



# MINUTES

## Executive Board

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**Fourth Meeting  
2008 Interim  
August 18, 2008**

**Legislative Conference Room 1  
State Capitol  
Pierre, South Dakota**

The fourth 2008 interim meeting of the Legislative Research Council Executive Board was called to order by Chair Representative Larry Tidemann at 9:30 a.m. (CT), August 18, 2008, in Legislative Conference Room 1 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Gene Abdallah, Julie Bartling, Bob Gray, Tom Hansen, and Jim Hundstad; and Representatives Quinten Burg, Thomas Deadrick, Richard Engels, Kristi Noem, Gordon Pederson, Carol Pitts, J.E. "Jim" Putnam, and Larry Tidemann. Senators Jean Hunhoff (Vice Chair) and Gil Koetzle were excused.

Staff members present included James Fry, LRC Director, and Teri Retrum, Administrative Assistant.

All material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). For the purpose of continuity, these minutes are not necessarily in chronological order. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information -- Minutes and Agendas."

**(NOTE:** On Sunday, August 17, 2008, the Technology Subcommittee met at 7:30 p.m. On Monday, August 18, 2008, the Investment Council Subcommittee met at 7:30 a.m.; the Personnel Subcommittee met at 8:15 a.m.; the Legislative Intern Subcommittee met at 8:30 a.m.; the Budget Subcommittee met at 8:45 a.m.; and the Legislative Intern Dress Code Subcommittee met at 9:00 a.m.)

### **Approval of Minutes**

**Representative Richard Engels** noted the following correction to the minutes of the June 9, 2008, minutes:

On page 3, line 8, delete "each of the funds" and insert "the cash flow account".

**REPRESENTATIVE PEDERSON, MOVED, SECONDED BY REPRESENTATIVE PITTS, THAT THE MINUTES OF THE JUNE 9, 2008, MEETING BE APPROVED, AS CORRECTED. The motion prevailed unanimously on a voice vote.**

## Approval of Agenda

**Representative Carol Pitts** asked that discussion on new member orientation be included on the agenda.

Representative Engels asked for information on the distribution of press releases at the request of individual legislators.

**REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE PITTS, THAT THE AGENDA BE APPROVED WITH THE ADDITIONAL AGENDA ITEMS. The motion prevailed unanimously on a voice vote.**

### South Dakota Investment Council (SDIC) Report

**Senator Bob Gray**, Chair of the Investment Council Subcommittee, introduced **Mr. Curt Johnson**, Chair of the South Dakota Investment Council (SDIC), and **Mr. Matt Clark**, Investment Officer.

Mr. Johnson introduced the following members of the SDIC: Messrs. Paul Livermore, Haven Stuck, Joseph A. Anglin, Wesley G. Tschetter, Jarrod Johnson, Vern Larson, and Rob Wylie.

Mr. Johnson and Mr. Clark distributed copies of the Investment Council Report (**Document #1**). Addressing the report, Mr. Johnson said that 2008 was not a good investment performance year. Exhibit 3 of the report shows that the South Dakota Retirement System (SDRS) experienced a \$692.8 million loss.

Mr. Clark said that the Council needs to brace itself for another bad year. He said that the long-term success of the SDIC is based on not flinching when times are bad; the Council needs to make sure that the right thing is done for the long-term. Mr. Clark said that he is disappointed in the performance; however, he is excited about the bargains that have opened up and that he is optimistic for the long-term. Mr. Clark urged the Board to focus on the positive benchmark numbers over the long-term.

Mr. Clark summarized the trust value and asset allocation of the following:

- Health Care Trust Fund;
- Education Enhancement Trust Fund;
- Dakota Cement Trust Fund; and
- School and Public Lands Trust Fund.

Mr. Clark discussed the Council's FY 2010 budget request.

Responding to a question posed by **Representative Quinten Burg**, Mr. Clark said that the Council promotes an investment team approach. Mr. Clark said that he believes the Council currently is well-staffed with 22 investment professionals who work in an investment team approach environment. He said that the Council is training the next generation of investors in the way that has made SDIC so successful long-term. Mr. Clark noted that 20 years ago, there were 8-10 investment professionals. With the increase in employees, the pay also has increased. Mr. Clark commented that the salaries of the investment professionals are

incrementally increased more than the standard state employee yearly pay increase in order to retain those employees with a competitive salary. He said that the budget includes a 4.8% salary increase for senior employees and 3% for clerical, etc. Mr. Clark informed the Board that the results of the triennial SDIC Compensation/Incentive Study will be available in the spring of 2009.

