-12C-228

Table 2.2 – Satisfying Conditions of SDCL 3-12C-228 Valuation Date	June 30, 2025	June 30, 2024
Fair Value Funded Ratio (Table 3.1)	100.1%	100.0%
SDCL 3-12C-228 (1) Condition Satisfied? (at least 100%)	**Yes**	**Yes**
Projected Covered Payroll:		
Active Foundation Members	$ 1,595,045,668	$ 1,615,709,153
Active Generational Members	1,293,572,502	1,130,706,591
Total Active Members	$ 2,888,618,170	$ 2,746,415,744
Rehired Retired Members Subject to Employer Contributions	17,371,106	16,555,103
Total Projected Covered Payroll	$ 2,906,009,276	$ 2,762,970,847
Projected Statutory Member and Employer Contributions	$ 361,426,291	$ 343,400,005
Statutory Contribution Rate (Percentage of Total Projected Covered Payroll)	12.437%	12.429%
Present Value of Future Normal Costs (Restricted Maximum COLA, 1.56% for 2025, 1.71% for 2024)	$ 2,770,985,654	$ 2,649,872,109
Present Value of Future Active Member Compensation	25,630,776,434	24,306,818,852
Normal Cost Contribution Rate, Beginning of Year	10.811%	10.902%
Normal Cost Contribution Rate, Adjusted for Mid-Year Payment	11.157%	11.251%
Mid-Year Normal Cost for Active Members	$ 322,283,129	$ 308,999,235
Projected Expenses (2% of Projected Statutory Contributions)	7,228,526	6,868,000
Projected Minimum SDCL 3-12C-228 (2) Contribution	$ 329,511,655	$ 315,867,235
Minimum SDCL 3-12C-228 (2) Contribution Rate (Percentage of Total Projected Covered Payroll)	11.339%	11.432%
Statutory Contribution Rate	12.437%	12.429%
SDCL 3-12C-228 (2) Condition Satisfied? (Statutory Rate, no less than Minimum SDCL 3-12C-228 Rate)	**Yes**	**Yes**
Corrective Action Recommendation Required (Required if either condition is not met)	**No**	**No**

SDCL 3-12C-228 requires that the SDRS Board of Trustees recommend corrective actions to the Retirement Laws Committee if either of two conditions is not satisfied. The two conditions are a Fair Value Funded Ratio of at least 100% and fixed, statutory contributions sufficient to fund the minimum SDCL 3-12C-228 requirements. Both conditions are satisfied as of June 30, 2024, and as of June 30, 2025, and no corrective action recommendation is required.

Section 3 – Actuarial Funding Results

Funded Ratios

Table 3.1 – Funded Ratios Valuation Date	June 30, 2025	June 30, 2024
Assumed Future COLAs	1.56%	1.71%
Present Value of All Benefits		
Active Members	$ 8,695,146,528	$ 8,341,000,273
Benefit Recipients	8,446,914,818	8,331,709,931
Terminated Members	891,944,895	895,441,707
Total	$ 18,034,006,241	$ 17,568,151,911
Present Value of Future Normal Costs	$ (2,770,985,654)	$ (2,649,872,109)
Actuarial Accrued Liability	$ 15,263,020,587	$ 14,918,279,802
Actuarial Value of Assets (Table 4.1)[1]	$ 15,271,517,603	$ 14,922,309,487
Actuarial Value Funded Ratio[1]	100.1%	100.0%
Unfunded Actuarial Accrued Liability (Table 3.5)	$ 0	$ 0
Fair Value of Assets (Table 4.1)	$ 15,271,517,603	$ 14,922,309,487
Fair Value Funded Ratio	100.1%	100.0%

[1] Actuarial Value of Assets is equal to Fair Value of Assets

The Funded Ratio is a comparison of system assets to the Actuarial Accrued Liability of the system and indicates the system's funding progress on a level cost basis. The Funded Ratios shown in this report, along with the Actuarially Determined Contributions shown below in Table 3.3, are appropriate for assessing the need for, and magnitude of future benefit changes, since contributions to SDRS are fixed in statute. The Funded Ratios are not suitable for estimating the cost of settling the system's benefit obligations.

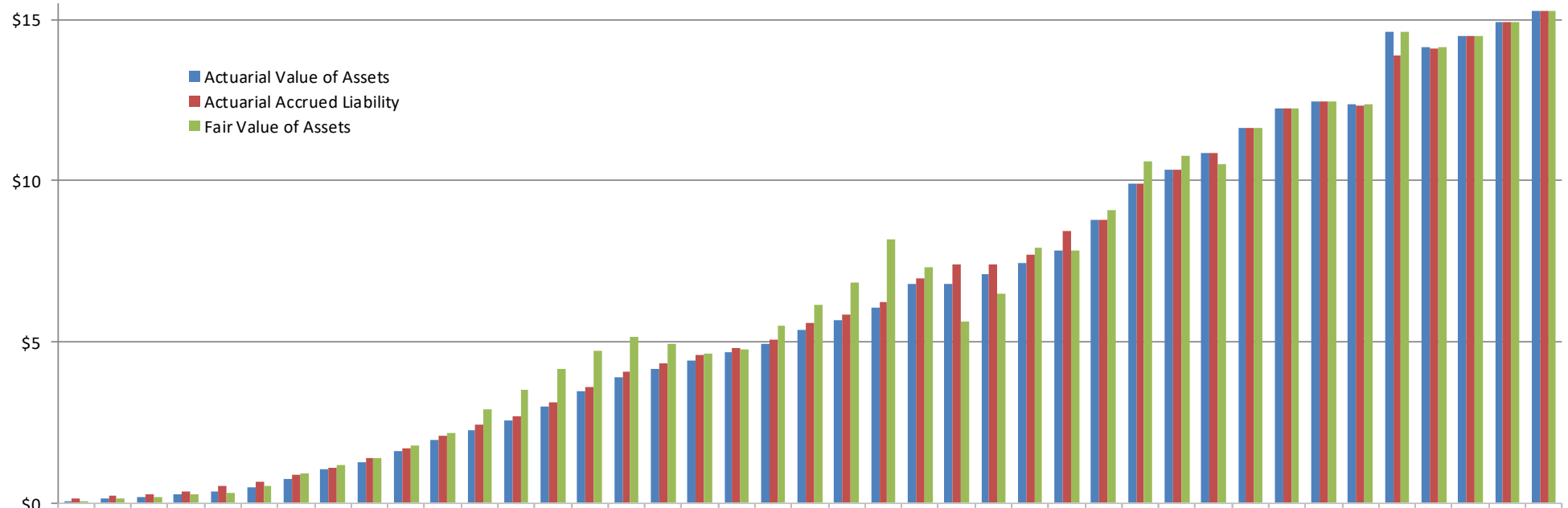
The Actuarial Accrued Liability is equal to the Present Value of All Benefits for SDRS members, less the Present Value of Future Normal Costs for active members. It is a measure of total system liabilities that future Normal Cost contributions will not fund. Alternatively, it represents the annual Normal Cost contributions accumulated to the valuation date.

A Funded Ratio of at least 100% indicates the accrued liabilities are fully funded. Comparing the SDRS Funded Ratios on a historical basis illustrates the funding progress of SDRS and the ability of the fixed, statutory member and employer contributions to fund the Normal Costs of the system and to amortize the Unfunded Actuarial Accrued Liability (when applicable) based on overall SDRS experience.

With the COLA changes enacted in 2017, SDRS is expected to remain fully funded in most future economic environments through COLA adjustments based on inflation and affordability. If a severe economic downturn, such as the one that occurred in 2008-2009 appears, future benefit reduction recommendations may be required in accordance with SDCL 3-12C-228.

Table 3.1 indicates that as of June 30, 2025, the SDRS Fair Value Funded Ratio and Actuarial Value Funded Ratios were both 100.1%. Table 3.2 illustrates the history of the Actuarial Value Funded Ratio and the Fair Value Funded Ratio from 1973 to the present date, showing the improvement from an initial Funded Ratio of 39.8% to the current 100.1%**.** Since 1986, SDRS has achieved a Fair Value Funded Ratio of 100% or more in 30 of the last 35 Actuarial Valuations**.**

Table 3.2 - History of Funded Ratios



	1973	1976	1978	1980	1982	1984	1986	1988	1990	1992	1994	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FVFR[1]	40%	57%	68%	76%	63%	81%	106%	111%	101%	104%	103%	120%	130%	133%	132%	126%	114%	101%	99%	109%	111%	117%	131%	105%	76%	88%	103%	93%	103%	107%	104%	97%	100%	100%	100%	100%	106%	100%	100%	100%	100%
AVFR[2]	40%	57%	68%	76%	67%	75%	85%	97%	91%	94%	92%	94%	95%	96%	97%	95%	96%	97%	97%	98%	97%	97%	97%	97%	92%	96%	96%	93%	100%	100%	100%	100%	100%	100%	100%	100%	106%	100%	100%	100%	100%
Fund. Per.[3]	41	19	19	9	28	18	37	6	46	16	38	30	23	22	21	20	20	20	20	20	20	20	20	20	99+	30	30	29	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ADC%[4]	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	91%	100%	100%	100%	100%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

[1] Fair Value Funded Ratio.

[2] Actuarial Value Funded Ratio.

[3] Funding Period. As of June 30, 2009, fixed, statutory member and employer contributions were not sufficient to fund the Frozen Unfunded Actuarial Accrued Liability. SDRS was fully funded with no Unfunded Actuarial Accrued Liability (based on the Actuarial Value of Assets) from June 30, 2013 through June 30, 2025.

[4] Percent of Actuarially Determined Contributions made.

Actuarially Determined Contributions

Table 3.3 – Actuarially Determined Contribution Rate as a Percentage of Statutory Contribution Rate		
Valuation Date	**June 30, 2025**	**June 30, 2024**
Fiscal Year Ending	**June 30, 2026**	**June 30, 2025**
Projected Covered Payroll:		
Active Foundation Members	$ 1,595,045,668	$ 1,615,709,153
Active Generational Members	1,293,572,502	1,130,706,591
Active Former Department of Labor and Regulation Members	0	0
Total Active Members	$ 2,888,618,170	$ 2,746,415,744
Rehired Retired Members Subject to Employer Contributions	17,391,106	16,555,103
Total Projected Covered Payroll	$ 2,906,009,276	$ 2,762,970,847
Actuarially Determined Contribution, Minimum Statutory COLA		
Minimum Statutory COLA	0.0%	0.0%
Present Value of Future Normal Costs	$ 2,369,703,819	$ 2,225,221,086
Present Value of Future Member Compensation	$ 25,630,776,434	$ 24,306,818,852
Normal Cost Contribution Rate, Beginning of Year	9.246%	9.155%
Normal Cost Contribution Rate, Adjusted for Mid-Year Payment	9.542%	9.448%
Mid-Year Normal Cost Rate times Projected Covered Payroll	$ 275,631,946	$ 259,481,359
Projected Expenses	7,228,526	6,868,000
Actuarially Determined Contribution, Minimum COLA	$ 282,860,472	$ 266,349,359
Actuarially Determined Contribution Rate, Minimum COLA (Percentage of Total Projected Covered Payroll)	9.734%	9.640%
Actuarially Determined Contribution, Maximum Statutory COLA		
Maximum Statutory COLA	3.5%	3.5%
Present Value of Future Normal Costs	$ 3,513,650,995	$ 3,308,868,406
Present Value of Future Member Compensation	$ 25,630,776,434	$ 24,306,818,852
Normal Cost Contribution Rate, Beginning of Year	13.709%	13.613%
Normal Cost Contribution Rate, Adjusted for Mid-Year Payment	14.148%	14.048%
Mid-Year Normal Cost Rate times Projected Covered Payroll	$ 408,681,699	$ 385,816,484
Projected Expenses	7,228,526	6,868,000
Actuarially Determined Contribution, Maximum COLA	$ 415,910,225	$ 392,684,484
Actuarially Determined Contribution Rate, Maximum COLA (Percentage of Total Projected Covered Payroll)	14.312%	14.212%
Projected Fixed, Statutory Member & Employer Contributions[1]		
Projected Contributions	$ 361,426,291	$ 343,400,005
Percentage of Total Projected Covered Payroll	12.437%	12.429%
Projected Actuarially Determined Member & Employer Contrib. Rate (Fixed, Statutory Member and Employer Contribution Rate, not less than Actuarially Determined Requirement with Minimum COLA and not greater than Actuarially Determined Requirement with Maximum COLA)	**12.437%**	**12.429%**
Actuarially Determined Member & Employer Contribution Rate as a Percentage of Fixed, Statutory Member & Employer Contribution Rate	**100.0%**	**100.0%**

[1]Members and employers each contribute 6% of compensation for Class A, 8% for Class B Public Safety, and 9% for Class B Judicial members. In addition, Class A employers contribute 6.2% of Foundation member compensation in excess of the Social Security Taxable Wage Base for the Alternate Formula, and electing members contribute 1.5% of compensation for the Optional Spouse Benefit.

SDRS member and employer contribution rates are fixed in statute and do not change based on experience. The SDRS COLA will vary between 0% and 3.5% based on inflation and the long-term affordability of the COLA, as indicated by a Fair Value Funded Ratio of 100% or greater. From 2017 to 2020, the SDRS COLA

range was 0.5% to 3.5%. From 2011 to 2016, the SDRS COLA varied from 2.1% to 3.1% depending on the funded status and inflation.

To test the adequacy of the fixed contribution rates, actuarially determined requirements are calculated based on the minimum annual statutory COLA payable (0%) and the maximum annual statutory COLA payable (3.5%). If the SDRS fixed contributions are within that range of actuarially determined requirements, they will support the SDRS benefit structure and reflect the minimum and maximum long-term costs of the system.

Table 3.3 illustrates that the SDRS estimated fixed, statutory contribution rates currently meet the adequacy test and are the appropriate Actuarially Determined Contributions as of June 30, 2025, and as of June 30, 2024

Table 3.4 adjusts the Estimated Actuarially Determined Contribution Rates calculated as of the valuation date at the beginning of the Fiscal Year to account for the actual contributions based on actual payroll during the Fiscal Year.

Table 3.4 – Adjustment of Actuarially Determined Employer Contributions for Actual Compensation

Fiscal Year Ending	June 30, 2025	June 30, 2024
Projected Fixed, Statutory Member & Employer Contribution Rate	12.429%	12.416%
Projected Actuarially Determined Member & Employer Contribution Rate	12.429%	12.416%
Actuarially Determined Member & Employer Contribution Rate as a Percentage of Fixed, Statutory Member & Employer Contribution Rate	100.0%	100.0%
Actual Member and Employer Contributions (Excluding Service Purchases)	$ 354,679,677	$ 335,118,387
Estimated Actual Covered Payroll	2,858,132,919	2,698,373,036
Actual Fixed, Statutory Member & Employer Contribution Rate	12.409%	12.419%
Actuarially Determined Member &Employer Contribution Rate as a Percentage of Fixed, Statutory Member & Employer Contribution Rate	100.0%	100.0%
Actuarially Determined Member & **Employer Contribution Rate** (Adjusted for actual contributions and payroll during the year)	**12.409%**	**12.419%**
Actuarially Determined Member & **Employer Contributions**	**$ 354,679,677**	**$ 335,118,387**
Actual Member Contributions (Excluding Service Purchases)	$ 176,161,782	$ 166,788,439
Estimated Actual Covered Payroll	2,858,132,919	2,698,373,036
Actual Fixed, Statutory Member Contribution Rate	6.164%	6.181%
Actual Employer Contributions	$ 178,517,895	$ 168,329,948
Actuarially Determined Employer Contributions	**178,517,895**	**168,329,948**
Contribution Deficiency/(Excess)	$ 0	$ 0
Actual Employer Contributions	$ 178,517,895	$ 168,329,948
Estimated Actual Covered Payroll	2,858,132,919	2,698,373,036
Actual Fixed, Statutory Employer Contribution Rate	6.246%	6.238%

The Projected Actuarially Determined Contribution Rate in Table 3.3 and the adjusted Actuarially Determined Employer Contributions in Table 3.4 both meet the requirements for Reasonable Actuarially Determined Contributions in Actuarial Standards of Practice No. 4, Section 3.21.

The Reasonable Actuarially Determined Contribution corresponds to the Fair Value Funded Ratio (FVFR) of 100.1% detailed in Table 3.1. In addition to the actuarial methods and assumptions detailed in Sections 9 and 10 of this report, the SDRS fixed contributions are determined to be the Reasonable Actuarially

Determined Contribution if they are between the Actuarially Determined Contribution if the minimum SDRS COLA is payable and the Actuarially Determined Contribution if the maximum SDRS COLA is payable.

This procedure ensures that SDRS benefits, including current and projected future SDRS COLAs, remain sustainably funded, limiting the COLAs to those that can be afforded for the lifetimes of all current SDRS members, considering current assets and liabilities, as well as the fixed, statutory member and employer contributions. The procedure maximizes the long-term benefits that can be sustainably funded with the fixed, statutory contributions, balancing benefit security and intergenerational equity with the statutory requirement of fixed contributions. The procedure will maintain the FVFR at 100% or above, unless and until a severe or prolonged economic downturn results in an FVFR below 100% with no affordable SDRS COLA. Such a condition would require the SDRS Board of Trustees to make a recommendation for a corrective action.

Funding Summary

This Actuarial Valuation confirms that a restricted maximum COLA is again applicable. The restricted maximum COLA payable in July 2025 was 1.71% and the 2024 Actuarial Valuation was based on an annual COLA assumption of 1.71%. The restricted maximum COLA payable in July 2026 will be 1.56% and the 2025 Actuarial Valuation is based on an annual COLA assumption of 1.56%.

The results of the 2025 Actuarial Valuation of SDRS indicate that, based on the currently affordable COLA of 1.56%:

- The system expects to pay total future benefits to all current SDRS active, retired, and terminated members, which have a present value of $18.034 billion (Table 3.1).

- The Actuarial Value of Assets and Fair Value of Assets both equal $15.272 billion (Table 4.1).

- Future member and employer contributions for current active members with a present value of $2.771 billion will be required to pay future Normal Costs (Table 3.1).

SDRS is funded by fixed, statutory member and employer contributions that total 12.437% of considered compensation. The 2025 Actuarial Valuation of SDRS confirms that the statutory rate of contributions is the Actuarially Determined Contribution rate.

Unfunded Actuarial Accrued Liability

Table 3.5 – Development of Unfunded Actuarial Accrued Liability Valuation Date	June 30, 2025	June 30, 2024
Assumed Future COLAs	1.56%	1.71%
Actuarial Accrued Liability	$ 15,263,020,587	$ 14,918,279,802
Actuarial Value/Fair Value of Assets (Table 4.1)	(15,271,517,603)	(14,922,309,487)
Unfunded Actuarial Accrued Liability (not less than $0)	$ 0	$ 0

Changes from Prior Year

Table 3.6 – Reconciliation of Key Measures	2024 Actuarial Valuation Results	System Investment and Liability Experience For Year[1]	Membership Changes and Maturity of System[2]	Changes in Benefit Provisions, Actuarial Methods or Actuarial Assumptions Effective July 1, 2025	2025 Actuarial Valuation Results
Normal Cost Rate with Expense Provision	11.432%	--	0.093%	(0.186%)[3]	11.339%
Funding Period	N/A	--	--	--	N/A
Unfunded Actuarial Accrued Liability	$0	$215M	--	($215M)	$0
Actuarial Value Funded Ratio	100.0%[3]	(1.4%)	--	1.5%[3]	100.1%[3]
Fair Value Funded Ratio	100.0%[3]	(1.4%)	--	1.5%[3]	100.1%[3]

[1] SDRS Actuarial Investment and Liability Gains and Losses impact the Actuarial and Fair Value Funded Ratios immediately.
[2] Changes to the membership from year to year will cause minor changes in the Normal Cost Rate.
[3] In years when a restricted maximum COLA applies or when a restricted maximum COLA no longer applies, changes to the assumed future SDRS COLA that correspond to actuarial investment and liability experience will drive changes in the Funded Ratios and the Normal Cost rate.

Liability Gains and Losses for the Fiscal Year Ended June 30, 2025

SDRS liabilities as of June 30, 2025 were $95 million greater than expected, or 0.62% of the Actuarial Accrued Liability. The sources of the $95 million total experience loss were as follows:

Table 3.7 – Liability Gains/(Losses)

Item	Amount of Liability Gain/(Loss)	Percent of Actuarial Accrued Liability
Gain/(Loss) due to Compensation Increases	$ (60 million)[1]	(0.39%)
Gain/(Loss) due to Mortality	(3 million)	(0.02%)
Gain/(Loss) due to Retirements	10 million	0.07%
Gain/(Loss) due to Terminations	1 million	0.01%
Gain/(Loss) due to Disabilities	1 million	0.01%
Gain/(Loss) due to New Members	(23 million)[2]	(0.15%)
Gain/(Loss) due to Rehired Members	(19 million)[3]	(0.13%)
Miscellaneous Gain/(Loss)	(2 million)	(0.02%)
Total Experience Liability Gain/(Loss)	$ (95 million)	(0.62%)

[1] Offset by approximately $2 million in contribution increases. The net impact on funded status is a loss of approximately $58 million.
[2] Offset by approximately $16 million in contribution increases. The net impact on funded status is a loss of approximately $7 million.
[3] Offset by approximately $6 million in contribution increases. The net impact on funded status is a loss of approximately $13 million.

SDRS liability experience for the year ended June 30, 2025 included the following:

- The number of active members increased by 2.1%, prior year compensation for all members increased by 5.8% and average prior year compensation increased by 3.6%.
- The average age of active members and years of Credited Service remained steady at 44.2 and 10.4, respectively.
- The number of SDRS members and beneficiaries receiving benefits increased by 2.4% and the average benefit paid increased by 1.1%.
- Compensation for active members included in the prior Actuarial Valuation increased by 5.4% compared to an assumed increase of 4.6%.
- The COLA for benefit recipients was 1.71%, equal to the assumed COLA.
- Decremental experience was mixed. The experience included:
  - Losses from mortality experience – 17 fewer benefit recipients than expected died during the year (1.7% fewer deaths than expected). When weighted by benefit payments, the number of recipient deaths was 5.1% lower than the assumed number.
  - Gains from retirements – 150 fewer members than expected retired during the year (10.3% fewer retirements than expected). When weighted by salaries, actual retirement rates were 10.7% lower than the assumed rates.
  - Gains from terminations – 116 more members than expected terminated (before retirement eligibility) during the year (3.7% more). When weighted by salaries, actual termination rates were 3.1% lower than the assumed rates.
  - Losses due to newly hired members receiving full service credit for quarters during which contributions were made for only a portion of the quarter.
  - Losses due to the service credited to rehired members who have not previously withdrawn their contributions.

Asset Gains and Losses for the Fiscal Year Ended June 30, 2025

For the year ended June 30, 2025, the actual investment return of SDRS was less than the expected 6.50% investment return on the Fair Value of Assets by $157 million, as summarized below.

Table 3.8– Investment Gain/(Loss)	
Actual Investment Return for the Year Ended June 30, 2025 (Table 4.2)	$ 798,505,462
Expected Investment Return Based on Fair Value of Assets (Table 6.6)	955,567,362
Actuarial Investment Gain/(Loss) (Actual less Expected)	$ (157,061,900)

The money-weighted investment return, based on the Fair Value of Assets of the system, for the year ended June 30, 2025, was 5.44% after investment expenses (5.45% on a time-weighted basis).

Summary of June 30, 2025 Actuarial Valuation Results

The June 30, 2025 Actuarial Valuation of SDRS reports a Fair Value Funded Ratio of 100.1%.

The SDRS COLA considers both the rate of inflation and the long-term affordability of the COLA as determined by a Fair Value Funded Ratio of 100% or more. This June 30, 2025 Actuarial Valuation determines that the 2026 COLA will be restricted and subject to a maximum of 1.56%, which is less than the rate of inflation for the year of 2.76%.

This June 30, 2025 Actuarial Valuation also confirms that the actuarial conditions delineated in SDCL 3-12C-228 are met, and corrective action recommendations are not required to be made to the Retirement Laws Committee.

The Fair Value Funded Ratio increased from 100.0% as of June 30, 2024, to 100.1% as of June 30, 2025, due to the net impact of investment returns less than the assumed 6.50%, liability gains/losses, and actuarial assumption changes to reflect the application of the restricted maximum COLA.

The investment return, based on the Fair Value of Assets, was 5.44% for the year on a money-weighted basis, net of investment expenses, which is less than the assumed return of 6.50%. Actuarial Investment Losses for the year were $157 million.

Liability losses caused by experience during the year different than assumed were $95 million.

Member and employer contributions are fixed in statute and have never changed due to experience since consolidation in 1974.

SDRS Actuarial Valuation Results Compared to SDRS Funding Policy Objectives

The Board of Trustees' Funding Policy objectives reflect that SDRS is managed based on the resources provided by fixed, statutory member and employer contributions. The objectives include a Fair Value Funded Ratio of at least 100% with no Unfunded Actuarial Accrued Liabilities and actuarially determined benefits that are variable and are supported by the fixed, statutory contributions. These objectives are

currently met as no Unfunded Actuarial Accrued Liability currently exists, and the Fair Value Funded Ratio is 100.1% as of June 30, 2025.

Based on the current FVFR, the SDRS Funding Policy, fixed statutory contribution rates, and future experience matching the actuarial assumptions detailed in this report, the Fair Value Funded Ratio is expected to remain 100%.

The current restricted maximum COLA of 1.56% is expected to remain stable if system experience matches the assumptions.

SDRS has been and continues to be a well-funded system, as evidenced by the Fair Value Funded Ratio history shown in Table 3.2.

Actuarial Soundness

The determination of the affordable COLA, the funded status, and the adequacy of the statutory contributions to SDRS are the most important indicators of the long-term actuarial soundness of SDRS. The soundness is measured by:

- The maximum SDRS COLA payable the following July 1 and assumed for future years
- The Fair Value Funded Ratio
- The adequacy of the total fixed, statutory contributions available

As of the June 30, 2025 valuation date, the restricted maximum COLA is 1.56%, the Fair Value Funded Status is 100.1% and the Unfunded Actuarial Accrued Liability remains at $0.

