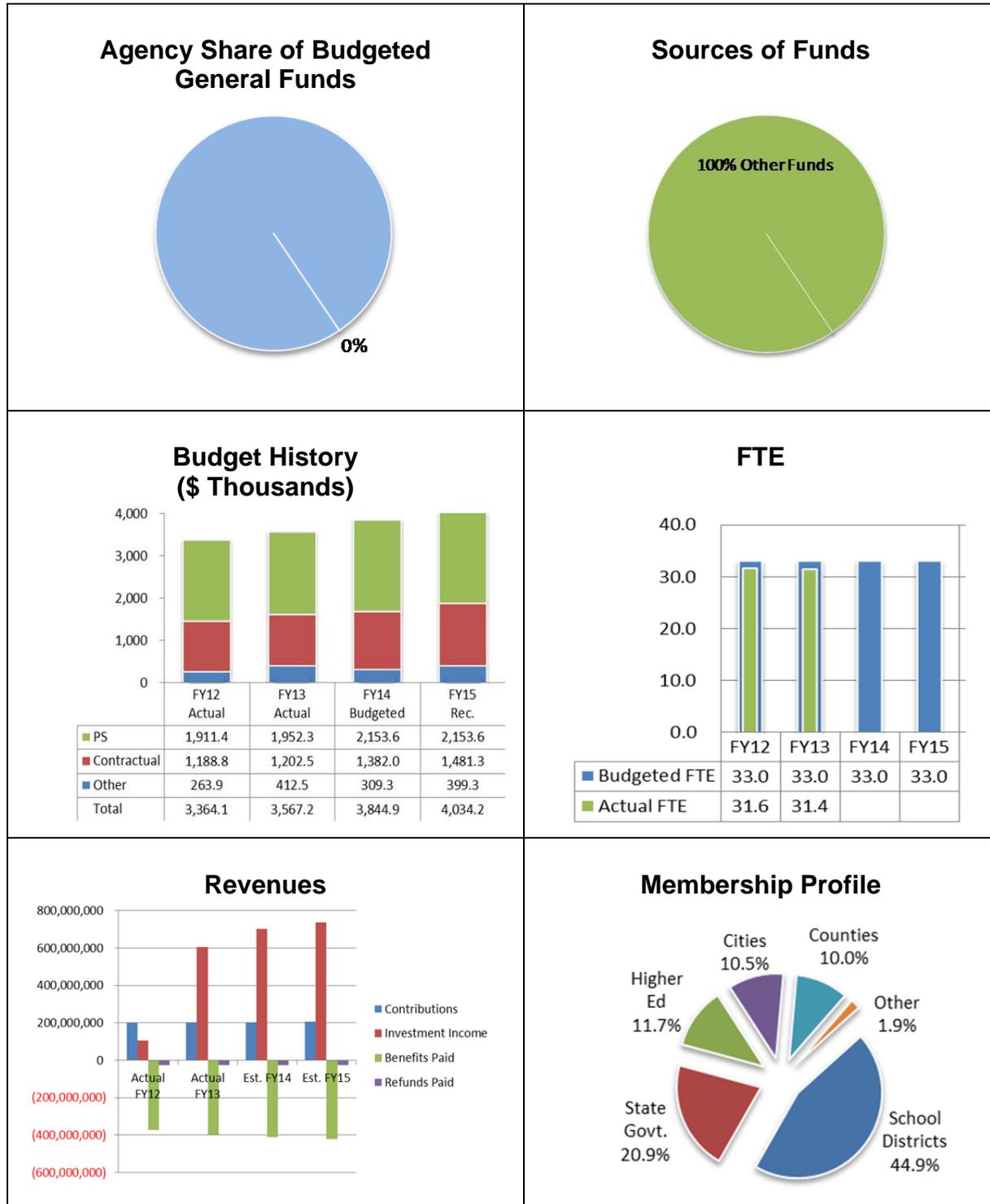


FY15 Budget Briefing

South Dakota Retirement System

Information contained in this document is based on the Governor's original FY15 recommended budget.
This document may not correspond with the FY15 budget adopted by the Legislature.