Representative Engels noted and Mr. Clark agreed that the compensation is driving the total SDIC budget.

#### **Incentive Bonus for the State Investment Officer**

**SENATOR GRAY MOVED, SECONDED BY REPRESENTATIVE PEDERSON, THAT THE EXECUTIVE BOARD GO INTO EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING THE INCENTIVE BONUS FOR THE STATE INVESTMENT OFFICER. The motion prevailed unanimously on a voice vote.**

The executive session commenced at 10:50 a.m. and concluded at 11:05 a.m.

**SENATOR GRAY MOVED, SECONDED BY REPRESENTATIVE DEADRICK, THAT THE INCENTIVE BONUS FOR THE STATE INVESTMENT OFFICER BE SET AT \$147,177.88. The motion prevailed unanimously on a roll call vote with 13 voting AYE and 2 EXCUSED. Those voting AYE: Abdallah, Bartling, Gray, Tom Hansen, Hundstad, Burg, Deadrick, Engels, Noem, Pederson, Pitts, Putnam, and Tidemann. Those EXCUSED: Koetzle and Hunhoff.**

#### **South Dakota Investment Council Budget Request**

**SENATOR HANSEN MOVED, SECONDED BY REPRESENTATIVE PUTNAM, THAT THE EXECUTIVE BOARD APPROVE THE FY 2010 BUDGET REQUEST OF THE SOUTH DAKOTA INVESTMENT COUNCIL AS PRESENTED. The motion prevailed unanimously on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Abdallah, Bartling, Gray, Tom Hansen, Hundstad, Burg, Deadrick, Noem, Pederson, Pitts, Putnam, and Tidemann. Those EXCUSED: Engels, Koetzle and Hunhoff.**

The Executive Board recessed at 11:10 a.m. and reconvened at 11:30 a.m.

#### **Department of Legislative Audit Budget Request**

**Mr. Martin Guindon**, Auditor General, reviewed the Department of Legislative Audit's budget request for FY 2010. Mr. Guindon noted that there have been no changes to the department's budget except for a \$10,000 decline in contractual services. He said that the item will not be needed because a peer review will not be done for that budget time period.

**SENATOR ABDALLAH MOVED, SECONDED BY REPRESENTATIVE PEDERSON, THAT THE EXECUTIVE BOARD APPROVE THE FY 2010 BUDGET REQUEST OF THE DEPARTMENT OF LEGISLATIVE AUDIT BUDGET AS PRESENTED. The motion prevailed unanimously on a roll call vote with 11 voting AYE and 4 EXCUSED. Those voting AYE: Abdallah, Bartling, Gray, Tom Hansen, Burg, Deadrick, Noem, Pederson,**

**Pitts, Putnam, and Tidemann. Those EXCUSED: Engels, Hundstad, Koetzle, and Hunhoff.**

### **Explanation of the Cash Flow Portfolio**

**Mr. Bob Christianson**, State Government Audit Manager, Department of Legislative Audit, distributed copies of information regarding the Cash Flow Fund and income proration (**Document #2**). Mr. Christianson explained there is not a fund in state government that is called the Cash Flow Fund, and there is not a state statute that has created a fund called the Cash Flow Fund. The Cash Flow Fund actually refers to the pooling of state public funds by the State Investment Council for investment purposes. By statute, the State Investment Officer is responsible for investing state public funds. Therefore, the State Investment Officer is directed to pool cash accounts within the funds enumerated in statute. Mr. Christianson included the South Dakota Investment Council's Audit Report for the fiscal year ended on June 30, 2007.

Representative Engels thanked Mr. Christianson for his report and said that the information was exactly what he requested.

The Board recessed at 12:00 p.m. and reconvened at 1:10 p.m.

Chair Tidemann began the afternoon session by praising the LRC staff for their work at the Midwest Legislative Conference held in Rapid City, South Dakota. He said that he has heard many comments complimenting the Conference and the staff. Chair Tidemann expressed appreciation and thanks to the staff.

**Legislative Research Council (LRC) Director James Fry** and other Board members echoed the Chair's remarks. Mr. Fry said that the location of the Conference was an ideal venue for attendees to bring their families and set a record for overall attendance.

### **Director's Report**

Mr. Fry presented the financial statement for the period ending June 31, 2008 (**Document #3**). Mr. Fry stated that the statement shows that the budget is on schedule and on track.

Reporting on the remodeling of fourth floor, Mr. Fry said that the walls are up and the ceiling tiles are in place. Completion plans are still on schedule.

