

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL

Teleconference
February 3, 2022

1) Roll Call

The meeting was called to order at 9 a.m. on February 3, 2022 by Chair Paul Bisson. Council members in attendance were, Paul Bisson, Jarrod Johnson, Josh Haeder, Mary Howard, Loren Koepsell, Greg Kulesa, and Steve Pietila. Travis Almond was absent.

Others attending all or part of the meeting included Investment Council Staff members Matt Clark, Brett Fligge, Tammy Otten, Sherry Nelson, Jeff Hallem, John Richter, Matt Michels, Taylor Gubbrud, Payton Larsen, Katie Eliason, Laurie Riss and Christa Sites; and Samuel Slade and John Balaod from With. Intelligence.

(Note: For sake of continuity, the following minutes are not necessarily in chronological order. Documents referenced are on file in the Investment Council office, and public access is subject to the provisions of SDCL 1-27.)

AGENDA ITEMS:

- 1) Roll Call
- 2) Minutes (November 18, 2021)
- 3) Public Comment
- 4) Legislation Update
- 5) Investment Update
- 6) Iran Divestiture Report & Update
- 7) Shareholder Activism Report
- 8) Appropriations Budget Hearing Update
- 9) Restricted Securities Update
- 10) Compensation Committee Update
- 11) Audit Committee Update
- 12) 529 HESP Update
- 13) 457 Supplemental Plan Update
- 14) Intern Program Update
- 15) New/Old Business Agenda Items
- 16) Future Meeting Dates
- 17) Adjournment

Chair Bisson welcomed new Council member Jarrod Johnson to the Investment Council. Johnson is replacing Ryan Brunner as Interim Commission for School and Public Lands.

2) Minutes

LOREN KOEPESELL MOVED, SECONDED BY JOSH HAEDER, TO APPROVE THE MINUTES OF THE NOVEMBER 18, 2021 INVESTMENT COUNCIL MEETING. MOTION PASSED UNANIMOUSLY.

3) Public Comment

There were no public comments.

4) Legislation Update

Tammy Otten reviewed the legislative bills sponsored by the Investment Council and other bills filed to date that may impact the Council.

Matt Clark briefly reviewed the two SDRS sponsored bills. He also mentioned other bills that affect the retirement system.

Otten noted that the weekly update on the status of bills of interest to the Council will continue to be provided by email throughout the legislative session.

5) Investment Update – FY 2022

Tammy Otten provided fiscal year-to-date information for SDRS. Matt Clark discussed the current asset allocation and the current valuation of equity markets. Clark also updated the Council on the Bristow investment.

Brett Fligge discussed fiscal year-to-date performance of the equity portfolios, particularly the effect of energy and banking industry overweights and the lean toward value-oriented stocks.

6) Iran Divestiture Report & Update

Tammy Otten stated that the Iran divestiture annual report was provided to the Executive Board of the Legislature as required by law on January 15, 2022. The report is posted on the LRC website. The Council was provided the January 13, 2022 letter to the Executive Board. The Council also received a memo dated January 18, 2022 that included the most recent Iran scrutinized companies list from Florida compared to the South Dakota list. Staff recommended no changes to the South Dakota list as there were no changes to the Florida list as of their December 20, 2021 report.

7) Shareholder Activism Report

Tammy Otten reviewed the required reporting on the SDIC Shareholder Activism Policy related to Federal Divestiture Enactments (Sudan) that was provided to the Executive Board of the Legislature on January 13, 2022. The report is posted on the LRC website.

8) Appropriations Budget Hearing Update

Matt Clark discussed the FY 2023 budget presentation that he presented to the Appropriations Committee on January 21, 2022. In addition to the FY 2023 budget request, the presentation also included information on investment performance, cost efficiency, and the trust funds. Clark stated that there were numerous good questions and supportive comments from several Legislators. He said there were no follow-up issues with the budget request at this time.

9) Restricted Securities Update

Matt Clark discussed the restricted securities that Council members cannot invest in as designated by the State Investment Officer and affirmed by the Investment Council members. He reviewed the current list of restricted securities which includes one company Blackstone. Blackstone is on the list due to the significant size of historical and current investments with Blackstone. Clark stated the list will be reviewed yearly on a calendar basis and will be reaffirmed by the Council.

LOREN KOEPESELL MOVED, SECONDED BY STEVE PIETILA, TO AFFIRM THE INFORMATION PROVIDED AS PART OF THE CODE OF ETHICS AND PERSONAL GUIDELINES OF THE SOUTH DAKOTA INVESTMENT COUNCIL AS PREVIOUSLY PROVIDED TO THE COUNCIL. MOTION PASSED UNANIMOUSLY.

10) Compensation Committee Update

Greg Kulesa, Chair of the Compensation Committee, reported that the Committee met on January 24, 2022 to discuss the compensation for the State Investment Officer for fiscal year 2023. He stated it was the consensus of the Compensation Committee to recommend to the full Council that the base salary for the State Investment Officer for FY 2023 increase by salary policy plus 1.75% per the long-term plan for investment positions. Total compensation would continue to be comprised of base salary and any earned investment performance incentive.

Kulesa noted that by law, a state board cannot act on a subcommittee recommendation until a subsequent meeting. Therefore, the Compensation Committee recommendation will be discussed at the April Council meeting for the Council to establish a formal recommendation to be presented to the LRC Executive Board at their May/June meeting.

11) Audit Committee Update

Mary Howard, Chair of the Audit Committee, reported the quarterly engagement letter has been received. Tammy Otten noted the AUP for the quarter ended 9/30/21 will be completed and provided to the audit committee in mid-February.

12) 529 Higher Education Savings Plan Update

Sherry Nelson reviewed the CollegeAccess 529 Plan summary of accounts and the quarterly compliance schedule. She stated that the annual report letter on the Higher Education Savings Program was sent to the Governor, Speaker of the House, and the President Pro Tempore of the Senate and that a copy has been provided to the Council.

13) 457 Supplemental Plan Update

Payton Larsen, Taylor Gubbrud, and Katie Eliason presented the summary of the 457 Supplemental Plan Analysis and two additional funds options that have been added.

Matt Clark noted that, although the State Investment Officer is responsible by law for selecting the investment options, this review is provided to the Investment Council in relation to their broad oversight responsibility and is provided to the SDRS Retirement Board for input as well.

Clark stated that the funds are reviewed periodically with Vanguard and Nationwide. He also mentioned that Nationwide provides information about investment options to participating members.

14) Intern Program Update

Matt Clark provided an update on the summer internship program. He stated Anne Cipperley, Randy Spinar, and Melissa Hansen-Woidyla are currently interviewing candidates, and they are in final discussions to hire between six to eight interns. From these interns, there is the potential to fill two or three open positions due to retirements.

15) New/Old Business Agenda Items

No new/old business agenda items were discussed.

16) Future Meeting Dates

The next Council meeting will be held on April 7, 2022.

17) Adjournment

Chair Bisson declared the meeting adjourned at 10:35 a.m.

PROPOSED