

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL

Pierre, South Dakota

August 12, 2025

1) Roll Call

The meeting was called to order at 8:00 a.m. on August 12, 2025, by Chair Steve Pietila. Council members in attendance were Travis Almond, Michael Anderson, Cathy Clark, Josh Haeder, Kelly Meiners, Steve Pietila, and Taylor Thompson. Brock Greenfield was absent.

Others attending all or part of the meeting included Investment Council Staff members Matt Clark, Chris Nelson, John Richter, Jan Zeeck, Darci Haug, Danielle Mourer, Jarrod Edelen, and Sarah Rust; and Bob Mercer from KELOLAND News.

(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.)

2) Introduction of New Council Member

Chair Steve Pietila welcomed Michael Anderson to the Investment Council. Mr. Anderson gave a brief summary of his background and career. He is from Watertown and is President/Chief Investment Officer at Hi-Line Capital Management, LLC. He was appointed by the LRC Executive Board for a five-year term on the Investment Council effective 7/1/2025.

3) Minutes

CATHY CLARK MOVED, SECONDED BY KELLY MEINERS, TO APPROVE THE MINUTES OF THE JUNE 5, 2025, INVESTMENT COUNCIL MEETING. MOTION PASSED UNANIMOUSLY.

4) Public Comment

There were no public comments.

5) Board Conflict of Interest Disclosure

There were no conflicts of interest reported.

AGENDA ITEMS:

- 1) Roll Call
- 2) Introduction of New Council Member
- 3) Minutes
- 4) Public Comment
- 5) Board Conflict of Interest Disclosure
- 6) Preliminary Estimated Investment Perf FY25 & Incentive Summary
- 7) SDIC Shareholder Activism Report
- 8) Executive Board Meeting Review
- 9) CD Program 2025/2026
- 10) 529 Higher Education Savings Program - Update
- 11) Investment Update – FY 2026
- 12) Audit Committee Update
- 13) Compensation Committee Update
- 14) Council Subcommittee Appointments
- 15) Iran Divestiture Update
- 16) Limited Partnerships Review
- 17) Management Structure Discussion
- 18) Personnel Matters Legal Update
- 19) New/Old Business Agenda Items
- 20) Future Meeting Dates
- 21) Adjournment

6) Preliminary Estimated Investment Performance FY25 & Incentive Summary

Darci Haug and Danielle Mourer reviewed preliminary estimated investment performance for Fiscal Year 2025. The South Dakota Retirement System (SDRS) performance analysis included an overview of the Capital Markets Benchmark (CMB) including returns for the equity, real estate, fixed income, and cash indexes used in the benchmark. The quarterly and year-end time-weighted rates of return of the Council's CMB were provided. A preliminary estimated comparison of the actual asset allocation as of June 30, 2025, to the CMB and permissible ranges was provided.

Mourer reviewed the preliminary estimated return attribution analysis of the SDRS net return relative to the CMB. The analysis detailed differences in performance resulting from the return within each asset category versus the market index for that category, as well as the impact of asset allocation resulting from using different allocations to asset categories than those of the CMB. The cumulative impact of the sources of added or detracted value was shown for the last 5 years and cumulatively for 5, 10, 20, and 27 years when this detailed level of analysis began to be calculated for all asset categories. Mourer noted that the goal is to add value over the 10 and 20 year and longer periods.

Haug reviewed an estimated chart showing return attribution across all asset categories since Fiscal Year 1999. The chart showed added value versus the benchmarks within each asset category and from asset allocation across categories. Haug reviewed exhibits focused on major individual asset categories comparing the returns earned from each category to the respective benchmark for FY2025 and historical periods.

Mourer and Haug then presented a preliminary estimated summary of the return and attribution analysis versus benchmarks for each of the four trust funds.

It was noted that the updated presentations with final numbers will be posted to the Boards and Commissions website towards the end of the month.

Matt Clark reviewed the estimated summary of the earned incentives by Investment Council staff for FY 2025 and explained the support staff incentive program which is funded from the earned incentives. He reviewed details of the State Investment Officer's estimated earned incentive ranges and noted that the incentives would be paid following completion of the audit.

7) SDIC Shareholder Activism Report

Matt Clark 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 July 11, 2025. The report is posted on the Legislative Research Council's website and was provided to the Council.

The Investment Council recessed at 8:52 a.m. to meet with the LRC Executive Board Subcommittee on the Investment Council and full LRC Executive Board. General session reconvened at 11:24 a.m.

8) Executive Board Meeting Review

The Council discussed the LRC Executive Board meeting that took place that morning. The Council's presentation included FY 2025 preliminary estimated investment performance and the Council's FY 2027 budget request, which the Executive Board approved. During the Executive Board SDIC Subcommittee meeting, the subcommittee had requested additional information about the contrarian investment approach and allocations to cash. Matt Clark indicated that he and staff would prepare information to respond to the subcommittee.

