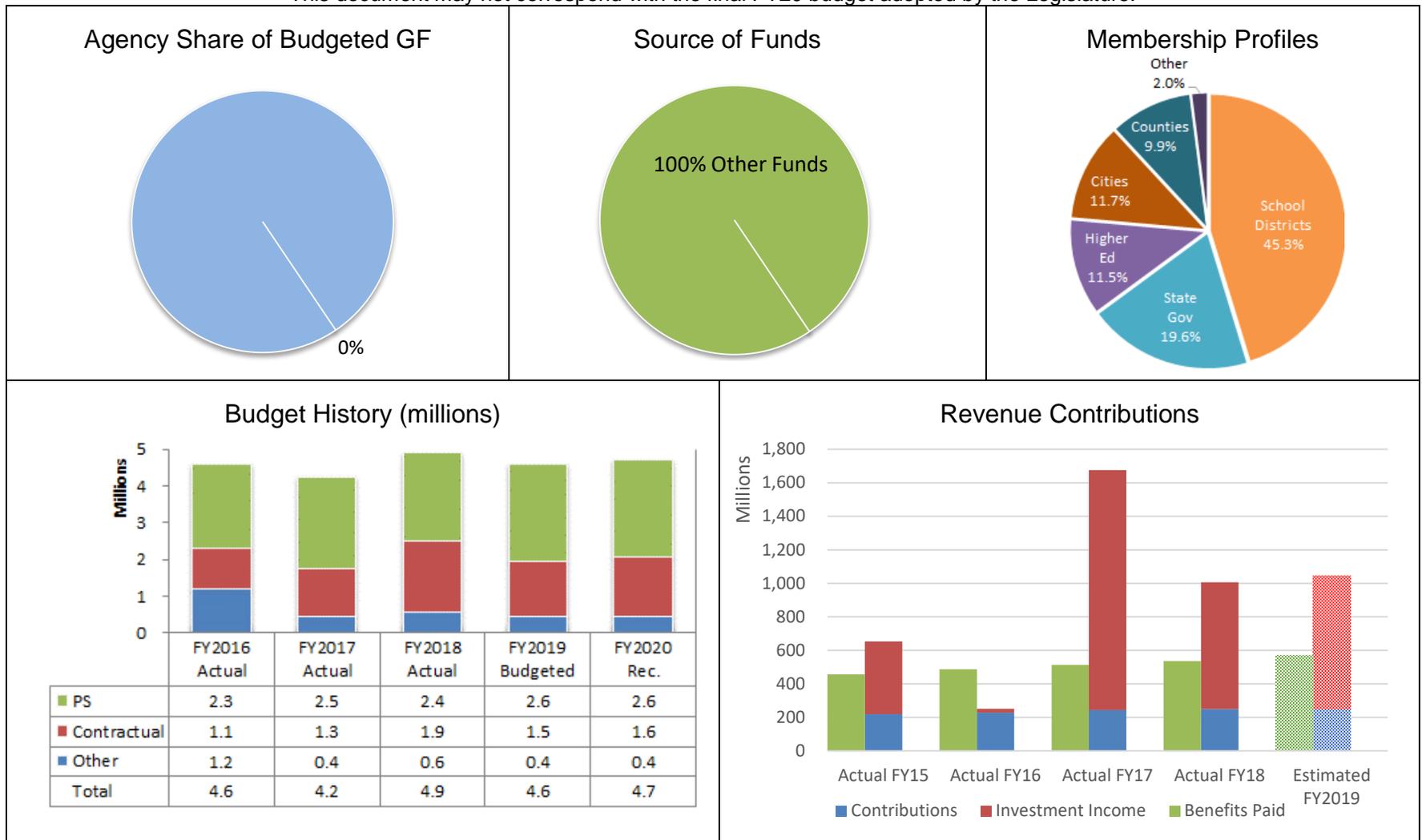


FY20 Budget Briefing

South Dakota Retirement System

Information contained in this document is based on the Governor's original FY20 recommended budget.
This document may not correspond with the final FY20 budget adopted by the Legislature.



Key Personnel

- Rob Wylie, SDRS Executive Director
- Jane Beer, SDRS Chief Financial Officer
- James Johns, Retirement System Board of Trustees, Chair

Mission of the South Dakota Retirement System

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 opportunity to achieve financial security at retirement, death or disability by providing an outstanding, appropriate, and equitable level of benefits.

