

Fiscal Year 2021 Budget Request

South Dakota Investment Council

June 5/6, 2019

Budget Overview

	Expended (est) FY 2019	Received FY 2019	Received FY 2020	Budget Request LTP Base Sal (no sal pol) FY 2021	% change
PERSONAL SERVICES					
TOTAL FTEs	34.25	34.25	35.25	35.00	
BASE COMPENSATION					
Base Compensation - Investment Staff	4,784,925	4,977,473	5,286,110	5,489,858	3.85%
Base Comp - Accts, Atty, Admin, Longevity	447,335	601,762	616,756	622,695	0.96%
TOTAL STAFF - FULL TIME	5,232,260	5,579,235	5,902,866	6,112,552	3.55%
P/T Staff Attorney & Interns	38,957	63,277	64,859	24,910	-61.59%
Investment Council	3,450	6,302	6,457	6,457	0.00%
Retirement & resignation flexibility funds	0	156,961	160,885	160,885	0.00%
Benefits	927,620	1,078,516	1,183,974	1,211,013	2.28%
Total Base Compensation	6,202,287	6,884,291	7,319,041	7,515,816	2.69%
Investment Performance Incentives					
Maximum Potential Investment Perf Incentive	4,562,802	9,931,508	9,954,945	10,572,221	6.20%
Benefits	331,616	1,370,548	1,373,782	1,258,966	-8.36%
Total Investment Performance Incentives	4,894,418	11,302,056	11,328,728	11,831,187	4.44%
Total Personal Services	11,096,705	18,186,347	18,647,769	19,347,004	3.75%
OPERATING EXPENSES					
Contractual Total (see next page for further details)	1,681,014	1,865,111	2,119,753	2,422,017	14.26%
Travel	52,000	85,077	86,431	86,431	0.00%
Office Supplies & Postage	5,500	9,000	7,000	7,000	0.00%
Capital Assets	60,145	40,520	40,520	40,520	0.00%
Total Operating Expenses	1,798,659	1,999,708	2,253,704	2,555,968	13.41%
TOTAL BUDGET	12,895,364	20,186,055	20,901,473	21,902,972	4.79%
UNIT COST SUMMARY *					
Internal Expenses as % of Total Adjusted Assets		0.096%	0.097%	0.099% **	
Total Expenses as % of Total Adjusted Assets		0.344%	0.345%	0.347%	

* 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	Expended (est) FY 2019	Received FY 2019	Received FY 2020	Request FY 2021	% chng
CONTRACTUAL SERVICES					
Investment Services					
Consulting Services	54,174	80,000	130,000	180,000	38.46%
Investment Accounting, Performance Benchmarking	122,071	123,100	137,977	153,314	11.12%
Investment Databases, Newsfeeds & Quote Fees	527,264	543,636	710,436	734,267	3.35%
Investment Research Services	356,120	387,525	394,025	450,100	14.23%
Flexibility - From Brokerage to Independent Research	0	100,000	100,000	250,000	150.00%
Total Investment Services (see next page for further details)	1,059,629	1,234,261	1,472,438	1,767,681	20.05%
Administrative Expenses					
Office Rent	139,019	134,609	139,019	139,019	0.00% added 539 sf + rate incr to \$16.54 for total 8,405 sf
Bond/Liability Insurance	8,251	8,190	8,385	8,385	0.00% \$195 per fte & Council-35+8
Telephone	18,359	18,000	18,000	18,000	0.00% no change (extra one-time expenses in fy19)
Office Equip Rental/Maintenance/Misc	9,980	6,003	10,010	10,010	0.00% no change
Bureau of Info & Telecommunications (BIT)	73,096	73,530	75,718	75,718	0.00% no change - allows approx 5% incr from current
State Central Services	12,603	13,009	13,154	13,154	0.00% no change - allows approx 5% incr from current
Legislative Audit	49,333	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	271,234	271,000	276,520	282,041	2.00% increases 2% in fy 20 & 21
Seminars/Educational Programs	38,381	33,500	33,500	35,000	4.48% incr in CFA program
Business Publications	1,129	3,000	3,000	3,000	0.00% no change
Total Administrative Expenses	621,385	630,850	647,315	654,336	1.08%
TOTAL CONTRACTUAL SERVICES	1,681,014	1,865,111	2,119,753	2,422,017	14.26%
TRAVEL	52,000	85,077	86,431	86,431	0.00% no change
OFFICE SUPPLIES & POSTAGE	5,500	9,000	7,000	7,000	0.00% less postage used, toner moved to contractual
CAPITAL ASSETS	60,145	40,520	40,520	40,520	0.00% furniture & computer upgrades
TOTAL OPERATING EXPENSES	1,798,659	1,999,708	2,253,704	2,555,968	13.41%

