Executive Summary - Informational

TO: State Investment Board

FROM: Dave Hunter

DATE: August 21, 2020

SUBJECT: SIB Meeting Materials – August 28, 2020

The SIB meeting on August 28th will be held in a virtual manner using **MS-Teams** in light of ongoing public health concerns related to COVID-19. The Board meeting will include a preliminary investment update as of June 30, 2020, and presentations from two existing private equity managers – Adams Street and BlackRock.

1. **Preliminary Fiscal Year End Results -** A strong equity market recovery during the second quarter drove TFFR and PERS returns up 10.8% and the Legacy Fund up 12.3%, while WSI and Budget Stabilization Fund posted net gains of 8.1% and 4.3%, respectively.

	TFFR	PERS	Legacy	WSI	Budget Stabilization
Net Returns for 1-Year Ended 12/31/2019	**18.0%**	**18.0%**	**18.1%**	**13.6%**	**4.7%**
Net Returns for Quarter Ended 9/30/2019	**0.4%**	**0.4%**	**1.0%**	**1.7%**	**0.9%**
Net Returns for Quarter Ended 12/31/2019	**5.6%**	**5.7%**	**5.2%**	**2.6%**	**0.8%**
Net Returns for Quarter Ended 3/31/2020	**-12.0%**	**-12.1%**	**-12.7%**	**-6.1%**	**-3.6%**
Net Return for Quarter Ended 6/30/2020	***10.8%***	***10.8%***	***12.3%***	***8.1%***	***4.3%***
Preliminary Net Return FYE 6/30/2020	***3.4%***	***3.4%***	***4.2%***	***6.0%***	***2.3%***

Note: Net returns are based on preliminary data which is unaudited and subject to change.

For the Fiscal Year Ended (FYE) June 30, 2020, TFFR and PERS net investment returns are estimated at 3.4% and Legacy Fund is estimated at 4.2%. WSI and Budget Stabilization Fund net returns are estimated at 6% and 2.3%, respectively, for the FYE June 30, 2020.

2. **Private Equity Update** – **RIO recommends the SIB approve up to a $65 million commitment to Adams Street Partners 2020 Global Equity Fund and up to a $250 commitment (over 4 years) to BlackRock Private Equity Partners.** Adams Street manages about $150 million in private equity for our pension clients and has done so since the late-1980's. BlackRock manages nearly $100 million for us noting this "fund of one" program was first approved by the SIB in 2016.

3. **Public Equity Update –** As approved by the SIB, Callan is assisting RIO in a comprehensive review of our global equity portfolios which will likely result in RIO and Callan recommending two new global equity mandates so as to further diversify manager and/or strategy concentration risk while enhancing long-term risk adjusted returns and further improving downside risk protection.

4. **Governance Update** – **The Board will be requested to accept reports by the Audit Committee and Securities Litigation Committee which will include an update of recent officer election results and the expanding role of internal audit within agency operations.** RIO's budget and our new website will also be highlighted. The Government Finance Officers Association recently awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for its Comprehensive Annual Financial Report for the FYE June 30, 2019 (for the 22nd consecutive year).

5. **<u>Annual Governance Manual Review</u> –** RIO will preview our annual SIB governance policy review scheduled for next month noting that RIO is currently in the process of conducting a comprehensive review of our existing RIO and SIB policies given the impact of the COVID-19 pandemic on agency operations. RIO's legal counsel, Assistant Attorney General Dean DePountis, and Supervisor of Internal Audit Services Sara Sauter, will also be engaged to further enhance agency documentation, due diligence and policy monitoring guidelines.

6. **<u>Indicative Estimated Returns as of August 14, 2020</u> –** TFFR, PERS and Legacy Fund returns from July 1, 2020 to August 14, 2020 are roughly estimated at approximately 4%, while WSI and Budget Stabilization Fund returns are estimated at approximately 2% and 0.1%, respectively, based on underlying benchmark index returns, not actual manager performance. As such, these indicative estimates are preliminary, unaudited and subject to material change, but generally encouraging and reflective of the continuing recovery in the equity and high yield markets.

ND STATE INVESTMENT BOARD MEETING

Friday, August 28, 2020, 8:30 a.m.
North Dakota Retirement and Investment Office (RIO)
RIO Conference Room (Virtual)
Teleconference 701-328-0950, Participant Code: 610 950 755#
3442 East Century Avenue, Bismarck, ND

Revised Agenda

I. APPROVAL OF AGENDA

II. APPROVAL OF MINUTES (July 24, 2020)

III. INVESTMENTS

A. Preliminary Fiscal Year End Results - Mr. Hunter (15 minutes) *Informational*
B. Private Equity Overview - Mr. Hunter (45 minutes) *Informational*
   1. Adams Street – Mr. Dave Brett, Ms. Kelly Meldrum, Mr. Miguel Gonzalo, Mr. Alex Storer
   2. Staff Recommendation - Mr. Schulz **Board Action**
   3. BlackRock Private Equity Partners - Ms. Lynn Baranski and Mr. Simon Dwyer
   4. Staff Recommendation - Mr. Schulz **Board Action**

IV. GOVERNANCE (enclosed) (30 minutes)

A. SIB Audit Committee Update - Ms. Sauter **Board Action**
B. SIB Securities Litigation Committee Update - Mr. Hunter **Board Action**
C. RIO Budget and Website Update - Ms. Flanagan *Informational*
D. GFOA Award (June 30, 2019) - Mr. Hunter *Informational*
E. Prudent Investor Rule – Mr. Hunter *Informational*

V. OTHER

Next Meetings: SIB - September 25, 2020, 8:30 a.m.
SIB Securities Litigation - November 5, 2020, 1:00 p.m.
SIB Audit Committee - November 12, 2020, 2:30 p.m.

VI. ADJOURNMENT

Any individual requiring an auxiliary aid or service, please contact the Retirement and Investment Office (RIO) (701) 328-9885 at least three (3) days prior to the scheduled meeting.

NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 24, 2020, BOARD MEETING

MEMBERS PRESENT:	Brent Sanford, Lt. Governor, Chair Rob Lech, TFFR Board, Vice Chair Troy Seibel, PERS Board, Parliamentarian Jon Godfread, Insurance Commissioner Toni Gumeringer, TFFR Board Keith Kempenich, Legacy/Budget Stab. Adv. Board Bryan Klipfel, Director of WSI Adam Miller, PERS Board Mel Olson, TFFR Board Kelly Schmidt, State Treasurer Yvonne Smith, PERS Board
MEMBER ABSENT:	Jodi Smith, Commissioner of Trust Lands
STAFF PRESENT:	Eric Chin, Chief Risk Officer/Senior CIO Ann Griffin, Investment Accountant Bonnie Heit, Admin Svs Suprv David Hunter, Exec Dir/CIO Jan Murtha, Dep Exec Dir/CRO Rich Nagel, Information Technology Suprv Matt Posch, Investment/Compliance Officer Sara Sauter, Suprv of Internal Audit Darren Schulz, Dep CIO Susan Walcker, Senior Financial Accountant
GUESTS:	Dean DePountis, Attorney General’s Office Daniel Dy, Sycamore Capital Gary Miller, Sycamore Capital Bryan Reinhardt, PERS

CALL TO ORDER:

Lt. Governor Sanford, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, July 24, 2020. The virtual meeting was held at the Retirement and Investment Office (RIO), 3442 East Century Avenue, Bismarck, ND.

AGENDA:

The Board considered the agenda for the July 24, 2020, meeting,

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JULY 24, 2020, MEETING.

AYES: MS. SMITH, MR. KLIPFEL, TREASURER SCHMIDT, DR. LECH, MR. OLSON, MR. SEIBEL, MR. MILLER, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: MS. GUMERINGER, COMMISSIONER SMITH, COMMISSIONER GODFREAD

MINUTES:

IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JUNE 26, 2020, MINUTES AS DISTRIBUTED.

AYES: MR. OLSON, MR. SEIBEL, MS. SMITH, MR. MILLER, TREASURER SCHMIDT, MR. KLIPFEL, DR. LECH, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER SMITH, MS. GUMERINGER, COMMISSIONER GODFREAD

ELECTIONS:

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO NOMINATE LT. GOVERNOR SANFORD AS CHAIR FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021.

AYES: MR. KLIPFEL, MR. OLSON, TREASURER SCHMIDT, MR. SEIBLE, DR. LECH, MR. MILLER, MS. SMITH, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH, MS. GUMERINGER

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO NOMINATE DR. LECH AS VICE CHAIR FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021.

AYES: MS. SMITH, DR. LECH, MR. SEIBEL, MR. KLIPFEL, MR. OLSON, MR. MILLER, TREASURER SCHMIDT, LT. GOVERNOR SANFORD, AND MS. GUMERINGER
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH

Lt. Governor Sanford reappointed Mr. Seibel as Parliamentarian for the period of July 1, 2020 – June 30, 2021.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO RETAIN THE CURRENT COMPOSITION OF THE AUDIT COMMITTEE FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021.

AYES: DR. LECH, TREASURER SCHMIDT, MR. OLSON, MR. SEIBEL, MR. MILLER, MS. GUMERINGER, MS. SMITH, MR. KLIPFEL, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER SMITH, COMMISSIONER GODFREAD

IT WAS MOVED BY MS. SMITH AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO RETAIN THE CURRENT COMPOSITION OF THE SECURITIES LITIGATION COMMITTEE FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021.

AYES: TREASURER SCHMIDT, MS. GUMERINGER, MR. KLIPFEL, MS. SMITH, DR. LECH, MR. MILLER, MR. SEIBEL, MR. OLSON, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH

The membership of the Executive Review Committee will be addressed at the January 21, 2021, meeting when the SIB addresses Board Self-Assessment and evaluation of the Executive Director/CIO.

INVESTMENTS:

Interim Performance – Mr. Hunter reviewed performance as of June 30, 2020.

1. Investment volatility hit an all-time high in 2020 as the longest bull market in history (11+ years) was immediately followed by one of the fastest bear market corrections on record (less than one month). This record level of volatility resulted in U.S. and global equities increasing by 30% in 2019 prior to falling 20% in the first quarter of 2020.
2. Teachers' Fund for Retirement (TFFR), Public Employees Retirement System (PERS) and Legacy Fund investments gained 18% in 2019 before losing 12% in Q1 of 2020 as their diversified portfolios served to dampen roughly 40% of the equity market volatility (or experience roughly 60% of the equity market gains/losses). The impact of the COVID-19 pandemic on public health, global economy, capital markets, and consumer spending was unprecedented.
3. TFFR, PERS and Legacy Fund returns materially improved in April and May due to a strong equity market recovery with fiscal year-to-date net investment returns of approximately +1.5% for TFFR and PERS and 2.0% for the Legacy Fund as of May 31, 2020.
4. Based on preliminary market data which is unaudited and subject to material change, TFFR, PERS and Legacy Fund net investment returns are roughly estimated to range from 3% to 4% on a fiscal year to date basis as of June 30, 2020.
5. Net investment returns for WSI and Budget Stabilization have also materially recovered from disappointing levels in March and preliminary indicative returns are roughly estimated at 5% for WSI and 1.5% for the Budget Stabilization Fund as of June 30, 2020.

		TFFR	PERS	Legacy	WSI	Budget Stabilization
Net Returns for 1-Year Ended 12/31/2019		**18.0%**	**18.0%**	**18.1%**	**13.6%**	**4.7%**
Net Returns for 1-Year Ended 9/30/2019		**0.4%**	**0.4%**	**1.0%**	**1.7%**	**0.9%**
Net Returns for 1-Year Ended 12/31/2019		**5.6%**	**5.7%**	**5.2%**	**2.6%**	**0.8%**
Net Returns for 1-Year Ended 3/31/2020		**-12.0%**	**-12.1%**	**-12.7%**	**-6.1%**	**-3.6%**
Monthly Return for April 30, 2020		**5.7%**	**5.8%**	**6.4%**	**4.1%**	**1.6%**
Monthly Return for May 31, 2020		**2.9%**	**2.8%**	**3.4%**	**2.2%**	**1.3%**
Total Fund Actual through	31-May	**1.5%**	**1.5%**	**2.0%**	**4.3%**	**0.9%**
Est. MTD through	*6/30/2020*	*1.7%*	*1.7%*	*1.7%*	*1.1%*	*0.6%*
Estimated FYTD Return	***6/30/2020***	***3.3%***	***3.2%***	***3.7%***	***5.4%***	***1.5%***

Investment Policy Statements – Mr. Hunter requested the SIB accept investment policy statement changes recently approved by the PERS Board.

On July 14, 2020, the PERS board approved a 0.50% reduction in the actuarial assumed rate of return on assets for PERS Main (Pension) Plan thereby reducing the assumed long-term rate of return to 7.00% from 7.50% with an effective date of July 1, 2020.

On July 14, 2020, the PERS board approved a 1.00% reduction in the actuarial assumed rate of return on assets for the PERS Retiree Health Insurance Credit Fund (RHIC) thereby reducing the assumed long-term rate of return to 6.50% from 7.50% with an effective date of July 1, 2020.

On July 14, 2020, the PERS board approved a 0.25% reduction in the actuarial assumed rate of return in the Employees of Job Service ND plan given current and forecasted capital market expectations with an effective date of July 1, 2020.

IT WAS MOVED BY MS. SMITH AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVISED PERS, PERS RETIREE HEALTH INSURANCE CREDIT FUND, AND EMPLOYEES OF JOB SERVICE ND INVESTMENT POLICY STATEMENTS.

AYES: MS. SMITH, MR. MILLER, MR. OLSON, MS. GUMERINGER, DR. LECH, MR. SEIBEL, MR. KLIPFEL, TREASURER SCHMIDT, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH

Also included was the investment policy statement for the ND Department of Environmental Quality. The only change was a minor technical correction which did not impact any investment return, risk, or liquidity objectives. No action was needed by the Board.

Legacy Fund Earnings Committee – Mr. Hunter attended a Legacy Fund Earnings Committee meeting on July 8, 2020, to review and/or discuss:

1) the status of Legacy Fund earnings (as presented by Legislative Council staff);

2) proposed uses of Legacy Fund earnings (from prior Committee meetings);

3) bill draft 21.0111.0100 relating to an amendment to NDCC Section 21-10-06. Creates a new Legacy Fund Earnings Reserve Fund, to be invested by the SIB, which is based on the Percent of Market Value approach endorsed by the SIB at their August 23, 2019, meeting. The number of years to be averaged and spending appropriation percentage is not specified.

4) an example of a plan to distribute funding from the proposed Legacy Earnings Fund.

Discussion followed.

US Small Cap Equity – Mr. Schulz provided an overview of the US Small Cap Equity search. The SIB approved staff’s recommendation to replace the existing Parametric Clifton Russell 2000 synthetic beta mandates with US Small Cap Equity strategies which have a greater potential for outperformance. The Board also approved RIO’s recommendation to formally engage Callan LLC to conduct the search to identify two candidates that would complement the existing U.S. Small Cap Equity manager Atlanta Capital. Parametric Clifton currently manages synthetic U.S. small cap index mandates on behalf of the Pension, Insurance, and Legacy pools totaling approximately $400 million.

Sycamore Capital representatives reviewed their Small Cap Value Equity strategy.

Mr. Chin reviewed staff’s recommendation to approve Sycamore Capital (a Victory Capital Management (VCM) franchise) as a new U.S. small cap equity manager to replace the Parametric Clifton Russell 2000 mandate. The Sycamore Small Cap Value Equity Strategy (SSCVS), a bottom up, quality small cap value strategy serves as an attractive complement to both the SIB’s existing mandate with Atlanta Capital and the pending mandate with Riverbridge. Given recent market volatility, staff adjusted its recommendations from a fixed dollar amount to a percentage of each portfolio. The target percentages were outlined as follows:

As of May 31, 2020

	AUM	Current Small Cap Policy Target ($)	Current Small Cap Policy Target (%)	Target Allocation SSCVS ($)	Target Allocation SSCVS (%)
Pension Pool	$ 5,929,614,332.40	$ 289,719,054.06	4.89%	$ 96,573,018.02	**1.6%**
Insurance Pool	$ 2,949,465,827.17	$ 71,142,278.14	2.41%	$ 23,714,092.71	**0.8%**
Legacy Fund	$ 6,839,248,010.24	$ 547,139,840.82	8.00%	$ 182,379,946.94	**2.7%**
Total	$ 15,718,328,169.81	$ 908,001,173.02	5.78%	$ 302,667,057.67	**1.9%**

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO ACCEPT STAFF RECOMMENDATION AND ENGAGE IN THE SYCAMORE STRATEGY.

AYES: TREASURER SCHMIDT, MR. SEIBEL, MR. OLSON, DR. LECH, MR. MILLER, COMMISSIONER GODFREAD, MS. GUMERINGER, MS. SMITH, MR. KLIPFEL, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER SMITH

GOVERNANCE/EDUCATION:

Meeting Schedule – A revised meeting schedule for July 1, 2020 – June 30, 2021 was presented for the Board's acceptance.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ACCEPT THE REVISED MEETING SCHEDULE FOR JULY 1, 2020 – JUNE 30, 2121.

AYES: COMMISSIONER GODFREAD, MR. KLIPFEL, MS. GUMERINGER, MR. SMITH, MR. SEIBEL, MR. MILLER, DR. LECH, MR. OLSON, TREASURER SCHMIDT, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER SMITH

Agency Update **–** The RIO website is scheduled to go live August 4, 2020. The website is a state website platform.

Ms. Murtha provided an update on the TFFR Pension Administration System (PAS). The Request for Proposal (RFP) was issued for the consultant on June 2, 2020, with a June 30, 2020, deadline for receipt of proposals. Proposals were received and reviewed. A vendor was selected and is going through the procurement process and staff is hoping to have a contract executed by August 12, 2020. With the assistance of the consultant, the next phase would be to issue an RFP for the software vendor.

Mr. Hunter provided an agency budget update. RIO's base budget was submitted in accordance with the Governor's instruction for a "hold even" budget with three optional packages.

Code of Conduct - SIB Governance Policy/Board Members' Code of Conduct requires the SIB members reaffirm their understanding of the policy on an annual basis and disclose any conflicts of interest. Mr. Posch requested the Board members to acknowledge the affirmation by signing and dating the form and returning to staff by August 15, 2020.

Fiduciary Education – Ms. Murtha presented an educational segment on Fiduciary Obligations.

Investment Manager Catalog **–** In the Board's meeting materials was a catalog of investment managers which includes a brief description of existing investment strategies and firms, the date in which the SIB engaged the firms for a specific mandate, the asset class (or classes) for which they offer their services and the major investment pools (or trusts) in which these strategies are utilized. A listing of closed investment strategies is also included in the catalog.

OTHER:

The next regular meeting of the SIB Securities Litigation Committee is scheduled for August 11, 2020, at 2:00 p.m. at RIO (virtual).

The next regular meeting of the SIB Audit Committee is scheduled for August 13, 2020, at 2:30 p.m. at RIO (virtual).

The next regular meeting of the SIB has been scheduled for August 28, 2020, at 8:30 a.m. at RIO (virtual).

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 10:40 a.m.

Lt. Governor Sanford, Chair
State Investment Board

Bonnie Heit
Recorder

Informational

Preliminary Fiscal Year End Results

Preliminary Data as of June 30, 2020

Net Investment Returns for the Fiscal Year Ended June 30, 2020, are based on actual preliminary data which is unaudited and subject to material change.

Net Investment Returns for the Fiscal Year Ended June 30, 2020, are based on actual preliminary data which is unaudited and subject to material change.

Pension Clients:

PERS and TFFR earned a net investment return of 3.4% for the year end June 20, 2020, which exceeded the Policy Benchmark by 0.20%. For the 5-years ended June 30, 2020, PERS and TFFR earned a net investment return of 6.2% and 6.17%, respectively, exceeding respective Policy Benchmarks by 0.30%.

Job Service, which is a de-risked pension plan with a funded ratio in excess of 140%, failed to exceed Policy Benchmark Returns for the 1, 3 and 5 year periods ended June 30, 2020.

Most SIB clients 5-year returns exceed their Policy Benchmarks.

	Quarter Ended 6/30/2020	Current FYTD 6/30/2020	3 Yrs Ended 6/30/2020	5 Yrs Ended 6/30/2020	Risk 5 Yrs Ended 6/30/2020	Risk Adj Excess Return 5 Yrs Ended 6/30/2020
PERS $3.2 billion						
Total Fund Return - Net	10.87%	3.41%	6.01%	6.20%	10.1%	0.09%
Policy Benchmark Return	10.86%	3.21%	5.79%	5.90%	9.7%	
Total Relative Return	0.01%	0.20%	0.23%	0.30%	104%	
TFFR $2.6 billion						
Total Fund Return - Net	10.82%	3.45%	6.01%	6.17%	10.1%	0.20%
Policy Benchmark Return	11.07%	3.19%	5.81%	5.87%	9.9%	
Total Relative Return	-0.25%	0.26%	0.21%	0.30%	102%	
Bismarck Employees $107 million						
Total Fund Return - Net	9.24%	3.75%	5.84%	5.93%	8.4%	0.29%
Policy Benchmark Return	9.51%	3.73%	5.56%	5.57%	8.3%	
Total Relative Return	-0.27%	0.02%	0.28%	0.36%	102%	
Bismarck Policy $43 million						
Total Fund Return - Net	9.86%	3.41%	5.83%	5.94%	9.1%	0.29%
Policy Benchmark Return	10.17%	3.28%	5.53%	5.62%	9.0%	
Total Relative Return	-0.30%	0.13%	0.30%	0.33%	101%	
Grand Forks Pension $67 million						
Total Fund Return - Net	12.06%	4.02%	6.53%	6.44%	10.6%	0.27%
Policy Benchmark Return	12.14%	3.61%	6.15%	6.15%	10.6%	
Total Relative Return	-0.08%	0.41%	0.38%	0.28%	100%	
Grand Forks Parks $7 million						
Total Fund Return - Net	10.47%	3.78%	6.36%	6.37%	9.8%	0.06%
Policy Benchmark Return	10.21%	3.56%	6.06%	6.04%	9.3%	
Total Relative Return	0.26%	0.22%	0.30%	0.32%	105%	
Job Service $95 million						
Total Fund Return - Net	5.15%	2.82%	4.26%	4.77%	4.7%	-0.79%
Policy Benchmark Return	5.32%	5.04%	5.31%	5.18%	4.2%	
Total Relative Return	-0.17%	-2.21%	-1.06%	-0.42%	112%	

Net Investment Returns for the Fiscal Year Ended June 30, 2020, are based on actual preliminary data which is unaudited and subject to material change.

Non-Pension Clients:

WSI earned 6% for the 1, 3 and 5 years ended June 30, 2020, which trailed the Policy Benchmark by 0.63% in fiscal 2020 and beat the Policy Benchmark by 0.80% the last 5 years.

Legacy Fund earned 4.2% in fiscal 2020 and 5.9% for the 5-years ended June 30, 2020, which trailed by the Policy Benchmark by 0.15% in fiscal 2020 and exceeded the Policy Benchmark by 0.37% over the last 5 years.

Budget Stabilization earned 2.35% and 1.95% for the 1 and 5 years ended June 30, 2020, respectively, and trailed Policy Benchmarks.

	Quarter Ended 6/30/2020	Current FYTD 6/30/2020	3 Yrs Ended 6/30/2020	5 Yrs Ended 6/30/2020	Risk 5 Yrs Ended 6/30/2020	Risk Adj Excess Return 5 Yrs Ended 6/30/2020
WSI - $2.1 billion						
Total Fund Return - Net	8.18%	6.00%	6.07%	6.00%	5.99%	-0.42%
Policy Benchmark Return	6.23%	6.62%	5.81%	5.20%	4.47%	
Total Relative Return	1.95%	-0.63%	0.26%	0.80%		
Legacy Fund $7 billion						
Total Fund Return - Net	12.33%	4.23%	5.58%	5.91%	10.47%	-0.16%
Policy Benchmark Return	10.89%	4.38%	5.66%	5.55%	9.29%	
Total Relative Return	1.44%	-0.15%	-0.08%	0.37%		
Budget Stab. $727 million						
Total Fund Return - Net	4.38%	2.35%	2.38%	1.95%	2.79%	-0.59%
Policy Benchmark Return	1.16%	4.17%	2.87%	2.09%	1.15%	
Total Relative Return	3.22%	-1.82%	-0.49%	-0.14%		
Fire & Tornado $23 million						
Total Fund Return - Net	10.67%	4.97%	5.57%	5.72%	8.33%	-0.43%
Policy Benchmark Return	8.62%	5.96%	5.69%	5.22%	6.62%	
Total Relative Return	2.05%	-1.00%	-0.12%	0.50%		
State Bonding $4 million						
Total Fund Return - Net	3.40%	4.95%	3.93%	3.53%	2.22%	0.27%
Policy Benchmark Return	1.60%	5.50%	3.73%	2.91%	1.88%	
Total Relative Return	1.80%	-0.55%	0.20%	0.62%		
Insur.Reg.Trust. Fund $6 million						
Total Fund Return - Net	7.90%	6.11%	5.22%	4.89%	6.00%	0.45%
Policy Benchmark Return	6.90%	4.38%	4.60%	4.17%	5.56%	
Total Relative Return	0.99%	1.74%	0.62%	0.72%		

Net Investment Returns for the Fiscal Year Ended June 30, 2020, are based on actual preliminary data which is unaudited and subject to material change.

All SIB Clients:

The vast majority of SIB clients generated net investment returns which exceeded their respective Policy Benchmarks for the 5-years ended June 30, 2020, but the impact of the global pandemic severely impacted Fiscal 2020 results. Investment returns improved sharply in the second quarter of 2020 for our SIB clients.

	Quarter Ended 6/30/2020	1-Year Ended 6/30/2020	3 Yrs Ended 6/30/2020	5 Yrs Ended 6/30/2020	Risk 5 Yrs Ended 6/30/2020	Risk Adj Excess Return 5 Yrs Ended 6/30/2020
Petrol.Tank Release $6 million						
Total Fund Return - Net	3.04%	4.55%	3.70%	3.30%	2.00%	0.26%
Policy Benchmark Return	1.45%	5.15%	3.55%	2.75%	1.73%	
Total Relative Return	1.59%	-0.60%	0.15%	0.55%		
State Risk Mgmt $5 million						
Total Fund Return - Net	10.48%	5.88%	6.22%	6.27%	7.70%	-0.69%
Policy Benchmark Return	8.50%	7.55%	6.48%	5.83%	5.98%	
Total Relative Return	1.98%	-1.67%	-0.26%	0.44%		
State Risk W/C $5 million						
Total Fund Return - Net	11.82%	5.73%	6.43%	6.57%	8.91%	-0.69%
Policy Benchmark Return	9.92%	7.42%	6.82%	6.25%	7.25%	
Total Relative Return	1.90%	-1.69%	-0.38%	0.31%		
NDACo $6.7 million						
Total Fund Return - Net	11.12%	5.67%	5.75%	5.65%	8.42%	-0.50%
Policy Benchmark Return	8.78%	6.63%	5.87%	5.15%	6.54%	
Total Relative Return	2.34%	-0.95%	-0.12%	0.50%		
Bismarck Def.Sick $771,000						
Total Fund Return - Net	10.06%	5.43%	5.66%	5.80%	7.66%	-0.44%
Policy Benchmark Return	7.79%	6.50%	5.67%	5.12%	5.78%	
Total Relative Return	2.27%	-1.07%	-0.01%	0.68%		
FargoDome $44 million						
Total Fund Return - Net	13.11%	3.78%	5.51%	5.94%	11.04%	-0.28%
Policy Benchmark Return	11.55%	4.74%	5.78%	5.59%	9.58%	
Total Relative Return	1.55%	-0.96%	-0.27%	0.35%		
Cultur.Endow. $493,000						
Total Fund Return - Net	13.92%	3.91%	6.05%	6.56%	11.66%	-0.58%
Policy Benchmark Return	12.55%	5.28%	6.64%	6.53%	10.34%	
Total Relative Return	1.37%	-1.37%	-0.59%	0.02%		

Net Investment Returns for the Fiscal Year Ended June 30, 2020, are based on actual preliminary data which is unaudited and subject to material change.

All SIB Clients:

The vast majority of SIB clients generated net investment returns which exceeded their respective Policy Benchmarks for the 5-years ended June 30, 2020, but the impact of the global pandemic severely impacted Fiscal 2020 results. Investment returns improved sharply in the second quarter of 2020 for our SIB clients.

