City of Sioux Falls Employee's Retirement System

Annual Actuarial Valuation Report

December 31, 2025

Outline of Contents

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April 17, 2026

Retirement Board
City of Sioux Falls Employee's Retirement System
Sioux Falls, South Dakota

Ladies and Gentlemen:

The results of the December 31, 2025 actuarial valuation of the City of Sioux Falls Employee's Retirement System are presented in this report. The purpose of this valuation was to measure the System's funding progress and to determine the employer contribution for the 2027 fiscal year. This report should not be relied upon for any other purpose. This report may be distributed to parties other than the Retirement Board only in its entirety and only with the permission of the Board. Gabriel, Roeder, Smith & Company is not responsible for unauthorized use of this report.

This valuation was based upon the assumptions and methods adopted by the Board, and information furnished by the System concerning Retirement System benefits, financial transactions, individual members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency, but was not audited by us. As a result, we are unable to assume responsibility for the accuracy or completeness of the data provided by Retirement staff.

Future actuarial measurements may differ significantly from those presented in this report due to such factors as experience differing from that anticipated by actuarial assumptions, changes in plan provisions, actuarial assumptions/methods or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. This valuation was based on the assumption that the plan sponsor will continue to be able to make any contributions necessary to fund this plan in the future. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The fiscal year 2027 contributions shown in this report were determined using the actuarial methods and assumptions disclosed in Section C of this report. This report includes risk metrics on page D-1 but does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. This report also includes a discussion of the required Low-Default-Risk Obligation Measure (LDROM) on page Appendix-2. Additional assessment of risk metrics were beyond the scope of this assignment. We encourage a review and assessment of investment and other significant risks which may have a material impact on the System's financial position.

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This report was prepared using assumptions adopted by the Retirement Board. All actuarial assumptions are reasonable for the purpose of this valuation. The combined effect of the assumptions is expected to have no significant bias (i.e., not significantly optimistic or pessimistic).

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

To the best of our knowledge, this report is complete and accurate and the valuation was made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards Board and in compliance with the applicable state statutes.

Stephanie Sullivan and Michael D. Kosciuk are independent of the plan sponsor and are Members of the American Academy of Actuaries (MAAA) who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. It is our opinion that the actuarial assumptions used for this valuation produce results which are reasonable.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Stephanie Sullivan, ASA, MAAA

Michael D. Kosciuk, FSA, EA, FCA, MAAA

SS/MDK:rl

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SECTION A

VALUATION RESULTS

Financial Objective

The financial objective of the Retirement System is to establish and receive contributions which will accumulate reserves during members' working lifetimes which will be sufficient to pay promised benefits throughout retirement.

Contributions

The Retirement System is supported by member contributions, City contributions, and investment income from Retirement System assets.

Contributions which satisfy the financial objective are determined by an annual actuarial valuation and are sufficient to:

- Cover the actuarial present value of benefits assigned to the current year by the actuarial cost methods described in Section C (the normal cost); and
- Amortize over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

Pension contribution requirements for the year beginning January 1, 2027 are shown on page A-2.

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.00% on the actuarial value of assets), then the following outcomes are expected:

- The employer normal cost is expected to decrease over time due to the closure of the plan to new City employees;
- The unfunded liability is expected to be paid off by the year 2038; and
- The funded status of the plan is expected to gradually trend toward a 100% funded ratio by the year 2038.

Computed Contributions to Meet the Financial Objective of the Retirement System for the Fiscal Year Beginning January 1, 2027

Contributions for	Contribution Dollars	
	General/Management	Police
Total Normal Cost	$2,990,401	$2,680,992
Employee Portion	1,161,772	1,071,968
City Portion	1,828,629	1,609,024
Unfunded Actuarial Accrued Liabilities (UAAL) Contribution	$4,957,442	$2,954,980
Total Computed City Contribution	$6,786,071	$4,564,004

