

October 7, 2022



**Friday, September 23, 2022, 8:30 a.m.**

**WSI Board Room (In-Person)**

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

[Click here to join the meeting](#)

## AGENDA

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

A. Executive Summary

### **II. ACCEPTANCE OF MINUTES (August 26, 2022)**

### **III. BOARD EDUCATION (20 minutes)**

A. Governance for Growth – Mr. Anderson

### **IV. INVESTMENTS (90 minutes)**

A. Callan Performance Review – Mr. Erlandsen, Mr. Browning

B. Fixed Income Portfolio Changes – Executive Session<sup>1</sup> - Mr. Anderson

C. Job Service Plan Investment Policy Statement – Ms. Murtha

(Break)

### **V. GOVERNANCE (60 minutes)**

A. Governance & Policy Review Committee Update – Dr. Lech

B. 2nd Reading & Final Adoption - Policy B-6 & Draft Charter for Executive Review & Compensation Committee – Ms. Murtha

C. Legacy Fund Earnings Committee Update – Mr. Anderson

### **VI. Quarterly Monitoring Reports (20 minutes)**

A. Annual Technology Report – Ms. Thiel

B. Quarterly TFFR Ends Report – Mr. Roberts

C. Executive Limitations/Staff Relations – Ms. Murtha

### **VII. OTHER (5 minutes)**

#### **Next Meetings:**

Securities Litigation Committee – September 27, 2022

Investment Committee – October 7, 2022

SIB GPR Committee – October 26, 2022

State Investment Board – October 28, 2022

TFFR Board Meeting – November 17, 2022

### **VIII. ADJOURNMENT**

---

<sup>1</sup> Executive session pursuant to NDCC 44-04-18.4(1), 44-04-19.1(9), and 44-04-19.2 to discuss confidential commercial information and contract negotiating strategy.

# EXECUTIVE SUMMARY

## SIB Regular Meeting

September 23 2022 – 8:30 a.m. CT

---

- I. **Agenda:** The August Board Meeting will be held at the WSI Conference room to accommodate in person attendance, however, a link will also be provided so that Board members and other attendees may join via video conference. The board member video link is included in the email with the Board materials.
- II. **Minutes (Board Action):** The August 26, 2022, Board meeting minutes are included for review and approval.
- III. **A. Board Education – Governance for Growth (Information Only):** Mr. Anderson will provide education on how the SIB's evolving governance model can support further program growth.
- IV. **A. Investments - Callan Performance Review (Board Action):** Callan will provide an investment performance review which includes a reconciliation of RIO's reported investment returns and asset valuations with those reported by Northern Trust (primary custodian) for Board acceptance.  
**B. Investments - Fixed Income Portfolio Changes (Board Action for Executive Session):** Staff will present suggested portfolio changes for consideration by the Board. Materials will be provided to the Board via a secure link.  
**C. Investments – Job Service Plan IPS (Board Action):** Ms. Murtha will present a revised investment policy statement for Board acceptance.
- V. **A. Governance - Governance & Policy Review Committee Update (Information Only):** Dr. Lech will provide a verbal update on GPR committee activities. Due to the proximity of the committee meeting to the SIB meeting, written materials will not be provided.  
**B. Governance - 2<sup>nd</sup> Reading & Final Adoption– Amendment to Policy B-6 and Draft Charter for the Executive Review & Compensation Committee (Board Action):** Ms. Murtha will present policy amendments and changes to the Executive Review and Compensation Committee for 2<sup>nd</sup> Reading & Final Adoption.  
**C. Governance – Legacy Fund Earnings Committee Update (Information Only):** Mr. Anderson will provide a verbal update on staff presentations to the Legacy Fund Earnings Committee. Due to the proximity of the committee meeting to the SIB meeting, written materials will not be provided.
- VI. **A-C. Reports (Board Action):** Staff will provide monitoring reports on the NDIT unification process, quarterly TFFR Ends and executive limitations/staff relations.

**Adjournment.**

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
AUGUST 26, 2022, BOARD MEETING (IN PERSON)**

**MEMBERS PRESENT:** Brent Sanford, Lt. Governor, Chair  
Dr. Rob Lech, TFFR Board, Vice Chair  
Claire Ness, PERS Board, Parliamentarian  
Thomas Beadle, State Treasurer  
Jerry Kline, Legacy/Budget Stab. Adv. Board Rep  
Mike Burton, TFFR Alternate  
Jon Godfread, Insurance Commissioner  
Joseph Heringer, Commissioner of Univ & School Lands  
Bryan Klipfel, Director of WSI  
Adam Miller, PERS Board  
Mel Olson, TFFR Board  
Yvonne Smith, PERS Board

**MEMBERS ABSENT:** Cody Mickelson, TFFR Board

**STAFF PRESENT:** Scott Anderson, CIO  
Connie Flanagan, Fiscal Mgt Spec  
Missy Kopp, Exec Assistant  
Rachel Kmetz, Accounting Mgr  
Jan Murtha, Exec Dir  
Matt Posch, Sr. Investment Officer  
Chad Roberts, DED/CRO  
Sara Sauter, Internal Audit Supvr  
Ryan Skor, CFO/COO  
Dottie Thorsen, Internal Auditor  
Susan Walcker, Senior Financial Accountant

**GUESTS:** Lauren Albanese, FIN News  
Kevin Balaod, With Intelligence  
Glenn Bosch, Legacy/Budget Stab. Adv. Board Rep  
Dean DePountis, Attorney General's Office  
Paul Erlendson, Callan  
Candace Johnson, Securities Commission  
Scott Miller, PERS  
Mike Nowatzki, Gov. Office  
Colton Schulz, Insurance Department  
Rich Wardner, State Senate  
Members of the Public

**CALL TO ORDER:**

Lt. Gov. Sanford Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, August 26, 2022. The meeting was held in the Workforce Safety and Insurance Board Room, 1600 E Century Ave., Bismarck, ND.

**The following members were present representing a quorum: Treasurer Beadle, Mr. Burton, Commissioner Godfread, Commissioner Heringer, Dr. Lech, Mr. Miller, Ms. Ness, Lt. Gov. Sanford, and Ms. Smith.**

Ms. Murtha introduced Ryan Skor, the new Chief Financial Officer/Chief Operating Officer and Vicki Alberts, the new Legal Intern.

## **ACCEPTANCE OF AGENDA:**

The Board considered the agenda for the August 26, 2022, meeting.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MS. NESS AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.**

**AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, COMMISSIONER GODFREAD, MR. KLIPFEL, MS. NESS, DR. LECH, MR. BURTON, MS. SMITH, AND LT. GOV. SANFORD**  
**NAYS: NONE**  
**ABSENT: MR. MICKELSON AND MR. OLSON**  
**MOTION CARRIED**

## **MINUTES:**

The Board considered the minutes of the July 22, 2022, SIB meeting. Amendments to the minutes were discussed.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE JULY 22, 2022, MINUTES WITH AMENDMENTS.**

**AYES: COMMISSIONER HERINGER, MS. SMITH, MR. KLIPFEL, TREASURER BEADLE, DR. LECH, MR. BURTON, COMMISSIONER GODFREAD, MR. OLSON, MS. NESS, MR. MILLER, AND LT. GOV. SANFORD**  
**NAYS: NONE**  
**ABSENT: MR. MICKELSON AND MR. OLSON**  
**MOTION CARRIED**

## **BOARD EDUCATION:**

### **Portfolio Construction Part 2 – Fixed Income:**

Mr. Anderson provided education which continues to illustrate the advantages contained in portfolio construction with a focus on fixed income.

## **GOVERNANCE:**

### **Governance & Policy Review (GPR) Committee Update:**

Dr. Lech provided an update from the July 27, 2022, SIB GPR meeting. The Committee discussed proposed policy changes, recommendations for appointments to the SIB Investment Committee, and governance initiatives the Board may wish to consider in the upcoming legislative session. The SIB Board Chair appointed the two investment professionals to the Investment Committee after receiving the GPR recommendations. The two appointed members are Prodosh Simlai, Ph.D., University of ND Department of Economic and Finance Chair, and Ruilin Tian, Ph.D., Professor of Finance at ND State University. Additional amendments to the minutes were discussed.

### **1<sup>st</sup> Reading – Policy B-6 and Draft Charter for Executive Review Committee:**

Ms. Murtha presented the changes recommended by the GPR Committee to the scope of the Executive Review Committee. A proposed amendment to policy B-6 and proposed charter were reviewed.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO APPROVE POLICY B-6 AND THE DRAFT CHARTER FOR THE EXECUTIVE REVIEW AND COMPENSATION COMMITTEE FOR FIRST READING.**

**AYES: MR. OLSON, MS. NESS, COMMISSIONER HERINGER, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, TREASURER BEADLE, MR. KLIPFEL, DR. LECH, AND LT. GOV. SANFORD**  
**NAYS: NONE**  
**ABSENT: MR. MICKELSON**  
**MOTION CARRIED**

2023 Legislative Initiatives:

Ms. Murtha presented the 2023 legislative initiatives. The initiatives that are being discussed align with the core priorities of RIO's strategic plan. Areas of the strategic plan which are supported by the legislative proposals include public/private partnerships, intern development to support agency resource needs/talent development; governance to support growth; H.B. 1425 rollout; talent management; investment data management; and the TFFR Pioneer Project.

Mr. Anderson shared that the large growth in assets under management has caused more complexity but also provides opportunities to achieve greater benefits with scale. The SIB is currently a fund of funds with investments largely managed by external managers. The increased scale allows us the opportunity to take on a small amount of internal management. The cost of internal management is significantly cheaper than external management. Mr. Anderson presented the necessary capabilities for success, ongoing activities to enable those capabilities, and legislative activities.

Ms. Murtha discussed infrastructure and technology enabled process initiatives. Temporary staff are being utilized to continue with manual processes until completion of the TFFR Pioneer Project. Staff added a death auditing vendor for improved death auditing. Ms. Murtha discussed one-time and ongoing costs and efficiencies from these projects. A summary of workforce initiative was provided. Board discussion followed.

The Board recessed at 10:12 a.m. and reconvened at 10:29 a.m.

2023 Budget/Fiscal Conditions Planning:

Ms. Murtha reviewed the 2023 budget planning process. Staff requested an extension due to staff turnover. Ms. Kmetz started in June and quickly learned about the agency and worked with staff to submit the budget and decision packages to OMB on August 15, 2022. Ms. Murtha explained the reasons for the decision packages, the impact of the budget on the implementation of the strategic plan, and the cost of workforce initiatives. The budget includes a request for carryover funding for the Pioneer Project, and funds for both talent management and the internal investment initiative.

Staff made a request to the Board to use contingency funds for advertising costs for the Chief Risk Officer position.

**IT WAS MOVED BY MS. NESS AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE USE OF CONTINGENCY FUNDS FOR ADVERTISING FOR THE CHIEF RISK OFFICER POSITION.**

**AYES: TREASURER BEADLE, COMMISSIONER GODFREAD, MR. KLIPFEL, COMMISSIONER HERINGER, MS. SMITH, DR. LECH, MR. MILLER, MS. NESS, MR. OLSON, AND LT. GOV. SANFORD**  
**NAYS: NONE**  
**ABSENT: MR. MICKELSON**  
**MOTION CARRIED**

QUARTERLY MONITORING REPORTS:

Annual Internal Audit (IA) Report:

Ms. Sauter provided the Annual IA report which covers July 1, 2021, to June 30, 2022. The Audit Committee had four regular meetings and one special meeting. IA and the Audit Committee worked on some special projects that were not in the workplan including a review of SIB governance, the Executive Search process, succession planning, and strategic planning. The external auditors, CliftonLarsonAllen, issued an unmodified "clean" opinion for the RIO financial audit for

the fiscal year ended June 30, 2021. The financial audit for the fiscal year ended June 30, 2022, is underway. The Committee adopted the audit work plan and budgeted hours for the fiscal year starting July 1, 2022.

Quarterly Budget/Financial Report:

Ms. Kmetz provided the Budget/Financial report for the quarter ending June 30, 2022.

