

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL Sioux Falls, South Dakota November 14, 2024

1) Roll Call

The meeting was called to order at 8:30 a.m. on November 14, 2024 by Chair Loren Koepsell. Council members in attendance were Travis Almond, Cathy Clark, Brock Greenfield, Josh Haeder, Loren Koepsell, Kelly Meiners, and Steve Pietila. Taylor Thompson was absent.

Others attending all or part of the meeting included Investment Council Staff members Matt Clark, Chris Nelson, Sherry Nelson, Sami Rains, Jan Zeeck, John Richter, Darci Haug, Danielle Mourer, Jake Wehde, Taylor Elmer, Payton Larsen, Jeff Ellefson, Renae Randall, Jarrod Edelen, Anne Cipperley, Makenzie Smook, Randy Spinar, Matthew Carey, Cindy Pickering, Krystal Seeley, Erik Rossing, and Sarah Rust; SDRS staff member Jacque Storm; and Miguel Penaranda from BIT.

(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 (August 15, 2024)
- 3) Public Comment
- 4) CD Program Review
- 5) 529 Higher Education Savings Plan
- 6) SDIC FY 2024 Annual Report
- 7) Iran Divestiture Update
- 8) Legislation for 2025 Legislative Session
- 9) Personal Investing Guidelines-Restricted Securities Update
- 10) Investment Update – FY 2025
- 11) Compensation Committee Update
- 12) Incentive Plan Breakpoints
- 13) Audit Committee Update
- 14) BIT Cybersecurity Presentation
- 15) New/Old Business Agenda Items
- 16) Future Meeting Dates
- 17) Research and Monitoring Update
- 18) Quarterly Investment Update Discussion
- 19) Succession Planning
- 20) Investment Officer Performance Evaluation
- 21) Adjournment

2) Minutes

JOSH HAEDER MOVED, SECONDED BY KELLY MEINERS, TO APPROVE THE MINUTES OF THE AUGUST 15, 2024 INVESTMENT COUNCIL MEETING. MOTION PASSED UNANIMOUSLY.

3) Public Comment

There were no public comments.

4) CD Program Review

Sherry Nelson reviewed her memo summarizing the results of the 2024/2025 CD Program, including the CD rate calculation details and total program size. The summary also included a listing of the participating South Dakota financial institutions along with the amounts offered and accepted for each. Historical statistics of the CD program were provided. Nelson also discussed outreach for the CD Program.

5) 529 Higher Education Savings Plan

Sherry Nelson reviewed the CollegeAccess 529 Plan summary of shareholder positions and accounts, the quarterly compliance schedule, and the minutes of the Virtus quarterly conference call.

6) SDIC FY 2024 Annual Report

Sami Rains discussed the SDIC FY 2024 Annual Report and highlighted a change that was made to the report this year in the trust fund section. Rains introduced and thanked three members of the Investment Accounting team, who were present at the meeting.

7) Iran Divestiture Update

Sami Rains reviewed a memo dated October 29, 2024 on the Iran Scrutinized Companies List. Rains explained the updates to the list which included an addition that is currently held by the Investment Council. Rains discussed the steps to take when a company added to the list has been identified as a current holding. Staff recommended approving the updated South Dakota Iran Scrutinized Companies List.

CATHY CLARK MOVED, SECONDED BY BROCK GREENFIELD, TO APPROVE THE CHANGES TO THE IRAN SCRUTINIZED COMPANIES LIST AS PRESENTED. MOTION PASSED UNANIMOUSLY.

8) Legislation for 2025 Legislative Session

John Richter discussed a statutory bill to update IRS code references for the 529 plan. He also provided an update on SDRS legislation.

Richter stated he would provide a weekly legislative update to the Council during the Legislative Session again this year.

9) Personal Investing Guidelines-Restricted Securities Update

Matt Clark discussed the restricted securities that Council members cannot invest in as designated by the State Investment Officer and affirmed by the Investment Council. He reviewed the current list of restricted securities. This list includes one company, Blackstone, which is on the list due to the size of Council investments with the firm in conjunction with the Council role in approving. Clark stated the list will be reviewed and reaffirmed by the Council on an annual basis.

STEVE PIETILA MOVED, SECONDED BY TRAVIS ALMOND, TO AFFIRM THE INFORMATION PROVIDED AS PART OF THE CODE OF ETHICS AND PERSONAL INVESTING GUIDELINES OF THE SOUTH DAKOTA INVESTMENT COUNCIL AS PREVIOUSLY PROVIDED TO THE COUNCIL. MOTION PASSED UNANIMOUSLY.

10) Investment Update – FY 2025

Darci Haug provided an update on the estimated recent SDRS fiscal year to date investment returns. She reported there were no recent motions and actions to report on.

Danielle Mourer provided an update of the trust funds. She also updated the Council on the status of the Bristow investment.

