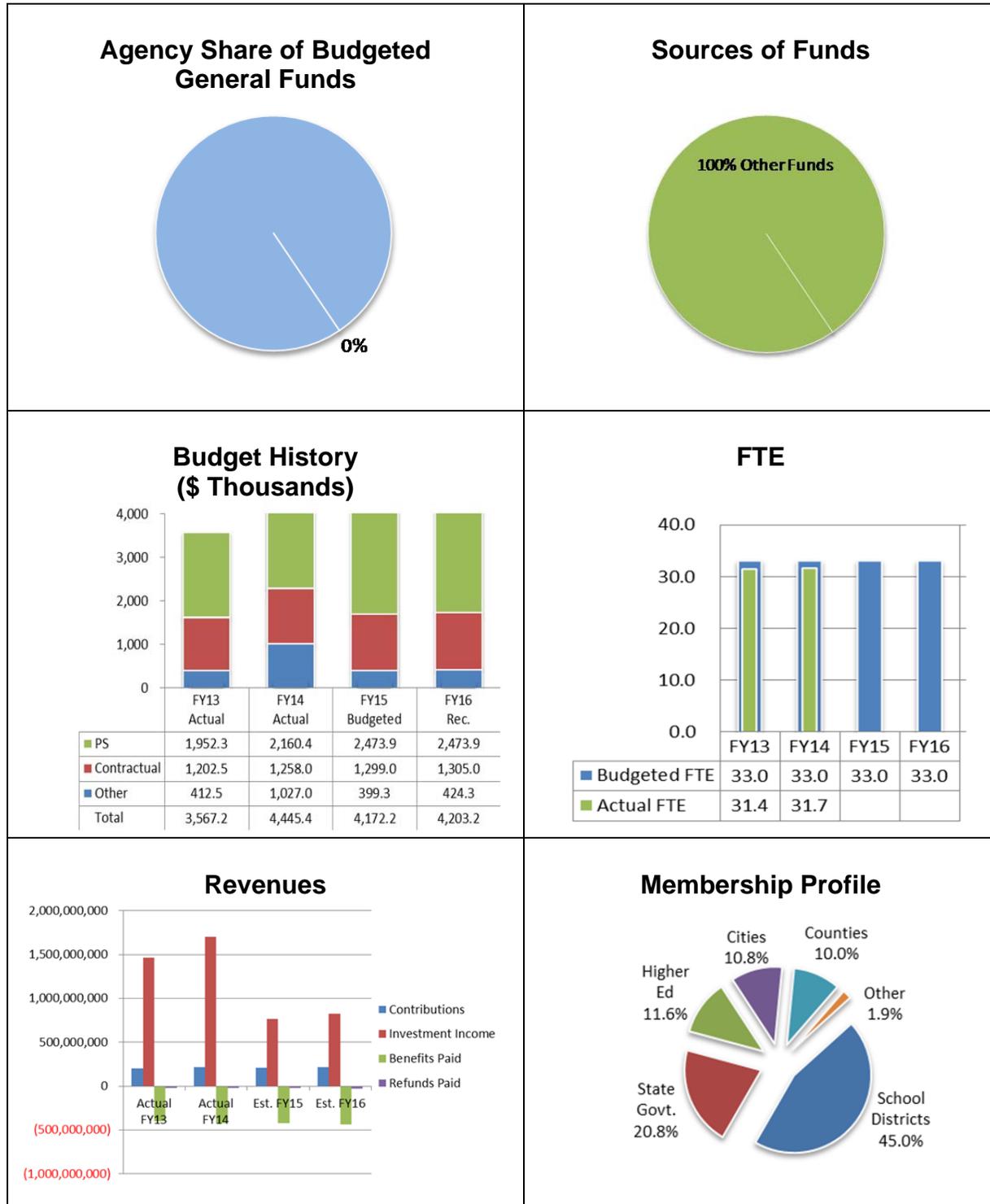


# FY16 Budget Briefing

## South Dakota Retirement System

Information contained in this document is based on the Governor's original FY16 recommended budget.  
This document may not correspond with the final FY16 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

