



August 21, 2020

Executive Board
Legislative Research Council
Pierre, SD 57501

To the Members of the Legislative Research Council Executive Board:

The South Dakota Retirement System (SDRS) has met the challenges of COVID-19 for the fiscal year ended June 30, 2020, despite uncertain economic conditions that impacted the investment markets. The SDRS variable benefit structure automatically restricts benefits when investment returns are less than anticipated. As such, SDRS will continue to meet its funding goals as of June 30, 2020. In short, the System is working as intended with the flexibility to successfully adapt to changing conditions.

The actuarial valuation as of June 30, 2020, will be completed in October and will confirm the SDRS funded status and the cost of living adjustment (COLA) payable July 1, 2021, for our retirees. We project the valuation will show:

- SDRS continues to be fully funded based on the current affordable COLA; the fixed, statutory contribution rates; and a long-term annual investment return assumption of 6.5 percent, which aligns with the South Dakota Investment Council's outlook.
- SDRS has been fully funded for 25 of the last 30 actuarial valuations.
- The SDRS COLA as of July 1, 2021, will very likely equal inflation, which is the SDRS Board of Trustees' long-term goal.

Prior to the COVID-19 pandemic, the SDRS Board of Trustees had begun updating its long-term plans for managing SDRS by evaluating the System's ability to withstand severe economic downturns. Planning efforts intensified as the pandemic hit and the stock market spiraled downward this spring. The Board continues its work to expand the System's ability to automatically adjust to severe economic conditions and anticipates recommending legislation in 2021 to further protect the System in those extreme conditions.

SDRS continues to be successful with the support and confidence of the Legislature.

Please reach out to me if you have any questions.

Travis W. Almond
Executive Director