

# **Fiscal Year 2024 Budget Request**

South Dakota Investment Council

June 2, 2022

# Budget Overview

	<b>Expended (Est) FY 2022</b>	<b>Received FY 2022</b>	<b>Received FY 2023</b>	<b>Request FY 2024</b>	<b>% change</b>
<b>PERSONAL SERVICES</b>					
<b>TOTAL FTEs</b>	34.25	35.00	35.00	35.00	
<b>BASE COMPENSATION</b>					
Base Compensation - Investment Staff	4,986,472	5,924,242	6,494,589	6,263,428	-3.56%
Base Comp - Admin, Acct, Legal, Longevity	461,202	691,805	739,095	687,960	-6.92%
<b>TOTAL STAFF - FULL TIME</b>	<b>5,447,674</b>	<b>6,616,047</b>	<b>7,233,684</b>	<b>6,951,388</b>	<b>-3.90%</b>
Part-Time - Legal & Interns	57,228	83,422	89,429	90,053	0.70%
Investment Council	2,025	6,790	7,197	7,359	2.25%
Retirement & resignation flexibility funds	216,420	167,795	189,989	189,989	0.00%
Benefits	948,908	1,286,459	1,367,668	1,334,999	-2.39%
<b>Total Base Compensation</b>	<b>6,672,256</b>	<b>8,160,513</b>	<b>8,887,966</b>	<b>8,573,788</b>	<b>-3.53%</b>
<b>Investment Performance Incentives</b>					
Maximum Potential Investment Perf Incentive	1,821,039	11,191,009	11,848,483	12,989,177	9.63%
Benefits	199,518	1,344,359	1,435,090	1,592,506	10.97%
<b>Total Investment Performance Incentives</b>	<b>2,020,557</b>	<b>12,535,368</b>	<b>13,283,573</b>	<b>14,581,684</b>	<b>9.77%</b>
<b>Total Personal Services</b>	<b>8,692,813</b>	<b>20,695,881</b>	<b>22,171,539</b>	<b>23,155,472</b>	<b>4.44%</b>
<b>OPERATING EXPENSES</b>					
Contractual Total (see next page for further details)	1,837,817	2,372,642	2,454,980	2,635,435	7.35%
Travel	5,376	86,431	86,431	86,431	0.00%
Office Supplies	4,736	7,000	7,000	7,000	0.00%
Capital Assets	10,788	40,520	40,520	40,520	0.00%
<b>Total Operating Expenses</b>	<b>1,858,716</b>	<b>2,506,593</b>	<b>2,588,931</b>	<b>2,769,386</b>	<b>6.97%</b>
<b>TOTAL BUDGET</b>	<b>10,551,529</b>	<b>23,202,474</b>	<b>24,760,469</b>	<b>25,924,858</b>	<b>4.70%</b>
<b>UNIT COST SUMMARY *</b>					
Internal Expenses as % of Total Adjusted Assets			0.096%	0.094%	
Total Expenses as % of Total Adjusted Assets			0.362%	0.360%	

\* For FY 23 & 24--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 2.5% salary policy.

# Operating Budget

	Expended (Est) FY 2022	Received FY 2022	Received FY 2023	Request FY 2024	% chng
<b>CONTRACTUAL SERVICES</b>					
<b>Investment Services</b>					
Consulting Services	5,948	180,000	180,000	180,000	0.00%
Investment Accounting, Performance Benchmarking	187,976	160,924	175,451	251,377	43.27%
Investment Databases, Newsfeeds & Quote Fees	627,164	734,267	762,722	802,063	5.16%
Investment Research Services	376,620	378,655	419,200	450,910	7.56%
Flexibility - From Brokerage to Independent Research	0	250,000	225,000	225,000	0.00%
<b>Total Investment Services</b> (see next page for further details)	1,197,707	1,703,846	1,762,373	1,909,350	8.34%
<b>Administrative Expenses</b>					
Office Rent	139,019	139,019	153,000	160,000	4.58% renews in May of 2023 allows 15% inc
Bond/Liability Insurance	7,865	8,385	8,385	8,385	0.00% \$195 per fte & Council-35+8
Telephone	16,924	18,000	18,000	18,000	0.00% no change
Office Equip Rental/Maintenance/Misc	4,873	10,020	10,031	10,031	0.00% no change
Bureau of Info & Telecommunications (BIT)	83,696	93,635	97,218	97,218	0.00% no change-likely to receive more from approps
State Central Services	11,385	13,555	14,038	14,038	0.00% no change-likely to receive more from approps
Legislative Audit	61,584	60,510	60,510	65,351	8.00% allows 8% incr from FY 23
Janitorial	0	-	0	11,400	0.00% new-previously included in rent
Custodial Fees - Global	290,068	287,672	293,425	305,162	4.00% allows 4% incr from FY 23
Seminars/Educational Programs	23,859	35,000	35,000	35,000	0.00% no change
Business Publications	838	3,000	3,000	1,500	-50.00% reduction in business publications
<b>Total Administrative Expenses</b>	640,110	668,796	692,607	726,085	4.83%
<b>TOTAL CONTRACTUAL SERVICES</b>	1,837,817	2,372,642	2,454,980	2,635,435	7.35%
<b>TRAVEL</b>	5,376	86,431	86,431	86,431	0.00% no change
<b>OFFICE SUPPLIES &amp; POSTAGE</b>	4,736	7,000	7,000	7,000	0.00% no change
<b>CAPITAL ASSETS</b>	10,788	40,520	40,520	40,520	0.00% furniture & computer upgrades
<b>TOTAL OPERATING EXPENSES</b>	1,858,716	2,506,593	2,588,931	2,769,386	6.97%