If future experience meets expectations, the Fair Value Funded Ratio is expected to remain at or above 100% and the restricted COLA is expected to remain constant at the current 1.56%.

Future events such as adverse investment returns, increases in life expectancies greater than assumed, or other demographic losses may result in the restricted maximum COLA again applying and, if severe enough, may adversely impact the future funded status of SDRS and require corrective action recommendations.

Corrective action recommendations are required if the Fair Value Funded Ratio is less than 100%. That condition does not exist currently. If it exists in the future, SDRS is expected to have Unfunded Actuarial Accrued Liabilities unless future system experience is more favorable than assumed or until legislation is enacted to meet the requirements of SDCL 3-12C-228.

The combination of actuarial assumptions and methods used in the Actuarial Valuation, the actual experience of the system, and the actuarial measures determined in this report all indicate a continuing sound system, managed within the resources provided by fixed, statutory member and employer contributions.

SDRS is a consolidated, multiple-employer, cost-sharing retirement system that does not attempt to determine separate or unique funding requirements for entities or classes within SDRS. However, periodic studies are conducted to analyze the balance of benefits and contributions provided to the two major

member groups within SDRS, which have different funding and benefit provisions (Class A and Class B). Prior studies had found that the two classes were generally self-supporting (i.e., the fixed, statutory member and employer contributions were sufficient to fund the Normal Cost of the benefits provided under these classifications). An analysis during 2015, based on the actuarial assumptions and member demographics at that time, suggested that the existing Foundation member provisions provide proportionately higher benefits to Class B members, considering the contributions applicable to each class. While the dollar impact of the imbalance is not significant to SDRS overall, the SDRS Board of Trustees enacted design changes for Generational members entering the system after June 30, 2017 to address this imbalance (as well as other subsidies) while also accomplishing other equitable benefit design objectives.

Section 4 – SDRS Plan Assets

SDRS Fair Value of Assets Available for Benefits

Table 4.1 – SDRS Fair Value of Assets Available for Benefits as of:	June 30, 2025	June 30, 2024
Assets		
Investments at current value	$ 15,210,238,019	$ 14,841,283,609
Cash and temporary investments	7,999,016	9,072,379
Contributions receivable	7,987,082	8,903,086
Benefits receivable	279,739	246,357
Accounts receivable (unsettled investment sales)	10,846,143	6,268,322
Investment income receivable	58,268,784	59,424,033
Properties	6,873	9,827
Due from Brokers	0	10,053,575
Other assets	20,345	189,663
Total Assets	$ 15,295,646,001	$ 14,935,450,851
Liabilities		
Accounts payable and accrued expenses	$ 4,499,074	$ 3,499,470
Accounts payable (unsettled investment purchases)	11,779,824	9,641,894
Securities sold, but not yet purchased	0	0
Due to Brokers	7,849,500	0
Total Liabilities	$ 24,128,398	$ 13,141,364
Fair Value of Assets Available for Benefits	**$ 15,271,517,603**	**$ 14,922,309,487**

Changes in SDRS Fair Value of Assets

Table 4.2 – Changes in SDRS Fair Value of Assets for Year Ended:	June 30, 2025	June 30, 2024
Fair Value of Assets at Beginning of Year	$ 14,922,309,487	$ 14,500,453,104
Additions		
Employer Contributions	$ 178,517,895	$ 168,329,948
Member Contributions	176,161,782	166,788,439
Service Purchase/Redeposits/SPB Purchases	480,040	374,263
Investment Return Net of Investment Expenses	798,505,462	856,068,350
Total Additions	**$ 1,153,665,179**	**$ 1,191,561,000**
Deductions		
Benefit Payments	$ (761,846,186)	$ (735,491,608)
Accumulated Contribution Refunds	(36,510,202)	(28,776,190)
Administrative Expenses	(5,783,686)	(5,436,819)
Total Deductions	**$ (804,140,074)**	**$ (769,704,617)**
Net Increase/(Decrease)	**$ 349,525,105**	**$ 421,856,383**
Prior Year Adjustment	(316,989)	N/A
Fair Value of Assets at End of Year	**$ 15,271,517,603**	**$ 14,922,309,487**

SDRS Actuarial Value of Assets

Effective with the June 30, 2017 Actuarial Valuation, the Actuarial Value of Assets is equal to the Fair Value of Assets.

Section 5 – Funding Risks

Background

Measuring liabilities for a retirement system requires assumptions regarding future economic and demographic experience. Future actuarial liabilities, funded ratios, and contribution requirements will vary from the current measurements and vary from the expectations for future measurements.

Actuarial Standard of Practice No. 51 defines risk as "the potential of actual future measurements deviating from expected future measurements resulting from actual future experience deviating from actuarially assumed experience."

Risk Identification

Several categories of risk may reasonably be expected to cause future SDRS results to deviate from expected results, including:

- Investment risk – if future investment returns are greater or less than the assumed 6.50% annual net investment return;
- Longevity risk – if future life expectancies are different than assumed;
- Inflation risk – if future inflation is different than the 2.50% assumed average future inflation;
- Salary increase risk – if future salary increases depart from the assumed annual increases;
- Other demographic risk – if future retirements, terminations, disabilities, family composition, or other demographic experience is different than assumed;
- Covered payroll risk – if future covered payroll increases at a rate greater or less than the assumed 3.15% annual rate when and if an Unfunded Liability exists; and
- Contribution risk – if future member or employer contributions are different than current statutory requirements.

This is not a comprehensive list of all factors that may cause actual future measurements to deviate from expected measurements. Since contributions are fixed for SDRS, risk factors may result in changes to the SDRS variable COLA, or even corrective actions that result in additional benefit reductions.

Initial Risk Assessment

Investment Risk: The risk that future investment returns deviate from the assumed 6.50% net return is the most significant risk to future SDRS funding and benefit levels. Investment experience is the most likely to vary from the assumption, and its variation is likely to be the largest of any assumption. The impact of investment risk is demonstrated in the scenario testing detailed later in this section.

The following additional risks are expected to have a much less significant impact than investment risk:

Longevity Risk: Longevity risk refers to the possibility that future mortality experience deviates from the mortality assumptions employed in this valuation. While the assumptions used are thought to be a reasonable estimate of current mortality and future mortality improvements, if members live longer than

the assumptions project, future COLAs may be reduced. Likewise, if future mortality improvement is slower than assumed, future COLAs would be less likely to be reduced.

Inflation Risk: If future inflation is significantly different than the assumed annual 2.50% inflation, future SDRS COLAs may be greater or less than assumed. If sustained inflation is above the assumed annual rate during periods when a restricted maximum COLA does not apply, experience losses would occur, making subsequent COLA restrictions more likely. The opposite is also true – if sustained inflation is below the assumed annual rate, the future SDRS COLA restrictions would be less likely. Because of the statutory limits on SDRS COLAs, it is not expected that future inflation deviation will make required corrective actions or benefit improvements more likely.

Salary Increase Risk: If future salary increases are greater or less than assumed, variations in future SDRS COLA restrictions would be anticipated.

Other Demographic Risk: If other demographic experience departs from assumptions, variations in future SDRS COLA restrictions would be anticipated.

Covered Payroll Risk: For many retirement systems that amortize Unfunded Actuarial Accrued Liabilities using a level percent of payroll method, deviation in covered payroll from the assumed increases may impact the future amortization of Unfunded Liabilities. Because SDCL 3-12C-228 requires recommendations for corrective actions if the Fair Value Funded Ratio drops below 100%, SDRS is not expected to have any Unfunded Liabilities, except as a temporary condition until economic conditions improve or corrective active legislation is enacted. As a result, covered payroll risk is not expected to impact future SDRS funding measurements.

Investment Risk Scenario Testing

The SDRS funded status and ADC are based on numerous actuarial assumptions that have been selected based on the system's experience and future expectations, including the expected annual investment return of 6.50%. The basis for the 6.50% investment return assumption has been detailed in Section 6 of this report.

Table 5.1 illustrates the projected FVFR and ADC over the next five years assuming alternative investment returns on the fair value of assets. The projections are based on actuarial assumptions (other than investment returns), methods, and plan provisions used in this June 30, 2025 valuation, including plan provisions that vary automatically with the FVFR.

Three scenarios of projected results are shown assuming annual net investment returns equal to:

1. **4.08%** - The expected 25th percentile annual investment return over a 15-year period, based on the assumed investment return of 6.50% and a 15-year assumed standard deviation of 3.58%
2. **6.50%** - The annual investment return assumed in this June 30, 2025 valuation
3. **8.92%** - The expected 75th percentile annual investment return over a 15-year period, based on the assumed investment return of 6.50% and a 15-year assumed standard deviation of 3.58%

Table 5.1 – June 30, 2025 Projected Funding Results

	Projected Investment Return					
	4.08%		6.50%		8.92%	
June 30,	Fair Value Funded Ratio	Actuarially Determined Total Contribution	Fair Value Funded Ratio	Actuarially Determined Total Contribution	Fair Value Funded Ratio	Actuarially Determined Total Contribution
2025	100.1%	12.437%	100.1%	12.437%	100.1%	12.437%
2026	100.0%	12.437%	100.0%	12.437%	100.1%	12.437%
2027	100.1%	12.437%	100.1%	12.437%	100.1%	12.437%
2028	100.1%	12.437%	100.0%	12.437%	100.6%	12.437%
2029	100.0%	12.437%	100.1%	12.437%	102.9%	12.437%
2030	100.1%	12.437%	100.0%	12.437%	105.4%	12.437%

Table 5.1 results recognize the automatically adjusting features of SDRS. The COLA is the primary flexible SDRS benefit and variations in the restricted maximum COLA are key to understanding the projected future Funded Ratios. Table 5.2 projects future baseline FVFRs and restricted maximum COLAs based on the same scenarios presented in Table 5.1.

Table 5.2 – June 30, 2025 Projected Baseline Fair Value Funded Ratio & Restricted Maximum COLA

	Projected Investment Return					
	4.08%		6.50%		8.92%	
June 30,	Baseline Fair Value Funded Ratio	Restricted Maximum COLA	Baseline Fair Value Funded Ratio	Restricted Maximum COLA	Baseline Fair Value Funded Ratio	Restricted Maximum COLA
2025	93.5%	1.56%	93.5%	1.56%	93.5%	1.56%
2026	91.5%	1.34%	93.7%	1.58%	95.9%	1.81%
2027	89.7%	1.12%	93.9%	1.60%	98.2%	2.06%
2028	88.0%	0.91%	94.2%	1.63%	100.6%	None[1]
2029	86.4%	0.71%	94.4%	1.65%	102.9%	None[1]
2030	84.9%	0.50%	94.6%	1.68%	105.4%	None[1]

[1]When the SDRS FVFR is 100% or greater under the baseline COLA assumption of 2.25%, no restricted maximum COLA is applicable and the SDRS COLA is equal to the increase in the CPI-W with a minimum of 0% and a maximum of 3.5%.

SDRS' current FVFR as of June 30, 2025 is 100.1% based on the assumed investment return of 6.50% and assumed future COLAs of 1.56%. Tables 5.1 and 5.2 indicate that the COLA variability will be sufficient for the system to remain fully funded over the next five years based on the 25th percentile annual investment return of 4.08%. Conversely, based on the 75th percentile investment return of 8.92% over the next five years, the full COLA range will be affordable each year beginning with the COLA effective in July 2029. In addition, five years of annualized net investment returns of approximately 3.1% or less will exhaust the variability built into the SDRS COLA and, by statute, require a recommendation to the South Dakota Legislature for corrective actions (benefit reductions). Likewise, five years of annualized net investment returns of approximately 11.7% or more will satisfy the Board of Trustees' policy for benefit improvements and permit consideration of a recommendation to the Legislature for a benefit increase, subject to additional SDRS Board of Trustees' policy restrictions on the type and timing of any improvement.

SDRS benefits (primarily the COLA) will vary with system experience since both member and employer contributions are fixed. The risk of investment returns less than anticipated under SDRS is borne by members in the form of reduced benefits. That risk is best illustrated by considering the likelihood of various

investment returns based on the benchmark asset allocation of the SDRS trust fund over shorter time periods because benefits vary automatically as required, and additional benefit reductions will be recommended as required by statute if the automatic adjustments in variable benefits are not adequate to meet statutory requirements. The risk of benefit reductions is illustrated in the following subsection of this report. Conversely, better-than-expected investment results provide the opportunity for a recommendation to increase benefits under the Board of Trustees' policies.

Historical annual money-weighted net investment returns and inflation are shown in Table 5.3:

Table 5.3 – Historical Money-Weighted Net Investment Returns and Inflation

Period Ending June 30, 2025	Annualized Net Investment Returns	Annualized Inflation[1]
1 Year	5.44%	2.56%
5 Years	7.46%	4.71%
10 Years	6.51%	3.06%
15 Years	8.75%	2.64%
20 Years	7.29%	2.57%

[1]Annualized increase in June CPI-W index.

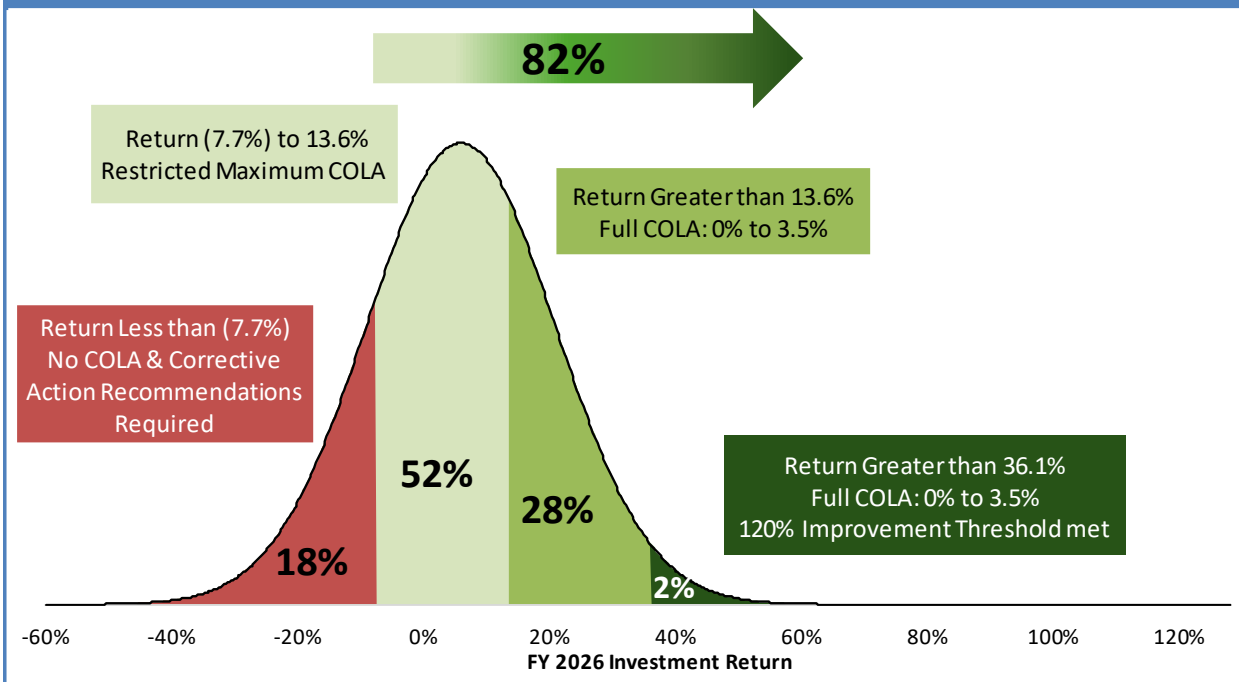
Projected Future COLAs and Corrective Action Recommendations

The SDRS COLA varies with both inflation and affordability. Based on the results of this Actuarial Valuation, the 2026 COLA will be equal to inflation, subject to a minimum of 0% and a maximum of 1.56%.

Future asset and liability experience will drive changes in the SDRS COLA and may also require recommendations for future corrective action legislation. Because of the maturity of SDRS, future investment return variability is likely to have the most significant impact on future COLA levels and corrective action requirements. The following charts project the approximate investment returns required for future COLA ranges and the likelihood of achieving those investment returns over the next three fiscal years. The likelihoods are based on the South Dakota Investment Council's investment portfolios statistics for the benchmark asset allocation as of June 2025. Demographic experience is assumed to follow the actuarial assumptions used in this Actuarial Valuation, and annual inflation is assumed to be 2.50%. The COLA ranges are estimates and will be affected by liability gains or losses caused by departures from the actuarial assumptions.

One-Year Projection: Projected COLA ranges for the June 30, 2026 Actuarial Valuation, which determines the 2027 SDRS COLA, are shown in Table 5.4:

Table 5.4 - 1-Year Projection of COLA Ranges



If the fiscal year 2026 net investment return is less than negative 7.7%, no SDRS COLA would be paid in 2027, and the SDRS Board of Trustees would be required to recommend corrective action legislation. This would result in a Fair Value Funded Ratio less than 100% until economic conditions improve or corrective action legislation is enacted. Based on the investment portfolio statistics, the expected likelihood of net investment returns less than negative 7.7% is 18%.

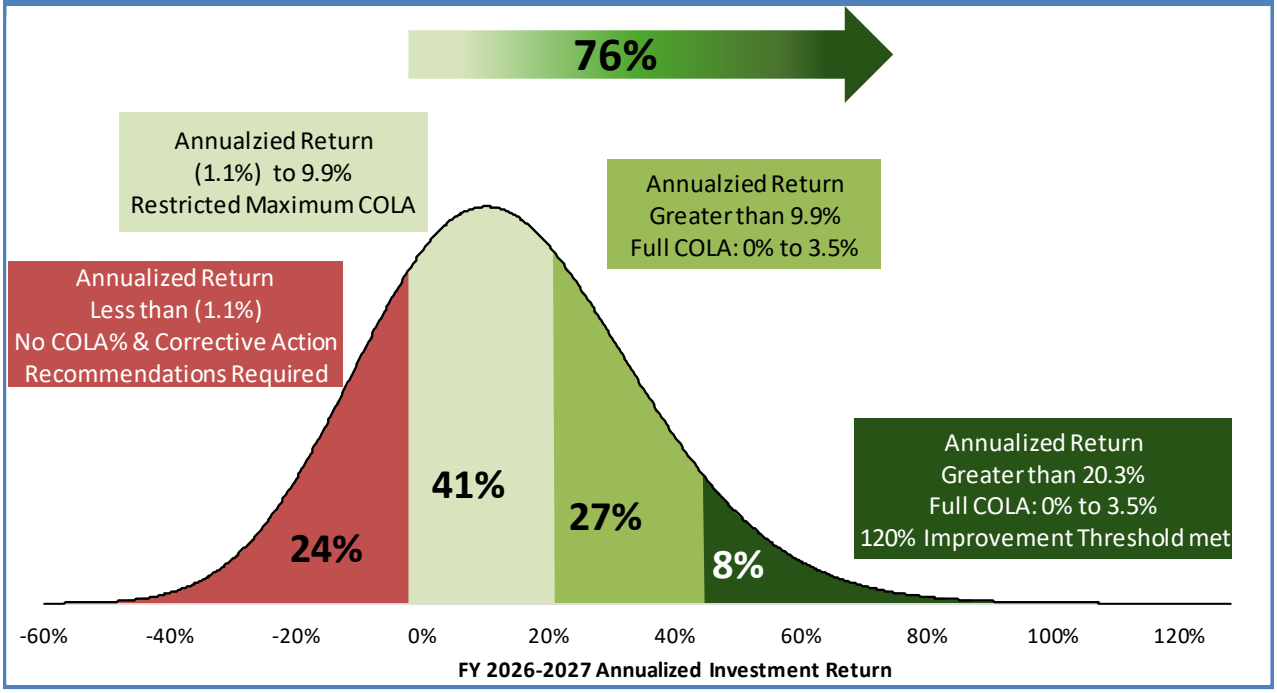
If the net investment return for fiscal year 2026 is between negative 7.7% and 13.6%, a restricted maximum COLA would apply for the 2027 SDRS COLA, and the June 30, 2026 Fair Value Funded Ratio would be 100%. The expected likelihood of a restricted maximum COLA for 2027 is 52%.

If the net investment return for fiscal year 2026 is greater than 13.6%, the 2027 SDRS COLA would be equal to inflation, between 0% and 3.5% and the June 30, 2026 Fair Value Funded Ratio would be greater than 100%. The expected likelihood of the full COLA range for 2027 is 30% (28% plus 2%).

If the net investment return for fiscal year 2026 is greater than 36.1%, the 2027 SDRS COLA would be equal to inflation, between 0% and 3.5%, and the June 30, 2026 Fair Value Funded Ratio would be greater than 120%. This is the Board of Trustees' first requirement for considering benefit improvements. This likelihood is 2%.

Two-Year Projection: Projected COLA ranges for the June 30, 2027 Actuarial Valuation, which determines the 2028 SDRS COLA, are shown in Table 5.5:

Table 5.5 - 2-Year Projection of COLA Ranges



If the annualized net investment return for fiscal years 2026 and 2027 is less than negative 1.1%, no SDRS COLA would be paid in 2028, and the SDRS Board of Trustees would be required to recommend corrective action legislation. This would result in a Fair Value Funded Ratio less than 100% until economic conditions improve or corrective action legislation is enacted to rectify the situation. Based on the investment portfolio statistics, the expected likelihood of an annualized net investment return of less than negative 1.1% is 24%.

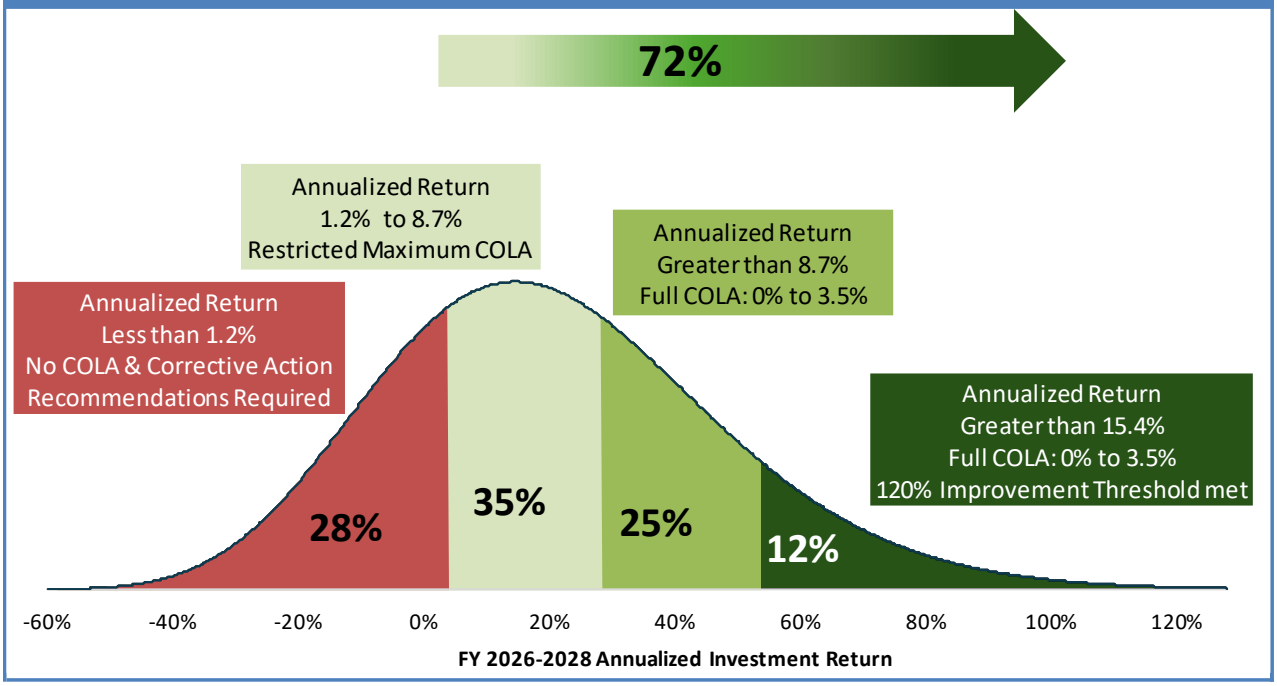
If the annualized net investment return for fiscal years 2026 and 2027 is between negative 1.1% and 9.9%, a restricted maximum COLA would apply for the 2028 SDRS COLA, and the June 30, 2027 Fair Value Funded Ratio would be 100%. The expected likelihood of a restricted maximum COLA for 2028 is 41%.

If the annualized net investment return for fiscal years 2026 and 2027 is greater than 9.9%, the 2028 SDRS COLA would be equal to inflation, between 0% and 3.5% and the June 30, 2027 Fair Value Funded Ratio would be greater than 100%. The expected likelihood of the full COLA range for 2028 is 35% (27% plus 8%).

If the annualized net investment return for fiscal years 2026 and 2027 is greater than 20.3%, the 2028 SDRS COLA would be equal to inflation, between 0% and 3.5%, and the Fair Value Funded Ratio would be greater than 120%. This is the Board of Trustees' first requirement for considering benefit improvements. This likelihood is 8%.

Three-Year Projection: Projected COLA ranges for the June 30, 2028 Actuarial Valuation, which determines the 2029 SDRS COLA, are shown in Table 5.6:

Table 5.6 - 3-Year Projection of COLA Ranges



If the annualized net investment return for fiscal years 2026 through 2028 is less than 1.2%, no SDRS COLA would be paid in 2029, and the SDRS Board of Trustees would be required to recommend corrective action legislation. This would result in a Fair Value Funded Ratio less than 100% until economic conditions improve or corrective action legislation is enacted to rectify the situation. Based on the investment portfolio statistics, the expected likelihood of an annualized net investment return of less than 1.2% is 28%.

If the annualized net investment return for fiscal years 2026 through 2028 is between 1.2% and 8.7%, a restricted maximum COLA would apply for the 2029 SDRS COLA, and the June 30, 2028 Fair Value Funded Ratio would be 100%. The expected likelihood of a restricted maximum COLA for 2029 is 35%.

