Executive Summary - Informational

TO: State Investment Board

FROM: Dave Hunter

DATE: April 19, 2021

SUBJECT: SIB Meeting Materials – April 23, 2021

In-State Investment Program Update – **After completing additional due diligence on the top three candidates advanced by the SIB last month, RIO and Callan identified 50 South Capital and Sun Mountain Capital as the top two finalists.** All three firms were deemed to be strong candidates to expand the Legacy Fund In-State Investment Program (IIP) by providing needed capital to drive economic development in North Dakota. However, RIO and Callan ranked 50 South and Sun Mountain higher than GCM Grosvenor largely due to their proposals being more closely aligned with the desire to promote new capital formation for both new and existing entrepreneurs in our state in order to further diversify our economy and create jobs. 50 South Capital and Sun Mountain Capital also committed to establishing a physical presence in North Dakota. **Finalist presentations will be distributed to the SIB on Monday, April 19th, in addition to RIO's recommendation based on a comprehensive due diligence process completed with Callan's exceptional assistance over the past six months.**

Invesco Real Estate Recommendation – **RIO will recommend the SIB approve a new $200 million private real estate commitment to Invesco** in order to reduce our current underweight allocation to the diversified real assets sector noting strong returns in the public equity markets have pushed SIB client assets to all-time highs.

Job Service – **RIO will request the SIB to approve a slightly revised asset allocation policy for Job Service** as recently approved by the PERS Board noting this pension plan is over 135% funded.

Legislative Update – RIO will review recent legislative developments on bills impacting the SIB, TFFR, RIO and Legacy Fund. RIO intends to offer neutral clarifying testimony unless directed otherwise by the SIB. TFFR's Ends Report for June 30, 2020, is also included for informational purposes and a TFFR Pension Administration System update.

Executive Review Committee Update – **The ERC will review recent Board Self-Assessment Survey Results and request SIB acceptance thereof** in addition to presenting U.S. public fund peer compensation data for future reference by the SIB in upcoming months.

BND In-State Investment Program Update – **RIO will request SIB approval to move forward with a new private market in-state investment opportunity recently identified by BND.**

North Dakota State Investment Board

ND STATE INVESTMENT BOARD MEETING

Friday, April 23, 2021, 8:30 a.m. (CST)
Workforce Safety & Insurance
1600 E Century Avenue, Bismarck, ND

Teleconference 701-328-0950, Conference ID: 754918066#

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

II. ACCEPTANCE OF MINUTES (March 26, 2021)

III. INVESTMENTS (2 hours)

A. In-State Investment Program Due Diligence Overview - Mr. Hunter
  1. 50 South Capital - Ms. Tamara Doi Beck, Mr. Bob Morgan, Mr. Trey Hart
  2. Sun Mountain Capital - Mr. Brian Birk, Mr. Lee Rand, Ms. Sally Corning, Mr. Dan Brooks
  3. RIO Recommendation - Mr. Hunter **Board Action**

B. Real Estate Background - Mr. Darren Schulz
  1. Invesco - Mr. Max Swango
  2. RIO Recommendation - Mr. Schulz **Board Action**

--- Break 10:30 to 10:45 a.m. ---

IV. GOVERNANCE (1 hour)

A. PERS Job Service Plan (Asset Allocation Revision) - Mr. Hunter **Board Action**
B. Legislative Update – Mr. Hunter *Informational*
C. TFFR Ends Report & Pension Administration System Update *Informational*
D. Executive Review Committee Update - Yvonne Smith
  1. Board Self-Assessment Results - Sara Sauter **Board Action**
  2. Annual Compensation Survey* - Yvonne Smith
E. BND In-State Investment Program Update* - Mr. Hunter **Board Action**

* Executive Session pursuant to N.D.C.C. 44-04-19.2 and N.D.C.C. 44-04-18.4 to review and discuss a confidential compensation survey and a confidential private market investment opportunity.

V. OTHER

Next Meetings: SIB - May 21, 2021, 8:30 a.m. - Workforce Safety & Insurance
SIB Executive Review Committee - May 12, 2021 1:00 p.m. - RIO Conference Room
SIB Audit Committee - May 20, 2021 2:30 p.m. - Workforce Safety & Insurance

VI. ADJOURNMENT

NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MARCH 26, 2021, BOARD MEETING

MEMBERS PRESENT:

Brent Sanford, Lt. Governor, Chair
Rob Lech, TFFR Board, Vice Chair
Troy Seibel, PERS Board, Parliamentarian
Tom Beadle, State Treasurer
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
Jodi Smith, Commissioner of Trust Lands
Yvonne Smith, PERS Board

STAFF PRESENT:

Eric Chin, Chief Risk Officer/Senior CIO
Connie Flanagan, Chief Financial Officer
Bonnie Heit, Admin Svs Suprv
David Hunter, Exec Dir/CIO
Jan Murtha, Dep Exec Dir/CRO
Ann Nagel, Investment Accountant
Matt Posch, Investment/Compliance Officer
Sara Sauter, Suprv of Internal Audit
Darren Schulz, Dep CIO
Susan Walcker, Senior Financial Accountant

GUESTS:

Tamara Doi Beck, Northern Trust/50 South
Jace Beehler, Governor's Office
Brian Birk, Sun Mountain
Jodi Bjornson, WSI
Dan Brooks, Sun Mountain
Melford Carter, GCM Grosvenor
Sally Corning, Sun Mountain
Dean DePountis, Attorney General's Office
Bailey Doll, Securities Dept.
Paul Erlendson, Callan LLC
Eric Hall, GCM Grosvenor
Eric Hardmeyer, LBSFAB
Trey Hart, Northern Trust/50 South
Kathy Hogan, LBSFAB
Perry Hopper, Callan LLC
Jeffrey Indovina, Parks & Rec
Candace Johnson, Securities Dept.
Pete Keliuotis, Callan LLC
Jerry Klein, LBSFAB
Jay Kloepfer, Callan LLC
Rachel Kriege, Insurance Dept.
Scott Litman, GCM Grosvenor
Adam Mathiak, Legislative Council
Bob Morgan, Northern Trust/50 South
Lee Rand, Sun Mountain
Ryan Rauschenberger, LBSFAB
Bryan Reinhardt, PERS
Michael Rose, GCM Grosvenor
Karen Tyler, Securities Dept. Commissioner
Jared Ungar, Callan LLC
Bernard Yancovich, GCM Grosvenor

A roll call was taken and a quorum was present.

<u>CALL TO ORDER</u>:

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:32 a.m. on Friday, March 26, 2021. The meeting was held at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

<u>AGENDA</u>:

The Board considered the agenda for the March 26, 2021, meeting,

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE MARCH 26, 2021, MEETING.

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

<u>MINUTES</u>:

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO APPROVE THE FEBRUARY 26, 2021, MINUTES AS DISTRIBUTED.

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

<u>INVESTMENTS</u>:

<u>Investment Performance Overview</u> - Mr. Hunter highlighted performance results for the period ending December 31, 2020. Over 98% of the SIB clients generated net investment returns which exceeded their approved policy benchmarks for the 1, 5, and 10 years ended December 31, 2020 which included the Legacy Fund, Public Employees Retirement System (PERS), Teachers’ Fund for Retirement (TFFR), Workforce Safety & Insurance (WSI), and the Budget Stabilization Fund. Investment staff estimates this translates into $300 million of incremental income for the SIB’s clients over the last 5-years and nearly $500 million over the last decade. In the last half of 2020, Legacy Fund alone earned $70 million of excess return.

SIB Five Largest Clients (AUM as of 12/31/2020)	Current FYTD 12/31/2020	1 Yr Ended 12/31/2020	5 Yrs Ended 12/31/2020	10 Yrs Ended 12/31/2020
Legacy Fund $8.16 billion				Since 10/1/2011
Total Fund Return - Net	14.37%	12.22%	9.25%	6.03%
Policy Benchmark Return	13.32%	12.08%	8.60%	5.28%
Excess Return	1.06%	0.14%	0.65%	0.75%
PERS $3.67 billion				
Total Fund Return - Net	15.10%	12.19%	9.77%	8.34%
Policy Benchmark Return	14.52%	11.96%	9.27%	7.88%
Excess Return	0.58%	0.23%	0.50%	0.46%
TFFR $2.955 billion				
Total Fund Return - Net	14.86%	12.07%	9.69%	8.29%
Policy Benchmark Return	14.66%	12.00%	9.24%	7.72%
Excess Return	0.20%	0.07%	0.45%	0.57%
WSI $2.263 billion				
Total Fund Return - Net	8.16%	9.85%	7.84%	7.29%
Policy Benchmark Return	6.61%	9.54%	6.65%	5.90%
Excess Return	1.54%	0.31%	1.20%	1.39%
BSF $747 million				
Total Fund Return - Net	2.80%	3.45%	2.53%	2.15%
Policy Benchmark Return	0.35%	3.22%	2.14%	1.29%
Excess Return	2.45%	0.23%	0.39%	0.86%

Mr. Hunter also reviewed a comparison of the Legacy Fund net investment returns (ranked #47 in size by the Sovereign Wealth Fund Institute "SWFI") versus Norway's Government Pension Fund (ranked #1 at $1.3 trillion) and the next three largest U.S. SWF's, Alaska's Permanent Fund (ranked #18 in the World and #1 in the U.S.) New Mexico's State Investment Council (#31) and Wyoming's Permanent Mineral Trust Fund (#45).

Mr. Hunter also stated the Legacy Fund has performed reasonably well versus peers as of December 31, 2020 posting the second highest returns in the last six months, highest return in the last year, and second highest return in the last 5-years. A major driver of investment returns is the asset allocation and comparisons between SWF's with different asset allocation targets can be challenging, if not misleading. As a result, most institutional investors assess fund performance in comparison with their approved Policy Benchmark Return (or Passive Index Benchmark) over 5 or more years. Based on this one comparison, the Legacy Fund was ranked #2 with 0.65% of above benchmark returns for the 5-years ended December 31, 2020 (9.25% versus 8.60%), trailing Alaska's Permanent Fund at 0.69% (10.09% versus 9.40%).

SWFI Rank	Asset Allocation is a Major Driver of Long-Term Returns	6-Mos. Ended 12/31/2020	1-Year Ended 12/31/2020	5-Yrs. Ended 12/31/2020
1	**Norway Gov't. Pension Fund Global $1.3 trillion**			
	Net Investment Return	**na**	**10.86%**	**8.69%**
	- Passive Index Benchmark	*na*	*10.59%*	*8.50%*
	72.8% Equity / 24.7% Fixed Income / 2.5% Real Estate			
18	**Alaska Permanent Fund $73 billion**			
	Net Investment Return	**15.74%**	**12.15%**	**10.09%**
	- Passive Index Benchmark	*18.24%*	*12.38%*	*9.40%*
	60% Equity / 20% Fixed Income / 10% US TIPs / 10% Real Estate			
31	**New Mexico SIC Land Grant $22 billion**			
	Net Investment Return	**14.24%**	**8.94%**	**8.68%**
	- Interim Policy Index	*14.55%*	*10.13%*	*8.75%*
	51% Equity / 26% Fixed Income / 12% Real Estate / 10% Real Return / 1% Cash			
45	**Wyoming Permanent Mineral $9 billion**			
	Net Investment Return	**11.5%**	**9.1%**	**7.1%**
	- Total Fund Index	*11.2%*	*8.4%*	*6.9%*
	40% Equity / 36% Fixed Income / 11% Real Estate / 7.5% Hedge Funds / 5.5% MLPs			
47	**North Dakota Legacy $8 billion**			
	Net Investment Return	**14.37%**	**12.22%**	**9.25%**
	- Policy Benchmark Return	*13.32%*	*12.08%*	*8.60%*
	50% Equity / 35% Fixed Income / 5% US TIPs / 5% Real Estate / 5% Infrastructure			

Texas Permanent School Fund and University of Texas Investment Management Company are ranked 23 and 24, resepctively, but have an August 31 fiscal year end and extensive private investments impacting comparability.

Mr. Hunter also stated at the March 23, 2021, Legacy and Budget Stabilization Fund Advisory Board (LBSFAB) meeting, RIO and Callan LLC provided an update on the status, asset allocation, and returns of the Legacy Fund and also reviewed Phase Two of the Legacy Fund's asset allocation study.

Phase Two of Callan LLC's asset allocation study confirmed a target 3% Private Capital allocation (+/-3%) with a preference for in-state investments at a competitive rate of return improves the Legacy Fund's long-term expected returns with no material adverse impact on downside risk or liquidity. Callan LLC highlighted the advantages of Legacy Fund earnings distributions being based on the Percent of Market Value (POMV) method, which is an industry best practice, versus the current definition in order to reduce budget and spending volatility. Callan LLC's projections included Legacy Fund earnings and market value forecasts through 2040 based on the current earnings definition and POMV at 6%, 8%, and 10% per biennium.

Legacy Fund In-State Investment Program - Callan LLC representatives reviewed their In-State Investment Program manager selection process.

Callan LLC presented the following firms for the Board's consideration; GCM Grosvenor, Northern Trust/50 South Capital, and Sun Mountain Capital.

After the firm's presentations, the Board discussed the reviews and next steps. One firm will be selected to move forward with implementing the In-State Investment Program.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO MOVE ALL THREE FIRMS FORWARD FOR FURTHER CONSIDERATION.

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

The Board tabled the following agenda items:

A. Legislative Update
B. TFFR Ends Report & Pension Administration System Update
C. Executive Review Committee Update
   1. Board Self-Assessment Results
   2. Annual Compensation Survey

OTHER:

The next meeting of the Executive Review Committee has been scheduled for April 14, 2021, at 1:00 p.m. at RIO.

The next regular meeting of the SIB has been scheduled for April 23, 2021, at 8:30 a.m. at Workforce Safety & Insurance.

The next regular meeting of the Securities Litigation Committee has been scheduled for May 6, 2021, at 2:00 p.m. at RIO.

The next regular meeting of the Audit Committee has been scheduled for May 27, 2021, at 2:30 p.m. at RIO.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 11:53 a.m.

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Lt. Governor Sanford, Chair
State Investment Board

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Bonnie Heit
Recorder

North Dakota Legacy Fund

In-State Investment Program Due Diligence Overview

In-State Investment Program Due Diligence Overview

Sep/2020 – SIB and RIO invite Adams Street, Barings and GCM Grosvenor to offer board education and manager research on in-state investment programs overseen by other state plans. Bank of North Dakota requests a $100 million increase in Match Loan CD Program to increase SIB commitment up to $400 million for this 30-years old in-state investment strategy.

Oct/2020 – SIB, Callan and RIO invite Barings, Grosvenor, Hamilton Lane and ND Commerce to share their insight, background and experience in developing in-state or regional investment programs. Callan engaged by SIB to move forward with a comprehensive research project to expand the in-state investment program within the Legacy Fund asset allocation policy.

Nov/2020 – Mosaic Governance Advisors and State of Wisconsin Investment Board offer education and share experiences on best practices in public fund board governance with a focus on in-state investments. SIB approves Advisory Board recommendation to increase BND In-State Investment Program by $100 million to raise Legacy Fund commitment up to $400 million (or 5%). Advisory Board engages Callan to conduct Phase I of an Asset Allocation Study to determine impact of expanding the Legacy Fund in-state investment program.

Jan/2021 – Callan reviews Phase I of In-State Investment Program Research Project with SIB and Advisory Board, and highlights survey results from potential in-state program managers to confirm best practices, common structures and expected challenges in building a new in-state program. Callan is also engaged by SIB to advance at least one in-state investment firm for final review and approval by SIB in early-2021 in alignment with Legacy Fund Advisory Board recommendation.

Feb/2021 – Callan is engaged by the Advisory Board and SIB to conduct Phase 2 of an Asset Allocation Study to include a new 3% target asset allocation to Private Capital with a preference for in-state investments at a competitive rate of return. SIB approves Legacy Advisory Board recommendation to revise the investment policy statement to include this new 3% target allocation to Private with a preference for in-state investments and a +/- 3% range to support future growth and implementation flexibility.

Mar/2021 – After conducting a comprehensive manager search and due diligence screening process including virtual Board presentations by the three highly qualified firms, the SIB advances GCM Grosvenor, 50 South Capital and Sun Mountain Capital as finalists.

Apr/2021 - RIO completes additional manager diligence in order to rank the top three in-state management firms for further review and consideration by the SIB. RIO identifies 50 South Capital and Sun Mountain Capital as the top two firms.

Next Steps – Assuming SIB approval, RIO negotiates final legal terms including an implementation timeline so as to officially launch the new Legacy Fund In-State Investment Program on or before August 1, 2021, in alignment with the effective date of HB 1425.

In-State Investment Program Due Diligence Overview
Investment Return Comparison Summary

Sun Mountain Capital:

In order to establish baseline return expectations for their in-state investment program, **Sun Mountain** referenced an established private market data accumulator, **Pitchbook**, and used their **Performance Benchmarking** data from 2001-2020 (20 years) and 2011-2020 (10 years) as shown on the next slide. Based on the 2001-2020 dataset as shown on the next slide, **the Pitchbook Median Net IRR (Internal Rate of Return) ranged from 8.2% for Private Credit to 10.9% for Direct Equity with Fund of Funds at 9.6%.**

In order to review Sun Mountain performance, **RIO deemed New Mexico Performance 2007 Vintage Data** as shown on slide 3 to be most relevant for our return comparison in which the **Sun Mountain Net IRR ranged from 5.0% to 9.9%, which was below or comparable to Pitchbook Median Net IRR of 8.2% for Private Credit, 9.6% for Fund of Funds or 10.9% for Direct Equity.**

50 South Capital:

In order to review 50 South performance, RIO deemed In-State Program B as shown on slide 4 to be most relevant for our return comparison noting it represented the single largest 50 South Capital fund at $812.7 million and was over 50% drawn as of 9/30/2020. **The 50 South Capital In-State Investment Program B Net IRR ranged from 8.2% for Private Credit to 14.6% for Private Equity Buyout Funds with Venture Capital at 13.1% as shown on slide 4.**

Net Internal Rate of Return Comparison - 9/30/2020	Net IRR Range Low	High
Sun Mountain Net IRR	5.0%	9.9%
50 South Net IRR	8.2%	14.6%

Return Comparison Summary:

The 50 South Capital Net IRR range of 8.2% for Private Credit to 14.6% for Private Equity Buyout Funds was higher than Sun Mountain Capital at an absolute return basis and broadly comparable to Pitchbook Median Net IRR's of 7.9% for Private Credit (from 2011-2020) and 9.2% for Fund of Funds and 17.0% for Direct Equity on a blended rate basis. The 50 South Capital Private Equity Program generated a 10-Year Net IRR of 15.4% when excluding in-state programs as shown on slide 5.

Note: In-state return comparisons are difficult due to potential differences of investment objectives (e.g. risk adjusted returns versus economic impact) and inherent differences in the richness and/or diversity of investment opportunities in different geographic regions. RIO excluded manager return data from comparison if drawn capital was less than 50% of the program size or deemed to be non-representative due to age, size or other unique characteristics.

Note: All remaining slides in this "In-State Investment Program Due Diligence Overview" section were previously included in prior SIB presentation materials or other manager or consultant presentations.

PERFORMANCE BENCHMARKING

	2001-2020 (20-Year)		2011-2020 (10-Year)	
Asset Class	Median Net TVPI[g]	Median Net IRR[h]	Median Net TVPI[g]	Median Net IRR[h]
Fund of Funds	1.32x	9.6%	1.19x	9.2%
Direct Equity	1.42x	10.9%	1.40x	17.0%
Private Credit	1.17x	8.2%	1.14x	7.9%

Source: Pitchbook aggregate asset class performance benchmarks for 2001-2020 and 2011-2020.

BENCHMARKING APPROACH[b]

When measuring the financial performance of In-State Investment Programs, it is important to consider both Total Value to Paid-In Capital (TVPI)[g] as well as Internal Rate of Return (IRR)[h].

Investment timelines are often longer in geographies launching new programs and building ecosystems, which lowers IRR[h] but should not impact TVPI[g].

- Less deal flow translates into a longer timeline to invest the fund.
- Companies can take longer to grow and reach critical mass for investment follow-on.

Based on our initial understanding of NDSIB's policy benchmarking, the above 10 or 20 year returns targets would create a neutral or better impact on overall NDSIB performance.

EXAMPLE PROGRAM PERFORMANCE

SUN MOUNTAIN CAPITAL

NEW MEXICO PERFORMANCE – 9/30/20

Fund[f]	Vintage[i]	Net TVPI[g]	Net IRR[h]	20-Year Median TVPI[g]	20-Year Median IRR[h]
NMSIC Co-Investment	2007	1.52x	5.0%	1.42x	10.9%
NMPEIP (Former Advisor)*	2007	1.67x**	9.9%**	1.32x	9.6%
NM Catalyst Fund	2016	N/M (0.84x)***	N/M (-8.5%)***	1.32x	9.6%
NM Recovery Fund	2020	N/M	N/M	1.14x	7.9%

*As of June 30, 2018, the last reporting period for which Sun Mountain served as Advisor to the NMPEIP.
** Represents program returns from 2007 through June 30, 2018 related to investments recommended by Sun Mountain and does not reflect legacy investments in the program. Further, such amount does include the NMSIC Co-Investment and New Mexico Catalyst Fund.
***The NM Catalyst Fund is a seed stage fund of funds program with a focus on first-time fund managers. As less than half of the capital has been drawn the performance of this fund has been deemed as not meaningful.

MEXICO VENTURES PERFORMANCE – 9/30/20

Fund[f]	Vintage[i]	Net TVPI[g] (MXN)[j]	Net IRR[h,k] (MXN)[j]	20-Year Median TVPI[g]	20-Year Median IRR[h]
Mexico Ventures I	2011	1.60x	10.2%	1.32x	9.6%
Mexico Ventures I Annex Fund	2014	1.40x	10.9%	1.42x	10.9%
Mexico Ventures II Direct	2016	1.18x	6.8%	1.42x	10.9%
Mexico Ventures II Funds	2016	1.13x	6.8%	1.32x	9.6%
Mexico Ventures Mezzanine	2017	1.08x	4.0%	1.17x	8.2%

IN-STATE INVESTMENT PERFORMANCE

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

Data as of 9/30/20

Program	Vintage	Fund Size	Called Capital	Gross IRR	Net IRR	PME	Gross TVPI	Net TVPI	DPI
In-State Investment Program A	2005	$75M	91.8%	4.6%	4.6%	*7.5%*	1.31x	1.31x	1.04x
In-State Investment Program B	2016	$812.7M	52.2%	12.5%	12.5%	*1.5%*	1.21x	1.21x	0.15x
In-State Investment Program C	2018	$251.2M	17.0%	21.4%	-10.2%	*-1.1%*	1.15x	0.92x	0.07x
In-State Co-Investment Fund D	2019	$25.0M	37.6%	6.5%	3.2%	*-5.2%*	1.05x	1.03x	-

Data as of 9/30/20

In-State Investment Program B *(2016-2020 vintages)*	Net IRR
Buyout Fund Investments	14.6%
Private Credit Fund Investments	8.2%
Venture Capital Fund Investments	13.1%
In-State Co-Investment Fund D	3.2%

Data as of 9/30/20

Program	# of Portfolio Companies	# of In-State Companies	% Invested In-State *(no. of cos.)*	$ Invested In In-State Companies	$ Invested In-State Cos / Fund Commitments	FTEs In-State	# of Patents Issued	GAAP Revenue
IIP A	270	81	30.0%	$206.0M	3.7x	1,060	N/A	N/A
IIP B	888	216	24.3%	$5.0B	13.1x	6,300	298	$16.5B
IIP C	155	34	21.9%	$59.5M	0.65x	323	N/A	$22.2M

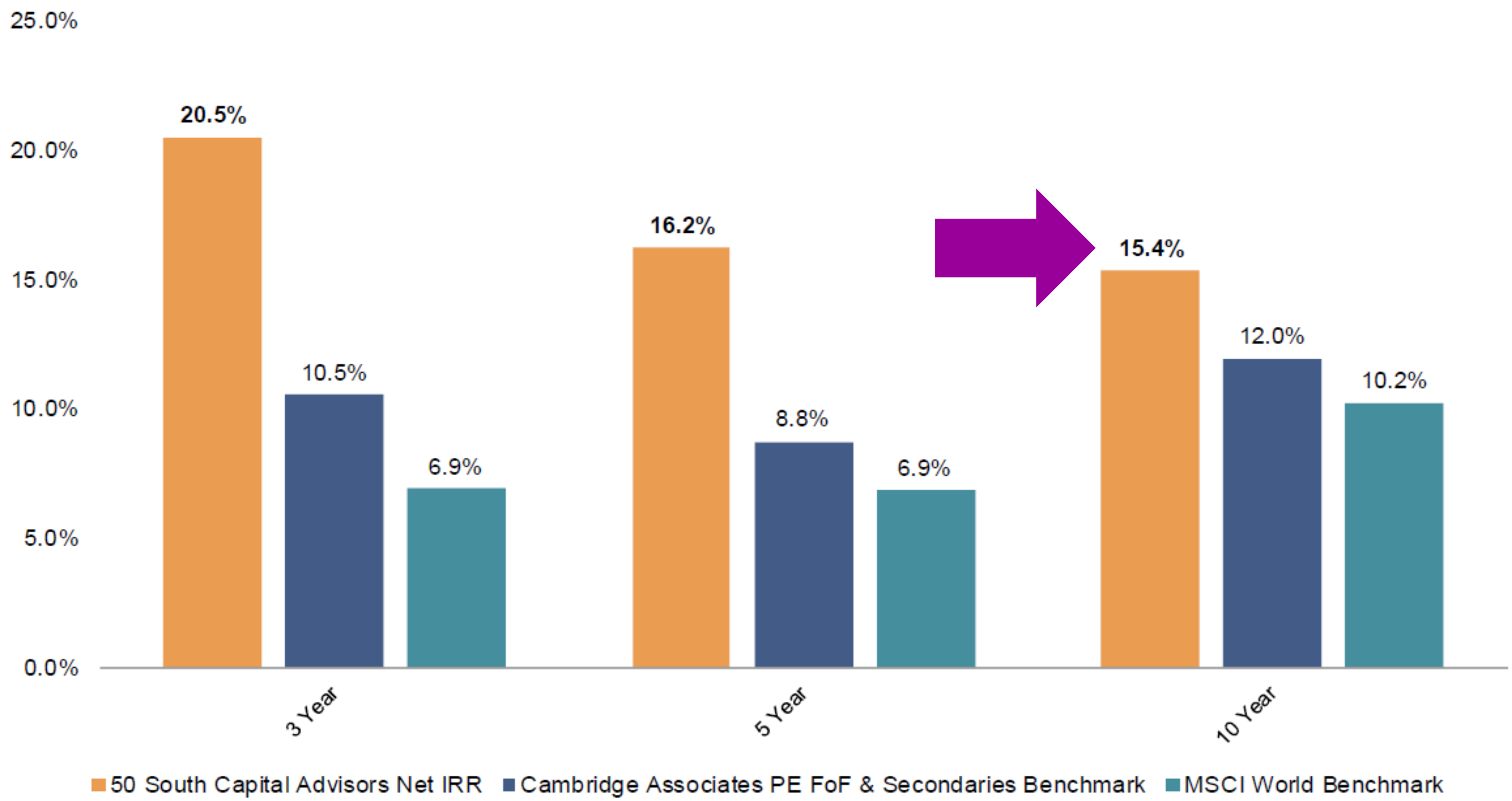
50 South return data as of 9.30.20. In-State Investment Program B private credit return data as of 12.31.20. In-state investment program FTE, patent and revenue data as of 12.31.19, the most recently available data. The PME represents the outperformance/underperformance to the Russell 2000 index over the same reporting period. Past performance is not indicative of or a guarantee of future results.

3, 5 AND 10-YEAR NET PRIVATE EQUITY PERFORMANCE

50 SOUTH CAPITAL

A SUBSIDIARY OF NORTHERN TRUST CORPORATION

50 South Capital's private equity program has consistently outperformed.



50 South return data as of 9/30/20 benchmark data as of 6/30/20. 1.Pooled end-to-end return, net of fees, expenses, and carried interest. 2CA modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public benchmark's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns. Sources: Cambridge Associates LLC, Frank Russell Company, MSCI Inc., Standard & Poor's and Thomson Reuters Datastream. Past performance is not indicative or a guarantee of future results.

Executive Summary of Candidate Merits and Considerations

50 South Capital Advisors, LLC

Merits

- Northern Trust, the parent company, is a well-resourced firm with many different supporting lines of business.
- Stable private markets team, with few senior-level departures.
- 10 discretionary private equity funds with total invested capital of $3.8 billion.
- The Firm has $260 million of invested capital and $835 million of uncalled capital across two In-State Programs with investments in venture capital, buyouts, and private credit.
- The Firm proposes to allocate $10 Million to Incubator/Start-Up Programs and a total of $35 Million to venture capital investments for the North Dakota In-State Program.
- Size of team allocated to NDSIB; and made note of the LIFT and BND Match programs.

Considerations

- The firm's two In-State Investment Programs are managed on a non-discretionary basis; North Dakota is seeking a discretionary relationship.
  - Limited track record with their two In-State Investment Programs.
- Few capabilities outside of private equity and private debt.
- They propose running the in-state program out of their existing private equity team as opposed to identifying dedicated individuals.

Executive Summary of Candidate Merits and Considerations

Sun Mountain Capital Advisors, LLC

Merits

- Firm specializes in In-State investment programs and investment in undercapitalized areas.
- Firm is 100% employee owned.
- $710 million in in-state investment program assets across five different in-state investment programs
- Experience with sponsors having different primary objectives (economic development, innovation, returns, etc.)
- Firm plans to hire to dedicated employees located in North Dakota to source and manage deal flow.
- Proposal provided a detailed program implementation.
- Competitive fees; no performance fee.

Considerations

- The Firm is small compared to its peers with only 13 centrally located employees.
- Potentially longer implementation time-frame due to the need to hire in-state professionals.
- Firm total assets of $1.3 billion of which $710 million are discretionary in-state program assets.
- Primary capabilities in venture/growth, private equity, and private debt.
- Mixed results with other geographically targeted programs.

Firm Strategy Summaries

RFP Respondent	Summary
50 South Capital	– The firm plans to focus on venture capital (35% allocation) consisting of a portfolio of funds with stage/sector diversification. Additionally, the firm plans to sponsor 1-2 incubators/accelerators/startup studios and 1-2 later stage venture debt or revenue-based firms complementing state sponsored lending programs. – The firm expects to allocate to Growth Equity/Buyout strategies in order to balance higher risk inherent in early stage venture. The goal in this strategy is to target investing in North Dakota's thriving industries such as oil field services and equipment industry. Co-investment opportunities will be pursued alongside growth equity/buyout funds with a focus on North Dakota's exploration and production, downstream, and midstream economies. – Lastly, the firm plans to allocate 10% to private credit opportunities across 1-3 firms as additional source of capital for mature businesses.
Sun Mountain	– Sun Mountain places an emphasis on running In-State Investment Program for financial return as lasting economic development is a direct result of investing in growing firms. The firm has an additional goal of deepening North Dakota's capital pool throughout the private capital markets. – The firm states that it is imperative to select top performing funds based in North Dakota or willing to actively invest in North Dakota Based companies. The firm plans to accomplish this goal through forming a deep understanding of local sources of deal flow and sourcing external funds that invest in those stages/sectors. To execute on this goal the firm expects to employ a proprietary process to identify promising sectors for deal flow and determine if these sectors have adequate capital to support strong companies. – The Firm anticipates incorporating private equity, venture capital, and private debt investments.

- Investments in private equity/Venture capital will be allocated through either commitments to investment funds or co-investments. The firm anticipates that approximately $40 million would be dedicated to fund commitments, $30 million reserved for co-investments, and the remaining $30 million to be allocated to private debt/credit transactions.
- The use of private debt to reach a broader set of companies and diversify the portfolio is important to implementing the Firm's strategy. The firm would target 2-3 million average investment and up to a total of $30 million in private debt/credit.

Fee Proposals

Summary

Throughout the process of analyzing proposed fees, Callan evaluated fee proposals by Management Fees, Carried Interest (performance based fees), and Charge-Backs (legal, fund administrative, and other fees). Fees were assessed using a commitment to the program of $100mm and a 15 year program. Management fees were charged on the program commitment and respondents generally offered management fee discounts after the Investment Period. Carried Interest was calculated using projected cash flows from the program's underlying investments. Callan further analyzed Carried Interest charged by each manager by reconciling differences in projected cash flows and examining proposed performance based fee structures.

Fee Proposal Breakdown by Fee Type

The following table shows an overview of the proposed fees charged for each respondent by fee type. Fees are shown assuming a plan life of 15 years.

RFP Respondent	Management Fees	Carried Interest	Charge-Backs	Total Fees	Average Annual Fee on $100mm
50 South Capital**	$9,800,000	$2,500,000	$3,025,000	$15,325,000	1.02%
Barings	$8,854,348	$11,352,092	$1,925,000	$22,131,440	1.48%
GCM Grosvenor	$7,738,333	$5,715,393	$2,021,700	$15,475,426	1.03%
Sun Mountain	$13,130,000	-	$1,215,000	$14,345,000	0.96%

*Data was extracted using RFP responses and are for illustrative purposes only
**Based on NDSIB being a long standing client of Northern Trust, 50 South Capital has negotiated a custody fee credit equal to 10% of 50 South Capital's proposed annual management fee over the life of the fund.

Management Fee Terms

The following table shows an overview of the proposed Management Fee terms for each respondent.

RFP Respondent	Average Annual Management Fee	Average Annual Management Fee (Investment Period)	Investment Period
50 South Capital	0.65%	0.96%	5 Years
Barings	0.59%	1.25%	4 Years
GCM Grosvenor	0.52%	1.00%	5 Years
Sun Mountain	0.88%	1.30%	5 Years

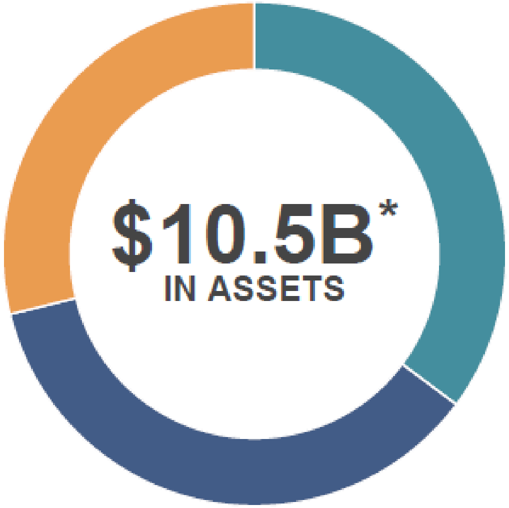
*Data was extracted using RFP responses and are for illustrative purposes only

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

A global alternatives firm that provides differentiated solutions and unique access to private equity, private credit and hedge fund investment opportunities.

AT A GLANCE

- Experienced team with a 20-year history
- Integrated alternative investment platform with hedge fund, private equity and private credit solutions
- Customized and multi-manager offerings



DISTINGUISHED APPROACH

- **Connected** to the global network and resources Northern Trust
- **Focus** on inefficient markets, specifically small to mid-sized managers
- **Diversified** and growing client base
- **Thoughtful** portfolio construction
- **Reputation** of finding talent early

Source: 50 South Capital. *AUM=$6.9B and AUA=$3.6B as of 12/31/20. Categories for investor breakouts include 50 South Advisor clients (AUM) as well as clients of affiliates (AUA).

IN-STATE INVESTMENT EXPERIENCE

For the past sixteen years, 50 South Capital has been one of the largest investors in Midwest venture capital funds.

$1.1B In-State Investment Program Assets	**16 Years** In-State Investment Experience
7,000+ Direct FTE Job Creation	**$5.0B+** Invested in In-State Businesses
85 In-State Fund Commitments Made	**20** In-State Direct Investments
9.3x In-State Investments / Fund Commitments	**$616M** In-State Investments

50 South Capital internal. Data as of 12.31.20. For illustrative purposes only. Past performance is not indicative of or a guarantee of future results.

MODEL PORTFOLIO DESIGN

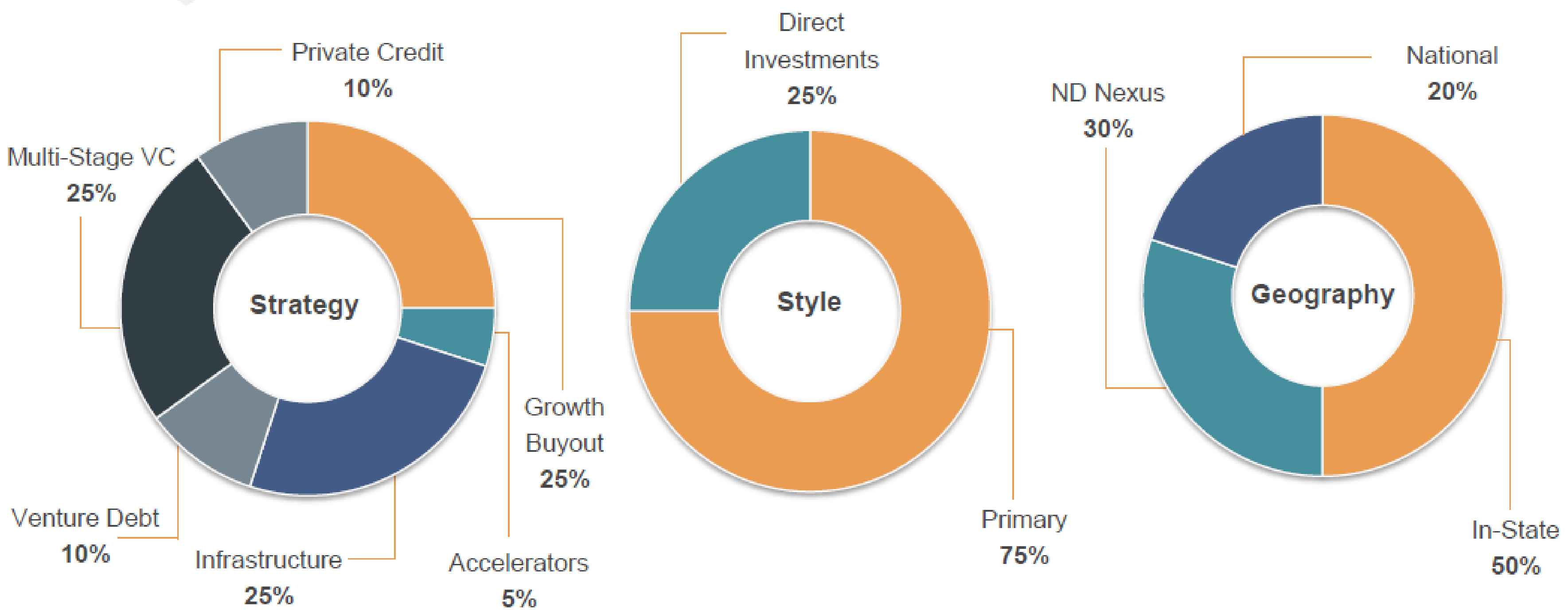
50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

Investment Strategy:
Diversified portfolio across vintage, industry, geography, strategy, primaries and direct investments

Venture & Growth Capital
- Pre-seed to early growth stage
- Venture Debt & Accelerators
- Focus on in-State investments
- 14 to 16 managers

Growth Private Equity & Private Credit
- Lower middle market focus
- Energy & Infrastructure focus
- Focus on in-State investments
- 7 to 10 managers

Direct Investments
- Early growth stage venture capital
- LMM control buyout & credit
- Focus on in-State investments
- 20-25 co-investments



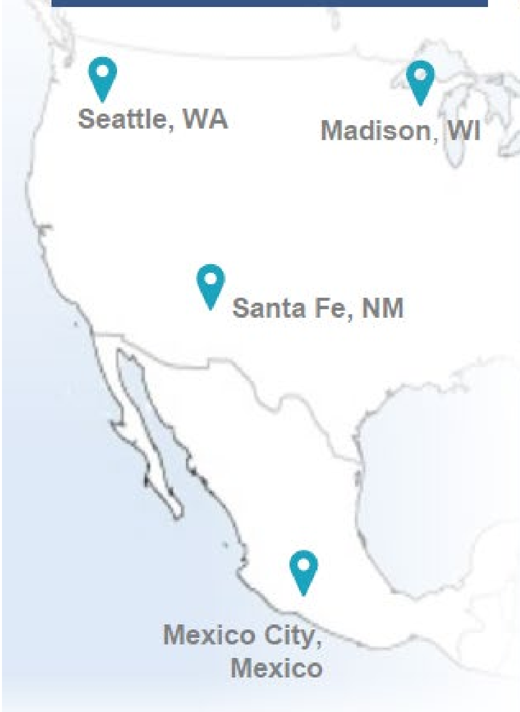
Actual Fund may differ from projected allocation based on available investment opportunities. Ranges are approximate only. For illustrative purposes only.

SUN MOUNTAIN CAPITAL REFRESHER

SUN MOUNTAIN CAPITAL

- An investment manager founded in 2006 to focus on geographically targeted and in-state investment programs (“IIPs”).
- Led by experienced investment professionals with expertise as investors and entrepreneurs.
- Global network of venture capital and debt funds, co-investors and entrepreneurial organizations.
- SEC Registered Investment Adviser[a].

SMC Office Locations



Review of Sun Mountain Capital’s Core Value Proposition

IIPs are what we do

- IIPs are complex investment programs that have their own unique set of opportunities and challenges
- Specialization is required to develop the expertise necessary for successful design and implementation of these programs
- Experience managing discretionary investment programs

Senior Team Involvement

- North Dakota represents an important opportunity for Sun Mountain
- Senior Team will be directly involved in all aspects of the program’s design and implementation
- Experienced in handling the many stakeholders associated with a high-profile investment program

Team Experience

- Sun Mountain team members have managed 14 IIPs in different states and in Mexico
- Value-adding investor with active roles as board members and advisors to entrepreneurs
- Co-investors with broad network of private equity and strategic investors
- Expertise in training and coaching new/emerging manager focused investments

Focused on the Middle West

- Our geographic focus is underserved states in the Middle West. New Mexico headquartered with offices in Seattle and Madison WI
- We understand the challenges that “fly over” states face and how to address them

ECOSYSTEM EXAMPLE: NEW MEXICO[b,e]

NEW MEXICO IIP: NMPEIP

- Sun Mountain is engaged in many facets of the New Mexico business and entrepreneurial ecosystem.
- Sun Mountain supports angel organizations, incubators, entrepreneurial organizations, and industry associations.
- Sun Mountain actively brings outside investors to the state supporting company growth.
- Examples:

NEW MEXICO IMPACT

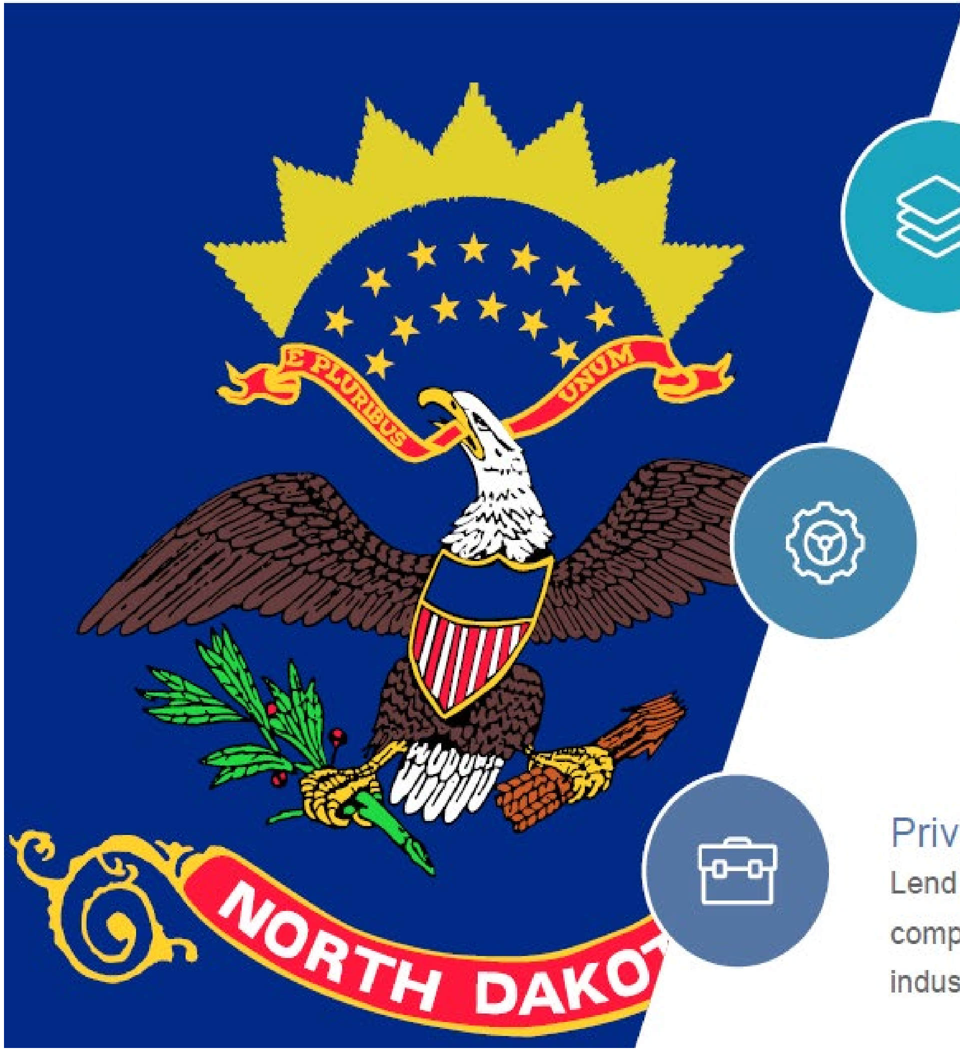
Fund[f]	Companies Supported	NM Employees	Annualized NM Payroll & Purchases
NMSIC Co-Investment*	39	662	$68.1M
NM Catalyst Fund*	17	169	$20.0M
NM Recovery Fund**	20	984	$72.6M
NMPEIP (Former Advisor)***	80	1,892	$282.1M

Source: Data collected by Sun Mountain Capital
*As of September 30, 2020
**As of December 31, 2020
***As of June 30, 2018, the last reporting date Sun Mountain served as Advisor

- The programs managed by Sun Mountain in New Mexico have had a positive impact for the state through increased employment and company spending.
- The key to creating long term positive economic impact for a state is making prudent investments in the most promising companies.

INVESTMENT STRATEGIES FOR NDSIB[b]

SUN MOUNTAIN CAPITAL



Fund of Funds

Invest in a portfolio of private equity, venture capital and private debt fund managers with a requirement to invest in North Dakota.

Direct Equity

Invest directly into early and growth stage companies in North Dakota alongside other institutional investors.

Private Credit

Lend directly to a broad set of North Dakota companies facilitating growth across a wide range of industries.

Callan

November 20, 2020

North Dakota State Investment Board

In-State Investment Program
Research Project
Phase I

Pete Keliuotis, CFA
Executive Vice President, Alternatives

Paul Erlendson
Senior Vice President

Alex Browning
Senior Vice President

In-State Investment Program Research Project

Overview

Callan’s proposal is designed to achieve three primary objectives:

1. To provide the SIB with background education regarding the history of in-state investment programs that have been implemented in other states;
2. To outline alternative investment program designs for consideration by the SIB including but not limited to investment objectives, measurement standards, and types of investments / assets to be included; and
3. To assist the SIB with policy development and the selection of a third-party to manager(s) and implementation of the program.

Phase One

- Description of in-state programs, types of investments utilized, and characteristics
- Summary of the sample set, including states, years active, size, asset types
- Provision of detailed examples of different programs
- If available, performance of in-state programs
- Takeaways based on examples from other states
- Identify which in-state investment programs subscribe to the Prudent Investor Rule

In-State Investment Program Research Project: Phase I

Comprehensive List of In-State Investment Programs

State	Program
Alaska	Alaska Investment Program
California	Golden State Investment Partners
Colorado	Colorado Mile High Fund
Connecticut	Nutmeg Opportunities Fund
Florida	Sunshine State Fund
Florida	Florida Growth Fund
Illinois	Illinois Growth and Innovation Fund
Indiana	Indiana Future Fund, iNext
Indiana	Next Level Fund
Michigan	Invest Michigan!
Nevada	Silver State Opportunities Fund
New Mexico	Private Equity Investment Program

State	Program
New Mexico	New Mexico Recovery Fund
New York	Hudson River Co-Investment Fund
New York	New York Credit Co-Investment Fund
North Carolina	NC Innovation Funds
North Dakota	Innovation Loan (LIFT) Fund
Ohio	Ohio Capital Fund
Oregon	Oregon Investment Fund
Texas	Texas Growth Fund
Texas	Emerging Technology Fund
Wisconsin	Wisconsin Venture Capital Portfolio
Wisconsin	Wisconsin Private Debt Portfolio

- Callan conducted a survey of in-state investment programs across the United States
- Programs have been sponsored by states of varying sizes and economic environments
- Most of these programs continue to be active, though some have been discontinued
- Among the issues identified that result in program discontinuation:
  - Did not meet initial objectives for performance, job creation, or technology development
  - Lack of support from sponsoring entity (e.g., new administration; inconsistently provided support)
  - Change in program governance and/or turnover among program managers

In-State Investment Program Research Project: Phase I

Additional Detail for Selected Programs

State/Region	Program Name	Inception	Invested Capital	Asset Class(es)	Active?	Prudent Inv Rule?	State GDP ($bn)	Implementation	Description
Alaska	Alaska Investment Program	2019	$200m committed	Growth equity, private equity, infrastructure, private credit	Y	Y	$54	Fund investments	Means of supporting growing businesses in the state; Alaska-based investments made with the $200 million won't get preferential treatment: "our No. 1 and only goal is really to beat that private equity benchmark"
Connecticut	Nutmeg Opportunities Fund	2009, 2017	$260m	Private equity, growth equity, venture capital	Y	Y	$287	Fund commitments, direct investments	Invests in smaller or emerging managers with commitment to maintaining an office; having a significant business presence; or business plan to conduct substantial operations in CT
Nevada	Silver State Opportunities Fund	2012	$50m committed	Private equity	Y	N	$178	Fund commitments, co-investments	Generate attractive private equity returns for the State of Nevada Permanent School Fund by investing in Nevada companies either directly or through fund managers. A company is considered a Nevada business if it has a headquarters in the state, or in the process of planning an expansion in or relocation in the state, or significant percentage of employees residing in the state.
New Mexico	Private Equity Investment Program	1993	$360.0m	Venture capital, growth equity, buyout	Y	N	$105	Fund investments and co-investments	Support investments in companies located in the state; companies' headquarters need to be in New Mexico and at least 50% of its employees are required to live and work in the state
Oregon	Oregon Investment Fund	2004	$195.7m	Venture capital, growth equity, buyout	N	Y	$254	Fund investments and co-investments	Fund-of-fund strategy capitalized by the OIC to take advantage of the private equity opportunities in Oregon and the Pacific Northwest. Committed to funds that invest in companies located primarily in the state of Oregon and the Pacific Northwest region, and operating companies alongside the selected managers.

- The programs above are cited here due to their state economies being most closely comparable to North Dakota's in terms of size or structure (GDP range: $54B - $287B). In 2019, North Dakota's reported GDP was ~ $57B
- Amounts invested within this group range from $50m to $360m
- Most programs invest across multiple asset classes, though the primary focus is venture capital and growth equity
  - These two strategies are expected to be most effective in driving job creation and economic development
- Implementation has been through a combination of private equity fund commitments and co-investments
- Each state uses different guidelines for which types of businesses the programs intend to target
- Most programs are designed to support businesses ***in the state***, although CT and OR's program are ***regional***

Source: Callan survey of in-state programs; North Dakota annual GDP = $57 billion
Note: Prudent Investor Rule assumed to be followed even if not explicitly stated if third-party fiduciary manager hired and given discretion

In-State Investment Program Research Project: Phase I

Lessons Learned from In-State Programs

Callan conducted interviews with several managers and senior investment officers of various in-state programs. The following are summaries of their experiences with managing these programs.

