South Dakota Department of Labor
Employees' Retirement Board Meeting
March 25, 2008

The South Dakota Department of Labor Employees' Retirement Board (ERB) met with conference call locations in Pierre, Aberdeen, Rapid City, and Sioux Falls.

Members Present	**Members Absent**	**Others Present**
Jim Fansler, Vice Chair	Bob Riter, Jr., Chair	Dick Flemmer
Art Lanham		Lyle Harter
Pam Roberts		Monica Harding
Jason Dilges		

Vice Chairman Fansler called the meeting to order.

Pam Roberts MOVED approval of the minutes from the November 19, 2007, ERB meeting as prepared. Jason Dilges SECONDED. MOTION CARRIED unanimously.

Actuarial Report
Dick Flemmer presented the June 30, 2007 (FY2007) Actuarial Valuation for the ERB prepared by Deloitte Consulting LLP. The number of active participants was 51. As of March 2008, the number of active participants was 45. The number of retirees and beneficiaries has also declined from the previous fiscal year. Vested terminations, members of the plan that have terminated their employment with the department but have left their monies with the plan, remained at eight members. The number of total participants was 274 for FY 2006 and 263 for FY 2007.

The fair market value of the assets increased from $69,258,950 for FY 2006 to $76,356,575 for FY 2007.

The Plan's future salary assumption was decreased from 5.5% to 3.5% in FY 2007. The change reduced the present value of projected benefits by approximately $160 thousand. The impact on the valuation was not large.

The plan surplus as of July 1, 2007, was $23 million. The primary reason for this increase from July 1, 2006, was investment earning of 15.1%. The plan expectation on the investment return is 7.5%. With earnings at 15.1%, it was almost double the expectation.

The average age for participants who are still employees increased from 57.67 to 58.61 years. The average future service has dropped from 1.41 years to 1.06 years. From July 2007 to present there have been six retirements. The actuarial assumption is that people will retire based on their average future service.

The assets of the plan are $76,356,575 as of July 1, 2007. The plan is very diversified both in equity accounts and in bond accounts. As this plan continues to mature, the ratio will change in that more monies will be invested in bond accounts and less in stock accounts, as stock accounts, are a higher risk. As the monies roll out of the stock accounts and into bond accounts we will not see such high returns as in the past.

The bulk of the monies currently coming into the plan are coming from the investment income, as the number of employees contributing to the plan decreases. In FY 2007 there were

$3,194,870 in total distributions, with $36,909 in expenses and $3,157,961 in payments to retirees.

The present value of projected benefits, as of July 1, 2007, is $53,520,847, compared to the actuarial value of the assets of $76,356,575. The plan surplus is $22,961,443.

The funded ratio of the plan has increased from 104.5% in 1992 to 143% in 2007. For the last fifteen years the funded ratio has increased by almost 39%, which can be attributed to good investment earnings.

It was recommended that the board look at dropping the actuarial assumed return on investment from the current 7.5% to 5.5%. This is not a plan change, but an actuarial change. It would also affect the funded status of the program by approximately $12 million (a drop in surplus from $23 million to $11 or 12 million). This discussion will continue at the next board meeting when Principle can come to the meeting.

The Board will submit an annual report to the State Retirement Board in April. It was MOVED by Jason Dilges and SECONDED by Art Lanham. MOTION CARRIED unanimously.

Investment Earning Report
Dick Flemmer presented to the Board the Investment Earning Report for July 1, 2007 through December 31, 2007.

There has been a severe reduction on the return of investment during the first six months of the current fiscal year. The current return on investment is 0.46%, which can be attributed to the drastic changes in the stock market.

SDRS Benefit Changes
The Board discussed the changes that will be taking place within the SDRS Retirement Plan. The 1.625% final compensation for years of service prior to July 1, 2002 plus 1.55% of final compensation for years of service after July 1, 2002 will change to 1.7% for years of service prior to July 1, 2008 plus 1.55% of final compensation for years of service after July 1, 2008.

The DOL Retirement Plan, which has a benefit multiplier of 2.0%, is currently paying out a higher benefit amount compared to the SDRS Retirement Plan.

The next meeting is tentatively scheduled for September 2008.

Art Lanham MOVED to adjourn the meeting, Pam Roberts SECONDED. MOTION CARRIED unanimously.

Respectfully submitted,

Jim Fansler,
Vice Chairman