

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL

Conference Call

August 11, 2011

1) Roll Call

The conference call meeting was called to order at 2 p.m. by Chair Joseph Anglin. Council members in attendance were Joseph Anglin, Hugh Bartels, Jon Hunter, Jarrod Johnson, Jim Means, Rich Sattgast, Wesley Tschetter, and Rob Wylie. Also present were Matt Clark, Brett Fligge, Tammy Otten, Chris Nelson and Laurie Riss of the Investment Office; and Jane Roberts, Susan Jahraus and Michelle Mikkelsen of the South Dakota Retirement System.

AGENDA ITEMS:

- 1) Roll Call
- 2) Fiscal Year 2013 Budget Request
- 3) Market Valuation Update
- 4) Adjournment

2) Fiscal Year 2013 Budget Request

Matt Clark discussed the proposed budget request for FY 2013. He reminded the Council of the FY 2012 decreases in the budget and compensation. He reviewed the FY 2013 budget exhibit which includes three versions: Version A with long-term plan compensation percentage increases applied to the decreased FY12 compensation and maximum potential incentives funded at 85%; Version B as a first step toward long-term plan levels and maximum potential incentives funded at 90%; and Version C with a more significant move toward long-term plan levels and 100% funding of maximum potential incentives. Version C would recover the 5% cut in compensation levels of investment positions for FY 2012. The operating portion of the budget is the same in all three versions. Contractual services were decreased by the extra custodial fees that were not needed, travel was increased to the FY 2011 level, and supplies and capital assets stayed the same as FY 2012.

The Council discussed the budget options and their views on how to present their recommendation to the LRC Executive Board. There was discussion about the importance of getting back to the long-term plan and whether that was feasible in the near term in light of the potential difficult budget environment. The Council further discussed that Version B made steps in the direction of the Council's desire to get back to the long-term plan and may have a better chance of gaining legislative and executive branch support than Version C. There was also support for focusing on Version C as the Council's recommendation.

JON HUNTER MOVED, SECONDED BY ROB WYLIE, TO PRESENT ALL THREE VERSIONS OF THE FY 2013 BUDGET TO THE LRC EXECUTIVE BOARD WITH A RECOMMENDATION FOR VERSION B AS A WAY TO BALANCE THE COUNCIL'S DESIRE TO GET BACK TO THE LONG-TERM PLAN AS SOON AS POSSIBLE WITH A RECOGNITION THAT THE DIFFICULT BUDGET ENVIRONMENT MAY ONLY ALLOW A STEP IN THAT DIRECTION AT THIS TIME. MOTION PASSED ON A ROLL CALL VOTE WITH SEVEN VOTING IN FAVOR AND ONE OPPOSED.

3) Market Valuation Update

Matt Clark gave an update on the current market valuation and conditions. He discussed Investment Office's and others' views on some of the issues causing recent market volatility. He emphasized our continued focus on the long term.

4) Adjournment

Chair Anglin declared the meeting adjourned at 3 p.m.