

Fiscal Year 2022 Budget Request

South Dakota Investment Council

August 27, 2020

Budget Overview

	Expended FY 2020	Received FY 2020	Received FY 2021	Budget Request LTP Base Sal (no sal pol) FY 2022	% change
PERSONAL SERVICES					
TOTAL FTEs	34.25	35.25	35.00	35.00	
BASE COMPENSATION					
Base Compensation - Investment Staff	5,059,707	5,286,110	5,595,504	5,840,393	4.38%
Base Comp - Accts, Atty, Admin, Longevity	496,269	616,756	638,364	628,821	-1.49%
TOTAL STAFF - FULL TIME	5,555,976	5,902,866	6,233,868	6,469,215	3.78%
P/T Staff Attorney & Interns	39,910	64,859	25,399	25,399	0.00%
Investment Council	2,700	6,457	6,585	6,585	0.00%
Retirement & resignation flexibility funds	27,548	160,885	164,103	164,103	0.00%
Benefits	1,113,061	1,253,776	1,253,445	1,286,361	2.63%
Total Base Compensation	6,739,195	7,388,843	7,683,400	7,951,663	3.49%
Investment Performance Incentives					
Maximum Potential Investment Perf Incentive	1,925,262	9,954,945	10,572,221	11,191,008	5.85%
Benefits	189,544	1,373,782	1,258,966	1,344,359	6.78%
Total Investment Performance Incentives	2,114,806	11,328,728	11,831,187	12,535,367	5.95%
Total Personal Services	8,854,000	18,717,571	19,514,587	20,487,030	4.98%
OPERATING EXPENSES					
Contractual Total (see next page for further details)	1,721,055	2,121,205	2,423,688	2,361,205	-2.58%
Travel	31,269	86,431	86,431	86,431	0.00%
Office Supplies	2,895	7,000	7,000	7,000	0.00%
Capital Assets	40,725	40,520	40,520	40,520	0.00%
Total Operating Expenses	1,795,944	2,255,156	2,557,639	2,495,156	-2.44%
TOTAL BUDGET	10,649,945	20,972,727	22,072,226	22,982,186	4.12%
UNIT COST SUMMARY *					
Internal Expenses as % of Total Adjusted Assets			0.100%	0.101%	
Total Expenses as % of Total Adjusted Assets			0.347%	0.349%	

* For FY 21 & 22--unit cost based on total assets adjusted to long-term value, expenses using assumed average investment performance incentives, long-term average of retirement & resignation flexibility funds, and an assumed 2.25% salary policy.

Operating Budget

	<u>Expended</u> <u>FY 2020</u>	<u>Received</u> <u>FY 2020</u>	<u>Received</u> <u>FY 2021</u>	<u>Request</u> <u>FY 2022</u>	<u>% chng</u>
CONTRACTUAL SERVICES					
Investment Services					
Consulting Services	16,675	130,000	180,000	180,000	0.00%
Investment Accounting, Performance Benchmarking	146,706	137,977	153,314	160,924	4.96%
Investment Databases, Newsfeeds & Quote Fees	643,560	710,436	734,267	734,267	0.00%
Investment Research Services	291,850	394,025	450,100	378,655	-15.87%
Flexibility - From Brokerage to Independent Research	0	100,000	250,000	250,000	0.00%
Total Investment Services (see next page for further details)	1,098,791	1,472,438	1,767,681	1,703,846	-3.61%
Administrative Expenses					
Office Rent	139,019	139,019	139,019	139,019	0.00% no change - renews in May of 2022
Bond/Liability Insurance	8,279	8,385	8,385	8,385	0.00% \$195 per fte & Council-35+8
Telephone	17,055	18,000	18,000	18,000	0.00% no change
Office Equip Rental/Maintenance/Misc	4,266	10,017	10,016	10,016	0.00% no change
Bureau of Info & Telecommunications (BIT)	78,462	76,971	77,165	82,385	6.76% allows 5% incr from current exp
State Central Services	11,487	13,346	13,372	13,372	0.00% no change - allows approx 5% incr in FY21 & 22
Legislative Audit	54,885	51,500	51,500	60,510	17.50% allows 5% incr from current exp in FY21 & 22
Attorney General's Office - Legal Services	0	18,509	18,509	0	-100.00% decrease use of AG staff due to legal consultant
Custodial Fees - Global	276,520	276,520	282,041	287,672	2.00% increases 2% in fy 21 & 22
Seminars/Educational Programs	30,978	33,500	35,000	35,000	0.00% no change
Business Publications	1,312	3,000	3,000	3,000	0.00% no change
Total Administrative Expenses	622,264	648,767	656,007	657,359	0.21%
TOTAL CONTRACTUAL SERVICES	1,721,055	2,121,205	2,423,688	2,361,205	-2.58%
TRAVEL	31,269	86,431	86,431	86,431	0.00% no change
OFFICE SUPPLIES & POSTAGE	2,895	7,000	7,000	7,000	0.00% no change
CAPITAL ASSETS	40,725	40,520	40,520	40,520	0.00% furniture & computer upgrades
TOTAL OPERATING EXPENSES	1,795,945	2,255,156	2,557,639	2,495,156	-2.44%

