

AGENDA

SDRS BOARD OF TRUSTEES

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

DATE: Wednesday, June 4, 2025

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

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

- 9:00 a.m. Call SDRS Meeting to Order – Determination of Quorum*
- ITEM 1 - Chair's Preliminary Remarks
- Introductions and Announcements
 - Board Conflict Disclosure
 - Policy Concerning Public Testimony and Comments
- ITEM 2 - Public Comment
- ITEM 3 - Approval of April 9, 2025, Minutes
- ITEM 4 - SDRS Board of Trustees Election Results – Dawn Smith, Executive/Board Assistant
- ITEM 5 - Appointment of Municipal Employee Representative (Possible Executive Session) – Dawn Smith
- ITEM 6 - Recognition of Retiring Board Member – Travis Almond, Executive Director
- Dave Smith
- ITEM 7 - FY27 Budget Request – Michelle Mikkelsen, Chief Financial Officer and Travis Almond
- ITEM 8 - Appointment of Executive Director Evaluation and Compensation Committees – Eric Stroeder, Board Chair
- ITEM 9 - Appointment of Audit Committee – Eric Stroeder
- ITEM 10 - Appointment of Class B Committee – Eric Stroeder
- 10:00 a.m. Rules Hearing – John Richter, General Counsel

- ITEM 11 - Investment Update – Darci Haug, Senior Investment Manager and Danielle Mourer, Portfolio Manager
- ITEM 12 - Projected Funded Status of the South Dakota Retirement System – Doug Fiddler, Senior Actuary
- ITEM 13 - Asset Allocation – Darci Haug; Jarrod Edelen, Senior Portfolio Manager; Danielle Mourer; Anne Cipperley, Portfolio Manager; and Matt Carey, Associate Portfolio Manager II
- ITEM 14 - Old/New Business
- Conference Update – Hank Prim
 - Upcoming Board Meeting Dates
- ITEM 15 - Personnel Matters (Executive Session) – Travis Almond
- ITEM 16 - Adjourn

ADA COMPLIANCE: THE SOUTH DAKOTA RETIREMENT SYSTEM FULLY SUBSCRIBES TO THE PROVISIONS OF THE AMERICANS WITH DISABILITIES ACT. IF YOU DESIRE TO ATTEND THIS PUBLIC MEETING AND ARE IN NEED OF SPECIAL ACCOMMODATIONS, PLEASE NOTIFY THE SDRS OFFICE AT LEAST 72 HOURS PRIOR TO THE MEETING SO APPROPRIATE AUXILIARY AIDS AND SERVICES CAN BE MADE AVAILABLE.

FUTURE MEETING DATES

September 9, 2025

December 10, 2025

April 1, 2026

June 10, 2026

September 2, 2026

December 9, 2026

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

BOARD MEETING

SOUTH DAKOTA RETIREMENT SYSTEM

April 9, 2025

The South Dakota Retirement System Board of Trustees held its regular meeting on April 9, 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
Penny Brunken
Liza Clark
LaJena Grius
Victoria Hinek
Myron Johnson
Jill Lenards
Jake Oakland
Hank Prim
Shane Roth
Justice Mark Salter
Darin Seeley
Dave Smith
Jim Terwilliger
Wes Tschetter
Matt Clark, Ex Officio

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OTHERS IN ATTENDANCE:

Charles Arsenault, SDEA
Johnathan Hampe, BIT
Duncan Koch, BFM
June Larson, Nationwide Retirement Solutions
Kevin Lawrence, BIT
Danielle Mourer, SDIO
Representative Mike Weisgram, District 24
Travis Almond, SDRS

Brittnie Adamson, SDRS
Doug Fiddler, SDRS
Alan Freng, SDRS
Michelle Humann, SDRS
Sam Koldenhoven, SDRS
Michelle Mikkelsen, SDRS
Nick Rea, SDRS
John Richter, SDRS
Dawn Smith, SDRS
Jacque Storm, SDRS

AGENDA ITEM 1
CHAIR’S PRELIMINARY REMARKS AND
BOARD CONFLICT DISCLOSURE

Summary of Discussion:

Mr. Eric Stroeder, SDRS Board Chair, noted that no board member had any conflicts to disclose.

Board Action:

No action was necessary.

AGENDA ITEM 2
PUBLIC COMMENT

Summary of Discussion

There was no public comment.

Board Action

No action was necessary.

AGENDA ITEM 3
APPROVAL OF MEETING MINUTES

Board Action

IT WAS MOVED BY MR. TSCHETTER, SECONDED BY MR. SMITH, TO APPROVE THE MINUTES OF THE DECEMBER 11, 2024, BOARD MEETING. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 4
BOARD MEMBER ELECTION UPDATE

Summary of Discussion

Ms. Dawn Smith, SDRS Executive/Board Assistant, informed the Board of the current election candidates. She stated that there are no contested elections this year. Only one petition was received for each of the following open positions: Teacher and State Employee.

She continued stating that no petitions were submitted for the Municipal Employee position. Therefore, staff will ask interested parties to submit resumes, and the Board will appoint a person to that position at the June meeting.

Mr. Travis Almond, SDRS Executive Director, stated that due to the low participation in our election process, other avenues of communication will be used in the next election. Currently, we rely on our authorized agents to communicate to members. Going forward, staff will engage with members by using the emails on file, newsletters, and our social media platforms.

Board Action

No action was required.

AGENDA ITEM 5
INVESTMENT PERFORMANCE UPDATE

Summary of Discussion

Ms. Danielle Mourer, SDIO Portfolio Manager, stated that through April 8, 2025, the estimated return for SDRS was approximately negative 3 to 3½ percent.

Board Action

No action was necessary.

AGENDA ITEM 6
SDRS PROJECTED FUNDED STATUS

Summary of Discussion

Mr. Doug Fiddler, SDRS Senior Actuary, noted that SDRS contribution rates are fixed in statute, and the statutes require a recommendation for corrective actions if SDRS falls below 100 percent funded. In addition, the SDRS COLA will vary with both inflation and long-term affordability. As a result, under most circumstances, SDRS's fair value funded ratio (FVFR) is expected to remain at 100 percent.

Mr. Fiddler stated that employer contribution rates for Class A members are 40 percent of the national median. As a percentage of government spending, South Dakota spends the least on pensions, at 1.78 percent.

Delivering adequate benefits and remaining fully funded through all economic conditions while funded with contributions that are less than half of the median is a very high objective. These competing objectives become even more difficult to meet as retirees live longer and the consensus view of future investment returns is lower.

SDRS management efforts to meet these objectives have included a variable COLA process, transition to a 5-year FAC for foundation members, pay increase caps, generational design, retire-rehire reform, and various other initiatives to avoid or lessen subsidies.

Mr. Fiddler stated that SDRS resources are not sufficient to provide COLAs that match inflation during periods of very high inflation, like recent periods.

Mr. Fiddler stated that proposals that impose additional objectives funded by SDRS' limited resources will detract from the ability to provide adequate benefits funded by the fixed, modest contributions. Proposed changes to SDRS must be thoroughly evaluated to ensure they do not endanger future benefits, COLAs, or system sustainability.

Based on a FY25 net investment return of negative 3 percent, the baseline FVFR is expected to be approximately 87 percent at June 30, 2025. As a result, the preliminary estimated 2026 restricted maximum COLA would be approximately 0.70 percent. This excludes the impact of any demographic gains and losses, with losses expected due to slightly higher-than-expected salary increases in FY 2025, which could decrease the restricted maximum COLA.

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

Mr. Fiddler stated at June 30, 2024, the estimated one-year likelihood of required corrective action recommendations using the current asset allocation statistics was 11 percent.

In summary, advised Mr. Fiddler, the July 2022 SDRS COLA was 3.5 percent, the first time the full COLA range was affordable under the current COLA process. The FY 2024 investment return caused a restricted maximum COLA for the July 2025 COLA of 1.71 percent. If FY 2025 net investment returns are below approximately negative 9 percent, a corrective action recommendation would be required. If the return exceeds roughly 12 percent, the full COLA range would be affordable for the July 2026 COLA.

Board Action

No action was necessary.

AGENDA ITEM 7
RECENT PUBLIC PENSION STUDIES

Summary of Discussion

Mr. Fiddler reviewed highlights from recent public pension studies published by the Wisconsin Legislative Council, the Society of Actuaries Retirement Plan Experience Committee, the National Institute on Retirement Security, the National Association of State Retirement Administrators, and the National Conference on Public Employee Retirement Systems. Where applicable, SDRS plan features, metrics, and statistics were compared with the national data summarized in the studies.

Board Action

No action was necessary.

AGENDA ITEM 8
2025 LEGISLATIVE AND BUDGET REPORT

Summary of Discussion

Mr. John Richter, SDRS General Counsel, and Ms. Samantha Koldenhoven, SDRS Assistant General Counsel, discussed the 2024 Legislative Session. Mr. Richter stated that four bills were brought on behalf of SDRS. The bills unanimously passed both houses of the Legislature and were signed into law by the Governor.

Mr. Richter noted that there were several other bills that SDRS was watching during the legislative session as well. The most notable being bills that sought to clarify the meaning of teleconference for purposes of open meeting requirements, require the publication and review of an explanation of open meetings laws of this state, and prohibit natural asset companies. The first two passed and will become law on July 1, 2025, while the third one failed.

Ms. Michelle Mikkelsen, SDRS Chief Financial Officer, stated that the Board requested, and the Governor approved, the budget for SDRS, which passed through the Legislature without any changes.

Board Action

No action was necessary.

AGENDA ITEM 9
BIT CYBERSECURITY UPDATE

Summary of Discussion

This agenda item was discussed during an executive session.

Board Action

IT WAS MOVED BY MR. PRIM, SECONDED BY MS. GRUIS, TO GO INTO EXECUTIVE SESSION PURSUANT TO SDCL 1-25-2(6) TO DISCUSS AN ITEM RELATING TO CYBERSECURITY PLANS. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

Bureau of Information and Technology (BIT) and SDRS staff who are to remain include: Johnathan Hampe, Kevin Lawrence, Travis Almond, Jacque Storm, Brittanie Adamson, Doug Fiddler, Alan Freng, Michelle Humann, Sam Koldenhoven, Michelle Mikkelsen, Nick Rea, John Richter, and Dawn Smith.

The Chair declared the Board out of executive session.

AGENDA ITEM 10
UPDATE ON CUSTOMER SERVICE ENHANCEMENTS

Summary of Discussion

Ms. Michelle Humann, Member Services Director, Mr. Nick Rea, IT Director, and Mr. Alan Freng, Communications Director, explained the enhancements to the business-to-business portal, the MySDRS portal, and the member services center, which have all been enacted this past year.

Board Action

No action was necessary.

AGENDA ITEM 11
EFFECTIVE RATE OF INTEREST FOR FY26

Summary of Discussion

Ms. Mikkelsen noted that SDCL 3-12C-108 states that SDRS's annual effective rate of interest shall be no greater than 90 percent of the average 91-day United States Treasury bill rate for the immediately preceding calendar year.

Advising that the 91-day United States Treasury bill rate was 4.97 percent for 2024, Ms. Mikkelsen stated that 90 percent of the rate is 4.473 percent. She noted that this interest rate would be credited on July 1, 2026, for the period of July 1, 2025, through June 30, 2026.

Board Action

IT WAS MOVED BY MR. APPL, SECONDED BY MR. PRIM TO ESTABLISH THE EFFECTIVE RATE OF INTEREST TO BE CREDITED FROM JULY 1, 2025, TO JUNE 30, 2026, AT 4.473 PERCENT. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 12
SET FY26 SUPPLEMENTAL PENSION BENEFIT
INTEREST RATE ASSUMPTION

Summary of Discussion

Mr. Almond stated that the Board needed to establish the periodic Supplemental Pension Benefit interest rate assumption. He added that the interest rate assumption could not be greater than the actuarial assumed rate of return for SDRS or less than the SDRS effective rate of interest.

He advised that the interest rate assumption is established based on the recommendations of the system's external actuary and the State Investment Officer, with the input of the Executive Director. The external actuary recommended between 4.25 and 5.25 percent, and the State Investment Officer recommended between 3.00 and 3.50 percent.

Based on all the information and the process established by the Board, Mr. Almond stated that by statute, it was his recommendation that the Board set the Supplemental Pension Benefit interest rate assumption equal to the effective rate of interest at 4.473 percent, effective July 1, 2025.

Board Action

IT WAS MOVED BY MS. BRUNKEN, SECONDED BY MR. OAKLAND, TO ESTABLISH THE INTEREST RATE FOR THE SUPPLEMENTAL PENSION

BENEFIT AT 4.473 PERCENT, EFFECTIVE JULY 1, 2025. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 14
BOARD MEMBER CONFERENCE APPROVAL

Summary of Discussion

Mr. Almond reminded the Board that conferences were available for them to attend. He stated that Mr. Jim Appl has asked to attend the NCTR Trustee Workshop July 13-16, in Williamsburg, VA; Mr. Shane Roth has asked to attend the NASRA Annual Conference August 9-13 in Seattle, WA; Mr. Hank Prim has asked to attend the NCPERS TEDS workshop May 17-18 in Denver, CO; and Mr. Eric Stroeder has asked to attend the NCTR Annual Conference October 4-7 in Salt Lake City, UT.

Board Action

IT WAS MOVED BY MR. SMITH, SECONDED BY MS. CLARK, TO APPROVE THE REQUEST FOR JIM APPL'S ATTENDANCE AT THE NCTR TRUSTEE WORKSHOP; SHANE ROTH'S ATTENDANCE AT THE NASRA ANNUAL CONFERENCE; HANK PRIM'S ATTENDANCE AT THE NCPERS TEDS; AND ERIC STROEDER'S ATTENDANCE AT THE NCTR ANNUAL CONFERENCE. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

AGENDA ITEM 15
OLD/NEW BUSINESS

Summary of Discussion

SharePoint Board Portal

Mr. Almond stated that the SharePoint Board Portal was up and running. He noted that this was a work in progress and, when completed, would be a one-stop shop for board members when looking for current meeting materials, prior meeting materials, and policies.

Internal Controls

Mr. Almond stated that SDRS was implementing the state's internal control framework. SDRS will conduct a comprehensive risk assessment for each division. This process will take seven and eight weeks, and a report will be provided to the Board when it's complete.

Upcoming Meeting Dates

The Board discussed the upcoming meeting schedule.

Board Action

No action was necessary.

AGENDA ITEM 16
EXECUTIVE DIRECTOR'S PERFORMANCE EVALUATION

Summary of Discussion

The Board praised Mr. Almond for his performance as the Executive Director of SDRS.

Board Action

IT WAS MOVED BY MR. OAKLAND, SECONDED BY MR. JOHNSON, TO GO INTO EXECUTIVE SESSION PURSUANT TO SDCL 1-25-2(1) RELATING TO PERSONNEL MATTERS. THE MOTION PASSED UNANIMOUSLY ON A VOICE VOTE.

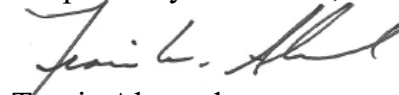
Staff who may be called in include Travis Almond.

The Chair declared the Board out of executive session.

ADJOURNMENT

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Travis Almond", written over a horizontal line.

Travis Almond
Executive Director



South Dakota Retirement System

SDRS FY27 Budget Request

June 4, 2025



FY27 Budget Request

- Personal Services \$3,935,374
 - No increase beyond the state salary policy
 - No additional FTE's

- Operating \$2,602,174
 - Travel, Contractual, Supplies, and Capital Outlay
 - No increase

- Total Budget Request \$6,537,548
 - No increase from FY26
 - Below the SDCL 3-12C-210 limit of 3% of annual contributions



FY27 Budget Request and Timeline

- June 2025
 - Board review and submission approval
 - No increase from FY26
- August 2025
 - Budget submission to BFM
- September 2025
 - Budget review with SDRS, BFM, and the Governor's Office
- December 2025
 - Governor's Budget Address
 - If different from board-approved, discussion at the Board of Trustees meeting



FY27 Budget Request and Timeline

- January-March 2026
 - Legislative Joint Appropriations Budget Presentation
 - Legislative approval
- July 1, 2026
 - FY27 Legislative Approved Budget begins



SOUTH DAKOTA RETIREMENT SYSTEM

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(605) 773-3731 • sd.gov/sdrs

MEMO NO. 2025-05B

TO: MEMBERS OF THE BOARD OF TRUSTEES

FROM: ERIC STROEDER, CHAIR

SUBJECT: EXECUTIVE DIRECTOR COMPENSATION COMMITTEE

DATE: MAY 28, 2025

This is to advise that I have appointed the following members of the board to serve on the Executive Director Compensation Committee:

- Eric Stroeder, Chair
- Jim Appl
- Matt Clark
- Darin Seeley

Dawn Smith, Executive Assistant/HR Manager, will be the staff point of contact for the committee.

As defined in the Executive Director Compensation Committee Charter, the committee's responsibilities include the following:

- The Committee shall establish a market-based pay rate utilizing peer group data. The primary peer groups will consist of the six surrounding state retirement systems and other state retirement systems on a national level with similar responsibilities. Additional peer groups may be considered as appropriate. Market data may be secured from the National Compensation Association of State Governments, the National Association of State Retirement Administrators, and other relevant benchmarking services.
- The Committee shall establish a market-based pay range that is +/- 10% of the market rate to provide the flexibility to appropriately recognize the executive director's performance and experience within the pay range to achieve the objectives as described in the South Dakota Retirement System Compensation Philosophy.



SOUTH DAKOTA RETIREMENT SYSTEM

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MEMO NO. 2025-06B

TO: MEMBERS OF THE BOARD OF TRUSTEES

FROM: ERIC STROEDER, CHAIR

SUBJECT: EXECUTIVE DIRECTOR EVALUATION COMMITTEE

DATE: MAY 28, 2025

This is to advise that I have appointed the following members of the board to serve on the Executive Director Evaluation Committee:

- Jim Appl, Chair
- Darin Seeley
- Penny Brunken
- Justice Mark Salter

Jacque Storm, Deputy Director, will be the staff point of contact for the committee.

The committee's responsibilities include the following:

- Review the current evaluation methodology for the Executive Director, including its format and relevance to the job duties and responsibilities of the position and recommend alternative formats and performance measures, as appropriate.
- Ensure that evaluations are provided to indirect reports, direct reports, board members, and the Executive Director in advance of the April board meeting.
- Review the evaluations completed by indirect reports, direct reports, board members, and the Executive Director and provide a summary report to the Board of Trustees at the April board meeting.



SOUTH DAKOTA RETIREMENT SYSTEM

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MEMO NO. 2025-04B

TO: MEMBERS OF THE BOARD OF TRUSTEES

FROM: ERIC STROEDER, CHAIR

SUBJECT: AUDIT COMMITTEE

DATE: MAY 28, 2025

This is to advise that I have appointed the following members of the board to serve on the Audit Committee:

- Jill Lenards, Chair
- LaJena Gruis
- Victoria Hinek

Michelle Mikkelsen, Chief Financial Officer, will be the staff point of contact for the committee.

As defined in the audit charter, the committee's responsibilities include the following:

- Meet with the contracted external auditor and SDRS staff for an opening conference to review the annual audit engagement schedule. Based on those conversations, the Audit Committee Chair will work with management to provide an engagement letter. The Audit Committee Chair and management will each also provide representation letters.
- Discuss issues identified during the audit process affecting the annual financial statements.
- Review the Audit Report and all audit findings prior to presentation to the SDRS Board of Trustees. If necessary, work with SDRS staff to respond to audit findings.
- Review the Risk Assessment.

ES:dms



SOUTH DAKOTA RETIREMENT SYSTEM

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MEMO NO. 2025-07B

TO: MEMBERS OF THE BOARD OF TRUSTEES

FROM: ERIC STROEDER, CHAIR

SUBJECT: CLASS B PUBLIC SAFETY COMMITTEE

DATE: MAY 28, 2025

Pursuant to Board of Trustees' motion at its June 2022 meeting, the Class B Public Safety representative and another member appointed by the Chair shall serve on the Class B Public Safety Committee with certain staff members. This is to advise that I have appointed the following member of the board to serve on the Class B Public Safety Committee:

- Justice Mark Salter

Sam Koldenhoven, Deputy General Counsel, will be the staff point of contact for the committee.

The committee's responsibilities include the following:

- Take the necessary action to present the application to the Board of Trustees in a systematic and structured way. For correctional security staff, the verification provided in SDCL 3-12C-101(29) must be completed before the committee takes any action.
- Follow The SDRS Criteria for Class B Public Safety Membership and The SDRS Procedure to Consider Requests for Class B Public Safety Membership whenever possible.
- Request the material and data from the applicant and the employer unit as outlined in The SDRS Procedure to Consider Requests for Class B Public Safety Membership.
- Review and analyze the relevant material/data received that is usable in making the final determination.
- Prepare a report for distribution to the Executive Director and the Board of Trustees.

- Present findings and recommendations to the Board of Trustees.

This committee will only meet when a Class B Public Safety request has been made. This is a permanent committee that will continue indefinitely unless notified otherwise in writing by the Chair.

ES:dms

SDRS BOARD OF TRUSTEES
Notice of Public Hearing to Adopt Rules

A public hearing will be held at the South Dakota Retirement System's Conference Room, 222 E. Capitol Avenue, Pierre, SD 57501, on June 4, 2025, at 10:00 a.m., Central Time, to consider the South Dakota Retirement System Board of Trustees' proposed rules repealing the following:

§§ 62:01:01:01 to 62:01:01:03, inclusive; § 62:01:02:01; § 62:01:02:04;
§§ 62:01:02:08 to 62:01:02:09, inclusive; Chapter 62:01:03; §
62:01:04:05.01; §§ 62:01:07:01 to 62:01:07:02, inclusive; §§ 62:01:07:04
to 62:01:07:07, inclusive; §§ 62:01:07:09.01 to 62:01:07:12.01, inclusive;
Chapter 62:01:08; Chapter 62:01:09; Article 62:03; and Article 62:04

The effect of the rules will be to repeal certain sections, chapters, and articles of administrative rules pertaining to SDRS.

The reason for adopting the proposed rules is because SDRS brought HB 1029 during the 2025 Legislative Session to update provisions of the South Dakota Retirement System, which rendered the above-identified rules duplicative or obsolete.