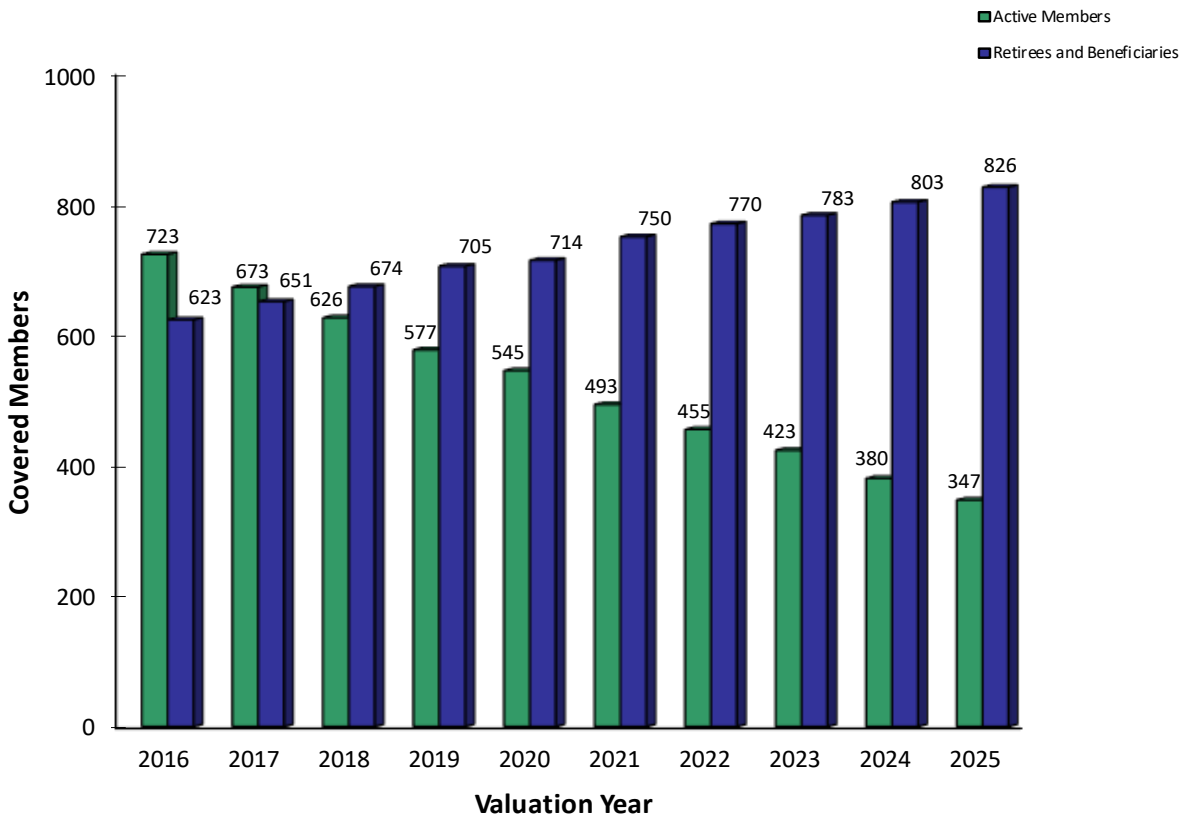
City General, Management, and Police employees hired on or after July 1, 2013 become members of the South Dakota Retirement System (SDRS) instead of joining this Retirement System. Contributions are expressed in terms of dollars in this report instead of as percentages of payroll. This is due to the use of the level dollar amortization method (appropriate for systems closed to new hires) to finance the Retirement System's unfunded actuarial accrued liabilities (UAAL).

The Retirement System's UAAL was amortized as a level dollar amount over a period of 12 years.

Employee contributions to the Retirement System shown above were based on an employee contribution rate and plan member payroll projected to 2027. General and Management members are required to contribute 5.0% of pay and Police members are required to contribute 10.0 % of pay.

The employer contributions shown above include contributions for the stipend benefit which became effective January 1, 2014.

Active and Retired System Members
General, Management and Police Combined



Computed Pension Contributions
Comparative Statement

Fiscal Year	Valuation Date December 31	% of Payroll Contributions General	% of Payroll Contributions Police	Weighted Average	Level Dollar Contributions General	Level Dollar Contributions Police	Level Dollar Contributions Total
2013	2011 @	12.56 %	18.94 %	14.25 %			
2014	2012 @#				$7,702,379	$3,860,628	$11,563,007
2015	2013 @				7,535,363	3,861,898	11,397,261
2016	2014 @				7,549,458	3,868,415	11,417,873
2017	2015 @				7,237,216	4,373,752	11,610,968
2018	2016				6,534,138	4,089,622	10,623,760
2019	2017 @				6,081,203	3,930,360	10,011,563
2020	2018 @				6,082,035	3,963,593	10,045,628
2021	2019				6,620,581	4,091,676	10,712,257
2022	2020				5,947,153	4,050,693	9,997,846
2023	2021 @				5,636,841	3,713,881	9,350,722
2024	2022 @				6,103,477	4,069,350	10,172,827
2025	2023				6,467,712	4,305,733	10,773,445
2026	2024				6,777,155	4,593,605	11,370,760
2027	2025				6,786,071	4,564,004	11,350,075

@ After changes in actuarial assumptions and/or methods.
 # After changes in benefit provisions.

Actuarial Balance Sheet - December 31, 2025

Present Pension Resources and Expected Future Pension Resources

	General	Police	Total
A. Valuation assets	$329,919,480	$227,909,042	$557,828,522
B. Actuarial present value of expected future employer contributions			
1. For normal costs	13,731,145	9,660,538	23,391,683
2. For unfunded actuarial accrued liabilities	42,784,331	25,484,789	68,269,120
3. Total	56,515,476	35,145,327	91,660,803
C. Actuarial present value of expected future member contributions	9,123,785	6,423,358	15,547,143
D. Total actuarial present value of present and expected future resources	$395,558,741	$269,477,727	$665,036,468

Actuarial Present Value of Expected Future Pension Benefit Payments and Reserves

A. To retirees and beneficiaries	$250,142,474	$ 173,219,445	$423,361,919
B. To vested terminated members	7,962,282	1,126,920	9,089,202
C. To present active members			
1. Allocated to service rendered prior to valuation date	114,599,055	79,047,466	193,646,521
2. Allocated to service likely to be rendered after valuation date	22,854,930	16,083,896	38,938,826
3. Total	137,453,985	95,131,362	232,585,347
D. Total actuarial present value of expected future benefit payments	$395,558,741	$269,477,727	$665,036,468

Derivation of Actuarial Gain (Loss)
Year Ended December 31, 2025

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Gains and losses are expected to cancel each other over a period of years but sizable year-to-year fluctuations are common. Details of the derivation of the actuarial gain (loss) are shown below:

	General	Police
(1) UAAL at start of year	$43,607,909	$25,827,629
(2) Normal cost	3,098,658	2,647,660
(3) Contributions	7,755,099	5,457,806
(4) Interest accrual	2,889,578	1,709,579
(5) Expected UAAL before changes	41,841,046	24,727,062
(6) Change from benefit changes	0	0
(7) Change from revised actuarial assumptions	0	0
(8) Expected UAAL after changes	41,841,046	24,727,062
(9) Actual UAAL at end of year	42,784,331	25,484,789
(10) Gain (loss): (8) - (9)	(943,285)	(757,727)
As percent of AAL at beginning of year	(0.26)%	(0.31)%
(11) Investment Gain (loss)	$(6,075,133)	$(4,213,269)
(12) Non-Investment Gain (loss): (10) - (11)	5,131,848	3,455,542

Note, item (12) includes a $16.0 million transfer from the UIR.

