

Investment Committee
Friday, September 8, 2023, 9:00 a.m.
Virtual Only
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AGENDA

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA - *(Committee Action)***
 - II. **ACCEPTANCE OF MINUTES (August 11, 2023) - *(Committee Action)***
 - III. **INVESTMENT PERFORMANCE REVIEW (45 minutes) - *(Information)*** - Mr. Anderson
- (Break)
- IV. **PRIVATE EQUITY COMMITMENT (30 minutes)¹ - *(Committee Action)*** – Mr. Moss, Mr. Zietlow
 - V. **PROXY VOTING POLICY (10 minutes) *(Information)*** – Mr. Chin
 - VI. **DISCUSSION**
 - A. Internal Investment Ops Implementation Plan (5 minutes)
 - VII. **ADJOURNMENT**

¹ Executive Session pursuant to NDCC 44-04-18.4(1), 44-04-19.1(9), and 44-04-19.2 to discuss confidential commercial information and contract negotiating strategy.

**STATE INVESTMENT BOARD
INVESTMENT COMMITTEE MEETING
MINUTES OF THE
August 11, 2023, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Joseph Heringer, Trust Lands Commissioner, Vice Chair
Scott Anderson, CIO
Eric Chin, Deputy CIO
Dr. Prodosh Simlai, External Representative

MEMBER ABSENT: Dr. Ruilin Tian, External Representative

STAFF PRESENT: George Moss, Sr. Investment Officer
Jan Murtha, Executive Director
Matt Posch, Sr. Investment Officer
Emmalee Riegler, Procurement/Records Coor.
Chad Roberts, Deputy Executive Director
Ryan Skor, CFO/COO
Nitin Vaidya, Chief Risk Officer
Jason Yu, Risk Officer
Lance Zietlow, Sr. Investment Officer

GUESTS: Mr. Timothy Bruce, NEPC
Mr. Joe Nankof, NEPC
Members of the public

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 9:05 a.m. on Friday, August 11, 2023. The meeting was held virtually.

The following Investment Committee members were present representing a quorum, Mr. Anderson, Treasurer Beadle, Mr. Chin, Commissioner Heringer, and Dr. Simlai.

AGENDA:

The agenda was considered for the August 11, 2023, meeting.

IT WAS MOVED BY MR. CHIN AND SECONDED BY MR. ANDERSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE AUGUST 11, 2023, MEETING AS DISTRIBUTED.

AYES: COMMISSIONER HERINGER, MR. ANDERSON, MR. CHIN, DR. SIMLAI, AND TREASURER BEADLE

NAYS: NONE

ABSENT: DR. TIAN

MOTION CARRIED

MINUTES:

The minutes were considered for the July 14, 2023, meeting.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE JULY 14, 2023, MEETING AS DISTRIBUTED.

**AYES: DR. SIMLAI, COMMISSIONER HERINGER, MR. CHIN, MR. ANDERSON, AND
TREASURER BEADLE
NAYS: NONE
ABSENT: DR. TIAN
MOTION CARRIED**

BENCHMARK/HURDLE RATE CONSULTANT PRESENTATIONS:

Mr. Anderson provided background related to recent legislation that accommodates an unclassified workforce and an incentive compensation plan and associated best practices. It is appropriate to have an independent benchmark consultant who proposes the appropriate benchmarks for the mandates in place coupled with a hurdle rate consultant that defines what best and median performance is in the industry can be used for incentive compensation purposes. Mr. Anderson and RIO Staff developed an RFP for an Independent Benchmark/Hurdle Rate Consultant and posted it through State Procurement, but the RFP did not receive any responses. As a result, Mr. Anderson and Investment Staff defaulted to an internal investment procurement process and identified the two leading candidates in this area. These two vendors submitted proposals and have now been invited to present to the committee and respond to questions in separate executive sessions. Then the committee will have a discussion, also in executive session, regarding the selection of a vendor.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS PURSUANT TO NDCC 44-04-19.2(6) AND NDCC 44-04-18.4(6)(b).

**AYES: COMMISSIONER HERINGER, MR. ANDERSON, DR. SIMLAI, MR. CHIN, AND
TREASURER BEADLE
NAYS: NONE
ABSENT: DR. TIAN
MOTION CARRIED**

The executive session started at 9:12 a.m. and ended at 9:46 a.m. and was attended by Committee members, Mr. Bruce, Mr. Moss, Ms. Murtha, Mr. Nankof, Ms. Riegler, Mr. Skor, Mr. Vaidya, and Mr. Zietlow.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. ANDERSON AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS PURSUANT TO NDCC 44-04-19.2(6) AND NDCC 44-04-18.4(6)(b).

**AYES: DR. SIMLAI, MR. CHIN, COMMISSIONER HERINGER, MR. ANDERSON, AND
TREASURER BEADLE
NAYS: NONE
ABSENT: DR. TIAN
MOTION CARRIED**

The executive session started at 9:48 a.m. and ended at 10:22 a.m. and was attended by Committee members, Mr. Gesell, Mr. Moss, Ms. Murtha, Ms. Neill, Ms. Riegler, Mr. Skor, Mr. Vaidya, and Mr. Zietlow.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. CHIN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS PURSUANT TO NDCC 44-04-19.2(6) AND NDCC 44-04-18.4(6)(b).

AYES: MR. ANDERSON, MR. CHIN, COMMISSIONER HERINGER, DR. SIMLAI, AND TREASURER BEADLE

NAYS: NONE

ABSENT: DR. TIAN

MOTION CARRIED

The executive session started at 10:26 a.m. and ended at 10:45 a.m. and was attended by Committee members, Mr. Moss, Ms. Murtha, Ms. Riegler, Mr. Skor, Mr. Vaidya, and Mr. Zietlow.

During executive session staff received direction to bring a recommendation to the next full State Investment Board meeting with regards to the Benchmark/Hurdle Rate Consultant.

TECHNOLOGY STRATEGY & POTENTIAL BUDGET IMPACT:

Mr. Anderson provided background. Mr. Vaidya provided an overview of the goals, requirements, priorities, and approach for the investment technology systems strategy. Goals include daily allocation and cash management, daily portfolio and risk analytics, and to store and build data history in an internal data warehouse. Functional requirements include daily portfolio management, detailed portfolio analytics, and supporting effective and efficient investment operations. Systems requirements include proprietary Retirement and Investment Office (RIO) applications, RIO data warehouse with at least 10 years of history, and a data exchange. Mr. Vaidya reviewed short, medium, and long-term priorities to enable full implementation within 5 years. The approach emphasizes the development of applications first and the organization of data second or in parallel. Applications will be built step by step for each requirement with awareness of a broader set of requirements to limit the need to revisit those applications in the future. Key functional requirements will be addressed first. Data loading, transformation, and validation will be done in parallel, so that fully functioning applications can be delivered along with the necessary data. North Dakota Information Technology (NDIT) is currently putting together a plan for a RIO data warehouse that will house internal data, data from RIO's custodian, and third-party data providers. A data exchange will be used to manage all data transfers/exchanges and will enable custom analytics. Planned architecture, roadmap and estimated costs will be discussed in executive session.

TIMBER UPDATE:

The update was received in executive session.

PRIVATE EQUITY UPDATE:

The update was received in executive session.

IT WAS MOVED BY DR. SIMALI AND SECONDED BY MR. CHIN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION AND CONTRACT NEGOTIATING STRATEGY PURSUANT TO NDCC 44-04-18.4(1), 44-04-19.1(9) AND NDCC 44-04-19.2.

AYES: MR. CHIN, MR. ANDERSON, DR. SIMLAI, COMMISSIONER HERINGER, AND TREASURER BEADLE

NAYS: NONE

**ABSENT: DR. TIAN
MOTION CARRIED**

The executive session started at 11:01 a.m. and ended at 11:49 a.m. and was attended by Committee members, Mr. Moss, Ms. Murtha, Mr. Posch, Ms. Riegler, Mr. Skor, Mr. Vaidya, Mr. Yu, and Mr. Zietlow. The committee received further information about the technology strategy and potential budget impact. The executive session also included updates on the timber portfolio and private equity.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE PRELIMINARY BUDGET FOR THE TECHNOLOGY STRATEGY AND INVESTMENT PROCESSES AND TO AUTHORIZE STAFF TO PREPARE THE NEEDED REQUESTS FOR PROPOSAL.

**AYES: COMMISSIONER HERINGER, MR. CHIN, MR. ANDERSON, DR. SIMLAI, AND TREASURER BEADLE
NAYS: NONE
ABSENT: DR. TIAN
MOTION CARRIED**

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO APPROVE INCREASING THE PRIVATE EQUITY COMMITMENT TO ALTOR AT AN AMOUNT NOT TO EXCEED THE LEVEL DISCUSSED IN EXECUTIVE SESSION.

**AYES: COMMISSIONER HERINGER, MR. ANDERSON, DR. SIMLAI, MR. CHIN, AND TREASURER BEADLE
NAYS: NONE
ABSENT: DR. TIAN
MOTION CARRIED**

With no further business to come before the Investment Committee, Treasurer Beadle adjourned the meeting at 11:54 a.m.

Prepared by:

Emmalee Riegler, Assistant to the Board

PERFORMANCE & STRATEGY UPDATE

Scott M Anderson, CFA – Chief Investment Officer

September 8, 2023

NORTH
Dakota
Be Legendary.

Retirement & Investment

THE MARKET

NORTH
Dakota
Be Legendary.

