

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL Conference Call December 20, 2012

1) Roll Call

The conference call meeting was called to order at 1 p.m. by Chair Wesley Tschetter. Council members in attendance were Hugh Bartels, David Hillard, Jon Hunter, Jarrod Johnson, Jim Means, Rich Sattgast, Wesley Tschetter, and Rob Wylie. Also present were Matt Clark, Brett Fligge, Tammy Otten, and Laurie Riss of the Investment Office; and Jane Roberts and Michelle Mikkelsen of the South Dakota Retirement System.

AGENDA ITEMS:

- 1) Roll Call
- 2) TCW SD Opportunistic Mortgage-Backed Securities Fund
- 3) New/Old Business Agenda Items
- 4) Adjournment

2) TCW SD Opportunistic Mortgage-Backed Securities Fund

Matt Clark reviewed his email correspondence to the Council regarding proposed adjustments to TCW and PIMCO distressed mortgage allocations. He discussed the distressed mortgage area and his views on the continuing attractiveness of the area. He reviewed the performance comparisons for both funds, their account structures and fees.

Clark reviewed his recommendation for allocation to the distressed mortgage area. To maintain current exposure, he recommended transferring future distributions from the PIMCO Distressed Mortgage Fund II to the TCW South Dakota Opportunistic Mortgage-Backed Securities fund. He also recommended increasing the allocation to TCW to up to 6% for the retirement systems and 5% for the trust funds.

Council questions and discussion continued regarding the size of the allocation, timeframe of the attractiveness for the distressed mortgage area, timing of the likely PIMCO distributions, factors considered in the valuation including stress test assumptions, the separate South Dakota account structure with TCW as opposed to a limited partnership, and the favorable fee arrangement.

JIM MEANS MOVED, SECONDED BY RICH SATTGAST TO AUTHORIZE THE STATE INVESTMENT OFFICER TO TRANSFER FUTURE DISTRIBUTIONS FROM THE PIMCO DISTRESSED MORTGAGE FUND II TO THE TCW SOUTH DAKOTA OPPORTUNISTIC MORTGAGE-BACKED SECURITIES FUND FOR THE SOUTH DAKOTA RETIREMENT SYSTEM AND THE CEMENT PLANT RETIREMENT FUND. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

JARROD JOHNSON MOVED, SECONDED BY DAVID HILLARD, TO AUTHORIZE THE STATE INVESTMENT OFFICER TO INVEST ADDITIONAL AMOUNTS IN THE TCW SOUTH DAKOTA OPPORTUNISTIC MORTGAGE-BACKED SECURITIES FUND UP TO A TOTAL, INCLUDING EXISTING INVESTMENTS, OF 6% OF THE SOUTH DAKOTA RETIREMENT SYSTEM AND CEMENT PLANT RETIREMENT FUND, AND 5% OF THE SCHOOL AND PUBLIC LANDS FUND, THE DAKOTA CEMENT

TRUST, THE EDUCATION ENHANCEMENT TRUST AND THE HEALTH CARE TRUST. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

3) New/Old Business Agenda Items

Clark stated that the Appropriations Committee has confirmed the budget hearing in Pierre for February 6, 2013. The Council will meet separately that day following the Appropriations hearing.

4) Adjournment

Chair Tschetter declared the meeting adjourned at 1:35 p.m.