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. Ms. Flanagan is working part-time to facilitate knowledge transfer and to cover other duties for staff who are on extended leave. The Chief Risk Officer position is open and has been posted. Staff are conducting interviews for the four investment positions. The Communications and Outreach Director position has been posted and will close next week. Staff will conduct interviews for that position in September. The Accounting Intern graduated, so staff will be posting for a new student to fill that position.

The Legacy Fund Asset Allocation study is in progress. RVK continues to work on the study and provided preliminary recommendations to the Advisory Board on June 30, 2022. The TFFR Pioneer Project continues with implementation consistent with the project plan. Staff are working with Northern Trust on new infrastructure for the investment program. Board members have their new state email accounts which will be used for Board information going forward.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL INTERNAL AUDIT, QUARTERLY BUDGET/FISCAL PLANNING, AND EXECUTIVE LIMITATION/STAFF RELATIONS REPORTS.**

**AYES: MS. SMITH, MR. MILLER, MR. OLSON, DR. LECH, MS. NESS, MR. KLIPFEL, COMMISSIONER GODFREAD, COMMISSIONER HERINGER, TREASURER BEADLE, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: MR. MICKELSON**

**MOTION CARRIED**

**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 10:55 a.m.

Prepared by:

Missy Kopp, Assistant to the Board





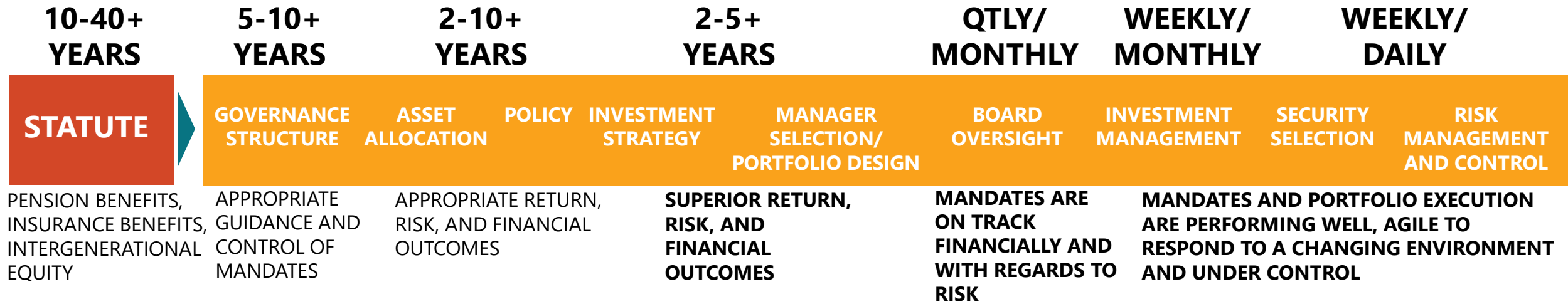
# GOVERNANCE FOR GROWTH

Scott M Anderson, CFA  
Sept 22, 2022

NORTH  
**Dakota**  
Be Legendary.

Retirement & Investment

# TIME HORIZON OF DECISION MAKING



- GOOD GOVERNANCE REQUIRES THE TIME HORIZON AND FREQUENCY OF DECISIONS TO MATCH THE TIMELINE REQUIRED TO ACHIEVE A GOAL (AGILITY ↔ STABILITY)
- GOOD GOVERNANCE REQUIRES OVERSIGHT TO BE INDEPENDENT OF DECISIONS AND THEIR IMPLEMENTATION
- PERFORMANCE AND RISK MANAGEMENT REQUIRE SHORT TIME HORIZONS TO BE AGILE TO CHANGING ENVIRONMENTS, DISCIPLINE NOT TO ACT TOO FREQUENTLY, AND CONTINGENT PLANNING



# GOVERNANCE MODEL – ROLES & RESPONSIBILITIES

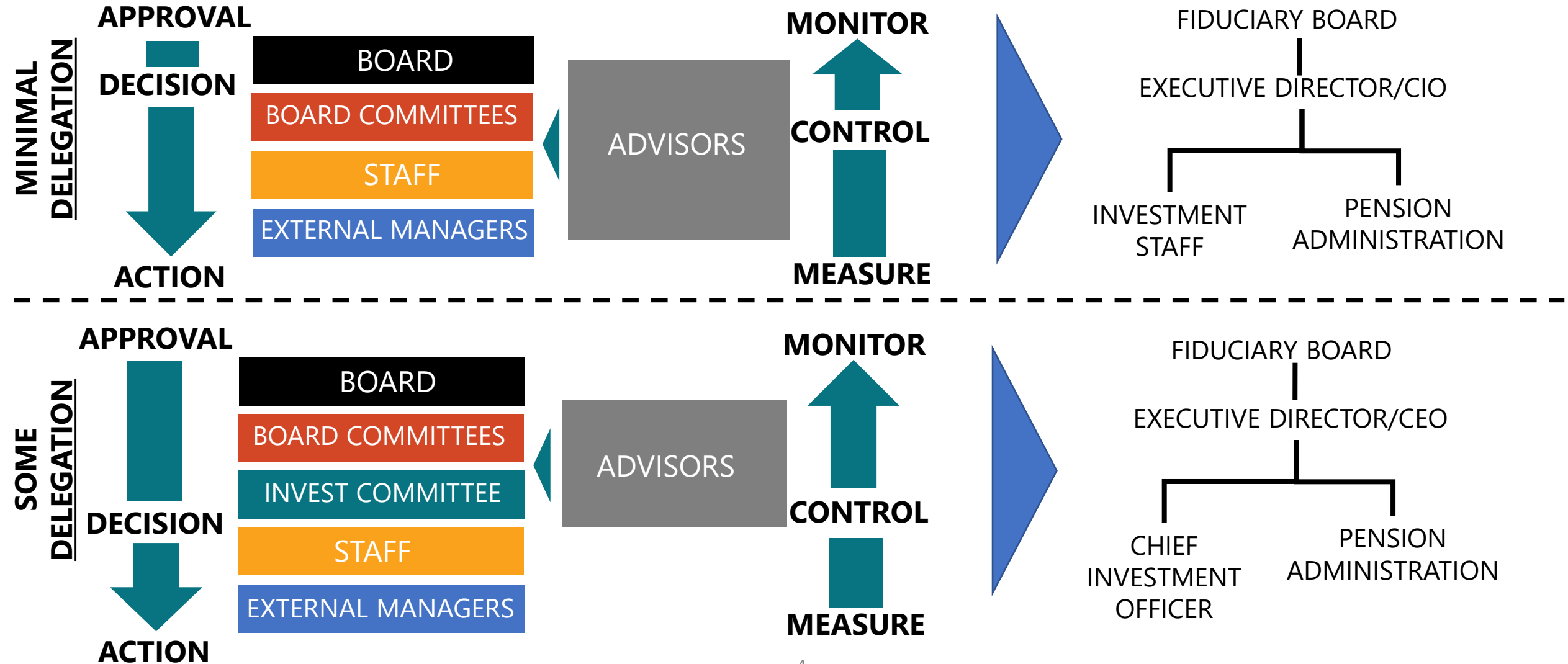
## MINIMAL DELEGATION – CURRENT MODEL



## SOME DELEGATED AUTHORITY



# GOVERNANCE MODEL – DELEGATION



# GOVERNANCE MODEL – DECISIONS

**ILLUSTRATION**

## SOME DELEGATED AUTHORITY



# BENEFITS OF SOME DELEGATION

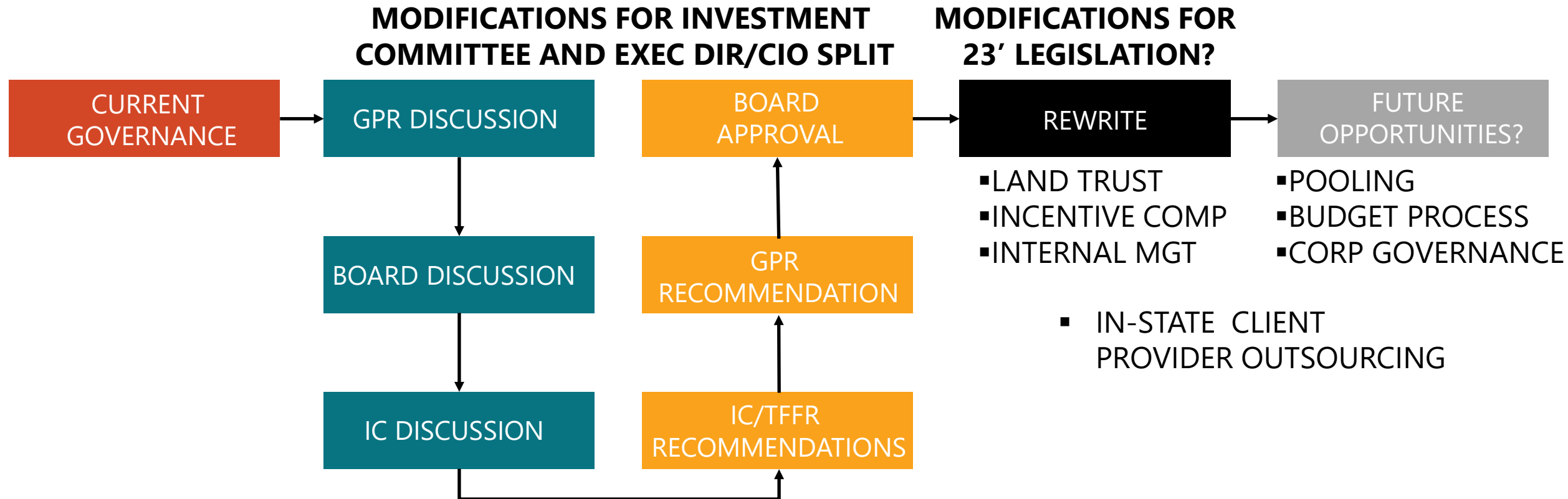
- AGILITY TO RESPOND TO A FAST-CHANGING ENVIRONMENT
- STABILITY FROM GOVERNANCE LAYERS
- MORE SUBSTANTIAL AND TECHNICAL CONVERSATIONS TO ENABLE MORE SOPHISTICATED STRATEGIES
- INDEPENDENCE OF OVERSIGHT AND POLICY FROM DECISION MAKING AND EXECUTION
- BETTER ENDS ACHIEVEMENT AT A LOWER COST

# STATE INVESTMENT BOARD GOVERNANCE MANUAL

## TABLE OF CONTENTS

- A. EXECUTIVE LIMITATIONS
- B. GOVERNANCE PROCESS
- C. BOARD-STAFF RELATIONSHIP
- D. ENDS
- E. INVESTMENTS
- F. TFFR PROGRAM
- G. TRUST FUND INVESTMENT GUIDELINES
- H. BY-LAWS
- I. CENTURY CODE

# NEAR TERM MODIFICATIONS/ POST LEGISLATIVE SESSION MODIFICATIONS





# MODIFICATIONS FOR INVESTMENT COMMITTEE AND GOVERNANCE

D. ENDS

D. A. 3. – RISK ADJUSTED PERFORMANCE  
EXHIBIT D. 1 – CLIENT LIST

E. FIDUCIARY DUTIES

CONSIDERATION FOR LEGACY FUND

E. INVESTMENT PROCESS

E.2 – INVESTMENT PROCESS DIAGRAM;

