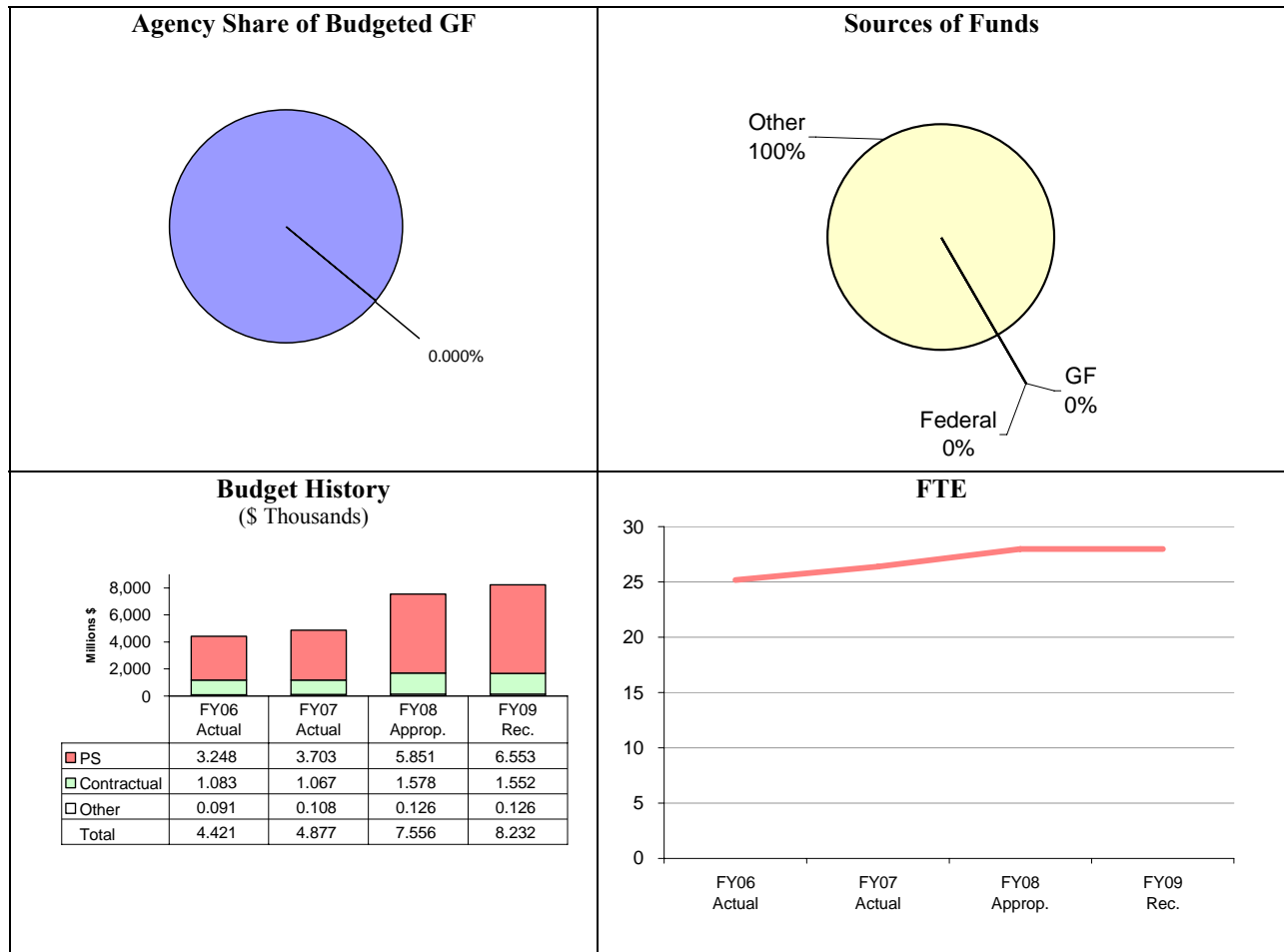


FY2009 Budget Briefing

State Investment Council



Key Responsibilities

The State Investment Council manages the investments for the South Dakota Retirement System, the South Dakota Cement Plant Retirement Fund, the cash flow fund, the School and Public Lands Fund, the Dakota Cement Trust, the Health Care Trust Fund, and the Education Enhancement Trust Fund. The council also oversees the Higher Education Savings Plan.