# Investment Services Details

	Expended (Est) FY 2022	Received FY 2022	Received FY 2023	Request FY 2024	
<b><u>INVESTMENT SERVICES-DETAILED</u></b>					
Consulting Services					
Benchmarking/Compensation	4,000	30,000	30,000	30,000	0.00% no change
Legal Consulting Services	1,948	150,000	150,000	150,000	0.00% allows flexibility for high yield cons
Subtotal	5,948	180,000	180,000	180,000	0.00%
Investment Accounting, Performance, Benchmarking					
BNY/Mellon Performance & Risk Analysis	7,500	8,000	8,000	8,400	5.00% allows 5% incr from FY 23
S&P 1200	17,364	17,364	17,364	18,232	5.00% allows 5% incr from FY 23
S&P 1200 Custom	15,000	10,000	10,000	10,000	0.00% no change
S&P US	14,427	14,000	14,700	15,435	5.00% allows 5% incr from FY 23
FTSE Index	14,684	14,800	15,000	20,000	33.33% potential custom index
Cusip Global Services	21,000	23,152	23,152	24,310	5.00% allows 5% incr from FY 23
MSCI Index	28,000	1,000	1,000	30,000	New added services & renegotiated contract
Portia	70,000	72,608	86,235	125,000	44.95% planned software upgrade
Subtotal	187,976	160,924	175,451	251,377	43.27%
Investment Databases, Newsfeeds & Quote Fees					
Bloomberg	121,300	130,315	138,200	145,110	5.00% allows 5% incr from FY 23
Trade Order Management System	137,500	175,000	175,000	183,750	5.00% allows 5% incr from FY 23
Factset	248,972	270,000	303,200	324,424	7.00% allows 7% incr from FY 23
Refinitiv (previously Reuters Fundamental Index)	46,320	49,140	49,140	51,597	5.00% allows 5% incr from FY 23
Quote Fees (incl. Bloomberg/Factset)	33,955	52,182	52,182	52,182	0.00% no change-allows for increased int'l live quotes
Dow Jones News Service	39,116	57,630	45,000	45,000	0.00% no change
Subtotal	627,164	734,267	762,722	802,063	5.16%
Investment Research Services					
GNA Services-Gimme Credit FI Research	17,820	25,000	25,000	26,250	5.00% allows 5% incr from FY 23
Credit Sights	135,000	135,000	150,000	157,500	5.00% allows 5% incr from FY 23
Reorg Research	84,000	85,000	85,000	100,000	17.65% expect inc in 24
Insider Score	27,563	27,850	27,850	29,243	5.00% allows 5% incr from FY 23
Boyers Intrinsic Value	15,500	18,500	18,500	19,425	5.00% allows 5% incr from FY 23
Morningstar	63,000	80,000	80,000	84,000	5.00% allows 5% incr from FY 23
Steel Market Update	2,800	2,305	2,850	2,993	5.00% allows 5% incr from FY 23
Value Line	5,000	5,000	5,000	5,250	5.00% allows 5% incr from FY 23
Greenstreet	25,938	0	25,000	26,250	5.00% allows 5% incr from FY 23
Flexibility - From Brokerage to Independent Research	0	250,000	225,000	225,000	0.00% Delay shift to unbundling brokerage research
Subtotal	376,620	628,655	644,200	675,910	4.92%
<b>Total Contractual - Investment</b>	<b>1,197,707</b>	<b>1,703,846</b>	<b>1,762,373</b>	<b>1,909,350</b>	<b>8.34%</b>