Comments

Comment A: There were no benefit or assumption changes reported to the actuary in connection with this actuarial valuation of the Retirement System.

Comment B: Retirement System experience was overall, unfavorable during the 2025 plan year. The investment return on System assets was higher than long-term expectations. However, the market smoothing techniques used in this valuation of the System recognize both current and prior year investment income by phasing it in over a five-year period. As a result, the recognized net rate of return on pension assets was 5.04%. In both groups, there were more retirements from City employment, retirees living long than expected, and higher than projected post retirement COLA payments compared to long term actuarial assumptions. This unfavorable experience was partially offset by the Police group pay being lower than projected and a higher number of retiree deaths than expected in the general/management group.

Comment C: As of the valuation date, the System's funding percent based on the total value of System assets is 102.9%. As of December 31, 2024, the funding percent was 105.4% when measured on the same basis. If the market value of pension assets was used to determine the funding percent, the result would be 109.3% as of the valuation date.

Unless otherwise indicated, the funding status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets (including assets held in the Unallocated Income Reserve UIR). With regard to the funding status measurement presented in this report, it is important to note the following:

- The measurement is inappropriate for assessing the sufficiency of pension plan assets to cover the estimated cost of settling the plan's benefit obligations;
- The measurement is inappropriate for assessing the need for or the amount of future employer contributions; and
- The measurement will produce a different result if the market value of assets is used instead of the actuarial value of assets, unless the actuarial value of assets equals the market value of assets.

Comment D: As directed by the Retirement System, $16,000,000 was transferred from the UIR reserve to the General and Police pension assets used to determine City contributions. Specifically, $5,500,000 was allocated to the Police group and $10,500,000 was allocated to the General/Management group. Page B-4 shows the System's assets in detail.

Comment E: The market value of assets exceeds the funding value of assets by approximately $40.4 million. This means that over the course of the next four valuation cycles, there are approximately $40.4 million more in asset gains to recognize in the asset smoothing process than asset losses; however, the pattern in the recognition of asset gains and losses is not uniform from year-to-year. Currently, there is a net scheduled asset loss to be recognized in next year's valuation (i.e., the December 31, 2026 valuation) of approximately $3.5 million followed by net asset gains to be recognized in the following three valuations. As such, in the absence of offsetting gains, the net scheduled asset loss in next year's valuation is expected to put upward pressure on the resulting employer contribution requirements.

Please note, a 5-year Experience Study for the Retirement Plan for the City of Sioux Falls Employee's Retirement System is expected to be performed after this year's actuarial valuation, with assumption implementation anticipated for the December 31, 2026 pension valuation.

SECTION B

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

Benefit Provisions Evaluated and/or Considered (December 31, 2025)

Retirement System Eligibility:

New City employees (General, Management and Police) hired on or before June 30, 2013 will become members of this Retirement System. Individuals hired or rehired after June 30, 2013 will become members of the South Dakota Retirement System.

Regular Unreduced Retirement:

Eligibility - General members: age 55 with 30 or more years of service, or age 60 with 5 years of service.

Police: age 50 with 25 years of service, or age 60 with 15 years of service.

Mandatory Retirement Age - Police: age 60 (age 65 with employer consent).

Annual Amount - General members: 1.8% of final average pay times years of service.
Police: final average pay times the sum of a) 2.5% times the first 25 years of service, plus b) 1.5% times service in excess of 25 years.

Type of Final Average Pay - Highest 3 consecutive years out of last 10. Some lump sums are included.

Early Reduced Retirement:

Eligibility - 20 or more years of service.

Annual Amount - Same as regular retirement except that the benefit is actuarially reduced.

Deferred Retirement (vested benefit):

Eligibility - General Members: 5 years of service. Benefit commences at deferred retirement age.

Police: 15 years of service. Benefit commences at deferred retirement age.

Annual Amount - Computed as a regular retirement benefit based on service and final average pay at termination.

Duty Disability Retirement:

Eligibility - No age or service requirement.

Annual Amount - Computed as a regular retirement benefit. If disabled before eligible for regular retirement, additional service is credited for the period between disability and the time member would have been eligible for regular retirement if he had not been disabled. Minimum benefit is 12.5% of final average pay for general members and 20% of final average pay for police. Worker's Compensation payments are offset.

Benefit Provisions Evaluated and/or Considered (December 31, 2025)

Non-Duty Disability Retirement:

Eligibility - 10 years of service.

Annual Amount - Computed as a regular retirement benefit based on service and final average pay at time of disability. Worker's Compensation payments are offset.

Duty Death Before Retirement:

Eligibility - No age or service requirement. Worker's Compensation must be payable.

Annual Amount - Refund of accumulated contributions. Spouse receives pension of 1/3 of final average pay until death. Unmarried children under age 18 or an eligible handicapped child each receive an equal share of 1/6 of final average pay (if no spouse each child receives 1/4 to a maximum of 1/2). If no spouse or eligible children, dependent parents each receive 1/6 of final average pay (each parent's pension limited to $600 annually). Worker's Compensation payments are offset.

Non-Duty Death Before Retirement:

Eligibility - 10 years of service.