Retirement & Investment

PERFORMANCE – BENCHMARK INDICES

Summary of Returns					
June 30, 2023					
Benchmark Indices					10 Yr
(% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	Volatility
Russell 1000	16.7%	19.4%	11.9%	12.6%	17.8%
Russell 2000	8.1%	12.3%	4.2%	8.3%	22.3%
S&P 500	16.9%	19.6%	12.3%	12.9%	17.7%
MSCI ACWI IMI Net	13.2%	16.1%	7.6%	8.6%	14.2%
MSCI World ex US	11.3%	17.4%	4.6%	5.4%	14.2%
MSCI Emerging Markets	4.9%	1.7%	0.9%	2.9%	15.7%
Bloomberg Aggregate	2.1%	-0.9%	0.8%	1.5%	4.3%
Bloomberg Gov/Credit	2.2%	-0.7%	1.0%	1.7%	4.7%
Bloomberg US High Yield	5.4%	9.1%	3.4%	4.4%	5.1%
NCREIF Property Index (06/30/2023)	-3.8%	-6.6%	5.9%	7.82%	3.6%

Source: Bloomberg

PERFORMANCE – BENCHMARK INDICES

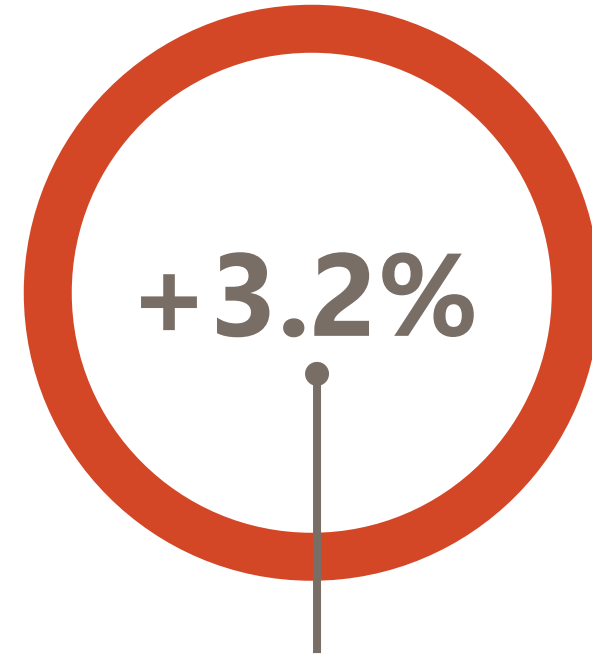
Summary of Returns					
August 30, 2023					
Benchmark Indices					10 Yr
(% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	Volatility
Russell 1000	18.7%	14.6%	10.8%	12.6%	17.9%
Russell 2000	9.1%	4.2%	3.3%	8.0%	22.3%
S&P 500	18.9%	15.2%	11.2%	12.8%	17.7%
MSCI ACWI IMI Net	14.4%	13.0%	7.0%	8.4%	14.2%
MSCI World ex US	10.8%	16.3%	4.2%	4.9%	14.3%
MSCI Emerging Markets	5.4%	2.2%	1.1%	3.1%	15.7%
Bloomberg Aggregate	1.2%	-1.7%	0.5%	1.5%	4.4%
Bloomberg Gov/Credit	1.4%	-1.4%	0.7%	1.6%	4.8%
Bloomberg US High Yield	7.0%	6.6%	3.3%	4.5%	5.1%
NCREIF Property Index (06/30/2023)	-3.8%	-6.6%	5.9%	7.82%	3.6%

Source: Bloomberg

HAS INFLATION PEAKED?¹



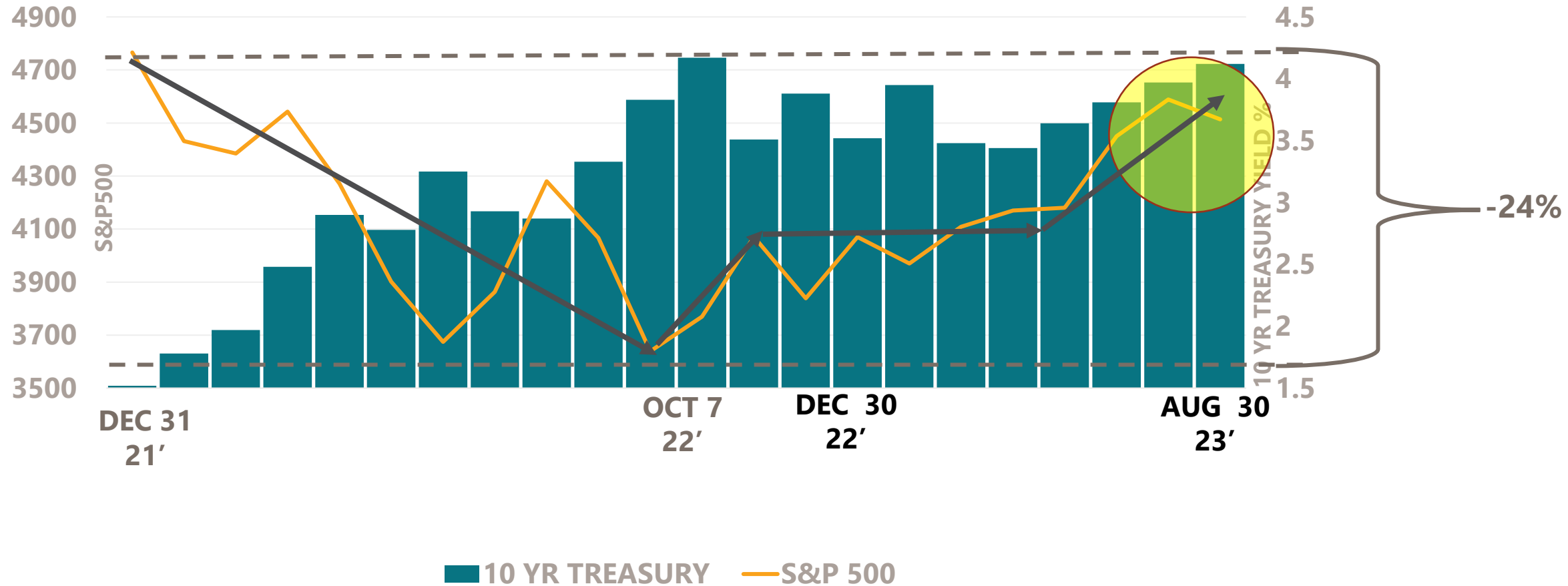
**ANNUAL INFLATION RATE
(June 2021 thru June 2022)**



**ANNUAL INFLATION RATE
(July 2022 thru July 2023)
4.7% Ex Food & Energy**

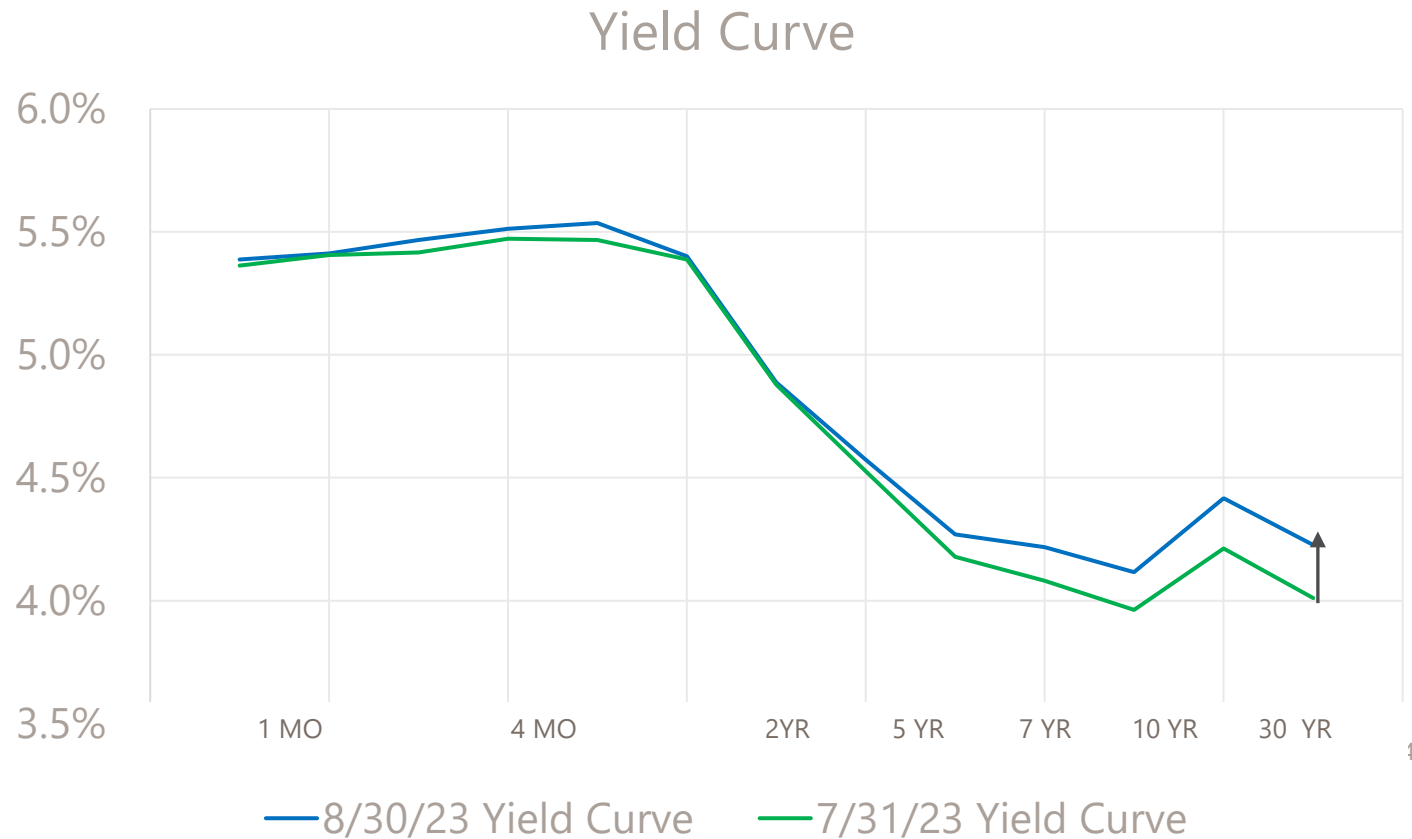
1. Bureau of Labor Statistics
Scott M Anderson, CFA – September 8, 2023

