SOUTH DAKOTA CEMENT PLANT RETIREMENT FUND

AUDIT REPORT

Fiscal Year Ended June 30, 2013

SOUTH DAKOTA CEMENT PLANT RETIREMENT FUND
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Dennis Daugaard
Governor of South Dakota

and

Board of Trustees
South Dakota Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Dakota Cement Plant Retirement Fund, which comprise the statement of plan net position as of June 30, 2013, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Dakota Retirement System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Dakota Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Dakota Retirement System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dakota Cement Plant Retirement Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

November 20, 2013

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard
Governor of South Dakota

and

Board of Trustees
South Dakota Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes to the financial statements of the South Dakota Cement Plant Retirement Fund, a fund of the State of South Dakota, as of and for the year ended June 30, 2013, which collectively comprise the South Dakota Cement Plant Retirement Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Cement Plant Retirement Fund as of June 30, 2013, and the changes in its plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the financial statements include investments valued at $18,318,991 (34% of financial position) whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

The financial statements present only the financial position and changes in financial position of the Cement Plant Retirement Fund. They do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2013, and the changes in its financial position and its cash flows, where applicable, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Plan's Funding Progress and Schedule of Employer Contributions on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the South Dakota Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Retirement System's internal control over financial reporting and compliance.

Martin L. Guindon, CPA
Auditor General

November 20, 2013

SOUTH DAKOTA CEMENT PLANT RETIREMENT FUND
STATEMENT OF PLAN NET POSITION
JUNE 30, 2013

ASSETS		
Cash and Cash Equivalents	$	2,938,366
Receivables:		
Unsettled Investment Sales		229,558
Investment Income		127,395
Due from Brokers - Futures Transactions		5,241
Forward Foreign Exchange Contracts		2,019
Total Receivables		364,213
Investments, at Fair Value:		
Fixed Income		10,654,735
Equities		26,746,092
Real Estate		8,111,996
Private Equity		5,703,510
Total Investments		51,216,333
Total Assets		54,518,912
LIABILITY		
Unsettled Investment Purchases		290,876
NET POSITION		
Restricted For Pension Benefits	$	54,228,036

(A schedule of funding progress is presented in the Required Supplemental Information)

The accompanying notes are an integral part of the financial statements.

SOUTH DAKOTA CEMENT PLANT RETIREMENT FUND
STATEMENT OF CHANGES IN PLAN NET POSITION
For the Fiscal Year Ended June 30, 2013

ADDITIONS	
Contribution:	
Transfer from State General Fund	$ 2,000,000
Investment Income:	
From Investing Activities	
Net Appreciation in Fair Value of Investments	7,389,119
Interest	475,447
Dividends	694,354
Real Estate	132,081
Investment Activity Income	8,691,001
Less Investment Activity Expenses	(193,481)
Net Investment Activity Income	8,497,520
From Security Lending Activities	
Security Lending Income	6,821
Security Lending Expenses	(2,045)
Net Security Lending Activity Income	4,776
Net Investment Income	8,502,296
Total Additions	10,502,296
DEDUCTIONS	
Benefits	3,831,055
Administrative Expenses	63,173
Total Deductions	3,894,228
Change in net position	6,608,068
Net Position - beginning of the year	47,619,968
Net Position - end of the year	$ 54,228,036

The accompanying notes are an integral part of the financial statements.

1. DESCRIPTION OF PLAN AND CONTRIBUTION REQUIREMENTS

On July 1, 2010, the South Dakota Retirement System (SDRS) began administering the South Dakota Cement Plant Retirement Fund (CPRF), in conjunction to the dissolution of the South Dakota Cement Commission. The CPRF is a single-employer public employee retirement system (PERS). The CPRF consists of six defined benefit pension plans covering all former employees of the State Cement Plant. The plans are actuarially funded using the entry age normal, level percent of pay, funding method. The plan's funding policy provides for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20 year period. The most recent actuarial evaluation was prepared as of July 1, 2013.