BUDGET REQUEST: SOUTH DAKOTA RETIREMENT SYSTEM (2501)

	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget	FY 2020 Agency Request	FY 2020 Governors Recommended	Change From FY 2019
BY PROGRAM						
South Dakota Retirement System	4,237,478	4,909,450	4,570,632	4,710,632	4,710,632	140,000
Total	4,237,478	4,909,450	4,570,632	4,710,632	4,710,632	140,000
BY FUND CATEGORY						
General	0	0	0	0	0	0
Federal	0	0	0	0	0	0
Other	4,237,478	4,909,450	4,570,632	4,710,632	4,710,632	140,000
Total	4,237,478	4,909,450	4,570,632	4,710,632	4,710,632	140,000
BY OBJECT EXPENDITURE						
Personnel Costs	2,476,230	2,504,577	2,639,587	2,639,587	2,639,587	0
Salaries	1,934,202	1,934,096	2,052,551	2,052,551	2,052,551	0
Benefits	542,028	570,481	587,036	587,036	587,036	0
Operating Expenditures	1,761,248	2,404,874	1,931,045	2,071,045	2,071,045	140,000
Travel	79,227	83,507	77,792	77,792	77,792	0
Contractual Services	1,322,333	1,942,796	1,491,753	1,631,753	1,631,753	140,000
Supplies and Materials	330,687	320,779	322,000	322,000	322,000	0
Grants and Subsidies	0	0	0	0	0	0
Capital Outlay	29,000	57,792	39,500	39,500	39,500	0
Other	0	0	0	0	0	0
Total	4,237,477	4,909,451	4,570,632	4,710,632	4,710,632	140,000
Full-Time Equivalent (FTE)	32.1	32.6	33.0	33.0	33.0	0.0
FUNDING SOURCES (Governor's Recommended)	General	Federal	Other	%General	%Federal	%Other
S.D. RETIREMENT SYSTEM	0	0	4,710,632	0.0%	0.0%	100.0%

MAJOR ITEMS SUMMARY: SOUTH DAKOTA RETIREMENT SYSTEM (2501)

	Agency Request					Governor's Recommendation				
	General	Federal	Other	Total	FTE	General	Federal	Other	Total	FTE
FY 2020 Base Budget	0	0	4,570,632	4,570,632	0.0	0	0	4,570,632	4,570,632	0.0
Maintenance of Current Operations										
A. Bureau Billing Authority	0	0	25,000	25,000	0.0	0	0	25,000	25,000	0.0
B. Align Authority for Rent	0	0	20,000	20,000	0.0	0	0	20,000	20,000	0.0
Total Maintenance Adjustments	0	0	45,000	45,000	0.0	0	0	45,000	45,000	0.0
FY 2020 Program Maintenance Budget	0	0	4,615,632	4,615,632	0.0	0	0	4,615,632	4,615,632	0.0
Program Line Items										
1. Legal Consultant	0	0	50,000	50,000	0.0	0	0	50,000	50,000	0.0
2. Benchmarking Research Analysis	0	0	45,000	45,000	0.0	0	0	45,000	45,000	0.0
Total Program Line Items	0	0	95,000	95,000	0.0	0	0	95,000	95,000	0.0
FY 2020 Total Budget	0	0	4,710,632	4,710,632	33.0	0	0	4,710,632	4,710,632	33.0
Change from Base Budget	0	0	140,000	140,000	33.0	0	0	140,000	140,000	33.0
% Change from Base Budget	0.0%	0.0%	3.1%	3.1%	0.0%	0.0%	0.0%	3.1%	3.1%	0.0%

BUDGET DETAIL: SOUTH DAKOTA RETIREMENT SYSTEM (2501)

	FTE	General	Federal	Other	Total
Prior Year Recap					
FY 2018 Original Budget	33.0	0	0	4,393,639	4,393,639
Legislative Adjustments					
Supplemental Bill - Health Insurance			0	28,496	28,496
Supplemental Bill			0	121,210	121,210
Supplemental Bill - Health Insurance			0	7,366	7,366
Total Legislative Adjustments	0.0	0	0	157,072	157,072
Agency Adjustments					
SDRS software development			0	500,000	500,000
Total Agency Adjustments	0.0	0	0	500,000	500,000
FY 2018 Adjusted Budget	33.0	0	0	5,050,711	5,050,711
Unspent Authority					
Prior Year Unspent Authority			0	(135,792)	(135,792)
Prior Year Unspent Authority			0	(5,468)	(5,468)
Total Unspent Authority	0.0	0	0	(141,260)	(141,260)
Unutilized FTE	(0.4)				
FY 2018 Percent Reverted or Transferred	1.2%	0	0	(3.2%)	(3.2%)

Prior Year Transfers Between Programs

The transfer of \$500,000 to SDRS is related to computer programming. The funds were transferred from BFM.