THE S&P500 HAS TRACKED INFLATION EXPECTATIONS¹



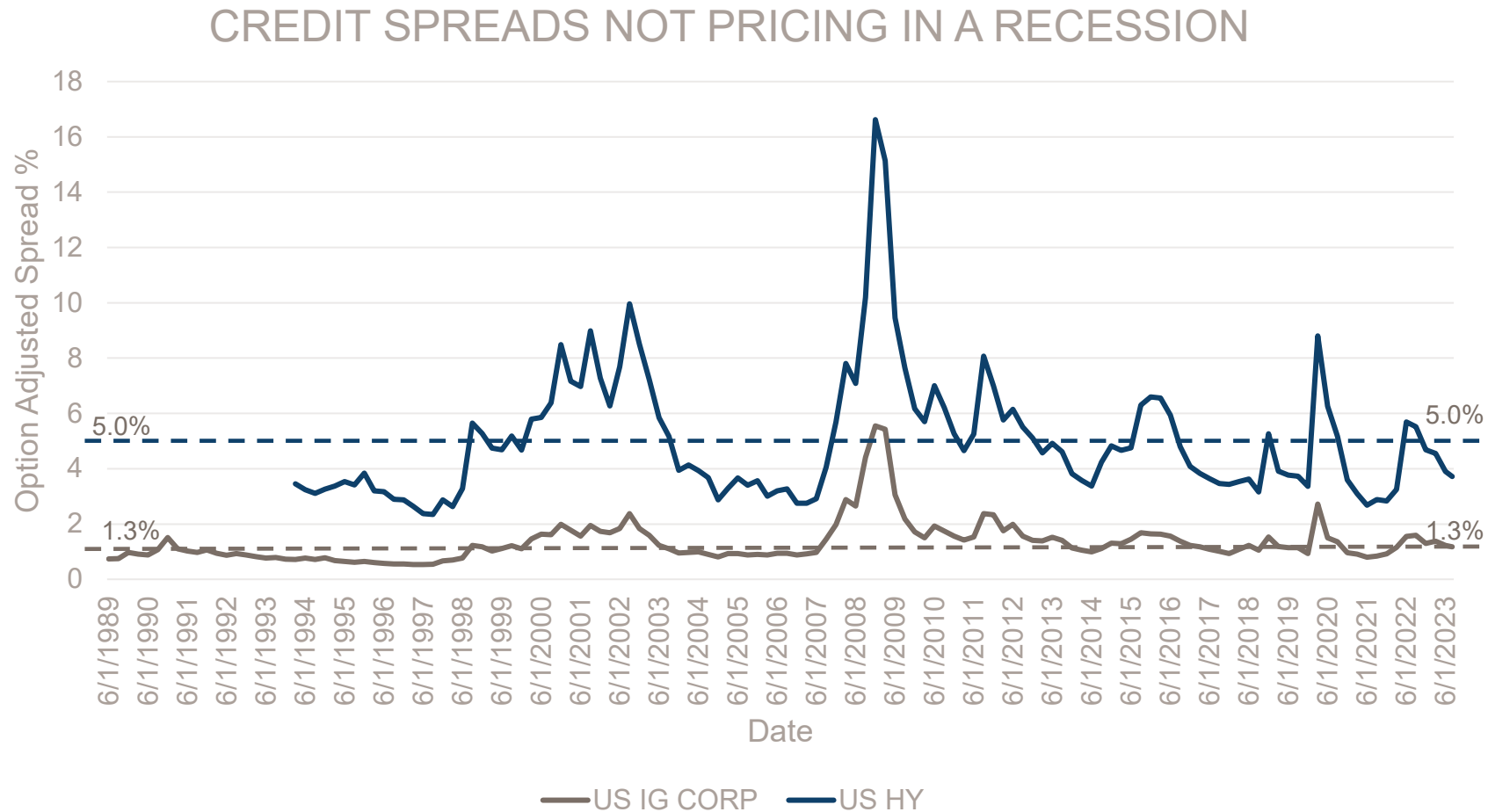
1. FRED

FITCH DOWNGRADE¹



1. Bloomberg US Treasuries Active Curve

CREDIT SPREADS NOT PRICING IN A RECESSION¹



1. Bloomberg Aggregate IG Corporate and HY Average Credit Spread

GOOD NEWS ¹

BLOOMBERG AGG YIELD¹: 5.0%



**BEST GUESS FOR
FUTURE BOND
RETURN!**

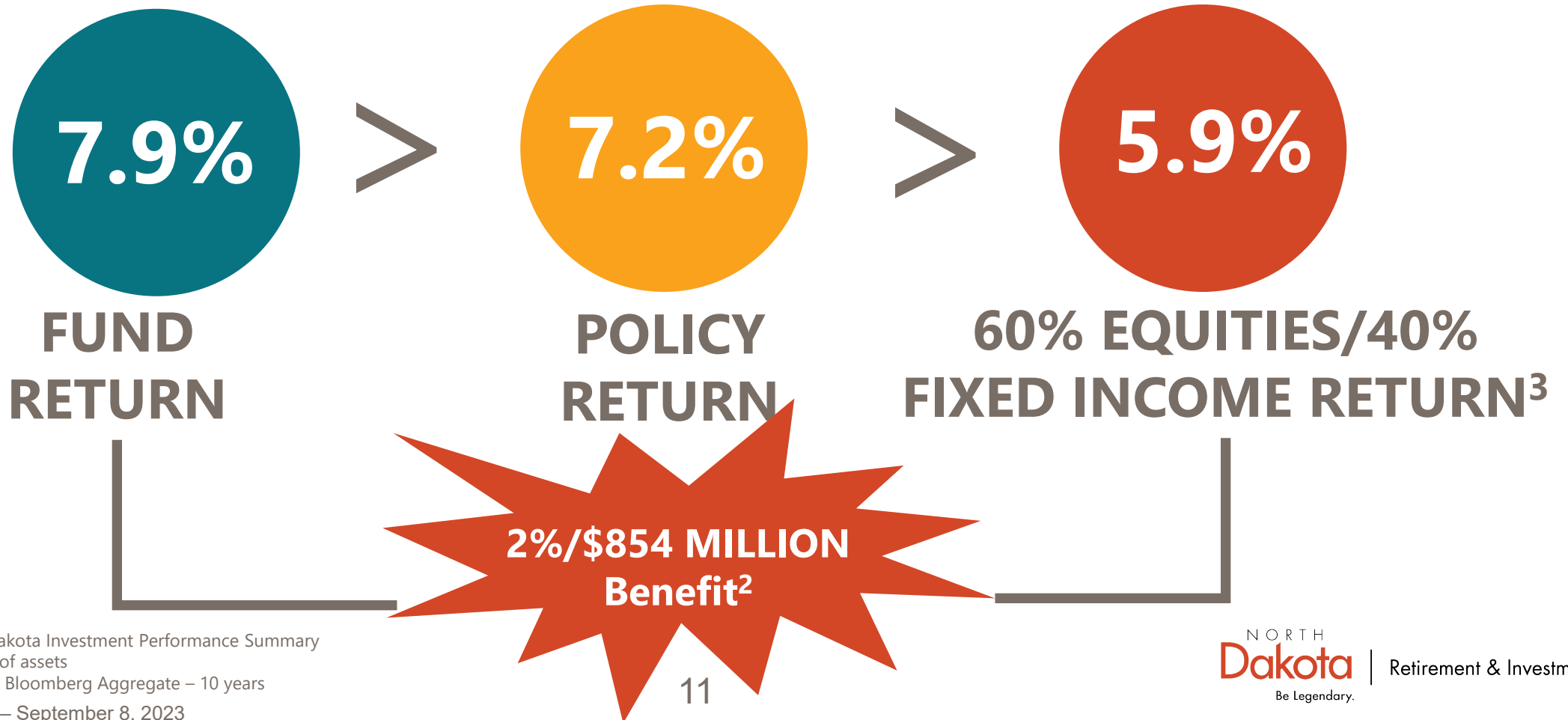
PERFORMANCE

NORTH
Dakota
Be Legendary.