### **Legislative Research Council Budget Request**

Mr. Fry and **Ms. Carol Huber**, LRC Finance Officer, reviewed the LRC budget request for FY 2010. Mr. Fry noted that the number of bills, journals, and other informational paper has been reduced because more legislators, lobbyists, and the public are using electronic means to access legislative information.

Mr. Fry noted that extra money has been added to the budget to fund a \$250 per member stipend to help cover the costs of legislators' technological ability for constituent services.

At this time, Representative Pitts, Chair of the Computer Technology Subcommittee, addressed the subcommittee's discussion regarding technological services. Representative Pitts said that four options were discussed:

1. Data card                   \$38.00/month (estimated 50 legislators might want this option);
2. Cell phone               \$21/month and purchase phone;
3. Phone card               Use continues to decline;
4. Stipend                   \$250 check per member.

**Representative Quinten Burg** said that the \$250 stipend is his preference because each legislator would be able to use it however it best suits their individual needs.

**Representative Thomas Deadrick** said that he agreed with Representative Burg.

**Senator Gene Abdallah** also expressed agreement with Representatives Burg and Deadrick.

Responding to Chair Tidemann, Mr. Fry said that a legislator can assume that any payment for the technological options would be subject to IRS tax policies.

**Senator Jim Hundstad** said that some sort of recordkeeping system would have to be maintained by a legislator to address IRS requirements.

Representative Pitts and **Representative Kristi Noem** said that the subcommittee tried to come up with options from which to choose to make constituent services better.

**Senator Bob Gray** said that he does not support the proposals and believes that legislative per diem should be increased so that the issue is addressed in a more upfront manner.

**Representative J.E. "Jim" Putnam** said that increasing per diem would require a statutory change.

Representative Noem said that the purpose of the options is to help defray costs of constituent services outside of session not during session, so it would not require a statutory change.

Regarding legislative mileage, **SENATOR HANSEN MOVED, SECONDED BY SENATOR ABDALLAH, THAT THE EXECUTIVE BOARD RECOMMEND TO INCREASE MILEAGE TO EQUAL THE FEDERAL MILEAGE RATE.**

**REPRESENTATIVE PUTNAM MADE A SUBSTITUTE MOTION, SECONDED BY REPRESENTATIVE ENGELS, THAT THE EXECUTIVE BOARD APPROVE THE LRC BUDGET AND ADDRESS THE OTHER ISSUES AT A LATER DATE. The substitute motion prevailed on a roll call vote with 10 voting AYE, 3 voting NAY, and 2 EXCUSED. Those voting AYE: Bartling, Hundstad, Burg, Deadrick, Engels, Noem, Pederson, Pitts, Putnam, and Tidemann. Those voting NAY: Abdallah, Gray, and Tom Hansen. Those EXCUSED: Koetzle and Hunhoff.**

At the request of Board members, Mr. Fry said that he will research and provide dollar amounts for the following:

- \$125 per diem;
- Mileage at \$.585/mile for legislators;
- Mileage at \$.585 /mile for all state workers.

Continuing the Computer Technology Subcommittee report, Representative Pitts distributed **Document #4**, which outlines the subcommittee's computer recommendation for 2009-2010. She said that the recommended Hewlett Packard tablet computer model HP2730 costs \$1,654. The computer's new features are:

- 2-6 cell batteries (life of a 12 cell—5-6 hours);
- Touch pad and pointstick;
- 4 gig ram;
- DVD read/writable;
- Web cam;
- Onenote included.

Representative Pitts commented that the philosophy of the subcommittee is to move forward with new types of technology. She said that the recommendation would leave a smaller footprint and allow the flexibility of a detachable docking station. The Webcam would move the Legislature forward to the new video age.

At the request of Representative Pitts, **Ms. Lou Adamson**, Legislative Information System Coordinator, demonstrated the Computer Technology Subcommittee's Hewlett Packard tablet computer recommendation.

**REPRESENTATIVE DEADRICK MOVED, SECONDED BY SENATOR HUNDSTAD, THAT THE EXECUTIVE BOARD ADOPT THE REPORT OF THE COMPUTER TECHNOLOGY SUBCOMMITTEE. The motion prevailed on a roll call vote with 13 voting AYE and 2 EXCUSED. Those voting AYE: Abdallah, Bartling, Gray, Tom Hansen, Hundstad, Burg, Deadrick, Engels, Noem, Pederson, Pitts, Putnam, and Tidemann. Those EXCUSED: Koetzle and Hunhoff.**

Legislative Intern Subcommittee—Representative J.E. “Jim” Putnam, Chair

Representative Putnam asked **Mr. Dave Ortbahn**, Principal Research Analyst, to discuss the intern program.

