

Financial Statements

June 30, 2025

South Dakota Retirement System,
South Dakota Retirement System
Supplemental Retirement Plan, and
South Dakota Retirement System
Special Pay Plan

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

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphases of Matter

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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



Boise, Idaho
October 23, 2025

SOUTH DAKOTA RETIREMENT SYSTEM

Management's Discussion and Analysis

June 30, 2025

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

Financial Highlights

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

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

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

Notes to Financial Statements

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

Supplemental Information

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

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

Financial Analysis

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Management's Discussion and Analysis

June 30, 2025

A summary of the fiduciary net position is shown below:

Summary of Fiduciary Net Position

June 30, 2025 and 2024

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

Change in Fiduciary Net Position

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Management's Discussion and Analysis

June 30, 2025

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

Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

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

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

Investments

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

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

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

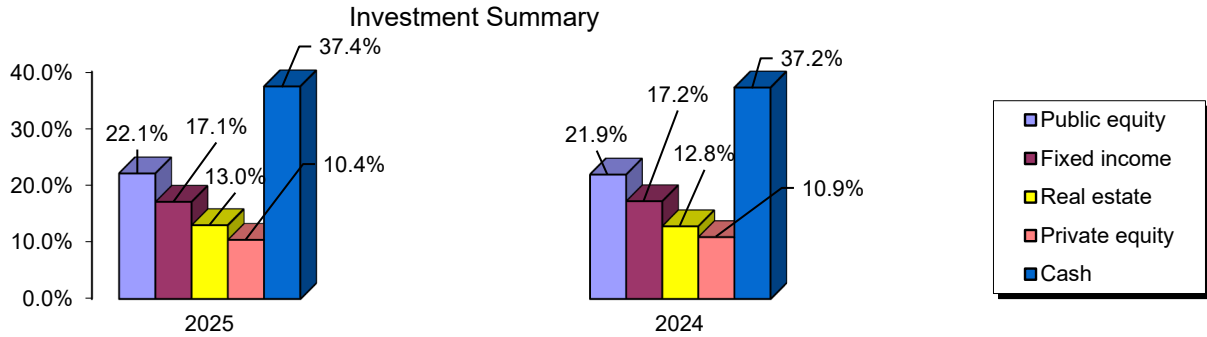
§4-5-27. Prudent-person standard required in investments. Any investments under the provisions of §4-5-12 to §4-5-39, inclusive, shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in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

SOUTH DAKOTA RETIREMENT SYSTEM

Management's Discussion and Analysis

June 30, 2025

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



Plan Status

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

Requests for Information

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

SOUTH DAKOTA RETIREMENT SYSTEM

Statement of Fiduciary Net Position

June 30, 2025

Assets

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

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions

Contributions	
Employee	\$ 176,641,822
Employer	178,517,895
	<hr/>
Total contributions	355,159,717
	<hr/>

Investment Income

From investing activities	
Net increase in fair value of investments	475,415,399
Interest	233,402,181
Dividends	136,608,007
Real estate	5,342,432
	<hr/>

Investment activity income	850,768,019
Less investment activity expenses	(52,549,222)
	<hr/>

Net investment activity income	798,218,797
	<hr/>

From security lending activities

Security lending income	422,619
Security lending expenses	(135,954)
	<hr/>

286,665

Total additions	1,153,665,179
	<hr/>

Deductions

Benefits	761,846,186
Refunds of contributions	36,510,202
Administrative expenses	5,783,686
	<hr/>

Total deductions	804,140,074
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Net change in net position	349,525,105
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Net position held in trust for pension benefits:

Beginning of year	14,922,309,487
Prior Year Adjustment (See Note 13)	(316,989)
	<hr/>

Restated June 30, 2024 Net Position Restricted for Pension Benefits	14,921,992,498
	<hr/>

End of year	<u><u>\$ 15,271,517,603</u></u>
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See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

(1) General Description of the System

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

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

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

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

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

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

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

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

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

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

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

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

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

(b) Method Used to Value Investments

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

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

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

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

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

- (1) Futures contracts are marked to market based on quoted futures prices with changes in fair value reflected in the current period.
- (2) Interest is accrued in the period in which it is earned, and dividend income is recorded on the ex-dividend date.

