

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

Members Absent

Jason Dilges

Others Present

Dick Flemmer
Lyle Harter
Monica Harding
Dawn Dovre
Nancy Stenson

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 January 7, 2009, ERB meeting as prepared. Jim Fansler SECONDED. Motion amended to approve the minutes with the modification of adding Art Lanham's comments reflecting his praise of Principal for their work on the South Dakota Department of Labor Employee Retirement Plan. MOTION CARRIED.

Annual Election of Retirement Board Officers

Jim Fansler MOVED to nominate Bob Riter, Jr. for Chairman. SECONDED by Art Lanham. Motion Carried. Chairman Riter called for additional nominations. Jim Fansler MOVED there be a unanimous ballot and Riter be re-elected as Chair. SECONDED by Pam Roberts. MOTION CARRIED.

Chairman Riter MOVED to nominate Jim Fansler as Vice Chair. SECONDED by Pam Roberts. MOTION CARRIED.

Review of March 31, 2009, Fund Statement Summary

March 21, 2009, the plan assets had dropped from \$48 million in December to \$44.142 million. The projected actuarial deficit was \$10.850 million. The bottom of the market was in March 2009 with a low of \$39 million. There was some recovery in the market in April. As of April 30 the fund balance was \$46.456; it is being monitored on a daily basis.

Principal Investment Advisory Report July 1, 2008 – March 31, 2009

Currently, the investments are 58 percent stocks, 30 percent bonds, and 12 percent other (real estate). The only significant asset allocation change so far this year is that Principal moved 1.5 percent of the monies out of the stock accounts and put them in the real estate account. The Principal real estate account on the March 31, 2009 statement had a 50 percent deficit in earnings for the July 1, 2008 through March 31, 2009 period. In addition in February the real estate account was frozen because the investments are not liquid; money cannot be taken out. Pam Roberts requested an explanation for the move, the rationale for the transaction, and if the transaction was made on July 2 or December 30. Principal will provide this information and explanation in their September asset allocation report.

Dick Flemmer suggested that with a plan as mature as the SDDOL Employee Retirement Plan, 60 percent stocks, 30 percent bonds, and 10 percent (real estate) distribution is too high and too much of a risk. Investments should be heavier into the Bond side, with a 50, 40, 10 split.

The Board requested Principal show how the plan ranks compared to other retirement accounts they manage. Due to disclosure restrictions, they could only provide the following information:

- Principal has 37 similar defined benefit plans.
- Combined with Direct Contribution plans, they manage a total of 109 plans.
- Principal manages approximately \$5.4 billion in retirement plans including 401k's.
- 368 of those are over \$50 million. Some of these are large corporations (i.e. Chrysler), but Principal manages only a certain "discipline" of segment for these corporations.
- Principal still has the Nebraska Job Service defined benefit plan.

The SDDOL retirement plan was compared to the plans of North Dakota and Nebraska. South Dakota became fully funded in 1984, North Dakota in 1998, and Nebraska in 1994. All have recently fallen into an unfunded liability. North Dakota has turned their plan over to their state retirement system.

Jim Fansler MOVED to consider a proposed amendment that if the Plan is in an unfunded liability at the end of April of any Plan Year, there will be no cost of living increase for that ensuing benefit year. SECONDED by Art Lanham. MOTION PASSED with 4 Yea (Fansler, Lanham, Roberts and Riter), 0 Nay.

A public hearing will be held for all participants to provide comments to the Board before the vote is taken to adopt the amendment. The next meeting and public hearing is set for May 26, 2009, at 10:00 a.m. in Kneip Conference Room 3.

Jim Fansler MOVED to adjourn the meeting. SECONDED by Art Lanham. MOTION CARRIED.