

**South Dakota Department of Labor
Employees' Retirement Board Meeting
November 19, 2007**

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

Members Present

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

Others Present

Dick Flemmer
Lyle Harter
Monica Harding

Chairman Riter called the meeting to order.

Pam Roberts MOVED approval of the minutes from the March 28, 2007, ERB meeting as prepared. Jim Fansler SECONDED. MOTION CARRIED unanimously.

New Business

Annual Election of Retirement Board Officers: Jim Fansler made a motion to nominate Bob Riter, Jr. for Chairman. Art Lanham SECONDED. MOTION CARRIED unanimously. Pam Roberts made a motion to nominate Jim Fansler as Vice Chair. Jason Dilges SECONDED. MOTION CARRIED unanimously.

Review Fund Statements

Dick Flemmer reviewed the July 1, 2006, to June 30, 2007, fund statement. The investment earning for this 12 month period was 15.11%. The fund assets increased from \$69 million in June 2006 to \$76 million in June 2007. The last actuarial review projected the present value of the projected benefits at \$53 million. With a 3.1% cost of living adjustment, the estimated present value of future retirement benefits for all plan members is \$55 million; a \$20 million dollar surplus.

The quarter earnings for September 30, 2007, were reviewed. The investment earnings for the quarter dropped to 2.4% (three months earnings.) One year, three year, and five year plan investment performances were reviewed. The one year plan total was 15.12% for last year. The U.S. stock equity account was 17.88%, the international stock fund 31.22%. Real Estate was 13.35%, fixed income (bond account) was 6.04%, and the average of all accounts is currently 15.12%. The Weighted Benchmark compares results to comparable results from other funds, which is 15.02%. The actuarial assumption assumes the plan will earn 7.5% a year. Thus, the plan's investments have exceeded the benchmark average performance.

The three year plan performance total average was 11.22%. Over the last three year period, the plan has exceeded investment income by about 50%.

The five year plan year performance total average was 9.64%. Over the last five years, the assumed 7.5% investment return rate has been exceeded by almost 50%. Very good investment earnings over the last five years have contributed to the plan surplus.

Discussion on Benefit Improvements after Reaching a Specified Surplus

Jason Dilges asked if there is anything in the South Dakota Department of Labor Retirement plan requiring or allowing for benefit improvements after reaching a certain amount of surplus, currently at \$20 million. The South Dakota Retirement System (SDRS) has established benchmarks. Jason stated that, because of where the SDRS fund ended the year (just short of 21% growth), it is likely there will be legislation this year to improve benefits for SDRS. He questioned if we would need to look at a benefit enhancement to mirror SDRS.

Dick Flemmer informed the Board there is no trigger mechanism in the plan that would make the surplus available to enhance benefits. Certain features of the DOL plan has been enhanced over the years, more to maintain parity with the SDRS plan, than because of excess assets. Dick stated that there is no requirement to mirror SDRS, but historically we have maintained parity with the SDRS plan. He recommended it as something to examine.

There was discussion regarding requirements necessary should the board recommend plan changes. Dick stated the Board would have to vote on a plan amendment. The plan amendment would be sent to all participants for review and the Board would then review and act upon the amendment. There is no statutory requirement or rule-making requirement.

Jason stated that the prevailing multiplier being proposed by SDRS is 1.7% for all classes through the year 2010 (as opposed to 1.5% and 1.625% depending the years of credited service). Dick reported that the DOL plan multiplier is already at a full 2% which would still exceed the 1.7% proposed by SDRS.

Jason Dilges MOVED to contact Principal Financial and have them prepare an actuarial study so it could be discussed further at the next EBR meeting, scheduled March 25, 2008. This information would be reviewed by the Board and plan members before any action would be taken. If the board would recommend a change in March, notice will be provided to plan members to encourage them to participate and provide public comment. Jim Fansler SECONDED. MOTION CARRIED with Art Lanham abstaining from the vote.

Report on the COLA Correction for the CPI Error

Principal used the CPI-U instead of the CPI-W in their calculations which caused an under payment for the COLA for the years 2000, 2005, and 2006. By using the U code instead of the W code, the CPI increase for those years was less than what it would have been under the W index.

Corrections for this error have all been completed in the following manner.

- A one-time lump sum catch-up payment has been made to correct the past years (2000, 2005, and 2006) COLA under-payments and should include interest at 7.5%. This amount was calculated and paid to the retirees with their June 1, 2007, monthly benefit checks.
- The retirees' future benefits have been re-indexed to include the correct COLA amounts for their on-going base monthly retirement benefits. This change was included with the July 1, 2007, benefit checks and corrected the retirees' current benefit levels.

	LUMP Sum Amt	Monthly Benefit adjustment amt
Totals	\$18525.93	\$1118.37
Highest	\$362.66	\$24.22
Lowest	\$3.81	\$0.44
Average	\$75.31	\$4.55

Principal did not charge the plan for their time and administrative costs associated with correcting the COLA miscalculation.

Report on Principal Meeting with Participants

Kathy Volk and Dick Flemmer gave an update on the member meetings. The first meeting was held in Aberdeen on November 14, 2007, with about 30 people in attendance. The next meeting was planned for Sioux Falls on November 28, 2007. Individual meetings will also be held in western South Dakota.

Information covered at the meetings included a presentation of the actual plan, options for retirement, and information regarding benefits (health, life, etc.) at the time of retirement. There has been positive feedback received by plan members on these meetings.

The next meeting has been scheduled for March 25, 2008.

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

Respectfully submitted,

Robert Riter, Jr.
Chairman