Persons interested in presenting amendments, data, opinions, and arguments for or against the proposed rules may appear in person at the hearing or mail or email them to South Dakota Retirement System, 222 E. Capitol Avenue, Pierre, SD, 57501, or email them to John.Richter@state.sd.us. The deadline to submit any such written comments for consideration by this part-time board is seventy-two hours before the public hearing date.

After the written comment period, the South Dakota Board of Trustees will consider all written and oral comments it receives on the proposed rules. The South Dakota Board of Trustees may modify or amend a proposed rule at that time to include or exclude matters described in this notice.

For Persons with Disabilities: This hearing will be held in a physically accessible place. Please contact the South Dakota Retirement System at least 48 hours before the public hearing if you have special needs for which special arrangements can be made by calling (605)773-3731.

Copies of the proposed rules may be obtained without charge from:

South Dakota Retirement System
222 East Capitol Avenue
Pierre, SD 5750
John.Richter@state.sd.us
(605) 773-8231

Published at the approximate cost of \$_____.

ARTICLE 62:01

RETIREMENT

Chapter

62:01:01	Definitions, <u>Repealed</u> .
62:01:02	Contributions.
62:01:03	Retirement benefit, <u>Repealed</u> .
62:01:04	Disability benefit.
62:01:05	Election of board of trustees.
62:01:06	Appeals.
62:01:07	Administration.
62:01:08	Benefit limits, <u>Repealed</u> .
62:01:09	Supplemental pension benefit, <u>Repealed</u> .

CHAPTER 62:01:01

DEFINITIONS

(Repealed)

Section

62:01:01:01	Definition of terms, <u>Repealed</u> .
62:01:01:02	Termination of marriage, <u>Repealed</u> .
62:01:01:03	Care of children, <u>Repealed</u> .
62:01:01:04	Repealed.

62:01:01:01. Definition of terms. ~~Terms defined in SDCL chapters 3-12C and 3-13A have the same meaning when used in this article. In addition, terms used in this article mean:~~

~~(1) "Disability advisory committee," a committee composed of the secretary of the Department of Human Services or a designee, a lawyer, and a physician, the latter two members both appointed by the executive director;~~

~~(2) "Represented group," a group entitled to elect one or more trustees pursuant to SDCL 3-12C-203 and 3-12C-204. The group to which a member belongs is determined from the records of the system;~~

~~(3) "Employment," for purposes of SDCL 3-12C-809, includes engagement of services by an employer who is not a participating unit and self-employment;~~

~~(4) "Class B public safety member," an individual who is a Class B member other than a justice, judge, or magistrate judge~~Repealed.

Source: 2 SDR 17, effective September 9, 1975; 3 SDR 13, effective August 25, 1976; transferred from § 47:07:01:01, effective July 1, 1979; 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; 24 SDR 160, effective May 24, 1998; 34 SDR 297, effective June 2, 2008; SL 2016, ch 31, § 62, effective July 1, 2016; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-101, 3-12C-204, 3-12C-801, 3-12C-803.~~

62:01:01:02. Termination of marriage. ~~For purposes of SDCL 3-12C-1001, termination of marriage shall occur upon the issuance by a court of a decree of divorce or annulment~~Repealed.

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211, 3-12C-1001.~~

Law Implemented: ~~SDCL 3-12C-1001.~~

62:01:01:03. Care of children. ~~For purposes of SDCL 3-12C-901, care of children is the responsibility for the maintenance, education, and supervision of one or more children~~Repealed.

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-901.~~

CHAPTER 62:01:02

CONTRIBUTIONS

Section

62:01:02:01 Determination of Class A or Class B member, Repealed.

62:01:02:02 Repealed.

62:01:02:03 Repealed.

62:01:02:04 Permanent full-time employee -- Probationary period, Repealed.

- 62:01:02:05 Repealed.
- 62:01:02:06 Refund of active contributions made during period of disability -- Granted credited service.
- 62:01:02:07 Leave of absence without pay during service purchase agreement -- Exception for leave of absence for military service.
- 62:01:02:08 Active membership defined by period of contributions -- Quarter of service based on contribution, Repealed.
- 62:01:02:09 Contribution reports -- Date – Transmittal, Repealed.
- 62:01:02:10 Preparation and expiration of a contract to purchase credited service.
- 62:01:02:11 Repealed.

62:01:02:01. Determination of Class A or Class B member. ~~A member is a Class A member until proof is supplied to the executive director that a member is a Class B member. The executive director shall change the records when a change of duties requires a change of class~~Repealed.

Source: 2 SDR 17, effective September 9, 1975; 3 SDR 13, effective August 25, 1976; transferred from § 47:07:02:01, effective July 1, 1979; 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; SL 2016, ch 31, § 63, effective July 1, 2016; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-202, 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-401, 3-12C-1106, 3-12C-1107.~~

62:01:02:04. Permanent full-time employee -- Probationary period. ~~An employee is a permanent full-time employee if the position held by that employee is classified as a permanent position and the person holding it is required to work 20 or more hours a week and at least 6 months a year. A probationary employee holding such a position is a permanent full-time employee.~~Repealed.

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-101, 3-12C-401.~~

62:01:02:06. Refund of active contributions made during period of disability -- Granted credited service. If a disabled member receiving credited service pursuant to SDCL 3-12C-808 and ~~§ 62:01:04:05.01~~ becomes employed by a member employer unit, the member and employer shall make active contributions during the period of such employment pursuant to SDCL 3-12C-401. Upon the member's conversion of disabled status to retired status, upon the member's termination of disabled status or upon the member's termination of employment, whichever occurs first, the member may request a refund of the member's accumulated contributions made during that period when the member also was receiving credited service due to the disability. The provisions of this section apply to any member whose application for disability benefits is received by the system prior to July 1, 2015.

Source: 33 SDR 212, effective June 4, 2007; SL 2014, ch 20, § 34, effective July 1, 2014; 45 SDR 142, effective July 1, 2019.

General Authority: SDCL 3-12C-211.

Law Implemented: SDCL 3-12C-104, 3-12C-808.

62:01:02:08. Active membership defined by period of contributions -- Quarter of service based on contribution. ~~The beginning of a member's period of active membership in the system is established by the date of the employer contribution report to the system that includes the member's initial employee and employer contributions. A member's active membership is terminated when the system receives notice of termination from an employer, accompanied by the member's final employee and employer contributions. If the system receives any employee and matching employer contributions on behalf of a member during a calendar quarter, the member shall be credited with a full calendar quarter of contributory service toward calculating the member's benefits or determining the member's eligibility for benefits, but not for determining whether a member's death was active status or inactive status.~~Repealed.

Source: 33 SDR 212, effective June 4, 2007; 36 SDR 21, effective August 17, 2009; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-401, 3-12C-403, 3-12C-405.~~

62:01:02:09. Contribution reports -- Date -- Transmittal. ~~If a participating unit has one or more than one pay date in a month, the participating unit shall prepare at least one contribution report per month. However, if a participating unit has no pay date for participating employees in a particular month, no report is required for that month. Each contribution report shall be dated no later than the last day of its month. The report shall include any pay date and~~

~~associated contributions for that month. The contribution report and associated contributions shall be transmitted to the system as outlined in SDCL 3-12C-403~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-401, 3-12C-403, 3-12C-405.~~

CHAPTER 62:01:03

RETIREMENT BENEFIT

(Repealed)

Section

- | | |
|----------------|---|
| 62:01:03:01 | Repealed. |
| 62:01:03:02 | Determination of eligibility for retirement benefit, <u>Repealed.</u> |
| 62:01:03:02.01 | Certification when retired member becomes reemployed -- Penalty, <u>Repealed.</u> |
| 62:01:03:03 | Repealed. |
| 62:01:03:04 | Independent status of the surviving spouse benefit if the member was retired or of retirement age, <u>Repealed.</u> |
| 62:01:03:05 | Privatized member's acquisition of certain service credit -- Retirement while continuing to work for a private employer, <u>Repealed.</u> |

62:01:03:02. Determination of eligibility for retirement benefit. ~~Upon receipt of an application for a retirement benefit, the executive director shall determine whether or not the applicant is eligible for the benefit~~Repealed.

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; SL 2016, ch 31, § 65, effective July 1, 2016; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-212, 3-12C-1106, 3-12C-1107, 3-12C-1113.~~

62:01:03:02.01. Certification when retired member becomes reemployed -- Penalty.

~~If a retired member becomes reemployed by the same employer unit the member retired from within one year after the member's retirement, the system may require both the member and the employer unit to certify that:~~

~~(1) The member's termination was a complete severance of employment and the member has been separated from service for three consecutive calendar months as outlined in SDCL 3-12C-1401;~~

~~(2) All standard hiring and employment procedures of the employer unit were followed in the reemployment process; and~~

~~(3) No prior agreement to reemploy the member, either overt or covert, existed between the member and the employer unit or any officer of the employer unit.~~

~~An employer unit's chief executive officer or the officer's agent or the chair of the employer's governing commission or board shall provide the certification on behalf of the employer unit. The system shall provide forms for the member's and the employer unit's certifications. An intentionally false certification provides grounds for legal recourse pursuant to SDCL 22-29-9.1~~Repealed~~.~~

Source: 36 SDR 21, effective August 17, 2009; SL 2016, ch 31, § 66, effective July 1, 2016; 45 SDR 142, effective July 1, 2019; 47 SDR 138, effective July 1, 2021.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-101, 3-12C-1401, 22-29-9.1.~~

62:01:03:04. Independent status of the surviving spouse benefit if the member was retired or of retirement age. ~~The benefit to a surviving spouse upon the death of a member who had retired or reached normal retirement age is an independent benefit belonging to the surviving spouse for the purpose of administering an existing qualified domestic relations order~~Repealed.

Source: 34 SDR 297, effective June 2, 2008; 35 SDR 82, effective October 22, 2008; 45 SDR 45, effective October 8, 2018; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-216, 3-12C-906, 3-12C-1114, 3-12C-1213, 3-12C-1214.~~

62:01:03:05. Privatized member's acquisition of certain service credit -- Retirement while continuing to work for a private employer. ~~Acquisition of years of service toward vesting or early retirement granted pursuant to SDCL 3-12C-310 ceases upon the member's termination of employment with the private employer, even if the member later returns to employment with that employer. A member in continuing employment with the private employer need not terminate the private employment in order to receive a retirement benefit from the system. However, the member may not acquire additional years of service after the member begins receiving the benefit~~Repealed.

Source: 37 SDR 214, effective May 30, 2011; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

~~Law Implemented: SDCL 3-12C-310.~~

CHAPTER 62:01:04

DISABILITY BENEFIT

Section

62:01:04:00	Application of chapter.
62:01:04:01	Repealed.
62:01:04:02	Disability -- Beginning of benefits.
62:01:04:03	Disability determination -- Disability advisory committee -- Medical examination.
62:01:04:04	Repealed.
62:01:04:05	Repealed.
62:01:04:05.01	Termination of disability benefit – Credited service, <u>Repealed</u> .
62:01:04:05.02	Credited service as employee while disabled.
62:01:04:06	Medical examination of member receiving disability benefit -- Refusal.
62:01:04:07	Participating unit -- Filing upon return to service.
62:01:04:08	Repealed.
62:01:04:09	Criteria for determining disability if contributory service ended before July 1, 1995 -- Position of comparable level.
62:01:04:09.01	Criteria for determining disability if contributory service ended after July 1, 1995 – Certification by employer.
62:01:04:10	Member receiving a disability benefit if service ended before July 1, 1994.
62:01:04:11	Repealed.
62:01:04:12	Repealed.

62:01:04:13 Income to be included in earned income.

62:01:04:05.01. Termination of disability benefit – Credited service. ~~If a member receiving a disability benefit ceases to be disabled, elects to convert to a retirement benefit, or is converted to a retirement benefit pursuant to SDCL 3-12C-808, the disability benefit shall terminate. The member shall receive credited service for the period during which the member receives a disability benefit, but, except as provided in SDCL 3-12C-808, not beyond the member's normal retirement age, Repealed.~~

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; 24 SDR 160, effective May 24, 1998; 36 SDR 21, effective August 17, 2009; SL 2017, ch 27, § 39, effective July 1, 2017; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-803, 3-12C-808.~~

CHAPTER 62:01:07

ADMINISTRATION

Section

- 62:01:07:01 Secretary to board – Filing, Repealed.
- 62:01:07:02 Inspection and correction of files, Repealed.
- 62:01:07:03 Waiver of privilege.
- 62:01:07:04 Authorized agents, Repealed.
- 62:01:07:05 Procedure for filling a vacancy on the board, Repealed.
- 62:01:07:06 Beneficiary designated by qualified domestic relations order, Repealed.

- 62:01:07:07 Prospective nature of qualified domestic relations orders, Repealed.
- 62:01:07:08 Repealed.
- 62:01:07:09 Lump-sum payments subsequent to annuity payments.
- 62:01:07:09.01 Opportunity to rescind election of annuity payment option – Overpayments, Repealed.
- 62:01:07:09.02 Rollover of lump-sum distribution by inactive member, Repealed.
- 62:01:07:10 Rollover of beneficiary payment by surviving spouse or other beneficiary, Repealed.
- 62:01:07:11 Repealed.
- 62:01:07:12 Member repayment of overpayments -- Options -- Interest -- Delayed repayment -- Failure to select an option -- Required notice and presumption, Repealed.
- 62:01:07:12.01 Repayment of overpayments by person other than member -- Options -- Interest -- Delayed repayment -- Failure to select an option -- Required notice and presumption, Repealed.
- 62:01:07:13 Administration of additional survivor protection contributions and coverage.

62:01:07:01. Secretary to board -- Filing. ~~The executive director shall act as secretary to the board. Any document required to be filed with the board shall be filed with the executive director.~~ Repealed.

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; SL 2016, ch 31, § 82, effective July 1, 2016; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

~~Law Implemented:~~ SDCL 3-12C-209.

62:01:07:02. Inspection and correction of files. ~~A member of the system, upon request, may inspect, during regular business hours, any file directly relating to the member. The member may request correction of any alleged errors in the file~~Repealed.

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; 45 SDR 142, effective July 1, 2019.

~~General Authority:~~ SDCL 3-12C-211.

~~Law Implemented:~~ SDCL 3-12C-405.

62:01:07:04. Authorized agents. ~~Each participating unit may appoint persons to serve as authorized agents. Each person so appointed shall be an employee of the participating unit. An authorized agent shall be the agent of the participating unit and shall provide liaison between the participating unit and the system~~Repealed.

Source: 6 SDR 87, effective March 2, 1980; 9 SDR 81, 9 SDR 124, effective July 1, 1983; 45 SDR 142, effective July 1, 2019.

~~General Authority:~~ SDCL 3-12C-211.

~~Law Implemented:~~ SDCL 3-12C-403, 3-12C-405.

62:01:07:05. Procedure for filling a vacancy on the board. ~~The executive director shall be notified of a vacancy on the board by the vacating board member, by the member's participating unit's governing body, by the member's employer, or by any other board member.~~

Upon the executive director's receipt of notice, the procedure to fill the vacancy shall be as follows:

- ~~(1) The executive director shall notify all members of the board of the vacancy;~~
- ~~(2) If circumstances permit, the executive director shall ask the incumbent to recommend a replacement to serve in the incumbent's stead;~~
- ~~(3) If the vacancy is for a trustee to serve on behalf of an employer represented group, the executive director shall notify the governing body of each participating unit affected by the vacancy of the vacancy and request the governing body's input in seeking a qualified candidate. The executive director shall solicit résumés of qualified persons from governing bodies and interested persons. The résumés shall be submitted to the executive director. If a state-wide association exists that is made up of members of the employer represented group, the executive director shall notify the association of the vacancy and request the association's input in seeking a qualified candidate. If the vacancy is for a trustee to serve on behalf of an employee represented group, the executive director shall notify all authorized agents for the group affected by the vacancy of the vacancy and request that all employees affected by the vacancy be advised of the vacancy. Any interested member of the represented group may submit his or her résumé to the executive director. If a state-wide association exists that is made up of members of the employee represented group, the executive director shall notify the association of the vacancy and request the association's input in seeking a qualified candidate;~~
- ~~(4) The executive director shall provide to each board member a copy of each résumé received; and~~

~~(5) At the next board meeting following a sufficient period of time to receive résumés, the board, by secret ballot, shall select a trustee from among those persons who submitted résumés~~Repealed.

Source: 31 SDR 191, effective May 22, 2005; 33 SDR 212, effective June 4, 2007; SL 2016, ch 31, § 84, effective July 1, 2016; SL 2019, ch 23, § 11, effective July 1, 2019; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-205.~~

62:01:07:06. Beneficiary designated by qualified domestic relations order. ~~If a qualified domestic relations order provides that a member's former spouse shall be treated as a beneficiary for any payment pursuant to SDCL 3-12C-409, the provision shall supersede any contrary beneficiary designation by the member. In any such instance, the provision of the qualified domestic relations order and the member's beneficiary designation shall be administered in a manner to give full effect to the order and both proportional and equitable effect to the member's designation of any beneficiary by the member~~Repealed.

Source: 32 SDR 203, effective June 5, 2006; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-216, 3-12C-409.~~

62:01:07:07. Prospective nature of qualified domestic relations orders. ~~The provisions of a qualified domestic relations order shall be prospective from the date of the order. Any division of benefits paid prior to the date of the order, service of the order upon the system, or~~

~~qualification of the order by the system, whichever is later, shall be the responsibility of the parties to the order. However, the executive director may agree to adjust future payments to remedy an error in prior payments if the error in prior payments involved the system~~Repealed.

Source: 32 SDR 203, effective June 5, 2006; SL 2016, ch 31, § 85, effective July 1, 2016; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-216.~~

62:01:07:09.01. Opportunity to rescind election of annuity payment option --

Overpayments. ~~No member may elect to change normal payment of the member's retirement annuity in favor of adjusted payments pursuant to SDCL 3-12C-1112, or the opposite, if more than one monthly retirement annuity payment has been made to the member. If a member who has received one adjusted payment pursuant to SDCL 3-12C-1112 elects to change to the normal method of payment, the system shall deduct in lump sum the amount of the resulting overpayment from the member's next monthly annuity payment. A deduction may be one hundred percent of the member's normal benefit, if necessary, and may extend to subsequent benefit payments, if necessary, to eliminate the overpayment in the shortest time possible~~Repealed.

Source: 37 SDR 214, effective May 30, 2011; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-1106, 3-12C-1107, 3-12C-1108, 3-12C-1112.~~

62:01:07:09.02. Rollover of lump-sum distribution by inactive member. ~~A member who elects to withdraw the member's accumulated contributions pursuant to SDCL 3-12C-602 may transfer a portion or all of the member's account by rollover to another plan which is eligible under § 401, 403(b), 408, 408A, or 457(b) of the Internal Revenue Code.~~Repealed.

Source: 37 SDR 214, effective May 30, 2011; 39 SDR 227, effective July 1, 2013; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-603.~~

Law Implemented: ~~SDCL 3-12C-603.~~

62:01:07:10. Rollover of beneficiary payment by surviving spouse or other beneficiary. ~~A member's surviving spouse may transfer a portion or all of the member's account by rollover to another plan which is eligible under §§ 401, 403(b), 408, 408A, or 457(b) of the Internal Revenue Code. A member's beneficiary who is not the member's surviving spouse may transfer a portion or all of the member's account by rollover to a plan which is eligible under § 408 or 408A of the Internal Revenue Code.~~Repealed.

Source: 33 SDR 212, effective June 4, 2007; 35 SDR 82, effective October 22, 2008; 39 SDR 227, effective July 1, 2013; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-409, 3-12C-410, 3-12C-603.~~

62:01:07:12. Member repayment of overpayments -- Options -- Interest -- Delayed repayment -- Failure to select an option -- Required notice and presumption. ~~Any member~~

~~required to repay an overpayment of benefits may choose one of the following repayment methods:~~

- ~~(1) Immediate repayment in a lump sum from other funds;~~
- ~~(2) Repayment by monthly installments over a period not to exceed three years, including interest at the system's assumed rate of return;~~
- ~~(3) Repayment by monthly benefit reductions over a period not to exceed three years, including interest at the system's assumed rate of return; or~~
- ~~(4) Repayment by an actuarial equivalent reduction in monthly benefits as follows:~~
 - ~~(a) If the member is a foundation member and does not have a spouse, the reduction shall continue for the member's lifetime. If the member is a foundation member with a potential surviving spouse benefit payable, the reduction shall reduce both the member's monthly benefits and the surviving spouse's monthly benefits and shall continue for both the member's and the surviving spouse's lifetimes; or~~
 - ~~(b) If the member is a generational member and elected a single life benefit, the reduction shall continue for the member's lifetime. If the member is a generational member with a joint and survivor benefit payable, the reduction shall reduce both the member's monthly benefits and the surviving spouse's monthly benefits and shall continue for both the member's and the surviving spouse's lifetimes.~~

~~If a member required to repay an overpayment does not choose a repayment option within two months after being given notice of the overpayment, the member is deemed to have chosen to make repayment by an actuarial equivalent reduction in monthly benefits. If repayment is pursuant to an actuarial equivalent reduction by either the member's choice or the member's failure to choose a repayment option, system staff shall inform the member that the reduction is~~

~~unlikely to result in repayment of the exact amount of the overpayment, plus interest if appropriate, and the member is presumed to so understand.~~

~~If repayment is delayed for more than three months, interest on the overpayment amount shall accrue during the period of delay at the system's assumed rate of return. If any overpayment is due to a system error, the executive director may absolve any interest accrual.~~Repealed.

Source: 36 SDR 21, effective August 17, 2009; SL 2016, ch 31, § 86, effective July 1, 2016; 45 SDR 45, effective October 8, 2018; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211, 3-12C-214.~~

Law Implemented: ~~SDCL 3-12C-214.~~

62:01:07:12.01. Repayment of overpayments by person other than member -- Options -- Interest -- Delayed repayment -- Failure to select an option -- Required notice and presumption. ~~Any person other than a member who is required to repay an overpayment of benefits may choose one of the following repayment methods:~~

- ~~(1) Immediate repayment in a lump sum from other funds;~~
- ~~(2) Repayment by monthly installments over a period not to exceed three years, including interest at the system's assumed rate of return;~~
- ~~(3) Repayment by monthly benefit reductions over a period not to exceed three years, including interest at the system's assumed rate of return; or~~
- ~~(4) Repayment by an actuarial equivalent reduction in monthly benefits that shall continue as long as the benefit is paid.~~

~~If the person required to repay an overpayment is receiving a benefit from the system and does not choose a repayment option within two months after being given notice of~~

~~the overpayment, the person is deemed to have chosen to make repayment by an actuarial equivalent reduction in monthly benefits. If repayment is pursuant to an actuarial equivalent reduction by either the person's choice or the person's failure to choose a repayment option, system staff shall inform the person that the reduction is unlikely to result in repayment of the exact amount of the overpayment plus interest if appropriate, and the person is presumed to so understand.~~

~~If repayment is delayed for more than three months, interest on the overpayment amount shall accrue during the period of delay at the system's assumed rate of return. If any overpayment is due to a system error, the executive director may absolve any interest accrual.~~
Repealed.

