

**South Dakota Department of Labor
Employees' Retirement Board Meeting
August 19, 2010**

The South Dakota Department of Labor Employees' Retirement Board (ERB) met on August 19, 2010, with DDN locations in Pierre, Aberdeen, Rapid City, and Sioux Falls.

Members Present

Bob Riter, Jr., Chair
Jim Fansler (by conference call)
Art Lanham
Pam Roberts
Jason Dilges

Absent

Others Present

Dick Flemmer
Lyle Harter
Monica Harding
Dawn Dovre
Kathie Volk
David Fee, Principal

Chairman Riter called the meeting to order, and roll call was taken by secretary Monica Harding. Pam Roberts MOVED approval of the minutes from the April 27, 2010, ERB meeting as prepared. SECONDED by Art Lanham. MOTION CARRIED.

Agenda Item 1: Election of Officers

Pam Roberts MOVED to nominate Bob Riter, Jr. for Chairman. SECONDED by Art Lanham. Jim Fansler MOVED nominations cease. SECONDED by Jason Dilges. MOTION CARRIED. Bob Riter accepted.

Jason Dilges MOVED to nominate Jim Fansler as Vice Chair. SECONDED by Art Lanham. Jason Dilges MOVED nominations cease. Bob Riter SECONDED. MOTION CARRIED. Jim Fansler accepted.

Agenda Item 2: July 1, 2009 through June 30, 2010, Fund Statement Review

Dick Flemmer reviewed the Funds Statement ending on June 30, 2010, and continued with a review of the individual investment accounts. The fund statement is posted on the Employee Retirement Board website.

Agenda Item 3: Principal Financial Presentation-Asset Allocation Review

David Fee, Senior Investment Consultant with Principal, spoke about the asset allocation process. Mr. Fee sought confirmation from the committee that it desired the Plan engage in a "dynamic asset allocation" strategy to be 100 percent funded or better. He encouraged more frequent review of investments by the board.

Jason Dilges discussed short-term and long-term strategies with consideration of the plan's status (closed). He agreed more frequent review is needed and requested Mr. Fee to act as that financial advisor.

Bob Riter questioned Mr. Fee regarding their due diligence policies when dealing with other investment fund managers/investment advisors.

Agenda Item 4: Proposed Plan Amendment to Reinstate the Disallowed COLA

Jim Fansler and Jason Dilges worked to arrive at a version of the amendment to reinstate the disallowed COLA when the Plan is healthy. There was discussion about making the amendment shorter and more concise.

Bob Riter questioned the board members about the practical mechanics of paying a COLA with regards to deceased members or members retired after the affected July 1 COLA date.

Pam Roberts MOVED the board defer action on the written amendment as proposed and on a proposed shorter amendment until the next meeting. A public hearing involving each of the four DDN sites will take place, allowing Plan participants an opportunity to provide their comments on the Proposed Plan Amendments to reinstate the disallowed COLA. SECONDED by Art Lanham. MOTION CARRIED on roll call vote. 5 yeas.

Amendment Option No. 1

Any disallowed increase in the amount of monthly retirement benefit payments may be reinstated during the following two program years (July 1 to June 30) incrementally if on April 30 the current fair market value of the Plan's assets exceeds the Plan's actuarial accrued liability as stated in the Plan's most recent actuarial valuation report. If the assets exceed the accrued liability by \$5 million but are less than \$10 million, then one-half the disallowed increase may be reinstated during that year. The remaining disallowed increase will be eligible for reinstatement the following year if the assets exceed the accrued liability by \$5 million for that following year. If, during either year, the assets exceed the accrued liability by \$10 million, then the complete disallowed increase may be reinstated during that year. All increases are subject to a majority vote of the Retirement Board.

Amendment Option No.2

Any disallowed increase in the amount of monthly retirement benefit payments may be reinstated during the following two program years (July 1 to June 30) incrementally if on April 30 the current fair market value of the Plan's assets exceeds the Plan's actuarial accrued liability as stated in the Plan's most recent actuarial valuation report.

Jason Dilges MOVED to adjourn the meeting. SECONDED by Art Lanham. MOTION CARRIED.

The next meeting is set for September 28, 2010, at 1:30 p.m. in Kneip Conference Room 3.