Retirement & Investment

INVESTMENT MANAGEMENT BENEFITS

PERS TEN YEAR AVERAGE RETURN¹

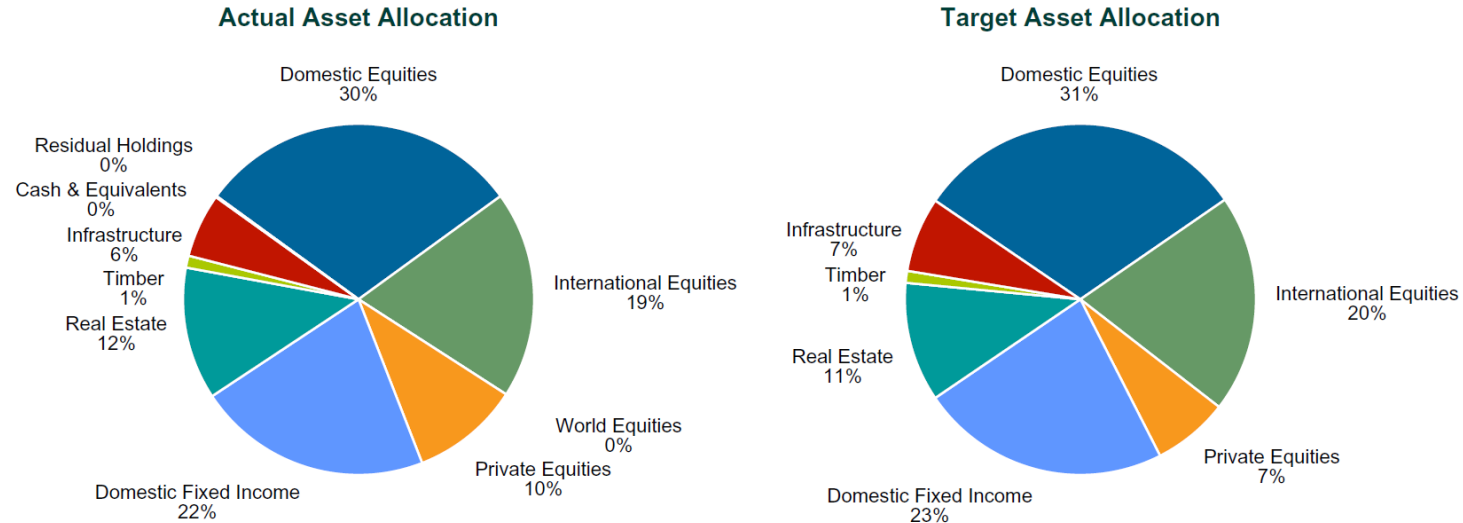


1. Thru June 2023; North Dakota Investment Performance Summary

2. Starting with \$3.8 Billion of assets

3. 60% MSCI ACW IMI/40% Bloomberg Aggregate – 10 years

ASSET ALLOCATION



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	1,171,857	30.0%	30.9%	(1.0%)	(38,782)
International Equities	748,197	19.1%	20.1%	(0.9%)	(36,560)
World Equities	27	0.0%	0.0%	0.0%	27
Private Equities	391,541	10.0%	7.0%	3.0%	117,663
Domestic Fixed Income	846,003	21.6%	23.0%	(1.4%)	(53,882)
Real Estate	476,507	12.2%	11.0%	1.2%	46,127
Timber	42,065	1.1%	1.1%	0.0%	0
Infrastructure	231,361	5.9%	6.9%	(1.0%)	(39,577)
Cash & Equivalents	4,597	0.1%	0.0%	0.1%	4,597
Residual Holdings	386	0.0%	0.0%	0.0%	386
Total	3,912,541	100.0%	100.0%		

PERS PERFORMANCE

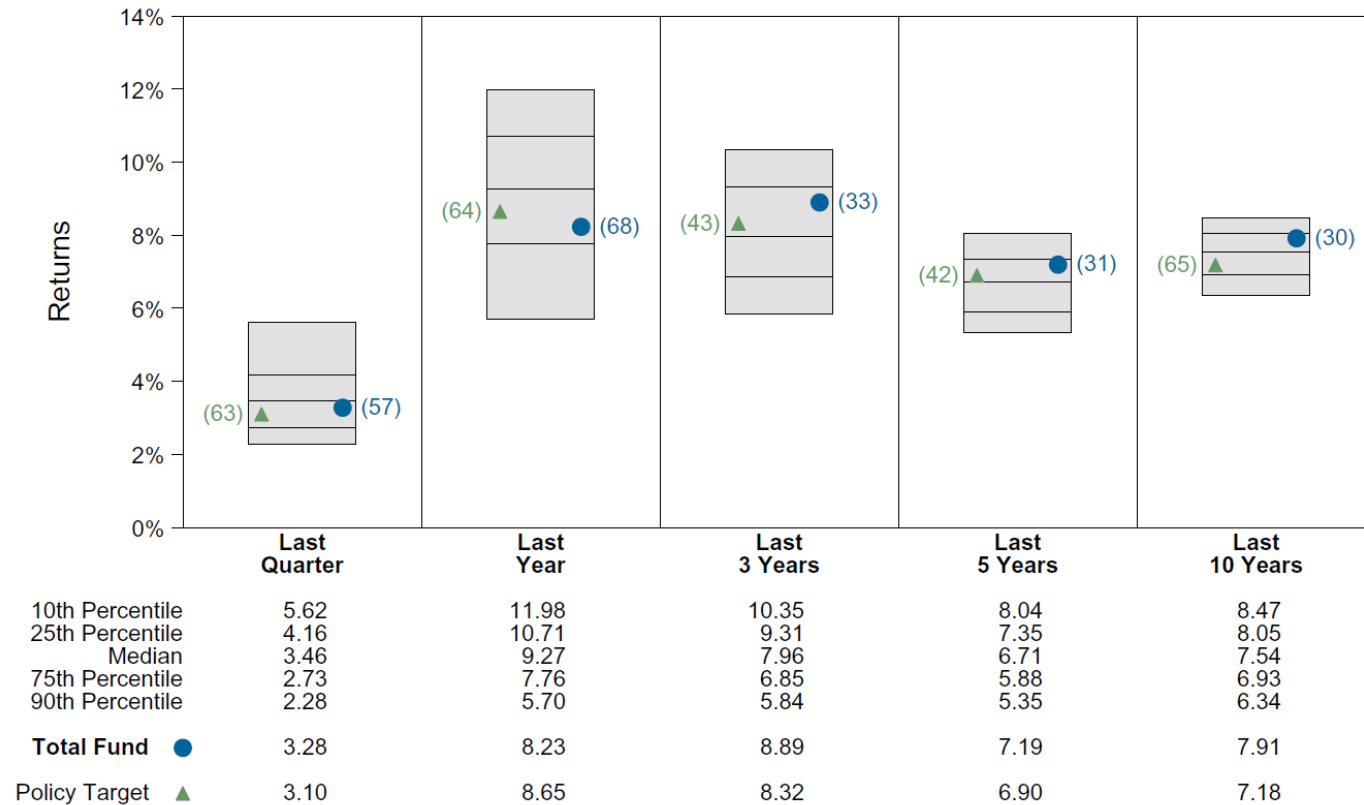
AS OF JUNE 30, 2023

PERS \$3.9 Billion	Year to Date	1 Year	3 year	5 Year¹	Risk (5 Year)
Total Fund Return - Net	7.1%	8.0%	8.6%	6.9%	10.2%
Policy Benchmark Return	7.1%	8.7%	8.3%	6.9%	10.4%
Total Relative Return	-0.0%	-0.7%	0.3%	0.0%	
Total Relative Return(Corridor)		0.0%	0.6%	0.3%	

