



Investment Performance FY 2022  
and  
Budget Request FY 2024

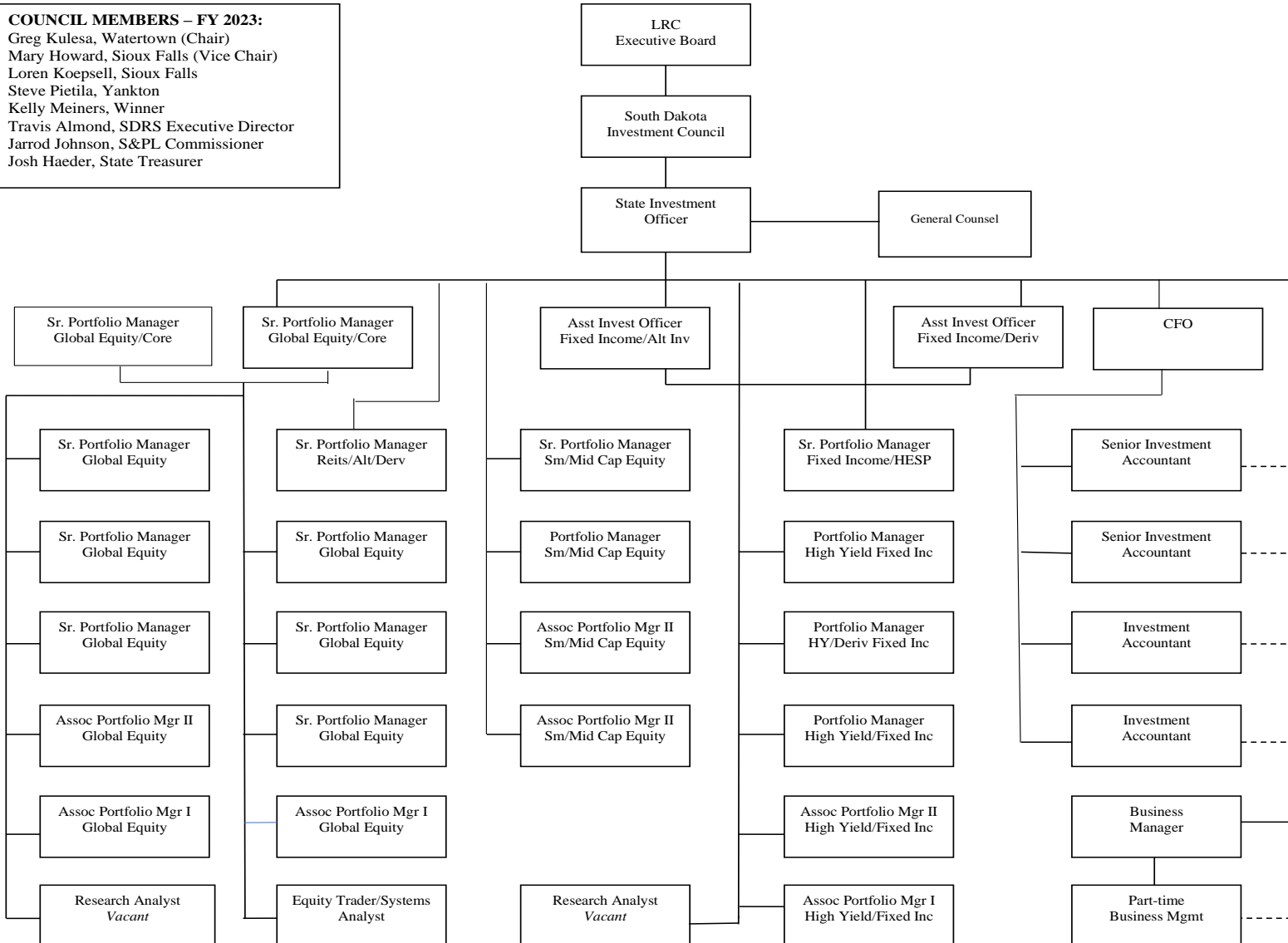
Presented to

LRC Executive Board

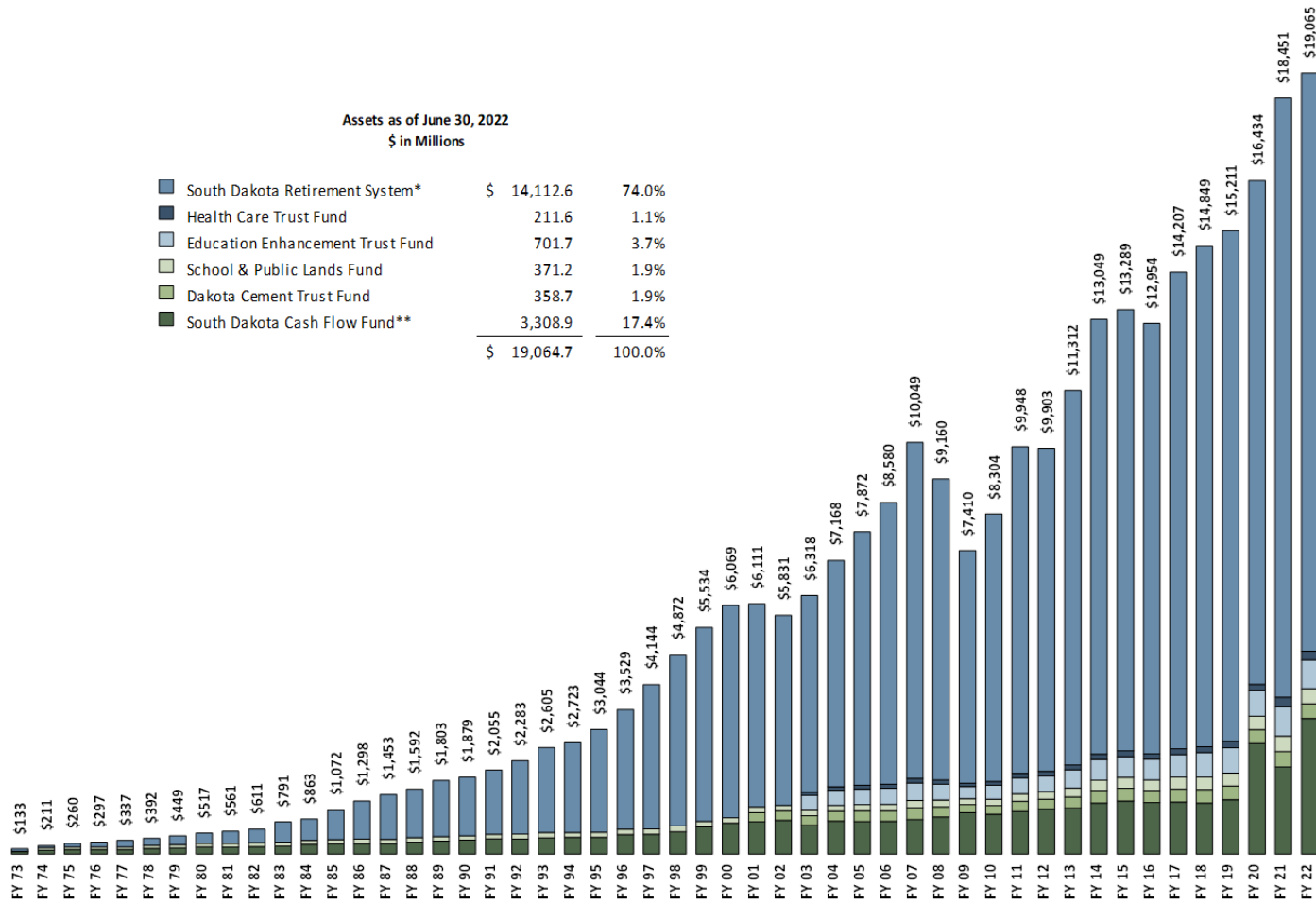
August 23, 2022

# Organization Chart

**COUNCIL MEMBERS – FY 2023:**  
 Greg Kulesa, Watertown (Chair)  
 Mary Howard, Sioux Falls (Vice Chair)  
 Loren Koepsell, Sioux Falls  
 Steve Pietila, Yankton  
 Kelly Meiners, Winner  
 Travis Almond, SDRS Executive Director  
 Jarrod Johnson, S&PL Commissioner  
 Josh Haeder, State Treasurer



# Assets



\*The South Dakota Cement Plant Retirement Fund (CPRF) was consolidated into the South Dakota Retirement System (SDRS) on April 1, 2014, per SDCL 3-12C-1642.

For purposes of this exhibit, CPRF Assets for Fiscal Years 1973 - 2013 are included with SDRS.

\*\*South Dakota Cash Flow Fund assets include Coronavirus Relief Fund for Fiscal Years 2020, 2021 and 2022.

# Investment Performance

## Returns vs. Benchmarks (unaudited)

	<u>FY 2022</u>	<u>5 years Annualized FY 18 - 22</u>	<u>10 years Annualized FY 13 - 22</u>	<u>20 years Annualized FY 03 - 22</u>
• SDRS Total Fund *	-0.69%	6.86%	8.95%	8.35%
• Capital Market Benchmark	-13.02%	5.74%	7.39%	6.98%
Added Value	12.33%	1.12%	1.56%	1.37%
• State Universe (est)	-2.97%	7.55%	8.43%	7.51%
Added Value **	2.28%	-0.69%	0.52%	0.84%
• Beginning FY 2022 SDRS Assets		\$14.619 billion		
• Ending FY 2022 SDRS Assets		\$14.113 billion		

Note: \*Time-weighted rates of return are net of fees FY 14-21 and gross of fees FY 02-13