	Quarter Ended 6/30/2020	1-Year Ended 6/30/2020	3 Yrs Ended 6/30/2020	5 Yrs Ended 6/30/2020	Risk 5 Yrs Ended 6/30/2020	Risk Adj Excess Return 5 Yrs Ended 6/30/2020
Board of Med. $2.5 million						
Total Fund Return - Net	9.65%	5.54%	4.55%	4.10%	6.23%	-0.48%
Policy Benchmark Return	7.05%	5.64%	4.55%	3.80%	4.54%	
Total Relative Return	2.61%	-0.09%	0.00%	0.31%		
PERS Group Insur. $31.5 million						
Total Fund Return - Net	1.25%	2.81%	2.46%	1.79%	1.08%	0.03%
Policy Benchmark Return	0.54%	2.21%	2.15%	1.67%	0.93%	
Total Relative Return	0.72%	0.60%	0.31%	0.11%		
Lewis & Clark $794,000						
Total Fund Return - Net	11.23%	5.70%	N/A	N/A		
Policy Benchmark Return	8.66%	6.36%	N/A	N/A		
Total Relative Return	2.58%	-0.66%	N/A	N/A		
AG Setttlement $1.1 million		New Client				
Total Fund Return - Net	4.38%	N/A	N/A	N/A		
Policy Benchmark Return	1.16%	N/A	N/A	N/A		
Total Relative Return	3.23%	N/A	N/A	N/A		
Vet.Cemetary Fund $313,000		New Client				
Total Fund Return - Net	11.96%	N/A	N/A	N/A		
Policy Benchmark Return	11.11%	N/A	N/A	N/A		
Total Relative Return	0.85%	N/A	N/A	N/A		
PERS Retiree Health $144 million						
Total Fund Return - Net	14.76%	4.98%	6.21%	6.18%	12.07%	-0.69%
Policy Benchmark Return	13.26%	5.25%	6.38%	6.37%	10.88%	
Total Relative Return	1.50%	-0.27%	-0.17%	-0.19%		
Tobacco Prev $7.6 million						
Total Fund Return - Net	0.22%	3.69%	3.26%	N/A		
Policy Benchmark Return	0.22%	3.74%	3.26%	N/A		
Total Relative Return	0.00%	-0.05%	0.00%			

State Investment Board – Five Largest Clients

Preliminary Net Investments Returns – Fiscal Year Ended June 30, 2020

Preliminary net investment returns for the SIB's five largest clients are summarized below for the Fiscal Year Ended (FYE) June 30, 2020 (July 1, 2019 through June 30, 2020):

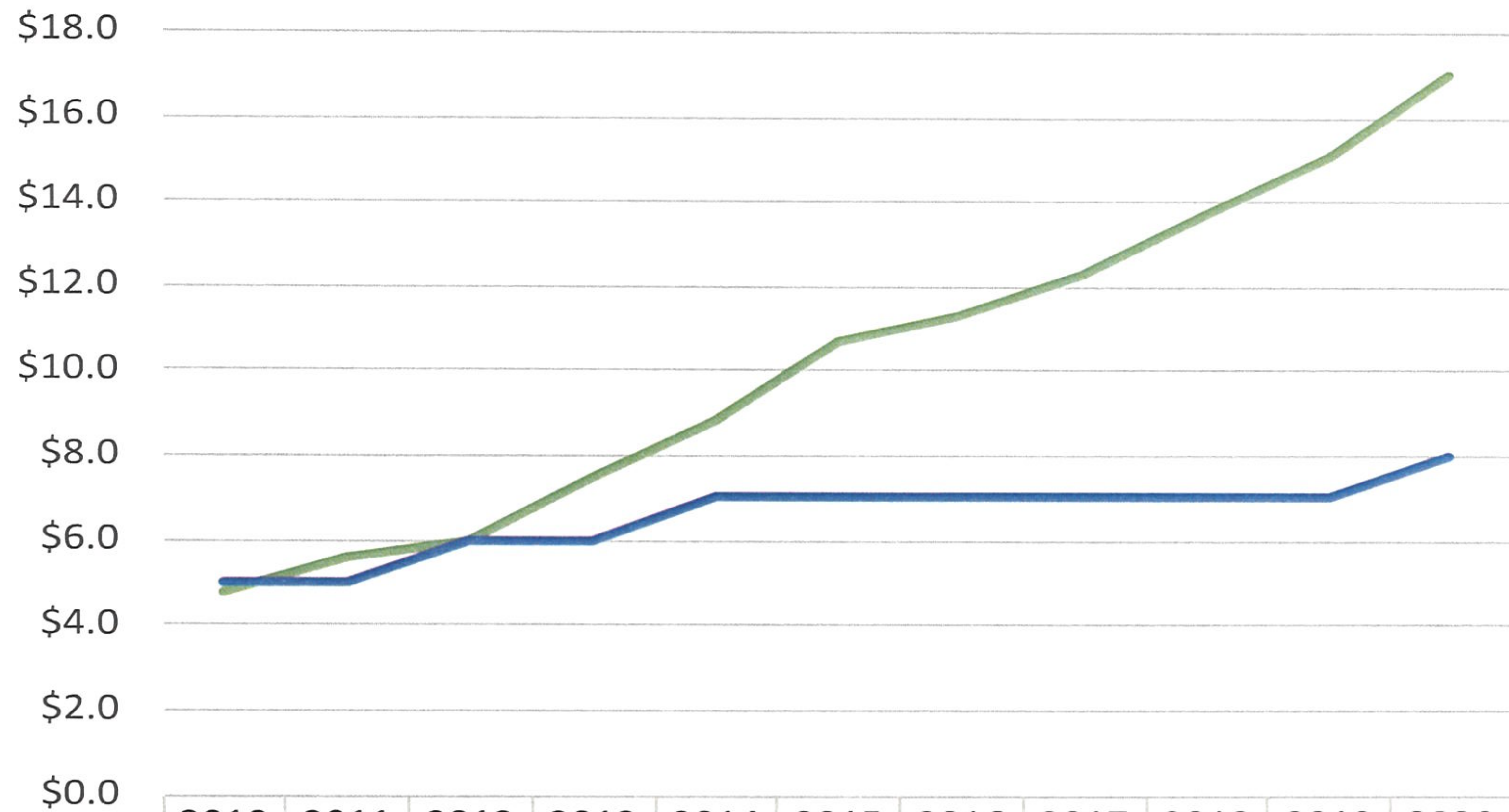
	TFFR	PERS	Legacy	WSI	Budget Stabilization
Net Returns for 1-Year Ended 12/31/2019	**18.0%**	**18.0%**	**18.1%**	**13.6%**	**4.7%**
Net Returns for Quarter Ended 9/30/2019	0.4%	0.4%	1.0%	1.7%	0.9%
Net Returns for Quarter Ended 12/31/2019	5.6%	5.7%	5.2%	2.6%	0.8%
Net Returns for Quarter Ended 3/31/2020	-12.0%	-12.1%	-12.7%	-6.1%	-3.6%
Net Return for Quarter Ended 6/30/2020	*10.8%*	*10.8%*	*12.3%*	*8.1%*	*4.3%*
Preliminary Net Return FYE 6/30/2020	***3.4%***	***3.4%***	***4.2%***	***6.0%***	***2.3%***

Net Investment Returns for the Fiscal Year Ended June 30, 2020, are based on actual preliminary data which is unaudited and subject to material change.

1. Investment results improved materially in April, May and June due to a strong equity market recovery with TFFR and PERS gaining 10.8% and Legacy Fund earning 12.3% for the quarter ended June 30, 2020.
2. For the Fiscal Year Ended June 30, 2020 preliminary net returns for TFFR and PERS are estimated at approximately 3.4% and Legacy Fund is estimated at approximately 4.2%. WSI and Budget Stabilization Fund results also materially improved with preliminary net returns approximating 6% for WSI and 2.3% for the Budget Stabilization Fund for the fiscal year ended June 30, 2020.
3. Investment volatility hit an all-time high in 2020 as the longest bull market in history (11+ years) was immediately followed by one of the fastest bear market corrections on record (less than one month). This record level of volatility resulted in U.S. and global equities increasing by 30% in 2019 prior to falling 20% in the first quarter of 2020.
4. As shown above, TFFR, PERS and Legacy returns gained 18% in 2019 before losing 12% in Q1 of 2020 as their diversified portfolios served to dampen roughly 40% of the equity market volatility (or experience roughly 60% of the equity market gains/losses). The impact of the COVID-19 pandemic on public health, global economy, capital markets and consumer spending was unprecedented.

NOTE: SIB client investment values in 2020 are preliminary, unaudited and subject to change.

SIB Investments and SIB FTE (2010 to 2020)



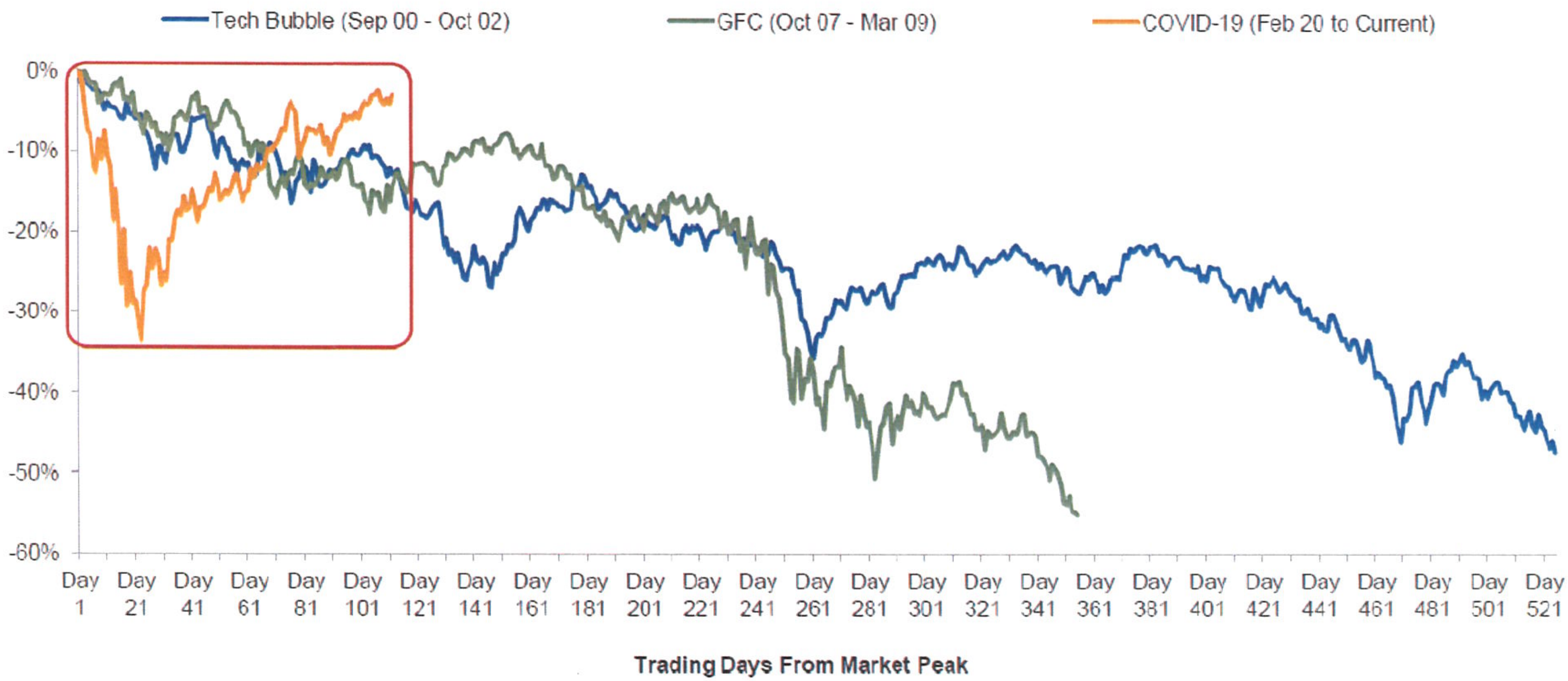
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
$ Billions	$4.8	$5.6	$6.0	$7.5	$8.8	$10.7	$11.3	$12.3	$13.7	$15.1	$17.0
SIB FTE	5	5	6	6	7	7	7	7	7	7	8

$ Billions SIB FTE

Unprecedented Shock to Global Capital Markets

'Global Hurricane' in the form of a pandemic

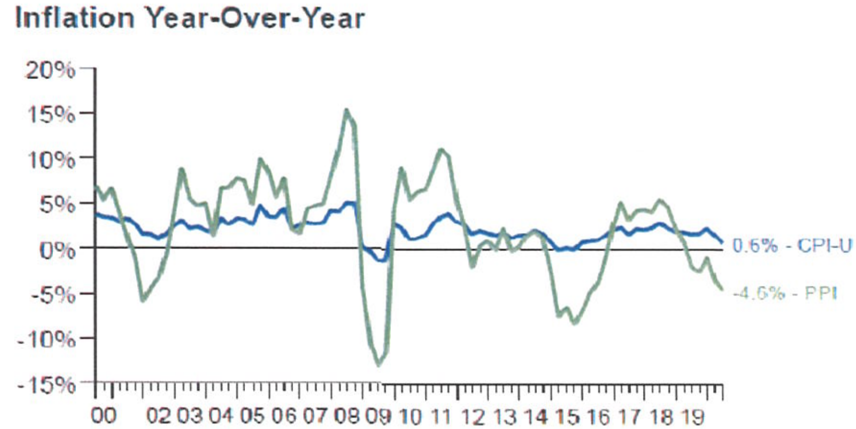
S&P 500 Index Cumulative Returns
Market Peak-to-Trough for Recent Corrections vs.
Current Path of COVID-19 Correction Through 7/29/20

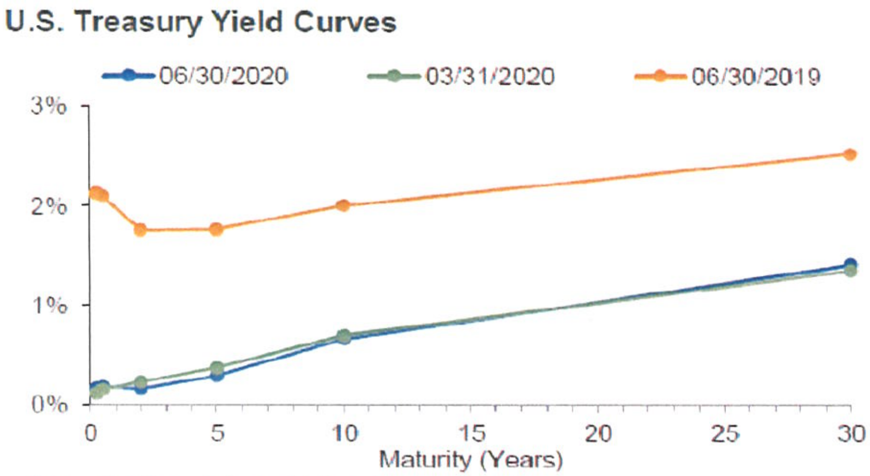


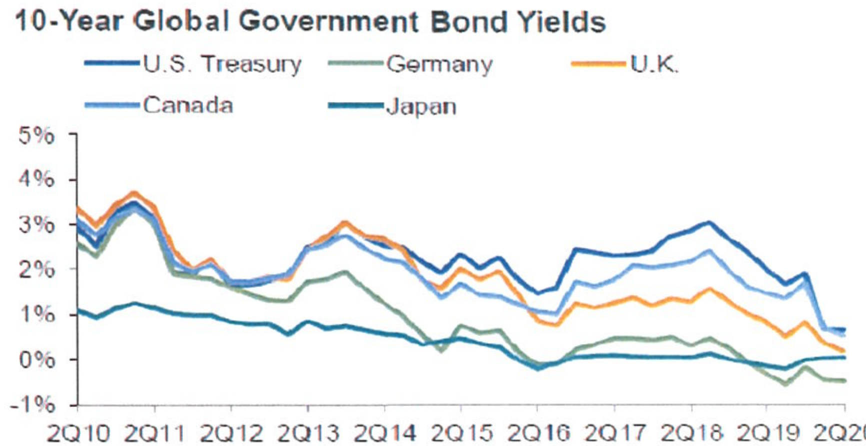
The sharpest and fastest equity market decline ever: 16 trading days to reach bear market; -33% after just 23 days

U.S. Economy—Summary

For periods ended June 30, 2020







Sources: Bloomberg, Bureau of Labor Statistics, Callan

Market Environment: 2Q20

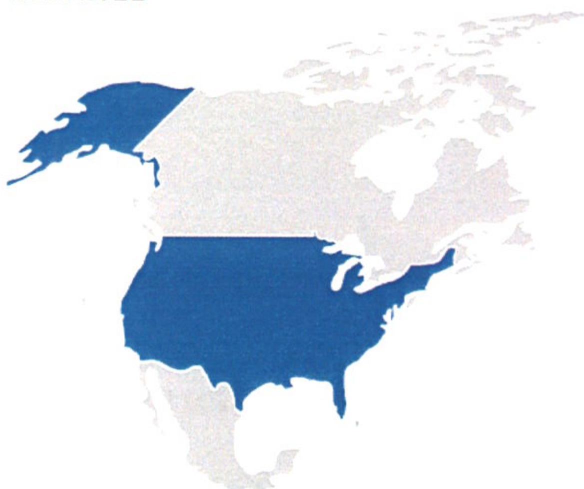
High degree of uncertainty

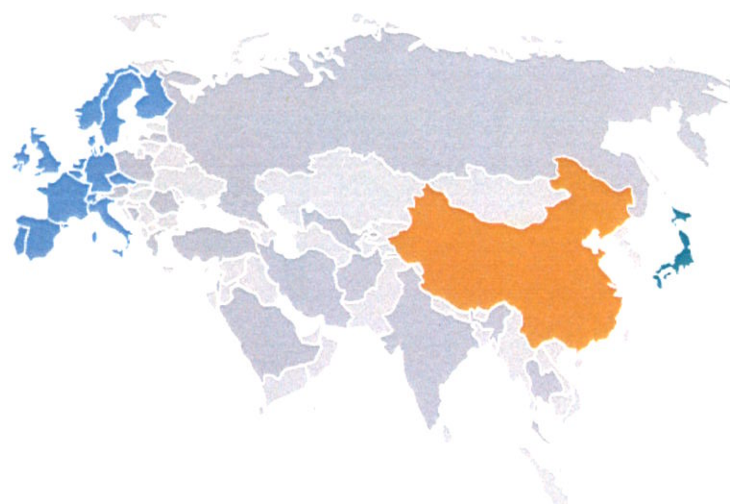
U.S.

- GDP contracted 5.0% annualized in 1Q and 32.9% in 2Q
  - *PCE decline by 10.5% from 1Q levels, despite a 9.7% rise in real disposable income in the second quarter*
  - *Exports, inventories, investment, and local and state government spending also declined*
- Retail sales, durable goods, personal spending rebounded in May but not fully recovered
- Unemployment (11.1% in June) remains elevated
- Housing benefited from relatively low mortgage rates
- Fed left rates close to 0% and expects to be on hold until at least 2022

Overseas

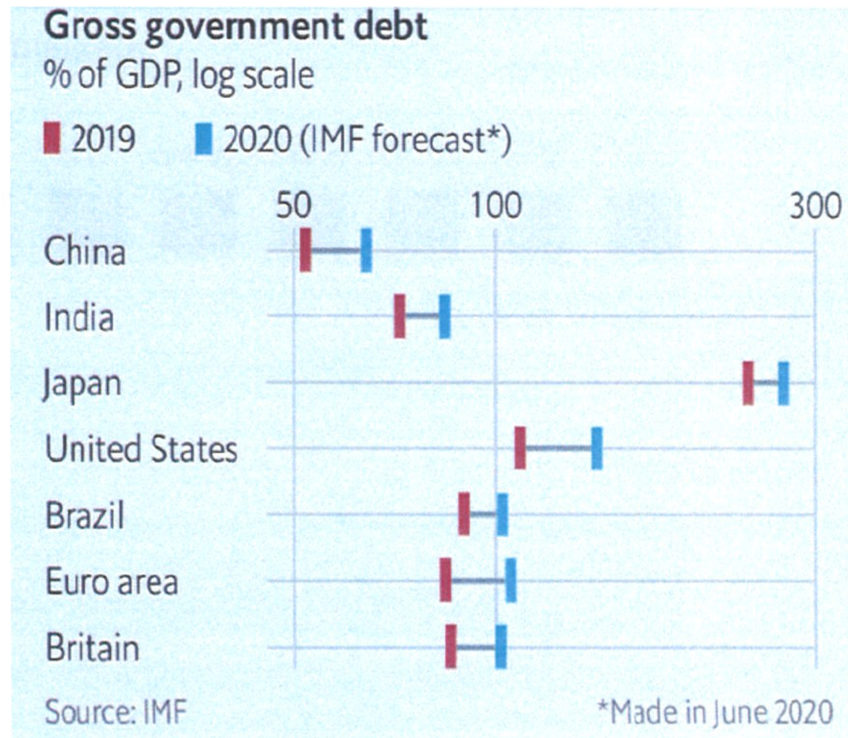
- Euro zone 1Q GDP contracted 3.8%; largest quarterly drop on record
- U.K. GDP sank 20% in April, most ever
- Japan's economy shrank 4.4% in April
- China's GDP fell 6.8% in 1Q, first contraction in 28 years.
  - *Chinese government unveiled fiscal stimulus of US$506 bn, bringing budget deficit to a record high of 3.6% of GDP.*
  - *Growth is expected to be positive in 2Q.*





IMF GDP Forecasts for 2020

From bad to worse

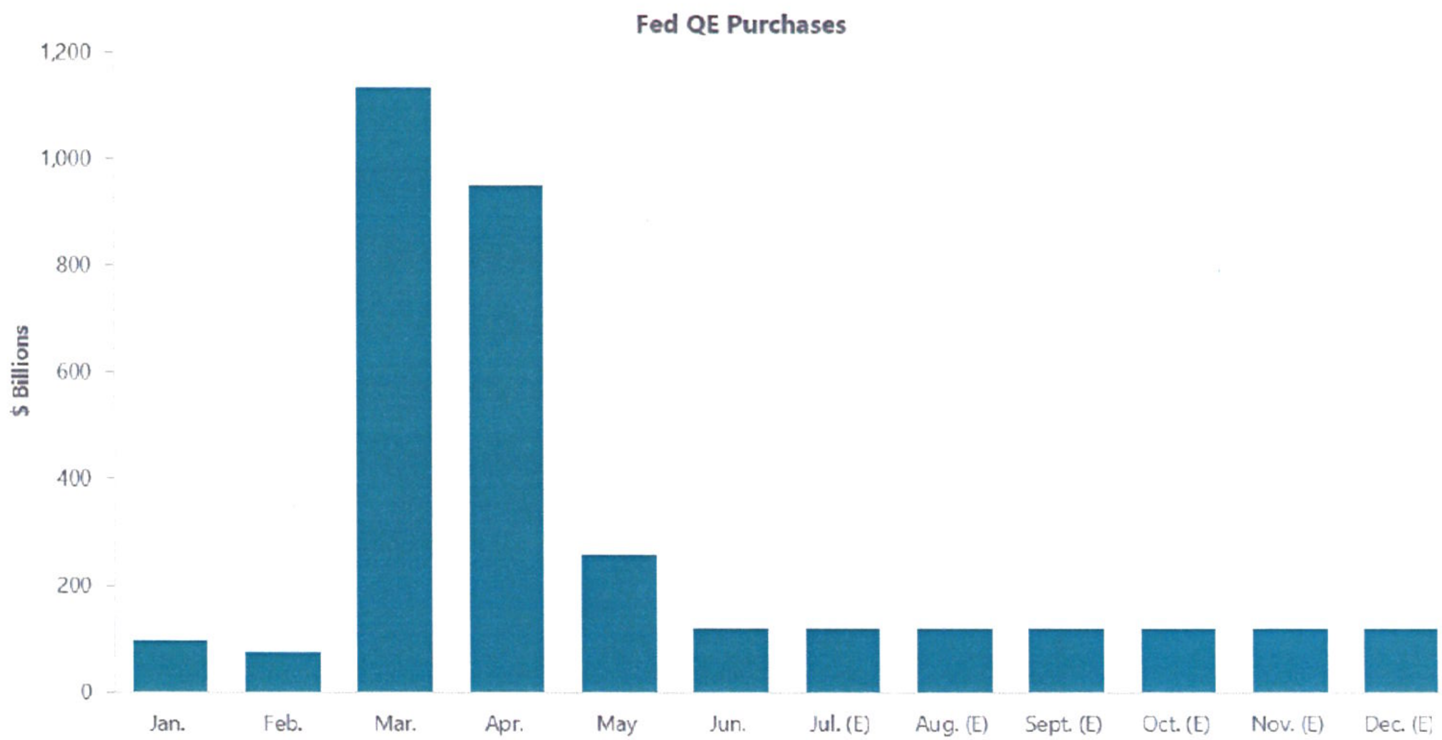


On June 24th the IMF said the economic slump caused by the COVID-19 pandemic would be worse than forecast in April, and that governments would be left more indebted as a result.

- The fund thinks advanced economies' combined GDP at the end of 2021 will still be lower than it was in the first quarter of 2019.
- But it warned of an unusual degree of uncertainty surrounding the numbers, which assume persistent social distancing, lower productivity, and widespread economic scarring.

Source: The Economist

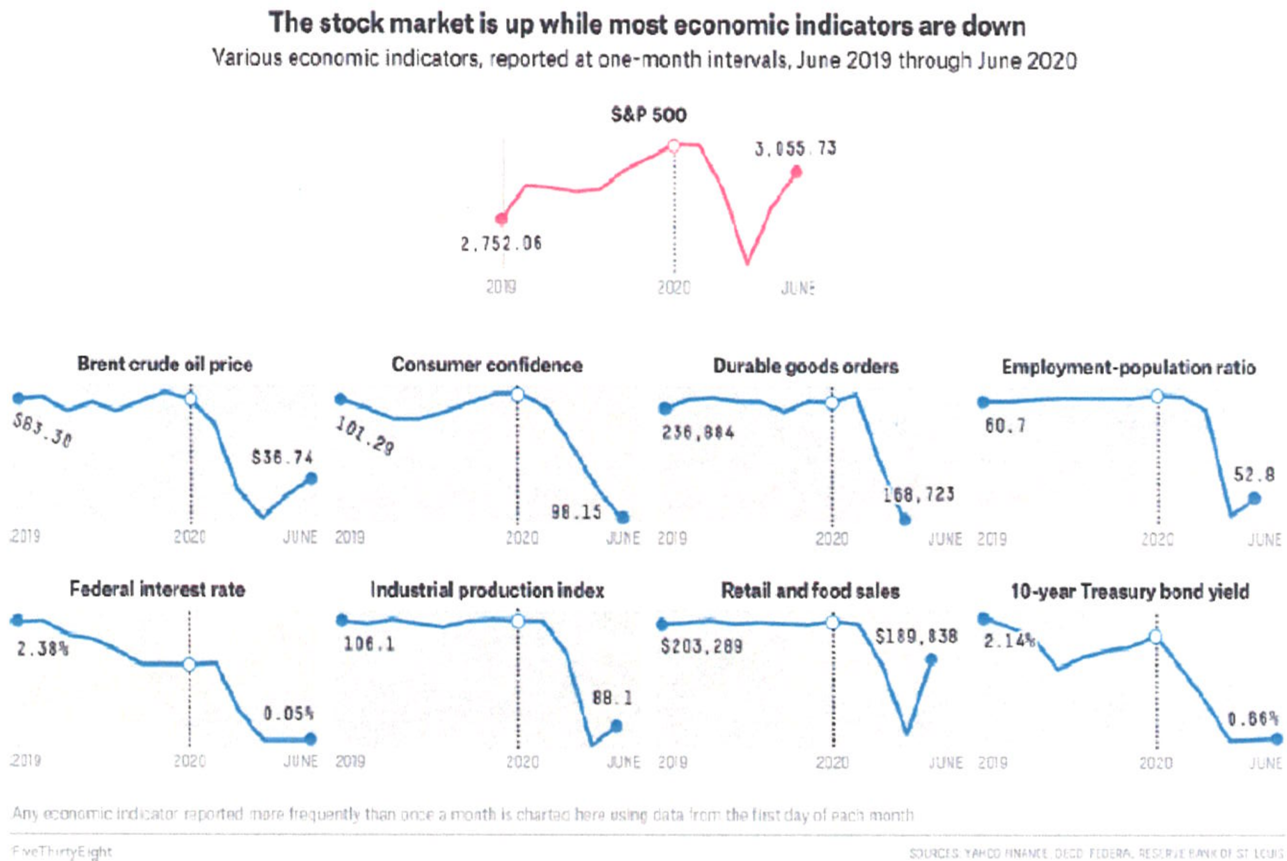
Fed Supplied a Tsunami of Liquidity



- The Fed's ~$3T increase in its balance sheet has buoyed markets.
- Going forward, $225B in monthly Treasury issuance will be a liquidity drag vs. $120B in expected monthly QE.

Sources: Clearbridge Investments; Federal Reserve Bank of New York

Swift Recovery for Equities; Did Investors Get Ahead of Themselves?



- As of July 17, U.S. stock market recouped its YTD loss – how can that be?
  - Supreme confidence in efficacy of monetary and fiscal policy
  - Apple, Alphabet (Google), Microsoft, Facebook, Amazon are up 35% in 2Q20 and made up 30% of the S&P 500 return, even though they represent 20% of market cap.

Callan Periodic Table of Investment Returns

Trailing periods as of June 30, 2020

Annual Returns					Trailing Periods				Quarterly Returns		
2015	2016	2017	2018	2019	1-Year	3-Year	5-Year	10-Year	1Q20	2Q20	YTD 2020
Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	U.S. Fixed Income 0.01%	Large Cap Equity 31.49%	U.S. Fixed Income 8.74%	Large Cap Equity 10.73%	Large Cap Equity 10.73%	Large Cap Equity 13.99%	U.S. Fixed Income 3.15%	Small Cap Equity 25.42%	U.S. Fixed Income 6.14%
U.S. Fixed Income 0.55%	High Yield 17.13%	Dev ex-U.S. Equity 24.21%	High Yield -2.08%	Small Cap Equity 25.52%	Large Cap Equity 7.51%	U.S. Fixed Income 5.32%	High Yield 4.79%	Small Cap Equity 10.50%	Global ex-U.S. Fixed Income -2.68%	Large Cap Equity 20.54%	Global ex-U.S. Fixed Income 0.61%
Real Estate -0.79%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	Global ex-U.S. Fixed Income -2.15%	Dev ex-U.S. Equity 22.49%	Global ex-U.S. Fixed Income 0.71%	High Yield 3.33%	U.S. Fixed Income 4.30%	High Yield 6.68%	High Yield -12.68%	Emerging Market Equity 18.08%	Large Cap Equity -3.08%
Dev ex-U.S. Equity -3.04%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Large Cap Equity -4.38%	Real Estate 21.91%	High Yield 0.03%	Global ex-U.S. Fixed Income 2.52%	Small Cap Equity 4.29%	Real Estate 6.30%	Large Cap Equity -19.60%	Dev ex-U.S. Equity 15.34%	High Yield -3.80%
Small Cap Equity -4.41%	Real Estate 4.06%	Global ex-U.S. Fixed Income 10.51%	Real Estate -5.63%	Emerging Market Equity 18.44%	Emerging Market Equity -3.39%	Small Cap Equity 2.01%	Global ex-U.S. Fixed Income 2.89%	Dev ex-U.S. Equity 5.43%	Dev ex-U.S. Equity -23.26%	High Yield 10.18%	Emerging Market Equity -9.78%
High Yield -4.47%	Dev ex-U.S. Equity 2.75%	Real Estate 10.36%	Small Cap Equity -11.01%	High Yield 14.32%	Dev ex-U.S. Equity -5.42%	Emerging Market Equity 1.90%	Emerging Market Equity 2.86%	U.S. Fixed Income 3.82%	Emerging Market Equity -23.60%	Real Estate 10.07%	Dev ex-U.S. Equity -11.49%
Global ex-U.S. Fixed Income -6.02%	U.S. Fixed Income 2.65%	High Yield 7.50%	Dev ex-U.S. Equity -14.09%	U.S. Fixed Income 8.72%	Small Cap Equity -6.63%	Dev ex-U.S. Equity 0.84%	Dev ex-U.S. Equity 2.01%	Emerging Market Equity 3.27%	Real Estate -28.53%	Global ex-U.S. Fixed Income 3.38%	Small Cap Equity -12.98%
Emerging Market Equity -14.92%	Global ex-U.S. Fixed Income 1.49%	U.S. Fixed Income 3.54%	Emerging Market Equity -14.57%	Global ex-U.S. Fixed Income 5.09%	Real Estate -16.25%	Real Estate -1.60%	Real Estate 1.27%	Global ex-U.S. Fixed Income 1.98%	Small Cap Equity -30.61%	U.S. Fixed Income 2.90%	Real Estate -21.33%

Sources: ● Bloomberg Barclays Aggregate ● Bloomberg Barclays Corp High Yield ● Bloomberg Barclays Global Aggregate ex US ● FTSE EPRA Nareit Developed ● MSCI World ex USA ● MSCI Emerging Markets ● Russell 2000 ● S&P 500

Stunning Recovery in Global Equity Markets in 2Q20

V-shaped equity rebound, ahead of the global economy

Global equity rally after March market bottom

- S&P -33% from peak (02/19/20) to low on 3/23/20
- Sharp rebound since March, suggesting broad-based recovery, but YTD results concentrated in a few stocks
- Fed cut rates to zero, commenced QE, instituted multiple facilities to backstop money markets, credit markets, and economy.
  - *Fed expects to get paid back*
  - *Further fiscal stimulus expected*
- Congress passed fiscal stimulus (CARES) to carry the economy through the crisis.
- Economic recovery will be uncertain as COVID-19 infections continue; re-openings may be reversed.

