

# **Fiscal Year 2023 Budget Request**

South Dakota Investment Council

June 3, 2021

# Budget Overview

	<u>Expended (Est)</u> <u>FY 2021</u>	<u>Received</u> <u>FY 2021</u>	<u>Received</u> <u>FY 2022</u>	<u>Request</u> <u>FY 2023</u>	<u>% change</u>
<b>PERSONAL SERVICES</b>					
<b>TOTAL FTEs</b>	34.25	35.00	35.00	35.00	
<b>BASE COMPENSATION</b>					
Base Compensation - Investment Staff	5,187,679	5,595,504	5,924,242	6,138,506	3.62%
Base Comp - Admin, Acct, Legal, Longevity	432,747	626,820	691,805	698,107	0.91%
<b>TOTAL STAFF - FULL TIME</b>	<b>5,620,426</b>	<b>6,222,325</b>	<b>6,616,047</b>	<b>6,836,614</b>	<b>3.33%</b>
Part-Time - Legal & Interns	55,886	36,942	83,422	83,422	0.00%
Investment Council	2,175	6,585	6,790	6,790	0.00%
Retirement & resignation flexibility funds	0	164,103	167,795	167,795	0.00%
Benefits	1,070,715	1,253,445	1,286,459	1,309,097	1.76%
<b>Total Base Compensation</b>	<b>6,749,202</b>	<b>7,683,400</b>	<b>8,160,513</b>	<b>8,403,718</b>	<b>2.98%</b>
<b>Investment Performance Incentives</b>					
Maximum Potential Investment Perf Incentive	1,187,866	10,572,221	11,191,009	11,848,483	5.88%
Benefits	127,057	1,258,966	1,344,359	1,435,091	6.75%
<b>Total Investment Performance Incentives</b>	<b>1,314,923</b>	<b>11,831,187</b>	<b>12,535,368</b>	<b>13,283,574</b>	<b>5.97%</b>
<b>Total Personal Services</b>	<b>8,064,125</b>	<b>19,514,587</b>	<b>20,695,881</b>	<b>21,687,291</b>	<b>4.79%</b>
<b>OPERATING EXPENSES</b>					
Contractual Total (see next page for further details)	1,828,502	2,434,567	2,372,642	2,450,903	3.30%
Travel	1,000	86,431	86,431	86,431	0.00%
Office Supplies	2,500	7,000	7,000	7,000	0.00%
Capital Assets	11,000	40,520	40,520	40,520	0.00%
<b>Total Operating Expenses</b>	<b>1,843,002</b>	<b>2,568,518</b>	<b>2,506,593</b>	<b>2,584,854</b>	<b>3.12%</b>
<b>TOTAL BUDGET</b>	<b>9,907,127</b>	<b>22,083,105</b>	<b>23,202,474</b>	<b>24,272,146</b>	<b>4.61%</b>
<b>UNIT COST SUMMARY *</b>					
Internal Expenses as % of Total Adjusted Assets			0.097%	0.097%	
Total Expenses as % of Total Adjusted Assets			0.363%	0.363%	