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

(c) Use of Estimates

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

(d) Subsequent Events

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

(e) Capital Assets

Capital assets consisted of the following for fiscal year 2025:

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

(3) Contributions and Reserves

(a) Contributions

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

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

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

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June 30, 2025

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

Future payments will be received as follows:

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

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

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

Total pension liability	\$15,263,012,420
Plan fiduciary net position	<u>(15,271,517,603)</u>
Net pension liability (asset)	<u>\$ (8,505,183)</u>

Fiduciary net position as a percentage of net pension liability (asset)	100.06%
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SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

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

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

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teacher, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

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

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

(5) Cash and Investments

Cash and Cash Equivalents

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

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

Investments

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

SOUTH DAKOTA RETIREMENT SYSTEM

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

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

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

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

(a) Interest Rate Risk

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

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

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

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

(b) Credit Risk

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

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

(c) Concentration of Credit Risk

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

SOUTH DAKOTA RETIREMENT SYSTEM

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(d) Foreign Currency Risk

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

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

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

(e) Return on Investments

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

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Changes in Fair Value of Investments

Appreciation (Depreciation) in Fair Value of Investments:

Equities	\$ 133,403,160
Fixed Income	103,563,579
Real Estate	10,992,804
Private Equity	(762,594)
Change in Accrued Income	(598,297)
Total increase (decrease) in fair value	246,598,652

Realized gain (loss) on investments:

Equities	310,880,039
Fixed Income	2,822,015
Real Estate	(10,044,690)
Private Equity	131,959,434
Total net realized gains	435,616,798

Futures - change in unrealized gain (loss)	(59,753,335)
Futures - realized gain (loss)	(147,046,716)
Net loss on futures	(206,800,051)

Net appreciation in investments	\$ 475,415,399
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(f) Securities Lending

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

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

(g) *Custodial Credit Risk*

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

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(h) Fair Value Measurements and Applications

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Derivatives

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

Futures Contracts

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

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

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

Foreign Currency Forward Contracts

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

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

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

(a) Credit Risk

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

(b) Foreign Currency Risk

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

(7) Compensated Absences

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

(8) Supplemental Retirement Plan

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

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

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

(9) Special Pay Plan

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

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

(10) Plan Termination

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

(11) Commitments

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

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 2025

(12) Litigation

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

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

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

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

The legal action does not represent an immediate negative contingency.

(13) New Pronouncements

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

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

Required Supplementary Information
June 30, 2025

South Dakota Retirement System

SOUTH DAKOTA RETIREMENT SYSTEM

Schedules of Required Supplementary Information

June 30, 2025

SCHEDULE OF CHANGES IN THE SYSTEM'S NET PENSION LIABILITY (ASSET)

Last 10 Fiscal Years

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

* includes prior period adjustment for GASB 101

See Notes to Schedules of Required Supplementary Information

SOUTH DAKOTA RETIREMENT SYSTEM

Schedules of Required Supplementary Information

June 30, 2025

SCHEDULE OF SYSTEM'S NET PENSION LIABILITY (ASSET)

Last 10 Fiscal Years

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

SCHEDULE OF SYSTEM'S CONTRIBUTIONS

Last 10 Fiscal Years

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

See Notes to Schedules of Required Supplementary Information

SOUTH DAKOTA RETIREMENT SYSTEM

Schedules of Required Supplementary Information

June 30, 2025

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

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

See Notes to Schedules of Required Supplementary Information

SOUTH DAKOTA RETIREMENT SYSTEM

Notes to Schedules of Required Supplementary Information

June 30, 2025

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

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

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

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teacher, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Other Supplementary Information
June 30, 2025

South Dakota Retirement System

SOUTH DAKOTA RETIREMENT SYSTEM

Other Supplementary Information

Year Ended June 30, 2025

Schedule of Administrative Expenses

Personal services:

Salary and per diem	\$ 3,028,036
Employee benefits	<u>738,140</u>
Total personal services	<u>3,766,176</u>

Operating expenses:

Travel	<u>95,671</u>
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Contractual services:

Audit	131,400
External actuarial	15,300
Legal	17,201
Operations	<u>1,185,493</u>
Total contractual services	<u>1,349,394</u>

Supplies and materials	361,373
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Capital assets	<u>211,072</u>
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Total operating expenses	2,017,510
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Total administrative expenses	<u><u>\$ 5,783,686</u></u>
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SOUTH DAKOTA RETIREMENT SYSTEM

