

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL

Conference Call
February 7, 2019

1) Roll Call

The meeting was called to order at 9 a.m. on February 7, 2019 by Chair Lorin Brass. Council members in attendance were Paul Bisson, Lorin Brass, Ryan Brunner, Josh Haeder, Loren Koepsell, Greg Kulesa, Jeff Nelson, and Rob Wylie.

Others attending all or part of the meeting included Matt Clark, Tammy Otten, Brett Fligge, Chris Nelson, Jeff Hallem, Sherry Nelson, Laurie Riss and Christa Sites from the Investment Council office; and Doug Fiddler, Travis Almond, Jane Beer and Michelle Mikkelsen from SDRS.

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

AGENDA ITEMS:

- 1) Roll Call
- 2) Minutes
- 3) Public Comment
- 4) Appropriations Hearing Review
- 5) Compensation Committee Update
- 6) Investment Update – FY 2019
- 7) Iran Divestiture & Shareholder Activism Reports
- 8) Legislation Update
- 9) Audit Committee Update
- 10) 529 Higher Education Savings Plan Update
- 11) New/Old Business Agenda Items
- 12) Future Meeting Dates
- 13) Adjournment

Chair Brass welcomed State Treasurer Josh Haeder to the Investment Council.

2) Minutes

JEFF NELSON MOVED, SECONDED BY LOREN KOEPSSELL, TO APPROVE THE MINUTES OF THE NOVEMBER 29, 2018 INVESTMENT COUNCIL MEETING. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

3) Public Comment

There were no public comments.

4) Appropriations Hearing Review

Lorin Brass discussed the FY 2019 budget presentation that he and Matt Clark presented to the Appropriations Committee on January 17, 2019. In addition to the FY 2020 budget request, the presentation included information on performance, costs and the trust funds. Brass and Clark stated that there were good questions and supportive comments from several legislators. There were no follow-up issues with the budget request at this time.

Council members Rob Wylie, Ryan Brunner and Josh Haeder were also present for the Appropriations hearing and agreed that it went well.

5) Compensation Committee Update

Loren Koepsell, Chair of the Compensation Committee, reported that the Committee recently met to discuss the compensation for the State Investment Officer for fiscal year 2020. 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 2020 increase by 1.75% per the long-term plan

for investment positions plus any state salary policy. Total compensation would continue to be comprised of base salary and any earned investment performance incentive.

Lorin Brass 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 May/June meeting.

Loren Koepsell stated the Compensation Committee also reviewed a clarification to the incentive plans related to the salary used to calculate incentives. It was clarified that if a salary change or full-time/part-time status change occurs during the performance year, a weighted average salary would be used to calculate the incentive. The Council concurred with the clarification.

6) Investment Update – FY 2019

Tammy Otten reviewed the Motions and Actions Notes with actions taken on motions passed at the November 29, 2018 Council meeting. She provided information on the trust fund distributions. The amounts were provided to the various state offices for inclusion in their revenue projections. Otten reviewed the SDRS estimated assets and fiscal year to date return.

7) Iran Divestiture & Shareholder Activism Reports

Tammy Otten stated that the Iran divestiture annual report was provided to the Executive Board of the Legislature as required by law. The Council was provided the January 17, 2019 memo that included a copy of the Executive Board report and the most recent scrutinized companies lists from Florida and Colorado compared to the South Dakota list. Staff recommended changing the South Dakota list to include the one recent addition to the Florida list.

RYAN BRUNNER MOVED, SECONDED BY JOSH HAEDER, TO APPROVE THE CHANGE TO THE IRAN SCRUTINIZED COMPANIES LIST AS PRESENTED. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

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 14, 2019. The policy was reviewed at the August 27, 2018 Council meeting.

8) Legislation Update

Rob Wylie reviewed the legislative bills relating to SDRS. Josh Haeder reviewed HB 1022 regarding limitations on indemnification by the state. Matt Clark discussed HB 1206 which provides for divestiture of certain state investment holdings of companies that boycott Israel. He also discussed HB1165 which establishes a prepaid tuition plan and HB1135 regarding the use of certain confidential information by the director of the LRC.

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.

9) Audit Committee Update

Jeff Nelson, Chair of the Audit Committee, reported that the Agreed Upon Procedures work was completed for the quarter ended September 30, 2018, and the Audit Committee has received

Legislative Audit's report. He added that work is currently under way on the AUP for the quarter ended December 31, 2018.

10) 529 Higher Education Savings Plan Update

Sherry Nelson reviewed the CollegeAccess 529 Plan summary of accounts, the quarterly compliance schedule, and the minutes of the Allianz quarterly conference call. She stated that the annual report letter on the Higher Education Savings Program was sent to the Governor, Speaker of the House and President Pro Tempore of the Senate and that a copy had been provided to the Council.

In response to a question about the scholarship program, Nelson reviewed the 529 Plan asset breakpoints for contributions into the Dakota Corps Scholarship Fund and the amounts provided in recent years.

11) New/Old Business Agenda Items

There were no new or old agenda items brought before the Council.

12) Future Meeting Dates

The next Investment Council meeting will be held in Sioux Falls on April 18, 2019.

13) Adjournment

Chair Brass declared the meeting adjourned at 10:05 a.m.