If the annualized net investment return for fiscal years 2026 through 2028 is greater than 8.7%, the 2029 SDRS COLA would be equal to inflation, between 0% and 3.5% and the June 30, 2028 Fair Value Funded Ratio would be greater than 100%. The expected likelihood of the full COLA range for 2029 is 37% (25% plus 12%).

If the annualized net investment return for fiscal years 2026 through 2028 is greater than 15.4%, the 2029 SDRS COLA would be equal to inflation, between 0% and 3.5%, and the Fair Value Funded Ratio would be greater than 120%. This is the Board of Trustees' first requirement for considering benefit improvements. This likelihood is 12%.

Plan Maturity Measurements

As a pension plan matures, plan measurements and relationships between those measurements change. The number of retired and terminated members grows compared to the number of active members. The portion of Actuarial Accrued Liability for benefits to retired and terminated members will likely grow at a faster rate than the portion for active members. As these trends progress, accumulated liabilities and assets will grow faster than the payroll of active members.

The result is a more mature system that is exposed to additional risks. For instance, if the ratio of assets to payroll increases from 4.5 to 6.5, a 10% asset loss that would have initially created a funding gap equal to 45% of covered payroll would now create a funding gap of 65% of covered payroll. These changes can make it more difficult to reach or maintain a desired funding level as a plan matures.

Tables 5.7 and 5.8 illustrate this effect for SDRS and show the Fair Value of Assets, Actuarial Accrued Liability, covered payroll, and total contributions for SDRS from 2005 through 2025. Table 5.8 shows the ratios of assets and liabilities to covered payroll for the same period.

Table 5.7 - Historical Assets, Liabilities, Covered Payroll, and Contributions

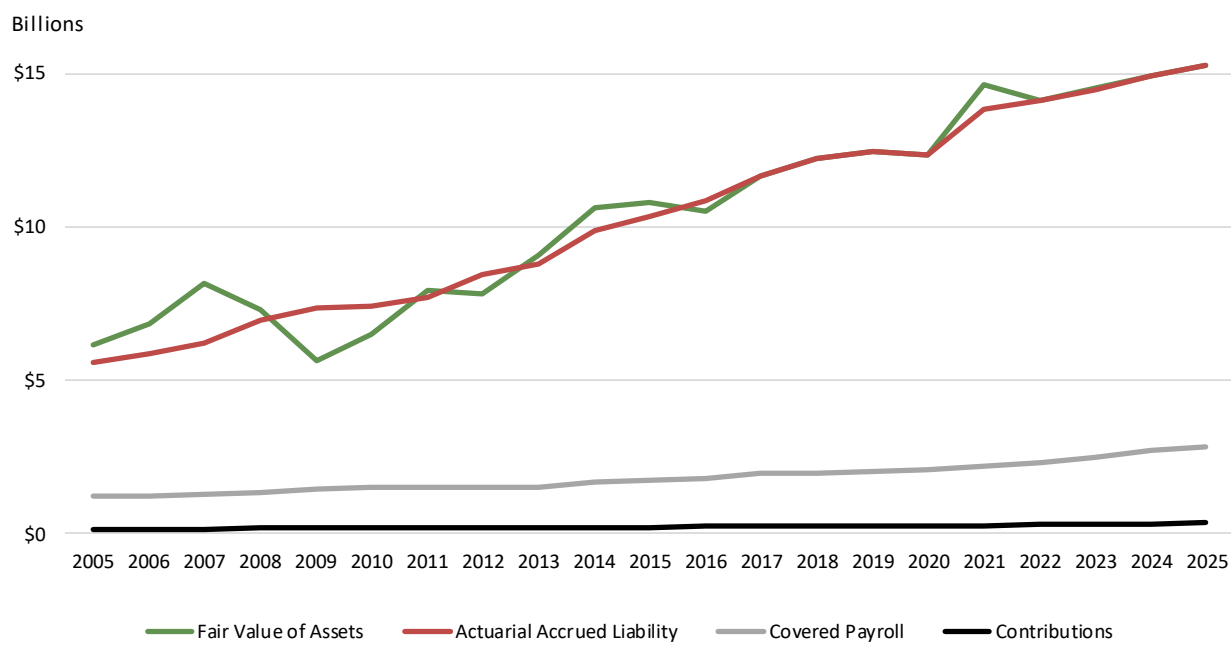
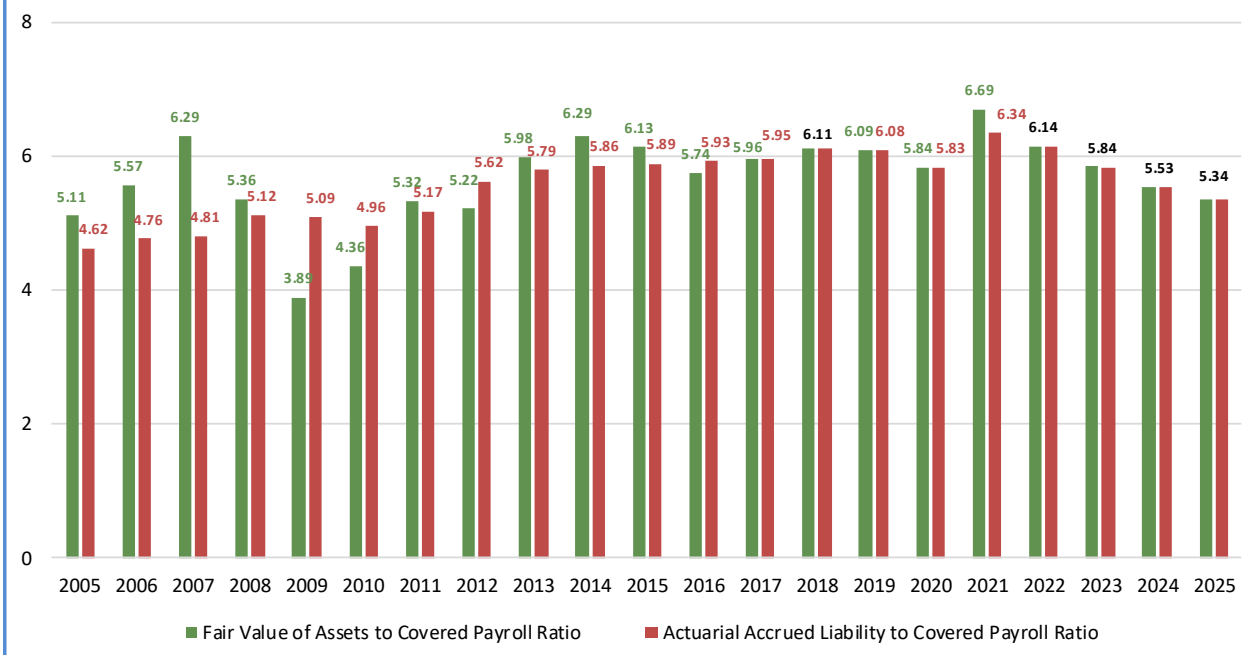


Table 5.8 - Historical Asset and Liability to Covered Payroll Ratios



A more basic maturity measurement is the portion of members who have retired and terminated, and the portion of liabilities for those members. Tables 5.9 and 5.10 demonstrate that the percentage of members who are retired or terminated has increased since 2006, and the percentage of liabilities for retired or terminated members also has increased.

Table 5.9 - Percentage of Members Who Are Retired or Terminated

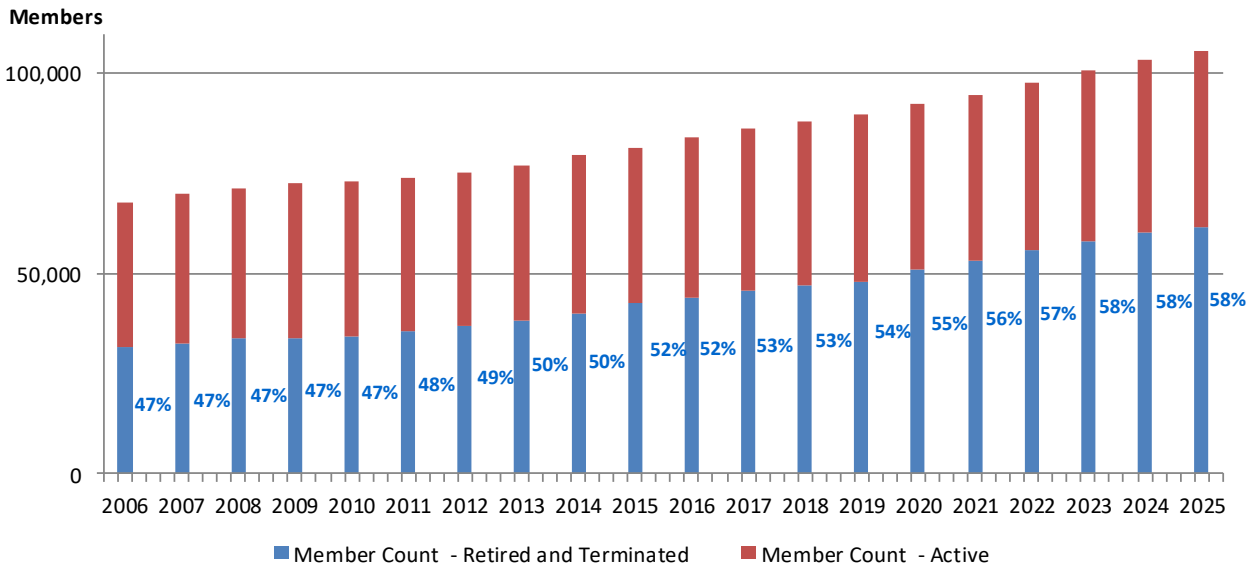
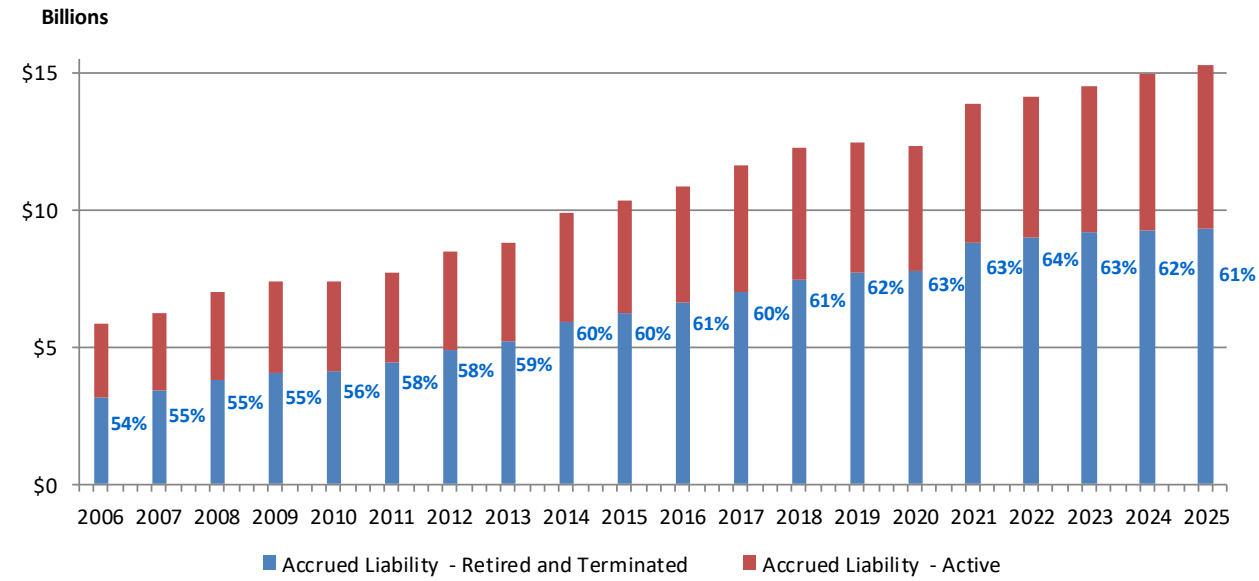
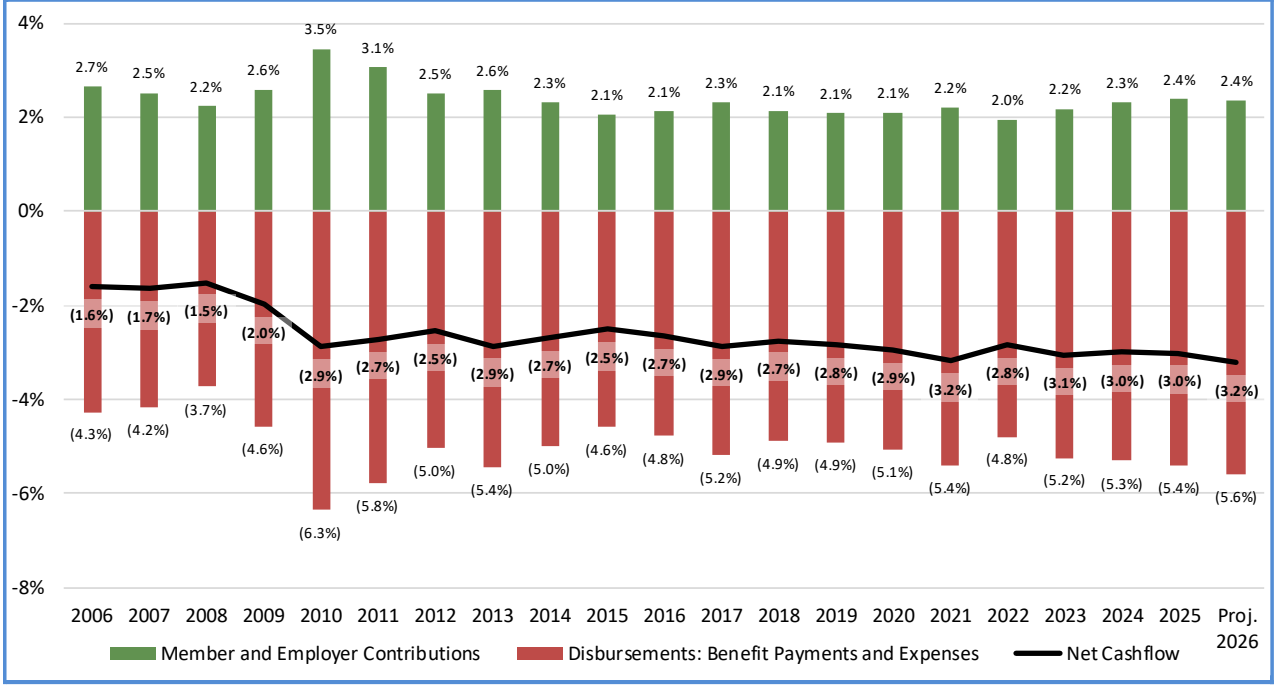


Table 5.10 - Percentage of Liability for Members Who Are Retired or Terminated



The magnitude of cash flows into and out of a retirement system can also indicate important characteristics of plan maturity. As a plan matures, the net cash flow, which is comprised of contributions into the plan and benefit payments and expenses out of the plan, will likely become more negative. This is not necessarily a sign of a troubled plan, but a large negative cash flow can increase the risk that future actuarial measurements will be worse than anticipated due to the stress on investment returns from liquidity needs. Table 5.11 presents the historical contributions, disbursements, and net cash flow for SDRS, along with projected figures for fiscal year 2026. Since 2010, the net negative cash flow has been between 2.5% and 3.2% of the beginning assets. Contributions have decreased as a percentage of assets, reflecting the fixed, statutory member and employer contribution rates. Benefit payments and expenses accounted for the largest percentage of assets immediately following the Great Recession in 2008-2009, reflecting the significant decline in asset value at the time.

Table 5.11 - Historical Contributions, Disbursements, and Net Cashflow as a Percentage of Beginning Assets



The preceding five exhibits demonstrate that SDRS is a maturing retirement system, one that has been in operation for many years with an increasing ratio of retired and terminated members to active members. For plans with fixed benefits and Unfunded Actuarial Accrued Liabilities, growing plan maturity typically increases the risk that asset or liability losses cause large and sudden increases in required employer contributions.

However, due to the SDRS variable benefit structure, the liabilities for all SDRS members, including retired and terminated members, adjust in response to asset or liability gains or losses and will only increase required employer contributions in the event of a severe or prolonged economic downturn. In such a situation, SDRS will fall short of the statutory funding thresholds in SDCL 3-12C-228, and the SDRS Board of Trustees will be required to make a recommendation for corrective action.

Low-Default-Risk Obligation Measure

Effective February 15, 2023, Actuarial Standard of Practice No. 4 requires the disclosure of a Low-Default-Risk Obligation Measure (LDROM) in each funding valuation. The LDROM is calculated using "a discount rate derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future." In addition, "the actuary should consider reflecting the impact, if any, of investing plan assets in low-default-risk fixed income securities on the pattern of benefits expected to be paid in the future, such as in a variable annuity plan."

The discount rate used for the LDROM is a single equivalent interest rate that results in the same present value if projected benefits are discounted based on the spot rates in The Treasury High Quality Market Corporate Bond Yield Curve reported for June 2025 at https://home.treasury.gov/data/treasury-coupon-issues-and-corporate-bond-yield-curve/corporate-bond-yield-curve. The single equivalent interest rate is 5.84%.

Future COLAs for the LDROM are assumed to be 0.71%, the affordable COLA determined assuming assets are invested entirely in a bond portfolio yielding 5.84% and the statutory COLA process is followed, recognizing a 5.84% discount rate. All other actuarial assumptions are unchanged from those reported in Section 10 of this report. As of June 30, 2025, the LDROM is $15,265 million.

The maximum affordable SDRS COLA for 2026 is 1.56%, and the funding calculations reflect expected future COLAs of 1.56% for all future years. The funding calculations determine that 1.56% COLAs are expected to be sustainable based on the actuarial assumptions, including expected future investment return of 6.50% – an expectation that includes significant risk that future investment returns will fall short of the assumed 6.50% and reduce future COLAs.

To illustrate the degree of uncertainty and risk in the expectation for future COLAs, if assets are invested in Low-Default-Risk Fixed Income Securities (LDRFIS) and the LDROM is used to determine the affordable COLA for the current year and the expectation for future COLAs, the affordable COLA would be 0.71%. The difference in the affordable COLA using funding calculations (1.56%) and LDROM calculations (0.71%) is a current market estimate of the future COLAs that are dependent on future investment returns above LDRFIS yields. This risk is primarily borne by SDRS members through the variable SDRS COLA. Alternatively, the difference in the affordable COLA using LDROM calculations and funding calculations is a current market estimate of the increase in future COLAs that is affordable because SDRS is invested in a prudently diversified portfolio rather than a portfolio solely consisting of LDRFIS.

Section 6 – Accounting Information

Background

GASB has issued Statement No. 67, "Financial Reporting for Pension Plans," effective for fiscal years beginning after June 15, 2013 and Statement No. 68, "Accounting and Financial Reporting for Pensions," effective for fiscal years beginning after June 15, 2014. These Statements are amendments to Statements Nos. 25 and 27. GASB Statement No. 82 amended the application of Statements Nos. 67 and 68.

Statements Nos. 67 and 68 use different terminology for items commonly used in Actuarial Valuation. The GASB terminology is shown below, followed by the more commonly used terminology:

- Service Cost = Normal Cost
- Total Pension Liability = Actuarial Accrued Liability
- Plan Fiduciary Net Position = Fair Value of Assets
- Net Pension Liability = Total Pension Liability less Plan Fiduciary Net Position = Unfunded Actuarial Accrued Liability

If the Plan Fiduciary Net Position is greater than the Total Pension Liability, the result is a Net Pension Asset. Except for June 30, 2016, the SDRS funded status has resulted in a Net Pension Asset at each fiscal year end between 2014 and 2025.

Statements Nos. 67 and 68 require that the Net Pension Liability/(Asset) be allocated to individual employers and included on their balance sheets. Furthermore, year-to-year changes in the Net Pension Liability/(Asset) will be included on the employer's income statements as Plan Pension Expense/(Revenue) and are expected to vary significantly from one year to the next.

Plan Description

Plan administration: The SDRS Board of Trustees administers the South Dakota Retirement System, a cost-sharing, multiple-employer defined benefit retirement plan with hybrid features that provides lifetime income for eligible employees of participating employers.

The South Dakota Investment Council is responsible for investing system assets.

Plan membership: At June 30, 2025, plan membership consisted of:

Table 6.1 – Plan Membership	
Inactive plan Members or Beneficiaries currently receiving benefits	34,961 [1]
Inactive plan Members entitled to but not receiving benefits	26,728
Active plan Members	43,784
Total plan Members	105,473

[1] Includes 97 members whose benefits have been suspended but are entitled to future benefits.

Benefits provided: See Section 8 of this report for a summary of SDRS benefit provisions as amended through the 2025 Legislative Session.

Net Pension Liability/(Asset) as of June 30, 2025

SDRS's fiduciary net position is 100.06% of the system's Total Pension Liability as of June 30, 2025. Therefore, the system has a Net Pension Asset. The components of the Net Pension Asset of SDRS as of June 30, 2025 are as follows:

Table 6.2 – Net Pension Liability/(Asset)

Total Pension Liability	$15,263,012,420
Plan Fiduciary Net Position	(15,271,517,603)
Net Pension Liability/(Asset)	$ (8,505,183)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	100.06%
Estimated actual covered payroll during fiscal year 2025	$ 2,858,132,919
Net Pension Liability/(Asset) as a percentage of covered payroll	(0.30%)

Actuarial Cost Method

The Individual Entry Age Normal – Level Percentage of Pay cost method was used.

Actuarial Assumptions

The Total Pension Liability was determined by an Actuarial Valuation as of June 30, 2025 using the following actuarial assumptions applied to all periods included in the measurement:

Table 6.3 – Actuarial Assumptions

Measurement Date	June 30, 2025
Inflation	2.50%
Future COLAs	1.56%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service.
Discount Rate	6.50%, net of investment expenses. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Mortality Rates	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020 Active and Terminated Vested Members: Teachers, Certified Regents, and Judicial: PubT-2010 Other Class A Members: PubG-2010 Public Safety Members: PubS-2010 Retired Members: Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65 Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above Public Safety Retirees: PubS-2010, 102% of rates at all ages Beneficiaries: PubG-2010 contingent survivor mortality table Disabled Members: Public Safety: PubS-2010 disabled member mortality table Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2025 Actuarial Valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2021.

The long-term expected annual rate of return on plan investments of 6.50% was adopted by the Board and is considered for funding purposes. It was set based on the actuarial experience study, considering information presented by the actuary and benchmark asset allocation investment portfolio statistics developed by the South Dakota Investment Council in 2022. The long-term expected rate of return includes an expectation that, due to the dynamic asset allocation process employed by the South Dakota Investment Council, a portion of the consistent, historical outperformance relative to expectations will continue.

The actuarial assumptions, including the long-term expected rate of return, were recommended by the system's Senior Actuary and adopted by the SDRS Board of Trustees in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The assumptions represent the Board of Trustees' best estimate of anticipated experience.

The discount rate used to measure the Total Pension Liability is equal to the long-term expected rate of return. The projection of cash flows used to determine the discount rate assumes that the fixed, statutory contributions will continue to be made in accordance with South Dakota Codified Law. Based on these assumptions, the Fiduciary Net Position was projected to be sufficient to cover all projected future benefit payments for current system members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67. We believe this assumption is reasonable for the purposes of the measurements required by GASB Statement No. 67.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following table presents the Net Pension Liability/(Asset) as of June 30, 2025, calculated using the discount rate of 6.50%, as well as the Net Pension Liability/(Asset) if it were calculated using a discount rate that is one percentage point lower (5.50%) and one percentage point higher (7.50%) than the current rate:

Table 6.4 – Sensitivity of the Net Pension Liability/(Asset) to Discount Rate Changes

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Total Pension Liability	$ 17,355,949,139	$ 15,263,012,420	$ 13,548,397,150
Plan Fiduciary Net Position	15,271,517,603	15,271,517,603	15,271,517,603
Net Pension Liability/(Asset)	$ 2,084,431,536	$ (8,505,183)	$ (1,723,120,453)

Changes in Net Pension Liability/(Asset)

The following table represents the changes in Total Pension Liability and Fiduciary Net Position for the years ended June 30, 2025 and June 30, 2024:

Table 6.5 – Changes in the Net Pension Liability/Asset for the Year Ended:	June 30, 2025	June 30, 2024
Total Pension Liability		
Service cost	$ 307,650,433	$ 291,155,784
Interest	964,146,155	936,372,466
Changes of benefit terms	0	0
Differences between expected and actual experience	94,763,707	260,469,110
Changes of assumptions	(223,452,997)	(296,160,706)
Benefit payments	(798,356,388)	(764,267,798)
Net change in Total Pension Liability	**$ 344,750,910**	**$ 427,568,856**
Total Pension Liability – beginning	**14,918,261,510**	**14,490,692,654**
Total Pension Liability – ending	**$ 15,263,012,420**	**$ 14,918,261,510**
Plan Fiduciary Net Position		
Contributions – employers	$ 178,517,895	$ 168,329,948
Contributions – members (including service purchases)	176,641,822	167,162,702
Net investment income	798,505,462	856,068,350
Benefit payments, including refunds of member contributions	(798,356,388)	(764,267,798)
Administrative expenses	(5,783,686)	(5,436,819)
Other	0	0
Net change in Plan Fiduciary Net Position	**$ 349,525,105**	**$ 421,856,383**
Plan Fiduciary Net Position – beginning	**$ 14,922,309,487**	**$ 14,500,453,104**
Prior Period Adjustment[1]	(316,989)	
Plan Fiduciary Net Position – ending	**$ 15,271,517,603**	**$ 14,922,309,487**
Plan Net Pension Liability/(Asset) – ending (Total Pension Liability less Plan Fiduciary Net Position)	**$ (8,505,183)**	**$ (4,047,977)**

[1] Prior period adjustment for GASB Statement No. 101 change in accounting principle. SDRS has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the SDRS net position as of July 1, 2024 to restate beginning net position held in trust for pension benefits.

Pension Plan Expense/(Revenue)

Plan Pension Expense/(Revenue) consists of system changes that are recognized immediately, as well as amortizations relating to the difference between expected and actual experience, changes in actuarial assumptions, and differences between projected and actual investment earnings on investments. The following table provides the detail of the Plan Pension Expense/(Revenue).