	Actual FY13	Actual FY14	Budgeted FY15	Agency Request FY16	Gov Rec FY16	Gov Rec Inc/Dec for FY16	% Change From FY2015
<b>Personal Services</b>							
Employee Salaries	1,501,263	1,653,798	1,905,432	1,905,432	1,905,432	0	0.0%
Employee Benefits	451,052	506,644	568,446	568,446	568,446	0	0.0%
<b>FTE</b>	31.4	31.7	33.0	33.0	33.0	0.0	0.0%
<b>Funding Types</b>							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	1,952,315	2,160,442	2,473,878	2,473,878	2,473,878	0	0.0%
<b>Total PS</b>	1,952,315	2,160,442	2,473,878	2,473,878	2,473,878	0	0.0%
<b>Operating Expenses</b>							
Travel	53,664	64,372	57,792	62,792	62,792	5,000	8.7%
Contractual Services	1,202,457	1,257,991	1,298,998	1,304,998	1,304,998	6,000	0.5%
Supplies & Materials	350,324	297,748	322,000	322,000	322,000	0	0.0%
Capital Outlay	8,473	664,889	19,500	39,500	39,500	20,000	102.6%
<b>Funding Types</b>							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	1,614,918	2,284,999	1,698,290	1,729,290	1,729,290	31,000	1.8%
<b>Total OE</b>	1,614,918	2,284,999	1,698,290	1,729,290	1,729,290	31,000	1.8%
<b>Totals</b>							
<b>Funding Types</b>							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	3,567,233	4,445,441	4,172,168	4,203,168	4,203,168	31,000	0.7%
<b>Total</b>	3,567,233	4,445,441	4,172,168	4,203,168	4,203,168	31,000	0.7%

## Department Object Detail

Item	Actual FY2013	Actual FY2014	Budgeted FY2015	Governor Rec FY2016	Inc/Dec Over FY2015	% Change Over FY2015
<b>PERSONAL SERVICES</b>						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	1,952,315	2,160,442	2,473,878	2,473,878	0	0.0%
Total Personal Services	<b>1,952,315</b>	<b>2,160,442</b>	<b>2,473,878</b>	<b>2,473,878</b>	<b>0</b>	<b>0.0%</b>
<b>FTE</b>	31.6	31.4	33.0	33.0	0.0	0.0%
<b>TRAVEL</b>						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	53,664	64,372	57,792	62,792	5,000	8.7%
Total Travel	<b>53,664</b>	<b>64,372</b>	<b>57,792</b>	<b>62,792</b>	<b>5,000</b>	<b>8.7%</b>
<b>CONTRACTUAL SERVICES</b>						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	1,202,457	1,257,991	1,298,998	1,304,998	6,000	0.5%
Total Contractual Services	<b>1,202,457</b>	<b>1,257,991</b>	<b>1,298,998</b>	<b>1,304,998</b>	<b>6,000</b>	<b>0.5%</b>
<b>SUPPLIES AND MATERIALS</b>						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	350,324	297,748	322,000	322,000	0	0.0%
Total Supplies and Materials	<b>350,324</b>	<b>297,748</b>	<b>322,000</b>	<b>322,000</b>	<b>0</b>	<b>0.0%</b>
<b>CAPITAL OUTLAY</b>						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	8,473	664,889	19,500	39,500	20,000	102.6%
Total Capital Outlay	<b>8,473</b>	<b>664,889</b>	<b>19,500</b>	<b>39,500</b>	<b>20,000</b>	<b>102.6%</b>
<b>TOTAL</b>						
<b>General</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Federal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>3,567,233</b>	<b>4,445,442</b>	<b>4,172,168</b>	<b>4,203,168</b>	<b>31,000</b>	<b>0.7%</b>
<b>Total All Funds</b>	<b>3,567,233</b>	<b>4,445,442</b>	<b>4,172,168</b>	<b>4,203,168</b>	<b>31,000</b>	<b>0.7%</b>

## Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
<b>Travel</b>			5,000	5,000	-
<b>Contractual Services</b>				-	-
Legal Consultant			3,000	3,000	-
Subscriptions			3,000	3,000	-
<b>Capital Outlay</b>					
Software Lease			20,000	20,000	-
<b>Total</b>	-	-	31,000	31,000	-

**Travel-** Increase of \$5,000 to cover additional travel costs relating to education of membership and staff.

**Legal Consultant-** Increase of \$3,000 to cover expenses related to SDRS being a defendant in an action as a result of selling Tribune Stock in connection with a leveraged buyout of the Tribune Company in 2007.

**Subscriptions-** Increase of \$3,000 for dues, subscriptions, and workshop registrations.

**Software Lease-** Increase of \$20,000 for the annual lease of Actuarial Services Pensions Administration software.

## Governor's Recommended Employee Compensation and Billings Pool (from page 01-23 of the Governor's FY16 budget book)

For FY16, the Governor recommended the 1) state employee compensation plan, 2) bureau billings, and 3) captive insurance be placed in a pool in BFM to be distributed to each agency. *Therefore, individual agency personal services and contractual services budgets do not reflect budget increases for the compensation plan, bureau billings, or captive insurance.*

- Below are the estimated distributions for employee compensation for FY16. BFM will distribute dollars from the Pool after employees are placed in the new General Pay Structure and career band pay-for-performance scores and percentages are calculated. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