E. ENTITIES/RESPONSIBILITIES

E.3 – INCLUDE IC; CLARIFY DELEGATION AND ROLES

E. PROXY VOTING

E.7 – CLARIFY

E. EVALUATION

E.10, 11, 13 – REFLECTS INVESTMENT COMMITTEE EXISTANCE

E. EXHIBITS

E. EXHIBITS - UPDATE EXHIBITS

# Callan



Retirement & Investment

September 16, 2022

## **North Dakota State Investment Board**

Performance Evaluation  
as of June 30, 2022

---

**Alex Browning**

Senior Vice President

**Craig Chaikin, CFA**

Senior Vice President

Callan

---

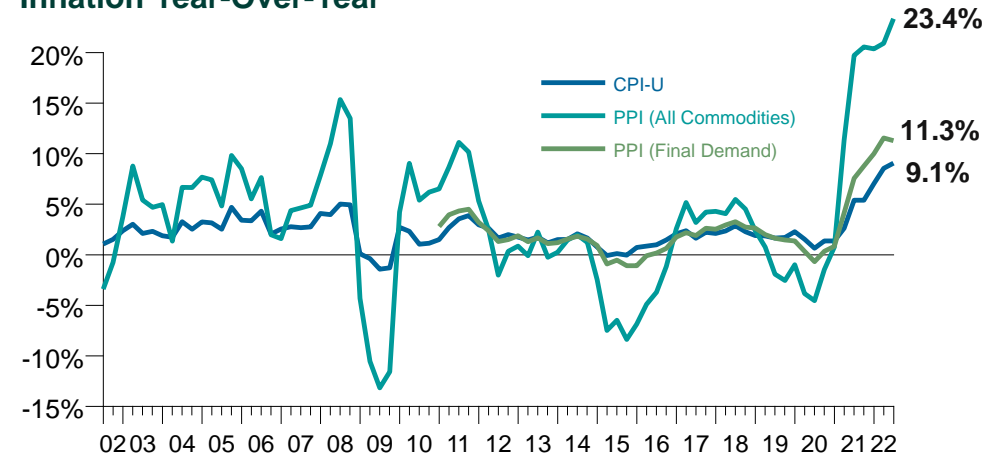
## Market Update

# U.S. Economy—Summary

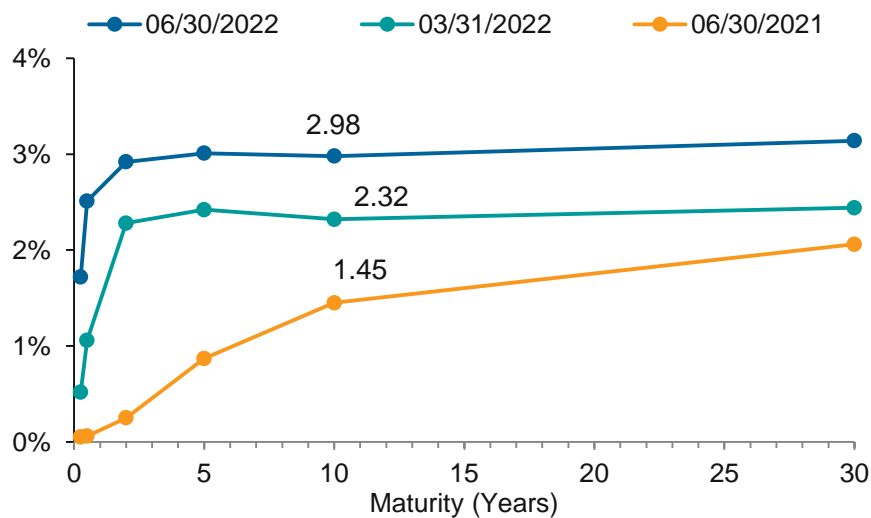
## Second Quarter 2022

- The advance estimate shows real GDP fell -0.6% during the second quarter, following a -1.6% contraction in the first quarter.
- Inflation remains elevated in 2022. The CPI climbed 9.1% year-over-year as of June and 8.5% in July.
- The Federal Reserve made consecutive 0.75% rate hikes on June 15<sup>th</sup> and July 27<sup>th</sup> (the target range is now 2.25 – 2.50%), with more rate hikes planned in 2022.
- The labor market remains a source of strength with unemployment at 3.6% in June and 3.5% in July.

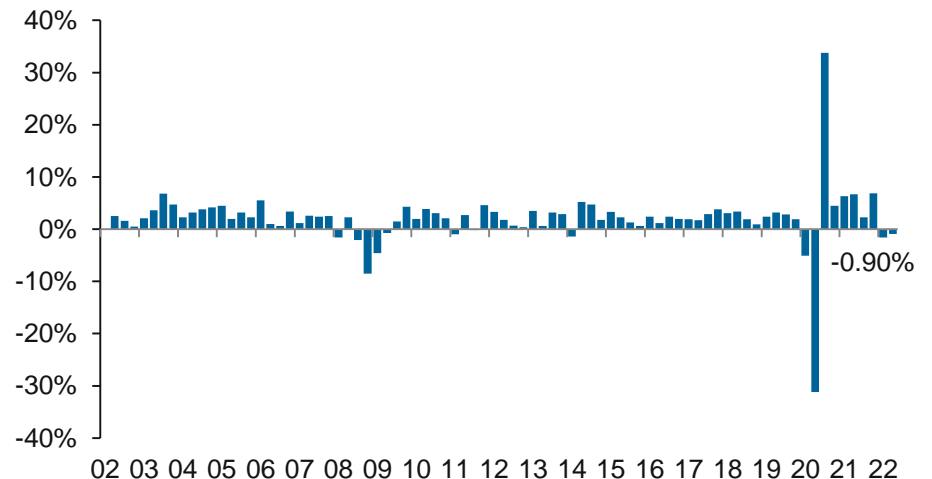
### Inflation Year-Over-Year



### U.S. Treasury Yield Curves



### Quarterly Real GDP Growth



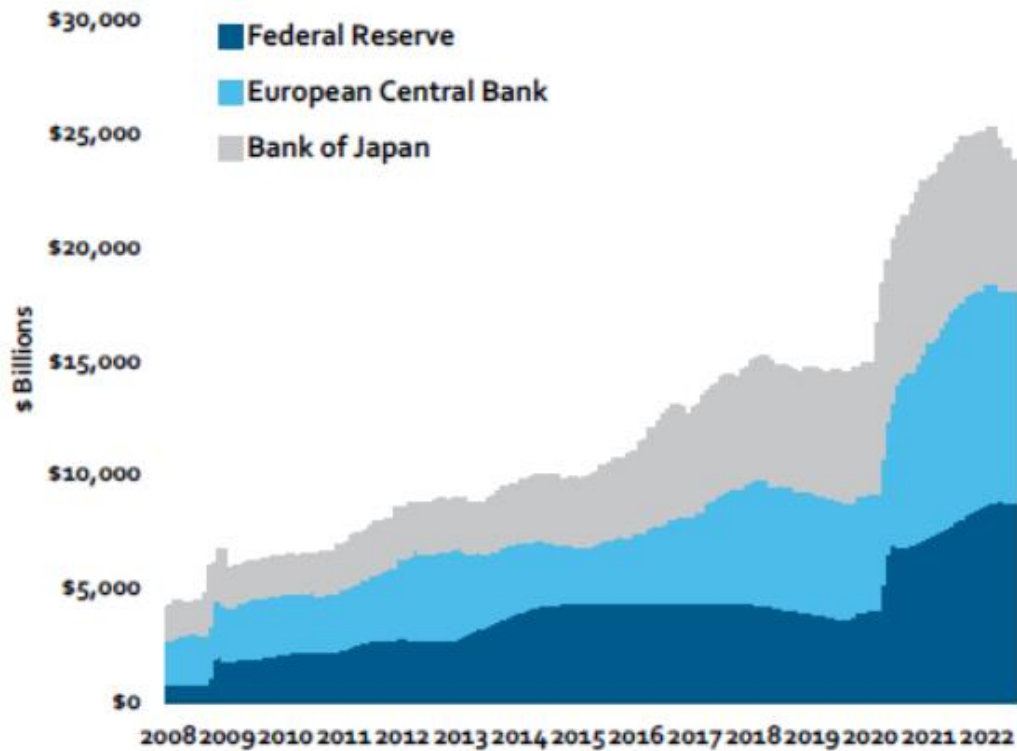
Sources: Bloomberg, Bureau of Labor Statistics, Callan. GDP reflective of 2Q22.