Table 6.6 – Plan Pension Expense/(Revenue) for the Year Ended:

	June 30, 2025	June 30, 2024
Service Cost	$ 307,650,433	$ 291,155,784
Interest	964,146,155	936,372,466
Expected investment return	(955,567,362)	(928,639,718)
Changes of benefit terms recognized immediately	0	0
Contributions – members	(176,641,822)	(167,162,702)
Administrative expenses	5,783,686	5,436,819
Amortization of difference between expected and actual experience	178,416,754	162,288,606
Amortization of changes of assumptions	(213,975,424)	(8,269,333)
Amortization of difference between projected and actual investment return on plan investments	(104,857,588)	(14,923,646)
Plan Pension Expense/(Revenue)	**$ 4,954,832**	**$ 276,258,276**
Employer Contribution	**$ 178,517,895**	**$ 168,329,948**

Reconciliation of Net Balance Sheet Impact

Table 6.7 – Reconciliation of Net Balance Sheet Impact for the Year Ended:

	June 30, 2025	June 30, 2024
Beginning of Year:		
Net Pension Liability/(Asset)	$ (4,047,977)	$ (9,760,450)
Deferred Outflows	(970,384,226)	(1,427,988,718)
Deferred Inflows	885,047,041	1,240,435,678
Net Balance Sheet Impact	**$ (89,385,162)**	**$ (197,313,490)**
Prior Year Adjustment[1]	316,989	
Beginning of Year Net Balance Sheet Impact	$ **(89,068,173)**	
Plan Pension Expense/(Revenue)	4,954,832	276,258,276
Employer Contributions	(178,517,895)	(168,329,948)
Net Change in Balance Sheet Impact	**$ (173,563,063)**	**$ 107,928,328**
End of Year		
Net Pension Liability/(Asset)	$ (8,505,183)	$ (4,047,977)
Deferred Outflows	(705,588,304)	(970,384,226)
Deferred Inflows	451,462,251	885,047,041
Net Balance Sheet Impact	**$ (262,631,236)**	**$ (89,385,162)**

[1] Prior period adjustment for GASB Statement No. 101 change in accounting principle. See note on page 36 for additional detail.

Collective Pension Amounts

Table 6.8 – Schedule of Collective Pension Amounts

		Deferred Outflows of Resources				Deferred Inflows of Resources					
Year Ended June 30	Net Pension Liability/(Asset) Beginning of Year	Difference Between Projected and Actual Investment Return	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Outflows of Resources	Difference Between Projected and Actual Investment Return	Changes of Assumptions	Differences Between Expected and Actual Experience	Total Deferred Inflows of Resources	Plan Pension Expense/ (Revenue)	Net Pension Liability/(Asset) End of Year
2016	$ (424,128,574)	$ 792,943,395	$ 117,592,248	$ 202,320,307	$ 1,112,855,950	$ 417,206,550	0	0	$ 417,206,550	$ 236,792,073	$ 337,790,175
2017	$ 337,790,175	$ 578,514,236	$ 145,408,106	$ 704,625,332	$ 1,428,547,674	$ 752,992,101	0	0	$ 752,992,101	$ (204,863,805)	$ (9,075,103)
2018	$ (9,075,103)	$ 364,085,077	$ 88,149,765	$ 592,112,712	$ 1,044,347,554	$ 540,347,394	0	0	$ 540,347,394	$ 303,032,555	$ (2,332,231)
2019	$ (2,332,231)	$ 310,187,341	$ 41,568,923	$ 366,001,771	$ 717,758,035	$ 371,236,243	$ 150,042,969	$ 4,796,511	$ 526,075,723	$ 431,625,166	$ (10,597,261)
2020	$ (10,597,261)	$ 605,783,861	$ 16,614,267	$ 139,890,830	$ 762,288,958	$ 202,125,092	$ 564,187,585	$ 3,402,176	$ 769,714,853	$ 337,044,437	$ (4,342,980)
2021	$ (4,342,980)	$ 444,304,682	$ 27,495,257	$ 880,695,383	$ 1,352,495,322	$ 1,538,306,526	$ 383,516,024	$ 2,007,841	$1,923,830,391	$ (61,417,268)	$ (765,828,854)
2022	$ (765,828,854)	$1,106,321,291	$ 179,899,873	$ 600,652,946	$ 1,886,874,110	$ 1,128,969,437	$ 526,391,984	$ 613,506	$1,655,974,927	$ 97,414,805	$ (9,450,623)
2023	$ (9,450,623)	$ 817,627,990	$ 276,664,646	$ 333,696,082	$ 1,427,988,718	$ 752,646,291	$ 487,789,387	$ 0	$1,240,435,678	$ 197,798,020	$ (9,760,450)
2024	$ (9,760,450)	$ 528,799,858	$ 374,845,150	$ 66,739,218	$ 970,384,226	$ 376,623,145	$ 508,723,896	$ 0	$ 885,047,041	$ 276,258,276	$ (4,047,977)
2025	$ (3,730,988)[1]	$ 414,396,201	$ 291,192,103	$ 0	$ 705,588,304	$ 0	$ 451,462,251	$ 0	$ 451,462,251	$ 4,954,832	$ (8,505,183)

[1] Includes prior period adjustment for GASB Statement No. 101 change in accounting principle. See note on page 36 for additional detail.

Table 6.9 – Increase/(Decrease) in Pension Expense:

Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Year Ended June 30	Differences Between Expected and Actual Experience	Recognition Period (Years)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2016	$ 78,645,840	4.38	$ 17,955,671	$ 17,955,671	$ 17,955,671	$ 17,955,671	$ 6,823,156									
2017	97,593,700	4.46		21,881,996	21,881,996	21,881,996	21,881,996	$ 10,065,716								
2018	5,220,615	4.31			1,211,280	1,211,280	1,211,280	1,211,280	$ 375,495							
2019	(6,190,846)	4.44				(1,394,335)	(1,394,335)	(1,394,335)	(1,394,335)	$ (613,506)						
2020	6,447,338	4.34					1,485,562	1,485,562	1,485,562	1,485,562	$ 505,090					
2021	30,918,486	4.25						7,274,938	7,274,938	7,274,938	7,274,938	$ 1,818,734				
2022	209,192,709	4.39							47,652,098	47,652,098	47,652,098	47,652,098	$ 18,584,317			
2023	199,176,582	4.33								45,999,211	45,999,211	45,999,211	45,999,211	$ 15,179,738		
2024	260,469,110	4.28									60,857,269	60,857,269	60,857,269	60,857,269	$ 17,040,034	
2025	94,763,707	4.29										22,089,442	22,089,442	22,089,442	22,089,442	$ 6,405,939
												$ 178,416,754				

Arising from the Recognition of the Effects of Changes of Assumptions

Year Ended June 30	Changes of Assumptions	Recognition Period (Years)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2016	$ 0															
2017	820,191,401	4.46		$ 183,899,417	$ 183,899,417	$ 183,899,417	$ 183,899,417	$ 84,593,733								
2018	181,931,669	4.31			42,211,524	42,211,524	42,211,524	42,211,524	$ 13,085,573							
2019	(193,660,111)	4.44				(43,617,142)	(43,617,142)	(43,617,142)	(43,617,142)	$ (19,191,543)						
2020	(594,816,177)	4.34					(137,054,419)	(137,054,419)	(137,054,419)	(137,054,419)	$ (46,598,501)					
2021	1,134,566,674	4.25						266,956,864	266,956,864	266,956,864	266,956,864	$ 66,739,218				
2022	(418,989,267)	4.39							(95,441,746)	(95,441,746)	(95,441,746)	(95,441,746)	$ (37,222,283)			
2023	(277,074,634)	4.33								(63,989,523)	(63,989,523)	(63,989,523)	(63,989,523)	$ (21,116,542)		
2024	(296,160,706)	4.28									(69,196,427)	(69,196,427)	(69,196,427)	(69,196,427)	$ (19,374,998)	
2025	(223,452,997)	4.29										(52,086,946)	(52,089,946)	(52,086,946)	(52,086,946)	$ (15,105,213)
												$(213,975,424)				

Arising from the Recognition of Differences Between Projected and Actual Earnings on Pension Plan Investments

Year Ended June 30	Differences Between Projected and Actual Investment Return	Recognition Period (Years)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2016	$ 748,279,600	5	$ 149,655,920	$ 149,655,920	$ 149,655,920	$ 149,655,920	$ 149,655,920									
2017	(680,486,033)	5		(136,097,207)	(136,097,207)	(136,097,207)	(136,097,207)	$(136,097,205)								
2018	(165,069,719)	5			(33,013,944)	(33,013,944)	(33,013,944)	(33,013,944)	$ (33,013,943)							
2019	200,664,276	5				40,132,855	40,132,855	40,132,855	40,132,855	$ 40,132,856						
2020	606,731,619	5					121,346,324	121,346,324	121,346,324	121,346,324	$ 121,346,323					
2021	(1,881,615,729)	5						(376,323,146)	(376,323,146)	(376,323,146)	(376,323,146)	$(376,323,145)				
2022	1,029,369,735	5							205,873,947	205,873,947	205,873,947	205,873,947	$ 205,873,947			
2023	98,324,782	5								19,664,956	19,664,956	19,664,956	19,664,956	$ 19,664,958		
2024	72,561,368	5									14,514,274	14,514,274	14,514,274	14,514,274	$ 14,514,772	
2025	157,061,900	5										31,412,380	31,412,380	31,412,380	31,412,380	$ 31,412,380
												$(104,857,588)				

Table 6.10 – Deferred Outflows/(Inflows) of Resources

Arising from Differences between Expected and Actual Experience

Year Ended June 30	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in Pension Expense through June 30, 2025 (c)	Balances as of June 30, 2025 Deferred Outflows of Resources (a) – (c)	Balances as of June 30, 2025 Deferred Inflows of Resources (b) – (c)
2016	$ 78,645,840		$ 78,645,840	$ 0	
2017	97,593,700		97,593,700	0	
2018	5,220,615		5,220,615	0	
2019		$ (6,190,846)	(6,190,846)		$ 0
2020	6,447,338		6,447,338	0	
2021	30,918,486		30,918,486	0	
2022	209,192,709		190,608,392	18,584,317	
2023	199,176,582		137,997,633	61,178,949	
2024	260,469,110		121,714,538	138,754,572	
2025	94,763,707		22,089,442	72,674,265	
Sub-Total				**$ 291,192,103**	**$ 0**

Arising from Changes of Assumptions

Year Ended June 30	Increases in the Total Pension Liability (a)	Decreases in the Total Pension Liability (b)	Amounts Recognized in Pension Expense through June 30, 2025 (c)	Balances as of June 30, 2025 Deferred Outflows of Resources (a) – (c)	Balances as of June 30, 2025 Deferred Inflows of Resources (b) – (c)
2016					
2017	$ 820,191,401		$ 820,191,401	$ 0	
2018	181,931,669		181,931,669	0	
2019		$ (193,660,111)	(193,660,111)		$ 0
2020		(594,816,177)	(594,816,177)		0
2021	1,134,566,674		1,134,566,674	0	
2022		(418,989,267)	(381,766,984)		(37,222,283)
2023		(277,074,634)	(191,968,569)		(85,106,065)
2024		(296,160,706)	(138,392,854)		(157,767,852)
2025		(223,452,997)	(52,086,946)		(171,366,051)
Sub-Total				**$ 0**	**$ (451,462,251)**

Arising from Differences between Projected and Actual Investment Return

Year Ended June 30	Investment Earnings Less Than Projected (a)	Investment Earnings Greater Than Projected (b)	Amounts Recognized in Pension Expense through June 30, 2025 (c)	Balances as of June 30, 2025 Deferred Outflows of Resources (a) – (c)	Balances as of June 30, 2025 Deferred Inflows of Resources (b) – (c)
2016	$ 748,279,600		$ 748,279,600	$ 0	
2017		$ (680,486,033)	(680,486,033)		$ 0
2018		(165,069,719)	(165,069,716)		0
2019	200,664,276		200,664,276	0	
2020	606,731,619		606,731,619	0	
2021		(1,881,615,729)	(1,881,615,729)		0
2022	1,029,369,735		823,495,788	205,873,947	
2023	98,324,782		58,994,868	39,329,914	
2024	72,571,368		29,028,548	43,542,820	
2025	157,061,900		31,412,380	125,649,520	
Sub-Total				**$ 414,396,201**	**$ 0**
Grand Total				**$ 705,588,304**	**$ (451,462,251)**

Schedule of Member and Employer Contributions

Table 6.11 – Schedule of Member and Employer Contributions

Year Ended June 30	Actuarially Determined Total Contribution (Table 3.4) (a)	Member Contributions Excluding Purchases (b)	Actuarially Determined Employer Contribution (ADC) (Table 3.4) (c) = (a) – (b)	Employer Contributions Related to the Actuarially Determined Employer Contribution (Table 3.4) (d)	Contribution Deficiency /(Excess) (e) = (c) + (d)	Estimated Covered Payroll During Year (f)	Employer Contributions Related to the ADC as a Percentage of Covered Payroll (g) = (d) / (f)
2016	$ 227,754,935	$ 113,664,860	$ 114,090,075	$(114,090,075)	$ 0	$1,829,641,099	6.236%
2017	243,062,280	121,154,634	121,907,646	(121,907,646)	0	1,954,735,217	6.237%
2018	248,525,271	123,791,001	124,734,270	(124,734,270)	0	2,001,885,527	6.231%
2019	254,382,987	126,810,639	127,572,348	(127,572,348)	0	2,048,204,895	6.228%
2020	262,564,834	130,882,885	131,681,949	(131,681,949)	0	2,115,630,733	6.224%
2021	271,426,325	135,266,893	136,159,432	(136,159,432)	0	2,186,209,401	6.228%
2022	285,410,157	142,139,331	143,270,826	(143,270,826)	0	2,300,011,798	6.229%
2023	307,999,843	153,238,139	154,761,704	(154,761,704)	0	2,482,638,144	6.234%
2024	335,118,387	166,788,439	168,329,948	(168,329,948)	0	2,698,373,036	6.238%
2025	354,679,677	176,161,782	178,517,895	(178,517,895)	0	2,858,132,919	6.246%

Schedule of Investment Returns

Table 6.12 – Schedule of Investment Returns (Net of Investment Expenses)

Year Ended	Money-Weighted	Time-Weighted
June 30, 2016	0.21%	0.30%
June 30, 2017	13.84%	13.81%
June 30, 2018	7.95%	7.94%
June 30, 2019	4.84%	4.88%
June 30, 2020	1.56%	1.59%
June 30, 2021	22.01%	22.03%
June 30, 2022	(0.64%)	(0.69%)
June 30, 2023	5.80%	5.84%
June 30, 2024	5.98%	6.02%
June 30, 2025	5.44%	5.45%
10-Year Annualized Return	6.51%	6.53%

Section 7– Member Data

Table 7.1 – Comparison of Member Data for the Years Ended:	June 30, 2025[1]	June 30, 2024[2]	Percentage Change
Active Members			
Number	43,784	42,873	2.1%
Average Age	44.2	44.2	0.0%
Average Credited Service	10.4	10.4	0.0%
Total Prior Year Compensation[3]	$ 2,671,524,123	$ 2,524,981,565	5.8%
Average Prior Year Compensation[3]	$ 61,026	$ 58,908	3.6%
Projected Current Year Compensation[4]	$ 2,888,618,170	$ 2,746,415,744	5.2%
Benefit Recipients			
Retired Members			
Number	30,477	29,688	2.7%
Average Age	73.2	73.0	0.3%
Total Annual Benefits[5]	$ 706,744,414	$ 682,222,418	3.6%
Average Annual Benefits	$ 23,189	$ 22,980	0.9%
Beneficiaries			
Number	4,169	4,110	1.4%
Total Annual Benefits	$ 64,600,874	$ 62,219,738	3.8%
Average Annual Benefits	$ 15,496	$ 15,139	2.4%
Disabled Members			
Number	218	236	(7.6%)
Total Annual Benefits	$ 3,227,633	$ 3,523,881	(8.4%)
Average Annual Benefits	$ 14,806	$ 14,932	(0.8%)
Total Benefit Recipients			
Number	34,864	34,034	2.4%
Total Annual Benefits	$ 774,572,921	$ 747,966,037	3.6%
Average Annual Benefits	$ 22,217	$ 21,977	1.1%
Suspended Benefit Recipients[6]			
Number of Suspended Retirees	17	11	54.5%
Number of Suspended Beneficiaries	80	74	8.1%
Total Suspended Benefit Recipients	97	85	14.1%
Terminated Members			
Number – Vested	13,000	13,042	(0.3%)
Number – Non-Vested	13,728	13,265	3.5%
Total Terminated Members	26,728	26,307	1.6%
Total System Members	**105,473**	**103,299**	**2.1%**

[1]Counts include former Cement Plant Retirement Plan members. As of June 30, 2025: 7 active members, 175 retired members, 43 beneficiaries, 2 disabled members, and 20 terminated vested members. Counts also include former Department of Labor and Regulation Plan members. As of June 30, 2025: 112 retired members and 20 beneficiaries (excluding 17 retired members and 1 beneficiary who are included in the SDRS counts).
[2]Counts include former Cement Plant Retirement Plan members. As of June 30, 2024: 10 active members, 181 retired members, 40 beneficiaries, 2 disabled members and 22 terminated vested members. Counts also include former Department of Labor and Regulation Plan members. As of June 30, 2024: 120 retired members, 16 beneficiaries (excluding 16 retired members and 1 beneficiary who are included in the SDRS counts).
[3]Excludes active, former Cement Plant Retirement Plan members for whom no compensation is reported.
[4]Prior year compensation, annualized for new hires and rehires, and projected with assumed salary increases. Excludes compensation for rehired retirees not accruing SDRS benefits.
[5]The Total Annual Benefits for Retired Members includes $302,250 in annual benefits that are suspended at June 30, 2025 and $292,881 that were suspended at June 30, 2024.
[6]Suspended Benefit Recipients are excluded from other counts but included in the Total System Members.

Table 7.2 – Distribution of Number and Average Prior Year Compensation of Active Members as of June 30, 2025 [1]

Age	Service	Less than 3	3-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 and Over	Total
Less than 25	Number	2,013	216	16								2,245
	Avg Compensation	$36,629	$52,646	$54,881	$0	$0	$0	$0	$0	$0	$0	$38,300
25-29	Number	1,909	1,567	1,181	8							4,665
	Avg Compensation	$43,802	$55,437	$60,519	$58,601	$0	$0	$0	$0	$0	$0	$51,968
30-34	Number	1,353	966	2,099	764	5						5,187
	Avg Compensation	$44,364	$58,137	$62,277	$67,523	$53,477	$0	$0	$0	$0	$0	$57,598
35-39	Number	1,247	738	1,445	1,748	468	8					5,654
	Avg Compensation	$43,294	$56,899	$63,506	$69,600	$72,706	$62,980	$0	$0	$0	$0	$60,831
40-44	Number	1,016	632	1,156	1,152	1,255	445	2				5,658
	Avg Compensation	$44,956	$58,418	$61,934	$71,457	$75,886	$80,805	$59,719	$0	$0	$0	$65,010
45-49	Number	800	511	992	796	789	1,013	382	3			5,286
	Avg Compensation	$45,786	$57,457	$61,613	$69,831	$75,311	$79,685	$79,826	$76,141	$0	$0	$66,884
50-54	Number	676	444	728	685	641	618	857	314	7		4,970
	Avg Compensation	$45,378	$54,662	$59,406	$66,532	$74,154	$77,597	$81,091	$83,110	$86,065	$0	$67,486
55-59	Number	563	433	667	566	560	480	523	555	204	5	4,556
	Avg Compensation	$44,075	$54,089	$58,042	$64,561	$69,007	$76,229	$80,398	$85,203	$80,766	$62,182	$66,907
60-64	Number	462	336	631	486	514	414	385	259	287	103	3,877
	Avg Compensation	$41,213	$52,408	$52,180	$62,631	$63,884	$70,329	$73,113	$76,484	$84,587	$87,272	$62,723
65-69	Number	135	125	235	176	157	111	89	65	53	58	1,204
	Avg Compensation	$37,491	$44,204	$51,232	$61,882	$63,597	$62,559	$66,019	$86,576	$77,470	$84,994	$58,952
70-74	Number	55	41	66	41	44	35	15	18	11	16	342
	Avg Compensation	$29,892	$38,289	$46,262	$51,162	$61,854	$69,242	$67,690	$68,864	$108,842	$83,389	$53,498
75 and Over	Number	22	21	19	12	16	15	11	6	7	11	140
	Avg Compensation	$26,349	$33,052	$35,853	$47,002	$42,560	$77,788	$55,941	$49,000	$95,807	$79,107	$48,693
Total	Number	10,251	6,030	9,235	6,434	4,449	3,139	2,264	1,220	569	193	43,784
	Avg Compensation	$42,482	$55,682	$60,445	$68,034	$72,230	$76,896	$78,543	$82,447	$83,179	$85,150	$61,026

[1] Average compensation amounts exclude former Cement Plant Retirement Plan members.

Table 7.3 - Distribution of Active Members by Age as of June 30, 2025

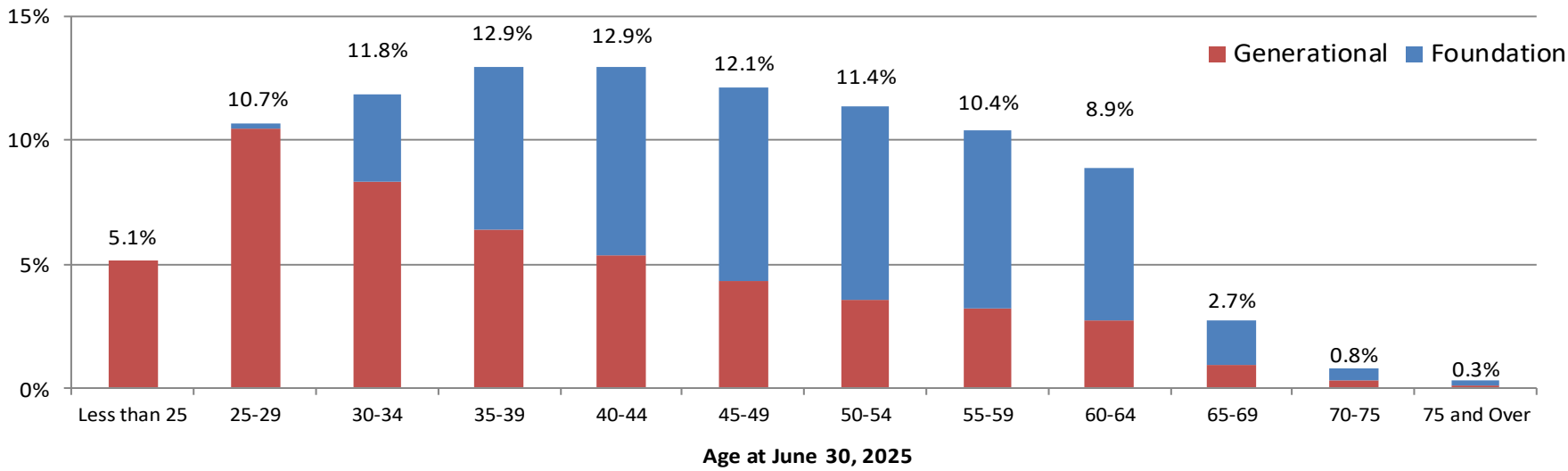
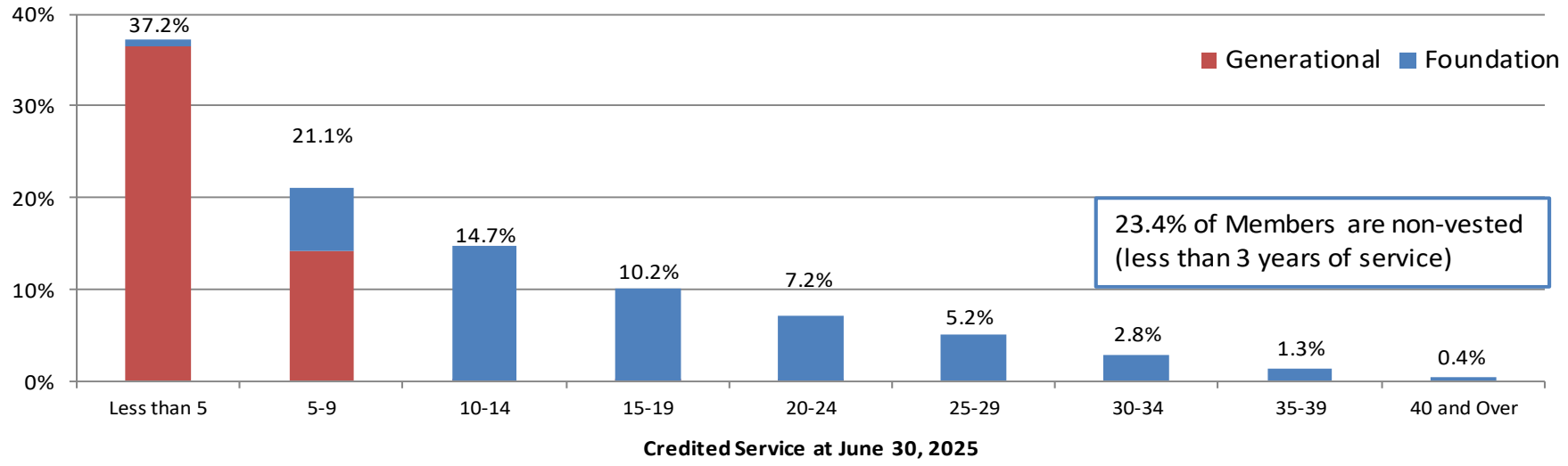
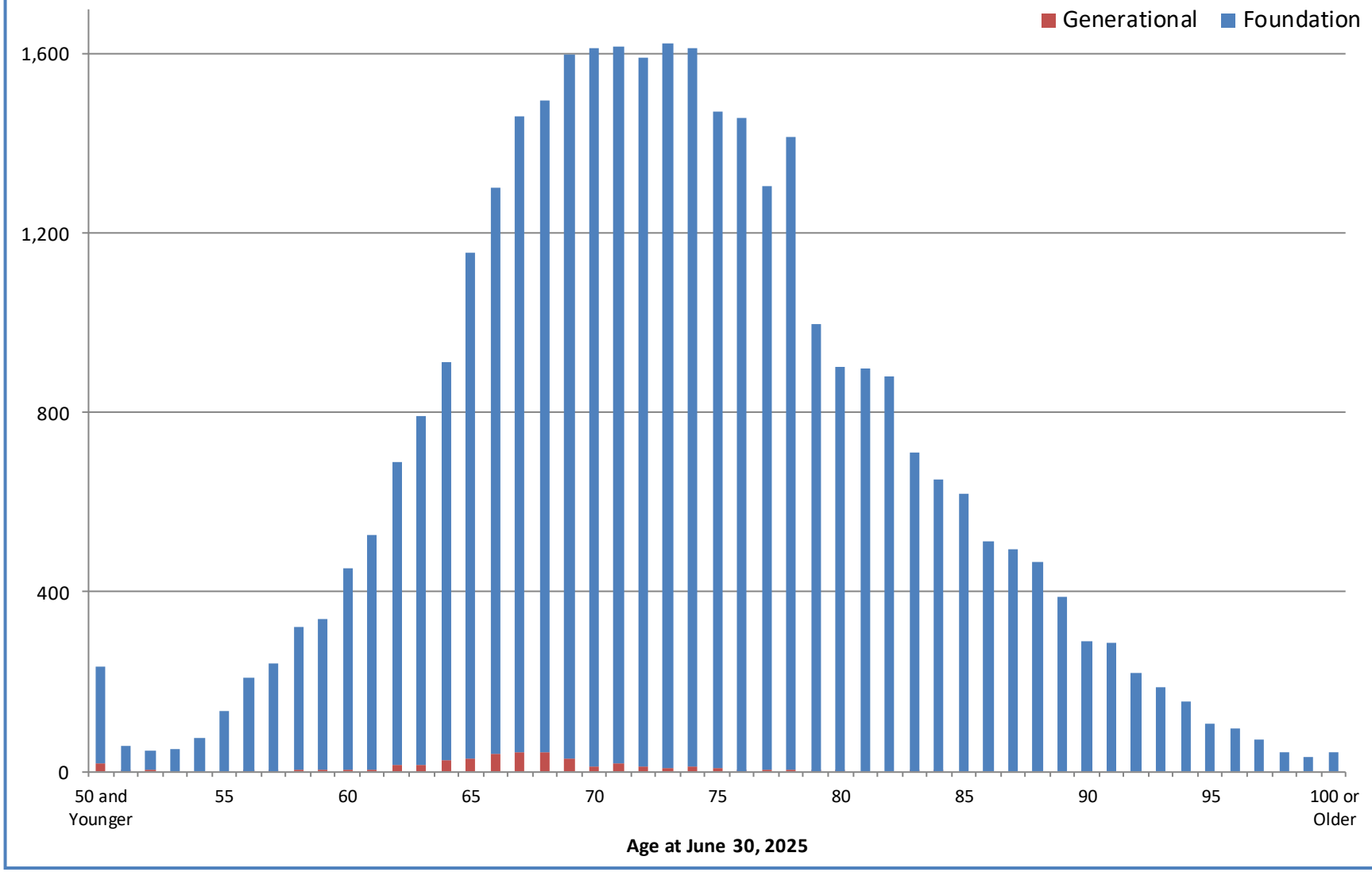


