



State Investment Board

RETIREMENT & INVESTMENT

**Thursday, March 3, 2022, 9:00 a.m.**

**RIO Conference Room (Virtual Meeting Host)**

**Teleconferencing: 701.328.0950 Participant Code: 647 324 14#**

**1600 E Century Ave, Bismarck, ND**

AGENDA

**I. CALL TO ORDER AND ACCEPTANCE OF AGENDA**

**II. INVESTMENTS (120 minutes)**

- A. Introduction & Overview of Russian Entity Investment Exposure – Ms. Murtha, Mr. Anderson
- B. Russian Entity Investment Strategy & Options\* *Executive Session pursuant to NDCC 44-04-18.4(1), 44-04-19.1(9), & 44-04-19.2 to discuss confidential commercial information, investment negotiating strategy, and to provide negotiating instructions.*

**III. ADJOURNMENT**

# RUSSIAN ENTITY EXPOSURE (Open Session)

March 1, 2022

# RUSSIAN ENTITY EXPOSURE

-the total Russian entity exposure across the Legacy Fund, the Pension Funds and the Insurance Funds is about \$10 million<sup>1</sup>

(\$ Millions) Mandate Type	Current <sup>2</sup>			Russia Current			Total
	Legacy	Pension	Insurance	Legacy	Pension	Insurance	
Equity Commingled	510	370	70	4.0	3.3	0.5	
Equity Separately Managed	0	450	0	0	.4	0	
Fixed Income Separately Managed	1,780	500	1,120	.6	0	1.2	
	2,290	1,320	1,190	4.6	3.7	1.7	10.0

-the situation is very fluid as managers are exiting positions, as prices are changing, and as brokers/traders are halting transaction activity

1. Estimated from manager discussions as of March 2, 2022; Includes ArrowStreet, DFA, Vanguard, LSV, Prudential, WAMCO, Barrings

2. Based on most recent holdings information

# COMPARISON TO OTHER PLANS<sup>1</sup>

-North Dakota SIB has less exposure to Russian entities than many other plans. Managers are under-weight their benchmark in Russia

<b>Institution</b>	<b>Russian Entity (%)</b>	<b>Russian Entity (\$ Millions)</b>	<b>Plan Size (\$ Millions)</b>
CALPERS	0.2%	1,100	473,600
CALSTRS	0.2%	500	319,800
Colorado PERs	0.0%	7.2	61,000
NY CRF	0.0%	110.8	279,700
5 NY Pensions	0.1%	271	274,000
Pennsylvania TD	0.0%	2.9	40,000
Pennsylvania's PERs	0.4%	300	72,000
Connecticut	0.5%	218	47,000
Maryland	0.1%	96	69,300
Massachusetts	0.1%	140	101,300
<b>North Dakota SIB</b>	<b>0.05%</b>	<b>10</b>	<b>19,300</b>

<sup>1</sup>Bloomberg - U.S. Pensions Face Demands to Exit Hard-to-Unwind Russia Assets by Fola Akinnibi; March 1, 2022; North Dakota values as of 3/2/2022  
Russian Entity Exposure, March 3, 2022

# CHALLENGES FOR INVESTMENT MANAGERS<sup>1</sup>

-Estimates of value are difficult to make given the lack of market liquidity

- Dollar denominated securities are difficult to trade as traders/brokers have halted making markets in the securities
- The Russian government has imposed capital constraints on the ability of foreign investors to remove their capital from Russia
- European clearing houses have decided to not settle trades and banks have extreme difficulties to move money in transactions involving Russian counter-parties
- Even if a sale of Russian securities is possible, there will be few counter-parties available to take the other side of the trade
- Index compilers may exclude Russia exposure soon

## Frequently Asked Questions & Answers regarding Russian Entity Investment Exposure in Assets Under Management of the SIB

### I. Introduction

The following is a summary table of Russian Entity Investment Exposure in the Legacy Fund, Pension Pool, and Insurance Pool.

#### Russian Entity Exposure Estimates as of 3/2/2022 (In millions, all amounts are approximate)

(\$ Millions)	Current Fund Totals			Current Russia Exposure within the Funds			Total
	Legacy	Pension	Insurance	Legacy	Pension	Insurance	
Equity Commingled	510	370	70	4.0	3.3	0.5	
Equity Separately Managed	0	450	0	0	0.4	0	
Fixed Income Separately Managed	1,780	500	1,120	0.6	0	1.2	
	2,290	1,320	1,190	4.6	3.7	1.7	10.0

### II. Frequently Asked Questions & Answers

#### Question: What is meant by Russian Entity Investment Exposure?

**Answer:** Russian entity exposure is defined as investment in Russian entities or securities issued by Russian entities.

#### Question: Does the amount of that Exposure Change?

**Answer:** Yes, the amount changes daily. For example, the amount of exposure has already been reduced since Monday February 28, 2022, by \$5.9 million. As of March 2, 2022:

- The Legacy Fund has an estimated total Russian entity exposure of \$4.6 million, consisting of:
  - \$0.6 million of fixed income exposure and
  - \$4.0 million of equities. This equities exposure is held in commingled fund structures.
- The Pension Funds have an estimated total Russian entity exposure of \$3.7 million. The exposure is all equity exposure, with \$3.3 million held in commingled fund structures and \$0.4 million held in separately managed accounts.

- The Insurance Funds have an estimated total Russian entity exposure of \$1.7 million, consisting of:
  - \$1.2 million of fixed income exposure and
  - \$0.5 million of equities. This equities exposure is held in commingled fund structures.

**Question: What are Commingled Funds?**

**Answer:** Commingled Funds are funds that have multiple investors. In these types of funds individual investors have limited discretion.

**Question: Why is the existence of Commingled Funds relevant?**

**Answer:** The SIB does not have divestment discretion at the security level in commingled funds.

For example:

- For the Legacy Fund to divest the \$4.0 million of commingled Russia exposure the Legacy Fund would have to divest its entire investment in the commingled funds (totaling \$510 million).
- For the Pension Pool to divest the \$3.3 million of commingled Russia exposure the Pension Pool would have to divest its entire investment in the commingled funds (totaling \$370 million)
- For Insurance Pool to divest the \$0.5 million of commingled Russia exposure the Insurance Pool would have to divest its entire investment in the commingled funds (totaling \$70 million)

**Question: Which investment managers currently have Russian entity exposure?**

**Answer:**

- Arrowstreet Capital
- Barings
- Dimensional Fund Advisors
- LSV Asset Management
- Prudential Global Investment Management
- The Vanguard Group
- Western Asset Management Company

**The information on this FAQ is current only as of today's date. The information will be updated as it becomes available.**