On March 16, 2001, the State of South Dakota sold the State Cement Plant to a private corporation. As of that date the plans were frozen as to new participants, final average earnings, credited service, and primary social security benefits.

At June 30, 2013, the plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits	239
Active	26
Inactive Vested	72
Total	337

The following is a general description of the various provisions of the plan:

1. The normal retirement age is 65 and early retirement is at age 55 with the required credited service.
2. The plans provide for a disability payment for those employees disabled on or before March 16, 2001.
3. All participants in the plan on March 16, 2001 were 100% vested.
4. A survivor benefit will be paid to a surviving spouse provided:
    a. The spouse has dependent children; or
    b. The surviving spouse has attained the age of 65; or
    c. The employee has purchased the surviving spouse coverage option.
5. Upon the death of a pensioner or former employee who has reached normal retirement age the surviving spouse is eligible to receive a normal retirement benefit equal to 60% of the pension amount paid to the pensioner or former employee.
6. The improvement factor for those employees retiring before October 1, 1978 is 2 percent per year of the initial benefit amount, and for those employees retiring after September 30, 1978 and before July 1, 1999 it is 50 percent of the Consumer Price Index with a maximum of 1.43 percent (compounded) each year. The improvement factor for employees retiring after June 30, 1999 is 3.1 percent, compounded annually. For employees who become inactive vested employees after June 30, 1999 an improvement factor of 3.1% percent shall commence on the July first that is at least 12 full calendar months following date of termination.

7. The actuarial assumed rate of return on the investment of present and future assets of 6.75 percent per year net of expenses.

Benefit and contribution provisions are established by the Administrative Rules as adopted by the SDRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying financial statements of the CPRF are prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting:

The financial statements are reported on the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Security transactions and the related gains and losses are recorded on a trade date basis, using the average cost method. Purchases and sales of foreign investments and the related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the Statement of Changes in Plan Net Position. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

Cash and Cash Equivalents:

Cash includes demand deposits and foreign currency cash balances. Cash equivalents include short-term investments with original maturities of three months or less. Foreign currency cash balances are translated into U.S. dollars using the year-end spot foreign currency exchange rates. Other cash equivalents are valued at cost plus accrued interest.

Valuation of Securities:

Investments are reported at fair value, which approximates market value, in accordance with GASB Statement No. 31. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Certificates of deposit are reported at cost and U.S. Treasury bills at cost plus accrued interest, which is a reasonable estimate of fair value. Fair values for the fixed income securities are index prices obtained from Bank of America Merrill Lynch for investment-grade and high yield securities, Citigroup Global Markets for agency mortgage-backed securities, and Bloomberg Financial Markets for short term (less than one year) fixed income securities. Domestic and Canadian equity security fair values are obtained from FT Interactive Data and are based on the composite price which is the last price transmitted for a security. Non-Canadian foreign equity security values are obtained from Exshare and are based on an exchange-specific closing price for a security. Spot foreign currency exchange rates are obtained from Reuters. Investments denominated in foreign currencies are translated into U.S. dollars using the year-end spot foreign currency exchange rates. Fair values of foreign currency forward contracts are obtained from Bloomberg Financial Markets.

Alternative investments consist of investments in a variety of markets and industries through limited partnerships, corporate entities, co-investments, and other investment vehicles. For investments where no readily determinable fair value exists, the South Dakota Investment Council (SDIC) valuation estimates are based on valuations of the underlying companies as determined and reported by the fund manager or general partner. For all of these alternative investments, the SDIC has determined that the net asset value reported by the underlying fund approximates the fair value of the investment. These fair value estimates are subjective and based on judgment. The alternative investments fair values as a percentage of plan net position on June 30, 2013 for the CPRF were 34%.

Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments. Futures contracts are marked to market based on quoted future prices with changes in fair value reflected in the current period.