Table 7.4 - Distribution of Active Members by Credited Service as of June 30, 2025



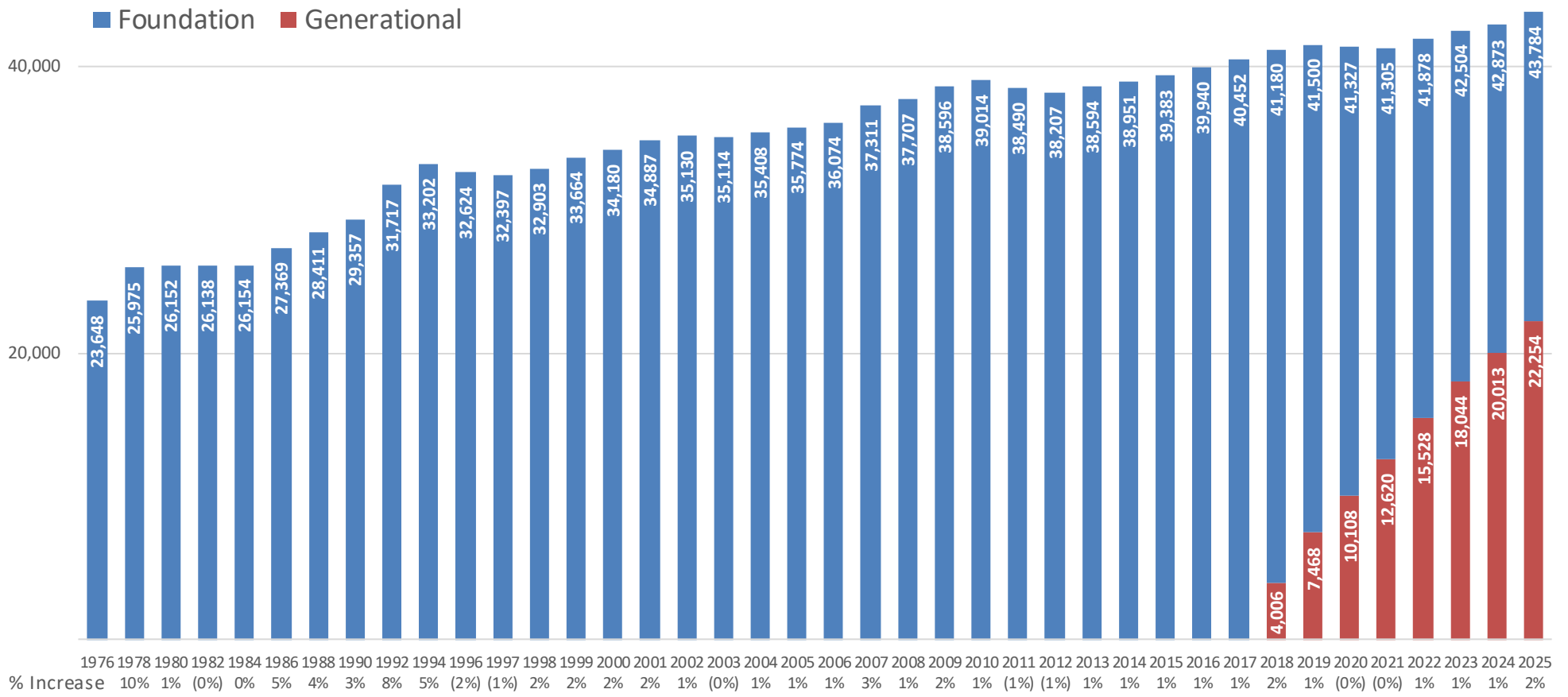
As of June 30, 2025, 50.8% of SDRS active members are Generational members and 49.2% are Foundation members.

Table 7.5 - Distribution of Retirees, Beneficiaries and Disabled Members by Age as of June 30, 2025



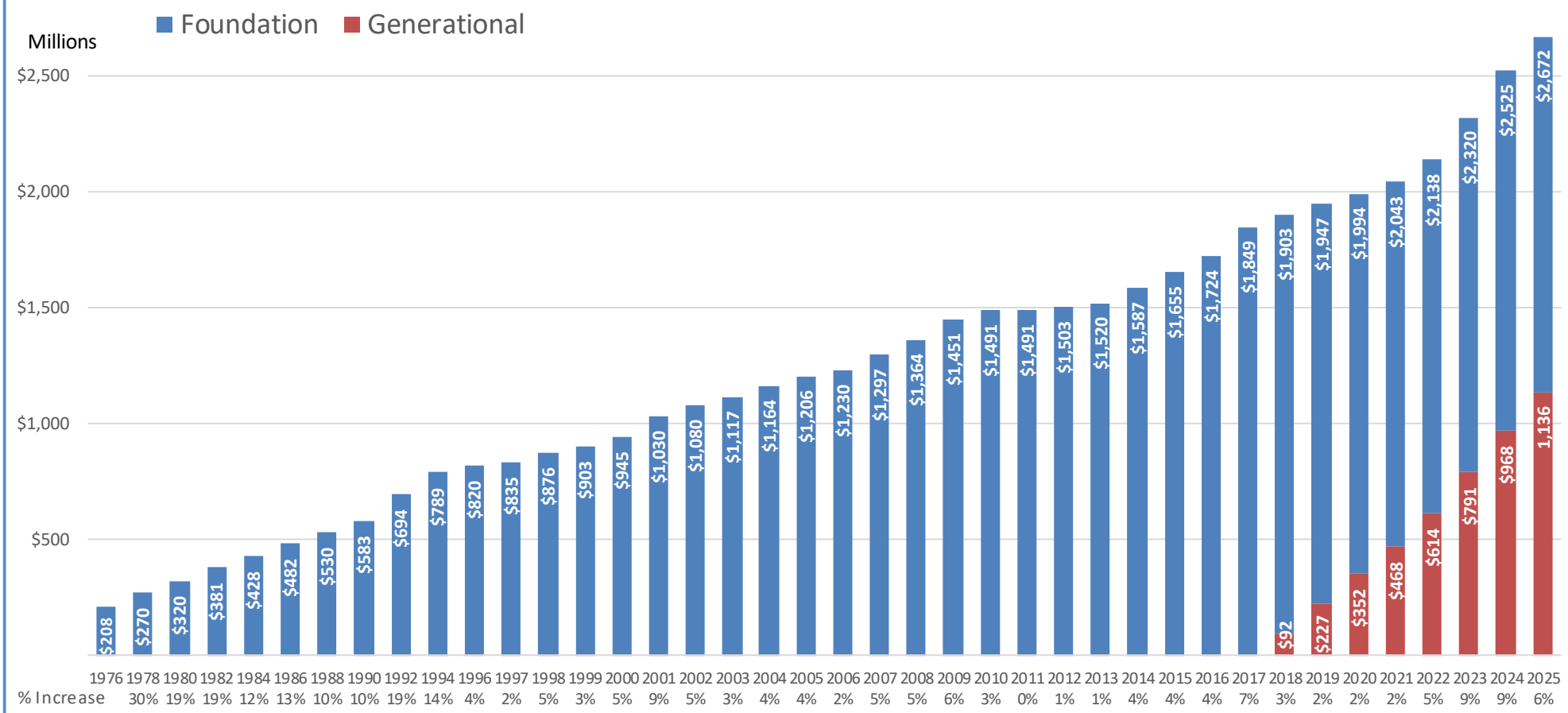
As of June 30, 2025, 1.0% of SDRS benefit recipients are Generational members and 99.0% are Foundation members.

Table 7.6 - History of Active Membership



As of June 30, 2025, 50.8% of SDRS active members are Generational members and 49.2% are Foundation members.

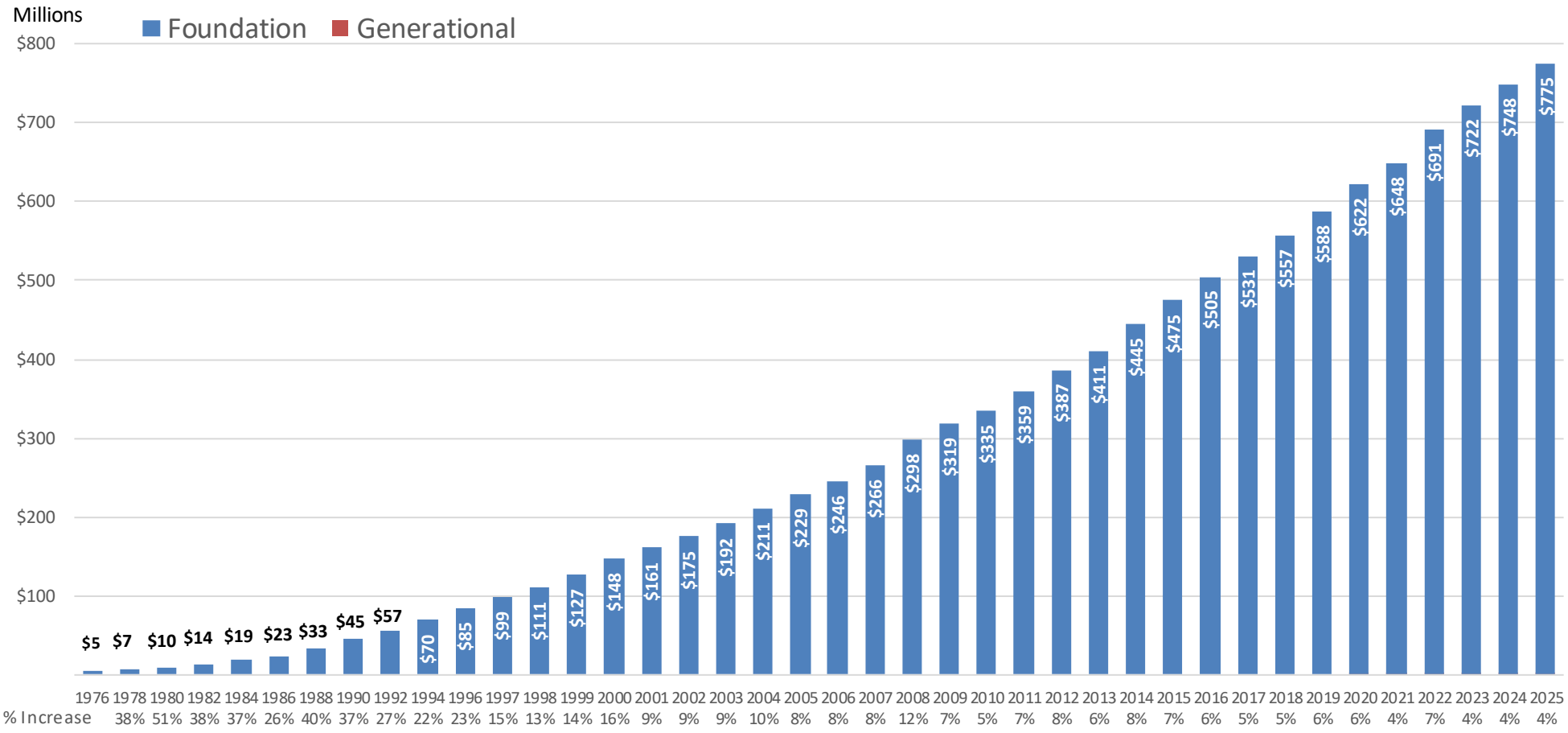
Table 7.7 - History of Member Compensation



As of June 30, 2025, 42.5% of SDRS active member compensation is to Generational members and 57.5% is to Foundation members.

As of June 30, 2025, 0.1% of SDRS benefits are in pay to Generational members.

Table 7.8 - History of Benefits to Retirees, Beneficiaries and Disabled Members



Section 8 – Basis of the Valuation

Summary of Principal Benefit Provisions of SDRS As Amended Through the 2025 Legislative Session

The South Dakota Retirement System (SDRS) was established effective July 1, 1974. The Supreme and Circuit Court Judicial Retirement System, District County and Municipal Court Judges' Retirement Program, South Dakota Teachers' Retirement System, South Dakota Municipal Retirement System, South Dakota Law Enforcement Retirement System, South Dakota Public Employees' Retirement System and South Dakota Board of Regents Retirement System (effective July 1, 1975) were consolidated into SDRS. Effective July 1, 2014, the South Dakota Cement Plant Retirement Plan was merged into SDRS, and effective July 1, 2020, the Department of Labor and Regulation Plan was merged into SDRS.

SDRS is a governmental retirement system created by an Act of the State of South Dakota.

The retirement system is administered by the Board of Trustees consisting of two state employee members; two certified school employee members; a participating municipality member; a participating county member; a participating classified employee member; a currently contributing Class B public safety member; a Class B judicial member; one head of a principal department or one head of a bureau under the office of executive management; an individual appointed by the Governor; a county commissioner of a participating county; a school district board member; an elected municipal official of a participating municipality; a retiree; a faculty or administrative member employed by the Board of Regents; and an Investment Council representative, ex-officio non-voting.

The Board of Trustees appoints the system's Executive Director as the chief executive officer.

Employers Included

Employers include the State of South Dakota and its departments, bureaus, boards, or commissions, and any of its governmental or political subdivisions or any public corporation of the State of South Dakota that elects to become a participating unit.

Membership

All the following eligible employees are included as members of the system:

- State employees
- Teachers
- Justices, judges, and magistrate judges
- Law enforcement employees of counties and municipalities that are participating with their Class B employees
- General employees of counties and municipalities that are participating with their Class A employees
- Classified employees
- Employees of the Board of Regents
- State law enforcement officers

Employees of the Department of Labor hired before July 1, 1980, who elected to remain covered under a former retirement plan, and members of the governing body of any participating county, municipality, or other public subdivision, were excluded from SDRS membership prior to July 1, 2020. Sioux Falls municipal employees hired prior to July 1, 2013 are also excluded from SDRS membership.

Membership is immediate upon hire and is subdivided into four classes as follows:

- Class A member: All members other than Class B, Class C, or Class D members
- Class B member: members who are justices, judges, and magistrate judges (Class B Judicial members) and state law enforcement officers, municipal police, municipal firefighters, penitentiary correctional staff, county sheriffs, deputy county sheriffs, conservation officers, parole agents, air rescue firefighters, campus security officers, court services officers, certain park rangers, certain jailers, gaming enforcement agents, and emergency medical services personnel (Class B Public Safety members).
- Class C member: Former members of the Cement Plant Retirement Plan
- Class D member: Former members of the Department of Labor and Regulation Plan

Class A members constitute 91% of SDRS active membership.

During the 2016 South Dakota Legislative Session, a new benefit structure was enacted for members joining SDRS after June 30, 2017. Members joining after that date are called Generational members and have a different benefit structure than Foundation members, who are those who joined on or before June 30, 2017. As of June 30, 2025, Generational members constitute 50.8% of SDRS active membership.

Credited Service

Credited Service is the period of employment for an SDRS member that is considered in determining the amount of benefits. It includes the following:

- Years and fractional years for which member contributions were made (Contributory Service)

- The period of non-contributory service credited prior to July 1, 1974, under the prior retirement systems consolidated into SDRS

- For employees of the Board of Regents, the period of service between April 1, 1964 and June 30, 1975 for which purchase was made to Bankers Life and the period of service prior to April 1, 1964, up to a maximum of 20 years, for which purchase was made

- Periods of non-contributory service credited due to specific legislation since 1974

Three months of Credited Service is earned if any contributions are made in a calendar quarter.

Credited Service may be purchased for public employment for which members are not entitled to retirement benefits, at an actuarially determined cost based on age and subject to a minimum of 100% of combined member and employer contributions. Credited Service purchased after July 1, 2004 is not considered Contributory Service for vesting purposes. Credited Service is purchased with an after-tax payment or a trustee-to-trustee transfer.

Compensation

Compensation is gross wages paid to a member for Credited Service rendered during the period for which the payment was earned. It includes W-2 wages, plus any amount contributed to a member's individual retirement plan, plus a member's Contribution to SDRS made on a before-tax basis, plus any amount contributed by a member to a plan that meets the requirements of section 125, 401, 403, 408, or 457 of the Internal Revenue Code. Compensation does not include any allowance, payment or reimbursement for travel, meals, lodging, moving, uniforms or any other expense incidental to employment, any lump sum payment for sick or annual leave, any payments for or in lieu of insurance coverage, or any other benefit paid by an employer, any allowance or payment for housing or vehicles, any temporary payment not due to additional duties, any payment paid as a lump sum or over a period of time and based on or attributable to retirement or an agreement to retire in the future or results in an incentive to retire, any payment upon dismissal or severance, any worker's compensation payments and any payment contingent on a member terminating employment at a specified time in the future, even if included in W-2 wages.

Compensation for members hired after June 30, 1996 is limited as prescribed in Section 401(a)(17) of the Internal Revenue Code. For members hired before June 30, 1996, compensation is unlimited for Credited Service before January 1, 2018 and limited as prescribed in Section 401(a)(17) of the Internal Revenue Code for Credited Service after January 1, 2018.

Final Average Compensation

For Generational members and Foundation members whose Credited Service ends after June 30, 2024, Final Average Compensation is the highest average annual compensation earned by a member during 20 consecutive calendar quarters of the last 40 such quarters of Credited Service. The Final Average Compensation is limited by statutory provisions that prevent increases greater than 5% in compensation in the final quarter and in the year prior to termination.

The 5% limit on compensation increases is also applied to each of the four consecutive calendar quarter periods considered in the calculation of Final Average Compensation. At the commencement of retirement, disability, or death benefits, member and employer contributions on compensation excluded from the calculation of Final Average Compensation due to the application of the limits will be returned to the member with credited investment return based on the actual investment earnings of the SDRS trust fund (Contribution Credit).

Fixed Statutory Employer Contributions

Employer contributions equal those amounts contributed by members except for the Additional Contributions noted below.

Fixed Statutory Member Contributions

Member contributions are made on a pre-tax basis as permitted under Section 414(h) of the Internal Revenue Code in the following amounts:

- Class A members: 6% of compensation
- Class B Public Safety members: 8% of compensation
- Class B Judicial members: 9% of compensation

Accumulated Contributions

For members with less than three years of Contributory Service, Accumulated Contributions are equal to member contributions and 50% of employer contributions. For members with three or more years of Contributory Service, Accumulated Contributions are equal to member contributions and 85% of employer contributions. Accumulated Contributions includes interest, credited annually at a rate established by the Board of Trustees that is no greater than 90% of the average 91-day U.S. Treasury Bill rate for the immediately preceding calendar year. Such rate shall have no minimum limitation and shall not exceed the assumed rate of investment return, currently 6.50%.

Accumulated Contributions for members who terminated prior to July 1, 2010 include 75% of employer contributions with less than three years of Contributory Service or 100% of employer contributions with three or more years of Contributory Service.

Additional Contributions

Effective July 1, 2002, employers contribute 6.2% of Class A Foundation members' calendar year compensation in excess of the maximum taxable amount for Social Security for the calendar year. These additional contributions are not included in Accumulated Contributions.

Cost-of-Living Adjustment (COLA)

All benefits except those depending on the member's Accumulated Contributions, Variable Retirement Account, or Contribution Credit are annually increased by the COLA.

Prior to the COLA payable July 1, 2018, the annual increase in the amount of the SDRS benefits payable on each July 1st considered both the percentage increase in the third calendar quarter Consumer Price Index (CPI-W) for the prior year and the SDRS Fair Value Funded Ratio (FVFR) as of the prior July 1. The amount of the COLA was:

- If the SDRS FVFR is 100% or more: 3.1%
- If the SDRS FVFR is at least 90%, but less than 100%: CPI-W increase with a 2.1% minimum and 2.8% maximum
- If the SDRS FVFR is at least 80%, but less than 90%: CPI-W increase with a 2.1% minimum and a 2.4% maximum
- If the SDRS FVFR is less than 80%: 2.1%

Effective with the COLA payable July 1, 2018, the annual increase in the amount of the SDRS benefits payable on each July 1st is the percentage increase in the third calendar quarter Consumer Price Index (CPI-W) for the prior year and further limited as follows:

- If the SDRS FVFR calculated assuming the COLA is equal to the baseline COLA assumption (2.25%) is at least 100%: CPI-W increase with a 0% minimum[1] and 3.5% maximum
- If the SDRS FVFR calculated assuming the COLA is equal to the baseline COLA assumption (2.25%) is less than 100%: CPI-W increase with a 0% minimum[1] and a restricted maximum such that, if the COLA is assumed to be equal to the restricted maximum, the SDRS FVFR is at least 100%

[1] COLA minimum was 0.5% from 2018 through 2021.

Table 8.1 – History of SDRS COLA					
Benefit Increase in July					SDRS COLA
1983 to 2009	COLA Fixed by Statute				3.10%
2010	COLA Fixed by Statute				2.10%
Benefit Increase in July	Baseline Fair Value Funded Ratio	SDRS Minimum COLA[1]	SDRS Maximum COLA	Prior Year Inflation[2]	SDRS COLA
2011		2.10%	2.40%	1.49%	2.10%
2012		3.10%	3.10%	4.25%	3.10%
2013		2.10%	2.80%	1.66%	2.10%
2014		3.10%	3.10%	1.49%	3.10%
2015		3.10%	3.10%	1.70%	3.10%
2016		3.10%	3.10%	(0.41%)	3.10%
2017		2.10%	2.80%	0.76%	2.10%
2018	96.4%	0.50%	1.89%	1.96%	1.89%
2019	97.7%	0.50%	2.03%	2.79%	2.03%
2020	96.3%	0.50%	1.88%	1.56%	1.56%
2021	91.9%	0.50%	1.41%	1.28%	1.28%
2022	105.5%	0.00%	3.50%	5.92%	3.50%
2023	98.6%	0.00%	2.10%	8.75%	2.10%
2024	96.7%	0.00%	1.91%	3.20%	1.91%
2025	94.8%	0.00%	1.71%	2.49%	1.71%
2026	93.5%	0.00%	1.56%	2.76%	1.56%

[1] COLA minimum was 0.5% from 2018 through 2021.

[2] Increase in the third calendar quarter average CPI-W over prior highest third calendar quarter average.

Normal Retirement Age

Foundation Members

The Normal Retirement Age is age 65 with three years of Contributory Service for Class A and Class B Judicial members, and the Normal Retirement Age is age 55 with three years of Contributory Service for Class B Public Safety members.

Generational Members

The Normal Retirement Age is age 67 with three years of Contributory Service for Class A and Class B Judicial members, and the Normal Retirement Age is age 57 with three years of Contributory Service for Class B Public Safety members.

Normal Retirement Benefit

Foundation Members

Members are entitled to retire with a benefit commencing in the month in which they reach Normal Retirement Age and payable for life, with a 60% surviving spouse benefit paid for the spouse's lifetime.

