

DRAFT MINUTES (pending approval)

SOUTH DAKOTA INVESTMENT COUNCIL

June 4, 2026

1) Roll Call

The meeting was called to order at 8:30 a.m. on June 4, 2026 by Chair Steve Pietila. Council members in attendance were Travis Almond, Michael Anderson, Brock Greenfield, Kelly Meiners, Steve Pietila, and Taylor Thompson. Cathy Clark and Josh Haeder were absent.

Others attending all or part of the meeting included Investment Council staff members Matt Clark, Tammy Otten, Chris Nelson, Jan Zeeck, Darci Haug, Jarrod Edelen, Danielle Mourer, Anne Cipperley, Matthew Carey, Dan Elmer, Lesyk Voznyuk, Jake Wehde, Sami Rains, Katie Eliason, Xavier Van Beek, Mason Padgett, John Richter, and Sarah Rust; SDRS staff member Doug Fiddler; Duncan Koch and Owen Seibel from BFM; Doston Bradley from Cerberus Capital Management; Ryan Qualseth and Jared Terrones from Minnehaha County Sheriff's Office.

(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 4/16/26
- 3) Public Comment
- 4) Board Conflict of Interest Disclosure
- 5) Steve Pietila Acknowledgement
- 6) 529 Higher Education Savings Plan Update
- 7) Investment Returns Update
- 8) SDRS Actuarial Update
- 9) Asset Allocation
- 10) Iran Divestiture Update
- 11) Audit Committee Update
- 12) Compensation Committee Update
- 13) Investment Incentive Program Changes FY27
- 14) Fiscal Year 2028 Budget Request
- 15) Election of Officers – FY 2027
- 16) Investment Update
- 17) Long-Term Investment Approach Update
- 18) New/Old Business Agenda Items
- 19) Future Meeting Dates
- 20) Adjournment

2) Minutes

KELLY MEINERS MOVED, SECONDED BY MICHAEL ANDERSON, TO APPROVE THE MINUTES OF THE APRIL 16, 2026 INVESTMENT COUNCIL MEETING. MOTION PASSED UNANIMOUSLY.

3) Public Comment

There were no public comments.

4) Board Conflict of Interest Disclosure

There were no conflicts of interest reported.

5) Steve Pietila Acknowledgment

Steve Pietila will be completing his service on the Investment Council effective June 30, 2026.

Matt Clark thanked Steve for his contributions to the Council. A plaque was presented to Steve in recognition and appreciation of his outstanding service.

6) 529 Higher Education Savings Plan Update

Katie Eliason reviewed the CollegeAccess 529 Plan summary of shareholder positions and accounts, the minutes of the quarterly Virtus conference call, and the HESP Compliance Schedule. Eliason noted that all actions on the compliance schedule are up to date.

7) Investment Returns Update

Danielle Mourer reported there were no Motions and Actions to review. Mourer also provided the estimated fiscal year-to-date return of the SDRS portfolio. Darci Haug provided an update on the trust funds.

8) SDRS Actuarial Update

Doug Fiddler presented an update on the South Dakota Retirement System (SDRS). He provided a breakdown of SDRS membership as well as member/employer contributions and SDRS disbursements for FY25. He provided a comparison of annual benefits in pay to South Dakota residents by county and nationally by state. Fiddler outlined how the COLA is calculated and reviewed historical COLA ranges. He provided an overview of the current and historical inflation rates in comparison to SDRS COLAs for the last several years.

9) Asset Allocation

South Dakota Retirement System

Matt Clark discussed the Council's role in asset allocation. Anne Cipperley and Darci Haug discussed return and risk assessment and the risk/return tradeoff. They discussed the recommended benchmark allocation and ranges, expected return and standard deviations. There were no changes to the recommended benchmark for FY27.

Matt Carey and Jarrod Edelen discussed valuation of the equity asset category, normal earnings and comparison to actual for other periods when earnings were above trend, book value, and return on equity. They also reviewed normal growth, equity expected return, and equity price to value. Jake Wehde discussed bond valuation and bond price to value. Dan Elmer discussed the real estate valuation process. Lesyk Voznyuk reviewed the high yield spread model and high yield valuation model. Dan Elmer showed a chart with price to value for equity, bond, real estate, and high yield.

Haug and Danielle Mourer discussed movement of category allocations within ranges based on valuation. Haug and Mourer concluded with a discussion of evolution of implementation of the asset allocation process over time.

Trust Funds

Danielle Mourer and Darci Haug discussed asset allocation for the four trust funds: Dakota Cement Trust, Healthcare Trust, Education Enhancement Trust, and School and Public Lands. The presentation reviewed the establishment of each fund, the Constitution and laws that direct the investment of the assets, and the annual distribution calculation.

The asset allocation analysis was reviewed which showed the long-term mean expected return and standard deviation for each fund. The analysis used standard deviations and correlations with fat-tail adjustments. The expected return and standard deviation compared to select prior year benchmark allocations were shown.

There were no changes to the recommended benchmark for FY27.

TAYLOR THOMPSON MOVED, SECONDED BY BROCK GREENFIELD, TO APPROVE THE FISCAL YEAR 2027 CAPITAL MARKETS BENCHMARK WEIGHTS, INDEXES, EQUITY-LIKE RISK, AND MAXIMUM/MINIMUM RANGES FOR THE SOUTH DAKOTA RETIREMENT SYSTEM, AS WELL AS THE BENCHMARKS FOR THE UNDERLYING PORTFOLIOS, AS PRESENTED. MOTION PASSED UNANIMOUSLY.