Use of Estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of plan net position at June 30, 2013. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans-an amendment of GASB Statement 25. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting and require enhanced note disclosures and schedules of required supplementary information, including information about pension plan governance, investment policies, and the annual money-weighted rates of return on pension plan investments. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Administration is currently evaluating the impact of the adoption of this statement on the CPRF's financial statements.

3. FUNDED STATUS AND FUNDING PROGRESS

In the July 1, 2013 actuarial valuation, the actuarial cost method used was entry age normal and the amortization method used was level dollar for the unfunded liability. The actuarial assumptions included a 6.75% investment rate of return. The actuarial value of assets was determined by the market value. The remaining amortization period at July 1, 2013 was 15 years. The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
$ 54,228,036	$ 61,826,531	$ 7,598,495	87.7%

The schedules of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

4. DEPOSITS AND INVESTMENTS

The State Investment Officer is responsible for the investment of the CPRF. The CPRF portfolio is governed by the prudent man rule; that is, the SDIC should use the same degree of care as a prudent man. The SDIC dictates the limits on the percent the portfolio invests in various asset classes.

Deposits:

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The SDIC has a formal deposit policy specific to custodial credit risk for the global equity portfolio of the CPRF. The policy states that the USD equivalent of any non-USD currency cannot exceed 2.0% of the portfolio fair value on a trade date + 7 day basis and aggregate cash (including USD) cannot exceed 4.0% of the portfolio fair value. On June 30, 2013, the CPRF portfolio had bank balances in various foreign currencies. These deposits are not collateralized or covered by depository insurance. As a result, the following amount was exposed to custodial credit risk:

	Cement Plant Retirement Portfolio
Foreign Currency Balance	$ 29,575

Investments:

Securities Lending: State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. The SDIC's securities custodian is an agent in lending securities and shall accept only U.S. Government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102% of fair value plus accrued interest for corporate debt securities, 102% of fair value for U.S. equity securities, and 105% of fair value for foreign securities except in the case of loans of foreign securities which are denominated and payable in U.S. Dollars, in which event the collateral required is 102% of fair value. The earnings generated from the collateral investments results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

At year end, the SDIC has no credit risk exposure to borrowers because the amounts the SDIC owes the borrowers exceed the amounts the borrowers owe the SDIC. The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

All securities loans can be terminated on demand by either the SDIC or the borrower. The SDIC does not have the ability to pledge or sell collateral securities unless the borrower defaults, therefore no asset and corresponding liability for the collateral value of securities received has been established on the Statement of Plan Net Position. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The SDIC's securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2013, the CPRF does not have custodial credit risk with regard to the security lending collateral.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDIC policy limits or establishes ranges for the durations of the fixed income portfolio held by the CPRF. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The CPRF investment-grade fixed income portfolio's duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. The internally-managed high yield fixed income portfolio must have a duration range of 85% to 115% of the Citigroup High-yield Cash Pay Capped Index duration. The weighted modified durations (in years) of the CPRF is listed in the following table.

Investment Type	Fair Value	Wgtd. Mod. Dur.
U.S. Treasuries	$ 980,104	6.46
U.S. Treasury Bills	109,990	0.22
U.S. Treasury STRIPS	332,921	9.99
U.S. Agencies	435,373	4.57
Investment Grade Corporates	2,561,306	4.23
High-yield Corporates	681,826	4.03
Agency Mortgage-Backed Securities	2,387,971	4.79
Non-Agency Mortgage-Backed Securities	2,544,745	0.22
Total	$ 10,034,236	
Portfolio modified duration		3.71

The CPRF fixed income portfolio invests in mortgage-backed securities. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the value of these securities. The SDIC invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The SDIC sets the investment policy annually for the CPRF portfolio. This policy establishes the benchmark percentage invested in each asset category and the minimum and maximum range that each asset category can vary during the fiscal year. At June 30, 2013, the portfolio held the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government, which are not considered to have credit risk. The investments are grouped as rated by Moody's Investors Service.