9) CD Program 2025/2026

Matt Clark reviewed the two memorandums previously provided to the Council. One memo provided a review of the CD program with information on the purpose, pros/cons, and return comparisons. The other memo provided details for the upcoming CD offering including the size of the program, the term of the CD's, the method for setting the rate, and reallocation process. Clark recommended continuation of the program.

CATHY CLARK MOVED, SECONDED BY TAYLOR THOMPSON, TO APPROVE THE SOUTH DAKOTA CASH FLOW FUND CERTIFICATE OF DEPOSIT PROGRAM FOR ONE-YEAR CDs TO MATURE SEPTEMBER 30, 2026, IN ACCORDANCE WITH SOUTH DAKOTA LAW AND THE CD PROGRAM ADMINISTRATIVE RULES, AT \$35 MILLION WITH THE INTEREST RATE BASED ON THE 1-YEAR TREASURY NOTE WITH A FLOOR OF 0%, PLUS .15% FOR LIQUIDITY AND COLLATERAL RISK. MOTION PASSED UNANIMOUSLY.

10) 529 Higher Education Savings Program - Update

Matt Clark reviewed the CollegeAccess 529 Plan Summary of Shareholder Positions and Accounts as of 6/30/25 as well as the Higher Education Savings Plan Compliance Schedule. Clark stated that under the Program Management Agreement, each year Virtus is required to seek Council approval of their recommendation of auditor for the CollegeAccess 529 Plan. The auditor must be a nationally recognized firm. VP Distributors, LLC has proposed PricewaterhouseCoopers as the auditor for the 529 plan for the year ending December 31, 2025. Clark noted PricewaterhouseCoopers's practice of rotating partners on the audit and recommended approval.

KELLY MEINERS MOVED, SECONDED BY JOSH HAEDER, TO APPROVE VP DISTRIBUTORS, LLC RECOMMENDATION OF PRICEWATERHOUSECOOPERS AS THE AUDITOR FOR COLLEGEACCESS 529 PLAN FOR THE YEAR ENDING DECEMBER 31, 2025. MOTION PASSED UNANIMOUSLY.

11) Investment Update – FY 2026

Darci Haug noted there were no recent motions and actions to report on. Haug gave a report on the SDRS total fund performance for Fiscal Year 2026 to date. Danielle Mourer reported on distributions for the trust funds and provided an update on high yield and the Bristow investment.

Jan Zeeck updated the Council on performance of the large cap global equity portfolios and Jarrod Edelen provided an update on performance of the Small Midcap equity portfolios.

12) Audit Committee Update

Kelly Meiners, Chair of the Audit Committee, stated that the Department of Legislative Audit is gathering information and will be onsite the week of August 25.

13) Compensation Committee Update

Steve Pietila, Chair of the Compensation Committee, noted that the State Investment Officer's preliminary estimated performance incentive range for Fiscal Year 2026 was disclosed to the Executive Board that morning.

14) Council Subcommittee Appointments

Steve Pietila reviewed the changes to the Investment Council subcommittees. Effective immediately, the Compensation Committee will include Kelly Meiners as Chair, Steve Pietila, and Taylor Thompson. The Audit Committee will include Taylor Thompson as Chair, Cathy Clark, and Josh Haeder. Steve noted that the current Audit Committee members will close out the audit currently in process.

15) Iran Divestiture Update

Matt Clark reviewed a memo dated July 11, 2025, on the Iran Scrutinized Companies List. Clark explained the list was updated with one addition since the prior list. Staff recommended approving the updated South Dakota Scrutinized Companies List.

TAYLOR THOMPSON MOVED, SECONDED BY TRAVIS ALMOND, TO APPROVE THE CHANGES TO THE IRAN SCRUTINIZED COMPANIES LIST AS PRESENTED. MOTION PASSED UNANIMOUSLY.

16) Limited Partnerships Review

KELLY MEINERS MOVED, SECONDED BY CATHY CLARK, 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 12:09 p.m. Staff remaining to participate in or facilitate the presentation and discussion included Matt Clark, Chris Nelson, John Richter, Jan Zeeck, Darci Haug, Danielle Mourer, Jarrod Edelen, and Sarah Rust.

General session reconvened at 12:19 p.m.

17) Management Structure Discussion

TAYLOR THOMPSON MOVED, SECONDED BY CATHY CLARK, TO GO INTO EXECUTIVE SESSION PURSUANT TO SDCL 1-25-2(1) AND (3) TO DISCUSS ITEMS RELATING TO MANAGEMENT STRUCTURE AND PERSONNEL AND LEGAL MATTERS. MOTION PASSED UNANIMOUSLY.

The Council went into executive session at 12:20 p.m. Staff remaining to participate in or facilitate the discussion included Matt Clark, John Richter, and Sarah Rust.

18) Personnel Matters Legal Update

Executive Session continued to discuss personnel and legal matters.

General session reconvened at 1:02 p.m.

19) New/Old Business Agenda Items

No new/old business agenda items were discussed.

20) Future Meeting Dates

The next Investment Council meeting will be held in Sioux Falls on November 13, 2025.

21) Adjournment

Chair Steve Pietila declared the meeting adjourned at 1:07 p.m.