The Class A benefit is the larger of that provided by the following Standard Formula or Alternate Formula:

Standard Formula

Enhanced Benefit

1.7% times Final Average Compensation times Class A Credited Service prior to July 1, 2008

plus

Base Benefit
1.55% times Final Average Compensation times Class A Credited Service after June 30, 2008

OR

Alternate Formula

Enhanced Benefit
2.4% times Final Average Compensation times Class A Credited Service prior to July 1, 2008

plus

Base Benefit
2.25% times Final Average Compensation times Class A Credited Service after June 30, 2008

less

80% of Primary Social Security Benefit

The Class B Public Safety benefit is:

Enhanced Benefit
2.4% times Final Average Compensation times Class B Public Safety Credited Service prior to July 1, 2008

plus

Base Benefit
2.0% times Final Average Compensation times Class B Public Safety Credited Service after June 30, 2008

The Class B Judicial benefit is the sum of the following:

First 15 Years of Credited Service

Enhanced Benefit
3.733% times Final Average Compensation times Class B Judicial Credited Service prior to July 1, 2008, with a maximum of 15 years

plus

Base Benefit
3.333% times Final Average Compensation times Class B Judicial Credited Service after June 30, 2008, with a maximum of 15 years less Class B Judicial Service prior to July 1, 2008

PLUS

Years of Credited Service in Excess of 15

Enhanced Benefit
2.4% times Final Average Compensation times years of Class B Judicial Credited Service in excess of 15 years and prior to July 1, 2008

plus

Base Benefit
2.0% times Final Average Compensation times years of Class B Judicial Credited Service in excess of 15 years and after June 30, 2008

Generational Members

Members are entitled to retire with a benefit commencing in the month in which they reach Normal Retirement Age and payable for life. Optional reduced benefits are available, with a 60% or 100% surviving spouse benefit paid for the spouse's lifetime.

The Class A benefit is:

1.8% times Final Average Compensation times Class A Credited Service

The Class B Public Safety benefit is:

2.0% times Final Average Compensation times Class B Public Safety Credited Service

The Class B Judicial benefit is the sum of the following:

First 15 Years of Credited Service

3.333% times Final Average Compensation times Class B Judicial Credited Service with a maximum of 15 years

PLUS

Years of Credited Service in Excess of 15

2.0% times Final Average Compensation times years of Class B Judicial Credited Service in excess of 15 years

In addition to the formula benefits, a notional Variable Retirement Account will be funded with annual Variable Retirement Contributions and credited with the actual investment return of the SDRS trust fund. The Variable Retirement Contributions will be a portion of employer contributions, initially and currently set at 1.5% of compensation. At retirement, disability, or death, Generational members will receive the contributions and credited investment return as a lump sum, rolled over to an eligible retirement account or the SDRS Supplemental Retirement Plan, or used to purchase a Supplemental Pension Benefit.

Delayed Retirement Benefit

The benefit payable upon retirement after Normal Retirement Age is based on Credited Service and Final Average Compensation to the member's actual retirement date.

Special Early Retirement Date (Rule of 85, Rule of 80, and Rule of 75)

Foundation Members

Members are entitled to retire at the member's Special Early Retirement Date with a benefit equal to the Normal Retirement Benefit based on Credited Service and Final Average Compensation to the date of retirement, with no reduction for early payment.

The Special Early Retirement Date is the date at which age plus Credited Service equals:

- 85 for Class A members, but not prior to age 55
- 80 for Class B Judicial members, but not prior to age 55
- 75 for Class B Public Safety members, but not prior to age 45

Generational Members

No Special Early Retirement Benefits are available.

Early Retirement Benefit

Any member with at least three years of Contributory Service can retire in the ten years preceding Normal Retirement Age. The member will be entitled to receive the Normal Retirement Benefit, based on Credited Service and Final Average Compensation to date of retirement, with a reduction for early commencement. Benefits commence in the month following the date on which contributory service terminated (or the date chosen for payment to commence) and following an intervening complete calendar month after the application for retirement benefits has been received by SDRS.

Foundation Members
Benefits will be reduced by ¼ of 1% for each full month by which the commencement of payments precedes the earlier of the Normal Retirement Age or the Special Early Retirement Date.

Generational Members
Benefits will be reduced by 5/12 of 1% for each full month by which the commencement of payments precedes the Normal Retirement Age.

Qualified Benefit Preservation Arrangement (QBPA)

SDRS benefits are restricted by IRC Section 415(b). The QBPA pays a portion of the SDRS benefits that are restricted. The total benefits paid from SDRS and the QBPA will be no greater than the applicable limit, but unreduced for early commencement if the member retires before age 62, and actuarially increased for late retirement up to age 70 if the member retires after age 65. Benefits payable from both SDRS and the QBPA are considered in the Actuarial Valuation.

Vested Benefit and Portable Retirement Option

A terminated member with at least three years of Contributory Service is entitled to receive the Normal or Early Retirement Benefit based on the member's Credited Service at the time of termination of employment and increased by the COLA from the date of termination to the date benefits commence.

In lieu of any lifetime retirement benefits under the system, a terminating member may receive a lump sum of the member's Accumulated Contributions under the Portable Retirement Option.

Disability Benefit

A contributing member, who becomes disabled with at least three years of Contributory Service or was disabled by accidental means while performing the usual duties of his job, is entitled to an immediate monthly Disability Benefit.

For disabilities on or before June 30, 2015, the Disability Benefit is equal to:

- For the first 36 months, 50% of the member's Final Average Compensation, increased by 10% for each eligible child to a maximum of four children. The maximum benefit payable is 90% of such compensation (increased by the Cost-of-Living Adjustment) reduced by earned income.
- Starting with the 37th month:
  - If the member is receiving disability benefits from Social Security, the greater of:
    - 50% of the member's Final Average Compensation plus 10% for each eligible child to a maximum of 90% less the amount of primary Social Security
    - 20% of the member's Final Average Compensation increased by the COLA
    - The member's unreduced accrued retirement benefit
  - If the member is not receiving disability benefits from Social Security, the greater of:
    - 20% of the member's Final Average Compensation increased by the COLA
    - The member's unreduced accrued retirement benefit

    The maximum benefit is 90% of Final Average Compensation increased by the COLA, reduced by earned income and primary Social Security.

At age 65 (or when there are no eligible children, if later) but not before five years of disability, the benefit payable is converted to the Normal Retirement Benefit based on compensation increased by the COLA for the period between the date of disability and Normal Retirement Age and Credited Service as if employment had continued uninterrupted to Normal Retirement Age.

For disabilities after June 30, 2015, the Disability Benefit is equal to the greater of:

- 25% of the member's Final Average Compensation at the date of disability
- The unreduced accrued retirement benefit at the date of disability

A surviving spouse of a disabled member who dies while receiving a benefit will receive 60 percent of the member's benefit for the spouse's lifetime, commencing at the spouse's age 65 (or age 67 for spouses of Generational members).

Survivor Benefits – Death While Actively Employed or Receiving Disability Benefits

For deaths on or before June 30, 2015:

If an active member with at least one year of Contributory Service, or a member receiving a Disability Benefit commencing after July 1, 1974 dies, the surviving spouse having the care of eligible dependent children will receive an immediate benefit equal to 40% of the member's Final Average Compensation, increased 10% for each child to a maximum of six children. If the surviving eligible dependent children are under the care of a guardian, the benefit payable will be 20% of the member's Final Average Compensation for each child (to a maximum of five children).

The above survivor benefits are all payable monthly and reduced by 75% of the primary Social Security Benefit.

If no benefit is payable as defined above or payment has ceased and the member's Accumulated Contributions have not been withdrawn, the spouse is entitled to receive a benefit equal to 60% of the Normal Retirement Benefit that would have been payable to the deceased member at the member's Normal Retirement Age based on Credited Service and compensation, both projected to the member's Normal Retirement Age, with the benefit further increased by the Cost-of-Living Adjustment for any time between Normal Retirement Age and payment commencement. The benefit is payable to the spouse upon reaching age 65. Effective July 1, 2015, a member's spouse may elect to commence survivor benefits as early as age 55, and the spouse's benefit is reduced by 5% for each year commencement precedes the spouse's age 65.

For deaths after June 30, 2015:

If an active member with at least three years of Contributory Service, or a member receiving a Disability Benefit approved after June 30, 2015 dies, the eligible dependent children will receive an immediate benefit equal to the greater of:

- 25% of the member's Final Average Compensation at the date of death
- The member's unreduced accrued retirement benefit at the date of death

The benefit will be split equally among any eligible children of the member. The benefit ceases if there are no eligible children.

If no benefit is payable as defined above, the spouse is entitled to receive at the spouse's age 65 (age 67 for spouses of Generational members) a lifetime benefit equal to 60% of the benefit payable above, increased by the Cost-of-Living Adjustment for any time between the date of the member's death and payment commencement date. If the benefit ceases due to no eligible children, the benefit is increased by the Cost-of-Living Adjustment for any time between the date benefits ceased and the later payment commencement date. The spouse may elect to commence survivor benefits as early as age 55 (age 57 for spouses of Generational members), and the spouse's benefit is reduced by 5% for each year commencement precedes the spouse's age 65 (age 67 for spouses of Generational members).

Survivor Benefits – Deaths after Retirement or Normal Retirement Age

Foundation Members

Upon the death of a Foundation retiree or a member at or beyond Normal Retirement Age, the surviving spouse is entitled to receive a lifetime benefit equal to 60% of the monthly retirement benefit the member was receiving or was eligible to receive.

Generational Members

Upon the death of a Generational member at or beyond Normal Retirement Age but not yet receiving benefits, the surviving spouse is entitled to receive a lifetime benefit equal to 60% of the benefit the member would have received if the member retired on the date of death and elected the 60% joint and survivor benefit.

Upon the death of a Generational member receiving retirement benefits, the surviving spouse is entitled to receive a lifetime benefit equal to 60% or 100% of the monthly retirement benefit the member was receiving if the member had elected a joint and survivor benefit at retirement.

Survivor Benefits – Death of Terminated Member

If a terminated member dies prior to benefit commencement, the Accumulated Contributions are refunded to the designated beneficiary, children, or estate in a lump sum.

Optional Spouse Coverage

Prior to June 30, 2010, a member could have elected to provide an additional benefit payable to the surviving spouse within 365 days after becoming a member, within 90 days following attainment of age 35, or within 90 days after the first anniversary of marriage. This optional coverage may continue until the member's spouse attains age 65, the death or disability of the member, the death of the member's spouse, termination of the member's marriage, or termination of the member's employment.

The additional monthly benefit is equal to 40% of the member's Final Average Compensation multiplied by the COLA for each full year between the date of death or disability of the member to payment commencement. Such benefit is paid upon the member's death from the time there are no eligible dependent children until the spouse dies or attains age 65.

The cost of this protection is paid by the member through an additional contribution of 1.5% of the compensation, which is not matched by the employer and is non-refundable.

Accumulated Contributions as Minimum Benefits

If the aggregate benefit payments received by a member and the member's beneficiary (excluding benefits received under the Optional Spouse Coverage benefit provisions but including the receipt of any Variable Retirement Account) do not equal the sum of the Accumulated Contributions, then the difference will be paid to the member's designated beneficiary, children, or estate in a lump sum.

Optional Forms of Retirement Payments

The monthly retirement benefits may be modified to an optional form of payment that is the actuarial equivalent of the benefit due under the system.

Foundation Members
A Social Security level income payment option is available for members who retire before age 62.

Generational Members
A joint and survivor benefit with 60% or 100% of the member's benefit continuing to a surviving spouse is available with a reduced member's benefit.

Administrative Expenses

Administrative expenses are paid from the system's assets in an amount not to exceed 3% of the annual member and employer contributions received by the system.

Prior Benefit Formula Improvements for Foundation Members

Retired Foundation and terminated vested members' benefits have been increased to reflect the benefit formula currently in effect for active Foundation members.

Principal Benefit Provisions for Former Cement Plant Retirement Plan Members

Credited Service

Credited Service is the last period of continuous employment from employment date to retirement or termination date. Credited Service as of the plan freeze date, March 16, 2001, will be used to determine the frozen Normal Retirement Benefit as of that date.

Final Average Earnings

Final Average Earnings is the average of the highest 36 consecutive months of earnings (excluding overtime) during the last 72 months of employment. For hourly paid employees, monthly earnings are calculated by multiplying the hourly rate by 40 hours per week times 4-1/3 weeks per month. Final Average Earnings as of the plan freeze date, March 16, 2001, will be used to determine the frozen Normal Retirement Benefit as of that date.

Normal Retirement Benefit

A member is eligible for a Normal Retirement Benefit after attainment of age 65, with three years of Credited Service. The amount of the Normal Retirement Benefit is paid for life and is the greater of:

1.625% of Final Average Earnings times Credited Service

or

2.325% of Final Average Earnings times Credited Service less 80% of the primary Social Security Benefit.

Final Average Earnings, Credited Service, and primary Social Security Benefits are determined as of the plan freeze date, March 16, 2001.

Special Early Retirement Benefit

A member who is at least age 55, and whose age and Credited Service sum to 85 or more, is eligible for a Special Early Retirement Benefit. The monthly benefit is computed as the Normal Retirement Benefit, considering compensation and Credited Service at the earlier of the plan freeze date, March 16, 2001, or the actual retirement date, payable immediately without reduction for early commencement. Members who terminated prior to July 1, 1999 are not eligible for a Special Early Retirement Benefit.

Early Retirement Benefit

A member who has attained the age of 55 and completed three years of Credited Service is eligible for an Early Retirement Benefit. The Early Retirement Benefit is the member's accrued Normal Retirement Benefit reduced by 3% per year that the employee is younger than the earlier of age 65 or 85 less the member's Credited Service. Members who terminated prior to July 1, 1999 are eligible for an Early Retirement Benefit after attaining age 62 and completing five years of Credited Service.

Vesting

Members who terminate after three years of Credited Service are vested. All active members as of March 16, 2001 were vested as of that date.

Family Death Benefit

If a vested active member, or a member receiving disability benefits, dies, the member's spouse, having the care of eligible children will receive a benefit equal to 40% plus 10% per eligible dependent child (with a maximum of five children) of the member's highest earnings in any of the three years preceding the plan freeze date, March 16, 2001. The benefit will be paid monthly.

If not eligible for the family benefit described above, the lifetime benefit paid to the spouse at the spouse's age 65 is equal to 60% of the benefit the member would have received at Normal Retirement.

Optional Spouse Coverage

If a member elected Optional Spouse Coverage prior to the plan freeze date, March 16, 2001, the spouse is eligible for a benefit upon the member's death if no benefits are payable under the Family Death Benefit. The benefit payable is 40% of the member's highest earnings in any of the three years preceding the plan freeze date, March 16, 2001, and is payable until the spouse attains age 65 or death, if earlier. No contributions for this coverage are made after March 16, 2001.

Cost-of-Living Adjustment

The Cost-of-Living Adjustment applied to benefits is based on the member's termination or retirement date as follows:

- Termination or retirement prior to October 1, 1978: Benefits to retirees and beneficiaries are increased by 2.00% of the initial benefit amount each year (simple increases).
- Termination or retirement after September 30, 1978, and before July 1, 1999: Benefits to retirees and beneficiaries are increased by ½ of the increase in the Consumer Price Index (CPI-W), not to exceed 1.43% each year (compound increases).
- Termination or retirement after June 30, 1999: Benefits to retirees and beneficiaries are increased by 3.10% each year (compound increases).

Principal Benefit Provisions for Former Department of Labor and Regulation Plan Members

Credited Service

Years and months of service with the Department of Labor and Regulation

Compensation

A member's fixed rate of pay from the employer

Average Compensation

The average of a member's monthly compensation for the five consecutive July 1s which produce the highest average.

Normal Retirement Benefit

A member is eligible for a Normal Retirement Benefit after attainment of the earliest of age 65, age 62 with 10 years of Credited Service, age 60 with 20 years of Credited Service, or age 55 with 30 years of Credited Service. The amount of the Normal Retirement Benefit is paid for 10 years and life thereafter and is equal to 2.0% of Average Compensation times Credited Service.

Optional forms of benefit may be elected.

Early Retirement Benefit

A member who is within 10 years of Normal Retirement eligibility is eligible for an Early Retirement Benefit. The Early Retirement Benefit is the member's accrued Normal Retirement Benefit reduced by 2% per year that the Early Retirement Date precedes the member's Normal Retirement Date.

Vesting

Members who terminate after five years of Credited Service are vested.

Termination Benefit

Return of member contributions with interest if not vested. Deferred benefit is equal to Normal Retirement Benefit at Normal Retirement Date if vested with a minimum of the retirement benefit that could be provided with the member's contributions with interest.

Disability Benefit

Equal to Normal Retirement Benefit calculated including Credited Service up to Normal Retirement Date payable at Normal Retirement Date

Spouse Death Benefit

If an active member dies and was married at least one year, a spouse benefit is payable until the spouse remarries or dies. If the member was hired before age 47, the benefit is 55% of the member's accrued

benefit, no less than 22% of the member's Average Compensation on the date of death. If the member was hired after age 47, the benefit is 55% of the benefit that would have been paid if the member survived and retired at age 60.

Dependent Child Death Benefit

If a member has at least one dependent child under age 19, a benefit will be paid until the youngest child turns 19 or turns 22 if the member did not have a spouse on the date of death. If the member had a spouse on the date of death, the benefit is the least of 60% of the member's Average Compensation, $75, or $225 divided by the number of children. If the member did not have a spouse on the date of death, the benefit is the least of 75% of the member's Average Compensation, $90, or $270 divided by the number of dependent children.

Additional Death Benefit

A single sum equal to the member's contributions with interest is paid to the member's beneficiary.

Cost-of-Living Adjustment

The Cost-of-Living Adjustment will be the same as the SDRS Cost-of-Living Adjustment.

Section 9-Description of Actuarial Methods and Valuation Procedures

Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the **Entry Age Actuarial Cost Method**.

Sometimes called a "funding method," this is a particular technique used by actuaries for establishing the amount and incidence of the annual actuarial cost of pension plan benefits, or Normal Cost, and the related unfunded actuarial accrued liability. The annual contribution requirement to the plan is comprised of (1) the Normal Cost and (2) an amortization payment on the Unfunded Actuarial Accrued Liability (if one exists).

Under the **Entry Age Actuarial Cost Method**, the **Normal Cost** is computed as the percentage of pay which, if paid from the date of the member's entry into the system to each member's assumed retirement or termination, would accumulate with interest at the assumed rate of investment return to a fund sufficient to pay all benefits under the plan.

For inactive members, the **Actuarial Accrued Liability** is the Present Value of All Benefits. For active members, the Actuarial Accrued Liability is the Present Value of All Benefits less the **Present Value of Future Normal Costs**. Normal Cost and Present Value of Future Normal cost for active members is determined considering only the ongoing benefit formula, disregarding the historical benefit improvements for periods of past service which are thereby included in the Actuarial Accrued Liability.

The aggregate Normal Cost Rate for SDRS is determined by taking aggregate present value of future Normal Costs for the membership group and dividing this result by the aggregate Present Value of Total Projected Payroll of members before assumed retirement age. The Normal Cost Rate is then adjusted by a half-year's interest and multiplied by the total payroll for active members before assumed retirement to determine the Normal Cost. This procedure is performed for the group as a whole, not as the sum of individual Normal Cost calculations.

For the determination of the Actuarial Accrued Liability, Normal Cost, Actuarially Determined Contributions, and the statutory determination of the COLA and SDCL 3-12C-228 requirements, the liability for former Cement Plant Retirement Plan members is calculated as the Present Value of their frozen accrued benefits and Normal Cost is calculated for the remaining active members.

For purposes of GASB 67 and 68, the Normal Cost for SDRS is the sum of individual Normal Cost calculations and will therefore vary minimally from the Normal Cost calculated for other purposes. In addition, the Total Pension Liability and Service Cost for former Cement Plant Retirement Plan members is calculated using the Individual Entry Age Actuarial Cost Method.

The **Unfunded Actuarial Accrued Liability** is the excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets as of the valuation date.

Asset Valuation Method

The Actuarial Value of Assets is equal to the Fair Value of Assets.

Contribution Allocation Procedure

The Actuarially Determined Contribution is equal to the fixed, statutory contributions if the fixed, statutory contributions are greater than the Normal Cost, system administrative expenses and an amortization of the Unfunded Actuarial Accrued Liability (if any) over a period not to exceed 20 years assuming the minimum SDRS COLA and do not exceed the same measure assuming future COLAs are equal to the maximum SDRS COLA.

Valuation Procedures

No actuarial liability is included for non-vested members who terminated prior to the valuation date, except those due a refund of Accumulated Contributions.

The compensation amounts used in the projection of benefits and liabilities were annualized, and prior-year compensation amounts were projected with assumed salary increases to the valuation year.

In computing accrued retirement benefits, Final Average Compensation was determined using actual compensation histories supplied by SDRS staff.

For active and vested terminated members, the spouse age difference assumption was used to populate beneficiaries' dates of birth.

Termination and retirement benefits were limited to the dollar limitation required by the Internal Revenue Code Section 415 limits for governmental plans, but unreduced for early commencement if members retire before age 62, and actuarially increased for late retirement up to age 70 if members retire after age 65.

Compensation was limited to the dollar amount defined under Internal Revenue Code Section 401(a)(17) for affected members.

Decrements are assumed to occur mid-year.

Section 10-Actuarial Assumptions Summary for the June 30, 2025 Actuarial Valuation

Investment Return/Discount Rate

6.50% per annum, compounded annually and net of investment expenses. This nominal rate includes price inflation of 2.50% per annum and a real rate of return of 4.00%.

Measurement Date

June 30, 2025

Retirement Age

Assumed retirement rates of eligible members are shown in the following tables:

Table 10.1a – Assumed Retirement Rates, Foundation Members

Annual Rate per 100 Members Eligible to Retire												
	Class A Teachers				Other Class A Members				Class B Judicial Members		Class B Public Safety Members	
	Reduced		Unreduced		Reduced		Unreduced		Reduced	Unreduced	Reduced	Unreduced
Age	Male	Female	Male	Female	Male	Female	Male	Female				
45											4.00	33.00
46											4.75	33.00
47											6.00	33.00
48											12.00	33.00
49											12.00	33.00
50											12.00	20.00
51											16.00	17.50
52											12.00	22.50
53											3.50	18.00
54											16.50	33.00
55	11.00	6.00	19.00	18.00	4.75	5.25	13.00	9.00	12.00	24.00		25.00
56	7.50	7.25	14.00	15.00	4.75	5.25	10.00	9.00	9.00	10.00		17.00
57	7.50	8.50	15.00	12.00	4.75	5.25	10.00	13.00	9.00	10.00		17.00
58	7.50	10.00	15.00	15.00	4.75	5.25	10.00	9.25	9.00	10.00		17.00
59	13.25	10.00	13.25	17.00	4.75	6.50	11.00	9.25	9.00	10.00		17.00
60	13.25	10.00	13.25	15.00	6.25	6.50	11.00	9.25	9.00	10.00		17.00
61	9.25	16.25	32.50	25.00	7.25	8.25	15.00	12.50	9.00	10.00		17.00
62	9.25	14.00	30.00	25.00	9.50	13.00	17.50	13.00	9.00	10.00		30.00
63	9.25	21.00	30.00	25.00	10.00	12.00	12.50	17.50	9.00	10.00		30.00
64	28.50	28.25	40.00	35.00	21.00	21.50	30.00	30.00	15.00	15.00		30.00
65			40.00	45.00			35.00	37.50		15.00		40.00
66			40.00	45.00			30.00	40.00		27.50		40.00
67			32.50	30.00			30.00	25.00		27.50		25.00
68			32.50	30.00			30.00	25.00		27.50		25.00
69			32.50	30.00			30.00	25.00		27.50		50.00
70			32.50	30.00			30.00	25.00		50.00		100.00
71			32.50	30.00			30.00	25.00		100.00		
72			32.50	30.00			30.00	25.00				
73			32.50	30.00			30.00	25.00				
74			32.50	30.00			30.00	25.00				
75			100.00	100.00			30.00	25.00				
76							30.00	25.00				
77-79							30.00	40.00				
80							100.00	100.00				

Table 10.1b – Assumed Retirement Rates, Generational Members

Annual Rate per 100 Members Eligible to Retire

Age	Class A Teachers				Other Class A Members				Class B Judicial Members		Class B Public Safety Members	
	Reduced		Unreduced		Reduced		Unreduced		Reduced	Unreduced	Reduced	Unreduced
	Male	Female	Male	Female	Male	Female	Male	Female				
47											6.00	
48											12.00	
49											12.00	
50											12.00	
51											16.00	
52											12.00	
53											3.50	
54											16.50	
55											25.00	
56											25.00	
57	7.50	8.50			4.75	5.25			9.00			35.00
58	7.50	10.00			4.75	5.25			9.00			35.00
59	13.25	10.00			4.75	6.50			9.00			17.00
60	13.25	10.00			6.25	6.50			9.00			17.00
61	9.25	16.25			7.25	8.25			9.00			17.00
62	9.25	14.00			9.50	13.00			9.00			30.00
63	9.25	21.00			10.00	12.00			9.00			30.00
64	28.50	28.25			21.00	21.50			15.00			30.00
65	30.00	35.00			30.00	30.00			25.00			40.00
66	35.00	40.00			30.00	30.00			25.00			40.00
67			40.00	45.00			40.00	40.00		35.00		25.00
68			40.00	45.00			40.00	40.00		35.00		25.00
69			32.50	30.00			30.00	25.00		27.50		50.00
70			32.50	30.00			30.00	25.00		50.00		100.00
71			32.50	30.00			30.00	25.00		100.00		
72-74			32.50	30.00			30.00	25.00				
75			100.00	100.00			30.00	25.00				
77-79							30.00	40.00				
80							100.00	100.00				

Former members of the Cement Plant Retirement Plan are assumed to retire at their earliest eligible retirement age.