BEST PRACTICES

Governance

- Transparent program set-up and oversight process
- Apolitical oversight body
- Long-term commitment to program
- Adopt Statement of Investment Policy; review annually
- Regular (quarterly/annual) evaluation of progress towards goals

Objectives

- Returns-oriented
- Compliance with Prudent Investor Rule
- Clearly, concisely stated in writing

Implementation

- Delegate implementation to third-party fiduciary sourced through a competitive process with clear accountability
- Rely on external fiduciary to establish the opportunity set
- Capital invested over time (in "tranches") based on achievement of program milestones
- Alignment of interests (e.g., GP capital commitment; performance-based fees; appropriate time-horizon)

THINGS TO AVOID

Governance

- Lack of information available on program set-up or progress
- Oversight process includes political or other influences that conflict with the primary investment objective
- Inconsistent commitment; focus on short-term results
- Infrequent or inconsistent program evaluation

Objectives

- Unclear or unspoken
- Difficult to measure
- Independent of returns

Implementation

- Fiduciary not provided with implementation authority or autonomy
- Program structure overly prescriptive before fiduciary hired
- Too much capital allocated relative to opportunity set
- Lack of accountability
- Fees unrelated to achieving program goals

In-State Investment Program Research Project: Phase I

- Dozens of in-state investment programs have been established across the country by states of all sizes and economies. Some have worked; some not.
- Most programs focus on venture capital or growth equity investments to help spur job growth, capital formation, and technology development
- Performance has been mixed, with wide dispersion, but median results have been largely in line with private equity benchmarks
- Program managers and senior investment officers believe a transparent process with clear objectives managed by a third-party fiduciary are the best ways to achieve success.
- Phase II Next Steps:
  - Program structure and composition
  - Geographic scope
  - Initial thoughts on program size, implementation

In-State Investment Program Research Project: Phase I

Additional Detail for All Programs in Survey

State/Region	Program Name	Inception	Invested Capital	Asset Class(es)	Active?	Prudent Inv Rule?	State GDP ($bn)	Implementation
Alaska	Alaska Investment Program	2019	$200m committed	Growth equity, private equity, infrastructure, private credit	Y	Y	54	Fund investments
California	Golden State Investment Partners	2006	$793.2m	Private equity, growth equity, venture capital, mezzanine	Y	Y	3,200	Fund commitment, co-investment SMA
Colorado	Colorado Mile High Fund	2012	$50m committed	Venture capital, growth equity, buyout, mezzanine, infrastructure, energy	N	Y	393	Co-investments
Connecticut	Nutmeg Opportunities Fund	2009, 2017	$260m	Private equity, growth equity, venture capital	Y	Y	287	Fund commitments, direct investments
Florida	Sunshine State Fund	2018	$125m committed	Private equity, growth equity, venture capital	Y	Y	1,106	Fund commitments, direct investments
Florida	Florida Growth Fund	2009	$601.1m	Private equity, growth equity, venture capital, credit	Y	Y	1,106	Fund commitments, co-investments
Illinois	Illinois Growth and Innovation Fund	2015 (upsized in 2018)	$725m committed	Venture capital, growth/ buyouts, private credit	Y	N (advisory)	886	Fund commitments
Indiana	Indiana Future Fund, iNext	2003, 2009	$131m	Venture capital	N	Y	380	Fund commitments, direct investments
Indiana	Next Level Fund	2017	$250m committed	Private equity, growth equity, venture capital, credit	Y	Y	380	Fund commitments, co-investments
Michigan	Invest Michigan! (Growth Capital, Opportunities, Mezzanine Funds)	2014	$300m committed	Growth equity, venture capital, mezzanine (SBIC)	Y	N/A	537	Co-investments (80%) and venture capital fund investments (20%)
Nevada	Silver State Opportunities Fund	2012	$50m committed	Private equity	Y	N	178	Fund commitments, co-investments

Source: Callan survey of in-state programs;

Note: Prudent Investor Rule assumed to be followed even if not explicitly stated if third-party fiduciary manager hired and given discretion

In-State Investment Program Research Project: Phase I

Additional Detail for All Programs in Survey

State/Region	Program Name	Inception	Invested Capital	Asset Class(es)	Active?	Prudent Inv Rule?	State GDP ($bn)	Implementation
New Mexico	Private Equity Investment Program	1993	$360.0m	Venture capital, growth equity, buyout	Y	Y	105	Fund investments and co-investments
New Mexico	New Mexico Recovery Fund	2020	$100m committed	Credit	Y	Y	105	Business loans
New York	In-State Private Equity Program	2002	$601.4m	Private equity, credit	Y	Y	1,772	Fund commitments, co-investments
New York	New York Credit SBIC	N/A	$200m committed	Credit	Y	Y	1,772	Fund commitment
North Carolina	NC Innovation Funds	2013	$232.3m	Venture capital, growth equity, buyout, mezzanine	Y	Y	592	Fund investments and co-investments
Ohio	Ohio Capital Fund	2006	$341.3m	Venture capital, growth equity	Y	Y	695	Co-investments and fund investments
Oregon	Oregon Investment Fund	2004	$195.7m	Venture capital, growth equity, buyout	N	Y	254	Fund investments and co-investments
Texas	Texas Growth Fund	1988	$575m committed	Venture capital, buyout	N	N/A	1,887	Fund investments and co-investments
Texas	Emerging Technology Fund	2005	$500m committed	Venture capital	N	N/A	1,887	Direct and co-investments
Wisconsin	Wisconsin Venture Capital Portfolio	1999	$345m committed across multiple tranches (1999-2014)	Venture capital	Y	Y	349	Fund investments and co-investments
Wisconsin	Wisconsin Private Debt Portfolio	1960s	N/A	Private debt (small business loans)	Y	Y	349	Direct and co-investments with local banks

Source: Callan survey of in-state programs;

Note: Prudent Investor Rule assumed to be followed even if not explicitly stated if third-party fiduciary manager hired and given discretion

Callan

February 12, 2021

Legacy and Budget Stabilization Fund Advisory Board

Asset Allocation Review:
Phase One

Paul Erlendson
Fund Sponsor Consulting

Alexander Browning
Fund Sponsor Consulting

Jay Kloepfer
Capital Market Research

Private Capital and the North Dakota Legacy Fund

- The Legacy Fund's current strategic asset allocation policy ("Target") includes six broad asset classes:
  - Public U.S. equity
  - Public non-U.S. equity, including emerging markets
  - Broad fixed income, including a 5% allocation to private credit
  - TIPS ("Treasury Inflation-Protected Securities")
  - Private infrastructure
  - Private real estate
- The North Dakota Legislative Assembly is currently considering legislation that would require the Legacy Fund to allocate capital to in-state investments. The majority of states with in-state programs invest via private rather than public markets for these types of investment mandates. This experience provides the basis for considering "private capital" as an asset class to house prospective direct private investments for the Legacy Fund.
- "Private capital" includes the potential for investment in private equity (ownership) and private debt (direct lending)
- Private equity and private debt require development of a comprehensive program to deploy capital
  - Establish goals, design portfolio, develop plan to allocate capital across strategies and time, source deals, execute, and monitor
- An allocation to in-state investments, including through Private Capital, should have the goal of meeting institutional best practices in design, execution, and due diligence, as well as expectations for risk and return
- A Private Capital program will focus on investing in North Dakota, but the allocation will be broadly diversified and include private investments across the U.S.

Benefits and Considerations Private Capital

BENEFITS

- Expected higher return than in public markets, in exchange for illiquidity and lock-up of assets for an extended periods
  - Successfully implemented private ***equity*** expected to generate a 1.5% compound return premium over public equity
  - Successfully implemented private ***debt*** expected to generate a 4.5% compound return premium over public fixed income
- Define "private capital" as including investments in both private equity and private debt

CONSIDERATIONS

- Investing in private markets takes time
  - "Vintage year" diversification reduces exposure to economic downturns and market cycles dictate the available opportunities in a given year
  - Diversification by strategy and economic sector
  - Program stability and continuity will require a strategic plan to "pace" asset flows into and out of the program through time
  - Investments will mature (produce "realizations" at time of sale) at different times, generally over a 4 – 10 year period.
  - Distributions typically occur later in the cycle, requiring that new investments be funded with capital taken from other assets
- Capital calls and illiquidity will impact the ability of the Legacy Fund to generate cash for distributions
  - Private capital strategies typically call capital from investors over a period of years rather than all at once.
  - Assets invested in private capital cannot be redeemed on demand, requiring that funds be taken from a smaller subset of the liquid, public market assets in order to meet biannual distributions.
  - Market drawdown in public equities or a large withdrawal under the current spending policy will push up the relative size of the private markets program, altering the desired risk profile for the investment program
- Size and pacing matters
  - The in-state program manager will develop a multi-year plan to deploy target amount of assets into the investment opportunities..
  - Depending on the opportunities presented, it may be prudent to work up to the target allocation size over time.

Benefits and Considerations Private Capital

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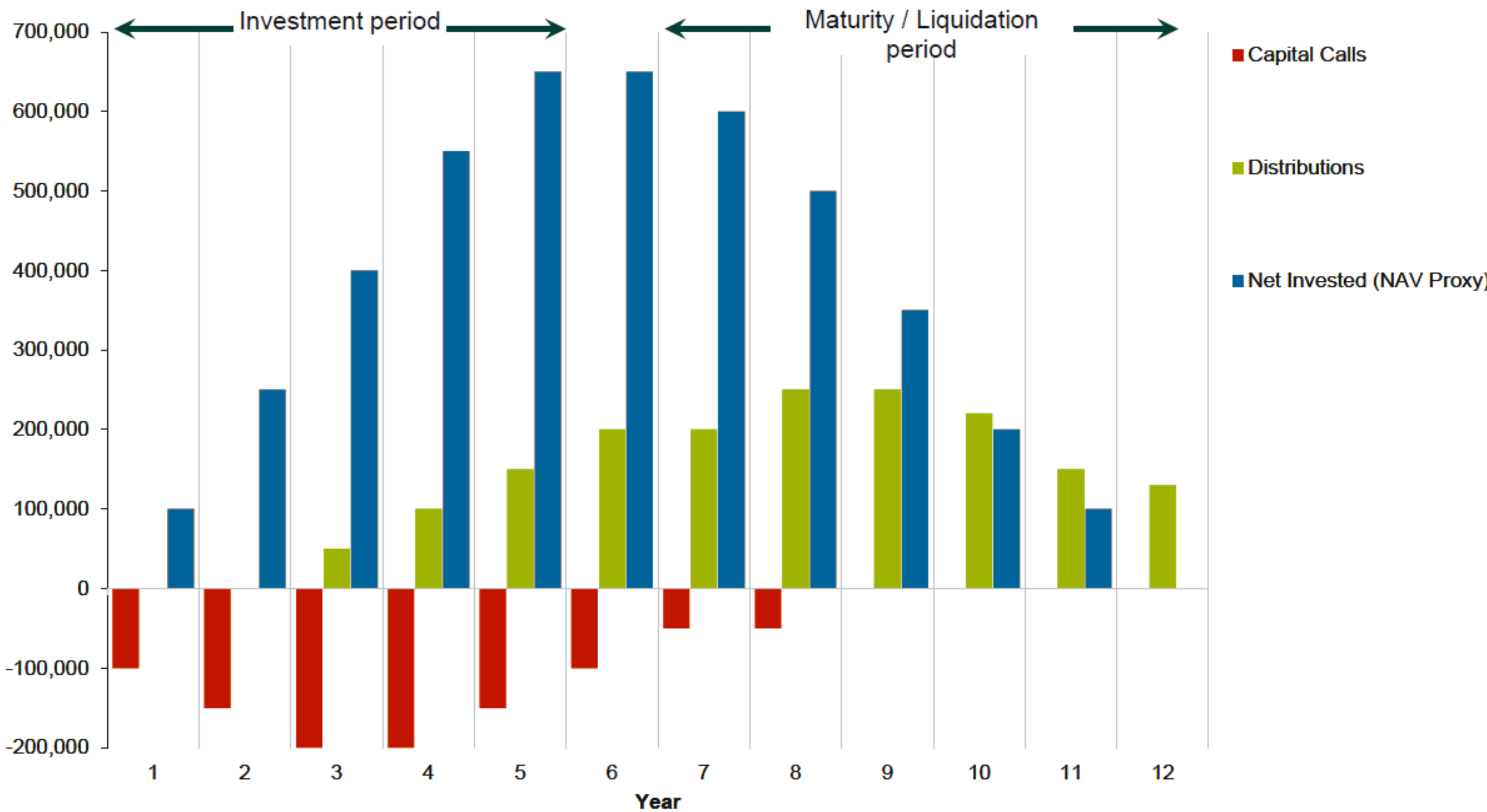
  - Depending on the opportunities presented, it may be prudent to work up to the target allocation size over time.

Private Capital Cash Flows and Net Asset Value

Represents yearly cash flow and NAV for a $1 million partnership (or vintage year) commitment



Callan

March 26, 2021

North Dakota State Investment Board

In-State Investment Program
Manager Selection Overview

Pete Keliuotis
Executive Vice President

Paul Erlendson
Senior Vice President

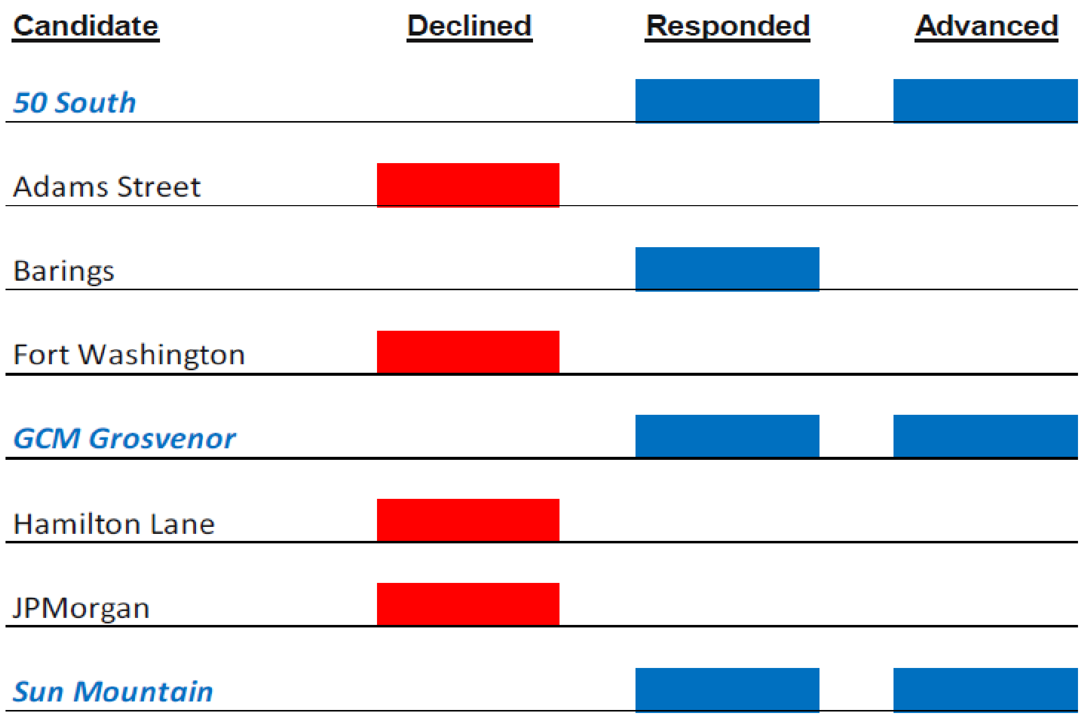
Alex Browning
Senior Vice President

Overview: Semi-Finalist Selection Process

- Program manager selection is one step in a prudent process that has been followed by the North Dakota State Investment Board and the Legacy and Budget Stabilization Fund Advisory Board. This project follows a series of educational meetings and asset allocation evaluations.
- Callan's Alternatives Consulting group identified eight firms with institutional investment management experience who also possess private capital asset management capabilities.
- Callan issued a "North Dakota State Investment Board In-State Investment Program Questionnaire" to the group of institutional-quality investment firms in mid-February, 2021. Categories of inquiry covered by the 57-question document included:
  - Organization;
  - Personnel;
  - Private Asset Experience;
  - Overview of proposal for North Dakota In-State Investment Program;
  - Private Asset Performance History; and
  - Operations and Fees.
- Responses were reviewed by a team of Callan investment professionals.
- Callan conducted reference checks of the candidates' in-state clients and third-party general partners with whom the candidates interact in the management of in-state programs.
- RIO and Callan staff remained engaged throughout the due diligence process.

Candidates Considered for the North Dakota In-State Investment Program

Questionnaire and Outcomes



Among reasons given by firms that declined to participate:

- Mismatch between the desired capital commitment and the perceived size of the in-state opportunity set.
- Belief that the firm would not be competitive based on experience with in-state investing and pricing.
- Lack of scale and opportunity with in-state programs versus in other alternatives within the private markets.
- Potential headline risk to the managers associated with running an in-state investment program.

Considerations and Suggested Next Steps

Considerations

1. In-state investment program management requires an uncommon set of skills:
   - Private capital investment expertise;
   - Specialized professional resources familiar with geographically-constrained opportunity evaluation;
   - Ability to research opportunities that may not be widely known or followed, or easily accessed;
   - Sensitivity and awareness of investment AND non-investment considerations of in-state programs; and
   - A long-term commitment to meeting the goals and objectives of the North Dakota State Investment Board.
2. SIB's goals, priorities and measurement standards must be clearly ***understood by all stake-holders***.
3. SIB's goals, priorities and measurement standards must be clearly ***understood and agreed by the manager***.

Suggested Next Steps

A. Identify two candidates for further consideration, evaluation and negotiation by RIO staff.

B. Provide guidance on priorities to be used in evaluating and negotiating with the two selected semi-finalists.

C. Assess the needs and potential requirements for additional RIO staff relative to an in-state investment program.

D. Other . . . ?

North Dakota In-State Investment Program Overview

The State Investment Board (SIB) has supported Bank of North Dakota's (BND) Match Loan CD Program, which provides cost-efficient funding to businesses looking to grow existing operations or establish a new business in North Dakota, for over 30 years.

In 2019 and 2020, the Legacy Fund Advisory Board (Advisory Board) and SIB doubled the size of its commitment to the BND Match Loan CD Program from $200 million in 2019 to $400 million in 2020 (and represents an approximate 5% target asset allocation).

In 2020 and 2021, the Advisory Board and SIB conducted a study to determine the most efficient and prudent manner to expand the in-state investment program. After reviewing the study, the Advisory Board approved a new 3% Private Capital allocation with a preference for in-state investments. The SIB approved this recommendation to increase Legacy in-state investment targets to 8%.

The Legacy Fund asset allocation policy now includes a 5% target for the BND Match Loan CD Program as a Fixed Income sector allocation in addition to a target 3% Private Capital allocation (+/- 3%) with a preference for in-state investments at a competitive rate (which reduced Legacy's asset allocation to Global Equities from 50% to 47%).

Private market investments take a significant length of time to prudently deploy capital as it commonly takes many years to hit investment targets.

Legacy Fund earned a net investment return of 9.25% per annum for the 5-years ended Dec. 31, 2020. In the last half of 2020, Legacy's net investment return was 14.3% (or $1 billion) which exceeded the policy benchmark return by 1% (or $70 million) after all fees and expenses.

As of Feb. 28, 2021, the Legacy Fund balance approached $8.3 billion including nearly $2.8 billion of net investment income (since inception) with current biennium to date earnings of $696 million (as defined by NDCC 21-10-12). Legacy Fund earnings were $455,263,216 in the 2017-19 biennium (as defined by NDCC 21-10-12) and were transferred to the General Fund in mid-2019.

Note: Reported amounts post June 30, 2020, are unaudited and subject to change.

SIB Raises In-State Investment Targets up to 8% as Recommended by Legacy Fund Advisory Board

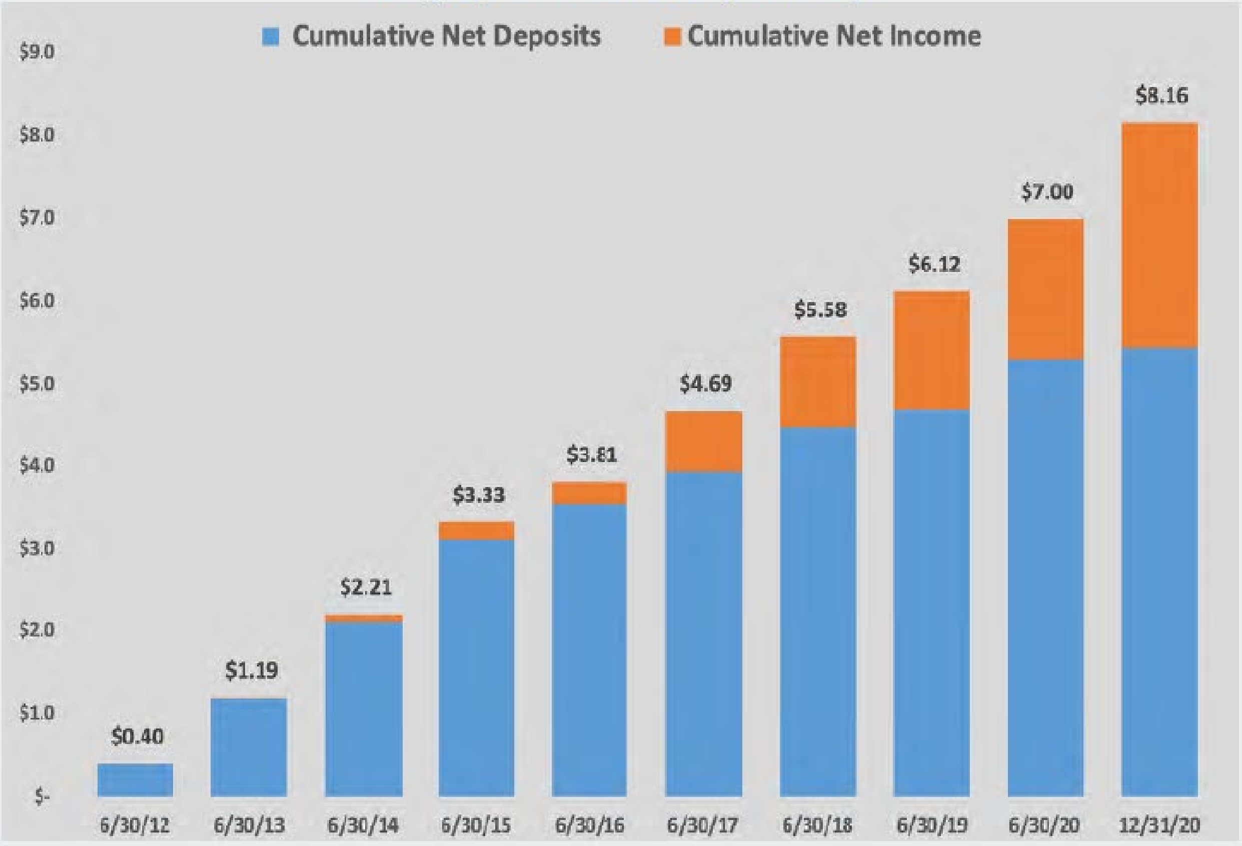
During the past 18 months, the SIB has doubled the size of the Legacy Fund In-State Investment Program by increasing its long-standing commitment to the Bank of North Dakota Match Loan Program – from a $200 million commitment in 2019 to a $400 million commitment in 2020. In 2021, the Advisory Board and SIB seeks to further expand its commitment to the Legacy Fund In-State Investment Program by adding a new private capital allocation with a preference to target in-state investments in private equity and private credit. The SIB approved these Advisory Board recommendations in February and is working towards identifying a new In-State Investment Program management firm in April.

Legacy Fund Gains Over $1 billion in Last Half of 2020

The Legacy Fund balance exceeded $8 billion at year-end 2020 and has earned over $2.7 billion of net investment income since inception.

Legacy Fund net investment returns exceeded 14.3% in the last half of 2020 and 9.25% per annum for the 5-years ended 12/31/2020. Month-end valuations and investment results are reported on RIO's website.

Legacy Fund Balance ($ in billions)



North Dakota State Investment Board

In-State Investment Program

April 23, 2021

Photo attributed to 2019 North Dakota Governor's Best of Show and Decade's Best "Stormy Sunset" by Zachary Hargrove of Bismarck, North Dakota. Copyright free.

50 SOUTH CAPITAL

ABOUT THE PRESENTERS

50 SOUTH CAPITAL

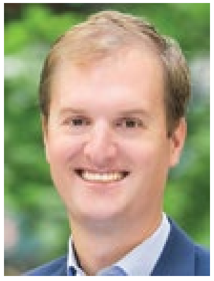
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

Tamara Doi Beck

Tamara Doi Beck is Director, Public Funds & Taft-Hartley Plans at Northern Trust Asset Management. Tamara has dedicated her career to serving public funds as a relationship manager and has twenty years of financial industry experience. Tamara joined Northern Trust from Janus Capital Group, where she was Managing Director, and previously, she was Director of Business Development for LMCG Investments and Senior Vice President for Neuberger Berman. Tamara also held several roles at Morgan Stanley Investment Management for over six years, most recently as Vice President of Institutional Sales on the Public Funds Team. Tamara earned a BA from Tufts University and graduated *summa cum laude* with highest thesis honors. She holds Series 3, 7, 30 and 63 licenses.

Bob Morgan

Bob Morgan is a Managing Director of 50 South Capital Advisors, the wholly-owned subsidiary of Northern Trust focused on alternatives investments. He has management responsibility for the firm and is Chair of the Investment Committee. He had previously been Director of Private Equity at Northern Trust, a position he held since co-founding the Private Equity funds group in 2000. Prior to joining Northern Trust, he worked as a Director at Frye-Louis Capital Advisors, LLC ("FLCA"), a Chicago-based private equity investment manager, and was responsible for all of the operations of FLCA, including the management of a private equity fund-of-funds. Prior to joining FLCA, Bob worked for Heller Financial, a middle-market commercial finance company which was later acquired by General Electric. Bob was a Senior Vice President at Heller and was responsible for its private equity programs. Within Heller, Bob held several roles, including positions in the Corporate Finance Group, Corporate Credit and Heller Equity Capital Corporation, Heller's captive private equity fund. While at Heller, Bob also oversaw a direct equity co-investment program. Prior to attending business school, Bob worked for a commercial bank in North Carolina. He has invested in hundreds of private equity funds covering the buyout, venture capital, credit, distressed debt, real estate and international markets. Bob sits on the board of the IVCA and several fund advisory boards. He received his BA in Economics from Wake Forest University and an MBA from Emory University.



Trey Hart

Trey Hart is a Managing Director of 50 South Capital Advisors, the wholly-owned subsidiary of Northern Trust focused on alternative investments. He is responsible for sourcing and analyzing venture capital and buyout partnership and direct investment opportunities globally. Prior to joining Northern Trust, Trey was a Vice President at Greenspring Associates, the global venture capital fund-of-funds based in Baltimore, Maryland. At Greenspring Associates, Trey was active in all aspects of the investment process, including primary fund investments, secondary investments and direct co-investments. Prior to Greenspring Associates, Trey was as an Associate at Kirkland & Ellis LLP in the international law firm's private equity practice, where he worked with private equity firms in a fund-formation capacity. Trey is on the advisory boards of several limited partner advisory boards. Trey is a *magna cum laude* graduate of Washington and Lee University and a *magna cum laude* and Order of the Coif graduate of the University of Maryland School of Law, where he was an associate editor of the Maryland Law Review. While in law school, Trey worked at New Enterprise Associates, the global venture capital firm, in its Baltimore, Maryland offices. He is a licensed attorney in the State of Illinois. He is also a Kauffman Fellow (Class 20).

DISCLOSURE

The following information relates to funds for which 50 South Capital Advisors, LLC serves as investment manager/general partner. Investments in any of the funds discussed herein are not insured by the Federal Deposit Insurance Corporation, and are not deposits or obligations of, or guaranteed or endorsed in any way by, The Northern Trust Company, its affiliates, subsidiaries, or any other banking entity. Investments in the funds are not insured by the Federal Reserve Board, or any governmental agency and are subject to investment risks, including possible loss of principal invested.

Any losses in such covered fund will be borne solely by investors in the covered fund and not by The Northern Trust Company; its affiliates, subsidiaries or any other bank. Therefore, losses in such covered fund will be limited to losses attributable to the ownership interests in the covered fund held by Northern Trust and any affiliate in its capacity as investor in the covered fund or as beneficiary of a restricted profit interest held by the business unit or any affiliate. Investors should read each Confidential Private Placement Memorandum carefully prior to investing.

50 SOUTH CAPITAL ADVISORS, LLC

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

A global alternatives firm that provides differentiated solutions and unique access to private equity, private credit and hedge fund investment opportunities.

AT A GLANCE

- Experienced team with a 20-year history
- Integrated alternative investment platform with hedge fund, private equity and private credit solutions
- Customized and multi-manager offerings

DISTINGUISHED APPROACH

- **Connected** to the global network and resources Northern Trust
- **Focus** on inefficient markets, specifically small to mid-sized managers
- **Diversified** and growing client base
- **Thoughtful** portfolio construction
- **Reputation** of finding talent early

Source: 50 South Capital. *AUM=$6.9B and AUA=$3.6B as of 12/31/20. Categories for investor breakouts include 50 South Advisor clients (AUM) as well as clients of affiliates (AUA).

50 SOUTH CAPITAL PRIVATE EQUITY TEAM

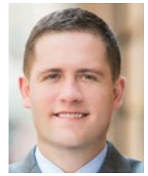
50 SOUTH CAPITAL

A SUBSIDIARY OF NORTHERN TRUST CORPORATION

INVESTMENT TEAM


Bob Morgan
Managing Director


Brad Dorchinecz
Managing Director


Adam Freda
Managing Director


Trey Hart
Managing Director


Aaron Gillum
Senior Vice President

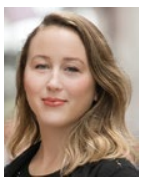

Mike Marderosian
Senior Vice President


Kevin Butts
Senior Vice President


Nick Lawler
Senior Vice President


Chip Davis
Director


Molly Brister
Director


Bridget Schweihs
Vice President


Patrick Clavio
Senior Associate

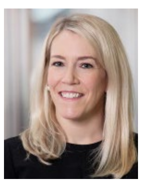

Tony Sorrentino
Senior Associate


Eric Qi
Analyst

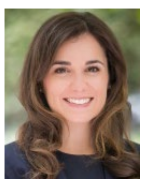

Mary Sheehan
Analyst


Sarah Jaeger
Analyst

INVESTOR RELATIONS TEAM


Julie Canna
Senior Vice President

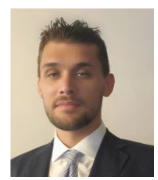

Kathleen Switala
Vice President

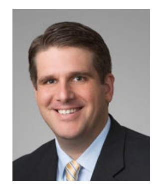

Megan Brooks
Senior Associate

BUSINESS OPERATIONS & LEGAL TEAM


Jeff Buth
CFO


Liz Boeckmann
CAO


Josh Abrego
Controller


Justin Redeker
General Counsel


Kevin Kresnicka
Product Specialist


Patti Nolan
Operations


Maria Maldonado
Executive Admin


Thalia Lloyd
Back Office


Thomas Needle
Back Office


Mark DiPietro
Back Office

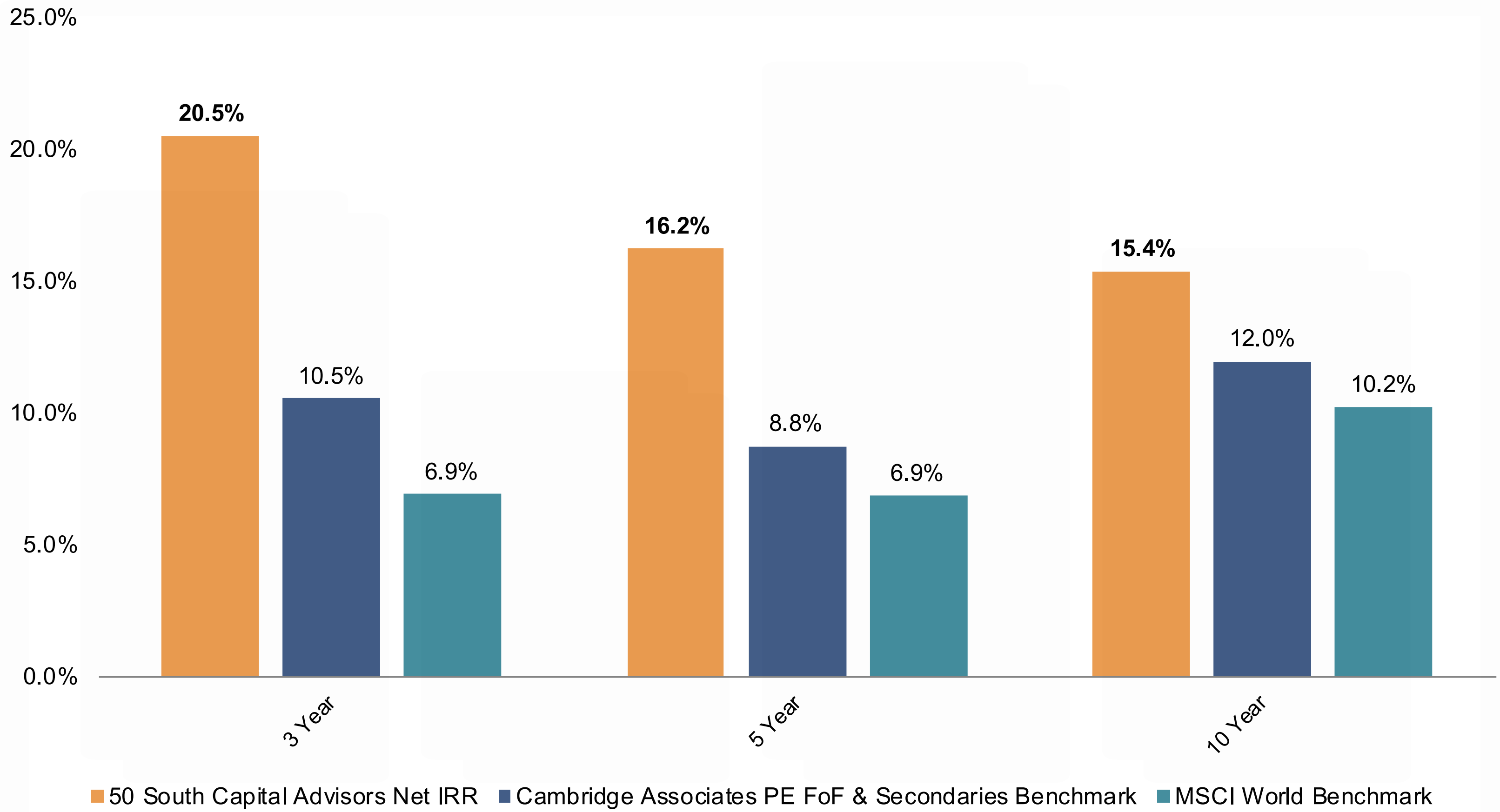

Cameron Cunion
Back Office


Phil Schwartzman
Finance and Operations

3, 5 AND 10-YEAR NET PRIVATE EQUITY PERFORMANCE

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

50 South Capital's private equity program has consistently outperformed.



50 South return data as of 9/30/20 benchmark data as of 6/30/20. 1.Pooled end-to-end return, net of fees, expenses, and carried interest. 2CA modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public benchmark's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns. Sources: Cambridge Associates LLC, Frank Russell Company, MSCI Inc., Standard & Poor's and Thomson Reuters Datastream. Past performance is not indicative or a guarantee of future results.

IN-STATE INVESTMENT EXPERIENCE

A SUBSIDIARY OF NORTHERN TRUST CORPORATION

For the past sixteen years, 50 South Capital has been one of the largest investors in Midwest venture capital funds.

$1.1B
In-State Investment Program Assets

16 Years
In-State Investment Experience

7,000+
Direct FTE Job Creation

$5.0B+
Invested in In-State Businesses

85
In-State Fund Commitments Made

20
In-State Direct Investments

9.3x
In-State Investments / Fund Commitments

$616M
In-State Investments

50 South Capital internal. Data as of 12.31.20. For illustrative purposes only. Past performance is not indicative of or a guarantee of future results.

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IN-STATE INVESTMENT PERFORMANCE

50 SOUTH CAPITAL

A SUBSIDIARY OF NORTHERN TRUST CORPORATION

Data as of 9/30/20

Program	Vintage	Fund Size	Called Capital	Gross IRR	Net IRR	PME	Gross TVPI	Net TVPI	DPI
In-State Investment Program A	2005	$75M	91.8%	4.6%	4.6%	*7.5%*	1.31x	1.31x	1.04x
In-State Investment Program B	2016	$812.7M	52.2%	12.5%	12.5%	*1.5%*	1.21x	1.21x	0.15x
In-State Investment Program C	2018	$251.2M	17.0%	21.4%	-10.2%	*-1.1%*	1.15x	0.92x	0.07x
In-State Co-Investment Fund D	2019	$25.0M	37.6%	6.5%	3.2%	*-5.2%*	1.05x	1.03x	-

Data as of 9/30/20

In-State Investment Program B *(2016-2020 vintages)*	Net IRR
Buyout Fund Investments	14.6%
Private Credit Fund Investments	8.2%
Venture Capital Fund Investments	13.1%
In-State Co-Investment Fund D	3.2%

Data as of 9/30/20

Program	# of Portfolio Companies	# of In-State Companies	% Invested In-State *(no. of cos.)*	$ Invested In In-State Companies	$ Invested In-State Cos / Fund Commitments	FTEs In-State	# of Patents Issued	GAAP Revenue
IIP A	270	81	30.0%	$206.0M	3.7x	1,060	N/A	N/A
IIP B	888	216	24.3%	$5.0B	13.1x	6,300	298	$16.5B
IIP C	155	34	21.9%	$59.5M	0.65x	323	N/A	$22.2M

50 South return data as of 9.30.20. In-State Investment Program B private credit return data as of 12.31.20. In-state investment program FTE, patent and revenue data as of 12.31.19, the most recently available data. The PME represents the outperformance/underperformance to the Russell 2000 index over the same reporting period. Past performance is not indicative of or a guarantee of future results.

IN-STATE INVESTMENT MEASUREMENT

50 SOUTH CAPITAL

A SUBSIDIARY OF NORTHERN TRUST CORPORATION

50 SOUTH CAPITAL

50 South Capital Advisors

Prospective Fund Manager

Request for Information

55 Monument Circle, Suite 719

Indianapolis, Indiana 46204

Measurement and Reporting Framework

- **Draft** a concise investment policy statement that governs the investment objectives and eligibility for all investment activity
- **Utilize** our manager RFI template and DDQ to assess prospective managers' in-state investment track record and sector acumen
- **Create** customized reporting templates for recipient funds to complete that tracks their in-state investment activity and economic impact measurement
- **Negotiate** side letter agreements and LPA provisions requiring in-state investment based on investment policy guidelines
- **Participate** on LPACs of our recipient funds to assess in-state investment pipelines and other participation within the State
- **Monitor** and **Actively Manage** the portfolio to ensure compliance of in-state investment activity
- **Partner** with early/growth stage co-investments emerging from the portfolio
- **Report** on the investment performance and economic development performance in a transparent format

Annual Portfolio Reporting Metrics

12/31/2020	Figures to be Updated ANNUALLY									
Portfolio Company Name	**North Dakota Company**	**Industry Sector**	**Annual GAAP Revenue**	**Annual ND State Taxes Paid**	**No. of ND-based Employees at Initial Investment**	**No. of Current ND-based Employees**	**Total Employee Headcount**	**# of Patents Held**	**Initial Security Type Purchased**	**Development Stage**
Portfolio Company 1	Yes	Business Services							Preferred Equity (Non-Venture)	Growth Equity
Portfolio Company 2	Yes	Consumer							Series B (Venture)	Venture Capital
Portfolio Company 3	Yes	Healthcare							Preferred Equity (Non-Venture)	Buyout
Portfolio Company 4	Yes	Industrial							Debt/Note	Credit
Portfolio Company 5	Yes	Energy							Seed (Venture)	Venture Capital
Portfolio Company 6	Yes	Technology							Common Equity	Buyout
Total										

For illustrative purposes only.

MODEL PORTFOLIO DESIGN

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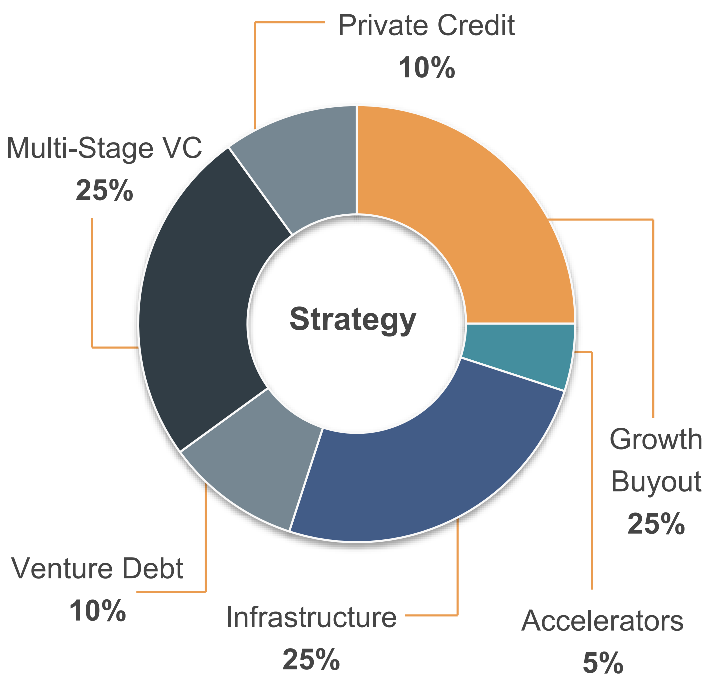
Investment Strategy:

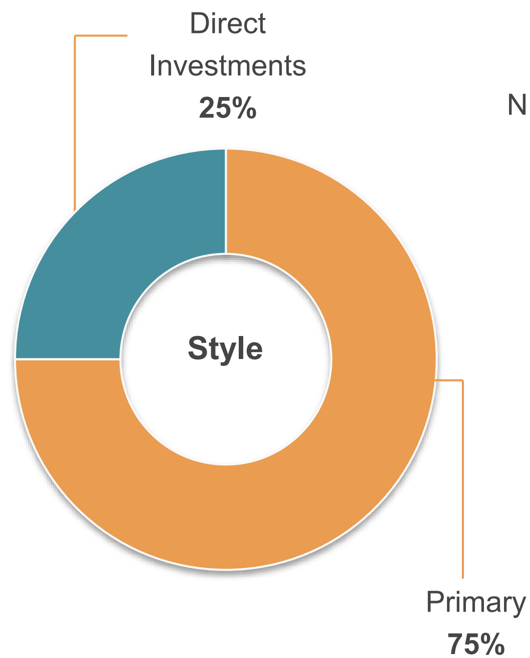
Diversified portfolio across vintage, industry, geography, strategy, primaries and direct investments

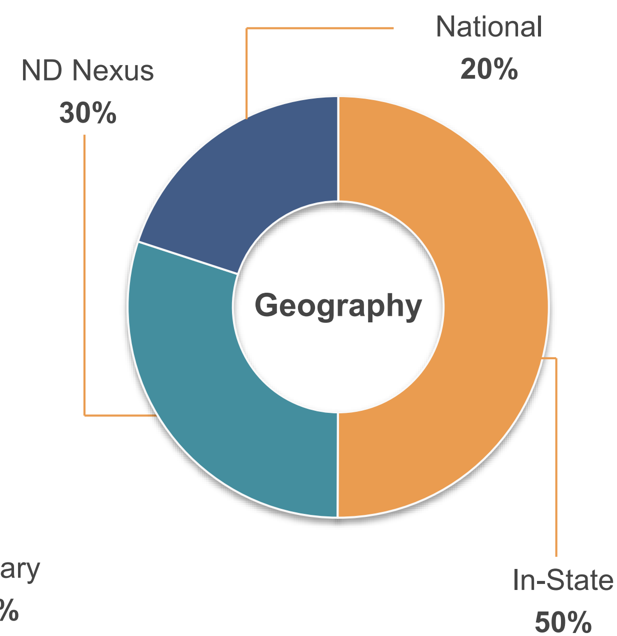
Venture & Growth Capital
- Pre-seed to early growth stage
- Venture Debt & Accelerators
- Focus on in-State investments
- 14 to 16 managers

Growth Private Equity & Private Credit
- Lower middle market focus
- Energy & Infrastructure focus
- Focus on in-State investments
- 7 to 10 managers

Direct Investments
- Early growth stage venture capital
- LMM control buyout & credit
- Focus on in-State investments
- 20-25 co-investments







Actual Fund may differ from projected allocation based on available investment opportunities. Ranges are approximate only. For illustrative purposes only.

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DEEP EXPERIENCE INVESTING IN THE SECTORS OF GREATEST STRENGTH TO NORTH DAKOTA'S ECONOMY

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

Agriculture	Energy & Infrastructure	Life Sciences	Manufacturing	Technology	Aviation & Mobility
INARI (A Flagship Pioneering Company)	CADENT ENERGY PARTNERS	Stemcentrx	pci PHARMA SERVICES	PPC PUBLIC PENSION CAPITAL	BBAM AIRCRAFT LEASING & MANAGEMENT
techstars	CREEDENCE ENERGY SERVICES	5AM VENTURES	BUILDERS	dcm	ENERGIZE VENTURES
ACRE	JUNIPER CAPITAL	NEA	FR	TENSILITY VENTURE PARTNERS	techstars
BUILDERS	ENERGIZE VENTURES	ATLAS VENTURE	Parata	a_capital	NEA
First Leaf CAPITAL, LLC	KKR	FRAZIER HEALTHCARE PARTNERS	ATLAS HOLDINGS	NEA	Uncork CAPITAL
Flagship Pioneering	I SQUARED CAPITAL	SECTION 32	KPS CAPITAL PARTNERS, LP	GREATPOINT make no little plans	THE BEEKMAN GROUP
SECTION 32	EQT	AGENT CAPITAL	May River CAPITAL	PivotNorth CAPITAL	Mayfield
ILLINOIS VENTURES	techstars	ROUNDTABLE HEALTHCARE PARTNERS	amp ADVANCED MATERIAL PROCESSING	M25	MIRACLEPLUS
OPENPRAIRIE	ANTIN INFRASTRUCTURE PARTNERS	Consonance Capital			
		GREATPOINT make no little plans			

50 South Capital internal. Logos are for illustrative purposes only.

SECTOR EXPERTISE: AGRICULTURE

50SC Historical Investments

- INARI (A Flagship Pioneering Company)
- techstars_
- ACRE
- BUILDERS
- First Leaf Capital, LLC
- Flagship Pioneering
- SECTION 32
- ILLINOIS VENTURES
- OpenPrairie

Agriculture & Farm Tech Industry Trends

Midstream Technologies
Food safety and traceability tech, logistics and transportation services used by farmers

Ag Biotechnology
On-farm inputs for crop and animal ag, including genetics microbiome, breeding and animal health.

Farm Management Software, Sensing & IoT
Ag data capturing devices, decision support software, big data analytics

Novel Farming Systems
Indoor farms, aquaculture, insect and algae production

Agribusiness Marketplaces
Commodities trading platforms, online input procurement, equipment leasing

Farm Robotics, Mechanization & Equipment
On-farm machinery, automation, drone manufacturers, grow equipment

North Dakota Ecosystem Partners

- BioND
- Emerging Prairie
- North Dakota Wheat Commission – Building Bigger Better Markets
- Columbia Grain – Cultivating Growth
- North Dakota Farmers Union
- Grand Farm
- North Dakota Commerce – Be Legendary.
- North Dakota Corn Council
- iSight Drone Services
- Northern Plains UAS Test Site
- Bobcat
- Plug and Play
- Bushel

50 South Capital internal. Logos are for illustrative purposes only.

SECTOR EXPERTISE: ENERGY & INFRASTRUCTURE

50 SOUTH CAPITAL
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50SC Historical Investments

CADENT ENERGY PARTNERS
CREEDENCE ENERGY SERVICES
JUNIPER CAPITAL
ENERGIZE VENTURES
KKR
I SQUARED CAPITAL
EQT
techstars_
ANTIN INFRASTRUCTURE PARTNERS

North Dakota Ecosystem Partners

North Dakota Petroleum Council
Xcel Energy
North Dakota Petroleum Foundation
GrandSky
iSight Drone Services
BND Bank of North Dakota
North Dakota Commerce — Be Legendary.
HESS
North Dakota Mineral Resources — Be Legendary.
Western Dakota Energy Association

Data as of 9/30/20 ($ in millions)

Fund	Vintage	Fund Size	Called Capital	Net IRR	Net TVPI	Public Market Equivalent (over/under)	DPI
Custom Infrastructure Vehicle *Infrastructure and PE/VC fund*	2016	$140	71%	20.7%	1.43x	+1342bps	0.11x

Data as of 9/30/20

50SC Energy & Infrastructure Track Record *(2008-2020)*	Net IRR
Energy & Infrastructure portfolio	12.9%

Public Market Equivalent represents outperformance/underperformance to the MSCI ACWI. 50 South return data as of 9/30/20. Past performance is not indicative or a guarantee of future results. Logos are for illustrative purposes only.

ECONOMIC DEVELOPMENT & PERFORMANCE GOALS

In-State investment programs must balance the needs of the community with the needs for attractive risk-adjusted investment returns. There is no playbook or one-size-fits-all investment strategy for managing discrete in-state investment programs.

Foster a strong, vibrant ecosystem for high growth companies and entrepreneurs.
Raise the national profile of the state's rich manufacturing, healthcare, technology, agriculture, and business communities.

Drive economic activity in the state by making investments in private equity and venture capital firms and companies in order to attract, assist and retain quality businesses.

Deliver competitive investment performance for the state by building a diversified portfolio.

COMMUNITY SPONSORSHIP

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

Sponsored Events & Participation

NLF Advisory Council

- TECHPOINT
- UNIVERSITY OF NOTRE DAME
- techstars
- Indiana University Health
- PURDUE UNIVERSITY
- OrthoWorx
- AgriNovus INDIANA
- VentureClub of Indiana Powering Indiana Ventures
- BioCrossroads
- 4G VENTURES

Source: 50 South Capital internal. Logos are for illustrative purposes only.

COMMUNITY-CENTRIC, VALUE-ADDED PARTNER

CALPA Luncheon on Midwest Venture Capital

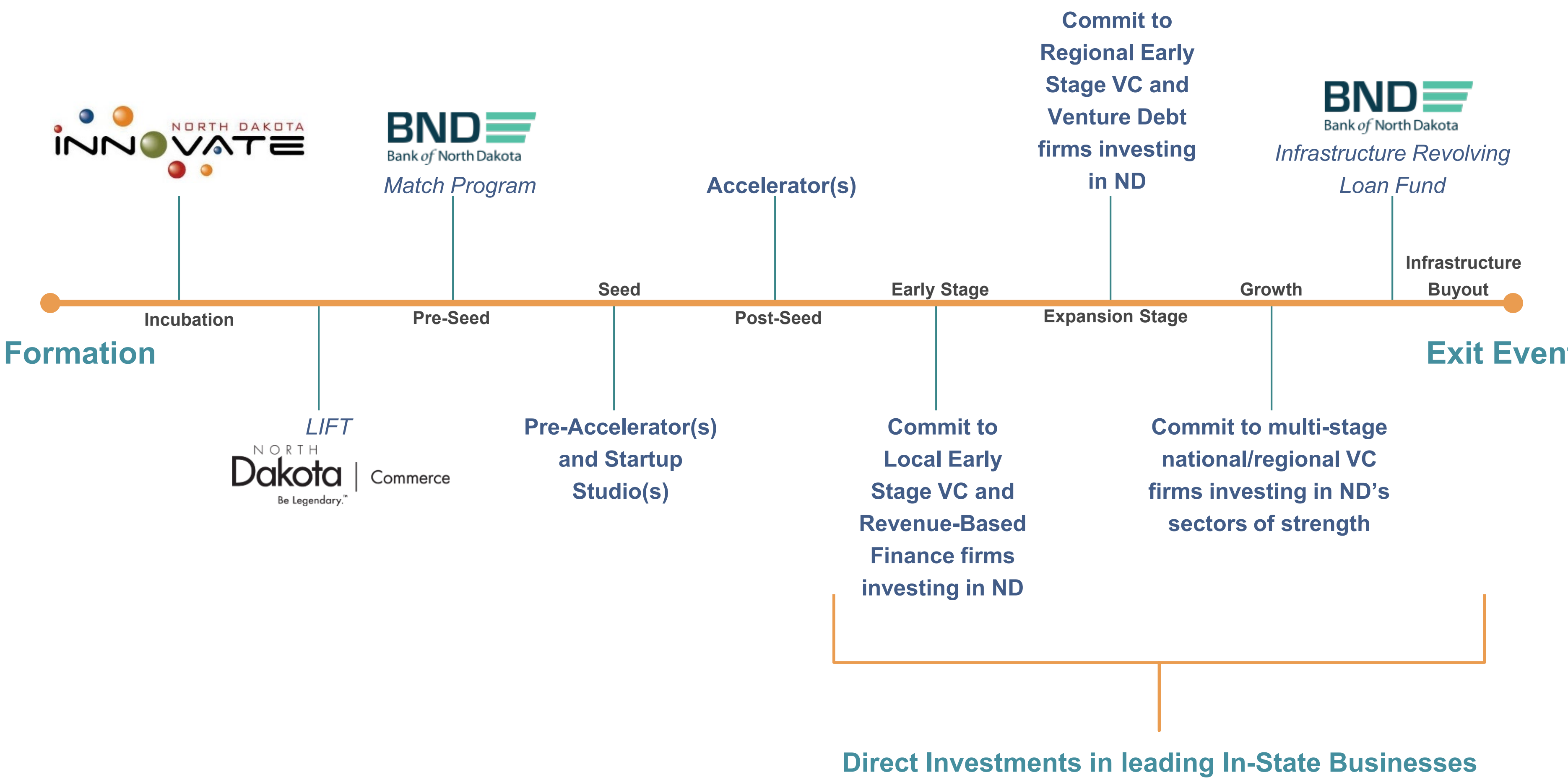
Indiana Next Level Fund Annual Summit

ILGIF Annual Summit

Indiana Next Level Fund Town Hall

Logos are for illustrative purposes only.

DRIVING PERFORMANCE THROUGH A DEEPER SUPPLY CHAIN OF SCALE-UP & GROWTH CAPITAL



Logos are for illustrative purposes only.

HISTORY OF COMMUNITY COLLABORATION AND PARTNERSHIP

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

50 South Capital In-State Investment Program Philosophy

Immerse → Engage → Listen → Adapt → Respond → Partner

Drive Performance ● Drive Workforce Development ● Drive North Dakota Forward

Logos are for illustrative purposes only.

NDSIB IIP: IMPLEMENTATION

50 SOUTH CAPITAL
A SUBSIDIARY OF NORTHERN TRUST CORPORATION

May

- Finalize contract
- Host initial NDSIB staff meeting
- Host initial press conference
- Draft investment policy statement
- Create custom side letter agreement template
- Initiate ND-based partner search
- Create NDSIB IIP logo
- Create NDSIB IIP website
- Create customized reporting Excel template
- Establish conflict of interest protocols
- Create custom due diligence memorandum for NDSIB
- Formalize LPA and fund structure with outside counsel
- Create draft quarterly reporting template
- Finalize lease on ND office
- Finalize vendor terms with audit, tax, fund administration, and legal providers
- Establish FOIA protocols based on N.D.C.C. §44-04-18 et seq.
- Onboard ND-based partner
- Finalize capital call facility terms
- Confirm distribution, trading, contact information and legal representations for subscription booklet precedent
- Finalize due diligence on initial investment opportunity
- Establish Advisory Council
- Hold initial quarterly meeting with NDSIB
- Host ND Office Open House
- Host public town hall kick-off meeting at TEDxFargo

July

For illustrative purposes only. Subject to regulatory and corporate approvals.

RISKS AND DISCLOSURES

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SUN MOUNTAIN CAPITAL

NORTH DAKOTA IN-STATE INVESTMENT PROGRAM

April 2021

Presented to the North Dakota State Investment Board

IMPORTANT NOTICE

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Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss. There is no guarantee that any investment will be profitable and significant losses are possible.

Certain information constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results, the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements.

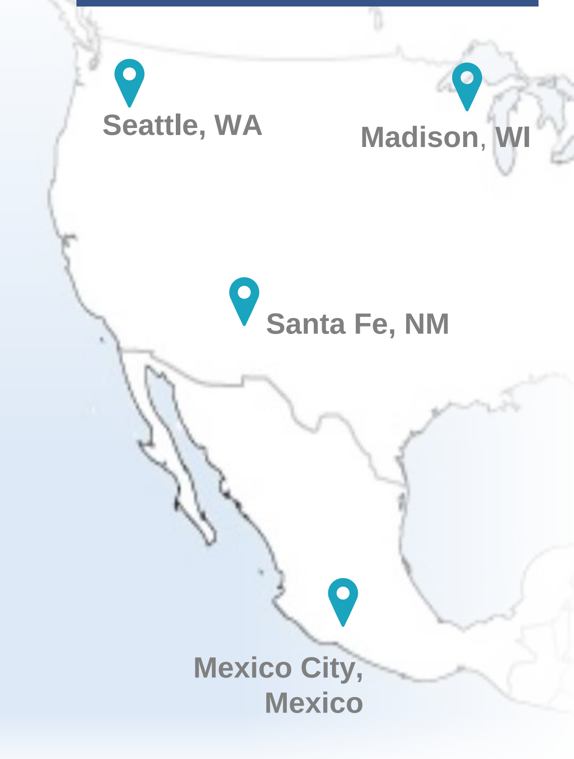
Sun Mountain's Due Diligence Process is for illustrative purposes to summarize the due diligence process and investment philosophy relating to a potential investment opportunity.

 See important footnotes on page 13

SUN MOUNTAIN CAPITAL REFRESHER

- An investment manager founded in 2006 to focus on geographically targeted and in-state investment programs (“IIPs”).
- Led by experienced investment professionals with expertise as investors and entrepreneurs.
- Global network of venture capital and debt funds, co-investors and entrepreneurial organizations.
- SEC Registered Investment Adviser[a].