# Dramatic Expansion of Global Quantitative Easing

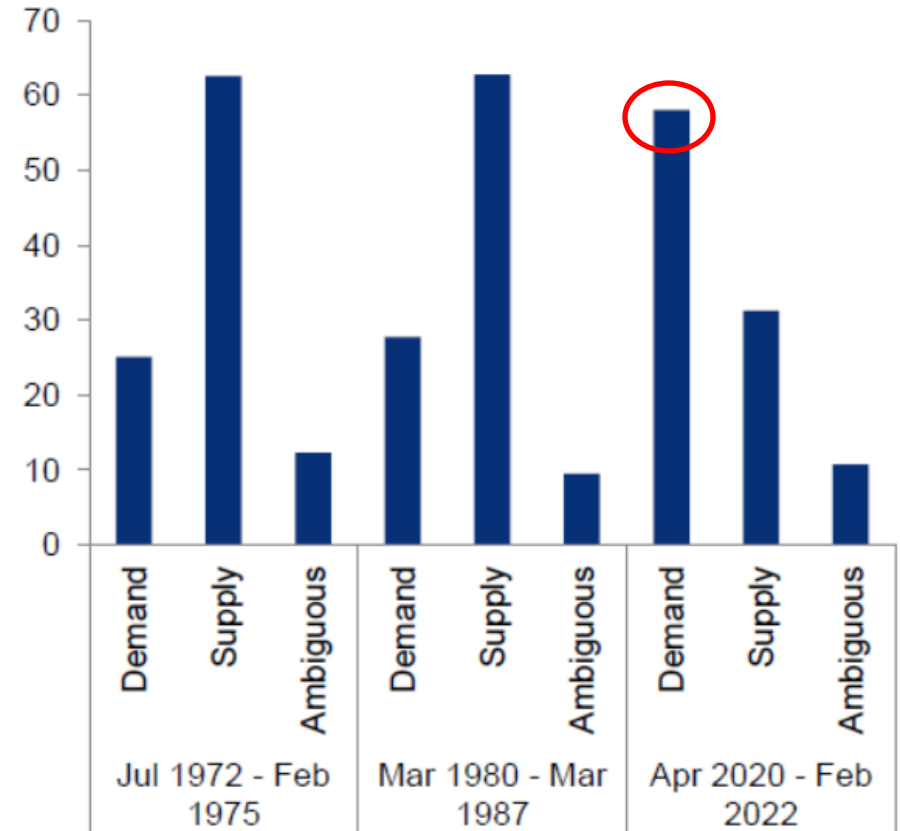
## GFC & Pandemic Effects

Size of Global Monetary Bases

As of June 30, 2022



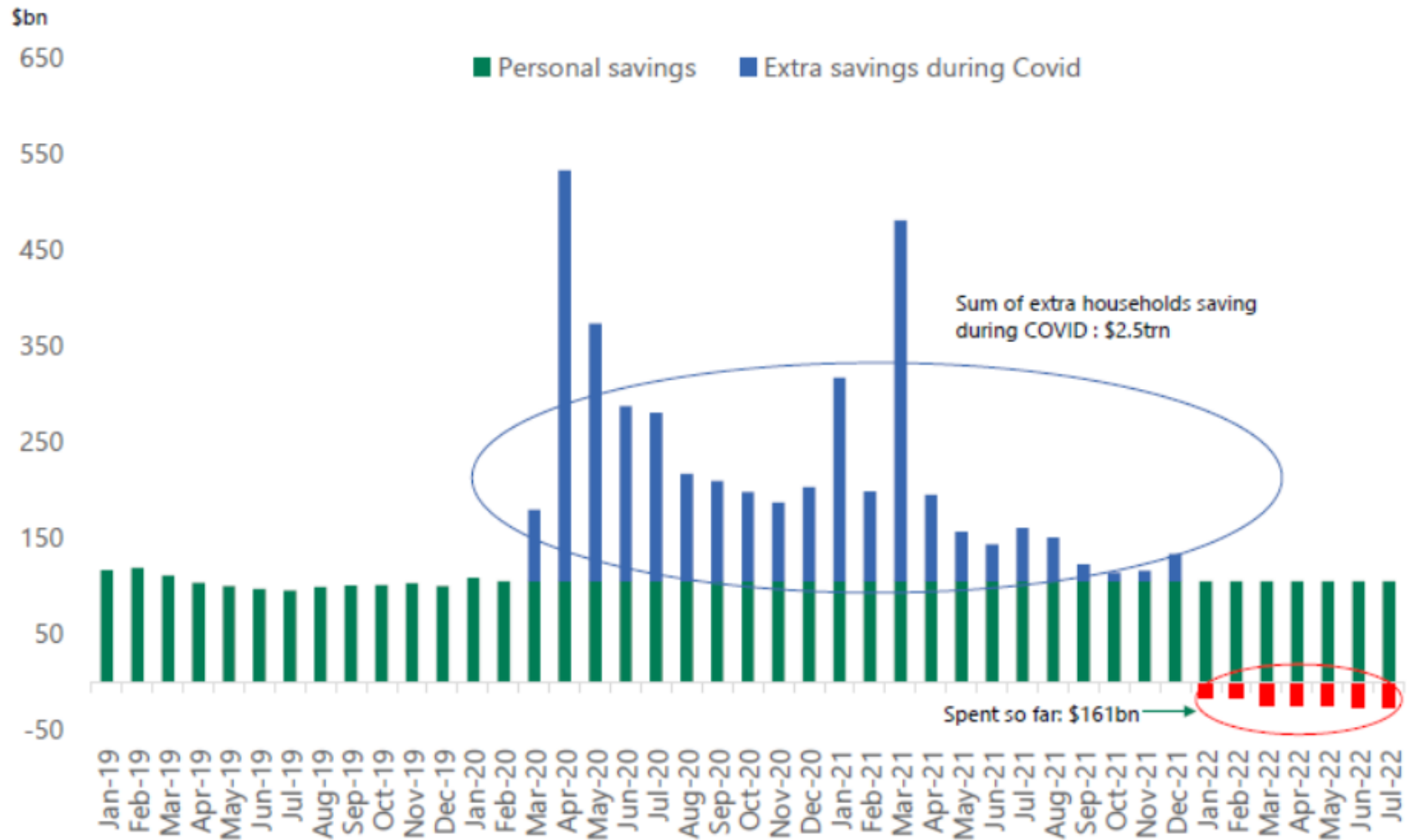
Share of Increase in Core CPI



- The wave of liquidity turbo-charged asset returns; so its withdrawal through higher rates and the wind-down of the US Treasuries bond portfolio should be expected to create headwinds
- The first headwind is demand driven inflation

Source: Morgan Stanley, Apollo

# Households Have \$2.3trn in Excess Dry Powder, Saved During the Pandemic

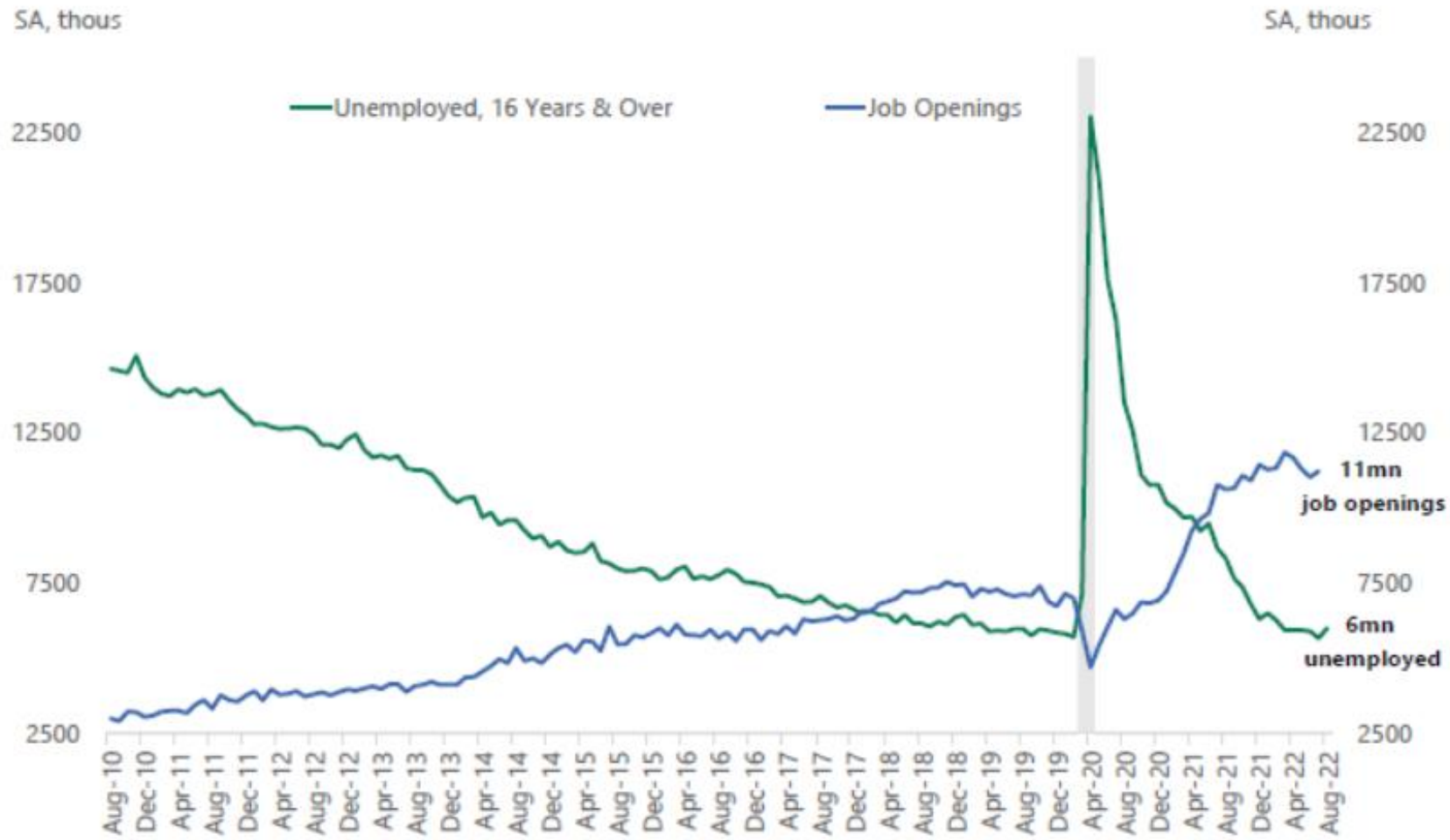


- 2/3 of GDP Growth is attributable to consumer spending in the U.S.
- Consumers have a lot more savings to spend

Source: Morgan Stanley, Apollo



## 11MM Job Openings and 6MM Unemployed

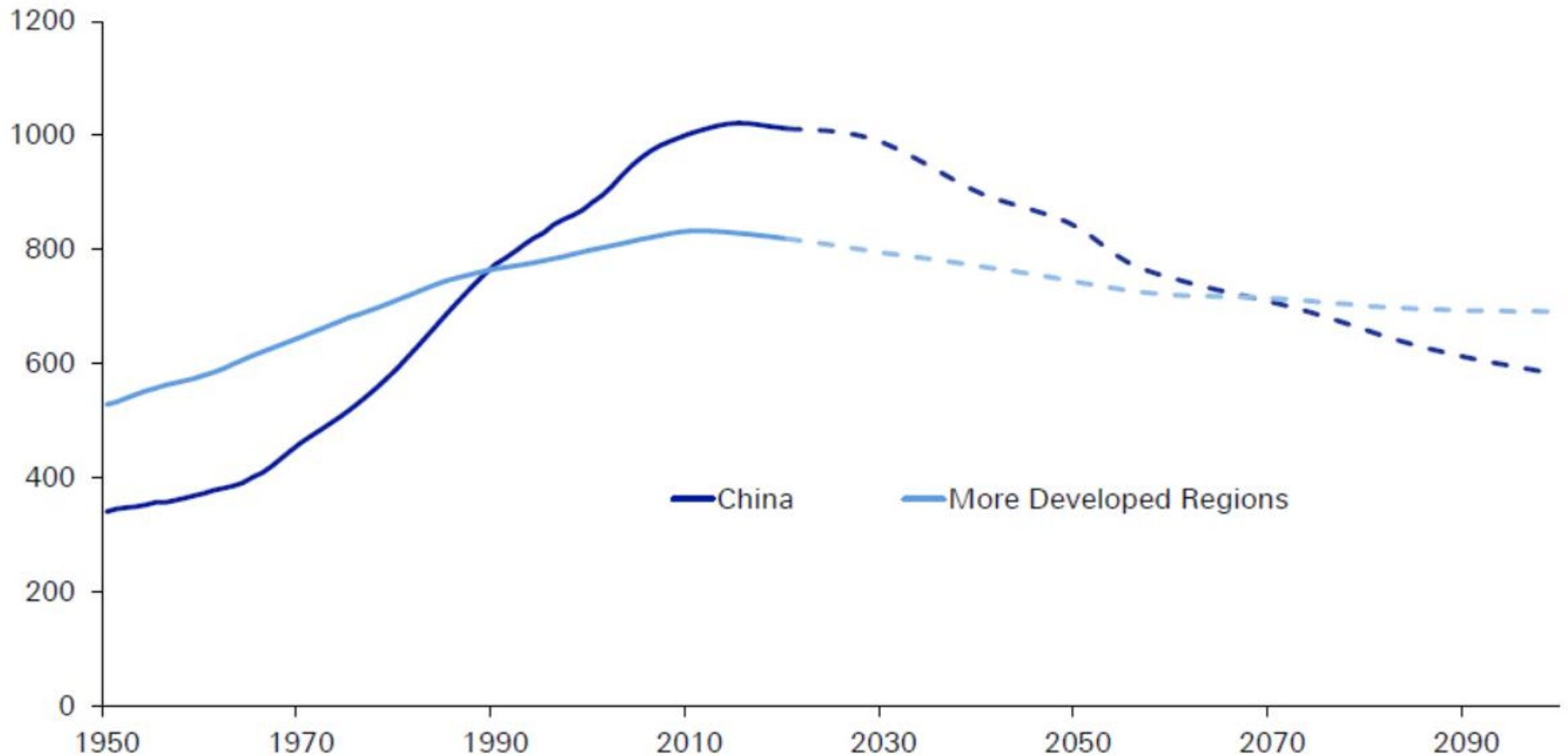


- The Fed's dual mandate is full employment and price stability
- Two job openings for every unemployed translates to upward pressure on wages & thus inflation

Source: Apollo

## Working Age Population

### Structural Inflation Driver



- Globalization helped goods and service providers access cheaper forms of labor driving down production costs
- With de-globalization between China and the West, import substitution drives up supply and labor costs
- Declining working age population puts upward pressure on wages that increases structural inflation
- The Fed's primary tools to combat inflation may not be as effective in the past

# Callan Periodic Table of Investment Returns

Cumulative Returns Ending March 31, 2022						Monthly Returns		
Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Apr 2022	May 2022	Jun 2022
Real Estate	Real Estate	Real Estate	Large Cap Equity	Large Cap Equity	Large Cap Equity	Real Estate	Real Estate	Real Estate
4.54%	28.31%	11.66%	11.31%	11.14%	12.96%	1.49%	1.49%	1.49%
U.S. Fixed Income	U.S. Fixed Income	Large Cap Equity	Real Estate	Real Estate	US Small-Mid	High Yield	Dev ex-U.S. Equity	U.S. Fixed Income
-4.69%	-10.29%	10.60%	9.55%	9.35%	10.49%	-3.56%	0.83%	-1.57%
High Yield	Large Cap Equity	US Small-Mid	US Small-Mid	US Small-Mid	Real Estate	U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity
-9.83%	-10.62%	5.91%	7.04%	7.16%	10.15%	-3.79%	0.64%	-6.64%
Emerging Market Equity	High Yield	Dev ex-U.S. Equity	Dev ex-U.S. Equity	High Yield	Dev ex-U.S. Equity	Emerging Market Equity	Emerging Market Equity	High Yield
-11.45%	-12.81%	1.70%	2.66%	3.48%	5.37%	-5.56%	0.44%	-6.73%
Dev ex-U.S. Equity	Dev ex-U.S. Equity	Emerging Market Equity	Emerging Market Equity	Dev ex-U.S. Equity	High Yield	Dev ex-U.S. Equity	US Small-Mid	Large Cap Equity
-14.66%	-16.76%	0.57%	2.18%	2.98%	4.47%	-6.57%	0.34%	-8.25%
Large Cap Equity	US Small-Mid	High Yield	High Yield	Emerging Market Equity	Emerging Market Equity	US Small-Mid	High Yield	Dev ex-U.S. Equity
-16.10%	-21.00%	0.21%	2.10%	2.79%	3.07%	-8.52%	0.25%	-9.41%
US Small-Mid	Emerging Market Equity	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	Large Cap Equity	Large Cap Equity	US Small-Mid
-16.98%	-25.28%	-0.93%	0.88%	1.42%	1.54%	-8.72%	0.18%	-9.55%