Jan Zeeck gave a brief overview of the Core Portfolio, reviewing various sector and industry groups.

11) Compensation Committee Update

Steve Pietila, Chair of the Compensation Committee, reported there was a committee meeting on October 22 to discuss Incentive Plan stretch breakpoints for newer investment staff, which would be reviewed by Matt Clark at this meeting.

12) Incentive Plan Breakpoints

Matt Clark reviewed the Incentive Plan stretch breakpoints for newer investment staff that were highlighted in the schedule previously provided to the Council. Clark recommended approving the addition of these stretch breakpoints to facilitate calculation of stretch incentives for newer investment staff.

KELLY MEINERS MOVED, SECONDED BY CATHY CLARK, TO APPROVE THE INCENTIVE PLAN BREAKPOINT SCHEDULE AS PRESENTED TODAY. MOTION PASSED UNANIMOUSLY.

13) Audit Committee Update

Steve Pietila, FY 2024 Audit Committee Chair, and Sami Rains discussed the FY 2024 audit. Rains reported there was one audit finding regarding a display error in the financial statements for the Cash Flow Fund. She explained the controls put in place to prevent this error in the future.

Kelly Meiners, FY 2025 Audit Committee Chair, provided an update on the FY 2025 Agreed Upon Procedures.

14) BIT Cybersecurity Presentation

Miguel Penaranda, Chief Information Security Officer for the Bureau of Information and Telecommunications, presented to the Council on the evolving cybersecurity landscape. He provided an overview of the SDIC's website traffic and potential vulnerabilities. Penaranda also reviewed various cybersecurity threats and measures to take for preventing attacks.

15) New/Old Business Agenda Items

No new or old business agenda items were introduced.

16) Future Meeting Dates

The next Council meeting will be held by teleconference on January 28, 2025.

17) Research and Monitoring Update

JOSH HAEDER MOVED, SECONDED BY CATHY CLARK, TO GO INTO EXECUTIVE SESSION PER SDCL 1-25-10 FOR THE PURPOSE OF RECEIVING AND DISCUSSING INVESTMENT INFORMATION THAT IS CONFIDENTIAL UNDER SDCL 1-27-1.6(5). MOTION PASSED UNANIMOUSLY.

The Council went into executive session at 10:08 a.m. Staff remaining to participate in or facilitate the presentations and discussion included Matt Clark, Chris Nelson, John Richter, Jan Zeeck, Sami Rains, Darci Haug, Danielle Mourer, Payton Larsen, Taylor Elmer, Jake Wehde, Jeff Ellefson, Jarrod Edelen, Anne Cipperley, Renae Randall, and Sarah Rust.

Darci Haug and Danielle Mourer presented on Trust Funds-Research and Investment Monitoring.

Jake Wehde, Taylor Elmer, and Payton Larsen provided an equity research update.

Jeff Ellefson and Payton Larsen presented on Global Equity-Bank Valuation.

Open session reconvened at 11:24 a.m.

18) Quarterly Investment Update Discussion

STEVE PIETILA MOVED, SECONDED BY TRAVIS ALMOND, TO GO INTO EXECUTIVE SESSION PER SDCL 1-25-10 FOR THE PURPOSE OF RECEIVING AND DISCUSSING INVESTMENT INFORMATION THAT IS CONFIDENTIAL UNDER SDCL 1-27-1.6(5). MOTION PASSED UNANIMOUSLY.

The Council went into executive session at 1:00 p.m. Staff remaining to participate in or facilitate the presentations and discussion included Matt Clark, John Richter, Jan Zeeck, Jarrod Edelen, Renae Randall, Sami Rains, Darci Haug, Danielle Mourer, and Sarah Rust.

The Quarterly Investment Update Discussion was led by Darci Haug and Sami Rains.

Open session reconvened at 1:05 p.m.

19) Succession Planning

KELLY MEINERS MOVED, SECONDED BY BROCK GREENFIELD, TO GO INTO EXECUTIVE SESSION PER SDCL 1-25-10 FOR THE PURPOSE OF RECEIVING AND DISCUSSING INVESTMENT INFORMATION THAT IS CONFIDENTIAL UNDER SDCL 1-27-1.6(5) AND PER SDCL 1-25-2(1) TO DISCUSS ITEMS RELATING TO PERSONNEL. MOTION PASSED UNANIMOUSLY.

The Council went into executive session at 1:06 p.m. Staff remaining to participate in or facilitate the presentations and discussion included Matt Clark, Jan Zeeck, John Richter, and Sarah Rust.

20) Investment Officer Performance Evaluation

Executive session continued to discuss items relating to personnel. No staff members participated.

Open session reconvened at 2:44 p.m.

21) Adjournment

TRAVIS ALMOND MOVED, SECONDED BY CATHY CLARK, TO ADJOURN THE MEETING. MOTION PASSED UNANIMOUSLY.

The meeting adjourned at 2:45 p.m.