Annual Amount - Spouse (or some other dependent if an Option B election was in force) receives a benefit computed as regular retirement benefit but actuarially reduced in accordance with a 100% joint and survivor election. Minimum benefit is $360 annually. If no Option B election is in force, each unmarried child under age 18 or an eligible handicapped child receives $2,400 annually. If no Option B election is in force and there is no eligible spouse, member contributions are refunded.

Post-Retirement Cost-of-Living Adjustments:

Annual increase equal to 100% of the June CPI change each year (with a cap of 3%) applied to the member's current pension benefit. The first increase will be granted after 36 months of retirement.

Employee Contributions:

Division	On or Before December 31, 2013	As of January 6, 2014	As of January 5, 2015
General/Management	3% of Compensation	4% of Compensation	5% of Compensation
Police	8% of Compensation	9% of Compensation	10% of Compensation

Benefit Provisions Evaluated and/or Considered (December 31, 2025)

Stipend Benefit:

Eligibility – Members who retire from City employment (regular, early reduced or disability retirement) after December 31, 2013 are eligible to receive a monthly stipend benefit payable from the Retirement System until age 65 (or Medicare eligibility) in lieu of retiree health plan benefits.

Annual Amount - $40 per month times years of service at retirement. Benefit is payable to the member only until he/she becomes eligible for Medicare or dies (if earlier). No benefit is payable to a surviving spouse or child of a deceased Retirement System Member. This benefit increases by 3% each year beginning in January 2015.

Derivation of Valuation Assets

	Total Pension Assets	Unallocated Income Reserve	Total Assets Held in Trust
A. Funding Value, 12/31/24	$536,053,094		
B. Market Value, Beginning of Year	520,154,437	$102,365,095	$622,519,532
C. Audit Adjustment			
D. Non-Investment Net Cash Flow	(20,734,190)		
E1. Investment Income (Market total)	82,808,899		
E2. UI Reserve Transfer	16,000,000	(16,000,000)	
F. Market Value, End of Year	598,229,146	86,365,095	684,594,241
G. Phase-in Factor	20%		
H. Expected Income	36,798,020		
I. Market Value Gain (Loss): [(E1) - (H)]	46,010,879		
J. Recognition of Gain/(Loss)			
J1. Year One	9,202,176		
J2. Year Two	4,665,195		
J3. Year Three	6,991,845		
J4. Year Four	(24,387,349)		
J5. Year Five	(6,760,269)		
J6. Total	(10,288,402)		
K1. Funding Value, 12/31/25 [(A) + (C) + (D) + (E2) + (H) + (J6)]	557,828,522	86,365,095	644,193,617
K2. Upper Corridor Limit: 120% X (F)			821,513,089
K3. Lower Corridor Limit: 80% X (F)			547,675,393
K4. Adjustment to Funding Value			0
K5. Funding Value End of Year	$557,828,522	$86,365,095	$644,193,617
L. Net Funding Value Rate of Return	5.04%		

Pension assets for the General/Management and Police divisions are shown on page A-5.

Market Value of Assets Reported for Valuation
Comparative Statement

Year Ended Dec. 31	Assets Beginning of Year	Revenues			Expenses			Assets Year-End
		Employee Contrib.	Employer Contrib.	Investment Income[1]	Retirement Benefits	Contrib. Refunds	Misc. Expenses	
2011	$ 264,845,988	$ 2,252,998	$ 10,599,328	$ 5,091,133	$ 12,037,530	$ 115,034	$ 1,102,784	$ 269,534,099
2012	269,534,099	2,335,451	11,346,909	39,210,054	12,972,156	300,274	1,130,962	308,023,121
2013	308,023,121	2,428,547	11,778,953	61,515,708	13,508,748	264,954	1,037,143	368,935,484
2014	368,935,484	2,966,452	10,670,106	25,331,700	16,145,874	237,783	930,500	390,589,585
2015	390,589,585	3,331,128	11,417,873	(922,260)	18,173,306	267,342	811,363	385,164,315
2016	385,164,315	3,237,031	11,417,873	32,146,551	19,652,211	181,455	778,795	411,353,309
2017	411,353,309	3,112,561	11,623,730	68,397,702	20,797,339	125,183	4,162,773	469,402,007
2018	469,402,007	3,026,164	11,166,523	(19,794,244)	22,222,589	200,644	202,788	441,174,429
2019	441,174,429	2,943,200	10,213,721	87,784,028	24,197,114	205,046	214,322	517,498,896
2020	517,498,896	2,923,284	10,045,628	65,402,442	25,597,320	325,410	190,827	569,756,693
2021	569,756,693	2,724,232	10,712,257	80,215,700	26,990,496	259,105	227,068	635,932,213
2022	635,932,213	2,655,920	10,313,219	(87,826,493)	28,833,782	359,050	205,913	531,676,114
2023	531,676,114	2,578,076	9,350,722	69,801,797	30,355,974	40,546	211,455	582,798,734
2024	582,798,734	2,553,032	10,172,827	59,158,634	31,842,506	76,012	245,177	622,519,532
2025	622,519,532	2,439,460	10,773,445	83,050,172	33,890,180	56,915	241,273	684,594,241

[1] *Net of investment expenses.*

Note: Up to and including the year 2017, the assets shown above include retiree health plan (the IRC 401(h) account) assets.
Note: Pension and retiree health assets combined for years before 2017.

The net market value rate of return on total System assets held in trust was 13.53% during the calendar year 2025.

