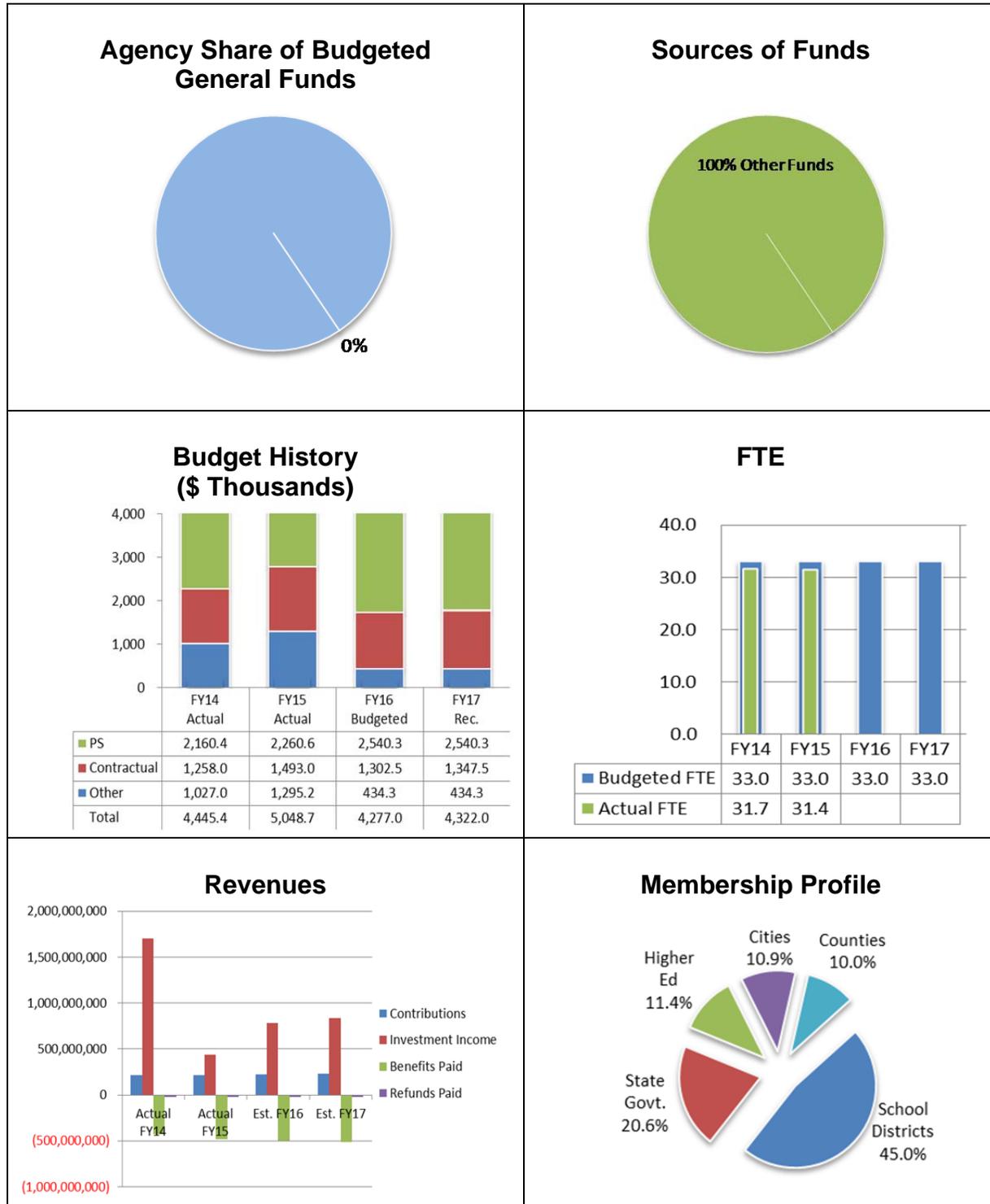


FY17 Budget Briefing

South Dakota Retirement System

Information contained in this document is based on the Governor's original FY17 recommended budget.
This document may not correspond with the final FY17 budget adopted by the Legislature.