Mr. Ortbahn reported that the “Legislator Evaluation of 2008 Legislative Intern Program” and “Intern Evaluation of 2008 Legislative Intern Program” both indicate that the legislators and interns are satisfied with the Legislative Intern Program. He said that staff is working on making the intern information available on the Legislature's website and contacting appropriate school officials regarding the intern program.

Mr. Ortbahn said that staff is going to contact the Board of Regents to explore whether an exemption would be allowed for those with an opportunity scholarship and will put the information on how to get that exemption on the Legislature's website.

Mr. Ortbahn said that there are 22 intern positions available and asked that all legislators promote the program.

Personnel Subcommittee—Representative Larry Tidemann, Chair

Chair Tidemann said that the Personnel Subcommittee agreed that the Board should continue its policy of leaving personnel matters, such as salary, promotions, etc., for LRC staff, at the discretion and judgment of the LRC Director.

Responding to a question posed by Representative Burg, Mr. Fry said that the LRC currently is well-positioned with veteran staff.

Legislative Intern Dress Code Subcommittee—Representative Larry Tidemann, Chair

Chair Tidemann said that the subcommittee agreed that the interns are hired by the political parties and that it is the responsibility of the officers of each party to address intern matters. Chair Tidemann said that the subcommittee recommended that the interns be told to dress as if giving the 6:00 broadcast evening news.

Representative Burg said that, considering the success of the identical shirts required to be worn by the pages during the 2008 Legislative Session, perhaps a blazer could be provided to the interns. He suggested that the Board not make a final decision and continue to further discuss the issue.

**Senator Julie Bartling** said that the pages are younger than interns. The interns perform a higher and different level of work for the legislators, and their conduct and attire should be address by party leadership.

**SENATOR HUNDSTAD MOVED, SECONDED BY REPRESENTATIVE NOEM, THAT THE EXECUTIVE BOARD ACCEPT THE REPORT OF THE LEGISLATIVE INTERN DRESS CODE SUBCOMMITTEE. The motion prevailed on a voice vote.**

**Legislative Travel Reimbursement**

For discussion purposes, Chair Tidemann asked for direction on approving travel for legislators who are not returning to the Legislature and for those involved in continuing session business.

Representative Pitts said that she supports the current reimbursement practice.

Representative Burg said that the Board should not make a hasty decision but continue its discussion and make a final decision later.

**Representative Gordon Pederson** expressed his disappointment that some legislators who are appointed to national committees attend the annual meetings but do not attend the related meetings.

Responding to Senator Abdallah, Mr. Fry said that the Executive Board has authority over those membership appointments.

Senator Abdallah asked whether the Legislature should become involved in the situation.

Representative Pitts said that she thinks that term-limited legislators often bring valuable information back to South Dakota from the meetings.

Representative Deadrick said that a legislator's constituents should be the decider in whether a legislator is doing a good job and attending appropriate meetings properly. He said that he does not see a need to change the current process.

Representative Engels asked how a constituent would know whether a legislator is attending such meetings.

Senator Gray said to make public all meetings and their attendance—keep the information open.

The Board agreed not to take action on travel reimbursement for term-limited legislators or those involved in continuing session business.

### **New Member Orientation**

Representative Pitts said that a seminar on the new computer needs to be held for new members and all legislators, if they are interested. She suggested that a mock committee meeting be conducted to show new members the ins and outs of a committee meeting. Another possibility, according to Representative Pitts, would be to assign a mentor to each new legislator.

Representative Deadrick said that, in addition to the new member orientation, a meeting for new members in the second week of session to address any questions they might have would be helpful.

Representative Pitts said that inviting previous legislators to participate in the orientation would be beneficial.

Representative Noem recommended that a "cheat sheet" be provided to legislators outlining how to get to computer programs and how to find their way to committee rooms, etc.

Senator Julie Bartling assumed the Chair.

Senator Bartling reminded the Board that it also is the responsibility of each caucus to assist new members in navigating through the Legislature.

Senator Abdallah said that most people who run for the Legislature talk to previous area legislators and have a pretty good idea of the process when they get here.

Representative Larry Tidemann resumed the Chair.

To address a request from Representative Engels for information on the distribution of press releases at the request of individual legislators, Mr. Fry reviewed the procedure.

### **Next Meeting Date**

The Executive Board's next meeting will be on November 17 and 18, 2008.

### **Adjournment**

**REPRESENTATIVE PEDERSON MOVED, SECONDED BY SENATOR BARTLING, THAT THE EXECUTIVE BOARD ADJOURN. The motion prevailed on a voice vote.**

The Executive Board adjourned at 3:35 p.m.