Additions to and Removals from Retired/Survivor Membership
Comparative Statement

Year Ended Dec. 31	Additions[1] No.	Additions[1] Annual Benefits[2]	Removals No.	Removals Annual Benefits	End of Year No.	End of Year Annual Benefits[3]	Average Annual Benefits	Present Value of Benefits	Expected Removals
2011	37	$ 1,069,943	15	$ 295,874	487	$ 12,394,854	$ 25,451	$ 150,800,949	15.1
2012	26	978,426	8	141,390	505	13,231,890	26,202	168,103,297	15.6
2013	21	670,763	15	335,453	511	13,567,200	26,550	174,649,168	13.8
2014	83	3,078,647	11	224,445	583	16,421,402	28,167	221,871,914	13.3
2015	54	1,943,715	27	527,439	610	17,837,678	29,242	246,953,829	14.6
2016	33	1,093,273	20	372,359	623	18,558,592	29,789	258,762,265	14.2
2017	47	1,448,890	19	476,442	651	19,531,040	30,002	269,779,654	14.0
2018	38	1,505,893	15	350,507	674	20,686,426	30,692	283,701,843	14.9
2019	46	2,386,760	15	452,246	705	22,620,940	32,086	309,349,006	16.2
2020	41	1,648,232	32	732,293	714	23,536,879	32,965	318,622,879	17.1
2021	52	2,015,944	16	552,887	750	24,999,936	33,333	343,245,743	17.5
2022	35	2,006,881	15	510,547	770	26,496,270	34,411	362,364,362	18.1
2023	35	1,991,766	22	767,257	783	27,720,779	35,403	377,915,626	19.2
2024	51	2,505,072	31	869,241	803	29,356,610	36,559	398,945,801	20.0
2025	45	2,660,402	22	582,227	826	31,434,785	38,057	423,361,919	19.8

1 *Includes survivor beneficiaries.*
2 *Includes post-retirement Cost-of-Living Adjustments.*
3 *Does not include stipend benefits.*

Retirees and Beneficiaries as of December 31, 2025 Tabulated by Type of Benefits Being Paid

Type of Benefits Being Paid	Annual Benefits			
	No.	Pension	No.	Stipend
Age and Service Retirement Benefits	712	$ 28,236,099	180	$ 3,192,209
Disability Retirement Benefits[1]	16	417,394	4	37,817
Survivor Retirement Benefits	98	2,781,292	0	0
Total Retirement Benefits Being Paid	826	$ 31,434,785	184	$ 3,230,026

[1] *Includes survivors of disabled retirees.*

Retirees and Beneficiaries by Age as of December 31, 2025

Age	No.	Annual Pension Benefits
Under 40	2	$ 31,516
45 - 49	3	85,418
50 - 54	25	1,523,969
55 - 59	58	2,969,420
60 - 64	134	5,753,606
65 - 69	167	6,035,628
70 - 74	173	6,601,682
75 - 79	133	4,446,198
80 - 84	65	2,271,801
85 - 89	42	1,124,006
90 & Over	24	591,541
Totals	**826**	**$31,434,785**

Vested Former Members
as of December 31, 2025

There were 83 inactive members reported as of December 31, 2025 with deferred estimated pension benefits totaling $1,288,915. An inactive member is a person who has left City employment with an entitlement to retirement benefits upon meeting the conditions for deferred retirement. The schedule below shows the inactive members by attained age.

Age	No.	Annual Benefits
Under 40	3	$ 40,123
40 - 44	14	221,677
45 - 49	28	453,322
50 - 54	23	367,160
55 - 59	15	206,633
Totals	**83**	**$ 1,288,915**

Active Members
as of December 31, 2025
Tabulated by Valuation Group

Valuation Groups	No.	Annual Payroll	Average Age	Average Service	Average Pay
General/Management Members	258	$23,927,863	50.8 yrs.	20.0 yrs.	$92,744
Police Members	89	10,607,611	46.7	19.7	119,187
Total Active Members	**347**	**$34,535,474**	**49.7**	**19.9**	**$99,526**

Active Members Included in Valuation
Comparative Schedule

Valuation Date	Active Members			Valuation	Average			
December 31	General	Police	Totals	Payroll	Age	Service	Pay	% Incr.
2011	690	227	917	$50,604,786	44.1	12.5	$55,185	0.7 %
2012	696	228	924	52,015,637	44.2	12.7	56,294	2.0
2013	694	227	921	54,261,035	44.6	13.2	58,915	4.7
2014	630	199	829	51,346,952	44.6	13.1	61,938	5.1
2015	582	182	764	49,317,710	45.0	13.7	64,552	4.2
2016	552	171	723	48,754,814	45.8	14.4	67,434	4.5
2017	506	167	673	46,305,597	46.2	14.9	68,805	2.0
2018	466	160	626	44,453,666	47.0	15.8	71,012	3.2
2019	431	146	577	42,823,157	47.4	16.3	74,217	4.5
2020	408	137	545	43,388,949	48.0	17.0	79,613	7.3
2021	368	125	493	38,898,965	48.4	17.6	78,903	(0.9)
2022	340	115	455	38,568,907	49.0	18.1	84,767	7.4
2023	316	107	423	37,692,105	49.5	18.7	89,107	5.1
2024	282	98	380	36,270,617	49.5	19.4	95,449	7.1
2025	258	89	347	34,535,474	49.7	19.9	99,526	4.3