Source: 45 SDR 45, effective October 8, 2018; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211, 3-12C-214.~~

Law Implemented: ~~SDCL 3-12C-214.~~

CHAPTER 62:01:08

BENEFIT LIMITS

(Repealed)

Section

62:01:08:01	Maximum annual benefit, <u>Repealed.</u>
62:01:08:02	Repealed.
62:01:08:03	Applicability of limits, <u>Repealed.</u>
62:01:08:04	Repealed.

62:01:08:01. Maximum annual benefit. ~~Annual benefits payable to a member may not exceed the amount provided in § 415(b) of the Internal Revenue Code, as indexed pursuant to § 415(d)(1) of the Internal Revenue Code~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002; 39 SDR 227, effective July 1, 2013; 45 SDR 45, effective October 8, 2018; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-711.~~

Law Implemented: ~~SDCL 3-12C-711.~~

62:01:08:03. Applicability of limits. ~~If a member has been credited with less than 10 years of credited service, the maximum annual retirement benefit shall be reduced by multiplying the maximum annual pension by a fraction, the numerator of which is the number of the member's years of credited service and the denominator of which is 10.~~

~~The limits in § 62:01:08:01 apply to a straight life annuity with no ancillary benefits and to an annuity that constitutes a qualified joint and survivor annuity, provided payment begins between ages 62 and 65. The limits, however, do not apply to any portion of a benefit resulting from required member contributions made on an after-tax basis. If payment begins before age 62, the limits shall be reduced so that they are actuarially equivalent to such a benefit beginning at age 62. For police or fire fighters who are members of the system, the limit may not be reduced for retirement before age 62, regardless of retirement age, provided that the member has completed at least 15 years of credited service. If a member's benefit is limited by the maximum annual retirement benefit, the member may be eligible for a benefit as determined by SDCL 3-12C-1805. The interest assumption for purposes of determining actuarial equivalency under this~~

~~section is five percent annually and the mortality assumption is the Applicable Mortality Table under § 417(e)(3) of the Internal Revenue Code, as the code is defined in § 3-12C-101~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002; 33 SDR 212, effective June 4, 2007; 39 SDR 227, effective July 1, 2013; SL 2017, ch 27, § 45, effective July 1, 2017; 45 SDR 142, effective July 1, 2019; 47 SDR 138, effective July 1, 2021.

General Authority: ~~SDCL 3-12C-711.~~

Law Implemented: ~~SDCL 3-12C-711.~~

CHAPTER 62:01:09

SUPPLEMENTAL PENSION BENEFIT

(Repealed)

Section

- 62:01:09:01 Definition of participant, Repealed.
- 62:01:09:02 System may pay a single monthly payment, Repealed.
- 62:01:09:03 Proof of participant's marital status, Repealed.
- 62:01:09:04 Increase in supplemental pension spouse's benefit, Repealed.
- 62:01:09:05 No increase in value of single premium, Repealed.
- 62:01:09:06 Participant's status as a retiree, Repealed.
- 62:01:09:07 Basis for monthly benefit, Repealed.
- 62:01:09:08 Distributions deemed reasonable and made in good faith under federal law, Repealed.

62:01:09:01. Definition of participant. ~~For purposes of this chapter, the term, participant, has the same meaning as the term, supplemental pension participant, as defined in SDCL 3-12C-101~~Repealed.

Source: 34 SDR 297, effective June 2, 2008; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-101.~~

62:01:09:02. System may pay a single monthly payment. ~~The system may pay the participant's monthly supplemental pension benefit and the participant's monthly retirement benefit in a single payment. However, for all other purposes, each shall be regarded as a separate benefit, including provision of a separate Internal Revenue Service Form 1009-R for each by the system~~Repealed.

Source: 34 SDR 297, effective June 2, 2008; SL 2017, ch 27, § 46, effective July 1, 2017; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-1503.~~

62:01:09:03. Proof of participant's marital status. ~~A participant who is married at the time that the participant contracts for a supplemental pension benefit shall provide a copy of the participant's marriage license to the system~~Repealed.

Source: 34 SDR 297, effective June 2, 2008; 43 SDR 57, effective October 17, 2016; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

~~Law Implemented:~~ ~~SDCL 3-12C-1504.~~

62:01:09:04. Increase in supplemental pension spouse's benefit. ~~A supplemental pension spouse's benefit shall receive an annual increase in the same manner as does a participant's benefit~~Repealed.

Source: 34 SDR 297, effective June 2, 2008; 45 SDR 142, effective July 1, 2019.

~~General Authority:~~ ~~SDCL 3-12C-211.~~

~~Law Implemented:~~ ~~SDCL 3-12C-1504, 3-12C-1505.~~

62:01:09:05. No increase in value of single premium. ~~For purposes of calculating any beneficiary payment, a participant's single premium does not increase in value during the period of the supplemental pension contract~~Repealed.

Source: 34 SDR 297, effective June 2, 2008; 45 SDR 142, effective July 1, 2019.

~~General Authority:~~ ~~SDCL 3-12C-211.~~

~~Law Implemented:~~ ~~SDCL 3-12C-101, 3-12C-1506.~~

62:01:09:06. Participant's status as a retiree. ~~For purposes of this chapter, a member of the system who has received payment of at least one monthly retirement benefit is a retiree, even if the member has returned to employment with a member unit, either with or without suspension of the retirement benefit~~Repealed.

Source: 34 SDR 297, effective June 2, 2008; SL 2017, ch 27, § 47, effective July 1, 2017; 45 SDR 142, effective July 1, 2019.

~~General Authority:~~ ~~SDCL 3-12C-211.~~

~~Law Implemented:~~ ~~SDCL 3-12C-101, 3-12C-1503.~~

62:01:09:07. Basis for monthly benefit. ~~A participant's monthly benefit shall be based on the participant's single premium and the current interest rate assumption at the time of purchase, and shall take into account the participant's age, gender, and marital status at the time of purchase. A participant shall have no expectation or fundamental right to any particular monthly benefit amount on any other basis, including the amount of a monthly benefit being paid to another participant~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 45 SDR 142, effective July 1, 2019.

~~General Authority:~~ ~~SDCL 3-12C-211.~~

~~Law Implemented:~~ ~~SDCL 3-12C-1502, 3-12C-1504.~~

62:01:09:08. Distributions deemed reasonable and made in good faith under federal law. ~~Pursuant to Internal Revenue Service Treasury Regulation 1.401(a)(9)-1, any supplemental pension benefit calculation or payment is deemed to be reasonable and made in good faith under § 401(a)(9) of the Internal Revenue Code~~Repealed.

Source: 37 SDR 214, effective May 30, 2011; 39 SDR 227, effective July 1, 2013; 45 SDR 142, effective July 1, 2019.

~~General Authority:~~ ~~SDCL 3-12C-211.~~

~~Law Implemented:~~ ~~SDCL 3-12C-1501, 3-12C-1507, 3-12C-1508.~~

ARTICLE 62:03
DEFERRED COMPENSATION PLAN

(Repealed)

Chapter

62:03:01	Definitions, <u>Repealed</u> .
62:03:02	Participation in plan, <u>Repealed</u> .
62:03:03	Amounts of deferrals, <u>Repealed</u> .
62:03:04	Participants' accounts and investments, <u>Repealed</u> .
62:03:05	Distributions, <u>Repealed</u> .
62:03:06	Administration, <u>Repealed</u> .
62:03:07	Automatic enrollment, <u>Repealed</u> .

CHAPTER 62:03:01

DEFINITIONS

(Repealed)

Section

62:03:01:01	Definitions, <u>Repealed</u> .
62:03:01:02	Designated Roth contributions treated as deferrals, <u>Repealed</u> .

62:03:01:01. Definitions. ~~In addition to the terms defined in SDCL 3-13-55, terms used in this article mean:~~

———(1) "Account," the record for each participant reflecting the amount of the participant's deferrals, allocated investment gains and losses, and administrative charges against those amounts;

———(2) "Accounting date," the date on which an investment is valued and the total investment return is allocated to a participant's account;

———(3) "Executive director," the executive director of the South Dakota Retirement System;

———(4) "Automatic enrollee," a person who becomes an employee of an automatic enrollment unit;

———(5) "Automatic enrollment unit," any unit of state or local government that participates in the system and whose leadership chooses to extend the automatic enrollment provisions of chapter 62:03:07 to the unit's employees;

———(6) "Board," the Board of Trustees of the South Dakota Retirement System;

———(7) "Compensation," total cash remuneration paid to an employee by a participating employer for personal services rendered to the participating employer;

———(8) "Deferred compensation" or "deferrals," the portion of a participant's compensation deferred pursuant to this plan, including pre-tax contributions, designated Roth contributions, or both;

———(9) "Dependent," a participant's qualifying child or a participant's qualifying relative, each as defined in § 152 of the Internal Revenue Code;

———(10) "Designated Roth contributions," a participant's deferred compensation that is includable in the participant's gross income at the time deferred and has been irrevocably designated as Roth contributions by the participant in accordance with federal law;

~~—— (11) "Employee," a person providing services to the state or a political subdivision of the state for which compensation is paid by a participating employer, including employees of any agency, board, or commission of the state and its political subdivisions; members of the Legislature; members of any board or commission of the state and any of its political subdivisions; and persons furnishing services to the state or any political subdivision pursuant to a contract as independent contractors;~~

~~—— (12) "Includible compensation," the compensation remaining after subtracting any pre-tax contributions under the plan;~~

~~—— (13) "Normal retirement date," the date a participant retires pursuant to a participating employer's retirement plan without reduced benefits;~~

~~—— (14) "Participant," an employee of a participating employer who elects to participate in the plan;~~

~~—— (15) "Participating employer," the state of South Dakota, any of its agencies, boards, and commissions, and any political subdivision as identified in § 62:03:02:01;~~

~~—— (16) "Participation agreement," the written agreement between employer and employee under which compensation is deferred pursuant to this plan;~~

~~—— (17) "Pre-tax contributions," a participant's deferred compensation that is not includable in the participant's gross income at the time deferred;~~

~~—— (18) "Severance from employment," the complete severance of a participant's employment relationship with a participating employer as set out in § 457(d)(1)(A)(ii) of the code;~~

~~—— (18A) "System," the South Dakota Retirement System created in SDCL chapter 3-12C;~~

~~—— (19) "Third-party administrator," a person who, pursuant to contract, handles administration of the plan on behalf of the board and the administrator;~~

~~—— (20) "Unforeseeable emergency," severe financial hardship to a participant resulting from an illness or accident of the participant, of a dependent of the participant, or of a designated beneficiary of the participant, funeral expenses of a dependent of the participant or of a designated beneficiary of the participant, severe loss of income that is completely beyond the control of the participant, loss of the participant's property due to casualty, imminent foreclosure or eviction from a participant's primary residence, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant; and~~

~~—— (21) "Vendor," a person or organization selected by the state investment officer to provide investment or insurance products to the plan~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002; 33 SDR 212, effective June 4, 2007; 35 SDR 82, effective October 22, 2008; 39 SDR 227, effective July 1, 2013; 41 SDR 219, effective July 1, 2015; SL 2016, ch 31, § 88, effective July 1, 2016; 45 SDR 45, effective October 8, 2018; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-13-54, 3-13-57.~~

Law Implemented: ~~SDCL 3-13-49, 3-13-57.~~

62:03:01:02. Designated Roth contributions treated as deferrals. ~~Unless specifically stated otherwise, designated Roth contributions shall be treated as deferred compensation for all purposes under the plan~~Repealed.

Source: 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-57.~~

Law Implemented: ~~SDCL 3-13-57.~~

CHAPTER 62:03:02

PARTICIPATION IN PLAN

(Repealed)

Section

62:03:02:01	Participation by political subdivisions, <u>Repealed.</u>
62:03:02:02	Participation by employees, <u>Repealed.</u>
62:03:02:03	Enrollment of participants, <u>Repealed.</u>
62:03:02:04	Participation agreement, <u>Repealed.</u>
62:03:02:05	Modification of enrollment, <u>Repealed.</u>
62:03:02:05.01	Employer contributions -- System contributions – Vesting, <u>Repealed.</u>
62:03:02:06	Revocation of enrollment, <u>Repealed.</u>
62:03:02:07	Designation of beneficiary – Distribution of benefits, <u>Repealed.</u>
62:03:02:08	Deferred compensation plans only as supplemental retirement plans, <u>Repealed.</u>
62:03:02:09	Participation restrictions on or after an unforeseeable emergency distribution, <u>Repealed.</u>

62:03:02:01. Participation by political subdivisions. ~~Any political subdivision which participates in the South Dakota retirement system provided in SDCL 3-12C or which~~

~~participates in a previously established retirement plan pursuant to SDCL 3-12C-304 is a participating employer in the plan~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 24 SDR 160, effective May 24, 1998; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-49.~~

62:03:02:02. Participation by employees. ~~Any employee receiving compensation from a participating employer may elect to participate in the plan~~Repealed.

Source: 14 SDR 57, effective October 18, 1987.

General Authority: ~~SDCL 3-13-49, 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:02:03. Enrollment of participants. ~~An eligible employee may become a participant by signing a participation agreement. Participation becomes effective on the first day of the month following the date on which the participation agreement is signed. If a new employee signs and files a participation agreement on the employee's date of hire, that agreement may become effective immediately. The plan may not accept any deferrals unless a signed participation agreement is on file in the office of the executive director or the third party administrator~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; SL 2016, ch 31, § 89, effective July 1, 2016.

General Authority: ~~SDCL 3-13-54.~~

~~Law Implemented:~~ ~~SDCL 3-13-49.~~

62:03:02:04. Participation agreement. ~~The executive director shall establish a form of participation agreement which includes the name, address, social security number, and birthdate of the participant and the participant's beneficiary; the name and address of the participant's employer; the participant's selection of investment alternatives; and any other information necessary for the administration of the plan~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; SL 2016, ch 31, § 90, effective July 1, 2016.

~~General Authority:~~ ~~SDCL 3-13-54.~~

~~Law Implemented:~~ ~~SDCL 3-13-50.~~

62:03:02:05. Modification of enrollment. ~~Subject to the limitations contained in this article, a participant may modify the terms of the participant's participation at any time~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998.

~~General Authority:~~ ~~SDCL 3-13-54.~~

~~Law Implemented:~~ ~~SDCL 3-13-49.~~

62:03:02:05.01. Employer contributions -- System contributions -- Vesting. ~~A participating employer or the system may make contributions to a participant's account on behalf of the participant, except during an automatic enrollee's 90-day opt-out period as outlined in § 62:03:07:03. Any employer contributions shall be pursuant to a written agreement as outlined in SDCL 3-13-49.1. The agreement may require contributions by a participant in order to qualify~~

~~for employer contributions and may establish employer contribution rates that partially or fully match the participant's contributions. The board shall establish any system contributions. The board may require contributions by a participant in order to qualify for system contributions and may establish system contribution rates that partially or fully match the participant's contributions. Any employer contributions or system contributions shall vest immediately with the participant~~Repealed.

Source: 35 SDR 82, effective October 22, 2008.

General Authority: ~~SDCL 3-13-45.~~

Law Implemented: ~~SDCL 3-13-56.~~

62:03:02:06. Revocation of enrollment. ~~A participant may cease making deferrals at any time~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-49.~~

62:03:02:07. Designation of beneficiary – Distribution of benefits. ~~A participant may designate a beneficiary to receive the participant's benefits under the plan in case of the death of the participant. If the beneficiary does not survive the participant or if no beneficiary is designated, the participant's benefits shall be paid as follows:~~

- ~~(1) To the participant's surviving spouse;~~
- ~~(2) If there is no surviving spouse, then to all surviving children of the participant, irrespective of age, on a share-alike basis; or~~

~~(3) If there is no surviving spouse and there are no surviving children, then to the participant's estate~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 33 SDR 212, effective June 4, 2007.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:02:08. Deferred compensation plans only as supplemental retirement plans.

~~No political subdivision may maintain as its principal retirement plan a deferred compensation plan unless the deferred compensation plan was established prior to 1974. Any deferred compensation plan established pursuant to SDCL chapter 3-13 may only be supplemental or secondary to the political subdivision's primary plan~~Repealed.

Source: 33 SDR 212, effective June 4, 2007; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-12C-211.~~

Law Implemented: ~~SDCL 3-12C-304, 3-12C-305, 3-13-49.1.~~

62:03:02:09. Participation restrictions on or after an unforeseeable emergency distribution. ~~If a participant receives approval of an unforeseeable emergency distribution pursuant to § 62:03:05:06, the participant shall cease deferrals to the plan before the distribution may be completed. The participant may not resume deferrals to the plan for six months after the distribution~~Repealed.

Source: 36 SDR 21, effective August 17, 2009.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

CHAPTER 62:03:03

AMOUNTS OF DEFERRALS

(Repealed)

Section

62:03:03:01	Minimum deferral, <u>Repealed</u> .
62:03:03:02	Maximum deferral, <u>Repealed</u> .
62:03:03:02.01	Roth contributions allowed -- Roth and other deferrals permitted in same year -- Limits, <u>Repealed</u> .
62:03:03:03	Catch up, <u>Repealed</u> .
62:03:03:03.01	Alternative catch up, <u>Repealed</u> .
62:03:03:03.02	Mandated choice between catch up provisions, <u>Repealed</u> .
62:03:03:04	Repealed.

62:03:03:01. Minimum deferral. ~~A participant may not defer less than \$25 a month~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989.

General Authority: ~~SDCL 3-13-49, 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:03:02. Maximum deferral. ~~Except as provided in § 62:03:03:03, a participant may not defer more in any plan year than the lesser of the applicable dollar amount associated with a particular year pursuant to § 457(e)(15)(A) of the code, as indexed after 2006 pursuant to~~

~~§ 457(e)(15)(B) of the code, or one hundred percent of the participant's includible compensation~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:03:02.01. Roth contributions allowed -- Roth and other deferrals permitted in same year -- Limits. ~~A participant may designate that all or a portion of the participant's deferred compensation be treated as designated Roth contributions. A participant may defer both designated Roth contributions and pre-tax contributions in the same year. However, total deferrals may not exceed the annual deferral limit provided in § 62:03:03:02~~Repealed.

Source: 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-57.~~

Law Implemented: ~~SDCL 3-13-57.~~

62:03:03:03. Catch up. ~~Effective for each of the three calendar years immediately preceding a participant's normal retirement date, a participant may defer twice the dollar amount specified in § 62:03:03:02~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:03:03.01. Alternative catch up. ~~Effective for any year that a participant is age 50 years or older, the participant may make an additional elective deferral equal to the applicable dollar amount associated with a particular year pursuant to § 414(v)(2)(B) of the code, as indexed after December 31, 2006, pursuant to § 414(v)(2)(C) of the code, in addition to the participant's maximum deferral under § 62:03:03:02~~Repealed.

Source: 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:03:03.02. Mandated choice between catch up provisions. ~~A participant may not exercise both the provisions of § 62:03:03:03 and the provisions of § 62:03:03:03.01 in the same year~~Repealed.

Source: 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

CHAPTER 62:03:04

PARTICIPANTS' ACCOUNTS AND INVESTMENTS

(Repealed)

Section

62:03:04:01 Repealed.

62:03:04:02	Ownership of deferrals and investments -- Assets held in trust -- Time limit on transfers, <u>Repealed</u> .
62:03:04:03	Election of investments by participants, <u>Repealed</u> .
62:03:04:04	Transfer of funds, <u>Repealed</u> .
62:03:04:05	Establishment of accounts, <u>Repealed</u> .
62:03:04:05.01	Additional recordkeeping requirements -- Designated Roth accounts, <u>Repealed</u> .
62:03:04:06	Allocation of investment return -- Accounting date, <u>Repealed</u> .
62:03:04:07	Accounting dates and valuation, <u>Repealed</u> .
62:03:04:08	Participant statements, <u>Repealed</u> .

62:03:04:02. Ownership of deferrals and investments – Assets held in trust -- Time limit on transfers. ~~A participant does not have actual ownership of deferrals and investments but has a contractual right to receive benefits under the plan. In accordance with § 457(g) of the code, all amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts shall be held in trust for the exclusive benefit of the participant until paid or made available to the participant or the participant's beneficiary pursuant to the plan. Any trust under the plan shall be established pursuant to a written agreement that constitutes a valid trust under the law of South Dakota.~~

~~All amounts of compensation deferred under the plan shall be transferred to a trust established under the plan within a period that is not longer than is reasonable for the proper administration of the accounts of participants. To comply with this requirement, all amounts of compensation deferred under the plan shall be transferred to a trust established under the plan not~~

~~later than 15 business days after the end of the month in which the compensation would otherwise have been paid to the employee~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-53, 3-13-54.~~

62:03:04:03. Election of investments by participants. ~~Each participant may elect to have deferrals invested in one or more of the investment alternatives selected by the state investment officer. A participant may change the election for future deferrals at any time~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:04:04. Transfer of funds. ~~Subject to any limitations imposed by a vendor or by a third party administrator, a participant may elect to transfer any portion of the account balance from one offered investment alternative to another at any time, provided notice is given to the third party administrator. Any costs associated with such a transfer shall be borne by the participant and shall be deducted from the account~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 14 SDR 95, effective January 10, 1988; 24 SDR 160, effective May 24, 1998.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-53, 3-13-54.~~

62:03:04:05. Establishment of accounts. ~~An account shall be established for each participant's pre-tax contributions. A separate account shall be established for each participant's designated Roth contributions. The accounts shall be the basis for any distribution to the participant or to the participant's beneficiary, surviving spouse, surviving children, or estate pursuant to § 62:03:02:07~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-54, 3-13-57.~~

Law Implemented: ~~SDCL 3-13-53, 3-13-54, 3-13-57.~~

62:03:04:05.01. Additional recordkeeping requirements -- Designated Roth accounts. ~~No contributions other than designated Roth contributions and properly attributable investment return may be credited to a participant's designated Roth account. The plan shall maintain separate recordkeeping for each designated Roth account and shall record the year in which the participant first made a designated Roth contribution~~Repealed.

