

**South Dakota Department of Labor
Employees' Retirement Board Meeting
June 29, 2006**

The South Dakota Department of Labor Employees' Retirement Board met via DDN on June 29, 2006, beginning at 9:30 a.m. Sites included Pierre, Aberdeen, Rapid City, and Sioux Falls.

Members Present

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

Others Present

Dick Flemmer
Lyle Harter
Monica Harding
Pam Hericks (Plan Participant)
Ken Hericks
Kay Swenson (Plan Participant)

Chairman Riter called the meeting to order.

Chairman Riter called roll for the surrounding DDN sites in Aberdeen, Rapid City and Sioux Falls.

Jason Dilges MOVED approval of minutes from the November 14, 2004, Employee Retirement Board (ERB) meeting as prepared. Dilges amended his motion by correcting Art Lanham's last name on the last page of the minutes. SECONDED by Pam Roberts. Motion Carried.

New Business:

Annual Election of Retirement Board Officers: Jason Dilges made a motion to nominate Bob Riter, Jr. for Chairman. SECONDED by Pam Roberts. Motion Carried. Pam Roberts made a motion to nominate Jim Fansler as Vice Chair. SECONDED by Jason Dilges. Motion Carried.

The board reviewed the Retirement Plan Actuarial Valuation Report for June 30, 2004.

There were 73 active participants in 2003. Currently there are 59 active participants. There were 283 total participants in 2003, and 282 total participants in 2004. The payroll of the 73 active employees was \$2,717,000 in 2003. Fair market value of assets in 2003 was \$56,632,000 which increased to \$62,476,783 in 2004. Actuarial liability went from \$9 million in 2003 to \$13.8 million in 2004. The present value of vested benefits (retirement benefits for the retirees) went from \$43 million in 2003 to \$45 million in 2004.

On page "iii", the Funded Status Table 8 shows the plan is over-funded as of July 1, 2004, by \$13.9 million. Based on the actuarial assumptions and methods outlined in exhibit 2, the primary reason for this surplus is that asset performance was more favorable than expected. Actual performance for July 1, 2004 - June 30, 2004 had investment earnings of 14.5% vs. the 7.5% projected returns.

On page 1, the table compares plan participant information by highlighting active participants decreasing from 77 in 2003 to 73 in 2004. It also recaps payroll and goes on to list the average salaries and average age. Significant is in the footnote at bottom which shows that on July 1, 2003, a total of 82 retired participants and beneficiaries received monthly payments from annuities purchased

when the Retirement Life Plan was terminated in 1987. Of the 200 people who are currently retired under the DOL retirement plan, 78 currently have retirement benefits funded through annuities.

Page 4 gives a breakdown of the plan assets of \$62 million. It shows where those funds are invested with Principle in their various investment accounts.

This information has been posted on the DOL website for all plan members to review at www.sdjobs.org. (Select “Programs”, “Boards and Commissions”, and South Dakota Department of Labor Retirement Board.)

Jason Dilges MOVED to submit the 2004 Plan Year Actuarial Valuation Report to the State Retirement Laws Committee at the Legislative Research Council. SECONDED by Art Lanham. Motion Carried.

The next items reviewed were the investment statements for July 1, 2004 – June 30, 2005. The earnings for the period were 9.75%, which exceeded our actuarial assumption of 7.5%. The beginning balance of assets was \$62,476,000. Additions of \$109,000 for employee contributions and investment return of \$5,970,000 were made and deductions of \$2,555,000 for retirement benefits were paid. The ending balance on June 30, 2005, shows \$66,000,000 in assets for this plan.

The statement for July 1, 2006 – March 31, 2006, was reviewed, which is the most recent quarter of information. For the 9-month period, the investment earnings were 10.05%, which again exceeds the actuarial assumption and will maintain solid funding of the plan. The beginning balance of assets of \$66 million shows an investment return of \$6.5 million, retirement benefits paid out at \$2 million, and an asset value of \$70 million dollars.

The next item of new business was a request from elected board member Jim Fansler suggesting information be presented to the board regarding the cost to purchase annuities to fund benefits for current retired plan members. Jim Fansler MOVED the board have an actuary present information at the next meeting so the concept of purchasing annuities can be discussed. SECONDED by Jason Dilges. Motion Carried. The Board agreed to schedule a presentation by Deloitte at the next board meeting to review current actuarial assumptions, assumed mortality rates, current earning statements, and projected costs to purchase annuities. After the presentation by the actuary, there will be an open discussion by the Board. A public hearing and input from plan participants would be received prior to any plan changes being enacted.

Kathie Volk from the DOL Office in Aberdeen has been assigned as the DOL point of contact for any retirement questions. Kathie can be contacted at (605) 626-7652, ext. 4401 or at kathie.volk@state.sd.us for questions regarding retirement plan benefits, estimates for various options, beneficiary changes, address changes, etc.

Jason Dilges MOVED to adjourn meeting. SECONDED by Pam Roberts. Motion Carried.

Respectfully submitted,

Robert Riter, Jr.
Chairman