



4009 West 49<sup>th</sup> Street, Suite 300  
Sioux Falls, SD 57106-3784 USA  
605-362-2820 – <https://sdic.sd.gov>

## MEMORANDUM

TO: South Dakota Investment Council

FROM: Matthew L. Clark, CFA, State Investment Officer *MLC*  
Samantha Rains, CPA, Chief Financial Officer *SR*

DATE: May 13, 2025

RE: Investment Performance Incentive Plan for **Research Analyst, Global Equity** effective Fiscal Year 2026

This memo provides an overview and calculation details of the incentive plan program for **Research Analyst, Global Equity** effective for Fiscal Year 2026 (payable in FY 2027) and subsequent fiscal years. Assignment of an individual global equity portfolio and benchmark occurs on July 1, 2025.

### Overview:

The incentive calculation will be based 40% on the individual global equity portfolio, 40% on the global core equity and 20% on the SDRS total fund net return. Incentives are earned on 1-year, 4-year annualized, and 10-year annualized returns.

The incentive sums to 225% of base pay phased in per the plan implementation schedule. 100% of base pay is one-third on the 1-year regular and two-thirds on the 4-year regular breakpoints, 50% on the ten-year regular breakpoint, 50% on the 4-year stretch and 25% on the 10-year stretch. All returns are time weighted.

FY 2026 is the third year of this incentive plan program. Therefore, the 1-year return will be used for the 1-year, and the 3-year return will be used for the 4-year and 10-year incentive parts. FY 2026 will utilize the 1-3 year regular and stretch breakpoint schedules. The prior incentive return history of the total public equity composite will be for the individual global equity portfolio and global core equity and the prior incentive return history of the total fund will be for the total fund return history when calculating the 4-year and 10-year annualized returns for this incentive plan.

FY 2027 will use the 1-year and 4-year returns, respectively, and the 4-year return will be used for the 10-year incentive part increasing one year until there is the full 10-year historical returns for this incentive plan. The 4&10 year regular and stretch breakpoint schedules on the 4-year and 10-year parts will be used beginning in FY 2027.

### *Plan Implementation Schedule:*

Sum of all parts x 50% total earned incentive for FY26, x 70% FY27, x 90% FY28, x 100% FY29

## **Appendix:**

The **one-year regular** incentive consists of:

- 1) Forty percent is based on the one-year return of the individual global equity sector portfolio relative to the one-year return of the individual global equity sector benchmark with the difference applied to the public global equity regular breakpoint schedule.
- 2) Forty percent is based on the one-year return of the global core equity portfolio relative to the one-year return of the global core equity benchmark with the difference applied to the public global equity regular breakpoint schedule.
- 3) Twenty percent is based on the one-year net return of the SDRS total fund relative to the one-year return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund regular breakpoint schedule.

The **four-year regular** incentive consists of:

- 1) Forty percent is based on the four-year annualized return of the individual global equity sector portfolio relative to the four-year annualized return of the individual global equity sector benchmark with the difference applied to the public global equity regular breakpoint schedule.
- 2) Forty percent is based on the four-year annualized return of the global core equity portfolio relative to the four-year annualized return of the global core equity benchmark with the difference applied to the public global equity regular breakpoint schedule.
- 3) Twenty percent is based on the four-year annualized net return of the SDRS total fund relative to the four-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund regular breakpoint schedule.

The **ten-year regular** incentive consists of:

- 1) Forty percent is based on the ten-year annualized return of the individual global equity sector portfolio relative to the ten-year annualized return of the individual global equity sector benchmark with the difference applied to the public global equity regular breakpoint schedule.
- 2) Forty percent is based on the ten-year annualized return of the global core equity portfolio relative to the ten-year annualized return of the global core equity benchmark with the difference applied to the public global equity regular breakpoint schedule.
- 3) Twenty percent is based on the ten-year annualized net return of the SDRS total fund relative to the ten-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund regular breakpoint schedule.

The **four-year stretch** incentive consists of:

- 1) Forty percent is based on the four-year annualized return of the individual global equity sector portfolio relative to the four-year annualized return of the individual global equity sector benchmark with the difference applied to the public global equity stretch breakpoint schedule.
- 2) Forty percent is based on the four-year annualized return of the global core equity portfolio relative to the four-year annualized return of the global core equity benchmark with the difference applied to the public global equity stretch breakpoint schedule.
- 3) Twenty percent is based on the four-year annualized net return of the SDRS total fund relative to the four-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund stretch breakpoint schedule.