Current Year Recap		FTE	General	Federal	Other	Total
FY 2019 Original Budget		33.0	0	0	4,525,639	4,525,639
Legislative Adjustments						
Market Adjustment	PS		0	0	27,714	27,714
Market Adjustment	OE		0	0	7,789	7,789
Bureau Billings	OE		0	0	9,490	9,490
Total Legislative Adjustments		0.0	0	0	44,993	44,993
Agency Adjustments						
Total Agency Adjustments		0.0	0	0	0	0
FY 2019 Adjusted Budget		33.0	0	0	4,570,632	4,570,632
FY 2020 Base						
Agency Request		33.0	0	0	4,570,632	4,570,632
Governor's Recommendation		33.0	0	0	4,570,632	4,570,632

A. Bureau Billing Authority

The agency requested an increase of \$25,000 in other fund spending authority related to bureau billings. This request will allow spending authority for bureau billings to align better with actual expenses.

Agency Request		0.0	0	0	25,000	25,000
Governor's Recommendation		0.0	0	0	25,000	25,000

B. Align Authority for Rent

The agency requested an increase of \$20,000 in other fund spending authority to align room rental costs with actual expenses. Currently \$14,800 is budgeted for room rentals, while \$32,961 was spent in FY2018. SDRS staff travel weekly for training and informational meetings for membership and employer units.

Agency Request		0.0	0	0	20,000	20,000
Governor's Recommendation		0.0	0	0	20,000	20,000

FY 2020 Maintenance of Current Operations

Agency Request		33.0	0	0	4,615,632	4,615,632
Governor's Recommendation		33.0	0	0	4,615,632	4,615,632

1. Legal Consultant

The agency requested an increase of \$50,000 in other fund spending authority for legal consulting. The agency expects to utilize more outside legal counsel. In FY2019, \$100,000 was added to the budget for this purpose. This request would increase the total spending authority for legal consulting to \$150,000. In FY2018, \$36,233 was spent on outside legal services.

Agency Request		0.0	0	0	50,000	50,000
Governor's Recommendation		0.0	0	0	50,000	50,000

	FTE	General	Federal	Other	Total
2. Benchmarking Research Analysis					
The agency requested an increase of \$45,000 in other fund spending authority for expenses related to benchmarking research analysis. CEM Benchmarking Inc. provides SDRS with benchmarking analysis on various aspects of the retirement system. The additional authority is needed to cover the cost of the service. In FY2017, \$10,000 was added to the budget for this purpose and SDRS has been utilizing actuarial spending authority to cover the CEM contract amount. Since FY2016, SDRS has paid \$45,000 each year for these services.					
Agency Request	0.0	0	0	45,000	45,000
<i>Governor's Recommendation</i>	<i>0.0</i>	<i>0</i>	<i>0</i>	<i>45,000</i>	<i>45,000</i>
FY 2020 Total					
Agency Request	33.0	0	0	4,710,632	4,710,632
<i>Governor's Recommendation</i>	<i>33.0</i>	<i>0</i>	<i>0</i>	<i>4,710,632</i>	<i>4,710,632</i>
Agency Request					
Change from Original Appropriation	0.0	0	0	140,000	140,000
% Change from Original Appropriation	0.0%	0.0%	0.0%	3.1%	3.1%
<i>Governor's Recommendation</i>					
<i>Change from Original Appropriation</i>	<i>0.0</i>	<i>0</i>	<i>0</i>	<i>140,000</i>	<i>140,000</i>
<i>% Change from Original Appropriation</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>3.1%</i>	<i>3.1%</i>

REVENUES AND STATISTICS: SOUTH DAKOTA RETIREMENT SYSTEM (2501)

