

Fiscal Year 2020 Budget Request

South Dakota Investment Council

June 13/14, 2018

Budget Overview

	Expended (est) <u>FY 2018</u>	Received <u>FY 2018</u>	Received <u>FY 2019</u>	Budget Request LTP Base Sal (no sal pol) <u>FY 2020</u>	<u>% change</u>
PERSONAL SERVICES					
TOTAL FTEs	34.25	34.25	34.25	35.25	
BASE COMPENSATION					
Base Compensation - Investment Staff	4,589,302	4,965,754	4,977,473	5,161,675	3.70%
Base Comp - Accountants, Atty, Admin, Longevity	428,617	428,982	601,764	594,161	-1.26%
TOTAL STAFF - FULL TIME	5,017,919	5,394,736	5,579,236	5,755,836	3.17%
P/T Staff Attorney & Interns	57,453	62,527	63,276	63,277	0.00%
Investment Council	2,775	6,227	6,302	6,302	0.00%
Retirement & resignation flexibility funds	0	155,100	156,961	156,961	0.00%
Benefits	995,457	1,076,434	1,075,711	1,108,426	3.04%
Total Base Compensation	6,073,604	6,695,024	6,881,487	7,090,802	3.04%
Investment Performance Incentives					
Maximum Potential Investment Perf Incentive	4,072,212	9,461,327	9,931,508	9,954,945	0.24%
Benefits	426,748	1,305,663	1,370,548	1,373,782	0.24%
Total Investment Performance Incentives	4,498,960	10,766,990	11,302,056	11,328,728	0.24%
Total Personal Services	10,572,564	17,462,014	18,183,543	18,419,530	1.30%
OPERATING EXPENSES					
Contractual Total (see next page for further details)	1,556,286	1,729,197	1,864,960	2,117,259	13.53%
Travel	57,500	85,000	85,000	85,000	0.00%
Office Supplies & Postage	4,300	12,733	9,000	7,000	-22.22%
Capital Assets	59,700	40,520	40,520	40,520	0.00%
Total Operating Expenses	1,677,786	1,867,450	1,999,480	2,249,779	12.52%
TOTAL BUDGET	12,250,350	19,329,464	20,183,023	20,669,309	2.41%
UNIT COST SUMMARY *					
Internal Expenses as % of Total Adjusted Assets		0.095%	0.094%	0.095% **	
Total Expenses as % of Total Adjusted Assets		0.342%	0.342%	0.342%	

* Based on total assets adjusted to long-term value and expenses using assumed average investment performance incentives

** Unit cost includes an assumed 2.25% salary policy

Operating Budget

OPERATING BUDGET

CONTRACTUAL SERVICES

Investment Services

	Expended (est) FY 2018	Received FY 2018	Received FY 2019	Request FY 2020	% chng
Consulting Services	3,424	30,000	80,000	130,000	62.50%
Investment Accounting, Performance Benchmarking	111,079	106,000	113,100	292,977	159.04%
Investment Databases, Newsfeeds & Quote Fees	508,764	547,436	553,636	555,436	0.33%
Investment Research Services	339,869	338,185	387,525	394,025	1.68%
Flexibility - From Brokerage to Independent Research	0	100,000	100,000	100,000	0.00%
Total Investment Services (see next page for further details)	963,136	1,121,621	1,234,261	1,472,438	19.30%

Administrative Expenses

Office Rent	126,232	125,069	134,609	139,019	3.28%	added 539 sf + rate incr to \$16.54 for total 8,405 sf
Bond/Liability Insurance	7,439	7,800	8,190	8,385	2.38%	historically \$195 per fte & Council-35+8
Telephone	15,765	18,000	18,000	18,000	0.00%	allows for add'l phones for new FTEs in 19&20
Office Equip Rental/Maintenance/Misc	12,952	6,000	6,003	10,000	66.58%	add'l 4,000 for HP printer service subscr
Bureau of Info & Telecommunications (BIT)	76,404	67,633	73,530	73,530	0.00%	website upgrade extra cost in FY18
State Central Services	11,140	13,540	12,858	12,858	0.00%	no change - allows approx 5% incr in 19 & 20
Legislative Audit	46,500	51,500	51,500	51,500	0.00%	no change - allows for rate increases
Attorney General's Office - Legal Services	0	18,509	18,509	18,509	0.00%	leave for flexibility - no incr
Custodial Fees - Global	265,802	263,025	271,000	276,520	2.04%	expected incr 2% in fy 19 & 20
Seminars/Educational Programs	29,716	33,500	33,500	33,500	0.00%	no increase
Business Publications	1,200	3,000	3,000	3,000	0.00%	no change
Total Administrative Expenses	593,150	607,576	630,699	644,821	2.24%	

