

MINUTES

SOUTH DAKOTA INVESTMENT COUNCIL Spearfish, South Dakota April 16 & 17, 2012

1) Roll Call

The meeting was called to order at 1 p.m. on April 16, 2012, by Chair Joseph Anglin. Council members in attendance were Joseph Anglin, Hugh Bartels, Jon Hunter, Jarrod Johnson, Jim Means, Rich Sattgast, Wesley Tschetter and Rob Wylie.

Others attending all or part of the meeting included Matt Clark, Brett Fligge, Tammy Otten, and Chris Nelson of the Investment Office; Jane Roberts, Susan Jahraus and Michelle Mikkelsen of the South Dakota Retirement System; Senator Tom Nelson; Pierre Lapeyre, David Leuschen and Elizabeth Weymouth from Riverstone Holdings; Mike Bingle, Susannah Carrier, Jim Davidson and Egon Durban from Silver Lake Partners; Jeb Clarkson; Kevin Whitelock; Earl Davis; Jon Pochop; and Erika Kroetch Campbell.

AGENDA ITEMS:

- 1) Roll Call
- 2) Minutes
- 3) Investment Update
- 4) Iran Divestiture – Update
- 5) Riverstone Holdings – Presentation
- 6) Potential Management of External Funds
- 7) Legislative Wrap-up Review
- 8) Compensation Committee Update & Investment Officer FY13 Compensation
- 9) Audit Committee Update
- 10) Higher Education Savings Program
- 11) Investment Policies – Review
- 12) Custodian Bank Review
- 13) Silver Lake Partners – 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 Office, and public access is subject to the provisions of SDCL 1-27.)

2) Minutes

JARROD JOHNSON MOVED, SECONDED BY RICH SATTGAST, TO APPROVE THE MINUTES OF THE FEBRUARY 8, 2012, AND FEBRUARY 29, 2012, INVESTMENT COUNCIL MEETINGS. MOTION PASSED UNANIMOUSLY.

3) Investment Update

The Motions and Actions report from the February 8, 2012 meeting and February 29, 2012 conference call was reviewed by Tammy Otten. The 3/31/12 quarterly investment update will be provided to the Council the first part of May. Assets and estimated returns for funds under management as of 3/31/12 and 4/12/12 were presented.

Brett Fligge provided an overview of the internal equity management and Chris Nelson provided an update on private equity and real estate exposure. Matt Clark discussed the asset allocation model valuation and equity like risk characteristics of the portfolios.

4) Iran Divestiture Update

Otten reviewed the memo provided to the Council and distributed the recent quarterly scrutinized companies list for Iran. After reviewing both the Colorado and Florida lists, the Council approved staff recommendation to approve the proposed list.

RICH SATTGAST MOVED, SECONDED BY HUGH BARTELS, TO ADOPT THE COLORADO IRAN SCRUTINIZED COMPANIES LIST AS OF JANUARY, 2012, WITH THE LIST AMENDED TO INCLUDE SINOPEC. MOTION PASSED UNANIMOUSLY.

5) Riverstone Holdings LLC – Private Equity Update

Pierre Lapeyre, David Leuschen and Elizabeth Weymouth of Riverstone Holdings LLC joined the Council to provide an update on their private equity funds which focus on energy. Lapeyre discussed Riverstone's four-sector approach which includes power and coal, energy services, midstream, and exploration and production. He discussed in depth each of the current investment opportunities that Riverstone has identified, which include shale development, tight oil development, "orphan" conventional assets, Gulf of Mexico and other offshore basins, and other opportunities that arise from changes in the industry.

Riverstone reviewed the investment strategy they have used for their four global energy and power funds, as well as their strategy and investment themes for each of their four sector approaches. They highlighted their overall investment philosophy which is aimed at capital protection and value maximization.

Leuschen reviewed their firms' overall investment performance for their four funds. He discussed several representative investments. Riverstone is currently marketing their fifth fund, and they explained the expected size of the fund, their return target, expected number of investments, and the types of investments the fund would invest in.

Following Riverstone's presentation, the Council continued discussion on Riverstone and the private equity sector.

