

# AGENDA

## SDRS BOARD OF TRUSTEES

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

**DATE:** Wednesday, April 1, 2026

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

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

- 9:00 a.m. Call Meeting to Order – Determination of Quorum\*
- ITEM 1** Chair's Preliminary Remarks
- ITEM 2** Board Conflict Disclosure
- ITEM 3** Approval of December 10, 2025, Minutes
- ITEM 4** Public Comment
- ITEM 5** Board Member Election Update – Jaime Rutschke, Executive/Board Assistant
- ITEM 6** Investment Performance Update – Darci Haug, SDIC Senior Portfolio Manager and Danielle Mourer, SDIC Portfolio Manager
- ITEM 7** Projected Funded Status as of June 30, 2026 – Doug Fiddler, Senior Actuary
- ITEM 8** Review of Long-Term Benefit Goals – Doug Fiddler and Travis Almond, Executive Director
- ITEM 9** Overview of Governance Manual Project – Jacque Storm, Director of Special Projects
- ITEM 10** 2026 Legislative Report – John Richter, General Counsel; Sam Koldenhoven, Deputy General Counsel; Michelle Mikkelsen, Chief Finance Officer; and Travis Almond
- SDRS Legislation
  - Other Legislation
  - SDRS FY 2027 Budget

- ITEM 11** Set Effective Rate of Interest for FY 2027 – Michelle Mikkelsen
- ITEM 12** Set FY 2027 Supplemental Pension Benefit Interest Rate Assumption – Travis Almond
- ITEM 13** Board Member Conference Attendance Requests – Travis Almond
- Hank Prim: IFEBP Trustees Institute (Level II – Concepts in Practice), June 13-14, San Diego, CA
  - Shane Roth: NASRA Annual Conference, August 8-12, Boston, MA
  - Jill Lenards: NCTR Annual Conference, October 3-6, Coeur d’Alene, ID
  - Eric Stroeder: NCTR Annual Conference, October 3-6, Coeur d’Alene, ID
  - Laurie Gronlund: NCTR Annual Conference, October 3-6, Coeur d’Alene, ID
- ITEM 14** Old/New Business
- SharePoint Board Portal
  - Upcoming SDRS Board of Trustees Meeting Dates
- ITEM 15** Reports from the Executive Director Evaluation and Compensation Committees (Possible Executive Session) – Eric Stroeder, Chair of Executive Director Compensation Committee; and Jim Appl, Chair of Executive Director Evaluation Committee

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

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

**ADA COMPLIANCE:** This meeting will be held at a location that is physically accessible to all participants. Individuals needing assistance under the Americans with Disabilities Act should contact the South Dakota Retirement System at (605) 773-3731 at least 48 hours before the meeting. We will do our best to accommodate requests received after that time.

### **FUTURE MEETING DATES**

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

# JOINT MEETING

## SOUTH DAKOTA RETIREMENT SYSTEM and RETIREMENT LAWS COMMITTEE

December 10, 2025

The Board of Trustees of the South Dakota Retirement System held a joint meeting with the Retirement Laws Committee on December 10, 2025. The meeting began at 9:00 a.m. in the SDRS Board Conference Room.

### BOARD MEMBERS IN ATTENDANCE:

Eric Stroeder, Chair  
James Appl, Vice Chair  
Laurie Gronlund  
LaJena Gruis  
Victoria Hinek  
Myron Johnson (via Teams)  
Jake Oakland  
Shane Roth  
Justice Mark Salter (via Teams)  
Darin Seeley  
Jim Terwilliger  
Wes Tschetter (via Teams)  
Matt Clark, Ex Officio

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### RETIREMENT LAWS COMMITTEE MEMBERS IN ATTENDANCE:

Representative Les Heinemann (via Teams)  
Representative David Kull (via Teams)  
Representative Erik Muckey(via Teams)  
Representative Mike Weisgram  
Senator Randy Deibert  
Senator Red Dawn Foster (via Teams)  
Senator Steve Kolbeck (via Teams)  
Senator Jamie Smith  
Senator Glen Vilhauer (via Teams)

### OTHERS IN ATTENDANCE:

Anne Cipperley, SDIO  
Jarrod Edelen, SDIO  
Darci Haug, SDIO  
Duncan Koch, BFM

Larry Langer, CavMac  
Lealan Miller, Eide Bailly  
Danielle Mourer, SDIO  
Samantha Rains, SDIO  
Jan Zeeck, SDIO  
Brittnie Adamson  
Travis Almond  
Doug Fiddler  
Alan Freng  
Michelle Humann  
Samantha Koldenhoven  
Michelle Mikkelsen  
Nick Rea  
John Richter  
Jaime Rutschke  
Dawn Smith  
Jacque Storm (via Teams)

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

**AGENDA ITEM 1**  
**CHAIR'S PRELIMINARY REMARKS**

**Summary of Discussion**

Chair Eric Stroeder shared the news of the passing of Paul Schrader, a longtime actuary and trusted advisor for SDRS. Paul's contributions and guidance over the years have left a lasting impact, and he will be dearly missed by all who knew him.

**Board Action**

No action was necessary.

**AGENDA ITEM 2**  
**BOARD CONFLICT DISCLOSURE**

**Summary of Discussion**

Chair Eric Stroeder asked the board for any conflict disclosures. None were provided.

**Board Action**

No action was necessary.

**AGENDA ITEM 3**  
**APPROVAL OF SEPTEMBER 9, 2025, MEETING MINUTES**

**Board Action**

IT WAS MOVED BY MR. APPL, SECONDED BY MR. ROTH, TO APPROVE THE MINUTES OF THE SOUTH DAKOTA RETIREMENT SYSTEM BOARD OF TRUSTEES MEETING HELD ON SEPTEMBER 9, 2025. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

**AGENDA ITEM 4**  
**PUBLIC COMMENT**

**Summary of Discussion**

The Chair outlined the policy concerning public comment and testimony. There was no public comment.

**Board Action**

No action was necessary.

**AGENDA ITEM 5**  
**SDRS FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING JUNE 30, 2025**

**Summary of Presentation**

Ms. Michelle Mikkelsen, SDRS's Chief Financial Officer, and Ms. Nicole Gere, SDRS's Deputy Financial Officer, presented the SDRS Financial Statements for the period ending June 30, 2025. Ms. Mikkelsen reviewed the financial statement timeline, which shows the work completed between May and December each year.

Ms. Mikkelsen stated that the SDRS fiduciary net position restricted for pension benefits was \$15.272 billion, an increase of \$350 million during the fiscal year. In addition, there was \$355 million in total contributions, over \$799 million in total benefits and refunds paid, and 510 participating employers with just over 105,000 members.

Ms. Mikkelsen noted that the administrative expenses were \$5.8 million in FY 2025. The net money-weighted investment performance during 2025 was 5.44 percent, below the long-term assumed annual return rate of 6.50 percent. Ms. Gere stated the fiduciary net position continued to exceed the total pension liability, resulting in a net pension asset of \$8.5 million.

Ms. Gere stated that SDRS adopted GASB 101 Compensated Absences, which is used to accurately recognize and measure vacation and sick leave balances. Additionally,

effective FY26, SDRS will implement GASB 103 to improve and enhance financial reporting for better decision-making and assessing accountability.

Ms. Mikkelsen advised that during FY25, \$827 million was in the SDRS Supplemental Retirement Plan, with \$51 million received in contributions and \$35 million paid to benefit recipients. There were 38,398 participating members, with 15,102 actively deferring among the 379 participating employers.

The SDRS Special Pay Plan had assets of \$85 million, with \$12 million paid to benefit recipients and \$12 million received in contributions during fiscal year 2025. There are 149 participating employers with 4,807 participating members.

**Board Action**

No action was necessary.

**AGENDA ITEM 6**  
**SDRS FINANCIAL AUDIT**  
**FOR THE PERIOD ENDING JUNE 30, 2025**

**Summary of Presentation**

Ms. Victoria Hinek, SDRS Audit Committee, stated that the audit committee had a conference call with Eide Bailly to review the external auditor's findings of SDRS, the SDRS Supplemental Retirement Plan (SRP), and the Special Pay Plan (SPP) for the fiscal year ending June 30, 2025.

Mr. Lealan Miller, Partner, Eide Bailly, presented the external financial audit of SDRS, the SDRS Supplemental Retirement Plan (SRP), and the Special Pay Plan (SPP) for the fiscal year ending June 30, 2025.

Mr. Miller stated that the Eide Bailly report found no material weaknesses in reviewing SDRS' financial statements and internal accounting controls.

**Board Action**

IT WAS MOVED BY MR. OAKLAND, SECONDED BY MS. GRUIS, TO ACCEPT THE SDRS FINANCIAL AUDIT REPORT FOR THE PERIOD ENDING JUNE 30, 2025, AS PRESENTED BY EIDE BAILLY. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

**AGENDA ITEM 7**  
**SDRS ACTUARIAL VALUATION AS OF JUNE 30, 2025**

**Summary of Presentation**

Mr. Doug Fiddler, SDRS's Senior Actuary, presented the SDRS Actuarial Valuation for the period ending June 30, 2025.

Mr. Fiddler explained the purpose of the actuarial report. He stated that the report includes required annual statutory determinations and disclosures. It can also identify trends that serve as an early warning system for potential future funding problems.

The conclusions of the 2025 Actuarial Valuation, advised Mr. Fiddler, are as follows:

- System investment experience was 5.44 percent, below the assumed 6.5 percent, resulting in actuarial investment losses of \$157 million for the year;
- Liability losses for the year were \$95 million, primarily due to larger-than-expected salary increases;
- The July 1, 2026, SDRS COLA will be 1.56 percent;
- No corrective action recommendations are required;
- Fair Value and Actuarial Value funded ratios are 100 percent;
- If future experience matches the actuarial assumptions, the funded ratios are expected to remain at 100 percent, and the restricted maximum COLA of 1.56 percent is expected to remain affordable;
- As of June 30, 2025, SDRS has a small net pension asset of \$8.5 million;
- SDRS remains a fully funded retirement system, which is a rare accomplishment and significantly better funded than almost all statewide retirement systems; and
- SDRS meets all the Board of Trustees' funding objectives as of June 30, 2025.

#### **Board Action**

No action was necessary.

### **AGENDA ITEM 8** **SDRS LIMITED SCOPE AUDIT OF THE JUNE 30, 2025** **ACTUARIAL VALUATION REPORT**

#### **Summary of Presentation**

Mr. Larry Langer, Principal and Consulting Actuary, Cavanaugh Macdonald Consulting (CavMac), presented the conclusions of the limited scope review of the SDRS actuarial valuation report. CavMac concluded that the actuarial valuation results were reasonable and accurate based on the assumptions and methods. Mr. Langer also stated that the valuation was performed by a qualified actuary and was performed in accordance with the principles and practices prescribed by the Actuarial Standards Board.

#### **Board Action**

IT WAS MOVED BY MR. APPL, SECONDED BY MR. JOHNSON, TO ACCEPT THE LIMITED SCOPE AUDIT OF THE SOUTH DAKOTA RETIREMENT SYSTEM'S ACTUARIAL VALUATION AS OF JUNE 30, 2025, AS PRESENTED BY CAVMAC ACTUARIAL CONSULTING SERVICES. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

**AGENDA ITEM 9**  
**ESTABLISH COST-OF-LIVING ADJUSTMENT (COLA)**  
**EFFECTIVE JULY 1, 2026**

**Summary of Presentation**

Mr. Almond stated that SDCL 3-12C-704 states that the cost-of-living adjustment (COLA) shall be established by the Board for each fiscal year, based on the fair value funded ratio, actuarially determined contribution rate, and the increase in the Consumer Price Index.

After a review of the COLA calculation process, 1.56 percent is the recommended COLA effective July 1, 2026.

**Board Action**

IT WAS MOVED BY MR. OAKLAND, SECONDED BY MS. GRONLUND, TO ESTABLISH THE COLA EFFECTIVE JULY 1, 2026, AT 1.56 PERCENT. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

**AGENDA ITEM 10**  
**ESTABLISH VARIABLE RETIREMENT ACCOUNT**  
**CONTRIBUTION RATE FOR FY 2027**

**Summary of Presentation**

Mr. Almond stated that pursuant to SDCL 3-12C-1302, the Board must set the variable retirement account contribution rate. He noted that he and the Senior Actuary recommend setting the rate at 1.5 percent of each contributing generational member's compensation for the fiscal year beginning July 1, 2026.

**Board Action**

IT WAS MOVED BY MR. ROTH, SECONDED BY MR. TSCHETTER, TO ESTABLISH THE VARIABLE RETIREMENT ACCOUNT CONTRIBUTION RATE FOR FISCAL YEAR 2027 AT 1.5 PERCENT. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

**AGENDA ITEM 11**  
**FY 2026 INVESTMENT UPDATE**

**Summary of Discussion**

Darci Haug, Senior Portfolio Manager, SDIC, stated that the fiscal year-to-date estimated returns are 4.4 percent to 4.25 percent, and assets are around \$15.6 billion.

**Board Action**

No action was necessary.

**AGENDA ITEM 12**  
**SDRS PROJECTED FUNDED STATUS AS OF JUNE 30, 2026**

**Summary of Discussion**

Mr. Fiddler noted that SDRS contributions are fixed, benefits are variable based on affordability, and that, under most circumstances, SDRS' fair-value funded ratio is expected to remain 100 percent. He added that the SDRS COLA will vary directly with inflation and long-term affordability. The July 2022 COLA of 3.5 percent was the first time the full COLA range was affordable under the current COLA process.

Mr. Fiddler reviewed the recent SDRS COLA history compared to inflation and estimates and likelihoods of the 2027 COLA range. He stated that the recent investment experience of less than the 6.5 percent assumption has reduced the affordable COLA payable. Fiscal year 2026 returns below approximately negative 7.7 percent would require a corrective action recommendation and no COLA. Fiscal year 2026 returns greater than 13.6 percent would result in the full 0 to 3.5 percent COLA range applying for the July 2027 COLA.

**Board Action**

No action was necessary.

**AGENDA ITEM 13**  
**SDRS MEMBER DEMOGRAPHICS AND**  
**RELATED WORKFORCE ISSUES**

**Summary of Discussion**

Mr. Fiddler stated that as baby boomers mature and retire, they will significantly impact the workforce throughout the country, including South Dakota.

Mr. Fiddler stated that on June 30, 2007, baby boomers comprised 44 percent of SDRS membership, and only 11 percent of them had retired. As of June 30, 2025, baby boomers comprised 34 percent of SDRS membership, and 79 percent of them had retired.

Mr. Fiddler reviewed the trends in members nearing retirement. He stated that the SDRS membership is retiring later. The median age at retirement for Class A and Judicial members has increased from 60.7 to 64.5 since 2006. Service at retirement has dropped considerably. Considering all classes, median service at retirement has decreased from 26.4 years to 23 years since 2006. Much of this reduction is due to fewer Class A or Judicial retirees purchasing service during their careers. A similar effect can be seen for Public Safety retirees, but with fewer retirees, the median service and retirement patterns are less consistent. The trends in retirement age are clearer when analyzed by different service periods. The median retirement age has been steadily increasing for all members and is now over age 62 for longer-service members, up from 58 in 2006-2008.

In conclusion, noted Mr. Fiddler, staff expect an elevated number of retirements to continue for the next 4 to 5 years as the remaining baby boomers retire. Members are retiring at later ages, centered around age 65 for Class A and Judicial members, likely due to health care cost concerns. The median service at retirement is decreasing, primarily indicating fewer members had purchased service during their careers. The bottom line, advised Mr. Fiddler, is that all SDRS employers will need to replace a significant portion of their employees over the next few years.

**Board Action**

No action was necessary.

**AGENDA ITEM 14**  
**STATE OF THE SYSTEM: EXECUTIVE DIRECTOR REPORT**

**Summary of Presentation**

Mr. Travis Almond, SDRS Executive Director, noted that SDRS began in 1974 with the consolidation of seven separate systems. SDRS had \$49 million in assets, 30,000 members, and was 40% funded. As of June 30, 2025, SDRS had over \$15 billion in assets, 105,000 members, and was 100% funded. The system meets the Board's goals for benefit adequacy, sustainability, and funding objectives. SDRS is a nationally recognized model system and example of sustainable design.

SDRS remains a defined benefit plan with fixed, equal member and employer contributions, early vesting, family income protection, and a COLA. Since 1974, SDRS has improved benefits, restructured survivor and disability benefits, and added features that benefit members who leave before retirement age. SDRS also created a new tier for members hired after June 30, 2017, which provides an improved Class A multiplier, a higher retirement age reflecting improved life expectancy, eliminates early retirement incentives, and adds a variable retirement account.

Mr. Almond stated that recent challenges include managing liabilities in a low-investment-return environment, maintaining benefit adequacy during high inflation, and leadership transitions. Other challenges include maintaining effective communication, distinguishing SDRS from struggling defined benefit plans, and addressing critics of defined benefit practices.

Mr. Almond noted that some of his objectives include listening to and learning from stakeholders, evolving processes, enhancing successful strategies, and improving areas that need improvement. He emphasized the importance of clear communication with both staff and stakeholders, while maintaining the model retirement system for which SDRS is known.

In summary, Mr. Almond noted that SDRS is fully funded and recognized as a model plan. The benefit practices meet the Board's objectives, funding goals are met based on

realistic actuarial assumptions, and employers' costs are fixed and 40% of the national median. The System Guide to Planning for the Unexpected has been updated. Lastly, there is continuous development of strong relationships and support for SDRS's disciplined administration.

**Board Action:**

No action was necessary.

**AGENDA ITEM 15**  
**PROPOSED 2026 LEGISLATION**

**Summary of Discussion**

Mr. John Richter, SDRS's General Counsel, and Ms. Samantha Koldenhoven, SDRS's Deputy General Counsel, reviewed the potential legislation discussed at the September meeting. Mr. Richter stated the proposals fall into one of two categories: Supplemental Retirement Plan updates and statutory clean-up items. The legislation is designed to improve plan administration, ensure continued compliance with federal law, and enhance clarity for members and staff.

Ms. Koldenhoven stated that the two proposals relating to the Supplemental Retirement Plan are due to the SECURE 2.0 Act. The first proposal will revise in-service distribution exceptions. The second is an update to spousal treatment for required minimum distributions (RMDs).

Mr. Richter stated the proposals in the statutory clean-up legislation include updating the Internal Revenue Code reference, updating the SDRS refund process to align with other member verification protocols, clarifying the disability application deadline, and clarifying grievance procedures.

**Board Action**

IT WAS MOVED BY MR. OAKLAND, SECONDED BY MR. APPL, TO AUTHORIZE STAFF TO FILE THE PROPOSED LEGISLATION ON BEHALF OF THE BOARD FOR THE 2026 LEGISLATIVE SESSION. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

**AGENDA ITEM 16**  
**FY 2027 SDRS BUDGET**

**Summary of Discussion**

Ms. Mikkelsen reported on the Governor's Recommended Budget for SDRS. She advised that SDRS requested no increase of expenditure authority in the Fiscal Year 2027 budget, and that the Governor approved the request.

**Board Action**

No action was necessary.