The **ten-year stretch** incentive consists of:

- 1) Forty percent is based on the ten-year annualized return of the individual global equity sector portfolio relative to the ten-year annualized return of the individual global equity sector benchmark with the difference applied to the public global equity stretch breakpoint schedule.
- 2) Forty percent is based on the ten-year annualized return of the global core equity portfolio relative to the ten-year annualized return of the global core equity benchmark with the difference applied to the public global equity stretch breakpoint schedule.
- 3) Twenty percent is based on the ten-year annualized net return of the SDRS total fund relative to the ten-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund stretch breakpoint schedule.

Formula

*One-year regular:*  $\text{Salary} \times ((1 \text{ yr individual equity incentive} \times 40\%) + (1 \text{ yr core equity incentive} \times 40\%) + (1 \text{ yr total fund incentive} \times 20\%)) \times 33 \frac{1}{3}\%$

*Four-year regular:*  $\text{Salary} \times ((4 \text{ yr individual equity incentive} \times 40\%) + (4 \text{ yr core equity incentive} \times 40\%) + (4 \text{ yr total fund incentive} \times 20\%)) \times 66 \frac{2}{3}\%$

*Ten-year regular:*  $\text{Salary} \times ((10 \text{ yr individual equity incentive} \times 40\%) + (10 \text{ yr core equity incentive} \times 40\%) + (10 \text{ yr total fund incentive} \times 20\%)) \times 50\%$

*Four-year stretch:*  $\text{Salary} \times ((4 \text{ yr individual equity stretch incentive} \times 40\%) + (4 \text{ yr core equity stretch incentive} \times 40\%) + (4 \text{ yr total fund stretch incentive} \times 20\%)) \times 50\%$

*Ten-year stretch:*  $\text{Salary} \times ((10 \text{ yr individual equity stretch incentive} \times 40\%) + (10 \text{ yr core equity stretch incentive} \times 40\%) + (10 \text{ yr total fund stretch incentive} \times 20\%)) \times 25\%$

Sum of all parts for total earned incentive.

smr



4009 West 49<sup>th</sup> Street, Suite 300  
Sioux Falls, SD 57106-3784 USA  
605-362-2820 – <https://sdic.sd.gov>

## MEMORANDUM

TO: South Dakota Investment Council

FROM: Matthew L. Clark, CFA, State Investment Officer *MLC*  
Samantha Rains, CPA, Chief Financial Officer *SR*

DATE: May 14, 2025

RE: Investment Performance Incentive Plan for **Research Analyst, High Yield** effective Fiscal Year 2026

This memo provides an overview and calculation details of the incentive plan program for **Research Analyst, High Yield** effective for Fiscal Year 2026 (payable in FY 2027) and subsequent fiscal years. Assignment of an individual high yield portfolio and benchmark occurs on July 1, 2025.

### Overview:

The incentive calculation will be based 40% on the individual high yield fixed income portfolio, 26 2/3% on the high yield fixed income composite and 33 1/3% on the SDRS total fund net return. Incentives are earned on 1-year, 4-year annualized, and 10-year annualized returns.

The incentive sums to 225% of base pay phased in per the plan implementation schedule. 100% of base pay is one-third on the 1-year regular and two-thirds on the 4-year regular breakpoints, 50% on the ten-year regular breakpoint, 50% on the 4-year stretch and 25% on the 10-year stretch. All returns are time weighted.

FY 2026 is the second year of this incentive plan program. Therefore, the 1-year return will be used for the 1-year, and the 2-year return will be used for the 4-year and 10-year incentive parts. FY 2026 will utilize the 1-3 year regular and stretch breakpoint schedules. The prior incentive return history of the high yield fixed income composite will be for the individual high yield fixed income portfolio and high yield fixed income composite and the prior incentive return history of the total fund will be for the total fund return history when calculating the 4-year and 10-year annualized returns for this incentive plan.

FY 2027 will use the 1-year return and the 3-year return will be used for the 4-year and 10-year incentive parts increasing one year until there is the full 4-year or 10-year historical returns for this incentive plan. The 4&10 year regular and stretch breakpoint schedules on the 4-year and 10-year parts will be used beginning in FY 2028 when there are 4-years of historical returns.

*Plan Implementation Schedule:*

Sum of all parts x 40% total earned incentive for FY26, x 50% FY27, x 70% FY28, x 90% FY29, x 100% FY30

**Appendix:**

The **one-year regular** incentive consists of:

- 1) Forty percent is based on the one-year return of the individual high yield fixed income portfolio relative to the one-year return of the individual high yield fixed income benchmark with the difference applied to the high yield fixed income regular breakpoint schedule.
- 2) Twenty-six and two-thirds percent is based on the one-year return of the high yield fixed income composite relative to the one-year return of the high yield fixed income composite benchmark with the difference applied to the high yield fixed income regular breakpoint schedule.
- 3) Thirty-three and one-third percent is based on the one-year net return of the SDRS total fund relative to the one-year return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund regular breakpoint schedule.