Key Personnel

- Rob Wylie, SDRS Executive Director/Administrator
- Jane Beer, 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>FY2014</u>	<u>Actual</u> <u>FY2015</u>	<u>Budgeted</u> <u>FY2016</u>	<u>Agency</u> <u>Request</u> <u>FY2017</u>	<u>Gov Rec</u> <u>FY2017</u>	<u>Gov Rec</u> <u>Inc/Dec</u> <u>FY2017</u>	<u>% Change</u> <u>From</u> <u>FY2016</u>
Personal Services							
Employee Salaries	1,653,798	1,752,375	1,962,040	2,022,040	1,962,040	0	0.0%
Employee Benefits	506,644	508,196	578,210	594,218	578,210	0	0.0%
FTE	31.7	31.4	33.0	33.0	33.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	2,160,442	2,260,571	2,540,250	2,616,258	2,540,250	0	0.0%
Total PS	2,160,442	2,260,571	2,540,250	2,616,258	2,540,250	0	0.0%
Operating Expenses							
Travel	64,372	80,100	72,792	72,792	72,792	0	0.0%
Contractual Services	1,257,991	1,492,984	1,302,450	1,347,450	1,347,450	45,000	3.5%
Supplies & Materials	297,748	271,337	322,000	322,000	322,000	0	0.0%
Capital Outlay	664,889	943,726	39,500	39,500	39,500	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	2,284,999	2,788,147	1,736,742	1,781,742	1,781,742	45,000	2.6%
Total OE	2,284,999	2,788,147	1,736,742	1,781,742	1,781,742	45,000	2.6%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	4,445,441	5,048,718	4,276,992	4,398,000	4,321,992	45,000	1.1%
Total	4,445,441	5,048,718	4,276,992	4,398,000	4,321,992	45,000	1.1%

Department Object Detail

Item	Actual FY2014	Actual FY2015	Budgeted FY2016	Governor Rec FY2017	Inc/Dec Over FY2016	% Change Over FY2016
PERSONAL SERVICES						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	2,160,442	2,260,571	2,540,250	2,540,250	0	0.0%
Total Personal Services	2,160,442	2,260,571	2,540,250	2,540,250	0	0.0%
FTE	31.7	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	64,372	80,100	72,792	72,792	0	0.0%
Total Travel	64,372	80,100	72,792	72,792	0	0.0%
CONTRACTUAL SERVICES						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	1,257,991	1,492,984	1,302,450	1,347,450	45,000	3.5%
Total Contractual Services	1,257,991	1,492,984	1,302,450	1,347,450	45,000	3.5%
SUPPLIES AND MATERIALS						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	297,748	271,337	322,000	322,000	0	0.0%
Total Supplies and Materials	297,748	271,337	322,000	322,000	0	0.0%
CAPITAL OUTLAY						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	664,889	943,726	39,500	39,500	0	0.0%
Total Capital Outlay	664,889	943,726	39,500	39,500	0	0.0%
TOTAL						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	4,445,442	5,048,718	4,276,992	4,321,992	45,000	1.1%
Total All Funds	4,445,442	5,048,718	4,276,992	4,321,992	45,000	1.1%

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
Contractual Services					
Auditing Services			25,000	25,000	-
Rent			10,000	10,000	-
CEM Survey			10,000	10,000	-
Total	-	-	45,000	45,000	-

Audit Services- Increase of \$25,000 to cover expenses for additional audit processes and procedures related to the census data audit for GASB 68.

Rent- Increase of \$10,000 for rent of additional space within the SDRS campus.

CEM Survey- Increase of \$10,000 to cover increasing costs of the CEM Benchmarking survey.