Key Personnel

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

SDRS Mission Statement

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 the opportunity to achieve financial security at retirement, death, or disability by providing an outstanding, appropriate, and equitable level of benefits.

The Board of Trustees believes this mission is achievable with the resources available in a progressive working environment, by sound and efficient management, through superior investment performance and by exercising the fiduciary responsibility associated with the proper stewardship of member assets.

Department Total

	<u>Actual</u> <u>FY2012</u>	<u>Actual</u> <u>FY2013</u>	<u>Budgeted</u> <u>FY2014</u>	<u>Gov Rec</u> <u>FY2015</u>	<u>Rec % Change</u> <u>Inc/Dec</u> <u>FY2015</u>	<u>From</u> <u>FY2014</u>
Personal Services						
Employee Salaries	1,514,320	1,501,263	1,674,468	1,674,468	0	0.0%
Employee Benefits	397,065	451,052	479,147	479,147	0	0.0%
FTE	31.6	31.4	33.0	33.0	0.0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	1,911,385	1,952,315	2,153,615	2,153,615	0	0.0%
Total PS	1,911,385	1,952,315	2,153,615	2,153,615	0	0.0%
Operating Expenses						
Travel	52,311	53,664	57,792	57,792	0	0.0%
Contractual Services	1,188,820	1,202,457	1,381,969	1,481,320	99,351	7.2%
Supplies & Materials	203,661	350,324	232,000	322,000	90,000	38.8%
Capital Outlay	7,951	8,473	19,500	19,500	0	0.0%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	1,452,743	1,614,918	1,691,261	1,880,612	189,351	11.2%
Total OE	1,452,743	1,614,918	1,691,261	1,880,612	189,351	11.2%
Totals						
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	3,364,128	3,567,233	3,844,876	4,034,227	189,351	4.9%
Total	3,364,128	3,567,233	3,844,876	4,034,227	189,351	4.9%

Department Object Detail

Item	Actual FY2012	Actual FY2013	Budgeted FY2014	Governor Rec FY2015	Inc/Dec Over FY2014	% Change Over FY2014
PERSONAL SERVICES						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	1,911,385	1,952,315	2,153,615	2,153,615	0	0.0%
Total Personal Services	1,911,385	1,952,315	2,153,615	2,153,615	0	0.0%
FTE	31.6	31.4	33.0	33.0	0.0	0.0%
TRAVEL						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	52,311	53,664	57,792	57,792	0	0.0%
Total Travel	52,311	53,664	57,792	57,792	0	0.0%
CONTRACTUAL SERVICES						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	1,188,820	1,202,457	1,381,969	1,481,320	99,351	7.2%
Total Contractual Services	1,188,820	1,202,457	1,381,969	1,481,320	99,351	7.2%
SUPPLIES AND MATERIALS						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	203,661	350,324	232,000	322,000	90,000	38.8%
Total Supplies and Materials	203,661	350,324	232,000	322,000	90,000	38.8%
CAPITAL OUTLAY						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	7,951	8,473	19,500	19,500	0	0.0%
Total Capital Outlay	7,951	8,473	19,500	19,500	0	0.0%
TOTAL						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	3,364,128	3,567,233	3,844,876	4,034,227	189,351	4.9%
Total All Funds	3,364,128	3,567,233	3,844,876	4,034,227	189,351	4.9%

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
Contractual Services					
Half-time BIT Programmer			50,000	50,000	-
Quadrennial Investment Performance Report			40,000	40,000	-
Re-align Telecom Services Budget			5,000	5,000	-
Bureau Billings			4,351	4,351	-
Supplies and Materials					
Publishing and Printing			10,000	10,000	-
Postage			80,000	80,000	-
Total	-	-	189,351	189,351	-

Contractual Services – There is a total increase of **\$99,351** in other fund expenditure authority which includes the following:

- **\$50,000** is requested for a half-time BIT programmer to assist with the new Data Processing System;
- **\$40,000** is requested to cover the cost of the Quadrennial Independent Report of Investment Performance as defined by SDCL 3-12-118;
- **\$5,000** is requested to realign the Telecommunications Services budget with actual expenditures; and
- **\$4,351** is requested due to changes in bureau billings.