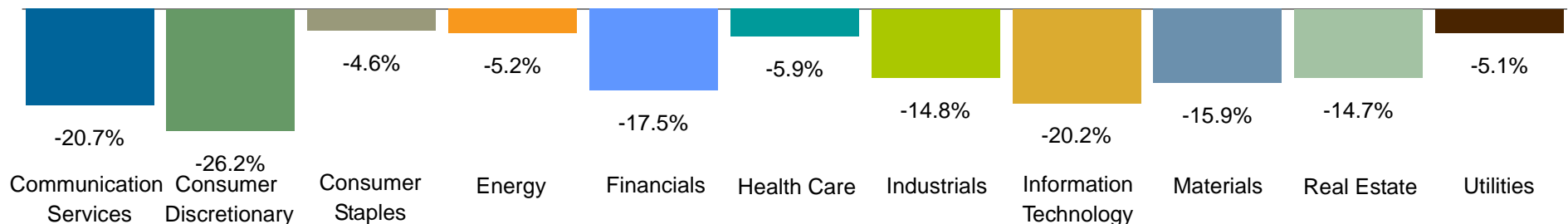
Sources: ● Bloomberg Barclays Aggregate ● Bloomberg Barclays Corp High Yield ● Bloomberg Barclays Global Aggregate ex US  
 ● NCREIF ODCE Val Wtd ● MSCI World ex USA ● MSCI Emerging Markets ● Russell 2500 ● S&P 500

# U.S. Equity Performance: 2Q22

## Worst first half since 1970

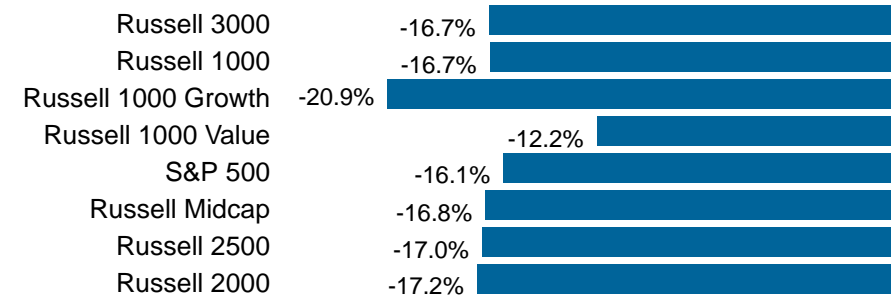
- The S&P 500 dropped by 16.1% in 2Q22; all major U.S. indices across styles and market cap ranges were negative in the quarter.
- All sectors posted negative returns over the quarter. Energy continues to be the best-performing sector, and it is the only sector that has posted positive returns YTD 2022.
- Large cap stocks nominally outpaced smaller cap stocks in the quarter. The performance spread between the Russell 1000 and the Russell 2000 Index was around 50 basis points.
- Value stocks have outperformed growth stocks across the market capitalization spectrum.
- Consumer Discretionary (-26%), Communication Services (-21%), and Information Technology (-20%) were the worst-performing sectors.
- Rising interest rates and inflation along with geopolitical headlines all contributed to a volatile and risk-averse environment.

### Industry Sector Quarterly Performance (S&P 500)

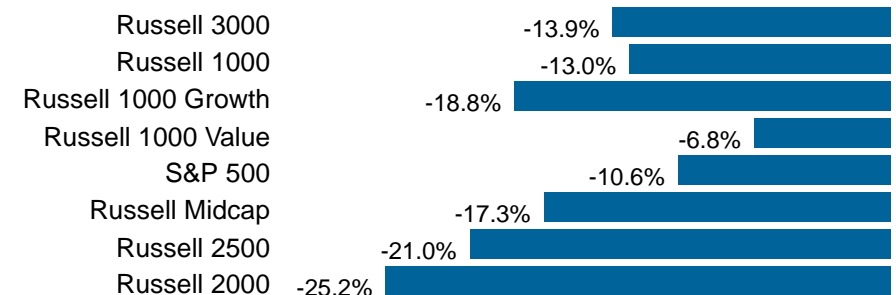


Sources: FTSE Russell, S&P Dow Jones Indices

### U.S. Equity: Quarterly Returns



### U.S. Equity: One-Year Returns



# Global/Global ex-U.S. Equity Performance: 2Q22

## Fears of recession

- The war in Ukraine pushed an already fragile supply chain, energy demand/supply imbalances, and inflationary environment into fears of a recession.
- Slowing global growth and recession risk became clearer toward quarter-end, leading investors toward higher-quality and lower-volatility areas of the market to offer protection.

## Wide divergence in country returns

- Optimism that the worst is behind China's COVID-19 lockdown buoyed the country to the only positive return in the quarter.
- Meanwhile Japan suffered from a weak yen, slowing growth, and continued supply chain disruptions.

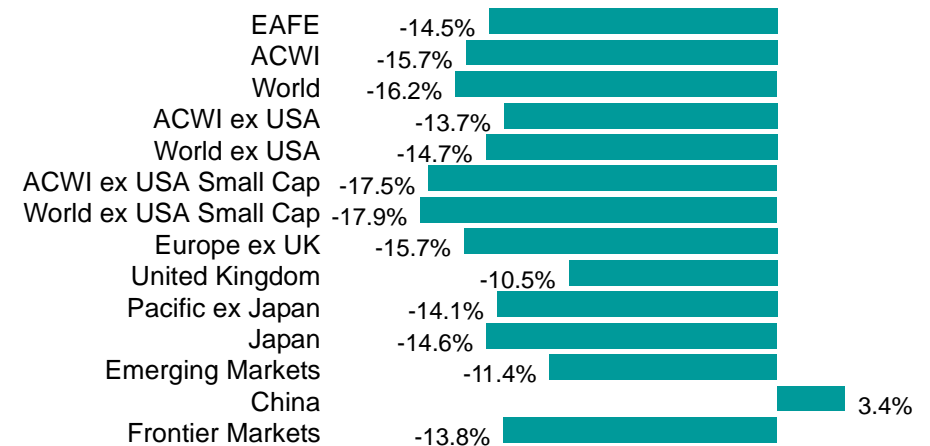
## Growth vs. value

- Value continues to outperform growth as most monetary policies focus on tightening.
  - *Energy was the only sector with positive year-to-date results.*
- Information Technology had the worst sector return as interest rate increases dampened long duration growth attractiveness.

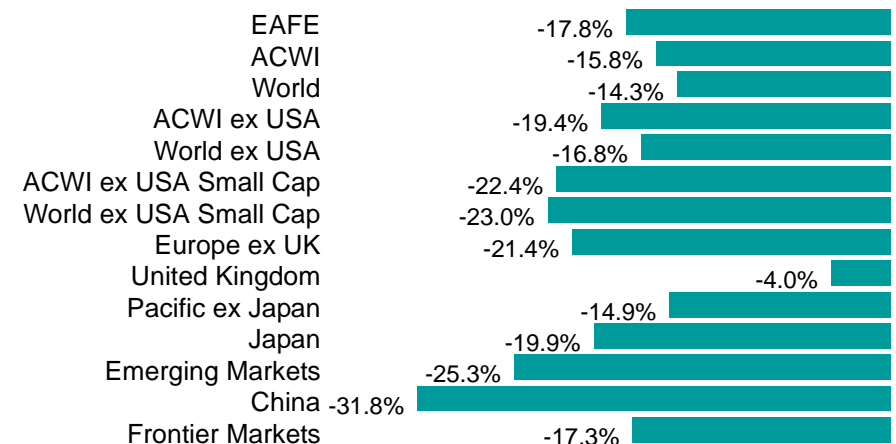
## U.S. dollar vs. other currencies

- The U.S. dollar strengthened further against other major currencies given its global dominance and perceived safety.

## Global Equity: Quarterly Returns



## Global Equity: One-Year Returns



Source: MSCI

# U.S. Fixed Income Performance: 2Q22

## Bonds hit hard as rates rose sharply (again)

- Worst six-month return for Bloomberg US Aggregate in history
- Yield curve flirted with inversion but 2-year/10-year yield spread was slightly positive at quarter-end.
- TIPS underperformed nominal Treasuries, and 10-year breakeven spreads fell to 2.33% from 2.84% at 3/31/22.
- Fed raised rates by 75 bps, the largest increase since 1994, with further hikes expected.
  - *Market pricing reflects Fed Funds rate of 3.4% at year-end.*

## Spread sectors underperformed

- Investment grade corporates underperformed like-duration U.S. Treasuries by 205 bps, RMBS by 98 bps.
- High yield underperformed as spreads widened; excess return vs. U.S. Treasuries was -792 bps.
  - *Hurt by equity market performance and worries over the impact of higher rates on the economy*
  - *Yield-to-worst 8.9%*
- Leveraged loans held up relatively well with lower-quality credits generally underperforming.

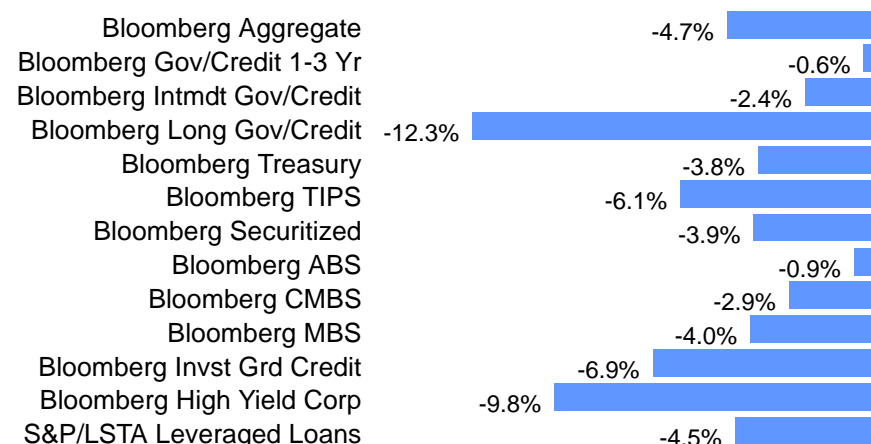
## Securitized sectors continue to hang in

- Agency RMBS spreads widened in response to increased rate volatility.

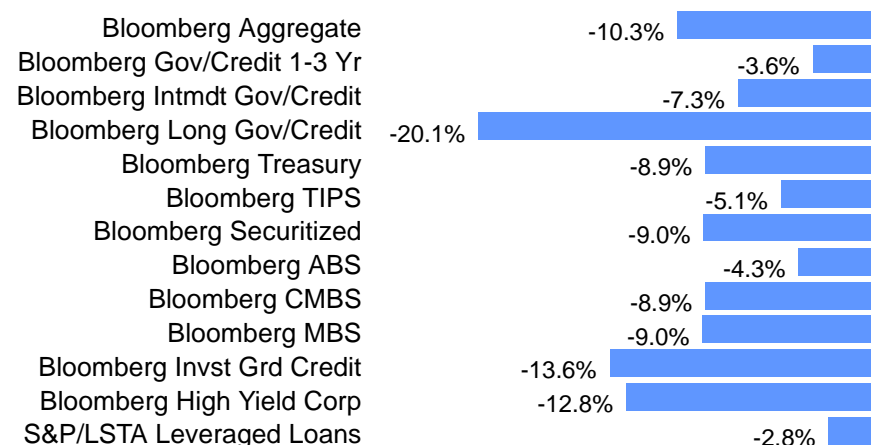
Source: Bloomberg Barclays Indices

ABS spreads tightened, led by credit cards.

