

South Dakota Retirement System

Supplemental Retirement Plan Analysis

Prepared by the South Dakota Investment Council Staff

August 22, 2024

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Executive Summary

The South Dakota Supplemental Retirement Plan (SRP) offers members of the South Dakota Retirement System the opportunity to save additional dollars for retirement on either a pre-tax or after-tax (Roth) basis.

The goal is to offer an array of diversified investment options to allow participants to increase the value of their investment assets in a manner consistent with varying levels of risk tolerance and investment decision-making acumen. The Plan offers a guaranteed interest account, a series of target date retirement funds, a core group of index funds and a selection of actively managed mutual funds. The actively managed mutual funds are chosen from a group of respected and successful managers that the Investment Council Staff regularly monitors. See the next page for a listing of investment options grouped by type.

The included quarterly report prepared by Nationwide Retirement Solutions as of June 30, 2024, provides information on the number of participants and amount of plan assets in the SRP. Two additional pages show plan participation statistics, new enrollments and final withdrawals for the year. Additionally, the separate Investment Review provides information on each of the investment options offered by the plan, including investment strategy, performance and fund composition.

Plan investment options and potential alternatives are evaluated on at least an annual basis. The evaluation includes performance, fit with the overall fund choices, adherence to the stated investment style, manager stability and other criteria. In fiscal year 2024, the available investment options performed in-line with expectations given their style and geographic weightings. The funds with greater Information Technology and US exposures outperformed their benchmarks considerably, while those with heavier value and international tilts underperformed for the second year in a row.

The Growth Fund of America was discussed last year as one that has not kept pace with the Russell 1000 Growth Index, which repeated this year. This underperformance can again largely be explained by its sizable international overweight and technology underweight, in which the fund's managers maintain conviction. The fund did, however, meaningfully outperform the S&P 500 in fiscal year 2024, widening its outperformance on that comparison since inception. The fund will continue to be monitored while allowing an opportunity for its positioning tilts relative to the growth index to return to favor.

The migration of the former Prudential Guaranteed Interest Account to the Empower Platform was officially completed on October 20th, 2023. There have been no changes to the account since the migration.

The State Investment Officer and Staff are recommending no changes to the investment options of the Plan at this time.

The South Dakota Supplemental Retirement Plan (SRP) is covered under section 457 of the Internal Revenue Code – Deferred compensation plans of state and local governments and tax-exempt organizations. SDCL 3-13-49 through 3-13-55.1 states “...The state investment officer shall be held to the standard of conduct of a fiduciary and shall carry out all functions solely in the interests of the participants and benefit recipients and for the exclusive purpose of providing benefits...”

SDRS Supplemental Retirement Plan

Investment Options as of June 30, 2024

Guaranteed Interest Account

Guaranteed Interest Account – a stable value insurance product designed to provide safety of principal, liquidity and a stable rate of return.

Vanguard Target Retirement Funds

<u>Fund Option</u>	<u>Yrs. to Retirement</u>	<u>Stocks %</u>	<u>Bonds %</u>
Target Retirement Income Fund	0	30	70
Target Retirement Fund 2020	0	40	60
Target Retirement Fund 2025	0-5	50	50
Target Retirement Fund 2030	About 5	60	40
Target Retirement Fund 2035	About 10	70	30
Target Retirement Fund 2040	About 15	80	20
Target Retirement Fund 2045	About 20	85	15
Target Retirement Fund 2050	About 25	90	10
Target Retirement Fund 2055	About 30	90	10
Target Retirement Fund 2060	About 35	90	10
Target Retirement Fund 2065	About 40	90	10

Index Funds

Vanguard Extended Market Index Fund – tracks the return of the S&P Completion Index that measures the return of small- and mid-capitalization US stocks.

Vanguard Federal Money Market Fund – seeks to provide current income while maintaining liquidity by investing primarily in short-term securities issued by the U.S. Treasury and agencies of the U.S. government, and repurchase agreements collateralized by such securities.

Vanguard Institutional Index Fund – seeks to track the performance of the S&P 500 Index which measures the return of large-capitalization stocks.

Vanguard Small Cap Index Fund – seeks to replicate the CRSP U.S. Small Cap Index by holding all the stocks in the same capitalization weight as the index.

Vanguard Total Bond Market Index Fund – tracks the Bloomberg U.S. Aggregate Bond Index and seeks to provide current income by investing in a mix of bonds – corporate, government, and mortgage-backed – that represent the total universe of public investment-grade bonds in the U.S. with maturities over one year.