Returns for Periods ended June 30, 2020

	1 Quarter	1 Year	5 Years	10 Years	25 Years
U.S. Equity					
Russell 3000	22.03	6.53	10.03	13.72	9.28
S&P 500	20.54	7.51	10.73	13.99	9.27
Russell 2000	25.42	-6.63	4.29	10.50	8.16
Global ex-U.S. Equity					
MSCI World ex USA	15.34	-5.42	2.01	5.43	4.68
MSCI Emerging Markets	18.08	-3.39	2.86	3.27	--
MSCI ACWI ex USA Small Cap	22.83	-4.34	2.50	6.05	5.51
Fixed Income					
Bloomberg Barclays Aggregate	2.90	8.74	4.30	3.82	5.36
90-day T-Bill	0.02	1.63	1.19	0.64	2.37
Bloomberg Barclays Long Gov/Credit	6.23	18.91	8.98	7.84	7.72
Bloomberg Barclays Global Agg ex-US	3.38	0.71	2.89	1.98	3.73
Real Estate					
NCREIF Property	0.71	4.46	7.13	9.89	9.22
FTSE Nareit Equity	11.82	-13.04	4.06	9.05	9.48
Alternatives					
CS Hedge Fund	6.20	-0.73	1.55	3.83	7.49
Cambridge Private Equity*	5.36	16.14	12.64	13.57	15.29
Bloomberg Commodity	5.08	-17.38	-7.69	-5.82	0.75
Gold Spot Price	12.77	27.36	8.97	3.75	6.36
Inflation - CPI-U	-0.12	0.65	1.56	1.69	2.12

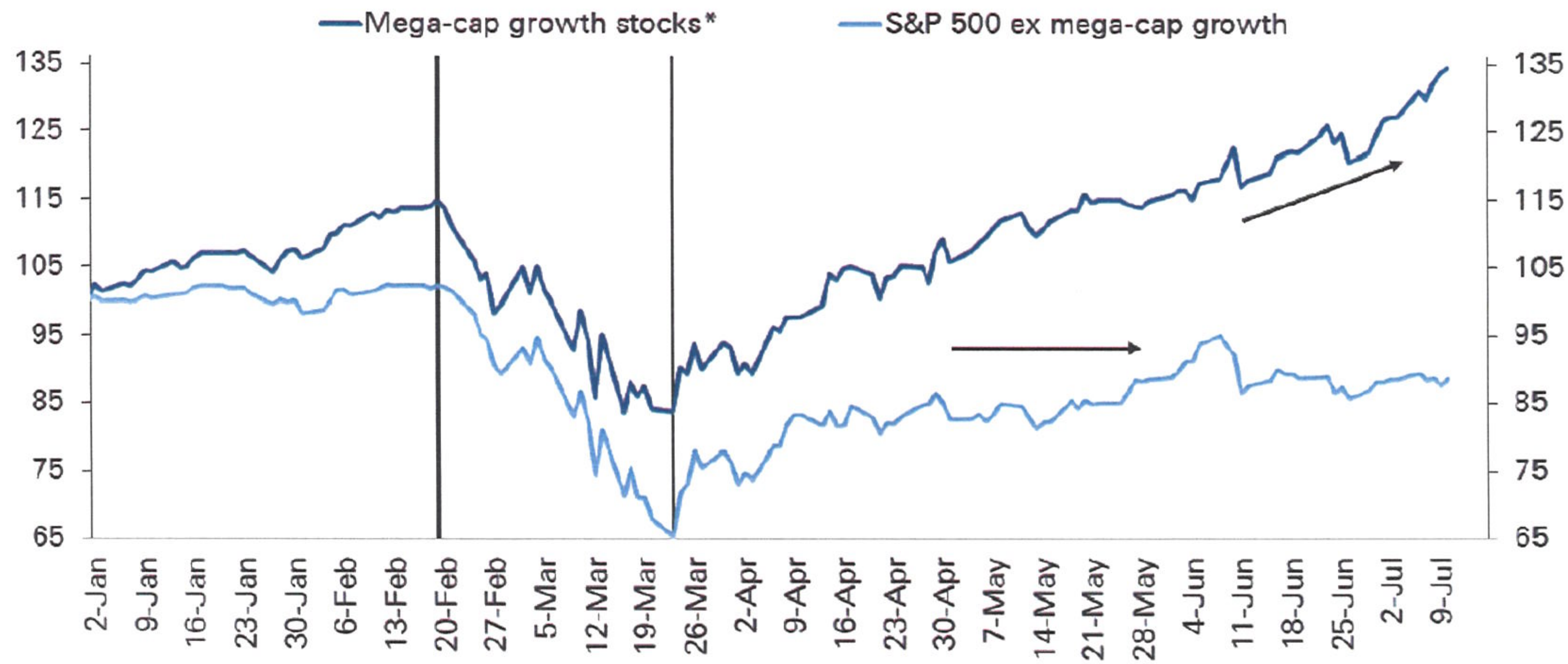
*Cambridge PE data through 12/31/19

Sources: Bloomberg, Bloomberg Barclays, Callan , Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

Narrow U.S. Equity Market Performance

YTD through July 20th 2020

S&P 500 mega-cap growth vs others (re-indexed, Dec 31 2019=100)



*MSFT, AAPL, AMZN, GOOGL, GOOG, FB, V, MA, NVDA, NFLX, ADBE

Source: Bloomberg Finance LP, DB Asset Allocation , DB Global Research

- Mega-cap growth stocks (27% of S&P 500) propping the market up. Other 490 range traded since early April.

Informational

TO: **State Investment Board**

FROM: Dave Hunter

DATE: August 26, 2020

SUBJECT: **Private Equity Overview**

Background:

The NDSIB-Pension Trust is a long-time investor in private equity dating back to Brinson Partners (a predecessor to Adams Street) in the 1990's. Private equity performance has varied considerably over the years, but has begun to trend up in recent years largely anchored with our long-term strategic partner – Adams Street, in addition to BlackRock Private Equity Partners, since 2017.

Overall Performance Summary:

Private equity returns remain in the 3rd quartile for the NDSIB-Pension Trust as of March 31, 2020, as shown on the next page. However, it is important to note that RIO's investment team and Callan's private equity experts teamed up in 2015 and 2016 to re-evaluate our overall investment approach in private equity. **These SIB approved actions included a renewed commitment to Adams Street Partners Global Fund strategies and a new fund of one program with BlackRock. As shown on the bottom of the next page, recent commitments to Adams Street Global Fund since 2015 and the start-up of the BlackRock fund of one program have improved recent vintage investment performance considerably and are ranked in the 1st or 2nd quartile since 2015.**

* Direct Manager data as of 6/30/2020

** Adams Street and Blackrock values are as of 3/31/2020 cash flow adjusted for the current quarter

All data is preliminary, unaudited and subject to change.

Manager	Vintage Year	Capital Committed ($000s)	Paid-In Capital ($000s)	Uncalled Capital ($000s)	%Paid-In	Distributed Capital ($000s)	NAV ($000s)	DPI	RVPI	TVPI	TVPI Quartile	Net IRR Quartile
Adams St 1998 Partnership	1998-2001	$5,230	$5,236	$27	100.12%	$7,840	$14	1.50x	0.00x	1.50x	2nd	2nd
Adams St 1999 Partnership	1999-2002	$9,041	$8,664	$377	95.83%	$11,142	$126	1.29x	0.01x	1.30x	2nd	2nd
Adams St 1999 Non-US	1999-2005	$3,812	$3,572	$240	93.69%	$6,925	$73	1.94x	0.02x	1.96x	1st	2nd
Adams St BVCF IV Fund	1999	$25,000	$25,000	$0	100.00%	$43,778	$4	1.75x	0.00x	1.75x	2nd	2nd
Hearthstone Advisors MSII	2000	$35,000	$26,576	$35,000	75.93%	$36,855	$0	1.39x	0.00x	1.39x	2nd	1st
Adams St 2000 Partnership	2000-2003	$17,195	$17,511	-$316	101.84%	$25,029	$341	1.43x	0.02x	1.45x	2nd	3rd
Adams St 2000 Non-US	2000-2005	4,538	$4,538	$0	100.00%	$8,498	$373	1.87x	0.08x	1.95x	2nd	2nd
Adams St 2001 Partnership	2001-2004	$9,530	$9,121	$410	95.70%	$14,101	$525	1.55x	0.06x	1.60x	2nd	3rd
Adams St 2001 Non-US	2001-2005	$3,354	$3,354	$0	100.00%	$6,217	$97	1.85x	0.03x	1.88x	2nd	2nd
Adams St 2002 Partnership	2002-2005	$5,318	$5,150	$167	96.85%	$9,390	$140	1.82x	0.03x	1.85x	2nd	2nd
Adams St 2002 Non-US	2002-2005	$5,834	$6,057	-$222	103.81%	$11,407	$90	1.88x	0.01x	1.90x	2nd	2nd
Lewis & Clark, LP	2002	$7,500	$6,806	$694	90.75%	$6,504	$1,408	0.96x	0.21x	1.16x	2nd	3rd
Adams St 2003 Partnership	2003-2006	$1,877	$1,780	$97	94.84%	$2,981	$154	1.67x	0.09x	1.76x	2nd	2nd
Adams St 2003 Non-US	2003-2006	$4,741	$4,507	$234	95.07%	$10,125	$164	2.25x	0.04x	2.28x	1st	1st
Hearthstone Advisors MSIII	2003	$35,000	$37,058	$30,725	105.88%	$47,543	$91	1.28x	0.00x	1.29x	3rd	1st
Adams St 2004 Non-US	2004-2007	$2,244	$2,139	$105	95.33%	$3,356	$180	1.57x	0.08x	1.65x	2nd	2nd
MatlinPatterson II	2004	$40,000	$59,254	$1	148.13%	$33,246	$1,312	0.56x	0.02x	0.58x	4th	4th
Adams St Direct Co-Invest	2006	$20,000	$19,100	$900	95.50%	$27,434	$259	1.44x	0.01x	1.45x	3rd	3rd
Capital International V	2007	$35,279	$41,441	$5,566	117.47%	$37,639	$636	0.91x	0.02x	0.92x	3rd	3rd
Corsair III	2007	$25,148	$34,635	$318	137.72%	$17,755	$10,284	0.51x	0.30x	0.81x	4th	4th
EIG Energy Fund XIV	2007	$45,000	$59,496	$1,243	132.21%	$51,130	$2,296	0.86x	0.04x	0.90x	4th	4th
MatlinPatterson III	2007	$40,000	$49,779	$1,129	124.45%	$53,742	$5,113	1.08x	0.10x	1.18x	3rd	3rd
Quantum Energy Partners IV	2007	$15,000	$15,130	$1,005	100.87%	$14,831	$1,044	0.98x	0.07x	1.05x	3rd	3rd
Adams St 2008 Non-US	2008-2012	$10,000	$9,133	$867	91.33%	$9,461	$6,268	1.04x	0.69x	1.72x	2nd	2nd
Lewis & Clark II	2009	$15,000	$13,578	$1,422	90.52%	$7,450	$5,296	0.55x	0.39x	0.94x	4th	4th
Adams St 2010 Direct Fund	2010	$1,500	$1,442	$58	96.10%	$1,789	$750	1.24x	0.52x	1.76x	3rd	3rd
Adams St 2010 Partnership	2010-2014	$7,500	$6,608	$892	88.10%	$6,820	$5,480	1.03x	0.83x	1.86x	2nd	2nd
Adams St 2010 Non-US Dev	2010-2014	$4,500	$3,940	$560	87.55%	$3,843	$2,554	0.98x	0.65x	1.62x	3rd	3rd
Adams St 2010 Non-US EM	2010-2014	$1,500	$1,347	$153	89.80%	$555	$1,811	0.41x	1.34x	1.76x	2nd	3rd
Capital International VI	2011	$38,092	$39,509	$1,131	103.72%	$16,106	$27,735	0.41x	0.70x	1.11x	1st	1st
Adams St 2015 Global Fd	2015-2016	$30,000	$21,840	$8,160	72.80%	$3,910	$28,794	0.18x	1.32x	1.50x	2nd	1st
Adams St 2016 Global Fd	2016-2017	$30,000	$18,690	$11,310	62.30%	$1,811	$21,665	0.10x	1.16x	1.26x	2nd	1st
BlackRock	2017-2019	$200,000	$104,278	$100,978	52.14%	$14,228	$96,840	0.14x	0.93x	1.07x	2nd	2nd
Adams St 2017 Global Fd	2017-2019	$60,000	$35,130	$24,870	58.55%	$1,175	$39,203	0.03x	1.12x	1.15x	1st	1st
Adams St 2018 Global Fd	2018-2019	$65,000	$19,435	$45,565	29.90%	$0	$22,961	0.00x	1.18x	1.18x	1st	1st
Adams St 2019 Global Fd	2019	$65,000	$5,265	$59,735	8.10%	$0	$6,281	0.00x	1.19x	1.19x	1st	1st
Total Private Equity		**1,085,668**	910,647	336,390	83.88%	764,005	**290,360**	0.84x	0.32x	**1.16x**	**3rd**	**3rd**

North Dakota State Investment Board

The 2020 Global Private Equity Program

August 28, 2020

Adams Street

Confidentiality Statement and Other Important Considerations

As of August 2020

Adams Street Partners has provided this presentation (the "Presentation") to the recipient on a confidential and limited basis. This Presentation is not an offer or sale of any security or investment product or investment advice. Offerings are made only pursuant to a private offering memorandum containing important information regarding risk factors, performance, and other material aspects of the applicable investment; the information contained herein should not be used or relied upon in connection with the purchase or sale of any security.

Statements in the Presentation are made as of the date of the Presentation unless stated otherwise, and there is no implication that the information contained herein is correct as of any time subsequent to such date. All information with respect to primary and secondary investments of Adams Street Partners' funds (the "Funds") or Adams Street Partners' managed accounts (collectively, the "Investments"), the Investments' underlying portfolio companies, Fund portfolio companies, and industry data has been obtained from sources believed to be reliable and current, but accuracy cannot be guaranteed.

The Presentation contains highly confidential information. In accepting the Presentation, each recipient agrees that it will (i) not copy, reproduce, or distribute the Presentation, in whole or in part, to any person or party (including any employee of the recipient other than an employee or other representative directly involved in evaluating the Funds) without the prior written consent of Adams Street Partners, (ii) keep permanently confidential all information not already public contained herein, and (iii) use the Presentation solely for the purpose set forth in the first paragraph.

The Presentation is not intended to be relied upon as investment advice. The contents herein are not to be construed as legal, business, or tax advice, and each investor should consult its own attorney, business advisor, and tax advisor as to legal, business, and tax advice.

The internal rate of return (IRR) data and multiples provided in the Presentation are calculated as indicated in the applicable notes to the Presentation, which notes are an important component of the Presentation and the performance information contained herein. IRR performance data may include unrealized portfolio investments; there can be no assurance that such unrealized investments will ultimately achieve a liquidation event at the value assigned by Adams Street Partners or the General Partner of the relevant Investment, as applicable. Any fund-level net IRRs and net multiples presented herein for the 2015 Global Program Funds and all subsequently formed commingled Funds reflect the use of the Fund's capital call credit line (or, in the case of an Adams Street Global Fund, capital call credit lines of the underlying Funds) and are calculated using limited partner capital call dates, rather than the earlier dates on which the investment was made using the line of credit. The use of such dates generally results in higher net IRR and net multiple calculations, and the related differences in net IRR and net multiple figures could be material.

Any target returns presented herein are based on Adams Street Partners models. There is no guarantee that targeted returns will be realized or achieved or that an investment strategy will be successful. Investors should keep in mind that the securities markets are volatile and unpredictable. There are no guarantees that the historical performance of an investment, portfolio, or asset class will have a direct correlation with its future performance.

Past performance is not a guarantee of future results. Projections or forward-looking statements contained in the Presentation are only estimates of future results or events that are based upon assumptions made at the time such projections or statements were developed or made. There can be no assurance that the results set forth in the projections or the events predicted will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections or forward-looking statements.

References to the Investments and their underlying portfolio companies and to the Funds should not be considered a recommendation or solicitation for any such Investment, portfolio company, or Fund. Any case studies included in this presentation are for illustrative purposes only and have been selected to provide, among other things, examples of investment strategy and/or deal sourcing. These investments do not represent all the investments that may be selected by Adams Street Partners with respect to a particular asset class or a particular Fund or account.

Introduction

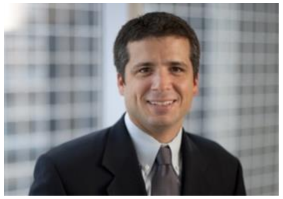
NDSIB Presenters

Dave Brett
Partner, Head of Co-Investments

Education: University of Illinois, BS

University of Chicago Booth School of Business, MBA

Years of Investment/Operational Experience: 35



Miguel Gonzalo, CFA®
Partner, Head of Investment Strategy and Risk Management

Education: University of Notre Dame, BA

Northwestern University Kellogg School of Management, MBA

Years of Investment/Operational Experience: 25

Kelly Meldrum, CFA®
Partner & Head of Primary Investments

Education:
Bentley College, BS

Years of Investment/Operational experience: 35

Alexander Storer, CFA®
Vice President, Investment Strategy and Risk Management

Education: Purdue University, BS

Years of Investment/Operational Experience: 9

Organization

Adams Street

Leading with Foresight

With decades of private market experience, proprietary intelligence, and trusted relationships, we strive to generate actionable investment insights across market cycles.

Deep Expertise Around the World

Adams Street

Jeff Diehl
Managing Partner & Head of Investments
Chicago

Bon French
Chairman
Chicago

FUND INVESTMENTS

Primary

Kelly Meldrum
Head of Primary Investments
Menlo Park

- **Matthew Auran** — *Menlo Park*
- **Mark Hourihan** — *Boston*
- **Marco Ruiz** — *Menlo Park*
- **Matt Autrey** — *Chicago*
- **Jim Korczak** — *Chicago*
- **Sergey Sheshuryak** — *London*
- **Alex Bozoglou** — *London*
- **Brijesh Jeevarathnam** — *Menlo Park*
- **Brandon Shirk** — *Chicago*
- **Jeff Burgis** — *Chicago*
- **Josh Just** — *Chicago*
- **Yar-Ping Soo** — *Singapore*
- **Mattias de Beau** — *London*
- **Marcus Lindroos** — *Menlo Park*
- **Cheng Kai Tay** — *Singapore*
- **Jonathan Goh** — *Singapore*
- **Saguna Malhotra** — *Menlo Park*
- **Michael Taylor** — *New York*
- **Doris (Yiyang) Guo** — *Beijing*
- **Sunil Mishra** — *Singapore*
- **Andy Wang** — *Beijing*
- **Annie Hamill** — *London*
- **Ross Morrison** — *London*
- **Ling Jen Wu** — Singapore
- **Morgan Holzaepfel** — *Boston*
- **Calum Paterson** — *London*

Secondary

Jeff Akers
Head of Secondary Investments
Chicago

- **Troy Barnett** — *Chicago*
- **Clinton Miller** — *Chicago*
- **Samuel Gage** — *Chicago*
- **Pinal Nicum** — *London*
- **Joe Goldrick** — *Chicago*
- **Kushal Shah** — *London*
- **Greg Holden** — *London*
- **Alexander Silver** — *London*
- **Elizabeth Huizenga** — *Chicago*
- **Arjun Thakkar** — *Chicago*
- **Eric Klen** — *Chicago*

DIRECT INVESTMENTS

Co-Investment

Dave Brett
Head of Co-Investments
Chicago

- **Paul Cappelli** — *Chicago*
- **Adam Gajewski** — *Chicago*
- **Manas Gosavi** — *Chicago*
- **Alex Kessel** — *Chicago*
- **Benjamin Wallwork** — *London*
- **Craig Waslin** — *Chicago*

Growth Equity

Robin Murray
Head of Growth Equity Investments
Menlo Park

- **Tom Bremner** — *Chicago*
- **Todd Havill** — *Chicago*
- **Sarah Collins** — *Menlo Park*
- **Sofia Montoya** — *Menlo Park*
- **Jeff Diehl** — *Chicago*
- **Luke Prioleau** — *Menlo Park*
- **Brian Dudley** — *Menlo Park*
- **Fred Wang** — *Menlo Park*
- **Terry Gould** — *Chicago*

Private Credit

Bill Sacher
Head of Private Credit
New York

- **Shahab Rashid** — *New York*
- **Michael Allen** — *New York*
- **Daniel Bracho** — *New York*
- **Fred Chung** — *New York*
- **Dennis Kan** — *New York*
- **Justin Lawrence** — *New York*
- **Nolan Pauker** — *New York*
- **Emily Shiau** — *New York*
- **Ervis Vukaj** — *New York*
- **Matthew Wachtel** — *New York*

INVESTMENT STRATEGY AND RISK MANAGEMENT

Miguel Gonzalo
Head of Investment Strategy and Risk Management
Chicago

- **Luke Frey** — *Chicago*
- **Alex Lesch** — *Chicago*
- **Michelle Phan** — *Chicago*
- **Alex Storer** — *Chicago*
- **Jana Tortora** — *Chicago*
- **Toby True** — *Chicago*
- **Jian Zhang** — *Chicago*

Adams Street's Investment Strategy Shift – Leveraging Unique Relationships and Fund/Company Data

Adams Street

Last Several Years	Now
Net sellers and thematic defensive buyers	Targeted buyers of what we view as exceptional funds/companies, focusing on liquidity-constrained sellers
Avoid peak leverage/earnings/valuation and "pro-forma" revenue and EBITDA	Recurring revenue and durable models
Sectors going through dislocation/change, i.e. Technology, Healthcare, Consumer, and Industrial re-revolution	Same, plus Financial Services, Business Services, and Consumer Staples

What We Are Offering

North Dakota State Investment Board

Adams Street Partners portfolio status
Total portfolio as of March 31, 2020

- Adams Street is **pleased with performance**
  - Total portfolio since inception net IRR is exceeding public equities (MSCI ACWI PME) by over **4.7%**
- Portfolio is **global** and **well-diversified** across strategies and sectors
  - Primary investments have successfully served as a base for the portfolio, building value over time
  - Tactical investments, specifically secondaries and co-investments, have been additive to performance
- Portfolio enters its third decade poised to **take advantage of current market dislocation**
  - NDSIB has committed $404 million to Adams Street since 1989 ($250 million since 2015)
  - Net asset value for the Adams Street portfolio is growing due to new capital deployment

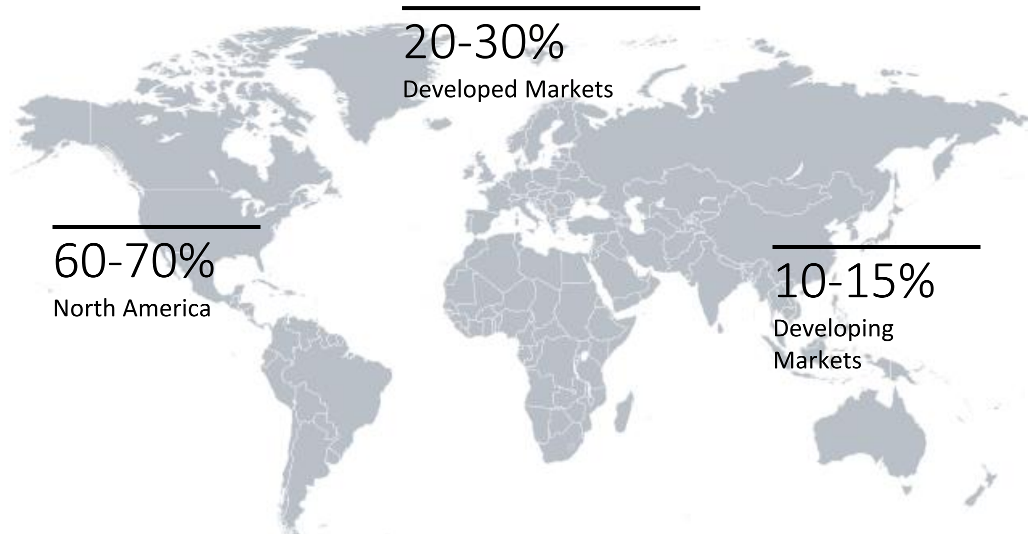
Adams Street is proud to have served the NDSIB for over 30 years

2020 Global Private Equity Program[1]

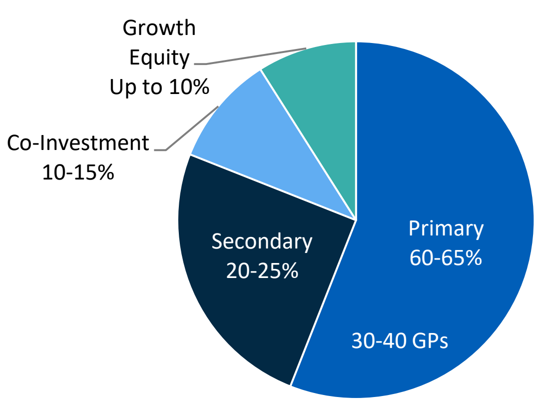
Comprehensive private equity solution

Highlights

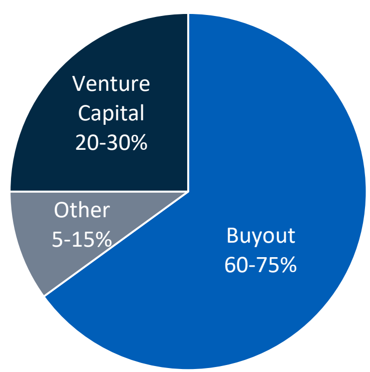
- Access to best-in-class private equity opportunities
  - Focus on growth and smaller companies
- Primary partnerships
  - Mix of established and spin-out funds diversified by stage and fund size
- Co-invest and secondary exposure to capitalize on market inefficiencies and mitigate the j-curve



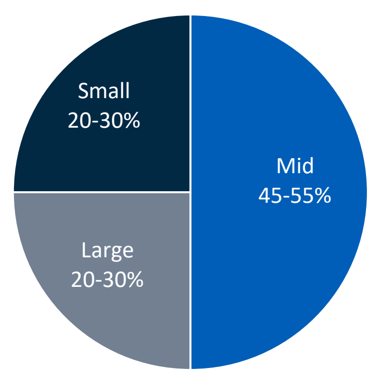
Strategy



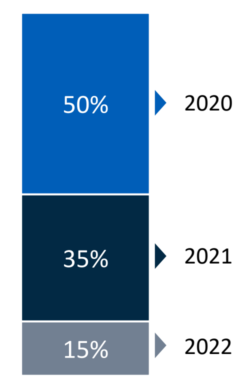
Subclass



Buyout Fund Sizes[2]



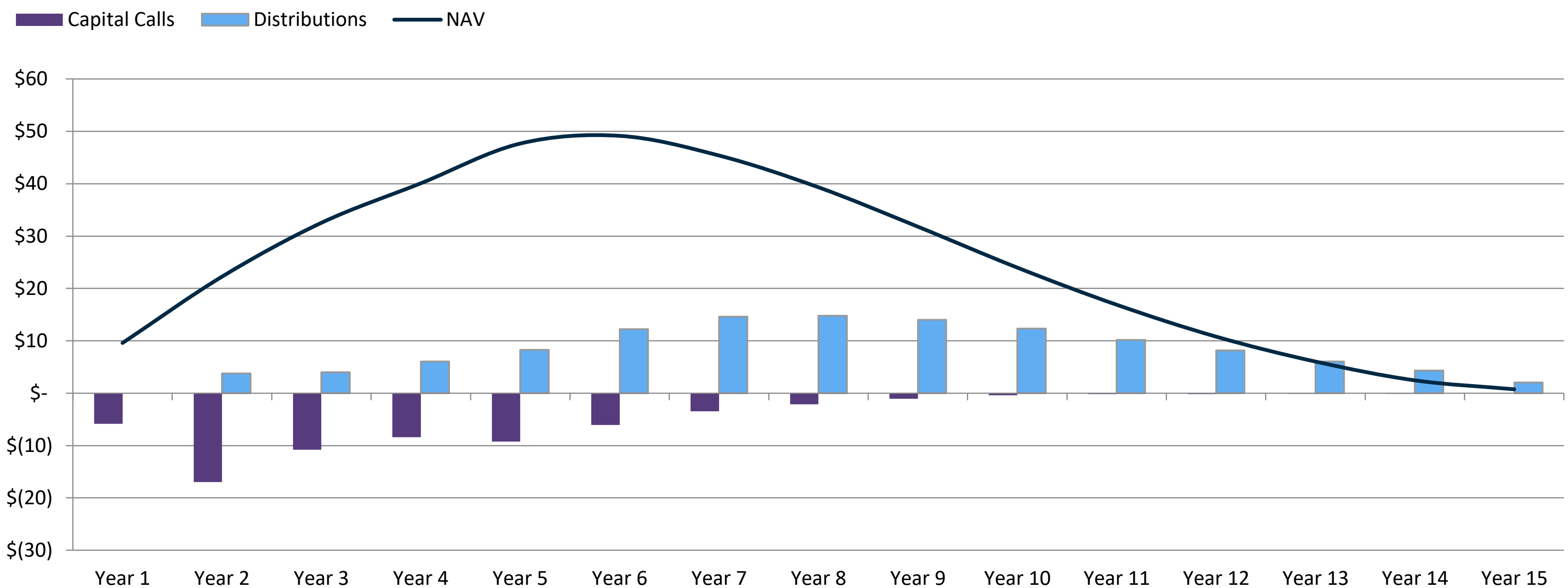
Commitment Pace



1. Actual allocations will differ once the Program is fully invested
2. Defined as small <$500mm, mid $500mm-$2bn, and large >$2bn

2020 Global Private Equity Program

Portfolio Pacing Model*



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Commitment	65.0														
Capital Calls	(5.9)	(17.0)	(10.8)	(8.4)	(9.2)	(6.1)	(3.4)	(2.1)	(1.1)	(0.4)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Distributions	-	3.8	4.0	6.0	8.3	12.2	14.6	14.8	14.0	12.3	10.2	8.2	6.0	4.4	2.0
Net Cash Flow	(5.9)	(13.2)	(6.8)	(2.4)	(0.9)	6.2	11.2	12.7	12.9	11.9	10.0	8.0	5.9	4.3	2.0
NAV	9.6	22.2	32.5	40.1	47.7	49.1	45.4	39.3	31.8	24.0	16.9	10.8	6.0	2.4	0.7

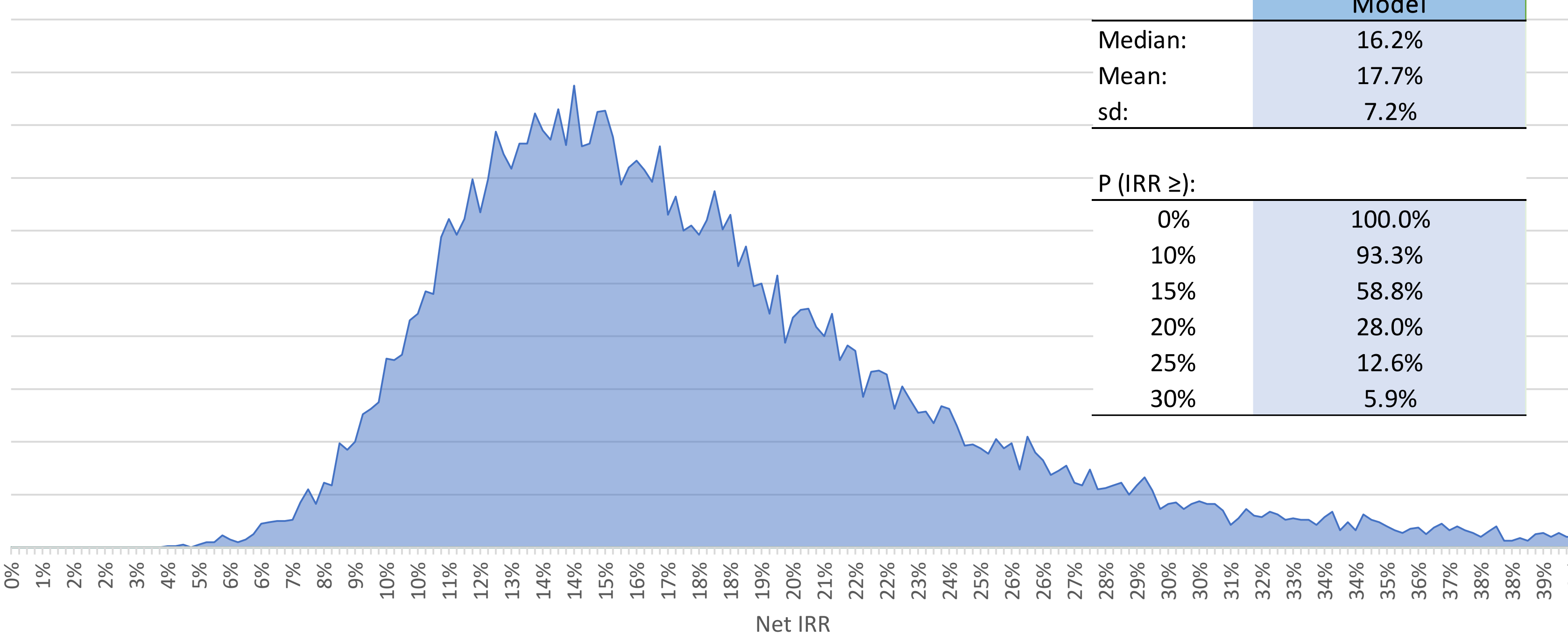
Adams Street works with RIO and Callan to project pacing within the overall PE portfolio

*Adams Street Partners maintains cash flow projection models for various strategy and subclass investment combinations. Each model reflects a combination of expected cash flows going forward and the historical cash flow patterns observed by Adams Street Partners. This slide combines these models and illustrates the resulting general long-term cash flow projection. The models do not capture the impact of short-term events specific to underlying investments. There can be no guarantee that the projected cash flows and NAVs shown above will be achieved.