Source: 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-57.~~

Law Implemented: ~~SDCL 3-13-57.~~

62:03:04:06. Allocation of investment return – Accounting date. ~~The total investment return on any offered investment shall be allocated to the account of each participant based on the proportion the participant's account bears to all other accounts which have been invested in the same investment alternative. Allocations shall be made on each accounting date. The last day of each calendar quarter is an accounting date. The board may provide additional accounting dates~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-53, 3-13-54.~~

62:03:04:07. Accounting dates and valuation. ~~Each offered investment alternative shall be valued on each accounting date. The valuation shall be at market value. Any charges against the value shall be explicitly disclosed~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-53, 3-13-54.~~

62:03:04:08. Participant statements. ~~Each participant shall be provided with a statement of the participant's account by no later than 45 days after the close of each plan quarter~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-53, 3-13-54.~~

CHAPTER 62:03:05

DISTRIBUTIONS

(Repealed)

Section

62:03:05:01	Conditions for distribution, <u>Repealed</u> .
62:03:05:02	Selection of normal retirement date -- Amendment, <u>Repealed</u> .
62:03:05:03	Severance from employment, <u>Repealed</u> .
62:03:05:04	Beginning of distribution, <u>Repealed</u> .
62:03:05:05	Form of distribution -- Period of distribution, <u>Repealed</u> .
62:03:05:05.01	Distribution directed by participant, <u>Repealed</u> .
62:03:05:06	Unforeseeable emergency, <u>Repealed</u> .
62:03:05:07	In-service distributions of small amounts -- Calculation -- Handling of certain involuntary distributions, <u>Repealed</u> .
62:03:05:08	Distributions deemed reasonable and made in good faith under federal law, <u>Repealed</u> .

62:03:05:01. Conditions for distribution. ~~Deferrals may only be distributed if one of the following conditions has occurred;~~

- ~~(1) Severance from employment with a participating employer;~~
- ~~(2) Death of the participant;~~
- ~~(3) An unforeseeable emergency as set out in § 62:03:05:06;~~
- ~~(4) Requirements are satisfied for an in-service distribution as set out in § 62:03:05:07;~~

~~or~~

~~(5) A participant is called to perform qualified military service for a period in excess of 30 days~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 28 SDR 111, effective February 14, 2002; 33 SDR 212, effective June 4, 2007; 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-49, 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:05:02. Selection of normal retirement date – Amendment. ~~A participant may select a normal retirement date. The normal retirement date may not be earlier than the date on which the participant severs the participant's employment. If a participant does not make a selection, the participant's normal retirement date is as defined in SDCL chapter 3-12C~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:05:03. Severance from employment. ~~If a participant returns to employment or enters into a contract with a participating employer within 30 days after a severance from employment, no severance from employment occurs for the purposes of the plan. If a participant provided contractual services to a participating employer, severance from employment occurs at the expiration of all contracts with a participating employer without expectation of any future employment or contractual relationship with any participating employer~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-49, 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:05:04. Beginning of distribution. ~~Distribution of deferrals to a participant shall begin no earlier than 30 days following the participant's severance from employment with a participating employer. Any irrevocable election of a benefit commencement date made by a participant or a beneficiary prior to January 1, 2002, and any defaulted distribution other than a defaulted distribution to an annuity option are revocable as of January 1, 2002. No distribution to an independent contractor of a participating employer may begin until one year after the date on which all contracts with any participating employer have expired. Notwithstanding the foregoing, distributions of deferrals must be made in accordance with SDCL 3-13-58 to 3-13-63, inclusive.~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002; 47 SDR 138, effective July 1, 2021.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:05:05. Form of distribution – Period of distribution. ~~A participant may elect to receive the participant's distribution in any of the following forms:~~

~~(1) A lump sum;~~

~~(2) Equal monthly installments over a fixed period; or~~

~~(3) Any other form offered by the third party administrator.~~

~~The election must be made prior to the time any amounts become payable. A participant or a beneficiary who has chosen a payment form other than an annuity shall have the ability to change that payment option, subject to any administrative restrictions and charges established by the board.~~

~~If the distribution begins prior to the participant's death, the entire interest shall be distributed over the life expectancy of the participant or the life expectancies of the participant and a designated beneficiary. Any amount not distributed during the participant's life must be distributed after the participant's death at least as rapidly as under the distribution method being used on the date of the participant's death. If the distribution begins after the participant's death, the entire amount payable to the participant must be paid during a period of no more than five years, unless the distribution commences within one year and the participant's spouse is the named beneficiary, then during the life expectancy of the surviving spouse~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:05:05.01. Distribution directed by participant. ~~A participant may direct from which contributions a withdrawal, including a withdrawal on account of an unforeseeable emergency, shall be made. The participant may direct that the withdrawal be taken from either~~

~~pre-tax contributions or designated Roth contributions, or from both pre-tax contributions and designated Roth contributions~~Repealed.

Source: 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-57.~~

Law Implemented: ~~SDCL 3-13-57.~~

62:03:05:06. Unforeseeable emergency. ~~If a participant suffers an unforeseeable emergency, the participant may request an immediate distribution of all or part of the participant's deferrals. The request shall be made through an application to the third party administrator. If the third party administrator approves the request, the distribution shall be made to the extent necessary to satisfy the need, including payment of federal income tax withholding, if necessary. If the third party administrator denies the request, the participant may appeal the denial by giving notice of intention to appeal within 30 days after the date of the notice of denial. No distribution may be made to the extent that the unforeseeable emergency may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the participant's assets to the extent that the liquidation does not cause severe financial hardship, or by discontinuation of deferrals under the plan. The need to send a participant's child to college, divorce proceedings, or the desire to purchase a home are not considered unforeseeable emergencies. Any amount that is distributed on account of an unforeseeable emergency is not an eligible rollover distribution and the participant may not elect to have any portion of the distribution paid directly to an eligible retirement plan.~~

~~The provisions of this section do not apply if a distribution may be made pursuant to § 62:03:05:07~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002; 33 SDR 212, effective June 4, 2007; 34 SDR 297, effective June 2, 2008; SL 2016, ch 31, § 91, effective July 1, 2016; 45 SDR 142, effective July 1, 2019; 47 SDR 138, effective July 1, 2021.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:05:07. In-service distributions of small amounts -- Calculation -- Handling of certain involuntary distributions. ~~Any other provision of this chapter notwithstanding, a participant may receive an in-service distribution from the plan, or the executive director may render an involuntary distribution to the participant, under the following conditions:~~

~~(1) The participant is inactive in the plan and has made no deferrals for at least two years prior to the distribution;~~

~~(2) The total distribution—whether elective or involuntary or both—does not exceed \$5,000; and~~

~~(3) The participant previously has not received either an elective or an involuntary distribution under the plan.~~

~~If implementing subdivision (2) of this section, the value of a participant's nonforfeitable account balance shall be determined without regard to that portion of the account balance attributable to rollover contributions, and earning allocable thereto, within the meaning of §§ 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e) of the Internal Revenue Code.~~

~~If an involuntary distribution is in excess of \$1,000 and if the participant does not elect to have the distribution transferred to an eligible retirement plan pursuant to § 401(a)(31) of the~~

~~Internal Revenue Code or does not elect to receive the distribution directly, the distribution shall be transferred to an individual retirement plan of a designated trustee or issuer. The executive director shall notify the participant in writing that the distribution may be transferred to another individual retirement plan~~Repealed.

Source: 24 SDR 160, effective May 24, 1998; 28 SDR 111, effective February 14, 2002; SL 2016, ch 31, § 92, effective July 1, 2016.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:05:08. Distributions deemed reasonable and made in good faith under federal law. Pursuant to ~~Internal Revenue Service Treasury Regulation 1.401(a)(9)-1, any distribution under §§ 62:03:05:04 and 62:03:05:05 is deemed to be reasonable and made in good faith under § 401(a)(9) of the Internal Revenue Code~~Repealed.

Source: 37 SDR 214, effective May 30, 2011; 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

CHAPTER 62:03:06

ADMINISTRATION

(Repealed)

Section

62:03:06:01 Conflict of interest, Repealed.

62:03:06:02 Assignment, Repealed.

- 62:03:07:02.01 Members employed by participating employers other than the state before automatic enrollment established, Repealed.
- 62:03:06:03 Trustee-to-trustee transfer and rollover into account, Repealed.
- 62:03:06:03.01 Trustee-to-trustee transfer from account, Repealed.
- 62:03:06:03.02 Rollover from account, Repealed.
- 62:03:06:03.03 In-plan Roth conversion, Repealed.
- 62:03:06:04 Operation of plan for benefit of participants -- Assets held in trust, Repealed.
- 62:03:06:05 Repealed.
- 62:03:06:06 Filing of required forms, Repealed.
- 62:03:06:07 Correction of errors -- Excess deferrals, Repealed.
- 62:03:06:08 Correction of errors -- Payroll error, Repealed.

62:03:06:01. Conflict of interest. ~~No employee of a participating employer and no spouse or dependent of the employee may act as or represent a third party administrator or a vendor in a matter concerning the plan, except that the South Dakota investment council and its employees may invest all or part of the fund~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-51.1, 3-13-54.~~

62:03:06:02. Assignment. ~~No participant may assign or otherwise alienate any right to benefits under the plan except through the provisions of a qualified domestic relations order as defined in § 414(p) of the code~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 33 SDR 212, effective June 4, 2007.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-51.1, 3-13-54.~~

62:03:06:03. Trustee-to-trustee transfer and rollover into account. ~~To the extent permitted by law, a participant may transfer a portion or all of the participant's account in another plan which is eligible under § 401, 403(b), 408, or 457(b) of the code into this plan by trustee to-trustee transfer or by rollover. The plan shall account for such amounts separately. A participant may rollover designated Roth contributions into the plan only if the contributions are a direct rollover from another plan that permits designated Roth contributions as described in section 402A(e)(1) of the code and only to the extent the rollover is permitted under section 402(e). The plan shall establish and maintain separate recordkeeping for any Roth rollover paid to the plan from any eligible retirement plan and shall record the year in which the participant first made a designated Roth rollover~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 28 SDR 111, effective February 14, 2002; 34 SDR 297, effective June 2, 2008; 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-54, 3-13-57.~~

Law Implemented: ~~SDCL 3-13-54, 3-13-57.~~

62:03:06:03.01. Trustee-to-trustee transfer from account. ~~For the purpose of acquiring credited service in a qualified governmental defined benefit retirement plan as identified under § 401(a) and defined in § 414(d) of the code, a participant may transfer a portion or all of the participant's account in the plan by trustee-to-trustee transfer to the government defined benefit retirement plan~~Repealed.

Source: 28 SDR 111, effective February 14, 2002.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:06:03.02. Rollover from account. ~~A participant or a participant's surviving spouse may transfer a portion or all of the participant's account by rollover to another plan which is eligible under § 401, 403(b), 408, 408A, or 457 of the code. A participant's beneficiary who is not the participant's surviving spouse may transfer a portion or all of the participant's account by rollover to a plan which is eligible under § 408 or 408A of the code~~Repealed.

Source: 28 SDR 111, effective February 14, 2002; 33 SDR 212, effective June 4, 2007; 34 SDR 297, effective June 2, 2008; 35 SDR 82, effective October 22, 2008.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:06:03.03. In-plan Roth conversion. ~~A participant may convert his or her pre-tax contributions to designated Roth contributions within the plan. The amount of the in-plan Roth conversion is subject to ordinary income taxes in the year of the conversion, and withholding of federal income tax from the conversion amount is prohibited. Once an in-plan Roth conversion is~~

~~processed it is irrevocable. The amount of an in-plan Roth conversion shall continue to be taken into consideration for mandatory distributions. The plan shall establish and maintain separate recordkeeping for any in-plan Roth conversion made within the plan and shall record the year in which the participant first made a conversion~~Repealed.

Source: 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-57.~~

Law Implemented: ~~SDCL 3-13-57.~~

62:03:06:04. Operation of plan for benefit of participants – Assets held in trust. ~~The plan and its assets, until made available to a participant or a beneficiary, shall be maintained in trust for the sole benefit of the participants of the plan~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-53.~~

62:03:06:06. Filing of required forms. ~~Any form required under the plan which causes a change on a participant's payroll must be received in the office of the third party administrator prior to the first of the month in which the change is to become effective, and the participant must notify the participant's employer prior to the last date on which the participant's employer can make payroll changes effective. If a form is filed too late for a change to be made effective for the next following pay period, the change becomes effective in the subsequent pay period~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 15 SDR 100, effective January 8, 1989; 24 SDR 160, effective May 24, 1998.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-54.~~

62:03:06:07. Correction of errors -- Excess deferrals. ~~If, due to an error, a participant defers more than the permissible amount, the third-party administrator may correct the error by returning the excess deferral to the participant. For any plan year in which a participant makes both pre-tax contributions and designated Roth contributions, any corrective distribution shall be taken first from the participant's designated Roth contributions, and then, if required, from the pre-tax contributions. However, a participant may elect a different method of distribution.~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998; 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13-54, 3-13-57.~~

Law Implemented: ~~SDCL 3-13-54, 3-13-57.~~

62:03:06:08. Correction of errors -- Payroll error. ~~If, due to a payroll error, a participant's deferral is deposited in an investment alternative other than the one selected by the participant, the third-party administrator may correct the error by transferring the participant's deferral to the proper investment alternative, subject to any limitations which may be imposed by the vendor. No retroactive adjustment may be made.~~Repealed.

Source: 14 SDR 57, effective October 18, 1987; 24 SDR 160, effective May 24, 1998.

~~General Authority: SDCL 3-13-54.~~

~~Law Implemented: SDCL 3-13-54.~~

CHAPTER 62:03:07

AUTOMATIC ENROLLMENT

(Repealed)

Section

- 62:03:07:01 Automatic enrollment units -- Automatic escalation -- Decision -- Rescission of unit's status -- Automatic enrollee's status, Repealed.
- 62:03:07:01.01 Automatic escalation for participating employers that became automatic enrollment units prior to July 1, 2015, Repealed.
- 62:03:07:01.02 Start of automatic escalation at election of unit -- Notice required, Repealed.
- 62:03:07:02 Automatic enrollment, Repealed.
- 62:03:07:02.01 Members employed by participating employers other than the state before automatic enrollment established, Repealed.
- 62:03:07:03 Amount of initial deferral -- Election to opt out -- Time limit -- Refund -- Future participation, Repealed.
- 62:03:07:03.01 Automatic escalation -- No escalation in first year of hire, Repealed.
- 62:03:07:04 Automatic enrollment deemed contract -- Exceptions, Repealed.
- 62:03:07:05 Qualified default investment alternative -- Secondary alternative -- Liability, Repealed.
- 62:03:07:06 Notices required for automatic enrollment, Repealed.

62:03:07:06.01 Notice of automatic escalation required -- Election to opt out -- Automatic enrollee status, Repealed.

62:03:07:07 Advance authorization not required -- Exception to other laws, Repealed.

62:03:07:01. Automatic enrollment units -- Automatic escalation -- Decision -- Rescission of unit's status -- Automatic enrollee's status. ~~Any participating employer may become an automatic enrollment unit. Automatic enrollment includes automatic escalation for any participating employer becoming an automatic enrollment unit after June 30, 2015. The decision to become an automatic enrollment unit shall be made by the elected official, the appointed official, or the governing body in charge of the participating employer. The participating employer shall become an automatic enrollment unit after notice of the decision has been delivered in writing to the system. An automatic enrollment unit may choose to rescind such status at a later date and may do so by delivering written notice of that decision to the system. However, if such a rescission occurs, the status of any automatic enrollee, including any automatic enrollee with automatic escalation, who was enrolled in the plan is not affected~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(2),(10).~~

62:03:07:01.01. Automatic escalation for participating employers that became automatic enrollment units prior to July 1, 2015. ~~A participating employer who became an automatic enrollment unit prior to July 1, 2015, may elect to add automatic escalation for its~~

~~current and future permanent employees. The decision shall be made by the elected official, the appointed official, or the governing body in charge of the unit and becomes effective after notice of the decision has been delivered in writing to the system~~Repealed.

Source: 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(2), (10).~~

62:03:07:01.02. Start of automatic escalation at election of unit -- Notice required.

~~An automatic enrollment unit may elect to commence automatic escalation in either January or July. Automatic escalation commences the January or July immediately after the automatic enrollment unit's decision is delivered in writing to the system as long as notice of the decision is received no later than September 15 for a January start or March 15 for a July start. If the notice of the unit's decision is received after those dates, automatic escalation commences the following January or July, as elected by the unit~~Repealed.

Source: 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(2), (10).~~

62:03:07:02. Automatic enrollment. ~~Any person who becomes a permanent employee of a participating employer after the participating employer becomes an automatic enrollment unit becomes an automatic enrollee in the plan. Any permanent employee of the state who is not contributing to the plan on June 30, 2019, becomes an automatic enrollee in the plan on July 1, 2019. Any other permanent employee who is not contributing to the plan and who is employed~~

~~by an automatic enrollment unit that elects automatic enrollment pursuant to § 62:03:07:02.01 becomes an automatic enrollee in the plan~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 41 SDR 219, effective July 1, 2015; SL 2018, ch 34, § 2, effective July 1, 2018; SL 2019, ch 23, § 12, effective July 1, 2019; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(2).~~

62:03:07:02.01. Members employed by participating employers other than the state before automatic enrollment established. ~~An automatic enrollment unit other than the state may elect to automatically enroll the unit's permanent employees who are not contributing to the deferred compensation plan. The automatic enrollment unit may elect to commence automatic enrollment for these employees on the January or July immediately after the automatic enrollment unit's decision is delivered in writing to the system as long as notice of the decision is received no later than September 15 for a January start or March 15 for a July start~~Repealed.

Source: SL 2018, ch 34, § 3, effective July 1, 2018; SL 2019, ch 23, § 13, effective July 1, 2019.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(2).~~

62:03:07:03. Amount of initial deferral -- Election to opt out -- Time limit -- Refund -- Future participation. ~~Upon initially becoming an automatic enrollee, twenty-five dollars per month shall be deferred to the plan from the compensation of an automatic enrollee unless the~~

~~automatic enrollee elects not to participate in the plan within 90 days after his or her first pay date and gives notice of that election to the system, or unless the automatic enrollee elects to defer an increased amount. The deferred compensation and associated gains or losses of an automatic enrollee who elects not to participate shall be refunded to the automatic enrollee within 30 days of receipt of the final contribution by the plan. An automatic enrollee who elects not to participate, however, is not barred from future voluntary participation in the plan~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(3), (4), (5).~~

62:03:07:03.01. Automatic escalation -- No escalation in first year of hire. ~~Beginning in 2016 and each year thereafter, automatic escalation for an automatic enrollee means an additional ten dollars per month shall be deferred to the plan from the compensation of an automatic enrollee of an automatic enrollment unit that elected automatic escalation or became an automatic enrollment unit after June 30, 2015. If the enrollee has one or more investment alternatives or a Roth account, or any combination thereof, the additional dollars shall be prorated in the same manner as the enrollee's deferral before the escalation. However, no automatic escalation may occur for an automatic enrollee unless at least one year has passed from the enrollee's hire date on which the enrollee became an automatic enrollee. In addition, no automatic escalation may occur for an automatic enrollee who opts out of automatic escalation or has lowered his or her deferral to zero~~Repealed.

Source: 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

~~Law Implemented:~~ ~~SDCL 3-13-56(10).~~

62:03:07:04. Automatic enrollment deemed contract -- Exceptions. ~~Automatic enrollment pursuant to § 62:03:07:02 is deemed a contract to participate and to defer the amount specified in § 62:03:07:03 or revised by § 62:03:07:03.01 or the amount specified by the enrollee until the automatic enrollee chooses to withdraw from the plan~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 41 SDR 219, effective July 1, 2015.

~~General Authority:~~ ~~SDCL 3-13-54, 3-13-56.~~

~~Law Implemented:~~ ~~SDCL 3-13-56(3), (10).~~

62:03:07:05. Qualified default investment alternative -- Secondary alternative -- Liability. ~~The deferred compensation of an automatic enrollee shall be deposited in a qualified default investment alternative selected by the state investment officer pursuant to SDCL 3-13-51.1 unless the automatic enrollee affirmatively selects another investment alternative within the plan. The state investment officer shall select a qualified default investment alternative for deferrals from automatic enrollees during the initial 90-day opt-out period and may select an alternative qualified default investment alternative for accumulated deferrals and subsequent deferrals from automatic enrollees who exceed the 90-day opt-out period but do not select another investment alternative. Neither the state investment officer, the system, the third-party administrator, nor the automatic enrollment unit may be held liable for any loss sustained by an automatic enrollee whose deferrals are either voluntarily or involuntarily invested in either qualified default investment alternative~~Repealed.

Source: 35 SDR 82, effective October 22, 2008.

General Authority: ~~SDCL 3-13-54.~~

Law Implemented: ~~SDCL 3-13-56.~~

62:03:07:06. Notices required for automatic enrollment. ~~Within 15 days of the system's receipt of the automatic enrollee's initial deferral, the system shall provide notice to the automatic enrollee of the enrollee's right not to participate in the plan.~~

~~Within one year after an automatic enrollee's first compensation deferral and annually thereafter, the system shall provide notice to the automatic enrollee of the enrollee's right to amend his or her deferral amount and the enrollee's right to amend his or her choice of investment alternatives~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(8).~~

62:03:07:06.01. Notice of automatic escalation required -- Election to opt out --
Automatic enrollee status. ~~The system shall provide no less than 60 days' notice of each annual automatic escalation pursuant to § 62:03:07:03.01. An enrollee may elect not to participate in automatic escalation or may elect to defer an additional amount that is less than or greater than ten dollars. The enrollee shall annually provide notice of any such election no later than December 15 for an enrollee of an automatic enrollment unit that elected a January start or June 15 for an enrollee of an automatic enrollment unit that elected a July start. If the enrollee elects not to participate or to defer a lesser amount after the applicable date provided in this section, the system may not refund the automatic escalation amount to the enrollee. If an enrollee elects not~~

~~to participate in automatic escalation or elects to defer an additional amount that is less than or greater than ten dollars, the status of the automatic enrollee pursuant to § 62:03:07:02 is not affected~~Repealed.