Salary Increases

Assumed annual salary increases for active members are based on Credited Service as shown below:

Table 10.2 – Assumed Rates of Salary Increases

Credited Service	Merit and Seniority	Wage Inflation	Total Increase		Credited Service	Merit and Seniority	Wage Inflation	Total Increase
0	4.3689%	3.15%	7.6565%		15	0.5340%	3.15%	3.7008%
1	3.1068%	3.15%	6.3547%		16	0.4369%	3.15%	3.6007%
2	2.4272%	3.15%	5.6537%		17	0.3883%	3.15%	3.5505%
3	2.0874%	3.15%	5.3032%		18	0.3398%	3.15%	3.5005%
4	1.8447%	3.15%	5.0528%		19	0.2913%	3.15%	3.4505%
5	1.6505%	3.15%	4.8525%		20	0.2427%	3.15%	3.4003%
6	1.5049%	3.15%	4.7023%		21	0.1942%	3.15%	3.3503%
7	1.3592%	3.15%	4.5520%		22	0.1456%	3.15%	3.3002%
8	1.2136%	3.15%	4.4018%		23	0.0971%	3.15%	3.2502%
9	1.1165%	3.15%	4.3017%		24	0.0485%	3.15%	3.2000%
10	0.9709%	3.15%	4.1515%		25	0.0000%	3.15%	3.1500%
11	0.8738%	3.15%	4.0513%		Over 25	0.0000%	3.15%	3.1500%
12	0.7767%	3.15%	3.9512%					
13	0.6796%	3.15%	3.8510%					
14	0.6311%	3.15%	3.8010%					

Disability

Sample rates are shown below:

Table 10.3– Sample Disability Rates[1]

	Annual Rate per 100 Members				
	Class A Low Incidence Groups[2]		Class A Higher Incidence Groups[3]		Class B Public Safety Members
Age	Male	Female	Male	Female	Male and Female
25	0.0043	0.0078	0.0135	0.0068	0.0123
30	0.0048	0.0096	0.0135	0.0076	0.0135
35	0.0055	0.0116	0.0300	0.0312	0.0717
40	0.0067	0.0140	0.0300	0.0520	0.1648
45	0.0110	0.0257	0.0460	0.0800	0.3248
50	0.0173	0.0473	0.0666	0.0912	0.3248
55	0.0354	0.0499	0.1400	0.1332	0.3248
60	0.0749	0.0697	0.2184	0.1788	0.5790
65	0.1234	0.0905	0.3024	0.2268	1.0065

[1]No disability is assumed for Class B Judicial members. Five percent of disabilities within the first three years of employment are assumed to be job-related disabilities.
[2]Includes teachers and certified regents
[3]Includes non-certified regents, state employees, city employees, non-certified school employees, and county employees.

Mortality

The mortality assumption is based on the Pub-2010 amount-weighted base mortality tables, projected generationally with MP-2020. Adjustments are made to the retired member base mortality tables based on credible experience.

- Active and Terminated Vested members:
  - Teachers, Certified Regents, and Judicial members: PubT-2010
  - Other Class A members, all Class C and D members: PubG-2010
  - Public Safety members: PubS-2010

- Retired members:
  - Teachers, Certified Regents, and Judicial retirees: PubT-2010, 108% of mortality rates at age 65 and older
  - Other Class A Retirees, all Class C and D retirees: PubG-2010, 93% of rates at ages less than 75, with the adjustment increased by 2% per year until reaching 111% of rates at age 83 and above
  - Public Safety retires: PubS-2010, 102% of rates at all ages

- Beneficiaries: PubG-2010 Contingent Survivor Table

- Disabled members:
  - Non-Public Safety: PubG-2010 disabled annuitant table
  - Public Safety: PubS-2010 disabled annuitant table

Sample rates are shown below:

Table 10.4 – Sample Mortality Rates[1]

Active and Terminated Vested Members - Annual Rate per 100 Members, Rates as of 2025

	Teachers, Certified Regents, and Judicial Members		Other Class A Members All Class C and D Members		Public Safety Members	
Age	Male	Female	Male	Female	Male	Female
25	0.0194	0.0113	0.0339	0.0113	0.0448	0.0252
30	0.0317	0.0199	0.0519	0.0214	0.0591	0.0384
35	0.0465	0.0288	0.0729	0.0331	0.0729	0.0518
40	0.0577	0.0379	0.0907	0.0440	0.0811	0.0599
45	0.0731	0.0476	0.1069	0.0556	0.0895	0.0665
50	0.1047	0.0673	0.1405	0.0766	0.1132	0.0840
55	0.1624	0.1060	0.2068	0.1218	0.1652	0.1218
60	0.2660	0.1654	0.3215	0.1911	0.2660	0.1726
65	0.4317	0.2553	0.4644	0.2799	0.4069	0.2156

Retired Members - Annual Rate per 100 Members, Rates as of 2025

	Teachers, Certified Regents, and Judicial Members		Other Class A Members All Class C and D Members		Public Safety Members	
Age	Male	Female	Male	Female	Male	Female
45	0.0731	0.0476	0.0994	0.0517	0.1358	0.0881
50	0.1047	0.0673	0.2613	0.1905	0.1847	0.1402
55	0.2106	0.1912	0.3785	0.2635	0.2947	0.2607
60	0.3598	0.2948	0.5764	0.3668	0.5222	0.4673
65	0.6345	0.4554	0.8426	0.5390	0.8917	0.7426
70	1.0622	0.7267	1.3045	0.8639	1.4701	1.1845
75	1.9348	1.3735	2.2383	1.5571	2.5426	2.0376
80	3.6724	2.7465	4.4319	3.1837	4.6020	3.6469
85	7.0864	5.4313	8.6470	6.4310	8.4491	6.5162
90	13.2858	10.3448	15.1089	12.1054	15.0081	11.4415
95	22.4727	18.5095	23.6911	19.8647	22.6833	18.3820

Beneficiaries and Disabled Members - Annual Rate per 100 Members, Rates as of 2025

	Beneficiaries		Disabled Public Safety Members		Other Disabled Members	
Age	Male	Female	Male	Female	Male	Female
45	0.5989	0.2601	0.2640	0.2214	1.0986	0.9778
50	0.6610	0.2952	0.3329	0.2805	1.5135	1.3681
55	0.7781	0.4418	0.4532	0.4566	1.9962	1.7255
60	1.0198	0.6389	0.7407	0.7180	2.5224	2.0092
65	1.3734	0.8500	1.1769	1.0032	3.0207	2.1330
70	1.9570	1.1823	1.7529	1.4069	3.5858	2.5009
75	2.9832	1.8723	2.8588	2.1265	4.5797	3.4844
80	4.7390	3.2243	4.9494	3.5754	6.4966	5.4208
85	7.9280	5.8973	8.3542	6.3884	9.8068	8.7124
90	13.3760	10.7558	14.7138	11.2172	15.0784	12.9736
95	21.2612	17.6727	22.2385	18.0216	22.0231	18.3458

[1] Five percent of deaths within the first three years of employment are assumed to be job-related.

Pre-Retirement Termination

Assumed termination rates are based on a select and ultimate table with rates based on Credited Service for the first five years of employment and rates based on age after five years of employment.

Sample rates are shown below:

Table 10.5a – Assumed Termination Rates – First 5 Years of Employment

	Annual Rate per 100 Members								
Credited Service	Teachers		Regents, Non-Certified Schools		State Employees		City, County Employees		Class B Public Safety Members
	Male	Female	Male	Female	Male	Female	Male	Female	
0	20.00	19.25	23.00	24.00	17.25	24.00	17.00	20.00	22.00
1	14.50	13.25	18.00	19.50	16.00	18.00	14.50	17.25	14.75
2	13.25	12.00	16.00	17.50	13.25	15.75	11.75	13.25	12.75
3	11.25	10.50	14.25	14.75	12.25	13.00	11.50	11.00	10.75
4	9.75	8.50	13.75	12.50	11.25	11.00	9.50	11.00	9.75

Table 10.5b – Assumed Termination Rates – After 5 Years of Employment

	Annual Rate per 100 Members									
Age	Teachers		Regents, Non-Certified Schools		State Employees		City, County Employees		Class B Public Safety Members	Former CPRP Members
	Male	Female	Male	Female	Male	Female	Male	Female		
25	7.00	6.50	10.00	10.00	8.50	10.00	7.75	16.50	8.25	5.27
30	6.25	5.60	8.95	8.80	7.45	8.50	7.15	11.70	6.90	4.83
35	4.55	4.10	7.50	6.95	5.85	6.45	5.55	6.85	4.80	4.47
40	3.45	3.05	6.40	6.10	4.50	4.85	4.45	5.30	4.00	3.84
45	3.10	2.75	5.70	5.40	3.40	3.80	3.95	5.00	4.00	3.21
50	3.00	2.75	4.60	5.00	3.00	3.50	3.75	4.40	4.00	1.52
55	3.00	2.75	4.00	5.00	3.00	3.50	3.75	4.00	4.00	0.33

No pre-retirement termination is assumed for Class B Judicial members.

Benefit Form Election Assumptions for Active and Terminated Vested Members

Married Foundation members are assumed to receive a 60% joint and survivor annuity. Single Foundation members and Generational members are assumed to receive a life annuity with a guaranteed return of accumulated contributions. Optional benefit forms available to Generational members are approximately actuarially equivalent to the life annuity amount.

Marital Status

80% of non-retired members are assumed to be married. Male members are assumed to be two years older than their spouses. Female members are assumed to be two years younger than their spouses.

Family Composition

Members are assumed to have two eligible dependent children while the member is between the ages of 29 and 48.

Future Social Security Increases

Future Social Security Cost-of-Living Adjustments are assumed to be 2.50% per annum. Future Social Security Taxable Wage Base increases are assumed to be 3.15% per annum.

Interest on Accumulated Contributions

Interest credited to the member's Accumulated Contributions is assumed to be 2.25% per annum.

Administrative Expenses

Annual administrative expenses are assumed to be 2.0% of member and employer contributions.

Election of Portable Retirement Option Benefits

At termination, the percentage of terminating members assumed to elect the Portable Retirement Option is as follows:

Table 10.6 – Percent of Terminated Members Assumed to Elect the Portable Retirement Option

Credited Service at Termination	Percent Electing Portable Retirement Option	Percent Electing Vested Benefit at Retirement	Credited Service at Termination	Percent Electing Portable Retirement Option	Percent Electing Vested Benefit at Retirement
0	100.0%	0.0%	15	22.5%	77.5%
1	100.0%	0.0%	16	22.5%	77.5%
2	100.0%	0.0%	17	22.5%	77.5%
3	47.5%	52.5%	18	22.5%	77.5%
4	47.5%	52.5%	19	22.5%	77.5%
5	47.5%	52.5%	20	12.5%	87.5%
6	40.0%	60.0%	21	12.5%	87.5%
7	40.0%	60.0%	22	12.5%	87.5%
8	40.0%	60.0%	23	12.5%	87.5%
9	32.5%	67.5%	24	12.5%	87.5%
10	32.5%	67.5%	25	7.5%	92.5%
11	32.5%	67.5%	26	7.5%	92.5%
12	32.5%	67.5%	27	7.5%	92.5%
13	22.5%	77.5%	28	7.5%	92.5%
14	22.5%	77.5%	29	7.5%	92.5%
			30 or More	0.0%	100.0%

Benefit Commencement for Terminated Vested Members

Class A Foundation members with 20 or more years of Credited Service at termination are assumed to elect benefit commencement at age 58. Class B Public Safety Foundation members with 15 or more years of Credited Service at termination are assumed to elect benefit commencement at age 48. All other terminated Vested members are assumed to elect benefit commencement three years prior to Normal Retirement Age.

Benefit Commencement for Deferred Beneficiaries

Deferred beneficiaries are assumed to begin surviving spouse benefits at age 65. Commencement is available as early as age 55 in some circumstances and the early commencement reduction is approximately actuarially equivalent to the age 65 benefit.

SDRS COLA

The SDRS COLA effective July 1, 2025 was 1.71%.

Effective with the July 2017 increase, the SDRS COLA is based on the percentage increase in the third calendar quarter CPI-W for the prior year, not less than 0.5% (0% minimum effective with the July 1, 2021 COLA) and not greater than 3.5%. In addition, the COLA will be limited to a restricted maximum COLA under certain circumstances. Effective with the 2021 increase, the minimum SDRS COLA is reduced to 0%.

The Baseline COLA Assumption is 2.25%. If the Fair Value Funded Ratio assuming future COLAs are equal to the Baseline COLA Assumption is less than 100%, a restricted maximum COLA is calculated so that the FVFR assuming future COLAs are equal to the restricted maximum COLA is 100%.

For each Actuarial Valuation, future COLAs are assumed to equal the Baseline COLA Assumption, if the FVFR assuming future COLAs are equal to the Baseline COLA assumption is at least 100%. Future COLAs are assumed to equal the restricted maximum COLA if the FVFR assuming future COLAs are equal to the baseline COLA assumption is less than 100%.

Based on the results of this June 30, 2025 Actuarial Valuation, the restricted maximum COLA is 1.56% for the 2026 COLA. Because the increase in the 2025 third calendar quarter CPI-W for the year of 2.76% is greater than the maximum SDRS COLA, the July 2026 COLA increase will be 1.56%. The Actuarial Accrued Liabilities and Normal Costs reported in this Actuarial Valuation are calculated assuming future COLAs are equal to the restricted maximum COLA Assumption of 1.56%.

The COLA payable to former Cement Plant Retirement Plan members is fixed in statute and dependent on the member's termination date.

Retiree Reemployment Period and Compensation

The benefits of SDRS retirees who are reemployed after April 1, 2010 and work at least 1,250 hours during a fiscal year are reduced by 15% and no SDRS COLA is applied to the benefits during the period of reemployment in a SDRS covered position. (These provisions do not apply to Class B Public Safety retirees rehired into a Class A position.) Member contributions are allocated to the member's Supplemental Retirement Plan account during the period of reemployment and Employer contributions continue into SDRS.

Retirees who are rehired with reduced benefits are assumed to remain reemployed for five years. For determining contribution rates and covered payroll, retirees who are reemployed at the valuation date are assumed to remain employed for the entire year and no additional retirees are assumed to be reemployed during the fiscal year.

Actuarial Assumption Rationale

The actuarial assumptions used in the June 30, 2025 Actuarial Valuation were recommended by the SDRS Senior Actuary and adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2021. The analysis was presented, and the assumptions adopted by the Board of Trustees in April and June 2022. The assumptions are long-term in nature and are the Board of Trustees' best estimate of anticipated experience under SDRS's benefit provisions considering experience and future expectations. The SDRS Senior Actuary believes the actuarial assumptions are individually and aggregately reasonable and meet the requirements of all applicable Actuarial Standards of Practice.

Rationale for significant economic actuarial assumption recommendations include:

- Investment return: An analysis of the expected mean return of 6.29% based on the South Dakota Investment Council's (SDIC) benchmark asset allocation was provided. A survey of publicly available capital market assumptions was used to verify the expected return was not an extreme outlier. Historical expectations using consistent methodology were compared to actual real and nominal returns, demonstrating consistent outperformance compared to expectations through 10-, 20-, and 30-year historical periods. The recommended and adopted long-term expected rate of return assumption of 6.50% includes the expected mean return developed by the SDIC plus an expectation that the dynamic asset allocation process employed by the SDIC will continue to contribute a portion of the consistent, historical outperformance relative to expectations.

- Price inflation: A survey of published opinions of professional inflation forecasters was prepared and compared to current market indicators of expected future inflation. In addition, efforts by the federal government to intervene and the temporary nature of additional geo-political and pandemic related factors, have led to expectations that the current high inflationary period will not be long-term in nature. An increase in price inflation from the prior 2.25% to the current 2.50% was recommended by the Senior Actuary and adopted by the Board of Trustees.

- Wage inflation: Historical increases in the SDRS average salary over short-, medium-, and long-term periods were compared to price inflation. Medium- and long-term real wage growth has been between 0.058% and 0.77%. As a result, a real wage growth assumption of 0.65% was recommended and adopted, resulting in a wage inflation assumption of 3.15%.

- Salary increases: The assumption was recommended and adopted, which considered the wage inflation assumption and actual salary increases, by years of service, during the experience study period, for all active members. Specific consideration was given to the impact of the 2017 extraordinary teacher salary increases on the overall experience, generally expecting future experience to be at the midpoint of the historic increases and the historic increases excluding the extraordinary increases. The assumption was developed based on recent historic increases and then adjusted for expected higher future wage inflation.

- Baseline COLA assumption: A stochastic model was used to project geometric mean SDRS COLAs assuming future inflation had a mean of 2.5% and a standard deviation of 1.8% (based on the last 20 years of average third calendar quarter annual CPI-W increases) and recognizing the COLA range of 0% to 3.5%. The model resulted in a geometric mean expected COLA of 2.25% when inflation is 2.50% and the applicable range is applied.

- Effective rate of interest: Based on assumed inflation of 2.5% and a forecast of 3-month treasury yields, the recommended and adopted assumption for the effective rate of interest was 90% of 2.5%, or 2.25%.

In general, demographic assumptions were developed based on the experience analysis covering the period from July 1, 2016 to June 30, 2021. Experience was weighted by the accrued benefit at the beginning of each period. The evolving impact of the COVID-19 pandemic was considered as a reason future expectations may depart from recent experience during the most severe phases of the pandemic. Rationale for significant demographic assumptions include:

- Retirement rates: Recommended and adopted retirement rates generally reflect recent benefit-weighted experience with different rates for reduced and unreduced retirements, Foundation and Generational members (due to different retirement eligibility criteria), and employee classification. Separate rates were adopted for teachers, other Class A members, Public Safety members, and Judicial members. Generational retirement rates have no credible experience and were developed following Foundation experience, adjusted for different eligibility thresholds.

- Termination rates: Recommended and adopted retirement rates generally reflect recent benefit-weighted experience; however, rates were set slightly higher than experience because termination was suppressed during the pandemic and expected to increase in periods following the end of the experience study period. Select and ultimate rates were indicated, with a 5-year select period. Separate rates were adopted for teachers, all Board of Regents employees with classified school employees, state employees, city employee with county employees, and Public Safety members.

- Base mortality rates: The Pub-2010 amount-weighted tables were recommended and adopted. Separate tables were adopted for teachers, general employees, and safety employees, with adjustments for retired mortality rates by group when credible data suggested. The Pub-2010 amount-weighted general contingent survivor table was adopted for all beneficiaries. The Pub-2010 amount-weighted disabled tables were adopted for disabled members, using the distinct table for disabled safety employees.

- Mortality improvement scale: The MP-2020 mortality improvement scale was recommended and adopted to be used with the Pub-2010 in a fully generational assumption. The MP-2021 table was available, but because the MP-2021 table recognized an acceleration in improvement and was based on the last year of pre-pandemic data, with no data on post-pandemic mortality improvement included, the SDRS Senior Actuary recommended, and the Board of Trustees adopted, the MP-2020 improvement scale.

- Disability rates: Reductions in the prior assumed disability rates were recommended and adopted based on the benefit-weighted experience during the study period.

Section 11-Glossary of Actuarial Terms

Actuarial Accrued Liability

Equal to the Present Value of All Benefits less the Present Value of Future Normal Costs. It is the portion of the Present Value of All Benefits assigned to prior periods by the Entry Age Normal Cost Method.

Actuarial Balance

Fixed, statutory contributions equaling the Actuarially Determined Contribution

Actuarial Investment Gains/(Losses)

The amount the actual investment return on the Fair Value of Assets was greater than/(less than) the expected investment return (6.50% per annum)

Actuarial Valuation

A projection of the Present Value of All Benefits currently earned and expected to be earned in the future by current members of the system based on actuarial assumptions and actuarial methods as summarized in Sections 9 and 10. The results of the Actuarial Valuation provide information on the current and expected future financial soundness of the system.

Actuarial Value Funded Ratio

An actuarial measure of the funding progress and soundness of the system that is the Actuarial Value of Assets divided by the Actuarial Accrued Liability. A ratio in excess of 100% would indicate that the Actuarial Accrued Liability is fully funded. A ratio of less than 100% would indicate an Unfunded Liability exists.

Effective with the June 30, 2017 Actuarial Valuation and thereafter, the Actuarial Value of Assets is equal to the Fair Value of Assets and the Actuarial Value Funded Ratio is equal to the Fair Value Funded Ratio.

Actuarial Value of Assets

The value of assets considered in determining the Actuarial Value Funded Ratio, the Actuarially Determined Contribution, and the Funding Period (when applicable)

Effective with the June 30, 2017 Actuarial Valuation and thereafter, the Actuarial Value of Assets is equal to the Fair Value of Assets.

Actuarially Determined Contribution

A potential contribution to the plan determined by the actuary using a Contribution Allocation Procedure.

Contribution Allocation Procedure

The actuary's process to determine the Actuarially Determined Contribution (ADC). Specifically for SDRS, the ADC is equal to the fixed, statutory contributions if the fixed, statutory contributions are greater than the Normal Cost, system administrative expenses and an amortization of the Unfunded Actuarial Accrued Liability (if any) over a period not to exceed 20 years assuming the minimum SDRS COLA and do not exceed the same measure assuming future COLAs are equal to the maximum SDRS COLA.

Entry Age Actuarial Cost Method

SDRS's adopted funding method for determining Normal Cost, Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability

Under the Entry Age Actuarial Cost Method, the Normal Cost is computed as the percentage of pay which, if paid from the date of the member's entry into the system to each member's assumed retirement or termination, would accumulate at the assumed rate of investment return to a fund sufficient to pay all benefits under the system.

Fair Value Funded Ratio

An actuarial measure of the funding progress and soundness of the system that is the Fair Value of Assets divided by the Actuarial Accrued Liability. A ratio at or in excess of 100% would indicate that the Actuarial Accrued Liability is fully funded. This measure is a factor in determining the annual COLA for SDRS members.

Fair Value of Assets

The fair value of investments in securities is determined based on last reported prices for those securities traded on national and international stock exchanges. Fixed income securities not traded on a national or international exchange are valued based on comparable securities of issuers with similar yield and risk. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. For alternative investments, the net asset value reported by the underlying fund is considered the fair value of the investment. The estimated fair value of these investments may differ significantly from values that would have been used had a ready market existed.

Only the Fair Value of Assets is considered in the June 30, 2017 Actuarial Valuation and thereafter and is equal to the Actuarial Value of Assets.

Funding Period

An actuarial measure of the soundness of the system which measures the length of time in which the member and employer contributions will amortize the Unfunded Actuarial Accrued Liability (if applicable) after paying the Normal Costs and system expenses. A shorter Funding Period is more favorable.

The SDRS Board of Trustees has adopted a Funding Policy with an objective of maintaining a fully funded system with no Unfunded Actuarial Accrued Liability. However, if unfavorable experience results in a future Unfunded Actuarial Accrued Liability, the Board's Funding Policy objective is a Funding Period not to exceed 20 years.

Low-Default-Risk Obligation Measure (LDROM)

A required disclosure item in each valuation beginning in 2024, a recalculation of the accrued costs of benefits as of the measurement date using a discount rate derived from low-default-risk fixed income securities with cash flows reasonable consistent with expected benefits. The LDROM should consider the impact investing in low-default-risk fixed income securities is expected to have on variable benefits (such as the SDRS COLA).

Normal Cost

The cost of benefits earned during the current fiscal year as determined by the funding method.

Normal Cost Contribution Rate

The level percentage of member compensation which, if paid from the date of the member's entry into the system to each member's assumed retirement or termination, would accumulate at the assumed rate of investment return to a fund sufficient to pay all benefits under the system.

Present Value of All Benefits

The single sum amount which, if accumulated in a fund in accordance with the actuarial assumptions, would be sufficient to pay all benefits expected to be paid to retired members, beneficiaries, terminated members and all benefits expected to be earned by current active members for past and future Credited Service as well as future compensation, as they fall due.

Present Value of Future Normal Cost

The Present Value of Future Normal Cost is the discounted value of future annual Normal Costs for the remaining future service years of all active members. It is equal to the excess of the Present Value of All Benefits over the Actuarial Accrued Liability.

Reasonable Actuarially Determined Contribution

An Actuarially Determined Contribution based on reasonable actuarial assumptions and methods meeting Actuarial Standards of Practice No. 4 requirements and consistent with the plan accumulating adequate assets to make benefit payments when due if all assumptions are realized and Actuarially Determined Contributions are made.

Unfunded Actuarial Accrued Liability

The amount by which the Actuarial Accrued Liability exceeds the Actuarial Value of Assets.

Section 12– SDRS Board of Trustees' Funding and System Management Policies

– Managing SDRS Based on Fixed, Statutory Contributions –

FUNDING OBJECTIVES	CONSIDERATION OF BENEFIT IMPROVEMENTS	REQUIRED CORRECTIVE ACTION RECOMMENDATIONS
• A Fair Value Funded Ratio (Fair Value of Assets ÷ Actuarial Accrued Liability*) of 100% or more • A fully funded system with no Unfunded Liabilities under the Entry Age Normal Cost method • Actuarially determined benefits that are variable and can be supported by fixed, statutory contributions that are equal to or greater than the actuarially determined contribution rate	• A Fair Value Funded Ratio of over 120% is required before considering benefit improvement recommendations • The cost to fully fund the recommended benefit improvement is also limited to the net accumulated actuarial investment gains and losses, with gains recognized over a five-year period and losses recognized immediately • After fully funding the cost of the benefit improvement, the Fair Value Funded Ratio must be at least 120% and all funding objectives must continue to be met • Proposed benefit improvement must be consistent with both the Board's long-term benefit goals and sound public policy with regard to retirement practices	• The annual report to Governor and Retirement Laws Committee (RLC) will include corrective action recommendations if SDRS does not meet both of the following conditions: ○ The fixed, statutory contribution rate is sufficient to meet the minimum actuarial requirement to support benefits ○ The Fair Value Funded Ratio is 100% or more • The report shall include recommendations for the circumstances and timing for any corrective action, including benefit changes, to improve the funding conditions

The Entry Age Normal cost method is used to calculate Normal Cost and Actuarial Liability

*The Actuarial Accrued Liability and Normal Cost at each July 1 will be based on the baseline COLA assumption or the restricted maximum COLA, as applicable under the SDRS variable COLA structure

SOUTH DAKOTA

RETIREMENT SYSTEM



LIMITED SCOPE

ACTUARIAL AUDIT

OF THE

JUNE 30, 2025

ACTUARIAL VALUATION REPORT

Prepared November 21, 2025

CavMac
Actuarial Consulting Services

November 21, 2025

Board of Trustees
South Dakota Retirement System
Post Office Box 1098
Pierre, SD 57501-1098

Dear Board of Trustees:

At your request, Cavanaugh Macdonald Consulting, LLC has performed a limited scope actuarial audit of the June 30, 2025 actuarial valuation for the South Dakota Retirement System. This audit is limited to an examination of the internal staff actuary's actuarial assumptions, funding methods, procedures for reasonableness, internal consistency, consistency with the previous year's actuarial valuation, and compliance with Actuarial Standards of Practice. The limited scope review does not include any actuarial calculations. In the first half of 2022, we reviewed and provided our opinion on the findings and recommendations in the quinquennial Experience Analysis performed and presented to the Board. The results of the demographic assumptions analysis were presented at the April 5, 2022 Board meeting and the results of the economic assumptions analysis were presented at the June 1, 2022 Board meeting. As a result of the Experience Analysis, several changes to the set of actuarial assumptions were adopted by the Board and were first reflected in the June 30, 2022 valuation. We performed a Full Replication Actuarial Audit of the June 30, 2022 Actuarial Valuation to confirm the assumptions and methods were implemented appropriately, which they were. Our report dated November 9, 2022 contains our review, which we presented at the December 1, 2022 Board meeting. We anticipate that the next Full Replication Audit will be performed on the June 30, 2027 actuarial valuation, with Limited Scope Audits such as this performed on intervening actuarial valuations.

