

# MINUTES

## SOUTH DAKOTA INVESTMENT COUNCIL Teleconference November 19, 2020

### 1) Roll Call

The meeting was called to order at 9 a.m. on November 19, 2020 by Chair Jeff Nelson. Council members in attendance were Travis Almond, Paul Bisson, Ryan Brunner, Josh Haeder, Mary Howard, Loren Koepsell, Greg Kulesa, and Jeff Nelson.

Others attending all or part of the meeting included Investment Council Staff members Matt Clark, Brett Fligge, Tammy Otten, Sherry Nelson, Jeff Hallem, Matt Michels, Laurie Riss and Christa Sites; legal counsel Aaron Scheibe; SDRS staff members Jacque Storm, Doug Fiddler and Jane Beer; Auditor General Russ Olson and Legislative Audit staff member Ashlee Keyes; Frank Waltman, David Katz, Peter Batchlar, and Kevin Carr from Virtus; Doug Hajek and Kalen Biord from Davenport Evans Hurwitz & Smith law firm; Steve Pietila from First Dakota Bank Yankton; Adam Rees from Fundmap; and Jim Baker from PE Stakeholder Project.

#### AGENDA ITEMS:

- 1) Roll Call
- 2) Minutes (October 15, 2020)
- 3) Public Comment
- 4) SDIC FY 2020 Annual Report
- 5) Investment Update – FY 2021
- 6) Iran Divestiture Update
- 7) Audit Committee Update
- 8) Auditor General Russ Olson
- 9) Compensation Committee Update
- 10) Council Subcommittee Appointments
- 11) Legislation
- 12) 529 Plan Update
- 13) 529 Plan Virtus Presentation
- 14) New/Old Business Agenda Items
- 15) Future Meeting Dates
- 16) Adjournment

(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.)

### 2) Minutes

JOSH HAEDER MOVED, SECONDED BY PAUL BISSON, TO APPROVE THE MINUTES OF THE OCTOBER 15, 2020 INVESTMENT COUNCIL MEETING. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

### 3) Public Comment

Jim Baker from PE Stakeholder Project spoke on their concerns about Starwood's eviction practices during the Coronavirus pandemic. Matt Clark reviewed his previous follow up with Starwood who indicated they were compliant with applicable regulations and that this had been communicated to PE Stakeholder Project.

### 4) SDIC FY 2020 Annual Report

Matt Clark confirmed that the SDIC FY 2020 Annual Report was emailed to the Council. He noted the report is on the SDIC website and that it will be emailed to the legislators, the executive branch,

and other interested parties. Printed copies will be provided upon request. Clark thanked the investment accountants for their good work in producing the report.

5) Investment Update – FY 2021

Tammy Otten reviewed the Council's recent motions and subsequent actions. She provided an update on the estimated fair value and fiscal year to date investment returns of the various funds under management. She also discussed the current asset allocation and equity-like risk.

Clark updated the Council on the Bristow investment. He noted that staff was working on contracting with an external advisor to handle any SEC filings related to Bristow.

Clark noted that the Dakota Cement Trust and the School & Public Lands fund had been named in a lawsuit in relation to a housing project. He added that the State was handling the lawsuit and our attorney would monitor for any developments that impact the Council.

6) Iran Divestiture Update

Otten reviewed a memo dated November 2, 2020 on the Iran Scrutinized Companies List. Staff recommended no change to the current list.

7) Audit Committee Update

Paul Bisson, Chair of the Audit Committee, reported that the FY 2020 audit was completed and received. He noted that he and Greg Kulesa jointly signed the AUP letter which identified the areas of focus for FY 2021.

8) Auditor General Russ Olson

Russell Olson, Auditor General, joined the Council to introduce himself and give an overview of the Department of Legislative Audit (DLA). He reviewed the history of the DLA and discussed their mission and responsibilities under state law.

Olson discussed DLA's responsibilities and services related to the Investment Council. DLA performs the annual audit of the cash flow fund and trust fund portfolios. He noted that the annual audit of SDRS is performed by an outside CPA firm, and the draft report is reviewed by DLA before issuance. Olson discussed the quarterly agreed upon procedures reports completed at the request of the SDIC Audit Committee and emphasized the benefits from preparing these reports. He reviewed a timeline of the services related to the SDIC.

Olson discussed DLA's adherence to professional standards and reviewed the DLA audit team's years of experience and continuing professional education. He noted that additional training and certification is completed by the auditors who perform the Council audit.

The Council thanked Olson for his presentation and expressed appreciation for the good work done by DLA.

9) Compensation Committee Update

There were no Compensation Committee items to report for this meeting.

10) Council Subcommittee Appointments

Jeff Nelson reviewed the changes to the Investment Council subcommittees. Effective immediately, the Compensation Committee will include Paul Bisson as Chair, Jeff Nelson and Greg Kulesa. The Audit Committee will include Greg Kulesa as Chair, Josh Haeder, and Loren Koepsell. Mary Howard was invited to be an observer to the Audit Committee with the possibility of being appointed to the Committee at a later time.

11) Legislation

Matt Clark stated that staff did not intend to propose any legislation at the upcoming Legislative Session.

Travis Almond reviewed several legislative issues that he planned to propose to the SDRS Board of Trustees for their consideration at their next meeting.

12) 529 Plan Update

Matt Clark reviewed the CollegeAccess 529 Plan summary of accounts, the quarterly compliance schedule, and the minutes of the Allianz quarterly conference call.

13) 529 Plan Virtus Presentation

Frank Waltman, David Katz, Peter Batchlar and Kevin Carr from Virtus joined the Council meeting to discuss a proposed relationship with the South Dakota Investment Council for the 529 higher education savings plan assets.

LOREN KOEPSSELL MOVED, SECONDED BY PAUL BISSON, TO GO INTO EXECUTIVE SESSION PER SDCL 1-25-10 FOR THE PURPOSE OF RECEIVING AND DISCUSSING CONFIDENTIAL INFORMATION EXEMPT FROM PUBLIC DISCLOSURE. MOTION PASSED UNANIMOUSLY ON A ROLL CALL VOTE.

The Council went into executive session at 10:35 a.m. Remaining to participate in or facilitate the presentation and discussion included staff members Matt Clark, Tammy Otten, Sherry Nelson, Brett Fligge, Jeff Hallem, Matt Michels, Christa Sites and Laurie Riss and legal counsels Aaron Scheibe, Doug Hajek and Kalen Biord .

Open session reconvened at 11:45 a.m.

14) New/Old Business Agenda Items

Jeff Nelson noted that he and Matt Clark had an instructive conversation following his performance review at the last meeting. They also discussed continuing the discussion on the ongoing equity research project presented at the last Council meeting.

15) Future Meeting Dates

The next Council meeting will be held by teleconference in late January. A workable date will be determined and confirmed with the Council.

16) Adjournment

Chair Nelson declared the meeting adjourned at 11:55 a.m.