SMC Office Locations



Review of Sun Mountain Capital’s Core Value Proposition

IIPs are what we do

- IIPs are complex investment programs that have their own unique set of opportunities and challenges
- Specialization is required to develop the expertise necessary for successful design and implementation of these programs
- Experience managing discretionary investment programs

Senior Team Involvement

- North Dakota represents an important opportunity for Sun Mountain
- Senior Team will be directly involved in all aspects of the program’s design and implementation
- Experienced in handling the many stakeholders associated with a high-profile investment program

Team Experience

- Sun Mountain team members have managed 14 IIPs in different states and in Mexico
- Value-adding investor with active roles as board members and advisors to entrepreneurs
- Co-investors with broad network of private equity and strategic investors
- Expertise in training and coaching new/emerging manager focused investments

Focused on the Middle West

- Our geographic focus is underserved states in the Middle West. New Mexico headquartered with offices in Seattle and Madison WI
- We understand the challenges that “fly over” states face and how to address them

See important footnotes on page 13

SMC APPROACH TO NORTH DAKOTA[b]

Tailored Approach for North Dakota

Sun Mountain has implemented programs in other similar states and has the experience to customize programs, deploy capital quickly, and deliver results. Sun Mountain will:

- Act as a fiduciary investor and invest as much capital as is prudent in the State.
- Establish an in-state team and an office.
- Work to recruit outside investor dollars to the State.
- Provide both equity and debt to serve a broad range of businesses.
- Seek to provide tangible economic benefits in the North Dakota economy.

Support Core Industries in the State and Nurture Sectors With High Potential

Our initial research shows an economy with active players across a range of established industries as well as emerging high-growth sectors. A well-designed program can succeed.

Showcase North Dakota and Create Positive Results

IIPs are often under a microscope. Sun Mountain understands how to create a program that works with the existing community and act as a catalyst for continued economic growth.

North Dakota is Unique

Sun Mountain's proposed asset allocation will reach a broader set of businesses, accelerate deployment and diversify the portfolio in terms of stage, sector and asset class.

 See important footnotes on page 13

INVESTMENT STRATEGIES FOR NDSIB[b]

Fund of Funds

Invest in a portfolio of private equity, venture capital and private debt fund managers with a requirement to invest in North Dakota.

Direct Equity

Invest directly into early and growth stage companies in North Dakota alongside other institutional investors.

Private Credit

Lend directly to a broad set of North Dakota companies facilitating growth across a wide range of industries.

SUN MOUNTAIN CAPITAL

NDSIB In-State Investment Program	Month of Program Implementation																			
Program Activity	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Investment Activities																				
Finalize Terms & Legal Documentation	■	■																		
Prepare Final Fund Strategy	■	■																		
Open Local Office	■	■																		
Recruit Local Team	■	■	■																	
Finalize Investment Process	■	■	■																	
Prepare Informational Website	■	■	■																	
Investment Sourcing	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Conduct Due Diligence		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Initial Private Credit Commitments			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Initial Direct Equity Commitments				■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Initial Fund of Funds Commitments						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Ecosystem Activities																				
Initial Meetings - Entrepreneurial Orgs	■	■	■	■	■	■	■	■			■			■			■			■
Initial Meetings -Investment Community	■	■	■	■	■	■	■	■			■			■			■			■
Initial Meetings - ED Organizations	■	■	■	■	■	■	■	■			■			■			■			■
Initial Meetings - Financial Institutions	■	■	■	■	■	■	■	■			■			■			■			■
Develop Public Outreach Strategy		■	■																	
Sponsor Ecosystem Events			■			■			■			■			■			■		
Host Ecosystem Events			■						■						■					
Host Annual Fund Meeting												■								

See important footnotes on page 13

ECOSYSTEM ACTIVITIES[d]

SUN MOUNTAIN CAPITAL

Community Outreach

- Hold a kickoff meeting for the program as well as town hall meetings in Bismarck and Fargo (other cities if it makes sense).
- Host an annual meeting for the fund each year.
- Host an annual investment summit focused on macro topics relevant to IIPs and ND.
- Connect with local organizations to foster active and ongoing collaboration.

Investment Events and Conferences

- Host investment days focused on specific sectors active in ND. Work with existing organizations in the sector to highlight ND opportunities.
- Bring out of state investors in for curated pitch days. (Zoom acceptance helps facilitate more virtual events as well.)
- Bring regional and national investor event to ND.
- Speak on panels outside ND to represent the state to global investors.

ABQid
SKI LIFT PITCH CONTEST

Accelerators, Tech Transfer & Competitions

- Join angel organizations and participate in meetings.
- Mentor companies at accelerators and business support forums.
- Organize and/or sponsor business plan competitions and support the creation of additional ones over time.
- Work with university and association technology transfer organizations to mentor teams and catalyze initial funding.

 See important footnotes on page 13

ECOSYSTEM PARTICIPANTS (Partial List)[e]

SUN MOUNTAIN CAPITAL

Ecosystem Community	Representative Organizations
Entrepreneurial & Business Community Organizations	Emerging Prairie; Emerging Digital Academy; Prairie Den; NDTO North Dakota Trade Office; Western Dakota Energy Association; Sanford Health; North Dakota Petroleum Foundation; Plug and Play
Investment Community	Dakota Venture Group; arthur ventures; NDCF North Dakota Community Foundation; (701) Angel Fund
Economic Development Organizations	ednd economic development association of north dakota; North Dakota Commerce Be Legendary.™ Innovate ND, Research ND, Hospitality Economic Resiliency Grant, ND Smart Restart; BioND; Fargo Moorhead Economic Development
Financial Institutions	Choice Bank; BND Bank of North Dakota; Alerus Financial Corporation; Bremer Bank; Bell Bank; …and many more we will work to contact
Research & Education Organizations	UND University of North Dakota; Valley City State University; NDSCS The Science of Success. North Dakota State College of Science; Grand Farm; UND Center for Innovation University of North Dakota; NDSU; Mayville State University; Minot State University

This presentation is specific to the North Dakota State Investment Board

See important footnotes on page 13

ECOSYSTEM EXAMPLE: NEW MEXICO[b,e]

SUN MOUNTAIN CAPITAL

NEW MEXICO IIP: NMPEIP

- Sun Mountain is engaged in many facets of the New Mexico business and entrepreneurial ecosystem.
- Sun Mountain supports angel organizations, incubators, entrepreneurial organizations, and industry associations.
- Sun Mountain actively brings outside investors to the state supporting company growth.
- Examples:

NEW MEXICO IMPACT

Fund[f]	Companies Supported	NM Employees	Annualized NM Payroll & Purchases
NMSIC Co-Investment*	39	662	$68.1M
NM Catalyst Fund*	17	169	$20.0M
NM Recovery Fund**	20	984	$72.6M
NMPEIP (Former Advisor)***	80	1,892	$282.1M

Source: Data collected by Sun Mountain Capital
*As of September 30, 2020
**As of December 31, 2020
***As of June 30, 2018, the last reporting date Sun Mountain served as Advisor

- The programs managed by Sun Mountain in New Mexico have had a positive impact for the state through increased employment and company spending.
- The key to creating long term positive economic impact for a state is making prudent investments in the most promising companies.

See important footnotes on page 13

PERFORMANCE BENCHMARKING

SUN MOUNTAIN CAPITAL

	2001-2020 (20-Year)		2011-2020 (10-Year)	
Asset Class	Median Net TVPI[g]	Median Net IRR[h]	Median Net TVPI[g]	Median Net IRR[h]
Fund of Funds	1.32x	9.6%	1.19x	9.2%
Direct Equity	1.42x	10.9%	1.40x	17.0%
Private Credit	1.17x	8.2%	1.14x	7.9%

Source: Pitchbook aggregate asset class performance benchmarks for 2001-2020 and 2011-2020.

BENCHMARKING APPROACH[b]

When measuring the financial performance of In-State Investment Programs, it is important to consider both Total Value to Paid-In Capital (TVPI)[g] as well as Internal Rate of Return (IRR)[h].

Investment timelines are often longer in geographies launching new programs and building ecosystems, which lowers IRR[h] but should not impact TVPI[g].

- Less deal flow translates into a longer timeline to invest the fund.
- Companies can take longer to grow and reach critical mass for investment follow-on.

Based on our initial understanding of NDSIB's policy benchmarking, the above 10 or 20 year returns targets would create a neutral or better impact on overall NDSIB performance.

See important footnotes on page 13

SUN MOUNTAIN CAPITAL

NEW MEXICO PERFORMANCE – 9/30/20

Fund[f]	Vintage[i]	Net TVPI[g]	Net IRR[h]	20-Year Median TVPI[g]	20-Year Median IRR[h]
NMSIC Co-Investment	2007	1.52x	5.0%	1.42x	10.9%
NMPEIP (Former Advisor)*	2007	1.67x**	9.9%**	1.32x	9.6%
NM Catalyst Fund	2016	N/M (0.84x)***	N/M (-8.5%)***	1.32x	9.6%
NM Recovery Fund	2020	N/M	N/M	1.14x	7.9%

*As of June 30, 2018, the last reporting period for which Sun Mountain served as Advisor to the NMPEIP.
** Represents program returns from 2007 through June 30, 2018 related to investments recommended by Sun Mountain and does not reflect legacy investments in the program. Further, such amount does include the NMSIC Co-Investment and New Mexico Catalyst Fund.
***The NM Catalyst Fund is a seed stage fund of funds program with a focus on first-time fund managers. As less than half of the capital has been drawn the performance of this fund has been deemed as not meaningful.

MEXICO VENTURES PERFORMANCE – 9/30/20

Fund[f]	Vintage[i]	Net TVPI[g] (MXN)[j]	Net IRR[h,k] (MXN)[j]	20-Year Median TVPI[g]	20-Year Median IRR[h]
Mexico Ventures I	2011	1.60x	10.2%	1.32x	9.6%
Mexico Ventures I Annex Fund	2014	1.40x	10.9%	1.42x	10.9%
Mexico Ventures II Direct	2016	1.18x	6.8%	1.42x	10.9%
Mexico Ventures II Funds	2016	1.13x	6.8%	1.32x	9.6%
Mexico Ventures Mezzanine	2017	1.08x	4.0%	1.17x	8.2%

See important footnotes on page 13

CONCLUSION[b]

- Sun Mountain's research indicates that there is a significant untapped opportunity for investment in the State of North Dakota.
- Sun Mountain has experience managing similar programs to the NDSIB IIP and will be on the ground, in the State, developing a program that can deploy capital and deliver results.
- The proposed investment strategy utilizing fund of funds, direct equity and direct credit to provide capital a broad set of North Dakota businesses.
- Sun Mountain will be an engaged collaborative partner with the North Dakota ecosystem, helping to support and grow existing industries as well as nurturing high potential emerging industry sectors.
- North Dakota represents an important opportunity for Sun Mountain Capital and the entire team will be directly involved in all aspects of the program's design and implementation.

THANK YOU FOR YOUR TIME

See important footnotes on page 13

IMPORTANT NOTES AND DISCLAIMERS

Past performance is not necessarily indicative of future results. The results of future funds may differ significantly from any performance data provided or referenced herein and any such difference may be material. Investors can lose their investment in whole or in part.

a. Registration with the SEC as an investment adviser does not imply any level of skill or training.

b. Commentary represents certain patterns observed by the Sun Mountain team over many years of investing but are not always hard and fast rules. Any opinions are based on Sun Mountain's internal analysis and views.

c. The sample timeline is for illustrative purposes only. There is no guarantee that any of program activities will meet the target timelines.

d. Information presented represents some of the benefits Sun Mountain will strive to achieve but may not represent all benefits that could be applicable to all investors for all investments made. There can be no assurance that these benefits will be achieved or that an investor will benefit from any or all of them.

e. This list is not a comprehensive list of organizations that Sun Mountain has an existing relationship with. There is no guarantee that Sun Mountain will invest with these organizations or form any working relationship with these organizations. They are shown for illustrative purposes only. There can be no assurance that investment opportunities will develop.

f. These are short names used throughout this presentation for the below private funds managed by Sun Mountain. The full legal names are as follows: NMSIC Co-Investment Fund, L.P., New Mexico Catalyst Fund, L.P., New Mexico Recovery Fund, L.P., Mexico Ventures I, L.P. Mexico Ventures I Annex Fund, L.P., Mexico Ventures II Direct Fund, L.P., Mexico Ventures II Fund of Funds, L.P., and Mexico Ventures Mezzanine I Fund of Funds, L.P. Please note the NMPEIP program is formally known as the New Mexico Private Equity Investment Program and Sun Mountain served as the advisor from 2007 through June 2018.

g. Total Value to Paid-in Capital ("TVPI") is calculated as (Limited Partner Net Asset Value + Limited Partner Distributions) / (Limited Partner Contributions).

h. "IRR" represents the internal rate of return ("IRR") earned by the limited partners. The IRR is computed based on the actual dates of capital calls and distributions and the Fair Market Value at the end of the period and is calculated in a manner consistent with how IRRs are calculated for purposes of the annual audited financial statements. Net IRR reflects the effect of the management fees and expenses paid by the limited partners from inception to date and the estimated effect of the general partner's carried interest that would be paid were the entire portfolio liquidated at the current Fair Market Value. Net IRR for an individual limited partner in each of the funds may vary based on a variety of factors including different fee arrangements. Limited partners that pay management fees and/or carried interest will generally have a lower Net IRR than those that do not.

i. Vintage date represents due date of first capital call for each fund.

j. Based on conversion of dollar-denominated cash flow into Mexican pesos based on the exchange rate at the time of the cash flow. Portfolio value is determined based on the as-converted amount in Mexican pesos as of the period ended 9/30/2020.

k. Effective February 2018, the Mexico Ventures program began utilizing a line of credit for Mexico Ventures I, Mexico Ventures I Annex Fund, Mexico Ventures II Direct and Mexico Ventures II Fund of Funds. Such line of credit requires each drawdown to be re-paid within ninety days and was established for the purpose of limiting the number of capital calls issued to limited partners. Each Fund's general partner has determined that the impact on net IRR is immaterial. Therefore, the line of credit is not included when calculating net IRR.

Callan

March 26, 2021

North Dakota State Investment Board

In-State Investment Program Manager Selection Overview

Pete Keliuotis
Executive Vice President

Paul Erlendson
Senior Vice President

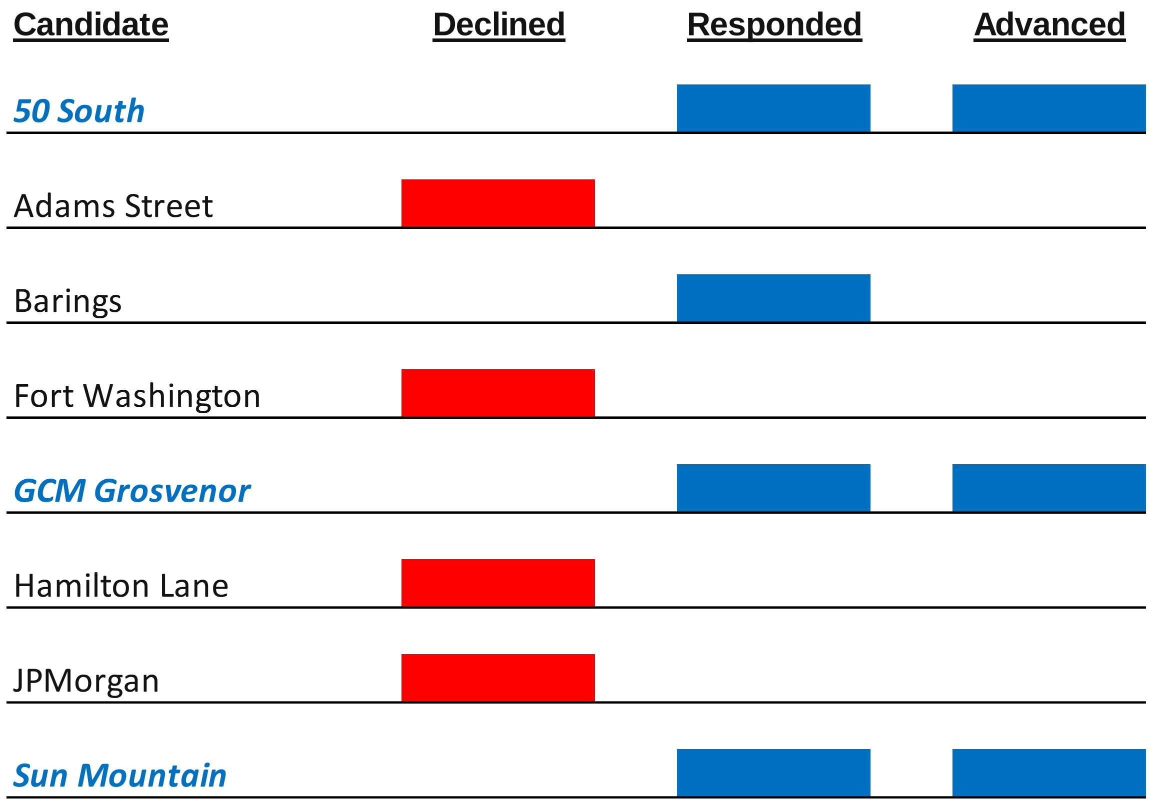
Alex Browning
Senior Vice President

Overview: Semi-Finalist Selection Process

- Program manager selection is one step in a prudent process that has been followed by the North Dakota State Investment Board and the Legacy and Budget Stabilization Fund Advisory Board. This project follows a series of educational meetings and asset allocation evaluations.
- Callan's Alternatives Consulting group identified eight firms with institutional investment management experience who also possess private capital asset management capabilities.
- Callan issued a "North Dakota State Investment Board In-State Investment Program Questionnaire" to the group of institutional-quality investment firms in mid-February, 2021. Categories of inquiry covered by the 57-question document included:
  - Organization;
  - Personnel;
  - Private Asset Experience;
  - Overview of proposal for North Dakota In-State Investment Program;
  - Private Asset Performance History; and
  - Operations and Fees.
- Responses were reviewed by a team of Callan investment professionals.
- Callan conducted reference checks of the candidates' in-state clients and third-party general partners with whom the candidates interact in the management of in-state programs.
- RIO and Callan staff remained engaged throughout the due diligence process.

Candidates Considered for the North Dakota In-State Investment Program

Questionnaire and Outcomes



Among reasons given by firms that declined to participate:

- Mismatch between the desired capital commitment and the perceived size of the in-state opportunity set.
- Belief that the firm would not be competitive based on experience with in-state investing and pricing.
- Lack of scale and opportunity with in-state programs versus in other alternatives within the private markets.
- Potential headline risk to the managers associated with running an in-state investment program.

Considerations and Suggested Next Steps

Considerations

1. In-state investment program management requires an uncommon set of skills:
   - Private capital investment expertise;
   - Specialized professional resources familiar with geographically-constrained opportunity evaluation;
   - Ability to research opportunities that may not be widely known or followed, or easily accessed;
   - Sensitivity and awareness of investment AND non-investment considerations of in-state programs; and
   - A long-term commitment to meeting the goals and objectives of the North Dakota State Investment Board.
2. SIB's goals, priorities and measurement standards must be clearly ***understood by all stake-holders***.
3. SIB's goals, priorities and measurement standards must be clearly ***understood and agreed by the manager***.

Suggested Next Steps

A. Identify two candidates for further consideration, evaluation and negotiation by RIO staff.

B. Provide guidance on priorities to be used in evaluating and negotiating with the two selected semi-finalists.

C. Assess the needs and potential requirements for additional RIO staff relative to an in-state investment program.

D. Other . . . ?

Board Action

TO: **State Investment Board**

FROM: **RIO Investment Team**

DATE: **April 22, 2021**

SUBJECT: **Legacy Fund In-State Investment Program (IIP) Recommendation**

Overview: RIO deemed all three finalists to be excellent candidates to expand the Legacy Fund IIP by providing needed capital to drive economic development, create jobs and fund business growth while seeking a competitive risk adjusted return for the Legacy Fund. RIO ranked 50 South Capital and Sun Mountain Capital above GCM Grosvenor largely due to their proposals being more closely aligned with the desire to promote new capital formation for emerging entrepreneurs in our state and further diversify our economy. All of the proposals emphasized how each firm would seek to attract significant additional outside capital into North Dakota to multiply the impact of our Legacy Fund seed investments and further drive in-state economic development. 50 South and Sun Mountain proposals were also keenly focused on helping entrepreneurs keep their businesses here in North Dakota by offering needed growth capital to fund critical investments in a timely and efficient manner. **In follow-up discussions, 50 South and Sun Mountain also confirmed their commitment to establish a physical presence in North Dakota in mid-2021.**

RIO ranked 50 South Capital over Sun Mountain Capital based on the following:

1) **Institutional Presence** – 50 South Capital is a subsidiary of Northern Trust, which is a leading global financial services firm with vast financial resources, strong "AA" credit rating, robust compliance department, and a trusted advisor to thousands of large, institutional investors in the U.S. and abroad. Northern Trust has $1.4 trillion in assets under management and over $11 trillion in assets under custody as of Dec. 31, 2020.

2) **Investment Performance** – Although it is difficult to compare track records for in-state programs given differing investment objectives and opportunities in varied geographic locations, 50 South Capital returns were generally stronger and more in-line with RIO's return expectations on a sector by sector basis in the last 5-years.

3) **Trusted and Proven Relationship** – The SIB and ND Department of Trust Lands have long-term, valued relationships with the corporate parent of 50 South Capital as Northern Trust has served as SIB's primary custodian and record keeper for 30 years.

4) **Competitive Pricing** – All-in pricing is competitive between 50 South Capital and Sun Mountain. In addition, 50 South is offering a 10% Northern Trust custodial fee credit based on 50 South Management Fees (e.g. $1 million fee savings over 15 years).

Summary Observation – SIB oversight has effectively fostered the development of a top-performing sovereign wealth fund over the last five years. As shared with the Board in recent months, net investment returns of the Legacy Fund generally compare favorably versus larger sovereign wealth funds in the last 5-years including the $1.3 trillion Norway Global Government Fund, and the $74 billion Alaska Permanent Fund in 2020, while generally having a materially lower allocation to equity investments. These above benchmark returns have been achieved while striving to maintain the highest fiduciary standards without compromise and in accordance with all state and federal laws without exception. **In light of these priorities, RIO strongly believes 50 South Capital is well aligned with the SIB and RIO to continue to strive to attain the best risk adjusted returns for our clients in accordance with the intent of recent legislatively mandated investment targets set for the Legacy Fund IIP.**

Recommendation: RIO recommends the SIB engage 50 South Capital, a subsidiary of Northern Trust, to expand the Legacy Fund in-state investment program with a new $250 million Private Capital commitment including sector allocations to private equity, venture capital and private credit. This recommendation is consistent with a Legacy Fund Advisory Board approved mandate for a 3% target allocation to Private Capital with a preference for in-state investments at a competitive rate of return. Legacy Fund is estimated at $8.4 billion at March 31, 2021, such that a 3% allocation would approximate $250 million. **In order to minimize the impact of commitment fees on returns, the initial commitment to 50 South Capital is recommended to be $100 million at inception. The commitment size may be increased by RIO on an "as needed basis" in the upcoming years as compelling investment opportunities are identified, subject to appropriate due diligence, negotiated and funded by 50 South Capital on behalf of the Legacy Fund and SIB.**

Legacy Fund In-State Investment Program Background:

BND In-State Program (5%) - During the past two years, the SIB and Advisory Board have doubled the size of BND's Match Loan Program commitment up to $400 million (or 5% of the Legacy Fund). This BND in-state program, which supports economic development in North Dakota by supporting cost-efficient financing to entities looking to establish new in-state businesses or expand existing operations/services in North Dakota, was increased by a new $100 million commitment in 2019 and another $100 million commitment in 2020.

Private Capital In-State Program (IIP) (3%) – In early- 2021, the SIB approved an Advisory Board recommendation to target a new 3% Private Capital allocation with a preference for in-state investments at a competitive rate of return. This new 3% Private Capital In-State Program was approved with a +/- 3% range so as to provide implementation flexibility to a new IIP manager. **The combination of a 5% BND In-State Program target and a potential 6% Private Capital IIP allocation results in an aggregate approved in-state investment target of up to 11% for North Dakota's Legacy Fund.**

Peer Comparisons – As supported by recent Callan market research, most U.S. public funds target in-state investment allocations in the low-single digits. **Given that the SIB and Advisory Board approved the new 3% IIP Private Capital strategy with a +/- 3% range plus the existing BND In-State Program was sized at 5%, RIO believes North Dakota has the highest aggregate potential in-state investment allocation on a percentage basis in comparison to any other major U.S. Sovereign Wealth Fund (SWF).** As example, the New Mexico State Investment Council (NMSIC), created in 1957 with $30 billion of investments including a $6 billion Severance Tax Permanent Fund, increased its in-state investment program targets from 6% to 9% in prior years and 11% this past year (in the Severance Tax Permanent Fund). The Alaska Permanent Fund Corporation, created in 1976 and the largest U.S. SWF with $74 billion in assets at Feb. 28, 2021, launched the *Alaska Investment Program* in 2019 with an initial allocation of $200 million, with plans to further ramp up Alaska's in-state investment allocation in future years.

Callan

March 19, 2021

North Dakota State Investment Board (NDSIB)

In-State Private Markets Program
RFP Summary

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Executive Summary of Candidate Merits and Considerations

50 South Capital Advisors, LLC

Merits

- Northern Trust, the parent company, is a well-resourced firm with many different supporting lines of business.
- Stable private markets team, with few senior-level departures.
- 10 discretionary private equity funds with total invested capital of $3.8 billion.
- The Firm has $260 million of invested capital and $835 million of uncalled capital across two In-State Programs with investments in venture capital, buyouts, and private credit.
- The Firm proposes to allocate $10 Million to Incubator/Start-Up Programs and a total of $35 Million to venture capital investments for the North Dakota In-State Program.
- Size of team allocated to NDSIB; and made note of the LIFT and BND Match programs.

Considerations

- The firm's two In-State Investment Programs are managed on a non-discretionary basis; North Dakota is seeking a discretionary relationship.
  - Limited track record with their two In-State Investment Programs.
- Few capabilities outside of private equity and private debt.
- They propose running the in-state program out of their existing private equity team as opposed to identifying dedicated individuals.

Barings, LLC

Merits

- The Private Markets team consists of 36 employees, 11 of which are senior investment professionals.
- The firm expects to allocate 100% of the program to in-state investments or investments within a nexus of the state.
- Three individuals identified to run the program.
  - Barings investment professionals have experience managing seven In-State programs, including leading three In-State mandates at a prior firm.

Considerations

- Significant turnover among senior professionals. Four of the Six Managing Partners joined the firm in the past five years.
- Highest proposed fees by a significant margin among the four candidates.
- Limited In-State investment experience with only $5 Million managed in separate accounts.
- Small team size dedicated to NDSIB relationship, with senor professional, Mina Nazemi, also leading two other in-state programs currently in development.
- The Firm allocates on behalf of its parent company, MassMutual, though an SMA and expects to commit $250 million to $400 million per year across the Private Markets.
- No significant track record for some areas Barings recommends allocating (e.g., Infrastructure, Energy).
- Only one client reference provided.
- The Firm does not differentiate In-State Program employees from Private Market employees.

GCM Grosvenor

Merits

- Since the Firm’s first In-State Program in 2003, the Firm has committed over $3 Billion to In-State Programs across the Private Markets.
- The Firm has breadth of experience having managed seven In-State Programs located in Michigan, New York, Colorado, Oregon, Florida, and two separate programs in California.
- The investment team is supported by an operational and due diligence team which allows key professionals to allocate almost all of their time to generating and structuring deals.
- Research teams across all major asset classes: private equity; private credit; natural resources; and infrastructure.
- Competitive total fee proposal, with the lowest management fees.

Considerations

- Key Personnel have not grown over the past 5 years while the Firm still maintains large client relationships.
- Concerns about whether NDSIB will get adequate attention from the senior team.
- Proposal did not meaningfully reference North Dakota opportunity set or potential local partners and lacked specificity on how to implement the mandate.
- Primary focus of program expected to be energy, agriculture, and infrastructure with venture/growth and private equity only 0-25% of capital allocation potentially limiting opportunities for capital formation and economic development.

Sun Mountain Capital Advisors, LLC

Merits

- Firm specializes in In-State investment programs and investment in undercapitalized areas.
- Firm is 100% employee owned.
- $710 million in in-state investment program assets across five different in-state investment programs
- Experience with sponsors having different primary objectives (economic development, innovation, returns, etc.)
- Firm plans to hire to dedicated employees located in North Dakota to source and manage deal flow.
- Proposal provided a detailed program implementation.
- Competitive fees; no performance fee.

Considerations

- The Firm is small compared to its peers with only 13 centrally located employees.
- Potentially longer implementation time-frame due to the need to hire in-state professionals.
- Firm total assets of $1.3 billion of which $710 million are discretionary in-state program assets.
- Primary capabilities in venture/growth, private equity, and private debt.
- Mixed results with other geographically targeted programs.

In-state Program Process Overview

This report summarizes proposals submitted by candidate to manage the North Dakota State Investment Board's in-state investment program. This information was derived from proposals submitted by the candidate firms. Callan has summarized this information in good faith for consideration by the SIB in preparation for interviews of three semi-finalists at its March 26, 2021 meeting.

This document was prepared as part of a three-phase study that was outlined in a proposal submitted by Callan to the SIB in October 2020 in response to a request from the SIB. The project included providing both the SIB and the Legacy Fund and Budget Stabilization Fund Advisory Board with education on the history of other states' in-state investment programs; insights about potential investment objectives, measurement standards, and types of investments / assets to be included; and assistance in identifying potential third-party to managers to implement the program.

Investment Proposal Summaries

The RFP respondents were asked a series of questions on their investment approach and implementation of the In-State Investment Program. Managers used a $100mm program size as a guide to construct their model portfolios and asset allocation. A few of the key considerations Callan analyzed were proposed program Investments across strategy types and geography. Callan also requested information on managers' access to deal flow and existing GP relationships across North Dakota and the Midwest. Each manager provided the minimum and maximum program size that would be optimal for running a successful program. Other considerations Callan requested through the RFP are analyzed further throughout this section.

Proposed Model Portfolio by Geography

The following table provides each respondent's model portfolio allocation by geography. The table shows the percentage allocation to each location and number of investments in each location is shown in parentheses.

Geography	50 South Capital	Barings*	GCM Grosvenor	Sun Mountain
North Dakota	50% (12-15)	90% (9)	60% (4-6)	75% (25)
Regional	30% (6-8)	10% (2)	20% (1-2)	15% (3)
United States	20% (2-4)	0% (0)	20% (0-2)	10% (2)
Total Investments	**100% (20-27)**	**100% (11)**	**100% (5-10)**	**100% (30)**

* Barings proposes to target companies with headquarters or business operations in the State of North Dakota, as well as businesses with a nexus to the State. These opportunities may fall in the "North Dakota" or "Regional" buckets.

50 South Capital - Strategy Type

A summary of the proposed allocation to each investment strategy is shown below.

Strategy Type	Investments	Allocation ($m)	%
Venture Capital (multi-stage)	10-12	$25	25%
Growth Buyout / Growth Equity	5-7	$20	20%

Private Credit (e.g., senior, mezzanine)	2-3	$10	10%
Venture Debt	2-3	$10	10%
Accelerators, Incubators and/or Startup Studios	1-2	$10	10%
Co-Investments	12-15	$25	25%
Total Investments	**32-42**	**100**	**100%**

Barings - Strategy Type

A summary of the proposed allocation to each investment strategy is shown below.

Strategy Type	Investments	Allocation ($m)	%
Buyouts	4	25	25%
Growth	3	15	15%
Infrastructure	2	25	25%
Natural Resources	2	25	25%
Other	1	10	10%
Total Investments	**11**	**100**	**100%**

GCM Grosvenor - Strategy Type

A summary of the proposed allocation to each investment strategy is shown below.

Strategy Type	Investments	Allocation ($m)	%
Energy & Infrastructure (Funds)	1-3	30	30%
Real Estate (Funds/JVs)	1-2	40	40%
Private Equity / Private Credit (Co-investments)	1-3	20	20%
Energy & Infrastructure (Co-investments)	1-2	10	10%
Total Investments	**5-10**	**100**	**100%**

Sun Mountain - Strategy Type

A summary of the proposed allocation to each investment strategy is shown below.

Strategy Type	Investments	Allocation ($m)	%
Venture Capital	10	35	35%
Growth Equity	10	35	35%
Senior Debt	5	15	15%
Mezzanine	5	15	15%
Other (Please Specify)	0	0	0%
Total Investments	**30**	**100**	**100%**

Firm Strategy Summaries

RFP Respondent	Summary
50 South Capital	– The firm plans to focus on venture capital (35% allocation) consisting of a portfolio of funds with stage/sector diversification. Additionally, the firm plans to sponsor 1-2 incubators/accelerators/startup studios and 1-2 later stage venture debt or revenue-based firms complementing state sponsored lending programs. – The firm expects to allocate to Growth Equity/Buyout strategies in order to balance higher risk inherent in early stage venture. The goal in this strategy is to target investing in North Dakota's thriving industries such as oil field services and equipment industry. Co-investment opportunities will be pursued alongside growth equity/buyout funds with a focus on North Dakota's exploration and production, downstream, and midstream economies. – Lastly, the firm plans to allocate 10% to private credit opportunities across 1-3 firms as additional source of capital for mature businesses.
Barings	– Barings believes that limiting asset classes or sectors limits the impact of the program. The firm will consider buyouts, growth equity, venture capital, natural resources, infrastructure, food, agriculture and real estate as viable options. – The firm will consider pledge fund structures with local owner-operators for in-state mandates but finds that direct equity co-investments are the most frequently available opportunities. – The firm plans to target investments in core sectors and growing/strategic sectors. Target opportunities include supporting continued growth of core sectors such as natural resources and food and agriculture sectors and developing sectors such as advanced manufacturing and business services.
GCM Grosvenor	– GCM Grosvenor anticipates program investments with a focus on the state's traditional areas of capital along with GCM's review of historical deal flow and manager activity within the state. Examples include energy and infrastructure, real estate, other real assets (i.e., agriculture), as well as private equity. – The $100 million program is expected to be invested in up to 40% energy and infrastructure, up to 40% real estate, and 0-25% private equity and credit. – The firm expects agriculture to be fairly sizable portion of the portfolio with potential investments across real asset, infrastructure, real estate or private equity buckets. – The firm expects that investments will be equally split between fund and co-investments. Through co-investments, GCM expects to invest in both equity and credit opportunities across energy, infrastructure, real estate, and agriculture.
Sun Mountain	– Sun Mountain places an emphasis on running In-State Investment Program for financial return as lasting economic development is a direct result of investing in growing firms. The firm has an additional goal of deepening North Dakota's capital pool throughout the private capital markets. – The firm states that it is imperative to select top performing funds based in North Dakota or willing to actively invest in North Dakota Based companies. The firm plans to accomplish this goal through forming a deep understanding of local sources of deal flow and sourcing external funds that invest in those stages/sectors. To execute on this goal the firm expects to employ a proprietary process to identify promising sectors for deal flow and determine if these sectors have adequate capital to support strong companies. – The Firm anticipates incorporating private equity, venture capital, and private debt investments.

- Investments in private equity/Venture capital will be allocated through either commitments to investment funds or co-investments. The firm anticipates that approximately $40 million would be dedicated to fund commitments, $30 million reserved for co-investments, and the remaining $30 million to be allocated to private debt/credit transactions.
- The use of private debt to reach a broader set of companies and diversify the portfolio is important to implementing the Firm's strategy. The firm would target 2-3 million average investment and up to a total of $30 million in private debt/credit.

Organizational Overviews

50 South Capital Advisors, LLC

50 South LaSalle Street, M-12
Chicago, IL 60603

Firm Overview

50 South Capital Advisors, LLC ("50 South Capital" or the "Firm") dates back to 2000 when Northern Trust began offering private equity and hedge fund products to its clients. In 2011, the private equity and hedge fund groups were combined into Northern Trust Alternatives. 50 South Capital was officially established as a separate wholly-owned subsidiary of Northern Trust in July 2015. Today, the firm is still led by its two co-founders along with a team of senior professionals focused on global venture capital, growth buyout, private credit, secondaries and direct investment markets.

The firm currently has forty-four full-time employees with twenty-six of them solely focused on private markets. In addition to the main office in Chicago, IL, 50 South Capital has an office in Indianapolis, IN.

The Firm's principal focus is Private Equity with total regulatory assets of $10.5 billion across a diversified client base of public/private pension plans, sovereign wealth funds, endowments, foundations, insurance companies, family offices and individual investors.

The firm currently manages approximately $1.1billion in regulatory assets across two in-state investment programs, the Illinois Growth and Innovation Fund and the Indiana Next Level Fund. Both in-state programs are invested on a non-discretionary basis.

Organizational Structure	
Year Founded:	2000
Type of Firm:	Public
Ownership:	Subsidiary of Northern Trust Corporation
Errors & Omissions Insurance:	☒
U.S. SEC & DOL Compliance:	☒
Registered Investment Adviser:	☒

Employee Structure (Private Markets)	
Senior Investment Professionals	11
Due Diligence/Research Analysts	5
Monitoring & Reporting	8
Other Research/Analytics	0
Marketing/Client Service	2
Administration/Other	5
Total Employees	**31**

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Title:	Managing Director

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50 South Capital – In-State Investment Program Team

Team Overview

The In-State Investment Program Team is comprised of four Managing Directors, three Directors, and two Vice Presidents. The Firm has had no turnover of its senior investment professionals. Historically, the Firm has experienced customary turnover of junior and mid-level investment professionals. The Firm believes it is well staffed at the senior level and continues to seek opportunities to grow investment and operations teams. The Firm expects continued growth in private credit and secondaries and is looking to add members to the firm over the next 1-2 years. Additionally, the firm is currently looking for a mid-level investment professional focused on sourcing of buyout and direct co-investment opportunities.

Key Professionals (In-State Investment Program)

Key Professionals	Years With Firm	Years of PE Experience	In-State Investment Program Experience	Percentage of Time Spent on Investment Activities	Principally Involved in NDSIB In-State Program
Robert Morgan Managing Director	20	30	20	60%	X
Bradley Dorchinecz Managing Director	20	30	20	75%	X
Adam Freda Managing Director	7	11	7	85%	X
James Hart III Managing Director	8	14	10	85%	X
Aaron Gillum Senior Vice President	3	10	3	85%	X
Molly Brister Director	3	6	3	90%	X
Kevin Butts Director	9	9	9	90%	X
Charles Davis Director	5	5	5	90%	X
Bridget Schweihs Vice President	4	6	4	90%	X

Personnel Turnover (In-State Investment Program) – Past Five Years

Year	Staff Additions	Staff Terminations	Key Personnel Additions	Key Personnel Terminations	Net Totals
2021 (YTD)	-	-	-	-	-
2020	1	(1)	-	-	0
2019	6	(3)	2	(1)	4
2018	4	(2)	0	(0)	2
2017	4	(0)	0	(0)	4
2016	5	(0)	0	(0)	5
2015	2	(1)	0	(0)	1

50 South Capital – In-State Investment Program Assets

The following tables, as of 12/31/2020, provide a breakout of 50 South Capital's In-State Investment Program client advisory assets and discretionary assets under management.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Separate Accounts:					
Discretionary:	0	$0	$0	$0	$0
Non-Discretionary:	1	849	627	222	849
Fund-of-Ones:	1	247	207	39	247
Total:	**2**	**$1,096**	**$835**	**$261**	**$1,096**

50 South Capital – Private Markets Assets

The following tables, as of 12/31/20, provide a breakout of 50 South Capital's total private markets client advisory assets and discretionary assets under management.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Fund of Funds:	14	$4,191	$1,358	$2,833	$4,191
Secondary Funds	4	577	236	342	577
Direct Co-Investments:	273	25	16	10	25
Separate Accounts:					
Discretionary:	1	56	17	40	56
Non-Discretionary:	19	2,394	1,229	1,165	2,394
Fund-of-Ones:	5	687	492	195	687
Total:	**44**	**$7,932**	**$3,347**	**$4,585**	**$7,932**

Investor Type ($ Millions)

	# Accounts*	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Public Pension:		$1,412	$947	$464	$1,412
Corporate Pension:		752	357	394	752
Endowment/Foundation:		1258	551	706	1258
Financial Institution (Banks, Ins.):		660	241	419	660
Other (HNW Individuals) (T-H):		3851	1,250	2,601	3851
Total:		**$7,932**	**$3,347**	**$4,585**	**$7,932**

*# of Accounts by investor type was not provided

50 South Capital – Private Markets Performance

Primary Partnerships

Private Markets Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	12	15	10	16	18	14	24	21
Committed Capital ($m)	$74	$90	$93	$124	$170	$126	$309	$268
IRR	10.5%	17.8%	33.7%	18.0%	19.7%	11.8%	17.7%	22.7%
TVPI	1.62	2.46	4.12	1.96	1.94	1.36	1.50	1.51
DPI	1.02	1.25	1.82	0.61	0.61	0.30	0.08	0.16

Co-Investments

Private Markets (Private Equity) Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	-	-	-	-	-	1	3	3
Committed Capital ($m)	-	-	-	-	-	$5	$17	$22
IRR	-	-	-	-	-	173.6%	22.6%	17.8%
TVPI	-	-	-	-	-	16.41	2.29	1.64
DPI	-	-	-	-	-	15.21	0.00	0.00

Barings, LLC

300 South Tryon Street, Suite 2500
Charlotte, NC 28202

Firm Overview

The origin of Barings follows the paths of two firms, Baring Asset Management Limited ("BAML") and Babson Capital Management LLC ("Babson"). BAML traces its roots to 1762 when the Baring brothers founded a merchant and banking firm in London. Babson, through its predecessor, David L. Babson & Company, Inc., was founded in 1940. Both companies were acquired by Massachusetts Mutual Life Insurance Company - Babson in 1995 and BAML in 2005. In July 2016, BAML became an indirect, wholly-owned subsidiary of Babson, which changed its name to Barings LLC in September 2016.

Currently, Barings employs 1,760 professionals and has Assets Under Management ("AUM") of $345 Billion. Additionally, the firm has 18 professionals focused on In-State Investment programs.

Organizational Structure

Year Founded:	1940
Type of Firm:	Private
Ownership:	Subsidiary of Massachusetts Mutual Life Insurance Company
Errors & Omissions Insurance:	☒
U.S. SEC & DOL Compliance:	☒
Registered Investment Adviser:	☒

Employee Structure (Private Markets)

Senior Investment Professionals	10
Due Diligence/Research Analysts	8
Monitoring & Reporting	13
Other Research/Analytics	0
Marketing/Client Service	2
Administration/Other	3
Total Employees	**36**

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Barings, LLC - In-State Investment Program Team

Team

Baring's In-State Investment Program Team is comprised of six Managing Directors, Four Directors, three Associate Directors and five Analysts. The investment team consists of 50% women or diverse professionals. The team has significant private equity experience with the average Managing Partner having 24 years of PE experience. Four of the Six Managing Partners have joined the firm in the past five years. The firm did not provide In-State Investment program personnel turnover or a detailed explanation of five year personnel turnover.

Key Professionals (In-State Investment Program)

Key Professionals	Years With Firm	Years of PE Experience	In-State Investment Program Experience	Percentage of Time Spent on Investment Activities	Principally Involved in NDSIB In-State Program
Richard Spencer, CFA Managing Director	31	34	2	50%	
Mina Nazemi Managing Director	3	23	17	75%	X
Ralph Witt, CFA Managing Director	8	24	2	90%	
Elizabeth Weindruch Managing Director	5	16	2	90%	
Naoki Ohta Managing Director	4	22	2	90%	
Patrick O'Hara Managing Director	3	24	10	95%	
Dave LaBrie Director	10	16	2	95%	X
Sean McDonell, CFA Director	5	14	2	95%	
Allen Ruiz Director	3	14	9	95%	
Russell Metcalfe Director	3	13	2	95%	
Jeffrey (J.R.) Keeve Associate Director	4	10	2	100%	
Jonathan Hammill Associate Director	4	13	2	100%	
Elizabeth Hartnett Associate Director	3	6	2	100%	

Barings, LLC – In-State Investment Program Team

Personnel Turnover (Private Markets) – Past Five Years*

Year	Staff Additions	Staff Terminations	Key Personnel Additions	Key Personnel Terminations	Net Totals
2021 (YTD)	0	(0)	0	(0)	0
2020	1	(2)	0	(2)	3
2019	2	(1)	0	(0)	1
2018	2	0	0	(0)	2
2017	5	(1)	3	(1)	6
2016	4	(2)	0	(0)	2
2015	1	(1)	1	(1)	0

*In-State Investment Program personnel turnover is not available due to Barings not designating an In-State team.

Key personnel defined as Managing Directors. Data does not include internal transfers.

Barings, LLC – In-State Investment Program Assets

The following tables, as of 12/31/2020, provide a breakout of Barings, LLC's In-State Investment Program client advisory assets and discretionary assets under management.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Separate Accounts:					
Discretionary:	2	$5	$5	$0	$5
Non-Discretionary:	0	0	0	0	0
Fund-of-Ones:	0	0	0	0	0
Total:	**2**	**$5**	**$5**	**0**	**$5**

Barings, LLC – In-State Investment Program Performance

Barings, LLC ("the Firm") does not have an In-State Investment Program track record due to their first In-State Program commitment being in 2019. For the 2019 vintage year, the firm manages $5 million of Primary Partnerships on a discretionary basis. The Firm also currently manages a $100 million real assets-focused In-State investment program and a $150 million private equity-focused program. In the 4th quarter of 2020, Barings approved an $8 million commitment to a transportation/logistics co-investment. The firm did not provide any other co-investment commitments or performance.

Barings, LLC - Private Equity Assets

The following tables provide a breakout of Barings, LLC's Private Equity client advisory assets and discretionary assets under management. The number of accounts are as of February 15, 2021 and the Uncalled Commitments and NAV data as of September 30, 2020.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Fund of Funds:	2	$169	$39	$131	$169
Secondary Funds	0	0	0	0	0
Direct Co-Investments:	0	0	0	0	0
Separate Accounts (Subtotal):	0	0	0	0	0
Discretionary:	5	4,237	996	3,240	4,237
Non-Discretionary:	0	0	0	0	0
Fund-of-Ones:	4	324	101	222	324
Total:	**11**	**$4,730**	**$1,136**	**$3,593**	**$4,730**

Investor Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Public Pension:	4	$208	$37	$171	$208
Corporate Pension:	2	17	3	13	17
Endowment/Foundation:	1	5	5	0	5
Financial Institution (Banks, Ins):	2	4,495	1,090	3,405	4,495
Other (HNW Individuals) (T-H):	6	5	1	4	5
Total:	**15**	**$4,730**	**$1,136**	**$3,593**	**$4,730**

Barings, LLC – Private Markets Performance

The following tables, as of 09/30/2020, provide Barings, LLC’s private markets discretionary performance for primary partnerships and co-investments. Performance metrics (IRR, TVPI, and DPI) are show on a net basis.

Primary Partnerships

Private Markets Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	6	6	6	3	8	-	2	3
Committed Capital ($m)	$70	$70	$65	$40	$115	-	$36	$32
IRR	11.4%	18.6%	25.6%	8.1%	10.5%	-	38.7%	14.3%
TVPI	1.64x	1.74x	2.86x	1.29x	1.33x		1.89x	1.24x
DPI	1.04x	1.48x	1.21x	0.47x	0.60x	-	0.52x	0.32x

Co-Investments

Private Markets (Private Equity) Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	-	-	-	-	-	-	1	3
Committed Capital ($m)	-	-	-	-	-	-	$11	$23
IRR	-	-	-	-	-	-	43.1%	10.0%
TVPI	-	-	-	-	-	-	3.31x	1.26x
DPI	-	-	-	-	-	-	0.93x	0.25x

GCM Grosvenor

900 N. Michigan Avenue
Chicago, IL 60611

Firm Overview

GCM Grosvenor ("GCM Grosvenor" or the "Firm") was originally founded in 1971 when it launched its first portfolio of hedge funds. From inception to 1990, the Firm focused on family offices and high net worth clients providing multi-strategy and single-strategy alternative portfolios. In 1990 the current Chairman and Vice Chairman joined the firm with a focus on institutional asset management. The private equity group, which was acquired from Credit Suisse in 2014, implemented their first investment in 1999. In addition to the acquisition of the CFIG group from Credit Suisse, Northern Trust has also acquired other supporting real estate and infrastructure businesses.

The Firm has been majority management owned since inception in 1971. In 2019, the Firm restructured with Hellman & Friedman resulting in a dividend split change to 92% GCM Grosvenor / 8% Hellman & Friedman compared to 71% GCM Grosvenor / 29% Hellman & Friedman. In November 2020, the Firm closed a transaction to become a public company (Nasdaq: GCMG). Currently, the Firm's management owns 78% of equity interest in the Firm.

Today, the Firm has main offices in Chicago (headquarters), New York, Los Angeles, Hong Kong, London, Seoul, and Tokyo with total assets under management ("AUM") of $62 billion. Of the $62 Billion in AUM, the firm manages over $22 Billion in private equity allocated across Primaries, Secondaries, and Co-Investments.

Organizational Structure

Year Founded:	1971
Type of Firm:	Public
Ownership:	78% GCM Grosvenor / 22% Public
Errors & Omissions Insurance:	☒
U.S. SEC & DOL Compliance:	☒
Registered Investment Adviser:	☒

Employee Structure

Senior Investment Professionals	40
Junior Investment Professionals	34
Monitoring and Support	72
Marketing/Client Service	61
Other (Legal/Compliance/Risk/Finance/HR, etc.)	283
Total Employees	**490**

Contact

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GCM Grosvenor – In-State Investment Program Team

Team

The In-State Investment Program team is comprised of one President, two Managing Directors, three Principals, and one Executive Director. The team is supported by an 8-person Investment Committee, a 5-person Operations Committee, 7 Risk Management professionals, 15 Operational Due Diligence professionals, and a 42-person Client Group. As a result of a large team supporting the investment team, the key investment professionals are able to allocate almost all of their time to generating deal flow and other investment activities. The Firm has had turnover within the private equity group over the past five years. Iris Zhao, a Managing Director focused of private equity real estate, and infrastructure, left in 2015 to pursue other opportunities. Arnaud Lipkowicz, an investment professional focused on European Private Equity investments, left the Investment Committee in 2020. Two notable hires within private equity include Brian Sullivan, head of global secondaires and part of the Investment Committee, and Kevin Nickelberry, a Managing Director, focused on private equity co-investments.

Key Professionals (In-State Investment Program)

Key Professionals	Years With Firm	Years of PE Experience	In-State Investment Program Experience	Percentage of Time Spent on Investment Activities*	Principally Involved in NDSIB In-State Program
Jonathan Levin President	10	18	18	See Note	X
Fred Pollock Chief Investment Officer	6	17	17	See Note	X
Michael Rose Managing Director	17	19	19	See Note	X
Bernard Yancovich Managing Director	21	26	26	See Note	X
Mo Saraiya Principal	3	18	18	See Note	X
Todd Roland Principal	6	14	14	See Note	X
Michael Kell Principal	10	23	23	See Note	X
Erik Hall Executive Director	7	-	-	See Note	X

*The Investment Teams are supported by several other teams, including an 8-person Investment Committee, a 5-person Operations Committee, 7 Risk Management professionals, 15 Operational Due Diligence professionals, 10 tax professionals, and a 42-person Client Group. Our senior investment professionals can therefore allocate nearly 100% of their time to generating deal-flow, reviewing opportunities, conducting due diligence, and negotiating and structuring deals.

GCM Grosvenor – In-State Investment Program Team

Personnel Turnover (Private Markets) – Past Five Years*

Year	Staff Additions	Staff Terminations	Key Personnel Additions	Key Personnel Terminations	Net Totals
2021 (YTD)	0	(0)	0	(0)	0
2020	8	(4)	1	2	4
2019	7	(8)	2	1	(1)
2018	15	(7)	0	(1)	8
2017	9	(5)	0	(0)	4
2016	9	(8)	0	(0)	1
2015	9	(5)	0	(0)	4

*Additions and terminations as of January 1, 2021. Data provided for private equity, real estate and infrastructure investment professionals. Data includes analysts who are a part of our three-year rotational program and excludes internal transfers.

GCM Grosvenor – In-State Investment Program Assets

The following tables, as of 12/31/2020, provide a breakout of GCM Grosvenor's In-State Investment Program client advisory assets and discretionary assets under management.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Separate Accounts:					
Discretionary:	17	$909	$272	$638	$909
Non-Discretionary:	8	362	8	354	362
Fund-of-Ones:	0	0	0	0	0
Total:	**25**	**$1,271**	**$280**	**$991**	**$1,271**

GCM Grosvenor – In-State Investment Program Performance

The following tables, as of 09/30/2020, provide GCM Grosvenor's In-State Investment Program discretionary performance for primary partnerships and co-investments. Performance metrics (IRR, TVPI, and DPI) are show on a net basis.

Primary Partnerships

In-State Discretionary Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	7	14	5	8	7	5	8	6
Committed Capital ($m)	$45	$117	$15	$65	$29	$55	$15	$37
IRR	30.8%	11.2%	-2.8%	8.1%	7.8%	6.1%	71.5%	23.3%
TVPI	6.16x	1.62x	0.88x	1.35x	1.27x	1.15x	3.83x	1.43x
DPI	1.97x	1.15x	0.18x	0.33x	0.90x	0.45x	0.08x	0.04x

Co-Investments

In-State Discretionary Performance by Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	7	14	5	8	7	5	8	6
Committed Capital ($m)	$55	$105	$49	$81	$53	$49	$87	$54
IRR	33.3%	26.3%	29.8%	14.0%	8.4%	13.9%	-6.4%	10.4%
TVPI	2.02x	2.64x	2.68x	1.42x	1.32x	1.64x	0.81x	1.23x
DPI	2.02x	2.63x	2.39x	1.17x	1.04x	0.81x	0.38x	0.86x

GCM Grosvenor - Private Equity Assets

The following tables provide a breakout of GCM Grosvenor's Private Equity client advisory assets and discretionary assets under management. The number of accounts are as of February 15, 2021 and the Uncalled Commitments and NAV data as of September 30, 2020.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Fund of Funds:	28	$1,474	$403	$1,071	$1,474
Secondary Funds	3	709	259	451	709
Direct Co-Investments:	3	1,517	842	675	1,517
Separate Accounts (Subtotal):					
Discretionary:	135	26,203	12,868	13,335	26,203
Non-Discretionary:	4	324	58	266	324
Fund-of-Ones:	6	222	89	133	222
Total:	179	**$30,450**	**$14,519**	**$15,931**	**$30,450**

Investor Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Public Pension:	42	$21,042	$9,742	$11,301	$21,042
Corporate Pension:	12	2220	982	1239	2220
Endowment/Foundation:	8	123	19	104	123
Financial Institution (Banks, Ins):	6	956	744	212	956
Other (HNW Individuals) (T-H):	58	6109	3033	3076	6109
Total:	**126**	**$30,450**	**$14,519**	**$15,931**	**$30,450**

GCM Grosvenor – Private Equity Performance

The following tables, as of 09/30/2020, provide GCM Grosvenor's private markets discretionary performance for primary partnerships and co-investments. Performance metrics (IRR, TVPI, and DPI) are show on a net basis.

