



MINUTES

Executive Board

Third Meeting
2013 Interim
June 10, 2013

Room 413
State Capitol
Pierre, South Dakota

The third 2013 interim meeting of the Legislative Research Council Executive Board was called to order by Chair Ryan Maher at 10:05 a.m. (CST), June 10, 2013, in Room 413 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Corey Brown, Phyllis Heineman, Larry Lucas, Ryan Maher (Chair), Deb Peters (via phone), and Craig Tieszen; and Representatives Lance Carson (Vice Chair), Spencer Hawley, Charles Hoffman, Isaac Latterell, Betty Olson, Kathy Tyler, and Steven Westra. Senator Deb Soholt and Representative Brian Gosch were excused.

Staff members present included Doug Decker, Code Counsel, and Teri Retrum, Administrative Assistant.

(Note): For the purpose of continuity, these minutes are not necessarily in chronological order. Also, all material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). 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): The Computer Technology Subcommittee met at 9:40 a.m. in the LRC Library. The Investment Council Subcommittee met at 9:00 a.m. in the LRC Conference Room; the Legislative Audit Subcommittee met at 9:30 a.m. in LCR 2.

Approval of Minutes

REPRESENTATIVE CARSON MOVED, SECONDED BY REPRESENTATIVE WESTRA, THAT THE MINUTES OF THE MAY 13, 2013, MEETING BE APPROVED. The motion prevailed on a voice vote.

Approval of Agenda

Chair Ryan Maher requested Board consensus to the following additions to the agenda:

- Appointment to the Dakota Corps Scholarship Program;
- Appointment to the South Dakota Council for Interstate Adult Offender Supervision; and
- Report from the Operations Subcommittee.

REPRESENTATIVE CARSON MOVED, SECONDED BY REPRESENTATIVE OLSON, THAT THE AGENDA BE APPROVED, WITH THE ADDITIONS BY CHAIR MAHER. The motion prevailed on a voice vote.

Report of the South Dakota Investment Council (SDIC)

Mr. Wesley Tschetter, chair of SDIC, and **Mr. Matt Clark**, State Investment Officer, presented the Council's report (**Document #1**).

Mr. Tschetter announced that his five-year term on the SDIC, and his 2012 chairship of the Council, expires on June 30, 2013. He introduced Mr. Hugh Bartels, current Vice Chair of the Council, who will be the 2013 chair of the SDIC beginning on July 1, 2013.

Addressing the report, Mr. Tschetter said that the SDIC currently is enjoying a very positive investment portrait. All of the return estimates from the trust funds have increased. The market value of investments of the South Dakota Retirement System (SDRS) is estimated to be in the 19 plus percent range—about \$9.1 billion—as of May 31, 2013. Mr. Tschetter told the Board that this marks the first time the total value exceeded its previous record in 2007.

Mr. Tschetter briefed the Board on the role of the SDIC. Regarding the Board's responsibility to appoint a new Council member to serve a five-year term, Mr. Tschetter said that the person appointed should believe in a long-term approach and have the discipline to persevere during tough times. Council success also depends on patience of all South Dakota policy-makers. This patience depends on faith in the concept of a long-term strategy, in the capability of the investment team, and in Council oversight. Selection of Council members whose credibility inspires confidence in the Council's oversight of the investment team and budget is essential.

Mr. Tschetter thanked the Board for selecting him to serve on the SDIC. He said that it has been a rewarding experience.

On behalf of the Board, Chair Maher conveyed his appreciation to Mr. Tschetter and thanked him for his years of service on the SDIC.

Mr. Matt Clark, SDIC Investment Officer, reviewed the summary of the following trust fund estimates of fair value and asset allocations as of May 31, 2013:

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

Mr. Clark outlined the history of the Council's compensation studies. The 2013 study indicated that compensation is well below the 70 percent target. The Council unanimously supports, and believes it is important to get back to, target compensation. Mr. Clark said that the Council is beginning discussions about how to structure changes.

Mr. Clark stated that performance-linked compensation encourages superior investment performance and retention of successful staff. Mr. Clark said that the Council needs top caliber people long term. It can take twenty years to train a senior investment professional.

Dakota Corps Scholarship Program

Mr. Clark discussed the impetus for the Council's participation in the Dakota Corps Scholarship Program. He said that an estimated \$1,225,000 will be transferred from the 529 Scholarship Program to the Dakota Corps Scholarship Program in July 2013.

Chair Maher said the scholarship program includes two legislative board members. The Chair said that Senator Larry Lucas has been serving on the scholarship board.