1. Median performance in Callan Public Fund Sponsor Database is 5.3% thru Q1 2023

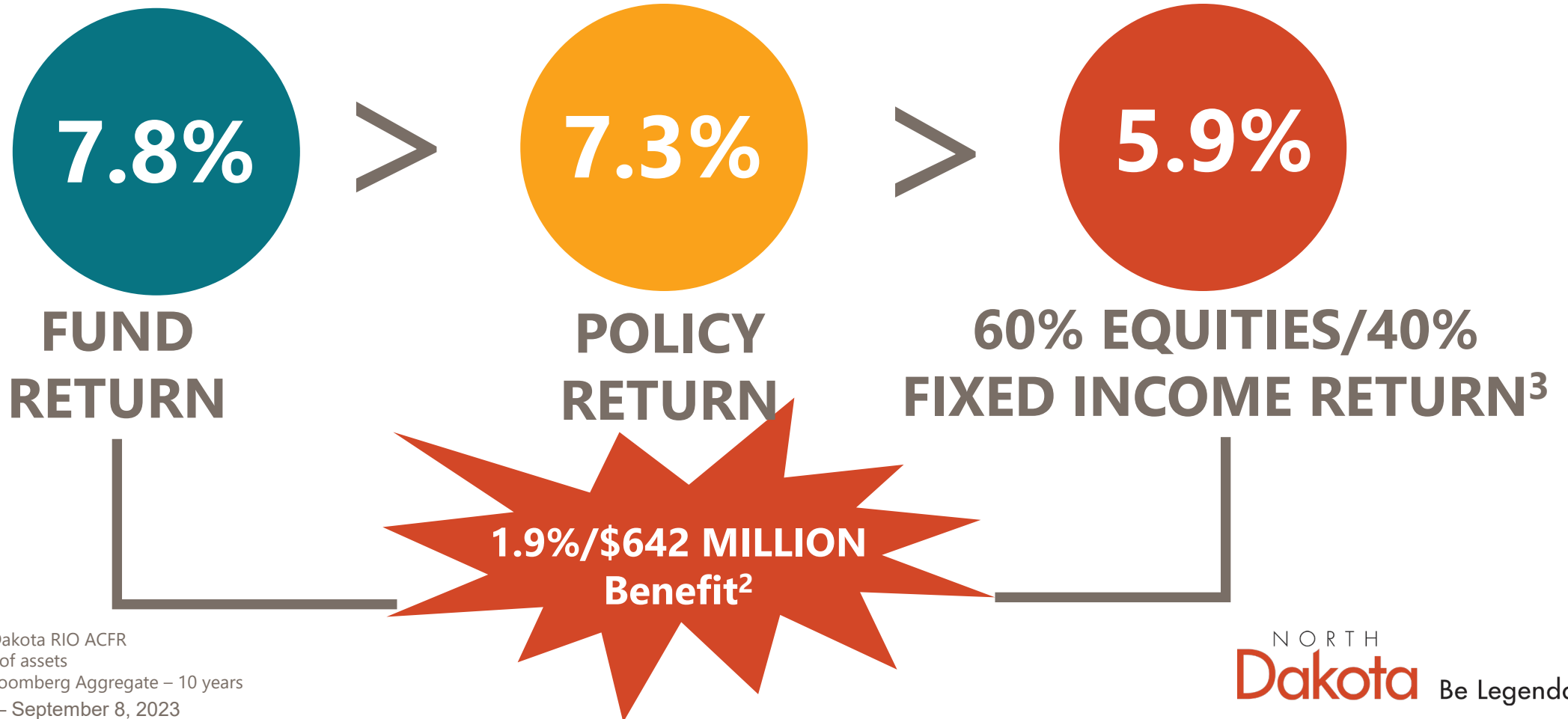
PERS PERFORMANCE

Callan Public Fund Sponsor Database



INVESTMENT MANAGEMENT BENEFITS

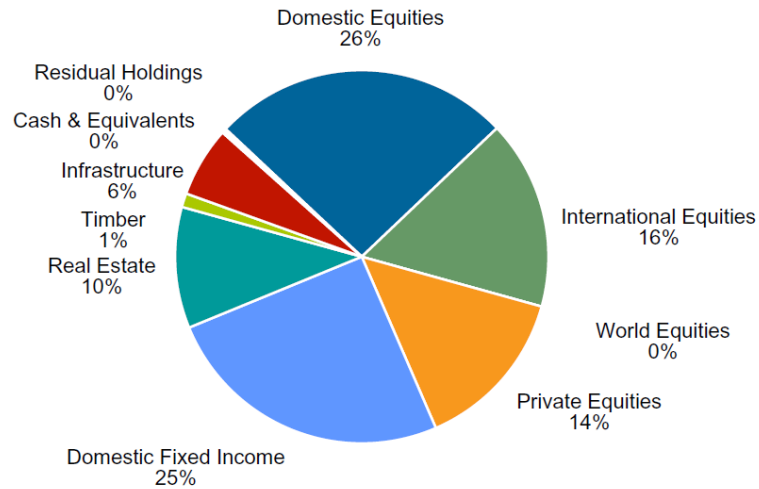
TFFR TEN YEAR AVERAGE RETURN¹



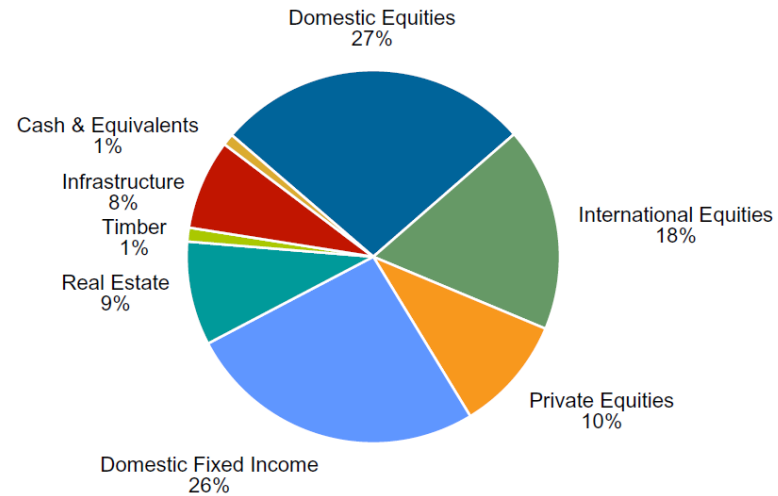
1. Thru JUNE 2023; North Dakota RIO ACFR
2. Starting with \$3.1 Billion of assets
3. 60% MSCI World/40% Bloomberg Aggregate – 10 years
Scott M Anderson, CFA – September 8, 2023

ASSET ALLOCATION

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	808,928	25.9%	27.3%	(1.4%)	(43,857)
International Equities	512,966	16.4%	17.7%	(1.3%)	(39,823)
World Equities	246	0.0%	0.0%	0.0%	246
Private Equities	444,163	14.2%	10.0%	4.2%	131,814
Domestic Fixed Income	790,640	25.3%	26.0%	(0.7%)	(21,469)
Real Estate	326,766	10.5%	9.0%	1.5%	45,651
Timber	37,549	1.2%	1.2%	(0.0%)	(0)
Infrastructure	189,439	6.1%	7.8%	(1.7%)	(54,127)
Cash & Equivalents	9,288	0.3%	1.0%	(0.7%)	(21,947)
Residual Holdings	3,513	0.1%	0.0%	0.1%	3,513
Total	3,123,498	100.0%	100.0%		

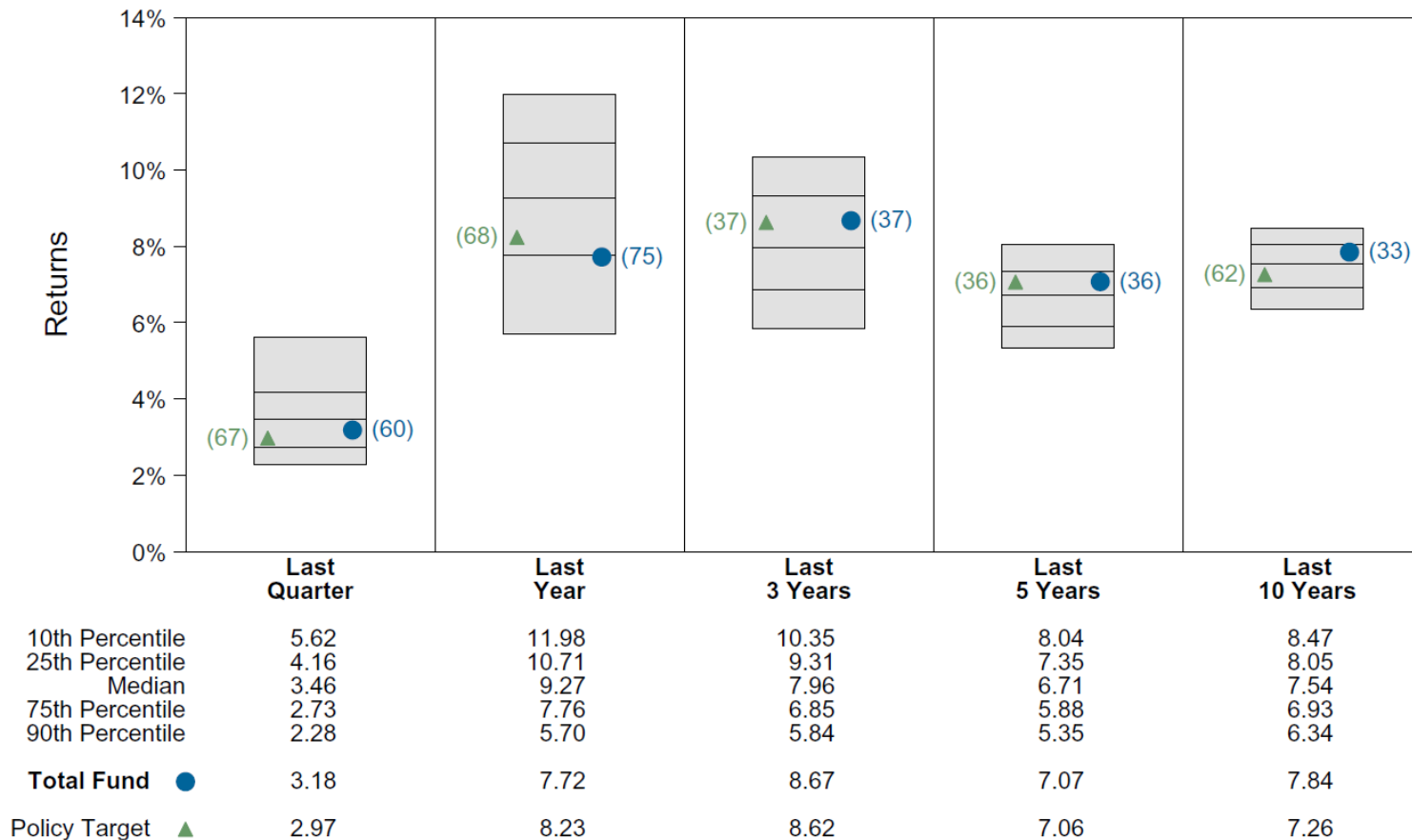
TFFR PERFORMANCE

AS OF JUNE 30, 2023

TFFR \$3.1 Billion	Year to Date	1 Year	3 year	5 Year ¹	Risk (5 Year)
Total Fund Return - Net	6.7%	7.5%	8.4%	6.8%	9.9%
Policy Benchmark Return	6.7%	8.2%	8.6%	7.1%	10.2%
Total Relative Return	0.0%	-0.7%	-0.2%	-0.2%	
Total Relative Return(Corridor)		0.0%	0.5%	0.3%	

PERFORMANCE – TFFR

Callan Public Fund Sponsor Database



INVESTMENT MANAGEMENT BENEFITS

LEGACY TEN YEAR AVERAGE RETURN¹



**FUND
RETURN**

>



**POLICY
RETURN**

**0.9%/\$840 MILLION
Benefit²**

1. Thru JUNE 2023; North Dakota RIO ACFR

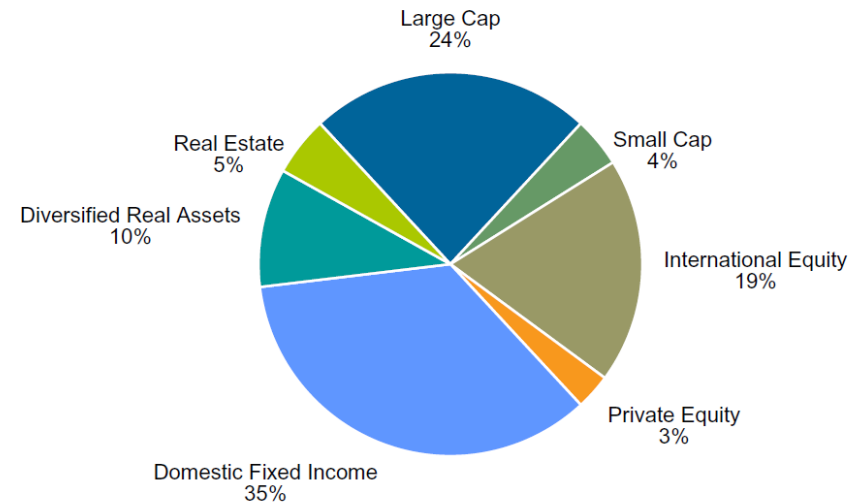
2. Starting with \$9.0 Billion of assets