Investment Services Details

	Expended (est) FY 2019	Received FY 2019	Received FY 2020	Request FY 2021	
<u>INVESTMENT SERVICES-DETAILED</u>					
Consulting Services					
Benchmarking/Compensation	2,750	30,000	30,000	30,000	0.00% no change
Legal Consulting Services	51,424	50,000	100,000	150,000	50.00% increase for potential high yield legal cons
Subtotal	54,174	80,000	130,000	180,000	38.46%
Investment Accounting, Performance, Benchmarking					
BNY/Mellon Performance & Risk Analysis	7,500	8,000	8,000	8,000	0.00% no change
S&P 1200	15,750	15,000	16,537	17,364	5.00% allows 5% from current level in 20 & 21
S&P 1200 Custom	0	2,000	0	10,000	100.00% adding custom index re emerging markets
S&P US	12,705	11,000	13,340	14,000	4.95% allows 5% from current level in 20 & 21
FTSE Index	13,400	14,100	14,100	14,800	4.96% allows 5% from current level in 20 & 21
Cusip Global Services	10,000	10,000	20,000	20,000	0.00% no change - expected incr from current exp
Portia	62,716	63,000	66,000	69,150	4.77% 5% incr from current level in 20 & 21
Subtotal	122,071	123,100	137,977	153,314	11.12%
Investment Databases, Newsfeeds & Quote Fees					
Bloomberg	114,745	124,362	124,362	130,315	4.79% allows 5% from current level in 20 & 21
Trade Order Management System	12,500	0	175,000	175,000	new new service - allows expansion in FY21
Factset	271,555	257,264	257,264	270,000	4.95% expect rate flat due to adding OMS with Factset
Refinitiv (previously Reuters Fundamental Index)	46,320	47,628	47,628	49,140	3.17% allows 3% incr in FY20 & 21 from current exp
Quote Fees (incl. Bloomberg/Factset)	28,865	62,182	52,182	52,182	0.00% no change - allows for increased int'l live quotes
Dow Jones News Service	53,279	52,200	54,000	57,630	6.72% allows 3% incr in FY20 & 21 from current exp
Subtotal	527,264	543,636	710,436	734,267	3.35%
Investment Research Services					
GNA Services-Gimme Credit FI Research	17,820	25,000	25,000	25,000	0.00% no change - allows for flexibility & increases
Credit Sights	86,000	86,000	86,000	135,000	56.98% expanded services - incr to indicated level
Reorg Research	80,000	85,000	85,000	85,000	0.00% allows approx 3% incr from current level in 20 & 21
Insider Score	25,000	26,525	26,525	26,525	0.00% allows 3% incr from current level in 20 & 21
Boyers Intrinsic Value	17,500	15,000	15,000	18,500	23.33% incr to allow for 3% incr from current level
Morningstar	60,000	80,000	80,000	80,000	0.00% no change - allows for price incr & add'l users
S&P Capital IQ	65,000	65,000	71,500	75,075	5.00% incr by 5% in fy21 for expced increase
Value Line	4,800	5,000	5,000	5,000	0.00% no change
Flexibility - From Brokerage to Independent Research	0	100,000	100,000	250,000	150.00% Expect shift to unbunding for brokerage research
Subtotal	356,120	487,525	494,025	700,100	41.71%
Total Contractual - Investment	1,059,629	1,234,261	1,472,438	1,767,681	20.05%