Vanguard Total International Stock Index Fund – tracks the returns of the FTSE Global All Cap ex U.S. Index. The fund holds a sampling of stocks that matches certain characteristics of its target index such as country weightings, market capitalization, and industry sector diversification.

Vanguard Growth Index Fund – tracks the performance of the CRSP US Large Cap Growth Index, an index primarily made up of growth stocks of large U.S. companies.

Vanguard Value Index Fund – tracks the performance of the CRSP US Large Cap Value Index, an index primarily made up of value stocks of large U.S. companies.

Vanguard Real Estate Index Fund – tracks the performance of MSCI US Investable Market Real Estate 25/50 Index, an index primarily made up of large, mid-size, and small US companies within the real estate sector.

Specialty Investment Options

Balanced Income Fund – Wellesley Income Fund

International/Global Equity Funds – American Funds Capital World Growth & Income Fund, Dodge & Cox International Stock Fund, Dodge & Cox Global Stock Fund, T. Rowe Price Real Assets Fund

Large Cap Equity Funds – American Funds Growth Fund of America, Vanguard Windsor II Fund

Mid/Small Cap Equity Fund – Vanguard Strategic Equity Fund



Quarterly Report
Prepared for the SDRS
Supplemental Retirement Plan

2nd Quarter 2024

Administered for the SDRS by:
Nationwide Retirement Solutions

**SDRS Supplemental Retirement Plan(Qtrly)
Plan Status Report - June 2024**

Part I: Statistics By Investment Option as of June 30, 2024

Total Program

Report Date: Jun 29, 2024

Fund	Date Added to Plan	Participants		Plan Assets		
		Active*	Total**	Contributions Current Month	Investment Performance	Balance as of 06/30/2024
Total Program						
Capital World Growth and Income Fund(SM) - Class R5	Aug, 2007	367	793	\$112,367	\$163,240	\$10,042,422
Dodge & Cox Global Stock Fund - Class I	Dec, 2012	166	335	\$48,287	-\$11,854	\$3,062,613
Dodge & Cox International Stock Fund - Class I	Aug, 2007	457	817	\$81,691	\$5,583	\$4,269,723
Prudential Guaranteed Investment Contract	Feb, 2008	688	6,050	\$4,390,181	\$1,017,471	\$138,600,007
T. Rowe Price Real Assets Fund	Mar, 2022	18	32	\$2,076	-\$532	\$57,558
The Growth Fund of America(R) - Class R5	Aug, 2007	921	1,680	\$404,007	\$1,194,406	\$32,257,989
Vanguard Federal Money Market Fund - Investor Class	Dec, 2015	1,231	2,705	\$1,069,801	\$398,210	\$32,170,512
Vanguard Institutional Target Retirement 2055 Fund - Institutional Shares	Jul, 2017	0	0	\$0	\$0	\$0
Vanguard Real Estate Index Fund - Admiral Shares	Mar, 2022	337	481	\$31,319	-\$13,778	\$769,329
Vanguard Target Retirement 2020 Fund - Investor Shares	Aug, 2007	554	1,552	\$462,188	\$356,511	\$34,362,678
Vanguard Target Retirement 2025 Fund - Investor Shares	Aug, 2007	1,384	2,476	\$965,199	\$621,362	\$50,165,959
Vanguard Target Retirement 2030 Fund - Investor Shares	Aug, 2007	1,716	2,886	\$1,468,504	\$738,355	\$51,449,216
Vanguard Target Retirement 2035 Fund - Investor Shares	Aug, 2007	1,813	3,071	\$1,052,784	\$562,747	\$36,503,704
Vanguard Target Retirement 2040 Fund - Investor Shares	Aug, 2007	1,974	3,492	\$972,389	\$524,150	\$30,343,026
Vanguard Target Retirement 2045 Fund - Investor Shares	Aug, 2007	2,231	4,057	\$1,076,886	\$591,563	\$31,162,063
Vanguard Target Retirement 2050 Fund - Investor Shares	Aug, 2007	2,412	5,019	\$893,559	\$620,622	\$30,713,756
Vanguard Target Retirement 2055 Fund - Investor Shares	Feb, 2012	2,455	5,053	\$695,507	\$370,798	\$18,478,089
Vanguard Target Retirement 2060 Fund - Investor Shares	Dec, 2012	1,674	3,398	\$447,817	\$148,581	\$7,387,444
Vanguard Target Retirement 2065 Fund - Investor Shares	Feb, 2022	455	537	\$130,880	\$28,386	\$1,259,371
Vanguard Total International Stock Index Fund - Institutional Shares	Apr, 2011	618	1,301	\$243,850	\$114,656	\$13,920,464
Vanguard Value Index Fund -Admiral Shares	Dec, 2018	446	750	\$107,393	-\$43,994	\$5,000,481
Vanguard(R) Extended Market Index Fund - Institutional Shares	Nov, 2007	821	1,592	\$233,750	-\$778,366	\$21,749,953
Vanguard(R) Growth Index Fund - Institutional Shares	Oct, 2021	666	1,122	\$343,928	\$1,596,570	\$20,385,400
Vanguard(R) Institutional Index Fund - Institutional Shares	Apr, 2000	1,069	2,486	\$1,320,327	\$4,077,676	\$99,626,945
Vanguard(R) Small-Cap Index Fund - Institutional Shares	Oct, 2021	789	1,327	\$194,289	-\$433,066	\$10,223,282
Vanguard(R) Strategic Equity Fund - Investor Shares	Aug, 2007	674	1,243	\$183,903	-\$393,540	\$10,997,604
Vanguard(R) Target Retirement Income Fund	Aug, 2007	172	952	\$170,265	\$229,636	\$25,957,197
Vanguard(R) Total Bond Market Index Fund - Institutional Shares	Dec, 2005	644	1,434	\$255,575	\$45,475	\$19,259,110
Vanguard(R) Wellesley(R) Income Fund - Admiral(TM) Shares	Dec, 2012	183	510	\$119,652	\$7,408	\$13,949,898
Vanguard(R) Windsor(TM) II Fund - Admiral(TM) Shares	Oct, 2001	637	1,486	\$645,464	\$474,022	\$47,038,787
Total		19,228	39,693	\$18,123,839	\$12,212,299	\$801,164,579
* This column represents the number of participants who have deferred to this option during the period						
** This column represents the number of participants who have balance at the end of the period						
Neither column will add to the totals at the bottom because participants could have multiple investment options						

