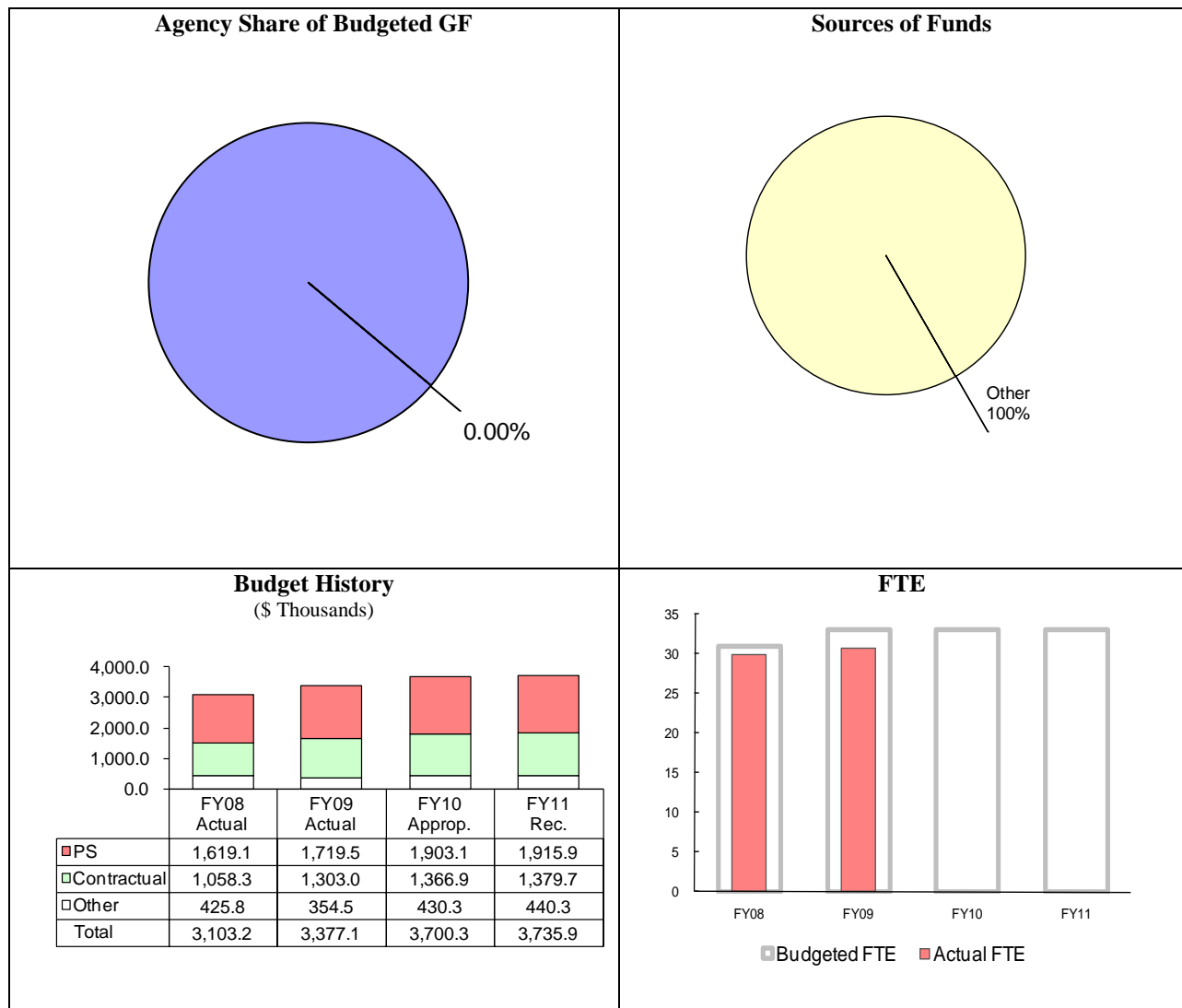


FY11 Budget Briefing

South Dakota Retirement System



Key Responsibilities

To plan, implement, and administer income replacement programs, and to encourage additional savings for retirement, all of which offer SDRS members and their families the resources and opportunity to achieve financial security at retirement, death, or disability by providing an outstanding, appropriate, and equitable level of benefits.