## U.S. Fixed Income: Quarterly Returns



## U.S. Fixed Income: One-Year Returns





# U.S. Private Real Estate Performance: 2Q22

## Positive returns across sectors

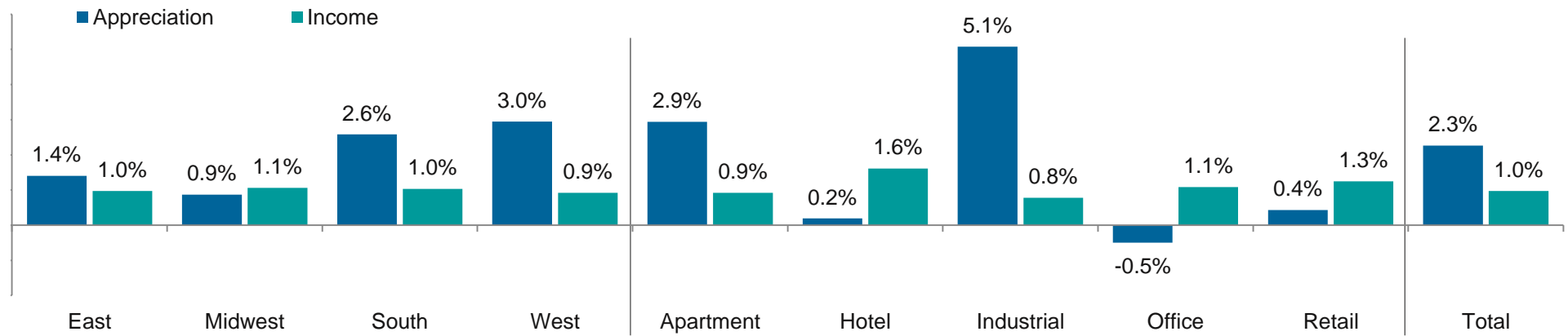
### Another strong quarter for real estate

- Income returns were positive across sectors.
- Valuations are reflective of strong fundamentals in Industrial and Apartment and continued uncertainty despite a modest recovery in Office and Retail.
- Return dispersion by manager within the ODCE Index was due to the composition of underlying portfolios, and increased borrowing costs are impacting values.
- Niche sectors such as self-storage and life sciences continued to be accretive.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
NCREIF ODCE	4.5%	28.3%	11.7%	9.6%	10.2%
Income	0.6%	2.9%	3.0%	3.1%	3.5%
Appreciation	3.9%	25.0%	8.4%	6.3%	6.5%
NCREIF Property Index	3.2%	21.5%	10.2%	8.9%	9.7%
Income	1.0%	4.1%	4.2%	4.4%	4.8%
Appreciation	2.3%	16.9%	5.8%	4.4%	4.7%

Returns are geometrically linked

### NCREIF Property Index Quarterly Returns by Region and Property Type



Source: NCREIF, ODCE return is net

Callan

---

## **NDSIB Total Performance Summary**

---

## Conclusions and observations

- 1. Are the Plans' assets invested as outlined in the Plan's Investment Policy Statement?**
  - Each of the Trust's asset allocation were within policy ranges as of June 30, 2022.
- 2. Are the Plans' cash flows being managed consistent with the Plan's strategic asset allocation policy?**
  - Each Trust's cash flows were managed to rebalance towards strategic targets as of June 30, 2022.
- 3. Are the Plans' investment results meeting strategic objectives?**
  - Total Fund returns for PERS, TFFR, WSI, and Legacy Funds have each exceeded their respective benchmarks on a net-of-fee basis for the trailing five-year period ended June 30, 2022. The Budget Stabilization Fund has dropped below benchmark by 2bps over the period.
- 4. Are the fees paid to managers reasonable given the competitive landscape and given the value delivered?**
  - In most cases, Total Fund net-of-fee results exceed benchmark.
- 5. Are any corrective steps necessary to bring the Plan back into compliance with long-term objectives?**
  - No action steps are recommended as the Plans are meeting objectives.

# NDSIB Consolidated Gross Performance Summary

As of June 30, 2022

	Last Quarter	Last Year	Last 5 Years
<b>Consolidated Pension Trust</b>	-8.09%	-6.27%	7.39%
<i>Consolidated Pension Trust Target</i>	-9.18%	-6.70%	6.83%
Relative Performance vs. Target	1.09%	0.43%	0.56%
<b>PERS Total Fund</b>	-8.24%	-6.41%	7.43%
<i>NDSIB PERS Total Fund Target</i>	-9.42%	-7.05%	6.74%
Relative Performance vs. Target	1.18%	0.64%	0.69%
<b>TFFR Total Fund</b>	-7.93%	-6.08%	7.40%
<i>NDSIB TFFR Total Fund Target</i>	-8.90%	-6.22%	6.99%
Relative Performance vs. Target	0.97%	0.14%	0.41%
<b>WSI Total Fund</b>	-6.35%	-8.85%	4.09%
<i>NDSIB WSI Total Fund Target</i>	-6.63%	-8.68%	3.38%
Relative Performance vs. Target	0.28%	-0.17%	0.71%
<b>Legacy - Total Fund</b>	-8.55%	-9.90%	5.57%
<i>NDSIB Legacy - Total Fund Target</i>	-9.67%	-10.45%	4.97%
Relative Performance vs. Target	1.12%	0.55%	0.60%
<b>Budget - Total Fund</b>	-1.66%	-5.40%	1.16%
<i>NDSIB Budget - Total Fund Target</i>	-0.63%	-3.51%	1.07%
Relative Performance vs. Target	-1.03%	-1.89%	0.09%

---

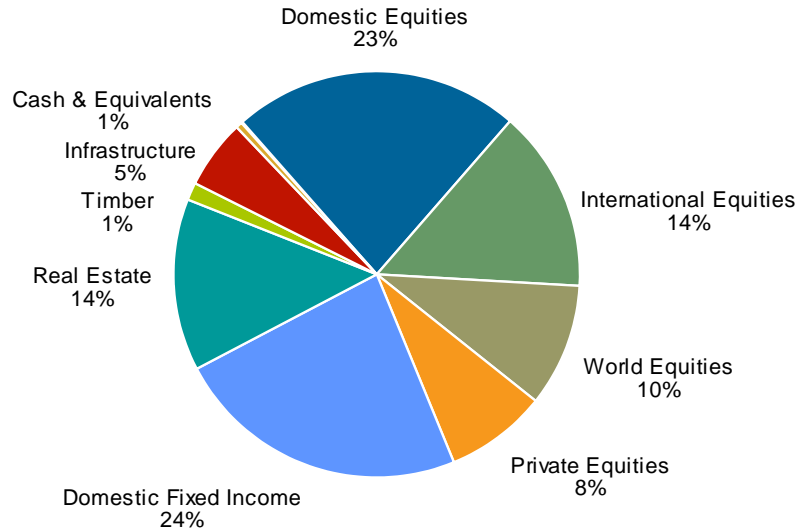
## **Consolidated Pension Trusts Quarterly Review**

- Public Employees Retirement System
- Teachers' Fund for Retirement

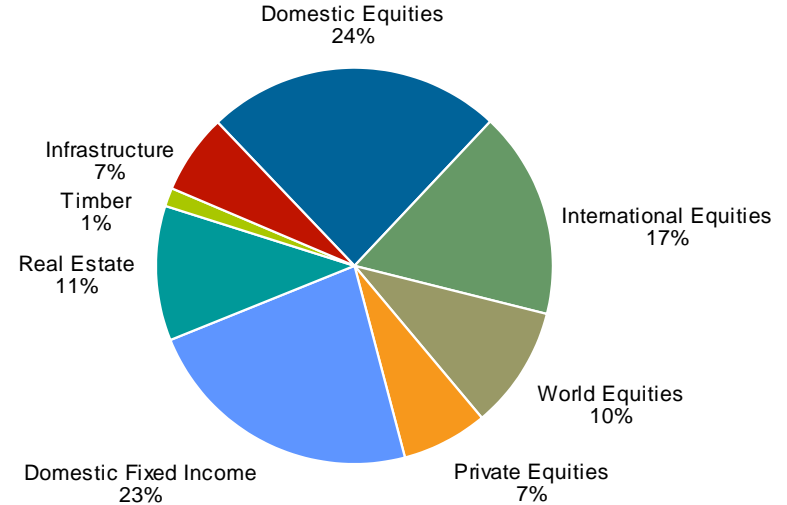
# PERS Allocation

As of June 30, 2022

**Actual Asset Allocation**



**Target Asset Allocation**



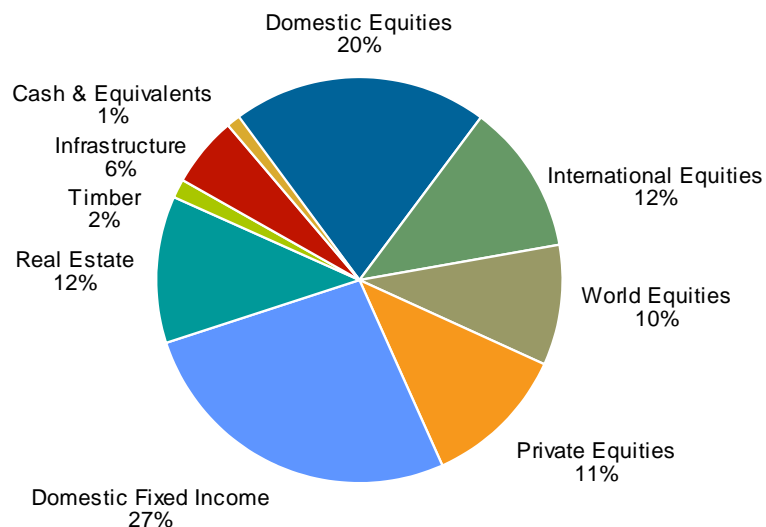
Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	847,751	22.9%	24.1%	(1.2%)	(44,539)
International Equities	535,542	14.5%	16.9%	(2.4%)	(89,056)
World Equities	364,349	9.8%	10.0%	(0.2%)	(5,626)
Private Equities	300,283	8.1%	7.0%	1.1%	41,300
Domestic Fixed Income	870,557	23.5%	23.0%	0.5%	19,616
Real Estate	507,289	13.7%	11.0%	2.7%	100,317
Timber	50,739	1.4%	1.4%	(0.0%)	0
Infrastructure	203,272	5.5%	6.6%	(1.1%)	(41,969)
Cash & Equivalents	19,964	0.5%	0.0%	0.5%	19,964
Total	3,699,747	100.0%	100.0%		