2020 Global Private Equity Program

Distribution of Simulated Portfolio IRR

Distribution of Historical Simulated Returns: Portfolio IRR



	Model
Median:	16.2%
Mean:	17.7%
sd:	7.2%
P (IRR ≥):	
0%	100.0%
10%	93.3%
15%	58.8%
20%	28.0%
25%	12.6%
30%	5.9%

The absolute levels of return are the result of the input data that was used and are not a reflection of Adams Street Partners' expectation for returns going forward.

The return data presented herein is simulated, hypothetical fund-level return data based on actual historical returns of companies in the historical portfolio company sample. This return data is for illustrative purposes only. The absolute levels of hypothetical return shown, however, have been adjusted such that the distribution of the simulated returns aligns with ASP's target return for the portfolio. The adjustment applies equally to all data points in the simulated return distribution. It does not reflect actual performance of any Adams Street Partners fund or any private equity fund in which an Adams Street Partners fund of funds invests. There can be no guarantee that a fund of funds constructed in a manner similar to the simulation presented herein will achieve returns in the ranges of the hypothetical fund of funds performance presented herein. Portfolio company returns are measured as the ratio of value at liquidation to initial cost of the GP's investment in the portfolio company and are gross of all fees, expenses and carried interest. Past performance is not a guarantee of future results.

For this exercise the IRR estimates were calculated as the time-weighted rate of return that generates the corresponding TVPI multiple (net of estimated Adams Street Partners and underlying general partner fees, expenses and carried interest) over a period of 4.5 years(at portfolio level, net of estimated underlying general partners' and Adams Street Partners' fees, carried interest and expenses). Underlying general partner's fees, carried interest and expenses are estimated based upon historical gross/net spreads that Adams Street Partners has realized on its fund of funds investments; the estimated general partner fees, carried interest and expenses, as well as applicable Adams Street Partners fees and carried interest and estimated expenses, are deducted. The 4.5 year investment duration represents the average length of time that a given dollar remains invested in an underlying company, and is different from the concept of total investment life which is defined as the length of time from the first cash flow to the final liquidation. Adams Street Partners has found 5 years to be a close approximation for average duration based on a large sample of historical partnership investment data applicable to this strategy.

Investment Focus:
Primaries and Co-Investments

Primary Fund Highlights

2020 Global Private Equity Program

Adams Street

Primary Fund Composition

- Commitments to 30-40 primary funds
- 60% US / 40% Rest of the World
- 75% Buyouts / 25% Venture
- Emphasis on small/mid-market buyout and growth funds plus high-quality venture exposure
- Emphasis on growth-oriented sectors
- Vintage year diversification

Rationale

- Performance driven primarily by growth and improved business fundamentals, not leverage
- Lower entry valuations in small/mid-market buyout and higher growth provide opportunity for upside
- High quality venture exposure provides less correlation to macro-economy

Differentiation

- Access to high quality, difficult to access buyout and venture managers, including spinouts
- Information advantage through integrated platform and thematic sector research
- Depth and experience of global investment team
- 45+ years of institutional experience and relationships

Diversified portfolio that delivers strong and consistent performance across cycles

Current Investment Themes Inform Our Manager Selection

Global Private Equity Program

Adams Street

Software and Technology Enabled Services

Index Ventures

crv

AKKR ACCEL-KKR

Healthcare 2025

博裕資本 BOYU CAPITAL

G SQUARE HEALTHCARE PRIVATE EQUITY

ROUNDTABLE HEALTHCARE PARTNERS

Engineering and Manufacturing

SK CAPITAL

Quantum CAPITAL PARTNERS

IOP

Changing Consumer Preferences

K2VC 险峰长青

CORTEC Group

Altamont CAPITAL PARTNERS

A complete list of Adams Street Partners' primary fund investments is available upon request.

Primary Team Strategy in the Current Market Environment

Perspective

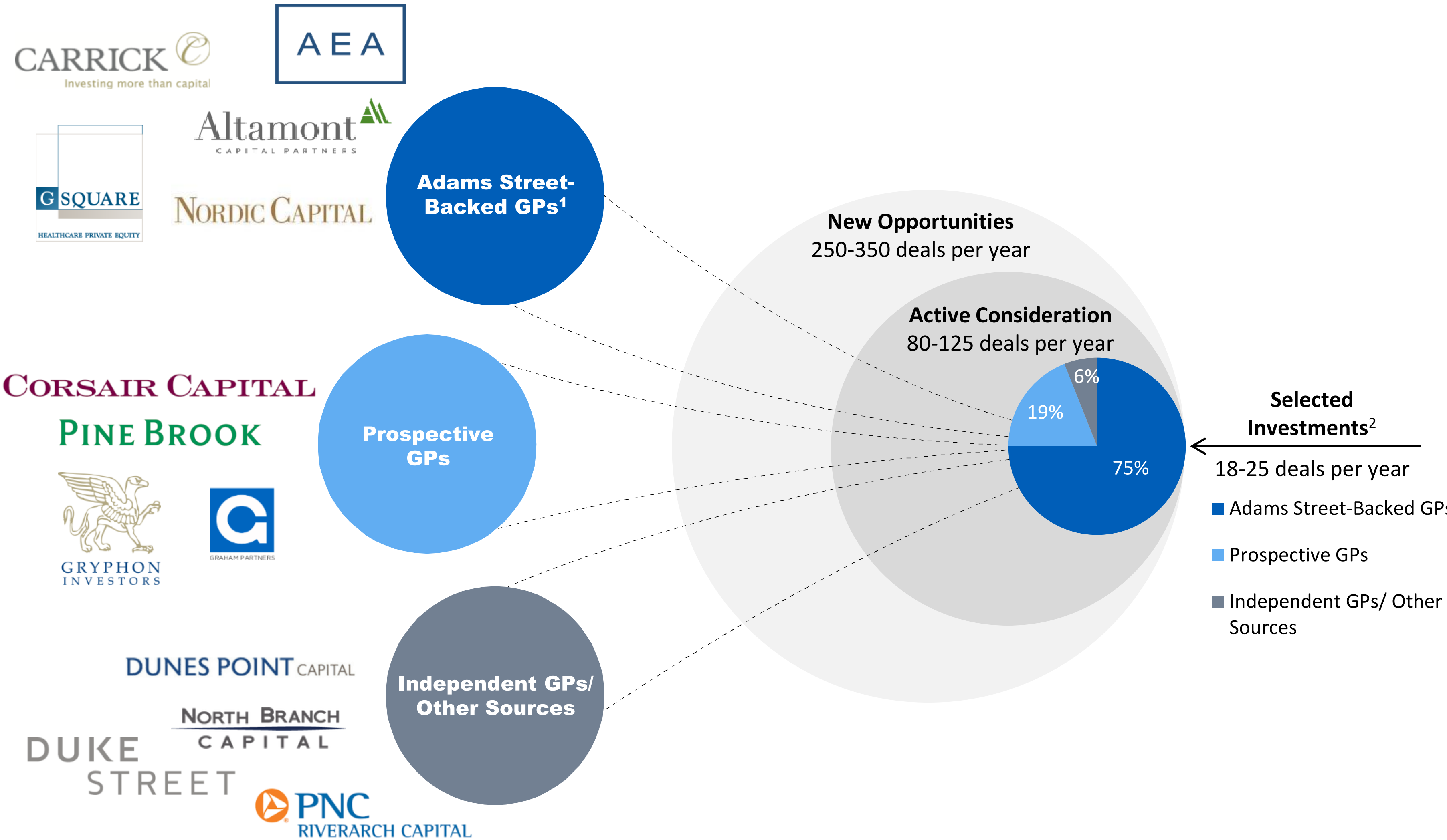
- Private equity and venture capital portfolios have generally been resilient through this unprecedented time with most managers quick to react
- Certain sectors and business models will see significant tailwinds as companies focus on the acceleration of digital transformation
- In the near to medium term across the buyout landscape, we expect to see an increase in structured transactions, corporate carve-outs and distressed opportunities

Approach

- Actively investing to ensure that our entities receive the appropriate level of 2020 vintage year exposure; focused on investing with managers that have successfully navigated previous market cycles
- Proactively picking up additional LP allocations to increase market share
- Reviewing opportunistic strategies

Co-Investments

Global Platform Drives High-Quality Deal Flow



1. General partners in whose funds Adams Street has invested its fund and/or separate account clients. A complete list of such general partners is available upon request.
2. Dollar weighted average of all Fund III, Fund IV, and Select investments by source at the time of initial investment (as of March 2020).

We Target Deals with Specific Attributes and Themes

Adams Street

Recurring Revenue	Organic Growth	Buy-and-Build	Margin Expansion	Downside Protection
ZPG	BioAgilytix	GFL environmental	Verifone	Siete
Sotera Health	Skybox Security	IVC Independent Vetcare	ZepInc	Plains All American Pipeline, L.P.
Shred-it	Tidel Quality Cash Solutions	Royal Adhesives & Sealants	Spotless	Williams & Glyn

A complete list of Adams Street Partners co-investments is available upon request.

Co-Investment Strategy Adjustments in Current Market Environment

Adams Street

Adams Street's co-investment team remains well positioned in the current market environment in terms of our existing portfolio and dry powder for new opportunities

As a result, our team is proactively working with our GP network on new opportunities in this environment to include:

I. Structured rescue equity of GPs' current portfolio companies (good business, bad balance sheet)

II. Continuing to be a reliable co-investor in new opportunities alongside our highest conviction GPs

III. Opportunistic investments in discounted senior debt of GP-led portfolio companies

Appendix

Why Adams Street Partners?

45+ Years of Experience

Unparalleled reputation, Relationships, and information

“We only promise what we can deliver, and we deliver what we promise.”

Excellent Long-Term Track Record

Proven performance across all strategies and market cycles

“Our track record speaks for itself.”

Portfolio Construction Expertise

Global portfolio construction, investment and research teams build portfolios that meet investors’ objectives

“We use our information and analytics to construct portfolios that maximize returns and minimize risk.”

Consultative Client Service

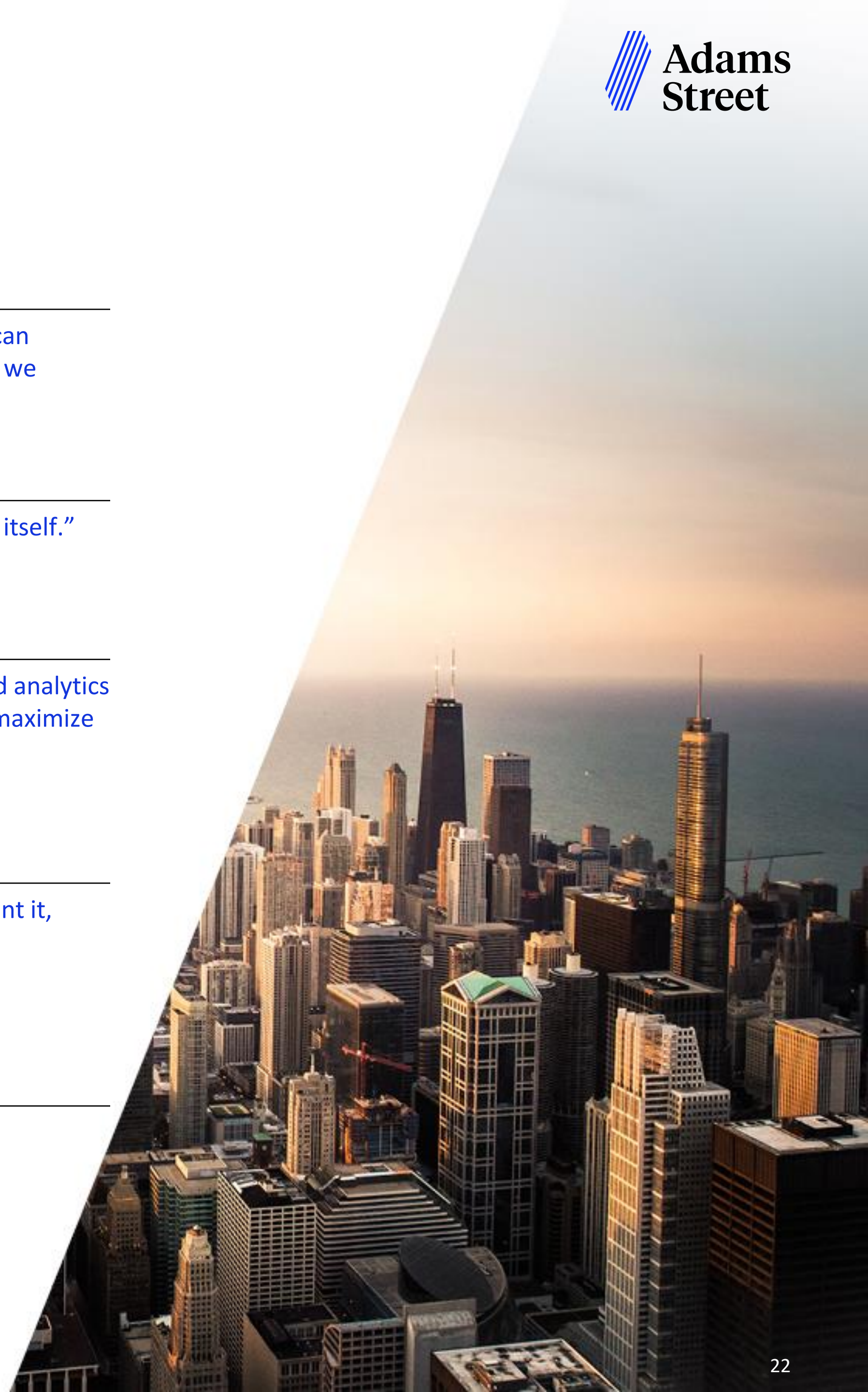
Dedicated client and analytics teams that utilize our proprietary database to manage portfolio exposures

“We train you where you want it, and handle what you don’t.”

Investor Alignment

100% employee-owned with significant personal capital invested alongside our clients

“We eat our own cooking.”



Co-Investments: Long-Term, Consistent Record of Success

Adams Street

As of March 31, 2020

	Co-Investments Outside of Dedicated Funds[8]			Fund I	Fund II	Fund III[9]	Fund IV[9]	Select[9]
Investment Period	**1989-2000**	**2001-2010**	**2011-Present**	**2006-2011**	**2009-2015**	**2014-2018**	**2018 – Present**	**2018 - Present**
Fund Size[1] (in millions)	$151.7	$138.3	$751.7	$250.7	$263.0	$342.3	$521.8	$250.0
Gross IRR[2]	37.9%	15.4%	22.2%	6.9%	32.6%	14.4%	N/M*	N/M*
Net IRR[3]	31.9%	12.6%	15.9%	5.1%	24.9%	13.0%	N/M*	N/M*
PME[4]	18.5%[7]	8.2%[7]	8.3%	6.7%	15.1%[7]	6.4%	N/M*	N/M*
Net Multiple[5]	2.38x	1.72x	1.41x	1.44x	2.24x	1.42x	N/M*	N/M*
DPI[6]	2.38x	1.71x	0.49x	1.43x	1.74x	0.23x	N/M*	N/M*

* Not Meaningful

The page entitled "Notes to Performance: Co-Investments: Long-Term, Consistent Record of Success," included in the presentation, is an important component of this performance data.

Notes to Performance:
Co-Investments: Long-Term, Consistent Record of Success

Adams Street

As of March 31, 2020

1. For the dedicated co-investment funds, with the exception of Co-Investment Select Fund (A and B), the fund size is the total capital committed to each fund. For Co-Investment Select Fund (A and B), fund size represents the target fund size. For Co-Investments Outside of Dedicated Funds, the fund size is the amount of capital committed to co-investments by other funds and separate accounts.
2. Gross IRR represents annualized internal rate of return, since inception, at the portfolio company level, prior to deduction of Adams Street Partners' management fees, carried interest or expenses, which reduce returns to investors.
3. Unless otherwise noted, net IRR represents annualized internal rate of return to limited partners, since inception, after subtracting Adams Street Partners' management fees, carried interest and expenses, where applicable. In the case of Co-Investment Fund III, IV, and Select, net IRR also reflects the use of a capital call credit line.
4. Public Market Equivalent (PME) is calculated using the S&P 500 Index. The PME calculation is based on net IRR cash flows, which reflect the payment of Adams Street Partners' fees, carried interest and expenses.
5. Unless otherwise noted, net multiple represents the sum of estimated remaining fair value plus realized proceeds, divided by invested capital, and is net of Adams Street Partners' management fees, carried interest and expenses. In the case of Co-Investment Fund III, IV and Select, Net Multiple also reflects the use of a capital call credit line.
6. The DPIs are calculated as the distributions divided by the dollars drawn for the dedicated co-investment funds. DPIs are net to LPs and reflect deduction of underlying general partners' and Adams Street Partners' fees, carried interest and expenses. In the case of Co-Investments Outside of Dedicated Funds, DPIs are calculated at the underlying partnership level and reflect deduction of Adams Street Partners' management fees and carried interest; it is not possible to deduct expenses in this calculation.
7. During some periods in which Adams Street Partners investments outperformed the benchmark by a substantial margin, PME could not be calculated because the tracking position in the underlying benchmark index would have resulted in a short position. In these cases, the PME is calculated using the "Direct Alpha" PME methodology (Gredil, Griffiths, Stucke, "Benchmarking Private Equity: The Direct Alpha Method," 2014). Mathematically, Direct Alpha PME is equal to the IRR of the future value of the cash flows underlying the IRR calculation, where future value is based on the return of the benchmark index, less the IRR of the actual value of the cash flows.
8. Reflects dollars invested in co-investments since 1989 by separate accounts and funds other than the Adams Street Partners dedicated co-investment funds. This data reflects only aggregate performance of these co-investments and does not reflect performance of any particular Adams Street Partners fund or the performance achieved by an investor in any such fund. Gross IRR represents annualized internal rate of return, since inception, at the portfolio company level prior to deduction of Adams Street Partners' management fees or carried interest. The net IRR and net multiple are calculated for the investment periods 1989-2000, 2001-2010 and 2011-March 31, 2020 using the assumption that each year bracket is a single fund charging the highest fees under a model fee structure that deducted management fees and carried interest based on the Adams Street Partners dedicated co-investment fund fee schedule. Note that the 1989-2000 investment period includes one separate account dedicated to co-investments (the "Dedicated Account") that had a specific fee structure; however, for purposes of combining this account with other co-investments outside of dedicated funds in this time period, we have calculated the net IRR and net multiple for the Dedicated Account using the model fee structure described above. The Dedicated Account, which had invested capital of $109.8 million, has an actual net multiple of 2.24x, an actual net IRR of 24.9%, and PME of 17.0%.
9. Adams Street Co-Investment Fund III is comprised of Adams Street Co-Investment Fund III A and Adams Street Co-Investment Fund III C. Adams Street Co-Investment Fund IV is comprised of Adams Street Co-Investment Fund IV A and Adams Street Co-Investment Fund IV B. Adams Street Co-Investment Select is comprised of Adams Street Co-Investment Select A and Adams Street Co-Investment Select B.

Past performance is not indicative of future results. There can be no guarantee that unrealized investments included in this data will ultimately be liquidated at the values reflected therein.

Adams Street Partners Net Performance

As of March 31, 2020

	Performance in USD			
	Gross IRR	Net IRR	PME*	Net Multiple
Brinson Partnership 1996 Subscription	16.91%	14.20%	6.8%^	1.69x
Brinson Partnership 1997 Subscription	15.05%	12.11%	3.4%^	1.62x
Brinson Partnership 1998 Subscription	6.83%	4.99%	3.1%^	1.35x
Brinson Partnership 1999 Subscription	7.58%	5.73%	4.3%^	1.41x
Brinson Partnership 2000 Subscription	9.29%	7.24%	5.4%^	1.50x
Brinson Partnership 2001 Subscription	10.74%	8.52%	6.6%^	1.58x
Adams Street Partnership Fund - 2002 U.S. Fund, LP	10.46%	8.43%	6.9%^	1.64x
Adams Street Partnership Fund - 2002 Non-U.S. Fund, LP	13.96%	11.52%	7.8%^	1.72x
Adams Street Partnership Fund - 2003 U.S. Fund, LP	9.67%	7.79%	6.9%^	1.60x
Adams Street Partnership Fund - 2003 Non-U.S. Fund, LP	11.94%	9.47%	5.2%^	1.59x
Adams Street Partnership Fund - 2004 Non-U.S. Fund, LP	7.84%	5.88%	3.5%^	1.41x
Adams Street Partnership Fund - 2004 U.S. Fund, LP	8.69%	6.97%	7.2%	1.54x
Adams Street Partnership Fund - 2005 Non-U.S. Fund, LP	6.39%	4.83%	3.0%	1.37x
Adams Street Partnership Fund - 2005 U.S. Fund, LP	8.49%	6.93%	8.1%	1.56x
Adams Street 2006 Direct Fund, L.P.	11.62%	8.36%	7.7%	2.07x
Adams Street Partnership Fund - 2006 Non-U.S. Fund, LP	7.20%	5.66%	3.7%	1.43x
Adams Street Partnership Fund - 2006 U.S. Fund, LP	9.03%	7.41%	8.8%	1.56x
Adams Street 2007 Direct Fund, L.P.	15.82%	11.71%	9.2%	2.32x
Adams Street Partnership Fund - 2007 Non-U.S. Fund, LP	9.19%	7.46%	4.5%	1.53x
Adams Street Partnership Fund - 2007 U.S. Fund, LP	13.64%	11.69%	10.8%	1.85x
Adams Street Partnership Fund - 2008 U.S. Fund, L.P.	17.51%	15.07%	12.6%	2.00x
Adams Street Partnership Fund - 2008 Non-U.S. Fund, L.P.	12.37%	10.22%	4.8%	1.67x
Adams Street 2008 Direct Fund, L.P.	20.29%	15.14%	12.5%	2.45x
Adams Street Partnership Fund - 2009 U.S. Fund, L.P.	15.38%	12.93%	11.9%	1.80x
Adams Street Partnership Fund - 2009 Non-U.S. Developed Markets, L.P.	13.81%	11.12%	5.0%	1.59x
Adams Street Partnership Fund - 2009 Non-U.S. Emerging Markets Fund, L.P.	9.55%	7.89%	1.6%	1.55x
Adams Street 2009 Direct Fund, L.P.	19.54%	13.48%	13.4%	1.92x
Adams Street 2010 Direct Fund, L.P.	17.29%	11.49%	12.2%	1.70x
Adams Street Partnership Fund - 2010 Non-U.S. Developed Markets Fund, L.P.	13.88%	11.29%	4.7%	1.58x
Adams Street Partnership Fund - 2010 Non-U.S. Emerging Markets Fund, L.P.	11.58%	10.03%	1.4%	1.64x
Adams Street Partnership Fund - 2010 U.S. Fund, L.P.	15.98%	13.56%	11.3%	1.79x
Adams Street 2011 US Fund LP	14.88%	12.78%	10.8%	1.70x
Adams Street 2011 Non-US Developed Markets Fund LP	14.41%	11.99%	4.4%	1.61x
Adams Street 2011 Emerging Markets Fund LP	13.79%	12.20%	1.2%	1.78x
Adams Street 2011 Direct Fund LP	20.30%	13.78%	11.4%	1.81x
Adams Street 2012 Global Fund LP	12.22%	9.78%	5.0%	1.46x
Adams Street 2012 US Fund LP	12.58%	10.58%	8.2%	1.51x
Adams Street 2012 Developed Markets Fund LP	13.03%	10.60%	2.2%	1.42x
Adams Street 2012 Emerging Markets Fund LP	15.25%	13.56%	1.1%	1.68x
Adams Street 2012 Direct Fund LP	8.58%	3.35%	9.0%	1.14x
Adams Street 2013 Global Fund LP	12.21%	10.18%	4.0%	1.45x
Adams Street 2013 US Fund LP	12.12%	10.34%	7.2%	1.44x
Adams Street 2013 Developed Markets Fund LP	12.74%	10.62%	0.7%	1.39x
Adams Street 2013 Emerging Markets Fund LP	18.79%	17.25%	0.3%	1.81x
Adams Street 2013 Direct Fund LP	4.13%	0.32%	8.1%	1.01x

	Performance in USD			
	Gross IRR	Net IRR	PME*	Net Multiple
Adams Street 2014 Developed Markets Fund LP	12.39%	10.03%	-1.4%	1.34x
Adams Street 2014 Direct Fund LP	8.89%	3.97%	6.9%	1.15x
Adams Street 2014 Emerging Markets Fund LP	19.35%	17.66%	-1.6%	1.67x
Adams Street 2014 Global Fund LP	13.21%	10.92%	3.1%	1.41x
Adams Street 2014 US Fund LP	13.13%	11.22%	6.8%	1.41x
Adams Street 2015 US Fund LP	25.30%	21.35%	4.0%	1.46x
Adams Street 2015 Non-US Fund LP	24.55%	21.01%	-5.2%	1.46x
Adams Street 2015 Direct Venture/Growth Fund LP	9.58%	3.27%	4.6%	1.09x
Adams Street 2015 Global Fund LP	22.68%	18.28%	0.0%	1.41x
Adams Street 2016 US Fund LP	12.79%	8.78%	1.1%	1.14x
Adams Street 2016 Non-US Fund LP	12.64%	9.54%	-6.7%	1.17x
Adams Street 2016 Direct Venture/Growth Fund LP	17.22%	8.22%	-0.5%	1.15x
Adams Street 2016 Global Fund LP	13.35%	8.96%	-3.0%	1.15x
Adams Street 2017 Global Fund LP	7.69%	3.26%	-6.1%	1.04x
Adams Street 2017 Direct Venture/Growth Fund LP	17.23%	8.37%	-1.3%	1.12x
Adams Street 2017 Non-US Fund LP	4.52%	0.90%	-8.9%	1.01x
Adams Street 2017 US Fund LP	6.35%	3.11%	-3.4%	1.03x

The page entitled "Notes to Performance: Adams Street Partners Net Performance." included on the following page of this presentation, is an important component of this performance data. Past performance is not a guarantee of future results.

Notes to Performance: Adams Street Partners Net Performance

As of March 31, 2020

Note: Brinson Partnership Subscription gross and net IRR presents representative subscription performance of a subscriber that followed Adams Street Partners' recommended allocation and pays the highest fees. For Adams Street Funds, actual commingled fund performance gross and net IRR are presented. Gross IRRs are net of management fees, carried interest and expenses charged to the underlying private equity funds, in the case of primary and secondary fund, but gross of Adams Street Partners' management fees and carried interest, which reduce returns to investors. Net IRRs are net of Adams Street Partners' management fees, carried interest and expenses as well as net of management fees, carried interest and expenses charged to the underlying private equity funds. Any fund-level net IRRs and net multiples presented herein for the 2015 Global Program Funds and all subsequently formed commingled Funds reflect the use of the Fund's capital call credit line (or, in the case of an Adams Street Global Fund, capital call credit lines of the underlying Funds) and are calculated using limited partner capital call dates, rather than the earlier dates on which the investment was made using the line of credit. The use of such dates generally results in higher net IRR and net multiple calculations, and the related differences in net IRR and net multiple figures could be material. The group of investments shown on these slides invests in primary investments, secondary investments, growth equity investments, co-investments, and private credit investments. Capital-weighted annualized returns from inception through quarter end. There can be no guarantee that unrealized investments will ultimately be liquidated at the values reflected in this return data. Each Brinson Partnership Subscription includes fund allocations made within a series of pooled investment vehicles. Performance for vintage years later than 2017 is not shown because performance early in a fund's life is not generally meaningful due to fee drag and immature investments. Past performance is not a guarantee of future results.