Primary Partnerships

Private Markets (Private Equity) Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	34	34	24	21	20	25	23	23
Committed Capital ($m)	$1,742	$1,350	$1,050	$443	$481	$908	$713	$865
IRR	17.0%	14.3%	18.2%	11.5%	14.7%	16.3%	13.2%	20.1%
TVPI	1.79x	1.62x	1.81x	1.39x	1.46x	1.46x	1.30x	1.32x
DPI	1.53x	1.14x	1.23x	0.63x	0.68x	0.45x	0.18x	0.22x

Co-Investments

Private Markets (Private Equity) Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	14	16	11	11	6	12	10	10
Committed Capital ($m)	$417	$295	$254	$152	$90	$337	$316	$276
IRR	17.6%	18.5%	34.9%	25.1%	16.8%	13.7%	28.2%	8.3%
TVPI	1.72x	2.02x	2.46x	1.91x	1.77x	1.66x	2.03x	1.24x
DPI	1.69x	2.00x	2.20x	1.68x	1.20x	1.05x	0.79x	0.40x

Sun Mountain Capital Advisors, LLC

527 Don Gaspar Ave
Santa Fe, NM 87505

Firm Overview

Sun Mountain Capital Advisors, LLC ("Sun Mountain" or the "Firm") is an independent investment management firm founded in 2006. The firm was founded with a focus on targeted private equity and venture capital investing in underserved areas. In 2017, one of the founders of the firm, Leslie Shaw, retired. Edward Markman was hired in 2014 to replace Leslie Shaw and is currently a Partner and serves as the firm's Chief Financial Officer and Chief Compliance Officer. The Firm was formed as a partnership and continues to operate under this structure.

Currently, the Firm has a total of 19 employees which includes 6 regional employees dedicated to specific In-State Investment Programs. As of 12/31/2020, the Firm had $710 million in discretionary in-state program assets and total firm assets of $1.3 billion.

Organizational Structure

Year Founded:	2006
Type of Firm:	Private
Ownership:	Partnership
Errors & Omissions Insurance:	☒
U.S. SEC & DOL Compliance:	☒
Registered Investment Adviser:	☒

Employee Structure (Private Markets)*

Senior Investment Professionals	6
Due Diligence/Research Analysts	4
Monitoring & Reporting	1
Other Research/Analytics	0
Marketing/Client Service	0
Administration/Other	2
Total Employees	**13**

Contact

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*Sun Mountain has an affiliate team of 6 additional professionals who work out of Wisconsin and Mexico.

Sun Mountain - In-State Investment Program Team

Team

The In-State Investment Program Team is comprised of one Managing Partner, two Partners, and one Senior Associate. The team as reviewed is largely focused on In-State Investment Programs, with four of the six key professionals expected to be principally involved in the NDSIB In-State Program. The Firm has had minimal turnover with most notable departures being Leslie Shaw, co-founding Partner, retiring in 2016 and Mark Hollis, Principal, leaving due to personal reasons in 2017. In the past, the team has added investment professionals located within the state where the program is located. For the NDSIB In-State Program, the team that is focused on the program is expected to include two additional employees located in North Dakota focused solely on sourcing and generating deal flow.

Key Professionals (In-State Investment Program)

Key Professionals	Years With Firm	Years of PE Experience	In-State Investment Program Experience	Percentage of Time Spent on Investment Activities	Principally Involved in NDSIB In-State Program
Brian Birk Managing Partner	15	23	17	60%	X
Sally Corning Partner	15	28	15	70%	X
Lee Rand Partner	12	12	12	70%	X
Catriona Forrester Principal	5	5	5	80%	
Brian Lewis Principal	5	5	5	90%	
Dan Brooks Senior Associate	7	7	7	90%	X

Personnel Turnover (In-State Investment Program) – Past Five Years

Year	Staff Additions	Staff Terminations	Key Personnel Additions	Key Personnel Terminations	Net Totals
2021 (YTD)	0	(0)	0	(0)	0
2020	0	(1)	1	(0)	0
2019	0	(0)	1	(0)	1
2018	1	(0)	1	(0)	2
2017	0	(1)	0	(0)	(1)
2016	0	(0)	0	(1)	(1)
2015	3	(0)	0	(0)	3

Sun Mountain – In-State Investment Program Assets

The following tables, as of 12/31/2020, provide a breakout of Sun Mountain's In-State Investment Program client advisory assets and discretionary assets under management.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Separate Accounts:					
Discretionary:	11		$169	$541	$710
Non-Discretionary:	0		0	0	0
Fund-of-Ones:	0		0	0	0
Total:	**2**		**$ 169**	**$541**	**$710**

Sun Mountain – In-State Investment Program Performance

The following tables, as of 09/30/2020, provide Sun Mountain's In-State Investment Program discretionary performance for primary partnerships and co-investments. Performance metrics (IRR, TVPI, and DPI) are show on a net basis.

Direct Equity

In-State Discretionary Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2015	2016	2017
Accounts	-	-	-	1	1	1	-	1
Committed Capital ($m)	-	-	-	$20	$40	$23	-	$28
IRR	-	-	-	9.0%	5.2%	2.1%	-	2.3%
TVPI	-	-	-	1.85x	1.28x	1.10x	-	1.05x
DPI	-	-	-	0.03x	0.02x	0.59x	-	0.03x

Sun Mountain - Private Markets Assets

The following tables provide a breakout of Sun Mountain's private markets client advisory assets and discretionary assets under management. The number of accounts are as of February 15, 2021 and the Uncalled Commitments and NAV data as of September 30, 2020.

Mandate Type ($ Millions)

	# Accounts	Assets Under Management	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Fund of Funds:	5	$246	$83	$163	$246
Secondary Funds	0	0	0	0	0
Direct Co-Investments:	6	464	86	378	464
Separate Accounts (Subtotal):	0	0	0	0	0
Discretionary:	0	0	0	0	0
Non-Discretionary:	0	0	0	0	0
Fund-of-Ones:	0	0	0	0	0
Total:	**11**	**$710**	**$169**	**$541**	**$710**

Investor Type ($ Millions)

	# Accounts	Uncalled Commitments	Net Asset Value	Uncalled Commitments & Net Asset Value
Public Pension:	0	$0	$0	$0
Corporate Pension:	1	$2	$3	$4
Endowment/Foundation:	2	$0	$0	$1
Financial Institution (Banks, Ins):	6	$58	$179	$237
Sovereign Wealth Funds	1	$72	$314	$386
State Government Entities	2	$21	$5	$26
Other (HNW Individuals) (T-H):	73	$172	$516	$688
Total:	**85**	**$325**	**$1,017**	**$1,342**

Sun Mountain – Private Markets Performance

The following tables, as of 09/30/2020, provide Sun Mountain's private markets discretionary performance for primary partnerships. Performance metrics (IRR, TVPI, and DPI) are show on a net basis.

Direct Equity

Private Markets Performance Vintage Years 2010-2017

Performance	2010	2011	2012	2013	2014	2014(a)	2015	2016	2017
Accounts	-	-	-	1	1	1	-	1	1
Committed Capital ($m)	-	-		$20	$40	$23	-	$28	$45
IRR	-	-	-	9.0%	5.2%	2.1%	-	2.3%	7.8%
TVPI	-	-	-	1.85x	1.28x	1.10x	-	1.05x	1.21x
DPI	-	-	-	0.03x	0.02x	0.59x	-	0.03x	0.00x

*** (a) 2014 is split into multiple columns to avoid using a blended average IRR between New Mexico investments and Mexico investments**

Fee Proposals

Summary

Throughout the process of analyzing proposed fees, Callan evaluated fee proposals by Management Fees, Carried Interest (performance based fees), and Charge-Backs (legal, fund administrative, and other fees). Fees were assessed using a commitment to the program of $100mm and a 15 year program. Management fees were charged on the program commitment and respondents generally offered management fee discounts after the Investment Period. Carried Interest was calculated using projected cash flows from the program’s underlying investments. Callan further analyzed Carried Interest charged by each manager by reconciling differences in projected cash flows and examining proposed performance based fee structures.

Fee Proposal Breakdown by Fee Type

The following table shows an overview of the proposed fees charged for each respondent by fee type. Fees are shown assuming a plan life of 15 years.

RFP Respondent	Management Fees	Carried Interest	Charge-Backs	Total Fees	Average Annual Fee on $100mm
50 South Capital**	$9,800,000	$2,500,000	$3,025,000	$15,325,000	1.02%
Barings	$8,854,348	$11,352,092	$1,925,000	$22,131,440	1.48%
GCM Grosvenor	$7,738,333	$5,715,393	$2,021,700	$15,475,426	1.03%
Sun Mountain	$13,130,000	-	$1,215,000	$14,345,000	0.96%

*Data was extracted using RFP responses and are for illustrative purposes only
**Based on NDSIB being a long standing client of Northern Trust, 50 South Capital has negotiated a custody fee credit equal to 10% of 50 South Capital’s proposed annual management fee over the life of the fund.

Management Fee Terms

The following table shows an overview of the proposed Management Fee terms for each respondent.

RFP Respondent	Average Annual Management Fee	Average Annual Management Fee (Investment Period)	Investment Period
50 South Capital	0.65%	0.96%	5 Years
Barings	0.59%	1.25%	4 Years
GCM Grosvenor	0.52%	1.00%	5 Years
Sun Mountain	0.88%	1.30%	5 Years

*Data was extracted using RFP responses and are for illustrative purposes only

Carried Interest Terms

The following table shows an overview of the proposed Carried Interest terms for each respondent.

RFP Respondent	Carried Interest	Preferred Return	Type of Investments subject to GP Carry
50 South Capital	10.00%	Not Specified	Co-Investments
Barings	10.00%	8.00%	Total Plan
GCM Grosvenor	10.00%	8.00%	Total Plan
Sun Mountain	0%	N/A	N/A

*Data was extracted using RFP responses and are for illustrative purposes only

Projected Fee Schedules

The following charts provide a more comprehensive view on respondents proposed fee structures by plan year and fee type.

50 South Capital Proposed Fee Schedule

Year	Commitment	Management Fee	Carried Interest	Charge-Backs	Total	Cumulative Total
1	$100,000,000	$800,000	-	$400,000	$1,200,000	
2		$1,000,000	-	$250,000	$1,250,000	
3		$1,000,000	-	$250,000	$1,250,000	
4		$1,000,000	-	$250,000	$1,250,000	
5		$1,000,000	-	$250,000	$1,250,000	
6		$950,000	-	$200,000	$1,150,000	
7		$900,000	-	$200,000	$1,100,000	
8		$850,000	$500,000	$200,000	$1,550,000	
9		$800,000	$500,000	$200,000	$1,500,000	
10		$500,000	$500,000	$200,000	$1,200,000	
11		$500,000	$500,000	$200,000	$1,200,000	
12		$500,000	$500,000	$200,000	$1,200,000	
13		-	-	$75,000	$75,000	
14		-	-	$75,000	$75,000	
15		-	-	$75,000	$75,000	
TOTAL		**$9,800,000**	**$2,500,000**	**$3,025,000**	**$15,325,000**	

Barings, LLC Proposed Fee Schedule

Year	Commitment	Management Fee	Carried Interest	Charge-Backs	Total	Cumulative Total
1	$100,000,000	$1,000,000	-	$175,000	$1,175,000	
2		$1,250,000	-	$125,000	$1,375,000	
3		$1,250,000	-	$125,000	$1,375,000	
4		$1,500,000	-	$125,000	$1,625,000	
5		$1,258,138	-	$125,000	$1,383,138	
6		$1,076,000	-	$125,000	$1,201,000	
7		$746,773	-	$125,000	$871,773	
8		$456,716	-	$125,000	$581,716	
9		$203,421	$8,220,690	$125,000	$8,549,111	
10		$62,186	$1,770,955	$125,000	$1,958,141	
11		$34,542	$592,973	$125,000	$752,515	
12		$13,939	$419,463	$125,000	$558,402	
13		$2,633	$237,179	$125,000	$364,812	
14		-	$95,611	$125,000	$220,611	
15		-	$15,222	$125,000	$140,222	
TOTAL		**$8,854,348**	**$11,352,092**	**$1,925,000**	**$22,131,440**	

GCM Grosvenor Proposed Fee Schedule

Year	Commitment	Management Fee	Carried Interest	Charge-Backs	Total	Cumulative Total
1	$100,000,000	$1,000,000	-	$285,230	$1,285,230	
2		$1,000,000	-	$140,528	$1,140,528	
3		$1,000,000	-	$145,525	$1,145,525	
4		$1,000,000	-	$132,723	$1,132,723	
5		$1,000,000	-	$135,460	$1,135,460	
6		$816,667	-	$127,278	$943,944	
7		$711,667	-	$126,111	$837,778	
8		$255,000	-	$126,111	$381,111	
9		$191,667	$3,579,559	$125,988	$3,897,213	
10		$170,000	$691,100	$117,498	$978,597	
11		$153,333	$672,465	$117,250	$943,049	
12		$140,000	$357,647	$117,250	$614,897	
13		$120,000	$271,300	$109,000	$500,300	
14		$100,000	$121,161	$108,250	$329,411	
15		$80,000	$22,161	$107,500	$209,661	
TOTAL		**$7,738,333**	**$5,715,393**	**$2,021,700**	**$15,475,426**	

Sun Mountain Capital Proposed Fee Schedule

Year	Commitment	Management Fee	Carried Interest	Charge-Backs	Total	Cumulative Total
1	$100,000,000	$1,300,000	-	$165,000	$1,465,000	
2		$1,300,000	-	$75,000	$1,375,000	
3		$1,300,000	-	$75,000	$1,375,000	
4		$1,300,000	-	$75,000	$1,375,000	
5		$1,300,000	-	$75,000	$1,375,000	
6		$1,040,000	-	$75,000	$1,115,000	
7		$1,040,000	-	$75,000	$1,115,000	
8		$910,000	-	$75,000	$985,000	
9		$910,000	-	$75,000	$985,000	
10		$780,000	-	$75,000	$855,000	
11		$650,000	-	$75,000	$725,000	
12		$520,000	-	$75,000	$595,000	
13		$390,000	-	$75,000	$465,000	
14		$260,000	-	$75,000	$335,000	
15		$130,000	-	$75,000	$205,000	
Total		$13,130,000	$0	$1,215,000	$14,345,000	

Important Information and Disclosures

This investment evaluation of the candidate sponsor and the candidate investment vehicle(s) was compiled by Callan at the request of North Dakota State Investment Board, exclusively for use by North Dakota State Investment Board.

This investment evaluation and the information contained herein is confidential and proprietary information of Callan and should not be used other than by North Dakota State Investment Board for its intended purpose or disseminated to any other person without Callan's permission.

This investment evaluation gives consideration to the investment requirements and guidelines provided to Callan by North Dakota State Investment Board, and should not be relied upon by any person other than North Dakota State Investment Board or used in whole or in part for any purpose other than considering an investment in the candidate vehicle(s).

Information contained herein has been compiled by Callan and is based on information provided by various sources believed to be reliable but which Callan has not necessarily verified the accuracy or completeness of or updated. Information considered by Callan, includes information provided by the investment sponsor and information that is publicly available, as well as information developed by Callan from other sources, which may not be current as of the date of this investment evaluation. Callan does not make any representation or warranty, express or implied as to the accuracy or completeness of the information contained in this investment evaluation. Callan undertakes no obligation to update this investment evaluation except as specifically requested by North Dakota State Investment Board.

This investment evaluation is for informational purposes only and should not be construed as legal or tax advice. North Dakota State Investment Board is urged to consult with legal and tax advisers before investing in the candidate investment vehicle(s) or any other investment vehicle.

A potential investor in the candidate investment vehicle(s) should undertake an independent review of the sponsor's private placement memorandum, related offering documents and due diligence questionnaire, which describe, among other important information, the sponsor's background, experience and track record, investment strategy, investment risk factors, compensation program, and investor rights and obligations. Callan makes no representation or warranty, express or implied, as to the accuracy or completeness of the sponsor's offering materials. It is incumbent upon North Dakota State Investment Board to make an independent determination of the suitability and consequences of an investment in the candidate investment vehicle(s).

The appropriateness of the candidate investment vehicle(s) discussed in this investment evaluation is based on Callan's understanding of North Dakota State Investment Board' portfolio as of the date this investment evaluation is originally issued.

Opinions expressed in the investment evaluation are based on Callan's standard evaluation procedures which are designed to provide objective comments based upon information provided to Callan. Such opinions may be amended, supplemented or restated, based on changes in North Dakota State Investment Board' investment objectives or investment portfolio, the macroeconomic environment, legal/regulatory/political climate, the organization or team of the candidate general partner(s) or candidate investment vehicle(s) or other identified or unidentified factors.

Callan undertakes no obligation to update any opinion expressed in this investment summary except as specifically requested by North Dakota State Investment Board.

Nothing contained in this investment evaluation should be relied upon as a promise or representation as to past or future performance of the candidate investment vehicle(s) or other entity. Past performance is no guarantee of future results.

Certain operational topics may be addressed in this investment evaluation for informational purposes; however, Callan has not conducted due diligence of the operations of the candidate sponsor, or candidate investment vehicle(s), as may typically be performed in an operational due diligence evaluation assignment.

The issues considered and risks highlighted in this investment evaluation may not be comprehensive and other undisclosed or heretofore unknown risks may exist that may be deemed material to North Dakota State Investment Board regarding the candidate sponsor and candidate investment vehicle(s).

The investment evaluation and any related due diligence questionnaire completed by the candidate sponsor may contain highly confidential information that is covered by a non-disclosure or other related agreement with the candidate sponsor which must be respected by North Dakota State Investment Board and its representatives. North Dakota State Investment Board agrees to adhere to the conditions of any confidentiality or non-disclosure agreement provided with the investment evaluation.

Client Disclosure

As indicated below, one or more of the candidates listed in this report may, itself, be a client of Callan as of the date of the most recent quarter end. These clients pay Callan for educational, software, database and/or reporting products and services. Given the complex corporate and organizational ownership structures of investment management firms and/or trust/custody or securities lending firms, the parent and affiliate firm relationships are not listed here.

The client list below may include names of parent companies who allow their affiliates to use some of the services included in their client contract (e.g., educational services including published research and attendance at conferences and workshops). Affiliates will not be listed if they don't separately contract with Callan. Parent company ownership of the firms included in this report and any relationship with Callan can be provided at your request. Because Callan's clients list of investment managers changes periodically, the above information may not reflect recent changes. Clients are welcome to request a complete list of Callan's investment manager clients at any time.

As a matter of policy, Callan follows strict procedures so that investment manager client relationships do not affect the outcome or process by which Callan's searches or evaluations are conducted.

Firm	Is an Investment Manager Client of Callan*	Is Not an Investment Manager Client of Callan*
50 South Capital	X	
Barings		X
GCM Grosvenor	X	
Sun Mountain		X

*Based upon Callan manager clients as of the most recent quarter end.

AGENDA ITEM III.D.2.

Board Action

To: State Investment Board

From: SIB Investment Staff

Date: April 23, 2021

RE: Invesco Real Estate U.S. Fund VI Recommendation (Pension, Legacy)

Recommendation:

In response to future expected distributions of capital in Pension Trust U.S. value-add private real estate commitments, new follow-on commitments are necessary to maintain strategic target exposures to non-core real estate. Additionally, Staff is recommending a target allocation to non-core private real estate for the Legacy Fund with the goal of further diversifying existing core private real estate mandates within the Fund. Based upon current capacity to commit, the market opportunity set, the relative attractiveness of core versus non-core strategies, and the pace of capital deployment from our existing managers, **Staff recommends making a $200 million total commitment to Invesco's Value Added Fund VI for both the Pension Trust and Legacy Fund ($100 million each) subject to satisfactory legal review and negotiation.**

Private Real Estate Program Features

Open-end and closed-end real estate funds available to institutional real estate investors range from core (lower targeted return/lower risk) strategies to opportunistic (higher targeted return/higher risk) strategies. Core funds typically target returns in the mid-to-high single digit range, predominantly from stable income streams such as apartments. Value-added funds target IRRs from high single digit to mid-teens, while opportunity funds target returns in the high teens and above. Value-added and opportunistic funds will use higher leverage as well depending on the type of investments and the availability of debt in the market. The risk displayed includes both financial and operating risk. For example, re-tenant or development projects involve more operating risk than collecting rents and maintenance of core buildings.

The following table illustrates the strategic position of Pension and Legacy private real estate managers currently employed by the SIB in the context of target returns and the associated dimensions of risk:

Strategy	SIB Manager	Investment Theme Example	Operating Risk	Financial Leverage	Target Return
Core	Invesco, JP Morgan	Office, Retail, Apartment with low vacancy in prime markets, stable cash flow	Low	Low	Low
Value-Added	Invesco, JP Morgan	Tenant/property improvement, stabilize rent roll, transform to core	Medium	Medium	Medium
Opportunistic	Invesco, JP Morgan	Development, recapitalization, value-added enhancement	High	High	High

Current private real estate Net Asset Values (NAV) for Pension and Legacy are as follows:

Pension	December 31, 2020 Market Value	Weight
Real Estate	**$668,408,711**	**9.73%**
Invesco Core Real Estate	325,506,420	4.74%
Invesco Fund III	1	0.00%
Invesco Asia RE Fund III	18,798,025	0.27%
Invesco Value Added Fd IV	33,012,386	0.48%
Invesco Value Added Fd V	38,900,801	0.57%
JP Morgan	251,523,130	3.66%
JP Morgan Greater European Opp Fd	667,948	0.01%

Legacy	December 31, 2020 Market Value	Weight
Real Estate	**$344,181,873**	**4.22%**
Invesco Core Real Estate	172,062,232	2.11%
JP Morgan RE Inc & Growth	172,119,641	2.11%

Recommendation Rationale:

The Pension Trust has a target asset allocation of approximately 10% to private real estate, 25% of which is targeted to non-core strategies. In addition to a modest underweight to the asset class in total and growth in total assets, the allocation to non-core mandates is projected to decline as existing commitments mature and distribute capital.

Given the nature of investing in closed-end real estate, at the beginning of a fund's life there is a lag period from when a commitment is made until when the actual dollars are invested. Later, when the fund approaches its end of life and portfolio holdings mature, properties are sold, the portfolio eventually winds down, and capital is returned to investors. To recognize that investment in funds is often below the commitment level, the SIB needs to make commitments relative to the desired target allocation to non-core real estate in order to achieve target allocations.

Additionally, Staff is recommending the integration of non-core mandates as a complement to existing core mandates managed by Invesco and J.P. Morgan within the Legacy Fund, which is well suited to take advantage of non-core strategy features such as property diversification, return enhancement through asset repositioning and preferential sourcing, and the flexibility to adapt to evolving trends and opportunity sets.

NDSIB Prior Investments in Invesco Value-Add Fund Series

The NDSIB Pension Trust has committed to each of the previous four Value-Add Real Estate Fund series:

Fund	Vintage Year	Fund Size	NDSIB Commitment
Invesco Value-Add Fund V	2019	$1,134 million	$70 million
Invesco Value-Add Fund IV	2015	$759 million	$70 million
Invesco Value-Add Fund III	2012	$344 million	$50 million
Invesco Value-Add Fund II	2007	$457 million	$50 million

With respect to performance, every SIB Value-Add Fund investment in the prior four funds has delivered in excess of the stated goal of a minimum of a 3% return above the primary core benchmark, the NCREIF Fund Index - Open End Diversified Core Equity (NFI - ODCE), a capitalization-weighted, gross of fee, time-weighted return index of open-end funds (infinite-life vehicles) typically focusing on lower risk investment strategies utilizing low leverage and generally represented by equity ownership positions in stable U.S. operating properties.

In prior Funds, Invesco has demonstrated a proven ability to capture two sources of value creation: Preferential pricing and Net Operating Income (NOI) growth.

1. Of the 53 realized value-add transactions, 72% were preferentially sourced (exclusivity, not brokered or open bid process), generating higher IRRs than competitively sourced deals.
2. In executing property NOI growth plans, Invesco has in aggregate grown NOI 1.7 times from acquisition to disposition, a 72% increase in NOI.

Invesco Value-Add Fund VI

Fund VI will be a continuation of the firm's best practices of value-add real estate investing independent of cycle position as summarized in the table below:

VALUE CREATION	Investment Styles	Typical Exposures
Preferential Sourcing and Executing for NOI Growth	▪ "Fix Broken Core"	+/-75%
	▪ "Manufacture Core"	+/-25%
	▪ "Exploit Pricing Inefficiencies"	Varies Cyclically

RISK MITIGATION		
Portfolio Construction Disciplines	▪ Acquisition Pricing Discipline	▪ Sector Relative Value
	▪ Asset Differentiation	▪ Leverage
		▪ Diversified Duration
	▪ Submarket Selection	▪ Single Asset Concentration

Source: Invesco Real Estate, June 2020

While Invesco's value-add playbook is consistent across vintages, Staff believes the disruption and volatility created by the COVID-19 pandemic and the resulting acceleration of pre-existing trends in private real estate puts the firm in a strong position to take advantage of opportunities in assets with secular tailwinds while avoiding those that are in secular decline.

Board Action Request:

Staff seeks Board approval to commit $200 million in total to Invesco's Value Added Fund VI for both the Pension Trust and Legacy Fund ($100 million each) subject to satisfactory legal review and negotiation.

Pension

Returns for Periods Ended December 31, 2020

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Global Real Assets					
Gross	2.20%	3.53%	5.02%	5.93%	-
Net	2.11%	3.03%	4.58%	5.49%	-
Weighted Benchmark	1.06%	1.35%	3.94%	4.40%	-
Real Estate					
Gross	1.41%	1.66%	4.85%	7.00%	10.84%
Net	1.28%	1.04%	4.33%	6.48%	10.18%
NCREIF Total Index	1.15%	1.60%	4.89%	5.91%	9.00%

Legacy

Returns for Periods Ended December 31, 2020

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Global Real Assets					
Gross	2.20%	3.53%	5.02%	5.93%	-
Net	2.11%	3.03%	4.58%	5.49%	-
Weighted Benchmark	1.06%	1.35%	3.94%	4.40%	-
Real Estate					
Gross	1.41%	1.66%	4.85%	7.00%	10.84%
Net	1.28%	1.04%	4.33%	6.48%	10.18%
NCREIF Total Index	1.15%	1.60%	4.89%	5.91%	9.00%

Pension

Real Estate
Period Ended December 31, 2020

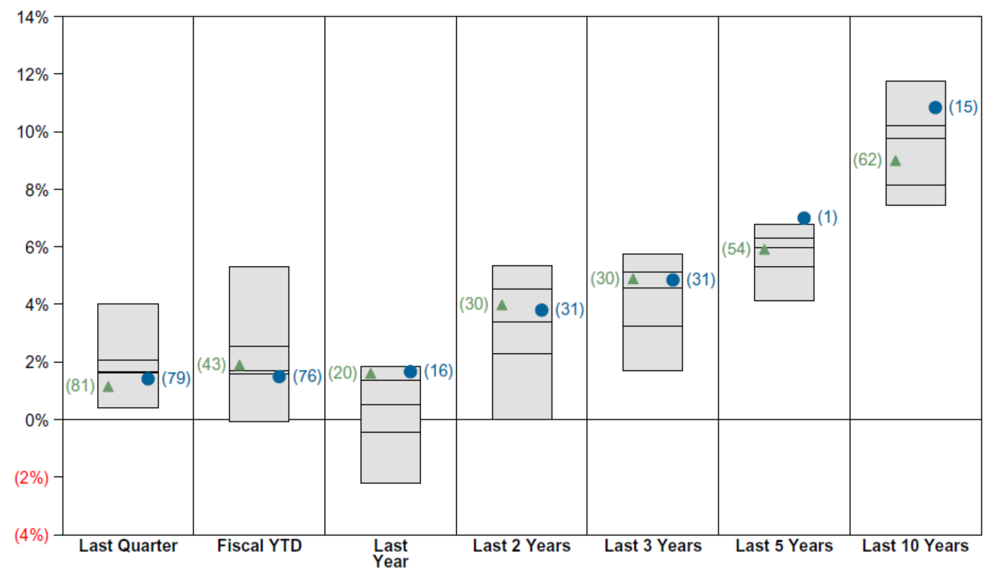
Quarterly Summary and Highlights

- Real Estate's portfolio posted a 1.41% return for the quarter placing it in the 79 percentile of the Public Fund - Real Estate group for the quarter and in the 16 percentile for the last year.
- Real Estate's portfolio outperformed the NCREIF Total Index by 0.27% for the quarter and outperformed the NCREIF Total Index for the year by 0.06%.

Quarterly Asset Growth

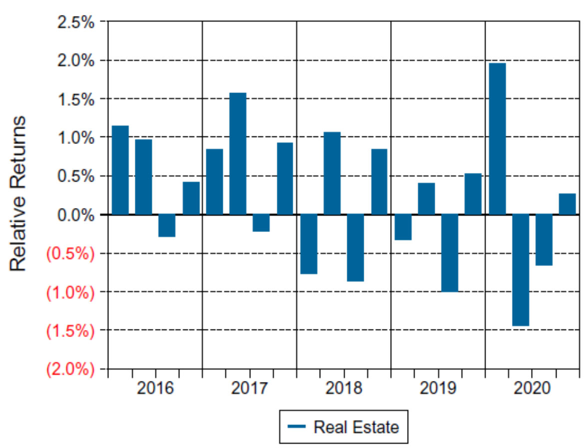
Beginning Market Value	$663,348,823
Net New Investment	$-4,339,696
Investment Gains/(Losses)	$9,399,585
Ending Market Value	$668,408,711

Performance vs Public Fund - Real Estate (Gross)

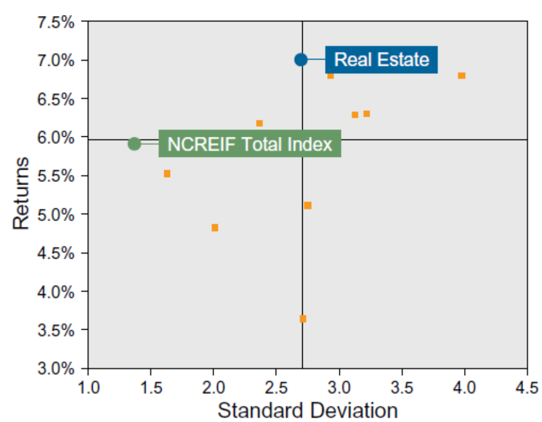


	Last Quarter	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	4.03	5.31	1.85	5.35	5.75	6.80	11.77
25th Percentile	2.08	2.54	1.35	4.53	5.13	6.29	10.21
Median	1.67	1.70	0.50	3.38	4.58	5.96	9.76
75th Percentile	1.63	1.57	(0.43)	2.28	3.26	5.32	8.14
90th Percentile	0.40	(0.08)	(2.22)	(0.00)	1.70	4.12	7.45
Real Estate ●	1.41	1.49	1.66	3.80	4.85	7.00	10.84
NCREIF Total Index ▲	1.15	1.89	1.60	3.98	4.89	5.91	9.00

Relative Return vs NCREIF Total Index



Public Fund - Real Estate (Gross)
Annualized Five Year Risk vs Return



Invesco

NORTH Dakota | Retirement and Investment

Be Legendary.™

Invesco Real Estate U.S. Fund VI, L.P.

April 23, 2021

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Agenda

Executive Summary

Invesco Real Estate Platform

Case Studies

Appendix

Executive Summary

Executive Summary
Invesco Real Estate Global Capabilities

Domestic platform is the flagship and a market leader; founded over 35 years ago. Strategic capabilities in Core, Core Plus, High Return Objective and Credit.

$82.8 Billion Under Management

589 Employees Worldwide; 21 Offices; 16 Countries

North America	Europe	Asia
253 Employees	180 Employees	156 Employees

North American Direct
— $39.3 Billion
— Since 1983

Listed Real Assets
— $19.3 Billion
— Since 1988

European Direct
— $15.7 Billion
— Since 1996

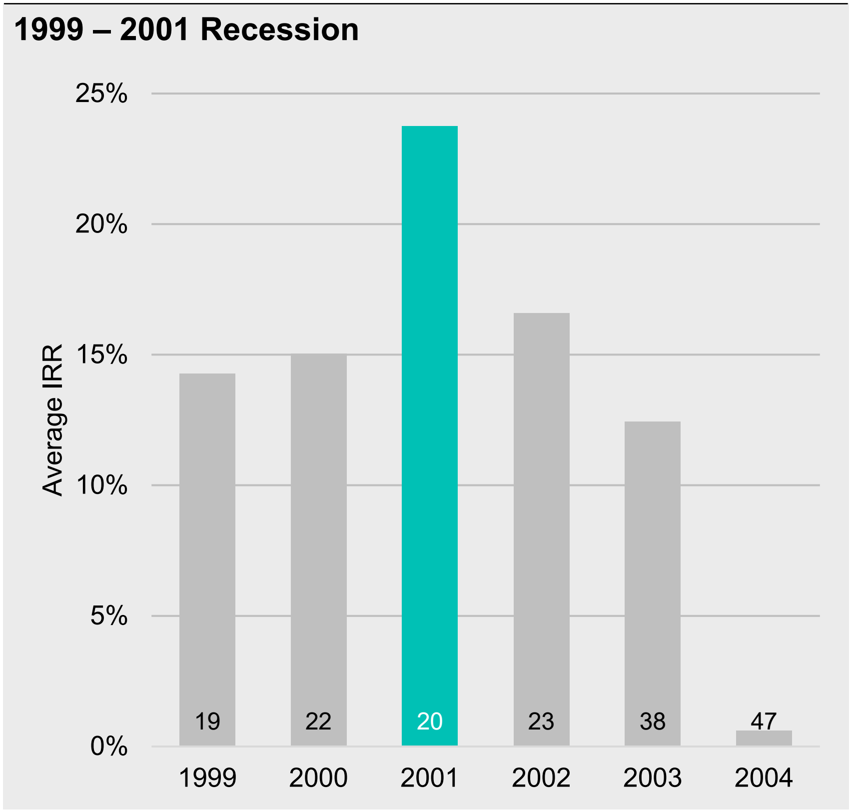
Asian Direct
— $8.5 Billion
— Since 2006

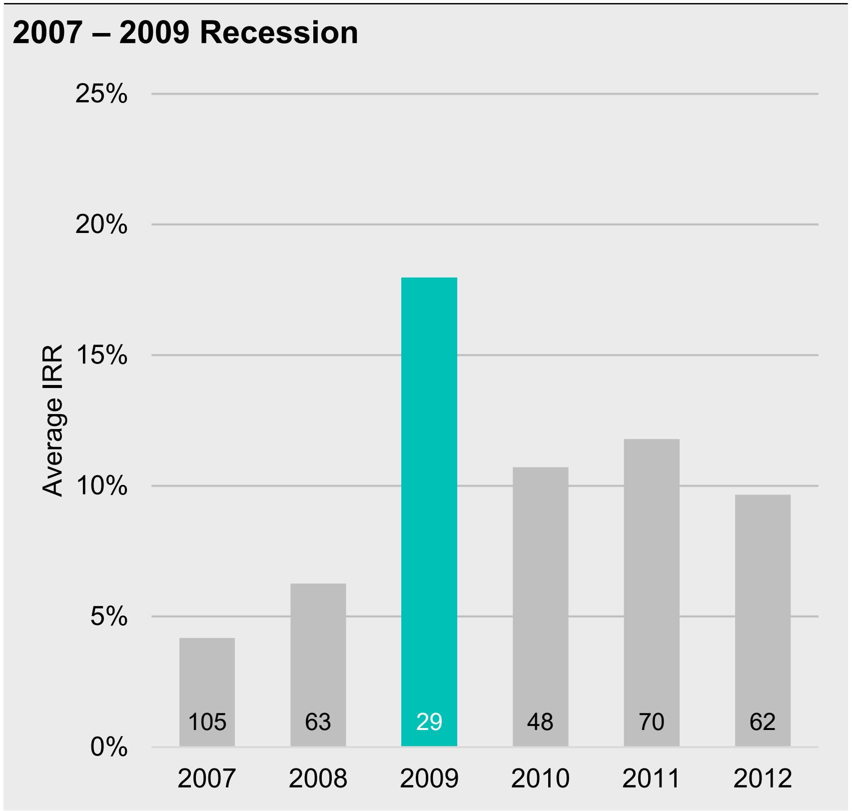
Source: Invesco Real Estate as of Q4 2020.

Executive Summary

Why Now?

The importance of vintage year investing.





Source: Cambridge Associates Real Estate Benchmark Report Q3 2020. Cambridge Associates defines a Fund's vintage year as the legal inception date of the Fund and is typically prior to the Fund's first close or capital call. Invesco Real Estate U.S. Fund VI, L.P. vintage year is 2020 within Cambridge Associates Real Estate Benchmark. Past performance is not a guide to future results.

Executive Summary
Overview

Invesco Real Estate U.S. Fund VI, L.P. is targeting $1.25 BN-$1.50 BN in commitments to create core properties with characteristics desired by both tenants and investors.

Established Offering

Experienced

Cycle-Tested Fund Series: 18 years, 5 funds, 83 transactions, and ~$9 billion total transaction size

***Consistent Fund Series*:** Same team and leadership since inception

IRE North America ("NA") Platform Depth: 253 professionals in four regional offices

Performance

Fund Series Scale: Seek to increase fund returns while increasing fund size

IRE NA Platform Proprietary Intelligence: 487 investments identify trends

IRE NA Platform Capital Market Knowledge and Access: Buy / Sell / Finance over $8 billion per year

Innovative

IRE NA Platform Pipeline: Hundreds of firm relationships offer high quality deal flow

IRE NA Platform Forward-looking : Portfolio of best ideas diversified by sectors and markets

Source: Invesco Real Estate as of Q4 2020. Photographs/renderings shown are of historic Fund series investments and are included for illustrative purposes only and do not constitute investment advice or a recommendation. Performance was not a criteria for selection. Photographs are used with permission. Past performance is not a guide to future results. [1] Gross IRR quoted is at the investment level on realized investments. Please see endnotes for further disclosures.

Executive Summary
Team & Platform

Invesco

Focused Fund team strengthened by the Invesco Real Estate platform; 253 employees in North America including 90 Transactions / Asset Management professionals concentrated on sourcing/execution.

Senior Leadership Involvement


Bert Crouch
Managing Director
CEO NA Real Estate
(18 Industry / 10 IVZ)

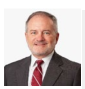

Peter Feinberg
Managing Director
Portfolio Management
(36 Industry / 10 IVZ)

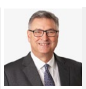

Jason Geer
Managing Director
Head of Transaction Services
(29 Industry / 22 IVZ)

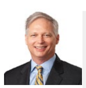

Bill Grubbs
Managing Director
CIO NA Real Estate
(30 Industry / 15 IVZ)

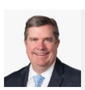

Stephanie Holder
Managing Director
Head of Dispositions / Financing
(14 Industry / 12 IVZ)


Scott Dennis
Managing Director
CEO Global Real Estate
(39 Industry / 28 IVZ)

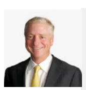

Michael Kirby
Managing Director
Asset Management
(36 Industry / 27 IVZ)


Greg Kraus
Managing Director
Head of Transactions
(38 Industry / 20 IVZ)


Michael Sobolik
Managing Director
NA Research Strategist
(35 Industry / 21 IVZ)

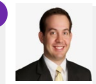

Chris Schmidt
Managing Director
Head of Underwriting
(25 Industry / 20 IVZ)


Beth Zayicek
Managing Director
COO Global Real Estate
(17 Industry / 12 IVZ)


Max Swango
Managing Director
Global Head of Client Portfolio Management
(32 Industry / 32 IVZ)

Portfolio Management / Fund Operations


Jay Hurley
Managing Director
Lead-Portfolio Manager
(33 Industry / 25 IVZ)


Kevin Conroy
Director
Assoc. Portfolio Manager
(13 Industry / 10 IVZ)


Justin Rimel
Senior Director
Portfolio Management / Transactions
(21 Industry / <1 IVZ)


Courtney Popelka
Senior Director
Fund Operations
(21 Industry / 11 IVZ)

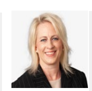

Andrew Lane
Director
Transactions
(7 Industry / 4 IVZ)

TBD
Future Hire
Associate
Portfolio Management

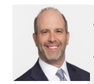

Paulina Sotomayor
Senior Associate
Fund Operations
(7 Industry / <1 IVZ)

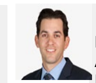

Kate Bassett
Associate Director
Fund Operations
(6 Industry / 2 IVZ)

TBD
Future Hire
Associate
Fund Operations


Jennifer Semler
Associate
Investor Relations
(28 Industry / 15 IVZ)

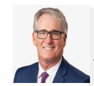
Regional Sourcing / Execution Leadership

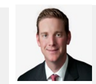

Josh Siegel
Managing Director
Transactions
Co-Head East Region
(27 Industry / 13 IVZ)


Perry Chudnoff
Managing Director
Asset Management
Head East Region
(15 Industry / 10 IVZ)

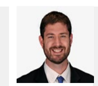

Rob Deckey
Managing Director
Transactions
Co-Head East Region
(35 Industry / 4 IVZ)


Jackson Lapin
Managing Director
Asset Management
National Apartment Head
(22 Industry / 6 IVZ)

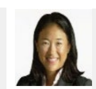

Ron Miller
Managing Director
Transactions
Head Central Region
(33 Industry / 10 IVZ)


Chris Cleghorn
Senior Director
Asset Management
Head Central Region
(19 Industry / 13 IVZ)


Pete Cassiano
Managing Director
Transactions
Head West Region
(21 Industry / 9 IVZ)


Kevin Pirrozoli
Managing Director
Asset Management
Head West Region
(17 Industry / 8 IVZ)


Stephanie Holder
Managing Director
Head of Dispositions / Financing
(14 Industry / 12 IVZ)


Teresa Zien
Managing Director
Capital Markets
(20 Industry / 3 IVZ)

● Fund VI Investment Committee
● Fund VI Steering Committee

Invesco Real Estate Platform Support

- Research
- Transactions
- Closings & Due Diligence
- Asset Management
- Performance Measurement
- Dispositions & Financings

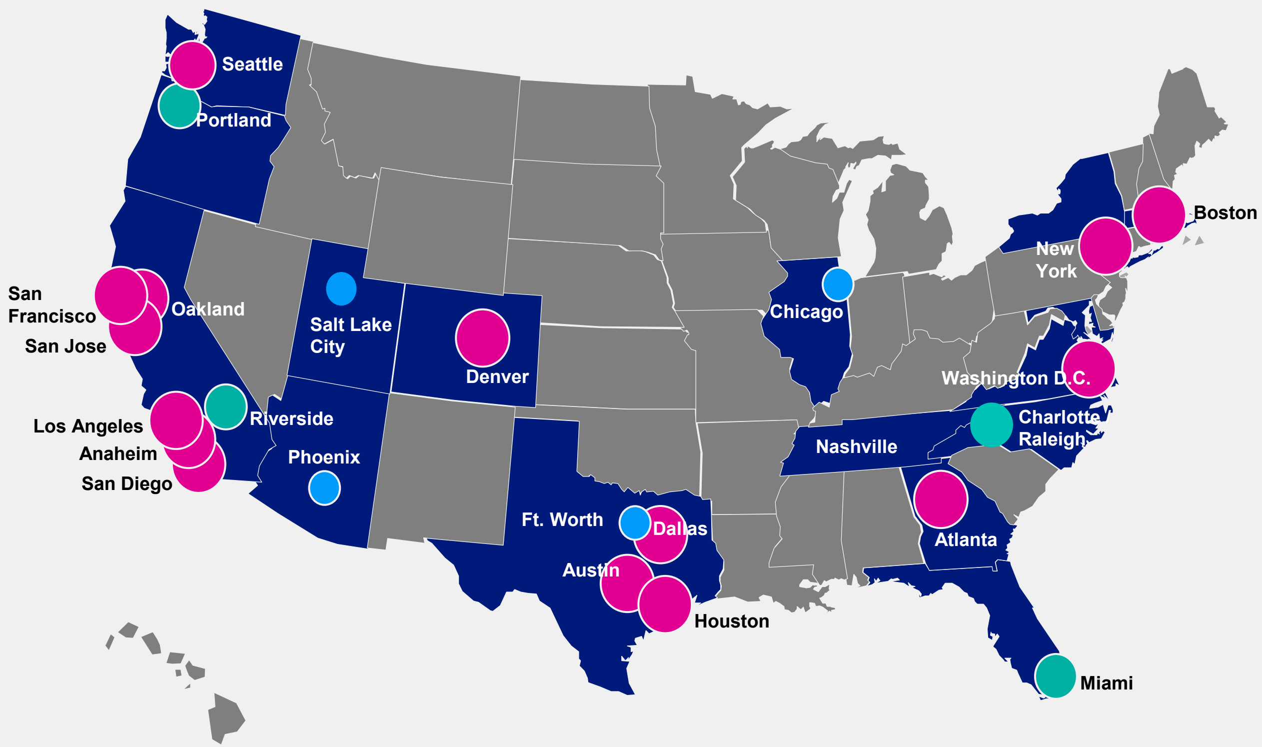
Source: Invesco Real Estate as of Q4 2020.

Executive Summary

Strategic Tenet #1: Leverage the Competitive Advantages of Ownership Platform

Platform Allows Preferential Sourcing, Robust Underwriting, and Better Business Plan Execution

US Investment Footprint



KEY: # of Properties — 2-10 | 11-20 | 21+

2,250+ Tenants

487 Investments

127MN SF

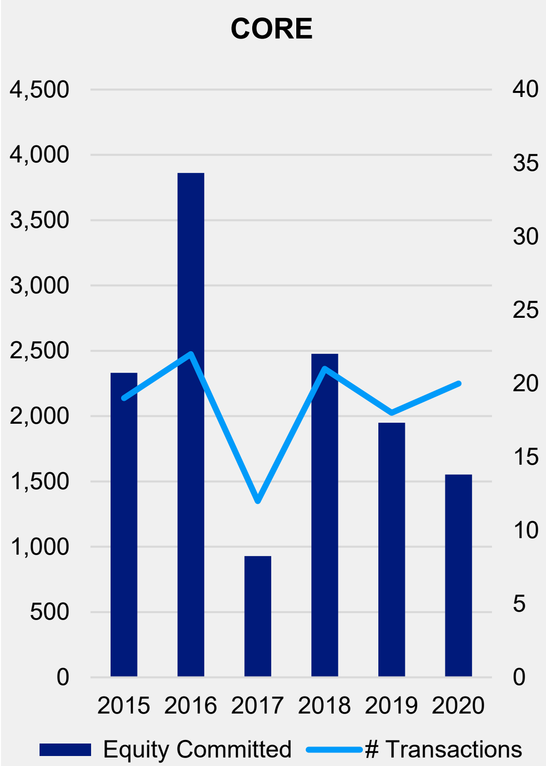
64 MSA's

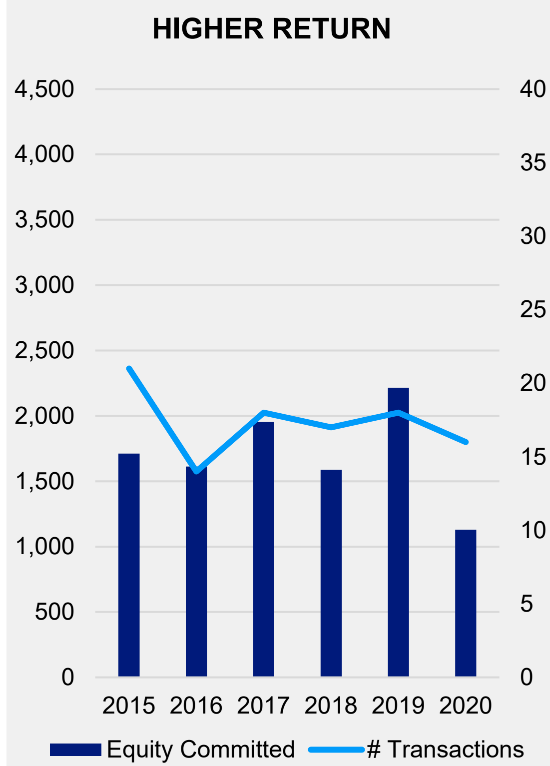
39.3BN AUM

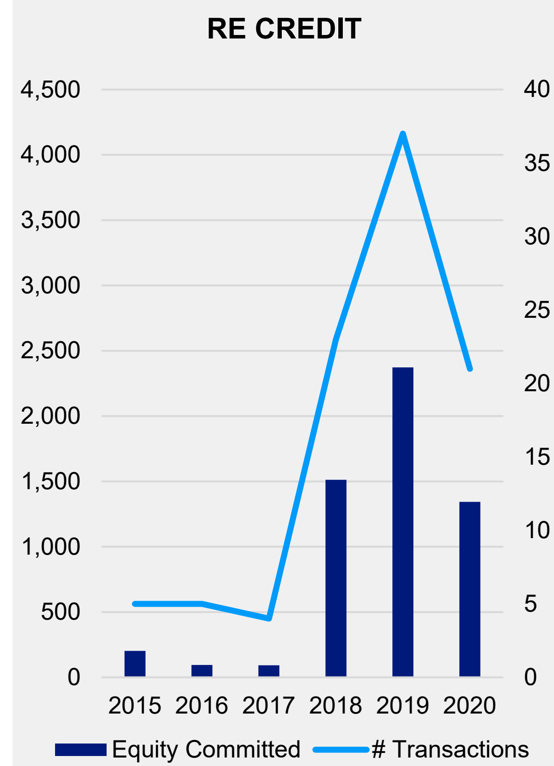
Source: Invesco Real Estate as of Q4 2020.

Executive Summary
Strategic Tenet #2: Informed Exit Strategy and Optimized Leverage

"High Return Objective" deal flow averaged ~$1.7 BN / 17 transactions per year (2015-2020).







Source: Invesco Real Estate as of Q4 2020. Please note data will be updated in Q4 at the end of each calendar year.

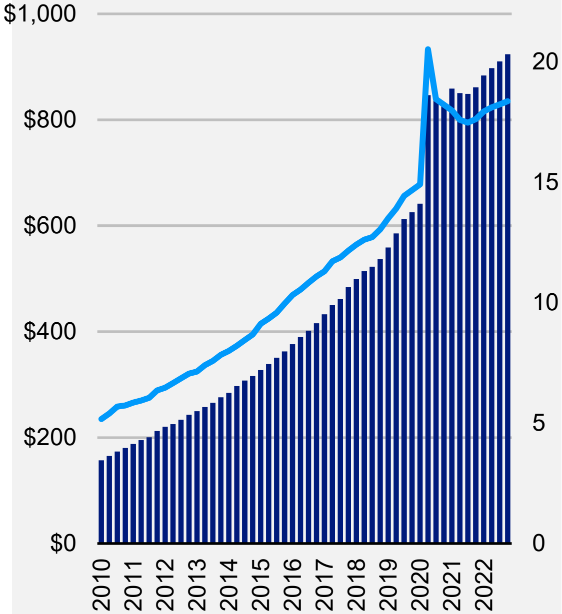
Executive Summary

Tactical Observation #1: Identify Key Secular Demand Drivers

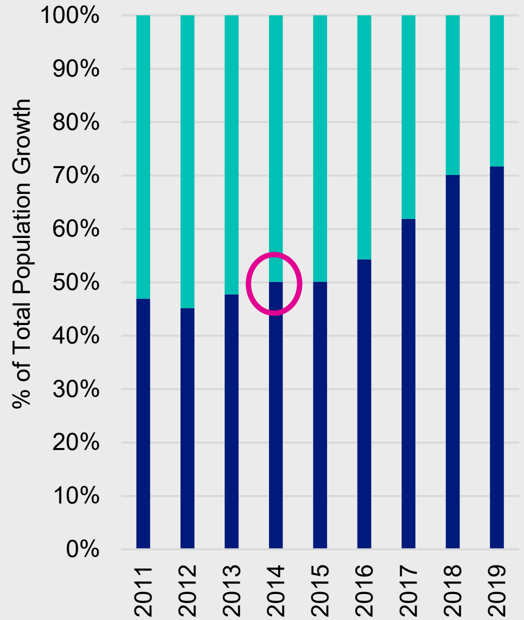
Submarket and product nuances will adjust to mirror consumer / demographic trends.

Durably Favorable Demand Outlook for Industrial

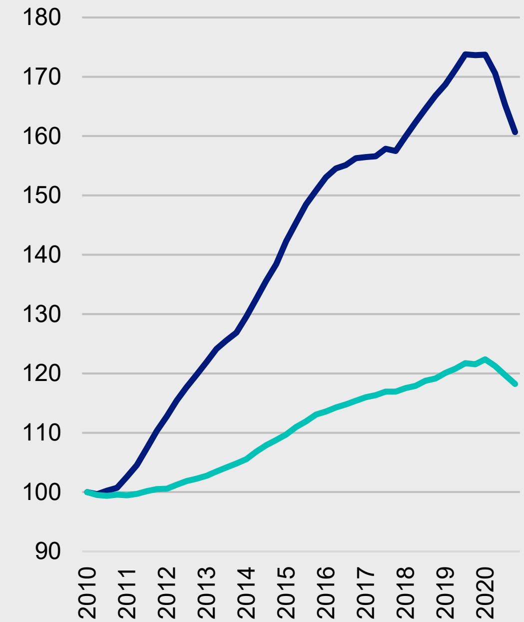
Ecommerce sales ($Bil, SAAR)



Residential Strategies follow Population Growth Trends



Office Market Revenue Bifurcation is Dramatic

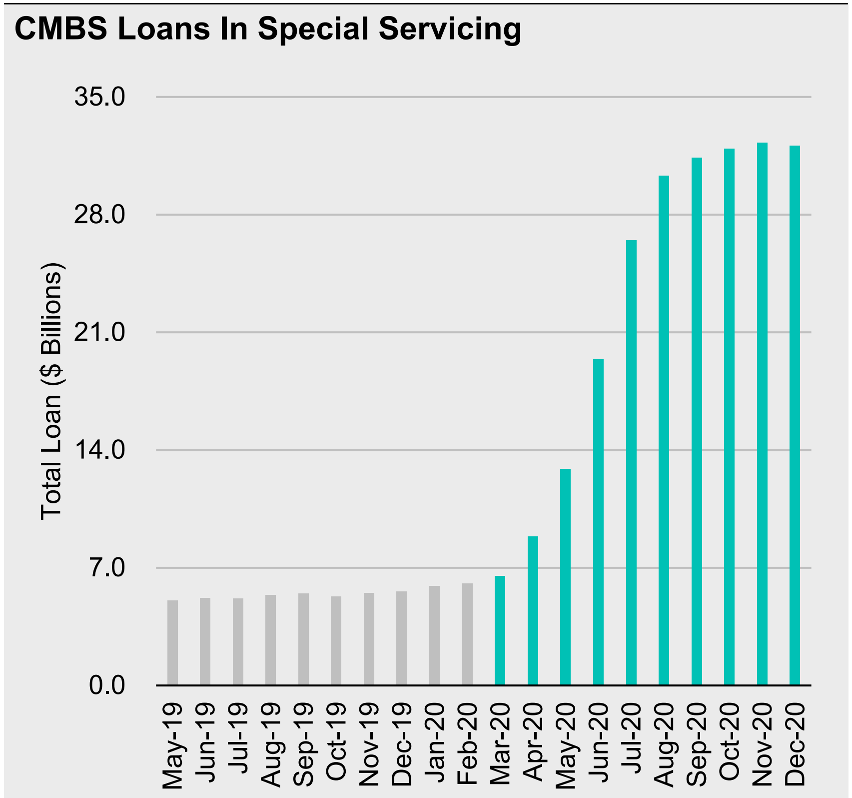


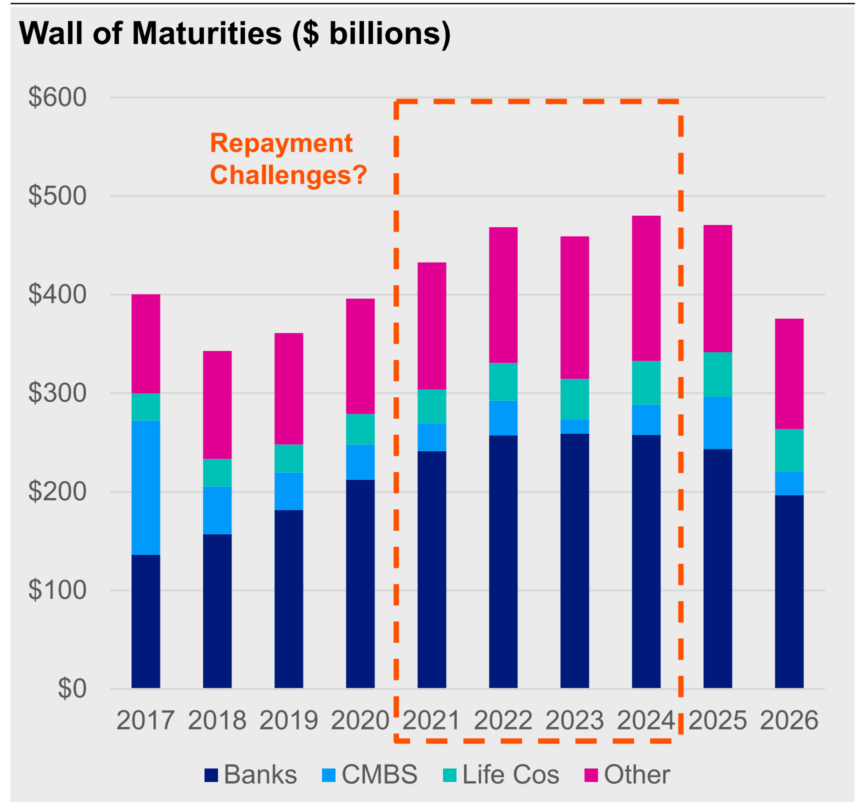
Source: Chart 1 – Ecommerce sales forecast from Moody's Analytics as of March 2021. Chart 2 – US Census Bureau. Chart 3 – CBRE-EA as of March 2021. Innovation Hubs: San Francisco (City of San Francisco, SF Peninsula); San Jose (Palo Alto, Mountain View, Cupertino, Santa Clara, Sunnyvale, North San Jose, Downtown); Los Angeles (West LA/Beverly Hills/Century City); Seattle (Downtown Seattle, Eastside); Portland (Downtown Portland); Denver (Boulder); Austin; Boston (Cambridge, South Station/Fort Point Channel); New York (Midtown South).

