

SOUTH DAKOTA INVESTMENT COUNCIL
COMPENSATION COMMITTEE CHARTER

MISSION

The Compensation Committee's mission is to review and recommend compensation methodologies to facilitate the South Dakota Investment Council's long-term business plan to create, build and maintain a strong, high-quality internal investment team to manage South Dakota's financial assets.

COMPOSITION

The Compensation Committee (Committee) shall consist of at least three of the eight voting members of the South Dakota Investment Council (Council). Membership shall include the Chair of the Council and/or Vice Chair of the Council and at least one other Council member. Committee members and Committee Chair are appointed annually by the Council Chair.

GOVERNANCE

Committee meetings will be held when deemed necessary by the Committee Chair and/or the State Investment Officer. The Committee Chair will approve the meeting agenda. In the Chair's absence, the designated Vice Chair shall run the meeting. All Committee recommendations must be approved by a majority of the Committee in order to be brought before the Council for ratification. The Council must approve the Committee's recommendations before they take effect.

RESPONSIBILITIES

The Compensation Committee shall:

1. Evaluate periodically internal equity and external competitiveness of compensation programs and recommend changes to the full Council as appropriate. External data and advisors may be used as deemed appropriate.
2. Recommend the State Investment Officer's base salary and the performance incentive compensation plan to the full Council to form a recommendation to present to the LRC Executive Board.
3. Review with the State Investment Officer, the application of the compensation methodology to determine compensation for other investment staff.

The term "Compensation" shall be construed comprehensively including, by way of example, but not by way of limitation, salary, any supplemental payments, incentive payments, bonuses or compensation, or benefits in other forms, which are determined to be internally equitable and externally competitive.

Adopted 11/1/2001
Amended 2/5/2002, 12/9/14
Amended 11/16/17

SOUTH DAKOTA INVESTMENT COUNCIL

AUDIT COMMITTEE CHARTER

MISSION

The mission of the Audit Committee is to oversee the audit engagement, review the financial statements, and assess adequacy of internal controls.

COMPOSITION

The Audit Committee (Committee) shall consist of at least three members of the South Dakota Investment Council (Council). Committee members and Committee Chair are appointed annually by the Council Chair.

SCOPE

The audits overseen relate to the investment assets of the Cash Flow Fund, Dakota Cement Trust, Education Enhancement Trust, Healthcare Trust and School & Public Lands. The internal control assessments relate to all funds under management, including the investment assets of the South Dakota Retirement System (SDRS).

RESPONSIBILITIES

1. Annual Audit of the Financial Statements:
 - a) Meet with the Department of Legislative Audit (DLA) for opening conference to review and approve the annual audit engagement. The Committee Chair and management sign the engagement letter. The Committee Chair, management, and legal counsel sign respective representation letters. The Committee receives required formal communication of other matters upon completion of the audit solely for the information and use by the Council, and if appropriate, by management.
 - b) Discuss with DLA any audit findings identified, along with their analyses and recommendations. The Committee Chair will inform the Council Chair of any findings. Management will provide a written response to any findings to be included in the audit. In addition, management will provide to the Committee any additional relevant information on the findings, the plans to rectify, and when the findings have been reasonably resolved.
 - c) Review Audit Report and present to the Council, including any audit findings.
2. Agreed Upon Procedures (AUP):
 - a) Establish and take responsibility for selecting the criteria for the AUP engagement (first three quarters of the fiscal year) performed by DLA. The Committee Chair and management sign the engagement and representation letters. The AUP helps identify on a timely basis potential problems in relation to the selected criteria. The AUP is for use by the audit committee and management who understand and agree to the limitations of the scope.
 - b) Discuss with DLA and management any findings resulting from the AUP. Management will provide a response to the Committee to reasonably address the finding.
 - c) Advise the Council of completion of the AUP.
3. Notify the Council through the Council Chair if at any time during the course of the Committee fulfilling their responsibilities, they have significant concerns about specific issues and/or are dissatisfied with the response of management regarding any issues.
4. Report suspected criminal matters to the Council Chair, or Vice-Chair if the Chair is involved, and to the State Investment Officer (SIO) if the SIO is not involved. The Council Chair, Vice

Chair or the SIO shall report the matter to the Attorney General to seek legal counsel. All reported matters shall remain confidential unless/until otherwise directed by the Attorney General.

5. Review Risk Management Assessment as prepared by staff.
6. Review investment related sections of SDRS audit prepared under the direction of and for the SDRS Board of Trustees.
7. Request additional information as needed.

RELEVANT LAWS

SDCL 4-5-35. Post-audit of investment transactions – Annual report of auditor-general. The state auditor-general shall be responsible for conducting a continuous post-audit of the investment transactions of the state, and shall submit annually a special report on his findings to the state investment council and to the appropriate legislative committee.

SDCL 4-11-2. Annual audit of state accounts—Scope. The Department of Legislative Audit shall perform an annual financial and compliance audit of the State of South Dakota in accordance with generally accepted government auditing standards. The scope of the audit shall include all state officers, departments, agencies, boards, commissions, penal, charitable, and educational institutions, and all regulatory boards and commissions receiving funds by appropriation or that expend funds pursuant to state law. In addition, the Department of Legislative Audit may perform financial and compliance audits of individual state officers, departments, agencies, boards, commissions, penal, charitable, and educational institutions, and all regulatory boards and commissions receiving funds by appropriation or that expend funds pursuant to state law, if deemed necessary and in the public interest by the auditor-general.

Committee est 11/1999, Charter adopted 11/2002
Amended 12/9/14, 11/17/15, 11/16/17, 8/27/18