Investment Team, Performance Review, March 10, 2023

Scott M Anderson, CFA – September 8, 2023

ASSET ALLOCATION

Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	2,303,931	25.6%	23.8%	1.8%	160,825
Small Cap	395,233	4.4%	4.2%	0.2%	17,038
International Equity	1,816,250	20.2%	19.0%	1.2%	105,367
Private Equity	89,987	1.0%	3.0%	(2.0%)	(180,152)
Domestic Fixed Income	3,008,785	33.4%	35.0%	(1.6%)	(142,840)
Diversified Real Assets	875,809	9.7%	10.0%	(0.3%)	(24,656)
Real Estate	464,014	5.2%	5.0%	0.2%	13,781
Cash & Equivalents	48,368	0.5%	0.0%	0.5%	48,368
Transition Account	45	0.0%	0.0%	0.0%	45
Residual Holdings	2,223	0.0%	0.0%	0.0%	2,223
Total	9,004,645	100.0%	100.0%		

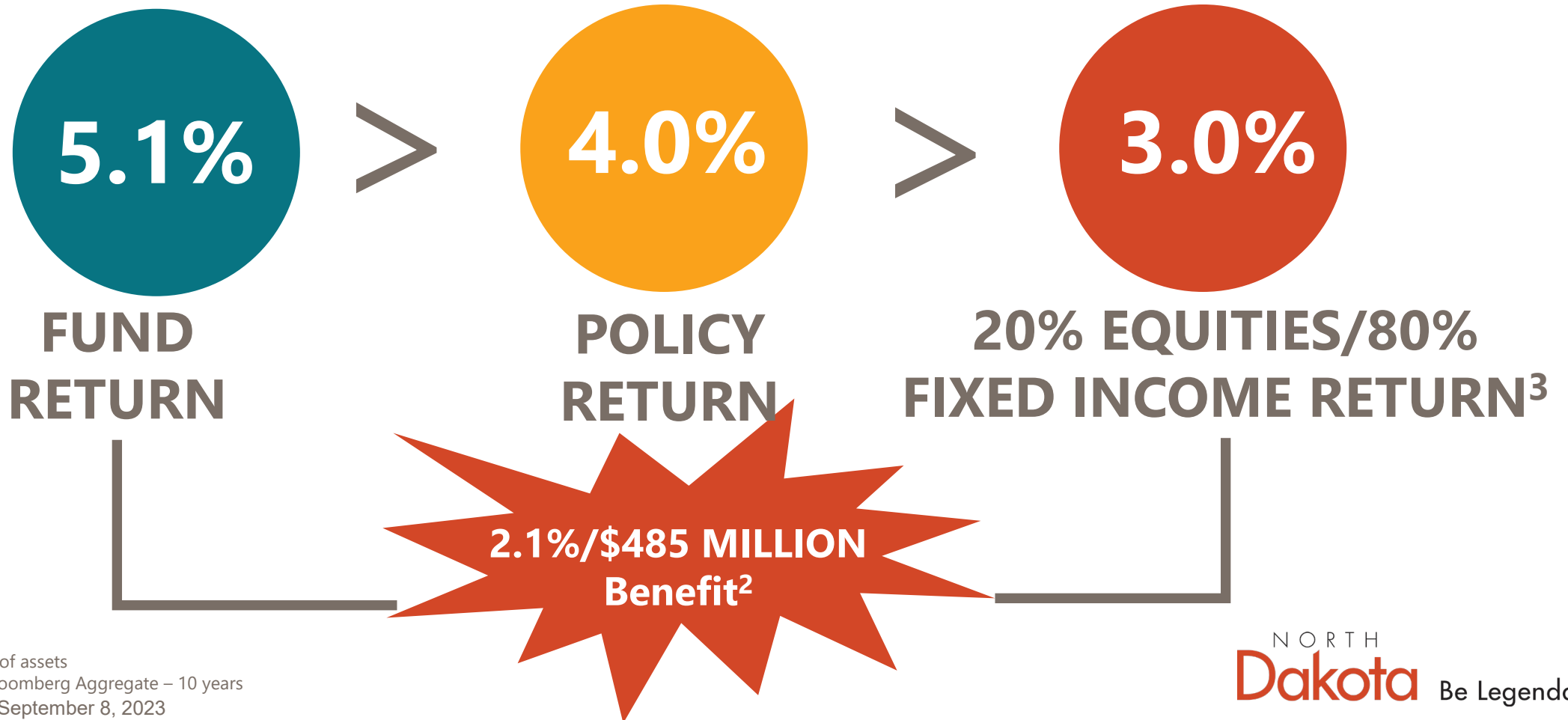
PERFORMANCE – LEGACY

AS OF JUNE 30, 2023

LEGACY \$3.1 Billion	Year to Date	1 Year	3 year	5 Year¹	Risk (5 Year)
Total Fund Return - Net	7.6%	8.2%	6.1%	5.5%	10.7%
Policy Benchmark Return	6.6%	6.8%	4.9%	5.0%	10.3%
Total Relative Return	1.0%	1.4%	1.2%	0.5%	
Total Relative Return(Corridor)		1.2%	1.1%	0.5%	

INVESTMENT MANAGEMENT BENEFITS

WSI TEN YEAR AVERAGE RETURN¹



1. Thru JUNE 2023

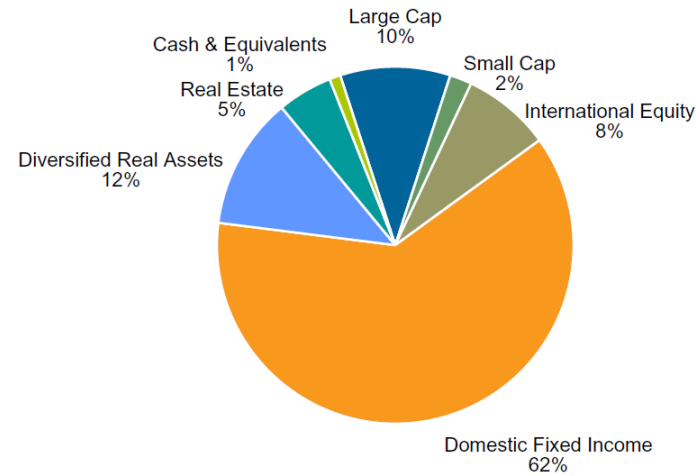
2. Starting with \$2.1 Billion of assets

3. 20% MSCI World/80% Bloomberg Aggregate – 10 years

Scott M Anderson, CFA – September 8, 2023

ASSET ALLOCATION

Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	224,645	10.9%	10.0%	0.9%	17,974
Small Cap	38,875	1.9%	2.0%	(0.1%)	(2,459)
International Equity	164,148	7.9%	8.0%	(0.1%)	(1,188)
Domestic Fixed Income	1,253,107	60.6%	62.0%	(1.4%)	(28,253)
Diversified Real Assets	252,979	12.2%	12.0%	0.2%	4,974
Real Estate	112,128	5.4%	5.0%	0.4%	8,792
Cash & Equivalents	20,531	1.0%	1.0%	(0.0%)	(136)
Residual Holdings	296	0.0%	0.0%	0.0%	296
Total	2,066,709	100.0%	100.0%		

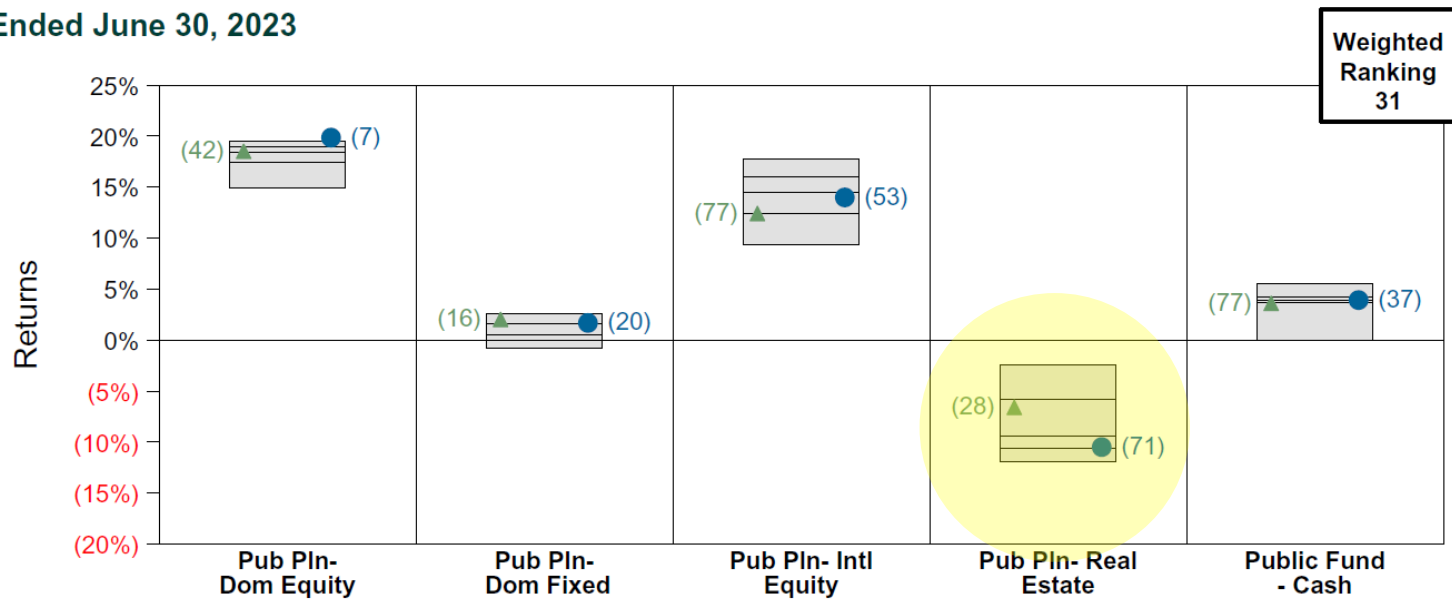
PERFORMANCE – WSI

AS OF JUNE 30, 2023

WSI \$2.1 Billion	Year to Date	1 Year	3 year	5 Year¹	Risk (5 Year)
Total Fund Return - Net	4.0%	2.8%	1.4%	3.4%	7.1%
Policy Benchmark Return	3.8%	2.4%	0.7%	3.1%	6.5%
Total Relative Return	0.3%	0.4%	0.7%	0.3%	
Total Relative Return(Corridor)		0.5%	0.7%	0.3%	

