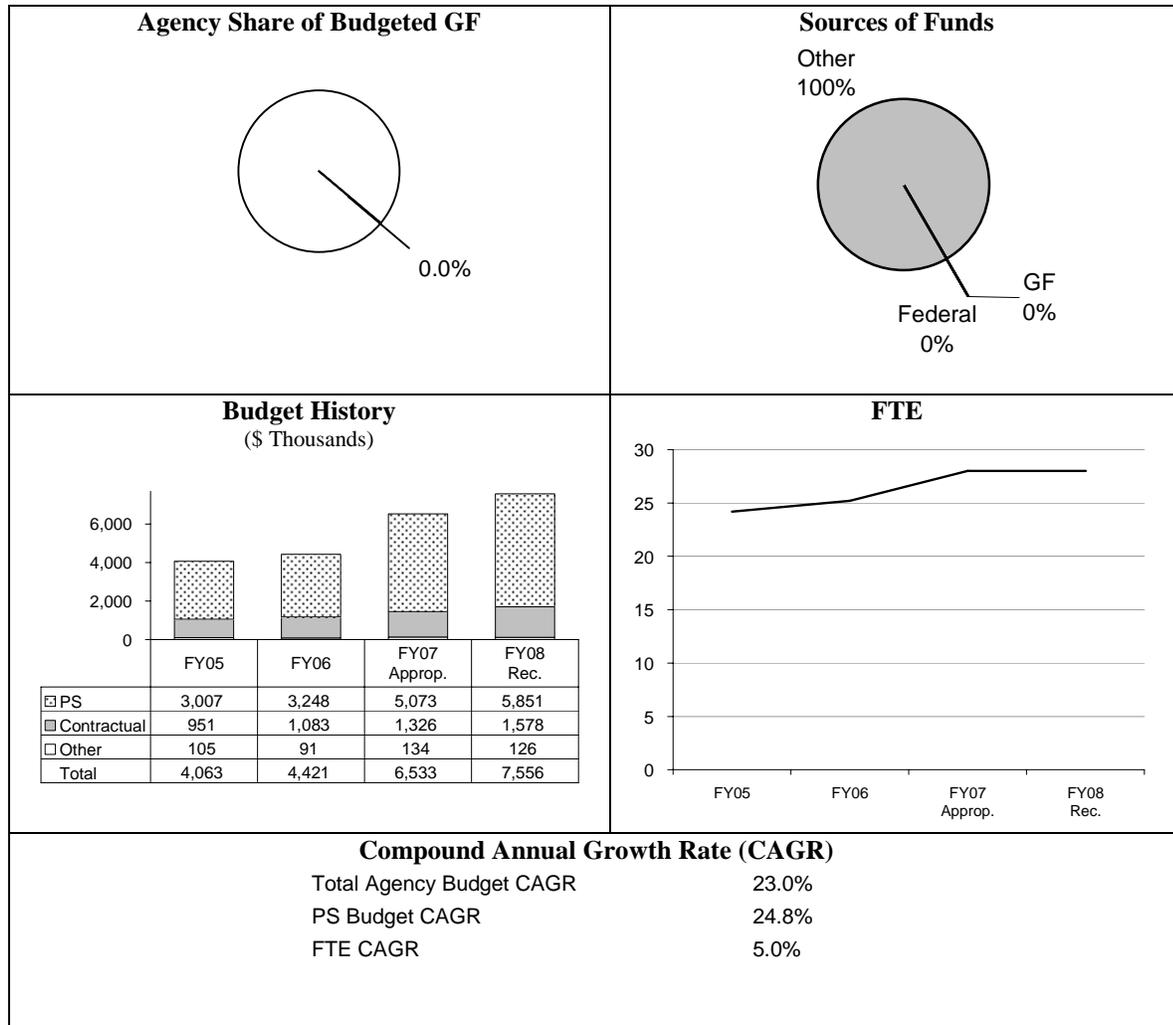


FY2008 Budget Briefing

State Investment Council



Key Responsibilities

The State Investment Council manages the investments for the South Dakota Retirement System, the South Dakota Cement Plant Retirement Fund, the cash flow fund, the School and Public Lands Fund, the Dakota Cement Trust, the Health Care Trust Fund, and the Education Enhancement Trust Fund. The council also oversees the Higher Education Savings Plan.