\*\* Added Value using time weighted rate of return net of fees for all periods

# Investment Performance

## Returns vs. Benchmarks (unaudited)

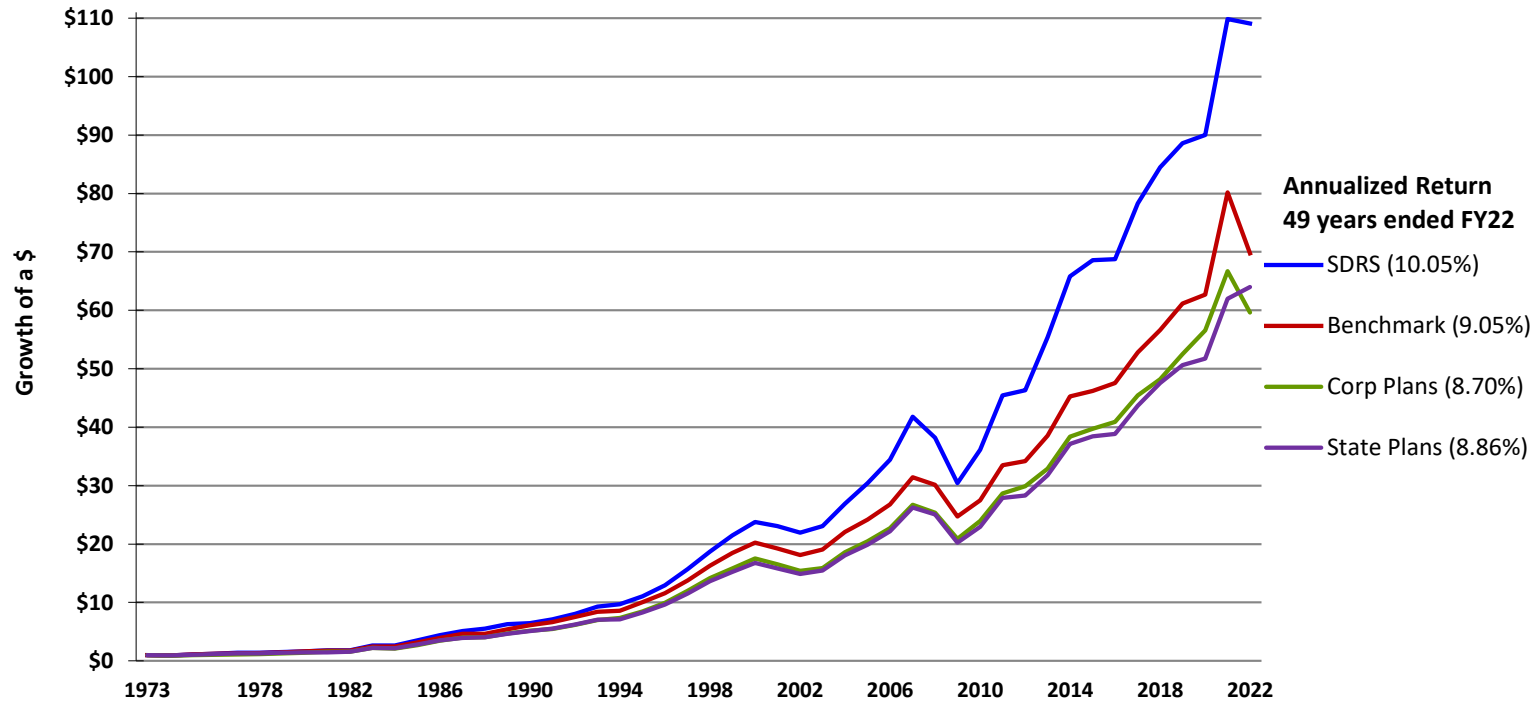
- Total SDRS dollars earned Fiscal Year 2022 \$ -39.6 million
- Total SDRS dollars earned last 5 years \$ 4.514 billion
- Total SDRS dollars earned last 10 years \$ 9.724 billion