*Public Market Equivalent (PME) is calculated using the S&P 500 Index for Brinson Partnership Subscription, US Funds and Direct Funds; MSCI EAFE (Europe, Australasia, Far East) for Non-US and Non-US Developed Funds; MSCI Emerging for Emerging Markets Funds; and MSCI All Country World for Global Funds. The PME calculation is based on the Net IRR cash flows which reflects the payments of fees, carried interest and expenses.

^ During some periods in which Adams Street Partners investments outperformed the benchmark by a substantial margin, PME could not be calculated because the tracking position in the underlying benchmark index would have resulted in a short position. In these cases, the PME is calculated using the "Direct Alpha" PME methodology (Gredil, Griffiths, Stucke, "Benchmarking Private Equity: The Direct Alpha Method," 2014). Mathematically, Direct Alpha PME is equal to the IRR of the future value of the cash flows underlying the IRR calculation, where future value is based on the return of the benchmark index, less the IRR of the actual value of the cash flows.

Diversity and Inclusion at Adams Street Partners

Adams Street

Our **Diversity and Inclusion Initiative's mission** is to increase access, contribute to education, and engage staff in outreach opportunities designed to raise awareness. We strive to bring greater numbers of women and men of diverse and underrepresented backgrounds into the private markets investment management industry and we value the partnerships we have built with diversity-focused organizations that help us to have an impact.

~55%
of our employees globally are women and/or from diverse backgrounds

~55%
of the firm's equity owners are women and/or from diverse backgrounds

~45%
of the firm's senior professionals are women and/or from diverse backgrounds

Sponsors for Educational Opportunity SEO
TOIGO. Robert Toigo Foundation
Chicago Scholars
WAVE Women's Association of Venture & Equity
Women's Private Equity Summit
theBoardlist
FWA Financial Women's Association
ALPFA
PEWIN

As of June 2020

Adams Street's Approach to ESG Considerations

Background

- Adams Street has historically considered the evaluation of environmental, social and governance ("ESG") factors an important part of an investment process aimed at maximizing returns for investors
- Investment diligence has long included factors such as the following:
  - A fund's or portfolio company's governance practices
  - The quality, sustainability and transparency of the operations of the fund or portfolio company
  - The geographic scope, industry focus, and other impacts of the fund's investments or the portfolio company's business
- Adams Street became a signatory to the United Nations-supported Principles for Responsible Investment ("PRI") in October 2010, formalizing its commitment to integrating ESG factors into its investment process

AGENDA ITEM III.B.2

Board Action Requested

TO: State Investment Board

FROM: Dave Hunter, Darren Schulz, Eric Chin and Matt Posch

DATE: August 28, 2020

SUBJECT: **Private Equity Recommendation – Adams Street Preview**

Recommendation:

As part of an annual commitment plan to Adams Street's Global Private Equity Program, Staff recommends to the Board up to a $60 commitment to Adams Street Partners ("Adams Street" or "ASP") Global Fund for 2020. Adams Street is our largest PE manager (at $109.7 million as of 3/31/20) and has successfully generated returns well in excess of public equities for our clients over the last 30 years.

Background:

SIB clients within the $6.0 billion Pension Trust currently have a 6.5% (or $393 million) target allocation to PE versus an actual allocation of $290.3 million as of March 31, 2020. In order to reduce this underweight position, RIO is recommending a new "follow-on" commitment to the ASP 2020 Global Fund of up to $60 million. SIB previously approved two $30 million commitments to ASP's Global Fund in September of 2015 and February of 2016, a $60 million commitment in 2017, and a $65 million commitment in 2018 and $65 million in 2019.

While Adams Street Partners has been a longstanding relationship for the State Investment Board, in March of 2016, RIO and Callan also identified BlackRock as a new strategic partner to complement Adams Street and re-establish our clients' long-term commitment to this asset class. With each firm, we review our PE investment pacing schedule annually with the goal of eliminating the asset class underweight position on a programmatic basis. Investment pacing plays an important role in gradually re-building our PE portfolio so as to prevent the potential adverse effects of vintage year concentration risk. The establishment of two strategic partners in this long-term investment should also help to reduce management fees. Given expected net cash flows over the coming years, Staff believes annual private equity commitments of up to $60 million for each manager will likely be needed in the near term.

ASP has served as the SIB's longest term, strategic partner within PE and provided our Pension Trust clients with a reasonable return premium versus public equity (of over 4% versus MSCI ACWI PME Index since inception). Over the long-term, ASP believes it will be able to generate a 3% to 4% return premium versus public equity (after all fees).

Adams Street Performance Update:

RIO notes that the ASP Global Funds for 2015, 2016, 2017, 2018 and 2019 have performed well and ranked in the 1st quartile by Callan as of March 30, 2020, with the caveat that recent fund vintage rankings are less meaningful given their immaturity.

August 2020

BlackRock

BlackRock Private Equity Partners Strategic Partnership Update

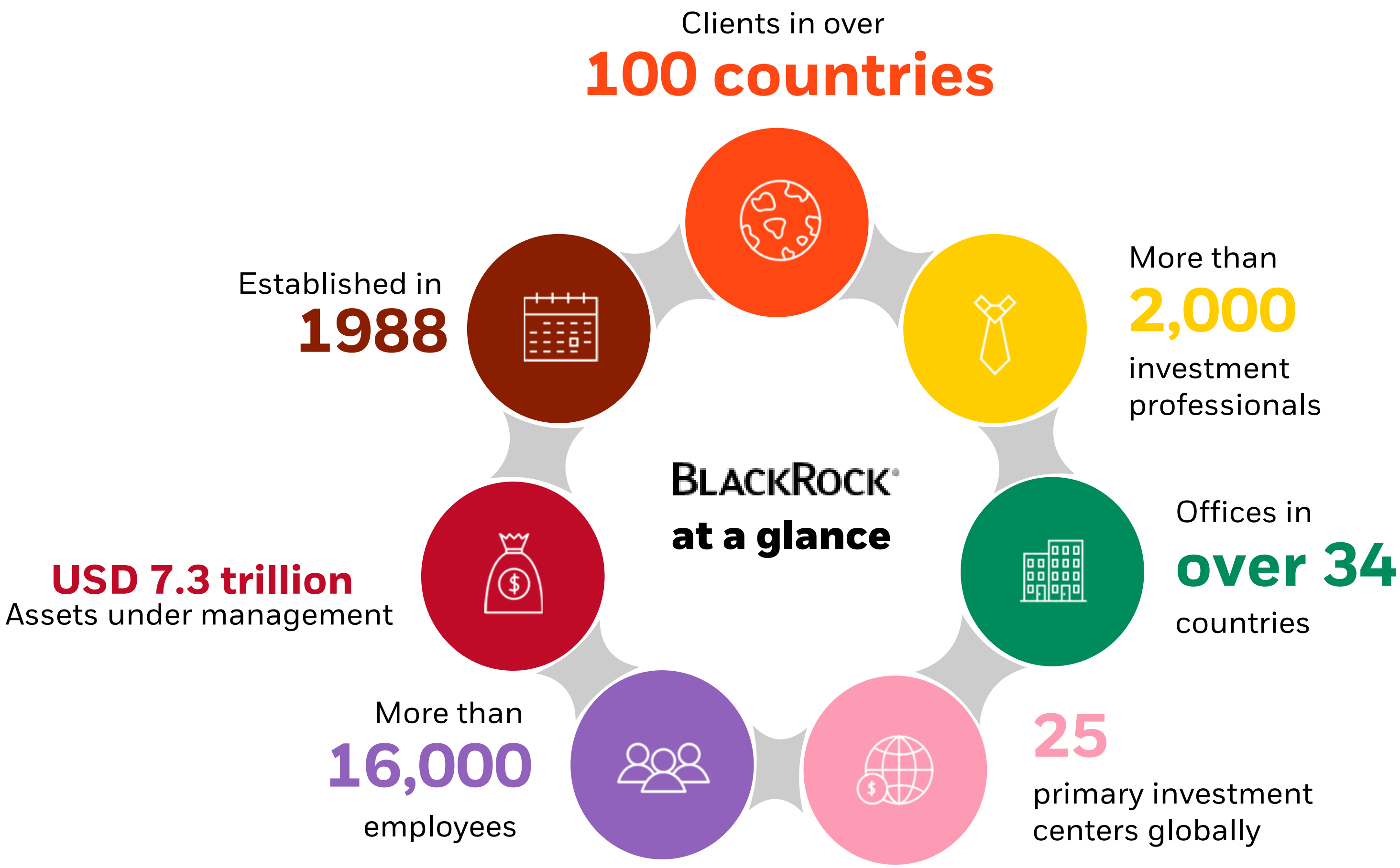
NORTH Dakota Be Legendary.™ | Retirement and Investment

FOR USE WITH NORTH DAKOTA STATE INVESTMENT BOARD ONLY

Table of contents

BlackRock Private Equity Partners ("PEP") Overview

BlackRock – a global asset manager



Source: BlackRock. As of 30 June 2020. All figures are represented in USD.

Private equity at BlackRock

Leveraging the leading asset and risk management platform

BlackRock Private Equity Partners (PEP)

- Founded and headed by Russ Steenberg since 1999
- 171 private equity specialists located in Princeton, New York, London, Zurich and Hong Kong[1]
- $33.7 billion in LP commitments[2]
- Over 300 institutional investors from across 19 countries[3]

Primaries

- Broad network of over 400 GPs and unique access to top funds
- Global market coverage through local presence

Direct Co-Investments

- $8.7 billion committed to 208 direct co-investments[3]
- Investment team built around individuals with substantial transaction/corporate finance expertise

Secondaries

- Emphasis on mid-sized GP-led secondaries and highly selective traditional and tactical secondaries
- Drive alpha through differentiated sourcing, information access and analytics

BlackRock Platform

Global Investment Teams

2,000+ investment professionals with specialties across all asset classes[3]

Risk & Quantitative Analysis

250+ professionals partnering with investment teams to monitor and analyze risk[3]

BlackRock Solutions

aladdin by BLACKROCK

Integrating portfolio management, risk analytics, trading and operations

BlackRock Investment Institute

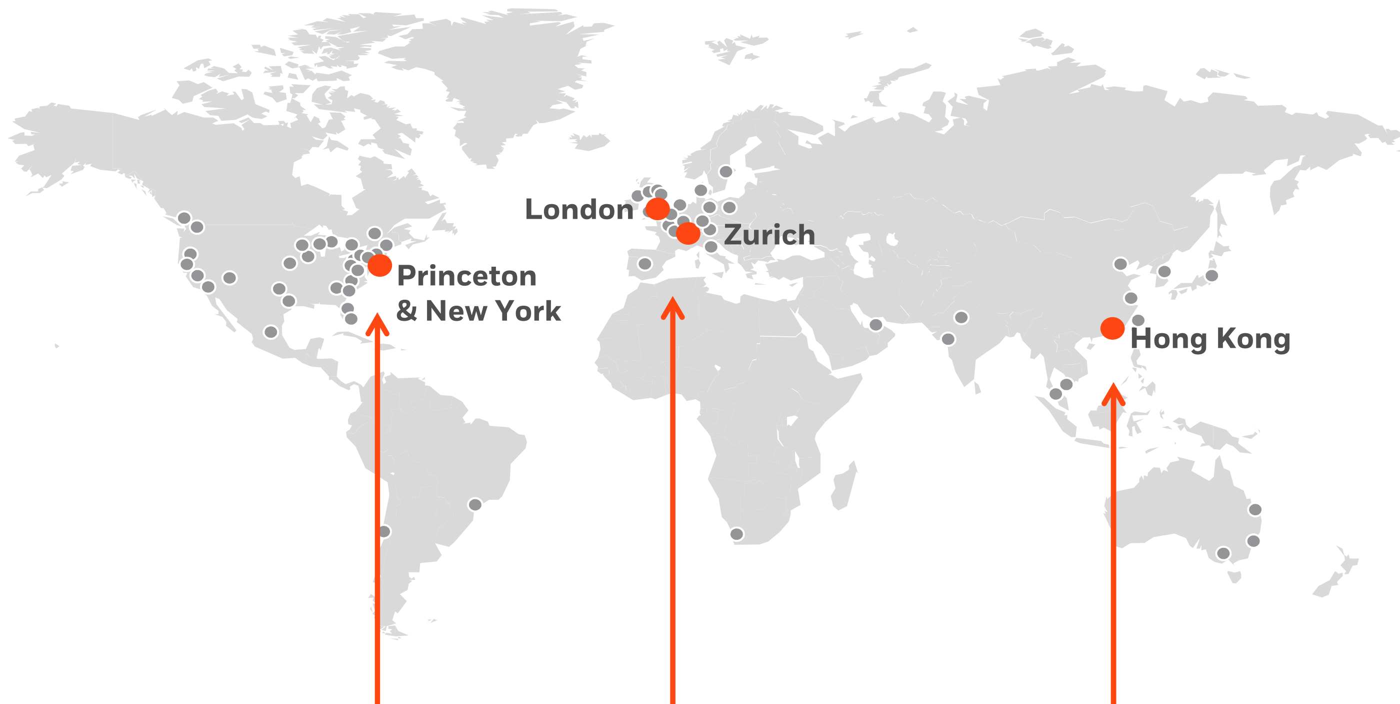
BLACKROCK INVESTMENT INSTITUTE

Internal forum facilitates idea sharing and debates economic implications

1 As of 3 August 2020. 2 A portion of the total investor commitments remains subject to drawdown. Includes total commitments under management as of 25 June 2020. 3 As of 31 March 2020.

BlackRock Private Equity Partners (PEP)

Long history with global reach and local presence



Americas
- 33 Investment Professionals
- 17 Investor Relations

Europe
- 13 Investment Professionals
- 10 Investor Relations

Asia-Pacific
- 7 Investment Professionals
- 4 Investor Relations

20 year history[1]

$33.7 billion in investor capital commitments[2]

300+ Institutional investors across 19 countries[3]

1 Source: BlackRock. As of 3 August 2020. 2 Source: BlackRock. As of 30 July 2020. 3 Source: BlackRock. As of 30 June 2020. Orange dots represent PEP locations and grey dots represent BlackRock locations as of 31 December 2019.

The NDSIB–PEP Partnership

NDSIB objectives within the NDSIB-PEP partnership

Customized Strategic Partnership	Partner with strategic private equity funds-of-funds manager that complements existing private equity program
Diversification	Pursue a global broad-market portfolio investing in a diverse portfolio of primary partnership interests, co-investments and secondaries, capturing all major private equity strategy types globally
Consistent Deployment	Deploy capital consistently over an initial four year investment period
Transparency & Knowledge Transfer	Provide transparent reporting and ongoing dialogue on investment activity and market views. Assist with strategic planning, commitment and cash flow modeling, and provide additional forms of knowledge transfer & training

A strategic partnership with BlackRock PEP
Providing a custom private markets solution and high-touch service model

Custom Private Equity Solution

- A globally diversified private equity program, **customized** based on NDSIB's objectives
- Investment guidelines developed in partnership with NDSIB
- Structured as a **fund of one**, offering reduced administrative burden and no fault dissolution
- Access to BlackRock's extensive **global deal flow** and **asset selection**
- Emphasis on **disciplined portfolio construction** and **rigorous bottom-up due diligence**
- Opportunity to **actively tilt** investment exposure
- **Attractive** fee proposal and **alignment of interests**

Dedicated team

BlackRock PEP:
- **Julia Wittlin**, Managing Director
  Senior PEP Investment Team Member
- **Simon Dwyer**, Director
  Senior PEP Product Strategist

Relationship Manager:
- **Ross Ramatici**, Director
  Strategic Client Coverage

High touch service model

- "Extension of staff" model with regular NDSIB involvement
- Investment sourcing and transparency
- Strategic planning and portfolio modelling
- Custom reporting, data analytics, knowledge transfer and training

NDSIB portfolio construction:
A core private equity program with a focus on J-curve mitigation

Secondaries

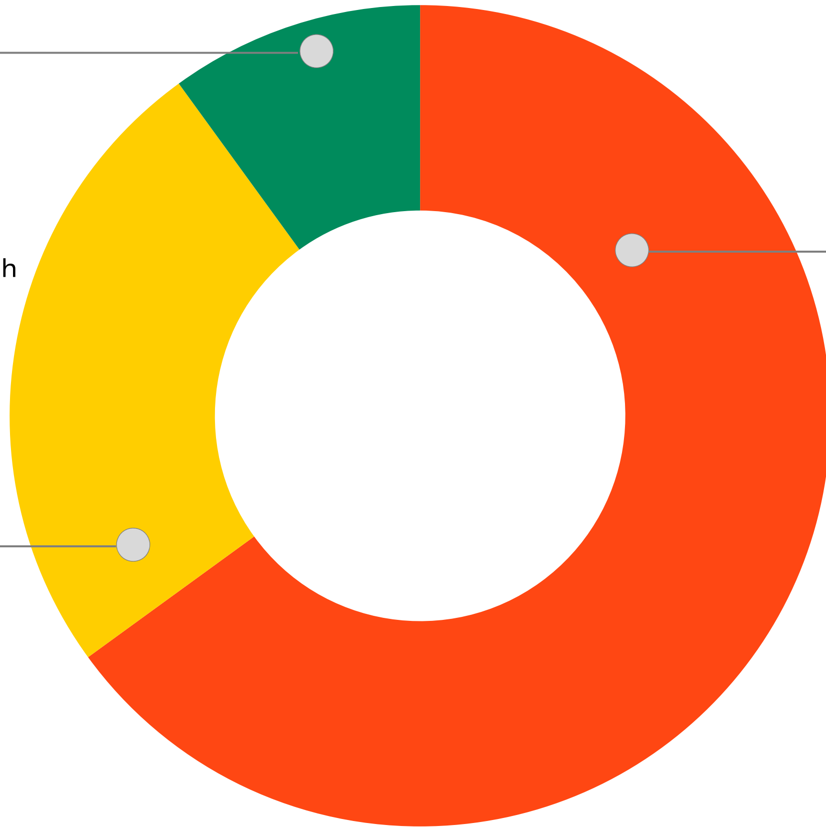
Supplemental allocation based on tactical approach with short- to mid-term pipeline visibility

- Added value to primaries:
  - Faster NAV build-up, shorter holding periods and quicker cash returns
  - Reduced J-curve effect
  - Possible discount to NAV
  - Reduced blind pools
  - Potential return enhancer

Direct co-investments

Supplemental allocation based on tactical approach with mid-term visibility on opportunities

- Added value to primaries:
  - Potential return enhancer
  - Reduced fees
  - Faster NAV build-up, shorter holding periods and quicker cash returns



Primaries

Main allocation and foundation of successful core private equity portfolios

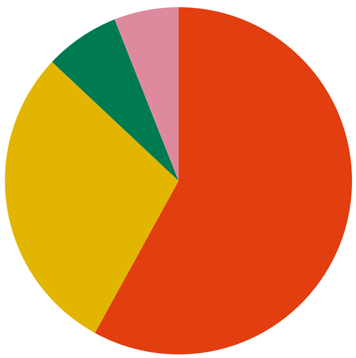
- Systematic approach with long-term pipeline visibility based on comprehensive market coverage
- Proper portfolio planning with diversification across managers, vintages, strategies/stages, geographies, sectors and sizes

Shown for illustrative purposes only.

NDSIB: a core, globally diversified portfolio

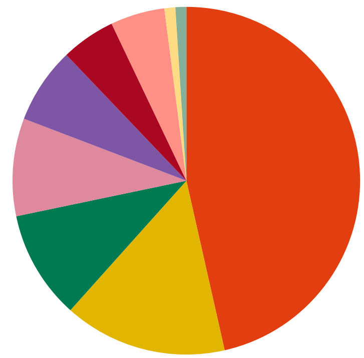
Anticipated full implementation within investment period and adhering to guidelines

Geography



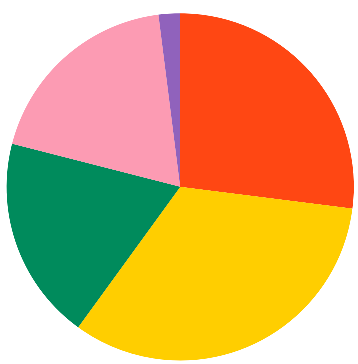
North America	58%
Europe	29%
Global	7%
Asia-Pacific	6%

Strategy



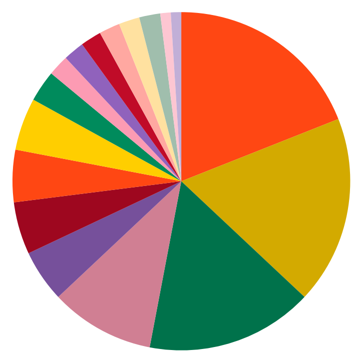
Buyout – Middle	46%
Buyout – Small	15%
Special Situations – Distressed	10%
Buyout – Large	9%
Buyout – Mega	7%
Venture Capital – Late	5%
Venture Capital – Multi-stage	5%
Venture Capital – Early	1%
Special Situations – High Yield	1%

Vintage Year



2020	27%
2019	33%
2018	19%
2017	19%
2016	2%

Industry Sector



Technology	19%	Food & Beverage	2%
Industrial Goods & Services	18%	Personal Care, Drug and Grocery Stores	2%
Health Care	16%	Chemicals	2%
Travel & Leisure	10%	Construction & Materials	2%
Retail	5%	Real Estate	2%
Media	5%	Financial Services	2%
Insurance	5%	Telecommunications	1%
Consumer Products & Services	5%	Other	1%
Automobiles & Parts	3%		

The data reflects the approximate diversification based on total committed capital to investments as of 12 August 2020 (inclusive of approved but not yet closed investments), except for "Industry Sector" which is based on invested capital, as of December 31, 2019. There can be no assurances that the approximate positioning will be maintained going forward, as market conditions and investment opportunities may be materially different.

Key success metrics of the program to date

Early days with positive milestones reached

Implemented a fully **diversified** portfolio

Constructed within NDSIB's guideline parameters and **diversified by**:

- Vintage year
- Investment Type
- Geography
- Strategy
- Industry Sector

Successful **j-curve** mitigation and strong early performance

- Addition of co-investments and secondaries allowed the program to exit the j-curve in **less than two years**
- Early distribution activity of ~$9m
- Strong performance to date
  - 15.4% Net IRR and 1.18x Net TVPI (12/31/19)
  - 5.6% Net IRR and 1.08x Net TVPI (3/31/20)

Additional **services and collaboration** with the NDSIB team

- Detailed investment discussions with senior PEP professionals
- Hands-on PE asset class **training programs**
- Holistic PE program **cash flow projections** and pacing analyses
- Quarterly portfolio review discussions
- **Bi-weekly** calls to discuss investment and market updates

Inclusive of commitments and distributions as of August 2020.

Appendix

Additional PEP Platform Detail

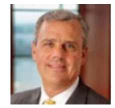
Senior PEP team members

Average of over 18 years of private markets investment and client solutions experience

Investments

Russ Steenberg[1,2]
Global Head of PEP
Managing Director
(37/20)

Lynn Baranski[1,2]
Global Head of Investments
Managing Director
(28/22)



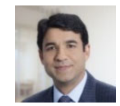
Steve Kelly[1,2],
Investments (Americas)
Managing Director
(30/20)

Steve Lessar[2]
Co-Head of SLS
Managing Director
(20/2)

Konnin Tam[2]
Co-Head of SLS
Managing Director
(20/2)

Veena Isaac[2]
Investments (SLS)
Managing Director
(17/2)

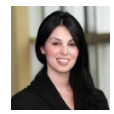
Peter Martisek
Investments (APAC)
Managing Director
(15/13)



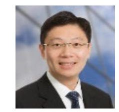
Arslan Mian[1]
Investments (Americas)
Managing Director
(23/14)

Nathalie von Niederhäusern[1]
Investments (EMEA)
Managing Director
(23/20)

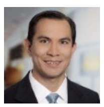
Paolo Simonato
Investments (EMEA)
Managing Director
(25/2)



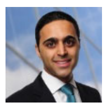
Julia Wittlin
Investments (Americas)
Managing Director
(12/12)



Yan Yang[1]
Investments (APAC)
Managing Director
(16/8)



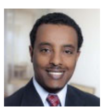
Andrew Farris
Investments (Americas)
Director
(18/11)



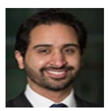
Raja Hussain
Investments (EMEA)
Director
(16/10)

Derek Krouner
Investments (SLS)
Director
(12/1)

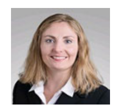
Jarid Colucci
Investments (SLS)
Director
(12/1)



Kamal Maruf
Investments (Americas)
Director
(16/9)



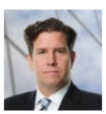
Samir Menon
Investments (Americas)
Director
(11/9)



Persefoni Noulika
Investments (EMEA)
Director
(9/2)

Alice Song
Investments (APAC)
Director
(9/2)

Client Solutions & Strategy



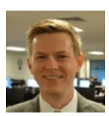
John Seeg[1]
Global Head of Client Solutions & Strategy
Managing Director
(23/20)

Steve Baumgarten
Client Solutions (Americas)
Managing Director
(33/33)

Min Sung
Client Solutions (APAC)
Managing Director
(18/3)

Jeroen Cornel
Client Solutions (EMEA)
Director
(10/5)

Tom Dharte
Client Solutions (Americas)
Director
(15/9)



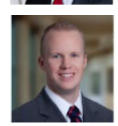
Simon Dwyer
Client Solutions (Americas)
Director
(14/14)

Nick Marsh
Client Solutions (EMEA)
Director
(24/2)

Jan-Frederik Modell
Client Solutions (EMEA)
Director
(8/4)

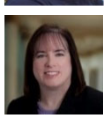
Annie Moore
Client Solutions (Americas)
Director
(14/3)

Amy Park
Client Solutions (Americas)
Director
(14/14)



Chris Rock
Client Solutions (Americas)
Director
(12/13)

Caroline Ruzici
Client Solutions (EMEA)
Director
(9/2)



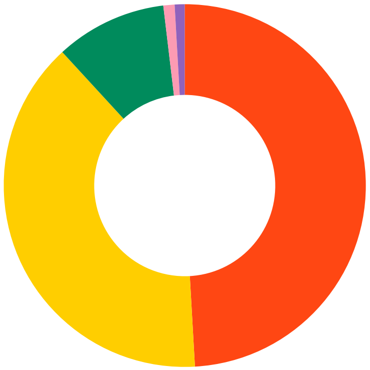
Leanne Schuessler
Client Solutions (Americas)
Director
(30/30)

Davide Terrani
Client Solutions (EMEA)
Director
(5/5)

The above team data is as of 3 August 2020 and includes all Managing Directors and Directors on the Investments and Clients Solutions and Strategy teams of PEP. Numbers in parentheses represent years of private equity and related experience / years at BlackRock (including time at predecessor firms) as of 2 January 2020. 1 Internal Investment Committee member. 2 SLS Investment Committee member. SLS = Secondaries & Liquidity Solutions.

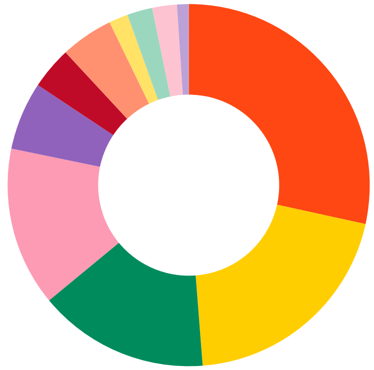
Delivering investment solutions for a diverse client base

Client location[1]



North America	49%
Europe	39%
Asia-Pacific	10%
Middle East	1%
Rest of World	1%

Client type[1]



Financial Institutions	28%
Public Pension Plans	21%
Corporate Pension Plans	15%
HNW & Family Offices	14%
Endowments & Foundations	6%
Banks	3%
Sovereign Wealth Funds	4%
Superannuation Funds	2%
BLK & BLK Employees	2%
Union/Industry Pension Plans	2%
Other	2%

Client solutions[1]

Custom Separate Accounts[3]	69%
Core Commingled Funds	17%
Niche Commingled Funds	14%

Investment type[2]

Primary Funds	57%
Direct Co-Investments	39%
Secondary Investments	4%

Comprehensive skill set to deliver optimal solutions to a broad client base

1 Based on investor commitments as of 30 July 2020. 2 Based on commitments to underlying investments as of 31 December 2019. Includes investments made by predecessor organizations such as Swiss Re Private Equity Partners and Quellos. 3 Includes separate account client commitments to commingled funds.

PEP's custom separate account capabilities

20 years experience sponsoring custom separate accounts for global client base

Bespoke private market solutions to meet client needs

Fully customizable portfolios across investment strategy, geography and investment type

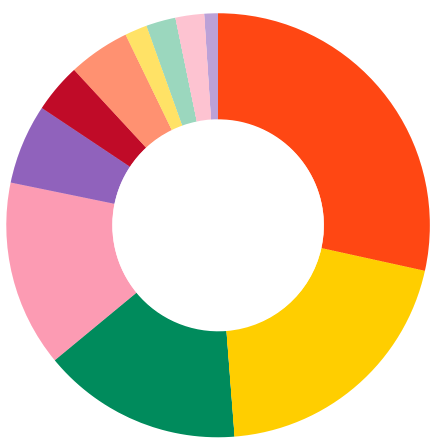
Deep experience and broad client base

20 years of experience managing over $23 billion in LP commitments across 50+ clients[1]

Comprehensive set of services

Strategy planning, commitment and cash flow modeling, investment management, accounting, administration, monitoring, custom reporting, risk & analytics, knowledge transfer & training

PEP Clients with Separate Accounts[1]



Financial Institutions	28%
Public Pension Plans	21%
Corporate Pension Plans	15%
HNW & Family Offices	14%
Endowments & Foundations	6%
Banks	3%
Sovereign Wealth Funds	4%
Superannuation Funds	2%
BLK & BLK Employees	2%
Union/Industry Pension Plans	2%
Other	2%

Source: BlackRock. 1 As of 30 July 2020. A portion of the investor commitments remains subject to drawdown. Includes commitments to custom separate accounts and commingled programs.

Comprehensive set of services provided to NDSIB

Strategy planning

- Investment strategy and portfolio construction
- Commitment plan, cash flow / NAV model
- Implementation plan

Investment management

- Sourcing, screening & commercial due diligence
- Legal & tax due diligence
- Investment committee review
- Portfolio construction

Investment monitoring

- On-going contact with GPs
- Benchmarking
- Active participation on GP advisory & company boards
- Systematic quarterly valuation & portfolio reviews

Investment reporting

- Quarterly investment reporting package
- Consolidated client portfolio overviews
- Ad-hoc analyses

Administration & accounting

- On-going administration services
- Execution of payments
- Cash management
- Quarterly & annual financials

Risk management & analytics

- Performance attribution
- Periodic portfolio breakdown in underlying risk factors
- Illustrative stress-tests of the overall portfolio

Knowledge transfer

- Education on the asset class and our processes
- Sharing of due diligence and market intelligence
- Invitation to due diligence meetings

Source: BlackRock.