Source: 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(10).~~

62:03:07:07. Advance authorization not required -- Exception to other laws.

~~Automatic enrollment or automatic escalation pursuant to this chapter does not require advance authorization by the automatic enrollee. This provision is an exception to the provisions of any state law requiring employee authorization for a payroll deduction or any similar ordinance of a local automatic enrollment unit~~Repealed.

Source: 35 SDR 82, effective October 22, 2008; 41 SDR 219, effective July 1, 2015.

General Authority: ~~SDCL 3-13-54, 3-13-56.~~

Law Implemented: ~~SDCL 3-13-56(9).~~

ARTICLE 62:04

SPECIAL PAY RETIREMENT PROGRAM

(Repealed)

Chapter

62:04:01 Definitions and general terminology, Repealed.

62:04:02 Administration, Repealed.

62:04:03 Distributions, Repealed.

CHAPTER 62:04:01

DEFINITIONS AND TERMINOLOGY

(Repealed)

Section

- 62:04:01:01 Definitions in general, Repealed.
- 62:04:01:02 Definition of specific terms, Repealed.
- 62:04:01:03 Qualifications in regard to compensation, Repealed.

62:04:01:01. Definitions in general. ~~Terms used in this article have the same meaning as they are defined in SDCL 3-12C-101 or in SDCL 3-13A-2, unless otherwise so specified~~Repealed.

Source: 31 SDR 191, effective May 22, 2005; 45 SDR 142, effective July 1, 2019.

General Authority: ~~SDCL 3-13A-4.~~

Law Implemented: ~~SDCL 3-13A-4.~~

62:04:01:02. Definition of specific terms. ~~Terms used in this article mean:~~

(1) ~~"Direct rollover," a payment by the program to an eligible retirement plan specified by the participant;~~

(2) ~~"Distributee," a participant or former participant; a participant's or former participant's surviving spouse with regard to the interest of the surviving spouse; or a participant's or former participant's former spouse who is an alternate payee under a qualified domestic relations order, as defined in § 414(p) of the code, with regard to the interest of the former spouse;~~

~~(3) "Eligible retirement plan," an individual retirement account described in § 408(a) of the code; an individual retirement annuity described in § 408(b) of the code; a Roth individual retirement plan described in § 408A of the code; an annuity plan described in § 403(a) of the code; or a qualified plan described in § 401 of the code, any of which accepts a participant's or a participant's surviving spouse's rollover distribution, except that in the case of an eligible rollover distribution to a beneficiary who is not a participant's surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity;~~

~~(4) "Eligible rollover distribution," any distribution of all or any portion of the balance to the credit of the participant, except that an eligible rollover distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life or life expectancy of the participant or the joint lives or joint life expectancies of the participant and the participant's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent the distribution is required under § 401(a)(9) of the code; or any other distribution that is reasonably expected to total less than two hundred dollars during a single plan year;~~

~~(5) "Plan year," a calendar year ending on December 31~~Repealed.

Source: 31 SDR 191, effective May 22, 2005; 34 SDR 297, effective June 2, 2008.

General Authority: ~~SDCL 3-13A-4.~~

Law Implemented: ~~SDCL 3-13A-4.~~

62:04:01:03. Qualifications in regard to compensation. ~~A participant's compensation, for purposes of application of the provisions of SDCL 3-13A-5, paid or made available during a plan year shall include any elective deferral, as defined in § 402(g)(3) of the code, and any~~

~~amount which is contributed or deferred by the participant's employer at the election of the participant and which is not includible in the gross income of the participant by reason of § 125, § 132(f)(4), or § 457(b) of the code~~Repealed.

Source: 31 SDR 191, effective May 22, 2005; 39 SDR 227, effective July 1, 2013.

General Authority: ~~SDCL 3-13A-4.~~

Law Implemented: ~~SDCL 3-13A-5.~~

CHAPTER 62:04:02

ADMINISTRATION

(Repealed)

Section

62:04:02:01 Month of a member's birth date, Repealed.

62:04:02:01. Month of a member's birth date. ~~For purposes of participation in the program, the first day of the month in which a member's birthday falls shall be considered to be the member's birthday~~Repealed.

Source: 31 SDR 191, effective May 22, 2005.

General Authority: ~~SDCL 3-13A-4.~~

Law Implemented: ~~SDCL 3-13A-4.~~

CHAPTER 62:04:03

DISTRIBUTIONS

(Repealed)

Section

62:04:03:01 Direct rollovers, Repealed.

62:04:03:02 Repealed.

62:04:03:01. Direct rollovers. Pursuant to SDCL 3-13A-20, a participant or a participant's surviving spouse may elect, at the time and in the manner prescribed by the third-party administrator, to have any portion of an eligible rollover distribution paid in a direct rollover to an eligible retirement plan specified by the participant or the surviving spouse if the plan is an eligible plan under § 401, 403(b), 408, 408A, or 457 of the code. A participant's beneficiary who is not the participant's surviving spouse may elect, at the time and in the manner prescribed by the third-party administrator, to have any portion of an eligible rollover distribution paid in a direct rollover to a plan specified by the beneficiary if the plan is an eligible plan under § 408 or 408A of the code Repealed.

Source: 31 SDR 191, effective May 22, 2005; 33 SDR 212, effective June 4, 2007; 35 SDR 82, effective October 22, 2008.

General Authority: SDCL 3-13A-4.

Law Implemented: SDCL 3-13A-20.



South Dakota Retirement System

Projected Funded Status as of June 30, 2025

June 4, 2025



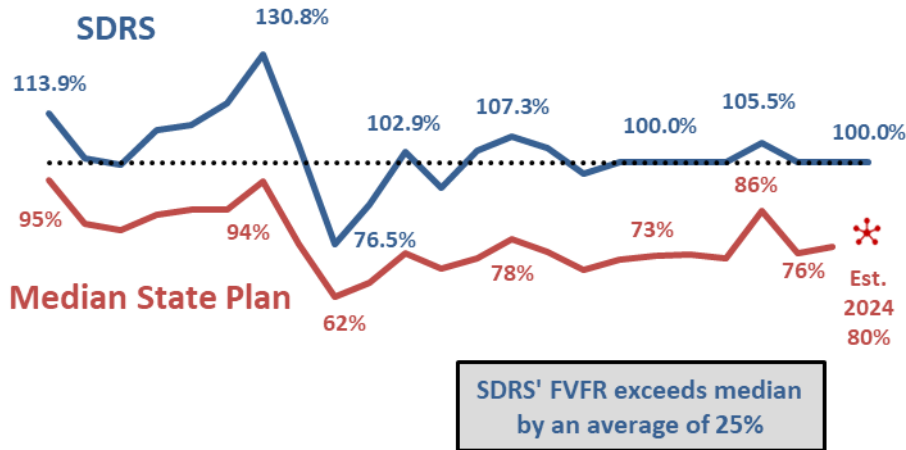
Funding Basics: $C + I = B + E$

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

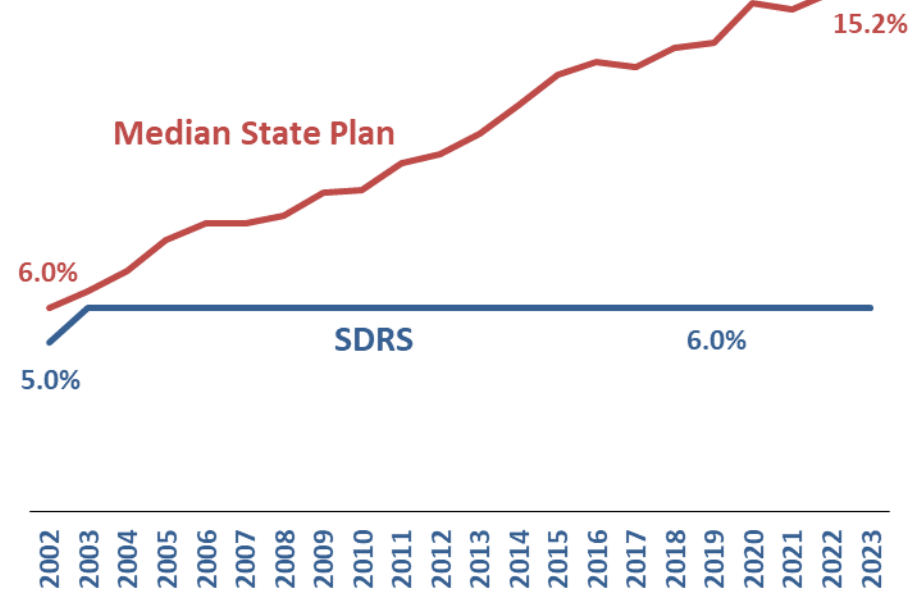


Employer Contributions and Funded Status Comparisons

Fair Value Funded Ratio



Employer Contribution Rates
(for General Members In Social Security)

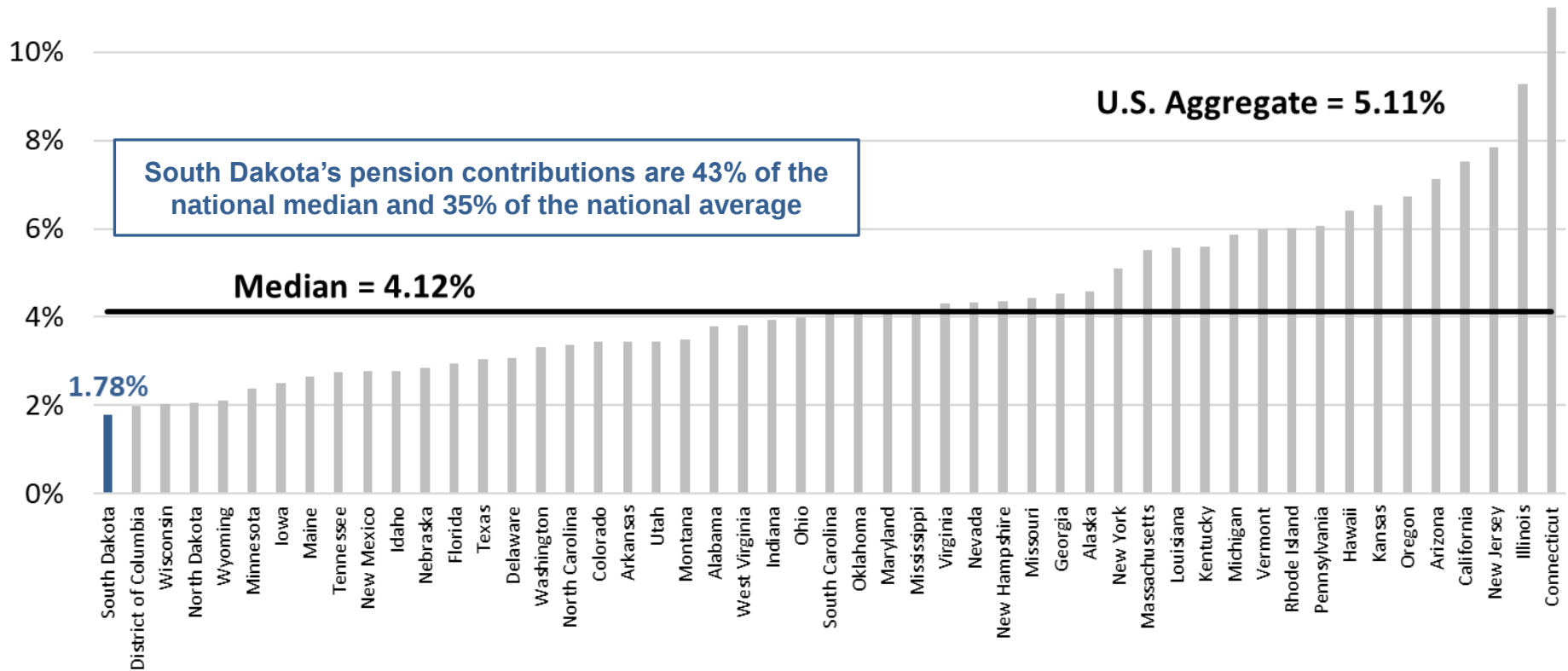


- SDRS COLA varies to maintain 100% Fair Value Funded Ratio (FVFR)
- Employer contribution rates for Class A members are 40% of the national median

Median public sector FVFR from Public Plans Database; 2024 estimate from Milliman Public Pension Funding Index. Employer contribution rates from NASRA Public Fund Survey.

Government Spending on Pensions

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

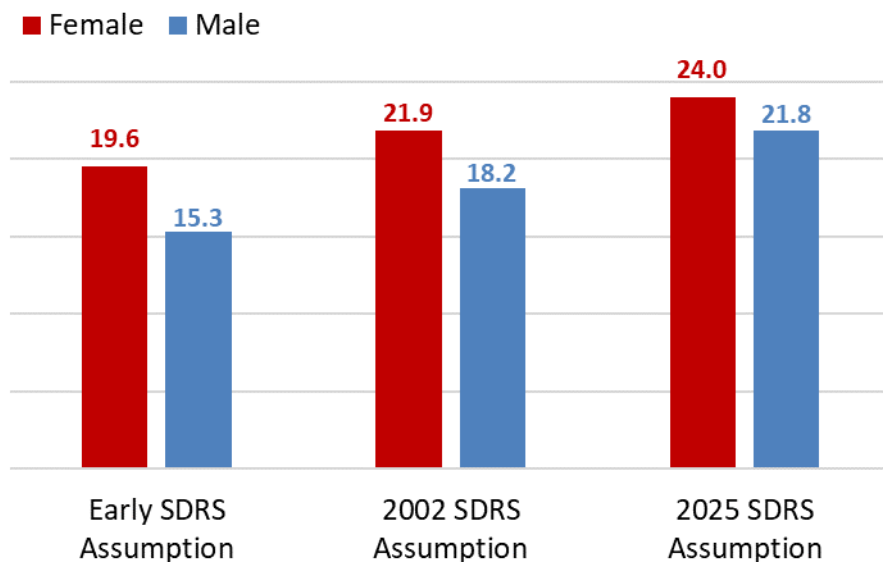


Data from NASRA Issue Brief: State and Local Government Spending on Public Employee Retirement Systems, March 2025

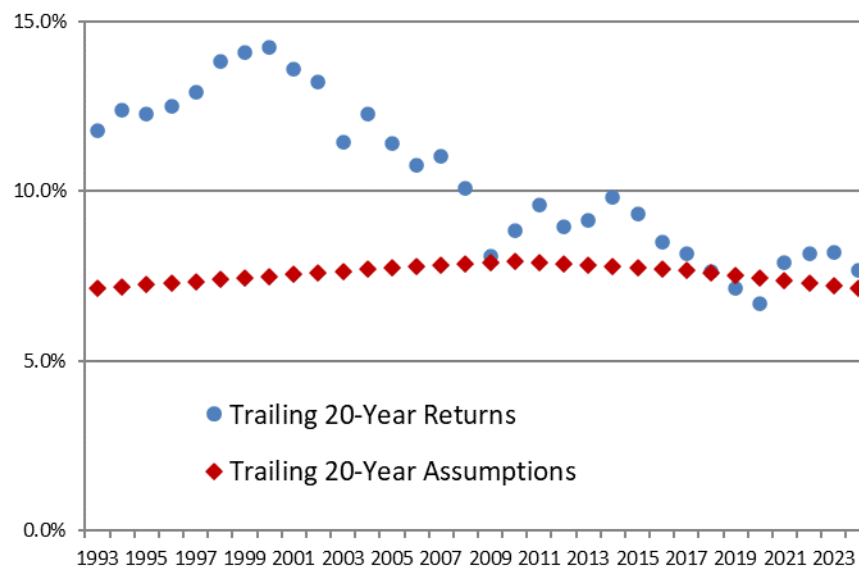
Competing Objectives

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

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



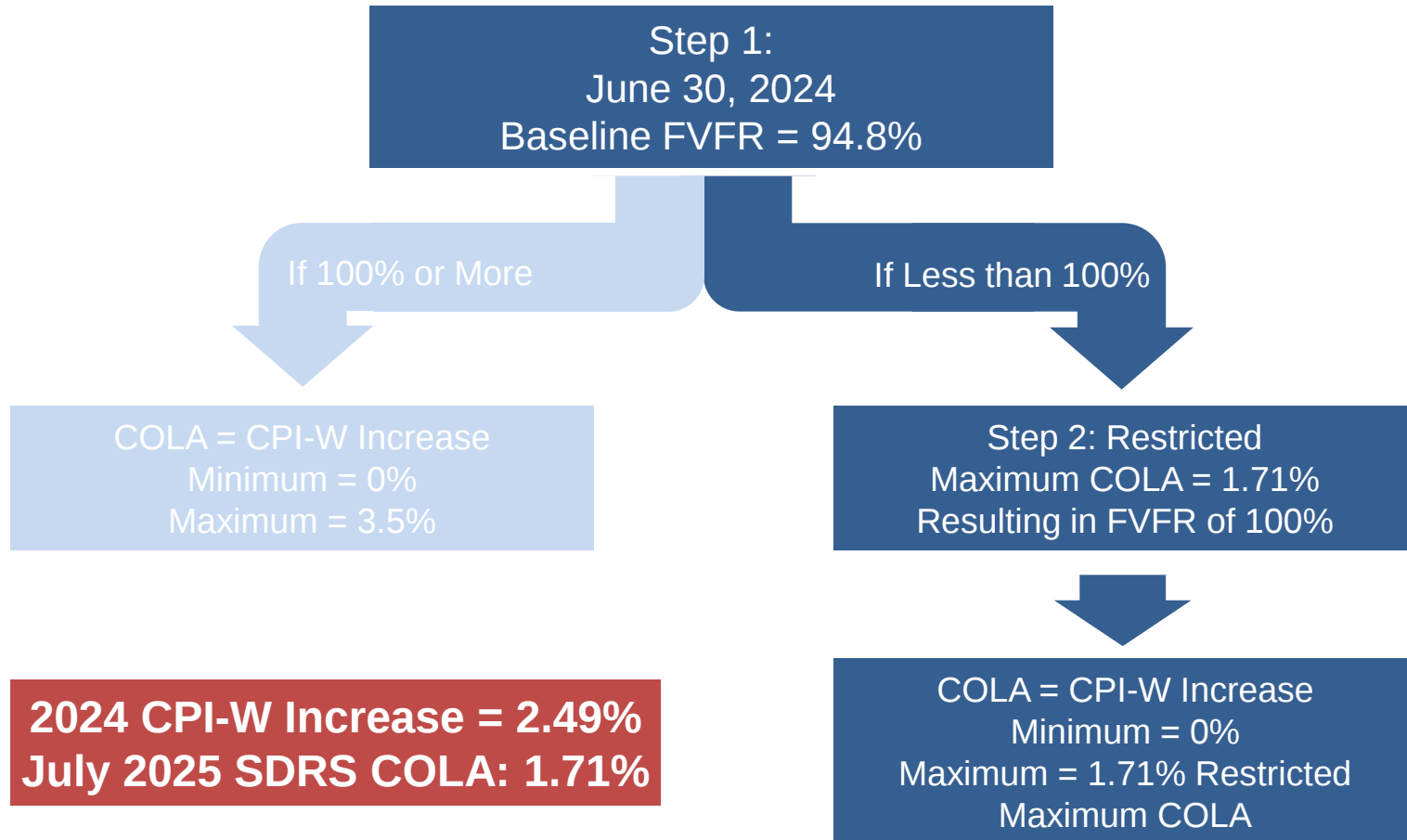
**20-Year Trailing Nominal Returns and
Return Assumptions**



Competing Objectives

- SDRS management efforts to meet benefit objectives in changing circumstances have included:
 - Variable COLA process
 - 5-year FAC
 - Pay increase caps
 - Generational design
 - Retire-rehire reform
 - Various other initiatives
- **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 2025 COLA Calculation



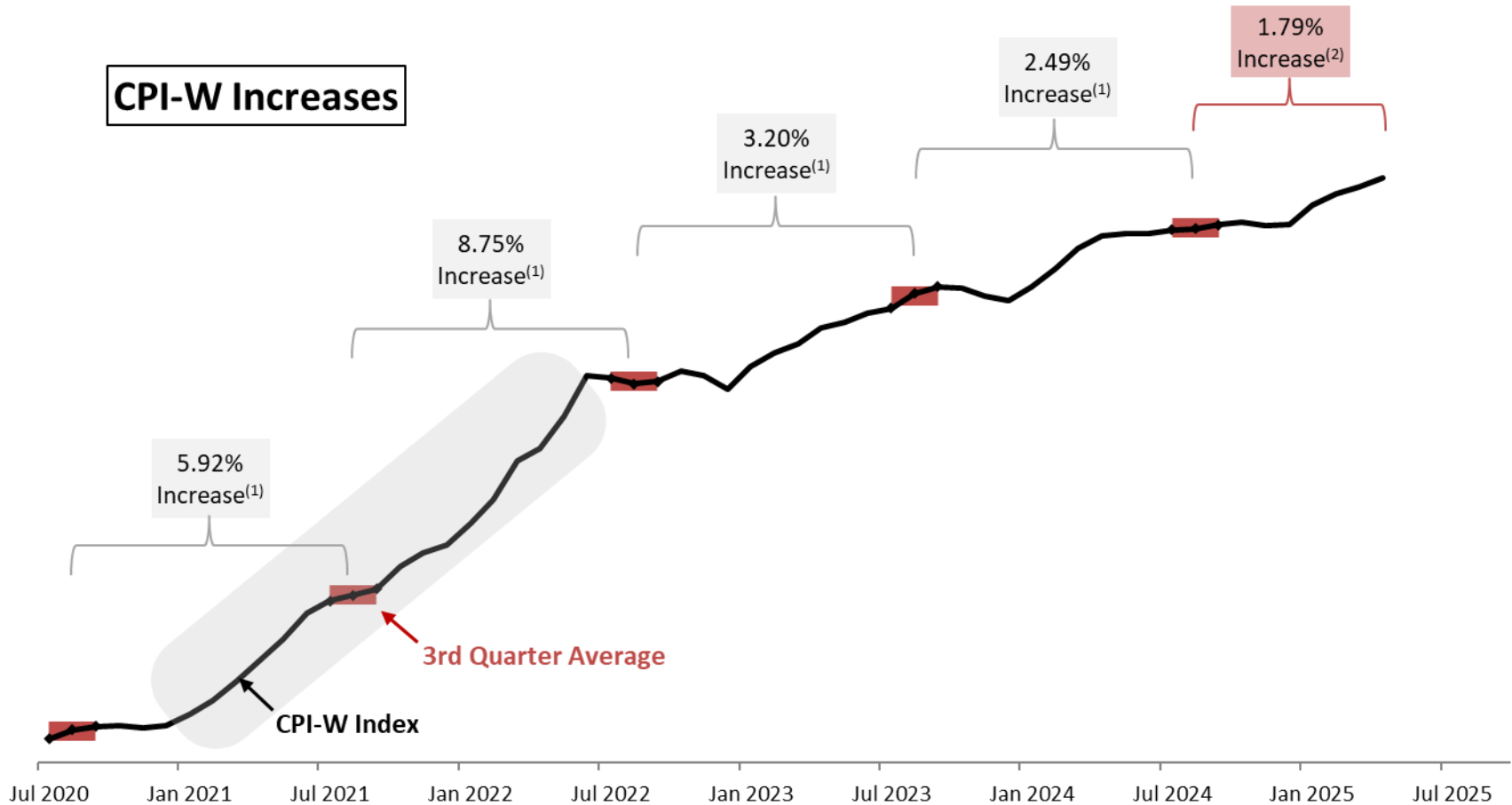


Projected June 30, 2025 Funded Status and July 2026 COLA Range⁽¹⁾

Net Investment Return FYE June 30, 2025	Baseline FVFR	COLA Range	Final FVFR	Applicable Conditions
(15.0%)	75.6%	NO COLA	93.3%	Corrective Action Recommendation Required
(10.0%)	80.1%	NO COLA	98.9%	
(9.1%)	80.9%	NO COLA	99.9%	
(9.0%)	81.0%	0% to 0.01%	100%	Restricted Maximum COLA
(5.0%)	84.6%	0% to 0.49%	100%	
0.0%	89.1%	0% to 1.06%	100%	
5.0%	93.6%	0% to 1.58%	100%	
6.5%	95.0%	0% to 1.72%	100%	
11.9%	99.9%	0% to 2.24%	100%	
12.0%	100.0%	0% to 3.50%	100%	Full COLA Range
15.0%	102.7%	0% to 3.50%	102.7%	
34.1%	119.9%	0% to 3.50%	119.9%	
34.2%	120.0%	0% to 3.50%	120%	120% Benefit Improvement Threshold Met

(1) Before consideration of liability gains/losses for FYE June 30, 2025. June 30, 2024 Baseline FVFR: 94.8% and COLA Range: 0.0% to 1.71%.