Investment Council

The State Investment Council, authorized by SDCL 4-5-12 to 4-5-39, inclusive, is composed of eight members, five of whom are appointed by the Executive Board of the Legislative Research Council. The remaining three members are the State Treasurer, the Commissioner of School and Public Lands, and a representative of the state retirement system. The council appoints the state investment officer and formulates investment policy pertaining to the kinds and the methods of investment.

The agency is funded primarily from the interest and investment earnings derived from the managed funds. For FY2008, the agency requests \$7,550,194 from other funds and 28.0 FTEs. This is an increase of \$545,764 (9.1%) from FY2007. The Governor recommends \$6,532,980 and 28.0 FTEs. This is an increase of \$1,017,214 (15.8%) from FY2007 and an increase of \$5,799 (0.1%) from the agency's request. The Governor's recommended increase reflects the allocation for salary and health insurance adjustment discussed below.

Item	<u>Actual</u> <u>FY2006</u>	<u>Budgeted</u> <u>FY2007</u>	<u>Agency Req.</u> <u>FY2008</u>	<u>Gov Rec.</u> <u>FY2008</u>	<u>Inc/Dec</u> <u>FY2008</u>	<u>% Change</u> <u>From FY07</u>
Personal Services	3,247,703	5,073,050	5,845,359	5,851,158	778,108	15.3%
Other						0.0%
Travel	48,810	80,000	80,000	80,000	0	0.0%
Contractual Services	1,082,535	1,326,282	1,578,487	1,578,487	252,205	19.0%
Supplies & Materials	13,676	14,148	14,148	14,148	0	0.0%
Capital Outlay	28,058	39,500	32,200	32,200	(7,300)	(18.5%)
Total	4,420,782	6,532,980	7,550,194	7,555,993	1,023,013	15.7%
Funding Types						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other	4,420,782	6,532,980	7,550,194	7,555,993	1,023,013	15.7%
Total	4,420,782	6,532,980	7,550,194	7,555,993	1,023,013	15.7%
FTE	25.2	28.0	28.0	28.0	0.0	0.0%

The Governor's recommendation throughout this analysis also includes funding for Performance And Compensation Equity (PACE) movement of 2.5% for those employees who are paid under the job-worth of their pay range, a 3% across-the-board increase for all permanent employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package are as follows:

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total</u>
2.5% PACE Movement	-	-	-	-
3% Across-the-Board	-	-	-	-
Health Insurance	-	-	5,799	5,799
Total	-	-	5,799	5,799

Revenues

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Investment Management Fees:							
Retirement System (SDRS)	4,538,369	3,363,004	(1,175,365)	5,013,210	3,871,553	(1,141,657)	5,933,854
Cement Plant	31,666	22,371	(9,295)	32,553	24,841	(7,712)	38,073
Cash Flow Fund (CFF)	677,529	476,844	(200,685)	709,662	498,114	(211,548)	763,449
School and Public Lands (S&PL)	126,663	89,320	(37,343)	136,724	96,694	(40,030)	148,203
Dakota Cement Trust (DCT)	214,491	147,845	(66,646)	221,363	155,633	(65,730)	238,535
Education Enhancement Trust (EET)	310,086	212,404	(97,682)	319,022	223,285	(95,737)	342,225
Health Care Trust (HCT)	75,879	52,213	(23,666)	78,128	56,014	(22,114)	85,852
Total	5,974,683	4,364,001	(1,610,682)	6,510,662	4,926,134	(1,584,528)	7,550,191

Major Expansion and Reduction

The \$772,309 increase in personal services from FY07 requested by the agency is the result of the 2006 Deloitte Consulting study on base salary compensation analysis in the investment division and continuing policy regarding investment incentive. The base salary budget is increasing by 15.8% with investment-related positions to be increased by an overall average of 17.5% to “reflect the steep learning curve as investment team members transition from entry level to senior investment team members.” Other staff are to receive a 3% adjustment. Investment incentives reflects continuation of the policy of past years of permitting performance incentives up to 100% of salary, based on performance. The Governor concurred with these requests. The Governor recommended the same health insurance allocations as for other state employees.