SENATOR BROWN MOVED, SECONDED BY REPRESENTATIVE CARSON, THAT THE EXECUTIVE BOARD REAPPOINT SENATOR LARRY LUCAS AND APPOINT REPRESENTATIVE KRISTIN CONZET TO SERVE ON THE DAKOTA CORPS SCHOLARSHIP PROGRAM BOARD. The motion prevailed on a voice vote.

Compensation for the State Investment Officer

REPRESENTATIVE CARSON MOVED, SECONDED BY REPRESENTATIVE HOFFMAN, THAT THE EXECUTIVE BOARD GO INTO EXECUTIVE SESSION FOR THE PURPOSE OF SETTING THE COMPENSATION FOR THE STATE INVESTMENT OFFICER. The motion prevailed on a voice vote.

The Executive Board went into executive session at 11:05 a.m.

REPRESENTATIVE HOFFMAN MOVED, SECONDED BY REPRESENTATIVE CARSON, THAT THE EXECUTIVE BOARD COME OUT OF EXECUTIVE SESSION. The motion prevailed on a voice vote.

The Executive Board came out of executive session at 10:25 a.m.

REPRESENTATIVE CARSON MOVED, SECONDED BY SENATOR PETERS, THAT THE EXECUTIVE BOARD CONCUR WITH THE RECOMMENDATION OF THE INVESTMENT COUNCIL TO AN INCREASE OF 4.8% FOR THE FY 2014 BASE SALARY FOR THE STATE INVESTMENT OFFICER AND CONTINUATION OF THE INVESTMENT PERFORMANCE INCENTIVE PLAN, WITH ANY EARNED INCENTIVES FOR FY 2014 INVESTMENT PERFORMANCE TO BE PAID EARLY IN FY 2015 FOLLOWING COMPLETION OF THE AUDIT. The motion prevailed on a roll call vote with 13 voting AYE, 2 EXCUSED. Those voting AYE: Brown, Heineman, Lucas, Peters, Tieszen, Hawley, Hoffman, Latterell, Olson, Tyler, Westra, Carson, Maher. Those EXCUSED: Sohlt, Gosch.

Report of the South Dakota Retirement System

Mr. Rob Wylie, Executive Director, South Dakota Retirement System (SDRS) presented the report of the SDRS (**Document #2**).

Discussing the report, Mr. Wylie stated that the SDRS projected market value funded ratio at June 30, 2013, before consideration of liability gains/losses, is 104 percent. Mr. Wylie said that is a very good market value funded ratio. The SDRS improved its status compared to pension plans in other states. Mr. Wylie further addressed the projected funded status as of June 30, 2013, before consideration of liability gains/losses for year ending June 30, 2013, for SDRS and the Cement Plant.

Report of Department of Legislative Audit

Mr. Martin Guindon, Auditor General, addressed the report of the Department of Legislative Audit (**Document #3**).

Mr. Guindon's report included copies of:

- SDCL 4-2-4—Salary of auditor-general;
- SDCL 4-2-6—Employment of personnel for department—traveling expenses;
- Department organizational chart;
- FY 2014 salary ranges; and
- FY 2014 salary policy implementation steps.

In addition, Mr. Guindon distributed copies of the Department of Legislative Audit FY 2014 Salary Recommendations (**Document #4**).

Compensation for the Auditor General

SENATOR BROWN MOVED, SECONDED BY REPRESENTATIVE HOFFMAN, THAT THE EXECUTIVE BOARD GO INTO EXECUTIVE SESSION FOR THE PURPOSE OF SETTING THE COMPENSATION FOR THE AUDITOR GENERAL. The motion prevailed on a voice vote.

The Executive Board went into executive session at 11:50 a.m.

REPRESENTATIVE TYLER MOVED, SECONDED BY REPRESENTATIVE LATTERELL, THAT THE EXECUTIVE BOARD COME OUT OF EXECUTIVE SESSION. The motion prevailed on a voice vote.

The Executive Board came out of executive session at 12:01 p.m.

SENATOR TIESZEN MOVED, SECONDED BY REPRESENTATIVE SENATOR BROWN, THAT THE EXECUTIVE BOARD APPROVE AN INCREASE OF 4% FOR THE FY 2014 BASE SALARY FOR THE AUDITOR GENERAL. The motion prevailed on a roll call vote with 13 voting AYE, 2 EXCUSED. Those voting AYE: Brown, Heineman, Lucas, Peters, Tieszen, Hawley, Hoffman, Latterell, Olson, Tyler, Westra, Carson, Maher. Those EXCUSED: Sohlt, Gosch.