- Total SDRS dollars earned last 20 years \$14.379 billion

- **Extra earnings** resulting from performance:  
(including compounding)

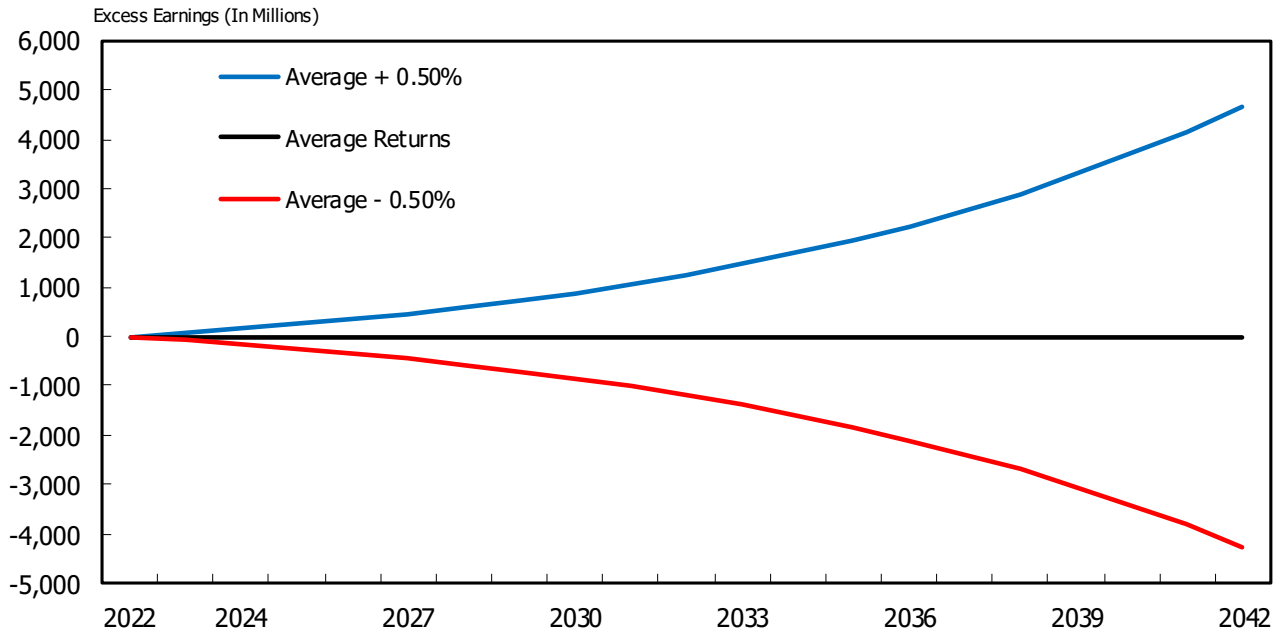
	<u>1 year</u>	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>
○ vs Capital Markets Benchmark	\$1.802 billion	\$572 million	\$2.160 billion	\$4.357 billion
○ vs State Funds	\$333 million	\$-810 million	\$796 million	\$2.958 billion