Executive Summary

Tactical Observation #2: Opportunity Set of Distressed / Structured Positions Emerging

Borrower / lender distress due to business plan interruption presents opportunities for structured recapitalization solutions and / or purchase of non-performing/sub-performing loans.



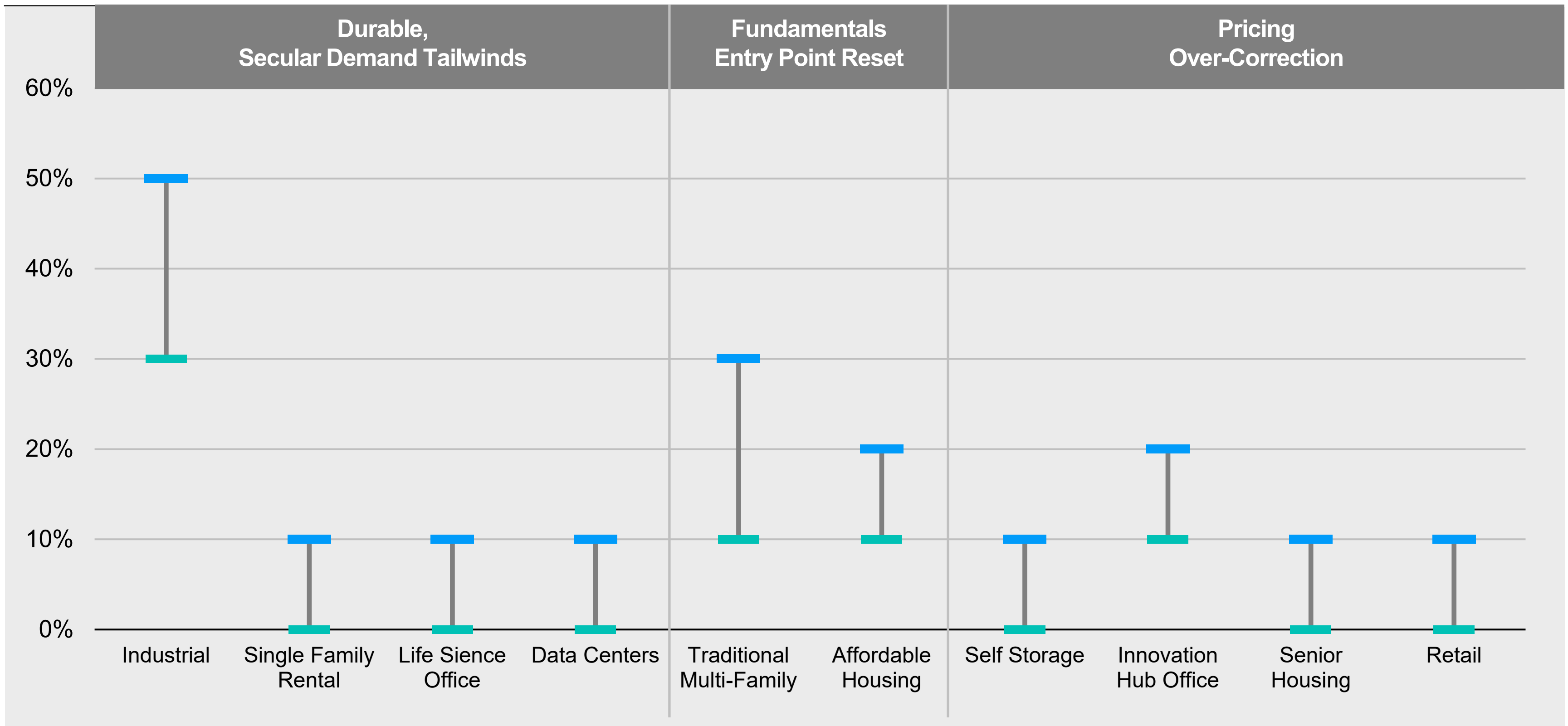


Source: Left Chart: Moody's Investor Service, Trepp LLC. Only includes conduit CMBS loans securitized after 2009. Data as of December 31, 2020. Right Chart: Trepp, LLC. Based on Federal Reserve Flow of Funds Data. Data as of December 31, 2020.

Executive Summary

Tactical Observation #3: Best Relative Value Implications

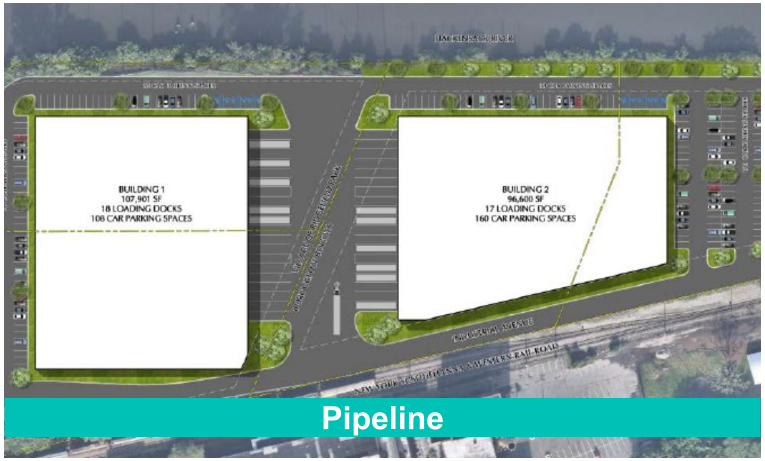
Retail disruption and uncertainty for traditional office have accelerated; core investors rotating into industrial and other non-traditional property types led by demographic/consumer trends.



Source: Invesco Real Estate as Q4 2020. Allocation targets are approximations and are subject to change.

Executive Summary | Seed Portfolio

Infill Industrial Development | Meadowlands, NJ



Transaction Highlights	
Acquisition Date	January 2020
Acquisition Sourcing	Off Market
Property Size / Leased (%)	177,690 SF / 0%
JV Partner / (% Equity Co-Invest)	Confidential / (5%)
Total Transaction Size	$43 MM / ($241K Per SF)
Fund Equity Commitment	$16 MM / 1%
Loan-to-Cost (LTC)	60-65%
Stabilized Yield / Market Cap Rate	5.30% / 4.25%

Investment Thesis

- Opportunity to develop two (2) best-in-class industrial buildings totaling 170k SF within the Meadowlands submarket in New Jersey.
- The building sizes and site is ideally positioned for same-day delivery / last-mile distribution given its immediate connectivity to Manhattan (5.8 miles / 18 minutes).
- The Northern New Jersey industrial market is among the strongest nationally with only 1.9% vacancy, limited available supply pipeline (representing <1% of inventory) and robust tenant absorption (+5.8MSF in 2019).
- Given average vintage of Northern NJ industrial stock (1970-80's), newly built product provides embedded leasing advantage.
- First investment of programmatic partnership with confidential partner which has extensive experience in the NJ industrial market and a captive pipeline of similar sized opportunities totaling +/- 700K SF & +/- $125mm of equity.

Source: Invesco Real Estate as of Q4 2020. These holdings represent captured pipeline investments. Please note that these investments are still in preliminary stages and have not yet been officially closed. They are intended to illustrate the types of acquisitions the strategy will pursue. Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only. Past performance is not a guide to future results.

Executive Summary | Seed Portfolio

Suburban Multi-Family Development | San Diego, CA

Transaction Highlights	
Acquisition Date	TBD (December 2020)
Acquisition Sourcing	Off Market
Property Size / Leased (%)	342 Units / 0%
JV Partner / (% Equity Co-Invest)	Confidential/ (10%)
Total Transaction Size	$188 MM / ($548K Per Unit)
Fund Equity Commitment	$67 MM / 5%
Stabilized Yield / Market Cap Rate	5.0% / 4.0%
Loan-to-Cost (LTC)	60-65%

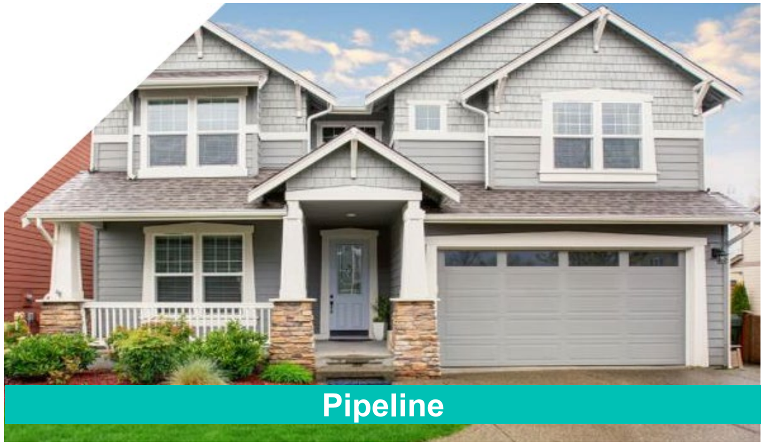
Investment Thesis

- Opportunity to create a “self contained” low-density community in a highly affluent northern San Diego suburb in close proximity to major employment nodes.
- The technology and life science hubs of Del Mar, Carmel Valley, UTC, Sorrento Valley and the I-15 Corridor are all within ten (10) miles. Multiple life science and office developments (+1.1M SF) are planned for the immediate area.
- Favorable supply/demand dynamic given high barriers to entry for new supply (lack of developable land and long-duration approval process in California) and white-collar job growth has potential to provide excess rent growth.
- Anticipate a “sticky” renter by necessity profile given high entry level housing costs (+$1mm) and top-ranked school district.
- Larger average unit size (1,070 SF) and unit mix consisting of 70% two-and three-bedroom units aligns with tenancy profile and market demand analysis.

Source: Invesco Real Estate as of Q4 2020. These holdings represent captured pipeline investments. Please note that these investments are still in preliminary stages and have not yet been officially closed. They are intended to illustrate the types of acquisitions the strategy will pursue. Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only. Past performance is not a guide to future results.

Executive Summary | Seed Portfolio

Single Family Rental | U.S. Portfolio

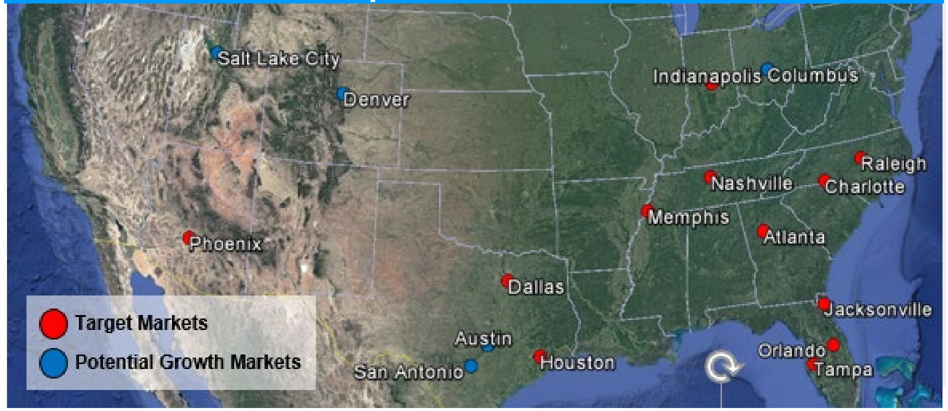


Transaction Highlights	
Acquisition Date	January 2020
Acquisition Sourcing	Off Market
Property Size / Leased (%)	500-715 Units / +/- 90% Leased
JV Partner / (% Equity Co-Invest)	Confidential / (TBD)
Total Transaction Size	$206MM / ($230K Per Unit)
Fund Equity Commitment	$50MM / 3%
Loan-to-Cost (LTC)	65-75%
Stabilized Yield / Market Cap Rate	5.50% / 4.75%

Investment Thesis

- Opportunity to aggregate a portfolio in the emerging Single-Family Rental ("SFR") asset class buffeted by strong tailwinds through a programmatic partnership with best-in-class operator.
- Sector is still largely unpenetrated (less than 2% of all SFR) by institutional capital relative to market size.
- Favorable supply/demand dynamic as housing production remains constrained and skewed towards larger, higher priced homes given challenging economics for entry-level housing.
- Household formation (aging millennials) expected to continue favoring rental (65%/35%) vs homeownership, a trend that has continued post Global Financial Crisis ("GFC").
- In-place income profile coupled with access to efficient leverage provides an attractive risk-adjusted return profile with potential for upside as increasing institutional liquidity and scale may compress cap rates.

Anticipated Market Focus

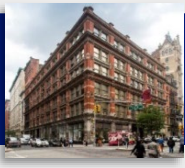


Source: Invesco Real Estate as of Q4 2020. These holdings represent captured pipeline investments. Please note that these investments are still in preliminary stages and have not yet been officially closed. They are intended to illustrate the types of acquisitions the strategy will pursue. Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only. Past performance is not a guide to future results.

Executive Summary

Competitive Advantages

Fund utilizes the strength of the Invesco Real Estate North America Platform to deliver better outcomes for clients.



Sourcing

Preferred Partner: Multiple capital sources allow Invesco to be a preferred partner for prospective operators.

Debt Platform: Originated $6BN of loans from 2018-2020 providing credit expertise and strong banking relationships to generate opportunities.

Internal/External Relationships: 90 transaction/asset management professionals and 140+ active brokers, operating partners, and property managers.

Information Advantages

Proprietary Intel: Invesco U.S. portfolio of 487 investments helps spot trends early.

Capital Markets Insights: Buy/sell/finance over ~$8 billion per year.

Research Group/3rd Party Data Sets: Invesco U.S. has dedicated eight (8) person research group and scale of Invesco business allows spend on third party data that smaller firms cannot access.

Alignment

GP Commitment: $75MM commitment by the general partner and/or its affiliates for seed portfolio construction is believed to be among the highest in the industry.

Management Fees: Fees are charged on invested capital not committed capital; increases accountability and focus on ensuring client performance is delivered.

Stability & Talent

Diversified Revenue Streams: Business risk is mitigated via multiple revenue sources (Funds, Separate Accounts, Equity, Debt, Securities).

High Quality Talent: Attracts high quality talent who want to work throughout the capital stack and remain active throughout cycles.

35 Year History: Experienced leadership (66 MDs with an average of 27 years of experience) and rigorous investment process have proven successful through multiple cycles.

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Source: Invesco Real Estate as of Q4 2020.

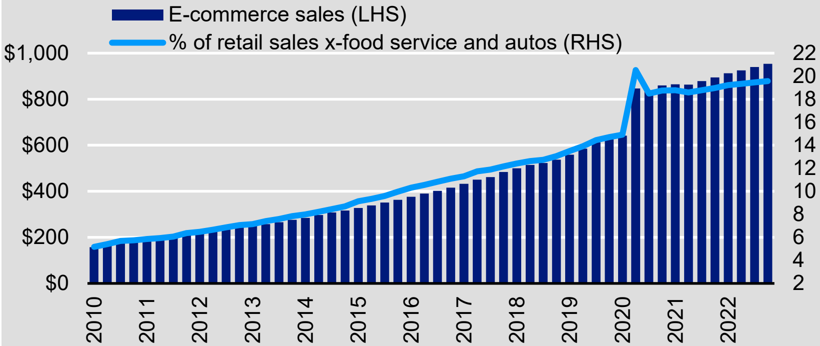
Invesco Real Estate Investment Themes

Invesco Real Estate Investment Themes
Industrial

Invesco

E-commerce wave continues to spur demand for distribution space and last-mile logistics; Supply risk is building in the bulk segment but remains limited for infill

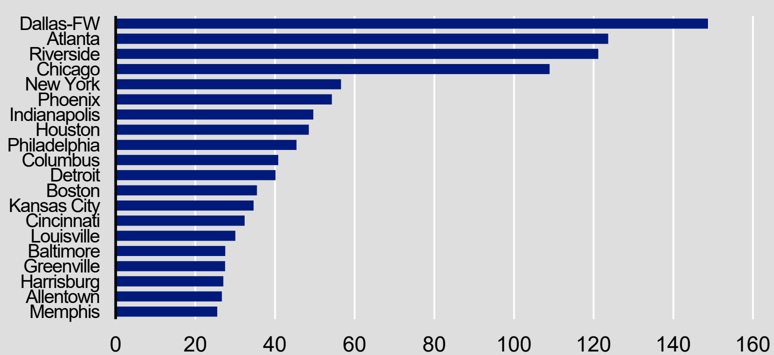
E-commerce sales ($Bil, SAAR)
Demand driver



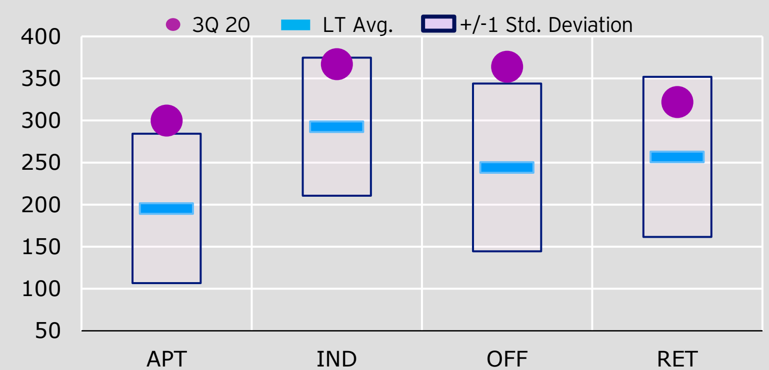
Implications for High Return Objective Investing

- IRE's most favorable macro conviction sector – E-commerce demand tailwind and likely cap rate spread compression
- While overall demand outlook is strong, supply response is building, so a supply-restricted submarket strategy is key
- Limited ability to differentiate, so investment basis is heightened
- While current cap rates are at cyclical peak, anticipate strong exit liquidity to persist
- Look for investments with scale – provides exit premium and cycle hedge
- Opportunities likely around corporate sale leaseback activity for re-tenanting or covered land plays
- Current investment response favors building over buying

Industrial net absorption 2015-Q3 2020 (SF Mil)
Demand strength



Industrial cap rate spreads to 10-year Treasury Yields (bps)[1]
Capital markets and pricing



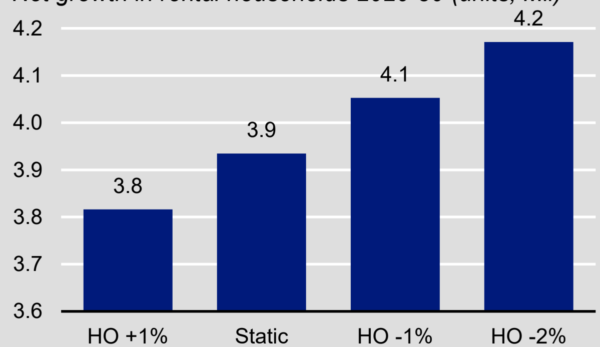
[1] APT stands for Apartment, IND Industrial, OFF Office, RET Retail.
Ecommerce sales forecast from Moody's Analytics as of January 2021. Cap rate spreads based on NCREIF current value cap rates, 1Q-1995 to 3Q-2020.
Source: Invesco Real Estate using data from CBRE-EA, Moody's Analytics and NCREIF as of January 2021.

Invesco Real Estate Investment Themes
Residential: Apartments

Interesting cyclical opportunities driven by trough effective rents; however, long-term demand remains favorable with upside potential due to more limited homeownership opportunities

Rental demand: Impact of declining homeownership (HO)

Net growth in rental households 2020-30 (units, Mil)



Assumed homeownership rate:
Static = 66.7%
HO -1% = 65.7%
HO -2% = 64.7%

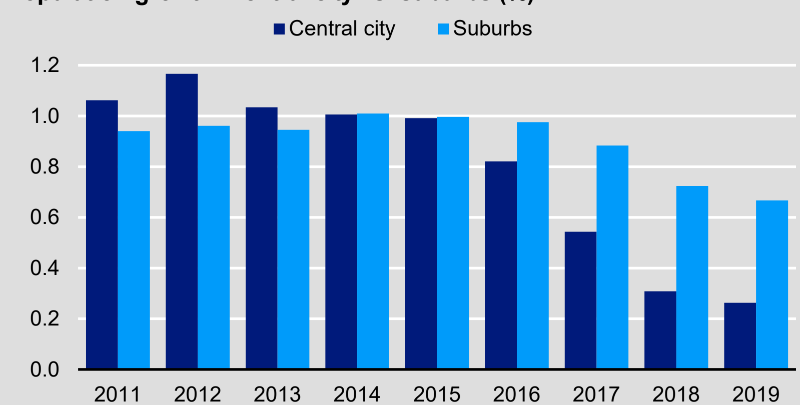
66.7% = 2020 home ownership rate

In the GFC, homeownership fell 500 bps.

Implications for High Return Objective Investing

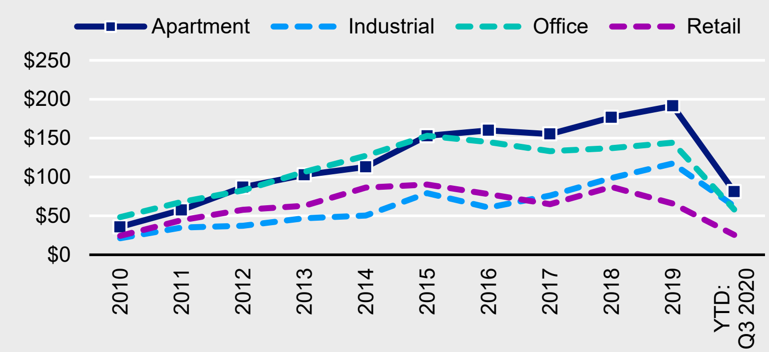
- Product profile rotation from urban singles to suburban young families
- Apartments becoming more difficult to differentiate by asset characteristics, so focus on micro locational differentiation
- The sector's historic preferential exit liquidity characteristics are anticipated to persist – allowing for potentially longer investment hold periods and refinancing strategies for enhanced equity multiple
- COVID opportunities for potentially greater revenue growth via trough cyclical entry point on depressed effective rents
- Likely re-emergence of suburban renovation opportunities that have been overpriced for several years

Population growth: Central city vs. suburbs (%)



Transaction volume ($Bil)

Most liquid property sector



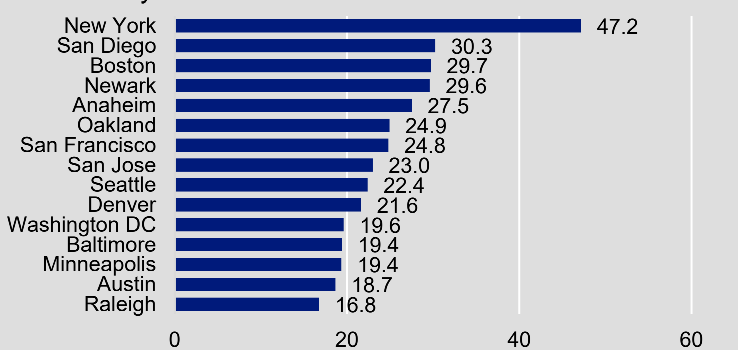
Supply analysis based on data for 35 more active apartment markets; submarkets with inventory of at least 5,000 units included (n=558); 2020 and 2021 data reflects units under construction as of 1Q-2020. Population growth metrics based on aggregate of metropolitan areas with over 1.0 million in population as reported by the US Census Bureau as of 2019. Source: Invesco Real Estate using data from US Census Bureau, Moody's Analytics and RCA as of August 2020.
Population growth metrics based on aggregate of metropolitan areas with over 1.0 million in population as reported by the US Census Bureau as of 2019. Source: Invesco Real Estate using data from US Census Bureau, Moody's Analytics and RCA as of January 2021.

Invesco Real Estate Investment Themes
Residential: Affordable Housing

Invesco

Bar belled economy becoming more pronounced; emerging public-private opportunities that address housing needs

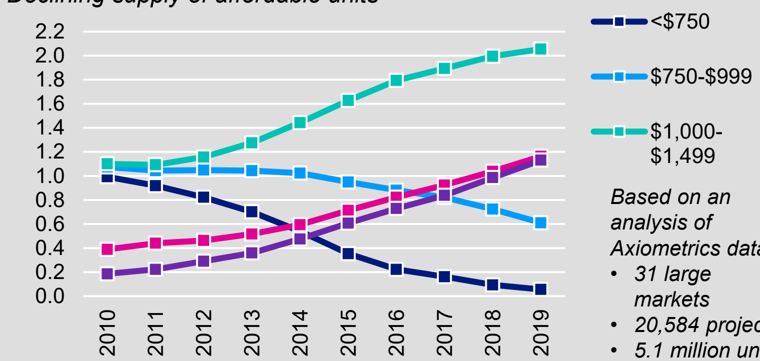
Annual rent as a share of median household income (%)
Relative affordability



Implications for High Return Objective Investing

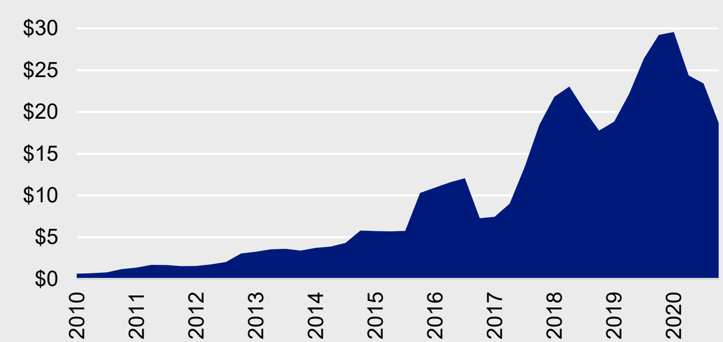
- Barbell economy results in durable demand for quality affordable housing assets – national stock is declining
- Ability to negotiate public/private partnerships which marry increased rental restrictions in exchange for long duration tax abatements
- Complimentary value creation strategy to traditional apartments which will be driven by meaningful revenue growth – affordable housing driven by tax abatement NOI impact
- Focus is on urban markets with high cost-of-living and service economy tenancy – again, complimentary to traditional apartment strategy rotation to suburban markets
- COVID opportunities for enhanced exit liquidity as capital favors ESG-focused portfolios

Rental units based on monthly rent level (Mil)
Declining supply of affordable units



Based on an analysis of Axiometrics data:
- *31 large markets*
- *20,584 projects*
- *5.1 million units*

Transactions: Subsidized apartments ($Bil, rolling 12-mth total)
Capital markets

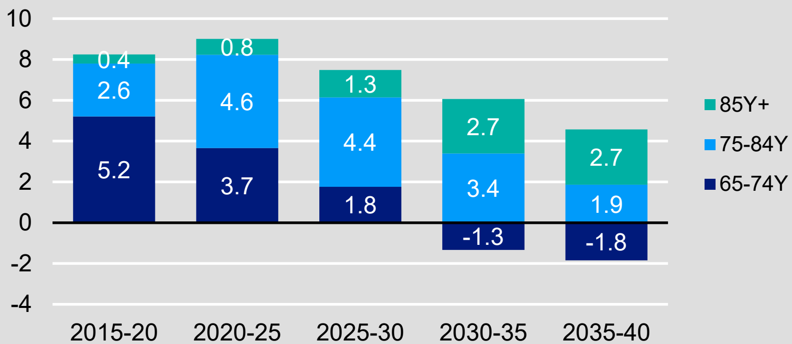


Source: Invesco Real Estate using data from Harvard Joint Center for Housing Studies, RealPage/Axiometrics, RCA as of January 2021

Invesco Real Estate Investment Themes
Residential: Senior Housing

Favorable demographic trends, needs driven-demand, outdated existing product

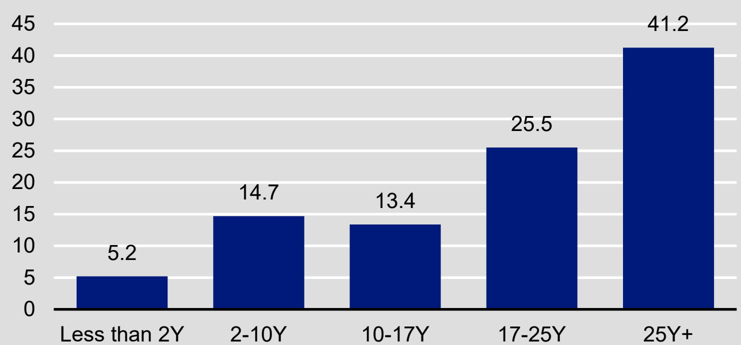
Net growth in seniors' population (Mil)
Demand driver



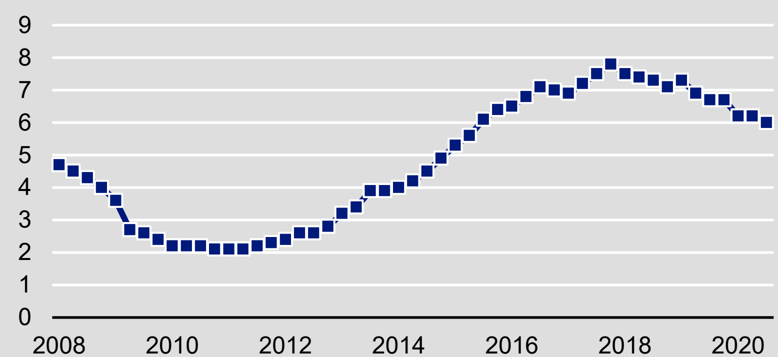
Implications for High Return Objective Investing

- Forward five (5) years likely to be peak age cohort demand tailwind – "silver tsunami"
- Supply response is elevated nationally, so investment exposures need to be measured and submarket driven
- Much of the existing inventory is old and drifting toward obsolescent, so meaningful ability to differentiate at the asset level
- Focus on private-pay product where tenants "finance" rent via liquidating of home equity; avoidance of governmental subsidy
- Focus on low to moderate acuity product (assisted living and memory care) rather than skilled nursing product
- COVID opportunities for professionally managed assets that demonstrate safety track record through COVID; will result in accelerated resident leasing

Share of seniors housing product by age (%)
Outdated inventory



Seniors housing construction as share of stock (%)
Supply: NIC primary markets

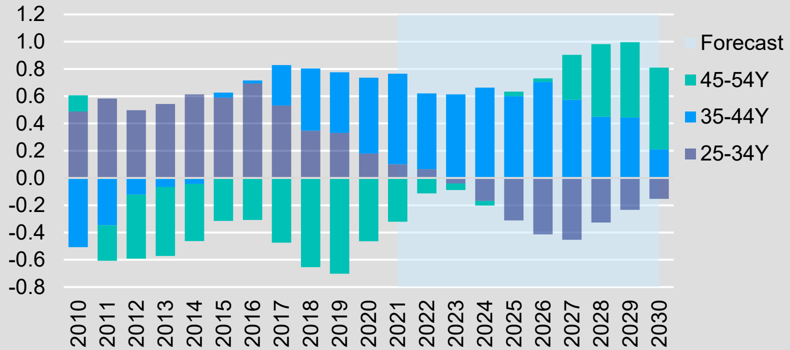


Source: Invesco Real Estate using data from Moody's Analytics and NIC as of January 2021

Invesco Real Estate Investment Themes
Residential: Single-family Rental

Demographics and affordability key demand drivers for next decade; fragmented ownership provides broad investment potential

Population growth by age cohort (Mil)
Demand driver



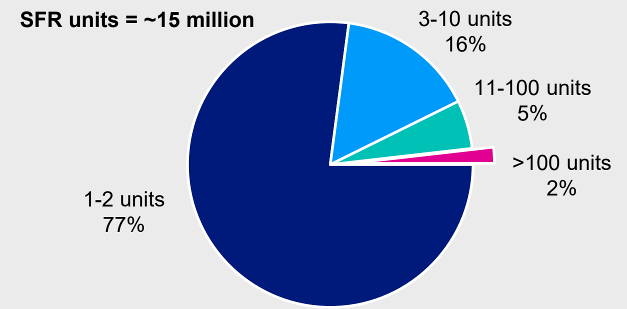
Implications for High Return Objective Investing

- While it's a "new sector" for institutional ownership post-GFC, the inventory size is equivalent to the traditional apartment market
- Sector is benefitting from both demographics shifts as well as the changes in the mortgage market for single family ownership
  - Large millennials cohort starting families and "rotating" to the suburbs for schools and the need for larger housing units
  - Mortgage market, post-GFC, has made single family ownership relatively more difficult for the median income family
- Ability to efficiently deploy capital that minimizes single asset risk (leveraged position in large pool of homes in multiple markets)
- Sector is "early days" toward institutionalizing, providing favorable exit liquidity (both increasing capital flows and potentially cap rate compression)
- COVID opportunities are the likelihood (similar to the GFC) for the national home ownership rate to decrease and provide increasing renter demand for SFR

Single family rental (SFR) comparison to apartment rental
Illustrative example

	SF Rental	Apt Rental
Typical size	1,600-2,000 SF	800-1,000 SF
Typical layout	3-4 beds, 2-bath, master-suite, private yard, 2-car garage	1-2 bed, 1-2 bath, community pool, surface parking
Typical rent	$1,300-$1,700	$1,000-$1,400
Typical stay	3-4 years	1-2 years
Typical tenant	Families/couples	Singles/couples
Typical renter age	35-54 years	Under 35 years
Typical location	Suburban	Urban/suburban

SFR investor portfolio size
Highly fragmented ownership



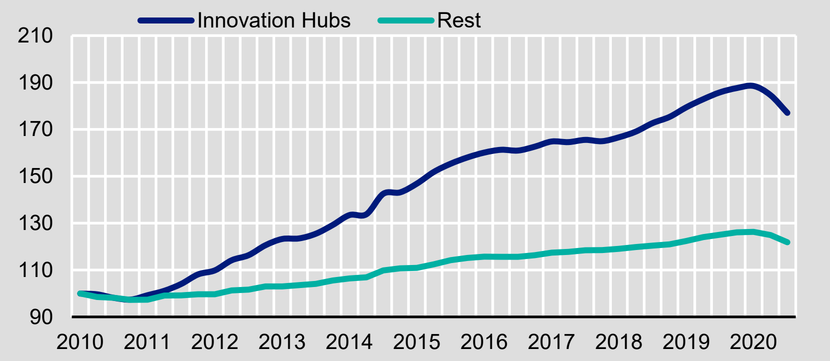
SFR stands for single family rental.
Source: Invesco Real Estate using data from US Census Bureau, Moody's Analytics, John Burns Real Estate Consulting as of January 2021

Invesco Real Estate Investment Themes
Office: Traditional

Invesco

Innovation hub locations and differentiated assets have pricing power that far outpaces all other office segments and locations

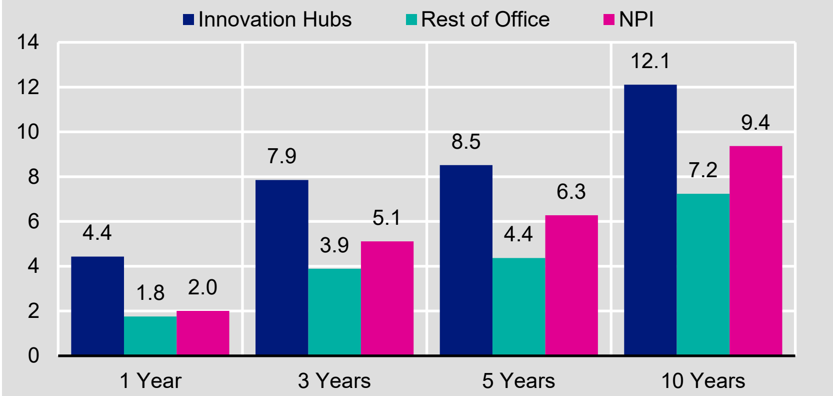
Revenue Index (Q1 2010 = 100)



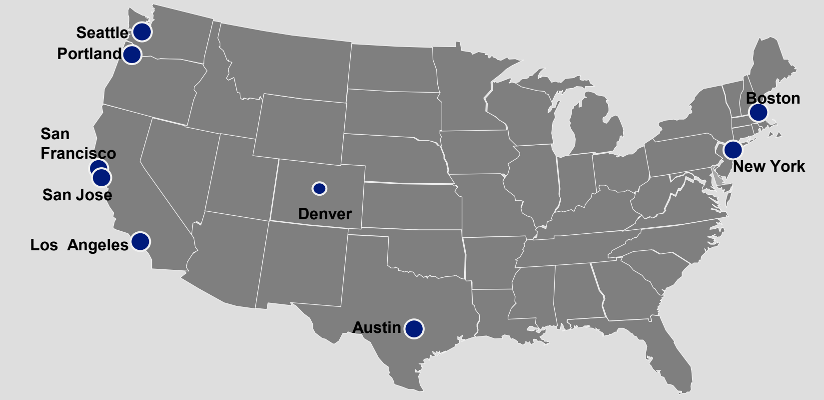
Implications for High Return Objective Investing

- Sector provides the greatest opportunity to differentiate by both product characteristics and submarket attributes
  - We expect innovation hub submarkets where high value companies have clustered to persist
  - Property attributes that focus on employee recruitment and retention are key
- Historic alpha generation should continue, albeit start to moderate in magnitude
- Focus on technology tenancy that is more rental rate insensitive than traditional FIRE tenants[1]
- Sector has been meaningfully disrupted by COVID with “resolution” still unclear, so forward investment exposure will be cautious
- COVID opportunity likely to emerge from quality assets that are over-leveraged and a rescue capital or discounted buy can be made

Annual Total Returns (%, USD, Periods ending in 3Q20)



Dominant Innovation Concentrations



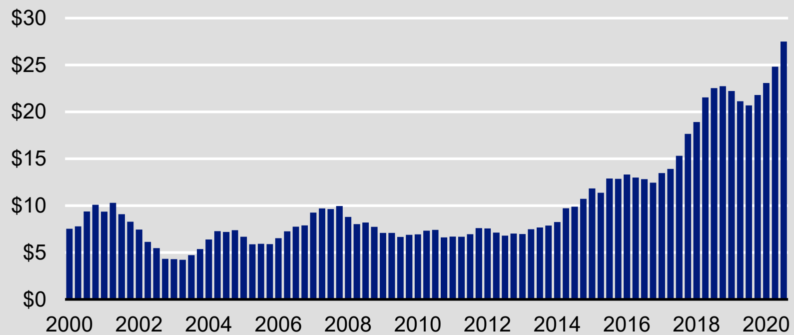
[1] FIRE tenants are Financial, Insurance, Real Estate tenants.
Innovation Hubs: San Francisco (City of San Francisco, SF Peninsula); San Jose (Palo Alto, Mountain View, Cupertino, Santa Clara, Sunnyvale, North San Jose, Downtown); Los Angeles (West LA/Beverly Hills/Century City); Seattle (Downtown Seattle, Eastside); Portland (Downtown Portland); Denver (Boulder); Austin; Boston (Cambridge, South Station/Fort Point Channel); New York (Midtown South). Sources: Invesco Real Estate using underlying data from CBRE-EA as of January 2021. Past performance is not a guarantee of future results.

Invesco Real Estate Investment Themes

Office: Life Science

Growing healthcare needs of an aging population and a COVID-driven focus to improve public healthcare readiness should drive life science

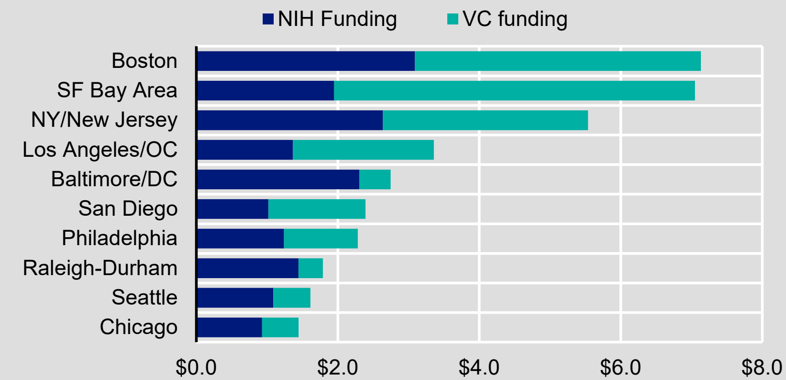
Healthcare venture capital funding (rolling 4Q total, $Bil)



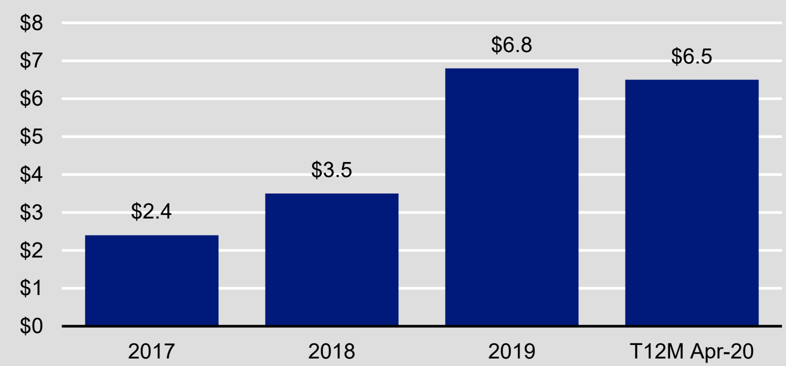
Implications for High Return Objective Investing

- Historically small segment of the overall office market now emerging as "mainstream" core investment segment
  - Exit caps as aggressive as the best traditional office providing liquidity opportunity for value add strategies
  - Ability to create more favorable NOI profiles thru long duration leases, stickier retention and lower landlord operating exposure
- Focus on established hubs that have concentration of VC and NIH funding[1]
  - Ability to retrofit obsolete suburban office assets to life science – meaningful YOC margins despite heavy infrastructure costs[1]
- COVID opportunities are the acceleration of life science tenant (and capital markets) demand as a result of public policy healthcare focus and an aging population

Life science funding, 2019 ($Bil)



Life science transaction volume ($Bil)

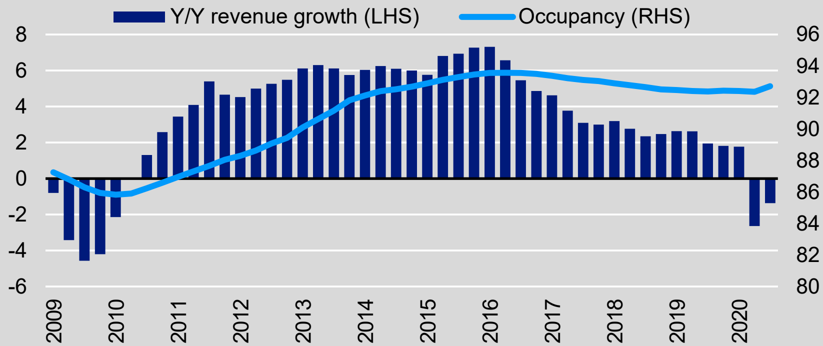


[1] VC represents venture capital. NIH represents the National Institute of Health. YOC represents yield on cost.
Sources: Invesco Real Estate using underlying data from PWC/Moneytree, NIH and JLL as of January 2021

Invesco Real Estate Investment Themes
Self-storage

Broad demand base provides durability across cycles: Growth, disruption and lifestyle shifts drive utilization.

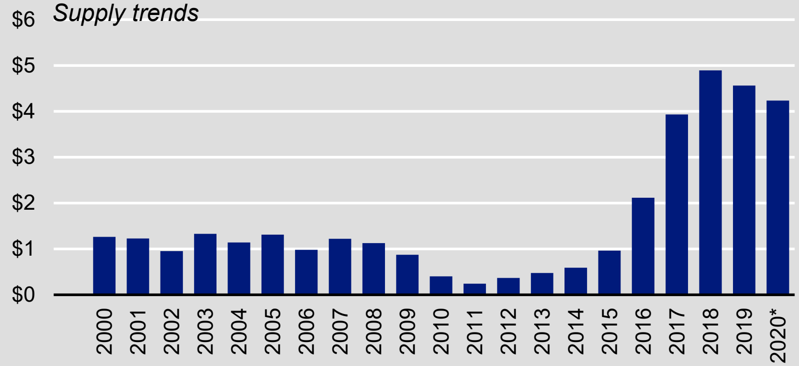
Self-storage REIT same-store performance (%)
Fundamentals performance



Implications for High Return Objective Investing

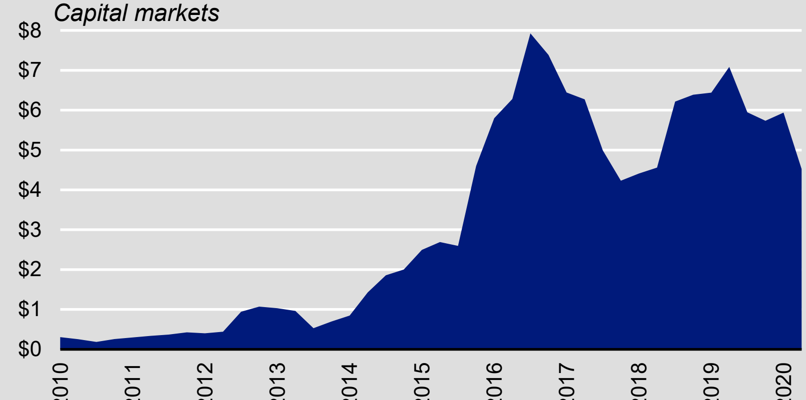
- Cyclically-durable tenant demand makes sector interesting for value add entry point
- Sector is institutionalizing lending confidence on exit liquidity upon completion of a value add business plan
  - Income stability and relatively low capital expense profile
- COVID opportunities likely emerge around the elevated national level of supply
  - Rescue capital for unstabilized newly built projects which have a 3-5 year typical lease up timetable
  - Targeting smaller transactions with the intent to build up an institutional sized portfolio which would command a 10-20% portfolio premium achieved in the sector today
  - Fragmented, non-institutional ownership presents an opportunity to enhance operations in technology and marketing operating platform

Value of construction put-in-place ($Bil)
Supply trends



*2020 = YTD through November

Transaction volume ($Bil, trailing 12-month total)
Capital markets

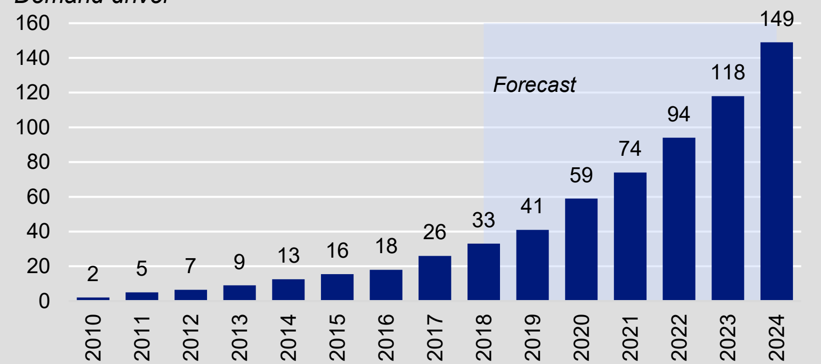


Source: Invesco Real Estate using data from REIT company financial reports, RCA and Moody's Analytics as of January 2021. Past performance is not a guarantee of future results.

Invesco Real Estate Investment Themes
Data Centers

Data centers becoming a critical component of corporate and public infrastructure; data generation expected to increase significantly over the next decade

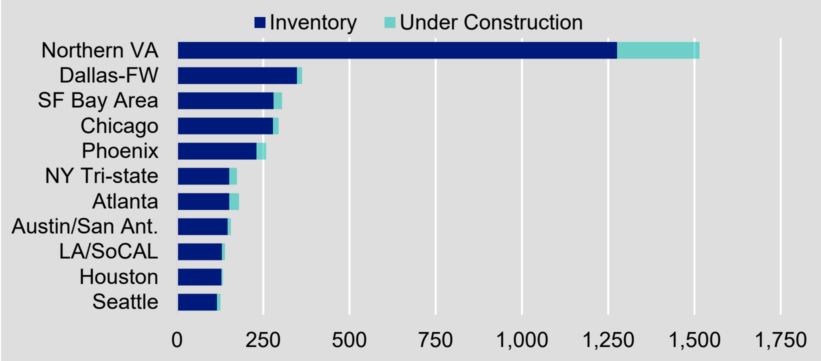
Volume of data created globally (Zettabytes)
Demand driver



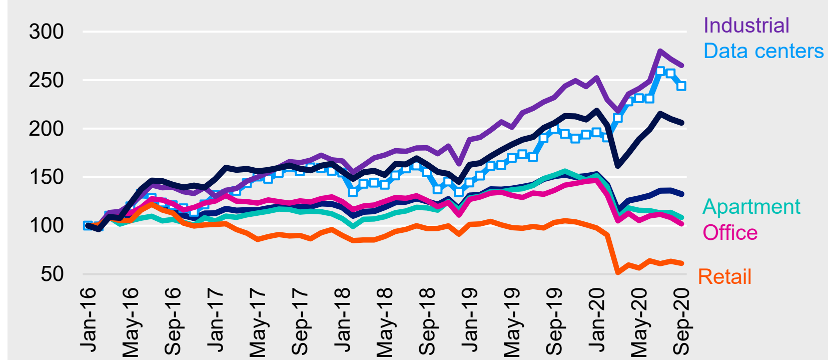
Implications for High Return Objective Investing

- Capital markets landscape creates opportunity for outperformance due to fragmented information and ownership. Continued institutionalization can lead to downward pressure on yields rewarding early entrants
- Generates durable income stream at yield premiums to other assets due to higher retention ratio and lower capex requirements
- Understanding potential physical obsolescence and access to fiber and power is critical when assessing viable opportunities
- Re-tenanting of existing properties via corporate sale-lease back opportunities as businesses seek to shed their real estate holdings to improve balance sheets.
- Acquire an enterprise or colocation facility in edge market that is still evolving.
- Acquire mixed-use portfolio that includes data center properties

Largest data center markets, 1H-2020 (MW)
Supply



REIT total return index by sector (Jan-16 = 100)
Performance



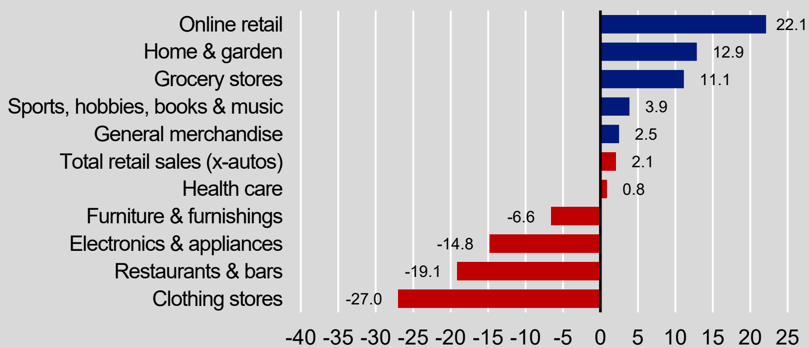
Source: Invesco Real Estate using data from Statista, IDC Data Age 2025, CBRE and NAREIT as of January 2021. Past performance is not a guarantee of future results.

Invesco Real Estate Investment Themes
Retail

Invesco

Falling values and rents likely to create compelling adaptive reuse opportunities

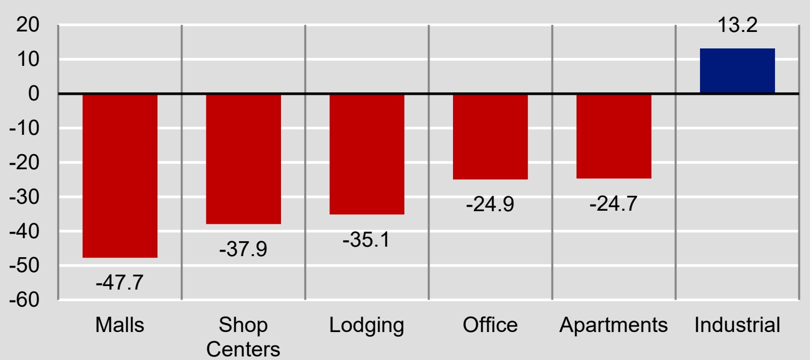
Retail sales by segment: YTD November 2020 vs. 2019 (% change)
Segment trends



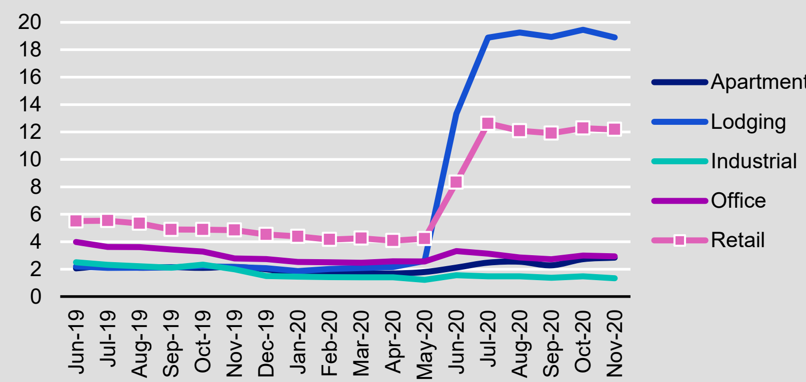
Implications for High Return Objective Investing

- Most challenging sector to invest in but most disrupted by COVID and macro-trends including systemic oversupply with the US having approximately 22 SF per capita in comparison to an average of 5 SF per capita in the rest of the developed world
- Expected to create opportunistic entry points in equity and debt of well-located retail assets that offer a basis compelling enough to redevelop and diversify their uses as rents and values continue to fall
- Opportunity to add density, change of use in-whole or in-part, (e.g. adding residential density, change to non-traditional retail such as health-care, logistics and office)

REIT price returns Feb-Sep 2020 (%)
Sector performance



CMBS delinquency rates (%)
Capital market distress



Source: Invesco Real Estate using data from RCA, CBRE-EA and Moody's Analytics as of January 2021. Past performance is not a guarantee of future results.

