

MINUTES

Retirement Laws



Representative Hugh Bartels, Chair
Senator Jim White, Vice Char

**First Meeting, 2018 Interim
Monday, July 09, 2018**

**412 – State Capitol
Pierre, South Dakota**

The first meeting of the Retirement Laws Committee for the 2018 Interim was called to order by Senator Jim White, (Vice Chair), at 9:03 a.m. CDT, on July 9, 2018 in Room 412 at the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representatives Thomas Holmes, Steven McCleerey, and Tim Rounds; and Senators Jason Frerichs, Troy Heinert, Al Novstrup, Larry Tidemann, and Jim White (Vice-Chair). All members answering roll call attended by phone except Senator White. Representatives Dan Ahlers and Hugh Bartels (Chair) were excused.

Staff members present were Jeff Mehlhaff, Senior Fiscal and Program Analyst, Amanda Doherty-Karber, Senior Fiscal and Program Analyst, and Rachael Person, Senior Legislative Secretary.

Note: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC website at sdlegislature.gov.

Consideration of Salary

Justice Steve Zinter, Chair, Board of Trustees of the South Dakota Retirement System, reported the Board of Trustees for the South Dakota Retirement System has adopted a unanimous decision to approve a 2-year salary policy to increase the executive director's salary by 8%, on top of state salary policy, for the fiscal years 2019 and 2020 moving it closer to the market for other comparable state plans.

Mr. Zinter stated the board's decision was motivated by two things: the board's compensation policy and the need to replace the executive director next year. Mr. Zinter reported over the last ten to fifteen years the board has presented innovative plans and changes to make the South Dakota Retirement System the second best funded system in the country, receiving national acclamation and awards for the benefits structure. The board credits this success to having a current manager who is proactive in the role, and Mr. Zinter emphasized the Retirement System cannot maintain this status without a proactive manager.

The board has the goal of being within twenty percent of the salary market and after looking at six surrounding states they found South Dakota is on the edge of not being within the goal. The fiscal year 2018 salary was \$136,460 and was last raised in 2016. Mr. Zinter pointed out North Dakota, which has a slightly smaller retirement system, paid \$170,000 to recruit a new director for their system, which is why the board believes increasing the director's salary is an important step to take.

Discussion

Representative Tim Rounds led the discussion by agreeing with Justice Zinter that Mr. Rob Wylie, the current executive director of the retirement system, has been a proactive manager and the state of South Dakota has been extremely lucky to have kept him in the position for as long as it has. Representative Rounds emphasized the current salary is not favorable for South Dakota when compared to other state compensations for similar

positions. Representative Rounds moved the committee approve the salary increase of state salary policy plus 8% for fiscal year 2019.

Senator Tidemann agreed the state has been very fortunate to have Mr. Wylie and thanked the retirement board for their due diligence in putting together the assessment of the regional comparison. He strongly urged support of the motion made by Representative Rounds.

Representative McCleerey remarked while he could understand the motion made by Representative Rounds, he liked the two-year plan, as it provides the committee more information and foresight as to what is coming and would allow candidates looking at the position to know there would be another 8% increase in the 2020 fiscal year. Representative McCleerey asked the committee to amend the motion to extend the proposal for 2020 as well.

Representative Rounds commented the committee may be jumping the gun by committing to a two-year plan and believes it would be better to make the adjustments one year at a time. In doing so, it would allow next year's committee the opportunity to sit down together, have a hearing, and listen to the players in the retirement system.

Senator White agreed with Representative Rounds, reiterating, approving anything beyond fiscal year 2019 would be committing a future legislature and he would hesitate to put anything in place that would commit future sessions legislature.

A motion was made by Representative Rounds, seconded by Senator Tidemann, to increase the executive director's salary by state salary policy, plus 8%, for fiscal year 2019. Motion prevailed on a roll call vote with 7 voting AYE, 1 voting NAY, and 2 EXCUSES. Voting AYE: Holmes, Rounds, Frerichs, Heinert, Novstrup, Tidemann, and White. Voting NAY: McCleerey. EXCUSED: Ahlers and Bartels.

Adjourn

A motion was made by Senator Tidemann, seconded by Representative McCleerey, that the Retirement Laws Committee be adjourned. The motion prevailed on a voice vote.

The Committee adjourned at 9:22 a.m.