Moody's Rating	Fair Value
Aaa	$ 5,271,533
Aa	494,390
A	890,931
Baa	1,348,822
Ba	243,990
B	590,200
Caa	1,079,403
Ca	643,916
Unrated	419,147
Total	$ 10,982,332

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the CPRF. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government or involving mutual funds or investment pools) within the fund that comprise 5% of the overall fund at June 30, 2013.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The CPRF's exposure to foreign currency risk derives from its position in foreign currency and foreign currency-denominated equity investments. To match the unhedged benchmark, the SDIC's normal policy is not to hedge foreign currency back to U.S. dollars. SDIC's policy does allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The CPRF's exposure to foreign currency risk at June 30, 2013, was as follows (in U.S. dollar fair values):

Currency	Equities	Cash
Australian Dollar	$ 12,290	$ 634
British Pound	1,436,378	19,204
Canadian Dollar	245,815	2,535
Euro	1,689,433	778
Japanese Yen	1,027,649	6,424
S. Korean Won	66,916	
Swiss Franc	1,554,852	
Total	$ 6,033,333	$ 29,575

Investments with external managers, which are not included in the table above, may expose the portfolio to additional foreign currency risk. The fair values of externally-managed global equity, hedge fund, distressed, real estate, and private equity limited partnerships were as follows (in U.S. dollar fair values):

Global Equity	$ 1,098,026
Hedge Fund	458,092
Distressed	678,666
Real Estate	8,111,996
Private Equity	5,703,510
Total	$ 16,050,290

5. RATE OF RETURN

The percentage rate of return for fiscal year 2013 for the CPRF was 19%. The percentage was derived using the gross-of-fee time-weighted rate of return calculation and the geometric linking of those returns.

6. DERIVATIVES

Derivatives are generally defined as contracts whose values depend on, or derive from, the value of an underlying asset, reference rate, or index. The CPRF is exposed to various derivative products through the investment management of the SDIC and its outside managers. The following notes detail the derivatives instruments used in the SDIC's internally-managed portfolio. All of the SDIC's derivatives are classified as investment derivatives.

Futures Contracts:

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The SDIC purchases and sells futures contracts as a means of adjusting the CPRF portfolio asset allocation at a lower transaction cost than the transactions which would otherwise occur in the underlying portfolio. During fiscal year ended June 30, 2013, S&P 500 futures and 10-year U.S. Treasury Note futures were utilized in the CPRF. Upon entering into such a contract, the CPRF pledges to the broker cash or U.S. Government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, the CPRF receives or pays a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The pending variation margin at June 30, 2013, of $5,241 is presented in the Statement of Plan Net Position as "Due from brokers – futures transactions." The change in fair value of the futures contracts is presented in the Statement of Changes in Plan Net Position as "Net appreciation in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2013, was $123,378. Futures contract positions at June 30, 2013 were as follows:

Description	Expiration Date	Open Position	Number of contracts	Contract Size	Fair Value (Exposure)
10-Year US Treasury Note future	September 2013	Long	3	100,000 par value 6% US Tsy note	$ 379,688
S&P 500 future	September 2013	Short	3	$250 x S&P 500 futures price	$ (1,199,475)

Foreign Currency Forward Contracts:

The SDIC enters into foreign exchange forward contracts for the CPRF to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Plan Net Position as "Forward foreign exchange contracts". The change in fair value of the forward contracts is presented in the Statement of Changes in Plan Net Position as "Net appreciation in fair value of investments". The net change in fair value from foreign currency forward contracts for fiscal year ended June 30, 2013, was ($8,529). On June 30, 2013, the foreign currency forward contracts outstanding were as follows:

Description	Notional Amount	Value Date	Fair Value
Forward sale	282,573 Euros	8/8/2013	$ 2,019

Credit Risk. The SDIC is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. On June 30, 2013, the aggregate fair value of foreign currency forward contracts in asset positions was $2,019. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The credit ratings of the counterparties are as follows:

Moody's Credit Rating	Number of Counterparties	Fair Value
Aa3	1	$ 2,019

Interest Rate Risk. The SDIC is exposed to interest rate risk on its 10-year U.S. Treasury Note futures contract. As interest rates increase, the value of the futures contract decreases.