**AGENDA ITEM 17**  
**OLD/NEW BUSINESS**

**Summary of Presentation**

**Executive Director Evaluation Process**

Jim Appl, Chair of the Executive Director Evaluation Committee, stated that the executive director evaluation process will remain unchanged. Evaluations will be sent out prior to the April board meeting.

**2026 Legislative Session Calendar**

Mr. Almond noted that the Legislative Session Calendar had been forwarded to the Board.

**NCTR Conference Wrap-up**

Mr. Stroeder gave an overview of the NCTR Annual Conference he attended.

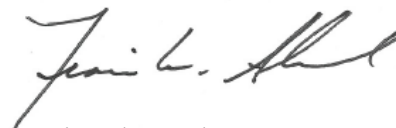
**Future Meeting Dates**

Mr. Almond stated that the future meeting dates were listed at the bottom of the agenda.

**ADJOURNMENT**

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

Respectfully submitted,



Travis Almond  
Executive Director



# South Dakota Retirement System

**Projected Funded Status as of June 30, 2026**

**April 1, 2026**



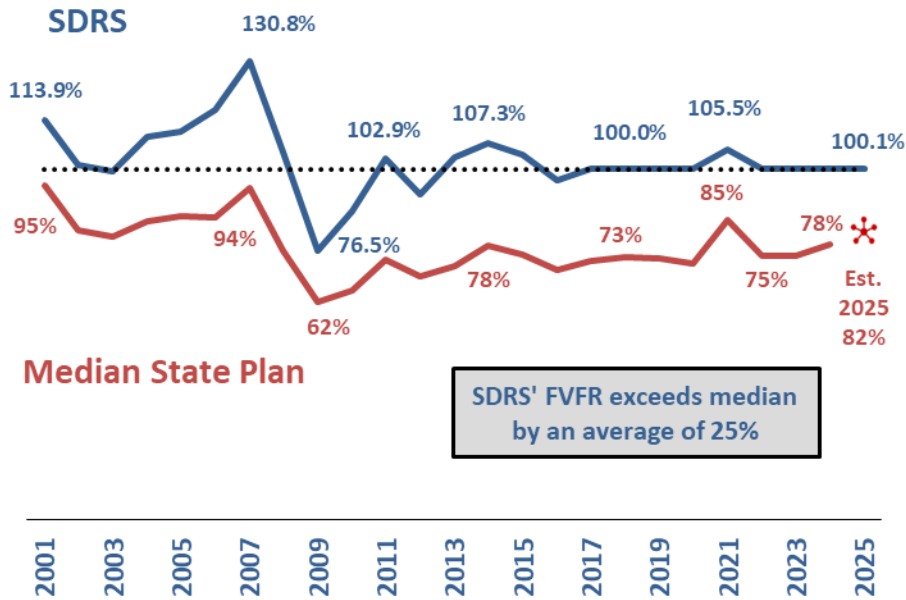
# Funding Basics: $C + I = B + E$

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

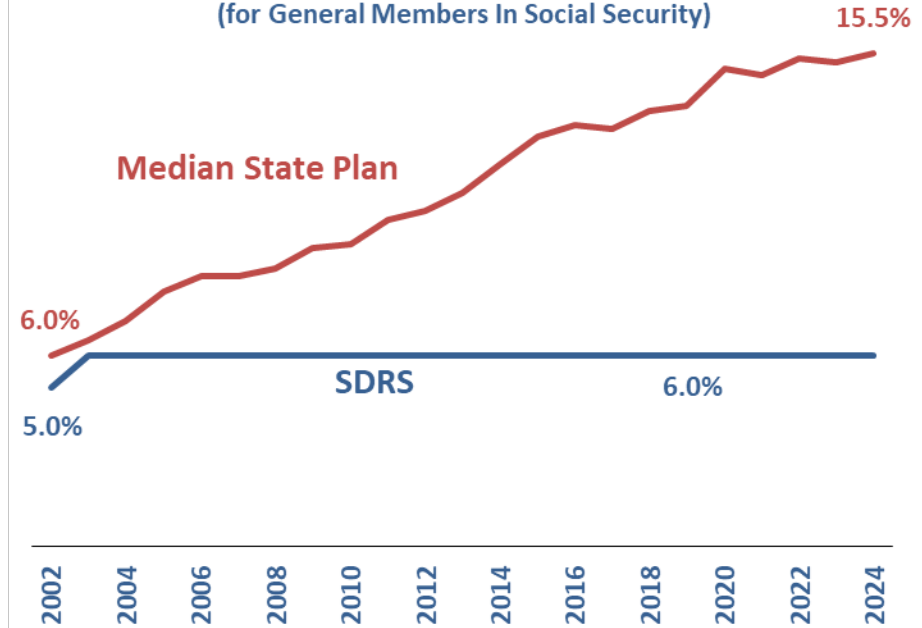


# Employer Contributions and Funded Status Comparisons

Fair Value Funded Ratio



Employer Contribution Rates  
(for General Members In Social Security)

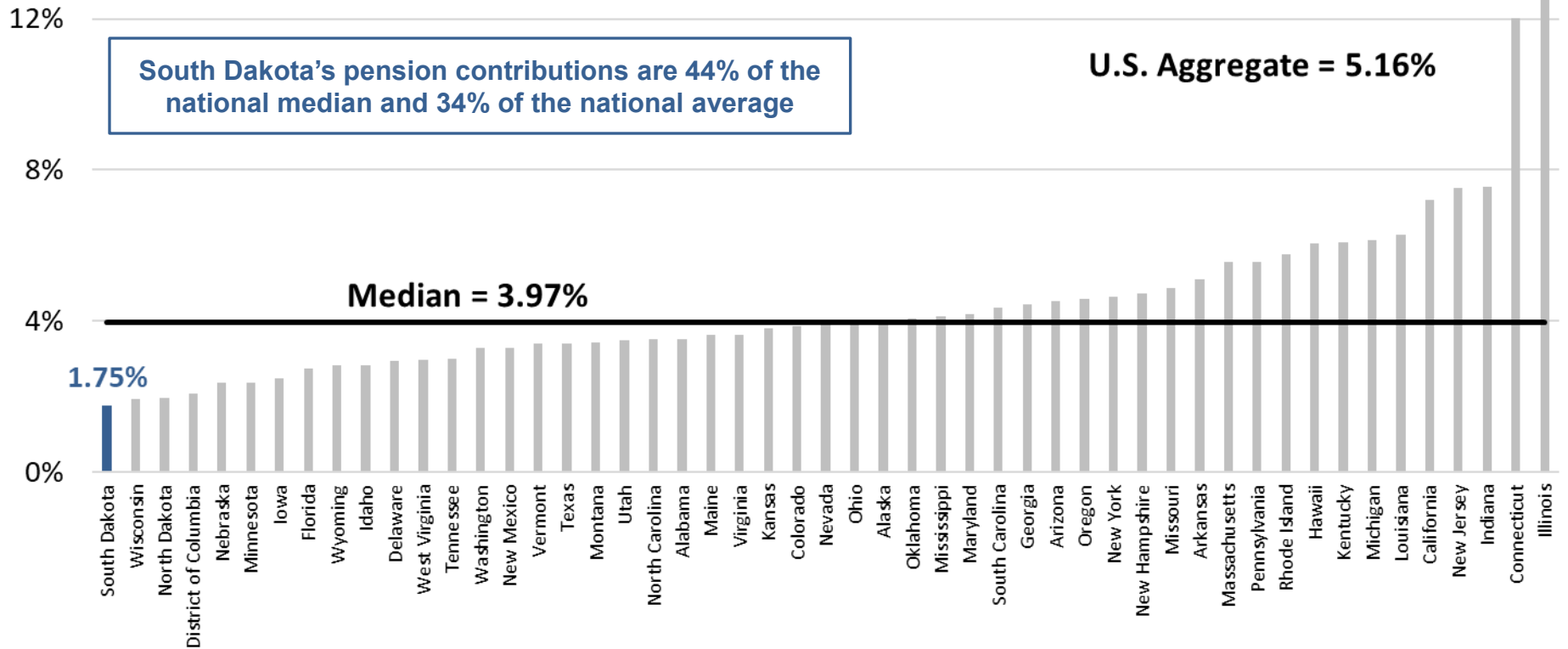


- SDRS COLA varies to maintain 100% Fair Value Funded Ratio (FVFR)
- Employer contribution rates for Class A members are 39% of the national median



# Government Spending on Pensions

Government Contributions to Pensions as a Percent of All Direct Government Spending, FY 2023 (most recently available)

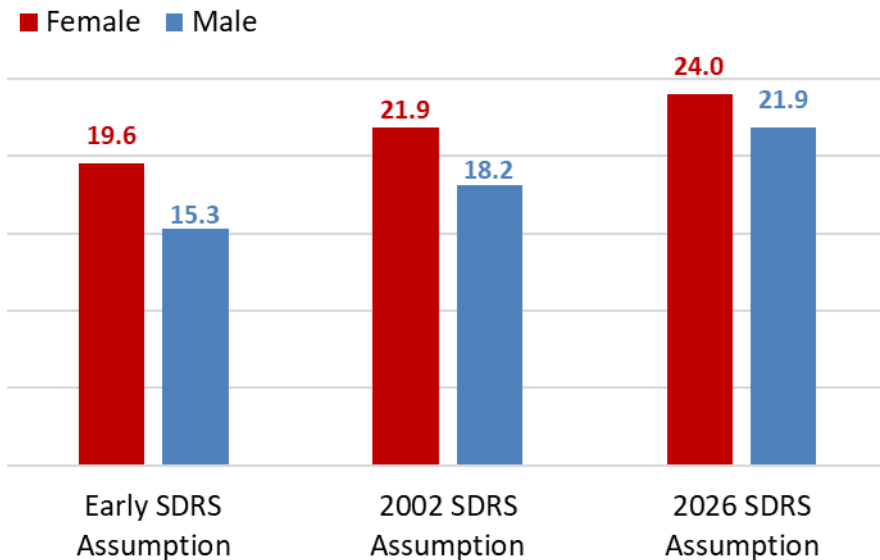


Data from NASRA Issue Brief: State and Local Government Spending on Public Employee Retirement Systems, March 2026

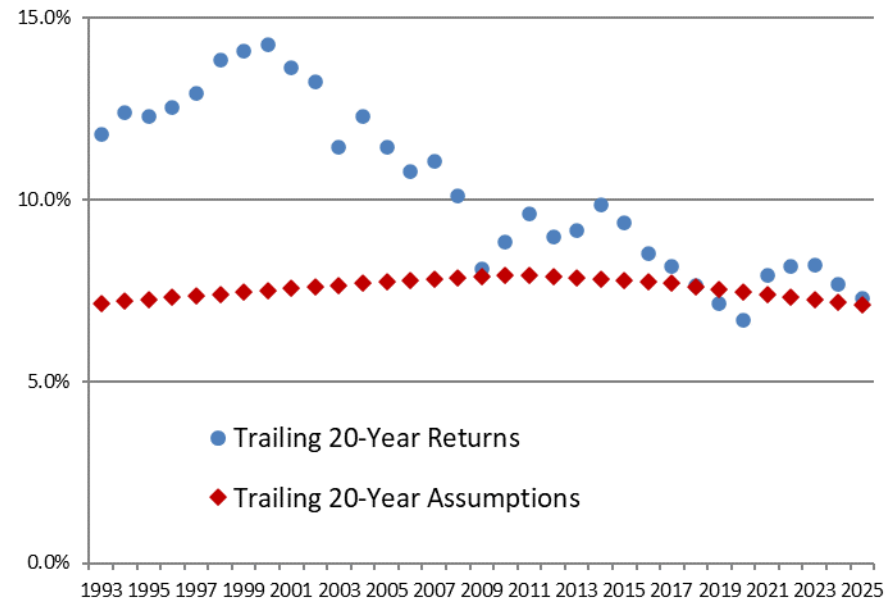
# Competing Objectives

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

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



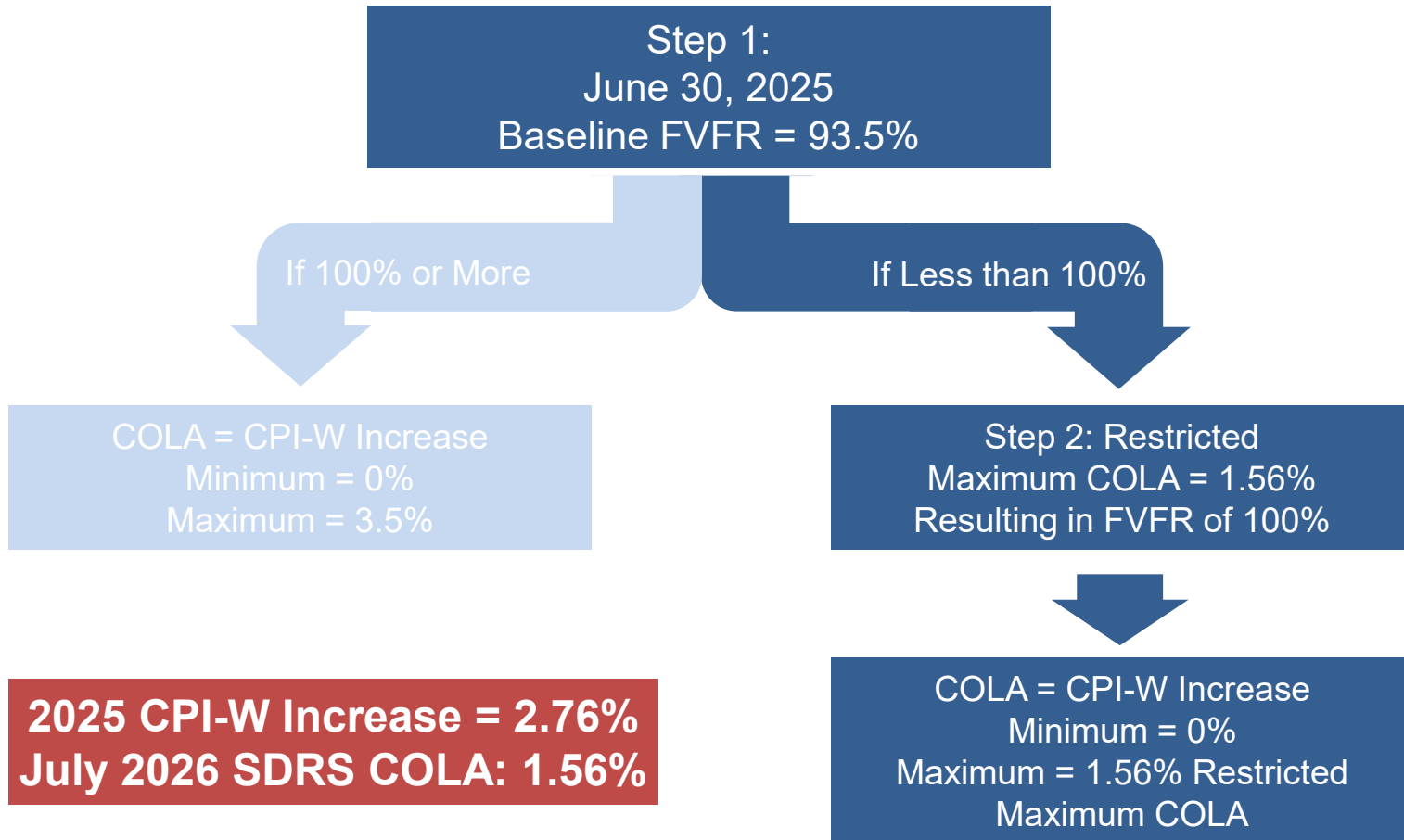
**20-Year Trailing Nominal Returns and  
Return Assumptions**



# Competing Objectives

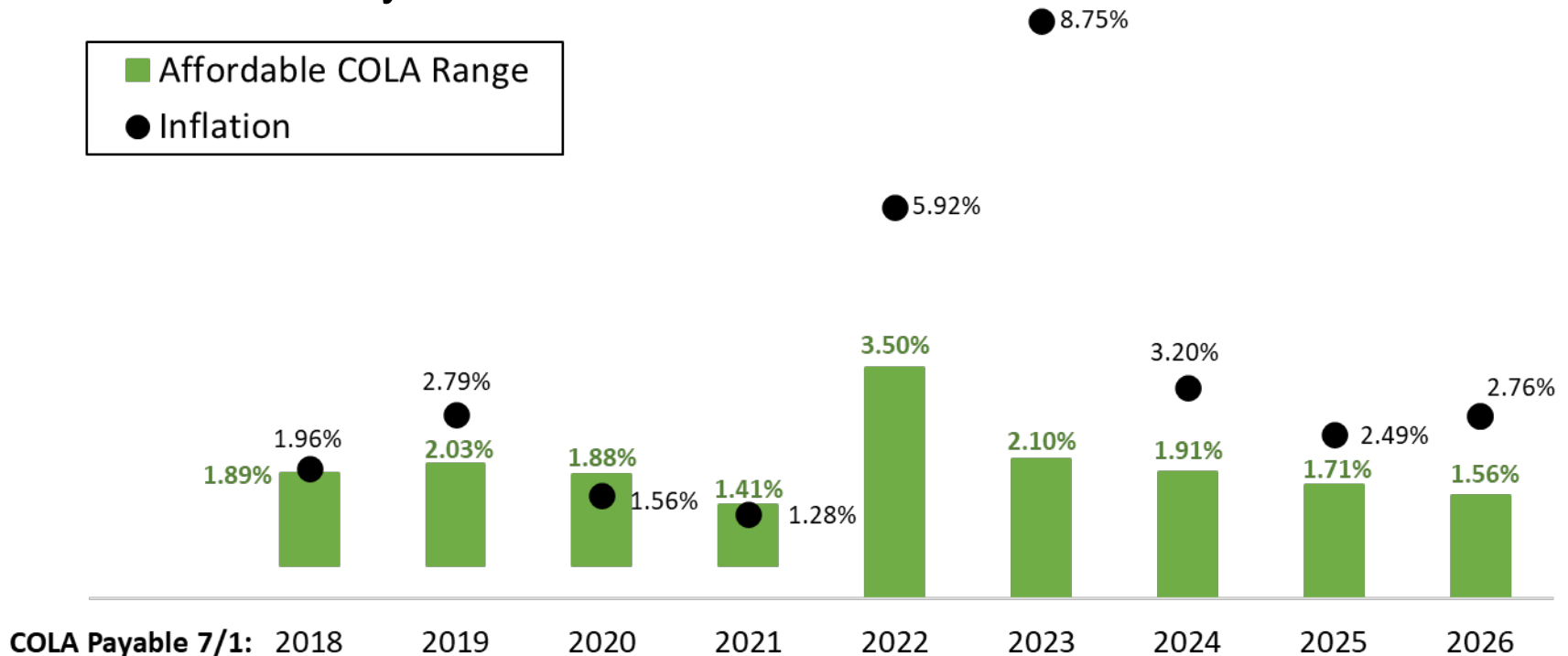
- SDRS management efforts to meet benefit objectives in changing circumstances have included:
  - Service purchase cost
  - Retire-rehire reform
  - Variable COLA process
  - 5-year FAC
  - Pay increase caps
  - Generational design
- **Expect continuing pressure on benefit affordability:**
  - Proposed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