\* For FY 22 & 23--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

	Expended (Est) <u>FY 2021</u>	Received <u>FY 2021</u>	Received <u>FY 2022</u>	Request <u>FY 2023</u>	% chng
<b>CONTRACTUAL SERVICES</b>					
<b>Investment Services</b>					
Consulting Services	23,244	180,000	180,000	180,000	0.00%
Investment Accounting, Performance Benchmarking	149,515	153,314	160,924	175,451	9.03%
Investment Databases, Newsfeeds & Quote Fees	684,836	734,267	734,267	762,722	3.88%
Investment Research Services	336,652	450,100	378,655	419,200	10.71%
Flexibility - From Brokerage to Independent Research	0	250,000	250,000	225,000	-10.00%
<b>Total Investment Services</b> (see next page for further details)	<b>1,194,247</b>	<b>1,767,681</b>	<b>1,703,846</b>	<b>1,762,373</b>	<b>3.43%</b>
<b>Administrative Expenses</b>					
Office Rent	139,019	139,019	139,019	153,000	10.06% renews in May of 2022 allows 10% inc
Bond/Liability Insurance	10,221	8,385	8,385	8,385	0.00% \$195 per fte & Council-35+8
Telephone	16,016	18,000	18,000	18,000	0.00% no change
Office Equip Rental/Maintenance/Misc	5,010	10,016	10,020	10,020	0.00% no change
Bureau of Info & Telecommunications (BIT)	89,579	88,044	93,635	93,635	0.00% no change-likely to receive more from approps
State Central Services	10,803	13,372	13,555	13,555	0.00% no change-likely to receive more from approps
Legislative Audit	50,878	51,500	60,510	60,510	0.00% allows 5% incr from current exp in FY21 & 22
Attorney General's Office - Legal Services	0	18,509	0	0	0.00% decrease use of AG staff due to legal consultant
Custodial Fees - Global	282,059	282,041	287,672	293,425	2.00% increases 2% in fy 21 & 22
Seminars/Educational Programs	21,726	35,000	35,000	35,000	0.00% no change
Business Publications	575	3,000	3,000	3,000	0.00% no change
<b>Total Administrative Expenses</b>	<b>625,887</b>	<b>666,886</b>	<b>668,796</b>	<b>688,530</b>	<b>2.95%</b>
<b>TOTAL CONTRACTUAL SERVICES</b>	<b>1,820,134</b>	<b>2,434,567</b>	<b>2,372,642</b>	<b>2,450,903</b>	<b>3.30%</b>
<b>TRAVEL</b>	1,000	86,431	86,431	86,431	0.00% no change
<b>OFFICE SUPPLIES &amp; POSTAGE</b>	2,500	7,000	7,000	7,000	0.00% no change
<b>CAPITAL ASSETS</b>	11,000	40,520	40,520	40,520	0.00% furniture & computer upgrades
<b>TOTAL OPERATING EXPENSES</b>	<b>1,834,634</b>	<b>2,568,518</b>	<b>2,506,593</b>	<b>2,584,854</b>	<b>3.12%</b>

# Investment Services Details

	Expended (Est) FY 2021	Received FY 2021	Received FY 2022	Request FY 2023	
<b><u>INVESTMENT SERVICES-DETAILED</u></b>					
Consulting Services					
Benchmarking/Compensation	0	30,000	30,000	30,000	0.00% no change
Legal Consulting Services	16,824	150,000	150,000	150,000	0.00% allows flexibility for high yield cons
Subtotal	16,824	180,000	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	17,364	17,364	17,364	0.00% allows 5% incr from current level
S&P 1200 Custom	5,000	10,000	10,000	10,000	0.00% no change
S&P US	14,007	14,000	14,000	14,700	5.00% allows 5% incr from current level
FTSE Index	14,326	14,800	14,800	15,000	1.35% allows 2.25% incr from current level in 22 & 23
Cusip Global Services	21,000	20,000	23,152	23,152	0.00% no change
MSCI Index	1,000	0	1,000	1,000	0.00% no change
Portia	69,144	69,150	72,608	86,235	18.77% 5% incr from current level in 22 & 23 plus upgrade
Subtotal	148,515	153,314	160,924	175,451	9.03%
Investment Databases, Newsfeeds & Quote Fees					
Bloomberg	125,365	130,315	130,315	138,200	6.05% allows 5% from current level in 22 & 23
Trade Order Management System	150,000	175,000	175,000	175,000	0.00% current contract \$150k - expect incr in FY22
Factset	275,027	270,000	270,000	303,200	12.30% allows 5% from current level in 22 & 23
Refinitiv (previously Reuters Fundamental Index)	46,320	49,140	49,140	49,140	0.00% allows 3% incr from current exp in 22 & 23
Quote Fees (incl. Bloomberg/Factset)	34,674	52,182	52,182	52,182	0.00% no change-allows for increased intl live quotes
Dow Jones News Service	57,457	57,630	57,630	45,000	-21.92% Renegotiated rate
Subtotal	688,843	734,267	734,267	762,722	3.88%
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	125,000	135,000	135,000	150,000	11.11% negotiated price for FY23
Reorg Research	72,000	85,000	85,000	85,000	0.00% expect inc in 22 & 23
Insider Score	26,250	26,525	27,850	27,850	0.00% allows 3% incr from current level in 22 & 23
Boyers Intrinsic Value	15,500	18,500	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	75,075	0	0	0.00% cancelled
Steel Market Update	2,582	0	2,305	2,850	23.64% allows 5% incr from current level in 22 & 23
Value Line	5,000	5,000	5,000	5,000	0.00% no change
Greenstreet	12,500	0	0	25,000	100.00% new
Flexibility - From Brokerage to Independent Research	0	250,000	250,000	225,000	-10.00% Delay shift to unbundling brokerage research
Subtotal	336,652	700,100	628,655	644,200	2.47%
<b>Total Contractual - Investment</b>	<b>1,190,834</b>	<b>1,767,681</b>	<b>1,703,846</b>	<b>1,762,373</b>	<b>3.43%</b>