Key Personnel

- Rob Wylie, Executive Director/Administrator
- Jane Roberts, Chief Financial Officer
- Elmer Brinkman, SD Retirement System Board of Trustees Chair

South Dakota Retirement System - Department Total

The South Dakota Retirement System (SDRS) is funded from the SDRS Trust Fund Pool. SDRS is allowed to expend up to 3% of the annual contributions for administrative expenses pursuant to SDCL 3-12-61. For FY2011, the Governor recommends an increase of \$35,622 in other fund expenditure authority. The administrative costs of the fund are approximately 2.0% of the contributions.

Item	Actual FY09	Budgeted FY10	Agency		Inc/Dec FY11	% Change From FY10
			Requested FY11	Recommended FY11		
Personal Services	1,719,533	1,903,080	1,903,080	1,915,902	12,822	0.7%
Travel	63,122	75,792	75,792	75,792	-	0.0%
Contractual Services	1,302,983	1,366,882	1,379,682	1,379,682	12,800	0.9%
Supplies & Materials	271,788	313,000	323,000	323,000	10,000	3.2%
Grants And Subsidies					-	0.0%
Capital Outlay	19,639	41,500	41,500	41,500	-	0.0%
Other					-	0.0%
Total	3,377,065	3,700,254	3,723,054	3,735,876	35,622	1.0%
Funding Types						
General	0	0	0	0	-	0.0%
Federal	0	0	0	0	-	0.0%
Other	3,377,065	3,700,254	3,723,054	3,735,876	35,622	1.0%
Total	3,377,065	3,700,254	3,723,054	3,735,876	35,622	1.0%
FTE	30.7	33.0	33.0	33.0	-	0.0%

Salary Policy

	General Funds	Federal Funds	Other Funds	Total
0% PACE Movement	0	0	0	0
0% Across-the-Board	0	0	0	0
Health Insurance	0	0	12,822	12,822
	0	0	12,822	12,822

Salary Salvage History

	General Funds	Federal Funds	Other Funds	All Funds	FTE
FY 2009	0	0	183,547	183,547	2.3
FY 2008	0	0	117,242	117,242	1.1
FY 2007	0	0	100,661	100,661	0.5
FY 2006	0	0	106,224	106,224	0.6
FY 2005	0	0	119,762	119,762	1.8
5 yr avg	0	0	125,487	125,487	1.3

All salary salvage was reverted – none was transferred for other uses.

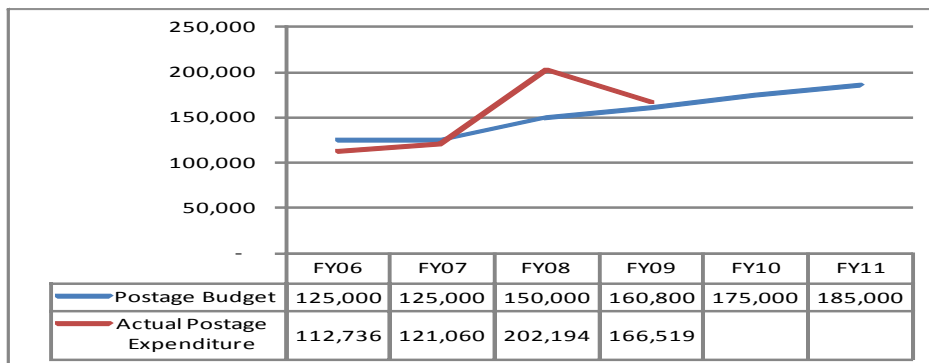
Department's Highest Priorities

- To provide lifetime income replacement, including primary Social Security and additional personal retirement savings, to meet the basic retirement income needs of at least 85% of a career member's final pay.
- Or as a stand-alone goal, to provide lifetime income replacement of at least 55% of a career member's final pay from SDRS benefits.

