

**South Dakota Department of Labor
Employees' Retirement Board Meeting
January 7, 2009**

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
Dawn Dovre

Chairman Riter called the meeting to order and roll call was taken by secretary Monica Harding. Jason Dilges MOVED approval of the minutes from the October 29, 2008, ERB meeting as prepared. Jim Fansler SECONDED. MOTION CARRIED unanimously.

December 31, 2008, Fund Statement Summary

Dick Flemmer presented a brief history on the Investment Earnings for the last two years. On June 30, 2007, the plan had \$76 million in assets, \$54 million in liabilities (in terms of the liabilities being projected retirement benefits), and a \$23 million surplus. On June 30, 2008, the investments dropped to \$68 million, liabilities remained at \$54 million, and the plan had a \$13 million surplus.

At the October meeting the Board reviewed the September 30, 2008, investment statement. The asset value dropped down to \$60 million, liabilities were \$54.7 million, and the plan surplus was \$5.8 million. The rate of return for the July 1 – September quarter was a negative 10%.

The December 31 statement update showed the plan investment value had dropped to \$48.8 million. Investment returns were a negative \$17.625 million; deductions of \$1.786 million for retirement benefits were paid out the first six months of the year to retirees, and the ending balance was \$48.8 million (market value), which puts the plan at a \$6 million unfunded liability. Investment earning from July 1, 2008, to December 31, 2008, were a negative 26.25%.

Review of Investment Account Balance

Currently, the investments are 60% stocks, 30% bonds, and 10% other (real estate). In order for the assets and liabilities to break even, the Dow needs to be at 10,000 again, which today would be a 12% increase in the market.

Questions were posed to Principal with regards to what should be done to recover. The recommendation is to continue with what is currently done, as recovery is generally quicker than a market decline. Art Lanham praised Principal for their work on the South Dakota Department of Labor Employee Retirement Plan.

Although the Board is not required to follow ERISA, it was recommended the Board look at following the same procedures as SDRS if the plan was to drop below 80% at the end of the plan year, (June 30, 2009). Should the market not recover and the liability deficit continues to increase, the Board would develop a plan of options to present to the Governor and the Legislature at the end of calendar year, (December 31, 2009).

It was decided the ERB will meet in April to review earnings for the quarter/year. It was asked by the Board that Mr. Flemmer ask Principal where the Plan ranks as compared to other retirement accounts they are currently managing.

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 April 29, 2009, at 10:00 a.m. in Kneip Conference Room 3.

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