Inflation Measurement for Social Security and SDRS COLAs

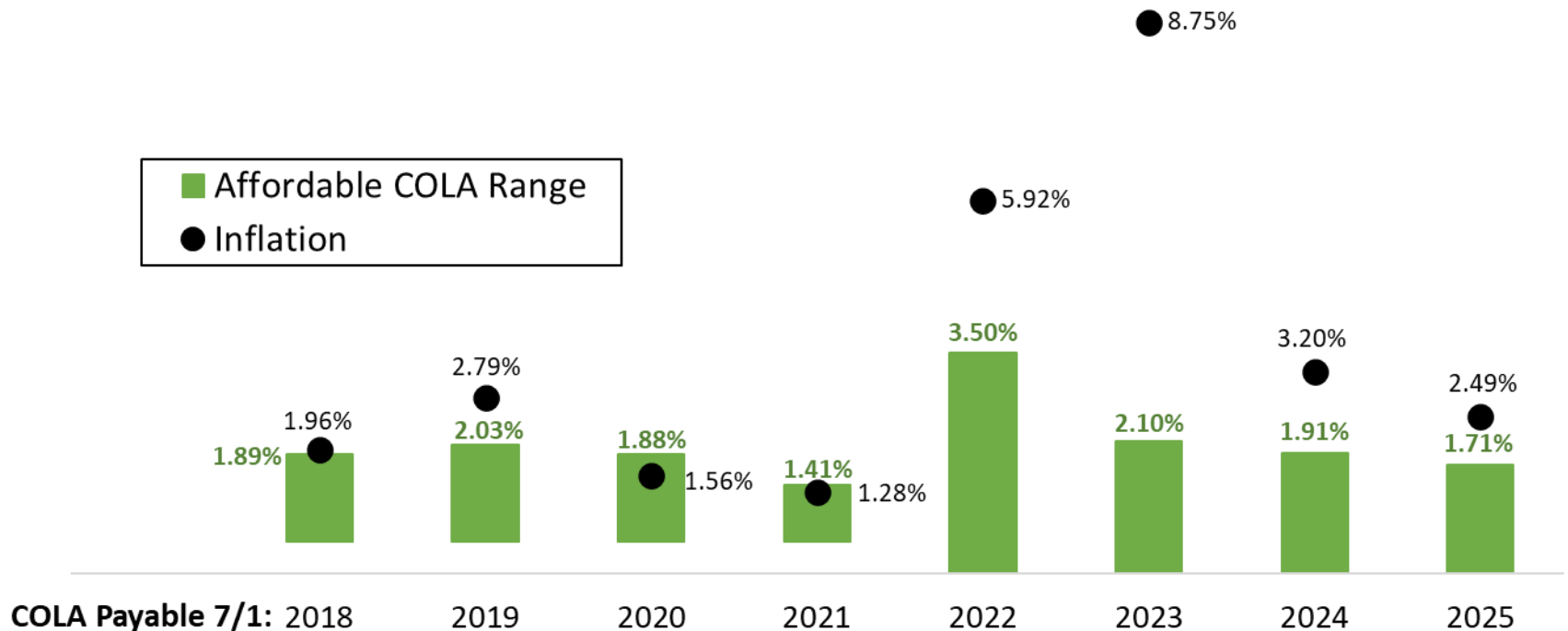


(1) Increase in the third calendar quarter average over the prior highest third calendar quarter average – the specified inflation measurement for the Social Security COLA effective the following January and the SDRS COLA effective the following July.

(2) Increase in most recent month index (April 2025) over July to September 2024 average. Increase annualizes to 2.7%, ignoring seasonal impacts.

Historical COLA Ranges

- Under the current COLA process, the full COLA range has only been affordable for the 2022 COLA
- The 2025 restricted maximum COLA is 1.71%, less than inflation for the fourth consecutive year

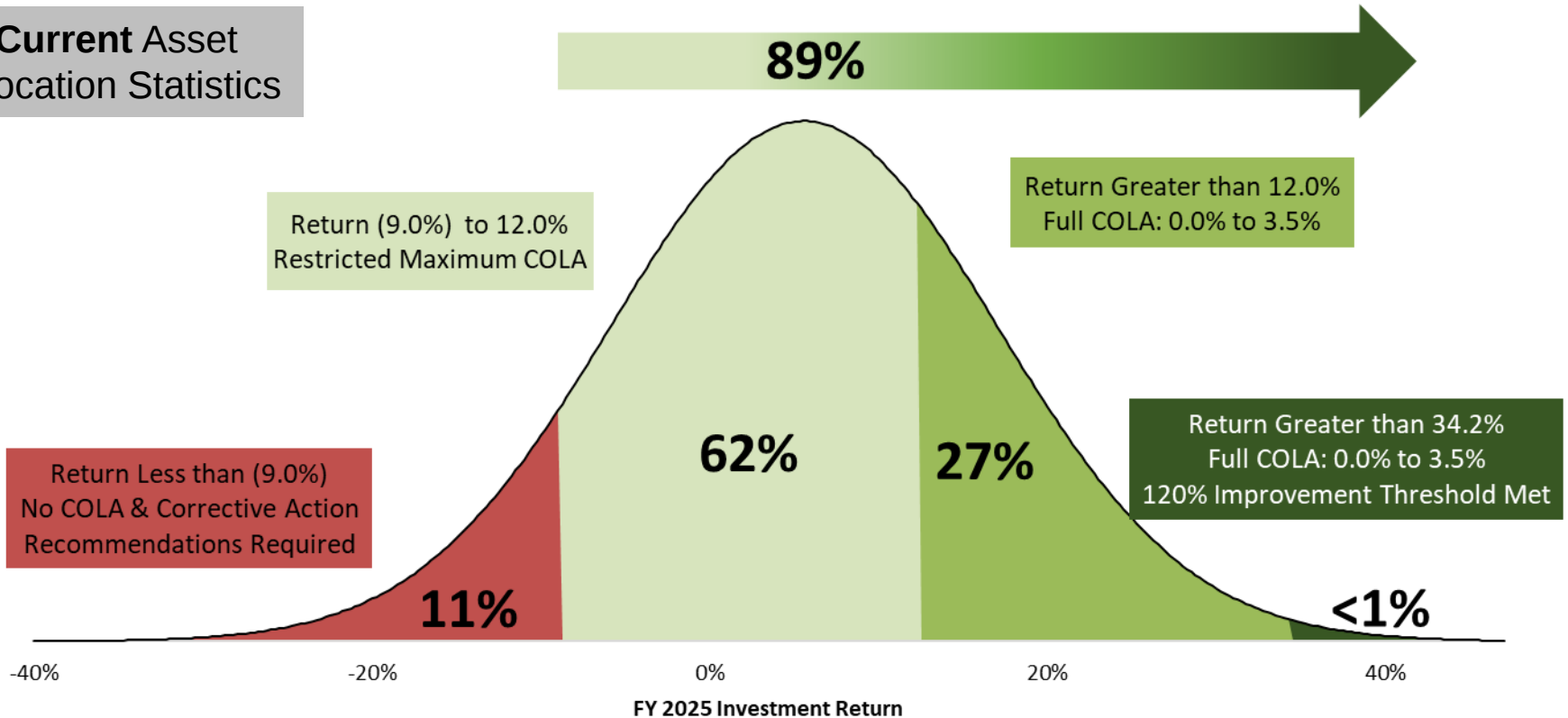


Projected Funded Status and COLAs

- 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

FY 2025 Return Ranges and July 2026 COLA, with Likelihoods

Current Asset Allocation Statistics



- Ignoring FY 2025 investment returns to date, the preliminary likelihoods for July 2026 COLA ranges, primarily driven by FY 2025 investment returns, are:
 - 11% likelihood: No COLA and corrective action recommendations required
 - 62% likelihood: COLA equals CPI-W increase between 0.0% and a restricted COLA maximum
 - 27% likelihood: COLA equals CPI-W increase between 0.0% and 3.5%; 1% likelihood 120% benefit improvement threshold met

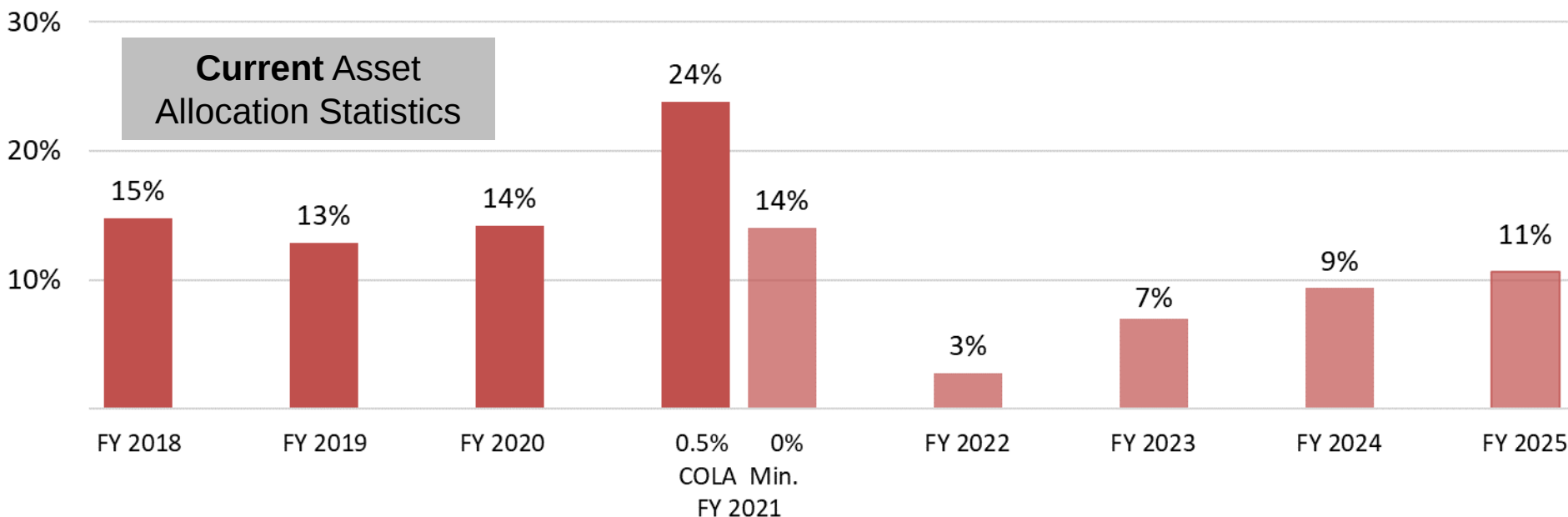
Before consideration of liability gains/losses. Likelihoods based on SDIC FY 2025 current asset allocation investment portfolio statistics (mean = 5.19%, standard deviation = 11.43).



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.

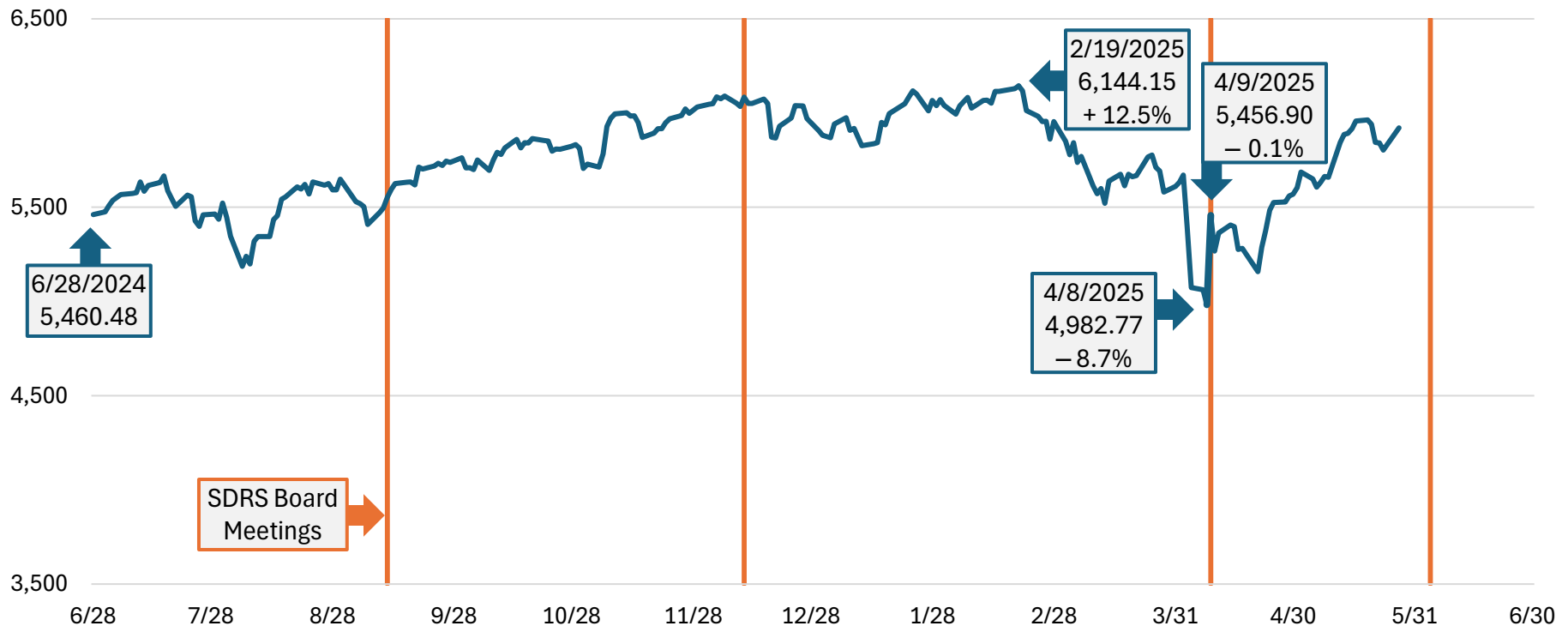
1-Year Likelihoods of Required Corrective Action Recommendations



FY 2025 Stock Market Volatility

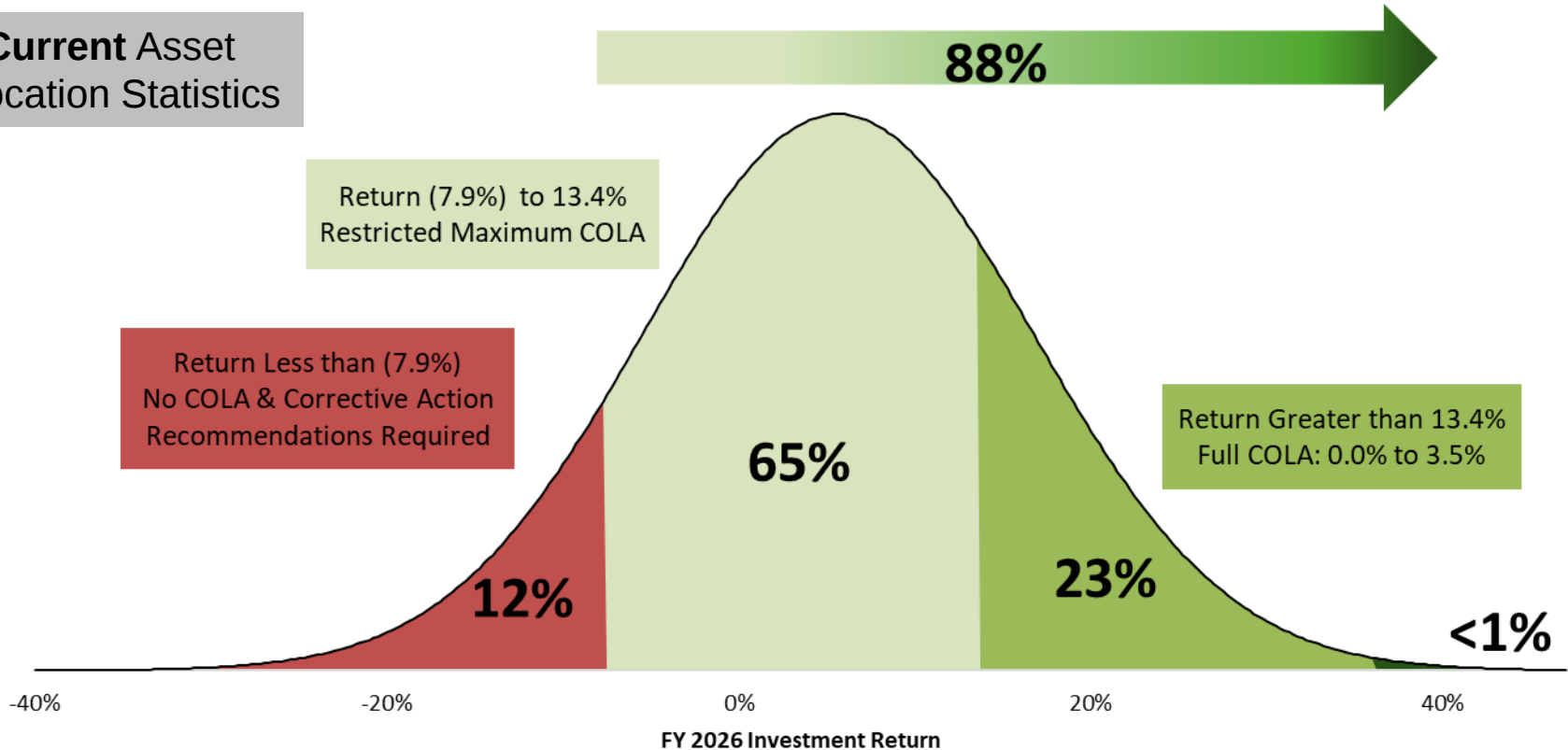
Increased market volatility in FY 2025, particularly just prior to the April Board Meeting

S&P 500 Index Close by Date, FY 2025



FY 2026 Return Ranges Following 5% Return for FY 2025

Current Asset Allocation Statistics

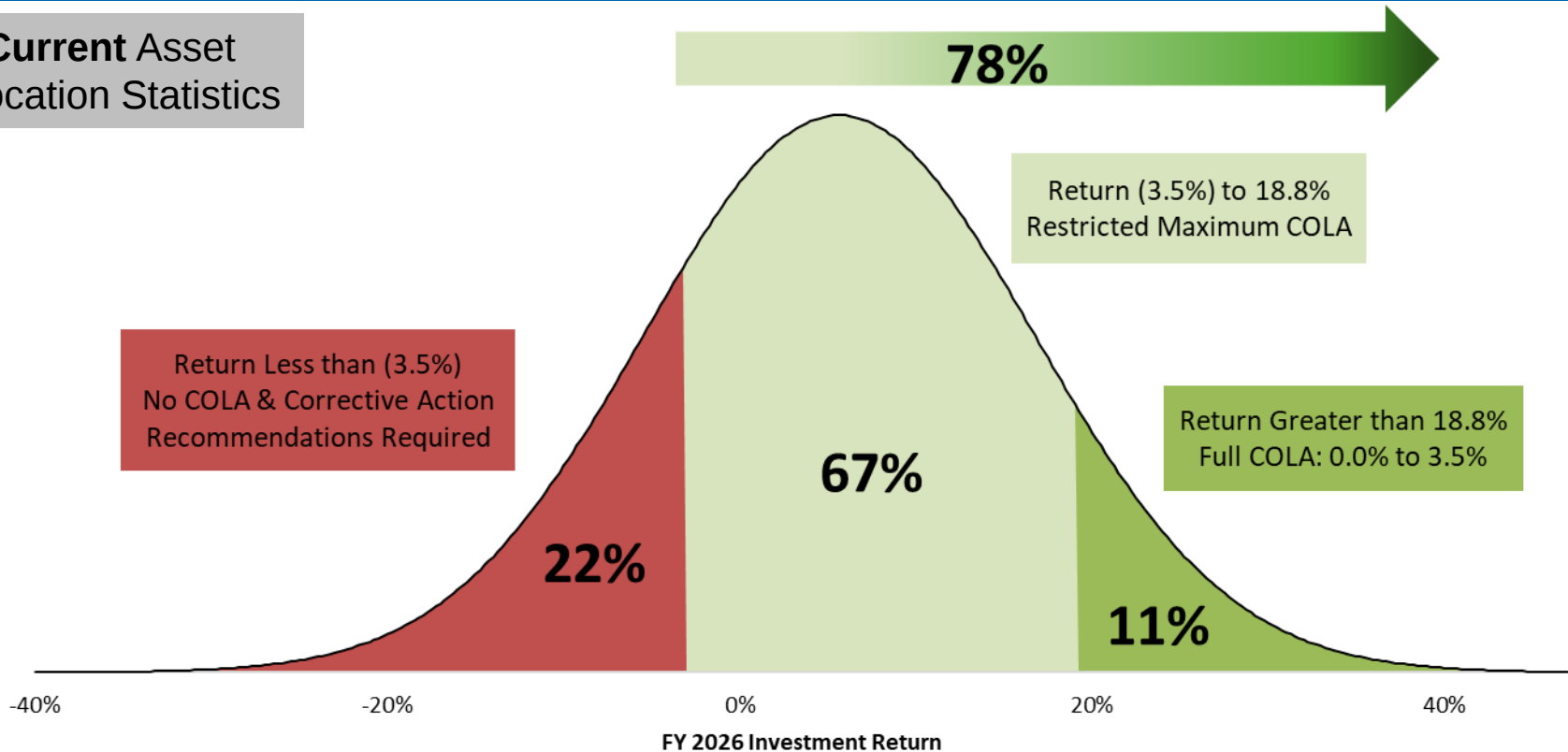


- **Following an FY 2025 investment return of 5%**, the preliminary likelihoods for **July 2027 COLA ranges**, primarily driven by FY 2026 investment returns, are:
 - 12% likelihood: No COLA and corrective action recommendations required
 - 65% likelihood: COLA equals CPI-W increase between 0.0% and a restricted COLA maximum
 - 23% likelihood: COLA equals CPI-W increase between 0.0% and 3.5%

Before consideration of liability gains/losses. Likelihoods based on SDIC FY 2026 current asset allocation investment portfolio statistics (mean = 5.25%, standard deviation = 11.08).