The **four-year regular** incentive consists of:

- 1) Forty percent is based on the four-year annualized return of the individual high yield fixed income portfolio relative to the four-year annualized return of the individual high yield fixed income benchmark with the difference applied to the high yield fixed income regular breakpoint schedule.
- 2) Twenty-six and two-thirds percent is based on the four-year annualized return of the high yield fixed income composite relative to the four-year annualized return of the high yield fixed income composite benchmark with the difference applied to the high yield fixed income regular breakpoint schedule.
- 3) Thirty-three and one-third percent is based on the four-year annualized net return of the SDRS total fund relative to the four-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund regular breakpoint schedule.

The **ten-year regular** incentive consists of:

- 1) Forty percent is based on the ten-year annualized return of the individual high yield fixed income portfolio relative to the ten-year annualized return of the individual high yield fixed income benchmark with the difference applied to the high yield fixed income regular breakpoint schedule.
- 2) Twenty-six and two-thirds percent is based on the ten-year annualized return of the high yield fixed income composite relative to the ten-year annualized return of the high yield fixed income composite benchmark with the difference applied to the high yield fixed income regular breakpoint schedule.
- 3) Thirty-three and one-third percent is based on the ten-year annualized net return of the SDRS total fund relative to the ten-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund regular breakpoint schedule.

The **four-year stretch** incentive consists of:

- 1) Forty percent is based on the four-year annualized return of the individual high yield fixed income portfolio relative to the four-year annualized return of the individual high yield fixed income benchmark with the difference applied to the high yield fixed income stretch breakpoint schedule.
- 2) Twenty-six and two-thirds percent is based on the four-year annualized return of the high yield fixed income composite relative to the four-year annualized return of the high yield fixed income

composite benchmark with the difference applied to the high yield fixed income stretch breakpoint schedule.

- 3) Thirty-three and one-third percent is based on the four-year annualized net return of the SDRS total fund relative to the four-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund stretch breakpoint schedule.

The **ten-year stretch** incentive consists of:

- 1) Forty percent is based on the ten-year annualized return of the individual high yield fixed income portfolio relative to the ten-year annualized return of the individual high yield fixed income benchmark with the difference applied to the high yield fixed income stretch breakpoint schedule.
- 2) Twenty-six and two-thirds percent is based on the ten-year annualized return of the high yield fixed income composite relative to the ten-year annualized return of the high yield fixed income composite benchmark with the difference applied to the high yield fixed income stretch breakpoint schedule.
- 3) Thirty-three and one-third percent is based on the ten-year annualized net return of the SDRS total fund relative to the ten-year annualized return of the total fund capital markets benchmark (CMB) with the difference applied to the total fund stretch breakpoint schedule.

#### Formula

*One-year regular:*  $\text{Salary} \times ((1 \text{ yr individual high yield incentive} \times 40\%) + (1 \text{ yr high yield composite incentive} \times 26 \frac{2}{3}\%) + (1 \text{ yr total fund incentive} \times 33 \frac{1}{3}\%)) \times 33 \frac{1}{3}\%$

*Four-year regular:*  $\text{Salary} \times ((4 \text{ yr individual high yield incentive} \times 40\%) + (4 \text{ yr high yield composite incentive} \times 26 \frac{2}{3}\%) + (4 \text{ yr total fund incentive} \times 33 \frac{1}{3}\%)) \times 66 \frac{2}{3}\%$

*Ten-year regular:*  $\text{Salary} \times ((10 \text{ yr individual high yield incentive} \times 40\%) + (10 \text{ yr high yield composite incentive} \times 26 \frac{2}{3}\%) + (10 \text{ yr total fund incentive} \times 33 \frac{1}{3}\%)) \times 50\%$

*Four-year stretch:*  $\text{Salary} \times ((4 \text{ yr individual high yield stretch incentive} \times 40\%) + (4 \text{ yr high yield composite stretch incentive} \times 26 \frac{2}{3}\%) + (4 \text{ yr total fund stretch incentive} \times 33 \frac{1}{3}\%)) \times 50\%$

*Ten-year stretch:*  $\text{Salary} \times ((10 \text{ yr individual high yield stretch incentive} \times 40\%) + (10 \text{ yr high yield composite stretch incentive} \times 26 \frac{2}{3}\%) + (10 \text{ yr total fund stretch incentive} \times 33 \frac{1}{3}\%)) \times 25\%$

Sum of all parts for total earned incentive.

smr