# July 2026 COLA Calculation



# Historical COLA Ranges

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





# Projected Funded Status and COLAs

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



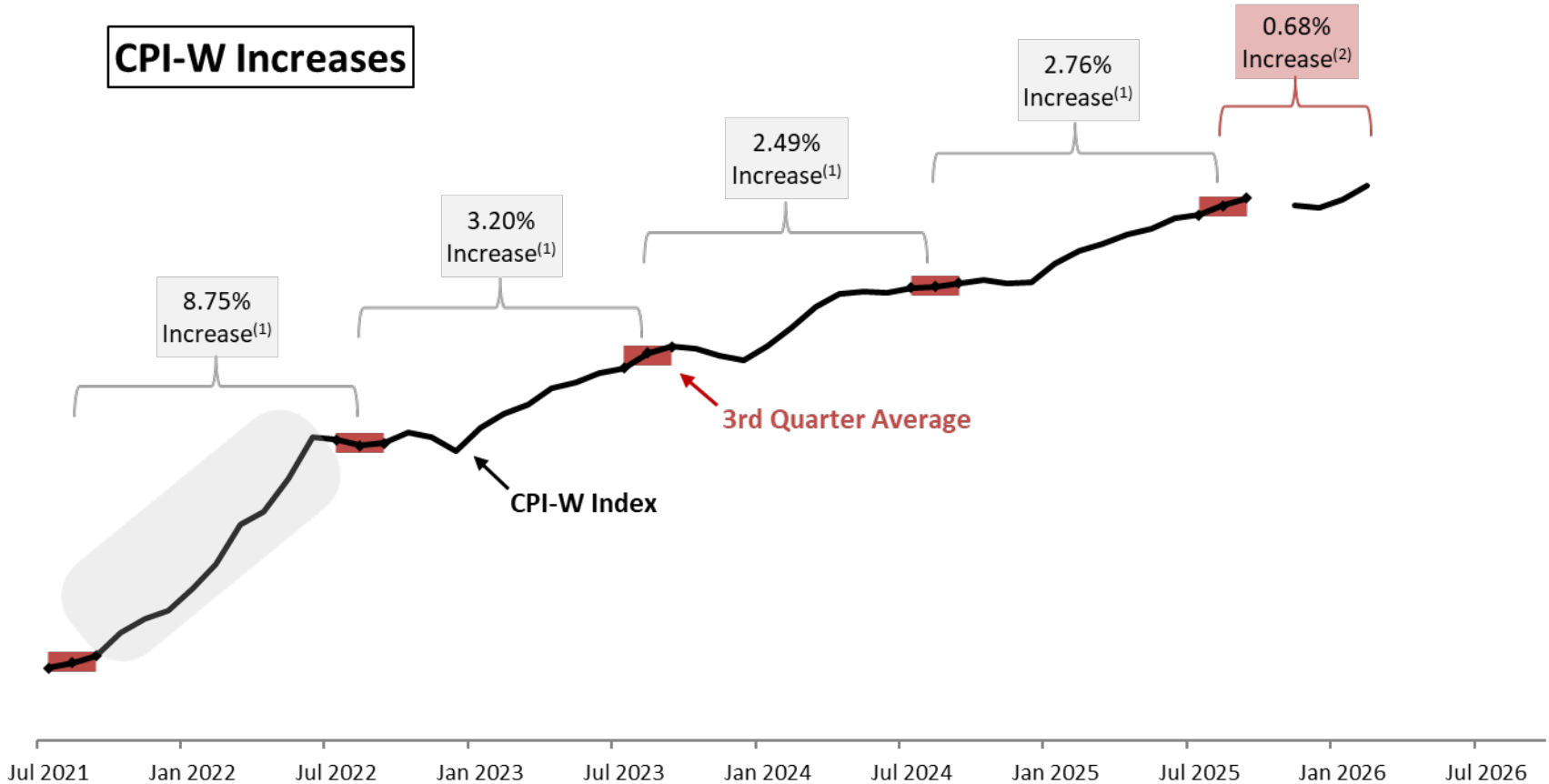
# Projected June 30, 2026 Funded Status & July 2027 COLA Range<sup>(1)</sup>

Net Investment Return FYE June 30, 2025	Baseline FVFR	COLA Range	Final FVFR	Applicable Conditions	
<= (7.7%)	81.1%	NO COLA	<100%	Corrective Action Recommendation Required	
(7.6%)	81.2%	0% to 0.01%	100%	Restricted Maximum COLA	
0.0%	87.9%	0% to 0.90%	100%		
5.0%	92.4%	0% to 1.43%	100%		
<b>6.5%</b>	<b>93.7%</b>	<b>0% to 1.58%</b>	<b>100%</b>		
8.5%	95.5%	0% to 1.77%	100%		
10.0%	96.8%	0% to 1.92%	100%		
13.5%	99.9%	0% to 2.24%	100%		
13.6%	100.0%	0% to 3.50%	100%		Full COLA Range
36.0%	119.9%	0% to 3.50%	119.9%		
36.1%	120.0%	0% to 3.50%	120%		

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



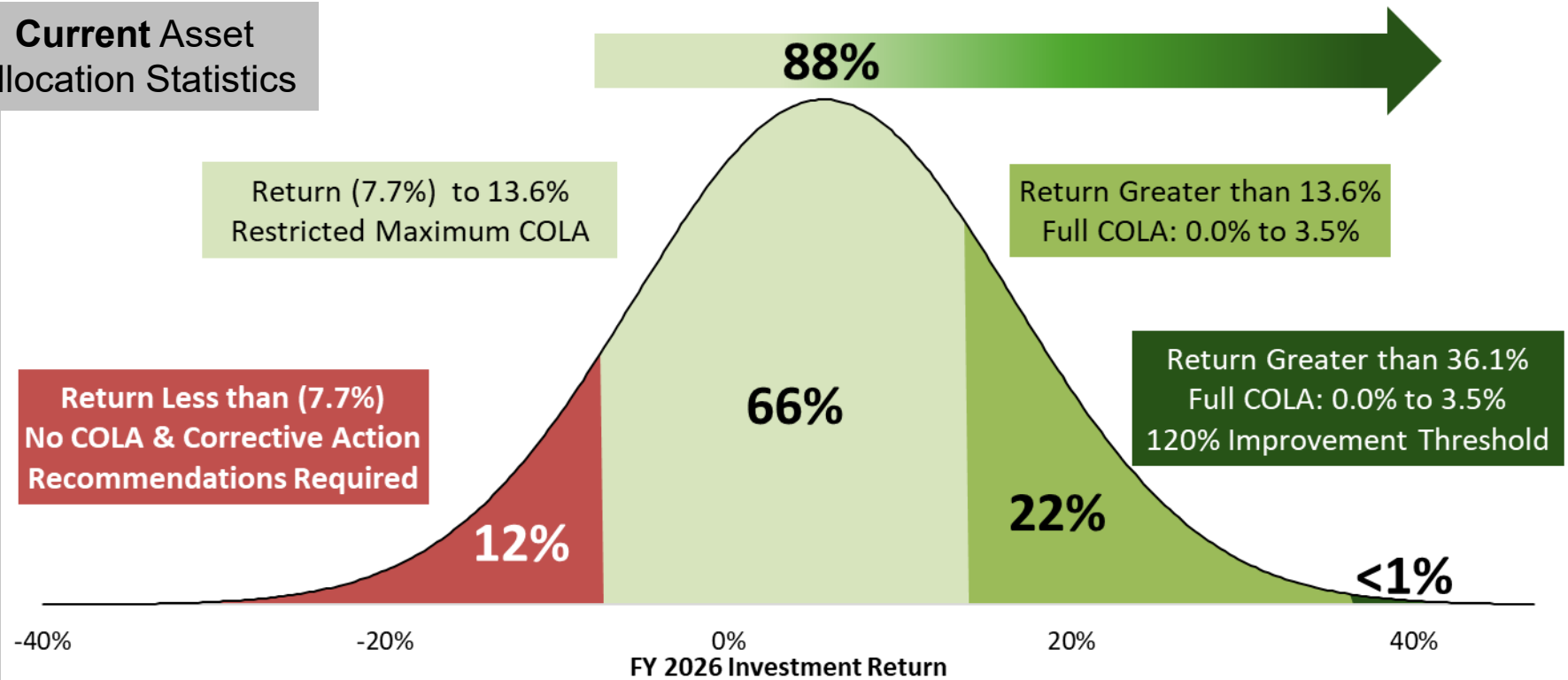
# Inflation Measurement for Social Security and SDRS COLAs



- (1) Increase in the third calendar quarter average over the prior highest third calendar quarter average – the specified inflation measurement for the Social Security COLA effective the following January and the SDRS COLA effective the following July.
- (2) Increase in the most recent month index (February 2026) over the July to September 2025 average. Increase annualizes to 1.36%, ignoring seasonal impacts.

# Projected 2027 COLA Range and Likelihoods

## Current Asset Allocation Statistics



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

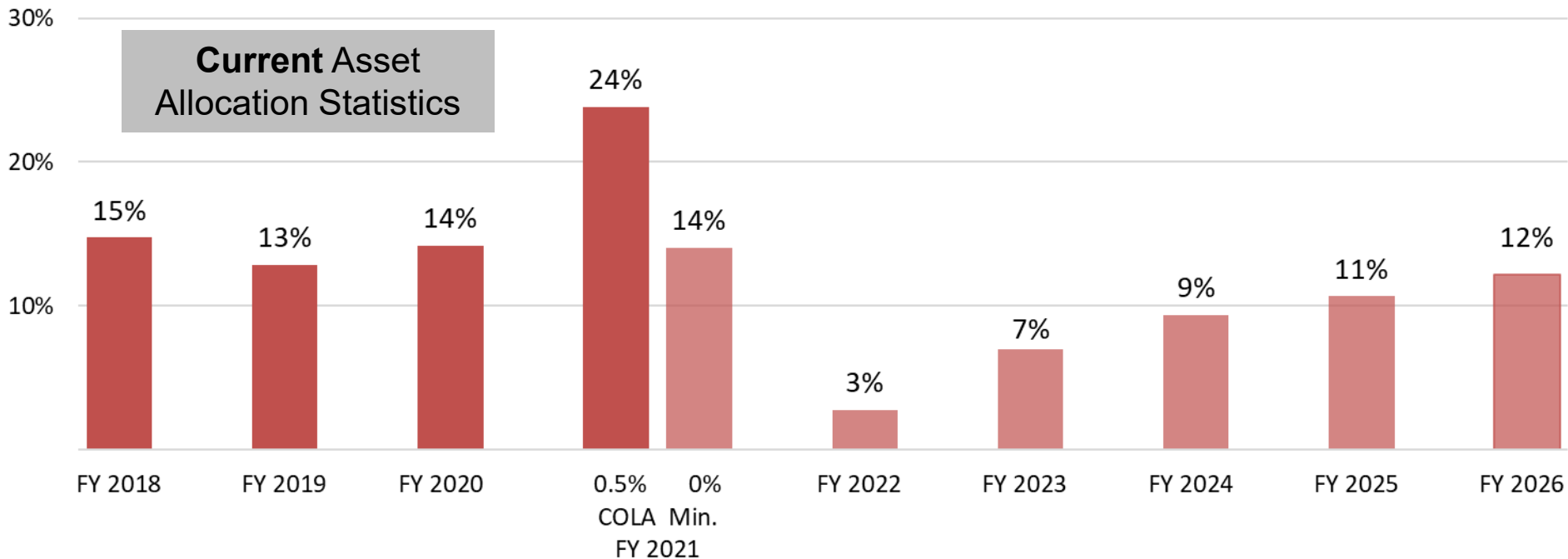
Before consideration of liability gains/losses. Likelihoods based on SDIC FY 2026 current asset allocation investment portfolio statistics (mean = 5.20%, standard deviation = 11.04).



# Historical 1-Year Corrective Action Requirement Likelihoods

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

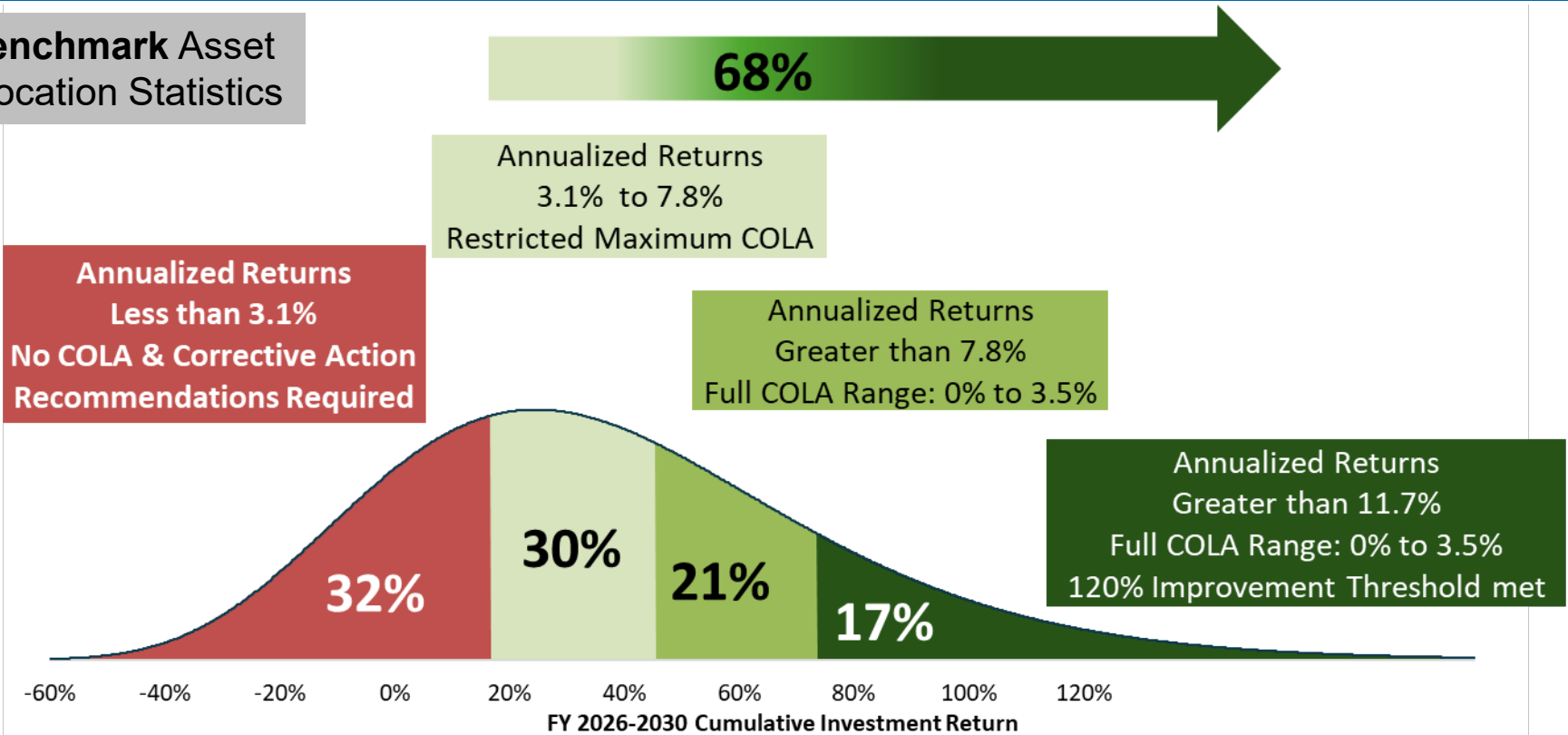
1-Year Likelihoods of Required Corrective Action Recommendations





# Projected 2031 COLA Range and Likelihoods

## Benchmark Asset Allocation Statistics



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

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



# Projected Funded Status and Risk Analysis Summary

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



# South Dakota Retirement System

## Review of Long-Term Benefit Goals

April 1, 2026



# Mission and Vision

- **SDRS Mission Statement:**

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

- **SDRS Vision:**

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

# Funding and Long-Term Benefit Goals

- SDRS has a long history of establishing and assessing long-term goals, including specific benefit and funding goals:
  - **Remaining sustainably funded remains paramount**
  - Benefit goals provide a benchmark for benefit adequacy and inform decisions on benefit improvements and adjustments
  - Assessment most effective when not currently in funding surplus or crisis
- Objectives today:
  - Review the current goals
  - Assess current benefits compared to goals
  - Consider appropriateness of goals
  - Identify potential changes to goals

**BOARD  
FEEDBACK  
REQUESTED**



# Long-Term Benefit Goals

- Long-term benefit goals were last updated in 2021 and include:
  - **Retirement Income from SDRS**
  - Additional Member Savings
  - **Total Retirement Income**
  - Normal Retirement Age
  - Early Retirement Benefits
  - **Cost-of-Living Adjustment**
  - Disability Income
  - Family Benefits/Pre-Retirement Death
  - Death After Retirement
  - Enhanced Portability
  - Minimum Total Payments
  - **Sustainability**
  - Tax Qualified Status
  - Member Issues

- **Goal:**

- Maintain and enhance likelihood of sustainability of SDRS to preserve current benefit structure

- **Current Provisions:**

- Numerous inequities, subsidies, and provisions that resulted in higher-than-anticipated costs have been addressed
- Variable benefit features adopted and expanded
- Risk analysis continuously expanded and improved
- Contingency plan periodically updated and implemented when necessary

- **Assessment:**

- Goals achieved, but additional sustainability initiatives will continue to be evaluated



# Total Retirement Income

- **Goal:**

- Educate, advise, and encourage members to plan for a total retirement income replacement goal of 80% to 85% of FAC, including SDRS, Social Security, and income from personal savings

- **Assessment:**

- Education and promotion goal achieved and ongoing
- Multiple savings opportunities offered (SRP – traditional and Roth, SPB, SPP)
- Almost all career SDRS members will currently meet this standard based on retirement at normal retirement age and achieving the personal savings goal



# Total Retirement Income Needed

- 80-85% of Final Average Compensation (FAC) is **benchmark**
- However, each member has a **unique target** considering:
  - Ceasing contributions to SDRS, Social Security, and personal savings
  - Taxes before and after retirement
  - Spendable income, spending patterns, and expenses pre- and post-retirement
  - Health
  - Lifestyle in retirement
  - Debt
  - Financial obligations to children, parents, grandchildren
  - Home ownership



# Retirement Income from SDRS

- **Goal:**

- Lifetime income of at least 50% of Final Average Compensation (FAC) at Normal Retirement for career members and proportionately less for shorter careers. Career members defined as:

- Class A                    30-year career
    - Public Safety            25-year career
    - Judicial                    20-year career

- **Current Provisions:**

- Benefit formulas with higher multipliers for service before 2008, different by member class, and different for Foundation and Generational members



# Retirement Income from SDRS

## Observations and Issues

- Class A Foundation member goal shortfall varies based on service before and after 2008:
  - 30 years after 2008:  $(1.55\% \times 30) = 46.5\%$ , 93% of goal
  - 18 years after 2008:  $(1.55\% \times 18) + (1.7\% \times 12) = 48.3\%$ , 96.6% of goal
  - Goal for Class A Foundation members could be achieved with 31.25 to 32.25 years of service
- Goal achieved for Class B Foundation members and all Generational members
- Are “career member” definitions still appropriate?