FY 2026 Return Ranges Following 0% Return for FY 2025

Current Asset Allocation Statistics



- **Following an FY 2025 investment return of 0%**, the preliminary likelihoods for **July 2027 COLA ranges**, primarily driven by FY 2026 investment returns, are:
 - 22% likelihood: No COLA and corrective action recommendations required
 - 67% likelihood: COLA equals CPI-W increase between 0.0% and a restricted COLA maximum
 - 11% likelihood: COLA equals CPI-W increase between 0.0% and 3.5%

Before consideration of liability gains/losses. Likelihoods based on SDIC FY 2026 current asset allocation investment portfolio statistics (mean = 5.25%, standard deviation = 11.08).



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)
- FY 2025 estimated investment return thresholds:
 - FY 2025 returns below approximately **negative 9.0% would require a corrective action recommendation**; preliminary 1-year likelihood is 11%
 - FY 2025 returns of approximately **12% would make the full COLA range affordable** for the 2026 COLA



Asset Allocation

SDRS Board of Trustees Presentation

JUNE 4, 2025

The Council's Role in Asset Allocation

- The primary investment objective for SDRS assets is to achieve and exceed over the long term the return of the Council's Capital Markets Benchmark
- The key investment policy decision relates to asset allocation
- The Council establishes:
 - Benchmark asset allocation which considers expected long-term returns and risk
 - Minimum and maximum for each asset category

Discussion Topics

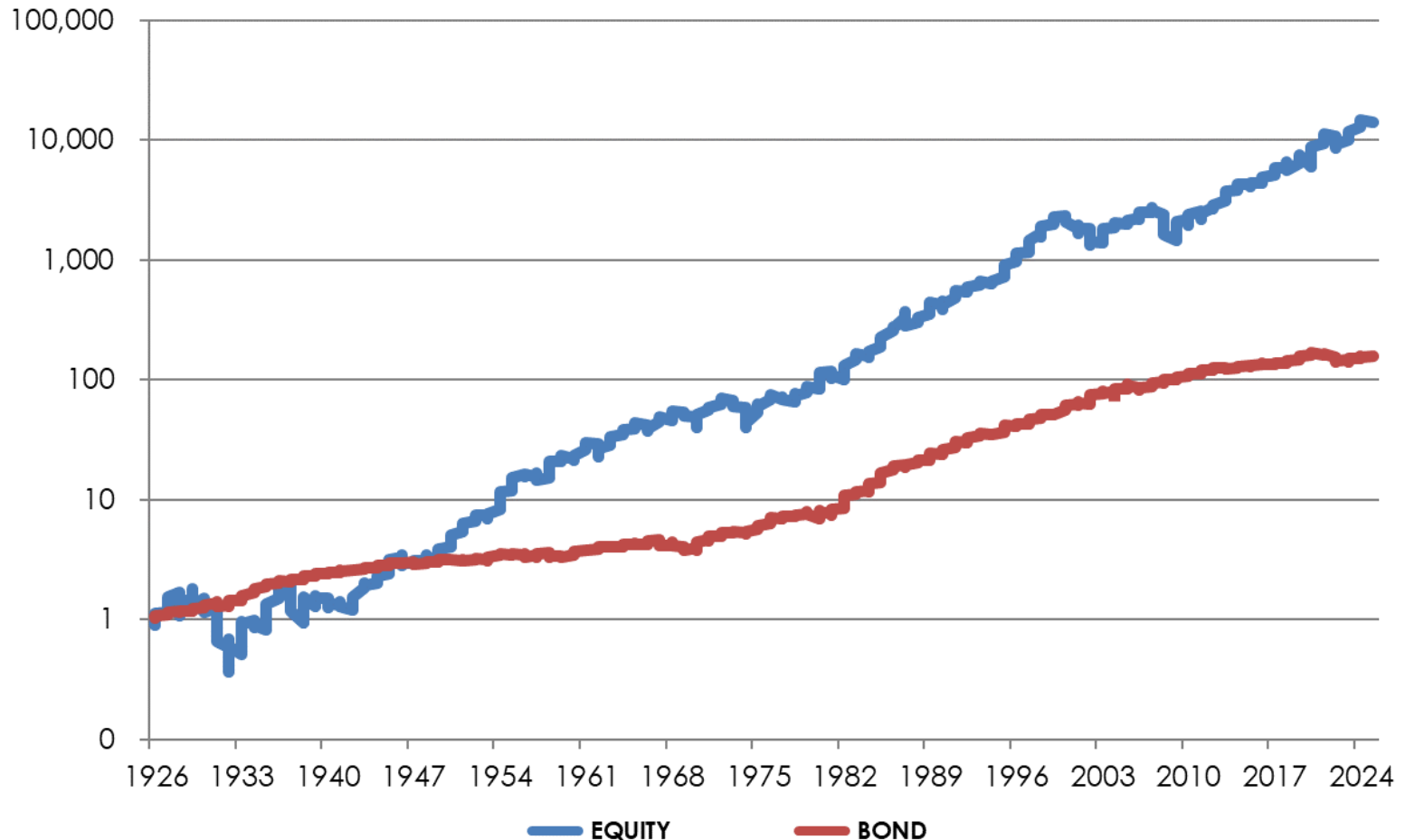
- Return and Risk Assessment
- Benchmark Recommendation
- Expected Return
- Valuation Analysis
- Asset Allocation Implementation

Return and Risk Assessment

Equity and Bonds

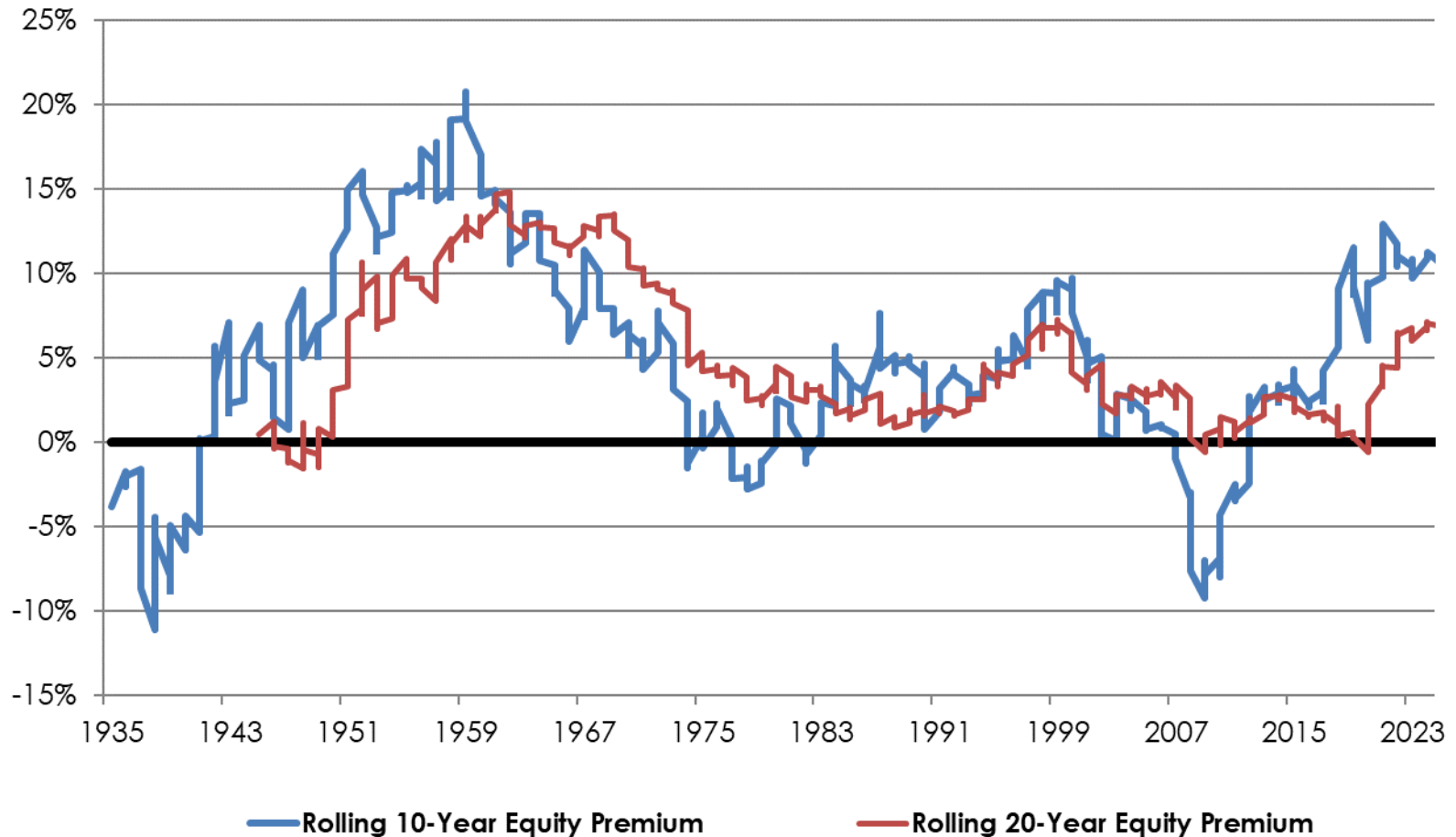
- Long-term return history is available only for equity, bonds, and cash
- Equity returns
 - Best over the very long term, but are volatile
- Bond returns
 - Lower over the long term compared to equities
 - Provides diversification
- Return/risk tradeoff depends on willingness to endure volatility

Long-Term Equity Returns Exceed Bond Returns



Equity Less Bond Return

Historical Rolling Periods

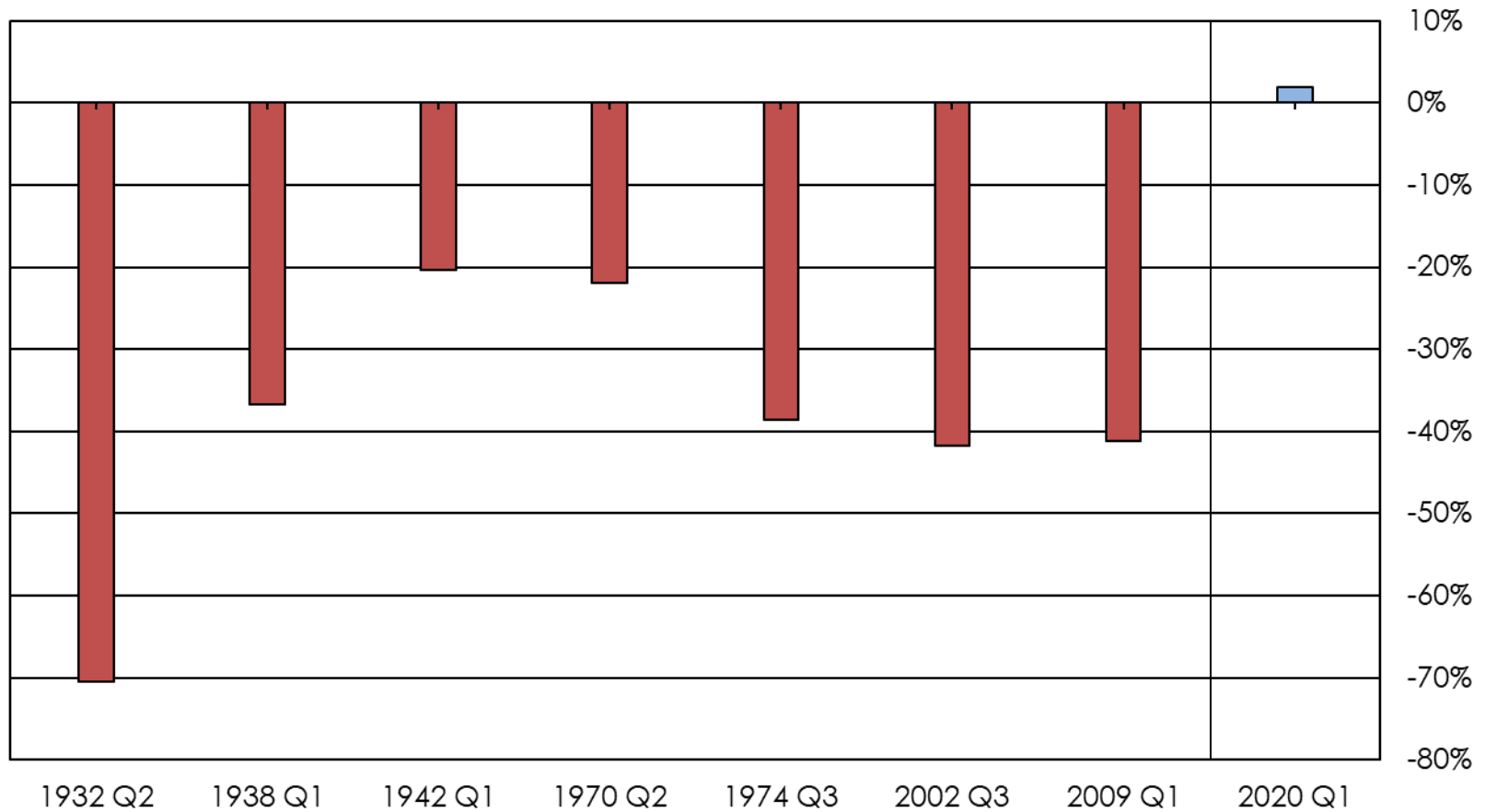


Risk Measurement

- Conventional statistical measures of risk
 - Standard deviation and correlations are calculated
- SDIC adjustment to conventional risk measures
 - SDIC volatility
 - Conventional standard deviation adjusted to reflect higher real-world frequency and magnitude of adverse outlier events
 - SDIC correlations
 - Conventional correlations adjusted to reflect the higher correlation of asset classes during adverse outlier events
- Focus on equity-like and bond-like risk
 - Withstanding a two-year adverse outlier event