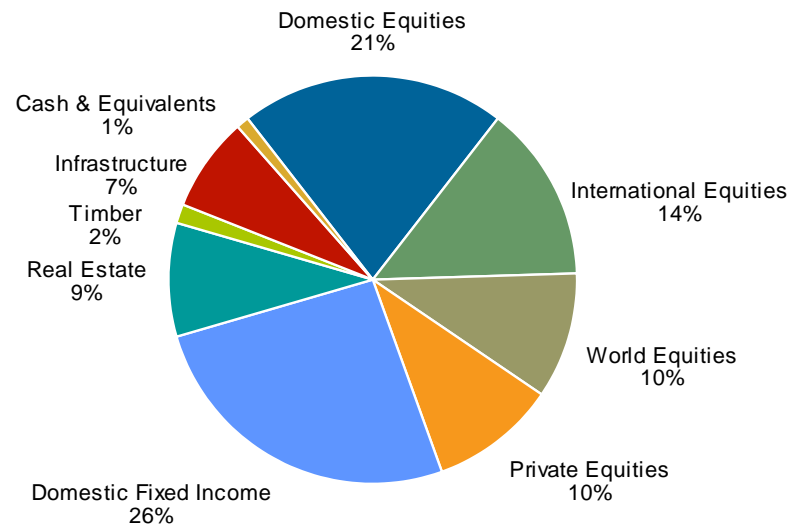
# TFFR Allocation

As of June 30, 2022

**Actual Asset Allocation**



**Target Asset Allocation**

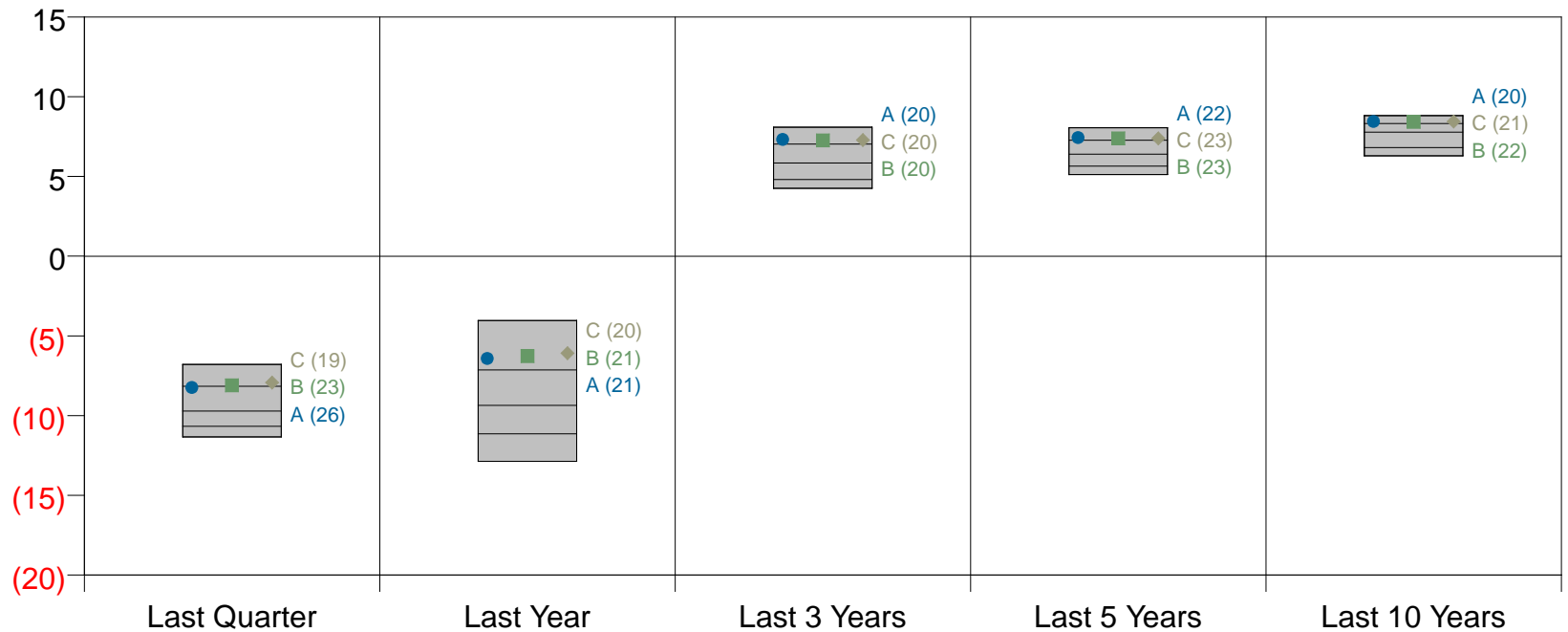


Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	732,258	22.6%	21.0%	1.6%	51,112
International Equities	421,844	13.0%	14.0%	(1.0%)	(32,253)
World Equities	329,999	10.2%	10.0%	0.2%	5,644
Private Equities	349,755	10.8%	10.0%	0.8%	25,400
Domestic Fixed Income	860,438	26.5%	26.0%	0.5%	17,115
Real Estate	321,158	9.9%	9.0%	0.9%	29,238
Timber	48,423	1.5%	1.5%	(0.0%)	(0)
Infrastructure	154,661	4.8%	7.5%	(2.7%)	(88,836)
Cash & Equivalents	25,015	0.8%	1.0%	(0.2%)	(7,420)
Total	3,243,552	100.0%	100.0%		

# Consolidated Pension Trust, PERS, and TFFR Performance Rankings

Returns for Periods Ended June 30, 2022

Group: Callan Public Fund Sponsor Database



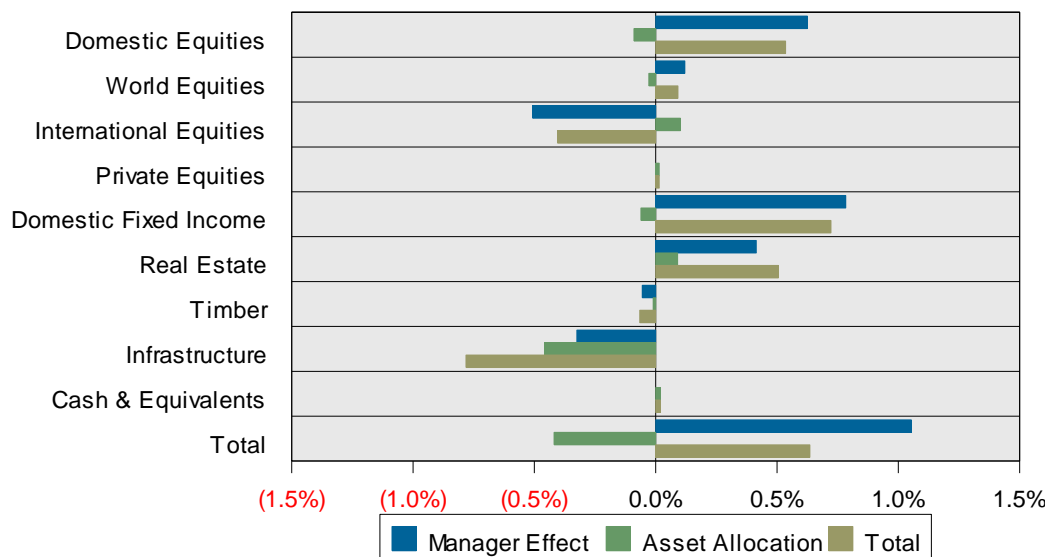
10th Percentile	(6.78)	(4.04)	8.09	8.06	8.82
25th Percentile	(8.15)	(7.13)	7.03	7.28	8.32
Median	(9.71)	(9.35)	5.85	6.40	7.79
75th Percentile	(10.66)	(11.14)	4.81	5.65	6.81
90th Percentile	(11.34)	(12.87)	4.26	5.13	6.29

NDPERS-Total Fund	● A	(8.24)	(6.41)	7.33	7.43	8.46
NDPEN-Total Fund	■ B	(8.09)	(6.27)	7.27	7.39	8.43
NDTFFR-Total Fund	◆ C	(7.93)	(6.08)	7.29	7.40	8.45

# PERS Performance and Attribution

As of June 30, 2022

## One Year Relative Attribution Effects



## Returns for 1 Year Ended 06/30/2022

Return Type	Return (%)
Gross	-6.41%
Net of fees	-6.66%
Target	-7.05%
Net added	0.39%

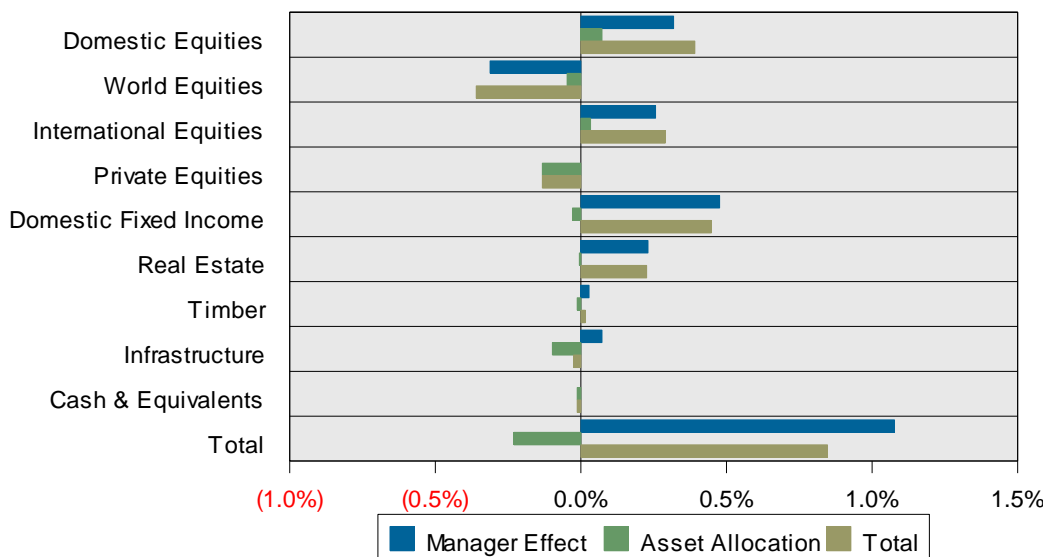
## One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	25%	24%	(13.32%)	(15.55%)	0.63%	(0.09%)	0.54%
World Equities	11%	10%	(12.91%)	(14.34%)	0.12%	(0.03%)	0.09%
International Equities	16%	17%	(21.79%)	(18.90%)	(0.51%)	0.10%	(0.40%)
Private Equities	7%	7%	11.73%	11.73%	0.00%	0.01%	0.01%
Domestic Fixed Income	24%	23%	(7.83%)	(11.03%)	0.78%	(0.06%)	0.72%
Real Estate	11%	11%	25.58%	21.45%	0.41%	0.09%	0.51%
Timber	1%	1%	7.37%	12.01%	(0.06%)	(0.01%)	(0.07%)
Infrastructure	4%	7%	8.50%	18.33%	(0.32%)	(0.46%)	(0.78%)
Cash & Equivalents	0%	0%	0.22%	0.22%	0.00%	0.02%	0.02%
<b>Total</b>			<b>(6.41%)</b>	<b>(7.05%)</b>	<b>1.05%</b>	<b>(0.42%)</b>	<b>0.64%</b>

# PERS Performance and Attribution

As of June 30, 2022

## Three Year Annualized Relative Attribution Effects



## Returns for 3 Years Ended 06/30/2022

Return Type	Return (%)
Gross	7.33%
Net of fees	7.07%
Target	6.48%
Net added	0.59%

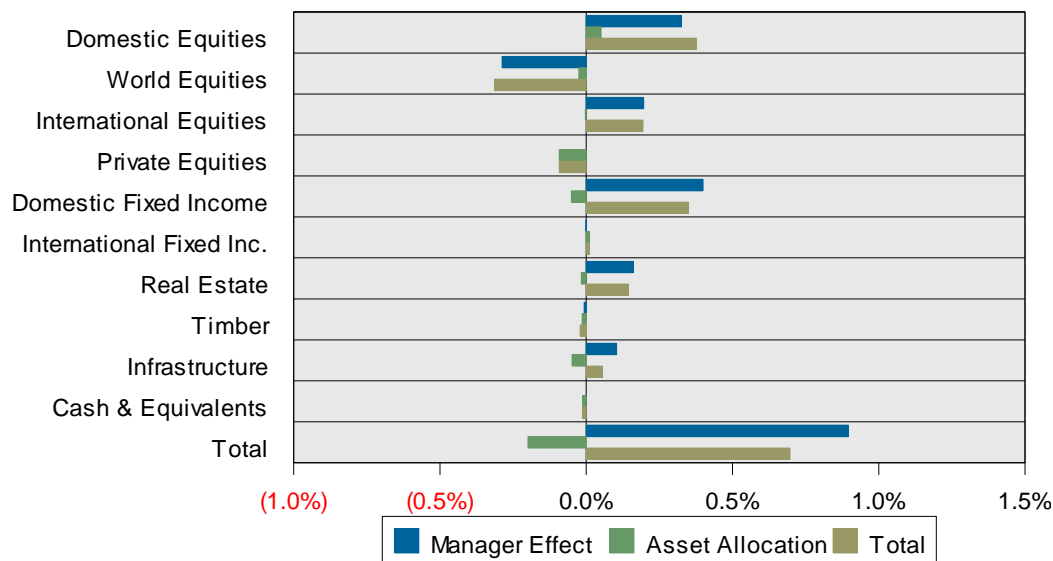
## Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	24%	22%	10.44%	8.97%	0.32%	0.07%	0.39%
World Equities	13%	13%	5.30%	7.00%	(0.31%)	(0.05%)	(0.36%)
International Equities	16%	16%	3.13%	1.49%	0.26%	0.03%	0.29%
Private Equities	5%	7%	19.66%	19.66%	0.00%	(0.13%)	(0.13%)
Domestic Fixed Income	23%	23%	1.36%	(0.51%)	0.48%	(0.03%)	0.45%
Real Estate	11%	11%	12.20%	10.22%	0.23%	(0.00%)	0.23%
Timber	2%	2%	6.17%	5.03%	0.03%	(0.01%)	0.02%
Infrastructure	5%	6%	9.35%	8.17%	0.07%	(0.10%)	(0.03%)
Cash & Equivalents	0%	0%	0.61%	0.61%	0.00%	(0.01%)	(0.01%)
<b>Total</b>			<b>7.33%</b>	<b>6.48%</b>	<b>1.08%</b>	<b>(0.23%)</b>	<b>0.85%</b>