# Retirement Income from SDRS Current Class A Benefit Recipients

**Class A Benefits Compared to Career 50% Multipliers**

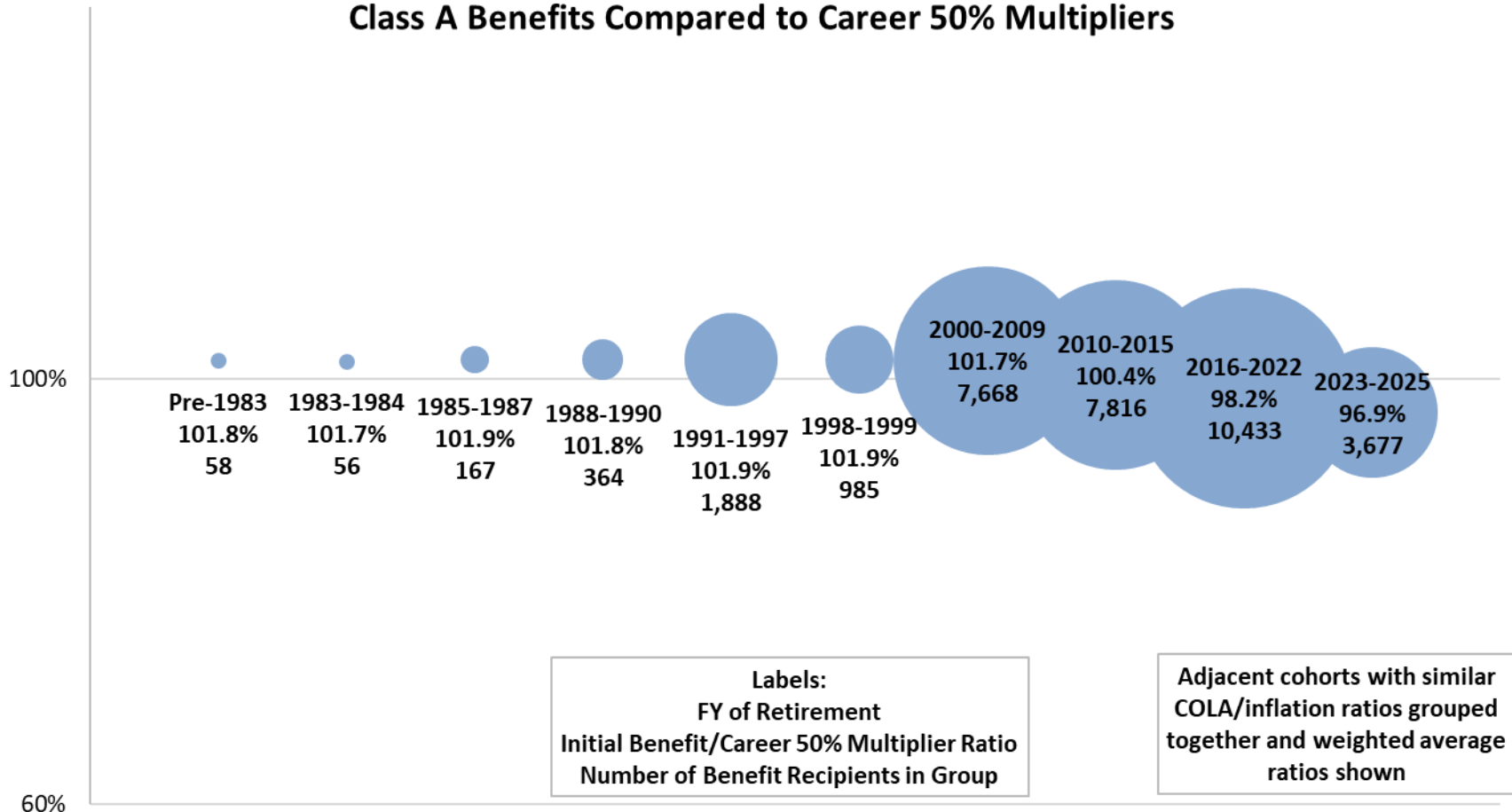


Exhibit only includes Foundation members and only considers Class A service.



# Retirement Income from SDRS

## Current Public Safety Benefit Recipients

**Public Safety Benefits Compared to Career 50% Multipliers**

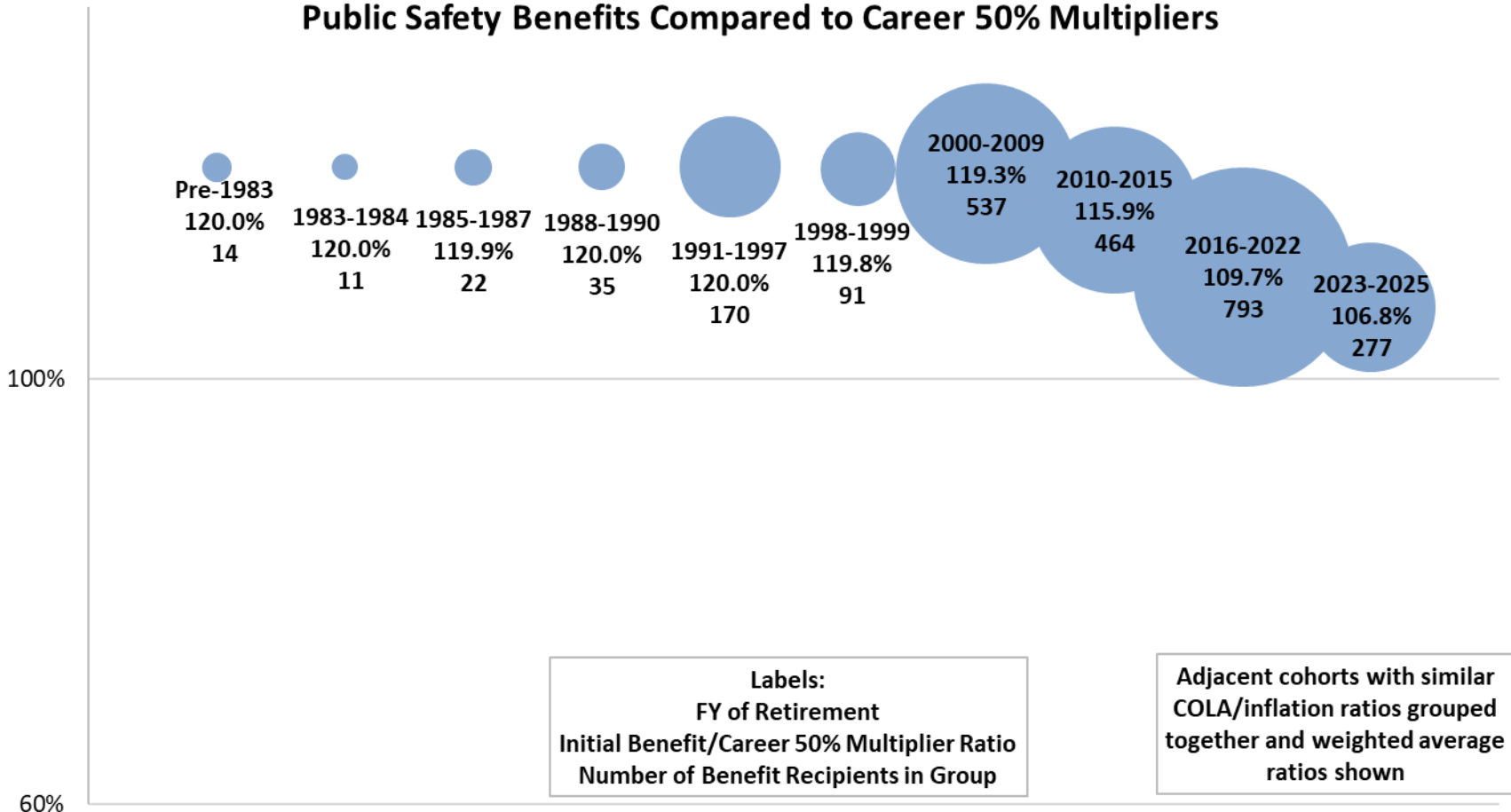


Exhibit only includes Foundation members and only considers Public Safety service.



# Retirement Income from SDRS

- **Goal:**

- Lifetime income of at least 50% of Final Average Compensation (FAC) at Normal Retirement for career members and proportionately less for shorter careers. Career members defined as:

- Class A                    30-year career (1.67% per year)
    - Public Safety            25-year career (2.00% per year)
    - Judicial                    20-year career (2.50% per year)

- **Current Provisions:**

- Benefit formulas with higher multipliers for service before 2008, different by member class, and different for Foundation and Generational members:

- **Assessment:** Varies by Foundation/Generational (percentage of goal)

	<u>Foundation</u>	<u>Generational</u>
▪ Class A	93% - 96.6%	>100% + VRA*
▪ Public Safety	≥100%	100% + VRA
▪ Judicial	>100%	>100% + VRA

\* Variable Retirement Account



# Additional Member Savings

- **Goal:**

- Educate and encourage members to accumulate personal savings of at least 100% of annual pay at retirement

- **Assessment:**

- Education and promotion goal achieved and ongoing
- Multiple savings opportunities offered (SRP – traditional and Roth, SPP)
- Savings rate estimated to accumulate over career to 100% of pay at retirement:
  - Class A: 2.1%
  - Public Safety: 2.8%
  - Judicial: 3.9%



# Spendable Income Analysis

- Determine **spendable income before retirement** and calculate gross retirement income needed to **match spendable income**, allowing members to maintain their standard of living in retirement, assuming:
  - Spendable income reflects actual expenses before retirement with no significant increase in expenses during retirement
  - Inflation protection provided after retirement
- Spendable income is determined by considering:
  - SDRS, Social Security, and retirement savings contributions before retirement and benefits in retirement
  - Federal income taxes before and after retirement
- Spendable income approach avoids **common planning mistake** of comparing gross income after retirement to net income before retirement



# Example Spendable Income Analysis – Before Retirement

- Average spendable income during FAC period:

	<b><u>No Personal Savings</u></b>	<b><u>With Personal Savings</u></b>
– Final Average Compensation	\$76,000	\$76,000
– Less SDRS contributions	- 4,560	- 4,560
– Less Social Security/Medicare Taxes	- 5,814	- 5,814
– Less retirement savings	<u>N/A</u>	<u>- 1,596</u>
– Net income	\$65,626	\$64,030
– Less Federal income taxes	<u>- 6,887</u>	<u>- 6,536</u>
– <b>Pre-Retirement Spendable income</b>	<b>\$58,739</b>	<b>\$57,494</b>

- Member needs **\$58,739** (no savings) or **\$57,494** (with savings) of spendable income after retirement to equal spendable income before retirement



# Example Spendable Income Analysis – After 2026 Retirement

- Spendable income calculation (Class A Foundation member, \$76,000 FAC, 30 years of service, age 65):

	<b>No Personal Savings</b>	<b>With Personal Savings</b>
– SDRS Benefit	\$36,708	\$36,708
– Social Security Benefit	22,350	22,350
– Benefit from savings	<u>N/A</u>	<u>4,296</u>
– Gross retirement income	\$59,058	\$63,354
– % of FAC	77.7%	83.4%
– Less Federal income taxes	<u>- 4,259</u>	<u>- 4,774</u>
– <b>Post-Retirement Spendable income</b>	<b>\$54,799</b>	<b>\$58,580</b>
– <b>Change in spendable income</b>	<b>- 6.7%</b>	<b>+ 1.9%</b>

- Spendable income after retirement will vary with FAC:
  - \$52,500 FAC: 2.3% decrease (no savings), 6.5% increase (with savings)
  - \$122,000 FAC: 9.1% decrease (no savings), 0.9% decrease (with savings)

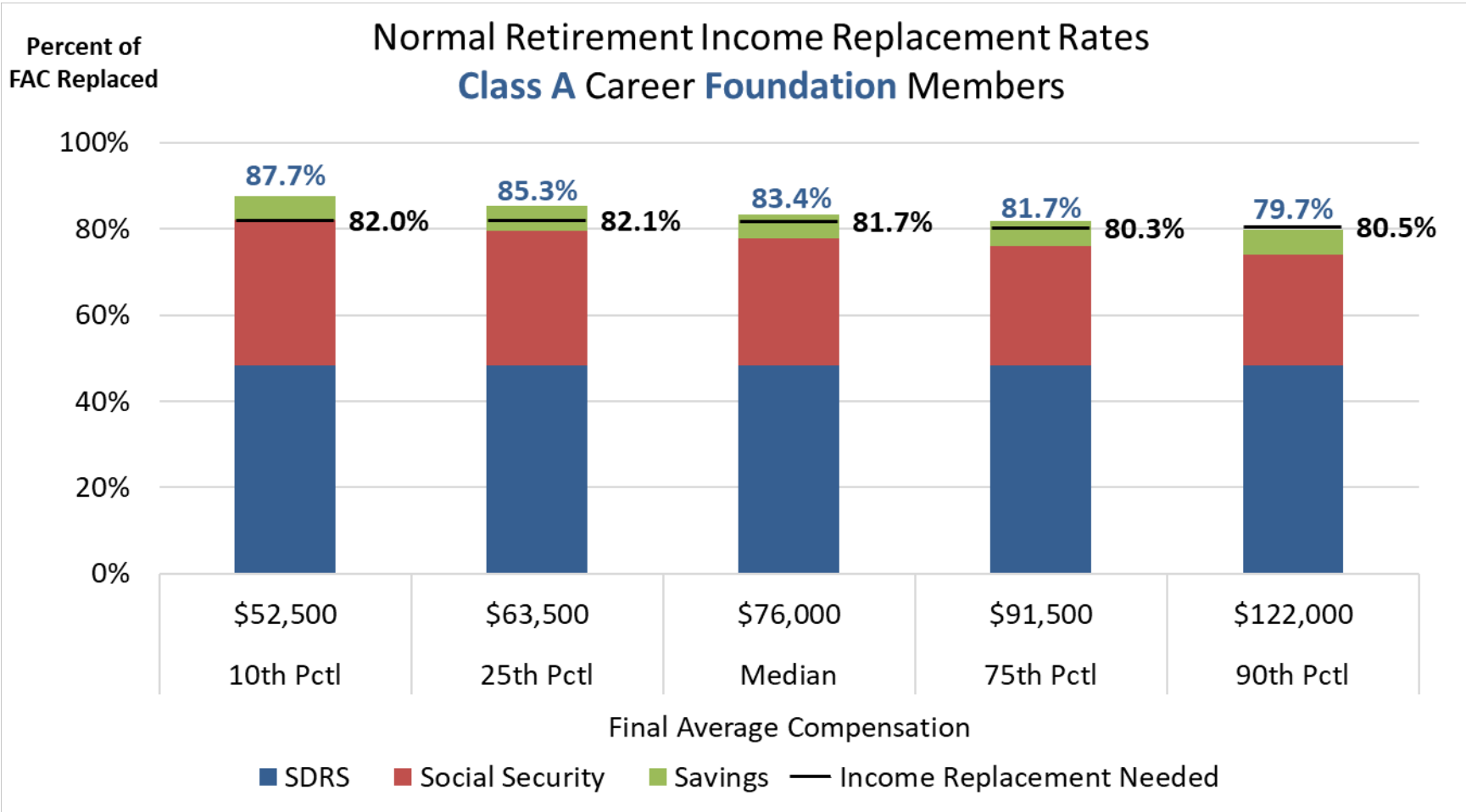


# Spendable Income Analysis – Benefit Adequacy

- Total retirement income of **80-85% of FAC** will replace pre-retirement spendable income
- **Adequacy assessment** should include benefits available from SDRS, Social Security, and personal savings
- The following charts show benefit adequacy assuming members:
  - Meet career service criteria
  - Retire at SDRS normal retirement age in 2026 for Foundation members and at normal retirement age for Generational members
  - Achieve savings goal of 100% of pay at retirement (required savings rate: Class A: 2.1%, Public Safety: 2.8%, Judicial: 3.9%)
  - Commence Social Security benefits at retirement (except for Public Safety members)