SDRS Supplemental Retirement Plan(Qtrly)
Plan Status Report - June 2024
Part I: Statistics By Investment Option as of June 30, 2024
Plan 457

Report Date: Jun 29, 2024

Fund	Participants			Plan Assets		
	Date Added to Plan	Active*	Total**	Contributions Current Month	Investment Performance	Balance as of 06/30/2024
457						
Capital World Growth and Income Fund(SM) - Class R5	Aug, 2007	367	784	\$112,367	\$160,857	\$9,893,598
Dodge & Cox Global Stock Fund - Class I	Dec, 2012	166	329	\$48,287	-\$11,210	\$2,894,137
Dodge & Cox International Stock Fund - Class I	Aug, 2007	457	805	\$81,691	\$5,498	\$4,216,873
Prudential Guaranteed Investment Contract	Feb, 2008	461	2,001	\$947,895	\$527,024	\$70,922,852
T. Rowe Price Real Assets Fund	Mar, 2022	18	32	\$2,076	-\$532	\$57,558
The Growth Fund of America(R) - Class R5	Aug, 2007	921	1,640	\$393,613	\$1,154,004	\$31,125,759
Vanguard Federal Money Market Fund - Investor Class	Dec, 2015	1,226	2,660	\$878,928	\$373,843	\$30,120,248
Vanguard Institutional Target Retirement 2055 Fund - Institutional Shares	Jul, 2017	0	0	\$0	\$0	\$0
Vanguard Real Estate Index Fund - Admiral Shares	Mar, 2022	337	473	\$31,319	-\$13,519	\$756,281
Vanguard Target Retirement 2020 Fund - Investor Shares	Aug, 2007	554	1,543	\$462,188	\$351,502	\$33,879,430
Vanguard Target Retirement 2025 Fund - Investor Shares	Aug, 2007	1,384	2,465	\$965,199	\$612,917	\$49,492,095
Vanguard Target Retirement 2030 Fund - Investor Shares	Aug, 2007	1,716	2,874	\$1,468,504	\$730,162	\$50,943,492
Vanguard Target Retirement 2035 Fund - Investor Shares	Aug, 2007	1,813	3,064	\$1,052,784	\$559,737	\$36,306,088
Vanguard Target Retirement 2040 Fund - Investor Shares	Aug, 2007	1,974	3,485	\$972,389	\$520,740	\$30,142,598
Vanguard Target Retirement 2045 Fund - Investor Shares	Aug, 2007	2,231	4,052	\$1,076,886	\$590,076	\$31,082,423
Vanguard Target Retirement 2050 Fund - Investor Shares	Aug, 2007	2,412	5,017	\$893,559	\$619,561	\$30,660,771
Vanguard Target Retirement 2055 Fund - Investor Shares	Feb, 2012	2,455	5,051	\$695,507	\$368,933	\$18,391,752
Vanguard Target Retirement 2060 Fund - Investor Shares	Dec, 2012	1,674	3,396	\$447,817	\$148,271	\$7,371,844
Vanguard Target Retirement 2065 Fund - Investor Shares	Feb, 2022	455	536	\$130,880	\$27,960	\$1,237,961
Vanguard Total International Stock Index Fund - Institutional Shares	Apr, 2011	618	1,284	\$243,850	\$112,845	\$13,694,995
Vanguard Value Index Fund -Admiral Shares	Dec, 2018	446	729	\$107,393	-\$42,126	\$4,802,066
Vanguard(R) Extended Market Index Fund - Institutional Shares	Nov, 2007	821	1,561	\$233,750	-\$748,665	\$20,946,483
Vanguard(R) Growth Index Fund - Institutional Shares	Oct, 2021	666	1,082	\$343,928	\$1,501,228	\$19,222,097
Vanguard(R) Institutional Index Fund - Institutional Shares	Apr, 2000	1,069	2,428	\$1,320,327	\$3,986,528	\$97,399,279
Vanguard(R) Small-Cap Index Fund - Institutional Shares	Oct, 2021	789	1,301	\$194,289	-\$420,344	\$9,943,195
Vanguard(R) Strategic Equity Fund - Investor Shares	Aug, 2007	674	1,209	\$183,903	-\$376,986	\$10,539,521
Vanguard(R) Target Retirement Income Fund	Aug, 2007	172	934	\$170,265	\$222,952	\$25,202,089
Vanguard(R) Total Bond Market Index Fund - Institutional Shares	Dec, 2005	644	1,408	\$255,575	\$44,619	\$18,724,701
Vanguard(R) Wellesley(R) Income Fund - Admiral(TM) Shares	Dec, 2012	183	480	\$119,652	\$7,059	\$13,374,682
Vanguard(R) Windsor(TM) II Fund - Admiral(TM) Shares	Oct, 2001	637	1,459	\$645,464	\$468,364	\$46,371,465
Total		19,119	36,708	\$14,480,286	\$11,481,297	\$719,716,334
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**SDRS Supplemental Retirement Plan(Qtrly)
Plan Status Report - June 2024**