REVENUES	Actual FY2015	Actual FY2016	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Contributions	219,050,000	228,533,872	244,052,600	250,000,000	253,000,000	258,000,000
Investment Income	434,622,296	22,836,265	1,431,393,256	756,000,000	794,000,000	840,000,000
Benefits Paid	(456,297,424)	(487,053,001)	(512,752,843)	(536,000,000)	(569,000,000)	(597,000,000)
Refunds Paid	(26,197,447)	(23,443,481)	(24,077,668)	(25,000,000)	(21,700,000)	(21,400,000)
Net Total	171,177,425	(259,126,345)	1,138,615,345	445,000,000	456,300,000	479,600,000

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 FY15 of 4.18%, FY16 of 0.3%, FY17 of 13.8%, and FY18 of 7.9%. The assumed rate of return is 6.5%.

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 FY2015	Actual FY2016	Actual FY2017	Actual FY2018	Estimated FY2019	Estimated FY2020
Budget Compared to Assets	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Budget Compared to Benefits	0.87%	0.86%	0.86%	0.86%	0.84%	0.84%
Budget Compared to Contributions	1.90%	1.90%	1.90%	1.90%	1.89%	1.89%
Members Per FTEs	2,466	2,515	2,583	2,651	2,660	2,713
Turnover Rate for FTEs - Managerial	0.0%	0.0%	0.0%	20.0%	0.0%	20.0%
Turnover Rate for FTEs - Nonmanagerial	8.0%	8.0%	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 2018, there were 2,660 members for each SDRS employee.

Turnover Rate for FTE's - Managerial - Measures the turnover of managerial positions within the fiscal year.

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

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM BENEFIT PAYROLL

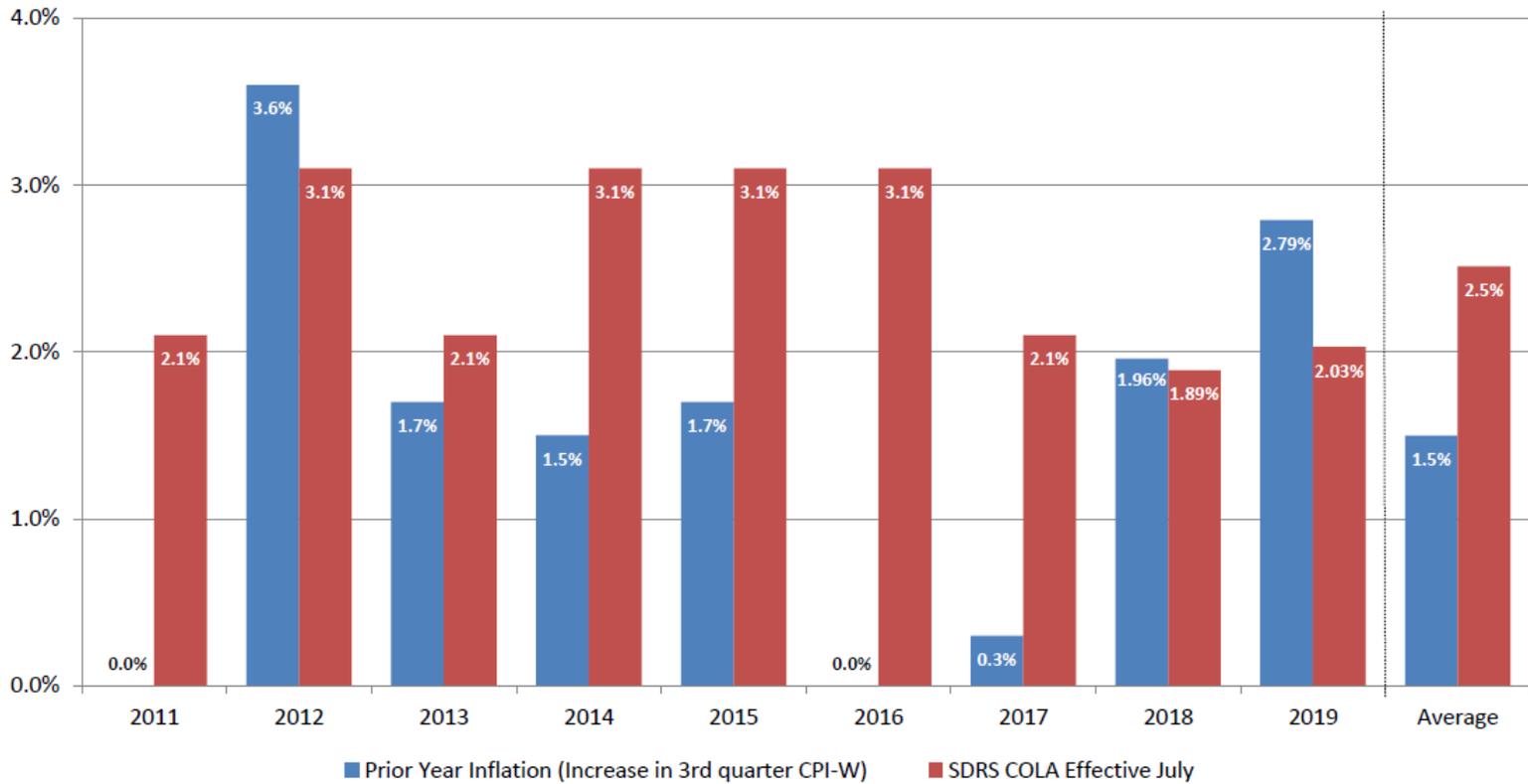
The schedule below identifies retirees' and beneficiaries' benefits considered in the current and previous actuarial valuations.