The Executive Board recessed at 12:05 p.m. and reconvened at 12:40 p.m.

Interviews for Appointment to the South Dakota Investment Council

The Executive Board interviewed the following individuals seeking to serve on the South Dakota Investment Council:

- Mr. William Engberg, Pierre;
- Mr. Steve Kirby, Sioux Falls;
- Mr. Robert Litz, Sioux Falls;
- Mr. Lorin Brass, Lennox;
- Mr. Rick Althoff, Sioux Falls (via teleconference); and
- Mr. Donald C. Looney, Spearfish.

(NOTE) Mr. Engberg was interviewed after the lunch recess. Messrs. Kirby, Litz, Brass, Althoff, and Looney were interviewed beginning at 1:20 p.m.

The Executive Board went into executive session for the purpose of interviewing Mr. Engberg at 12:40 p.m. and came out of executive session at 1:00 p.m.

At this time, the Executive Board addressed the following business before continuing the interviews for appointment to the SDIC.

Appointment to the Uniform Laws Commission

REPRESENTATIVE HOFFMAN MOVED, SECONDED BY REPRESENTATIVE WESTRA, THAT REPRESENTATIVE DAVID LUST AND MR. TOM GEU BE REAPPOINTED TO THE UNIFORM LAWS COMMISSION. The motion prevailed unanimously on a voice vote.

Successor appointments to the Education Funding Study Committee

Representatives Paula Hawks and Dick Werner have withdrawn from the 2013 interim Education Funding Study Committee. The Executive Board discussed replacement members to the committee.

SENATOR BROWN MOVED, SECONDED BY REPRESENTATIVE LATTERELL, THAT THE EXECUTIVE BOARD APPOINT REPRESENTATIVES JENNA HAGGAR AND MARY DUVALL TO THE 2013 INTERIM EDUCATION FUNDING STUDY COMMITTEE.

Chair Maher said that Representative Duvall is already serving on the committee.

MOTION RESCINDED.

REPRESENTATIVE WESTRA MOVED, SECONDED BY REPRESENTATIVE OLSON, THAT THE EXECUTIVE BOARD APPOINT REPRESENTATIVE JENNA HAGGAR AND REPRESENTATIVE DON HAGGAR TO THE 2013 INTERIM EDUCATION FUNDING STUDY COMMITTEE.

Representative Betty Olson suggested that Senator Bruce Rampelberg be appointed to the committee.

Chair Maher said that the replacement member should be a representative to maintain the balance of the committee.

REPRESENTATIVE HAWLEY MADE A SUBSTITUTE MOTION, SECONDED BY REPRESENTATIVE TYLER, THAT THE EXECUTIVE BOARD APPOINT REPRESENTATIVE RAY RING AND REPRESENTATIVE JENNA HAGGAR TO THE 2013 INTERIM EDUCATION FUNDING STUDY COMMITTEE. The motion failed on a roll call vote with 5 voting AYE, 8 voting NAY, 2 EXCUSED. Those voting AYE: Lucas, Tieszen, Hawley, Tyler, Maher. Those voting NAY: Brown, Heineman, Peters, Hoffman, Latterell, Olson, Westra, Carson. Those EXCUSED: Soholt, Gosch.

Representative Westra's motion prevailed on a roll call vote with 13 voting AYE, 2 EXCUSED. Those voting AYE: Brown, Heineman, Lucas, Peters, Tieszen, Hawley, Hoffman, Latterell, Olson, Tyler, Westra, Carson, Maher. Those EXCUSED: Soholt, Gosch.

Interviews for Appointment to the South Dakota Investment Council (Continued)

The Executive Board went into executive session to continue the interviews for appointment to the South Dakota Investment Council at 1:25 p.m. and came out of executive session at 3:25 p.m.

REPRESENTATIVE CARSON MOVED, SECONDED BY SENATOR PETERS, THAT STEVE KIRBY BE APPOINTED TO A FIVE-YEAR TERM ON THE SOUTH DAKOTA INVESTMENT COUNCIL. SAID TERM TO COMMENCE JULY 1, 2013, AND EXPIRE ON JUNE 30, 2018. The motion prevailed on a roll call vote with 13 voting AYE and 2 EXCUSED. Those voting AYE: Brown, Heineman, Lucas, Peters, Tieszen, Hawley, Hoffman, Latterell, Olson, Tyler, Westra, Carson, Maher. Those EXCUSED: Soholt, Gosch.