Supplies and Materials - **\$10,000** is requested to cover increased costs of publishing and printing and **\$80,000** is requested to cover the cost of postage.

Interagency Billings

Below are the sources of funds SDRS used in FY13 to pay for services provided by central governmental bureaus (Bureau of Finance and Management, Bureau of Information and Telecommunications, Bureau of Administration, and the Bureau of Human Resources).

FY13 Actual Expenditures	General Funds	Federal Funds	Other Funds	Total Funds
Bureau of Administration			187,844.20	187,844.20
Bureau of Finance and Management			45,862.63	45,862.63
Bureau of Human Resources			5,821.11	5,821.11
Bureau of Information and Telecommunications			363,853.33	363,853.33
<i>Total Bureau Billings</i>	-	-	603,381	603,381

Governor's Recommended Compensation Plan – BFM Pool

For FY15, the Governor recommended the state employee compensation plan be distributed from a pool in the BFM. *Therefore, individual agency budgets do not reflect the changes for the compensation plan.*

	<u>General</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
Across the Board Increase and Market Adjustments	\$0	\$0	\$69,821	\$69,821
Health Insurance	\$869	\$27,906	\$18,226	\$47,000
Movement Toward Job Worth (PACE)	\$0	\$0	\$6,216	\$6,216
Pay for Performance (Career Band Families)	\$0	\$0	\$9,268	\$9,268
Targeted Compensation Adjustments	\$0	\$0	\$0	\$0
Total of all Components	\$869	\$27,906	\$103,531	\$132,305

- Recommended FY15 - 3.0% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board/Market; 18.6% Health Insurance; Targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs.
- FY14 – 3.5% PACE; 0%-4.5% Pay for Performance for Career Banding; 3% Across-the-Board; 3.5%-4% Market Adjustment for Career Banding; 14.7% Health Insurance
- FY13 – 2.5% PACE; up to 7.0% Market Adjustment for Career Banding; 3% Across-the-Board; 3.3% Health Insurance.
- FY12 – 0% PACE; 0% Across-the-Board; 0% Health Insurance. One-time payment to permanent, non-probationary state employees equaling 5%, 3.4%, or 1.7% of the individual's annual salary depending on their longevity. (No increase to base in FY12.)
- FY11 – 0% PACE; 0% Across-the-Board; 6.3% Health Insurance
- FY10 – 0% PACE; 0% Across-the-Board; 0% Health Insurance

Other Fund Balances

Company and Fund Name	Blue Book Page			60-Month Average	Lowest Monthly Cash Balance in Past Five Years	
		FY2012	FY2013	Cash Balance	Amount	Month
Company 3090 - SDRS Supplemental Retirement Admin	189	\$ 191,331	\$ 197,248	\$ 180,960	\$ 152,468	July 2008
Company 8000 - Agency Fund	190	\$ 129,096	\$ 69,850	N/A	N/A	N/A
Company 8901 - S.D. Retirement System Pension	191	\$ 7,262,021,550	\$ 7,547,833,940	\$ 7,023,181,839	\$ 6,595,539,718	November 2009
Company 8902 - Cement Plant Retirement	192	\$ 44,036,721	\$ 45,528,025	\$ 44,025,809	\$ 40,813,367	August 2010

Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll

The schedule below identifies retirees' and beneficiaries' benefits considered in the current and previous actuarial valuations.

