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SD Retirement System recovers investment losses

AP Associated Press By CHET BROKAW - Associated Press | AP -- Mon, Aug 22, 2011

PIERRE, S.D. (AP) — The South Dakota Retirement System ended its latest financial year with \$1.6 billion more than it had a year ago thanks to robust investment earnings that will allow a larger increase in pension payments next summer, officials said Monday.

The 26 percent gain in assets during the 12-month period means the system was fully funded as of June 30, the annual date for measuring the system's financial condition. That means its assets are 100 percent of the value of all potential future benefits to be paid to retirees, said Rob Wylie, the system's executive director.

Only a few similar state pension plans around the nation are in as good shape as the South Dakota Retirement System, which provides pensions for state and local government employees, Wylie told the Legislature's Executive Board, which handles administrative matters for the Legislature. The average system is only about 80 percent funded, he said.

The good investment return has given the South Dakota pension system a reserve of about \$500 million above its liabilities, Wylie said.

"A good performance has done amazing things," Wylie said.

Because the value of assets fell during the recession, the annual cost-of-living adjustment for retirees in the system has been held at 2.1 percent for the past two years. The improved financial health of the system means pension payments will increase by 3.1 percent next July, he said.

Wylie said the value of the Retirement System's assets has fallen by about 7 percent, or approximately \$560 million, since July 1. But investment officials said those assets will fluctuate daily in the current turbulent stock market.

The system's assets peaked at \$8.2 billion before the national recession, but fell to \$5.6 billion by June 2009. After gaining 18.7 percent a year ago and nearly 26 percent in the past year, the system had \$7.9 billion in assets as of June 30 — a gain of more than \$1.6 billion from a year earlier.

The system has more than 70,000 members, and most are still working. It includes employees of state government, cities, counties and school districts, and pays more than \$300 million a year in retirement benefits.

The Investment Office earned an extra \$245 million last year by exceeding the average earnings of similar pension plans around the nation, said Joseph Anglin, chairman of the council that sets investment policies.

Based on the good investment returns, the Executive Board voted to give State Investment Officer Matt Clark an incentive bonus of \$263,203, or 67.8 percent of his annual base salary of \$368,938. Clark's annual bonus, which is added to his base pay, is calculated under a formula that takes into account investment returns for the past year and the previous four years. Other senior staff at the Investment Office also receive bonuses.

Sen. Larry Tidemann said the Investment Office staff deserves the bonuses.

"Looking back two years ago, we never thought we'd be back up to the level we are. It was due to the diligence of the Investment Council and the Investment Office," Tidemann said.

Clark told lawmakers that trust funds supporting education and health care programs also grew by more than 20 percent last year.