

**South Dakota Department of Labor
Employees' Retirement Board Meeting
October 29, 2008**

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

Members Present

Bob Riter, Jr., Chair
Jim Fansler
Art Lanham
Pam Roberts
Jason Dilges

Others Present

Dick Flemmer
Lyle Harter
Monica Harding
David Fee (Principal)
Bill Jordan (Principal)
Joe Walker (Deloitte)
Pawan Dahliwal (Deloitte)

Chairman Riter called the meeting to order and roll call was taken by secretary Monica Harding. Jim Fansler MOVED approval of the minutes from the March 25, 2008, ERB meeting as prepared. Pam Roberts SECONDED. MOTION CARRIED unanimously.

June 30, 2008, Fund Statement Summary

Dick Flemmer reviewed the July 1, 2007, to June 30, 2008, fund statement. For FY July 1, 2007 to June 30, 2008, the plan had a negative 6.5% return on investment. Investment returns were a negative \$4.8, million and there were benefit payment deductions of \$3.3 million, ending the year with \$68 million in assets.

The Plan was down another 10% negative rate of return for the quarter of July 1, 2008 through September 30, 2008. The asset value over a three month period dropped from \$68 million to \$60 million. Investment Account Balances for the retirement plan as of October 26, 2008, showed the asset value had dropped from \$60 million down to \$48 million.

Principal Financial Presentation

The Performance Investment Advisory Report: Asset Allocation Review, July 1, 2007 – September 30, 2008, was presented by David Fee and Bill Jordan from Principal Financial. The retirement plan assets remain in a fully diversified portfolio of stocks, bonds and real estate with little change in the asset allocation from previous years.

July 1, 2008, Retirement Plan Valuation Report

Joseph Walker from Deloitte gave a review of the July 1, 2008, Actuarial Valuation. Mr. Walker then presented an investment return workup showing various changes to the current 7.5% actuarial valuation investment earnings assumption rate.

Investment Return Assumption (\$ Millions)	7.5%	6.5%	5.5%	4.5%
Actuarial Liability as of July 1, 2008	\$54.7	\$60.3	\$67.0	\$75.0
Actuarial Value of Assets as of July 1, 2008	\$68.2	\$68.2	\$68.2	\$68.2
Unfunded Actuarial Liability as of July 1, 2008	\$(13.5)	\$(7.9)	\$(1.2)	\$6.8

The Board made no change to the 7.5% assumed investment earnings rate for actuarial valuation purposes.

Jim Fansler requested the investment results be posted on the DOL website link at the end of each month.

Actuarial Valuation, July 1, 2008

Dick Flemmer reviewed the draft Actuarial Valuation for July 1, 2008 and reported highlights from 2007 to 2008.

The active employees' projected future retirement benefit is \$16 million, retirees and beneficiaries is \$37 million, and projected benefit costs for the vested termination is \$966,000. Total liabilities are \$54 million versus the value of assets of \$68 million. The present value of future employee contributions is \$56,000, which results in a \$13 million surplus as of June 30, 2008.

Jason Dilges MOVED to adopt the draft 2008 Plan Year Actuarial Valuation Report and to submit the annual report to the State Retirement Laws Committee at the Legislative Research Council in April 2009. SECONDED by Jim Fansler. MOTION CARRIED unanimously.

The next meeting is set for January 7, 2009, at 10:00 a.m. in Kneip Conference Room 3.

Jim Fansler MOVED to adjourn the meeting, Jason Dilges SECONDED. MOTION CARRIED unanimously.