

**STATE INVESTMENT BOARD  
INVESTMENT COMMITTEE MEETING  
MINUTES OF THE  
September 8, 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  
Dr. Ruilin Tian, External Representative

**STAFF PRESENT:** Derek Dukart, Investment Officer  
Jennifer Ferderer, Fiscal Investment Admin Assistant  
Missy Kopp, Executive Assistant  
George Moss, Sr. Investment Officer  
Jan Murtha, Executive Director  
Matt Posch, Sr. Investment Officer  
Ryan Skor, CFO/COO  
Nitin Vaidya, Chief Risk Officer  
Jason Yu, Risk Officer  
Lance Zietlow, Sr. Investment Officer

**GUESTS:** Alexander Browning, Callan  
Members of the public

**CALL TO ORDER:**

Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 9:04 a.m. on Friday, September 8, 2023. The meeting was held virtually.

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

**AGENDA:**

The agenda was considered for the September 8, 2023, meeting.

**IT WAS MOVED BY MR. CHIN AND SECONDED BY DR. RUILIN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 8, 2023, MEETING AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**MINUTES:**

The minutes were considered for the August 11, 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 AUGUST 11, 2023, MEETING AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

### **INVESTMENT PERFORMANCE REVIEW**

Mr. Anderson provided information regarding benchmark indices and summary of returns as of August 30, 2023. A discussion of inflation was had regarding whether it has peaked, how the S&P has tracked expectations, the Fitch downgrade, and the impact from credit spreads. The Bloomberg Aggregate bond index is 5%, which is the best guess for future bond return. Information was given on PERS Performance compared to peers over 10 years. PERS has consistently been performing just under the top quartile which illustrates consistent returns over time.

Mr. Anderson reviewed the performance of PERS, TFFR, the Legacy Fund, and WSI breaking down each section to include the ten-year average return, asset allocations, and performance percentages.

Mr. Anderson reviewed the PERS ten-year average returns for the fund, policy, and equities and fixed income, noting a projected benefit of \$854 million. Information was given regarding having a diverse and resilient asset allocation through rebalancing. Mr. Anderson gave information relating to the PERS performance, worth \$3.9 billion, and how the benchmarking with and without the corridor treatment affected performance. PERS performance was compared to peers over a ten-year period and PERS coming in just under the top quartile.

Mr. Anderson reviewed the TFFR ten-year average returns for the fund, policy, and equities and fixed income, noting a projected benefit of \$642 million. Information regarding asset allocation was given: a diverse asset allocation has served well, and more infrastructure may be coming. This would allow the agency to receive more frequent data to help with rebalancing. Information was given on TFFR Performance as of June 30, 2023. Mr. Anderson noted 6.7% year to date and an expected 5-year return of 6.8%. Similar to PERS performance, TFFR performs in the consistently in top or upper middle quartile.

Mr. Anderson gave information on the ten-year average returns for both the fund and the policy, noting good active returns with a projected benefit of \$840 million. A discussion was had regarding legacy asset allocation. It was noted the asset allocation will become more diversified which should produce more return per risk. As of June 30, 2023, the Legacy fund is worth \$9.004 billion with \$487 million distributed as earnings.

Mr. Anderson gave information on the ten-year average returns for the fund, policy, and equities and fixed income, noting a projected benefit of \$485 million and strong active returns. Information was shared regarding the lack of diversification because it is an insurance fund. Information about WSI's performance as of June 30, 2023, the fund is worth \$2.1 million with a 4.0% year to date and an expected 3.4%. Active returns have been strong, and portfolio has met expectations on an asset allocation basis. Mr. Anderson shared that public and domestic equities and domestic fixed have done well and international has been at least median; however, real estate and cash have below median performance, and cash has not had good performance over time. Staff analyzing and will share findings at a later date.

The Committee recessed at 10:36 a.m. and reconvened at 10:47 a.m.

## **PRIVATE EQUITY COMMITMENT**

**IT WAS MOVED BY MR. ANDERSON AND SECONDED BY DR. SIMLAI 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 44-04-19.2.**

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

**NAYS: NONE**

**MOTION CARRIED**

The executive session started at 10:50 a.m. and ended at 11:34 a.m. and was attended by Committee members, Mr. Browning, Mr. Dukart, Ms. Ferderer, Ms. Kopp, Mr. Moss, Ms. Murtha, Mr. Posch, Mr. Skor, Mr. Vaidya, Mr. Yu, and Mr. Zietlow.

## **PROXY VOTING POLICY**

Mr. Chin provided an update on staff's continued work on the proxy process and proxy policies. Staff delegates proxy rights to managers and asks managers to vote proxies for the exclusive benefit of the beneficiaries. Managers have different proxy voting policies and can implement different policies for different clients. Managers typically utilize proxy advisors such as Glass Lewis or ISS who, collectively, control 97% of the proxy advisory market in America. Staff is reviewing the different policy options and may select or customize policies to consistently implement across managers. Mr. Chin reviewed the proxy voting process, the different policy options offered by Glass Lewis and ISS, and the next steps on choosing a policy that best aligns with the needs of North Dakota. Items to be considered when selecting a policy include evaluation of existing policy options to determine if a pre-defined policy or a customized policy best suits the needs of the agency, evaluate the cost of implementation, and consider moving the proxy voting process internal.

## **DISCUSSION**

At the last Investment Committee, Mr. Anderson and his team presented an Investment Operations implementation plan. In today's meeting, Mr. Anderson provided an update stating staff has decided not to do a request for proposal for a consultant, but rather work internally on the implementation plan which will save time and cost.

With no further business to come before the Investment Committee, Treasurer Beadle adjourned the meeting at 12:05 p.m.

Prepared by:

Jennifer Ferderer, Assistant to the Board