BROCK GREENFIELD MOVED, SECONDED BY TRAVIS ALMOND, TO APPROVE THE FISCAL YEAR 2027 CAPITAL MARKETS BENCHMARK WEIGHTS, INDEXES, EQUITY-LIKE RISK, AND MAXIMUM/MINIMUM RANGES FOR THE DAKOTA CEMENT TRUST, HEALTH CARE TRUST, EDUCATION ENHANCEMENT TRUST, AND SCHOOL & PUBLIC LANDS AS PRESENTED. MOTION PASSED UNANIMOUSLY.

KELLY MEINERS MOVED, SECONDED BY TRAVIS ALMOND, TO APPROVE THAT ASSET ALLOCATION ADJUSTMENTS MAY BE IMPLEMENTED IN THE CASH MARKETS AND/OR FINANCIAL DERIVATIVES, INCLUDING INDEX-BASED FUTURES, EXCHANGE TRADED FUNDS, OR OPTIONS. MOTION PASSED UNANIMOUSLY.

10) Iran Divestiture Update

Sami Rains reported that since the last Council meeting, Florida had not updated the list used to determine the South Dakota list of Iran scrutinized companies. Staff recommended no changes to the current South Dakota scrutinized companies' list.

11) Audit Committee Update

Taylor Thompson, Chair of the Audit Committee, reported there were no exceptions identified by the most recent Agreed Upon Procedures. He noted that the Department of Legislative Audit would be onsite June 15-17, 2026.

12) Compensation Committee Update

Kelly Meiners, Chair of the Compensation Committee, stated there was nothing new to report.

13) Investment Incentive Program Changes FY 2027

Matt Clark reviewed a memorandum dated May 11, 2026, that provided an overview and calculation details for the Fiscal Year 2027 incentive plan program for Research Analyst, Global Equity. Clark also reviewed three memorandums dated May 11, 2026, May 12, 2026, and May 13, 2026, that detailed incentive plan changes for Fiscal Year 2027 for three Executive Committee, Senior Portfolio Managers.

KELLY MEINERS MOVED, SECONDED BY BROCK GREENFIELD, TO APPROVE THE INCENTIVE PLAN PROGRAM AS PRESENTED TODAY AND DETAILED IN THE MEMORANDUM DATED MAY 11, 2026, DETAILING THE FY 2027 INVESTMENT PERFORMANCE INCENTIVE PLAN PROGRAM FOR THE RESEARCH ANALYST, GLOBAL EQUITY. MOTION PASSED UNANIMOUSLY.

MICHAEL ANDERSON MOVED, SECONDED BY TAYLOR THOMPSON, TO APPROVE THE INCENTIVE PLAN CHANGES AS PRESENTED TODAY AND DETAILED IN THE MEMORANDUMS DATED MAY 11, 2026, MAY 12, 2026, AND MAY 13, 2026, DETAILING THE FY 2027 INVESTMENT PERFORMANCE INCENTIVE PLAN CHANGES FOR THE EXECUTIVE COMMITTEE, SENIOR PORTFOLIO MANAGERS. MOTION PASSED UNANIMOUSLY.

14) FY 2028 Budget Request

Matt Clark reviewed the FY 2026 budget authorization received versus actual expenditures estimated through the rest of the fiscal year. He discussed the areas that made up the unexpended budget.

Clark reviewed the budget request for FY 2028 and the unit cost summary. He noted that the budget that will be submitted to the Executive Board in August, Governor/BFM in the fall, and Appropriations in January will not include salary policy, as a general salary policy for the state will be applied at the end of the process. To reflect a total picture of expenditures, the unit cost summary does include an assumed salary policy.

Clark reviewed the personal services and operating portions of the FY 2028 budget request. He discussed the changes proposed in the contractual budget for investment and administrative services. He discussed the changes among investment research services and investment databases. No changes were proposed for travel, office supplies, or capital assets.

TAYLOR THOMPSON MOVED, SECONDED BY BROCK GREENFIELD, TO APPROVE THE FISCAL YEAR 2028 BUDGET REQUEST AS PRESENTED, WITH POTENTIAL MODEST ADJUSTMENTS TO BENEFITS CALCULATIONS ACCORDING TO THE BUREAU OF FINANCE AND MANAGEMENT. MOTION PASSED UNANIMOUSLY.

15) Election of Officers

TAYLOR THOMPSON MOVED, SECONDED BY BROCK GREENFIELD, TO APPOINT KELLY MEINERS AS CHAIR OF THE INVESTMENT COUNCIL FOR FISCAL YEAR 2027. MOTION PASSED UNANIMOUSLY.

BROCK GREENFIELD MOVED, SECONDED BY TRAVIS ALMOND, TO APPOINT TAYLOR THOMPSON AS VICE CHAIR OF THE INVESTMENT COUNCIL FOR FISCAL YEAR 2027. MOTION PASSED UNANIMOUSLY.

16) Investment Update

BROCK GREENFIELD MOVED, SECONDED BY KELLY MEINERS, 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 1:57 p.m. Staff remaining to participate in or facilitate the discussion included Matt Clark, Jan Zeeck, Darci Haug, Jarrod Edelen, John Richter, and Sarah Rust.

Open session reconvened at 2:23 p.m.

17) Long-Term Investment Approach Update

BROCK GREENFIELD MOVED, SECONDED BY KELLY MEINERS, 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 2:24 p.m. Staff remaining to participate in or facilitate the discussion included Matt Clark, Jan Zeeck, Darci Haug, Jarrod Edelen, John Richter, Sarah Rust, and Doug Fiddler.

Open session reconvened at 3:44 p.m.

18) New/Old Business Agenda Items

No new/old business agenda items were discussed.

19) Future Meeting Dates

The next Investment Council meeting will be held on August 26, 2026 in Pierre.

20) Adjournment

Chair Pietila declared the meeting adjourned at 3:45 p.m.