# Superior returns add up over time

Cumulative returns for SDRS, Benchmark, Corporate Plans, and other States



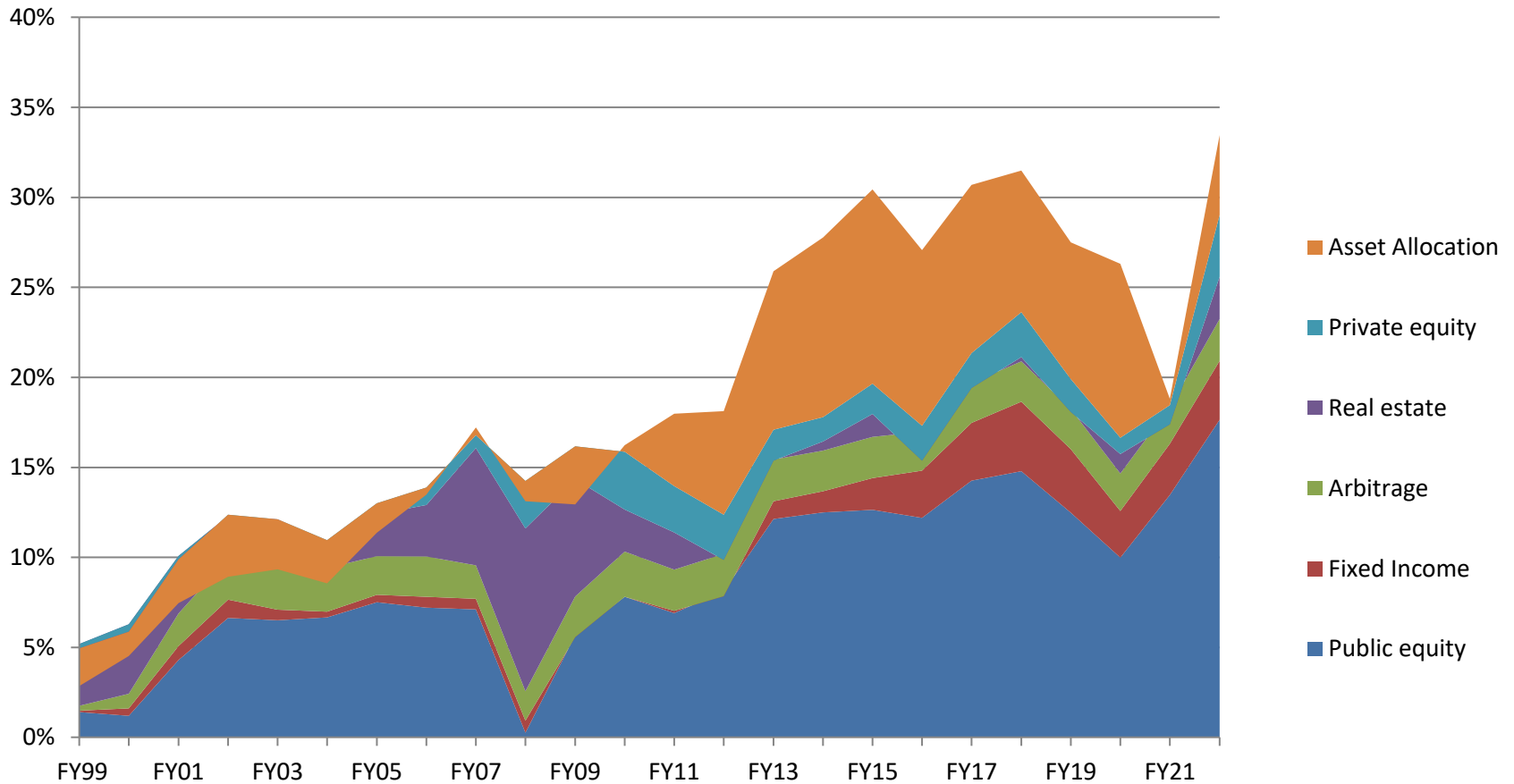
# Potential Excess Earnings



- SDRS 49-year outperformance = 1.0% annualized vs. benchmark
- Outperformance of .5% next 20 years = extra \$4.7 billion
- Underperformance of .5% = cost to retirement system of \$4.3 billion.