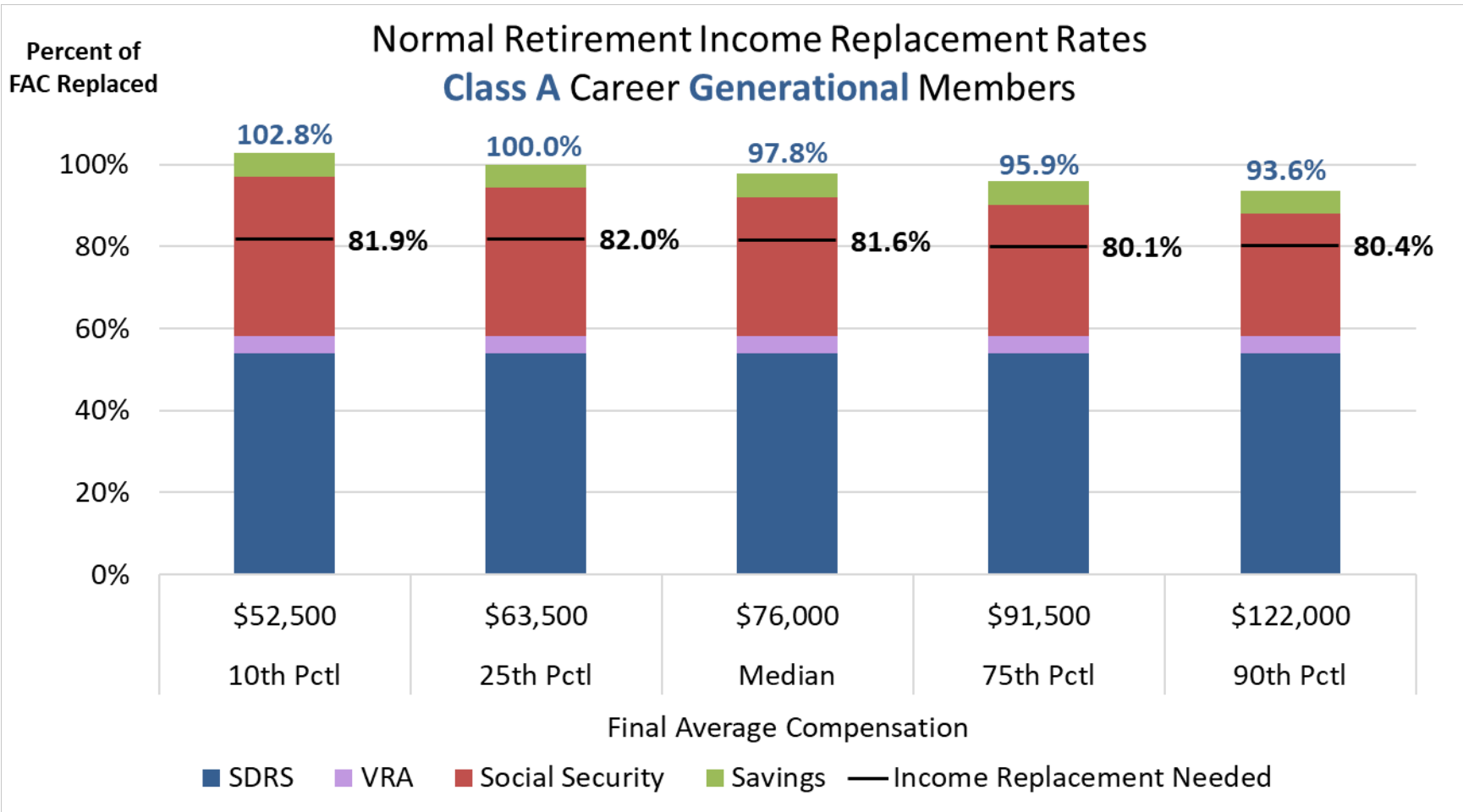


# Class A Foundation Members Retirement at Age 65



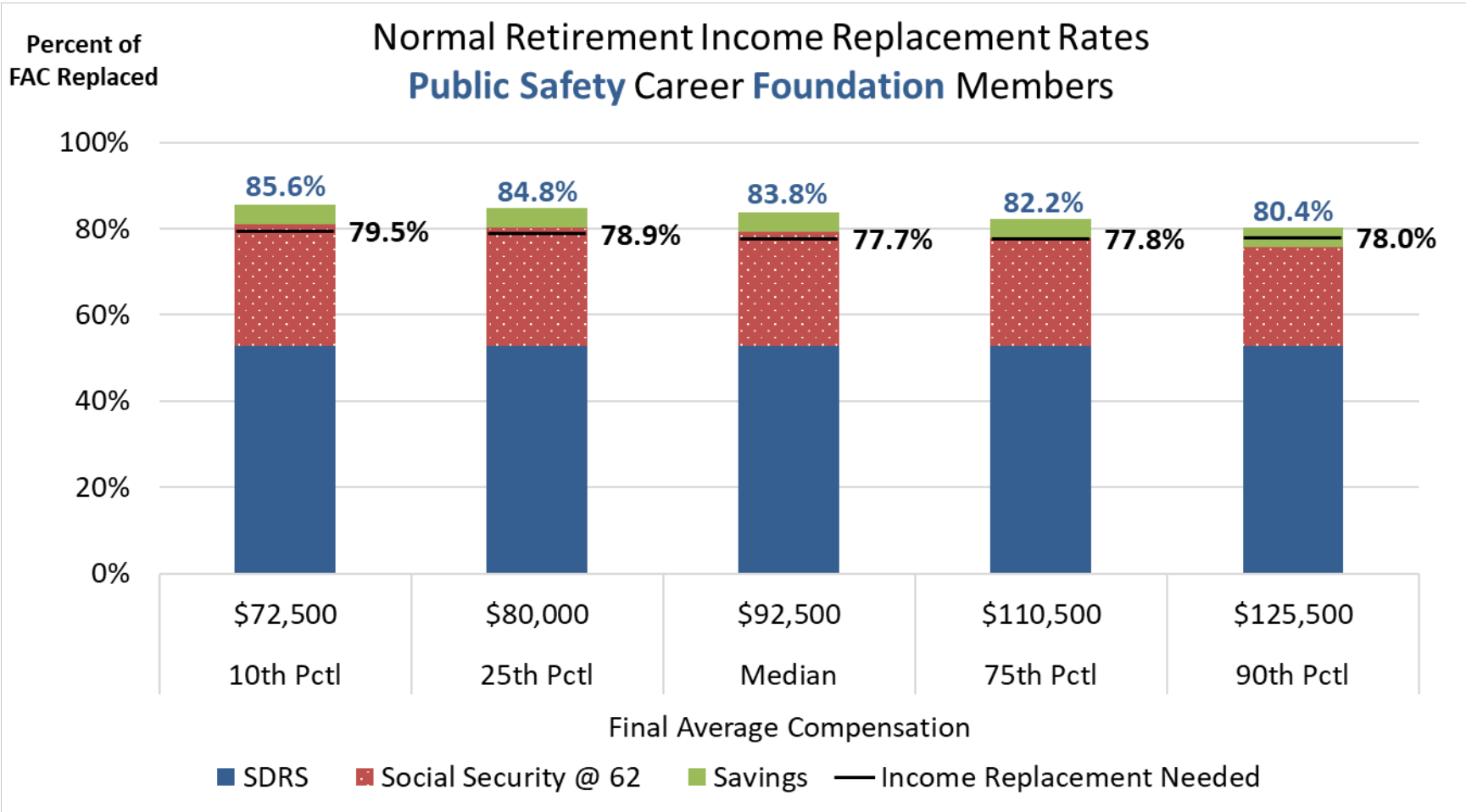


# Class A Generational Members Retirement at Age 67



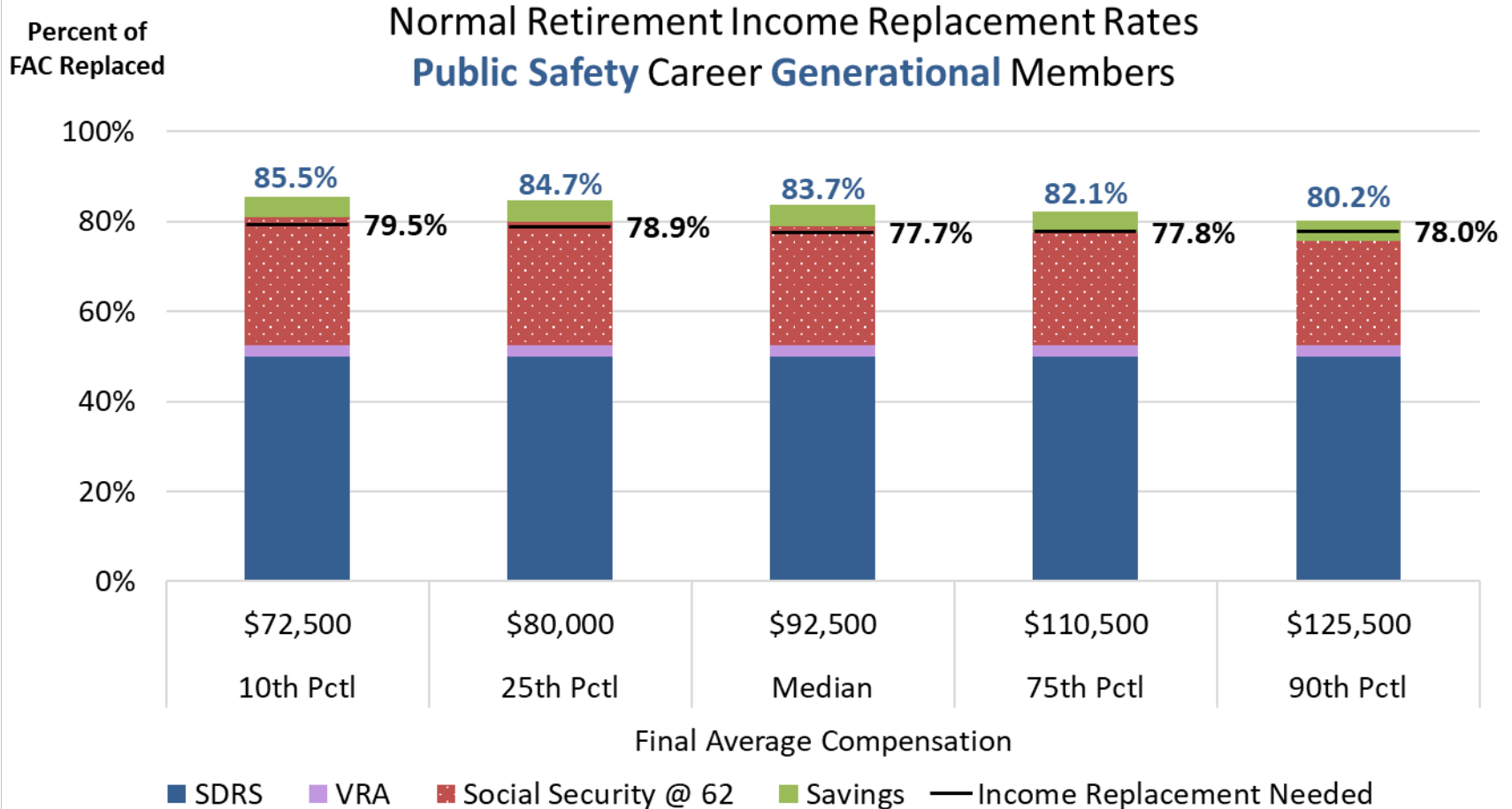


# Public Safety Foundation Members Retirement at Age 55



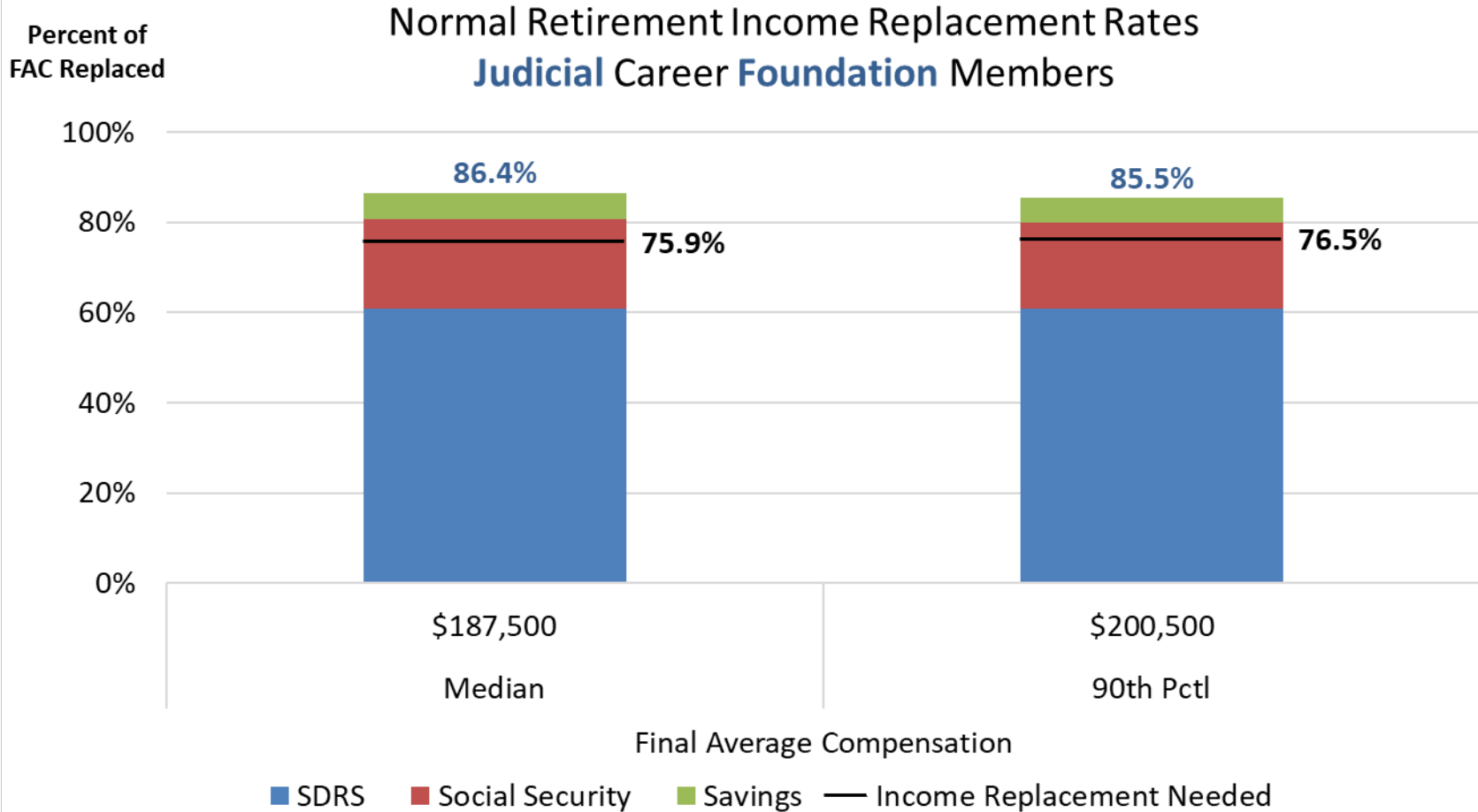


# Public Safety Generational Members Retirement at Age 57



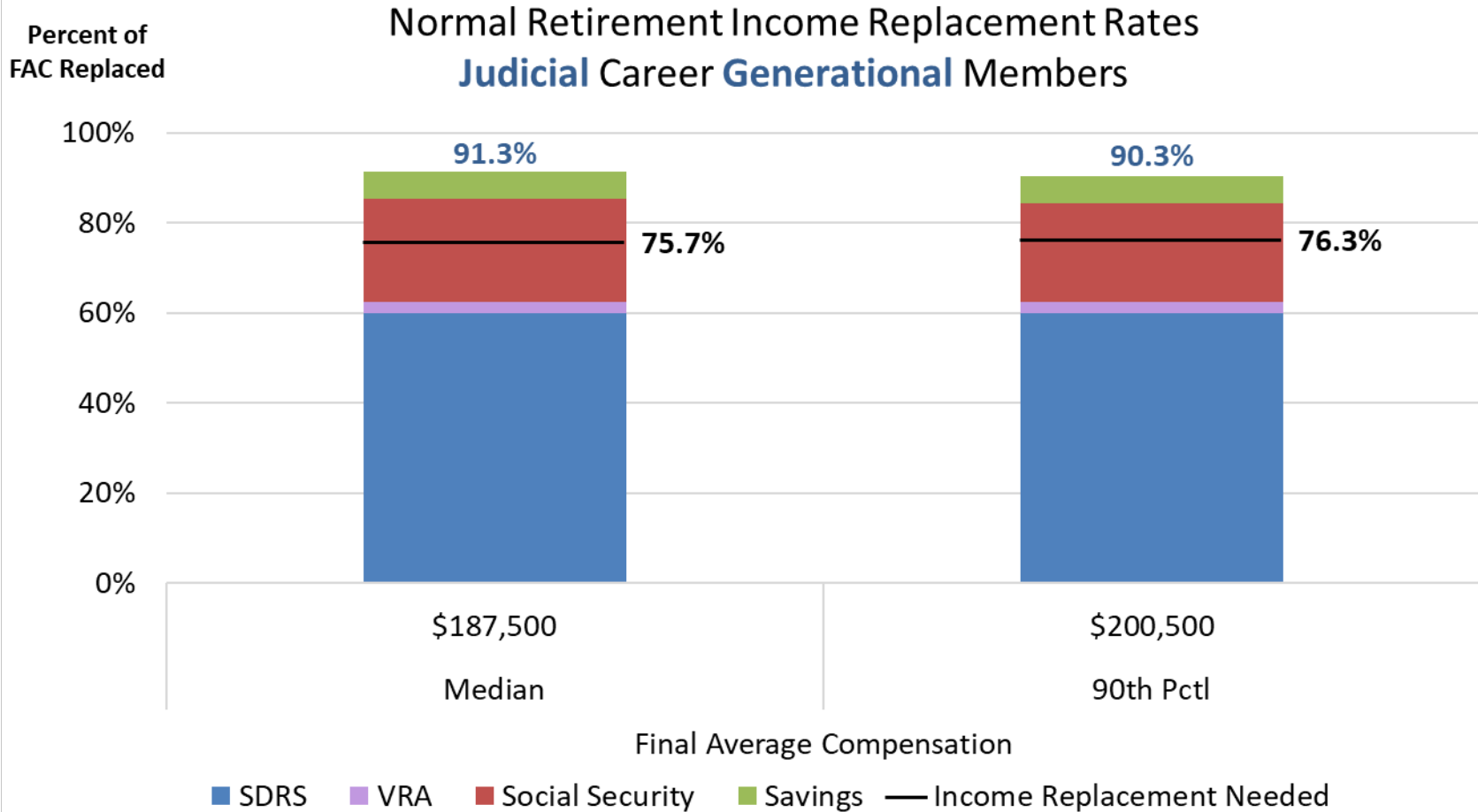


# Judicial Foundation Members Retirement at Age 65





# Judicial Generational Members Retirement at Age 67





# Benefit Adequacy Conclusions

- **Most SDRS career retirees will currently match or exceed spendable income at retirement** based on retirement at normal retirement age and meeting savings goal
- The **SDRS COLA** is important to maintaining standard of living
- Income replaced by SDRS benefits for future Foundation retirees **will continue to gradually decline** due to unimproved benefits since 2008
- Public Safety normal retirements at age 55/57 and other early retirements will not have Social Security benefits available until age 62
- Similarly, SDRS adequacy goals are based on members retiring at 65/67; **earlier retirement** (particularly before Social Security eligibility at age 62) **is not a reality for most members** without substantial savings or work after retirement



# Other Benefit Adequacy Thoughts

- Spendable income analysis provides **objective starting point**
- **One size doesn't fit all** – SDRS should continue to encourage each member to establish individual goals based on their unique circumstances
- Expenses will change after retirement and will vary for each member:
  - Health care costs after retirement can be substantial and generally increase with age, even with Medicare limiting expenses
  - Surveys of retirement spending indicate that total spending in retirement tends to decrease with age until at least age 80 at a rate of 1-2% per year
  - Retirement spending may be higher in initial years of retirement due to travel and lifestyle decisions, and at older ages due to health care costs

