

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL

Conference Call
February 2, 2017

1) Roll Call

The meeting was called to order at 2 p.m. on February 2, 2017 by Chair David Hillard. Council members in attendance were Lorin Brass, Ryan Brunner, David Hillard, Steve Kirby, Laura McNally, Jeff Nelson, and Rich Sattgast. Rob Wylie was absent.

Others attending all or part of the meeting included Matt Clark, Chris Nelson, Tammy Otten, Sherry Nelson, and Laurie Riss from the Investment Office; and Travis Almond, Jane Beers, and Michelle Mikkelsen from the South Dakota Retirement System.

(Note: For sake of continuity, the following minutes are not necessarily in chronological order. Documents referenced are on file in the Investment Office, and public access is subject to the provisions of SDCL 1-27.)

AGENDA ITEMS:

- 1) Roll Call
- 2) Minutes
- 3) Appropriations Hearing Review
- 4) Compensation Committee Update
- 5) Investment Update – FY 2017
- 6) Iran Divestiture & Shareholder Activism Reports – Update
- 7) Legislation Update
- 8) Audit Committee Update
- 9) Higher Education Savings Plan Update
- 10) New/Old Business
- 11) Future Meeting Dates
- 12) Adjournment

2) Minutes

STEVE KIRBY MOVED, SECONDED BY RICH SATTGAST, TO APPROVE THE MINUTES OF THE NOVEMBER 15, 2016 INVESTMENT COUNCIL MEETING. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

3) Appropriations Hearing Review

David Hillard and Matt Clark discussed the FY 2018 budget hearing which took place with the Appropriations Committee on January 13, 2017. They felt there were good questions and supportive comments made by several legislators. There were no follow-up issues with the budget request at this time.

Clark described the decrease to the compensation budget request in the Governor's recommendation. He noted that the SDIC budget request presented to the Appropriations Committee was amended to agree with that change. He also discussed the opportunities he has had to visit with a number of legislators during recent trips to Pierre.

4) Compensation Committee Update

Steve Kirby, Chair of the Compensation Committee, discussed the conference call the Committee held on January 20, 2017 to discuss compensation for the State Investment Officer. He stated it was the consensus of the Compensation Committee to recommend to the full Council that the base salary for the State Investment Officer for FY 2018 increase by the state salary policy and that total compensation continue to be comprised of base salary and any earned investment performance incentive.

It was noted that by law, a state board cannot take action on a subcommittee recommendation until a subsequent meeting. Therefore, the Compensation Committee recommendation will be discussed at the April Council meeting for the full Council to establish a formal recommendation to be presented to the LRC Executive Board at their June meeting.

5) Investment Update – FY 2017

Tammy Otten reviewed the Motions and Actions Notes for the reporting date of February 2, 2017 which included the staff actions taken on prior Council motions.

Otten provided SDRS estimated assets and return as of the end of January. The current equity-like risk of the total portfolio was reviewed. Reference was made to various asset classes.

Clark discussed asset allocation changes since the last meeting as well as thresholds for possible future changes.

6) Iran Divestiture & Shareholder Activism Reports – Update

Otten 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 January 13, 2017. There is only one company currently held in the portfolio that is on the list. The company was contacted and a response was received. She noted that no changes to the policy were recommended at this time.

Otten stated that the Iran divestiture annual report was provided to the Executive Board of the Legislature on January 13, 2017 as required by law. The Council was provided the January 19, 2017 memo that included the most recent scrutinized companies lists from Colorado and Florida compared to the South Dakota list. Staff recommended changing the South Dakota list to include the recent additions to the Colorado list.

RICH SATTGAST MOVED, SECONDED BY JEFF NELSON, TO APPROVE THE CHANGES TO THE IRAN SCRUTINIZED COMPANIES LIST AS PRESENTED. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

7) Legislation Update

Clark updated the Council on the South Dakota Retirement System legislative bills before the 2017 Legislature. Otten provided an update on the other various legislative bills which may be of interest to the Council. Otten stated that a weekly update on the status of bills of interest to the Council will continue to be provided by email throughout the legislative session.

8) Audit Committee Update

Lorin Brass, Chair of the Audit Committee, reported that the Agreed Upon Procedures (AUP) review for the quarter ended September 2016 was completed by Legislative Audit with no findings. He added that he was informed by Ashlee Keyes of Legislative Audit that the process for AUP reviews is being updated to comply with new guidelines from AICPA. These would be affective for the March 2017 quarter AUP.

9) Higher Education Savings Plan

Sherry Nelson reviewed the Higher Education Savings Plan summary of accounts and quarterly compliance schedule. She added that the quarterly conference call was just completed which included a performance update. Allianz is planning to speak at the next Investment Council meeting.

Nelson stated that the HESP annual report letter was completed and mailed to the Governor, the Speaker of the House, and the President Pro Tempore of the Senate, and that she would be sending a copy to the Council.

10) New/Old Business

No new or old business was brought before the Council.

11) Future Meeting Dates

It was confirmed that the next Investment Council meeting will be held in Rapid City on April 20, 2017. The June 14 & 15, 2017 meeting will be held in conjunction with the SDRS Board of Trustees meeting in the Investment Office in Sioux Falls.

12) Adjournment

Chair Hillard declared the meeting adjourned at 2:45 p.m.