6) Potential Management of External Funds

Clark reviewed many aspects of management of other outside funds. The Council discussed the need for strategic planning for office operations in the years ahead. These issues would involve, but not limited to, the need for an internal audit function, increased staffing, budget flexibility within a certain basis point limit, and communications with executive branch and legislature.

7) Legislative Wrap-up - Review

Otten reviewed the final legislative report. The three bills sponsored by the SD Retirement Board of Trustees passed and were signed by the Governor. In March the Investment Council staff was included in the 5% salary bonus (adjusted for bounds) payment. The appropriations bill passed with the IC budget as presented by the Governor with a minor increase per Bureau of Finance and Management for BIT services.

8) Audit Committee Update

Hugh Bartels, Chair of the Audit Committee, stated that the audit committee would hold a conference call in June with the Department of Legislative Audit to discuss the scope of the fiscal year-end audit.

9) Higher Education Savings Program – Update

Otten reviewed the Higher Education Savings Plan summary of accounts and the quarterly conference call minutes provided to the Council. She provided an update of estimated assets as of 3/31/12. Sattgast gave an update as the Co-Chair of the College Savings Plan Network (CSPN).

The Council recessed at 5:10 p.m. and reconvened at 8 a.m. on April 17, 2012.

10) Compensation Committee Update & Investment Officer FY 2013 Compensation

Wes Tschetter, Chair of the Compensation Committee, discussed the State Investment Officer's FY 2013 compensation and the recommendation the Council be making to the Executive Board at their June meeting.

WESLEY TSCHETTER MOVED, SECONDED BY JARROD JOHNSON, THAT THE COUNCIL RECOMMEND TO THE LRC EXECUTIVE BOARD AN INCREASE OF 4.8% FOR THE FY 2013 BASE SALARY FOR THE STATE INVESTMENT OFFICER AND CONTINUATION OF THE INVESTMENT PERFORMANCE INCENTIVE PLAN, WITH ANY EARNED INCENTIVES FOR FY 2013 INVESTMENT PERFORMANCE TO BE PAID EARLY IN FY 2014 FOLLOWING COMPLETION OF THE AUDIT. MOTION PASSED UNANIMOUSLY.

11) Investment Policies – Review

Otten reviewed the Summary Investment Policies per South Dakota Law/Constitution. The Council requested that the South Dakota Retirement System and Cement Plant Retirement Fund be divided into two policy statements. Policy reviews were deferred to the next meeting.

12) Custodian Bank Review

The Council was provided a memo from Tammy Otten reviewing the current custodian bank relationship. BNY/Mellon is providing service per the contract.

13) Silver Lake Partners – Private Equity Update

Mike Bingle and Susannah Carrier of Silver Lake Partners, joined the Council meeting to provide an update on their private equity funds which focus on technology. Jim Davidson and Egon Durban from Silver Lake joined the meeting by conference phone.

Mike Bingle gave a brief history of Silver Lake, their assets under management, the Silver Lake partners, and their global platform. He reviewed their investment performance for Silver Lake Partners funds I, II and III. He discussed the key ingredients of this performance which focus on large and underpenetrated technology market opportunities. Silver Lake relies on their deep technology specialization, strategic positioning, unique industry network and expertise to evaluate business and financial market cycles and pursue high-quality transactions with a disciplined and focused investment approach and creative deal structuring. Bingle discussed Silver Lake's close partnerships with managements to build and implement value creation programs.

Susannah Carrier continued the presentation with a discussion on Silver Lake's growth and the operational challenge of this growth while maintaining their culture. She discussed the technology and investment background of their team.

In response to Council questions, Silver Lake discussed the makeup of their competition, the structural changes they have made from the first fund to the current fund, the number of deals that are evaluated, and the next generation of investment professionals. Silver Lake is launching fundraising for SLP IV.

14) New/Old Business Agenda Items

A strategic planning session will be added to a future agenda.

15) Future meeting dates

The future meeting dates were reviewed and the change to the November, 2012 meeting date was noted.

16) Adjournment

Chair Anglin declared the meeting adjourned at 10:35 a.m.