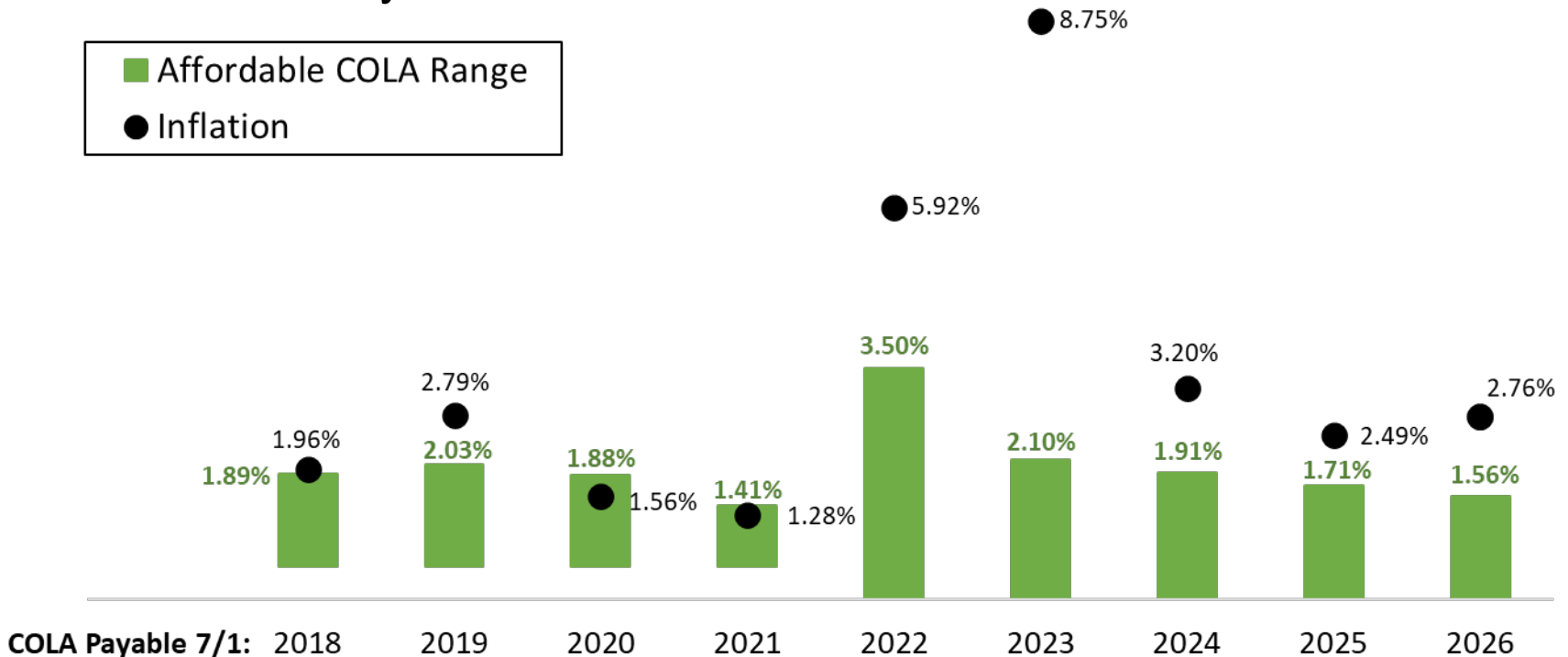


# Cost of Living Adjustment

- **Goal:**
  - Inflation protection after retirement and after termination of employment before benefits begin
- **Current Provisions:**
  - Cost of Living Adjustment (COLA) is equal to the change in CPI-W for the prior year, with a 0% minimum and a 3.5% maximum when affordable
  - When not affordable, a lower maximum COLA applies
- **Assessment:**
  - **Goal not achieved**
  - Recent COLAs have lagged inflation, resulting in over 90% of members receiving cumulative COLA increases less than cumulative inflation

# Historical COLA Ranges

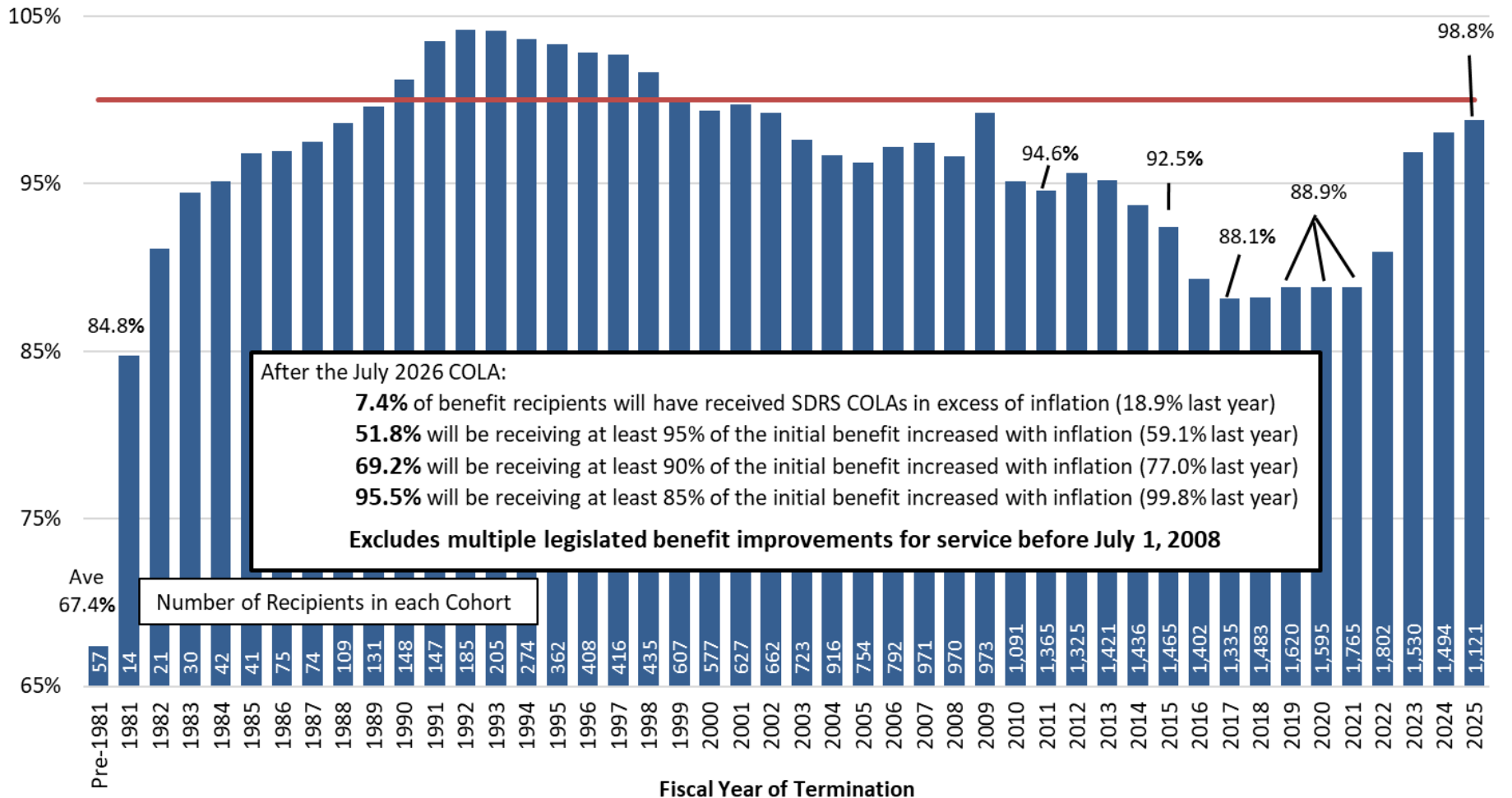
- Under the current COLA process, the full COLA range has only been affordable for the 2022 COLA
- The 2026 restricted maximum COLA is 1.56%, less than inflation for the fifth consecutive year



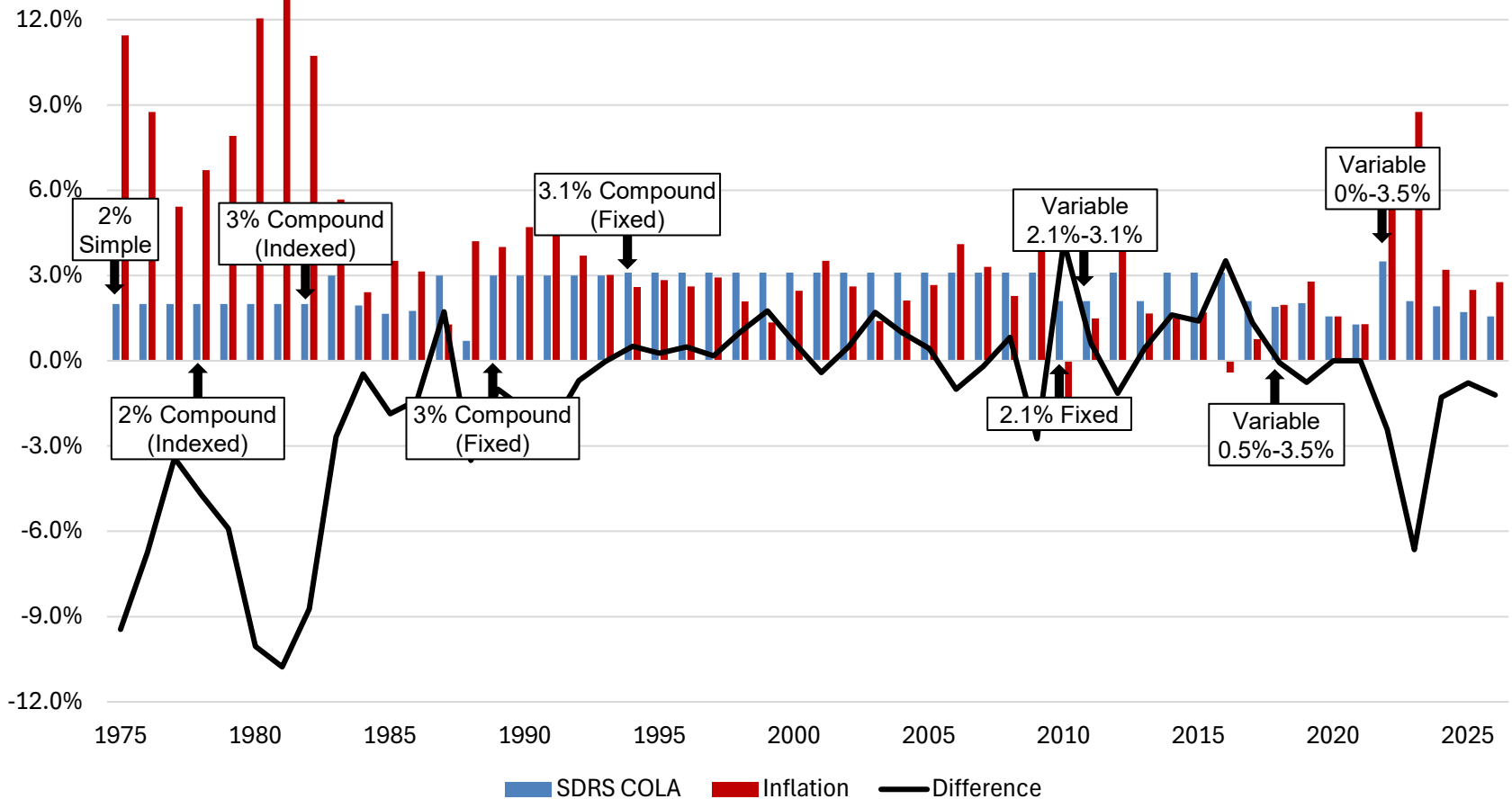


# Cumulative Inflation and SDRS COLAs through July 2026 COLA

Ratio of Current SDRS Benefit to Initial Benefit Increased with Inflation



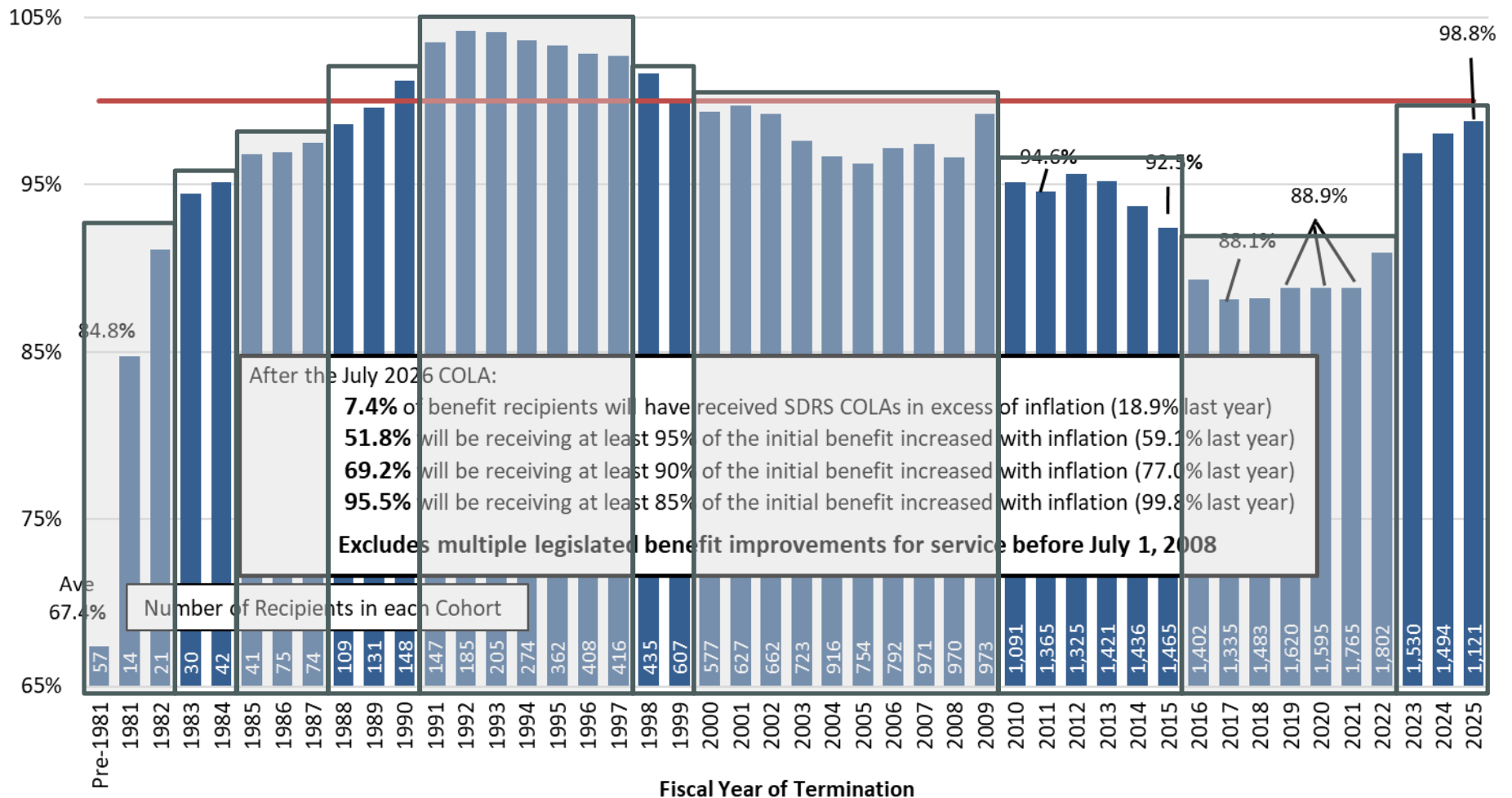
# SDRS COLA and Inflation





# Cumulative Inflation and SDRS COLAs through July 2026 COLA

Ratio of Current SDRS Benefit to Initial Benefit Increased with Inflation





# Cumulative Inflation and SDRS COLAs through July 2026 COLA

**Current SDRS Benefits Compared to Initial Benefit Increased with Inflation**

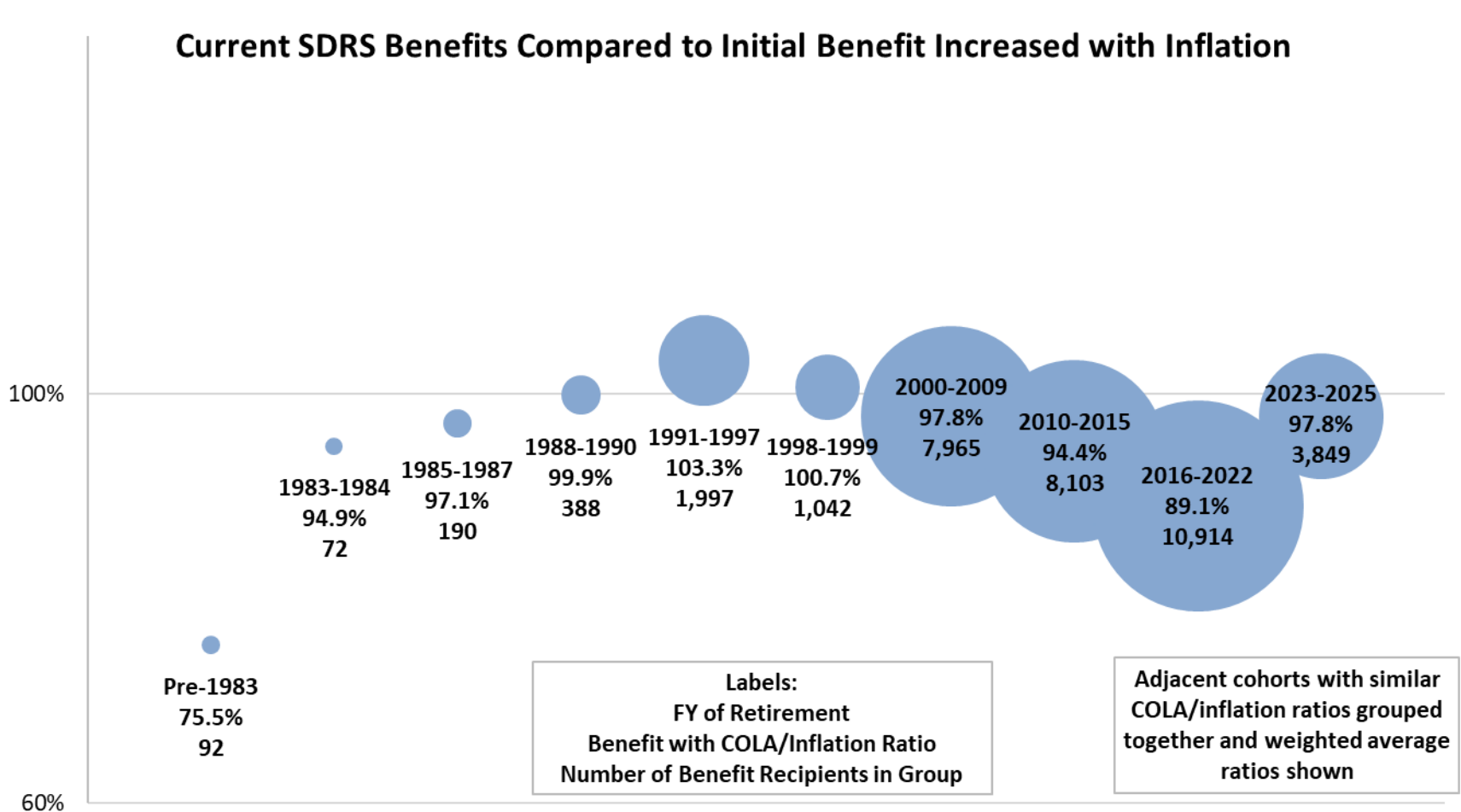


Exhibit only includes Foundation members.