Additions to and Removals from Active Membership
Actual and Expected Numbers

Year Ended	Number Added During Year		Retirement		Disability Retirement		Died-in-Service		Other Terminations		Active Members End of
Dec. 31	A	E	A	E	A	E	A	E	A	E	Year
2016	0	0	26	19.2	0	1.4	0	1.0	15	19.9	723
2017	0	0	31	21.2	1	1.4	0	1.0	18	16.2	673
2018	0	0	24	20.6	0	1.4	0	1.0	23	13.6	626
2019	0	0	34	22.1	2	1.2	0	1.0	13*	11.4	577
2020	2*	0	23	20.4	0	1.2	0	1.0	11	9.8	545
2021	0	0	36	22.2	1	1.0	1	1.0	14	8.5	493
2022	0	0	27	19.5	0	1.0	3	0.6	8	11.4	455
2023	0	0	26	20.2	1	1.0	0	0.5	5	9.6	423
2024	0	0	39	21.3	0	0.8	1	0.5	3	8.3	380
2025	0	0	29	16.5	1	0.7	0	0.5	3	7.0	347
5-Year Totals	0	0	157	99.7	3	4.5	5	3.1	33	44.8	

** Includes transfers.*

A Represents actual number.
E Represents expected number based on assumptions outlined in Section C.

General/Management Active Members - December 31, 2025 by Age and Years of Service

Age	Years of Service on Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
35-39			14	3				17	$ 1,373,397
40-44			15	22	5			42	3,780,675
45-49			14	25	25	8		72	6,899,901
50-54			6	13	13	8	4	44	4,044,260
55-59			5	11	12	16	2	46	4,657,707
60					3	1		4	536,085
61			1	1	1	1	1	5	310,856
62			3		2			5	420,622
63				1	1		2	4	370,286
64						1	1	2	244,092
65				2	3	2		7	550,008
66			1	1				2	141,388
67			1			1	1	3	273,856
68			1	1			1	3	205,794
69			2					2	118,936
Totals	**0**	**0**	**63**	**80**	**65**	**38**	**12**	**258**	**$23,927,863**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 50.8 years
Service: 20.0 years
Annual Pay: $92,744

Police Active Members - December 31, 2025
by Age and Years of Service

Age	Years of Service on Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
35-39			6	4				10	$ 1,119,186
40-44			3	13	7			23	2,698,234
45-49			2	10	13	2		27	3,375,104
50-54				2	21	1		24	2,829,129
55-59					5			5	585,958
Totals	**0**	**0**	**11**	**29**	**46**	**3**	**0**	**89**	**$10,607,611**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.7 years
Service: 19.7 years
Annual Pay: $119,187

SECTION C

ACTUARIAL METHODS, ASSUMPTIONS AND DEFINITIONS OF TECHNICAL TERMS

Actuarial Methods Used for the Valuation

Actuarial Cost Method

The normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

(i) The annual normal costs for each individual active member, payable from the member's actual date of employment to projected date of retirement, are sufficient to accumulate the actuarial present value of the member's benefit at the time of retirement;

(ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Amortization of Unfunded Actuarial Accrued Liabilities

The Retirement System's Unfunded Actuarial Accrued Liability (UAAL) was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), was developed using a level dollar amortization method that fully amortizes the UAAL over a 12-year period. This UAAL payment reflects payments expected to be made between the valuation date and the date contributions determined by this report are scheduled to begin.

Asset Valuation Method

The funding value of assets used in the pension plan valuation recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased-in over a five-year period. During periods when investment performance exceeds the assumed rate, the funding value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, the funding value of assets will tend to be greater than market value. This is the result of phasing-in differences between actual investment income (market value basis) and expected investment income (funding value basis). Transfers to or from the UIR may be implemented based on budget needs. The total value of assets is not permitted to deviate from the market value of assets by more than 20%.

Unallocated Income Reserve (UIR)

The UIR is a reserve fund within the pension trust. The purpose of the UIR is to stabilize City contributions due to actuarial gains and losses and changes in actuarial assumptions/methods.

Actuarial Assumptions Used for the Valuation

The actuarial assumptions used in this valuation of the System were based on the results of a study of Retirement System experience covering the period January 1, 2016 through December 31, 2020. A report dated July 27, 2021 presented the results of the study.

Investment Return (net of investment and administrative expenses): 7.00% per year, compounded annually was used in this valuation of the System. This rate consists of a net real rate of return of 3.50% a year plus a long-term rate of wage inflation of 3.50% a year. This assumption is used to equate the value of payments due at different points in time and was first used for the December 31, 2021 valuation.

Net market value rates of investment return during the last five plan years are shown below:

For the Year Ending December 31st				
2025	2024	2023	2022	2021
13.53%	10.28%	13.32%	(14.02)%	14.21%

Pay Projections: These assumptions are used to project current pays to those upon which benefits will be based. The base wage inflation assumption was first used for the December 31, 2021 valuation of the System.

	Annual Rate of Pay Increase for Sample Ages		
Sample	Base	Management	
Ages	(Economic)	Merit and Longevity	Totals
20	3.50 %	2.00 %	5.50 %
25	3.50	2.00	5.50
30	3.50	1.00	4.50
35	3.50	1.00	4.50
40	3.50	0.50	4.00
45	3.50	0.50	4.00
50	3.50	0.20	3.70
55	3.50	0.20	3.70
60	3.50	0.10	3.60
65	3.50	0.00	3.50

Actuarial Assumptions Used for the Valuation

Years of Service	Annual Rate of Pay Increase for Indicated Years of Service				
	Base (Economic)	General		Police	
		Merit and Longevity	Total	Merit and Longevity	Total
1	3.50 %	3.50 %	7.00 %	5.00 %	8.50 %
2	3.50	3.50	7.00	5.00	8.50
3	3.50	3.50	7.00	4.70	8.20
4	3.50	3.00	6.50	4.50	8.00
5	3.50	2.50	6.00	2.20	5.70
6	3.50	2.00	5.50	2.20	5.70
7	3.50	2.00	5.50	2.10	5.60
8	3.50	2.00	5.50	2.10	5.60
9	3.50	2.00	5.50	2.00	5.50
10	3.50	2.00	5.50	2.00	5.50
11	3.50	2.00	5.50	2.00	5.50
12	3.50	2.00	5.50	2.00	5.50
13	3.50	2.00	5.50	1.00	4.50
14	3.50	1.00	4.50	0.00	3.50
15	3.50	0.00	3.50	0.00	3.50

The base economic assumptions were first used in the December 31, 2021 valuation. The merit and longevity assumptions were first used for the December 31, 2012 valuation.