Invesco Real Estate Platform

Platform

North American Team Depth & Experience

253 employees dedicated to real estate in the US; focused on delivering for clients

North America Strategy Group
Bill Grubbs (Chair)
(12)

North America Executive Committee
Bert Crouch (Chair)
(30)

Equity Investment Committee
Bill Grubbs (Chair)
(9)

Credit Investment Committee
Michael Kirby (Chair)
(8)

Analytics / Valuations
Chris Schmidt
(19)

Transactions
Greg Kraus
(17)

Client Portfolio Management/ Product Management
Max Swango
(27)

Dispositions / Financing
Stephanie Holder
(6)

Asset Management
Michael Kirby
(46)

Portfolio Management
Jeff Cavanaugh
(24)

Research
Mike Sobolik
(5)

Closing Services
Jason Geer
(10)

Performance Analytics
Erik Gilliland
(3)

IVZ Platform Support

Compliance
Josh Levit
(3)

Accounting
Lee Phegley
(38)

Legal
Chris Fischer
(2)

Source: Invesco Real Estate as of Q4 2020.

Platform

Relationships Drive Sourcing

Six (6) sourcing channels evidencing competitive advantages in generating deal flow.

Sourcing Channels

Property / Leasing Managers	50+ leasing and 80+ management companies throughout the United States
Relationships	Shown 1,100+ opportunities from 674+ joint venture partners; completed 53 partnerships that have led to proprietary relationships
Buyers	Sold \$10.6B to 112 buyers
Sellers	Purchased \$19.2B from 151 sellers
Lenders	Borrowed \$16.2B from 66 lending relationships
Brokers	Utilized 26 brokerage groups for debt placement and property sale activities

Source: Invesco Real Estate as of Q4 2020. Leasing and management company count is the point-in-time count as of December 31, 2020. Relationships, Sellers, Buyers, Lenders, Brokers data is based on previous five years 2016-2020. All statistics come from IRE internal software transaction tracking database “RealConnect”. Numbers are unaudited and are to indicate representative volumes only. Please note data will be updated in Q4 at the end of each calendar year.

Platform

Global Client Relationships

416

Clients Globally

$88M+

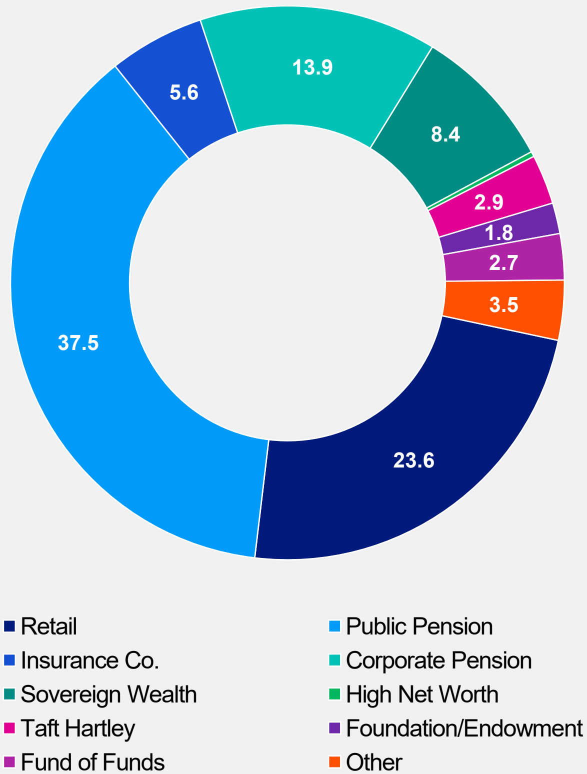
Average AUM per Client
**Direct Real Estate Only*

73

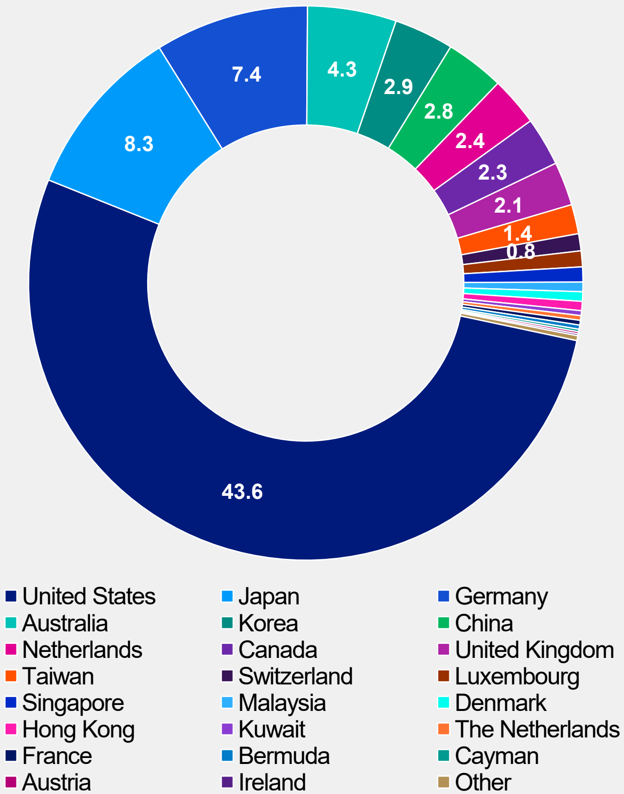
Clients With Multiple Invesco Real Estate Mandates

Hundreds of global clients; deep relationships have resulted in ~20% of global clients choosing Invesco Real Estate for multiple mandates.

By Client Type (%)



By Client Domicile (%)



Source: Invesco Real Estate as of Q4 2020. AUM = Net Asset Value of clients current holdings with Invesco Real Estate Direct business.

Platform

Invesco's ESG+R Program

Invesco

Invesco Real Estate is a leader in the ESG + R space, as an early adopter implementing a program over 15-years ago.

Environmental

- Third-Party **Environmental Acquisition Assessment** by Lord Green Strategies
- Property Level **ENERGY STAR** Benchmarking & Monitoring
- **Sustainability Decision-Making Support** for Asset and Property Management
- Evaluate, Pursue, and Track Green Building Certifications
- Property Management Resources made regularly available
- Publish tenant sustainability guides

Social

- Utilize **women-owned firm**, Lord Green Strategies, for all Third-Party ESG consulting services
- **Social Acquisition Assessment** by Lord Green Strategies
- In North America, **44%** of Invesco Real Estate is represented by **women** –a **9% increase** over the past 4 years
- In North America, **21%** of Invesco Real Estate is represented by **minorities** – a **15% increase** over the past 4 years
- Formed in 2020, the Invesco Real Estate **Diversity, Equity & Inclusion Task Force** set hiring and promotion targets

Governance

- Invesco Real Estate **Global ESG+R Committee** meets quarterly to review strategy
- **Governance Acquisition Assessment** by ESG Consultant, Lord Green Strategies
- **100% compliance** with local and state energy, water, and waste benchmarking ordinances
- Include **green lease language** in new leases
- Implement **Code of Conduct** for all Invesco Real Estate employees

+

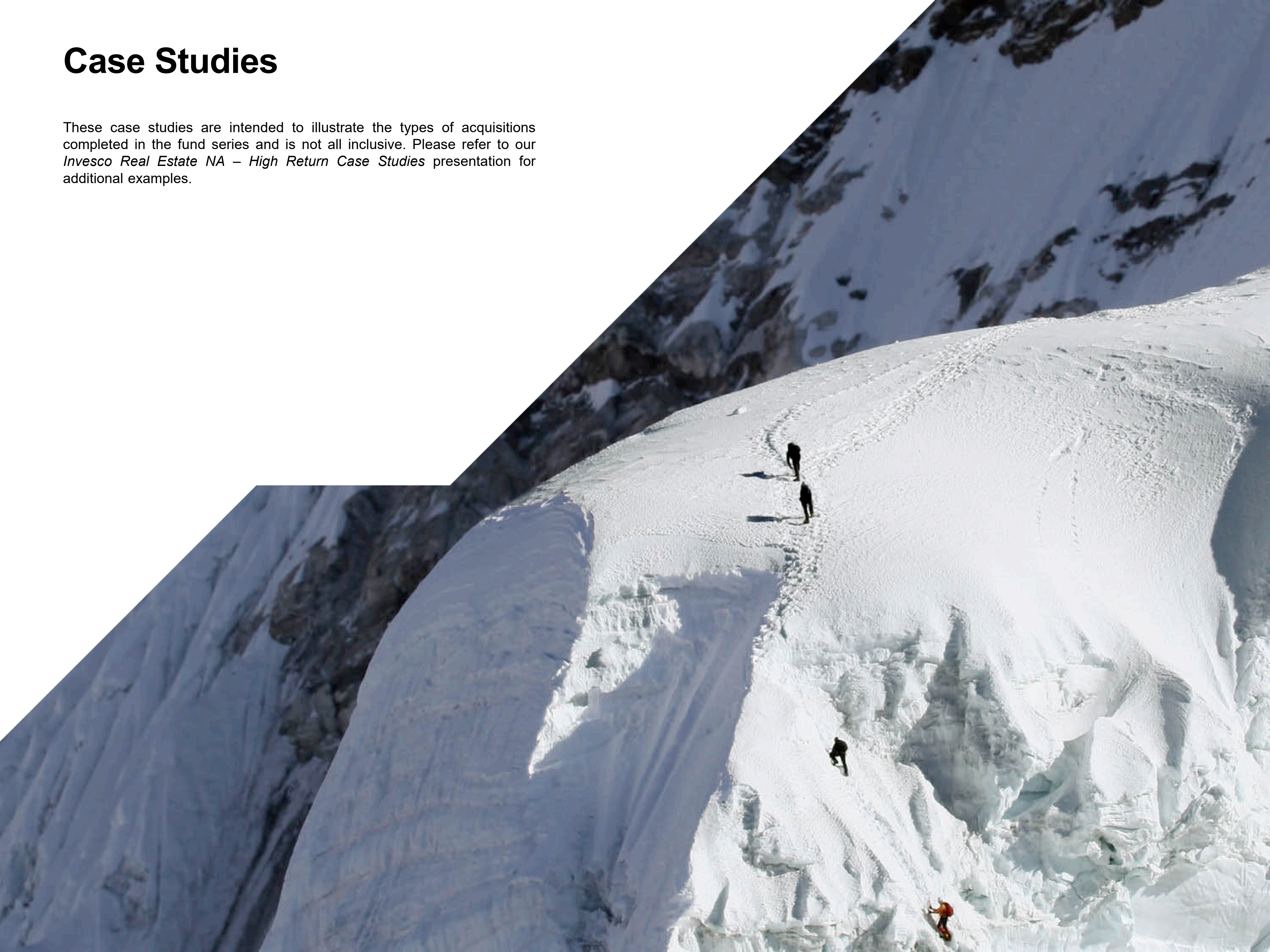
Resilience

- Third-Party **Resilience Acquisition Assessment** by ESG Consultant, Lord Green Strategies
- **Track and Monitor** regulatory standard changes
- **Proactive** sea-level rise risk evaluation potential in current and prospective investments
- Climate risk analytics firm, 427, engaged to score all current and acquisition assets on: **heat stress, sea-level rise, flood risk, hurricane risk, water stress,** and **wildfires**

Source: Invesco Real Estate as of Q4 2020. Please note data will be updated in Q4 at the end of each calendar year.

Case Studies

These case studies are intended to illustrate the types of acquisitions completed in the fund series and is not all inclusive. Please refer to our *Invesco Real Estate NA – High Return Case Studies* presentation for additional examples.



Case Studies | 100-104 Fifth Avenue

Office Re-Tenanting | New York, NY

Transaction Highlights	
Acquisition Date	**December 2010**
Property Size / Leased (%)	**273,208 / 68%**
JV Partner / (% Equity Co-Invest)	**Kaufman / (15%)**
Gross Sales Price ($M) / Cap Rate	**$230.0 / 3.90%**
Average Loan to Value (LTV)	**38%**
Net Profit / Loss ($M)	**$72.2**

Investment Thesis

- **Distressed acquisition (pre-packaged bankruptcy) provided attractive entry point**
  - +/- 20% discount to stabilized market value
  - Early post-GFC cyclical entry point on New York City office
  - Early entry point on spiking tech (TAMI) demand in Midtown South submarket
  - IRE conviction that submarket would receive greater than pro rata share of tenant demand
- **Capital Starved Asset with Strong Historical Occupancy**
  - Building's recent occupancy had drifted downward as insolvent owner couldn't invest in leasing
  - Historical occupancy suggested a high probability to return to stabilization with well capitalized ownership
  - Ability to greatly enhance the buildings competitive positioning with a systems and cosmetic investment program
- **Compelling Risk-Adjusted Return Profile**
  - 37% projected yield margin appropriate for material lease up risk
  - 30% existing vacancy and 20% near term vacating tenants
  - Projected all-in-basis ($450 psf) substantially below replacement cost
- **Enhanced business plan execution**
  - Outperformed underwriting on both achieved rents and leas-up timing
  - Enhanced building profile via tech (TAMI) tenancy and base building re-positioning (lobby, façade, elevators, etc.)
  - Core exit profile (94% occupancy) in tightening submarket coupled with strong NOI growth (1.9x) provide outsized round-trip returns.

Source: Invesco Real Estate as of Q4 2020. For illustrative purposes only. These holdings do not constitute investment advice or a recommendation. They are intended to illustrate the types of acquisitions completed in the strategy. Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only. See endnotes for explanation of return calculations. Past performance is not a guide to future results.

Case Studies | The Heritage

Affordable Housing / Multi-Family Renovation | New York, NY

Transaction Highlights	
Acquisition Date	**July 2019**
Acquisition Sourcing	**Limited Marketing**
Property Size / Leased (%)	**1760 Units / 98% Leased**
JV Partner / (% Equity Co-Invest)	**L&M Development Partners / (50%)**
Total Transaction Size	**$923 MM / ($524K Per Unit)**
Loan-to-Cost (LTC)	**70%**
Stabilized Yield / Market Cap Rate	**5.52% / 4.75%**

Investment Thesis

- **Value creation via tax abatement and unit renovation program**
  - The property's taxes will be reduced from 25% EGR to 0.05% EGR for forty (40) years via regulatory agreement
  - Increases in-place yield from 2.50% to 4.40% upon acquisition, accounting for +60% of business plan yield growth
  - Accretive return on cost for the interior unit renovation program at +/-15%
  - Both in-place rents and post-renovation rents are below the Manhattan-wide average of $60 PSF
- **Meaningful total return enhancement from below market financing**
  - Utilized 60% LTV, fixed-rate (2.8%) full term interest-only Agency financing (Fannie-Mae) across the three (3) property portfolio
  - Utilized Agency "affordable allocation", reducing interest rate by 75bps compared to market rate options
  - Individual loans across the portfolio allows for optionality of exit timing
- **Top Operator of affordable product investing 50% of equity capitalization**
  - Well capitalized vertically integrated NY based owner/operator with over 12,000 units under management
  - Partner scale and capitalization (50% co-invest) may allow for enhanced exit strategies
  - Leveraged long-standing relationships to negotiate and execute separate private regulatory agreements with the City of New York prior to closing
- **Investment addresses public policy need for affordable, quality housing**
  - Regulatory agreement required commitment to increase affordability from 1/3 to 2/3 of units over time
  - Capital plan includes base-building improvements, unit renovations and increased amenity offerings
  - Gentrifying location with unobstructed views of Central Park, walkable amenities and access to transit

Source: Invesco Real Estate as of Q4 2020. For illustrative purposes only. These holdings do not constitute investment advice or a recommendation. They are intended to illustrate the types of acquisitions completed in the strategy. Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only. Financial data stated is based on Invesco Real Estate's underwriting at acquisition. There can be no assurance that estimated returns will be realized.

Case Studies | DFW 161

Industrial Development | Dallas, TX

Transaction Highlights	
Acquisition Date	**January 2020**
Acquisition Sourcing	**Limited Marketing**
Property Size / Leased (%)	**1.05MM / 0%**
JV Partner / (%Equity Co-Invest	**Perot Development Company / (10%)**
Total Transaction Size	**$81.9MM / ($78 PSF)**
Loan to Cost (LTC)	**62.5%**
Stabilized Yield / Market Cap Rate	**6.60% / 5.25%**

Investment Thesis

- **Wholesale basis opportunity in nationally recognized industrial submarket**
  - DFW ranked #1 in United States for population and job growth
  - The industrial market has experienced 34 consecutive quarters of positive net absorption
  - DFW Airport submarket has the broadest tenant and capital market demand characteristics
- **State-of-the-art product with dominant locational attributes**
  - Multiple buildings providing tenant options of 150,000 – 650,000 SF which represents the deepest segment of tenant demand
  - Buildings will have triple freeport tax status which provides the highest potential savings on tenant operating costs versus other buildings
  - Located in the middle of the DFW metroplex, adjacent to DFW Airport and on major DFW arterial (Bush Turnpike) -- provides enhanced access and visibility
  - High density of industrial workforce within a 5-10 mile radius of the site
- **Investment structure provides optionality and upside potential**
  - Commitment to initial phase of development (1.05mm SF) with two (2) year option to proceed with additional phase (up to 1.5mm SF)
  - Option structure allows for build-to-suit marketing on additional phase during two-year option period
  - 40-year ground lease with DFW provides reduced and lower volatility tenancy cost
  - Cost sharing agreement for infrastructure across phases allows for return enhancement to initial speculative phase via reimbursement mechanism

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Case Studies | OMP LAX

Industrial Re-Tenanting | Los Angeles, CA

Invesco

Transaction Highlights	
Fund Commitment Date	**November 2020**
Acquisition Sourcing	**Full Marketing**
Property Size / Leased (%)	**661K / 50%**
JV Partner / (%Equity Co-Invest)	**Overton Moore Properties / (2.5%)**
Total Transaction Size	**$137.7 MM / ($163 PSF)**
Loan to Cost (LTC)	**65%**
Stabilized Yield / Market Cap Rate	**6.49% / 5.00%**

Investment Thesis

- **Covered land play through corporate sale-leaseback**
  - 1.5 – 2-year sale-leaseback to investment grade tenant (Johnson & Johnson - Moody's Aaa rated) at +/- 5.0% yield
  - Lease covers interim carry costs and allows for finalization of renovation plans and pre-lease marketing
  - Pre-lease interest on portion of the site from Fortune 50 company for last mile distribution use – would provide additional capital markets optionality via a refinance or monetization
- **Large contiguous industrial campus with irreplaceable infill location**
  - Two (2) parcel site located adjacent to Los Angeles International Airport (LAX)
  - Sites are currently over-improved; business plan calls for renovation of existing industrial buildings and demolition of two-story office buildings to provide a market parking ratio
  - Sites are zoned and entitled for anticipated industrial uses
- **Top-rated submarket with high barriers to entry**
  - South Bay submarket benefits from the Ports of Los Angeles and Long Beach which account for a significant share of the national import and export traffic
  - Asset's micro-location appeals to wide variety of prospective tenants (air freight and sky kitchens, last mile e-commerce, defense, and manufacturing users)
  - Immediate-area is supply constrained via limited land availability and nearby uses (LAX airport and rental car facilities)

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Case Studies | 88 Black Falcon

Office Re-Positioning | Boston, MA

Transaction Highlights	
Acquisition Date	**September 2019**
Acquisition Sourcing	**Off Market**
Property Size / Leased (%)	**378K Initial / 632K Post Re-Positioning / 85% Leased**
JV Partner / (%Equity Co-Invest)	**The Davis Companies / (10%)**
Total Transaction Size	**$358.0MM / ($567 PSF)**
Loan to Cost (LTC)	**59%**
Stabilized Yield / Market Cap Rate	**6.19% / 4.75%**

Investment Thesis

- **Off-market re-positioning with business plan optionality of use and timing**
  - Multiple avenues for value creation – below market leases, adaptive reuse, potentially increased density
  - Hold period timing is flexible with multiple potential "exit points" based upon level of business plan executed
- **Unique physical asset and differentiated micro location**
  - "Horizontal orientation" better suited to post-COVID office uses
  - Current composition of historic industrial uses and traditional office, but market demand could allow for Life Science
  - Seaport submarket is highly desired by tenants reflected in market-leading absorption and rental rate growth
  - "Tip of the peninsula" micro location provides unparalleled water views of Boston Harbor
  - Strong existing transit options that will likely be enhanced with the addition of a water taxi station
- **Range of outcomes flexibility allows for managing duration and capital investment exposure**
  - Short hold (2-3 years): lease vacant space, mark-to-market rents, secure excess density (~250k SF), sell/recap to a new venture to complete the expansion space (allows for minimizing investment and capital markets risk)
  - Intermediate hold (3-5 years): Executed short hold business plan above, but build the excess density as either traditional office or life science use (greater capital outlay and whole dollar profit potential)

Source: Invesco Real Estate as of Q4 2020. For illustrative purposes only. These holdings do not constitute investment advice or a recommendation. They are intended to illustrate the types of acquisitions completed in the strategy. Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only. Financial data stated is based on Invesco Real Estate's underwriting at acquisition. There can be no assurance that estimated returns will be realized.

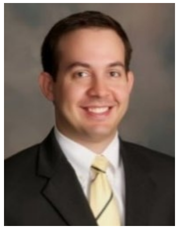
Appendix

Appendix

Team Biographies; for full biographies of all team members, please visit the data room.

Managing Director,
Portfolio Manager
Jay Hurley

Jay Hurley is a Managing Director and Portfolio Manager for Invesco Real Estate's (IRE's) series of U.S. closed-end value-added funds. He is also currently a member of IRE's equity and structure products Investment Committees, North American Direct Executive Committee and on the leadership team of IRE's Investment Strategy Group. Jay began his investment career in 1987 and joined Invesco Real Estate in 1995. He joined as a member of the firm's Acquisition Group where he originated both wholly-owned core investments and structured value-added transactions nationally. Additionally, he has previously held positions as the firm's director of dispositions and director of underwriting. Prior to joining Invesco, Jay held production positions with both Amstar Group and Citicorp Real Estate. He has over 30 years of real estate transactional and portfolio management experience encompassing a broad range of product types and investment strategies. Jay earned a Bachelor of Science degree in Civil Engineering from The University of Texas at Austin and his Master of Business Administration degree from Southern Methodist University. He is a full member of the Urban Land Institute.



Director,
Portfolio Manager
Kevin Conroy

Kevin Conroy is a Director and Associate Portfolio Manager for IRE. In this role, his primary responsibilities entail the management, execution and overall performance of investments across the series of closed-end value-added and opportunistic strategies. Kevin began his investment career in 2007 and joined Invesco Real Estate in 2010. Prior to joining Invesco', he was an Assistant Relationship Manager at US Bank, where he was responsible for underwriting and reviewing commercial real estate loans. Kevin earned a Bachelor of Business Administration degree in Finance from Texas A&M University.

Senior Director,
Fund Operations
Courtney Popelka

Courtney Popelka is a Senior Director of Fund Operations for Invesco Real Estate. In this role, she oversees the US non-core platform, including the value-add, opportunistic, and structured credit investments strategies. Courtney began her investment career in 1999 and joined Invesco Real Estate in 2009. Prior to her current role, she served as senior controller of the real estate group. Before joining Invesco, she was with the public accounting firm PricewaterhouseCoopers LLP. She then joined an affiliate of Westbrook Partners, and later served as a controller and asset manager at Rockpoint Group. Ms. Popelka earned a Bachelor of Business Administration in Accounting and a master's degree in Finance from Texas A&M University.

Source: Invesco Real Estate as of Q4 2020.

Invesco Real Estate U.S. Fund VI, L.P.
Risk warnings

Investment in Interests involves significant risks due to, among other things, the nature of the Fund's investments. Prospective investors should have the financial ability and willingness to accept the risks and lack of liquidity that are characteristic of the investment described herein. There will be no public market for Interests and no such market is expected to develop in the future.

For important information on risks associated with the Invesco Real Estate U.S. Fund VI, L.P., see the “Risk Factors and Conflicts of Interest” section of the PPM, which begins on page 61 of the Private Placement Memorandum. An investment in the Sector Funds and the Feeder Funds involves certain risks, including risks relating to the investments. Prospective investors should carefully consider the risk factors, in addition to the matters set forth elsewhere in the Memorandum, prior to investing in the Sector Funds or the Feeder Funds.

There can be no assurance that the Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program. The Fund's returns will be unpredictable. An investor should only invest in the Fund as part of an overall investment strategy and only if the investor is able to withstand a total loss of its investment. Prospective investors should not construe the performance of earlier investments by Invesco as providing any assurances regarding the future performance of the Fund.

Prospective investors should carefully consider, among other items, the matters described below, each of which could have an adverse effect on the value of the Interests. As a result of these matters, as well as other risks inherent in any investment there can be no assurance that the Fund will meet its investment objective or otherwise be able to successfully carry out its investment program. The Fund’s returns will be unpredictable. An investor should only invest in the Fund as part of an overall investment strategy and only if the investor is able to withstand a total loss of its investment. Prospective investors should not construe the performance of earlier investments by Invesco as providing any assurances regarding the future performance of the Fund. Please see the PPM for a more comprehensive discussion of risks associated with this fund starting on page 61.

The Fund may be unable to find a sufficient number of investment opportunities to meet its investment objective.

The Fund’s investment program will concentrate on value-add and opportunistic real estate investment opportunities that have risks as a result of business, financial, market or legal uncertainties. There can be no assurance that the Fund, the General Partner or the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of returns on the Fund’s investments.

Generally, real estate assets are illiquid in nature. Although certain investments are expected to generate current income, the return of capital and the realization of gains, if any, from an investment will often occur upon the partial or complete disposition of such investment.

The Fund may make investments that continue later than the date which the Fund will be dissolved, either by expiration of the Fund’s term or otherwise.

Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes).

The Fund will engage in a variety of interest rate management techniques that seek to mitigate the influence of interest rate changes on the costs of liabilities and help the Fund achieve its risk management objective.

Investing in Real Estate Will Expose the Fund to a High Degree of Risk.

All real estate investments are speculative in nature and the possibility of partial or total loss of capital will exist.

A tenant of one or more of the Fund’s investments may experience, from time to time, a downturn in its business which may weaken its financial condition and result in its failure to make rental payments when due, including as a result of COVID-19

There is expected to be shared or limited control with respect to some portfolio investments.

The Fund is expected to invest in select types of real estate developments

Various factors may affect the returns of industrial properties in addition to the risks generally applicable to real estate,

A large number of factors may adversely affect the value and successful operation of a multifamily property,

Invesco Real Estate U.S. Fund VI, L.P.

Risk warnings (continued)

A large number of factors may adversely affect the value and successful operation of single family properties,

Office properties may also be adversely affected if there is an economic decline in the businesses operated by their tenants.

The senior housing industry is highly competitive and fragmented.

The Fund is expected to hold direct or indirect investments in certain real estate-related debt instruments

The Fund may invest in commercial mortgage loans. Commercial mortgage loans generally lack standardized terms, which may complicate their structure.

The Fund's loans may not be secured by a mortgage but may instead be secured by equity interests or other collateral that may provide weaker rights than a mortgage

The Fund may make or invest in mezzanine loans. Mezzanine loans typically are not secured by real property interests and are subordinate to other debt obligations of the borrower, and therefore subject to greater risk of loss than senior debt

The Fund intends to invest in assets that are risky and suitable only for sophisticated investors. Subordinate debt may be subject to greater credit risks than other investment alternatives, such as senior debt

The Fund may originate and acquire performing debt investments and expects to acquire sub-performing or non-performing debt interests, which are secured directly or indirectly by real estate.

The Fund may acquire investments subject to financing that provides for adjustments in the interest rate at various monthly, annual or other intervals.

A portion of the Fund's investments may consist of interests in loans originated by banks and other financial institutions. The loans invested in by the Fund may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated.

Of paramount concern in investing in loans or debt securities is the possibility of material misrepresentation or omission on the part of the borrower

Possible Lack of Diversification

The Fund or the General Partner may enter into side letters or other similar agreements with certain direct or indirect Investors that relate to certain ESG matters, including additional diligence, operational or reporting requirements. The Fund and the General Partner are newly formed entities without any operating history. The market value of the Fund's investments is expected to be affected by changes in interest rates and the spreads over relevant interest rate benchmarks. The Fund will typically leverage its investments with debt financing.

The General Partner is expected to utilize credit facilities to finance the Fund's assets. The success of the Fund depends in substantial part upon the skill and expertise of the General Partner and the Investment Manager. Lenders are expected to impose restrictions on the Fund that would affect its ability to incur additional debt, make certain investments or acquisitions, reduce liquidity below certain levels, make distributions to the Limited Partners, redeem debt or equity securities and impact the General Partner's flexibility to determine the Fund's operating policies and investment strategy.

Invesco Real Estate U.S. Fund VI, L.P.
Disclosures

Important Information
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NA3633-4/21

Thank you

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RIO Recommendation: RIO requests the SIB to accept a slightly revised asset allocation policy for Job Service as recently approved by the PERS Board and Investment Sub-Committee noting there is no material change in the expected return or expected risk of the proposed policy change which reduces the current overweight allocation to U.S. equities by increasing international/global equities and repositions the fixed income allocation more into Core and Short-Term Corporate and less into Limited Duration.

TO: NDPERS Board

FROM: **Bryan Reinhardt**

DATE: April 13, 2021

SUBJECT: Job Service Plan Asset Allocation

The Job Service retirement plan has about 182 retirees and only 5 active contributing members with total assets of $97 million at market value (December 2020). As this plan continues to mature, the NDPERS Board has worked to de-risk the asset allocation. SEI is the fund manager for the Job Service assets. Attachment 1 is a proposal from SEI for a small change to the asset allocation that still maintains the 20/80 allocation. The 'Portfolio A' change has the same expected return based on the Capital Market Assumptions but shows a slight increase in the standard deviation (risk).

The recommendation is to move equity assets to the global category as the equity allocation is currently overweight in US stocks. The recommendation also moves fixed income assets out of the Limited Duration category and spreads them into Core Fixed Income and Short-Term Corporate Fixed Income. SEI projects the Limited Duration investments will underperform going forward.

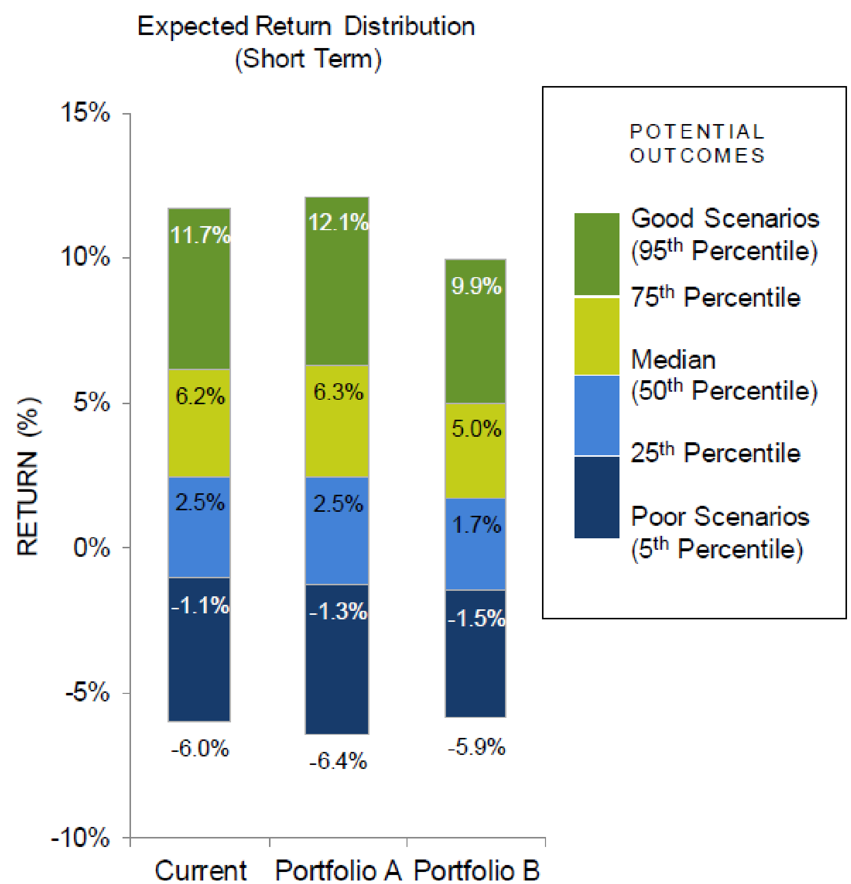
The NDPERS Investment Subcommittee reviewed this information and recommends the NDPERS Board approve Portfolio A for the Job Service plan. Attachment 2 is the updated Job Service Investment Policy.

Board Action Requested:
Approve the updated Job Service Investment Policy.

Attachment 1

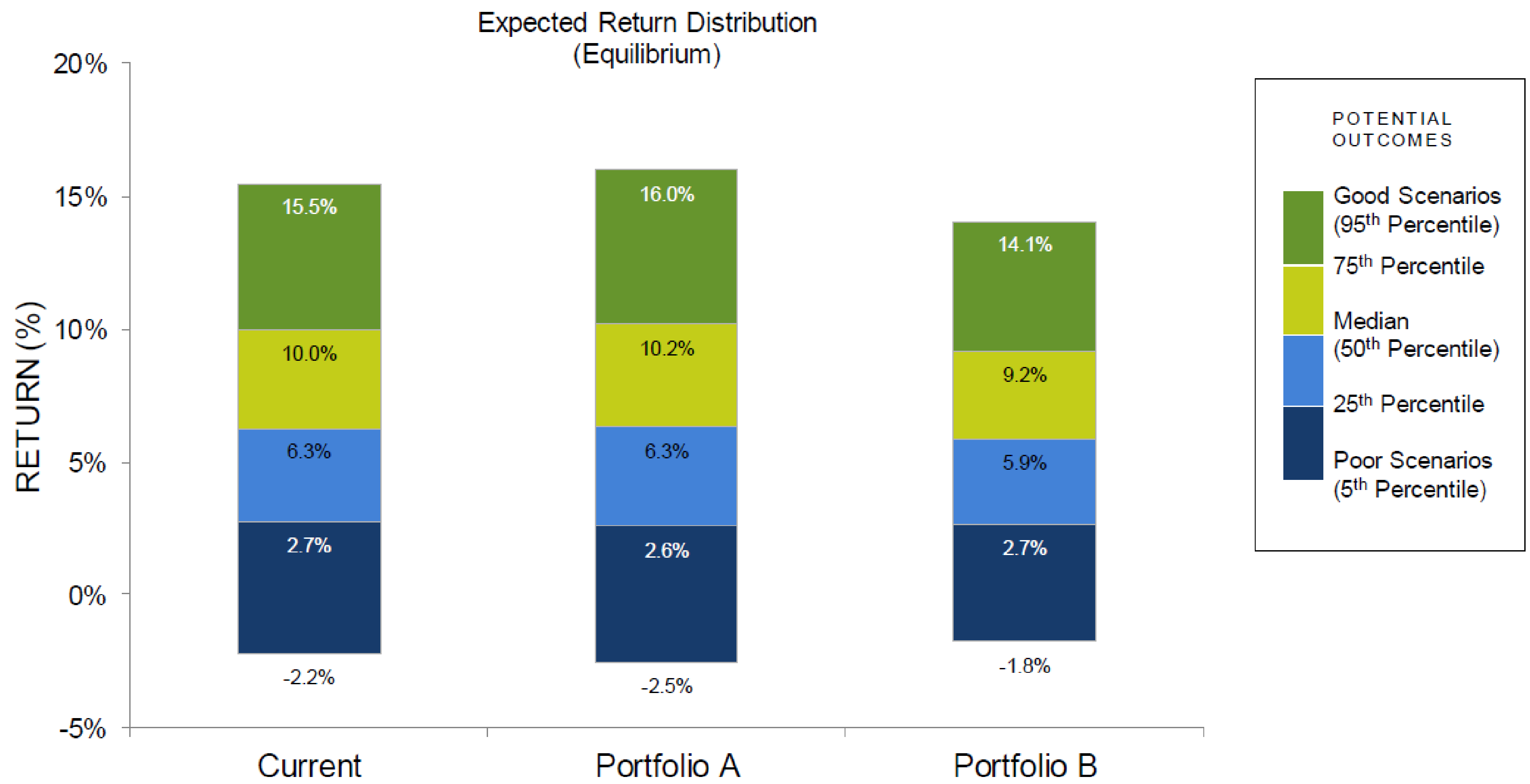
Job Service: Modeled portfolios

Asset Class	Current	Portfolio A	Portfolio B
US Low Beta Equities	6	2	-
Global Low Beta Equities	14	18	10
Total Equity	**20**	**20**	**10**
U.S. High Yield	3	3	-
Emerging Markets Debt	3	3	-
Core Fixed Income	26	34	45
Limited Duration Fixed Income	26	10	15
Diversified Short Term Fixed Income	5	5	5
Short Term Corporate Fixed Income	17	25	25
Total Fixed Income	**80**	**80**	**90**
Portfolio Metric (Net of Fees)			
Expected Return (Short Term)	2.5	2.5	1.7
Expected Return (Equilibrium)	6.3	6.3	5.9
Standard Deviation	5.4	5.6	4.8
Value-At-Risk (5th percentile-Short Term)	-6.0	-6.4	-5.9
Fee Impact	-	-	-1 bp



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

Job Service: Modeled portfolios



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 4.25%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund 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)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).

2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:

    a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
    b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
    c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.

3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).

4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price index (CPI), by 3.0 or more percentage points per year (based on current actuarial assumptions of 4.25% return and 2.5% inflation), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

5. INVESTMENT PERFORMANCE OBJECTIVE

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

a) The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
b) The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio by more than 15%.
c) Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation by more than 15%.

6. ASSET ALLOCATION

The NDPERS Board as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by SEI Consultants in 2017. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.

In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following asset allocation options were deemed appropriate for the Fund:

Domestic Equity – 2%
Global Equity - 18%
U.S. High Yield Bonds - 3%
Emerging Markets Debt - 3%
Core Fixed Income - 34%
Limited Duration Fixed Income - 10%
Diversified Short Term Fixed Income - 5%
Short Term Corporate Fixed Income - 25%

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Rebalancing of the Fund to this target allocation will be done in accordance with the SIB's rebalancing policy, but not less than annually.

7. RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.

c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

d. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

e. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the 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 similar risk.

(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.

(4) The safeguards and diversity that a prudent investor would adhere to are present.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

____________________________________	____________________________________
Scott Miller **Plan Administrator and Trustee** **Retirement Plan for Employees of** **Job Service North Dakota**	**David Hunter** **Executive Director** **North Dakota Retirement and Investment Office**
Date:______________________________	Date:______________________________

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Approved by the SIB:
Approved by the PERS Board: 04/13/2021

RIO Legislative Update
April 15, 2021

Bill No.	Description	Sponsor/Introducer
HB 1022	**RIO Budget**	**Appropriations Committee**

https://www.legis.nd.gov/assembly/67-2021/documents/21-0281-04000.pdf

HB 1022 contains the 2021-23 budget authority for RIO to administer the SIB investment program and TFFR retirement program which are special funds. Senate **Appropriations Committee gave a unanimous DO PASS recommendation to RIO's amended budget bill yesterday including funding for one additional FTE, NDIT unification and office relocation to WSI.** Senator Bekkedahl's testimony highlighted SIB investments growing from $7.5 billion at June 30, 2013, to over $18.6 billion as of Feb. 28, 2021, while RIO's FTE count only increased by one from 19 FTE in 2013-15 biennium to 20 FTE in the 2019-21 biennium. Additionally, the number of client funds under management increased from 23 in 2013 to 27 currently. Each client fund requires separate monthly, quarterly and annual accounting, monitoring and reporting. The requested position could assist with investment and/or financial operations by providing support in such areas as reporting, records/contract management, due diligence, compliance or risk management. **RIO/SIB client investments are up $4 billion to $18.6 billion in the current biennium, largely driven by $3 billion of net investment income from July 1, 2019 to Feb. 28, 2021.** SIB clients earned $4.2 billion of net investment income in calendar years 2019 and 2020 including $1.9 billion for Legacy Fund with returns of over 18.1% in 2019 and 12.2% in 2020.
Status: Passed House 87-5 on 2/24 (without PIO, IT Unification and desktop support); Passed Senate with Amendments; Conference Comm. 4/15 at 9:30am.; Committee Approved on 4/15

HB 1038	**Legacy Fund Earnings Committee**	**Legislative Management**

https://www.legis.nd.gov/assembly/67-2021/documents/21-0178-01000.pdf

HB 1038 creates the legacy fund earnings committee to study the potential uses of legacy fund earnings, including the use of earnings to provide tax relief, provide for reinvestment of legacy fund earnings, fund research and technological advancements, promote economic growth and diversification, and promote workforce development and career and technical education. The committee may consider public input on the use of legacy fund earnings and review the operation of other funds, such as Norway's sovereign wealth fund. Legislative management shall report its findings and recommendations, together with any legislation required to implement those recommendations, to the sixty-eighth legislative assembly.
Status: Passed House / Passed Senate; Signed by Governor 3/9/21

HB 1041	**PERS Program**

https://www.legis.nd.gov/assembly/67-2021/documents/21-0091-01000.pdf

A BILL for an Act to amend and reenact subsection 2 of section 54-52-06, section 54-52.1-06, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to public employees retirement system penalties for late payments or failures to follow required processes; and to provide a penalty.
Status: Passed House and Sent to Senate 1/12; Passed Senate 3/16/21 46-1; Signed by Governor 3/23/21

HB 1140 Contingency Fee Arrangements Rep Klemin, Devlin, Roers Jones, Sen. Dwyer, Larson, Lee

https://www.legis.nd.gov/assembly/67-2021/documents/21-0612-01000.pdf

A BILL for an Act to amend and reenact section 54-12-08.1 of the North Dakota Century Code, relating to contingent fee arrangements. This may be impactful to securities litigation agreements. Secretary of State Jaeger did an excellent job presenting this bill and highlighting its interesting history.

Status: Passed House 2/2; Passed Senate 3/9; Signed by Governor 3/17

HB 1174 TFFR Program Rep. Kempenich and Kreidt, Senator Klein

https://www.legis.nd.gov/assembly/67-2021/documents/21-0677-01000.pdf

HB 1174 enacts the requirements of the Secure Act of 1999 which changed federal law relating to "required minimum distributions" (RMD's) in retirement plans. RMD's are minimum amounts that a retirement plan account owner must withdraw annually starting when the member reaches a certain age. The Secure Act changed that age. This bill was reviewed by plan actuaries who found no impact to the actuarial position of the fund, or material impact to liabilities or costs.

Status: Passed House 1/22; Passed Senate 3/5; Signed by Governor 3/15

HB 1188 Certs for Special Education Teacher Rep. Schreiber-Beck, D. Johnson, Sen. Oban

https://www.legis.nd.gov/assembly/67-2021/documents/21-0670-02000.pdf

A BILL for an Act to create and enact a new section to chapter 15.1-32 of the North Dakota Century Code, relating to services provided by special education technicians; and to amend and reenact section 15.1-02-16 of the North Dakota Century Code, relating to a certificate of completion for special education technicians.

Status: Passed House as amended 2/8/21; Passed Senate 3/19/21 44-2; Signed by Governor 3/25/21

HB 1209 PERS Program Rep. M. Ruby, Dockter, O'Brien, Schauer, Sen. Anderson, Dever

https://www.legis.nd.gov/assembly/67-2021/documents/21-0566-02000.pdf

A BILL for an Act to amend and reenact section 54-52-02.9, 54-52-06, 54-52-06.5, and 54-52.6-09 of the North Dakota Century Code, relating to public employees retirement system employer and temporary employee contribution rates; and to provide an effective date.

Status: Passed House 89-5 on 2/23; Passed by Senate As Amended 34-13 on 3/29/21; Conference Comm. 4/14.

HB 1211 Veterans' Funds Rep. Magrum, Hoverson, Kasper, B. Koppelman, Louser, Schauer, Vetter Sen. Meyer, Vedaa

https://www.legis.nd.gov/assembly/67-2021/documents/21-0690-02000.pdf

A BILL for an Act to amend and reenact sections 37-14-03 and 37-14-14 of the North Dakota Century Code, relating to the veterans' aid fund and veterans' postwar trust fund; and to declare an emergency. Although this bill references NDCC Chapter 21-10, it does not appear it will have an impact on SIB clients.

Status: Passed House 2/8 91-0; Referred to GVA; Passed Senate 45-1 on 3/8; Signed by Governor 3/16.

HB 1231 SIB Program Rep. Satrom, K. Koppelman, Ostlie, Paulson, D. Ruby, Schauer, Vetter
Sen. Conley

https://www.legis.nd.gov/assembly/67-2021/documents/21-0127-02000.pdf

A BILL for an Act to amend and reenact section NDCC 21-10-05, relating to duty of the investment director to consider investing locally. This may have implications for both the PERS and TFFR plans. **During the 2021-22 interim, the legislative management shall consider studying the benefits of investing legacy fund moneys locally before investing any moneys outside the state. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations to the sixty-eighth legislative assembly.**
Status: House amended to legislative study; Second reading passed 94-0; Passed Senate 42-5 on 4/5/21.

HB 1380 SIB/Legacy Fund Rep. Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Sen. Patten, Sorvaag, Wardner

https://www.legis.nd.gov/assembly/67-2021/documents/21-0218-08000.pdf

A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter 6-09.4, a new section to chapter 15-20.1, **four new sections to chapter 21-10**, and a new section to chapter 54-60 of the North Dakota Century Code, relating to an economic diversification research fund, **a legacy sinking and interest fund, a workforce development and enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a legacy project advisory board, and an innovative research and economic development fund; to amend and reenact subsection 1 of section 21-10-06 and section 21-10-12 of the North Dakota Century Code, relating to funds invested by the state investment board and legacy fund definitions; to provide for a transfer; to provide a statement of legislative intent; and to provide an effective date. Legacy Earnings Fund shall be invested by SIB.**

SECTION 11. LEGISLATIVE INTENT. It is the intent of the sixty-seventh legislative assembly that the sixty-eighth legislative assembly consider additional allocations from the legacy earnings fund, including allocations to value-added agricultural programs, state building maintenance and improvements, and for other one-time initiatives and projects, including initiatives and projects to diversify the state's economy, and to improve the efficiency and effectiveness of state government.

SECTION 12. EFFECTIVE DATE. This Act becomes effective on August 1, 2021.

Status: House Passed 71-22 on 2/24; Senate Passed 47-0, as amended, on 4/13.

HB 1425 SIB/Legacy Fund Rep. Nathe, D. Anderson, Bosch, Headland, Howe, Lefor, Mock, Porter
Sen. Meyer, Bell, Wardner

https://www.legis.nd.gov/assembly/67-2021/documents/21-0415-11000.pdf

AN ACT to create and enact section 6-09-49.1 and a new section to chapter 21-10 of the North Dakota Century Code, relating to the legacy infrastructure loan fund and the state investment board; to amend and reenact sections 21-10-02 and 21-10-11 of the North Dakota Century Code, relating to the state investment board and the legacy and budget stabilization fund advisory board; and to provide a continuing appropriation.

The Legacy Fund Advisory Board and SIB have supported in-state investments since their inception largely through the BND Match Loan CD Program which provides cost efficient funding for businesses seeking to

establish new operations in North Dakota or expand existing services in our State. The SIB and Advisory Board doubled its commitment to this long-standing in-state program from $200 million in 2019 to $400 million in 2020. There is currently $350 million of unused capacity. The Advisory Board and SIB also approved a new 3% target allocation to Private Capital with a preference for in-state investments at a competitive rate of return. The SIB intends to identify this new In-State Investment Program (IIP) on April 23rd. The Legacy Fund's target asset allocation for in-state investments will include a 5% for the BND Match Loan Program and 3% for this new IIP strategy, the latter of which includes a +/- 3% range. As such, the pre-approved target allocation allows for future growth up to 11%, which RIO believes is the largest in-state target asset allocation of any major public fund in the U.S. on a percentage basis. Based on Callan market research, it will likely take several years or longer to reach these aspirational target asset allocations levels.
Status: Engrossed HB 1425 Passed House 85-8 on 2/24; Passed Senate 47-0 on 3/29/21; Signed by Governor 4/8.

HB 1475 SIB/Legacy Fund Rep. Satrom, Haggert, Kempenich, Keifert, Mitskog, Ostlie
Sen. Conley, Wanzek

https://www.legis.nd.gov/assembly/67-2021/documents/21-0693-05000.pdf

A BILL for an Act to create and enact a new section to chapter 4.1-01 and a **new section to chapter 21-10 of the North Dakota Century Code, relating to an agriculture innovation fund and a transfer of legacy fund earnings; and to provide a continuing appropriation.**
Status: Passed House 81-11 on 2/24/21; Passed Senate as amended 4/12.

SB 2033 NEW Fund Legislative Management

https://www.legis.nd.gov/assembly/67-2021/documents/21-0187-03000.pdf

A BILL for an Act to create and enact a new chapter to title 15 of the North Dakota Century Code, relating to creation of a **new university system capital building fund**; to provide an appropriation; to provide for a transfer; **State Board of Higher Ed may provide for fund to be invested by SIB**; and declare an emergency.
Status: Amended and Passed by Senate, 1/25; Passed House 3/22 79-12; Signed by Governor 3/29/21.

SB 2043 Highway Patrolmen's Retirement Fund Gov. & Veteran's Affairs Committee
https://www.legis.nd.gov/assembly/67-2021/documents/21-0090-01000.pdf

A BILL for an Act to amend and reenact section 39-03.1-10 of the North Dakota Century Code, relating to contributions to the highway patrolmen's retirement system by the state.
Status: Senate Passed 47-0 on 2/19; Amended & Passed by House 89-2 on 4/7.

SB 2044 PERS Retirement Gov. & Veteran's Affairs Committee
https://www.legis.nd.gov/assembly/67-2021/documents/21-0092-01000.pdf

A BILL for an Act to amend and reenact section 39-03.1-10, subsection 2 of section 39-03.1-11.2, subsection 8 of section 54-52-17, subsection 10 of section 54-52-26, subsection 2 of section 54-52-28, subsection 2 of section 54-52.1-03.2, subsection 1 of section 54-52.1-03.3, and subsection 2 of section 54-52.6-21 of the North Dakota Century Code, relating to public employees retirement system unpaid benefit payments, missing member confidentiality requirements, compliance with Internal Revenue Code distribution requirements, insurance programs for which retiree health insurance credit moneys may be used, and clarification of eligibility for retiree health insurance credit payments.
Status: Senate Passed 47-0 on 1/18; Passed House 91-0; Signed BY Governor 3/23/21.

SB 2046 PERS Retirement Gov. & Veteran's Affairs Committee

https://www.legis.nd.gov/assembly/67-2021/documents/21-0095-02000.pdf

A BILL for an Act to amend and reenact subsection 1 of section 54-52-02.9, subsection 2 of section 54-52-05, subsection 1 of section 54-52-06, subsection 6 of section 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans; and to provide a penalty.

Status: Senate Passed as amended 47-0 on 2/19; House Committee hearing on 3/19 at 9am

https://www.legis.nd.gov/assembly/67-2021/documents/21-0717-03000.pdf

A BILL for an Act to create and enact a new section to chapter 21-10, a new section to chapter 54-44, and a new section to chapter 54-60 of the North Dakota Century Code, relating to social investments made by the state investment board and the boycott of energy or commodities companies; to provide for a department of commerce study of the implications of complete divestment of companies that boycott energy or commodities; and to provide for reports to legislative management. RIO engaged with legislators to highlight SIB's existing policies with regards to social investing including maximizing risk adjusted returns.

Status: Senate passed as amended, 42-4 on 2/17; Passed House 3/17 82-12; 3/29 Signed by Governor.

PERS Health Care Related Bills

HB 1029 PERS Health Care Legislative Management

https://www.legis.nd.gov/assembly/67-2021/documents/21-0170-01000.pdf

A BILL for an Act to amend and reenact section 54-52.1-04.2 of the North Dakota Century Code, relating to public employee uniform group insurance for health benefits; to provide for application; and to declare an emergency.

Status: House passed 90-0 on 1/12; Senate Passed 46-0 on 3/3; Signed by Governor 3/9

HB 1042 PERS Health Care Gov. & Veterans Affairs Committee

https://www.legis.nd.gov/assembly/67-2021/documents/21-0093-01000.pdf

A BILL for an Act to amend and reenact subsection 3 of section 54-52.1-04.16, relating to the public employees retirement system's uniform group insurance program part D contracts with pharmacy benefit managers.

Status: House passed as amended, 90-0 on 1/19; Senate Passed 47-0 3/05; Signed by Governor 3/15

FAILED BILLS

HB 1037 Legacy Earnings Fund & Transfers Legislative Management/Legacy Earnings Committee

https://www.legis.nd.gov/assembly/67-2021/documents/21-0111-02000.pdf

HB 1037 gives the SIB authority over the investment of a newly created "Legacy Earnings Fund" and requires all legacy fund earnings, which are constitutionally required to be transferred to the general fund at the end of each biennium, be immediately transferred into the new Legacy Earnings Fund. This bill would go into effect for legacy fund earnings generated and transferred during the 2021-23 biennium. **The bill then spells out the amount available for appropriation out of this new fund as <u>six percent (6%)</u> of the five-year average value of legacy fund assets as determined by SIB**. Any amounts in the new legacy earnings fund in excess of this 6% amount are to be retained in the fund as a reserve balance for future use only if the amounts transferred from the legacy fund are insufficient to cover the calculated 6% of average value amount. Beginning with the 2023-25 biennium, the legislature will be able to appropriate out of the new legacy earnings fund an amount equal to the six percent amount calculated above or the balance of the fund, whichever is less. **For the 2021-23 biennium and going forward, all constitutionally mandated legacy fund earnings which are transferred to the general fund will be immediately transferred to the new legacy earnings fund. <u>All interest and earnings derived from this fund will also be kept in this fund</u>. Therefore, for the 2021-23 biennium, there will be a reduction in available general fund revenues in an amount equal to the legacy fund earnings in the biennium. RIO will also note the Legacy Earnings Fund could be set-up as a sub-account within Legacy Fund, if desired.**
Status: Failed House 0-91 on 2/24

HB 1114 Teacher Support Program Rep. Heinert and Owens, Senator Schaible

https://www.legis.nd.gov/assembly/67-2021/documents/21-0255-02000.pdf

A BILL for an Act to amend and reenact sections 15.1-18.2-05 and 15.1-18.2-06 of the North Dakota Century Code, relating to the expansion of the teacher support program to provide mentoring to all first- and second-year teachers in the state; and to provide an appropriation.
Status: House Educ. Do Pass 12-1-1 on 1/14; House Do Not Pass 23-71-0 on 2/22

HB 1138 Free Speech Rep. Kading, Becker, Lefor, D. Ruby, Schatz, and Schauer, Sen. Heitkamp, O. Larsen, Myrdal

https://www.legis.nd.gov/assembly/67-2021/documents/21-0454-01000.pdf
To provide for a civil action against state/political subdivision for state constitutional free speech violation.
Status: Failed to Pass House 2/10/21; 28-66

HB 1147 PERS Health Care Rep. Brandenburg, Dobervich, Mitskog Sen. Erbele, Oban, K. Roers

https://www.legis.nd.gov/assembly/67-2021/documents/21-0447-02000.pdf

A BILL for an Act to create and enact section 54-52.1-04.19 of the North Dakota Century Code, relating to public employee fertility health benefits; to amend and reenact section 26.1-36.6-03 of the North Dakota Century Code, relating to self-insurance health plans; to provide for a report; to provide for application; to provide an expiration date; and to declare an emergency.
Status: Failed House 31-63 on 2/24

HB 1202 **Land Board Investments** **Reps. Kempenich, Brandenburg, Delzer, M. Ruby, Schatz, Tveit**
Senators Klein, Patten

https://www.legis.nd.gov/assembly/67-2021/documents/21-0252-01000.pdf

HB 1202 amends NDCC 21-10-06 and NDCC 15-01-02 relating to funds managed by the SIB and board of university and school lands. "Investment authority over the permanent funds derived from the sale of any of the lands" including the "Common schools trust fund and other investments under the control of the board of university and school lands" are transferred to the SIB under HB 1202.

