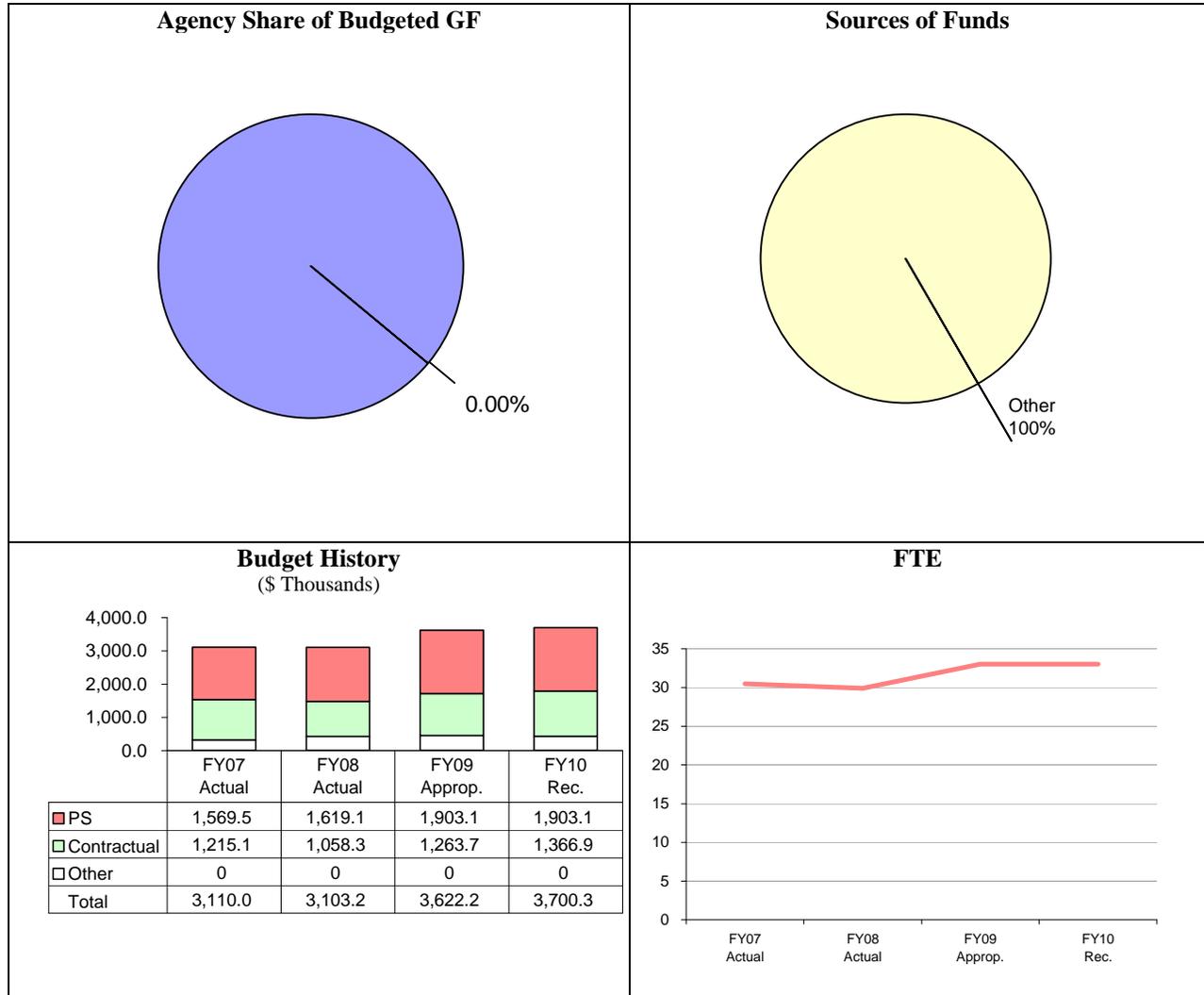


# FY10 Budget Briefing South Dakota Retirement System



## 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 FY10, the Governor recommends an increase of \$78,010 in other fund expenditure authority. The administrative costs of the fund are approximately 2.0% of the contributions.

