

MINUTES

Retirement Laws

Senator Jim White, Chair
Representative Larry Zikmund, Vice Chair



**First Meeting, 2019 Interim
Wednesday, May 22, 2019**

**413 – State Capitol
Pierre, South Dakota**

The first meeting of the Retirement Laws committee for the 2019 Interim was called to order by Senator Jim White at 9:03 a.m. CDT, on May 22, 2019 in Room 413 at the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering roll call: Senators Bolin, Nesiba, White (Chair), and Wismer; and Representatives McCleerey, Perry, Rounds, and Zikmund (Vice Chair). All members answering roll call attended by phone except Senators White and Nesiba. Senator Smith and Representative Duba were excused.

Staff members present were Jeff Mehlhaff, Senior Fiscal and Program Analyst, and Rachael Person, Senior Legislative Secretary.

Note: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC website at sdlegislature.gov.

Consideration of Salary

Senator Jim White welcomed everyone to the meeting and stated that the consideration of the salary for the executive director of the South Dakota Retirement System (SDRS) was the single item on the agenda, therefore, the committee would forgo addressing any previous minutes until the next meeting.

James Johns, Chairman, Board of Trustees of the SDRS, stated the board is in the process of identifying a new executive director of the South Dakota Retirement System to replace Mr. Rob Wylie upon his retirement in November. When the board became aware of the need to find a new executive director they started to reevaluate the position knowing they needed to find a top-quality candidate to fill Mr. Wylie's role, and the compensation range for the position would be an important issue. They have done extensive work with the Bureau of Personnel and Laurie Gill and learned very early on that the South Dakota executive director was severely underpaid when compared to similar systems and salaries throughout the states. The average salary for the position in South Dakota's six surrounding states is \$166,000 with a national average, median-based, salary of \$170,000. Based on these numbers, the board knew they needed to bring the current salary of the executive director position up to a market base of about \$160,000 to provide a starting point for negotiations with potential candidates for the position.

Mr. Paul Schrader, Consultant for SDRS, added the Board of Trustees adopted a formal pay range for the position based on survey information provided by Laurie Gill and other sources, with \$170,000 being the mid-point, or the market base of pay for the job, with the minimum being \$136,000 and the maximum being \$204,000.

A motion was made by Representative Rounds, seconded by Representative Perry to approve the recommendation of the SDRS Board of Trustees for the compensation package for the executive director, which would be 2.5%, across the board, increase for all state employees, plus an additional 8% to be effective July 1, 2019. Motion failed on a roll call vote due to a lack of majority from both the House and the Senate, with 5 voting AYE, 1 voting NAY, and 4 EXCUSED. Voting AYE: Nesiba, Perry, Rounds, Zikmund, and White. Voting NAY: Bolin. EXCUSED: Smith, Wismer, Duba, and McCleerey.

Recess

Senator Nesiba requested a recess. The request was granted by Senator White and the committee recessed for fifteen minutes.

Discussion

A motion was made by Senator Nesiba, seconded by Representative Rounds, to increase the executive director pay the same 2.5% pay increase as provided to other state employees effective July 1, 2019, plus an additional 8% as a movement to market for a total of 10.5%. Senator White called for any comments before requesting the vote.

Senator Wismer voiced concerns over how this pay increase at the end of Mr. Wylie's tenure could be misunderstood by those served by the retirement system and recommended changing the effective date of the pay increase.

Senator Nesiba urged support of the motion, stating that the position had been underpaid over the years and the committee should fix the issue now when there is opportunity to do so. He pointed out the importance offering a competitive salary can have on attracting and retaining someone with the ability to head such an important job for the employees of the state of South Dakota and its retirees.

Representative Rounds also urged support of the motion, reminding the committee that this is a recommendation from the SDRS Board of Trustees. He mentioned the change would only affect the existing director through November when Mr. Wylie retires. He reiterated that the salary range has been in the lower percentile for years even though the state is ranked number one in the country for retirement systems, and an increase is needed to attract top quality candidates.

Senator Bolin wanted to support a pay increase for Mr. Wylie but was hesitant to vote for a pay increase for the position until there was a guarantee from the board that any future candidates would not come from a state retirement system which has failed or is failing.

Mr. Schrader assured the committee the Board of Trustees is using criteria which would not allow consideration of any person who has been involved in, or responsible for, a failed system.

Representative McCleerey said he related to what Senator Bolin said but everyone involved in finding the new executive director has enormous respect for the system and attributes the success of the system to the person in the executive director position. Therefore, taking the extra step of increasing the salary in order to attract the right candidate to keep South Dakota in a top position is something which should be done, and he urged support of the motion.

Senator Wismer asked for clarification on the previous 8% increase to Mr. Wylie's salary. Mr. Johns responded a 16% increase in pay for the position was needed for the board to reach a competitive salary range. Rather than asking the Retirement Laws committee for the full 16% at one time, the Board of Trustees appeared before the committee last year at the July 9th meeting and asked for an 8% increase at that time, with the intention of returning this year and asking for an additional 8% increase effective for the remainder of Mr. Wylie's tenure, and going forward they would select a new executive director within the salary range.

Senator White restated the motion made by Senator Nesiba to increase the executive director's pay the same 2.5% pay increase as approved to other state employees effective July 1, 2019, plus another 8% as a movement to market, for a total of 10.5%. Motion prevailed on a roll call vote with 7 voting AYE, 1 voting NAY, and 2 EXCUSED. Voting AYE: Nesiba, Wismer, McCleerey, Perry, Rounds, Zikmund, and White. Voting NAY: Bolin. EXCUSED: Smith and Duba

Public Testimony

Senator White asked for public comment. No public comment was provided.

Adjourn

A motion was made by Representative Perry, seconded by Representative McCleerey, that the Retirement Laws Committee be adjourned. The motion prevailed on a voice vote.

The committee adjourned at 10:10 a.m.