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
2016	25,489	1,773	842	26,420	\$28,875,202	\$11,641,932	\$505,019,297	\$19,115	2.6
2017	26,420	1,689	891	27,218	\$29,833,466	\$13,829,331	\$530,508,306	\$19,491	2.0
2018	27,218	1,719	856	28,081	\$30,153,607	\$13,099,610	\$556,533,473	\$19,819	1.7



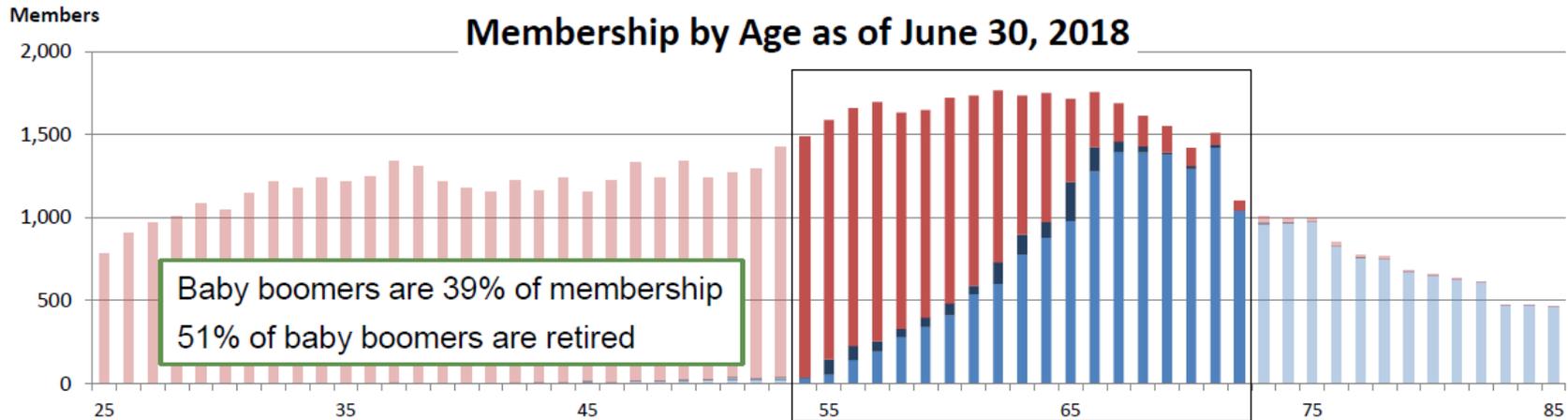
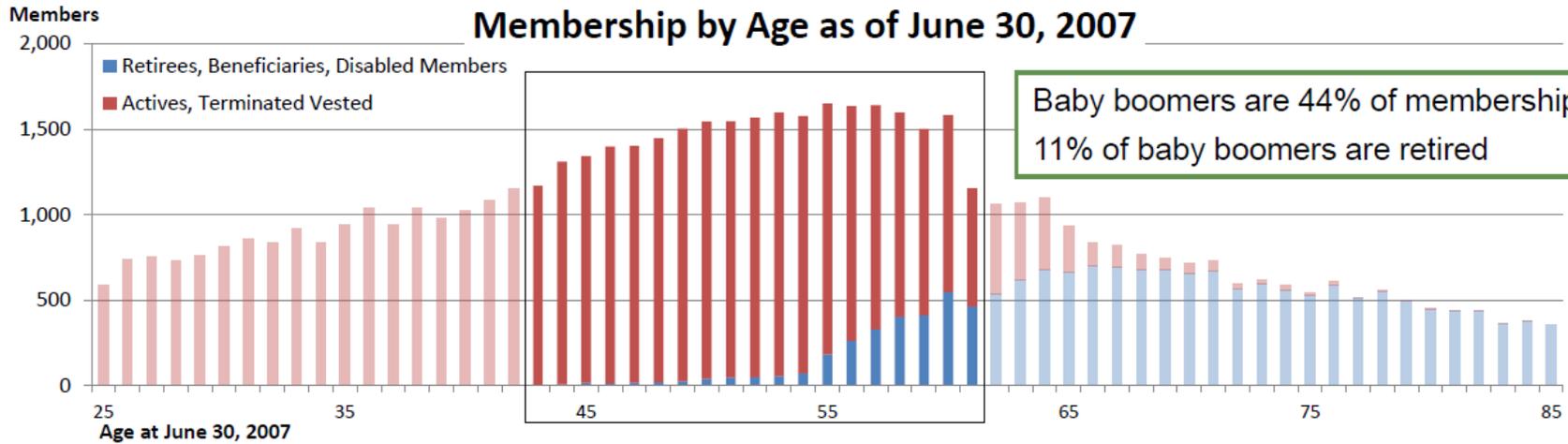
Inflation and SDRS COLAs Since 2010