Status: Failed 2/3/21; 27-66

HB 1233 **PERS Health Care** **Rep. Kasper, Jones, Keiser, Lefor, Louser, Meier, Rohr, Schauer, Steiner**

https://www.legis.nd.gov/assembly/67-2021/documents/21-0147-02000.pdf

A BILL for an Act to provide for the public employees retirement system to contract for an audit of pharmacy benefit managers providing contract services for the state uniform group health insurance program; and to provide for a legislative management report.

Status: Passed House 91-2 on 2/24/21; Failed Senate 6-40 on 4/8.

HB 1245 **PERS Health Care** **Rep. Kasper, Dockter, Keiser, B. Koppelman, Lefor, Louser, Meier, Pollert, D. Ruby, Steiner Sen. Hogue**

https://www.legis.nd.gov/assembly/67-2021/documents/21-0148-04000.pdf

A BILL for an Act to amend and reenact sections 54-52.1-04, 54-52.1-04.1, 54-52.1-04.2, 54-52.1-04.7, 54-52.1-04.8, and 54-52.1-05 of the North Dakota Century Code, relating to public employee uniform group insurance plans; to provide for application; and to declare an emergency.

Status: Passed House 90-4 on 2/23/21; Failed Senate 12-35 on 4/5/21

HB 1250 **PERS Health Care** **Rep. M. Nelson, Adams Sen. Mathern**

https://www.legis.nd.gov/assembly/67-2021/documents/21-0068-01000.pdf

A BILL for an Act to create and enact a new section to chapter 54-52.1 of the North Dakota Century Code, relating to public employee health insurance drug benefit coverage; to amend and reenact section 26.1-36.6-03 of the North Dakota Century Code, relating to self-insurance health plans; to require a report; to provide for application; to provide an expiration date; and to declare an emergency.

Status: Failed 1/19/21

HB 1260 **Wage Moratorium** **Rep. Becker, Kasper, B. Koppelman, Rohr, Steiner**
Sen. Anderson, Heitkamp

https://www.legis.nd.gov/assembly/67-2021/documents/21-0598-07000.pdf

A BILL for an Act to create and enact a new section to chapter 54-06 of the North Dakota Century Code, relating to a wage and salary moratorium on state or local officials and employees if certain temporary restrictions on businesses are imposed.

Status: Failed House 25-68 on 2/18/21

HB 1274 Legacy Fund Fiscal Impact Reps. Kempenich, B. Anderson, Longmuir, Pollert, Shatz
Senators Erbele, Klein, Wardner

https://www.legis.nd.gov/assembly/67-2021/documents/21-0248-01000.pdf

HB 1274 creates and enacts a new section to NDCC 21-10 relating to fiscal impact statements for any measure or policy affecting the legacy fund. The legacy and budget stabilization fund advisory board shall review any legislative measure, initiated or referred measure, or asset allocation and investment policy affecting the legacy fund. **If the advisory board determines the measure or policy will have a fiscal impact on the fund, the board shall request the state retirement and investment office to arrange for the preparation and submission of a fiscal impact statement to the advisory board before the measure or policy is acted upon.** The fiscal impact statement must be prepared by an independent consultant paid by the state retirement and investment office. The fiscal impact statement must include the estimated fiscal impact of the measure or policy for the next biennium and for the next ten biennia. The Senate is

Status: Failed 1/22/21; 24-67

HB 1275 Legacy Earnings & Transfers Reps. Boschee, P. Anderson, Buffalo, Dobervich, Ista, Mitskog
Senators Heckaman, Hogan, Mathern, Oban

https://www.legis.nd.gov/assembly/67-2021/documents/21-0668-02000.pdf

HB 1275 is similar to HB 1037 and gives the SIB authority over the investment of a new "Legacy Earnings Fund" and a new "Human Services and Public Health Stabilization Fund", but also provides a distribution waterfall for the continuing appropriation of funds from the Legacy Earnings Fund including the "Arts and Culture Endowment Fund" and "Human Services and Public Health Stabilization Fund" among others.

HB1275 states the amount available for appropriation out of this new fund as seven percent (7%) of the five-year average value of legacy fund assets as determined by SIB (versus 6% for HB 1037). Any amounts in the new legacy earnings fund in excess of this 7% amount are to be retained in the fund as a reserve balance for future use only if the amounts transferred from the legacy fund are insufficient to cover the calculated 7% of average value amount. Beginning with the 2023-25 biennium, the legislature will be able to appropriate out of the new legacy earnings fund an amount equal to the six percent amount calculated above or the balance of the fund, whichever is less. **For the 2021-23 biennium and going forward, Section 7 of the bill will require all of the constitutionally mandated legacy fund earning which are transferred to the general fund to be immediately transferred to the new legacy earnings fund. All interest and earnings derived from this fund will be kept in this fund. Therefore, for the 2021-23 biennium, there will be a reduction in available general fund revenues in an amount equal to the legacy fund earnings in the biennium. RIO will also note the Legacy Earnings Fund could be reported as a sub-account within the Legacy Fund, if desired, to reduce administrative costs.**

Status: Failed House 14-76 on 2/24/21

HB 1342 PERS Retirement Rep. Lefor, Dockter, Nathe, O'Brien
Sen. Anderson, Dever, Wardner

https://www.legis.nd.gov/assembly/67-2021/documents/21-0202-05000.pdf

A BILL for an Act to amend and reenact subsection 1 of section 54-52-02.9, subsection 2 of section 54-52-05, subsection 1 of section 54-52-06, subsection 6 of section 54-52.6-02, subsection 1 of section 54-52.6-09, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans; to provide an appropriation; and to provide a statement of legislative intent.

Status: Failed House 37-57 on 2/23/21

HB 1446 SIB/Legacy Fund Rep. Magrum, Ertelt, Kading, B. Koppelman, Simons, Toman Sen. Clemens, Heitkamp.

https://www.legis.nd.gov/assembly/67-2021/documents/21-0069-04000.pdf

A BILL for an Act to create and enact a **new section to chapter 21-10 and a new section to chapter 57-02 of the North Dakota Century Code, relating to the transfer of legacy fund earnings to a property tax relief fund and a property tax credit for property used as a primary residence**; to provide a continuing appropriation; to provide for a transfer; to provide an exemption; to provide an effective date; and to declare an emergency.
Status: Failed House 24-69 on 2/16

SB 2040 PERS Retirement Senate Appropriation Comm Senators Mathern, Heckaman, Oban Representatives Boschee, Dobervich, Mitskog

https://www.legis.nd.gov/assembly/67-2021/documents/21-0421-02000.pdf

Relating to bonded debt repayments; to amend and reenact sections 6-09.4-06, 6-09.4-10, and 15.1-36-08 of the North Dakota Century Code, relating to borrowing and lending authority of the public finance authority, reserve funds associated with bonds, and the school construction assistance revolving loan fund; to provide an appropriation; and to provide a bond issue limit.
Status: Senate Appropriations Do Not Pass 12-2-0 on 2/17; Senate Failed 7-40 on 2/18

SB 2042 PERS Retirement Gov. & Veterans' Affairs Committee

https://www.legis.nd.gov/assembly/67-2021/documents/21-0089-01000.pdf

A BILL for an Act to amend and reenact subsection 1 of section 54-52-02.9, subsection 1 of section 54-52-06, subsection 6 of section 54-52.6-02, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans; and to provide a penalty.
Status: Senate GVA Do Not Pass 7-0-0 on 2/18; Senate Failed 1-46 on 2/19

https://www.legis.nd.gov/assembly/67-2021/documents/21-0094-01000.pdf

A BILL for an Act to create and enact a new section to chapter 54-52.2 of the North Dakota Century Code, relating to payment of administrative expenses for the public employees retirement system deferred compensation plan; and to provide a continuing appropriation.
Status: Passed Senate 46-1 on 1/18; Failed to Pass House 7-87 on 3/29/21.

SB 2069 Applications for Public Employment Gov. & Veteran's Affairs Committee

https://www.legis.nd.gov/assembly/67-2021/documents/21-8037-02000.pdf

SB 2069 expands the confidentiality of applications for public employment to include finalists.
Status: Senate Passed as amended 40-7 on 1/26; Failed House 3/17/21 1-92

SB 2320 Legacy Fund Sen. Klein, Wardner, Rep. Kempenich, Kreidt, Pollert

https://www.legis.nd.gov/assembly/67-2021/documents/21-1004-01000.pdf

A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota Century Code, relating to fiscal impact statements for a measure or policy affecting the legacy fund.
Status: Failed 2/5/21; 0-45

TFFR Ends
Annual Review
Year Ended June 30, 2020

The information provided below indicates that the TFFR ends policies formally adopted by the TFFR Board and accepted by the SIB are being implemented.

Ends Policy: **Membership Data and Contributions**

Ends: Ensure the security and accuracy of the members' permanent records and the collection of member and employer contributions from every governmental body employing a TFFR member.

- **Member and Employer Information**

  The CPAS pension administration software and FileNet document management software has been used for 15 years. The CPAS pension administration software version we are using is client server based and is reaching the end of its life cycle. We received legislative approval in 2019 to replace or upgrade the TFFR pension software with a secure web based application to improve efficiencies and functionality. We have completed Phase 1 out of 3 and are currently on phase 2. TFFR Member and Employer Online Services are secure applications allowing TFFR members to view their personal pension account information and provide employers the ability to electronically report monthly payroll to TFFR. Security of TFFR data is a high priority and staff annually completes cyber security training. In FY20, we further expanded our FileNet workflow system used to manage Retirement Services paperless account processing functions.

- **Collections and Payments**

  Collected member and employer contributions totaling $178.8 million from 213 employers and $2.2 million from members for the purchase of service credit.

  Paid out $224.4 million in pension benefits and $6.5 million in refunds and rollovers totaling $230.9 million for the year.

  About 85% of employers electronically report contributions to TFFR. This comprises over 98% of the active membership.

  As of June 30, 2020, 180 employers are reporting using TFFR Employer Online Services.

  Assessed 5 reporting penalties and did not withhold foundation payments from any school districts. TFFR waived 0 of the 5 penalties. Employer reporting penalties include late reporting of contributions and failure to provide documentation in a timely manner (e.g. new member forms, return to teach forms, employer compliance audit documentation.) Due to the COVID-19 pandemic, TFFR waived the late reporting penalties from late March 2020 through June 2020.

  13 employers modified employer payment plan model election.

- **Employer Summary Report and Member Statements**

  Mailed 8,932 annual statements to retired members in December 2019
  Mailed FY2020 Employer Summary Report to each employer in August 2020
  Prepared 14,083 Annual Statements for non-retiree's online accounts in September 2020
  Mailed 14,216 Annual Statement Notices (trifold) to non-retirees in September 2020

- **Employer Outreach Programs & Communications**

  Met with school board members, business managers, and software vendors at the 2019 School Board and School Business Manager Association Annual Conference.

  Completed one new business manager workshop attended by Westhope, Oakes, and Dickinson in October 2019. The Spring Business Manager Workshops were cancelled due to the COVID-19 pandemic.

  GASB 68 2019 data updated and added to website.

  Briefly employer newsletter (4 publications sent electronically)

Ends Policy: **Member Services**

Ends: Provide direct services and public information to members of TFFR.

- **Outreach Program Statistics**

  651 attended outreach programs (plus convention participants)
  Retirement Services staff traveled 3,298 miles

- **Retirement Education Workshops**

  104 attended
  2 locations – Bismarck and Grand Forks

  Retirement Education Workshops are generally held at two sites each year in July and rotate between Bismarck, Minot, Fargo, and Grand Forks. Additional workshops will be added if requested by an employer and minimum attendance can be met.

- **Retirement 101 Workshops**

  33 attended
  1 location - Washburn

  Additional workshops will be added if requested by an employer and minimum attendance can be met.

- **Group Counseling Sessions**

  186 attended
  6 locations – Minot, Grand Forks, Devils Lake, Fargo, Dickinson, and Williston

- **Local Office Counseling –** 204 members

- **Group Presentations**

  125 attended

  NDRTA Convention
  NDSBA
  ND United Staff Education

- **Conferences and Conventions**

  ND Career and Technical Education Convention – Bismarck
  ND Retired Teachers Convention – Jamestown
  DPI Educators Conference - Bismarck
  ND School Board Convention – Bismarck
  NDCEL Annual Conference – Bismarck
  CREA Winter Conference - Minot
  Mandan In-Service

- **Member Communications**

  Report Card non-retired newsletter (2 publications)
  Retirement Today retiree newsletter (2 publications)
  Updated retirement forms
  Updated TFFR Fast Facts handout
  Marketed Member Online with email blasts
  Created COVID-19 FAQ document for the website

- **NDRIO Website**

  NDRIO web site was visited by 24,889 users a total of 50,228 times. The average length of each visit was just over 3 minutes. The webcasts in the training library were viewed 109 times in FY20. A few outdated webcasts were removed from the website in December 2019.

  NDRIO went live with the new website in August 2020!!

- **TFFR Member Online**

  As of June 30, 2020, 5,082 members have signed up for TFFR Member Online Services.

Ends Policy: **Account Claims**

Ends: Ensure the payment of benefit claims to members of TFFR.

- **Annuity Payments**

  Distributed $224.4 million in pension benefits to 8,863 retired members and beneficiaries. Of the total, only 2 payments are still mailed by check and the remainder deposited via electronic funds transfer.

- **Monthly Payroll Deductions** (July 1, 2020 payroll – total 8,986)

Federal tax withholding	6,823	76%
ND state tax withholding	5,608	62%
PERS health insurance	605	7%
PERS dental insurance	385	4%
PERS vision insurance	201	2%
PERS life insurance	21	<1%

- **Refunds, Rollovers & Transfers**

  Distributed refund and rollover payments of $6.5 million to 278 participants during the fiscal year. Approximately 42% of the refunding members rolled over their refund payment to an IRA or another eligible plan.

- **Processed Claims for Benefits**

Refunds	160
Rollovers	118
Retirements	282
Disabilities	3
Survivor annuitants	6
Continuing annuitants	64

- **Member Account Activity**

New members	817
Deaths	247
Pop ups	67
Purchase requests	175
Retiree Payroll Notices	8,282

Ends Policy: **Trust Fund Evaluation/Monitoring**

Ends: Ensure actuarial consulting and accounting services are provided to the retirement program. The TFFR Board of Trustees will select the independent actuary for consulting and actuarial purposes and direct a contract to be executed by the Deputy Directory/Chief Retirement Officer.

- **Actuarial Services**

  The annual actuarial valuation for July 1, 2020, was presented to the TFFR Board by Segal on November 19, 2020.

- **External Audit**

  An unqualified opinion was issued by independent auditors, Clifton Larson Allen, LLP, regarding RIO's financial statements for the year ending June 30, 2020. Clifton Larson Allen, LLP presented the report to the SIB Audit Committee on November 18, 2020.

- **Internal Audit**

  The annual audit activities report was presented to the TFFR Board on September 24 2020. The report included information about TFFR benefit payments of death claims, long-outstanding checks, and long-term annuitants.

- **Other**

  Received Certificate of Achievement in Financial Reporting from GFOA for June 30, 2019, Annual Financial Report.

  Received 2020 recognition award for pension plan administration from the Public Pension Coordinating Council.

TFFR Retirement Statistics

>Participation in Outreach Programs

>Service Purchase Statistics

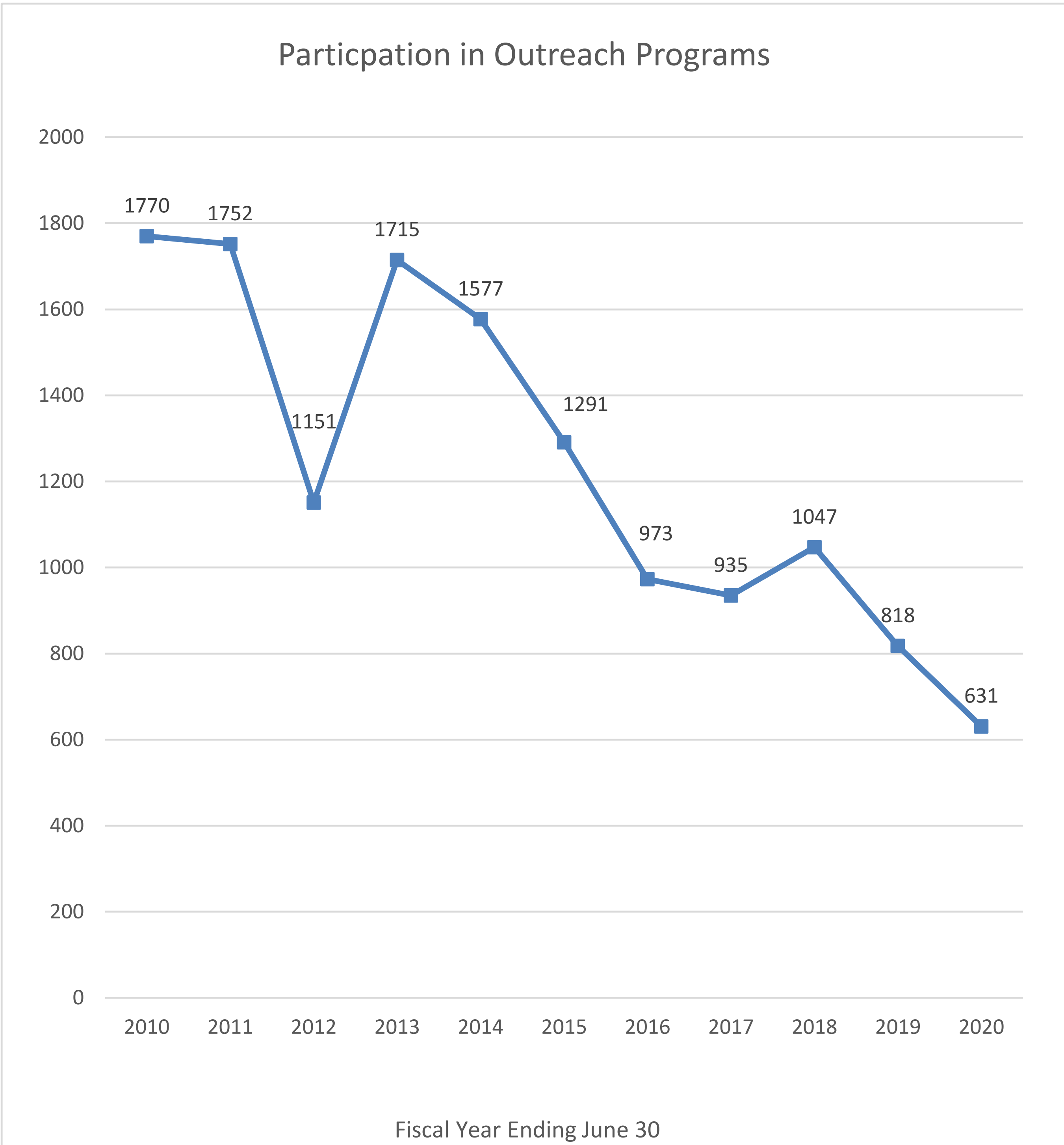
>Active Membership Tier Statistics

>Service Retiree History & Option Usage

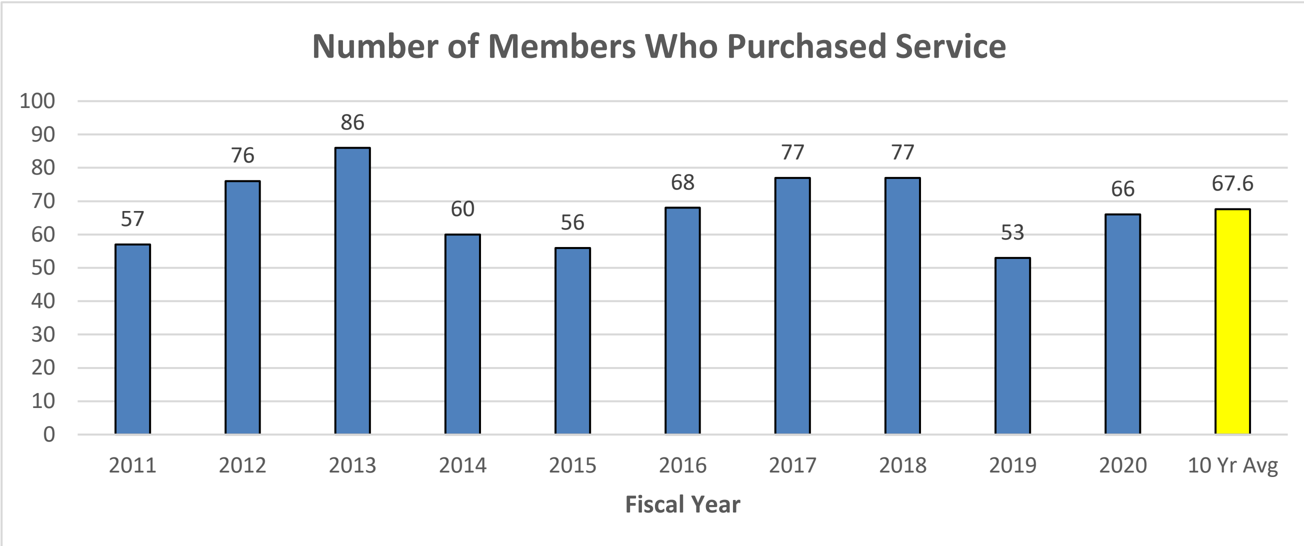
>Retiree Statistics

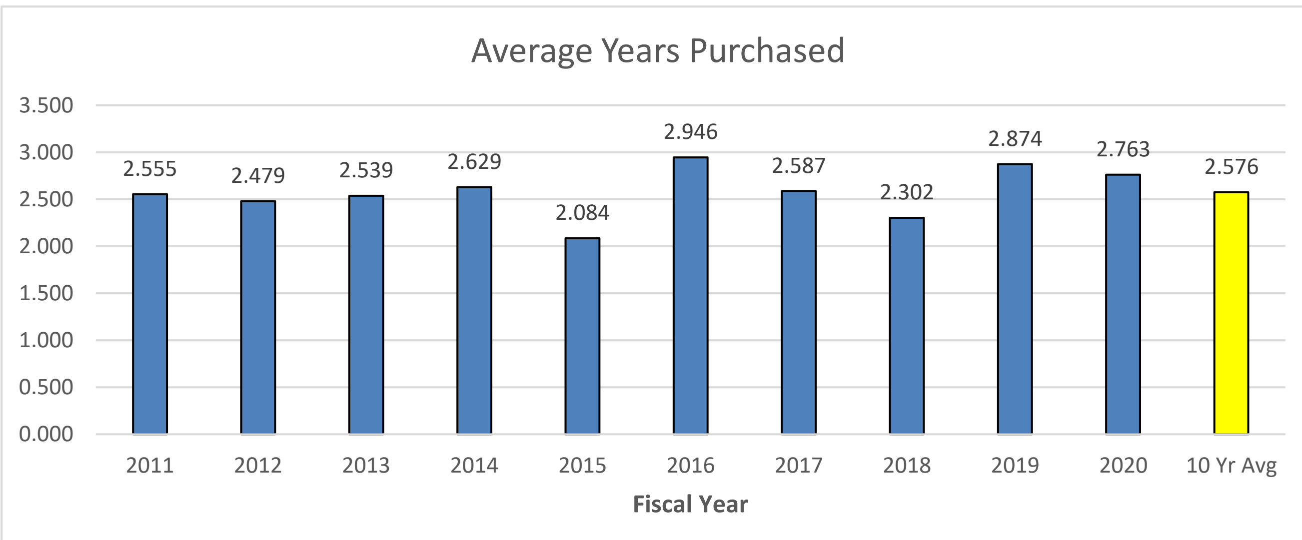
>Disability Retirements

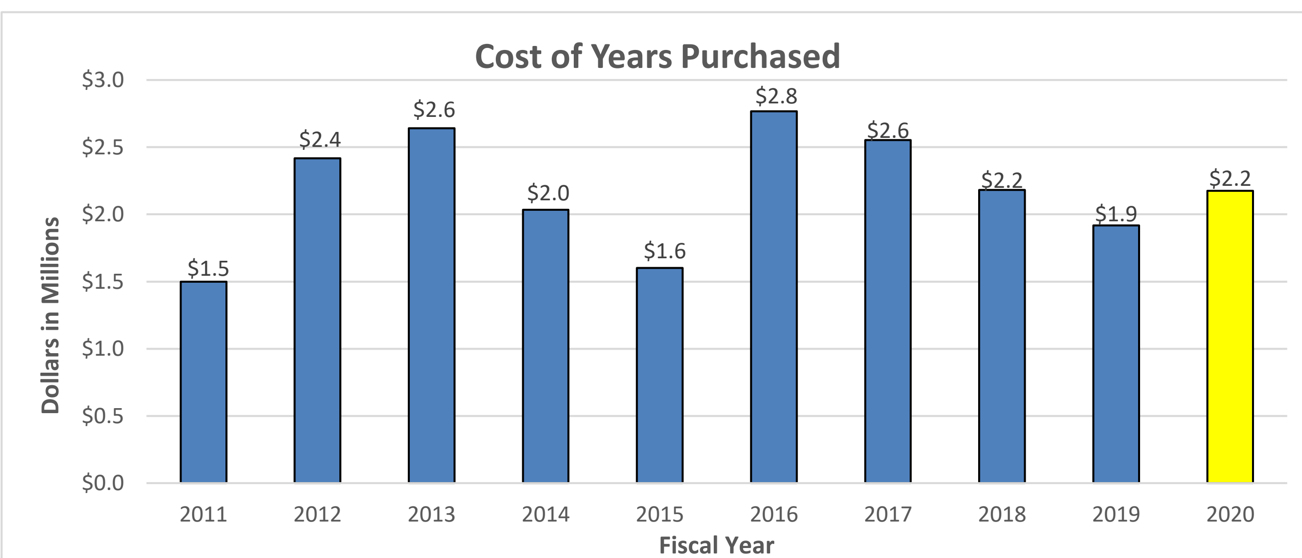
>Employer History & Current Employer Payment Model Statistics

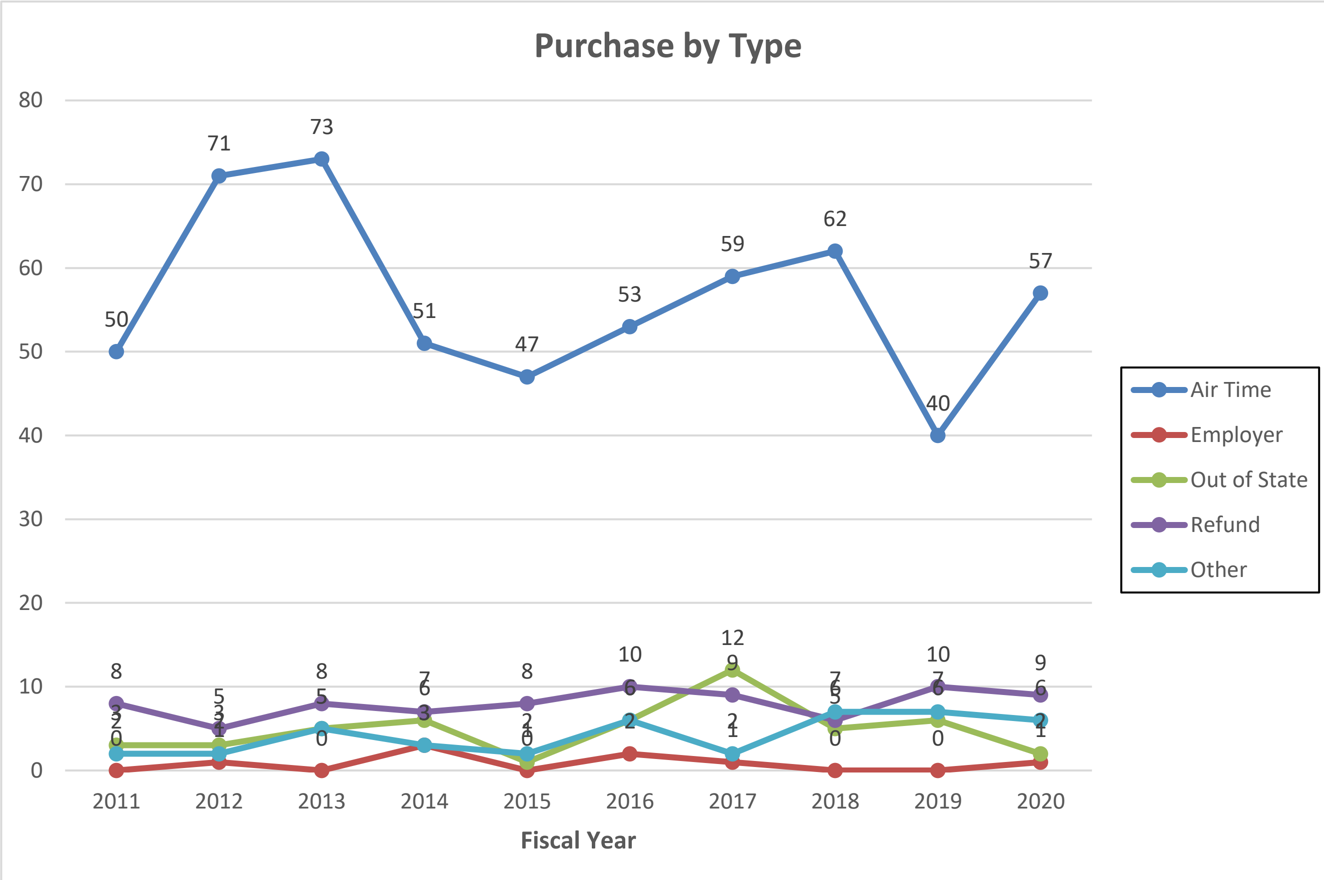

Particpation in Outreach Programs
2000
1800
1600
1400
1200
1000
800
600
400
200
0
1770
1752
1151
1715
1577
1291
973
935
1047
818
631
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Fiscal Year Ending June 30

Service Purchase Statistics 2020

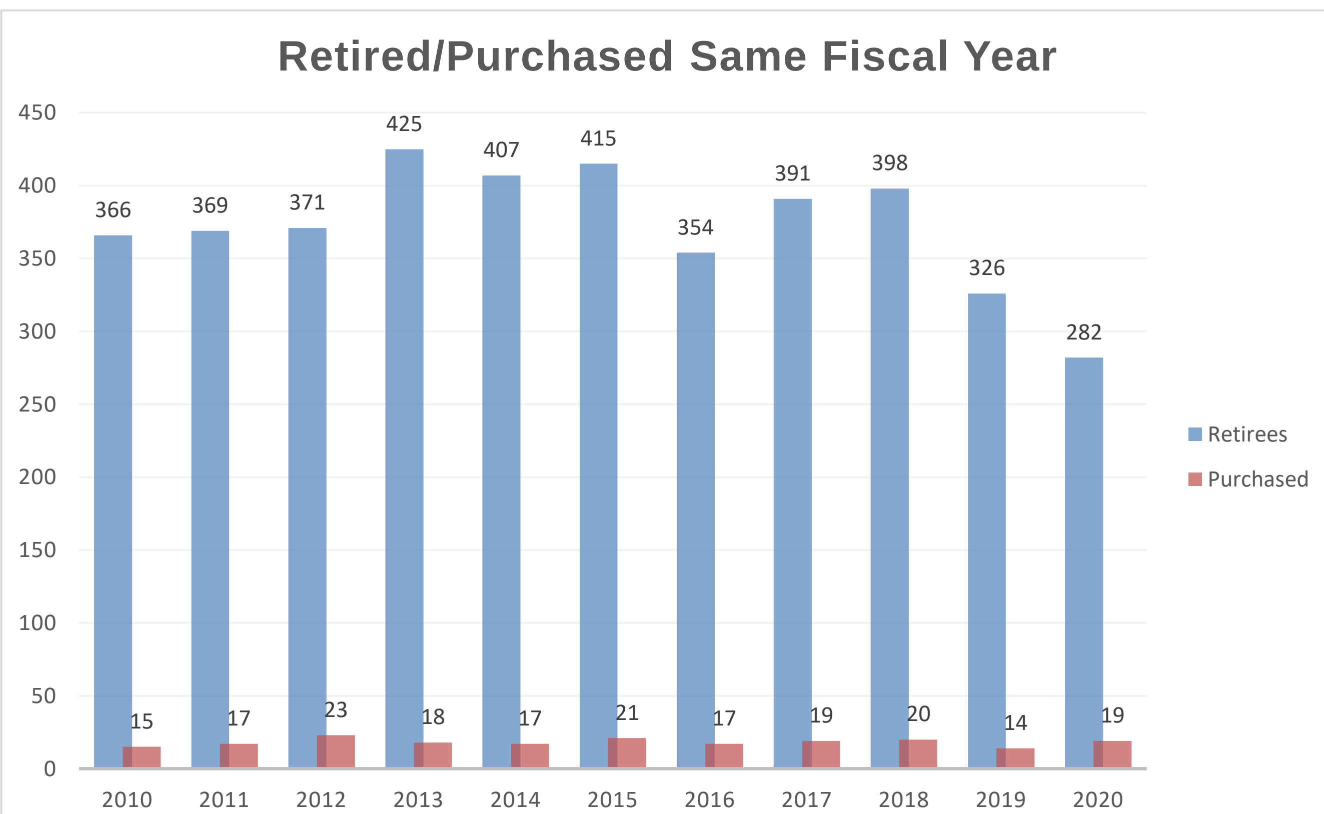




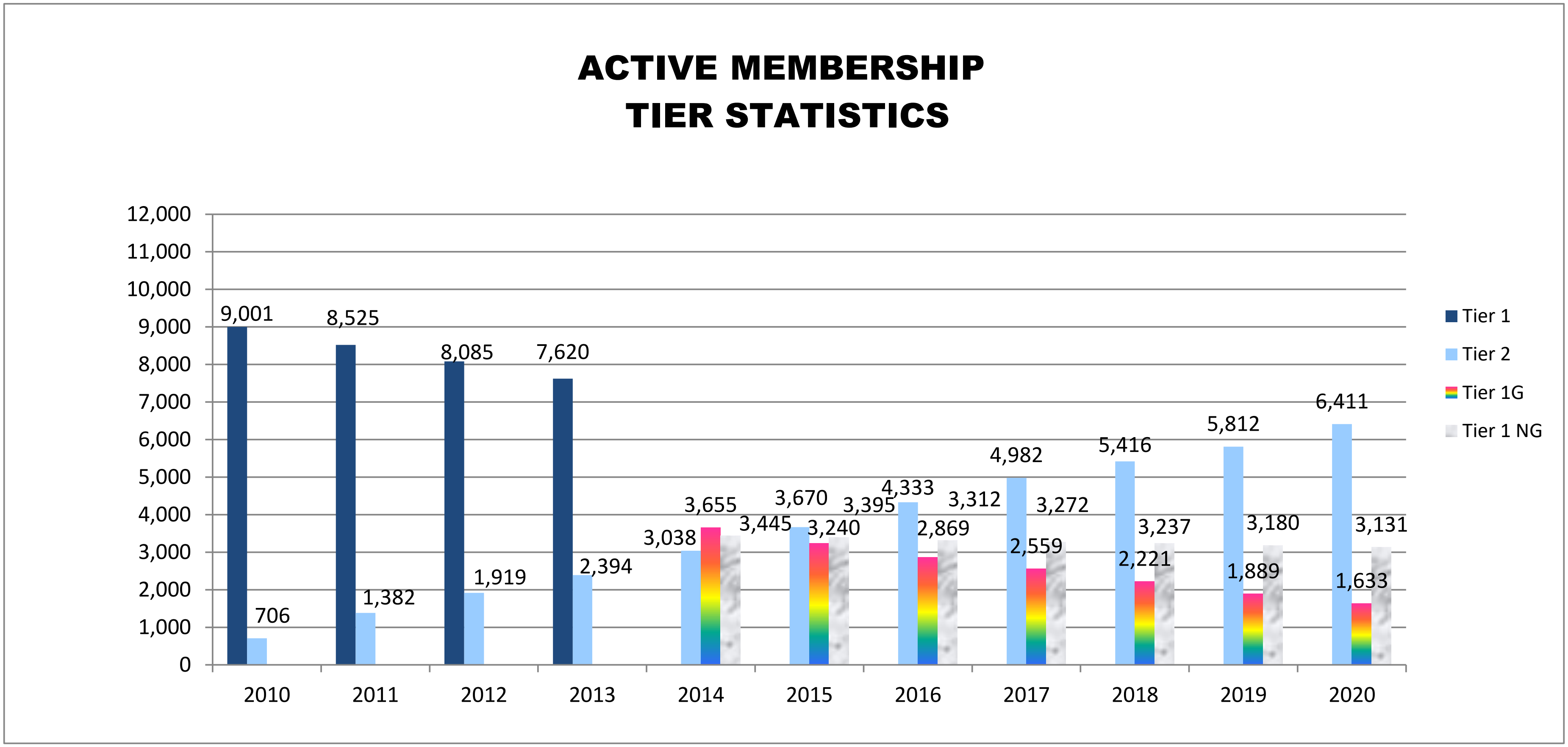




Purchase by Type
Fiscal Year
Air Time
Employer
Out of State
Refund
Other



Retired/Purchased Same Fiscal Year
Retirees
Purchased


ACTIVE MEMBERSHIP
TIER STATISTICS
12,000
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
9,001
706
8,525
1,382
8,085
1,919
7,620
2,394
3,038
3,655
3,445
3,670
3,240
3,395
4,333
2,869
3,312
4,982
2,559
3,272
5,416
2,221
3,237
5,812
1,889
3,180
6,411
1,633
3,131
2010
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2020
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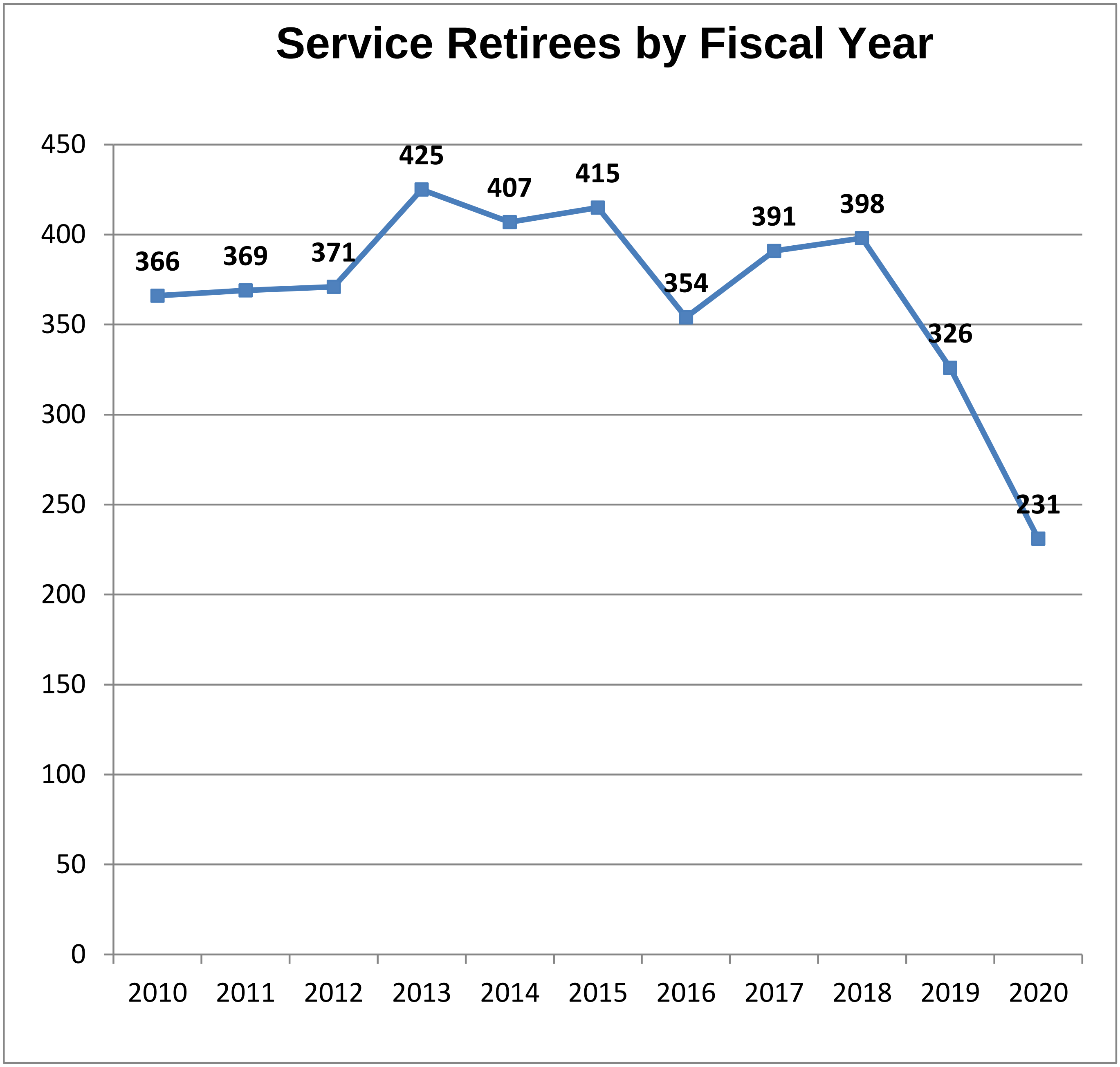
Tier 2
Tier 1G
Tier 1 NG

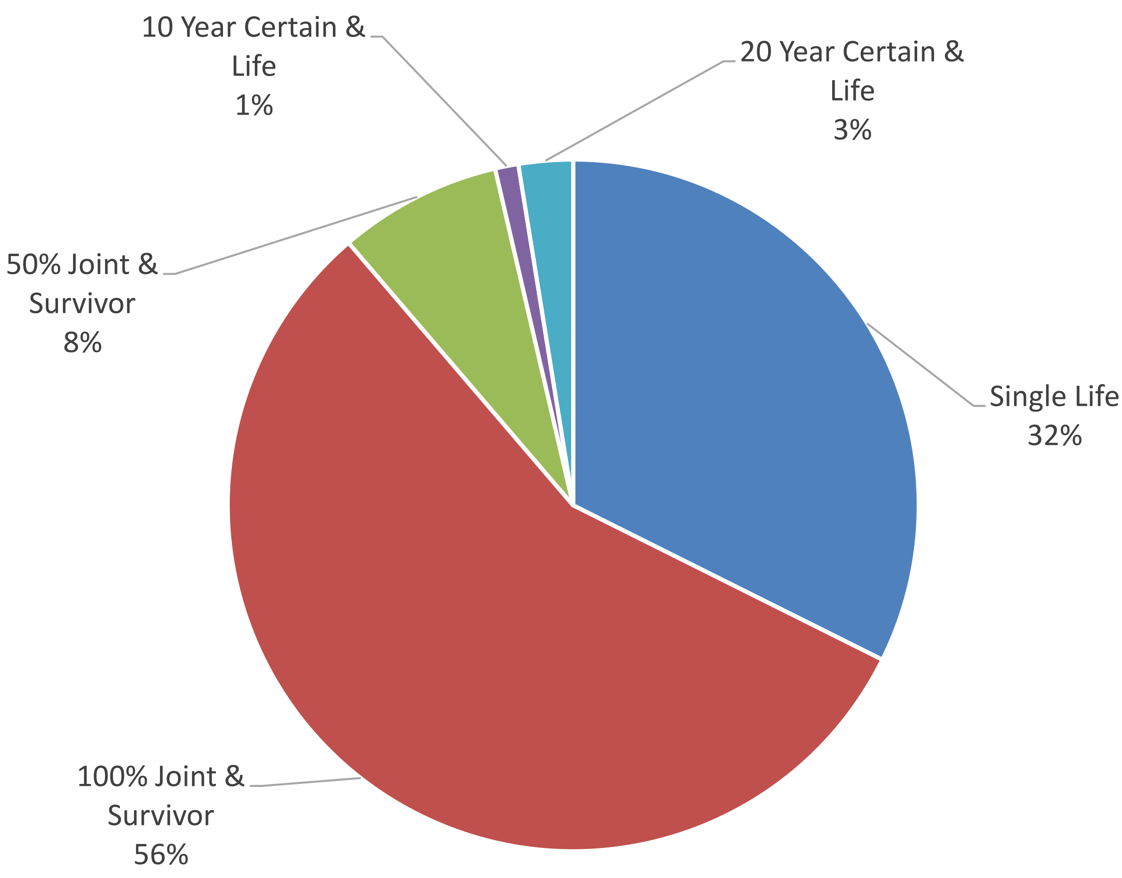


Service Retirees by Fiscal Year
450
400
350
300
250
200
150
100
50
0
366
369
371
425
407
415
354
391
398
326
231
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020

Service Retirement Options

2019-20

Retirement Option	Number
Single Life	92
100% Joint & Survivor	159
50% Joint & Survivor	21
10 Year Certain & Life	3
20 Year Certain & Life	7
Total	**282**



Note: Of total, 3 members (1%) selected level income option.

Of total, 9 members (3%) selected partial lump sum option.

TFFR Retiree Statistics

Data Selection

- 9,036 retired members and beneficiaries as of July 2020 on data from the valuation file
- Selected various categories of retiree data and grouped data 3 ways

TFFR Retiree
Statistics by Fiscal Year

Fiscal Year of Retirement Ending June 30	Avg Monthly Pension	Avg Annual Salary	Avg Service Credit	Avg Retirement Age of Member	Avg Current Age of Recipient	Number of Retirees
pre-1979	$ 494	$ 7,743	25.7	59.4	87.3	53
1980	$ 610	$ 13,539	28.9	60.0	92.9	9
1981	$ 477	$ 12,247	22.6	57.4	95.8	9
1982	$ 709	$ 20,970	27.3	61.7	92.4	12
1983	$ 423	$ 10,666	22.0	58.0	90.3	6
1984	$ 778	$ 20,008	28.9	61.7	94.5	30
1985	$ 879	$ 23,820	30.6	59.9	89.7	14
1986	$ 931	$ 23,771	30.9	60.9	93.4	44
1987	$ 915	$ 24,595	28.0	59.6	90.4	11
1988	$ 992	$ 25,744	28.4	60.1	90.4	67
1989	$ 975	$ 28,188	27.8	59.2	89.3	20
1990	$ 1,096	$ 27,312	30.0	58.9	87.9	151
1991	$ 1,012	$ 28,400	26.2	59.5	87.4	70
1992	$ 1,198	$ 31,157	30.1	58.7	85.6	134
1993	$ 1,122	$ 33,789	26.2	57.7	83.0	55
1994	$ 1,286	$ 32,299	28.4	59.2	85.4	209
1995	$ 1,248	$ 32,753	27.8	58.6	82.6	162
1996	$ 1,285	$ 33,449	27.9	58.4	82.1	141
1997	$ 833	$ 27,436	20.1	57.9	81.1	70
1998	$ 1,503	$ 34,537	29.0	58.9	81.0	304
1999	$ 1,116	$ 33,476	21.3	58.5	79.4	87
2000	$ 1,700	$ 38,037	29.3	58.6	78.9	374
2001	$ 1,408	$ 38,399	23.4	57.2	76.3	78
2002	$ 1,755	$ 39,428	28.5	58.2	76.5	467
2003	$ 1,732	$ 40,552	27.2	58.1	75.2	270
2004	$ 1,779	$ 41,621	27.3	58.2	74.0	339
2005	$ 1,921	$ 43,245	27.7	58.4	73.6	340
2006	$ 1,933	$ 44,682	27.4	58.9	72.5	357
2007	$ 2,106	$ 48,083	27.9	58.6	71.8	337
2008	$ 1,991	$ 46,218	26.4	59.3	71.5	354
2009	$ 2,130	$ 49,436	27.1	59.2	70.3	334
2010	$ 2,147	$ 50,026	26.2	60.5	70.7	329
2011	$ 2,176	$ 50,998	25.9	60.4	69.2	394
2012	$ 2,327	$ 53,817	26.6	60.7	68.8	363
2013	$ 2,628	$ 58,218	27.8	60.5	67.8	452
2014	$ 2,635	$ 59,083	27.7	61.2	67.5	415
2015	$ 2,569	$ 58,153	26.9	61.0	66.3	388
2016	$ 2,837	$ 63,955	26.7	61.5	65.4	405
2017	$ 2,867	$ 64,142	26.8	61.9	64.8	376
2018	$ 2,936	$ 66,519	26.1	61.6	63.6	397
2019	$ 3,117	$ 73,032	25.6	61.6	62.6	353
2020	$ 3,328	$ 72,551	28.0	61.0	61.2	237
2021	$ 5,236	$ 111,862	30.4	59.6	59.6	19
All FY	**$ 2,115**	**$ 48,809**	**27.2**	**59.8**	**72.5**	**9,036**

TFFR Retiree
Statistics by Formula

Fiscal Year of Retirement Ending June 30	Fiscal Year of Retirement Ending June 30	Avg Monthly Pension	Avg Annual Salary	Avg Service Credit	Avg Retirement Age of Member	Avg Current Age of Recipient	Number of Retirees
pre-1979	Old formulas	$ 494	$ 7,743	25.7	59.4	87.3	53
1.00%	1979-1983 or 1.00%	$ 578	$ 15,214	25.6	59.6	93.0	36
1.05%	1983-1985 or 1.05%	$ 810	$ 21,221	29.5	61.1	93.0	44
1.15%	1985-1987 or 1.15%	$ 928	$ 23,936	30.3	60.6	92.8	55
1.22%	1987-1989 or 1.22%	$ 988	$ 26,306	28.2	59.9	90.2	87
1.275%	1989-1991 or 1.275%	$ 1,070	$ 27,657	28.8	59.1	87.7	221
1.39%	1991-1993 or 1.39%	$ 1,176	$ 31,923	29.0	58.5	84.8	189
1.55%	1993-1997 or 1.55%	$ 1,221	$ 32,119	27.1	58.7	83.3	582
1.75%	1997-1999 or 1.75%	$ 1,417	$ 34,301	27.3	58.8	80.7	391
1.88%	1999-2001 or 1.88%	$ 1,650	$ 38,099	28.2	58.4	78.5	452
2.00%	2001-present or 2.00%	$ 2,371	$ 54,014	27.1	60.1	69.1	6,926
All Formulas	**All Formulas**	**$ 2,115**	**$ 48,809**	**27.2**	**59.8**	**72.5**	**9,036**

TFFR Retiree Statistics
By Retirement Type

Type	Avg Monthly Pension	Avg Annual Salary	Avg Service Credit	Avg Retirement Age of Member	Avg Current Age of Recipient	Number of Retirees
Death	$ 1,328	$ 38,766	27.0	58.7	75.0	787
Disability	$ 1,267	$ 40,254	15.3	50.4	64.9	127
Early	$ 738	$ 36,582	14.6	60.4	73.9	985
Normal	$ 2,414	$ 51,771	29.3	60.0	72.1	7,107
QDRO	$ 680	$ 48,823	10.1	58.4	68.7	30
All Types	**$ 2,115**	**$ 48,809**	**27.2**	**59.8**	**72.5**	**9,036**

Disability Summary -- 2001 - 2020

- Total disabilities approved since 2001 - 2020 — 128
  - Of 128, number of physical disabilities: 111
  - Of 128, number of emotional disabilities: 17

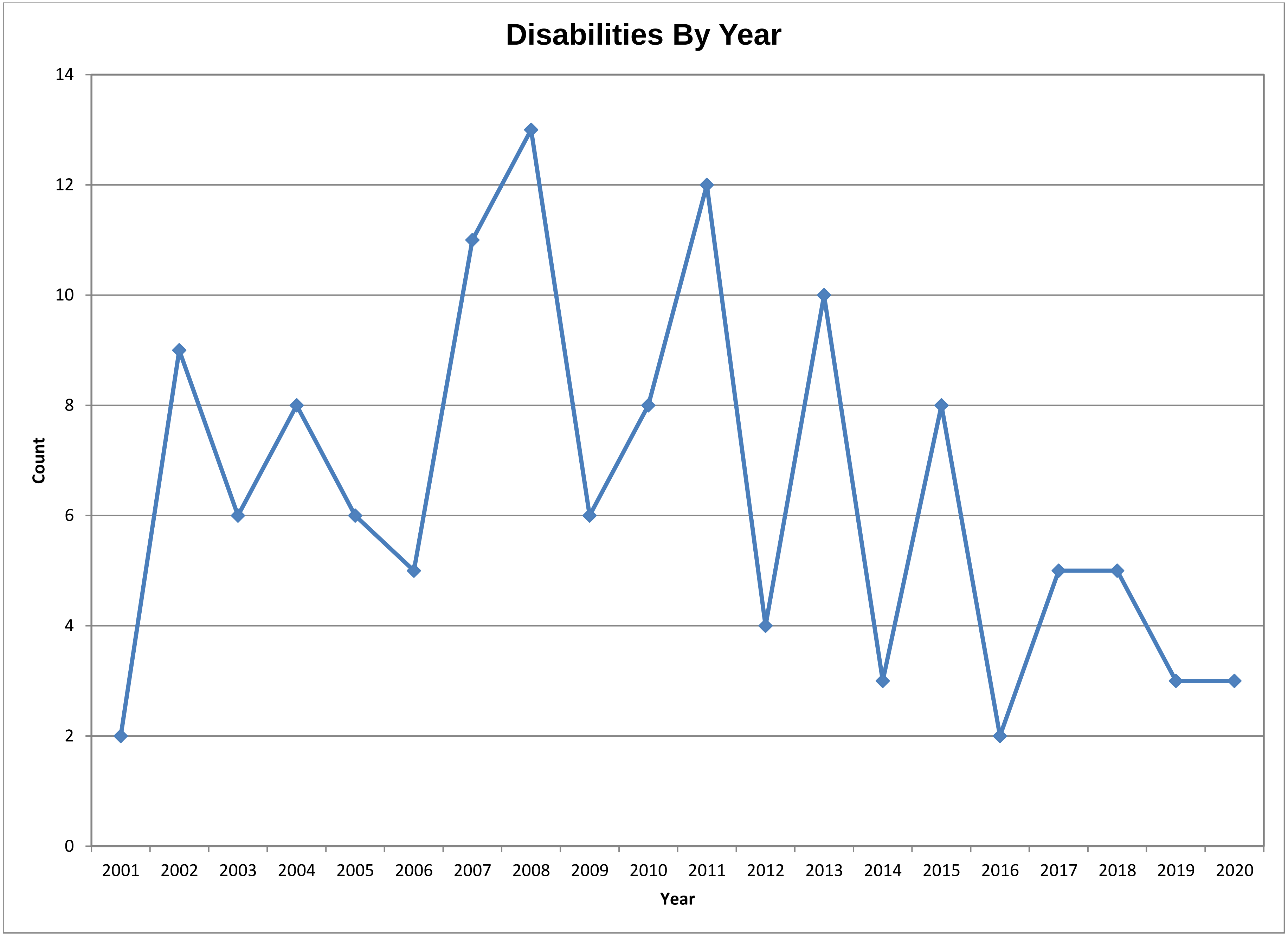
- Average number of disabilities approved per year: 6