Diverse training programs

Client training

- Overview of asset class
- Target allocations
- Diversification
- Investment pacing
- Due Diligence
- Monitoring
- Valuation
- Reporting

Technical training

- Private Equity 101
- Investment tools and applications
- Operations
- Fund accounting
- Financial modeling
- Legal due diligence
- Valuation
- Legal and compliance

BlackRock resources

- BlackRock Investment Institute (BII)
- BlackRock publications and thought leadership
- Investment commentary
- Special reports
- Other BlackRock publications

Outsourced services

- Pimley & Pimley credit analysis training
- Adkins Matchett & Toy financial modeling training

Source: BlackRock.

Appendix

Definitions and Disclosures

Definitions and disclosures

General disclosures

These materials have been provided to you on a confidential basis for information purposes only, are subject to modification, change or supplement without prior notice to you (including without limitation any information pertaining to strategies used), and do not constitute investment advice or recommendation and should not be relied upon by you in evaluating the merits of investing in any securities referred to herein. The information presented herein is provided solely as reference material with respect to PEP and its activities. It does not constitute an offer to sell or a solicitation of an offer to buy any interests in any PEP fund (each, a "PEP Fund" and, collectively, the "PEP Funds"). Any such offering will occur only at such time that a private placement memorandum ("PPM") of a PEP Fund is made available and only in accordance with the terms and conditions set forth in the PPM. Prospective investors are strongly urged to review the PPM when available for more complete information (including the risk factors described therein). All information provided herein is qualified by reference to the PPM. There can be no assurance that a PEP Fund's investment objectives will be achieved and investment results may vary substantially over time. Investment in a PEP Fund is not intended to be a complete investment program for any investor.

PEP is not making any recommendation or soliciting any action based upon the information contained herein. This information is furnished to you with the express understanding that it does not constitute: (i) an offer, solicitation or recommendation to invest in a particular investment in any jurisdiction; (ii) a means by which any such investment may be offered or sold; or (iii) advice or an expression of PEP's view as to whether a particular investment is appropriate for you and meets your financial objectives.

The information contained in these materials has been compiled as of August 2020 , unless otherwise stated herein. Where the information is from third party sources, the information is from sources believed to be reliable, but none of the PEP Funds, their placement agent, BlackRock, Inc., PEP, PEP Funds' advisers or any of their respective affiliates, or the partners, officers or employees (as the case may be) of any of them, has independently verified any of the information contained herein or assumes any liability for it. Additionally, none of these parties is required to provide recipients of this document with updates, modifications, or amendments to the information, opinions, estimates, or forecasts described herein should BlackRock, its affiliates, or any third party sources determine that such currently set forth communication becomes inaccurate.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of BlackRock as a whole or any part thereof and no assurances are made as to their accuracy.

Past performance is not indicative of future results. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuations may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially.

All investments risk the loss of capital. No guarantee or representation is made that any private equity investment or fund offered or sponsored by PEP will achieve its investment objective. In addition, there are risks associated with investing in private equity that are not applicable to typical investments in the public equity markets. These risks include, but are not limited to, the following: private equity investments are speculative and involve a high degree of risk; an investor could lose all or a substantial amount of his or her investment; interests in private equity investments are illiquid and there is no secondary market nor is one expected to develop for interests in such investments or any fund offered or sponsored by PEP; there are significant restrictions on transferring private equity investments; private equity investments experience volatile performance; private equity funds are often concentrated and lack diversification and regulatory oversight; private equity funds have high fees and expenses (including "carried interest") that will reduce such investments' returns and a private equity investment or a fund offered or sponsored PEP may invest in other funds which themselves charge management fees and carried interest (typically, 20% of the net profits generated by the fund and paid to the manager); a private equity investor has an ongoing financial commitment to make contributions to such funds, is subject to severe consequences in cases of default and may have to recontribute distributions to private equity investments; and funds offered or sponsored by PEP can be subject to various conflicts of interest arising from the fact that many private equity sponsors, including BlackRock, are global financial services firms which provide a broad array of financial services and are, in some cases, related to other large financial services firms. Private equity funds may make a limited number of investments. These investments may be in start-up ventures with little or no operating histories or in companies that may utilize significant leverage and will involve a high degree of risk. In addition, a PEP Fund may make minority equity investments where such PEP Fund may not be able to protect its investment or control or influence effectively the business or affairs of such entities. The performance of a PEP Fund may be substantially adversely affected by a single investment. A PEP Fund may obtain rights to substantially influence the conduct of the management of companies in which it invests, including its members serving on the board of directors. This or other measures could expose the assets of a PEP Fund to claims by a portfolio company, its security holders, its creditors and others. Also, private equity investments may be highly leveraged, which increases the risk of investment losses. For a more extensive discussion of the risks associated with an investment in such funds, you should carefully review the "Certain Risk Factors" and "Potential Conflicts of Interest" sections of the respective PEP Fund's PPM.

Definitions and disclosures

Please note that, generally, an investor in a PEP Fund may not transfer, assign, or otherwise dispose of his/her/its interests in such PEP Fund (the "Interests"), except with the prior written consent of the general partner of the relevant PEP Fund, which has sole discretion regarding the granting of such consent. In addition, investors who do not fund their capital commitments when due will be subject to severe penalties, including forfeiture of their Interests. Investors should carefully review the relevant PEP Fund's PPM, when it becomes available, and, specifically, the "Certain Risk Factors" section.

Interests have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other U.S. or non-U.S. securities laws, will not be offered or sold in the United States or to U.S. persons unless the securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available, and will be offered and sold for investment pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any other applicable U.S. and non-U.S. securities laws. The Interests may not be transferred or resold except as permitted under the Securities Act and any applicable U.S. or non-U.S. securities laws. The Interests have not been recommended by any U.S. federal, other U.S. or non-U.S. securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of these materials. Any representation to the contrary is a criminal offense. Interests are not insured by the U.S. Federal Deposit Insurance Company or any government agency, are not guaranteed by any bank and are subject to investment risks, including the loss of the principal amount invested. Investors should be aware that they may be required to bear the financial risks of an investment in the Interests for an indefinite period of time because the Interests (i) cannot be sold unless they are subsequently registered under all applicable securities laws or an exemption from registration exists and (ii) are subject to the restrictions on transfer contained in the limited partnership agreement of the relevant PEP Fund.

Private equity investments are less transparent than public investments and private equity investors are afforded less regulatory protection than investors in registered public securities. Private equity funds are sold in private placements and may be offered only to individuals who are both "qualified purchasers" (as defined in U.S. Investment Company Act of 1940, as amended) and "accredited investors" (as defined in the Securities Act) and for whom the investment is otherwise suitable.

There can be no assurance that a PEP's investment objectives will be achieved and investment results may vary substantially over time. Investment in a PEP Fund is not intended to be a complete investment program for any investor.

Opinions and estimates offered herein constitute the judgment of BlackRock and are subject to change. All opinions and estimates are based on assumptions, all of which are difficult to predict and many of which are beyond the control of BlackRock. In addition, any calculations used to generate the estimates were not prepared with a view towards public disclosure or compliance with any published guidelines. In preparing this document, BlackRock has relied upon and assumed, without independent verification, the accuracy and completeness of information provided by third parties. BlackRock believes that the information provided herein is reliable; however, it does not warrant its accuracy or completeness.

The information contained herein is proprietary and confidential and may contain commercial or financial information, trade secrets and/or intellectual property of BlackRock. If this information is provided to an entity or agency that has, or is subject to, open records or open meeting laws or similar or related laws, rules, regulations or policies that do or may permit disclosure of any portion of this information to any person or entity other than the entity to which it was provided by BlackRock (collectively, "Sunshine Laws"), BlackRock hereby asserts any and all available exemption, exception, procedures, rights to prior consultation or the protection from disclosure which may be available to it under the applicable Sunshine Laws.

This document is only for your use and must not be circulated to anyone else without our consent or given or shown to the general public under any circumstances.

Issued in the United States by BlackRock Investments, LLC., a member of FINRA.

This material is solely for informational purposes and does not constitute an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund (nor shall any such shares be offered or sold to any person) in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities law of that jurisdiction.

AGENDA ITEM III.B.4

BOARD ACTION REQUESTED

TO: State Investment Board

FROM: Dave Hunter, Darren Schulz, Eric Chin and Matt Posch

DATE: August 28, 2020

SUBJECT: **Private Equity Recommendation – BlackRock PEP**

Recommendation:

Staff recommends that the SIB increase the existing $245 million commitment to the NDSIB Private Opportunities Fund, L.P. (North Dakota's customized private equity mandate managed by BlackRock Private Equity Partners ("PEP")) by up to $250 million. The new commitment will help bring the Pension Pool's allocation to private equity closer to the 6.5% policy target.

Staff remains positive on the PEP team and believes that the key competitive advantages detailed in the initial PEP recommendation titled "*Private Equity Recommendation: Approve BlackRock Private Equity Partners to Build a Custom Private Equity Program"* dated March 18th, 2016 continue to hold true. Highlights of the initial memo along with Staff's updated views are below:

1. BlackRock, PEP's $7.3 trillion (as of June 30, 2020) parent organization, provides infrastructure and deal sourcing capabilities that are unmatched in the industry. Consequently, PEP has superior access to primaries, co-investments and secondaries. Moreover, the investment insights and sector views generated by BlackRock's 2000+ investment professionals can provide invaluable and proprietary information for deal evaluation and portfolio positioning.
2. PEP employs a deep and experienced team of 171 professional, 53 of whom are dedicated private equity investment professionals. PEP was founded in 1999 and has been investing in private equity for over 20 years. PEP currently manages $33.7 billion of LP commitments across private market strategies.
3. The NDSIB Private Opportunities Fund, L.P. is a customizable program that allows the SIB to tailor exposures to meet the SIB's specific objectives. Furthermore, a customized program offers the SIB the flexibility to adjust the pacing of its private equity program. This flexibility allows Staff to optimize capital allocations in response to both changing market conditions and capital flows from other private equity investments.
4. PEP offers a highly compelling client service model and the PEP team serves as an extension of Staff in the private equity space. Over the past 4 years, PEP has provided Staff with training opportunities and has set up onsite visits for Staff to view and evaluate underlying investments. The PEP team has been a valuable partner and has provided Staff with access to PEP's internal research, due diligence and market intelligence.

5. The PEP team has successfully implemented a diversified portfolio of primary partnerships, co-investments and secondaries for the SIB. Since inception of the program, PEP has committed $246 million of capital (this amount includes recycling of distributions) across 75 different investments.

Investment Type	Committed ($)	Committed (#)
Primary	157,779,203	30
Co-Investment	60,952,616	39
Secondary	27,271,804	6
Total	**246,003,623**	**75**

6. Despite a challenging market, the PEP program has performed relatively well posting a 5.6% net return through March 31, 2020. This places them in the second quartile in the Burgiss PE Manager Universe. The 5.6% return compares favorably against the MSCI World public market equivalent of -5.5%. This comes out to 11.2% of outperformance (It is important to note given the strength of the public equity markets in the second quarter, Staff expects this outperformance to contract significantly as of June 30th, 2020).

Ultimately the PEP team has delivered on its mandate of implementing a customized diversified private equity portfolio for the SIB. Staff believes it is prudent to continue the mandate with the PEP team and thus recommends the aforementioned increase of up to $250 million.

MEMORANDUM

TO: **State Investment Board (SIB)**

FROM: **SIB Audit Committee**

DATE: **August 13, 2020**

SUBJECT: **Fiscal Year End Audit Committee Activities Update**
July 1, 2019 to June 30, 2020

The Audit Committee is a standing committee of the State Investment Board (SIB) authorized under the SIB Governance Policy B-6, Standing Committees. Its primary function is to assist the SIB in fulfilling its oversight responsibilities of the Retirement and Investment Office (RIO) internal and external audit programs, including the financial reporting process, internal controls, and compliance with laws, regulations, policies, and procedures.

The Audit Committee consists of five members selected by the SIB. Three members of the Audit Committee represent the three groups on the SIB (Teachers' Fund for Retirement (TFFR) Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials). The other two members are selected from outside the SIB, that are both independent and financially literate. Members of the Audit Committee for the 2019 - 2020 fiscal year were:

Yvonne Smith, PERS Board, Chair
Rob Lech, TFFR Board, Vice Chair
Jodi Smith, Elected and Appointed Officials and SIB Liaison
Julie Dahle, External Member
Jon Griffin, External Member

The Audit Committee held four regular meetings during the fiscal year ended June 30, 2020. The meetings occurred on: September 26, 2019, November 13, 2019, February 27, 2020, and May 21, 2020.

Activities of the Audit Committee during the past year included:

- The Committee approved a July 1, 2019 through June 30, 2020 Audit Service work plan. Progress was monitored on a quarterly basis. Audit activities included:
    - Executive Limitations Audit was completed. The audit determined the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation policies (A-1 through A-11) for the calendar year ending December 31, 2019.
    - State Investment Board Self-Evaluation was administered by Internal Audit. The SIB requested Internal Audits assistance in administering the self-evaluation and presenting the results.
    - Investment Due Diligence Audit was completed. The audit reviewed the ongoing investment due diligence process for investment managers.
    - Administrative Expense Audit was completed. The audit included reviews of RIO's travel policy, travel expense reimbursement vouchers, and a sample of invoices.
    - Three TFFR Employer Reporting Reviews were completed. The review tested the accuracy of retirement salaries and contributions reported by the Employer. Eligibility and services hours were also reviewed.

- TFFR Benefit Payment Audit was completed. A review of TFFR procedures for processing deaths of annuitants/members and checks outstanding sixty days or longer. The audit also verified that established procedures related to the monitoring of long-term annuitants in payment status are being followed.
- The TFFR File Maintenance Audit was completed. The audit reviewed system generated (CPAS) audit tables and reports to ensure transactions initiated by staff are appropriate given an individual's role within the organization.
- TFFR Task List Project was started to help with the upcoming PAS project. Internal Audit worked with Retirement Services, Administrative Services, and Information Technology Services on tracking retirement program activities. This is to document the flow of work and help find efficiencies. The tasks lists were also used in various audits throughout the year.
- Internal Audit worked with the Loss Committee on Risk Management. All staff training was done for risk management. Policies and documentation of training was submitted Risk Management Division and RIO received the full 15% discount on their premium for having all required risk management policies and training in place.
- Internal Audit has been working with staff on updating the Staff Policy Manual. This is an ongoing process and is to be completed by end of calendar year. Policies are being updated to ensure compliance with state and federal policies.
- RIO's Internal Audit division provided assistance to our external audit partners, CliftonLarsonAllen, LLP (CLA), during the financial audit of the RIO as well as the GASB 68 Census Data Audits. Due to COVID-19, Internal Audit staff assisted in providing additional information to CLA as they were unable to travel for the preliminary onsite work.
- Internal Audit staff continued to pursue networking and professional development opportunities via the IIA's local chapter. Staff attended training seminars and monthly meetings which cover a variety of topics. Supervisor of Internal Audit obtained both a Master's in Public Administration and Master's in Business Administration.

- The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2019 from independent auditors, CliftonLarsonAllen, LLP. They issued an unmodified "clean" opinion.

- The Committee reviewed the RIO financial audit plan for fiscal year ended June 30, 2020 with independent auditors, CliftonLarsonAllen, LLP. Discussion included scope and approach for the audit to ensure complete coverage of financial information and review and approval of the Final GASB 68 Schedule Audit Report.

- The Committee adopted a detailed audit work plan and budgeted hours for fiscal year July 1, 2020 to June 30, 2021.

The above activities support the Committee's fulfillment of its oversight responsibilities. Please inform the Committee if there are special audits or activities the Board would like to have reviewed.

MEMORANDUM

TO: **State Investment Board**

FROM: **Sara Sauter, Supervisor of Internal Audit**

DATE: **August 13, 2020**

SUBJECT: **Audit Charter: 2019 - 2020 Review of Responsibilities**

The Audit Committee (Committee) Charter of the North Dakota State Investment Board requires that the Committee confirm annually the review of all responsibilities outlined in the Charter. To achieve this, the Committee requested an annual report which details the responsibilities contained in the Charter and documents activities undertaken by the Committee to meet those responsibilities.

The responsibilities contained in the Charter will appear in regular font, activities undertaken by the Committee to meet those responsibilities will appear in *italic font*.

<u>RESPONSIBILITIES</u>
The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The Committee has the responsibility to provide oversight in the areas of:

- the reliability and integrity of financial and operating information;
- compliance with policies, plans, procedures, pertinent laws and regulations;
- compliance with the Code of Conduct applicable to the SIB, TFFR Board, and RIO employees;
- safeguarding of assets;
- economical and efficient use of resources; and
- effectiveness of achieving desired results from operations.

To this end, the Committee will:

<u>Independent Audit</u>

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Internal Audit staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.

    - *On May 21, 2020 members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. The July 1, 2019 to June 30, 2020 Fiscal Year Financial Audit proposed scope and approach was discussed. This included any applicable discussion related to developments in accounting principles or auditing standards that would have an effect on the financial statements or the audit. Coordination between RIO's independent audit firm and RIO's Internal Audit is not required during completion of the financial audit.*

- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.

- *On November 13, 2019 and May 21, 2020, members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. RIO's Chief Financial Officer was also present. The Committee was provided the opportunity to engage all parties in discussions related to changes in accounting or financial reporting procedures and unusual events which could impact the financial statements.*

- Review the results of the financial statements report with the independent auditors and the RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:

  - Any major problems encountered by the independent auditors and the resolution thereof;
  - The effect on the audit of any developments;
  - Any unresolved differences between the independent auditors and the RIO's management;
  - Any other significant comments or recommendations of the independent auditors or the RIO's management;
  - The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices; and
  - Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.

  - *On November 13, 2019, the Committee received, reviewed, and approved the June 30, 2019 Financial Audit Report of RIO. On May 21, 2020, the Committee received, reviewed, and approved the 2019 GASB 68 Schedule Audit Report. On both occasions, RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer were present. Following approval by the Committee, both audit reports were provided to the SIB who subsequently provided their approval at their next regularly scheduled meeting.*

- Consider the effectiveness of the RIO's internal control system, including information technology security and control.

  - *On November 13, 2019 and May 21, 2020, members of the Committee met with RIO's management, representatives from RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer. The Committee was provided the opportunity to engage in discussions with all parties related to RIO's internal control system, including information technology security and control. A formal risk assessment was documented and a summary of results were presented to the Committee. Audit reports are provided at the conclusion of each quarterly audit to the Committee for review and approval.*

- Consider whether the financial statements are complete, consistent with information known to committee members, and reflect appropriate accounting principles. This will include the following, as applicable:
  - The accuracy and completeness of the information in other sections of the annual report and related regulatory filings;
  - The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
  - All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.

- *On November 13, 2019, the Committee received, reviewed, and approved the June 30, 2019 Financial Audit Report of RIO. On May 21, 2020, the Committee received, reviewed, and approved the 2019 GASB 68 Schedule Audit Report. On both occasions RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Chief Financial Officer were available to assist the Committee in determining if financial statements were complete, consistent with information known to the Committee, and reflective of appropriate accounting principles.*

- Review non-audit services, if any, performed for the RIO by the independent auditors.

  - *RIO's independent audit firm, CliftonLarsonAllen, did not provide any non-audit services in fiscal year 2020.*

<u>Audit Services</u>

- Consider the effectiveness of the Internal Audit function, within The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing* consisting of the *Definition of Internal Auditing, Code of Ethics* and the *Standards.*

  - *Internal Audit provides individual audit reports, annual work plans, quarterly progress updates, budgeted vs. actual hour comparisons, and other information to the Committee which can be used to gauge the overall effectiveness of the division. To the extent possible, Internal Audit conducts its activities in accordance with the International Standards for the Professional Practice of Internal Auditing.*

- Review with the Executive Director and the Supervisor of Internal Audit the audit charter, activities, staffing, and organizational structure of Internal Audit.

  - *The review of the Charter by the Committee is completed on an annual basis at the first regularly scheduled meeting of the fiscal year. The Charter was updated and approved by the Committee on November 13, 2019. The Committee is provided an update regarding the activities of Internal Audit on a quarterly basis. RIO management and Internal Audits' staff are available during these updates to provide additional information as needed. Neither the Committee nor RIO's management requested a review of the organizational structure and/or staffing of the Internal Audit division in fiscal year 2020.*

- Review and approve the annual risked-based audit work plan and all major changes to the plan.

  - *On September 26, 2019 the Committee approved the 2019-2020 audit work plan budgeted hours based off of results of the agency risks, SIB Governance, and concerns of SIB Audit Committee.*

- Bring to the attention of the Board any internal audit issues the Committee determines significant and appropriate for Board consideration.

  - *There were no internal audit issues the Committee needed to bring to the Board's attention.*

- Participate with the Executive Director in the appointment and annual evaluation of the Supervisor of Internal Audit. Work with the Executive Director on any changes in staffing, including the addition, termination, or replacement of auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.

- *The annual evaluation for the Supervisor of Internal Audit for the review period beginning April 1, 2019 and ending March 31, 2020 was provided to the Audit Committee Chair for review prior to being finalized. No changes were made to Internal Audit staffing during fiscal year 2020. Salary increases for performance were given to both the Supervisor of Internal Audit and Internal Audit staff member. Dottie Thorsen was promoted from an Auditor II to an Auditor III in April 2020. Internal Audit staff also received pay increased as authorized by the legislature occurred in fiscal year 2020.*

<u>Risk Management</u>

- Obtain information and/or training to enhance the Committee's understanding of the organization and its related risk management processes.
  - *The Committee received education on Internal Audit Background and Employer Review.*
- Review the adequacy of the organization's policy on risk management.
  - *The policies for risk management have been revised and will be going to the Committee in FY 2020 for review.*
- Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures.
  - *A risk-based audit plan was approved. As internal audit staff is able to do more internal audits, the Committee will be able to review the risks or exposures to the agency.*
- Review management's reports on risks and related risk mitigations.
  - *Management responds to all audits and their response is reported to the Committee.*
- Hire outside experts and consultants in risk management, as necessary, subject to full board approval.
  - *No outside experts or consultants were hired during FY 2020.*

<u>Compliance</u>

- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.
  - *Internal Audit staff continues to transition into an internal audit division. Audit staff notes, if any, recommendations and findings in audits. Management responds to all audits and their response is reported to the Committee.*
- Review the process for communicating and monitoring compliance with the code of ethics, code of conduct, and fraud policies.
  - *Internal Audit staff reviews to ensure all staff signs and acknowledges the understanding with the code of code of ethics, code of conduct, and fraud policies. This is reviewed as part of the Executive Limitations Audit.*

- Review the findings of any examinations by regulatory agencies, any auditor observations related to compliance, and the responsiveness and timeliness of management's actions to address the findings/recommendations.

    - *There were no findings/recommendations noted by the CLA.*

- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.

    - *There was no recommendation on compliance matters from legal counsel.*

<u>Reporting Responsibilities</u>

- Report to the SIB about the Committee's activities, issues, and related recommendations.

    - *Reports regarding the activities, issues, and related recommendations of the Committee were provided to the SIB on October 25, 2019, November 22, 2019, February 28, 2020, and May 22, 2020.*

- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.

    - *The annual written report was provided to the SIB on October 25, 2019 for fiscal year 2019.*

<u>Other Responsibilities</u>

- Make recommendations to the North Dakota State Auditor's Office, when appropriate, as it relates to selection, evaluation, and termination of independent auditors.

    - *Communication with the State Auditor's Office regarding the selection, evaluation, and termination of RIO's independent auditors was not conducted as CLA is in a three-year contract.*

- Obtain the information and training needed to enhance the committee members' understanding of the role of Internal Audit and the independent auditor, the risk management process, internal controls, and a certain level of familiarity in financial reporting standards and processes so the Committee may adequately oversee.

    - *The Committee received education on Internal Audit Background and Employer Review Process.*

- Serve as an open avenue of communication among the SIB, the RIO's management and Internal Audit, the independent auditors, and others.

    - *RIO's management, Internal Audit staff, and members of the SIB (who serve on the Committee) are present at all regularly scheduled meetings of the Committee. RIO's independent auditors are present at regularly scheduled meetings of the Committee on two occasions during the fiscal year. The Supervisor Internal Audit routinely communicates with the SIB during their regularly scheduled meetings. This arrangement fosters an open avenue of communication among the parties.*

- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.

    - *RIO has an anonymous fraud hotline. The Executive Director/CIO, Supervisor of Internal Audit, and RIO's legal counsel are listed as the primary recipients of reported incidents of fraudulent financial reporting or breaches of internal control. The Committee is also available to receive such reports should an individual choose not to use the fraud hotline provided by RIO. There were no incidents reported.*

- Inquire of management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.

    - *The Committee is welcome to inquire to management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices whenever deemed necessary. At this time Internal Audit is not aware of any inquires made by or concerns of the Committee regarding these matters.*

- Perform other activities related to this charter as requested by the SIB.

    - *The SIB made no requests of the Committee during fiscal year 2020.*

- Institute and oversee special investigations as needed.

    - *No special investigations were instituted or needed during fiscal year 2020.*

- Review any other reports the RIO issues that relates to the Committee's responsibilities.

    - *Internal Audit is aware of no other reports issued during fiscal year 2020 which relate to the Committee's responsibilities.*

- Review and assess the adequacy of the Committee charter annually, requesting the SIB approval for proposed changes.

    - *On November 13, 2019, the Committee reviewed and approved of the Charter. SIB approved proposed changes on November 22, 2019.*

- Confirm annually the review of all responsibilities outlined in this charter.

    - *On September 26, 2019, the Committee reviewed and approved of the Charter.*

MEMORANDUM

TO: State Investment Board

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: August 28, 2020

SUBJECT: Retired Benefit Payment Incident

The SIB Audit Committee, as part of their responsibilities, wanted to make the SIB aware of the following incident that happened earlier this year. This incident was already reported to the TFFR Board at the April 23, 2020 meeting.

In late January 2020, Retirement Services was notified by a TFFR retiree that their January TFFR benefit payment was not deposited into their bank account. Through discussions with the retiree and examination of documents previously submitted to TFFR, it was determined that someone fraudulently submitted an address change form, and a few weeks later fraudulently submitted a direct deposit change form which was processed by TFFR following standard procedures. The retiree informed Retirement Services that they had not moved and had not changed their bank account. Whoever submitted the forms obtained the retiree's SSN outside of TFFR, fraudulently used the information on TFFR forms and forged the retiree's signature. This resulted in the retiree not receiving their January benefit payment. TFFR contacted the financial institution where the payment was deposited to request a return of the funds, but TFFR was informed that no funds were available.

After review of the issue with TFFR legal counsel, it was suggested that the retiree file a police report, which the retiree did. After further review of the situation and additional discussion with Legal, TFFR submitted an incident report to the State Risk Management Fund and the retiree submitted a claim. In April 2020, Risk Management approved the claim, the retiree signed the settlement agreement, and Risk Management reimbursed the retiree for the January TFFR benefit payment. The retiree had a number of positive discussions with Retirement Services over the past few months and was very thankful for the extra steps taken by TFFR and the State Risk Management Fund to reimburse the benefit payment.

Retirement Services undertook a thorough review of address and direct deposit change processing procedures. Retirement Services added additional procedures in an effort to reduce risk such as to notify members of certain changes made to their account so TFFR can stop payment, or catch potentially fraudulent activities. Internal Audit has been reviewing the direct deposit change forms as they are being received. Internal Audit will also be doing fraud training with staff. Internal Audit is working with Retirement Services to ensure that additional risk management controls are incorporated in the development and implementation of the new PAS system.

AGENDA ITEM IV.B.

Board Acceptance Requested

TO: **State Investment Board**

FROM: Dave Hunter

DATE: **August 21, 2020**

SUBJECT: **SIB Securities Litigation Committee Update**

On August 11, 2020, the SIB Securities Litigation Committee (SLC) completed an annual review of its SLC Charter and Policy without any changes or exceptions. **The Committee re-elected Chief Deputy Attorney General Troy Seibel to serve as Chair and Land Commissioner Jodi Smith to serve as Vice Chair.** The SLC also reviewed its list of approved securities litigation firms and the range of loss recoveries in recent fiscal years. K&L Gates provided an overview of recent legal developments on the WG Trading and Tribune cases, which appear to be moving towards favorable outcomes for our SIB clients.

SLC members are available to address any questions with regards to recent securities litigation cases and/or Committee actions. If there are no questions or discussion, RIO suggests the SIB consider making a motion to accept this SLC update as presented (or with noted clarifications).

North Dakota State Investment Board

ND STATE INVESTMENT BOARD
SECURITIES LITIGATION COMMITTEE MEETING

Tuesday, August 11, 2020, 2:00 p.m.
North Dakota Retirement and Investment Office (RIO)
RIO Conference Room (Virtual) Microsoft Teams
3442 East Century Avenue, Bismarck, ND

AGENDA

1. Call to Order and Approval of Agenda – Chief Deputy Attorney General Seibel **Committee Action**

2. Minutes (April 30, 2020) **Committee Action**

3. Annual Review of Securities Litigation Committee Charter – Mr. Hunter (15 minutes) *Informational*
   a. Annual Election of Chair and Vice Chair and Review of SLC Charter/Policy **Committee Action**
   b. Committee Approved Securities Litigation Firms *Informational*

4. Securities Litigation Case Updates (15 minutes) *Informational*
   a. K&L Gates (WG Trading) – Mr. Robert Sparkes and Mr. John Blessington
   b. K&L Gates (Tribune) – Mr. Ryan Tosi

5. Other - Next Proposed SIB Securities Litigation Committee Meeting

   North Dakota Retirement and Investment Office
   3442 E Century Ave, Bismarck, ND 58503
   Thursday, November 5, 2020 at 1:00 PM

6. Adjournment

Any individual requiring an auxiliary aid or service should contact the Retirement and Investment Office at (701) 328-9885 at least (3) days prior to the scheduled meeting.

Agenda Item 3.a.

Committee Action Requested

TO: **SIB Securities Litigation Committee (SLC)**

FROM: Dave Hunter and Connie Flanagan

DATE: August 11, 2020

SUBJECT: **Annual Election of Officers and Review of SLC Charter/Policy**

Securities Litigation Committee, Charter and Policy Background:

Committee - On January 26, 2018, the SIB established a new five member Securities Litigation Committee (SLC) which currently included Chief Deputy Attorney General Troy Seibel, Land Commissioner Jodi Smith, Assistant Attorney General Dean DePountis, RIO Chief Financial Officer Connie Flanagan and RIO Executive Director Dave Hunter.