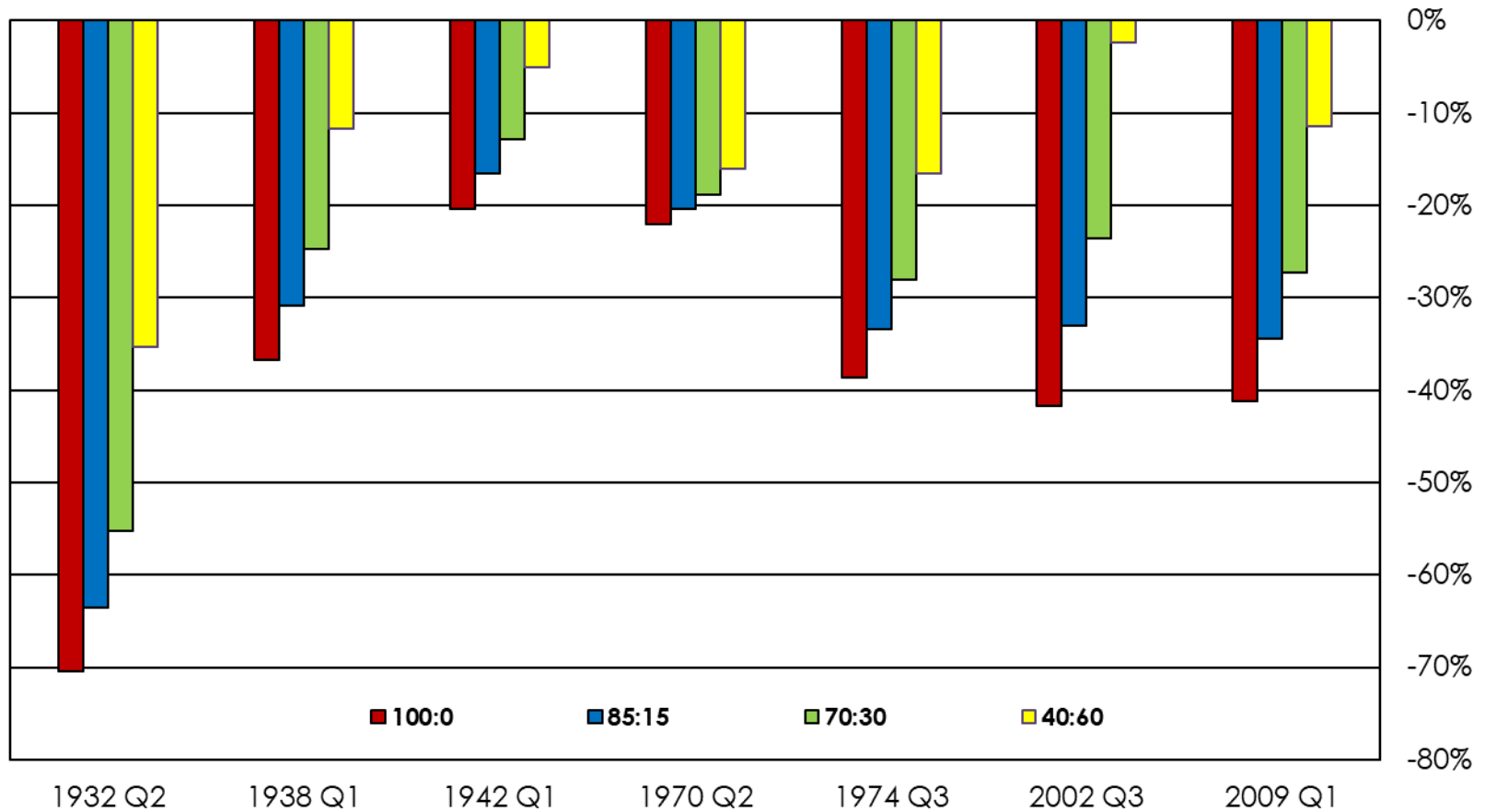
Equity Downturns Can Be Severe

Two-year periods with equity returns below negative 20%

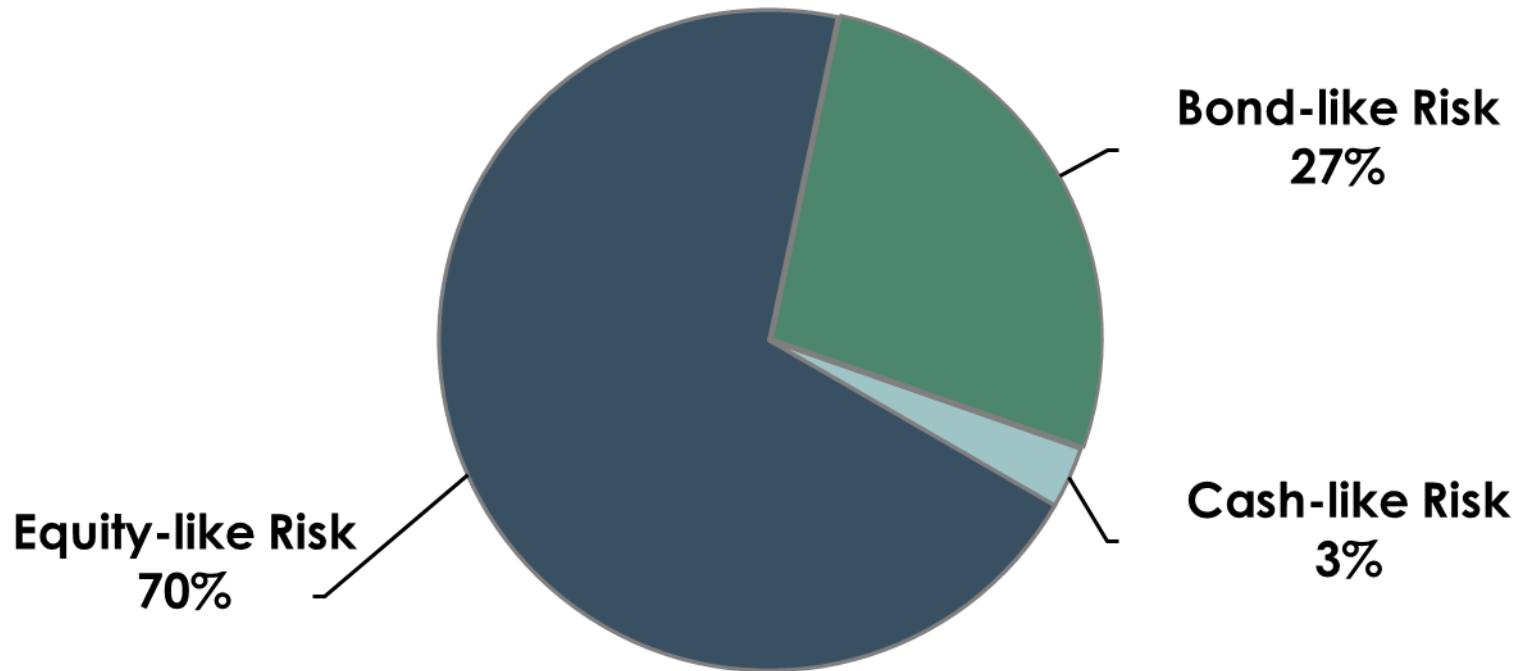


Risk of Various Equity Allocations

Two-year periods with equity returns below negative 20%

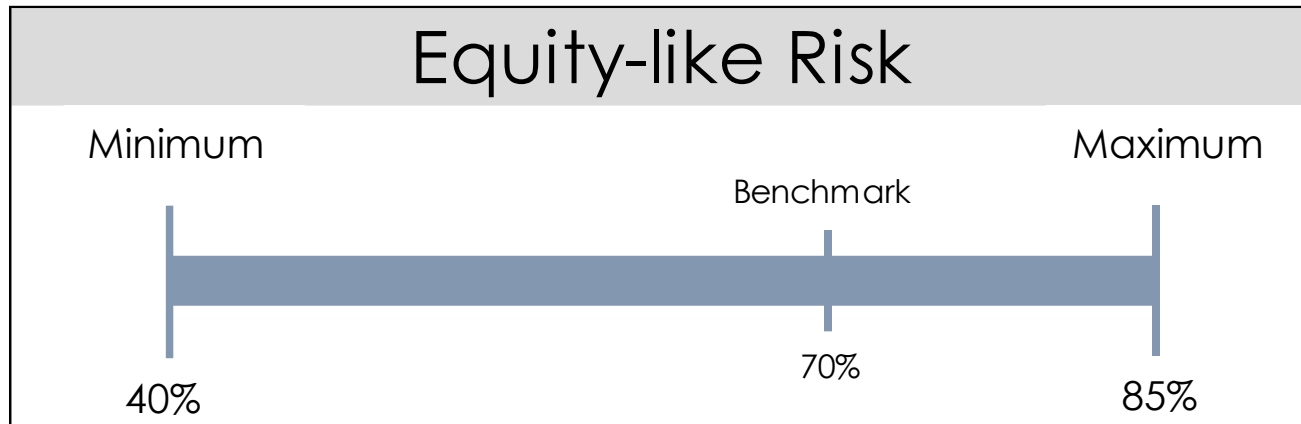


Benchmark Recommendation



- Balances long-term returns and drawdown risk

Benchmark Range Recommendation



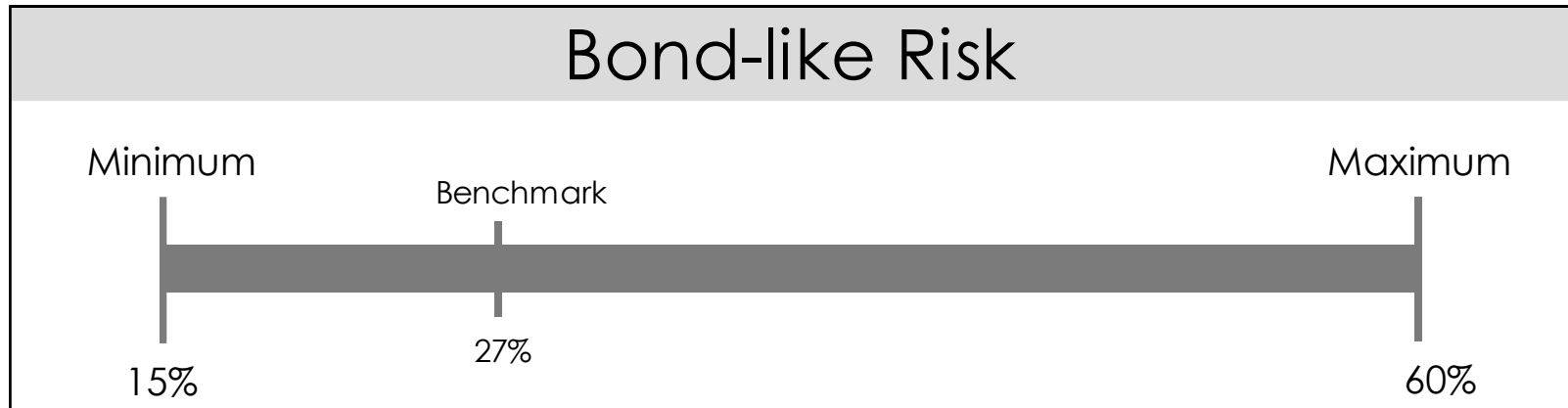
Minimum

- Increases underperformance risk but also reduces absolute risk when markets are extremely expensive
- Still provides meaningful exposure if wrong or early

Maximum

- For when markets are very cheap (on our valuation measures)
- Cheapness would suggest much of a potential decline had already occurred
- Weathered this maximum during the financial crisis

Benchmark Range Recommendation



Minimum

- Provides diversification

Maximum

- For when bonds are very cheap (on our valuation measures)

Benchmark Ranges

- Goal
 - Enter market downturns with near minimum equity-like risk
 - Increase equity-like risk toward maximum during equity downturns to benefit from an eventual rebound
- The Importance of Patience
 - Markets typically continue to rise or fall further after reaching minimum or maximum risk thresholds
 - Essential to be patient for 5 years or more

Benchmark Construction

- Categories in benchmark are significant and passively implementable
 - Public Equity, Investment Grade Debt, Cash, High Yield Debt, REITs
- Specialty categories are excluded from the benchmark, but have permitted ranges
 - Private Equity, Real Estate Opportunistic, Hedge Funds
- Equivalent stock/bond/cash risk is accounted for and offset when investing in other asset categories
- Benchmark constructed to achieve 70% equity-like, 27% bond-like, and 3% cash-like risk exposures

SDRS Return and Volatility Analysis

Using JP Morgan inputs

	Expected Return	Standard Deviation*	Correlation Matrix							
			Public Equity	Hedge Funds	IG Debt	Cash	HY Debt	REITs	Private Equity	RE Opp
Public Equity	6.7%	17%	100%							
Hedge Funds	3.8%	7%	16%	100%						
Investment Grade Debt	4.6%	5%	26%	-8%	100%					
Cash	3.1%	1%	0%	5%	8%	100%				
High Yield Debt	6.1%	9%	74%	10%	38%	-5%	100%			
REITs	8.0%	17%	77%	10%	39%	-6%	67%	100%		
Private Equity	9.9%	20%	78%	26%	0%	0%	72%	53%	100%	
Real Estate Opportunistic	10.1%	19%	35%	1%	-13%	-18%	35%	46%	34%	100%

	Public Equity	Hedge Funds	IG Debt	Cash	HY Debt	REITs	Private Equity	RE Opp	Expected Return	Standard Deviation (1yr)*
Proposed Benchmark FY26**	56.3%	0.0%	22.8%	1.9%	7.0%	12.0%	0.0%	0.0%	6.27%	12.01%
Actual Asset Allocation**	21.5%	0.9%	13.5%	36.7%	4.8%	0.0%	10.0%	12.6%	5.79%	7.01%

* Standard deviation is a measure of volatility. There is a 68% chance of being within +/-1 standard deviation and a 95% chance of being within +/-2 standard deviations.

** As of 3/31/25

SDRS Return and Volatility Analysis

Using SDIC inputs

	Expected Return	Est. Volatility*
Public Equity	6.4%	21%
Hedge Funds	4.1%	11%
Investment Grade Debt	4.8%	8%
Cash	3.3%	2%
High Yield Debt	5.5%	12%
REITs	6.5%	25%
Private Equity	7.0%	30%
Real Estate Opportunistic	8.0%	33%

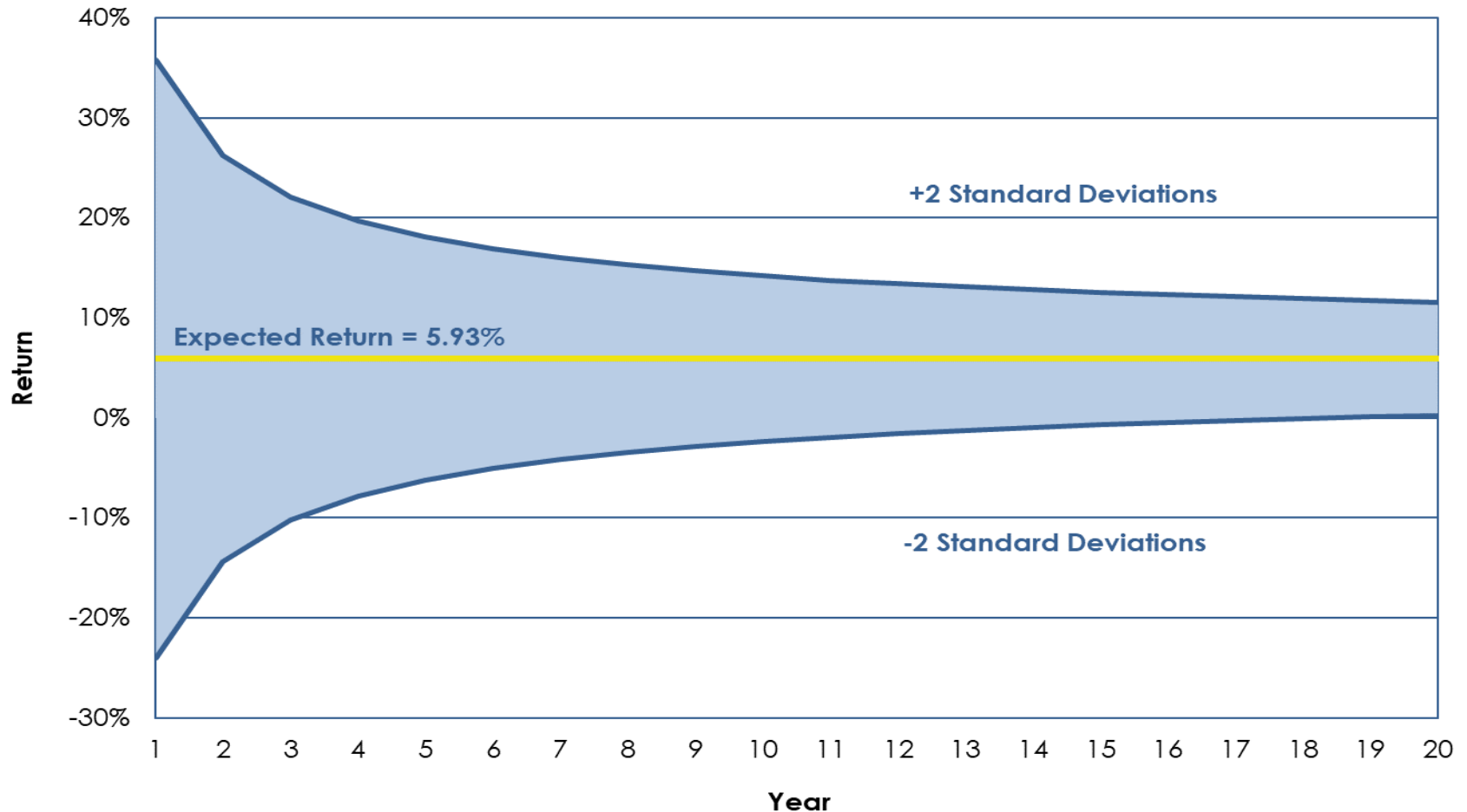
	Public Equity	Hedge Funds	IG Debt	Cash	HY Debt	REITs	Private Equity	RE Opp	Expected Return	Est. Volatility (1yr)*
Proposed Benchmark FY26**	56.3%	0.0%	22.8%	1.9%	7.0%	12.0%	0.0%	0.0%	5.93%	14.95%
Actual Asset Allocation**	21.5%	0.9%	13.5%	36.7%	4.8%	0.0%	10.0%	12.6%	5.25%	11.08%

* Standard deviation is a measure of volatility. There is a 68% chance of being within +/-1 standard deviation and a 95% chance of being within +/-2 standard deviations. This measure has been adjusted to better reflect frequency and magnitude of adverse events.

** As of 3/31/25

SDRS Return and Volatility Analysis

Using SDIC inputs



SDRS Expected Long-Term Return Recap

- Benchmark asset allocation expected return is 5.93%
 - Uses SDRS inflation assumption which can vary from SDIC inflation assumption
 - Does not incorporate any negative dollar cost averaging effect nor added value from the long-term contrarian investment approach
- Expected returns are the midpoint of a wide distribution with a 50% chance of being higher and a 50% chance of being lower
- Standard deviation is approx. 15% and is adjusted to reflect real-world frequency of severe negative returns and correlations during severe periods
 - Conventionally measured standard deviation is approximately 12%

Additional Risk Control

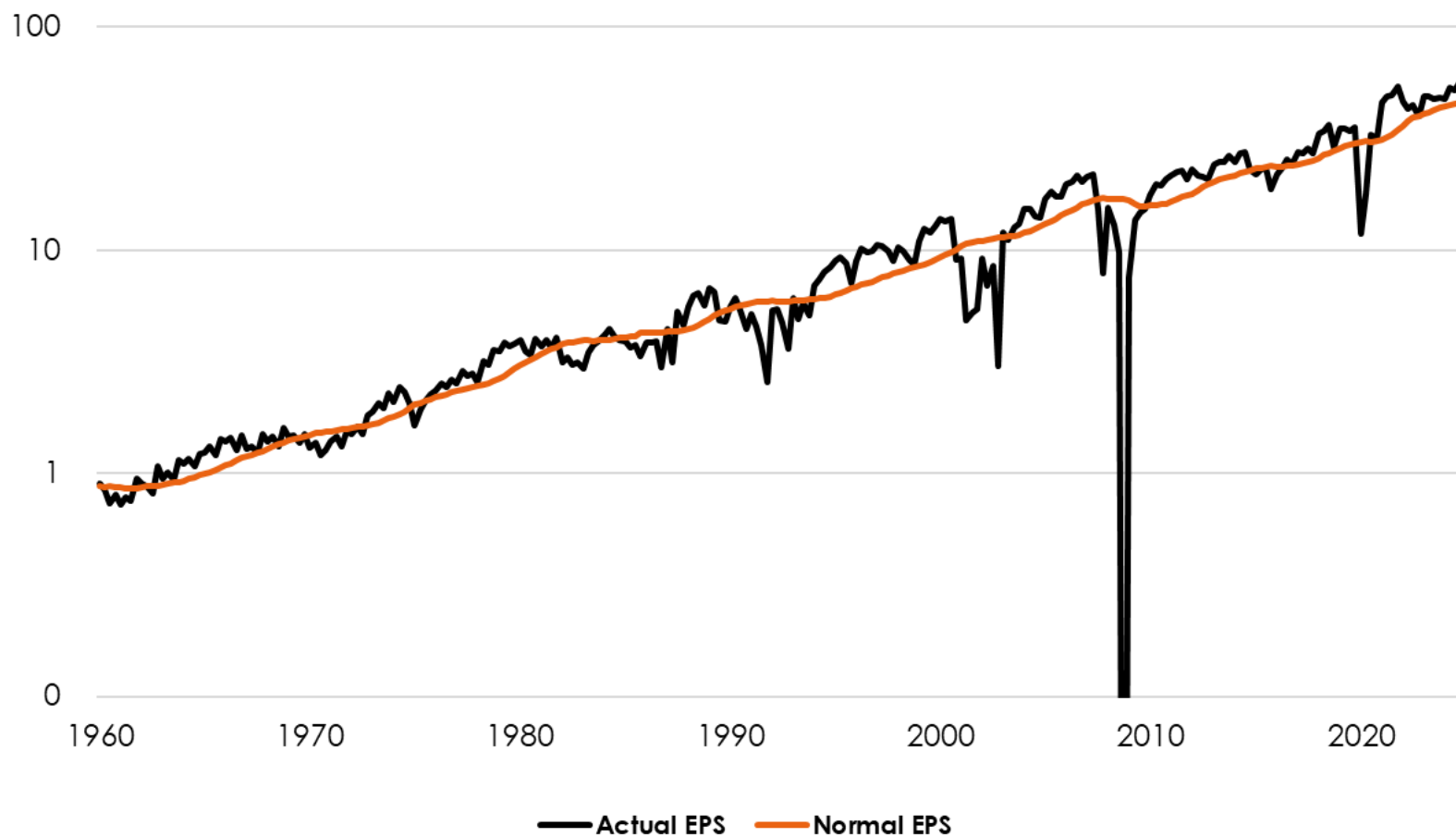
- Risk control
 - Risk managed by broad diversification and reducing amounts in expensive assets
 - Adequate liquidity maintained to avoid liquidations of depressed assets and to allow rebalancing
- Strength and determination to handle tough markets
 - Participation in the free enterprise economic system provides highest long-term rewards but must endure short-term bumps in the road
- Strong funding and benefit design help manage downside volatility
 - In very difficult circumstances, benefits may require further adjustment to maintain funding

Equity Valuation

- Estimated future cash flows
 - Normal earnings
 - Growth rate
- Discount rate comprised of
 - Inflation + real cash yield + term premium + risk premium
- Value is discounted value of future cash flows
- Adjustments to value
 - Monetary stimulus/restraint
 - Earnings strength

Normal EPS

Book value multiplied by adjusted ROE



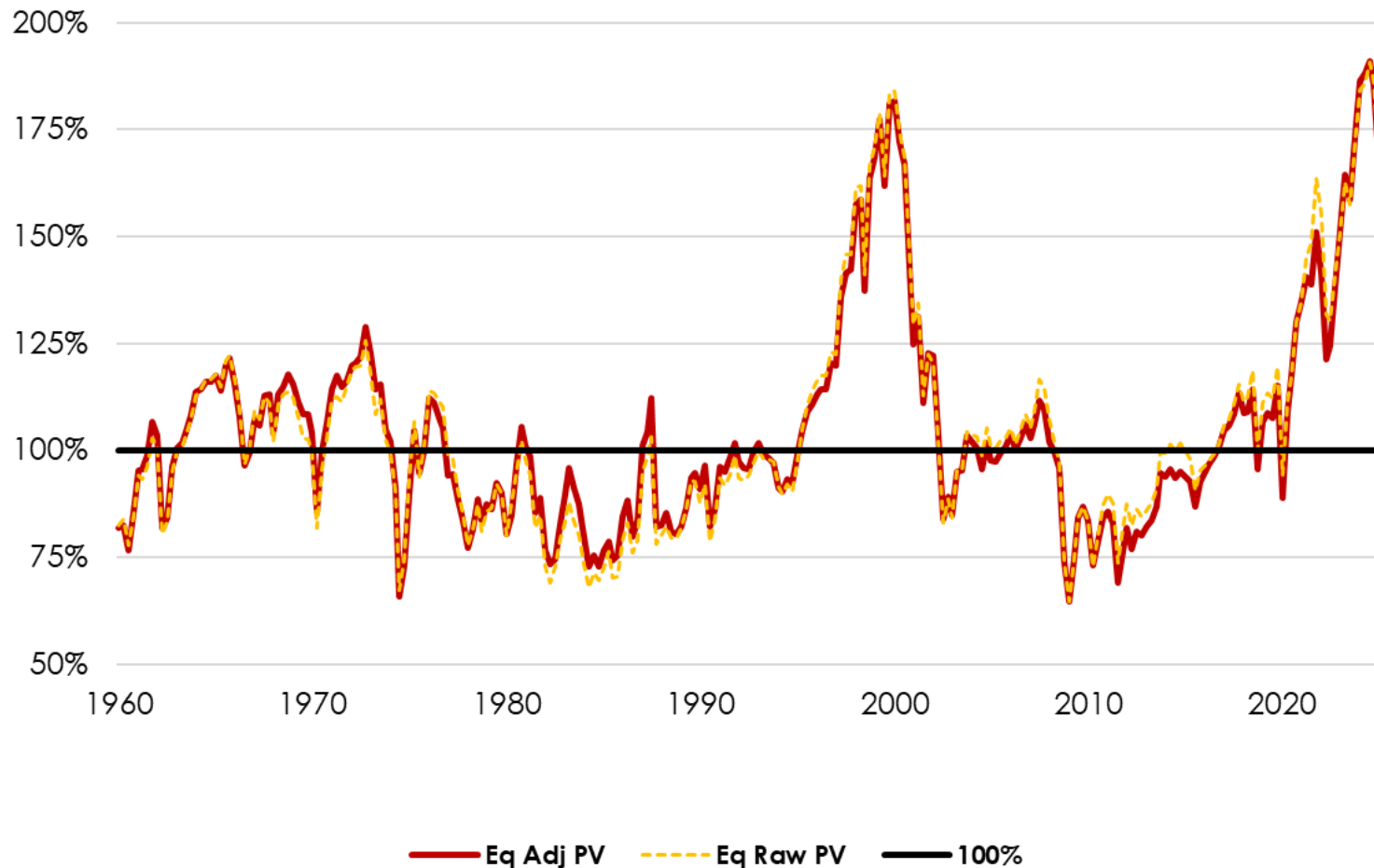
Discount Rate

Discount rate used for valuation is comprised of the following normalized components:

- Real T-bill yield
- Expected inflation
- T-bill to 10-year term premium
- 10-year to 30-year term premium
- Equity risk premium

Equity Price to Value

Raw and with monetary and earnings adjustments



Asset Allocation Implementation

- Equity-like and bond-like risk
 - Meaningfully cheap or expensive to initiate over or under-weight
 - Move back toward fair value to remove over or under-weight
 - Several steps between the benchmark and minimum and maximum levels
- Other category over and under-weights depend on valuation relative to risk mapping
 - Equity-like, bond-like, and cash-like risk is offset by adjusting weight of stocks, bonds, or cash