# Cumulative Inflation and SDRS COLAs Adjusted for Class A Benefit Multipliers

**Current SDRS Benefits Compared to Initial Benefit Increased with Inflation Adjusted for Class A Benefits Compared to Career 50% Multipliers**

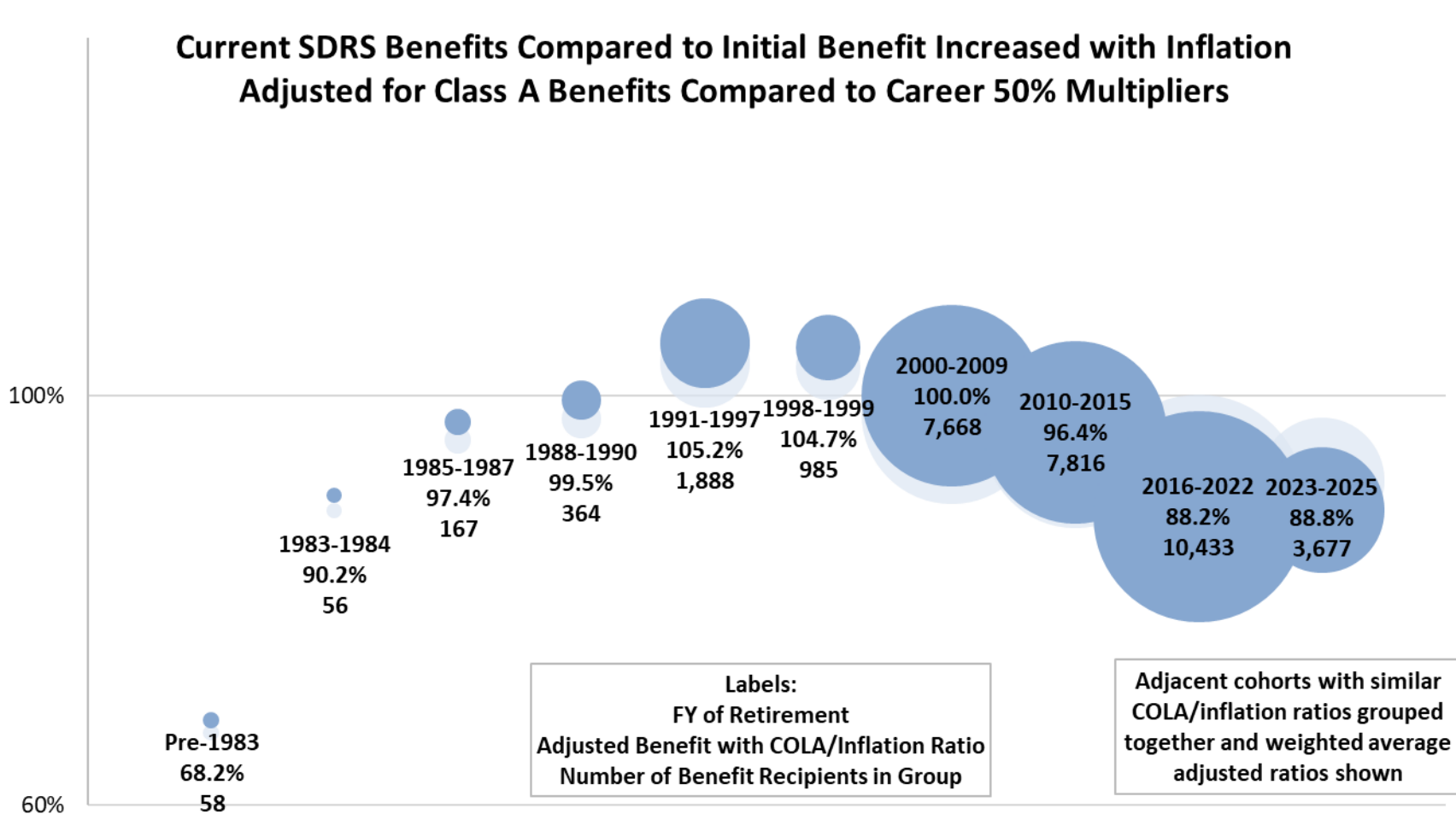


Exhibit only includes Foundation members and only considers Class A service.



# Cumulative Inflation and SDRS COLAs Adjusted for Public Safety Benefit Multipliers

**Current SDRS Benefits Compared to Initial Benefit Increased with Inflation Adjusted for Public Safety Benefits Compared to Career 50% Multipliers**

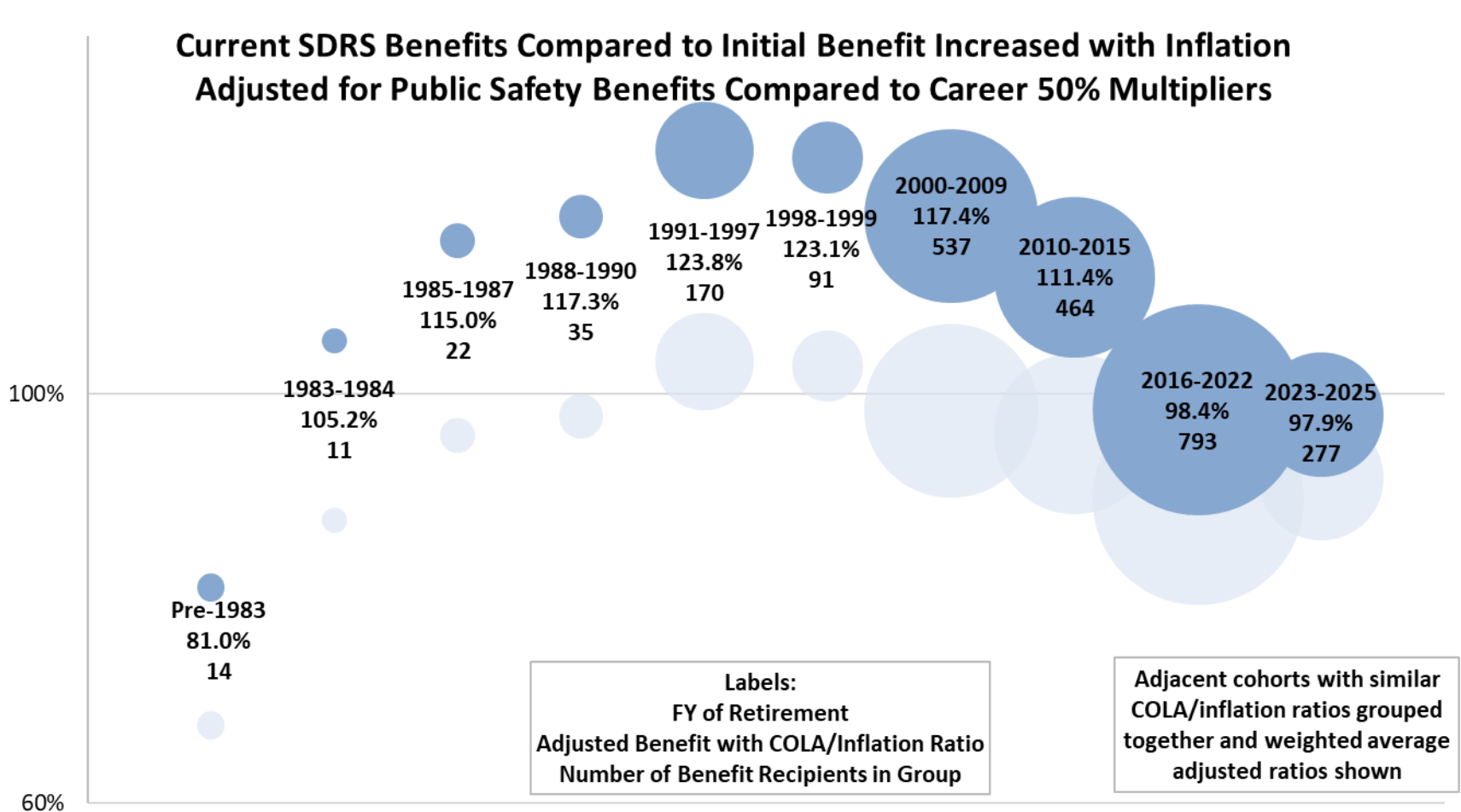


Exhibit only includes Foundation members and only considers Public Safety service.



# Normal Retirement Age

- **Goal:**
  - Provide unreduced benefit at appropriate age, considering physical demands of Public Safety and increasing life expectancy
- **Current Provisions:**
  - Foundation: Age 65; age 55 for Public Safety
  - Generational: Age 67; age 57 for Public Safety
- **Assessment:**
  - Goal achieved



# Early Retirement Benefits

- **Goals:**

- Foundation: Unreduced benefits to long-service members and subsidized reduced benefits to other members, payable 10 years prior to Normal Retirement Age (NRA)
- Generational: Non-subsidized reduced benefits payable 10 years prior to NRA, considering a higher benefit formula and Variable Retirement Account

- **Current Provisions:**

- Foundation: Rule of 85, 75, or 80 for Class A, Public Safety, and Judicial members, not earlier than age 55 (45 for Public Safety)
  - 3% per year reduction prior to earlier of normal retirement age or “Rule of” eligibility
- Generational: 5% per year reduction prior to NRA

- **Assessment:**

- Goals achieved



# Disability Income

- **Goal:**
  - Lifetime income replacement of the greater of 25% of FAC or the member's earned benefit
- **Current Provisions:**
  - Same as goal
  - Generational members also receive the VRA
- **Assessment:**
  - Goal achieved: income replacement for average SDRS member will equal 67% of FAC if also eligible for disability benefits from Social Security



# Family Benefits/Pre-Retirement Death

- **Goals:**

- Temporary income replacement of the greater of 25% of FAC or the member's earned benefit if eligible children survive
- Retirement income to spouse equal to 60% of the greater of FAC or the earned benefit

- **Current Provisions:**

- Same as goals
- Generational members also receive the VRA

- **Assessment:**

- Goals achieved: temporary income replacement for average SDRS member leaving two children will equal almost 100% of FAC, including benefits from Social Security



# Death After Retirement

- **Goals:**

- Foundation: Lifetime income of 60% of member's benefit to surviving spouse at no cost
- Generational: Lifetime income of 60% or 100% of member's benefit to surviving spouse, if member elects, funded by a reduction in benefit considering a higher benefit formula and the VRA

- **Current Provisions:**

- Same as goals

- **Assessment:**

- Goals achieved



# Enhanced Portability

- **Goal:**
  - Equitable benefits for short-service members who terminate employment before retirement
- **Current Provisions:**
  - Early vesting with COLA paid on deferred benefit (plus continued growth of VRA paid to Generational members at retirement)
  - Members can instead opt for lump-sum payment of 85% of employer contributions (50% if less than 3 years of service) plus 100% of member contributions, with credited interest
- **Assessment:**
  - Goals achieved
  - SDRS practices unusual and superior



# Minimum Total Payments

- **Goal:**
  - Minimum SDRS total benefits paid of 85% of employer contributions (50% if less than 3 years of service) plus 100% of member contributions, plus credited interest
- **Current Provisions:**
  - Same as goal
- **Assessment:**
  - Goals achieved
  - SDRS practices unusual and superior



# Tax Qualified Status

- **Goal:**
  - Preserve tax qualified status to continue favorable tax treatment for members
- **Current Provisions:**
  - SDRS has received a favorable determination letter from the IRS confirming qualified status
  - Recent initiatives adopted to meet changing IRS requirements and regulations
- **Assessment:**
  - Goals achieved, but ongoing effort is required as new regulations issued
  - Outside expert legal counsel retained

- **Goal:**

- Identify and formalize additional initiatives to meet goals, modify goals, or add new goals

- **Current Provisions:**

- Initiatives identified include expansion of VRA, enhanced defined benefits, and one-time or temporary benefit increases when, and if, affordable

- **Assessment:**

- No new initiatives in recent years. Contingency planning identified the following objectives for benefit improvements:
  - Consider shortfalls compared to long-term benefit goals
  - Include active, inactive, and retired members and treat groups consistently
  - Avoid substantive additional fixed benefit obligations
  - Maximize risk-mitigation impact of any improvements.
  - Consider unimproved service (service after 2008)

# Summary and Next Steps

- Most goals have been achieved
- Cost-of-Living Adjustment (COLA) goal not met for most benefit recipients
- Sustainability requires constant monitoring

**BOARD  
FEEDBACK  
REQUESTED**



# South Dakota Retirement System

## Overview of Governance Manual Project

April 1, 2026

- Commitment to excellence in board governance – create a central repository of board responsibilities, policies, and positions
- Developed to assist trustees in fulfilling duties and responsibilities
- Governance framework to ensure **fiduciary responsibility, transparency, and effective oversight**



## Governance

- Highlight the components today
  - **Legal authority** – statutory requirements
  - **Goals, policies, practices**
  - **Fiduciary duties**
- Additional policy statements considered in June
  - No action today
- Goal – Completed product in September
  - Electronic document



- Overview of SDRS
- **Mission Statement, Vision, and Long-Term Benefit Goals**
  - **Mission Statement:** To responsibly manage a financially sustainable system within fixed resources and prepare our members for retirement.
  - **Vision:** To be a model retirement system that is fully funded, delivers benefits that meet our long-term benefit goals, and provides members the foundation to achieve financial security during retirement.



- **Governance Structure – Statutory basis**
  - Board oversees SDRS
  - Meetings and Decision-Making
  - Board Composition
    - Elections
    - Committees
    - Election of Chair and Vice Chair
  - Administration
    - Appoints Executive Director



- **Fiduciary** responsibilities
  - **Loyalty** – exclusive benefit rule
  - **Prudence** – monitoring and selecting service providers
  - **Following Plan Documents**
- **Statutory** responsibilities, including:
  - Effective rate of interest, SPB interest rate, COLA
  - Actuarial assumptions
  - Annual report of funded status
- **Legal responsibilities outside the plan documents**
  - Open meetings
  - Public records



- Routinely
  - Minutes, engagement with professional service providers, budget, legislative proposals, election results, policy positions
- Formal Reports
  - Financial statements, independent audits, valuation reviews
  - Nationwide Retirement Solutions (SRP, SPP) and CEM Benchmarking
- Class B Public Safety Membership Applications
- Annual Reviews
  - Performance of the Executive Director
  - Executive Director's Report



- Publish reports
  - Annual Comprehensive Financial Report
  - Audit of the Financial Statement
  - Actuarial Valuation Report
  - Actuarial Audit of the Valuation Report
  - Annual Report of Funded Status
- Investment return and funded status **quarterly**
- Supplemental presentations to stakeholders
  - Retirement Laws Committee
  - Executive Board of the Legislative Research Council
  - Joint Appropriations Committee of the Legislature



- Funding and System Management
- Long-term Benefit Goals
- The South Dakota Perspective: Public Employee Retirement Benefits and the South Dakota Retirement System
- A System Guide for the Unexpected
- Various historical papers



- Discussion of policies for board members
  - Conference Attendance
  - Others
- **Conflict of Interest**
  - State officers and employees
  - Board members
- **Code of Conduct**
  - Employees
  - Board members



- Board-recommended legislative proposals
  - Compliance and clarity
  - Corrective actions and benefit improvements
- Retirement Laws Committee
- Legislation not originating with the Board



# Complimentary Programs

- Supplemental Retirement Program (SRP)
  - Optional defined contribution regulated under 457(b) of the Internal Revenue Code
- Special Pay Retirement Program (SPP)
  - An additional plan funded by an employee's termination pay is available if the employer elects



- Compilation of Duties and Responsibilities
- Proposed supplemental policies discussed in June – Board feedback
- Goal of completing Governance Manual in September
  - Board approval
  - Continuous process





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# 2026 PROPOSED LEGISLATION

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## Board of Trustees

**Eric Stroeder, Chair**

State Employee Representative

**James Appl, Vice-Chair**

Teacher Representative

**Penny Brunken**

Teacher Representative

**Jake Oakland**

County Employee Representative

**Liza Clark**

Board of Regents Employee  
Representative

**Henry Prim**

Public Safety Employee  
Representative

**Matt Clark**

South Dakota Investment Council

**Shane Roth**

School Board Representative

**Laurie Gronlund**

Municipal Employee Representative

**Justice Mark Salter**

Judicial Member Representative

**LaJena Gruis**

Elected Municipal Officials  
Representative

**Darin Seeley**

Governor's Appointee

**Victoria Hinek**

Classified Employee Representative

**James Terwilliger**

Governor's Appointee

**Myron Johnson**

County Commissioners  
Representative

**Wesley Tschetter**

Retiree Representative

**Jill Lenards**

State Employee Representative

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

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

## SDRS Executive Director's Message



Welcome to the 2026 Legislative Session. On behalf of the South Dakota Retirement System (SDRS), thank you for your commitment to public service and for the opportunity to share our perspective on the proposals before you.

SDRS is a consolidated, statewide retirement system serving over 105,000 members, including active employees, retirees, and beneficiaries. As fiduciaries, the SDRS Board and staff are statutorily required to act solely and exclusively for the benefit of our members and beneficiaries. This responsibility guides every decision we make. Our mission is to provide adequate, equitable, and sustainable lifetime retirement benefits within the fixed resources available to us.

It is important to note that SDRS is funded by modest, fixed member and employer contributions, and that South Dakota spends the least on pensions among all states. These fixed resources require us to be prudent, efficient, and innovative in managing benefits and administration. While our fixed contribution-variable benefit design has enabled SDRS to remain 100% funded in all but five years since 1986, it has also prevented recent COLAs from keeping pace with inflation.

Through this lens, SDRS has identified six opportunities designed to improve plan administration, ensure continued compliance with federal law, and enhance clarity and flexibility for members **at no additional cost to members or employers**. These proposals fall into two primary categories: (1) Supplemental Retirement Plan (SRP) Updates; and (2) Statutory Clean-Up Items.

We believe these proposals reflect SDRS's ongoing commitment to responsible stewardship, compliance, and member service. Thank you for your thoughtful consideration and for supporting SDRS's mission to help South Dakota's public employees achieve financial security in retirement.

**Travis Almond**  
SDRS Executive Director

# Internal Revenue Code Update

## **Senate Bill 50**

An Act to update the reference to the Internal Revenue Code to reflect current federal law for the administration of South Dakota Retirement System statutes.

### **The Issue and Background**

To maintain its status as a tax-qualified retirement plan under federal law, the SDRS must comply with the most current provisions of the Internal Revenue Code. This tax-qualified status provides a key benefit: member and employer contributions, along with investment earnings, are not subject to federal income tax until retirement benefits are distributed.

### **The Solution**

Senate Bill 50 updates the statutory reference to the Internal Revenue Code to align with the latest federal law, ensuring SDRS remains in compliance and retains its tax-qualified status.

### **Legislative Summary**

Senate Bill 50 updates the statutory reference to the Internal Revenue Code to reflect current federal law, ensuring SDRS maintains its tax-qualified status and the associated tax benefits for members and employers.

### **The Actuarial Statement**

Senate Bill 50 will have no material impact on the liabilities or assets of SDRS.

# Clarify Grievance Procedure

## Senate Bill 51

An Act to revise certain requirements for contesting actions of the South Dakota Retirement System.

### The Issue and Background

The SDRS provides a grievance process for members to contest final determinations. However, existing statutory language lacks clarity and does not fully reflect current administrative practices. Clearer guidance is needed to ensure transparency and uniformity for both members and SDRS staff.

### The Solution

Senate Bill 51 proposes clearer language around the grievance process to ensure consistency with current practice and transparency for members and staff. It also extends the time to appeal final SDRS determinations from 30 to 60 days, addresses postal service concerns, and provides members with additional time to respond.

### Legislative Summary

Senate Bill 51 clarifies the grievance process for contesting SDRS determinations and extends the appeal window from 30 to 60 days to improve transparency and accommodate postal service delays.

### The Actuarial Statement

Senate Bill 51 will have no material impact on the liabilities or assets of SDRS.

# Clarify Disability Application Deadline

## Senate Bill 52

An Act to clarify statutes governing the administration of disability benefits by the South Dakota Retirement System.

### The Issue and Background

The SDRS provides disability benefits to eligible members. However, existing statutory language lacks clarity and does not fully reflect current administrative practices. Clearer guidance is needed to ensure transparency and uniformity for both members and SDRS staff.