Item	Actual	Budgeted	Agency	REVISED	Inc/Dec	% Change
	FY08	FY09	Requested FY10	Recommended FY10	FY10	From FY09
Personal Services	1,619,082	1,903,080	1,903,080	1,903,080	-	0.0%
Travel	66,566	72,182	75,792	75,792	3,610	5.0%
Contractual Services	1,058,341	1,263,682	1,366,882	1,366,882	103,200	8.2%
Supplies & Materials	321,293	293,800	313,000	313,000	19,200	6.5%
Grants And Subsidies	0	0	0	0	-	0.0%
Capital Outlay	37,929	89,500	41,500	41,500	(48,000)	(53.6%)
Other	0	0	0	0	-	0.0%
<b>Total</b>	<b>3,103,211</b>	<b>3,622,244</b>	<b>3,700,254</b>	<b>3,700,254</b>	<b>78,010</b>	<b>2.2%</b>
<b>Funding Types</b>						
General	0	0	0	0	-	0.0%
Federal	0	0	0	0	-	0.0%
Other	3,103,211	3,622,244	3,700,254	3,700,254	78,010	2.2%
<b>Total</b>	<b>3,103,211</b>	<b>3,622,244</b>	<b>3,700,254</b>	<b>3,700,254</b>	<b>78,010</b>	<b>2.2%</b>
FTE	29.9	33.0	33.0	33.0	-	0.0%

#### SALARY POLICY

The Governor recommends no salary policy.

**Major Expansion and Reduction**

<b>Governor's Recommendation</b>			
<b>Budget Item</b>	<b>State General Fund</b>	<b>All Funds</b>	<b>FTE</b>
A. Full-time computer consultant with B.I.T.	-	90,000	0.0
B. Completed capital projects from FY2009	-	(48,000)	0.0
C. Inflationary Increases	-	36,010	0.0
<b>Total</b>	-	<b>78,010</b>	<b>0.0</b>

- A. The Governor recommends an increase of \$90,000 to fund a third full-time computer position. The FTE would be budgeted in the Bureau of Information and Telecommunications' (BIT) budget, but the person would work full-time on SDRS issues.
- B. The Governor recommends a decrease of \$48,000 due to the completion of a new conference room last year and the one-time expenditure of office furniture and computers when 2.0 FTE were approved in the previous budget.
- C. The Governor recommends an additional \$36,010 for inflationary increases in travel, office supplies, postage, equipment rental, utilities, audit services, and workshop registrations.

**Revenues – 12/31/08**

	Actual FY 2007	Actual FY 2008	Estimated FY 2009	Estimated FY 2010
Contributions	\$ 171,000,000	\$ 183,326,000	\$ 178,000,000	\$ 185,657,500
Investment Income	512,492,675	(723,100,000)	(1,800,000,000)	450,000,000
Benefits Paid	(264,000,000)	(273,267,000)	(283,000,000)	(318,331,555)
Refunds Paid	(28,624,152)	(28,069,000)	(33,000,000)	(30,000,000)
<b>Total</b>	<b>\$ 390,868,523</b>	<b>\$ (841,110,000)</b>	<b>\$ (1,938,000,000)</b>	<b>\$ 287,325,945</b>

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 2008 was -8.65%. 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 37,707 active SDRS members, 8,209 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 distributed to the investment alternatives available through a third-party.
- The **Special Pay Plan** was implemented in FY06 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 paid directly to members and thus subject to Social Security taxes, SDRS contributions, and federal income taxes.

The Special Pay Plan significantly increased the value of termination pay by eliminating or deferring taxes and contributions. For example, a member receiving \$10,000 in termination pay previously paid over \$2,500 in taxes and contributions. Under the Special Pay Plan there will be no deductions. This permits the full amount of the termination pay to be made to the plan. (Federal income taxes would be paid upon benefit payments from the plan.)

Class A members and their employers save 13.65% of the termination pay because of the elimination of Social Security taxes (7.65%) and SDRS contributions (6%). Class B members and their employers save 15.65% (7.65% in contributions to Social Security plus 8% for SDRS contributions). In addition, members defer the payment of federal income taxes until they make withdrawals from the Special Pay Plan.

**Selected Statistical Data – 12/31/08**

	<b>Actual FY 2007</b>	<b>Actual FY 2008</b>	<b>Estimated FY 2009</b>	<b>Estimated FY 2010</b>
Budget Compared to Assets	0.044%	0.045%	0.062%	0.062%
Budget Compared to Benefits	1.220%	1.110%	1.120%	1.060%
Budget Compared to Contributions	1.900%	2.000%	2.000%	2.000%
Members Per FTEs	2,229	2,318	2,286	2,400
Turnover Rate for FTEs - Managerial	0.0	12.50%	0.0	0.0
Turnover Rate for FTEs - Nonmanagerial	4.30%	17.40%	4.30%	4.30%
<b>Deferred Compensation Plan</b>				
Participants	4,282	4,453	5,000	5,250
Total Assets	116,772,275	124,000,000	107,560,000	113,000,000
<b>Special Pay Plan</b>				
Participants	675	875	712	734
Total Assets	8,800,000	1,100,000	14,500,000	15,300,000