

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL

Sioux Falls, South Dakota

April 4, 2024

1) Roll Call

The meeting was called to order at 8:45 a.m. on April 4, 2024 by Chair Loren Koepsell. Council members in attendance were Travis Almond, Brock Greenfield, Josh Haeder, Mary Howard, Loren Koepsell, Kelly Meiners, Steve Pietila, and Taylor Thompson.

Others attending all or part of the meeting included Investment Council Staff members Matt Clark, Chris Nelson, Tammy Otten, Darci Haug, Danielle Mourer, Jan Zeeck, John Richter, Sami Rains, Matthew Carey, Lesyk Voznyuk, Jake Wehde, Anne Cipperley, Katie Eliason, and Sarah Rust; SDRS staff members Jacque Storm and Michelle Mikkelsen; Barry Sternlicht, Mark Deason, Matthew Parrott, and Khalif Edwards from Starwood Capital Group; and John Hult from South Dakota Searchlight.

(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 (February 1, 2024)
- 3) Public Comment
- 4) Investment Update – FY 2024
- 5) Iran Divestiture Update
- 6) Legislative Wrap-Up - Review
- 7) 529 Higher Education Savings Plan Update
- 8) Compensation Committee Update
- 9) Audit Committee Update
- 10) Succession Plan Review
- 11) Starwood Capital Group Update
- 12) Limited Partnerships Internal Analytics
- 13) Asset Allocation Update
- 14) Internal Public Equity Overview
- 15) Intern Update
- 16) New/Old Business Agenda Items
- 17) Future Meeting Dates
- 18) Adjournment

2) Minutes

JOSH HAEDER MOVED, SECONDED BY KELLY MEINERS, TO APPROVE THE MINUTES OF THE FEBRUARY 1, 2024 COUNCIL MEETING. MOTION PASSED UNANIMOUSLY.

3) Public Comment

There were no public comments.

4) Investment Update – FY 2024

Darci Haug noted that there were no actions on prior motions to report. Haug discussed recent SDRS asset allocation adjustments and current equity like risk.

Danielle Mourer provided estimated returns for SDRS as of 3/31/24. Mourer discussed recent distributions and asset allocation adjustments for the trust funds. She also provided an update for the Bristow investment.

Jan Zeeck discussed the fiscal year-to-date performance of the equity portfolios. Zeeck discussed industry relative valuation and weightings.

5) Iran Divestiture Update

Sami Rains reported that the Florida list had not been updated as of last week. Rains stated there will be an update at the next Council meeting.

6) Legislative Wrap-Up - Review

John Richter reviewed the weekly update he provided on relevant bills during the legislative session which included updates on HB 1003 as well as SB 68 and 69.

Travis Almond discussed the House Commemoration of SDRS and the growth of the retirement system over the last 50 years.

7) 529 Higher Education Savings Plan Update

Tammy Otten presented the 529 update. She reviewed a summary of assets as of February 29, 2024, the completion of items on the compliance schedule, and the minutes from the last quarterly call with Virtus. There was discussion by the Council about potential benefits to the program manager of customer surveys by the program manager about ease of use of the program.

8) Compensation Committee Update

Mary Howard, Chair of the Compensation Committee, reviewed the recommendation that was made by the Committee to the Investment Council at the last meeting regarding the State Investment Officer's compensation for Fiscal Year 2025. This recommendation will be presented to the LRC Executive Board at their April 23rd meeting.

MARY HOWARD MOVED, SECONDED BY BROCK GREENFIELD, THAT THE INVESTMENT COUNCIL RECOMMEND TO THE LRC EXECUTIVE BOARD THAT TOTAL COMPENSATION FOR THE STATE INVESTMENT OFFICER PAYABLE IN FY 2025 BE COMPRISED OF FY 2024 BASE SALARY INCREASED BY STATE SALARY POLICY PLUS 1.75% AND CONTINUATION OF THE INVESTMENT PERFORMANCE INCENTIVE PLAN, WITH ANY EARNED INCENTIVE TO BE PAID FOLLOWING COMPLETION OF THE AUDIT. MOTION PASSED UNANIMOUSLY.

9) Audit Committee Update

Steve Pietila, Chair of the Audit Committee, reported that the Agreed Upon Procedures report was completed for the quarter ended December 31, 2023, and there were no exceptions noted. Pietila thanked Sami Rains and the accounting team for a job well done.

10) Succession Plan Review

Matt Clark reviewed the proposed updated Succession Plan for the State Investment Officer noting there were no substantive changes other than to update the Emergency Succession Designees. He

explained some reformatting changes that were made for clarity. Council discussion followed regarding the proposed changes to the plan.

JOSH HAEDER MOVED, SECONDED BY BROCK GREENFIELD, TO APPROVE THE UPDATED STATE INVESTMENT OFFICER SUCCESSION PLAN AS PRESENTED. MOTION PASSED UNANIMOUSLY.

11) Starwood Capital Group Update

KELLY MEINERS MOVED, SECONDED BY MARY HOWARD, 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 10:00 a.m. Staff remaining to participate in and/or facilitate the presentation and discussion included Matt Clark, Tammy Otten, Chris Nelson, Darci Haug, John Richter, Jan Zeeck, Sami Rains, and Sarah Rust.

Barry Sternlicht, Mark Deason, Matthew Parrott, and Khalif Edwards with Starwood Capital Group presented an update to the Council.

12) Limited Partnerships Internal Analytics

Executive session continued for a review of limited partnerships internal analytics by Darci Haug.

The Council recessed for lunch at 12:04 p.m. Executive session continued at 12:17 p.m.

STEVE PIETILA 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.

Staff remaining to participate in and/or facilitate the presentation and discussion included Matt Clark, Tammy Otten, Chris Nelson, Dari Haug, John Richter, Jan Zeeck, Sami Rains, Danielle Mourer, Lesyk Voznyuk, Matthew Carey, Jake Wehde, Anne Cipperley, Katie Eliason, and Sarah Rust.

13) Asset Allocation Update

Executive session continued for an asset allocation update provided by Darci Haug, Danielle Mourer, Lesyk Voznyuk, Matthew Carey, and Jake Wehde.

14) Internal Public Equity Overview

Executive session continued for an internal public equity overview by Darci Haug.

15) Intern Update

Executive session continued for an intern update from Anne Cipperley and Katie Eliason.

General session reconvened at 2:36 p.m.

Anne Cipperley and Katie Eliason reported there were four interns hired from a large pool of candidates.

16) New/Old Business Agenda Items

No new or old business agenda items were introduced.

17) Future Meeting Dates

The next Council meeting will be held on June 13, 2024. The August Council meeting has been confirmed as August 15, 2024. It was also noted that the LRC Executive Board meeting will be held on April 23, 2024.

18) Adjournment

Chair Koepsell declared the meeting adjourned at 2:52 p.m.