Other Supplementary Information

Year Ended June 30, 2025

Schedule of Investment Activity Expenses

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

Schedule of Payments to Consultants

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



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 23, 2025

Financial Statements

June 30, 2025

**South Dakota Retirement System
Supplemental Retirement Plan**



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
October 23, 2025

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Management's Discussion and Analysis

June 30, 2025

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

Financial Highlights

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

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

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

Notes to Financial Statements

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

Financial Analysis

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Management's Discussion and Analysis

June 30, 2025

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

Summary of Fiduciary Net Position

June 30, 2025 and 2024

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Management's Discussion and Analysis

June 30, 2025

Change in Fiduciary Net Position

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

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

Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

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

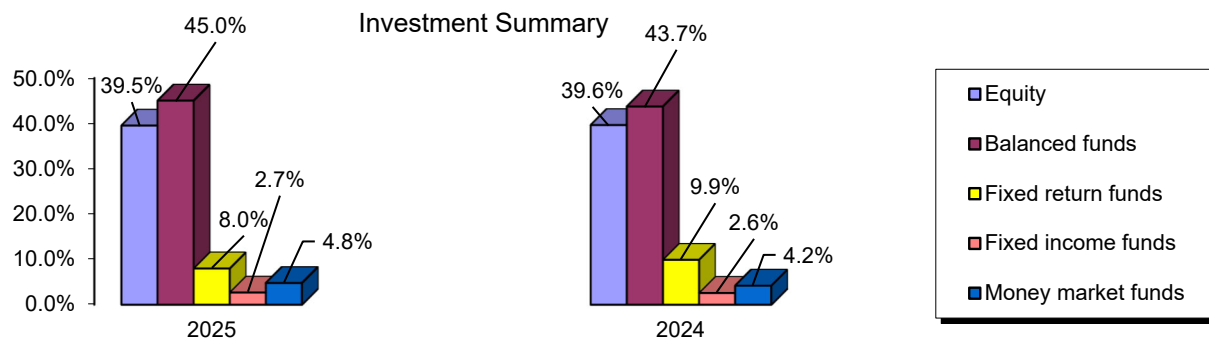
SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Management's Discussion and Analysis

June 30, 2025

Investments

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



Requests for Information

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Statement of Fiduciary Net Position

June 30, 2025

Assets

Cash	<u>\$ 1,398,298</u>
Investments, at fair value:	
Equity funds	326,127,816
Balanced funds	370,977,754
Fixed return funds	65,556,193
Fixed income funds	22,060,404
Money market funds	<u>39,370,763</u>
 Total investments, at fair value	 <u>824,092,930</u>
 Revenue sharing	 137,236
Accrued interest	4,896
Contributions receivable	<u>1,869,135</u>
 Total assets	 <u>827,502,495</u>

Liabilities

Accounts payable	<u>161,344</u>
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Net position held in trust for plan benefits	<u><u>\$ 827,341,151</u></u>
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See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

Additions

Employee contributions	\$ 51,064,362
Investment income	89,916,211
Revenue sharing	40,596
Transfers from related plan	<u>627,745</u>

Total additions	<u>141,648,914</u>
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Deductions

Distributions to participants	35,229,397
Administrative expenses	1,363,425
Transfers to related plan	<u>3,869</u>

Total deductions	<u>36,596,691</u>
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Net change in plan net position	105,052,223
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Net position held in trust for plan benefits

Beginning of year	<u>722,288,928</u>
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End of year	<u><u>\$ 827,341,151</u></u>
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See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

(1) Plan Description

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

(a) General

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

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

(b) Contributions

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

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

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

(c) Participant's Account

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

(d) *Distribution to Participants*

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

(e) *Vesting*

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

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

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

(b) *Use of Estimates*

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

(c) *Subsequent Events*

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

(3) Investments

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

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

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

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

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

(4) Risks and Uncertainties

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

(a) Interest Rate Risk

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

(b) Credit Risk

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

A	\$	129,852,618
AA		21,883,921
Unrated		11,795,884
Total		163,532,423

Fixed Income presented in balanced and equity funds		141,472,019
Fixed Income per Statement of Fiduciary Net Position	\$	<u>22,060,404</u>