Investment Services Details

	Expended FY 2020	Received FY 2020	Received FY 2021	Request FY 2022	
<u>INVESTMENT SERVICES-DETAILED</u>					
Consulting Services					
Benchmarking/Compensation	0	30,000	30,000	30,000	0.00% no change
Legal Consulting Services	16,675	100,000	150,000	150,000	0.00% allows flexibility for high yield cons
Subtotal	16,675	130,000	180,000	180,000	0.00%
Investment Accounting, Performance, Benchmarking					
BNY/Mellon Performance & Risk Analysis	7,500	8,000	8,000	8,000	0.00% no change
S&P 1200	16,538	16,537	17,364	17,364	0.00% allows 5% incr from current level
S&P 1200 Custom	7,500	0	10,000	10,000	0.00% no change
S&P US	13,340	13,340	14,000	14,000	0.00% allows 5% incr from current level
FTSE Index	13,976	14,100	14,800	14,800	0.00% allows 2.25% incr from current level in 21 & 22
Cusip Global Services	21,000	20,000	20,000	23,152	15.76% allows 5% incr from current level in 21 & 22
MSCI Index	1,000	0	0	1,000	100.00% new
Portia	65,852	66,000	69,150	72,608	5.00% 5% incr from current level in 21 & 22
Subtotal	146,706	137,977	153,314	160,924	4.96%
Investment Databases, Newsfeeds & Quote Fees					
Bloomberg	118,475	124,362	130,315	130,315	0.00% allows 5% from current level in 21 & 22
Trade Order Management System	112,500	175,000	175,000	175,000	0.00% current contract \$150k - expect incr in FY22
Factset	275,907	257,264	270,000	270,000	0.00% no change
Refinitiv (previously Reuters Fundamental Index)	46,320	47,628	49,140	49,140	0.00% allows 3% incr in FY21 & 22 from current exp
Quote Fees (incl. Bloomberg/Factset)	33,329	52,182	52,182	52,182	0.00% no change-allows for increased int'l live quotes
Dow Jones News Service	57,029	54,000	57,630	57,630	0.00% no change
Subtotal	643,560	710,436	734,267	734,267	0.00%
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	100,000	86,000	135,000	135,000	0.00% negotiated price for FY22
Reorg Research	65,000	85,000	85,000	85,000	0.00% negotiated 72k in FY21-expect incr in FY22
Insider Score	26,250	26,525	26,525	27,850	5.00% allows 3% incr from current level in 21 & 22
Boyers Intrinsic Value	15,500	15,000	18,500	18,500	0.00% no change-allows for price incr
Morningstar	60,000	80,000	80,000	80,000	0.00% no change-allows for price incr & add'l users
S&P Capital IQ	0	71,500	75,075	0	-100.00% cancelled
Steel Market Update	2,305	0	0	2,305	100.00% new
Value Line	4,975	5,000	5,000	5,000	0.00% no change
Flexibility - From Brokerage to Independent Research	0	100,000	250,000	250,000	0.00% Delay shift to unbundling brokerage research
Subtotal	291,850	494,025	700,100	628,655	-10.20%
Total Contractual - Investment	1,098,791	1,472,438	1,767,681	1,703,846	-3.61%