Foreign Currency Risk. The portfolio is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in U.S. dollars is $2,019.

7. COMMITMENTS

At June 30, 2013, the CPRF had uncalled capital commitments to private equity and real estate limited partnership funds. The commitments may be called at the discretion of the general partner or may never be called. As capital is called, it is funded from capital and earnings returned by the limited partnerships or from other assets. Approximate uncalled capital commitments at June 30, 2013, were as follows:

Private Equity	$ 3,121,230
Real Estate	1,213,816
Total	$ 4,335,046

8. SUPPLEMENTARY HISTORICAL TREND INFORMATION

Supplementary historical trend information designed to provide information about the plan's progress made in accumulating sufficient assets to pay benefits when due is presented on page 15.

9. INCOME TAX STATUS

The pension plans are tax exempt but the distributions to the pensioners are not tax exempt for federal income tax purposes.

10. SUBSEQUENT EVENT

On July 1, 2013, two million dollars was transferred from the State General Fund to the CPRF per House Bill 1185 from the 2013 Legislative Session.

SOUTH DAKOTA CEMENT PLANT RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PLAN'S FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ration	Covered Payroll	UAAL as Percentage of Covered Payroll
1/1/94	$ 16,294,300	$ 14,125,800	$ (2,168,500)	115.4%	$ 7,200,160	00.0%
1/1/96	$ 18,118,400	$ 17,087,500	$ (1,030,900)	106.0%	$ 7,703,256	00.0%
1/1/98	$ 21,307,500	$ 20,343,900	$ (963,600)	104.7%	$ 8,091,745	00.0%
1/1/00	$ 29,377,300	$ 27,986,000	$ (1,391,300)	105.0%	$ 8,386,684	00.0%
1/1/01	$ 34,573,000	$ 41,853,900	$ 7,280,900	82.6%	$ 8,696,100	83.7%
3/16/01	$ 34,288,100	$ 37,900,700	$ 3,612,600	90.5%	$ 5,578,700	64.8%
7/1/02	$ 31,244,700	$ 39,708,900	$ 8,464,200	78.7%	$ 5,568,300	152.0%
7/1/04	$ 37,284.300	$ 43,692,000	$ 6,407,700	85.3%		
7/1/06	$ 42,636,000	$ 46,491,600	$ 3,855,600	91.7%		
7/1/08	$ 47,269,470	$ 53,350,595	$ 6,081,125	88.6%		
7/1/10	$ 39,131,563	$ 54,120,667	$ 14,989,104	72.3%		
7/1/12	$ 47,619,968	$ 61,702,907	$ 14,082,939	77.2%		
7/1/13	$ 54,228,036	$ 61,826,531	$ 7,598,495	87.7%		

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 6.75 percent per year net of expenses, (b) projected postretirement benefit increases as stated in Notes to the Financial Statements 1(6).

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30,	Annual Required Contribution	Contributions Made	Percentage Contributed
2009	$ 564,175	$ 1,035,029	183.5%
2010	Not Calculated	$ 0	N/A
2011	$ 1,458,687	$ 4,048,351	277.5%
2012	Not Calculated	$ 1,000,000	N/A
2013	$ 1,373,477	$ 2,000,000	145.6%
2014	$ 769,226	To be determined	To be determined

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	July 1, 2013
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar, Closed
Remaining amortization:	15 years
Asset valuation method:	Assets at market value
Actuarial assumptions:	
Investment rate of return:	6.75% per year, includes inflation at 3.25% per year