Valuation Date	Beginning of year balance	Number added to payroll	Number removed from payroll	End of year balance	Annual pension added to payroll	Annual pension removed from payroll	Annual pension benefit amount	Average annual benefit	% increase in average benefit
2002	15,390	1,051	548	15,893	\$14,781,382	\$4,286,698	\$175,339,813	\$11,033	5.4
2003	15,893	1,112	564	16,441	\$16,904,111	\$4,612,777	\$191,738,495	\$11,662	5.7
2004	16,441	1,207	619	17,029	\$19,647,803	\$4,991,607	\$211,424,721	\$12,416	6.5
2005	17,029	1,121	602	17,458	\$16,955,458	\$4,970,672	\$228,469,621	\$13,020	4.9
2006	17,458	1,130	602	18,076	\$17,273,416	\$5,866,751	\$245,707,324	\$13,593	4.4
2007	18,076	1,306	663	18,719	\$20,128,796	\$5,699,854	\$265,922,928	\$14,206	4.5
2008	18,719	1,279	677	19,321	\$20,931,066	\$6,957,387	\$297,672,788	\$15,407	8.5
2009	19,321	1,295	667	19,949	\$21,285,086	\$7,429,345	\$318,556,151	\$15,969	3.6
2010	19,949	1,318	706	20,561	\$20,287,505	\$8,415,997	\$335,034,177	\$16,295	2.0
2011	20,561	1,575	679	21,457	\$27,164,131	\$8,006,912	\$359,385,525	\$16,749	2.8
2012	21,457	1,663	712	22,408	\$26,727,462	\$8,827,261	\$386,478,319	\$17,247	3.0
2013	22,408	1,683	764	23,327	\$27,259,699	\$9,535,172	\$410,679,002	\$17,605	2.1

Major Changes History

- ✓ **FY2014**- \$63,210 for an accountant due to GASB changes and \$40,000 for a defined benefit administration benchmarking analysis
- ✓ **FY2013**- \$110,000 for professional actuarial services due to GASB changes
- ✓ **FY2012** – Budget cuts totaling \$395,266 – 10.6%
- ✓ **FY2010** – tied the **C.O.L.A.** to the financial health of the system instead of guaranteeing a 3.1% increase each year; **Retire/rehire**: retiree must be separated from employment from a participating unit for three months before returning to work with a participating employer
- ✓ **FY2008** – benefit formula **increase** of .075% for all service prior to July 2008; **automatic SRP enrollment** for new employees

Other Statistical Data

REVENUES	Actual FY2012	Actual FY2013	Estimated FY2014	Estimated FY2015
Contributions	199,350,763	202,043,000	204,063,000	206,103,000
Investment Income	107,541,250	607,000,000	701,607,000	738,130,000
Benefits Paid	(371,417,148)	(397,391,341)	(409,313,000)	(421,590,000)
Refunds Paid	(25,942,146)	(24,130,741)	(25,000,000)	(26,000,000)
Total	(90,467,281)	387,520,918	471,357,000	496,643,000

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 2011 was 25.84%, FY 2012 was 1.91% and FY 2013 was 19.5%. The assumed rate of return is 7.25% for this fiscal year.

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

STATISTICAL DATA	Actual FY2012	Actual FY2013	Estimated FY2014	Estimated FY2015
Budget Compared to Assets	0.042%	0.040%	0.040%	0.040%
Budget Compared to Benefits	0.90%	0.87%	0.89%	0.90%
Budget Compared to Contributions	1.7%	1.8%	1.9%	1.96%
Members Per FTEs	2,329	2,336	2,406	2,478
Turnover Rate for FTEs - Managerial	0.0%	0.0%	0.0%	0.0%
Turnover Rate for FTEs - Nonmanagerial	8.0%	20.0%	8.0%	8.0%

Budget Compared to Assets - SDRS Budget compared to total SDRS assets. This is the measure of performance typically used for operations of large pools of assets.

Budget Compared to Benefits - SDRS Budget compared to the retirement, disability, and survivor benefits paid.

Budget Compared to Contributions - Performance indicator defined in law and limited to 3.0% of contributions.

Members Per FTEs - Measure of work load per SDRS FTE. In fiscal year 2013, there were 2,336 members for each SDRS employee.

Turnover Rate for FTEs - Managerial - Measures the turnover of managerial positions within the fiscal year.