

# MINUTES

## SOUTH DAKOTA INVESTMENT COUNCIL

Teleconference

April 6, 2023

### 1) Roll Call

The meeting was called to order at 8:30 a.m. on April 6, 2023 by Chair Greg Kulesa. Council members in attendance were Travis Almond, Brock Greenfield, Josh Haeder, Loren Koepsell, Greg Kulesa, Kelly Meiners, and Steve Pietila. Mary Howard was absent.

Others attending all or part of the meeting included Investment Council Staff members Matt Clark, Chris Nelson, Tammy Otten, Darci Haug, Danielle Mourer, Jan Zeeck, John Richter, Sami Rains, Matthew Carey, Dan Elmer, Lesyk Voznyuk, Jake Wehde, Renae Randall, and Sarah Rust; Chris Stadler and Rob Squire from CVC Capital Partners; Connor Boylan from With. Intelligence and Justin Flores from Private Equity Stakeholder Project.

(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 (February 2, 2023)
- 3) Public Comment
- 4) Investment Update – FY 2023
- 5) Iran Divestiture Update
- 6) Legislative Wrap-Up - Review
- 7) 529 Higher Education Savings Plan Update
- 8) Compensation Committee Update
- 9) Audit Committee Update
- 10) Code of Ethics & Personal Investing Guidelines – SDIC & Staff
- 11) Investment Council Policies - Review
- 12) CVC Capital Partners Presentation
- 13) Limited Partnerships Review
- 14) Asset Allocation Interest Rates Update
- 15) New/Old Business Agenda Items
- 16) Future Meeting Dates
- 17) Adjournment

### 2) Minutes

LOREN KOEPSSELL MOVED, SECONDED BY BROCK GREENFIELD, TO APPROVE THE MINUTES OF THE FEBRUARY 2, 2023 COUNCIL MEETING. MOTION PASSED UNANIMOUSLY.

### 3) Public Comment

Justin Flores from Private Equity Stakeholder Project spoke on their opposition to labor practices of a sanitation company owned by a fund managed by Blackstone. The Investment Council is an investor in other funds managed by Blackstone, but not that fund. Matt Clark stated Council staff had already discussed with Blackstone their steps to address the issue.

### 4) Investment Update – FY 2023

Darci Haug noted that there were no completed actions to report for motions from prior Council meetings. Assets and estimated returns as of 3/31/23 were reported for SDRS and the four trust funds. Haug discussed recent and upcoming distributions for the four trust funds and related asset allocation adjustments.

Jan Zeeck discussed the fiscal year-to-date performance of the equity portfolios, particularly the effect of over-weights to certain industries, and impact of the recent regional bank turmoil.

Danielle Mourer reviewed the recent asset allocation adjustment for SDRS and the trust funds. She discussed the current equity like risk target and constraints that impact achieving the target.

Mourer provided an update for the Bristow investment.

5) Iran Divestiture Update

Sami Rains reviewed the Iran memo dated March 20, 2023, previously provided to the Council. Rains reported that the Florida list had not been updated since the last Council meeting and staff recommended no change to the current list.

6) Legislative Wrap-Up - Review

John Richter reviewed HB 1004, which is an Act to update a reference to the Internal Revenue Code for purposes of higher education savings plans. This bill updates the effective date of the Internal Revenue Code referenced in SDCL 13-63-1(11) from 2022 to 2023 and was signed by the Governor. Richter stated this will need to be updated each year. He also reviewed SB 189, which is an Act to prohibit state agencies from contracting with companies owned or controlled by certain foreign entities or governments. This bill was signed by the Governor.

Travis Almond provided information on the SDRS bills that passed during session and bills that were not introduced by the SDRS Board of Trustees which were not passed.

7) 529 Higher Education Savings Plan Update

Tammy Otten presented the 529 update. She reviewed a summary of assets as of February 28, 2023, the completion of items on the compliance schedule, and the minutes from the last quarterly call with Virtus.

8) Compensation Committee Update

Greg Kulesa reviewed the recommendation that was made by the Committee to the Investment Council at the last meeting regarding the State Investment Officer's compensation for Fiscal Year 2024. This recommendation will be presented to the LRC Executive Board at their May meeting.

LOREN KOEPSSELL MOVED, SECONDED BY TRAVIS ALMOND, THAT THE INVESTMENT COUNCIL RECOMMEND TO THE LRC EXECUTIVE BOARD THAT TOTAL COMPENSATION FOR THE STATE INVESTMENT OFFICER PAYABLE IN FY 2024 BE COMPRISED OF FY 2023 BASE SALARY INCREASED BY STATE SALARY POLICY PLUS 1.75% AND CONTINUATION OF THE INVESTMENT PERFORMANCE INCENTIVE PLAN, WITH ANY EARNED INCENTIVE TO BE PAID FOLLOWING COMPLETION OF THE AUDIT. MOTION PASSED UNANIMOUSLY.