Annual Inflation and SDRS COLA Increases 2011-2019





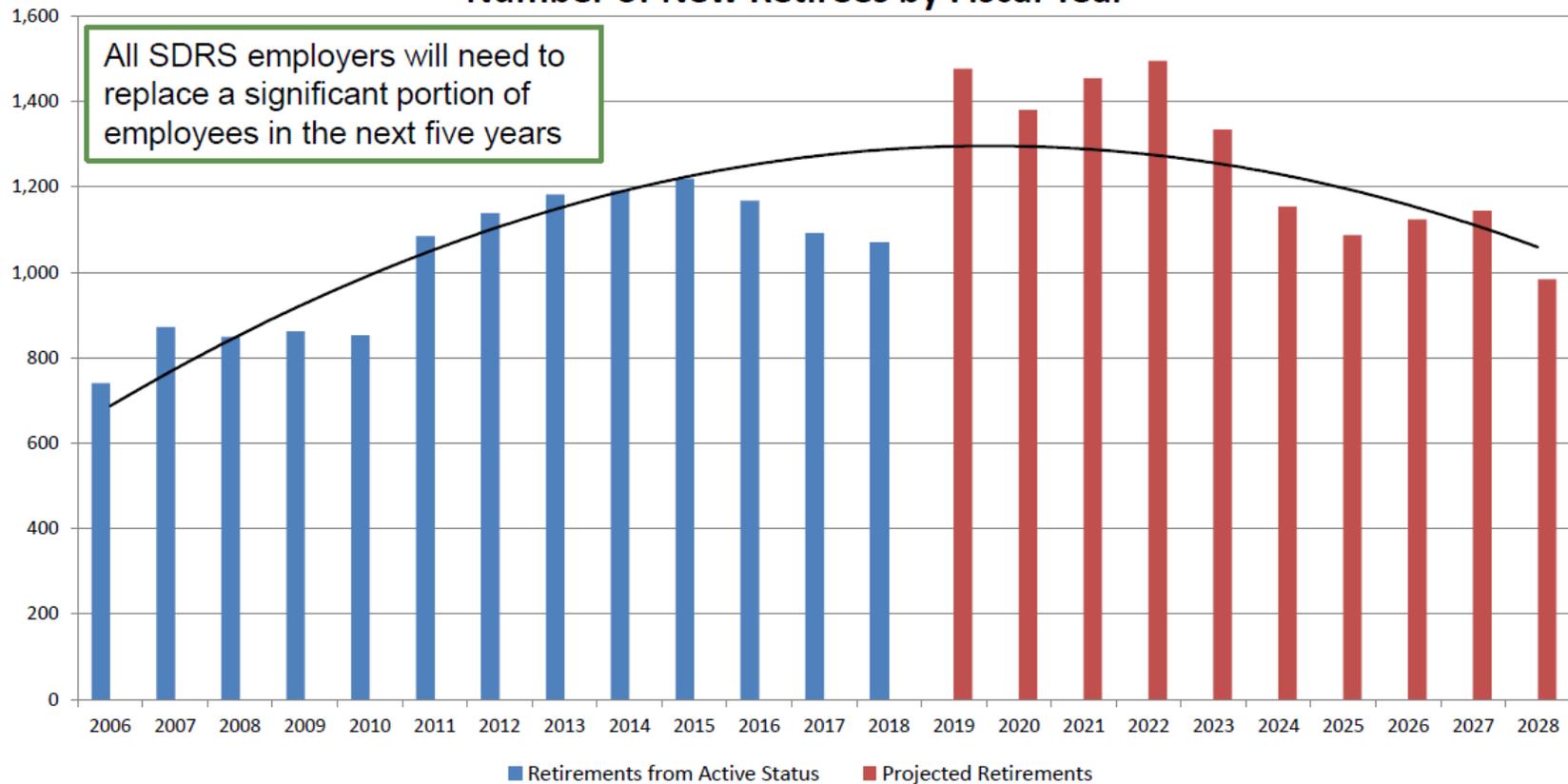
Baby Boomers and SDRS Membership





Historical and Projected Retirements

Number of New Retirees by Fiscal Year

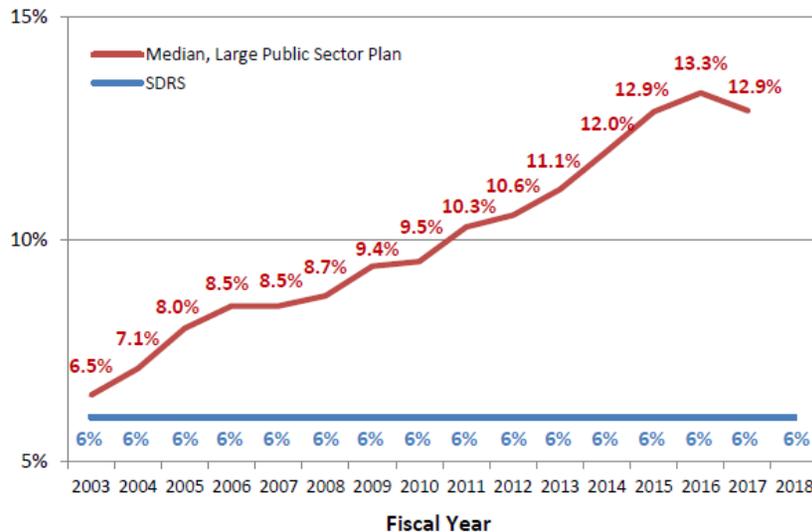


Excludes disabilities and terminated vested benefit commencements. Projected retirements are based on June 30, 2018 data, plan terms and actuarial assumptions. Active population size assumed constant (no growth).

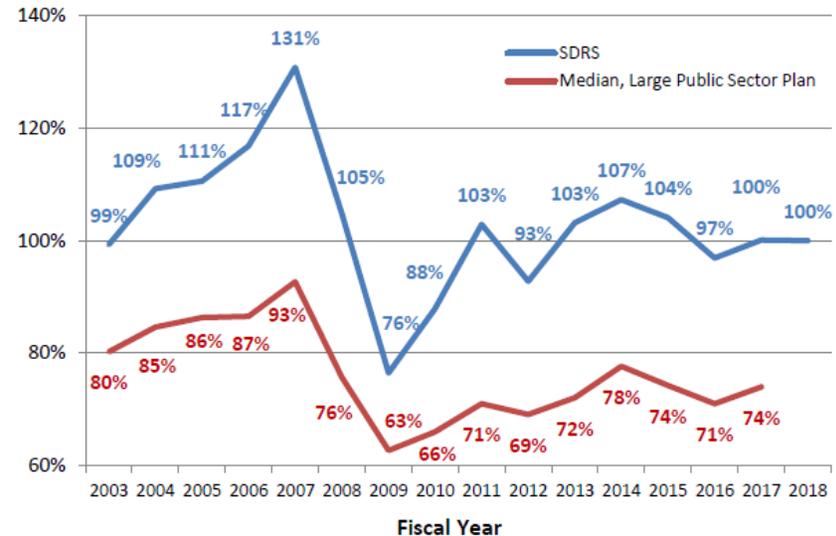


SDRS and Other Public Sector Systems

Employer Contribution Rates for General Employees



Fair Value Funded Ratios



- Since consolidation in 1974, SDRS has been managed within the resources provided by fixed, statutory member and employer contributions
- In recent years, the median employer contribution rate has more than doubled for the large public retirement systems who participate in Social Security
- During the same period, SDRS has maintained a funded ratio at or near 100%, significantly better than the median system