Est. FY16 Expenditures	General Funds	Federal Funds	Other Funds	Total Funds
Market Adjustments	0	0	42,958	42,958
Movement Toward Market Value	0	0	28,973	28,973
<i>Total Comp Pkg</i>	-	-	71,931	71,931

- ✓ Recommended FY16 – 2% market adjustment for all permanent employees (except Career Bands); 0%-6.6% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; 0% health insurance.
  - ✓ FY15 – 3% across-the-board/market adjustment for all permanent employees (including Career Bands); 3% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs; 18.6% health insurance.
  - ✓ FY14 – 3% across-the-board for all permanent employees (except Career Bands); 3.5% to 4% market adjustment for Career Bands; 3.5% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; 14.7% health insurance.
  - ✓ FY13 – 3% across-the-board for all permanent employees (including Career Bands); 2.5% adjustment toward job worth for PACE; 0%-7% adjustment toward market value for Career Bands; 3.3% health insurance.
2. Below are the estimated distributions for bureau billings for FY16. The amount distributed to the agency will be in addition to the agency's appropriated contractual services budget.

<b>Est. FY16 Expenditures</b>	<b>General Funds</b>	<b>Federal Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>
Bureau Billings for Expansion	0	0	5,435	5,435
Bureau Billings for Comp Pkg	0	0	1,995	1,995
<i>Total</i>	-	-	7,430	7,430

3. The estimated distribution to each agency for Captive Insurance is not available at this time.

### **Interagency Billings**

Below are the sources of funds SDRS used in FY14 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).

<b>Department</b>	<b>FY14 Actual Expenditures</b>	<b>General Funds</b>	<b>Federal Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>
Retirement	Bureau of Administration	-	-	171,754	171,754
Retirement	Bureau of Finance and Management	-	-	48,334	48,334
Retirement	Bureau of Human Resources	-	-	7,384	7,384
Retirement	Bureau of Information and Telecommunications	-	-	320,723	320,723
	<i>Total Bureau Billings</i>	-	-	548,195	548,195

## Other Fund Balances

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance		60-Month Average Cash Balance	Lowest Monthly Cash Balance in Past Five Years	
		June 30			Amount	Month
		FY2013	FY2014			
Company 3090 - SDRS Supplemental Retirement Admin	191	197,248	201,468	188,658	165,352	July 2009
Company 8000 - Agency Fund	192	69,850	168,061	N/A	N/A	N/A
Company 8901 - S.D. Retirement System Pension	193	7,547,833,940	8,051,831,044	7,160,330,472	6,595,539,718	November 2009
Company 8902 - Cement Plant Retirement	194	45,528,025	0	43,629,988	0	June 2014

## 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.

### 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		Annual pension added to payroll	Annual pension removed from payroll	Annual pension benefit amount	Average annual benefit	% increase in average benefit
			removed from payroll	End of year balance					
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
2014	23,327	1,975	740	24,562	\$33,048,542	\$10,296,988	\$444,472,655	\$18,096	2.8

## Major Changes History

- ✓ **FY2015-** \$50,000 for a half-time BIT programmer, \$40,000 for the Quadrennial Independent Annual Report of Investment Performance, and \$80,000 to cover the cost of postage.
- ✓ **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

## Other Statistical Data

<b>REVENUES</b>	<b>Actual FY2013</b>	<b>Actual FY2014</b>	<b>Estimated FY2015</b>	<b>Estimated FY2016</b>
Contributions	202,055,202	218,726,863	211,100,000	217,400,000
Investment Income	1,467,497,091	1,703,240,824	768,600,000	824,400,000
Benefits Paid	(397,620,115)	(425,823,928)	(425,822,000)	(438,000,000)
Refunds Paid	(25,160,994)	(24,666,785)	(25,000,000)	(26,000,000)
<b>Total</b>	<b>1,246,771,184</b>	<b>1,471,476,974</b>	<b>528,878,000</b>	<b>577,800,000</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 2012 was 1.45%, FY 2013 was 19.02% and FY 2014 was 18.91%. 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.

<b>STATISTICAL DATA</b>	<b>Actual FY2013</b>	<b>Actual FY2014</b>	<b>Estimated FY2015</b>	<b>Estimated FY2016</b>
Budget Compared to Assets	0.040%	0.0404%	0.040%	0.034%
Budget Compared to Benefits	0.87%	0.89%	0.98%	0.96%
Budget Compared to Contributions	1.8%	1.9%	1.98%	1.93%
Members Per FTEs	2,336	2,393	2,440	2,488
Turnover Rate for FTEs - Managerial	0.0%	0.0%	0.0%	0.0%
Turnover Rate for FTEs - Nonmanagerial	20.0%	8.0%	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 2014, there were 2,393 members for each SDRS employee.

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