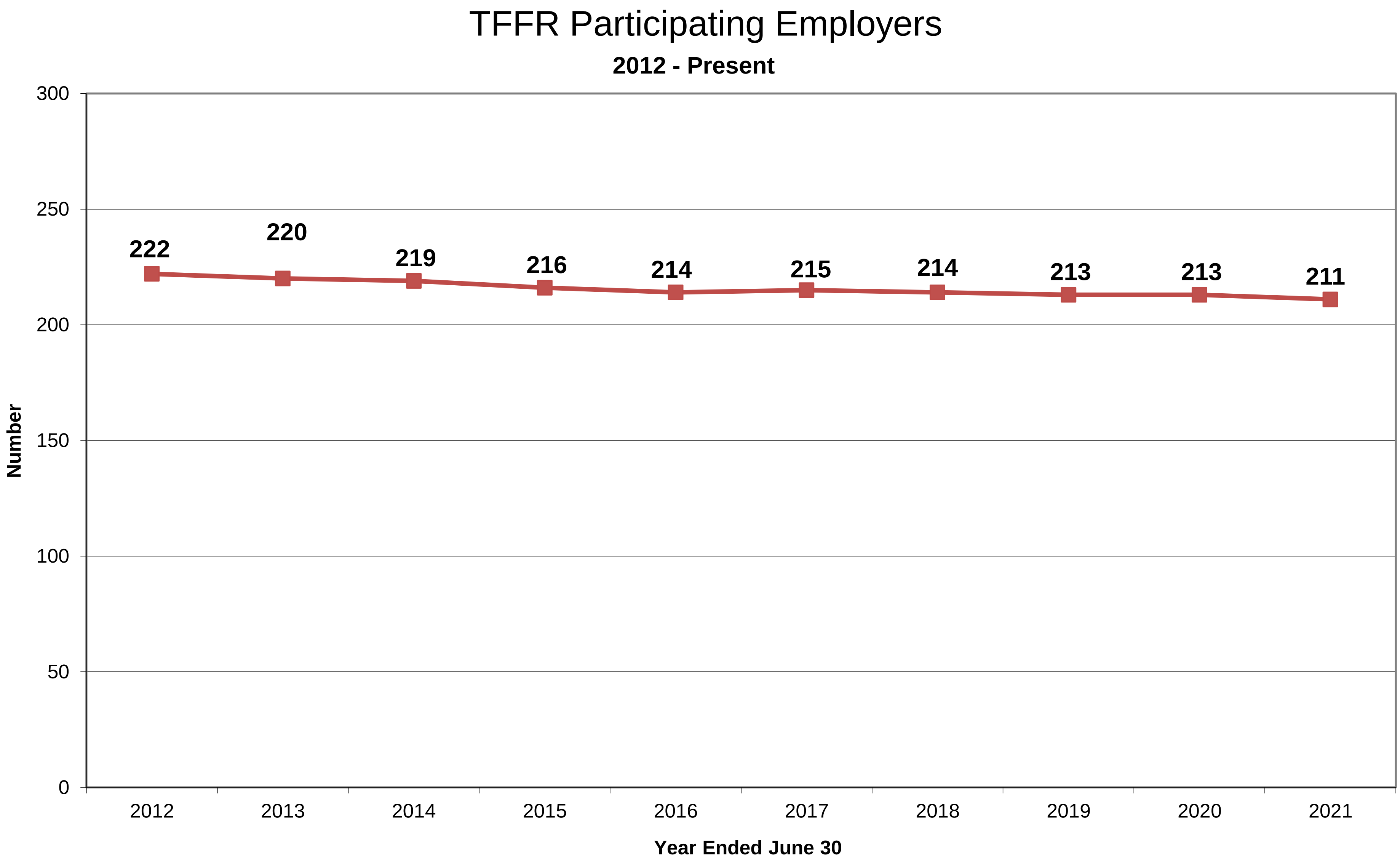
- Of 128, number that are living and drawing benefits: 90
  - Of 128, number that are living and returned to work: 3
  - Of 128, number that are deceased: 35

- Of 128, option selected was:
  - Count of Single Life: 81
  - Count of 100% Joint & Survivor: 33
  - Count of 50% Joint & Survivor: 10
  - Count of 5 Year Certain & Life: 0
  - Count of 10 Year Certain & Life: 1
  - Count of 20 Year Certain & Life: 3

- Of 90 living and drawing benefits:
  - Average service credit in years: 15.3
  - Average age in years: 63
  - Average monthly benefit: $1,440
  - Average years benefit was received: 10.7
  - Number of physical disabilities: 75
  - Number of emotional disabilities: 15

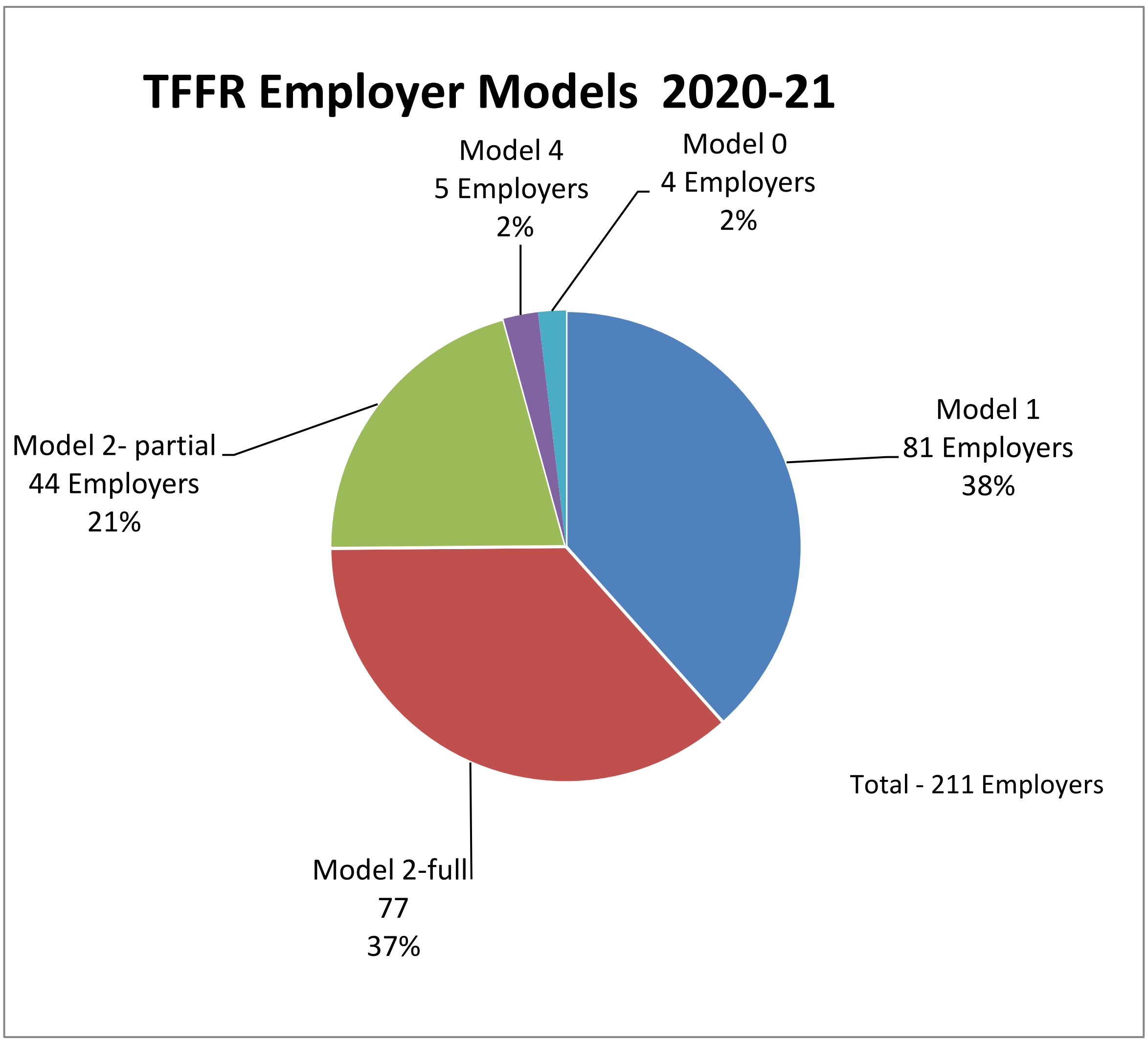
- Of 3 living and returned to work:
  - Average service credit in years: 4.9
  - Average age in years: 61
  - Average monthly benefit: $888
  - Average years benefit was received: 5.4
  - Number of physical disabilities: 2
  - Number of emotional disabilities: 1


Disabilities By Year
Count
Year
0
2
4
6
8
10
12
14
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020


TFFR Participating Employers
2012 - Present
Number
300
250
200
150
100
50
0
222
220
219
216
214
215
214
213
213
211
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Year Ended June 30

Model Usage 2020-21

	Employers	
Model 1	81	38%
Model 2-full	77	37%
Model 2-partial	44	21%
Model 4	5	2%
Model 0	4	2%
Total	211	100%



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MEMORANDUM

TO:	**TFFR Board**
FROM:	**Jan Murtha, Deputy Executive Director – Chief Retirement Officer**
DATE:	**April 14, 2021**
RE:	**PAS Project Update**

The following summarizes the efforts of RIO agency staff to complete Phase 1 and initiate Phase 2 of the PAS project from March 2021 through the current date:

- All Phase 1 Deliverables have been accepted by Staff.

- RIO requested a PIO position as a budget amendment consistent with the recommendations from the PAS consultant to allocate more resources to strategic communication. This request was approved by the House Appropriations Government Operations subcommittee. Unfortunately, by a loss of one vote, the PIO position was removed from RIO's budget by the full House Appropriations Committee. The Senate declined to reinstate the PIO position for RIO as well. The Senate approved reinstatement of the PERS PIO position. Staff will continue to pursue ways to allocate additional resources to communication efforts and will continue to develop a business case for such a position for future legislative sessions.

- Staff is coordinating with the Dept. of Commerce to adjust our agency and program logos consistent with the recommendations from the PAS consultant. Once finalized, the logos will be presented to the Boards.

- The Cyber-Security and Business Model Assessments were presented to the TFFR Board at the March Board meeting. The interim and long term recommendations for these assessments were approved.

- Retirement Services staff continues to meet twice monthly to discuss operation items as well as conduct issue specific trainings to identify areas of improvement for both applicable processes and recommendations for changes to the law.

- NDIT, RIO staff, and Segal meet weekly to discuss PAS project status.

- A June TFFR Board retreat will be scheduled to discuss Fund Policy issues.

- Phase 2 of the PAS project (vendor RFP development) began in March, 2021. Over 30 meetings between staff, Segal, IT, and procurement have and will continue to occur through issuance of the vender RFP.

- The project management team set a tentative goal of June 2021 to issue the vender RFP.

BOARD INFORMATION ONLY. No board action requested.

North Dakota Retirement and Investment Office

Internal Audit

State Investment Board Self-Evaluation Executive Review Summary

March 26, 2021

Background

The State Investment Board (SIB) requested Internal Audit of the Retirement and Investment Office (RIO) to assist the SIB Executive Review Committee on developing and administering a Board Self-Evaluation Survey (Survey). Internal Audit worked with the Executive Review Committee in developing, administering, and reporting the self-evaluation results.

Scope

The Survey is comprised of twenty-nine questions and consists of five categories for both the self-assessment and board assessment portions. The five categories in each section included: board and staff roles, board and committee structure, board meetings, policy making and reviews, and financial management and investment practices. There were two open ended questions at the end that asked for any other input for the Survey and any recommendations for topics to be included in future evaluations. The Survey was administered through SurveyMonkey and results were reviewed by the Executive Review Committee. A four-point scale was used, with 4 – strongly agree, 3 – agree, 2 – disagree, and 1 – strongly disagree as the rating system. Eleven out of twelve board members participated in the Survey.

Results Summary

Generally, the self-assessment portion of the Survey had positive results and comments. In the self-assessment section, board members found their participation on the board to be stimulating and rewarding. The majority of board members strongly agreed they abide by the Board Code of Conduct and avoid conflicts of interest. Overwhelming, board members strongly agree they understand their legal duties and responsibilities of being a fiduciary. Areas of improvement also have been identified. Board members stated that with the challenges of this past year, communication is more challenging with remote meetings, resulting in less active participation in discussions. One board member suggests that in-person meetings should start as soon as it is a viable option. The Executive Summary for board meetings is appreciated as there is a lot of information to review; however, having materials sooner would give board members more time to prepare.

The board-assessment portion of the Survey also had positive results and comments. From a board level, board members felt that board meetings were a good use of time and well-ran. The majority agreed the Board stays informed of economic trends and conditions that can affect investment performance. Multiple comments that Callan and staff do a great job on the communication and giving updates. There were several areas identified for improvement. First, that attendance continues to be an area that needs improvement as this was the lowest score in the entire assessment. Secondly, despite high scores for understanding the Board's authority and what is delegated to staff, comments suggest otherwise. There were several comments that Board may overstep into staff roles. The last area of improvement was that standing and ad hoc committees could effectively communicate to the full board and timely.

In comparing the self-evaluation results over the years, trends have emerged:

1. Board attendance continues to have one of the lowest scores for multiple years.
2. An issue is understanding what authority has been retained by the Board and what has been delegated to staff.
3. That all Board members need to be vocal and make sure their voice is heard during meetings.

General overall comments were positive. The SIB operates effectively, and the staff does an outstanding job keeping Board members informed. There might be conflict, but common ground is found, and it does strengthen the board. One comment stated that the SIB has a clear and functional role; the members observe that with only occasional exceptions. We must continue to respect our roles as board members and avoid self-promoting activities.

Overall, the SIB Board Self-Evaluation was positive and continues to show areas the Board wishes to approve on.

2021 State Investment Board Self-Assessment

MARCH 26, 2021

North Dakota State Investment Board

Self-Assessment Results

Areas of Strength

- Participation positive and stimulating
- Understands Board Code of Conduct and conflicts of interest
- Executive summary beneficial

Areas of Improvement

- More interaction in board meetings
  - Virtual meetings are challenging
- Preparing for meeting can be challenging with volume of information

North Dakota State Investment Board

Board Assessment Results

Areas of Strength

- Meetings are well-run and good use of time
- Informed of economic trends and conditions
- Regularly reviews financial, investment, and portfolio

Areas of Improvement

- Meeting attendance
- All members should actively participate in discussions and hear all perspectives
- Understanding Board versus staff roles

North Dakota State Investment Board

General Comments

- SIB is effective and well informed
- Staff is very effective in communicating
- SIB is a strong Board with a commitment to governance and fiduciary duty
- Board members need to avoid self-promoting activities and respect the role as board members

North Dakota State Investment Board

Past 3-Years Trends

- Board attendance continues to have one of the lowest scores for multiple years
- An issue is understanding what authority has been retained by the Board and what has been delegated to staff
- That all Board members need to be vocal and make sure their voice is heard during meetings

North Dakota State Investment Board

North Dakota State Investment Board

QUESTIONS OR COMMENTS?

State Investment Board

2021 Board Self-Evaluation

Compilation of State Investment Board Self-Evaluation Results

GENERAL OVERVIEW
The Board Self-Evaluation consists of five categories, for both the self-assessment and board assessment portions. The five categories in each section which included: ☐ Board and Staff Roles ☐ Board and Committee Structure ☐ Board Meetings ☐ Policy Making and Reviews ☐ Financial Managment and Investment Practices *Any comments provided by respondents have been included as written in survey responses and have not been edited for spelling, grammar, etc.*

2021 State Investment Board Self-Evaluation
Self Assessment - Board and Staff Roles

1. I believe I have the skills and training necessary to fulfil my responsibilities as a SIB member.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	8	72.73%	**3.73**	**3.50**
3 - Agree	3	27.27%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

2. I understand the authority that has been retained by the SIB and what duties have been delegated to staff.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	9	90.00%	**3.90**	**3.83**
3 - Agree	1	10.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

3. I actively engage in Board meetings by contributing to the discussions in a meaningful way, listening to others (i.e., board members, staff, guests) and communicate my points concisely.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	4	40.00%	**3.40**	**3.42**
3 - Agree	6	60.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

4. I make an effort to be educated on the aspects of the investment program that I do not understand.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	4	36.36%	**3.36**	**3.58**
3 - Agree	7	63.64%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

2021 State Investment Board Self-Evaluation
Self Assessment - Board and Staff Roles

Comments for Self-Assessment - Board and Staff Meetings:

I have had ample educational opportunities to enable me to understand and participate in the duties of the board.

I think this past year has posed some unique challenges to the Board and staff. It is more challenging to communicate effectively utilizing remote meetings. While they provide a convenience to the Board I feel there has been some lost opportunities for communication and connection on significant issues. I would encourage the staff to begin utilizing in-person meetings as soon as it is a viable option.

2021 State Investment Board Self-Evaluation
Self Assessment - Board and Committee Structure

5. I understand board conduct, abide by it, and avoid conflicts of interest.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	9	90.00%	**3.90**	**3.83**
3 - Agree	1	10.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

6. I find my participation on the Board to be stimulating and rewarding.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	8	80.00%	**3.80**	**3.75**
3 - Agree	2	20.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

7. I am comfortable with the amount of time I devote as a Board member.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	5	50.00%	**3.50**	**3.33**
3 - Agree	5	50.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

8. If I am not able to attend the SIB meeting, I make appropriate notifications to staff and review the information presented at the meeting.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	7	63.64%	**3.64**	**3.67**
3 - Agree	4	36.36%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

2021 State Investment Board Self-Evaluation
Self Assessment - Board and Committee Structure

Comments for Self-Assessment - Board and Committee Structure:

I make every effort to be an informed participant. During this past year, I have not been as actively involved in the meetings, due to the necessity for virtual meetings.

I do believe it is important that the Board review regularly the code of conduct. I get concerned with the involvement of some of the Board members. There appears to be some Board members who are not as vocal and it is important that everyone feels as if they have a voice on the Board. This is not a reflection of the staff but more of the Board dynamics as certain Board members are more vocal than others.

2021 State Investment Board Self-Evaluation
Self-Assessment - Board Meeting

9. I am aware of an effective new member orientation program which outlined responsibilities and important organizational information.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	6	54.55%	**3.55**	**3.25**
3 - Agree	5	45.45%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

10. I am prepared for Board meetings, reading information in advance, so I can make informed decisions.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	7	63.64%	**3.64**	**3.50**
3 - Agree	4	36.36%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Self Assessment - Board Meeting:

I feel largely prepared for the board meetings, but I do not always read all the detail made available to us. I am very appreciative of the summary we are given with our materials, the the explanations by our ED and the RIO staff and consultants are excellent.

It is challenging to prepare for the Board meetings if material is not provided several days in advance.

2021 State Investment Board Self-Evaluation
Self-Assessment - Policy Making and Reviews

11. I fully understand the policies of the SIB.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	6	54.55%	**3.55**	**3.42**
3 - Agree	5	45.45%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

12. I review board policies as necessary to fulfill my role as a board member.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	6	54.55%	**3.55**	**3.50**
3 - Agree	5	45.45%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Self Assessment - Policy Making and Reviews:

2021 State Investment Board Self-Evaluation
Self-Assessment - Financial Management and Investment Practices

13. I understand the legal duties and responsibilities required of me as a fiduciary.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	10	90.91%	**3.91**	**3.83**
3 - Agree	1	9.09%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

14. I sufficiently understand all financial reports and seek clarification when necessary.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	7	63.64%	**3.64**	**3.58**
3 - Agree	4	36.36%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

15. I am familiar with the annual report by the independent auditors and understand any findings or recommendations.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	10	90.91%	**3.91**	**3.67**
3 - Agree	1	9.09%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Self Assessment - Financial Management and Investment Practices:

Dave and staff do an excellent job of staying on top of the money managers and securing assistance from Callan and other.

Again, I feel that the information is concise and understandable. I have learned a great deal about the financial management.

2021 State Investment Board Self-Evaluation
Board Assessment - Board and Staff Roles

16. The Board members are consistently prepared for meetings and stays engaged.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	3	27.27%	**3.27**	**3.00**
3 - Agree	8	72.73%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

17. The Board has healthy discussions on a topic before making a well informed decision.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	6	54.55%	**3.55**	**3.42**
3 - Agree	5	45.45%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

18. The Board recognizes the authority it has retained and what has been delegated to staff.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	8	72.73%	**3.73**	**3.42**
3 - Agree	3	27.27%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Board Assessment - Board and Staff Roles:

Occasionally we might veer into micromanaging matters that are better left to the ED and RIO staff.

I think the importance of understanding the Board policies and roles of Board vs. Staff will become increasingly important as the assets under the Board continue to increase.

I would like to see all board members fully engaged in discussion and sharing perspectives. I believe it makes us a much stronger board when all involved are active.

2021 State Investment Board Self-Evaluation
Board Assessment - Board and Committee Structure

19. All Board members regularly attend board meetings.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	3	27.27%	**3.09**	**3.00**
3 - Agree	6	54.55%		
2 - Disagree	2	18.18%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

20. Standing and ad hoc committees complete their tasks in an effective and timely way.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	8	72.73%	**3.73**	**3.42**
3 - Agree	3	27.27%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

21. Standing and ad hoc committees communicate to the full board in an effective and timely manner.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	6	54.55%	**3.55**	**3.25**
3 - Agree	5	45.45%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Board Assessment - Board and Committee Structure:

Committees report consistently report to the board.

Last year there was some frustrations with the Executive Review Committee brining information to the Board at the Board meeting. This caused some frustrations that impacted conversations. I recognize all of the committees do their best to complete their task and provide information back to the Board; however, it is extremely important that the Board be provided with adequate time to review the Committee's reports.

2021 State Investment Board Self-Evaluation
Board Assessment - Board Meetings

22. Board meetings are generally well-run and make good use of members' time.

Answer Choices	# Responses	% Responses	2021 Average Response	2020 Average Response
4 - Strongly Agree	8	72.73%	**3.73**	**3.58**
3 - Agree	3	27.27%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

23. Board meetings allow the right allocation of time between Board discussions and presentations.

Answer Choices	# Responses	% Responses	2021 Average Response	2020 Average Response
4 - Strongly Agree	8	72.73%	**3.73**	**3.58**
3 - Agree	3	27.27%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Board Assessment - Board Meetings:

Everyone has an opportunity to respond--Board President always ask for further comments

The Board seems to be having more discussions which is causing the meeting to run long or for some items to be pressed for time. The Staff may want to work with the Chair to determine what information can be reviewed by the Board and not discussed (unless there are questions by Board members) so that other agenda items are not rushed.

2021 State Investment Board Self-Evaluation
Board Assessment - Policy Making and Reviews

24. The Board reviews policies on a regular basis and updates them as needed.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	5	45.45%	**3.45**	**3.58**
3 - Agree	6	54.55%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

25. If a new policy is needed for the SIB, the policy is clearly presented to and discussed by the Board.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	7	63.64%	**3.64**	**3.42**
3 - Agree	4	36.36%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Board Assessment - Policy Making and Reviews:

2021 State Investment Board Self-Evaluation
Board Assessment - Financial Management & Investment Practices

26. The Board regularly reviews financial, investment, and portfolio.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	10	90.91%	**3.91**	**3.58**
3 - Agree	1	9.09%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

27. The Board is regularly informed of economic trends or conditions that can effect investment performance.

Answer Choices	*# Responses*	*% Responses*	*2021 Average Response*	*2020 Average Response*
4 - Strongly Agree	8	72.73%	**3.73**	**3.67**
3 - Agree	3	27.27%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	11	100.00%		

Comments for Board Assessment - Financial Management and Investment Practices:

Callan representatives provide great updates

I think understanding economic trends or conditions is very complex and synthesizing it to the Board is a challenging prospect. The Staff and Callan do an excellent job and bringing forward complex material.

2021 State Investment Board Self-Evaluation
Overall Assessment

28. Any final comments, observations, or suggestions for the board self-evaluation?
Would love to see some more economic forecasting and trend analysis of what it happening with other sovereign wealth funds or general market/rate information that would help us be able to make more proactively informed decisions.
I feel the Board and the staff are very effective in communicating with each other.
Thanks for putting this together.
No
The SIB is compromised of a mix of very capable, smart, members with considerable experience in their professions.
SIB is an effective, well informed b.oard that consistently makes well thought out decisions based on that information
Engagement on manger decisions.
The SIB has overall a clear and functional role, that is observed by the members with only occasional exceptions. It is important that we continue to respect our roles as board members and avoid self-promoting activities.
NO.
None
This is a very strong board with a commitment to governance, our fiduciary duty, and doing what is best for North Dakota. Like all effective boards, we are not always going to agree, but that conflict has the ability to build us up and strengthen our board collectively. While it is not always easy to do so after conflicts, this is done by a consistent recognition of the common ground and shared values held by all State Investment Board members.
29. Please let the Executive Review Committee know if there are any areas in the board self-evaluation that you would like to see addressed in the future?
None
none at this time
This survey is well designed document that addresses all the important areas.
None.
None.

Informational

TO: **State Investment Board**

FROM: **SIB Executive Review Committee (ERC) Chair Ms. Yvonne Smith**

DATE: April 16, 2021

SUBJECT: **Annual Compensation Survey - Cover Memo**

RIO participates in an annual compensation survey conducted by a leading investment consulting firm along with 50 other U.S. public funds. RIO is able to obtain these survey results at no charge by signing a non-disclosure agreement in order to keep this information strictly confidential. Given these conditions, **the ERC Chair may request the SIB to make a motion to enter into** Executive Session pursuant to NDCC 44-04-19.2 to review and discuss a confidential compensation survey.

Prior to entering into executive session, the ERC Chair notes the following items:

1) List of Survey Participants is shown on page 1;
2) 2020 Salary for Executive Directors with CIO Responsibilities is highlighted on page 2;
3) RIO Salary Variance to Mean is highlighted on page 5; and
4) 2020 Salary for Chief Investment Officers, segmented by Fund Assets, Location, Internal or External Management Style, and Bonus Practice, are highlighted on page 8.

The Annual Compensation Survey data is only being provided for informational purposes at this time as the ERC intends to make a compensation recommendation to the SIB on May 21, 2021.

Statement:

"This executive session will be recorded and all Board members are reminded that the discussion during the executive session must be limited to the announced purpose for entering into executive session, which is anticipated to last up to 15 minutes.

The Board is meeting in executive session to review a confidential compensation survey in order to gain an understanding of the pay levels of our U.S. public fund peers. This information is only being provided for reference purposes at this time.

Board members, their staff, the employees of RIO and counsel with the Attorney General staff may remain, but the public is asked to leave the room or virtual meeting.

This executive session will begin at: ______ AM, and will commence with a new audio recording device. When the executive session ends the Board will reconvene in open session."

POLICY OF THE STATE INVESTMENT BOARD – Executive Review Committee (SIB Governance Manual Section B.6.2)

The ERC is authorized to:

· *Conduct a formal evaluation of the Executive Director annually;*
· *Obtain SIB approval of the annual performance evaluation of the Executive Director;*
· *Make a compensation recommendation to the SIB on or before June 30th of each year; and*
· *Administer a formal self-assessment of the SIB periodically (unless instructed otherwise).*

The ERC and/or RIO will seek SIB approval prior to formally engaging any third party assistance in conducting the annual executive review process or board self-assessment.

Board Action Requested

TO: **State Investment Board**

FROM: **Dave Hunter**

DATE: April 16, 2021

SUBJECT: **BND In-State Investment Opportunity for Legacy Fund - Cover Memo**

Bank of North Dakota (BND) approached RIO to determine if a portion of the existing $400 million BND Match Loan CD Program could be used to fund a private debt placement backed by a highly rated public entity at a competitive risk adjusted rate of return. RIO engaged in market due diligence to provide indicative market pricing and terms for this proposed $100 million, fixed rate, 20-year loan. Upon sharing these indicative terms and pricing with BND, RIO was requested to seek SIB approval to move forward with this in-state investment opportunity subject to further negotiation of final legal terms including a requirement that at least one major rating agency formally issue a ratings letter indicating the private debt instrument is rated no less than "A" at inception/funding by the Legacy Fund.

If the SIB would like RIO to pursue this in-state investment opportunity based on the above stated terms and conditions, RIO requests the SIB to formally approve this action or state no further work is required at this time. **Alternatively, if the SIB seeks additional details of this potential in-state investment opportunity including terms which are subject to a non-disclosure agreement, the SIB Chair may ask the Board if they wish to make a motion to enter into** Executive Session pursuant to NDCC 44-04-18.4 to review and discuss a confidential private market investment opportunity. Please note the SIB is only instructing RIO to complete due diligence and negotiation of indicative terms and pricing on this proposed opportunity prior to returning to the Board with a formal investment recommendation at a future SIB meeting.

Statement:

"This executive session will be recorded and all Board members are reminded that the discussion during the executive session must be limited to the announced purpose for entering into executive session, which is anticipated to last up to 15 minutes.

The Board is meeting in executive session to review and discuss a confidential private market investment opportunity.

Board members, their staff, the employees of RIO and counsel with the Attorney General staff may remain, but the public is asked to leave the room or virtual meeting.

This executive session will begin at: ______ AM, and will commence with a new audio recording device. When the executive session ends the Board will reconvene in open session."

BOARD LEADERSHIP

INNOVATIVE APPROACHES TO GOVERNANCE

NUMBER 174, MARCH–APRIL 2021

www.wileyonlinelibrary.com/journal/bl

One Voice: The Strength of Harmonious Singularity

By Rob Lewis

Rob Lewis currently serves as Executive Director of Youth Headquarters in Red Deer, Alberta, Canada. He has a diploma in theology from Vanguard College, Edmonton, Alberta, and is certified in Policy Governance proficiency. In this article, he investigates the challenges and benefits of the board's use of One Voice in communicating their direction concisely and effectively with their staff team.

The concept of speaking with One Voice can be difficult to understand and even more difficult to accept and operationalize at the best of times. Simply stated, speaking with One Voice as a board means to be united and singular in the communication delivered to provide clear and concise direction to the staff team the board leads. Indulge me as I set out two scenarios from which to derive some comparisons, as I attempt to add some clarity to the concept of speaking with One Voice as a board of directors.

Scenario 1: Choir Practice

Tonight is the final Wednesday night practice. Everyone is feeling a heightened sense of urgency as the fast-approaching concert is only a few short days away. We have all spent the better part of the year preparing for this one night: the pinnacle of countless hours of work and practice. But there is also a sense of peace and assuredness grounded in all the work we have invested into this Saturday's performance. There is something quite astonishing about a group more than 100 voices strong, all with a different set of talents and wildly diverse gifts, coming together around a choral arrangement with so many possible interpretations. Amazingly, they find the unity needed to convey the story the music is telling under the direction of one person with nothing more than a small baton in his hand. Just think of it. There are literally hundreds of moving parts to a choral production of this scale: from the vocalists, to the musicians, to the production teams, not to mention the hundreds of audience members. Yet, by a seemingly magical force, we are able to align the parts to make this grand journey in creativity and communication a success. If it works as well as we hoped, instead of it sounding like hundreds of voices on stage, it will be as though we have somehow found a way to achieve singularity in purpose and execution. It will be as though the countless moving parts and the hundreds of individual voices merge into one to tell the musical

(continued on page 2)

ALSO IN THIS ISSUE

NEWS

Charityhowto.com webinar explores board fundraising strategies

Nonprofit resources website Charityhowto.com will host a webinar titled Get Your Board to Give Their Biggest Gifts and Help You Fundraise on April 6 and April 13 at 3:00 p.m. EST and 1:00 p.m. EST, respectively.

According to organizers, nonprofits could accomplish much more if all of their board members contributed their best gifts and were enthusiastically involved in helping the organization fundraise. But that's not going to happen unless nonprofits educate their boards and develop a strategic plan for their involvement.

Your board must lead the way in fundraising if your organization is going to fulfill its vision and have the impact everyone wants, and that requires a well thought-out, formal board solicitation process and a detailed plan for how to strategically involve board members in fundraising.

This webinar, led by Brian Saber, the president of fundraising firm Asking Matters, will teach attendees how to:

- Create a board culture where the importance of giving and helping fundraise is clearly understood and embraced
- Develop a board process that will raise the level of board giving

(continued on page 8)

Voice

(continued from front page)

story with all its power and emotion. The many voices will unite to tell the story as one voice and therein is the magic!

Scenario 2: The Board Meeting

Our Wednesday night board meeting starts soon and it looks like it's all coming to a head tonight! We have discussed this over and over, and then over again. It's been looked into, talked about, tabled, researched, and rehashed, and tonight is the night all of that work comes together: the night the decision is finally made. How on earth will we be able to accomplish that, and more importantly, what happens next? It's hard to imagine how this won't split the board right down the middle and take the staff team down along with it. I know where I stand, but I also know where others stand, and suffice to say, we are not in alignment! It remains to be seen how so many individuals with so many diverse perspectives will be able to come together to convey a decision that is concise and clear enough to give the staff team the direction they need to move forward. I don't know how we, as individuals around the board table, each with our thoughts, opinions, and expertise will be able to not only come to a decision, but then be able to articulate that decision with singularity and authority.

We have all seen a breathtaking performance where everything gels, where we are left moved, challenged, and are appreciative of the experience. We have also been in that board meeting where, not only is the subject matter contentious, but so are the individuals around the table. My hope is that we can learn from the choir to make the tough scenarios in the board room equally powerful and productive.

When a production like the one in the first scenario is broken down into its core components, we can see the following. They are all talented individuals with the giftedness needed to be part of the group; they have all worked hard to ensure their specific part has been perfected; they are intelligent people with their own interpretations as to what the music is saying and how they feel they need to convey its message; they are all committed to the success of the production; they all want the audience to see the fruits of their endless work and to be moved and challenged by the production. Importantly, they all recognize that they need to value one thing above all others if they are going to see the success they desire. The choir members need to be able to allow their personal and individual wants and directives to fall under the overarching need for them to operate as a unit if they truly want to be completely heard. In music, there are melodies and harmonies. Both are powerful in their own right; however, when united, their power and beauty are exceedingly greater than the sum of the individual parts. Said another way, for the melody and the harmony to be truly heard and to achieve their ultimate impact, they need to melt into each other and speak with One Voice.

> The board needs to learn to speak with One Voice, representative of the entire group.

The same breakdown can be done with the board meeting scenario. There are talented and gifted people sitting around the board table. They are present because they are passionately driven by the cause they support. They study and work hard to ensure they bring their best to the conversations. These individuals too are talented and intelligent and have their own interpretations of what the data say and what the graphs, projections, and expert analyses are telling them related to the work they support. As with the choir, these individuals need to find a way to allow their diverse thoughts and perspectives to "melt" into each other if they truly want to provide the best leadership possible and allow the organization they serve to be single minded in their mission, unencumbered by dissension, and thriving in their execution. The board needs to learn to speak with One Voice, representative of the entire group, yet singular in its clear and concise message. In the remainder of this article, I want to discuss what it means and what it does not mean to "melt" into each other, and hopefully, leave you with a better understanding of how to find unity in the midst of diversity and how to find greater success in leading your organization.

I have heard it said that diversity is divine, but division is demonic. Diverse talents and opinions around the board table are what give the board its strength and ability to effect change. If we all came to the conversation with the same views and beliefs, what would be the need to meet in the first place? It is this debate that fuels the engine that drives the changes we want to see. That said, when diverse perspectives are held onto so tightly as to create division, we need to stop and reassess our stance. One question that may help bring grounding to the conversation is: In light of the greater mission and vision of the organization, how important is it that my perspective be retained and fully reflected in the overall decision?

In most cases, the passion with which we defend our stance dissipates when we back out of the fight and realign our perspective with what is in the best interest of the organization. Some would say this constitutes compromise. I disagree. Compromise happens when differing parties bend to accommodate each other, which may lead to a somewhat homogenized result. I am talking more about choosing to set personal interests aside when the best interests of the organization require it. Does this mean that there will be consensus around the table in every case? By no means! Chances are good that individuals will still hold fast to their perspectives personally, but will relinquish their demand that their perspectives are adopted corporately. Once again, it is this diversity that makes the board as effective as it is.

My final thought for consideration is: How do I live out the One Voice principle in the real world—the world where the discussion at the board table needs to be transformed into the direction needed by the staff team? I believe the first step in doing this is to fully acknowledge your differing opinions before leaving the boardroom. Stop and make sure everyone has a chance to say their piece and take time to celebrate the diversity of mindset that powers your board. Perhaps highlight some of the more contentious points of the debate that brought you to the decision you are about to make, but then take the vote, make the decision, and, importantly, move on.

With the decision arrived at by your due process, the next step in ensuring your board speaks with One Voice is to accept that, although your perspective has been voiced and considered in the debate and conversation, it may not form the direction given to the organization. This is where you have an opportunity to exercise your leadership character and support the whole as opposed to the few, or the one. This will require you to trust that your colleagues also have the best interest of the organization in mind, and to trust that, in a culture of honesty, transparency, and mutual respect, your board has followed a process that truly works.

Finally, as a unified board, you will need to convey your decisions and direction to the staff team with singularity and clarity. The choir members all worked hard on their individual parts, and then came together to allow their part to inform and influence the overall production. This unity and singularity of voice ultimately gave the end production the power to impact the audience in ways that no one single person could have done. Imagine, however, if one or more of the individuals in the choir, after the final rehearsal, decided to change the way they performed their part. The dissonance created by one individual who valued their personal need for expression over the work of the rest of the group would deny the audience the moving experience they expected to have. Equally, it is important that each board member accept and support the direction arrived at by the entire board, even (and especially) if this direction does not align with their personal perspective on the matter. It is more important to the success of the organization that the staff team has well-informed and unified messaging from their board than to be privy to all the many thoughts, opinions, and perspectives that went into arriving at that unified direction. The interest of the organization is always best served when each member of its board ensures they back the duly arrived at decision and demonstrate unity and cohesion around the decisions that are made.

Board work is difficult and there are many times when individuals around the table will disagree, with no one perspective being better that another. Do your work as a board member, have your feverish debate, but at the end of it all, always fulfill your duty to act in the best interest of the organization you serve. As a board, strive to always articulate your directions harmoniously, free of the destructive dissonance that comes by a member needing to have their individual voice heard over the One Voice of your board. Herein is the magic that causes your organization to reach its full potential and to maximize its impact! ❑

WRITING FOR *BOARD LEADERSHIP*

***Board Leadership* is looking for articles from governance practitioners, researchers and consultants on topics related to the discovery, explanation and discussion of innovative approaches to board governance. For more information email: nicholaskingllc@gmail.com** ❑

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. ❑

Diversity, Equity, and Inclusion: Meeting New Demands—and Requirements—for Accountability

By Stephanie Resnick, Esq. and John C. Fuller, Esq.

Stephanie Resnick, Chair of the Directors' & Officers' Liability & Corporate Governance Practice Group at Fox Rothschild LLP, and John Fuller, Partner in the firm's Directors' & Officers' Liability & Corporate Governance Practice Group, discuss the growing number of states that have either enacted or are considering enacting statutes requiring diversity on boards. They highlight the increase in litigation surrounding non-diverse boards, as well as the expectations for this trend going forward.

Following nationwide protests demanding racial equality and the end of systemic injustice, legislators, investors, and industry leaders have endeavored to hold corporations accountable for their role in perpetuating social inequities. In the past year, new regulatory requirements for diversity—including race, ethnicity, gender, and sexual orientation—among boards of directors have been enacted, shareholders have brought derivative litigation to demand improved equity and inclusion, and market influencers, including NASDAQ itself, have proposed new measures of corporate accountability. Accordingly, even the most well-intentioned companies face a new landscape of potential liability if they cannot show compliance with tangible measures of diversity and inclusion. Nevertheless, by understanding new sources of potential liability and taking demonstrable steps to meet and exceed these benchmarks, companies and their boards can ameliorate legal risks, improve their own decision-making by adding new viewpoints, and assume their role as part of our societal advancement toward equality.

Emerging Board Diversity Regulation

The most direct and immediate sources of potential liability of directors and officers come from changes in state compliance obligations relating to diversity among corporate boards of directors. Several states have enacted legislation requiring that companies meet certain quotas for female and minority representation on boards, while several more have similar bills under debate in their legislatures.

California has been, and continues to be, on the forefront of legislating inclusivity on corporate boards. In 2018, California passed SB 826, which required that all public companies headquartered in the state have at least one woman on their board by the end of 2019. On September 30, 2020, California enacted AB 979, which expanded the mandate for gender diversity to a requirement for broader categories of underrepresented communities. Under AB 979, by the end of 2021, public companies headquartered in California must have a least one director from an underrepresented community who is "an individual who self identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native, or who self identifies as gay, lesbian, bisexual, or transgender." By the end of 2022, boards of five to eight members must have two members from underrepresented communities and boards of nine or more must have three such members. Failure to comply with the requirements will result in a $100,000 fine for the first violation and $300,000 fine for each subsequent violation.

At least 12 other states also have implemented or are considering legislation aimed at increasing diversity among corporate boards of directors. There is significant divergence among the legislative responses in these states, including variants in the scope of the legislation (i.e., relating to only gender diversity or broader groups of underrepresented communities), required diversity ratios, deadlines for implementation, and penalties. Some proposed legislation aims only to take an initial step of requiring corporate disclosures regarding diversity for further study and public review. In other states, the legislation is far more limited and merely "urging" or "encouraging" diversity, without formal mandates or penalties for non-compliance.

Shareholder Litigation Demanding Diversity

In the past year, there also have been numerous lawsuits filed against high-profile companies that seek to hold their respective boards accountable for their lack of gender, racial, and ethnic diversity. These actions have been brought as derivative actions by shareholders and are generally based on the core allegation that the company failed to meet its published claims regarding the promotion of diversity, equality, and inclusion. Shareholder plaintiffs have positioned their claims as breaches of fiduciary duty, unjust enrichment, and proxy solicitation violations under Section 14(a) of the Securities Exchange Act of 1934.

The plaintiffs in these actions have sought a variety of remedies including reformation of the board structure and composition, board and employee training regarding bias and inclusivity, large corporate donations to organizations that work to promote underrepresented communities in business, earmarking of corporate funds dedicated to attracting and retaining employees and board members with diverse perspectives, and commitment to publishing the company's goals and performance with respect to diversity initiatives, as well as significant attorneys' fees.

The plaintiffs in these actions have faced some common challenges in prosecuting their cases. First, many did not make a pre-litigation demand of their respective boards. Instead, the plaintiffs have argued that such a demand would be futile, and that their claim should proceed before the Court. Second, the plaintiffs struggled to quantify damages resulting from the alleged lack of diversity. Some have relied on recent reports such as the 2018 report, Delivering through Diversity, released by McKinsey & Company that found that the most ethnically diverse companies were 43% more likely to experience higher profits, but have been largely unable to identify specific monetary corporate losses to support their damage claims. Nevertheless, many of these cases persist and may become bellwethers for future waves of litigation.

Industry Leaders Driving Accountability

In addition to legislative and shareholder pressure, industry leaders have also called for corporations to make diversity, equity, and inclusion a priority. One of the most potentially impactful industry responses has come from NASDAQ. NASDAQ has requested that the U.S. Securities and Exchange Commission approve new listing requirements for companies that wish to be listed on NASDAQ's exchange. Under NASDAQ's proposal, all NASDAQ-listed companies would be required to annually disclose information regarding the self-identified gender, race, and LGBTQ+ status of its board of directors. In addition, NASDAQ would require that all listed companies have at least one diverse director within one year of SEC approval, with increased requirements (i.e., at least one female and at least one underrepresented community member) within four years for companies in certain listing tiers. Some listed companies, such as asset-backed and special acquisition entities, as well as certain passive entities and partnerships, would be exempt from NASDAQ's diversity requirements. Significantly, the penalty for non-compliance with NASDAQ's proposed requirements could be delisting from the exchange.

Other industry leaders, including Vanguard and Blackrock, have also articulated their expectations that the companies in which they invest take steps to increase board diversity. In their respective investment stewardship reports over the past several years, Vanguard and Blackrock have each affirmed their commitment to diversity as a driver of effective decision-making. In its 2020 Stewardship Report, issued in January 2021, Blackrock specifically noted that it had voted against management more than 1,500 times in 2020 because of "insufficient diversity." Similarly, in its 2020 Investment Stewardship Report, Vanguard identified specific expectations that companies disclose information regarding the current diversity of their board members, the measures they are taking to increase equity and inclusion and to attract diverse candidates, and their progress toward those goals.

What Should Directors and Officers Be Doing Today

Increased diversity and inclusion are goals for nearly every company; however, with a myriad of new potential sources of liability for failing to achieve these goals, defining appropriate steps forward can be a challenge. Nevertheless, there are certain things directors and officers can be doing now.

First, new legal compliance requirements and implementation deadlines create the clearest and most direct form of liability for companies. Accordingly, boards should actively monitor legislative changes regarding corporate compliance in the state in which they are incorporated, where they are headquartered, and any state in which they do business. In many states, proposed bills may change as they move through the legislative process, but companies should be taking stock of their ability to comply with any and all potential requirements that may come in the near and longer terms. In addition, companies may need to discuss potential liability with their insurers and should be in a position to disclose information relating to diversity which may have been previously disclosed—or even compiled.

Second, directors and officers must formulate appropriate responses to shareholder demands for increased diversity. In the initial wave of shareholder litigation over these issues, many of the plaintiffs failed to demonstrate inaction by the board in the face of a proper demand. However, shareholder demands that are not met with a concrete and demonstrable response may support future claims in litigation. In addition, directors and officers should continue to monitor reports such as those produced by McKinsey, Blackrock, and Vanguard, which articulate specific benefits of bringing diverse voices to a board but are also helping crystalize a basis for future damage claims. In addition, even short of successful litigation, the reputational risks of disingenuous or cursory responses to shareholder demands should not be ignored as such responses could impact consumer perception, employee attraction and retention, and investor relations.

Finally, even if not compelled by regulatory changes or pending litigation, directors and officers should be preparing for a future where diversity, equity, and inclusion are our shared societal expectation. The legislative, shareholder, and industry responses to historic deficiencies seek to establish a floor of corporate responsibility by creating potential liability. Nothing is preventing companies from striving to meet—and exceed—basic measures of equality and in doing so can avoid

(continued on page 8)

AI and Data Privacy: Managing Risk in the Boardroom

By Svetlana Kamyshanskaya

Svetlana Kamyshanskaya is the founder of Primum Law Group, a boutique San Francisco law firm that assists international companies in starting-up U.S. operations. In this article, she explores the legal issues directors and officers need to be aware of as their organizations embrace data collection and deploy artificial intelligence, either directly or through third-party providers.

Ten years ago, if you had mentioned the term artificial intelligence in a board meeting there's a good chance you would have been laughed out of the room. Today, no one is laughing. Artificial intelligence or "AI" is one of the hottest buzzwords in business and industry. Organizations are scrambling both to develop new AI of their own, particularly as data pours in, and to appropriately use AI developed elsewhere in functions they are already performing, which are often baked-in as product enhancements offered by third-party service providers. AI's deployment often feels exciting as a gateway to efficiency and innovation. However, it also comes with risks that board members must be aware of based on the following questions: "Is our organization's use of AI creating blind spots of legal risks?" and "How can we change how we are operating to ensure compliance and transparency?"

According to a study by McKinsey Global Institute, AI is estimated to create an additional $13 trillion in annual value by the year 2030—and that is just around the corner, developmentally speaking. Even though AI is already creating tremendous amounts of value in the software industry, a lot of the value that we can expect to be created in the future lies outside the software industry. Think of AI like computers: They went from room-sized devices that few used to TV-sized models in every home to "phones" in every pocket. Although your organization may not be focusing on AI integration, somewhere a company is creating an AI application focused on you.

AI is a crucial lynchpin of much of the digital transformation taking place today as organizations position themselves to capitalize on the ever-growing amount of data being generated and stored, analyzed and monetized. Much like computers and then the internet, AI cannot be ignored by any business stakeholder, not at any level of the organization—and most especially not by the board of directors—those charged with ensuring compliance, sound corporate governance and with plotting a viable path to the future.

Specifically, directors of organizations are subject to the fiduciary duties of care and loyalty, which include the subsidiary duties of good faith, oversight and disclosure. To perform these duties, board members have to be aware of the processes in the company and have a system or systems in place that allow them to stay informed and able to make good decisions while mitigating risk. In a bench ruling issued on Feb. 6, 2013 in the matter of Delaware Court of *Chancery v Puda Coal, Inc.*, Chancellor Strine stressed that directors of foreign-based corporations that incorporate in Delaware cannot be "dummy directors." The court advised outside directors who oversee corporations that to meet the good-faith standard, they must possess the skills to navigate the environment in which the company is operating.

With AI, the risks differ wildly based on its use, its goals and the data it is working with. Boards of organizations need to be asking this question frequently, "Is the technology being deployed—internally or via a third-party—based on machine learning or AI?" If so, the next questions are, "Are we in strict compliance with regulations across our operating jurisdictions?" and "Are we adequately anticipating future changes?" This mindset may be new and may challenge the technical acumen of board members hailing from less tech-steeped generations. For compliance reasons, organizations need to ensure board members fully understand AI technology and its implications. The pace of technology dictates the urgency of this need.

Here is an example of how one AI technology can multiply risks for organizations and potentially create liability concerns:

AI for HR Functions

Organization X uses AI technology to optimize its job application and hiring process. Supplier Y provides software that Organization X uses to help its recruiters advertise and attract potential applicants, rank candidates and predict candidates' job performance. The technology helps recruiters to profile the candidates based on the data the technology holds about previous interactions between similar candidates and the company. Common sense tells us that by using such AI software, Organization X could theoretically improve its recruitment pipeline efficiencies, the quality of their product or service and save on resources.

This all sounds great, right?

For Organization X to fully reap the benefits and efficiencies of the AI tool over time, it must eliminate or at least minimize the risks related to data privacy, security and even data biases that this technology may introduce, and assess the possible monetary damages that could be caused by their usage of this technology. Organization X has to think through how its candidates' information is going to be collected, used and protected to ensure that data privacy law and candidates' privacy expectations are not being violated.

A key caveat: Organization X may be making no known use of AI in its candidate process. But Supplier Y is. Although Organization X has not pressed Supplier Y to disclose information about its use of AI, as in all aspects of compliance, ignorance of the law is no excuse.

AI and Personal Data

A privacy impact assessment (or PIA) may help a U.S. organization and/or its service provider understand the unique risks generated when using personal information in the United States and outside the country, by identifying the applicable law, restrictions and requirements that could be different in different jurisdictions and localizations, as well as any cross-border transfer restrictions.

If Organization X processes personal data of individuals residing in the United States, then the U.S. privacy law must be applied. And although each congressional term brings proposals to standardize laws at the federal level, the United States currently does not have a single, comprehensive federal law regulating privacy or the collection, use, processing, disclosure and security of personal information. A patchwork of state laws governs data, with changes in various states of gestation throughout state legislatures and many thorny cross-jurisdictional issues.

California became the first state with a comprehensive consumer privacy law on June 28, 2018, when it enacted the California Consumer Privacy Act of 2018 (CCPA). This law grants rights to California residents (consumers) regarding their personal information. It is the most thorough privacy regulation in the United States. CCPA requires organizations to be very clear with their donors, customers or users about what data they collect and how it is used. In Organization X's case, its California donors or consumers must be informed if their data will be used to develop AI. In the instance their data are to be transferred to a vendor, California consumers have to give their permission for this transfer to occur. Keep in mind that the California Attorney General has significant powers for enforcement of the CCPA, with the ability to impose fines of up to $7,500 per incident per person—potentially creating serious financial liabilities that did not exist even four years ago. Other U.S. states are looking to California, and some have proposed or already enacted similar legislation to protect consumers.

In a situation where the donor or customer resides in the European Union when their data are accessed, the General Data Protection Regulation, or GDPR, [Regulation (EU) 2016/679] applies. The GDPR is similar to CCPA and has a set of specific provisions that affect AI-based decisions regarding individuals—particularly GDPR Article 22, which imposes significant restrictions on automated decision-making and profiling. Therefore, in a scenario where Organization X falls within the scope of GDPR regulation and uses AI technology for data profiling, auditors and directors must ensure that qualified professionals conduct a comprehensive analysis of the technology in use and determine whether GDPR restrictions are applicable. If technology was to violate GDPR provisions, penalties could reach up to €2 million or up to 2% of its entire global turnover of the preceding year, whichever is higher.

Many data protection laws also require organizations to process personal information fairly. This requires that organizations transparently communicate in clear and plain language to individuals how the organization will collect, use and process their personal information and implement measures to prevent discriminatory treatment of individuals.

AI: Exposing, Embedding and Extending Biases

Even though AI offerings are not created with the intent of being biased, the resulting outcome may nonetheless incorporate biases from their human creators; it may also develop biases if trained using a biased data set. For instance, 73% of Amazon's leadership is male.[1] At Facebook, female leadership is at 32.6%[2]. If these data are used and patterns are reinforced by AI, the resulting algorithm will be gender biased, creating governance and legal risks. Thinking back on our scenario, Organization X has to be aware not just about the data set it uses, but in the case of using a third-party software vendor, it has to confirm the outside provider's algorithm was developed using unbiased data generated through a controlled process. Bias can and will infect data if care is not taken.

Board members should seek to first understand and then minimize any negative impacts of AI. This is true whether a business is developing AI as a part of its operations or taps an outside provider promising efficiency and greater transparency into data. At every organization that develops or uses AI, the importance of understanding the technology and developing controls and other safeguards to protect against discriminatory automated decision-making, as well as illegal or unethical use of the data, is paramount. ❑

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News

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- Educate your board on what it means to be involved in fundraising as a board member

Registration fees for this event are $87.

For more information, visit https://bit.ly/37iDXhm.

New book looks at board membership through parable

A new book authored by the founder of leadership consulting firm Core Insights aims to help nonprofits accomplish their mission by inspiring board members to be more engaged and reap more enjoyment from investing their time. The Ambassador's Journey: A Parable about Nonprofit Board Leadership, written by Core Insights CEO Brian Brandt and co-authored by leadership consultant Ashley Kutach, is a fictional story about a man new to the world of nonprofit board service who, through effective engagement with the organization's executive director and board leadership, finds inspiration to serve his community in ways he never thought possible. According to the publishers, the story offers a fresh take on how to guide board members to be enthusiastic Ambassadors for their organization.

It addresses key questions including:

- How do I really make a difference through my board service?
- What does my organization need from me?
- How do I go beyond just going through the motions?

The end of each chapter has prompts designed for individual and group discussion.

The book is available on Amazon at https://amzn.to/3ivFQvz. ❑

Accountability

(continued from page 5)

potential liability. Developing a more diverse board starts with self-evaluation of the strengths, weaknesses, and viewpoints of a board's current members. Directors and officers may also need to evaluate how they identify and attract board members. In many cases, boards need to find ways to reach individuals outside of their existing networks; they can do so by partnering with organizations that work to ensure underrepresented communities can find otherwise inaccessible corporate opportunities. Furthermore, after self-evaluation, boards can develop realistic goals for the company, management, and the board itself—and can create genuine accountability by disseminating those goals—to ensure the company is moving toward the future. ❑

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FOOD FOR THOUGHT

"A good leader leads the people from above them. A great leader leads the people from within them."

M.D. Arnold

BOARD LEADERSHIP

INNOVATIVE APPROACHES TO GOVERNANCE

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