**Part I: Statistics By Investment Option as of June 30, 2024
Plan 401A**

Report Date: Jun 29, 2024

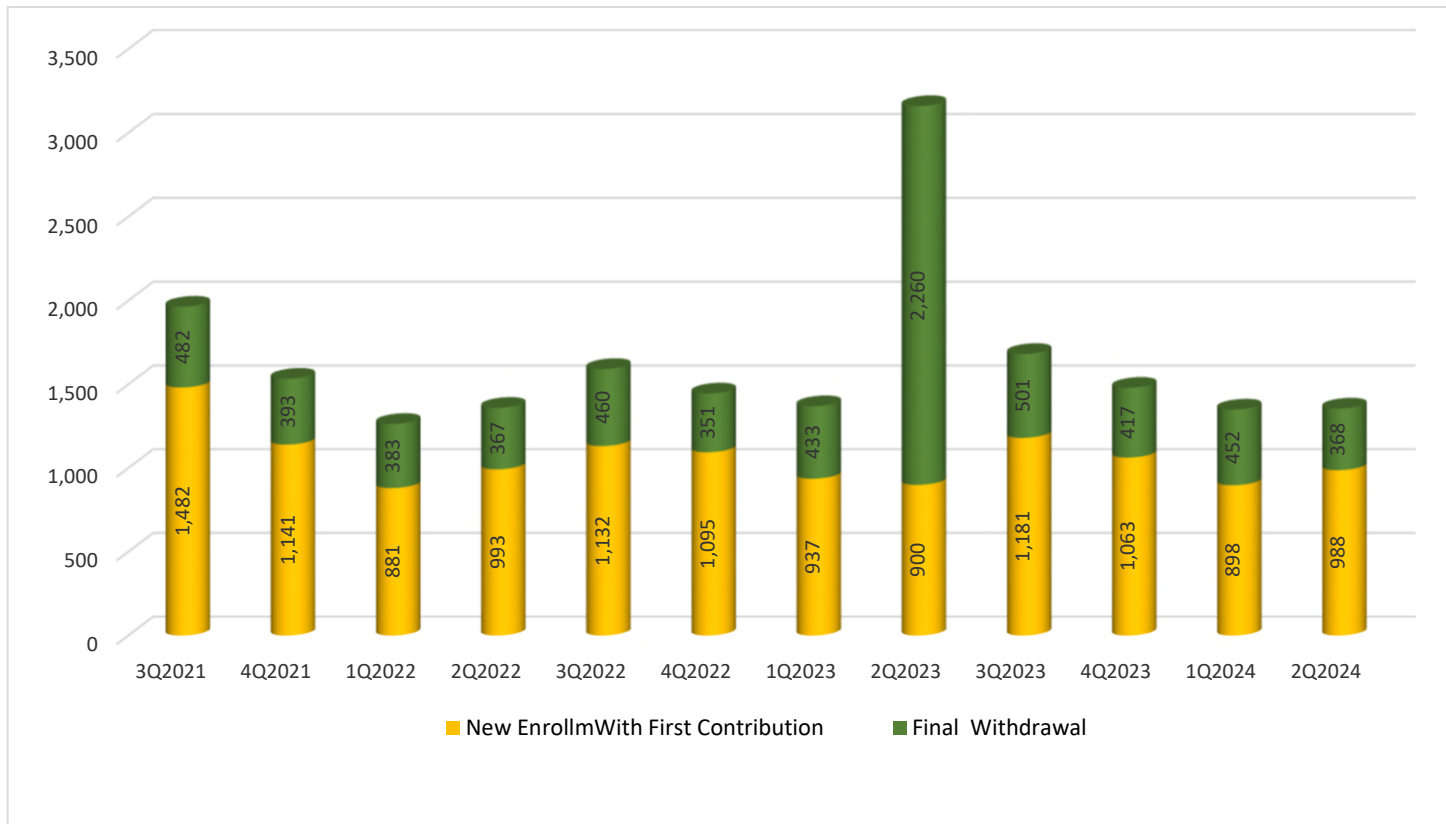
Fund	Participants		Plan Assets			
	Date Added to Plan	Active*	Total**	Contributions Current Month	Investment Performance	Balance as of 06/30/2024
401(a)						
Capital World Growth and Income Fund(SM) - Class R5	Aug, 2007	0	12	\$0	\$2,383	\$148,824
Dodge & Cox Global Stock Fund - Class I	Dec, 2012	0	7	\$0	-\$644	\$168,476
Dodge & Cox International Stock Fund - Class I	Aug, 2007	0	20	\$0	\$85	\$52,850
Prudential Guaranteed Investment Contract	Feb, 2008	239	4,475	\$3,442,287	\$490,448	\$67,677,155
The Growth Fund of America(R) - Class R5	Aug, 2007	1	59	\$10,394	\$40,403	\$1,132,230
Vanguard Federal Money Market Fund - Investor Class	Dec, 2015	5	79	\$190,873	\$24,367	\$2,050,264
Vanguard Real Estate Index Fund - Admiral Shares	Mar, 2022	0	14	\$0	-\$259	\$13,047
Vanguard Target Retirement 2020 Fund - Investor Shares	Aug, 2007	0	17	\$0	\$5,010	\$483,248
Vanguard Target Retirement 2025 Fund - Investor Shares	Aug, 2007	0	17	\$0	\$8,444	\$673,864
Vanguard Target Retirement 2030 Fund - Investor Shares	Aug, 2007	0	21	\$0	\$8,193	\$505,724
Vanguard Target Retirement 2035 Fund - Investor Shares	Aug, 2007	0	10	\$0	\$3,009	\$197,616
Vanguard Target Retirement 2040 Fund - Investor Shares	Aug, 2007	0	7	\$0	\$3,410	\$200,428
Vanguard Target Retirement 2045 Fund - Investor Shares	Aug, 2007	0	5	\$0	\$1,487	\$79,640
Vanguard Target Retirement 2050 Fund - Investor Shares	Aug, 2007	0	4	\$0	\$1,061	\$52,985