Chair Maher said that the Executive Board had a good group of applicants this year and that he appreciated the interest of all of them to serve on the SDIC.

Senator Craig Tieszen echoed Chair Maher's comment. He said that the Board appoints a new member to the SDIC every year, and encouraged the applicants to apply again, if they remain interested in an appointment to the SDIC.

Final Approval of Study Scope for Interim Committee on Domestic Abuse

As Vice Chair of the interim Committee on Domestic Abuse, and at the behest of Senator Deb Soholt, Chair of the interim Committee on Domestic Abuse, **SENATOR TIESZEN MOVED, SECONDED BY SENATOR PETERS, THAT THE FOCUS OF THE INTERIM COMMITTEE ON DOMESTIC ABUSE WILL INCLUDE:**

- **A REVIEW OF CURRENT STATE AND FEDERAL REGULATIONS;**
- **AN EXAMINATION OF THE EFFECTIVENESS OF STATE POLICIES AND PROGRAMS WITH RESPECT TO DOMESTIC ABUSE;**

- **A STUDY OF THE PREVALENCE OF DOMESTIC ABUSE ACROSS THE STATE, INCLUDING RELATED CRIMES; AND**
- **A DISCUSSION OF POTENTIAL OPTIONS WITH RESPECT TO DOMESTIC ABUSE STATUTES IN SOUTH DAKOTA.**

The motion prevailed on a roll call vote with 13 voting AYE and 2 EXCUSED. Those voting AYE: Brown, Heineman, Lucas, Peters, Tieszen, Hawley, Hoffman, Latterell, Olson, Tyler, Westra, Carson, Maher. Those EXCUSED: Soholt, Gosch.

Appointment to the South Dakota Council for Interstate Adult Offender Supervision

Chair Maher recommended that Senator Tieszen be appointed to serve on the South Dakota Council for Interstate Adult Offender Supervision.

REPRESENTATIVE OLSON MOVED, SECONDED BY REPRESENTATIVE WESTRA, THAT SENATOR CRAIG TIESZEN BE APPOINTED TO SERVE ON THE SOUTH DAKOTA COUNCIL FOR INTERSTATE ADULT OFFENDER SUPERVISION. The motion prevailed on a voice vote.

Report from the Computer Technology Subcommittee

For information purposes, **Senator Larry Lucas**, Chair of the Computer Technology Subcommittee, distributed a notification from NCSL regarding a Webinar on Courteous and Effective Communication: Social Media and Email (**Document #5**).

Senator Lucas reported that the subcommittee recommended that 78 HP Revolve Computers be purchased.

Representative Isaac Latterell said that, after what the subcommittee was shown today, he believes that the Legislature will be very happy with the Revolve.

Representative Betty Olson asked if legislators could print from the iPads.

Senator Lucas said that there are printers currently installed in the lobby of each chamber to allow for printing.

Ms. Lou Adamson, Legislative Information System Coordinator, said that the Revolve will be faster and will have a full keyboard, revolving screen, and a touch screen.

Responding to Senator Brown, Senator Lucas said that LRC received positive responses from Legislators regarding their iPads. He stated that there will continue to be a mix of computer use by legislators. Senator Lucas said that the subcommittee recommends that new in-coming legislators have the same computer to make it more cohesive for training purposes.

Report from the Operations Subcommittee

Senator Tieszen, Chair of the Operations Subcommittee, told the Board that NCSL has informed him by email that they have completed its interviews of LRC staff regarding the

management and performance audit of LRC staff. Telephone interviews remain to be conducted with some members of the Executive Board. Senator Tieszen said that NCSL plans to return to South Dakota the week of June 24 to meet with Senate and House Majority and Minority Leaders.

Senator Tieszen said that the final draft of the legislative survey should be completed today, and NCSL wants responses from all the legislators. The Senator said that perhaps this could be accomplished in concert with the upcoming Special Session on June 22, 2013.

Further commenting, Senator Tieszen said that NCSL intends to submit its interim report for review by the Operations Subcommittee in July and its final report to the full Executive Board at the Board's August 19, 2013, meeting.

Other Business

Senator Brown responded to a question posed by Representative Kathy Tyler regarding the time Special Session will be convened by stating that the Session begins at 10:30 a.m. He said that respective caucuses might meet before that time.

Adjournment

REPRESENTATIVE OLSON MOVED, SECONDED BY REPRESENTATIVE LATTERELL, THAT THE EXECUTIVE BOARD BE ADJOURNED. The motion prevailed on a voice vote.

The Executive Board adjourned at 3:50 p.m.