(c) Concentration of Credit Risk

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

(d) Foreign Currency Risk

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

SOUTH DAKOTA RETIREMENT SYSTEM SUPPLEMENTAL RETIREMENT PLAN

Notes to Financial Statements

June 30, 2025

International mutual funds are as follows:

Investment

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

(5) Plan Administration

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

(6) Federal Income Tax Status

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

(7) Plan Termination

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



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
October 23, 2025

Financial Statements
June 30, 2025

South Dakota Retirement System Special Pay Plan



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
October 23, 2025

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Management's Discussion and Analysis

June 30, 2025

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

Financial Highlights

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

Overview of the Financial Statements and Accompanying Information

The basic financial statements consist of:

Financial Statements

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

Notes to Financial Statements

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

Financial Analysis

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Management's Discussion and Analysis

June 30, 2025

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

Summary of Fiduciary Net Position

June 30, 2025 and 2024

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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Management's Discussion and Analysis

June 30, 2025

Changes in Fiduciary Net Position

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

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

Summary of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

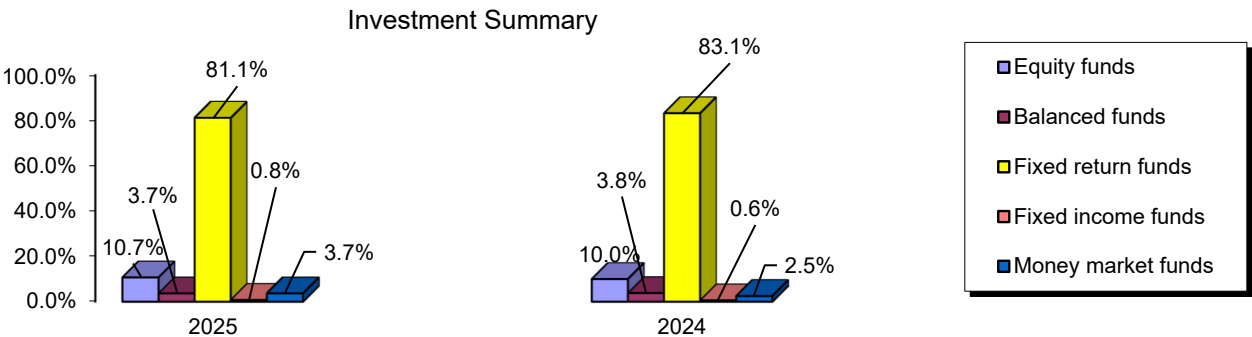
	2025	2024	Percentage Change
Additions			
Employee contributions	\$ 12,235,762	\$ 9,577,084	27.76%
Investment income	3,734,945	3,802,524	-1.78%
Revenue sharing	4,815	4,719	2.03%
Other income	33,615	31,320	7.33%
Transfers from related plan	3,869	3,313	16.78%
Total additions	<u>16,013,006</u>	<u>13,418,960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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Management’s Discussion and Analysis

June 30, 2025

Investments



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

Requests for Information

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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Statement of Fiduciary Net Position

June 30, 2025

Assets

Investments, at fair value:

Equity funds	\$ 8,851,283
Balanced funds	3,057,700
Fixed return funds	67,382,827
Fixed income funds	645,297
Money market funds	<u>3,039,319</u>

Total investments, at fair value 82,976,426

Cash 1,642,992

Revenue sharing 74,176

Accrued interest 757

Contributions receivable 664,211

Total assets 85,358,562

Liabilities

Accounts payable 50,965

Net position held in trust for plan benefits \$ 85,307,597

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

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

See accompanying notes to financial statements.

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Notes to Financial Statements

June 30, 2025

(1) Plan Description

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

(a) General

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

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

(b) Contributions

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

(c) Participant's Account

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

(d) Distribution to Participants

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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Notes to Financial Statements

June 30, 2025

(e) *Risks and Uncertainties*

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

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

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

(b) *Use of Estimates*

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

(c) *Subsequent Events*

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

(3) Investments

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Notes to Financial Statements

June 30, 2025

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

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

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

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

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Notes to Financial Statements

June 30, 2025

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

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

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

SOUTH DAKOTA RETIREMENT SYSTEM SPECIAL PAY PLAN

Notes to Financial Statements

June 30, 2025

(4) Plan Administration

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

(5) Federal Income Tax Status

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

(6) Plan Termination

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



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 23, 2025