TOTAL CONTRACTUAL SERVICES

1,556,286	1,729,197	1,864,960	2,117,259	13.53%
-----------	-----------	-----------	-----------	--------

TRAVEL

57,500	85,000	85,000	85,000	0.00%	no change
--------	--------	--------	--------	-------	-----------

OFFICE SUPPLIES & POSTAGE

4,300	12,733	9,000	7,000	-22.22%	less postage used, toner moved to contractual
-------	--------	-------	-------	---------	---

CAPITAL ASSETS

59,700	40,520	40,520	40,520	0.00%	furniture & computer upgrades
--------	--------	--------	--------	-------	-------------------------------

TOTAL OPERATING EXPENSES

1,677,786	1,867,450	1,999,480	2,249,779	12.52%
-----------	-----------	-----------	-----------	--------

Investment Services Details

	Expended (est) FY 2018	Received FY 2018	Received FY 2019	Request FY 2020	
INVESTMENT SERVICES-DETAILED					
Consulting Services					
Benchmarking/Compensation	0	30,000	30,000	30,000	0.00% no change
Legal Consulting Services	3,424	0	50,000	100,000	100.00% increase for potential high yield legal cons
Subtotal	3,424	30,000	80,000	130,000	62.50%
Investment Accounting, Performance, Benchmarking					
BNY/Mellon Performance & Risk Analysis	7,500	8,000	8,000	8,000	0.00% no change
S&P 1200	15,000	13,000	15,000	16,537	10.25% allows 5% from current level in 19 & 20
S&P 1000	0	2,000	2,000	0	-100.00% cancelled
S&P USA	12,100	11,000	11,000	13,340	21.27% allows 5% from current level in 19 & 20
FTSE Index	16,750	10,000	14,100	14,100	0.00% FY18 only cost was 13,400. allows for 5% incr
Trade Order Management System				175,000	new new
Portia	59,729	62,000	63,000	66,000	4.76% 5% incr from current level in 19 & 20
Subtotal	111,079	106,000	113,100	292,977	159.04%
Investment Databases, Newsfeeds & Quote Fees					
Bloomberg	112,930	124,362	124,362	124,362	0.00% no change - allows 5% incr in 19 & 20
Factsset	246,029	257,264	257,264	257,264	0.00% no change - allows additional users
Reuters Fundamental Index	44,640	47,628	47,628	47,628	0.00% allows 3% incr in FY19 & 20 from current exp
Quote Fees (incl. Bloomberg/Factset)	53,650	67,182	72,182	72,182	0.00% allows quote fees for new FTEs FY19 & 20
Dow Jones News Service	51,515	51,000	52,200	54,000	3.45% allows 5% increase from current level
Subtotal	508,764	547,436	553,636	555,436	0.33%
Investment Research Services					
KDP High Yield	0	20,000	0	0	0.00% cancelled
Gimme Credit FI Research	17,820	25,000	25,000	25,000	0.00% no change - allows for flexibility & increases
Credit Sights	81,549	82,220	86,000	86,000	0.00% allows 5% incr from current level
Reorg Research	77,500	0	85,000	85,000	0.00% allows approx 5% incr from current level in 19 & 20
Insider Score	25,000	26,525	26,525	26,525	0.00% allows 3% incr from current level in 19 & 20
Boyers Intrinsic Value	15,000	15,000	15,000	15,000	0.00% no change
Rystad Energy	0	45,000	-	-	0.00% cancelled
Morningstar	60,000	80,000	80,000	80,000	0.00% allows price incr & add'l user from current level
S&P Capital IQ	58,000	39,690	65,000	71,500	10.00% contract amt in 19 - expected 10% incr for 20
Value Line	5,000	4,750	5,000	5,000	0.00% no change
Flexibility - From Brokerage to Independent Research	0	100,000	100,000	100,000	0.00% no change
Subtotal	339,869	438,185	487,525	494,025	1.33%
Total Contractual - Investment	963,136	1,121,621	1,234,261	1,472,438	19.30%