Other Fund Balance History

Company	60 Month Average	Minimum Balance	Most Recent Occurrence of Minimum	Balance on June 30				
				2014	2015	2016	2017	2018
8901 - RETIREMENT SYSTEM ADMINISTRATION	176,191	(52,606)	May 2014	77,990	293,186	155,834	71,969	153,635
8901 - SD RETIREMENT SYSTEM FUND	9,770,878	0	Jul 2016	1,658,074	5,590,207	5,814,703	6,065,160	5,669,637
8901 - SUPPLEMENTAL PENSION BENEFIT	702,459	0	Jul 2016	790,475	811,538	764,817	716,648	667,391
3090 - DEFERRED COMPENSATION SYSTEM	84,731	0	June 2015	137,441	-	2,387	3,672	4,501
3090 - SPECIAL PAY PLAN	38,887	0	June 2015	64,027	-	145	386	850
8000 - STATE SUPPLEMENTAL RETIREMENT CONT.	(6,744)	(197,920)	Nov 2014	3,766	124,654	-	6,604	4,332
8000 - REGENTS SUPPLEMENTAL RETIREMENT CONT.	23,347	(26,350)	October 2014	-	27,423	-	100	125
8000 - STATE SUPPL RET ROTH CONT	981	0	December 2013	-	-	-	-	-
8000 - REGENTS SUPPL RET ROTH CONT.	7,141	0	November 2016	-	-	-	-	-
8000 - POL SUB. SUPPLEMENTAL RETIREMENT CONT.	51,258	(1,006,485)	May 2015	119,517	73,304	39,788	112,347	106,293
8000 - POL SUBS SUPPL RET ROTH CONT.	6,277	(11,959)	May 2015	13,191	9,484	7,618	11,498	16,503
8000 - SPECIAL PAY PLAN - STATE	846	(56,153)	November 2016	5,356	2,970	3,375	3,870	3,555
8000 - SPECIAL PAY PLAN - REGENTS	10,052	(57,937)	November 2014	4,455	2,295	2,115	2,295	2,385
8000 - SPECIAL PAY PLAN POL. SUBS	19,120	(73,381)	November 2014	21,776	5,895	2,655	2,475	767,691

Historical Budget Changes

SDRS	General Funds	Federal Funds	Other Funds	Total Funds	FTEs
FY13 Budget Increases					
• Professional Audit and Actuarial Services			120,000	120,000	
• Governor's Salary Policy			94,239	94,239	
• Interagency Billing Increases			9,848	9,848	
• BIT Career Banding			6,370	6,370	
FY14 Budget Increases					
• Accountant			63,210	63,210	
• Contractual services			63,375	63,375	
• Laptops			13,000	13,000	
• Interagency Billing Increase			16,165	16,165	
FY15 Budget Increases					
• Half-time BIT Programmer			50,000	50,000	
• Quadrennial Investment Performance Report			40,000	40,000	
• Re-align Telecom Services Budget			5,000	5,000	
• Bureau Billings			4,351	4,351	
• Publishing and Printing			10,000	10,000	
• Postage			80,000	80,000	

SDRS	General Funds	Federal Funds	Other Funds	Total Funds	FTEs
FY16 Budget Increases					
• Travel			5,000	5,000	
• Legal Consultant			3,000	3,000	
• Subscriptions			3,000	3,000	
• Actuarial Services Software Lease			20,000	20,000	
FY17 Budget Increases					
• Auditing Services			25,000	25,000	
• Rent			10,000	10,000	
• CEM Benchmarking Survey			10,000	10,000	
FY18 Budget Increases					
• None					
FY19 Budget Increases					
Maintenance of Current Operation Items					
• Contract Inflation			7,000	7,000	
• Payments to State Agencies			25,000	25,000	
FY2019 Line Items					
• Legal Consultant			100,000	100,000	