

**STATE INVESTMENT BOARD
INVESTMENT COMMITTEE MEETING
MINUTES OF THE
July 14, 2023, MEETING**

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

MEMBER ABSENT: Eric Chin, Deputy CIO

STAFF PRESENT: Derek Dukart, Investment Officer
Rachel Kmetz, Accounting Manager
Missy Kopp, Exec. Assistant
George Moss, Sr. Investment Officer
Matt Posch, Sr. Investment Officer
Mike Schmitcke, Investment Accountant
Ryan Skor, CFO/COO
Nitin Vaidya, Chief Risk Officer
Jason Yu, Risk Officer
Lance Zietlow, Sr. Investment Officer

GUESTS: Members of the public

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 9:02 a.m. on Friday, July 14, 2023. The meeting was held virtually.

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

AGENDA:

The agenda was considered for the July 14, 2023, meeting.

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

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

NAYS: NONE

ABSENT: MR. CHIN

MOTION CARRIED

MINUTES:

The minutes were considered for the June 16, 2023, meeting.

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. ANDERSON AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE JUNE 16, 2023, MEETING AS DISTRIBUTED.

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

LEGACY FUND INVESTMENT POLICY STATEMENT:

Mr. Anderson reviewed the Legacy Fund Investment Policy Statement (IPS). The IC charter requires the Committee to review IPS changes before it goes to the SIB. Mr. Anderson reviewed the RVK project with the Legacy and Budget Stabilization Advisory Board which resulted in the asset allocation changes. The changes in the IPS were reviewed. Committee discussion followed.

PRIVATE MARKETS FUNDS MANAGEMENT STRATEGY:

Mr. Moss and Mr. Zietlow provided an overview of the private markets (PM) activities that have been completed, are currently underway and upcoming initiatives. A technology platform overview was provided. Mr. Zietlow reviewed PM beliefs, fund of funds overview, and PM assets under management (AUM). Mr. Moss discussed the historical perspective behind the current strategy, manager selection, and the investment process. Staff will utilize the team's experience in conjunction with existing relationships and technology to access top-ranked managers and construct a well-diversified private market portfolio that is diversified across vintages and strategies and has been informed by history with the awareness of prevailing conditions. Committee discussion followed.

SECONDARIES GUIDELINE CHANGE:

Mr. Moss and Mr. Zietlow shared proposed guideline changes to increase secondaries via the existing BlackRock commitment. There is a \$250 million commitment to Private Opportunities Fund 2020 series with about \$86 million drawn. The current guidelines are for 60% primaries, 30% co-investments, and 10% secondaries. Staff propose changing to 50% primaries, 30% co-investments, and 20% secondaries. Given the characteristics, market environment, and historical analysis of the secondary market, now is an advantageous time to increase secondaries exposure.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. TIAN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE RECOMMENDATION TO INCREASE THE SECONDARIES ALLOCATION FROM 10% TO 20% VIA A REDUCTION TO PRIMARIES FROM 60% TO 50%, WITHIN BLACKROCK PRIVATE OPPORTUNITIES 2020 FUND,

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

VALUATION:

Mr. Dukart provided an overview of index valuation. The overview included a discussion on valuation, price, various ways to value markets, and benchmarks. Inputs and outputs of a discounted cash-flow multi-stage S&P 500 valuation market assumptions were discussed. Mr. Dukart discussed the present consensus expectations for S&P 500 and why testing those assumptions can be a useful exercise in navigating markets. Committee discussion followed.

BANK RISK:

Mr. Vaidya and Mr. Yu discussed banking risk. Current challenges include the Fed actions to increase interest rate to reduce inflation, risk from outflows related to the debt deal, and Corporate Real Estate (CRE) valuation compression among offices and retail. The current state of CRE and bank deposits was discussed. Mr. Vaidya discussed the reasons that there is currently limited systemic risk. Committee discussion followed.

CODE OF CONDUCT AFFIRMATION:

The code of conduct affirmation and SIB policy B-8 were provided for Committee members to complete the annual requirement of reviewing this policy and disclosing any conflicts of interest.

With no further business to come before the Investment Committee, Treasurer Beadle adjourned the meeting at 12:12 p.m.

Prepared by:

Missy Kopp, Assistant to the Board