The assumed rate of price inflation used in the valuation is 2.50% per year.

Actuarial Assumptions Used for the Valuation

The rates of mortality used for individual members are based upon the sex distinct Pub-2010 tables, as published by the Society of Actuaries, and include a margin for future mortality improvement. These tables were first used for the 2021 valuation of the System and are described below.

General and Management

- **Pre-Retirement:** The Pub-2010, Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected to 2030 using scale MP-2020.
- **Healthy Post-Retirement:** The Pub-2010, Amount-Weighted, General, Healthy Retiree, Male and Female tables, with future mortality improvements projected to 2030 using scale MP-2020.
- **Disability Retirement:** The Pub-2010, Amount-Weighted, General, Disabled Retiree, Male and Female tables, with future mortality improvements projected to 2030 using scale MP-2020.

General and Management

Sample Ages	Pre-Retirement Future Life Expectancy (Years)		Healthy Post-Retirement Future Life Expectancy (Years)		Disabled Retirement Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	37.80	39.93	33.96	36.85	24.89	27.59
55	33.08	35.09	29.46	32.23	21.81	24.46
60	28.44	30.32	25.08	27.68	18.97	21.49
65	23.90	25.61	20.86	23.23	16.27	18.47
70	19.45	20.98	16.82	18.93	13.61	15.31
75	15.07	16.44	13.06	14.87	10.98	12.19
80	10.79	12.03	9.69	11.18	8.49	9.36

Police

- **Pre-Retirement:** The Pub-2010, Headcount-Weighted, Safety, Employee, Male and Female tables, with future mortality improvements projected to 2030 using scale MP-2020.
- **Healthy Post-Retirement:** The Pub-2010, Headcount-Weighted, Safety, Healthy Retiree, Male and Female tables, with future mortality improvements projected to 2030 using scale MP-2020.
- **Disability Retirement:** The Pub-2010, Headcount-Weighted, Safety, Disabled Retiree, Male and Female, with future mortality improvements projected to 2030 using scale MP-2020.

Police

Sample Ages	Pre-Retirement Future Life Expectancy (Years)		Healthy Post-Retirement Future Life Expectancy (Years)		Disabled Retirement Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	36.38	39.11	32.93	35.44	31.26	32.91
55	31.61	34.30	28.36	30.78	26.94	28.45
60	26.92	29.55	23.89	26.30	22.79	24.29
65	22.35	24.84	19.70	22.03	18.89	20.36
70	17.91	20.19	15.72	17.96	15.22	16.53
75	13.67	15.71	12.05	14.15	11.81	12.97
80	9.69	11.48	8.83	10.72	8.78	9.91

Actuarial Assumptions Used for the Valuation

Rates of separation from active membership: The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	Percent Separating within Next Year	
		General/Management	Police
ALL	0	11.00 %	7.00 %
	1	10.00	5.00
	2	8.00	3.50
	3	8.00	3.50
	4	7.00	3.00
25	5 & Over	8.75	3.50
30		8.75	3.00
35		7.88	2.50
40		6.13	2.00
45		4.38	1.00
50		2.63	1.00
55		1.75	0.50
60		0.88	0.50

The years of service rates were first used for the December 31, 2012 valuation. The age-based rates were first used for the December 31, 2021 valuation.

Rates of Disability: These assumptions represent the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled within Next Year
20	0.08 %
25	0.08
30	0.08
35	0.08
40	0.20
45	0.27
50	0.49
55	0.89

Actuarial Assumptions Used for the Valuation

Rates of Retirement: These rates are used to measure the probabilities of an eligible member retiring under the Regular and Early Reduced retirement provisions during the next year.

	Regular Retirement Rates		Early Retirement Rates		
Retirement Ages	General/ Management	Police	Years of Service	General/ Management	Police
50		50%	20	2%	2%
51		50	21	2	2
52		50	22	2	2
53		45	23	2	2
54		45	24	2	2
55	25%	30	25	2	2
56	25	30	26	2	2
57	25	30	27	2	2
58	25	30	28	2	2
59	25	30	29	2	2
60	30	100	30	2	2
61	25	100	31		2
62	30	100	32		2
63	20	100	33		2
64	20	100	34		2
65	20	100	35		2
66	20	100			
67	20	100			
68	20	100			
69	20	100			
70	100	100			

General and Management members were assumed to be eligible for regular retirement after attaining age 55 with 30 years of service, or age 60 with 5 years of service. These members were assumed to be eligible for early reduced retirement after completing 20 years of service.

A Police member was assumed eligible for retirement after attaining age 50 with 25 years of service, or, after attaining age 60 with 15 or more years of service. Police members were assumed to be eligible for early reduced retirement after completing 20 years of service.

The early retirement rates were first used for the December 31, 2004 valuation. The regular retirement rates were first used for the December 31, 2021 valuation.

