

**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