Our analysis of the actuarial assumptions and methods was based largely on the most recent experience study covering the time period from July 1, 2016 through June 30, 2021 and implemented effective with the June 30, 2022 actuarial valuation. We would like to thank Doug Fiddler, the SDRS Senior Actuary, for his cooperation and assistance in providing the required information to us in a timely manner.

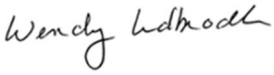
We find the actuarial assumptions, methods, and procedures in the June 30, 2025 actuarial valuation to be reasonable and developed in accordance with applicable Actuarial Standards of Practice. We find that the valuation report also complies with applicable Actuarial Standards of Practice.

If you need anything else, please do not hesitate to give us a call. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Sincerely,



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

TABLE OF CONTENTS

		Page
Section I	Executive Summary	1
Section II	Actuarial Assumptions	2
Section III	Actuarial Methods	10
Section IV	Valuation Report Review	14

SECTION I – EXECUTIVE SUMMARY

As an independent auditing actuary, Cavanaugh Macdonald Consulting, LLC (CavMac) has been tasked to provide a general overview and review of the June 30, 2025 actuarial valuation, and express an opinion of the reasonableness of the actuarial assumptions and methods used in the report, which was performed by the South Dakota Retirement System's Senior Actuary, Mr. Douglas Fiddler. In addition, we reviewed the valuation report to ensure it complies with applicable Actuarial Standards of Practice.

It is our belief that an audit should not focus on finding differences between actuarial processes and procedures utilized by two different actuaries, but rather to ensure that Actuarial Standards of Practice are being followed and to find improvements to the process and procedures and communication of results utilized by the System's Senior Actuary.

Pursuant to the RFP issued by the SDRS, a full replication audit was performed for the June 30, 2019 actuarial valuation. Limited scope reviews were contemplated for the four subsequent valuations performed by the staff actuary. Because the June 30, 2022 valuation implemented new actuarial assumptions adopted by the Board of Trustees following the preparation of an experience analysis, SDRS staff and Cavanaugh Macdonald agreed that a full replication audit would be prudent for the June 30, 2022 valuation. We anticipate that the next Full Replication Audit will be performed on the June 30, 2027 actuarial valuation, with Limited Scope Audits such as this performed on intervening actuarial valuations.

Conclusion

We find the actuarial assumptions, methods, and procedures used in the June 30, 2025 actuarial valuation to be reasonable and developed in accordance with applicable Actuarial Standards of Practice. They are consistent with those used in the prior valuation. The valuation report also complies with applicable Actuarial Standards of Practice as promulgated by the Actuarial Standards Board.

SECTION II – ACTUARIAL ASSUMPTIONS

BACKGROUND ON ACTUARIAL ASSUMPTIONS

The actuarial assumptions form the basis of any actuarial valuation or cost study. Since it is not possible to know in advance how each member's career will evolve in terms of salary growth, future service and cause of termination, the actuary must develop assumptions in an attempt to estimate future patterns. These assumptions enable the actuary to value the amount of benefits earned and to reasonably estimate when and for how long these benefits will be paid. Similarly, the actuary must make an assumption about future investment earnings of the trust fund. In developing the assumptions, the actuary examines the past experience and considers future expectations to make the best estimate of the anticipated experience under the plan.

There are two general types of actuarial assumptions:

- Economic assumptions – these include the valuation interest rate (expected return on plan assets), assumed rates of salary increase, price inflation, wage inflation, and increases in total payroll.

- Demographic assumptions – these include the assumed rates of retirement, mortality, termination, and disability.

The selection of economic and demographic assumptions should conform to ASOP No. 27 *"Selection of Assumptions for Measuring Pension Obligations"*.

Note that effective January 1, 2025 the following ASOPs were combined into ASOP No. 27 above:

- 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"*

The combining of these ASOPs did not change the requirements of the individual ASOPs.

The discussion on the actuarial assumptions on the following pages is based on the data and recommendations in the Experience Analysis covering the study period from June 30, 2016 to June 30, 2021.

SECTION II – ACTUARIAL ASSUMPTIONS

Actuarial Assumptions

Discount rate/investment return:	6.50%, net of investment expenses.
Inflation:	2.50%
Wage inflation:	3.15%
Salary merit/seniority:	Service based, decreasing from 4.4% to 0.0% over 25 years.
Retirement:	Age based, dependent upon benefit tier, employee class, and member sex. Age 55 to 80 for non-Public Safety and age 45 to 70 for Public Safety. Rates are generally lower for reduced retirement. Teachers are assumed to retire by age 75. All other Class A members are assumed to retire by age 80. Class B Judicial members assumed to retire by age 71.
Disability:	Rates for non-Judicial members shown through age 65 and vary by class, member sex, and employment type. 5% of disabilities within the first three years of employment are assumed to be job-related. None for Judicial members.
Mortality:	Pub-2010 amount-weighted base mortality tables, which vary by class and employment type, projected generationally with MP-2020. Adjustments were made to the retired member base mortality tables based on credible experience.
Termination:	Five-year select and ultimate for non-Judicial members. Rates for non-Judicial members shown through age 55 and vary by class and member sex. None for Judicial members.

SECTION II – ACTUARIAL ASSUMPTIONS

Marital Status:	80% of non-retired members assumed to be married with male members two years older than spouses and female members two years younger than spouses.
Family Composition:	Members are assumed to have two eligible dependent children while the member is between the ages of 29 and 48.
Future Social Security Increases:	Future Social Security COLA adjustments assumed to be 2.50% per year; future social security taxable wage base increases assumed to be 3.15% per year.
Interest on Member Contributions:	2.25% per annum
Administrative Expenses:	2.0% of projected annual member and employer contributions.
Election of Portable Retirement Option Benefits:	Percentage of election based on credited service at termination, which decreases from 100% at 0-2 years of service to 0% at 30 or more years of service.
Terminated Vested Member Benefit Commencement:	Age 58 for Class A Foundation Members with 20 or more years of Credited Service at termination. Age 48 for Class B Public Safety Foundation Members with 15 or more years of Credited Service at termination. Three years prior to Normal Retirement Age for all others.
COLA:	2.25% (baseline) 1.56% (restricted maximum based of June 30, 2025 valuation)

SECTION II – ACTUARIAL ASSUMPTIONS

Actuarial Assumptions - Review

Actuarial assumptions used in the valuation are based on an experience study covering the time period from June 30, 2016 through June 30, 2021. 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.

With respect to the most critical assumptions used in this valuation, we have the following comments:

Investment return/discount rate:	ASOP No. 27 requires the selection of a reasonable assumption that may include consideration of a margin for "adverse deviation". We note the investment return assumption of 6.50% is below the median return assumption of 7.00% for statewide public-sector pension plans. However, this assumption is heavily impacted by the asset allocation for the portfolio and the perspective of each Board of Trustees. It is also worth noting that the 6.50% assumed return is lower than the 20-year historical plan experience of 7.29% shown in Table 5.3 on page 24 of the June 30, 2025 Actuarial Valuation report. We have reviewed the development of the assumption in the June 1, 2022 presentation to the Board entitled "Experience Analysis: Economic Assumptions" and we find it to be complete and supportive of the use of the current set of economic assumptions. We believe the current rate of 6.50% is reasonable.
Inflation:	We believe the inflation assumption of 2.50% is reasonable and in line with the levels of inflation assumed by other public-sector pension plans.
Wage inflation:	We believe the wage inflation assumption is reasonable and within the range of assumptions used by other public-sector pension plans. The wage inflation assumption of 3.15% is 65 basis points higher than the inflation assumption of 2.50%.
Salary merit/seniority:	The salary increase assumption can be separated into a general wage inflation and merit/seniority increase assumptions. The merit/seniority salary increase assumption is a service-based assumption, with smaller increases, as a percentage of pay, for longer-service employees. In our experience, salary increases are typically closely correlated

with service and most public plans use a service-based merit salary assumption. We concur with this methodology, and the merit/seniority rates appear reasonable when compared to those used by other public retirement systems.

Retirement:

We concur with separating the retirement assumptions by occupational categories, and the rates themselves appear to be consistent with those used by other public sector retirement systems. The retirement assumption used in the SDRS valuation reflects lower retirement rates for those who are eligible for reduced retirement benefits, which is a pattern commonly observed in other systems. The Normal Retirement Age (NRA) is age 65 with three years of service for non-Public Safety Foundation members. Because the Foundation member group includes those who were hired on or before June 30, 2017, these members constitute nearly all of the observed retirement experience up to this point. Therefore, our analysis is focused on this group. This group's highest pre-NRA retirement rates are 28.5% (for eligibility for reduced early retirement benefits) and 40% (for eligibility for unreduced benefits). Class A Teacher members are assumed to retire by age 75, while all other Class A members are assumed to retire by age 80.

Similar to non-Public Safety group, the Foundation group accounts for nearly all retirement experience up to this point for Public Safety members. Normal Retirement Age for this group is age 55 with three years of service. The highest pre-NRA retirement rates are 16.5% (for eligibility for reduced early retirement benefits) and 33.0% (for eligibility for unreduced benefits). All active members are assumed to retire immediately by age 70, 25 years after initial retirement eligibility.

Finally, in all circumstances where two otherwise identical members of the same age are both eligible to retire, but one is eligible for unreduced retirement and the other is not, the probability that the member who is eligible for unreduced benefits will retire is greater than or equal to that of the member who is not eligible for unreduced benefits.

These assumptions appear to be reasonable based on the findings of the most recent experience study.

Disability:	The assumed disability rates increase as members get older. They appear to be reasonable, based on those used by other public-sector retirement systems we have worked with.
Mortality:	For the first time, in 2019 the Society of Actuaries published a set of mortality tables based solely on public plan data: the Pub-2010 Mortality Tables. Separate tables were created for Teachers, Public Safety, and General Employees. These tables have become a key resource for the selection of mortality assumptions for public plans. In our opinion, recommending and adopting the respective Pub-2010 mortality rates for each employment type, along with reflecting generational mortality using scale MP-2020, is reasonable and meets the requirements of ASOP No. 27. In May 2025, the Society of Actuaries published the *"Pub-2016 Public Retirement Plans Mortality Tables Report".* Use of these tables is not prescribed. As such, they can be considered with the next experience study in 2027.
Termination:	We agree with the application of a select and ultimate termination assumption, where assumed termination rates vary by years of service in the first five years of employment and by age thereafter, is reasonable. The probability of termination decreases as members work longer and their ages increase, which is typical behavior in public-sector plans. The termination rates incorporated in the valuation are reasonable and appear to be in line with those used by other public-sector plans in our experience.
Interest on member contributions:	Interest is credited at a rate less than or equal to the minimum of 90% of the average 91-day US Treasury rate for the preceding calendar year and the assumed rate of investment return. The current assumption is 2.25%. As mentioned previously, the results of the most recent experience study were presented on June 1, 2022. At that time, the 91-day US Treasury rate was hovering around 1.0% and had been near 0.0% for the two years prior. Recently, the 91-day US Treasury rate has been hovering around 4.0%. While the current interest rate environment would suggest that this

assumption is too low, we understand that actuarial assumptions necessarily reflect a long-term perspective, and the current environment may not be indicative of the long-term reality. Therefore, we believe the contribution interest assumption is reasonable, but we recommend SDRS continue to closely monitor this assumption in future valuations.

Terminated member commencement:

The reduction for early retirement is 3% per year for Foundation Members and 5% per year for Generational Members. This appears to reflect a degree of subsidization by the plan for Foundation Members but to be actuarially neutral for Generational Members. We agree members may likely elect a benefit prior to Normal Retirement eligibility given this subsidy for Foundation Members. In our opinion, the stated assumptions are reasonable.

COLA:

The COLA is defined in levels based on the SDRS Fair Value Funded Ratio (FVFR):

1) FVFR at least 100% when future COLAs are equal to the baseline COLA assumption:
   - % increase in most recent 3rd calendar quarter CPI-W over the prior year (min 0.0%, max 3.5%)
2) FVFR less than 100% when future COLAs are equal to the baseline COLA assumption:
   - Same as above, but restricted maximum COLA is based on a future COLA assumption that results in a FVFR of at least 100%

The baseline assumption is that COLAs will be granted at the rate of 2.25% per year, which is reasonable.

The results of the June 30, 2025 actuarial valuation indicate a 2025 COLA based on the restricted maximum COLA of 1.56%, and the liabilities and normal costs in the valuation are determined on the assumption that future COLAs are equal to 1.56%.

SECTION II – ACTUARIAL ASSUMPTIONS

Generational Members have a different level of benefits and subsidies which could result in different patterns of termination and retirement. As the Generational Members become a larger portion of the active membership, it will be important to establish a separate set of demographic assumptions for this group. While enough actual member experience may not be available in the next experience study in 2027, each assumption should be considered and discussed even if the recommendations are based on professional judgment and future expectations. For example, since Generational Members' retirement eligibility criteria differ from those applicable to Foundation Members, the actuary has used professional judgment to adjust the retirement rates of Generational Members pending the accumulation of sufficient experience among Generational Members to serve as a basis for this assumption.

SECTION III – ACTUARIAL METHODS

SDRS is funded by fixed, statutory Member and Employer Contributions that total 12.437% of covered compensation for fiscal year ending June 30, 2025. As stated on page 5 of the June 30, 2025 Actuarial Valuation report, the purpose of the valuation is:

(1) to determine if the funded status of SDRS is at least 100% assuming future COLAs are equal to the baseline COLA assumption of 2.25% and if not, to determine the restricted maximum COLA that results in a funded status of 100%;

(2) to set the COLA which will go into effect July 2026;

(3) to review the funded status of SDRS as of June 30, 2025;

(4) to disclose the SDRS asset and liability measures as of June 30, 2025;

(5) to confirm that such fixed, statutory contributions are the Actuarially Determined Contributions (ADC);

(6) to determine if corrective actions must be recommended;

(7) to compare actual and expected experience under SDRS for the year ended June 30, 2025;

(8) to provide accounting information under GASB 67 and 68;

(9) to report trends in contributions, assets, liabilities, and funded status; and

(10) to identify, assess, and disclose risks to future SDRS funding.

The annual valuation provides the basis for making such determinations based on the actuarial methods described in the report. On this basis, the 2025 Actuarial Valuation of SDRS determines a restricted COLA of no greater than 1.56% results in a Fair Value Funded Ratio of 100.1%, confirms that the statutory rates of contribution are the ADC, and that no corrective actions or recommendations are required.

Actuarial Methods - Review

For all pension plans, whether defined benefit or defined contribution, the basic retirement funding equation is:

$$C + I = B + E$$

Where:

- C = employer and member contributions
- I = investment income
- B = benefits paid
- E = expenses paid from the fund, if any.

As can be seen from the formula, for a given level of contributions and expenses the greater "I" is, the greater "B" can be. This is the underlying reason for advance funding a pension plan, and historically investment income pays for 65% to 70% of the benefit dollars received by plan members. In other words, for every dollar paid to a member only 30 to 35 cents come from contributions.

Of course, one challenge with the formula is that in order to know what level of benefits can be paid, the plan would have to be closed to new members and allowed to operate until all retirees were deceased. At that point, the benefits and expenses actually paid out, and the investment income actually earned would be known and, using the equation above, the true cost could be determined. Since the vast majority of plans are ongoing and have no intention of closing, and because even with a closed plan it takes a very long time before all benefits are finally paid out, plan sponsors hire actuaries to estimate the ongoing cost of their plans and to determine the amount of benefits that can be paid given a level of contributions.

In order to determine the benefits that can be paid for a current level of contributions, the actuary's first step is to estimate on a given date (the valuation date) the value of all benefits (and expenses) that will be paid to the existing active and retired membership over their remaining lifetimes based on the plan's current benefit structure based on the baseline COLA assumption. This estimation requires the use of assumptions regarding both future demographic events (termination, disability, retirement, death, etc.) and future economic conditions (return on assets, inflation, salary growth, etc.).

By combining the assumptions for future events and the salary growth assumption, the actuary generates an expected benefit payment stream. In other words, a string of annual payments expected to be made to the current active and retired members from the valuation date until all members are no longer living. Then the actuary applies the investment return assumption to discount each year's payments to the valuation date, creating the present value of all future benefits or the total liability of the plan.

The difference between the total liability and the current assets of the plan represents the present value of future contributions (PVFC) that have to be made by either members or the employers. Usually, the members and employers cannot contribute the entire difference in one year, but rather implement a relatively smooth contribution pattern over time that also meets any external constraints. In order to budget for the PVFC, the actuary applies an actuarial cost method. There are several acceptable cost methods, but it's important to recognize that they are nothing more than budgeting tools. The actual cost of future benefits and expenses will have to be paid sooner or later.

Different actuarial cost methods can provide for faster funding earlier in a plan's existence, more level funding over time, or more flexibility in funding. The choice of an actuarial cost method will

determine the pattern or pace of the funding and, therefore, should be linked to the long-term financing objectives of the system and benefit security considerations.

The Entry Age Normal actuarial cost method, which is used in the SDRS valuation, satisfies the requirements of Actuarial Standard of Practice (ASOP) No. 4 and is an appropriate method to use for the calculation of System's Actuarial Accrued Liability and Normal Costs. Furthermore:

- Normal Cost is calculated as a level percentage of each member's pay over the member's career.
- The majority of public plans use such cost method for funding.
- GASB Statement Nos. 67 and 68 require the use of the individual version of such cost method for financial accounting and disclosure. For the ADC, the aggregate version is used.
- Use of the same cost method for funding enhances consistency between funding and accounting valuations.

The Conference of Consulting Actuaries Public Plans Community (CCA PPC) 2nd edition of the White Paper entitled "Actuarial Funding Policies and Practices for Public Pension Plans" (dated August 2024) categorizes the Entry Age Normal actuarial cost method as the model actuarial cost method.

In our opinion, the actuarial cost method employed for the SDRS valuation is appropriate and will systematically fund the prospective pension benefits on an actuarially sound basis, if all actuarial assumptions are met in the future.

ASSET VALUATION METHOD

The SDRS actuarial valuation uses the fair market value of assets. We believe this is appropriate given SDRS' Funding Policy objectives to manage SDRS benefits based on the fixed, statutory member and employer contribution rates. Those objectives include a funded ratio based on the market value of assets that is at least 100% and actuarially determined benefits that are variable and supported by fixed, statutory contributions. To this end, the cost-of-living adjustment (COLA) granted each year is adjusted to maintain a funded ratio of 100%, subject to certain minimum and maximum limits.

Given the Board's Funding Policy, we believe the use of market value for an asset valuation method is reasonable. Because Actuarial Standard of Practice Number 44 only applies to the use of asset valuation methods other than pure market value, it does not apply to the SDRS valuation.

SECTION III – ACTUARIAL METHODS

AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY METHOD

According to the System's contribution allocation procedure, the Actuarially Determined Contribution is equal to the fixed, statutory contributions if the fixed, statutory contributions are greater than the normal cost, administrative expenses, and an amortization of the unfunded actuarial accrued liability (if any) over a period not to exceed 20 years based on the minimum SDRS COLA assumption, unless the fixed, statutory contributions exceed that same metric using the maximum SDRS COLA. We believe this policy is reasonable.

SECTION IV – VALUATION REPORT REVIEW

CONTENT OF THE ACTUARIAL REPORTS

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). Those standards list specific elements to be included, either directly or by reference to other documents, in pension actuarial communications. Some of the elements would not be pertinent in all communications, but since an actuarial valuation report is the most complete picture of the actuarial status of the plan, all the elements listed should be covered in the report, even if only briefly.

During the course of our review, we note that the SDRS Senior Actuary reworks language contained in the report as part of their continual improvement of the product, and CavMac provides suggestions as well. We do not list these changes but rather just note them here for completeness.

Disclosure of Actuarial Assumptions and Methods

We have no recommendations currently.

Risk Assessment and Disclosure

ASOP No. 51 provides guidance to actuaries with respect to the assessment and disclosure of risk with respect to future actuarial measurements, which may vary significantly from current measurements. Examples of future measurements noted are pension liabilities, actuarially determined contributions, and funded status. The standard applies to actuaries when performing a funding valuation and is effective for any actuarial work product with a measurement date on or after November 1, 2018.

In our opinion, the risk discussion included in the June 30, 2025 actuarial report complies with ASOP No. 51. The identification of risk to be assessed appears reasonable and appropriate. The initial risk assessment indicates investment risk is the most significant risk to SDRS funding and benefit levels. Other less significant risks identified were longevity risk, inflation risk, salary increase risk, other demographic risk, covered payroll risk, and contribution risk. For each of these less significant risks, scenarios were generally described where departures from expectations would result in a certain general outcome. ASOP No. 51 does not require that the assessment of a risk be based on numerical calculations, but the SDRS actuary does a good job of addressing the risks by including some quantitative analysis.

The report included further assessment of investment risk. While many methods of risk assessment are allowed, the choice of scenario testing for investment risk appears reasonable and appropriate. The scenario testing appropriately showed the impact on funding results over a five-year period if actual returns were significantly less than or greater than the assumed

investment return of 6.5%. The analysis showed that investment risk most significantly impacts a member's level of benefits since automatic benefit adjustments occur in both the low return and high return scenarios. In addition, severe or prolonged low return scenarios may trigger a requirement for corrective action recommendations and extreme or prolonged high return scenarios may permit consideration of benefit improvements in accordance with the Board's policies. As such, the report includes one-, two-, and three-year projections of the amount of investment return needed (and the likelihood of such return) to meet certain objectives such as avoiding corrective action or providing a full COLA. The assessment of investment risk as a major risk to the System is appropriate and compliant with ASOP No. 51, in our opinion.

ASOP No. 51 also indicates that the actuary should consider disclosing certain plan maturity measures that the actuary believes are significant to understanding risks to the plan and provide commentary to help the reader understand the significance of the measurement in the assessment of risk. For this requirement, the actuary included historical ratios of assets and liabilities to active member payroll, historical percentages of retired and terminated member counts to total member counts, historical percentages of retired and terminated member liability to total member liability, and historical cash flow measurements as a percentage of assets. The actuary generally described the significance of each plan maturity measurement and has addressed how the structure of SDRS mitigates risk with the June 30, 2025 actuarial valuation report.

Overall, we believe the information provided in the June 30, 2025 valuation report is very comprehensive and does a good job of communicating the most significant risks to SDRS.

Modeling Disclosure

ASOP No. 56 was adopted by the Actuarial Standards Board in December 2019 and was first effective for work performed on or after October 1, 2020. The purpose of this standard is to provide guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. A "model" in this context was defined to include annual actuarial valuation reports. In our opinion, the language on page 2 of the report satisfies the disclosure requirements of ASOP No. 56.

ASOP No. 4 Disclosure

Under the revised Actuarial Standards of Practice (ASOP) No. 4 effective for valuations after February 15, 2023 funding actuarial valuations are required to include an alternate calculation of the System's liability using discount rates derived from low-default-risk fixed-income obligations in our funding valuation report. This amount is referred to as the Low Default Risk Obligation Measure (LDROM). This required disclosure is informational only and is not appropriate for assessing the funding progress or health of the plan. Page 32 of the June 30, 2025 SDRS actuarial valuation report contains this disclosure.

While disclosing the LDROM is prescribed, the methodology underlying the calculation is not. This allows the actuary some discretion to develop the LDROM to reflect the specifics of the System. For this report, the SDRS Senior Actuary developed the LDROM in the same fashion as the actuarial accrued liability except for the following:

1. LDROM Discount Rate: Instead of the 6.50% assumed rate of return used for the funding valuation, the LDROM utilizes the single equivalent interest rate based on the June 2025 Treasury High Quality Market Corporate Bond Yield Curve. The single equivalent discount rate for the June 30, 2025 actuarial valuation is 5.84%.
2. LDROM COLA: Instead of the 1.56% COLA assumption used for the funding valuation, a COLA assumption of 0.71% is used for the LDROM. This is the amount of affordable COLA based on the 5.84% discount rate.

All other assumptions are the same as those used for the development of the actuarial accrued liability.

As disclosed in the actuarial valuation, the discount rate used for the LDROM is a single equivalent interest rate that results in the same present value if projected benefits are discounted based on the spots rates in The Treasury High Quality Market Corporate Bond Yield Curve reported for June 2025 at https://www.irs.gov/retirement-plans/monthly-yield-curve-tables. The single equivalent interest rate is 5.84%. When this number was first developed for the June 30, 2023 actuarial valuation, we asked the Senior Actuary for the development of the single equivalent rate, and checked the calculation for accuracy and compliance with ASOP 4. We will review this again with the next full replication audit.

In our opinion, this report satisfies the LDROM disclosure under ASOP 4.

The revised ASOP 4 also includes additional disclosures regarding Contribution Allocation Procedures and Actuarially Determined Contributions. In our opinion, language added complies with revised ASOP 4.

We believe the content and disclosures included in the SDRS valuation report comply with current Actuarial Standards of Practice (ASOPs).