9) Audit Committee Update

Loren Koepsell, Chair of the Audit Committee, reported that the Agreed Upon Procedures work was completed for the quarter ended December 31, 2022 and there were no exceptions noted.

10) Code of Ethics & Personal Investing Guidelines – SDIC & Staff

The Code of Ethics & Personal Investing Guidelines were reviewed and discussed. The Council made no changes.

John Richter reviewed proposed changes to the Conflict Waiver Policy. The only substantive change was shifting waiver granting responsibility from the Compensation Committee to the Audit Committee. Other changes involved reformatting.

TRAVIS ALMOND MOVED, SECONDED BY STEVE PIETILA, TO APPROVE THE UPDATED SOUTH DAKOTA INVESTMENT COUNCIL CONFLICT WAIVER POLICY INSTRUCTIONS AND FORM AS PRESENTED. MOTION PASSED UNANIMOUSLY.

11) Investment Council Policies - Review

Darci Haug reviewed minor proposed changes to the Investment Policies for the Retirement System, Trust Funds, and Cash Flow Fund. One of the recommended changes was not reflected for one of the trust funds and a correction was recommended.

STEVE PIETILA MOVED, SECONDED BY JOSH HAEDER, TO APPROVE THE UPDATED INVESTMENT POLICIES AS PRESENTED WITH THE NOTED CORRECTION. MOTION PASSED UNANIMOUSLY.

Matt Clark reviewed Council Member/Meeting Policies as well as Council Member Responsibilities/Governance Policies. Clark explained minor changes that were made to the Investment Council Member Compensation Policy & Procedures and to the South Dakota Investment Council Audit Committee Charter.

JOSH HAEDER MOVED, SECONDED BY TRAVIS ALMOND, TO APPROVE THE UPDATED INVESTMENT COUNCIL MEMBER COMPENSATION POLICY & PROCEDURES AS PRESENTED. MOTION PASSED UNANIMOUSLY.

JOSH HAEDER MOVED, SECONDED BY KELLY MEINERS, TO APPROVE THE UPDATED SOUTH DAKOTA INVESTMENT COUNCIL AUDIT COMMITTEE CHARTER AS PRESENTED. MOTION PASSED UNANIMOUSLY.

12) CVC Capital Partners Presentation

LOREN KOEPSSELL MOVED, SECONDED BY BROCK GREENFIELD, TO GO INTO EXECUTIVE SESSION PER SDCL 1-25-10 FOR THE PURPOSE OF RECEIVING AND DISCUSSING INVESTMENT INFORMATION THAT IS CONFIDENTIAL UNDER SDCL 1-27-1.6(5). MOTION PASSED UNANIMOUSLY.

The Council went into executive session at 9:35 a.m. Staff remaining to participate in and/or facilitate the presentation and discussion included Matt Clark, Tammy Otten, Chris Nelson, Dari Haug, John Richter, Jan Zeeck, and Sarah Rust.

Chris Stadler and Rob Squire with CVC Capital Partners discussed their private equity funds and presented their upcoming CVC Capital Partners IX fund.

STEVE PIETILA MOVED, SECONDED BY LOREN KOEPSSELL, TO AUTHORIZE THE STATE INVESTMENT OFFICER TO INVEST UP TO €100 MILLION IN AGGREGATE, IN ADJUSTED PROPORTIONATE AMOUNTS, FOR THE SOUTH DAKOTA RETIREMENT SYSTEM, THE SCHOOL AND PUBLIC LANDS FUND, THE DAKOTA CEMENT TRUST, THE EDUCATION ENHANCEMENT TRUST, AND THE HEALTH CARE TRUST IN CVC CAPITAL PARTNERS IX. MOTION PASSED UNANIMOUSLY.

13) Limited Partnerships Review

Executive session continued to review and discuss details of the Council's existing limited partnerships.

Staff remaining to participate in and/or facilitate the discussion included Matt Clark, Tammy Otten, Chris Nelson, Dari Haug, John Richter, Jan Zeeck, and Sarah Rust.

14) Asset Allocation Interest Rates Update

Executive session continued to discuss the Asset Allocation Interest Rates Update by Matthew Carey, Lesyk Voznyuk, Daniel Elmer, and Jake Wehde.

Staff remaining to participate in and/or facilitate the discussion included Matt Clark, Tammy Otten, Chris Nelson, Dari Haug, John Richter, Jan Zeeck, Matthew Carey, Lesyk Voznyuk, Daniel Elmer, Jake Wehde, Renae Randall, and Sarah Rust.

**General session reconvened at 11:43 a.m.**

15) New/Old Business Agenda Items

No new or old business agenda items were introduced.

16) Future Meeting Dates

The next Council meeting will be held on June 20, 2023. Other future meeting dates include August 7, 2023 and November 16, 2023.

17) Adjournment

Chair Kulesa declared the meeting adjourned at 11:54 a.m.