Governor's Recommended Employee Compensation and Billings Pool

(from page 21 of the Governor's FY17 budget book)

For FY17, the Governor recommended the funding for the state employee compensation plan and bureau billings 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 the decrease for health insurance.*

- Below are the estimated distributions for employee compensation for FY17. BFM will distribute dollars from the Pool after calculating the increase for salary policy and the decrease for employee health insurance. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

FY17 Salary Policy Component	Object	General	Federal	Other	Total
Health Insurance	PS			(\$9,075)	(\$9,075)
Market Adjustment	PS	\$0	\$0	\$51,354	\$51,354
Movement Towards Market Value	PS	\$0	\$0	\$24,150	\$24,150
Health Insurance	OE	\$0	\$0	(\$1,122)	(\$1,122)
Market Adjustment	OE	\$0	\$0	\$520	\$520
Movement Towards Market Value	OE	\$0	\$0	\$617	\$617
	Total	\$0	\$0	\$66,444	\$66,444

- Recommended FY17 - 2.7% market adjustment for all permanent employees (except Career Bands); 0%-2.7% 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; decrease of \$275 per benefitted employee for the employer-paid portion of the health insurance plan.

- 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.

2. Below are the estimated increases to the bureau billings for FY17. The amount distributed from the BFM pool to the agency will be in addition to the agency's appropriated contractual services budget.

Estimated FY17	General	Federal	Other	Total
Bureau Billing Adjustments	-	-	451	451

Interagency Billings

Below are the sources of funds SDRS used in FY15 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).

Bureau Name	General	Federal	Other	Total
Bureau of Finance and Management	-	-	55,316	55,316
Bureau of Administration	-	-	187,890	187,890
Bureau of Information and Telecommunication	-	-	407,592	407,592
Bureau of Human Resources	-	-	6,872	6,872
Total FY15 Interagency Payments	-	-	657,671	657,671

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	
		FY2014	FY2015		Amount	Month
Company 3090 - SDRS Supplemental Retirement Admin	191	201,468	0	191,252	0	June 2015
Company 8000 - Agency Fund	192	168,061	246,026	N/A	N/A	N/A
Company 8901 - S.D. Retirement System Pension	193	8,051,831,044	8,669,556,424	7,492,141,201	6,764,904,915	October 2010

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

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
2014	23,327	1,975	740	24,562	\$33,048,542	\$10,296,988	\$444,472,655	\$18,096	2.8
2015	24,562	1,766	839	25,489	\$29,958,087	\$12,083,416	\$474,690,226	\$18,623	2.9

Major Changes History

- ✓ **FY2016-** Various operating expenses totaling \$31,000
- ✓ **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

REVENUES	Actual FY2014	Actual FY2015	Estimated FY2016	Estimated FY2017
Contributions	218,726,863	219,050,000	225,600,000	232,000,000
Investment Income	1,703,240,824	435,682,701	784,528,000	838,000,000
Benefits Paid	(425,823,928)	(482,163,000)	(497,000,000)	(512,407,000)
Refunds Paid	(24,666,785)	(24,704,599)	(25,000,000)	(26,000,000)
Total	1,471,476,974	147,865,102	488,128,000	531,593,000

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 2012 was 1.45%, FY 2013 was 19.02%, FY 2014 was 18.91% and FY 15 was 4.17%. 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 FY2014	Actual FY2015	Estimated FY2016	Estimated FY2017
Budget Compared to Assets	0.04%	0.04%	0.04%	0.04%
Budget Compared to Benefits	0.89%	0.87%	0.86%	0.86%
Budget Compared to Contributions	1.90%	1.90%	1.90%	1.90%
Members Per FTEs	2,393	2,466	2,500	2,550
Turnover Rate for FTEs - Managerial	0.0%	0.0%	0.0%	0.0%
Turnover Rate for FTEs - Nonmanagerial	8.0%	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 2015, there were 2,466 members for each SDRS employee.

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

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