Miscellaneous and Technical Assumptions

Marriage Assumption:	80% of participants are assumed to be married for purposes of death-in-service benefits. In each case the male was assumed to be 3 years older than the female.
Pay Increase Timing:	Beginning of year.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on December 31st of each year.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Other:	Disability and turnover decrements do not operate during retirement eligibility.
Miscellaneous:	The active accrued liabilities were increased by 8% for General/Management and 9% for Police to account for the inclusion of unused sick leave and vacation time in the calculation of Final Average Compensation.
Death/Disability:	50% of disabilities and deaths for Police were assumed to be duty related. 50% were assumed to be unrelated to duty. 25% of disabilities for General/Management were assumed to be duty related. 75% were assumed to be unrelated to duty. The recovery rate from disability was assumed to be 0 (i.e., no disabled individual was assumed to recover and return to work).
Forfeiture Assumption:	All vested terminated members were assumed to elect a deferred retirement benefit.

Definitions of Technical Terms

Accrued Service - Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability - The difference between the actuarial present value of system benefits and the actuarial present value of future normal costs. Also referred to as "past service liability."

Actuarial Assumptions - Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method - A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefit" between future normal costs and actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent - One series of payments is said to be actuarially equivalent to another series of payments if the two series have the same actuarial present value.

Actuarial Gain (Loss) - The difference between actual unfunded actuarial accrued liabilities and anticipated unfunded actuarial accrued liabilities -- during the period between two valuation dates. It is a measurement of the difference between actual and expected experience.

Actuarial Present Value - The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

Amortization - Paying off an interest-discounted amount with periodic payments of interest and (generally) principal -- as opposed to paying it off with a lump sum payment.

Normal Cost - The portion of the actuarial present value of future benefits that is assigned to the current year by the actuarial cost method. Sometimes referred to as "current service cost."

Unfunded Actuarial Accrued Liabilities - The difference between actuarial accrued liabilities and valuation assets. Sometimes referred to as "unfunded past service liability" or "unfunded supplemental present value."

Most retirement systems have unfunded actuarial accrued liabilities. They arise each time new benefits are added and each time an actuarial loss occurs. The existence of unfunded actuarial accrued liabilities is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liabilities do not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liabilities and the trend in their amount (after due allowance for devaluation of the dollar).

SECTION D

ADDITIONAL DISCLOSURES

Supplementary Information

Schedule of Pension Funding Progress (Police & General Combined)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2016	$ 391,086,781	$ 448,252,930	$ 57,166,149	87.2 %	$48,754,814	117.3 %
2017	477,703,264	466,915,452	(10,787,812)	102.3	46,305,597	(23.3)
2018	485,281,499	478,543,350	(6,738,149)	101.4	44,453,666	(15.2)
2019	501,591,649	502,132,510	540,861	99.9	42,823,157	1.3
2020	529,123,239	522,115,520	(7,007,719)	101.3	43,388,949	0.0
2021	630,324,655	545,246,656	(85,077,999)	115.6	38,898,965	0.0
2022	624,829,233	563,735,766	(61,093,467)	110.8	38,568,907	0.0
2023	634,854,007	583,086,300	(51,767,707)	108.9	37,692,105	0.0
2024	638,418,189	605,488,632	(32,929,557)	105.4	36,270,617	0.0
2025	644,193,617	626,097,642	(18,095,975)	102.9	34,535,474	0.0

[1] *Includes assets (if any) held in the Unallocated Income Reserve.*

Schedule of Employer Contributions

Valuation Year Ended Dec. 31	Fiscal Year Ended Dec. 31	Computed Dollar Contributions	Actual Contributions	Percent Contributed
2016	2018	$10,623,760	$11,166,523	100 %
2017^	2019	10,011,563	10,213,721	100
2018^	2020	10,045,628	10,045,628	100
2019	2021	10,712,257	10,712,257	100
2020	2022	9,997,846	10,313,219	100
2021^	2023	9,350,722	9,350,722	100
2022^	2024	10,172,827	10,172,827	100
2023	2025	10,773,445	10,773,445	100
2024	2026	11,370,760		
2025	2027	11,350,075		

^ *New methods and/or assumptions.*

APPENDIX

RISK MEASURES

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the actuarial liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the actuarial liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the System's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the actuarial liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future actuarial liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future actuarial liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

Low-Default-Risk Obligation Measure

Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the "Low-Default-Risk Obligation Measure" (LDROM). The rationale that the ASB cited for the calculation and disclosure of the LDROM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

> "The ASB believes that the calculation and disclosure of this measure provides **appropriate, useful information for the intended user regarding the funded status of a pension plan**. The calculation and disclosure of this additional measure is **not intended to suggest that this is the "right" liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan's funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.**"

Comparing the Accrued Liabilities and the LDROM

One of the fundamental financial objectives of the City of Sioux Falls Employee's Retirement System is to finance each member's retirement benefit over the period from the member's date of hire until the member's projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of the System is set equal to the expected return on the System's diversified portfolio of assets (referred to sometimes as the investment return assumption). Effective with the December 31, 2025 valuation of the System, the investment return assumption is 7.00%.

The LDROM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa. The LDROM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the December 2025 Treasury Yield Curve Spot Rates (end of month). The 1-, 5-, 10- and 30-year rates follow: 3.57%, 3.73%, 4.22% and 5.00%. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligation.

The difference between the two measures (Valuation and LDROM) is one illustration of the savings the sponsor anticipates by taking on risk in a diversified portfolio.

Accrued Liabilities as of December 31, 2025
Using Alternate Discount Rates

Valuation Rate (7.00%)	LDROM (Spot Rates)
$626,097,642	$825,223,916