Vanguard Target Retirement 2055 Fund - Investor Shares	Feb, 2012	0	3	\$0	\$1,865	\$86,337
Vanguard Target Retirement 2060 Fund - Investor Shares	Dec, 2012	0	2	\$0	\$310	\$15,600
Vanguard Target Retirement 2065 Fund - Investor Shares	Feb, 2022	0	2	\$0	\$426	\$21,410
Vanguard Total International Stock Index Fund - Institutional Shares	Apr, 2011	0	28	\$0	\$1,811	\$225,469
Vanguard Value Index Fund -Admiral Shares	Dec, 2018	0	32	\$0	-\$1,868	\$198,415
Vanguard(R) Extended Market Index Fund - Institutional Shares	Nov, 2007	0	40	\$0	-\$29,700	\$803,470
Vanguard(R) Growth Index Fund - Institutional Shares	Oct, 2021	0	58	\$0	\$95,342	\$1,163,303
Vanguard(R) Institutional Index Fund - Institutional Shares	Jul, 2004	0	84	\$0	\$91,149	\$2,227,667
Vanguard(R) Small-Cap Index Fund - Institutional Shares	Oct, 2021	0	36	\$0	-\$12,721	\$280,087
Vanguard(R) Strategic Equity Fund - Investor Shares	Aug, 2007	0	44	\$0	-\$16,554	\$458,083
Vanguard(R) Target Retirement Income Fund	Aug, 2007	0	34	\$0	\$6,684	\$755,108
Vanguard(R) Total Bond Market Index Fund - Institutional Shares	Dec, 2005	0	44	\$0	\$856	\$534,409
Vanguard(R) Wellesley(R) Income Fund - Admiral(TM) Shares	Dec, 2012	0	38	\$0	\$350	\$575,216
Vanguard(R) Windsor(TM) II Fund - Admiral(TM) Shares	Jul, 2004	0	41	\$0	\$5,658	\$667,322
Total		245	4,750	\$3,643,553	\$731,002	\$81,448,246
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**SDRS Supplemental Retirement Plan(Qtrly)
Plan Status Report - June 2024
SDRS-Plan Participation Statistics**

