

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL Conference Call February 29, 2012

1) Roll Call

The conference call meeting was called to order at 9:02 a.m. by Chair Joseph Anglin. Council members in attendance were Joseph Anglin, Hugh Bartels, Jon Hunter, Jarrod Johnson, Rich Sattgast, Wesley Tschetter, and Rob Wylie. Council member Jim Means was absent. Also present were Matt Clark, Brett Fligge, Tammy Otten, and Chris Nelson of the Investment Office; and Jane Roberts, Susan Jahraus, Michelle Mikkelsen and Jacque Storm of the South Dakota Retirement System.

AGENDA ITEMS:

- 1) Roll Call
- 2) TCW SubPrime/Alt A Mortgage Backed Securities
- 3) Legislative Update
- 4) Adjournment

2) TCW SubPrime/Alt A Mortgage Backed Securities

Matt Clark reviewed his 2/24/12 email to the Council regarding the non-agency mortgage market. He provided some background on the potential additional investment in subprime/alt a mortgage-backed securities. He discussed the make-up of the portfolio and referenced the examples in his email of the four groups of loans based on payment history that would be the source of value for the portfolio. He noted that due diligence calls were also made to PIMCO and LoneStar regarding the asset class.

Clark discussed SDIC's current investment with TCW in this mortgage area and stated that the new portfolio would be similar. He recommended an additional investment with TCW of \$150 million for SDRS, plus an additional \$18 million for the Cement Plant Retirement Fund and the four trust funds. He noted work was still being done on the contract, including legal review, and that any investment would be subject to satisfactory completion.

Council questions and discussion continued regarding TCW's expertise, databases needed to analyze the securities, the marketability of the securities, where the underlying mortgages come from, and TCW's willingness to offer an attractive fee structure and separate account without lockups.

ROB WYLIE MOVED, SECONDED BY RICH SATTGAST, TO APPROVE THE STATE INVESTMENT OFFICER TO INVEST UP TO \$150 MILLION FOR THE SOUTH DAKOTA RETIREMENT SYSTEM, PLUS UP TO \$800,000 FOR THE CEMENT PLANT RETIREMENT FUND, \$3.5 MILLION FOR THE SCHOOL AND PUBLIC LANDS FUND, \$4.5 MILLION FOR THE DAKOTA CEMENT TRUST, \$7.2 MILLION FOR THE EDUCATION ENHANCEMENT TRUST, AND \$2 MILLION FOR THE HEALTH CARE TRUST, IN THE TCW SOUTH DAKOTA OPPORTUNISTIC MORTGAGE-BACKED SECURITIES FUND. MOTION PASSED ON A ROLL CALL VOTE WITH ALL VOTING IN FAVOR.

3) Legislative Update

Otten referenced the legislative update emailed to the Council on 2/25/12. She highlighted HB 1137 which includes \$1 million for the Cement Plant Retirement Fund in fiscal year 2012. It was also pointed out that SB 82 dealing with unclaimed properties' informational budget was amended to include oversight by the State Board of Finance.

4) Adjournment

Chair Anglin declared the meeting adjourned at 9:48 a.m.