### The Solution

Senate Bill 52 clarifies the deadline for submitting disability applications to avoid ambiguity and ensure fair treatment. It also extends the window before disability benefits end from 30 to 60 days, addressing concerns regarding the postal service, and provides members with additional time to respond.

## Legislative Summary

Senate Bill 52 clarifies disability application deadlines and extends the termination window for SDRS disability benefits from 30 to 60 days, ensuring fair treatment and addressing postal service delays.

### The Actuarial Statement

Senate Bill 52 will have no material impact on the liabilities or assets of SDRS.

# Update Member Verification Methods

## Senate Bill 53

An Act to ensure uniformity in member identification provisions governing the South Dakota Retirement System.

### The Issue and Background

In 2025, the SDRS implemented enhanced member verification protocols to strengthen identity security. At that time, these protocols were not extended to the refund process. With the rapid advancement of SDRS systems and security measures, the plan will be able to confidently apply consistent verification standards across all member interactions, including refunds of accumulated contributions for inactive members.

### The Solution

Senate Bill 53 expands member verification protocols established during the 2025 Legislative Session to include the SDRS refund process, ensuring consistent and secure identity verification across all member interactions.

### Legislative Summary

Senate Bill 53 extends member identity verification protocols to the SDRS refund process of inactive member's accumulated contributions, ensuring consistent and secure standards across all member interactions.

### The Actuarial Statement

Senate Bill 53 will have no material impact on the liabilities or assets of SDRS.

# Revise In-Service Distribution Provisions

## Senate Bill 54

An Act to revise the conditions for in-service distributions from the South Dakota deferred compensation plan.

### The Issue and Background

South Dakota law prohibits members of the South Dakota Retirement System Supplemental Retirement Plan (SDRS-SRP) from accessing their voluntary retirement contributions while they are still employed by a participating employer. Through the SECURE 2.0 Act, federal law now allows in-service distributions starting at age 59½; however, the SDRS-SRP does not currently offer this option. This limits flexibility for employees nearing retirement who may need access to their funds for financial planning, health costs, or transitioning to part-time work.

### The Solution

Senate Bill 54 updates the SDRS-SRP to allow in-service distributions beginning at age 59½, in alignment with the SECURE 2.0 Act. This change provides eligible participants with earlier access to their retirement funds while they are still employed.

### Legislative Summary

Senate Bill 54 allows active members of the SDRS-SRP to begin receiving in-service distributions at age 59½, aligning state law with federal provisions and offering greater financial flexibility to employees nearing retirement. This bill will not affect the SDRS defined benefit plan.

### The Actuarial Statement

Senate Bill 54 will have no material impact on the liabilities or assets of SDRS.

# Update Spousal Treatment for RMDs

## Senate Bill 65

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

### The Issue and Background

Through the SECURE 2.0 Act, federal law has revised the applicable age for a member to begin receiving required minimum distributions (RMDs). This legislation further allows a surviving spouse of the member to delay the start of their RMDs by electing to use the deceased member's age. However, current provisions of the South Dakota Retirement System Supplemental Retirement Plan (SDRS-SRP) and the South Dakota Retirement System Special Pay Plan (SDRS-SPP) do not reflect this revised applicable age. This creates administrative complexity and may limit flexibility for spousal beneficiaries following a member's death.

### The Solution

Senate Bill 65 aligns SDRS-SRP and SDRS-SPP provisions with recent federal changes regarding spousal beneficiaries and RMD timing. In the event of a member's death, the member's spouse may elect to use the member's applicable age to delay RMD payments. This update ensures compliance and simplifies administration for both members and the plan.

### Legislative Summary

Senate Bill 65 updates the SDRS's Supplemental Retirement Plan and Special Pay Plan to allow a surviving spouse to delay required minimum distributions by using the deceased member's age, aligning state provisions with recent federal changes. This bill will not affect the SDRS defined benefit plan.

### The Actuarial Statement

Senate Bill 65 will have no material impact on the liabilities or assets of SDRS.

## SDRS Fiscal Year 2025 Highlights

Total System Membership	105,473
Active Contributing Members	43,784
Inactive Non-Contributing Members	26,728
Benefit Recipients	34,961
Fair Value of Assets	\$15.3 Billion
Actuarial Accrued Liability	\$15.3 Billion
Assumed Future COLAs	1.56%
Fair Value Funded Ratio	100.1%
Member and Employer Contributions	\$355.2 Million
Benefit Payments and Refunds	\$798.4 Million
Administrative Expenses	\$5.8 Million
Net Investment Income	\$798.5 Million
Minimum Statutory COLA	0.00%
Maximum Statutory COLA	1.56%
Prior Year Inflation	2.76%
July 2026 COLA	1.56%

## SDRS Benefits Payable by County

<u>County</u>	<u>Benefit Recipients</u>	<u>Annual Benefits</u>	<u>County</u>	<u>Benefit Recipients</u>	<u>Annual Benefits</u>
Aurora	128	\$2,221,508	Hyde	55	\$705,175
Beadle	567	\$11,900,147	Jackson	58	\$1,119,527
Bennett	60	\$1,037,128	Jerauld	91	\$1,562,550
Bon Homme	367	\$6,763,196	Jones	42	\$1,030,746
Brookings	1,808	\$51,134,926	Kingsbury	261	\$5,113,137
Brown	1,451	\$33,371,770	Lake	509	\$11,764,841
Brule	180	\$3,960,013	Lawrence	1,194	\$27,426,438
Buffalo	3	\$46,004	Lincoln	555	\$10,815,921
Butte	397	\$7,035,325	Lyman	115	\$2,006,704
Campbell	66	\$1,097,944	Marshall	216	\$4,029,585
Charles Mix	268	\$5,673,860	McCook	184	\$3,753,028
Clark	140	\$2,266,487	McPherson	80	\$1,319,193
Clay	751	\$21,117,625	Meade	844	\$17,833,313
Codington	1,018	\$25,340,082	Mellette	67	\$891,645
Corson	57	\$1,176,803	Miner	81	\$1,759,067
Custer	434	\$8,317,481	Minnehaha	4,944	\$122,648,949
Davison	673	\$16,094,794	Moody	217	\$3,712,337
Day	244	\$4,482,670	Oglala Lakota	24	\$446,216
Deuel	148	\$2,553,130	Pennington	4,005	\$96,460,635
Dewey	122	\$2,160,279	Perkins	105	\$1,588,221
Douglas	108	\$2,033,767	Potter	123	\$2,214,551
Edmunds	118	\$2,149,372	Roberts	299	\$5,488,170
Fall River	355	\$5,785,693	Sanborn	107	\$1,850,702
Faulk	134	\$2,013,686	Spink	466	\$8,638,892
Grant	217	\$4,458,349	Stanley	276	\$6,881,527
Gregory	184	\$3,395,744	Sully	63	\$1,077,655
Haakon	74	\$1,278,933	Todd	65	\$1,346,758
Hamlin	232	\$4,182,085	Tripp	199	\$3,728,806
Hand	122	\$2,094,981	Turner	292	\$5,351,733
Hanson	65	\$1,226,771	Union	394	\$7,923,485
Harding	42	\$647,418	Walworth	247	\$4,785,390
Hughes	1,655	\$48,714,321	Yankton	1,057	\$23,264,865
Hutchinson	280	\$5,310,519	Ziebach	30	\$618,638

**Total Benefits Payable in South Dakota**

**\$680,201,211**

**Total Benefits Payable Outside of South Dakota**

**\$94,371,710**

**Total Benefits Payable**

**\$774,572,921**

**If you have any questions or concerns, please don't hesitate to contact us.**

**Travis Almond**

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## **MEMO NO. 2026-02B**

**TO:** MEMBERS OF THE BOARD OF TRUSTEES

**FROM:** TRAVIS ALMOND, EXECUTIVE DIRECTOR

**SUBJECT:** EFFECTIVE RATE OF INTEREST TO BE CREDITED  
FROM JULY 1, 2026, TO JUNE 30, 2027

**DATE:** March 24, 2026

The interest rate credited to member accounts, which is payable if a member terminates employment and refunds out of the system, is defined in SDCL 3-12C-108 as follows:

***3-12C-108. Effective rate of interest defined.** For the purposes of this chapter, the phrase, effective rate of interest, means the interest at an annually compounded rate to be established by the board for each fiscal year. The rate shall be no greater than ninety percent of the average ninety-one day United States treasury bill rate for the immediately preceding calendar year and in no event may the rate be more than the rate established by the board pursuant to § 3-12C-227 for investment return for purposes of the actuarial valuation. If a member withdraws contributions pursuant to § 3-12C-602 or 3-12C-604, or if benefits are payable under § 3-12C-409, the interest shall be as annually compounded on the preceding June thirtieth.*

Attached is a copy of the domestic interest rate statistics for the calendar year 2025, as published by the Federal Reserve Board. The U.S. Treasury bills secondary market average on 3-month issues is the average 91-day U.S. Treasury bill rate used in the calculation required by SDCL 3-12C-108 and was 4.07% for the calendar year 2025. Ninety percent of the calendar 2025 T-bill rate is 3.663%. For consistency and compliance with SDCL 3-12C-108, the effective rate of interest is rounded to three decimal places.

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

TWA:jlr  
Enclosure

### 3-month Treasury Bill and Effective Rate of Interest History

<u>Calendar Year</u>	<u>Annual Average Percentage Rate*</u>	<u>Fiscal Year</u>	<u>Effective Rate of Interest</u>
1974	7.85%	FY 1975	5.000%
1975	5.79%	FY 1976	5.000%
1976	4.98%	FY 1978	5.000%
1977	5.26%	FY 1979	5.000%
1978	7.18%	FY 1980	5.000%
1979	10.05%	FY 1981	5.000%
1980	11.39%	FY 1982	5.000%
1981	14.04%	FY 1983	5.000%
1982	10.60%	FY 1984	5.000%
1983	8.62%	FY 1985	5.000%
1984	9.54%	FY 1986	5.000%
1985	7.47%	FY 1987	6.730%
1986	5.97%	FY 1988	5.364%
1987	5.78%	FY 1989	5.238%
1988	6.67%	FY 1990	6.012%
1989	8.11%	FY 1991	7.308%
1990	7.50%	FY 1992	6.759%
1991	5.38%	FY 1993	5.000%
1992	3.43%	FY 1994	5.000%
1993	3.00%	FY 1995	5.000%
1994	4.25%	FY 1996	5.000%
1995	5.49%	FY 1997	5.000%
1996	5.01%	FY 1998	5.000%
1997	5.06%	FY 1999	5.000%
1998	4.78%	FY 2000	5.000%
1999	4.64%	FY 2001	5.000%
2000	5.82%	FY 2002	5.238%
2001	3.40%	FY 2003	5.000%
2002	1.61%	FY 2004	5.000%
2003	1.01%	FY 2005	0.930%
2004	1.37%	FY 2006	1.230%
2005	3.15%	FY 2007	2.840%
2006	4.73%	FY 2008	4.260%
2007	4.36%	FY 2009	3.920%
2008	1.37%	FY 2010	1.230%
2009	0.15%	FY 2011	0.140%
2010	0.14%	FY 2012	0.130%
2011	0.05%	FY 2013	0.045%
2012	0.09%	FY 2014	0.080%
2013	0.06%	FY 2015	0.050%
2014	0.03%	FY 2016	0.027%
2015	0.05%	FY 2017	0.045%
2016	0.32%	FY 2018	0.290%
2017	0.93%	FY 2019	0.837%
2018	1.94%	FY 2020	1.750%
2019	2.06%	FY 2021	1.850%
2020	0.35%	FY 2022	0.320%
2021	0.05%	FY 2023	0.045%
2022	2.02%	FY 2024	1.818%
2023	5.07%	FY 2025	4.563%
2024	4.97%	FY 2026	4.473%
2025	4.07%	FY 2027	3.663%

\* Source: <https://federalreserve.gov>. Series Description: 3-month Treasury bill secondary market rate - discount basis. Unit: Percent per year. Multiplier: 1 Unique Identifier: H15/H15/RIFSGFSM03\_N.A. Time Period: RIFSGFSM03\_N.A.

## **MEMO NO. 2026-03B**

**TO:** MEMBERS OF THE BOARD OF TRUSTEES

**FROM:** TRAVIS ALMOND, EXECUTIVE DIRECTOR

**SUBJECT:** SUPPLEMENTAL PENSION BENEFIT  
FY 2027 INTEREST RATE ASSUMPTION

**DATE:** March 24, 2026

The interest rate assumption on Supplemental Pension Benefits is defined in SDCL 3-12C-1502 as follows:

***3-12C-1502. Interest rate assumption--Suspension of new supplemental pension contracts--No right to particular price.** On an annual basis, at minimum, the board shall establish an interest rate assumption upon which the provisions of subsequent supplemental pension contracts shall be based. The board shall establish the assumption on the basis of the recommendations of the system's actuary and the state investment officer. The interest rate assumption may not be greater than the actuarial assumed rate of return for the fund, nor may the interest rate assumption be less than the effective rate of interest. Any other provision of law notwithstanding, the board may suspend issuance of new supplemental pension contracts at any time. Any suspension of new supplemental pension contracts shall be prospective in operation and may not affect supplemental pension contracts already in effect.*

*The administration of the supplemental pension benefit requires that supplemental pension benefit purchase costs vary from one time period to the next. Consequently, participants who accept the option of a supplemental pension benefit have no expectation or fundamental right to any particular supplemental pension benefit purchase price.*

After a review of appropriate annuity rates and fixed income/return instruments available in the marketplace, the external actuary has recommended an SPB interest rate assumption of between 4.25% and 5.25%, and the state investment officer has recommended an interest rate assumption of between 3.25% and 3.75%. Per SDCL 3-12C-1502, the interest rate assumption may not be less than the effective rate of interest. The effective rate of interest for FY26 is 3.663%.

Based on this information and a process similar to what was used in prior years, staff recommends the use of a 4.0% interest rate for FY27.

The historical recommendations for the Supplemental Pension Benefit interest rate assumption are as follows:

	External Actuary	State Investment Officer	Staff Recommended/ Implemented Rate
FY 2009			5.5%
FY 2010	5.25%	4.65-5.15%	5.0%
FY 2011	4.0%	4.5-5.0%	4.5%
FY 2012	4.25-4.75%	4.5%	4.5%
FY 2013	3.5-4.0%	4.0-4.5%	4.0%
FY 2014	3.0-3.5%	4.0-4.5%	3.75%
FY 2015	3.5-4.5%	3.75-4.25%	4.0%
FY 2016	2.5-3.5%	3.5-4.0%	3.5%
FY 2017	2.8-3.8%	3.5-4.0%	3.5%
FY 2018	2.8-3.8%	3.25-3.75%	3.5%
FY 2019	2.8-3.8%	3.28-3.78%	3.5%
FY 2020	3.0-4.0%	3.38-3.89%	3.5%
FY 2021	2.0-3.0%	2.75-3.5%	2.875%
FY 2022	1.75-2.75%	3.0-3.5%	2.875%
FY 2023	2.0-3.0%	3.0-3.5%	3.0%
FY 2024	4.0-4.75%	3.25-4.0%	4.0%
FY 2025	4.25-5.00%	2.75-3.5%	4.563%*
FY 2026	4.25-5.25%	3.00-3.5%	4.473%*
FY 2027	4.25-5.25%	3.25-3.75%	4.0%

\* Per SDCL 3-12C-1502, the interest rate assumption may not be less than the effective rate of interest. The SPB interest rate was the minimum statutory rate for FY25 and FY26. The minimum statutory rate for FY27 is 3.663%.

If and when these contracts become more prevalent, we may want to update the process used to establish the interest rate. The procedure established in 2009 for determining the interest rate assumption is below.

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

### **Procedure for Determining the Supplemental Pension Benefit Annual Interest Rate Assumption**

The Board of Trustees shall establish the Supplemental Pension Benefit interest rate assumption at least annually. The interest rate assumption may not be greater than the actuarially assumed rate of return for SDRS, nor may the interest rate assumption be less than the effective rate of interest described in South Dakota Codified Law in subdivision 3-12C-108.

The Board shall establish the interest rate assumption based on the recommendations of the system's external actuary and the state investment officer. These recommendations shall be based on current capital market rates, including fixed-income investments, and expected returns available at or near the time that the rate is defined.

The recommendations for the interest rate assumption may consider:

- US government/agency and corporate bond rates with or without the addition of an equity factor.
- Annuity rates defined by insurance/ investment firms and public information, including, but not limited to, the Pension Benefit Guarantee Corporation annuitization values.
- The expected return of the South Dakota Retirement System trust fund and the likelihood that the assumption will be achieved with these funds.

A range of interest rate assumptions will be provided to the Board of Trustees based on these factors and the input of the external actuary and state investment officer. A specific recommendation for the rate should be provided by the Executive Director. The external actuary and state investment officer may also provide a specific recommendation.



**MEMO NO. 2026-01B**

TO: MEMBERS OF THE BOARD OF TRUSTEES  
FROM: TRAVIS W. ALMOND, EXECUTIVE DIRECTOR *TWA*  
SUBJECT: 2026 CONFERENCE CALENDAR  
DATE: FEBRUARY 17, 2026

Each year, the budget includes expenditure authority to allow board members to attend a national conference pursuant to the Conference Attendance Policy. SDRS is a member of the following national organizations that sponsor conferences. The dates shown are for the conferences in 2026.

- May 17-20, 2026 - **National Council on Public Employees Retirement Systems (NCPERS)** – Las Vegas, NV
- August 8-12, 2026 - **National Association of State Retirement Administrators (NASRA)** – Boston, MA
- October 3-6, 2026 - **National Council on Teacher Retirement (NCTR)** – Coeur d’Alene, ID
- October 25-28, 2026 - **International Foundation of Employee Benefit Plans (IFEBP)** – New Orleans, LA

These organizations sponsor several board training opportunities in addition to the conferences listed above. We have included a list of training opportunities that would be a good alternative to the annual conferences.

- April 29-30, 2026 - **IFEBP – Certificate Series - Retirement Plan Basics** – Scottsdale, AZ
- May 16-17, 2026 - **NCPERS Trustee Education Development Seminar (TEDS)** – Las Vegas, NV
- June 13-14, 2026 - **IFEBP – Trustees Institute – Level II – Concepts in Practice** – San Diego, CA
- June 15-17, 2026 - **IFEBP – Advanced Trustees and Administrators Institute** – San Diego, CA

- June 15-17, 2026 - **IFEBP – New Trustees Institute – Level I – Core Concepts** – San Diego, CA
- July 12-15, 2026 - **NCTR Trustee Workshop** – Berkeley, CA
- September 28-29, 2026 - **IFEBP – Certificate Series – Retirement Plan Basics** – Orlando, FL
- October 24-25, 2026 - **IFEBP –Public Plan Trustees Institute – Level I** – New Orleans, LA
- October 24-25, 2026 - **IFEBP –Public Plan Trustees Institute – Level II** – New Orleans, LA

Please get in touch with Jaime or me if you would like to attend one of these conferences or trainings, or if you would like additional information.

TWA;jlr