Major Expansion and Reduction

Budget Item	State General Fund		
	Fund	All Funds	FTE
A. Postage Increase	-	10,000	0.0
B. Advertising Cost Increase	-	7,000	0.0
C. Audit Service Increase	-	2,800	0.0
D. Janitorial and Utility Increases	-	3,000	0.0
Total	-	22,800	0.0

- A. The Governor recommends an increase of \$10,000 for postage expenses. This budget has been increased in each of the last four years (blue line below), but the actual expenditures (red line below) continue to be higher than budget.



- B. The Governor recommends a budgetary increase of \$7,000 for advertising costs associated with job vacancy announcements and legal notices for rules hearings.
- C. The Governor recommends an increase of \$2,800 for professional auditing services. In FY2006, SDRS had an auditing budget of \$47,500. Since that time, increases of \$75,000 in FY2007, \$6,020 in FY2008, and \$2,000 in FY2010 have been approved. The total amount approved for audit services totals \$130,520. The requested total need for auditing services in FY2011 is \$107,500.
- D. The Governor recommends an increase of \$3,000 for utility expenses and for janitorial services.

Revenues – 12/31/09

	Actual FY 2008	Actual FY 2009	Estimated FY 2010	Estimated FY 2011
Contributions	\$ 183,326,000	\$ 191,091,000	\$ 185,657,500	\$ 201,000,000
Investment Income	(723,100,000)	(1,659,000,000)	437,000,000	470,000,000
Benefits Paid	(273,267,000)	(306,787,000)	(318,331,555)	(357,000,000)
Refunds Paid	(28,069,000)	(24,421,000)	(26,000,000)	(28,500,000)
Total	\$ (841,110,000)	\$ (1,799,117,000)	\$ 278,325,945	\$ 285,500,000

Contributions include both member and employer contributions. Member contributions include normal contributions, service purchases, redeposits, trustee to trustee transfers and optional spouse coverage premiums. Employer contributions include matching employer contributions and employer deficiency payments.

Investment income includes interest, dividends, real estate income, gains and losses on investments, proration interest, and any other income generated from investment operations. Investment related expenses are also deducted. Actual investment performance in FY 2009 was -20.36%. The assumed rate of return is 7.75 for the fiscal year.

Benefits Paid include retirement, survivor and disability benefits paid during the fiscal year. Refunds Paid include all refunds paid to terminated members.

Budget Notes

- Of the 38,596 active SDRS members, 8,752 will be eligible for full retirement benefits within five years.
- The Deferred Compensation program, also referred to as the **Supplemental Retirement Plan**, is a voluntary, tax-deferred retirement plan. It is designed to supplement retirement benefits from SDRS and Social Security. The contributions are invested through a third-party.
- The **Special Pay Plan** was implemented in FY2006 to address the high taxes on termination pay (annual leave, sick leave, contract buyouts, retirement incentives, and all other lump-sum payments). The lump-sum payouts were made directly to members and thus subject to Social Security taxes, SDRS contributions, and federal income taxes.

Selected Statistical Data – 12/31/09

	Actual FY 2008	Actual FY 2009	Estimated FY 2010	Estimated FY 2011
Budget Compared to Assets	0.045%	0.063%	0.043%	0.056%
Budget Compared to Benefits	1.110%	1.180%	1.060%	1.040%
Budget Compared to Contributions	2.000%	1.900%	2.000%	1.800%
Members Per FTEs	2,318	2,200	2,400	2,425
Turnover Rate for FTEs - Managerial	12.5%	0.0%	0.0%	0.0%
Turnover Rate for FTEs - Nonmanagerial	17.4%	12.0%	4.3%	4.0%
Deferred Compensation Plan				
Participants	4,453	5,193	6,000	7,000
Total Assets	124,000,000	111,809,479	118,000,000	123,000,000
Special Pay Plan				
Participants	875	957	1,050	1,160
Total Assets	13,674,788	16,096,014	16,900,000	17,700,000