Report Date: Jun 29, 2024

	State Employees	Regent Employees	Local Employees	Total Program
Total Participants Prior Quarter	16113	7370	15202	38685
Plus New Enrollees/Contributions Received This Quarter	417	144	427	988
Lump Sum (Full)	67	35	88	190
Lump Sum (Partial)	30	10	60	100
Annuity	204	70	245	519
Hardship	3	0	3	6
Transfers Out	35	30	66	131
De Minimis	0	0	0	0
Less Final Withdrawals	121	73	174	368
Total Participant this Quarter	16303	7398	15418	39119
Transactions Processed This Quarter				
Active Participant During this Qtr				18913
Average Monthly Contribution				185
Number of Increases/Decreases to Contribution Amounts				1684
Number of Exchanges				574
Number of Investment Option Election Changes				1225
Employer Activity				
Number of New Employers Added during Qtr				0
Total Employers				378

Supplemental Retirement Plan
New Enrollments/ Final Withdrawals
2nd Quarter 2024



Guaranteed Interest Account

The Guaranteed Interest Account (GIA) is a stable value insurance product designed to provide safety of principal, liquidity and a stable rate of return. The current interest-crediting rate is 3% which is also the minimum rate. The safety of principal contributed, and accumulated interest is backed by the Prudential Insurance Company of America (PICA) as well as reinsured and administered by Empower Annuity Insurance Company of America (EAICA). The interest rate is guaranteed for at least one quarter and can never be less than the minimum rate.

Contributions are deposited in the EAICA general account. Part of the assets within EAICA are managed to support both its guarantees and its liabilities. The bulk of the EAICA general account is invested in short- to intermediate-term fixed income securities with investments in private placement bonds, mortgage loans, public corporate bonds, and asset-backed securities.

The acquisition of Prudential’s full-service retirement business by Empower Retirement (a subsidiary of Great-West Lifeco) closed on April 1st, 2022. The migration of the former Prudential Guaranteed Interest Account to the Empower Platform was officially completed October 20th, 2023. There have been no changes to the account since the migration.

Portfolio Data	06/30/2024
Net Book Value of Assets	\$48.5B
Book Value of Liabilities	\$42.1B
Financial Strength (S&P/Moody's/Fitch/AM Best)	AA/Aa3/AA/A+
Portfolio Asset Allocation	
Public Corporate Bonds	28%
Private Securities	20%
Mortgage Loans	14%
Policy Loans	9%
ABS	8%
MBS	4%
Cash and Short-Term	2%
Other	15%

Credit Quality of Admitted Cash and Invested Assets	
AAA	8%
AA	5%
A	22%
BBB	26%
Below Investment Grade	1%
Not Rated*	38%

*Includes other invested assets, common stock and mortgage loans