Charter and Policy - On April 27, 2018, the SIB unanimously approved the original Securities Litigation Committee Charter and Securities Monitoring and Litigation Policy. On May 24, 2019, the SIB unanimously approved the revised Securities Litigation Committee Charter and Securities Monitoring and Litigation Policy as follows.

CHARTER OF THE
SECURITIES LITIGATION COMMITTEE OF THE
NORTH DAKOTA STATE INVESTMENT BOARD

PURPOSE

The Securities Litigation Committee (the Committee) is a standing committee of the North Dakota State Investment Board (SIB) created to assist in fulfilling its fiduciary oversight responsibilities of monitoring the investment of assets entrusted to it by the various statutory and contracted funds, and to serve as a communications link for the SIB, RIO's management and staff, third party securities litigation firms, and others.

The Committee will determine when an active role should be pursued in regards to securities litigation affecting securities within the SIB's portfolios.

AUTHORITY

The Committee is authorized to:

- draft policy (to be formally approved by SIB) regarding dollar and/or risk thresholds for determining when to opt-out of class actions and/or seek direct litigation or lead plaintiff status;

- based on SIB approved policy**,** make decisions on the level of participation the SIB will take in direct litigation, opt-in or group litigation, anti-trust and other class actions; and

- approve the selection of special assistant attorneys in cases of direct litigation.

COMPOSITION

The Committee will consist of the Executive Director of RIO, one member of RIO fiscal or investment staff, RIO general counsel, and two members of the SIB appointed by the Chair.

Membership on the Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB Chair at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Committee.

The Committee will elect a Chair and a Vice Chair. The Chair will preside at all meetings of the Committee and serve as the liaison to the SIB. In the absence of the Chair, the Vice Chair will perform the duties of the Chair. The liaison will report at least two times a year to the SIB on the activities of the Committee and other pertinent information.

The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

MEETINGS

The Committee will meet generally three times a year, with authority to convene additional meetings, as circumstances require or to adequately fulfill all the obligations and duties as outlined in this charter.

Meeting agendas will be prepared by the Executive Director and approved by the Committee Chair, unless otherwise directed by the Committee and will be provided to the Committee members along with briefing materials before the scheduled committee meeting.

Committee members are expected to attend each meeting, in person or via tele- or video-conference. RIO's executive management and others necessary to provide information and to conduct business will attend meetings. The Committee may invite staff of RIO or others to attend meetings, as necessary. The Committee may hold executive sessions as allowed under state law.

The Committee will act only on the affirmative vote of three of the committee members at a meeting. To conduct business, a quorum will be three members of the Committee. Should a quorum not be present before a scheduled meeting or during a meeting, the Chair will announce the absence of a quorum and the members will disburse. Meetings unable to transact business for lack of a quorum are not considered meetings. Meeting minutes will be prepared by RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.

RESPONSIBILITIES

RIO's management is responsible for ongoing monitoring of securities litigation and claims filing. Based on SIB approved policy guidelines, the Committee has the responsibility to provide oversight in the areas of:

- policy development
- determination on direct litigation and/or lead plaintiff status
- approval of special assistant attorneys (outside counsel)

To this end, the Committee will:

- Develop initial policy and periodically review policy to determine if changes are needed.
- Review reports from RIO staff and third parties in order to maintain awareness of potential and actual securities litigation affecting the SIB portfolios.
- Make decisions on whether to pursue direct litigation and/or lead plaintiff status on cases exceeding policy thresholds for passive participation.
- Select third party litigation firms when deemed appropriate.
- Perform other activities related to this charter as requested by the SIB.
- Review and assess the adequacy of the Committee charter annually, requesting the SIB approval for proposed changes.
- Confirm annually the review of all responsibilities outlined in this charter.

Reporting Responsibilities

- Report to the SIB about the Committee's activities, issues, and related recommendations.
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.

DATE SECURITIES LITIGATION COMMITTEE CHARTER ADOPTED: April 27, 2018
DATE CHARTER REVISIONS ADOPTED: May 24, 2019

General Purpose

1. The North Dakota State Investment Board ("SIB") is a fiduciary for assets held in trust for the benefit of SIB clients, including their beneficiaries.
2. In order to carry out its fiduciary duty to prudently invest and diversify the assets of the various investment funds, the SIB invests considerable assets in global public securities markets.
3. The efficient and effective deployment of plan assets requires that in seeking returns market risks must be prudently assumed and managed. Investing in publicly-traded securities in regulated markets under accounting, disclosure and business practice laws and regulations provides general, but not perfect assurance that the information forming the basis for investments is accurate, conforms with accepted accounting practices, and is not distorted due to misfeasance, malfeasance or nonfeasance, or the timing of information disclosures by persons or entities with the ability to affect market prices of the investment securities.
4. Legal action is sometimes necessary to attempt to recover all or part of losses the funds may incur due to alleged improper action or inaction which results in the impairment of the value of the funds' security holdings.
5. Most such actions will be prosecuted through class action litigation whether or not the SIB takes an active role as a plaintiff or a passive role as a member of a certified class of plaintiffs. Any ultimate award or settlement from a class action will be ratably allocated among legitimate claimants.
6. The SIB will generally only consider pursuing active participation in securities actions when such a role is expected to add value by enhancing the prospect for recovery, increasing the amount of recovery, assuring more efficient and effective prosecution of the case, or identifying and addressing corporate governance issues through litigation.

   For purposes of this Policy, "active participation" means seeking status as lead plaintiff, co-lead plaintiff, or filing separate legal action.

Non-Active Recovery and Filing

1. SIB will require as part of its agreement with its custodial bank or other designated agent, that adequate securities class action monitoring is maintained on an ongoing basis, sufficient to assure that most of the actual awards and settlements for such cases are tracked and identified and that proof of claim forms, including supporting documentation, will be properly and timely filed.
2. SIB may engage one or more legal firms that specialize in prosecuting security class-action cases; any such engagement is subject to the special appointment

requirements of N.D.C.C. § 54-12-08. For these purposes only, such firm(s) may be granted ongoing access to security holdings information through the custodian bank or other designated agent.

3. An agreement with any law firm for non-litigation services will not commit SIB to employing said firm in the event that it seeks to represent SIB as an active participant in any securities related litigation. Such representation must be effected by a separate retainer agreement between the SIB and said firm, or another, depending on such factors as the potential monetary scope, the nature of the case and industry specialty that may be required, the allocation of current or past cases among candidate firms, the likely duration and cost of prosecuting such a case, retainer fees or contingency splits, the venue in which the case is to be filed, and other considerations.

4. The custodial bank or other designated agent will be required to provide the Retirement and Investment Office ("RIO") with periodic reports that detail class action cases monitored, claims filed, and award or settlement distributions received. RIO will maintain these records and provide an update to the SIB or Securities Litigation Committee (Committee) with regards to accounting information on distributions received on claims filed by the custodian bank or other designated agent on our behalf.

Active Participation in Cases

1. The Executive Director will initiate active participation in securities cases only upon prior review and approval of the SIB or Committee. Before bringing any recommendations to the SIB or Committee, the Executive Director, with significant assistance from legal counsel from the Office of the Attorney General, will assess the merits and prospects for active participation by reference to the criteria and factors outlined in this section.

2. Decision Criteria and Factors:

    a. The decision to participate in an active capacity in security litigation should be based on the totality of the circumstances. Dollar loss amounts are important, but not the sole or overriding factor to consider in making such recommendations by the Executive Director, or determinations by the SIB or Committee.

    b. Potential losses to SIB clients must be significant in order to warrant participation as a lead plaintiff, co-lead plaintiff, or separate litigant in U.S. or Canadian cases. Generally, in cases where the potential loss does not exceed the $5 million, the SIB will generally avoid active participation.

c. The *prima facia* merits of the claim for loss, and the factual basis for the action, recognizing that the full discovery process will not commence until the class has been certified by the court in which such case is to be filed.

d. The availability of witnesses, and possible support that may be obtained from investment managers, consultants, and the custodial bank through discovery.

e. The potential that any defendants or insurers will be able to pay an adequate recovery to the class, without impairing the value of any current security holdings SIB may yet hold in the issuer in the portfolio.

f. The ability of the law firm recommending action on the part of SIB to prosecute the case effectively, in the venue where such case is likely to be filed, and the experience of the firm in managing such cases individually or in partnership with other firms.

g. Potential long-term benefits from corporate governance changes from pursuing litigation.

h. The ability of SIB to serve as a fiduciary on behalf of all class members in the case, especially in relative terms to other institutional investors that may be considering the same case.

i. Potential costs that may be incurred. Special consideration must be given to any case that must be filed in a non-U.S. venue under the "Morrison" criteria established by the U. S. Supreme Court in a 2010 decision, since costs of litigation and potential liabilities of unsuccessful claims may be significant.

j. Current workload and staffing resources required for the fulfillment of SIB's primary member service functions, and whether participation might displace time and staff resources needed for core business functions.

3. Decision Criteria and Factors for cases filed in a non-U.S. venue: In addition to the Criteria and Factors set forth in Subsection 2, the SIB or Committee may consider the following:

   a. The proposed funding arrangements for the action.

   b. Evaluate the merits and risks of the case in light of the law of the jurisdiction in which the action would be brought. Generally, in cases where the potential loss does not exceed the Jurisdictional Thresholds referenced in Exhibit A, the SIB will avoid opt-in or group litigation participation.

<u>Roles in Managing & Monitoring Litigation</u>

1. The SIB or Committee will make the final determination of whether it is in the SIB's best interest to pursue active participation in any case and whether to engage any law firm and the terms of such engagement.
2. Decisions regarding the conduct and implementation of the SIB's or Committee's decision to participate will be the responsibility of the Executive Director, or an approved member of the management staff if he so delegates. When feasible and advisable, the Executive Director shall seek advice and direction from the SIB or Committee on strategic and legal issues that may arise in prosecuting the action on behalf of the SIB and its clients. The Executive Director shall timely report to the SIB or Committee on the progress of the litigation.
3. The Executive Director shall be responsible for management of the relationship with any portfolio monitoring law firm or organization for such purpose. Based on the need for additional coverage, the Executive Director and Committee will determine whether one or several firms are needed to fulfill the goals of this Policy and may terminate such monitoring agreements as judgment advises.
4. Any agreement for portfolio monitoring services that includes a fee or subscription cost must first be approved by the SIB or Committee before execution by the Executive Director.

<u>Policy Review</u>

1. The Committee and SIB shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Exhibit A
Non-US Opt-In and Group Litigation
Jurisdictional Thresholds

Jurisdictional Description	Threshold
Passive/very low risk jurisdictions, simple registration or claim filing (no participation in litigation required, strong anonymity, very low costs) including, but potentially not limited to: Australia, Israel, Netherlands (including Dutch Foundations), regulatory funds (e.g. Compensation Schemes in UK)	**Zero**
Low risk jurisdictions (no discovery, low cost) including, but potentially not limited to: Japan	**$1 million**
Moderate risk jurisdictions (moderate cost, funded/insured to protect from cost shifting, some restricted discovery, not fully public) including but potentially not limited to: Germany, Austria, Belgium, Switzerland, Denmark, Spain, Finland, France, Hong Kong, Indonesia, Ireland, Italy, Korea, Luxembourg, Malaysia, Norway, New Zealand, Portugal, Sweden, and Thailand	**$5 million**
High risk jurisdictions (potential in-person discovery, no anonymity, uncapped fees) including, but potentially not limited to: Taiwan, United Kingdom, Singapore, Brazil	**$10 million**

Jurisdictional Thresholds are developed in consultation with legal counsel including other designated agents which are experts in global securities litigation matters.

Policy Implemented: November 20, 2015
Policy Amended: April 27, 2018 and May 24, 2019

Agenda Item 3.b.

Informational

TO: **SIB Securities Litigation Committee (SLC)**

FROM: Dave Hunter, Executive Director / Chief Investment Officer

DATE: August 11, 2020

SUBJECT: **SLC Approved Securities Litigation Representation Firms**

The Board has engaged two law firms to defend the SIB in two securities litigation cases:

1.) **Kasowitz Benson Torres** on General Motors; and
2.) **K&L Gates** on Tribune (and in WG Trading as a plaintiff).

In 2016, the Board engaged **Grant & Eisenhofer** (as a plaintiff's attorney) to recover investment losses resulting from international securities litigation involving VW and other related parties. In 2019, the Board approved the Committee's recommendation to engage Grant & Eisenhofer (as a plaintiff's attorney) to recover investment losses from international securities litigation involving Danske Bank and other related parties.

In 2018, the Board engaged **Financial Recovery Technologies** (FRT) to enhance our ability to recover investment losses in U.S. and international securities litigation cases including those involving anti-trust actions in addition to our continuing U.S. class action claims filing activity since March 1, 2018. Northern Trust, as our custodian, continues to seek U.S. class action claim filing recoveries prior to March 1, 2018 (when we transitioned from Northern Trust to FRT).

Since 2011, annual cash recoveries have varied widely ranging from a low of $153,480 in fiscal 2014 to a high of $692,958 in fiscal 2012, noting the annual recoveries are often materially impacted by the occurrence (or absence) of one or two major cases in any year. **Securities litigation recoveries approximated $345,000 for the SIB in the fiscal year ended June 30, 2019 and $644,000 in the fiscal year ended June 30, 2020.**

In 2018, the SLC met with several prominent law firms widely considered to be leading experts in the securities litigation field including: Bernstein Litowitz Berger & Grossman; Robbins Geller Rodman & Dowd; Labaton Sucharow; Kaplan Fox; and Grant & Eisenhofer.

On November 5, 2019, the Committee identified: 1) Bernstein Litowitz Berger & Grossman; 2) Grant & Eisenhofer; and 3) Labaton Sucharow to serve as our pre-approved law firms to be utilized on a case by case basis to provide expert advice when new securities litigation related cases are raised for further consideration by our global securities litigation monitoring firm, FRT.

On April 30, 2020, the SLC added Kessler, Topaz, Meltzer, Check, LLP (KTMC) as an approved securities litigation firm after a Special SLC meeting in which RIO identified KTMC as the best firm to represent our SIB client interests in an emerging securities litigation case involving Nissan Motor Co. Ltd. FRT provided valuable assistance to RIO staff and the SLC on this time sensitive matter.

Agenda Item 4.a.

Informational

TO: SIB Securities Litigation Committee

FROM: Dave Hunter, Executive Director / Chief Investment Officer

DATE: August 4, 2020

SUBJECT: K&L Gates Securities Litigation Case Updates

K&L Gates represent the NSIB in two long-running cases including **WG Trading** and Tribune.

WG Trading:

In February, 2009, the State Investment Board (SIB) was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company, the broker/dealer for the Westridge Capital Management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The SIB was an investor along with numerous other public and private pension funds. Investors had been offered two options: invest directly in WG Trading Company (WGTC) by purchasing a limited partnership interest in it; or lend money to WG Trading Inc. (WGTI). WGTC was subject to SEC regulation, capital requirements, reporting and oversight, whereas WGTI was an unregulated and unaudited entity. SIB chose to invest directly in the regulated, audited WGTC.

At the time the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) charges were filed, the court appointed a receiver to take control of any recoverable assets. The receiver recommended the court distribute the recovered assets as follows: pool the assets of WGTC and WGTI, and distribute those assets *pro rata* to all investors. The receiver's method did not take into consideration the terms in which each investor entered into the investment (i.e. limited partnership interest versus note holder agreement), even though the majority of the WGTC assets were intact and the fraud predominantly occurred with WGTI. The SIB joined with other WGTC investors and objected to a *pro rata* distribution to all investors. The receiver and the WGTI investors opposed. The court agreed with the receiver and in April, 2011, the recovered assets were distributed to all investors in a *pro rata* distribution based on net investment balances. The SIB received a total distribution of $63.9 million, which represented approximately 85% of its remaining cost basis with WGTC.

The SIB did not agree with the method used to distribute the assets, and along with the other WGTC limited partners appealed the District Court's ruling. It was the SIB's position that the District Court incorrectly determined the amount of the distribution; and that the audited limited partners were entitled to a greater share of the recovered assets than the unaudited note holders. In April, 2013, the District Court's original ruling was upheld by the United States Court of Appeals for the Second Circuit and the SIB received an additional $3.1 million *pro rata* distribution, bringing the total distributions received to $67.1 million, which represents approximately 89% of its remaining cost basis with WGTC. It should be noted that the receiver continued to pursue certain "clawback" actions and to dispose of various real and personal property held by the receiver in order to recover additional funds for eventual distributed to the investors, including the SIB. There were 17 SIB client funds impacted by this case including PERS, TFFR, Bismarck City Employee and Police Pension Plans, Job Service, City of Fargo Employee Pension Plan, WSI, State Fire & Tornado, State Bonding, Risk Management, Risk Management Workers Compensation, Insurance Regulatory Trust Fund, Petroleum Tank Release Compensation Fund, NDAC, City of Bismarck Deferred Sick Leave, Fargo Dome Permanent Fund and Cultural Endowment Fund.

To date, the Receiver has made three distributions of funds to investors. The distributions to NDSIB are summarized below:

1. On March 21, 2011, NDSIB recovered a total of $63,930,633.62, distributed as follows:

    a. ND Pension Trust: $ 19,912,957.02
    b. ND Insurance Trust: $ 12,294,359.53
    c. ND Enhanced Lehman: $ 31,723,317.07

2. On December 28, 2012, NDSIB recovered a total of $3,137,614.23, distributed as follows:

    a. ND Pension Trust: $ 977,294.52
    b. ND Insurance Trust: $ 603,375.62
    c. ND Enhanced Lehman: $ 1,556,944.00

3. On October 14, 2015, NDSIB recovered a total of $5,944,067.48, distributed as follows:

    a. ND Pension Trust: $ 1,851,443.74
    b. ND Insurance Trust: $ 1,143,091.73
    c. ND Enhanced Lehman: $ 2,949,532.01

On June 29, 2020, the Receiver sought Court approval for a final distribution of assets. Under the plan submitted by the Receiver, NDSIB is scheduled to receive the following additional funds:

4. Final Distribution: A total distribution of **$2,257,404.67**, to be distributed as follows:

    a. ND Pension Trust: **$ 703,124.72**
    b. ND Insurance Trust: **$ 439,113.12**
    c. ND Enhanced Lehman: **$ 1,120,146.83**

Assuming that the final distribution is made as planned, NDSIB will have recovered **all of the $75,269,880** it invested in the Westridge entities (minus the $30 wire-transfer fees associated with each distribution).

Mr. Robert W. Sparkes, III and Mr. John C. Blessington from K&L Gates will provide a brief verbal update of the current status of this case and/or address any questions from our SLC members.

Agenda Item 4.b.

Informational

TO: SIB Securities Litigation Committee

FROM: Dave Hunter, Executive Director / Chief Investment Officer

DATE: August 4, 2020

SUBJECT: K&L Gates Securities Litigation Case Updates

Tribune:

The NDSIB is named as a defendant arising out of **Tribune bankruptcy proceedings**, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. **K&L Gates has been retained as outside counsel, in addition to assistance received from the ND Office of Attorney General.** On July 15, 2019, in the Tribune proceeding, the Litigation Trustee filed a Notice of Appeal to the Second Circuit, appealing the various judgments of the U.S. District Court that dismissed his claims against defendants in the Action and denying leave to amend his complaint to add a constructive fraudulent transfer claim. Briefing of the legal issues before the Second Circuit is complete, and oral argument is set for August 24, 2020. **Accordingly, no liability has been recorded for this case.**

Mr. Ryan M. Tosi from K&L Gates will provide a brief verbal update of the current status of this case and/or address any questions from our SLC members.

Agenda Item IV.C.

Informational

To: **STATE INVESTMENT BOARD (SIB)**

From: Connie Flanagan and Dave Hunter

Date: August 21, 2020

RE: **RIO Budget and Website Update**

==

RIO Budget Update:

RIO will share our recently submitted agency budget for the 2021-23 biennium noting:

a) **RIO's Base Budget** was submitted in accordance with the Governor's instruction, with no increase in the total base budget request.

b) **Optional Request 1: $25,000** to retain current salary funding levels in the next biennium (resulting from hiring new staff at market salaries which exceeded former staff salary levels);

c) **Optional Request 2: $70,920** to implement ND ITD Desktop Support which RIO believes it is an important operational budget initiative which should make our agency more efficient and effective in the long-term; and

d) **Optional Request 3: $125,000** to reinstate and increase Contingency Funding to a prudent level (as it was reduced 37% in the 2017 legislative session to an impractical level).

e) **RIO operates in a fiscally conservative manner.** RIO had an unexpended appropriation balance of $245,444 or 4.6% in the 2017-19 biennium and consistently operates well within legislatively approved budget levels. The SIB and RIO have also been successful in reducing investment fees from 0.65% in 2013 to 0.46% in 2019 noting that assets under management have increased from $7.5 billion in 2013 to over $17 billion in 2020.

RIO Website Update:

RIO's IT Manager Richard Nagel and Chief Financial Officer Connie Flanagan are available to address any questions relating to our new RIO website from an overall perspective or specifically related to financial reporting and investment performance.

RIO BUDGET REQUEST SUMMARY

	2017-19			2019-21				2021-23			
Base Budget	TFFR Program	SIB Program	Total RIO	TFFR Program	SIB Program	Total RIO	Increase from Prior	TFFR Program	SIB Program	Total RIO	Increase from Prior
Salaries & Wages	2,325,812	2,099,758	4,425,570	2,436,818	2,491,412	4,928,230	502,660	2,419,134	2,669,030	5,088,164	159,934
Operating Expenses	680,123	182,360	862,483	701,459	187,475	888,934	26,451	572,843	208,157	781,000	(107,934)
Capital Assets	-	-	-	-	-	-	-	-	-	-	-
Contingency	26,000	26,000	52,000	26,000	26,000	52,000	-	-	-	-	(52,000)
Total Base Budget	**3,031,935**	**2,308,118**	**5,340,053**	**3,164,277**	**2,704,887**	**5,869,164**	**529,111**	**2,991,977**	**2,877,187**	**5,869,164**	**-**
One Time Funding											
Salaries & Wages	-	-	-	50,000	-	50,000	50,000	A request for carry-over of one time funding will also be included to complete the TFFR PAS project. Amount is unknown at this time.			
Operating Expenses	-	-	-	2,650,000	-	2,650,000	2,650,000				
Capital Assets	-	-	-	6,300,000	-	6,300,000	6,300,000				
Total One Time Funding	**-**	**-**	**-**	**9,000,000**	**-**	**9,000,000**	**9,000,000**				
Optional Requests											
Salaries & Wages								25,000		25,000	25,000
Operating Expenses								41,488	29,432	70,920	70,920
Contingency								62,500	62,500	125,000	125,000
Total Optional Requests								**128,988**	**91,932**	**220,920**	**220,920**
Total Approved/Submitted Budget	**$ 3,031,935**	**$ 2,308,118**	**$ 5,340,053**	**$ 12,164,277**	**$ 2,704,887**	**$ 14,869,164**	**$ 9,529,111**	**$ 3,120,965**	**$ 2,969,119**	**$ 6,090,084**	**$ (8,779,080)**

AGENDA ITEM IV.E.

Board Acceptance Requested

TO: **State Investment Board**

FROM: Dave Hunter

DATE: **August 21, 2020**

SUBJECT: **GFOA Award**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This marks the 22nd consecutive year that RIO has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

I would like to sincerely thank and congratulate all of RIO team members to ensure we received this prestigious award for the 22nd consecutive year particularly our Chief Financial Officer Connie Flanagan and our entire fiscal team including Susan Walcker and Ann Griffin.

Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 *fax:* 312.977.4806

8/14/2020

Brent Sanford
Lieutenant Governor
North Dakota Retirement and Investment Office

Dear Mr. Sanford:

We are pleased to notify you that your comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019 qualifies for GFOA's Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

When a Certificate of Achievement is awarded to a government, an Award of Financial Reporting Achievement (AFRA) is also presented to the individual(s) or department designated by the government as primarily responsible for its having earned the Certificate. This award has been sent to the submitter as designated on the application.

We hope that you will arrange for a formal presentation of the Certificate and Award of Financial Reporting Achievement, and give appropriate publicity to this notable achievement. A sample news release is included to assist with this effort.

We hope that your example will encourage other government officials in their efforts to achieve and maintain an appropriate standard of excellence in financial reporting.

Sincerely,

Michele Mark Levine

Michele Mark Levine
Director, Technical Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Dakota Retirement and Investment Office

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Prudent Investor Rule:

* The **state investment board** shall apply **the prudent investor rule** in investing for funds under its supervision. The "**prudent investor rule**" **means** that in making investments **the fiduciaries** shall exercise the **judgment and care**, under the **circumstances then prevailing**, that an institutional investor of ordinary **prudence, discretion, and intelligence** exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, **considering probable safety of capital as well as probable income**. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

* NDCC 21-10-07 Legal Investments

The SIB does not make individual investments in securities as all client portfolios are externally managed by approved investment firms using SIB client board approved investment policies and asset allocations.

Economically targeted investing is prohibited unless the investment meets the “exclusive benefit rule” and the following four conditions are satisfied:

1) The cost does not exceed the fair market value at time of investment;
2) The investment provides the fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and expected risk;
3) Sufficient liquidity is maintained in the fund to permit distributions in accordance with plan terms; and
4) The safeguards or diversity that a prudent investor rule would adhere to are present.

News Release

U.S. DEPARTMENT OF LABOR PROPOSES NEW INVESTMENT DUTIES RULE

WASHINGTON, DC – **The U.S. Department of Labor today announced a proposed rule that would update and clarify the Department of Labor's investment duties regulation. The rule is intended to provide clear regulatory guideposts for plan fiduciaries in light of recent trends involving environmental, social and governance (ESG) investing.**

Periodically over the last 30 years, the Department has been asked to consider the application of the fiduciary duties of prudence and exclusive purpose under section 404(a)(1)(A) and (B) of the Employee Retirement Income Security Act of 1974 (ERISA) to pension plan investments selected because of non-financial objectives, such as environment, social and public policy goals, that the investments may further. Different iterations of sub-regulatory guidance may have created confusion with respect to these investment issues. **The proposal is designed, in part, to make clear that ERISA plan fiduciaries may not invest in ESG vehicles when they understand an underlying investment strategy of the vehicle is to subordinate return or increase risk for the purpose of non-financial objectives.**

"Private employer-sponsored retirement plans are not vehicles for furthering social goals or policy objectives that are not in the financial interest of the plan," said Secretary of Labor Eugene Scalia. "Rather, ERISA plans should be managed with unwavering focus on a single, very important social goal: providing for the retirement security of American workers."

Acting Assistant Secretary of Labor for the Employee Benefits Security Administration Jeanne Klinefelter Wilson said, "Providing further clarity on fiduciaries' responsibilities in ESG investing will help safeguard the interests of participants and beneficiaries."

The proposal would make five core additions to the regulation:

- **New regulatory text to codify the Department's longstanding position that ERISA requires plan fiduciaries to select investments and investment courses of action based on financial considerations relevant to the risk-adjusted economic value of a particular investment or investment course of action.**
- **An express regulatory provision stating that compliance with the exclusive-purpose (i.e., loyalty) duty in ERISA section 404(a)(1)(A) prohibits fiduciaries from subordinating the interests of plan participants and beneficiaries in retirement income and financial benefits under the plan to non-pecuniary goals.**
- A new provision that requires fiduciaries to consider other available investments to meet their prudence and loyalty duties under ERISA.
- **The proposal acknowledges that ESG factors can be pecuniary factors, but only if they present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories. The proposal adds new regulatory text on required investment analysis and**

documentation requirements in the rare circumstances when fiduciaries are choosing among truly economically "indistinguishable" investments.

- A new provision on selecting designated investment alternatives for 401(k)-type plans. The proposal reiterates the Department's view that the prudence and loyalty standards set forth in ERISA apply to a fiduciary's selection of an investment alternative to be offered to plan participants and beneficiaries in an individual account plan (commonly referred to as a 401(k)-type plan). The proposal describes the requirements for selecting investment alternatives for such plans that purport to pursue one or more environmental, social, and corporate governance-oriented objectives in their investment mandates or that include such parameters in the fund name.

The Department's Employee Benefits Security Administration (EBSA) developed the proposed rule. EBSA's mission is to assure the security of the retirement, health and other workplace related benefits of America's workers and their families. EBSA accomplishes this mission by developing effective regulations; assisting and educating workers, plan sponsors, fiduciaries and service providers; and vigorously enforcing the law.

The mission of the Department of Labor is to foster, promote and develop the welfare of the wage earners, job seekers and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights.

Agency

Employee Benefits Security Administration
Date

June 23, 2020
Release Number

20-997-NAT

BOARD LEADERSHIP
INNOVATIVE APPROACHES TO GOVERNANCE

NUMBER 170, JULY–AUGUST 2020

www.wileyonlinelibrary.com/journal/bl

The Board's Role in CEO Selection

By Dr. Linda Henman

Dr. Linda Henman is the author of six books, including Tough Calls: How to Move Beyond Indecision and Good Intentions. *She has more than 35 years of experience working with executives and boards in Fortune 500 companies and small businesses to help them exceed their strategic objectives by maximizing talent. In this article, Dr. Henman explores the various factors boards should take into account when selecting a new chief executive officer for their organization, and offers a step-by-step process for doing so.*

Historically, incumbent CEOs anointed their successors, but that all changed in the post-Sarbanes-Oxley environment that required the consideration of the entire board. Now the CEO's job involves preparing one or two strong internal candidates—ensuring leadership continuity and the CEO's legacy. However, selecting the right person from among internal and external candidates remains the single most critical task the board has. Therefore, the job of directors is to develop a disciplined and thorough succession plan, execute it, and finally choose the best candidate. This requires a systematic four-step process.

Step One: Revisit the Strategic Principle

Success depends on a strong strategic principle—a shared objective about what the organization wants to accomplish. The strategic principle guides the company's allocation of scarce resources—money, time, and talent—and revisits it when a new CEO needs to take over helps to ensure a profitable future.

Directors of successful boards assume the roles of the architect, steward, and guardian of the strategic principle. This job cannot be outsourced, completed, or scheduled, and it's the most uncertain thing directors do because it in¬volves speculation about unknowns and requires a journey into murky waters.

The strategic principle doesn't merely aggregate a collection of objectives. Rather, this simple statement captures the thinking required to build a sustainable competitive advantage that forces trade-offs among competing resources, tests the soundness of particular initiatives, and sets clear boundaries within which decision-makers must operate. When companies face change or turmoil—and CEO selection brings both—the strategic principle acts as a beacon that keeps the ships from running aground. Even when the leadership

(continued on page 2)

ALSO IN THIS ISSUE

CALENDAR OF EVENTS

JULY 27

ICSA: The Chartered Governance Institute Webinar: Introduction to a Qualification in Corporate Governance

This webinar is designed for those who work in a governance support role and would like to get more structured training, or simply refresh their knowledge of corporate governance codes and practices.