ASSET CLASS PERFORMANCE

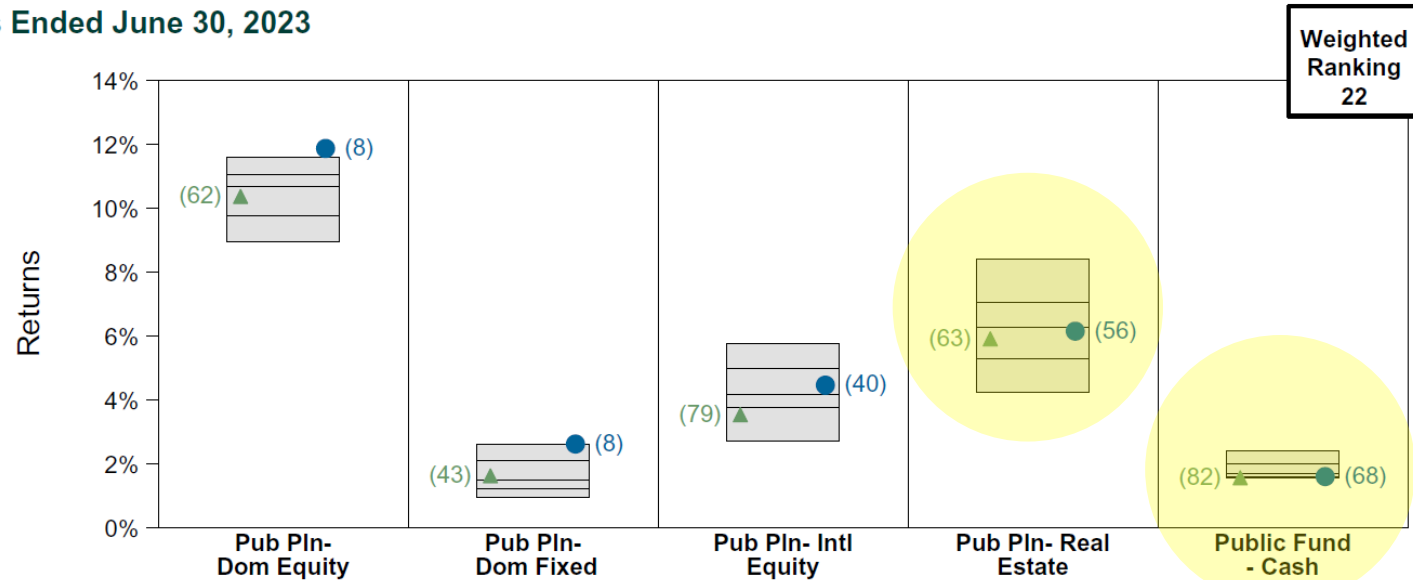
Total Asset Class Performance One Year Ended June 30, 2023



	Pub Pln-Dom Equity	Pub Pln-Dom Fixed	Pub Pln-Intl Equity	Pub Pln-Real Estate	Public Fund - Cash
10th Percentile	19.53	2.62	17.79	(2.48)	5.48
25th Percentile	18.92	1.55	16.04	(5.82)	4.17
Median	18.39	0.54	14.50	(9.46)	3.85
75th Percentile	17.43	(0.07)	12.42	(10.63)	3.62
90th Percentile	14.94	(0.83)	9.33	(11.93)	0.00
Asset Class Composite	19.85	1.68	13.98	(10.50)	3.92
Composite Benchmark	18.51	2.03	12.40	(6.60)	3.59

ASSET CLASS PERFORMANCE

**Total Asset Class Performance
Five Years Ended June 30, 2023**



10th Percentile	11.58	2.58	5.75	8.40	2.40
25th Percentile	11.06	2.09	4.98	7.04	1.98
Median	10.67	1.47	4.16	6.26	1.69
75th Percentile	9.77	1.21	3.76	5.27	1.56
90th Percentile	8.95	0.94	2.69	4.24	1.54
Asset Class Composite ●	11.87	2.61	4.45	6.14	1.59
Composite Benchmark ▲	10.37	1.61	3.52	5.90	1.55

EQUITY MANAGER PERFORMANCE

	1 YR PORTFOLIO RETURN	1 YR POLICY RETURN	1 YR ACTIVE RETURN	5 YR PORTFOLIO RETURN	5 YR POLICY RETURN	5 YR ACTIVE RETURN	5 YR TRACKING ERROR	5 YR INFORMATION RATIO
PERS PUBLIC EQUITY	16.97%	16.22%	0.75%	7.95%	7.89%	0.06%	1.39%	0.05
Domestic Equity	19.63%	18.36%	1.27%	11.66%	10.81%	0.85%	2.46%	0.35
Large Cap - Russell 1000	20.49%	19.36%	1.13%	13.28%	11.92%	1.36%	2.17%	0.63
LA Capital Large Cap Growth	25.89%	19.36%	6.53%	15.57%	11.92%	3.65%	5.81%	0.63
LA Capital 60% Large Cap/40% Large Cap Active Extension	20.02%	19.36%	0.65%	12.82%	11.92%	0.89%	1.87%	0.48
NTAM - Quant Enhanced	17.88%	19.36%	-1.48%	10.85%	11.92%	-1.08%	2.79%	-0.39
Parametric/Clifton Group Enhanced	19.20%	19.36%	-0.16%	11.93%	11.92%	0.01%	1.53%	0.00
Small Cap - Russell 2000	15.10%	12.31%	2.79%	5.78%	4.21%	1.57%	6.45%	0.24
Atlanta Capital Small Cap Equity Fund	15.91%	12.31%	3.61%	9.09%	4.21%	4.88%	8.91%	0.55
Riverbridge Small Cap Growth (5 year is since 11/2020)	17.75%	12.31%	5.44%	0.30%	9.40%	-9.10%	12.08%	-0.75
Sycamore Small Cap Value (5 year is since 11/2020)	12.16%	12.31%	-0.14%	14.75%	9.40%	5.35%	9.82%	0.55
International Equity	13.69%	12.47%	1.22%	4.23%	3.38%	0.85%	2.35%	0.36
**Total Intl All Cap - MSCI ACWI ex-US IMI								
William Blair International Leaders	16.97%	12.47%	4.50%	5.62%	3.38%	2.23%	7.82%	0.29
Arrowstreet International Equity (5 year is since 01/2022)	17.26%	12.47%	4.79%	2.71%	-6.09%	8.79%	5.37%	1.64
**Total Dev. Intl Small Cap - MSCI World ex-US Small								
DFA Intl. Small Cap Value Portfolio	15.25%	10.05%	5.20%	2.19%	1.83%	0.36%	5.41%	0.07
Wellington International Small Cap Opportunities	11.62%	10.05%	1.58%	-0.36%	1.83%	-2.19%	4.07%	-0.54
Emerging Markets - MSCI EM	-1.87%	1.75%	-3.62%	1.00%	0.93%	0.06%	3.82%	0.02
Axiom Emerging Markets Equity Fund	-6.07%	1.75%	-7.82%	-0.37%	0.93%	-1.31%	4.66%	-0.28
DFA Emerging Markets Small Cap Portfolio	9.15%	1.75%	7.40%	4.43%	0.93%	3.50%	7.46%	0.47

**Intl All Cap & Small Cap composites are new with no material history

FIXED INCOME MANAGER PERFORMANCE

	1 YR PORTFOLIO RETURN	1 YR POLICY RETURN	1 YR ACTIVE RETURN	5 YR PORTFOLIO RETURN	5 YR POLICY RETURN	5 YR ACTIVE RETURN	5 YR TRACKING ERROR	5 YR INFORMATION RATIO
PERS FIXED INCOME	1.70%	2.05%	-0.34%	2.61%	1.62%	0.99%	1.77%	0.56
INVESTMENT GRADE FIXED INCOME	-0.74%	-0.94%	0.20%	1.32%	0.77%	0.55%	1.51%	0.36
Bloomberg Aggregate								
PRUDENTIAL CORE FIXED INCOME	-0.06%	-0.94%	0.87%	1.08%	0.77%	0.32%	1.68%	0.19
PIMCO CORE PLUS	-0.57%	-0.94%	0.36%	1.16%	0.77%	0.39%	1.19%	0.33
PIMCO DISCO II	5.07%	-0.94%	6.01%	4.79%	0.77%	4.03%	6.08%	0.66
MANULIFE TOTAL RETURN BOND FUND	1.18%	-0.94%	2.12%	2.41%	0.77%	1.65%	5.61%	0.29
BELOW IG FIXED INCOME	7.36%	9.07%	-1.71%	5.67%	3.34%	2.33%	6.35%	0.37
Bloomberg High Yield 2% Issuer Constrained								
ARES ND CREDIT STRATEGIES	7.65%	9.07%	-1.43%	7.91%	3.34%	4.57%	10.96%	0.42
CERBERUS ND PRIVATE CREDIT FUND	7.76%	9.07%	-1.31%	8.74%	3.34%	5.40%	9.33%	0.58
LOOMIS SAYLES HIGH YIELD	7.42%	9.07%	-1.65%	2.18%	3.34%	-1.16%	1.21%	-0.96
PIMCO BRAVO II (AUM ~ \$2mm)	-35.44%	9.07%	-44.51%	-7.07%	3.34%	-10.41%	20.58%	-0.51
LEGACY FUND FIXED INCOME	1.32%	-0.94%	2.26%	2.08%	0.77%	1.32%	2.24%	0.59
INVESTMENT GRADE FIXED INCOME	1.32%	-0.94%	2.26%	2.08%	0.77%	1.32%	2.24%	0.59
Bloomberg Aggregate								
WESTERN ASSET CORE FIXED INCOME	-0.64%	-0.94%	0.30%	0.80%	0.77%	0.03%	2.36%	0.01
PRUDENTIAL CORE FIXED INCOME (Formerly Core Plus)	-0.06%	-0.94%	0.87%	1.08%	0.77%	0.32%	1.68%	0.19
ALLSPRING US CORPORATE PLUS	2.97%	-0.94%	3.91%	2.98%	0.77%	2.21%	5.86%	0.38