Investment Council

The State Investment Council, authorized by SDCL 4-5-12 to 4-5-39, inclusive, is composed of eight members, five of whom are appointed by the Executive Board of the Legislative Research Council. The remaining three members are the State Treasurer, the Commissioner of School and Public Lands, and a representative of the state retirement system. The council appoints the state investment officer and formulates investment policy pertaining to the kinds and the methods of investment.

The agency is funded primarily from the interest and investment earnings derived from the managed funds. For FY2009, the agency requests \$8,224,813 from other funds and 28.0 FTEs. The Governor recommends \$8,231,813 and 28.0 FTEs. This is an increase of \$675,820 (8.9%) from FY2008. The Governor's recommended increase reflects the allocation for salary and health insurance adjustment discussed below.

	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	3,702,657	5,851,158	6,546,353	6,553,353	702,195	12.0%
Travel	56,011	80,000	80,000	80,000	-	0.0%
Contractual Services	1,066,739	1,578,487	1,552,112	1,552,112	(26,375)	(1.7%)
Supplies & Materials	14,071	14,148	14,148	14,148	-	0.0%
Grants And Subsidies	0	0	0	0	-	0.0%
Capital Outlay	37,871	32,200	32,200	32,200	-	0.0%
Other					-	0.0%
Total	4,877,349	7,555,993	8,224,813	8,231,813	675,820	8.9%
Funding Types						
General	0	0	0	0	-	0.0%
Federal	0	0	0	0	-	0.0%
Other	4,877,349	7,555,993	8,224,813	8,231,813	675,820	8.9%
Total	4,877,349	7,555,993	8,224,813	8,231,813	675,820	8.9%
FTE	26	28	28	28	0	0

The Governor's recommendation throughout this analysis also includes funding for Performance And Compensation Equity (PACE) movement of 2.5% for those employees who are paid under the job-worth of their pay range, a 2.5% across-the-board increase for all permanent employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package are as follows:

	General Funds	Federal Funds	Other Funds	Total
2.5% PACE Movement	0	0	0	0
2.5% Across-the-Board	0	0	0	0
Health Insurance	0	0	7,000	7,000
	0	0	7,000	7,000

Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Investment Management Fees:							
Retirement System (SDRS)	5,013,210	3,871,553	(1,141,657)	5,933,854	4,698,633	(1,235,221)	6,606,170
Cement Plant	32,553	24,841	(7,712)	38,073	29,549	(8,524)	41,947
Cash Flow Fund (CFF)	709,662	498,114	(211,548)	763,449	522,557	(240,892)	734,476
School and Public Lands (S&PL)	136,724	96,694	(40,030)	148,203	111,196	(37,007)	156,271
Dakota Cement Trust (DCT)	221,363	155,633	(65,730)	238,535	173,404	(65,131)	244,277
Education Enhancement Trust (EET)	319,022	223,285	(95,737)	342,225	250,581	(91,644)	352,022
Health Care Trust (HCT)	78,128	56,014	(22,114)	85,852	63,660	(22,192)	89,650
Total	6,510,662	4,926,134	(1,584,528)	7,550,191	5,849,580	(1,700,611)	8,224,813

Major Expansion and Reduction

The \$702,195 increase in personal services from FY08 requested by the agency is the result of the 2006 Deloitte Consulting study on base salary compensation analysis in the investment division and continuing policy regarding investment incentive. The base salary budget is increasing by 8.4% with investment-related positions to be increased on an incentive basis to “reflect the steep learning curve as investment team members transition from entry level to senior investment team members.” Other staff are to receive a 2.5% adjustment. Investment incentives reflects continuation of the policy of past years of permitting performance incentives up to 100% of salary, based on performance. The Governor concurred with these requests. The Governor recommended the same health insurance allocations as for other state employees.

Contractual services was reduced primarily by \$26,375 by adjustments in the costs of subscriptions and online investment research services. Various other adjustments were made to the other line items with increases offset by decreases.