According to the Institute, its corporate governance qualifications webinar is a flexible way of getting the knowledge and skills necessary to support your governance role.

The Certificate in Corporate Governance qualification is a broad, introductory course that covers the principles of good governance across many different sectors. Attendees will develop a strong core knowledge of corporate governance frameworks and codes, and will be better able to navigate governance structures and to help mitigate potential issues.

Meanwhile, the Advanced Certificate in Corporate Governance qualification is a graduate-level course that will allow you to interpret the frameworks underlying the corporate governance laws to support the development of good governance practices and effective stakeholder dialogue throughout your organization.

For more information, visit https://bit.ly/3ezSY08.

(continued on page 5)

Selection

(continued from front page)

changes, or the economic landscape shifts, the strategic principle remains the same.

Assuming the board started CEO succession 3–5 years before the incumbent's departure, directors have already committed to identifying and developing internal candidates. They have given these candidates exposure to the board, key clients, and stakeholders. Similarly, the board has at least a rudimentary plan for transitioning leadership. As history has shown, the best succession plans start with a

	Multi-Business Leader	CEO
Decision-Making / Problem-Solving	• Aptitude for making sophisticated financial decisions related to profit and loss • 3- to 5-year vision • Skills for blending specific business strategy with overall enterprise strategy • Talent for critiquing strategy by asking questions and requiring support data • Complex thinking to manage more than one business • Decisiveness • Global perspective • Creative problem-solving	• The knowledge of how to use financially presented data to make sophisticated business decisions • Visionary thinking—5- to 10-year focus • Ability to handle ambiguity and a willingness to embrace it • Skills for setting priorities effectively • The ability to see patterns and contradictions • A knack for anticipating consequences • Knowledge about how to grow the business organically and acquisitively • Insight to create policy that will affect everyone in the enterprise • A logical, dispassionate approach to problem-solving
Task Orientation	• Strong change orientation • Ability to handle risk • Value of and responsibility for unfamiliar functions • Focus on both short- and long-term objectives • Resourcefulness to be alert to opportunities • Portfolio management • Talent for working under time constraints • Strong knowledge of operations • Industry knowledge • Evidence of a "can do" attitude	• Willingness to create disruption • Enthusiasm for creating risk • Stock price / shareholder value / financial solvency focus • Passion for developing business • An eagerness to form relationships with the company's key customers • A persistence for achieving desired outcomes
	Multi-Business Leader	**CEO**
Leadership Skills	• Ability to trust others in the chain of command to handle the day-to-day decisions related to running the business • Strong commitment to developing the bench • Strong delegation skills • Willingness to remove "C" players • Talent for asking the right questions to draw out the ideas of others • Obvious maturity in use of power • Proven track record for selecting top talent • Strong conflict-resolution skills	• Willingness to develop a successor • Takes charge and stays in charge • Capacity to lead disparate entities, often geographically dispersed • Ability to set the pace of change and to orchestrate it well • Capability to serve as a trusted exemplar • Skill for articulating the vision • Crisis management experience • Commitment to ongoing learning • Management of top and bottom lines • Emotional fortitude • Courage • Ability to handle failure • Talent for building cohesive efforts • Strong persuasion and negotiation skills • Ability to inspire followership • Experience in leading rapid growth
	Multi-Business Leader	**CEO**
People Skills	• Succession planning—ability to select and develop leaders of leaders • Facility for serving as a source of advice and wisdom • Cross-cultural awareness • Agility to balance the different needs of various stakeholders • The skills to put others at ease in social situations • At ease in most social situations	• Contagious enthusiasm that gets people excited • Expertise in serving as a sounding board for those facing tough calls • Proficiency for building strong board-of-director relations • Experience in building investor relations • A strong community orientation • An understanding of natural sources of conflict and the competence to work through them • Strong command of the language • Readiness to create a culture characterized by results, respect, and integrity

clear vision of the future and a strong strategic principle for getting there.

Sometimes directors don't have the luxury of developing and monitoring a succession plan, and then creating a timeline for transition, however. Too often, a crisis shortens the time line and forces the board into an even higher-stakes situation with the cost of picking the wrong CEO even more ominous.

The transition from one CEO to the next is a risky endeavor fraught with opportunities to lose top talent, stakeholders, and key customers. When the board takes its eyes off the strategy, these risk factors become more threatening. Ideally, directors have consistently and conscientiously monitored the company's strategy to determine how to align their objectives with the company's current leadership capabilities to set the stage for the future leader.

Step Two: Set Criteria for Selecting the New CEO

Directors who have focused on CEO competencies through systematic evaluations start the selection process ahead of the game. These boards have regularly considered potential replacements should the incumbent CEO leave suddenly and unexpectedly, and they have ensured the organization is sufficiently talent-laded to allow for a seamless succession. These kinds of boards are as stellar as they are rare.

Setting the criteria for the new CEO starts with decisions about what the success factors for the new CEO will be. These decisions often begin with an evaluation of the incumbent CEO, but they can't stop there. The board's tendency will be to try to select a clone of the existing CEO, even though the strategic direction of the company promises to vary drastically from the current one.

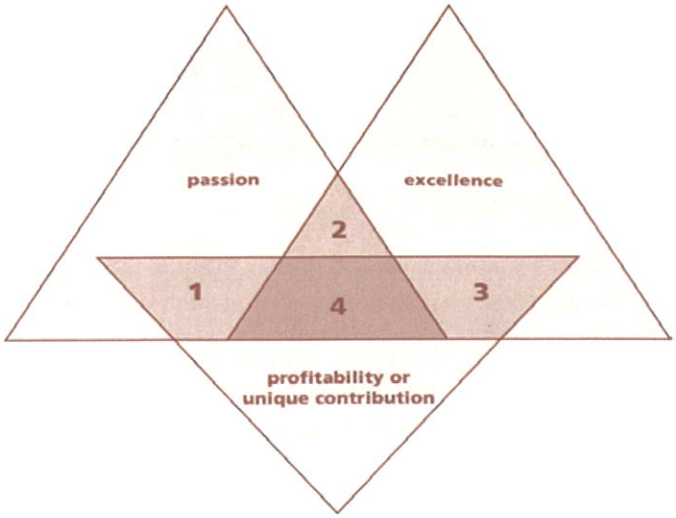
Directors should develop a clear view of what will make the new CEO successful and express their expectations about financial targets, the complexity of the changing organization, the scope of the CEO's role, and general market or industry conditions. If no agreement about the abilities and vision of the next CEO exists, agreeing on a candidate will prove impossible.

When directors develop a shared perspective about the future business environment and the strategic challenges the company and the new CEO will face, however, they take the first critical step toward a successful transfer of power. The next step is to define the capabilities the new CEO will need and the specific qualities, skills, and behaviors the person should demonstrate. When I work with boards on CEO selection, I start with general questions that include the following:

- What type of person will "fit" the needs of the future company?
- Should the new person fit the existing culture?
- Or, should a new leader use a turnaround style to overcome obstacles the culture has created?
- What values should the new CEO evidence?

I ask board members to start the selection process by finding candidates that I call "multi-business leaders." At a large company, these people typically run a market within the company or a smaller company that reports to the parent. Sometimes these candidates have led smaller companies and are ready to step-up. At other times, the candidates are people who have managed other managers. In all cases, taking on the CEO's role should represent a *significant* step up—not a huge leap. Candidates should evidence all the multi-business success indicators and demonstrate a willingness and ability to move to CEO-level performance. This is how I think about how a multi-business leader transitions to the CEO chair:

Strategic Principle



1 **Short-term success**
2 **Undisciplined orientation**
3 **Recipe for burn out**
4 **Strategic principle**—the shared objective that your organization needs and wants to accomplish

Once the search committee has set and prioritized the criteria for selection, it is ready to develop the roadmap for a successful transition.

Step Three: Develop the Process for Selection

The CEO selection process should be a systematic, thorough process that gives the board impartial, indispensable data they will need to make selection decisions. Done well, this process will protect the financial aspects of the business, prevent the departure of key talent, avoid costly hiring mistakes (usually four times the CEO's base salary), build confidence among all stakeholders that you have selected the best person to run the company, and engender legally defensible hiring decisions—thereby reducing risk. I use the following nine-step approach:

1. Create a profile of the leadership attributes and behaviors needed to successfully fulfill the role and responsibilities.

2. Review the profile with the entire board of directors and refine as needed.

(continued on page 8)

COVID-19: An Urgent Imperative for CEO Succession Planning

Dr. Joseph C. Santora

Dr. Joseph C. Santora is the founder of TST, Inc., a management consulting company, editor of the International Leadership Journal *(internationalleadershipjournal.com), and an executive educator. In this article, he discusses the impact of COVID-19 on CEO succession and urges boards of directors to create and implement a CEO succession plan with the assistance of their companies' chief human resource officers (CHROs).*

A recent *Financial Times* article profiled CEOs from 10 major companies who shared their views on meeting challenges during periods of ambiguity (Redcliffe-Johnson, Neville, & Moules, 2020). The absence of the alarming impact of COVID-19 in their narratives is compelling. COVID-19 is an equal-opportunity, nondiscriminating killer. It knows no boundaries, ages, genders, races, creeds, or religions. To date, more than 5 million people worldwide have contracted the COVID-19 virus, with more than 325,000 fatalities. Sadly, these numbers continue to increase daily.

Many CEOs do not plan for succession. Indeed, they often share the false belief that they are immortal; but, like the rest of us, they will die. CEOs Jean Philippe Ruggieri (Nexity Group), Mike Dean (Mahdlo), and Don Welge (Gilster-Mary-Lee) have all died from COVID-19-related complications. Without an emergency CEO succession plan, these CEOs could have seriously jeopardized the sustainability of their companies.

Today, many CEOs and their boards simply give "lip service" to CEO succession. Larcker and Miles (2010) found that more than 50% of companies in their survey were unable to "immediately name a successor." They also found that these companies were unprepared for a CEO succession process. In 2016, Hooijberg and Lane identified three reasons boards do not plan for CEO succession: a mismatch between prospective CEOs and the company strategy, CEO insecurities, and a failure to identify mid-level managers for executive development training. Indeed, CEO succession has raised such major management concerns that Favaro, Karlsson, and Neilson (2015), writing in *strategy + business*, have called it a $112 billion problem.

The CHRO in CEO Succession Planning

The CHRO must play a prominent role in CEO succession planning at the board of directors and C-suite levels. The role of the CHRO in the succession planning process is to serve as the liaison to the board secretary, the board chair, and the vice chair. Time should be reserved at every board meeting to: (1) review and update the organization's CEO emergency succession plan, (2) present all executive-level human resource changes that could have an impact on the company's emergency CEO succession plan, (2) schedule quarterly workshop scenario exercises to test organizational preparedness for CEO succession in an emergency situation, and (3) review and update necessary decision-making duties and responsibilities CEO successors need to lead organizations effectively in an adverse organizational climate. CEO successors must be ready, willing, and able to assume the CEO position.

Thoughts on CEO Emergency Succession

Without a doubt, COVID-19 has tested the limits and mettle of CEOs and their boards to develop innovative CEO emergency succession plans. Should a catastrophic event occur, one approach might be to follow the US presidential line of succession model: the vice president succeeds the president, the speaker of the house succeeds the vice president, followed by the president pro-tempore (highest-ranking senator), and then the presidential cabinet beginning with the secretary of state, the secretary of the treasury, the secretary of defense, the attorney general, and down the line according to the order of the creation (see [US] Presidential Succession Act of 1947).

Inside successors should possess an intimate organizational knowledge to ensure a seamless transition during a major crisis, as the current pandemic has proven to be—certainly in less complex and nonemergency times, an outside successor may add greater depth and value to an organization for various reasons. Alternatively, boards of directors and their leaders may seek to adopt a variation on the Boston Consulting Group's leapfrog succession model:

"Corporate boards of directors are increasingly reaching down below the second layer of management to name new chief executive officers. By accelerating the promotion of these executives, boards hope that the new CEOs' ability to understand and act upon signals on today's unpredictable environment will more than offset their relative inexperience" (Torres, Hansell, Foster, & Baron, 2014, p. 1).

Moreover, the CEO leadership characteristics that boards of directors have traditionally sought and valued may no longer be totally relevant for current and postpandemic CEOs and may require other leadership characteristics; as such, emergency CEO succession plans must be assessed accordingly (see Cheng, Groysberg, & Healy, 2020; Ciampa, 2020). COVID-19 and other world health, political, and economic upheavals (e.g., the Global Recession of 2008) exist in a volatile, uncertain, complex, and ambiguous world.

Concluding Thoughts

COVID-19 has forever transformed the workplace in many ways. It has established a new normal. It has forced boards of directors and their leaders across industries and sectors to take decisive action and make CEO succession a major corporate governance issue to ensure that their companies can function effectively and efficiently in both ordinary and unstable times. For sure, COVID-19 has forced us to review the CEO governance succession planning process. ❑

REFERENCES

Cheng, J.Y-J., Groysberg, B., & Healy, P. (2020, May 4). Your CEO succession plan can't wait. *Harvard Business Review*. Retrieved from https://hbr.org/2020/05/your-ceo-succession-plan-cant-wait (accessed 15 May 2020).

Ciampa, D. (2020, April 17). Should a crisis change your CEO succession plan? *Harvard Business Review*. Retrieved from https://hbr.org/2020/04/should-a-crisis-change-your-ceo-succession-plan (accessed 15 May 2020).

Edgecliffe-Johnson, A., Neville, S., & Moules, J. (2020, March 22). Strong leadership for uncertain times. *Financial Times*. Retrieved from https://www.ft.com/content/e4aec0cc-6849-11ea-a3c9-1fe6fedcca75 (accessed 15 May 2020).

Favaro, K., Karlsson, P-O, & Neilson, G.L. (2015, May 4). The $112 billion CEO succession problem. *strategy + business*. Retrieved from https://www.strategy-business.com/article/00327 (includes a 3-minute, 31-second video entitled "CEO Succession: Why It Pays to Have a Plan." The video can also be found separately, https://www.strategy-business.com/article/m00034) (accessed 15 May 2020).

Hooijberg, R., & Lane, N. (2016, Summer). How boards botch CEO succession. *MIT Sloan Management Review*, pp. 8–10.

Larcker, D.F., & Miles, S.A. (2010, June). 2010 CEO succession planning survey. Retrieved from https://www.gsb.stanford.edu/faculty-research/publications/2010-ceo-succession-planning-survey (accessed 15 May 2020).

Presidential Succession Act of 1947. (1947). Retrieved from https://www.senate.gov/artandhistory/history/minute/Presidential_Succession_Act.htm (accessed 16 May 2020).

Torres, R., Hansell, G., Foster, K., & Baron, D. (2014). Leapfrog succession: A new trend in appointing CEOs? Retrieved from https://image-src.bcg.com/Images/Leapfrog_Succession_Nov_2014_tcm96-81415.pdf (accessed 15 May 2020).

Calendar

(continued from page 1)

July 28

ICSA: The Chartered Governance Institute Webinar: Introduction to the Foundation Program Qualification

This webinar is designed for those looking to take the first step on their path to a career as a governance professional or company secretary, and would like to pursue a structured course to gain entry to the Institute's Chartered Governance Qualifying Program.

The Foundation Program qualification is for students with no prior governance qualifications or experience. The course provides 200 hours of study and a broad introduction to businesses and how they are governed, maintained, and financially managed, as well as the laws to which they need to adhere. The knowledge and skills attendees learn in this course will prepare them for more advanced certification programs offered by the Institute.

For more information, visit https://bit.ly/3i4cVy1.

September 14-15

September Governance Institute Leadership Conference – Virtual

According to organizers, the Governance Institute Leadership Conference offers current information, interactive sessions, expert speakers, and the opportunity to meet others with a similar commitment to improving governance and achieving optimal board performance. Topics of interest vary from year to year. This year, it will focus on the COVID-19 pandemic, which organizers say has completely changed—and will have a lasting impact on—the financial and strategic landscape for hospitals and health systems.

For more information, visit https://bit.ly/2Vk8O7x.

(continued on page 7)

WHEN WE SAY...

Board Leadership's mission is "to discover, explain and discuss innovative approaches to board governance with the goal of helping organizations achieve effective, meaningful and successful leadership to fulfill their missions."

Board Leadership aims to fulfill this mission by engaging its readers in a lively and illuminating inquiry into how board governance can be made more effective. This inquiry is based on three key assumptions:

- Boards exist to lead organizations, not merely monitor them.
- Effective board governance is not about either systems, structures, processes, theories, practices, culture, or behaviors—it is about all of them.
- Significant improvements are likely to come only through challenging the status quo and trying out new ideas in theory and in practice.

Uniquely among regular publications on board governance, *Board Leadership* primarily focuses on the job of board leadership as a whole, rather than on individual elements of practice within the overall job.

Over time, *Board Leadership* will provide a repository of different approaches to governance created through its regular "One Way to Govern" feature.

Here's what a few of the key terms we use mean to us:

- **Innovative:** Creating significant positive change
- **Approaches:** Principles, theories, ideas, methodologies and practices.
- **Board governance:** The job of governing whole organizations. ❑

Being intentional with board diversity and inclusion limits risks and builds better organizations

By Anne M. Mervenne

Anne M. Mervenne is CEO of Mervenne & Company, a boutique public affairs consultancy based in Michigan. She actively serves on numerous nonprofit boards, a corporate board, and a gubernatorial appointed board on community service. In this article, she explores the case for inclusive and diverse boards.

The American ethos of bringing people together to act in a progressive manner to solve problems has been a fundamental part of the American story. Our predecessors would behoove us as contemporary nonprofit leaders to be even more intentional in bringing people together by seeking the talents of a broader base of our fellow citizens to serve on our boards of directors.

In a recent conversation with a corporate turnaround consultant, I asked him for the number one indicator of risk to a company. Without hesitation, he responded that the number one risk factor is a 100% all white male C-suite: the lack of different life experiences, values, and perspectives creates a dangerous echo chamber, which lacks creativity and prioritizes conformity.

Per *Leading with Intent*, "while board composition is not one-size-fits all, a board that is homogeneous in any way risks having blind spots that negatively impact its ability to make the best decisions and plans for the organization."[1] As per its 2017 Index of Nonprofit Best Practices, only 18% of board CEOs are satisfied with board diversity for race and ethnicity,[2] and 27% of nonprofit boards are completely white.[3]

In my experience, we recruit people already in our own sphere of influence to serve on boards. We must break those boundaries and innovate our board recruitment strategies. Innovation is already happening in the corporate sector whether through mandates—such as California mandating representation of women on corporate boards[4]—or through increased use of headhunters and websites focused on board recruitment.

Corporate boards have responded to the increased pressure for diversity by having nomination and governance committees. The "nom/gov" committee is a full committee just like the finance or audit committees. Its mission is to intentionally recruit board members who can improve profitability for the company.

McKinsey & Company surveyed more than 1,000 large companies from 15 countries for its "Diversity wins: How inclusion matters" report published on May 19, 2020: "In the case of ethnic and cultural diversity, our business-case findings are equally compelling: in 2019, top-quartile companies outperformed those in the fourth one (quartile) by 36% in profitability, slightly up from 33% in 2017 and 35 percent in 2014. As we have previously found, the likelihood of outperformance continues to be higher for diversity in ethnicity than for gender."[5] In summary, using its largest data set ever, McKinsey found that companies in the top 25% of financial performance are the most diverse while companies in the bottom 25% of financial performance are the least diverse.

Given the impact that the nonprofit sector has both financially and in addressing critical social issues, we owe it to our funders and communities to look at best practices in other sectors to ensure we have the board composition that is most effective.

Early in my career, I served as the director of appointments for then Governor John Engler of the state of Michigan. I was responsible for recommending women and men for several hundred boards and commissions in state government, including boards of higher education and boards that regulate a variety of professions. It was in this role that I learned the value of intentionality and breaking barriers.

The governor was intentional and thoughtful in this process. For example, during Governor Engler's first term in office, he had the opportunity to appoint two new members to the Michigan Civil Rights Commission. The commission was created in the 1963 constitution "to investigate alleged discrimination against any person because of religion, race, color or national origin in the enjoyment of civil rights guaranteed by law and by this constitution...."

He scanned the current commission members for talent and geographic representation. During his campaign, he visited mosques and other Arab American institutions and sought that community's support. After he was elected, Governor Engler determined that a voice from the Arab American community was essential to the work of the commission. He appointed Tim Attalla, J.D., as the first Arab American to serve on the commission; he served from 1991 to 1998. Governor Engler then appointed Dr. Yahya Mossa Basha to succeed him.[6]

Governor Engler listened and learned on his visits to mosques about not only the alienation of the community, but about its richness, generosity, and culture and what it could contribute to our state. By intentionally including Arab Americans on the commission, these members broadened the sphere of influence of the commission and made its work even more relevant.

Mr. Attalla and Dr. Basha brought their own experiences and that of the Arab American community to the commission. They educated the other appointees about the prejudice—based in religion and/or race—that their community faced. Conversely, they educated the Arab American community about the role of the civil rights commission in addressing prejudice and seeking redress and change.

Intentional board development is a fiduciary responsibility, as well as a moral one. During my own journey as a nonprofit board member and nominating committee member for more than 20 years, it was the norm to look for individuals who could help raise money. There is no doubt that adequate funds are critical to the mission and work of nonprofits. But does it do our missions and our wider community justice by having the same people serve on our boards as frequently happens? We often take the easy path of recruiting people we already know rather than being bold about seeking talent and leadership beyond our personal boundaries.

While our organizations face a funding crisis during the pandemic, we must take the opportunity to enrich our boards by being more intentional about including other voices. Some questions to ask as we work on board development: Does the current composition of many nonprofit boards enhance our organizations with other perspectives? Do we unintentionally deprive our communities by not seeking the breadth of talent available to us? Do we keep our organization's audience in mind when recruiting new board members to ensure that people who are invested are involved?

It is incumbent as leaders on boards to be humble and introspective and have candid conversations about the composition of our board. The corporate concept of "duty of care" applies to nonprofit boards and is imperative to the success of our missions. We need to act in the best interest of the organization and purposefully build boards. We must be intentional so that our governing boards and consequently our nonprofits are not deprived of every source of wisdom, talent, and grace.

Without intentional inclusion of diverse individuals in terms of race, ethnicity, age, socioeconomic status, disability, gender, and sexual orientation, how can we say that we have integrity in carrying out our missions?

I admit that I have to take my own "plank out of my eye" as Scripture instructs us and be consistently intentional in my own leadership responsibilities. But I am optimistic that in these urgent times, if we embrace the gift of diverse values, experiences, and perspectives purposefully, we will all be better off. We'll have richer life experiences and will lead more successful organizations. ❑

REFERENCES

1. BoardSource. (2017). Leading with intent: 2017 Index of nonprofit board practices. Washington, D.C.: BoardSource; p. 11. Retrieved from https://leadingwithintent.org/.
2. Id., p. 12.
3. Id., p. 13.
4. California Secretary of State. (2018). Women on boards (Senate Bill 826). Sacramento, Calif.: California State Department. Retrieved from https://www.sos.ca.gov/business-programs/women-boards/#:~:text=In%202018%2C%20Women%20on%20Boards,executive%20offices%20are%20located%20in.
5. McKinsey & Company. (2020, May 19). Diversity wins: How inclusion matters. Retrieved from https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters.
6. Michigan Civil Rights Commission. 40th Anniversary. (2003). Lansing, Mich.: Department of Civil Rights; p. 16. Retrieved from https://www.michigan.gov/documents/MCRC_40th_ann_book_77054_7.pdf.

Calendar

(continued from page 5)

September 16

Governance Institute 2020 Governance Support Forum — Virtual

The Governance Institute's Governance Support Forum is designed to address concerns and topics important to those who provide board support and coordination. According to organizers, the COVID-19 pandemic has placed health care leaders under intense pressure to perform at their best, when we need them the most. Governance support professionals can play an ever more critical role in helping ensure that their boards and senior leaders have the preparation and ongoing support needed to see their institutions, patients, and communities through this historical time. This virtual event has been designed to better enable attendees to continue their governance support education by focusing on how organizations and leaders need to adapt, with actions you can take that will make an ongoing impact.

The conference will feature keynote speaker Holly G. Atkinson, M.D., who will speak about these and other trends impacting the health care sector and of note to boards and senior leaders.

For more information, visit https://bit.ly/2ZaZi7R.

December 14-16

International Corporate Governance Network Annual Conference and General Meeting

Fairmont Royal York Hotel, 100 Front Street W, Toronto, Ontario, M5J 1E3, Canada

This conference, to be hosted by the Ontario Teachers' Pension Plan in partnership with the Royal Bank of Canada, celebrates the ICGN's 25th year. From humble beginnings in 1995, with 49 founding members, the ICGN now represents over 800 members in 50 countries and counting.

Accordingly, the group said, this year's annual conference is both a cause for celebration and reflection as the ICGN and its members take stock of what they have learned and achieved over the past 25 years, but also look to the future with regard to priorities for reform. As the governance and investor stewardship landscape continues to evolve, leading expert speakers will provide attendees with key insights into best practice and highlight future priorities for companies, investors, and stakeholders.

For more information, visit https://bit.ly/2A5oVyc. ❑

Selection

(continued from page 3)

3. Conduct individual discussions with each board member regarding the organization, strengths, challenges (internal as well as market-driven), and leadership needs in the future.

4. Explore recruitment options for finding this person if no internal candidates appear to be ready.

5. Set the ideal timeline for hiring and transitioning leadership.

6. Evaluate all internal candidates by doing the following:

- Assess performance in their business units
- Review personal performance for the past three years
- Interview each candidate
- Conduct 360 interviews of their peers, direct reports, and board members
- Administer assessments to internal candidates to determine decision-making skills, learning ability, financial acumen, critical thinking, business-related personality traits, and leadership style.

7. Debrief each internal candidate's data, pointing out how to leverage their strengths and mitigate their limitations, thereby improving performance in the short run.

8. Debrief all findings with the search committee to make recommendations about the developmental needs for candidates and likelihood that each will be successful in the CEO role.

9. Review the process and candidate evaluations with the full board, recommend one of the candidates for promotion, or when necessary, suggest opening the search to external candidates.

Step Four: Plan the Transition

I cannot overstate the value of choosing an internal candidate. When this happens, there's very little that needs to change about pre-boarding, exposure to the board, structured time with the current CEO, and getting to know the executive team.

When the board has chosen an internal candidate, therefore, directors should concentrate on developing and implementing a communication strategy for the entire organization and a timeline for the transfer of leadership. A major concern should be retaining the other candidates who did not receive the promotion. The chairman of the board and the incumbent CEO should have private conversations with each candidate before telling anyone else inside or outside the company what the decision has been.

When directors cannot promote from within, they need a different approach. First, they should tell any internal candidates before opening the search. Some people may be disappointed, but if the company's leaders treat them with respect, they are much more likely to remain in place. If they feel blindsided or deceived, you can bank on one of two things: the loss of a top performer or a decline in performance from that candidate. Effectively managing the transition brings other benefits too.

- People experience fewer distractions.
- Customers don't feel the change.
- Revenue remains steady.
- The risk of losing talented people abates.
- Repute in the industry increases.
- Morale improves.

Conclusion

Companies experience vulnerability during any major change in leadership, but a well-defined approach to CEO selection significantly mitigates those risks. However, all the effort is only worthwhile if the board makes the *right* decision. Interviews, resumés, and references won't give directors all the vital information they'll need to make one of the most critical decisions that they simply can't get wrong. They need more than subjective *opinions* that can be both biased and wrong. Instead, they require objective data and reliable data to help them choose the person who will have the most power in the organization. ❑

BOARD LEADERSHIP

INNOVATIVE APPROACHES TO GOVERNANCE

BOARD LEADERSHIP: INNOVATIVE APPROACHES TO GOVERNANCE (Print ISSN: 1061-4249; Online ISSN: 1542-7862) is published bimonthly by Wiley Periodicals LLC, 111 River St., Hoboken, NJ 07030-5774 USA.

Postmaster: Send all address changes to *BOARD LEADERSHIP*, Wiley Periodicals LLC, c/o The Sheridan Press, PO Box 465, Hanover, PA 17331 USA.

Delivery Terms and Legal Title: Where the subscription price includes print issues and delivery is to the recipient's address, delivery terms are **Delivered at Place (DAP)**; the recipient is responsible for paying any import duty or taxes. Title to all issues transfers Free of Board (FOB) our shipping point, freight prepaid. We will endeavour to fulfil claims for missing or damaged copies within six months of publication, within our reasonable discretion and subject to availability.

Information for subscribers: *Board Leadership* is published in 6 issues per year. Subscription prices for 2020 are: **Institutional Online Only:** $990 (The Americas), £509 (UK), €642 (Europe), $990 (rest of the world). **Institutional Print + Online:** $1236 (The Americas), £730 (UK), €923 (Europe), $1420 (rest of the world). **Institutional Print Only:** $990 (The Americas), £584 (UK), €739 (Europe), $1137 (rest of the world). **Personal Online Only:** $144 (The Americas), £111 (UK), €131 (Europe), $144 (rest of the world). **Personal Print + Online:** $211 (The Americas), £129 (UK), €163 (Europe), $252 (rest of the world). **Personal Print Only:** $193 (The Americas), £120 (UK), €151 (Europe), $233 (rest of the world). Prices are exclusive of tax. Asia-Pacific GST, Canadian GST/HST and European VAT will be applied at the appropriate rates. For more information on current tax rates, please go to https://onlinelibrary.wiley.com/library-info/products/price-lists/payment. The price includes online access to the current and all online backfiles to January 1, 2016, where available. For other pricing options, including access information and terms and conditions, please visit https://onlinelibrary.wiley.com/library-info/products/price-lists. Terms of use can be found here: https://onlinelibrary.wiley.com/terms-and-conditions.

Journal Customer Services: For ordering information, claims and any enquiry concerning your journal subscription please go to https://hub.wiley.com/community/support/onlinelibrary or contact your nearest office. **Americas:** Email: cs-journals@wiley.com; Tel: +1 781 388 8598 or +1 800 835 6770 (toll free in the USA & Canada). **Europe, Middle East and Africa:** Email: cs-journals@wiley.com; Tel: +44 (0) 1865 778315. **Asia Pacific:** Email: cs-journals@wiley.com; Tel: +65 6511 8000. **Japan:** For Japanese speaking support, Email: cs-japan@wiley.com. **Visit our Online Customer Help** available in 7 languages at https://hub.wiley.com/community/support/onlinelibrary

Publishing Editor: Samara Kuehne. **Editor:** Nicholas King. **Production Editor:** Mary Jean Jones. **Editorial Correspondence:** Samara Kuehne, Email: skuehne@wiley.com.

Policy Governance is a registered service mark of John Carver.

For submission instructions, subscription and all other information visit: wileyonlinelibrary.com/journal/bl

View this journal online at wileyonlinelibrary.com/journal/bl

Printed in the USA by The Sheridan Press.

WILEY