STRATEGY ACTIVITIES

MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
<ul style="list-style-type: none"> ▪ Benchmark and hurdle rate consultant RFP ✓ ▪ Prototype incentive comp system ✓ ▪ Delegated authority discussion ✓ ▪ Benchmark corridor treatment decision ✓ ▪ Risk Strategy ✓ 	<ul style="list-style-type: none"> ▪ Incentive and unclassified role consultant RFP ✓ ▪ Select benchmark and hurdle rate consultant ✓ ▪ Recommend delegated authority ✓ ▪ Implement benchmark corridor treatment ✓ ▪ Begin order management system search ✓ ▪ Begin governance manual re-write ✓ ▪ Public Markets Strategy ✓ 	<ul style="list-style-type: none"> ▪ Complete daily allocation process ✓ ▪ Begin investment IT strategy discussion ✓ ▪ Approve delegated authority with board ✓ ▪ Select incentive and unclassified role consultant ✓ ▪ Continue Order management search ✓ ▪ Private Markets Strategy ✓ 	<ul style="list-style-type: none"> ▪ Enable existing allocations with daily data ✓ ▪ Continue investment IT strategy discussion ✓ ▪ Continue Order management search ✓ ▪ Begin fund pooling discussion ✓ ▪ Propose Private Markets 1.0 and 2.0 ✓ ▪ Direct Investment Strategy ✓ 	<ul style="list-style-type: none"> ▪ Begin incentive and unclassified role project ✓ ▪ Propose Equity 2.0; Approve Private Markets 1.0 and 2.0 ✓ ▪ Begin benchmark memo with benchmark consultant ✓ ▪ Coordinate hurdle rate discussions with incentive comp and unclassified role project ✓ ▪ Develop IT strategy ✓ ▪ Define data warehouse ✓ 	<ul style="list-style-type: none"> ▪ Define new roles ✓ ▪ Approve Equity 2.0, Begin FI 2.0 ✓ ▪ Propose benchmark memo with benchmark consultant ✓ ▪ Coordinate hurdle rate discussions with incentive comp and unclassified role project ✓ ▪ Develop IT strategy ✓ ▪ Define data warehouse ✓ 	<ul style="list-style-type: none"> ▪ Propose incentive comp plan 1.0, define new role comp ✓ ▪ Implement Equity 2.0 ✓ ▪ Approve benchmark memo with benchmark consultant ✓ ▪ Coordinate hurdle rate discussions with incentive comp and unclassified role project ✓ ▪ Propose IT strategy ✓ ▪ Propose data warehouse ✓ 	<ul style="list-style-type: none"> ▪ Overflow ▪ Prepare to post new roles in new year

AI & MACHINE LEARNING

- Chief Investment Officer and Chief Risk Officer enrolled in the CFA Institute Data Science for Investment Professionals Certificate which includes: statistics for machine learning, machine learning, supervised learning, unsupervised learning, deep learning, and natural language processing with a focus on solving investment problems.
- Senior investment officer to be enrolled in a Generator AI course.

Confidential information will be shared with Committee members via secure link.



PROXY POLICY UPDATE

INVESTMENT STAFF

Sep. 8th, 2023

NORTH
Dakota
Be Legendary.

Retirement & Investment

PROXY POLICY UPDATE

- In Fiscal Year 2023, the SIB voted on over 6,000+ proxy proposals and 400+ director elections
- Staff delegates proxy rights to managers and asks managers to vote proxies for the exclusive benefit of the beneficiary
- Managers have different proxy voting policies and can implement different policies for different clients
- Managers typically utilize Glass Lewis or ISS as a proxy advisor. Collectively they control 97% of America's proxy advisory market.
- Glass Lewis and ISS offer different proxy policy options from: Standard Policy, ESG Policy, Public Pension Policy, Corporate Governance Policy
- Staff is reviewing the different policy options and may select or customize policies to consistently implement across managers

PROXY VOTING PROCESS



- Northern Trust serves as NDSIB’s custodian
- Uses Broadridge to manage the proxy distribution process
- Identifies which managers are eligible to vote proxies for the appropriate securities

- Investment Manager holds proxy rights for separately managed accounts
- Oftentimes the manager hires a proxy researcher/administrator to facilitate the voting process
- Manager selects a proxy policy to meet proxy voting goals
- Internal committee reviews proxy votes

- Glass Lewis and ISS are the two largest proxy advisory firms
- Provide over 45,000 proxy analyses and voting recommendations across global capital markets
- Offers pre-defined policies or allows for customization
- Investment manager can override recommendations if/when appropriate

- Typically Glass Lewis or ISS is the administrator
- Administrator coordinates and submits votes for the investment manager as directed by the selected policy or investment manager

- Northern Trust via Broadridge provides RIO Staff with proxy voting records for review

DIFFERENT POLICY OPTIONS

	Glass Lewis Policy	Climate Policy	ESG Policy	Catholic Policy	Public Pension Policy	Taft-Hartley Policy	Corporate Governance Focused Policy
Policy Focus	<p>The focus of Glass Lewis' standard proxy voting guidelines is to facilitate shareholder voting in favor of governance structures that will drive performance and create shareholder value. Glass Lewis' guidelines are tailored to each country's relevant regulations and practices. Glass Lewis evaluates each company on a case-by-case basis.</p>	<p>The Climate Policy was designed for customers with a strong focus on environmental risk mitigation, as well as those who look to promote enhanced climate disclosure and climate-related risk mitigation strategies. The Climate Policy, which is guided by a framework established by the Task Force on Climate-related Financial Disclosures ("TCFD"), takes into account a company's size and sector to ensure that shareholders execute votes that both promote a transition to a low-carbon future and make sense from a financial perspective in the context of a company's operations. The Climate Policy underscores that, while all companies face risks attendant to climate change, these risks will manifest themselves in different ways. In addition, it recognizes that the majority of the world's carbon emissions are emitted by select, systematically important emitters. Accordingly, the Climate Policy will apply an additional layer of scrutiny to ensure that those companies have effective oversight of and mechanisms to respond to the changing climate.</p>	<p>Glass Lewis' ESG guidelines include an additional level of analysis on behalf of customers seeking to vote consistent with widely-accepted enhanced environmental, social and governance practices. The ESG guidelines are designed for investors seeking enhanced investment return with a focus on disclosing and mitigating company risk regarding ESG issues.</p>	<p>The Catholic policy guidelines provide an additional level of analysis on behalf of customers that wish to vote in a manner relevant to the unique fiduciary responsibility of Catholic investors. Glass Lewis recognizes that Catholic institutions are concerned not only with economic returns but with the overall social impact their investments.</p>	<p>The Public Pension guidelines are designed to ensure compliance with the special fiduciary responsibilities of public pension plan sponsors in voting proxies on behalf of public employees. These guidelines are designed for investors with extremely long-term investment horizons.</p>	<p>The Taft-Hartley guidelines are fully compliant with the fiduciary voting responsibilities of the Taft Hartley Labor Act, as well as the fiduciary requirements imposed by ERISA requiring a plan sponsor to protect a labor fund's assets. The guidelines are consistent with the both AFL-CIO guidelines and its annual Key Vote Survey. The guidelines include careful review of companies' labor practices including compliance with the EEOC, company treatment of union members and union members' job safety.</p>	<p>The Corporate Governance Focused Policy is designed to ensure compliance with the fiduciary duty to solely act in the financial best interest of plan participants.</p> <p>The Policy accomplishes this through its emphasis on widely-accepted, corporate governance best practices that clearly help drive long-term, economic shareholder value.</p> <p>While the Policy addresses both financial and corporate governance risk, it also includes consideration of key shareholder rights as these rights preserve important tools for fiduciaries to hold problematic boards accountable for their actions.</p>

Staff is reviewing the different policy options offered by ISS and Glass Lewis

DIFFERENT POLICY OPTIONS

	Glass Lewis Policy	Climate Policy	ESG Policy	Catholic Policy	Public Pension Policy	Taft-Hartley Policy	Corporate Governance Focused Policy
Board Opposition	U.S.: 4.8% Global: 6.6%	U.S.: 11.4% Global: 9.7%	U.S.: 23.4% Global: 15.8%	U.S.: 22.7% Global: 15.6%	U.S.: 24.8% Global: 14.6%	U.S.: 10.0% Global: 30.4%	U.S.: 1.1% Global: 4.2%
Say on Pay Opposition	U.S.: 20.0% Global: 21.3%	U.S.: 45.0% Global: 27.1%	U.S.: 45.3% Global: 27.1%	U.S.: 41.4% Global: 27.5%	U.S.: 26.1% Global: 21.3%	U.S.: 24.7% Global: 21.5%	U.S.: 0.8% Global: 0.5%
Shareholder Proposal Support	U.S.: 41.4% Global: 10.7%	U.S.: 51.7% Global: 29.8%	U.S.: 55.6% Global: 31.2%	U.S.: 74.1% Global: 43.4%	U.S.: 58.8% Global: 23.6%	U.S.: 66.3% Global: 20.2%	U.S.: 4.6% Global: 5.1%

Staff looks to select the appropriate policies (or build a customized policy) to consistently implement across managers

Opposition & support data reflects meetings held January 1 to June 30, 2023 for the 1,600 largest companies globally

NEXT STEPS

1. Evaluate existing pre-defined policy options from Glass Lewis and ISS
2. Determine if pre-defined policies are viable for the SIB, or develop a customized policy that aligns with SIB views. Requires internal and legal review.
3. Evaluate the cost of implementation across all managers (customized policies may involve additional costs)
4. If cost efficient implement the selected policies across all equity managers with SMAs
5. Consider moving the proxy voting process internally. Potentially hire a proxy advisor such as ISS or Glass Lewis to manage the proxy voting process.