# Many pistons contribute

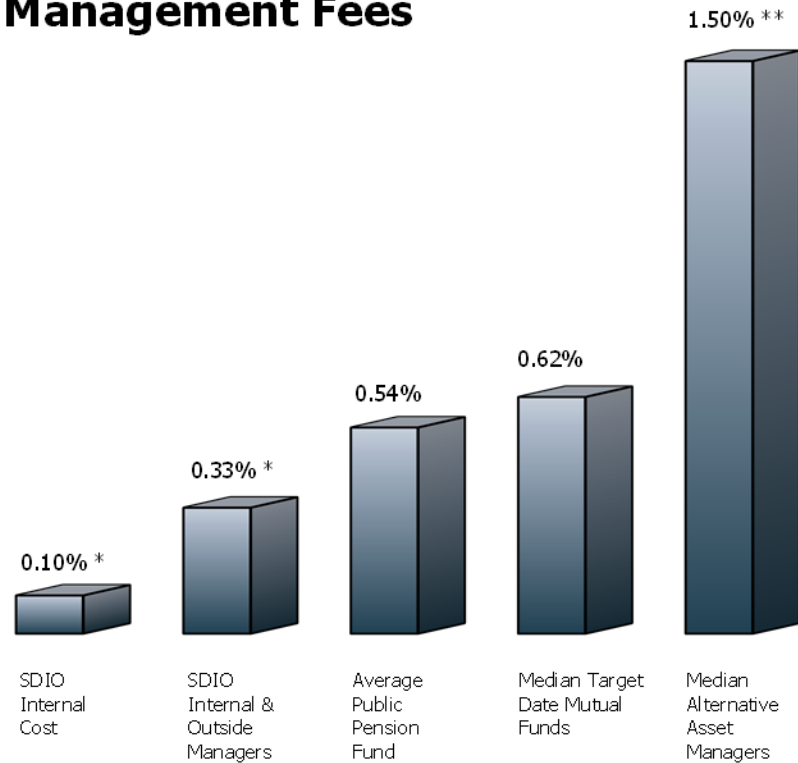
Cumulative added value by source FY99 to FY22





# Cost Efficiency

## Management Fees



Difference between SDIC cost of .33% and average public pension fund cost of .54% is \$40.0 million per year

\* SDIC projected expenses for FY 2024 using adjusted assets and expected average performance incentives

\*\* Plus 20% profit participation after preferred return