# PERS Performance and Attribution

As of June 30, 2022

## Five Year Annualized Relative Attribution Effects



## Returns for 5 Years Ended 06/30/2022

Return Type	Return (%)
Gross	7.43%
Net of fees	7.18%
Target	6.74%
Net added	0.44%

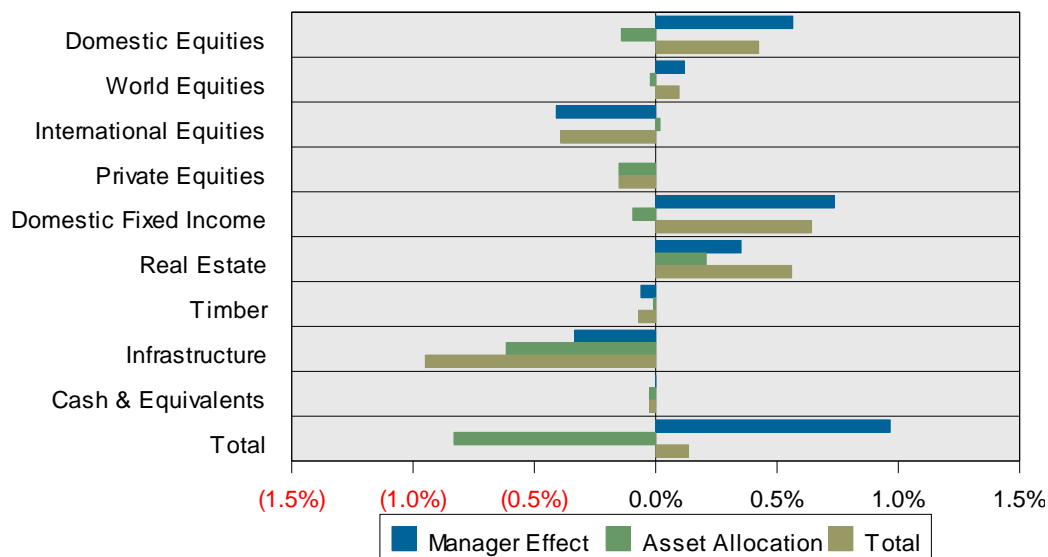
## Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	22%	11.26%	9.77%	0.33%	0.05%	0.38%
World Equities	15%	14%	6.01%	7.67%	(0.29)%	(0.03)%	(0.31)%
International Equities	16%	15%	3.81%	2.61%	0.20%	(0.00)%	0.19%
Private Equities	4%	7%	14.40%	14.40%	0.00%	(0.09)%	(0.09)%
Domestic Fixed Income	23%	22%	2.96%	1.29%	0.40%	(0.05)%	0.35%
International Fixed Inc.	1%	1%	-	-	(0.00)%	0.01%	0.01%
Real Estate	11%	11%	10.25%	8.86%	0.16%	(0.02)%	0.15%
Timber	2%	2%	3.96%	4.32%	(0.01)%	(0.01)%	(0.02)%
Infrastructure	5%	6%	8.29%	6.28%	0.10%	(0.05)%	0.06%
Cash & Equivalents	1%	0%	1.12%	1.12%	0.00%	(0.01)%	(0.01)%
<b>Total</b>			<b>7.43%</b>	<b>6.74%</b>	<b>+ 0.90%</b>	<b>+ (0.20)%</b>	<b>0.70%</b>

# TFFR Performance and Attribution

As of June 30, 2022

## One Year Relative Attribution Effects



## Returns for 1 Year Ended 06/30/2022

Return Type	Return (%)
Gross	-6.08%
Net of fees	-6.31%
Target	-6.22%
Net added	-0.09%

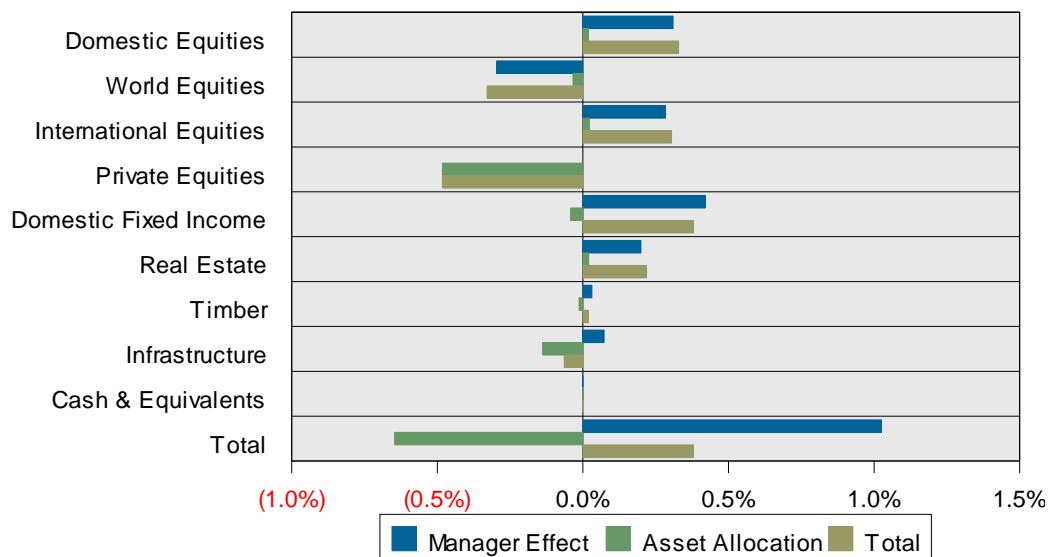
## One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	21%	(13.34%)	(15.55%)	0.57%	(0.14%)	0.42%
World Equities	10%	10%	(12.90%)	(14.34%)	0.12%	(0.02%)	0.10%
International Equities	14%	14%	(21.62%)	(18.90%)	(0.41%)	0.02%	(0.39%)
Private Equities	9%	10%	11.73%	11.73%	0.00%	(0.15%)	(0.15%)
Domestic Fixed Income	27%	26%	(8.41%)	(11.04%)	0.74%	(0.09%)	0.64%
Real Estate	10%	9%	25.58%	21.45%	0.35%	0.21%	0.56%
Timber	2%	2%	7.37%	12.01%	(0.06%)	(0.01%)	(0.07%)
Infrastructure	5%	7%	8.50%	18.33%	(0.33%)	(0.62%)	(0.95%)
Cash & Equivalents	1%	1%	0.22%	0.17%	0.00%	(0.03%)	(0.02%)
<b>Total</b>			<b>(6.08%)</b>	<b>(6.22%)</b>	<b>+ 0.97%</b>	<b>+ (0.83%)</b>	<b>0.14%</b>

# TFFR Performance and Attribution

As of June 30, 2022

## Three Year Annualized Relative Attribution Effects



## Returns for 3 Years Ended 06/30/2022

Return Type	Return (%)
Gross	7.29%
Net of fees	7.04%
Target	6.91%
Net added	0.13%

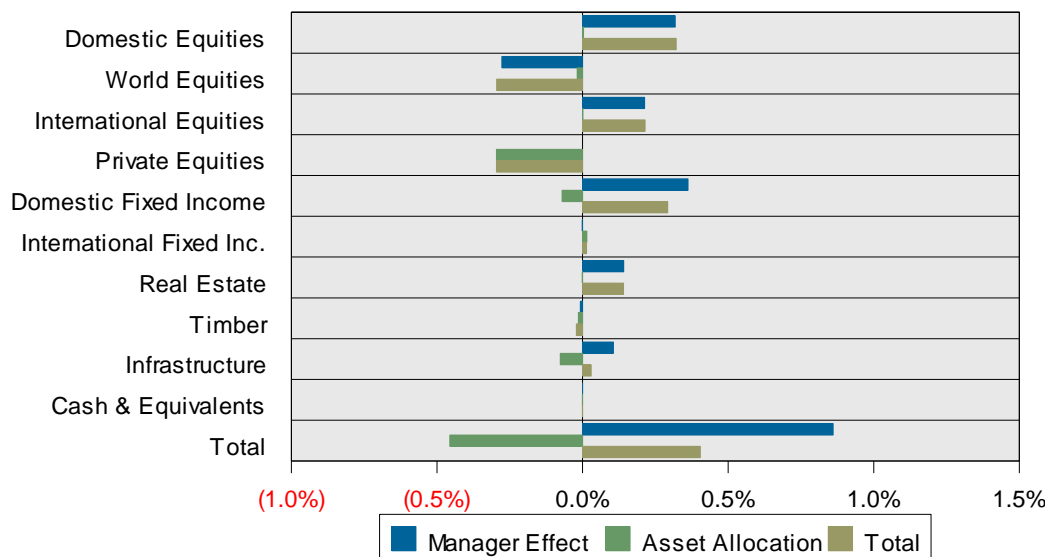
## Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	21%	10.47%	8.99%	0.31%	0.02%	0.33%
World Equities	13%	13%	5.30%	7.00%	(0.30%)	(0.03%)	(0.33%)
International Equities	15%	14%	3.05%	1.37%	0.28%	0.02%	0.30%
Private Equities	6%	8%	19.66%	19.66%	0.00%	(0.48%)	(0.48%)
Domestic Fixed Income	25%	25%	0.97%	(0.50%)	0.42%	(0.04%)	0.38%
Real Estate	10%	9%	12.20%	10.22%	0.20%	0.02%	0.22%
Timber	2%	2%	6.17%	5.03%	0.03%	(0.01%)	0.02%
Infrastructure	5%	7%	9.35%	8.17%	0.07%	(0.14%)	(0.06%)
Cash & Equivalents	1%	1%	0.61%	0.63%	(0.00%)	0.00%	0.00%
<b>Total</b>			<b>7.29%</b>	<b>6.91%</b>	<b>+ 1.03%</b>	<b>+ (0.65%)</b>	<b>0.38%</b>

# TFFR Performance and Attribution

As of June 30, 2022

## Five Year Annualized Relative Attribution Effects



## Returns for 5 Years Ended 06/30/2022

Return Type	Return (%)
Gross	7.40%
Net of fees	7.15%
Target	6.99%
Net added	0.16%

## Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	21%	11.28%	9.80%	0.32%	0.00%	0.32%
World Equities	15%	14%	6.02%	7.67%	(0.28%)	(0.02%)	(0.29%)
International Equities	15%	14%	3.75%	2.52%	0.21%	0.00%	0.21%
Private Equities	5%	7%	14.40%	14.40%	0.00%	(0.30%)	(0.30%)
Domestic Fixed Income	24%	23%	2.69%	1.27%	0.36%	(0.07%)	0.29%
International Fixed Inc.	1%	1%	-	-	(0.00%)	0.01%	0.01%
Real Estate	10%	10%	10.25%	8.86%	0.14%	(0.00%)	0.14%
Timber	2%	2%	3.96%	4.32%	(0.01%)	(0.01%)	(0.02%)
Infrastructure	5%	6%	8.29%	6.28%	0.11%	(0.08%)	0.03%
Cash & Equivalents	1%	1%	1.12%	1.11%	0.00%	(0.00%)	(0.00%)
<b>Total</b>			<b>7.40%</b>	<b>6.99%</b>	<b>0.86%</b>	<b>(0.46%)</b>	<b>0.40%</b>



---

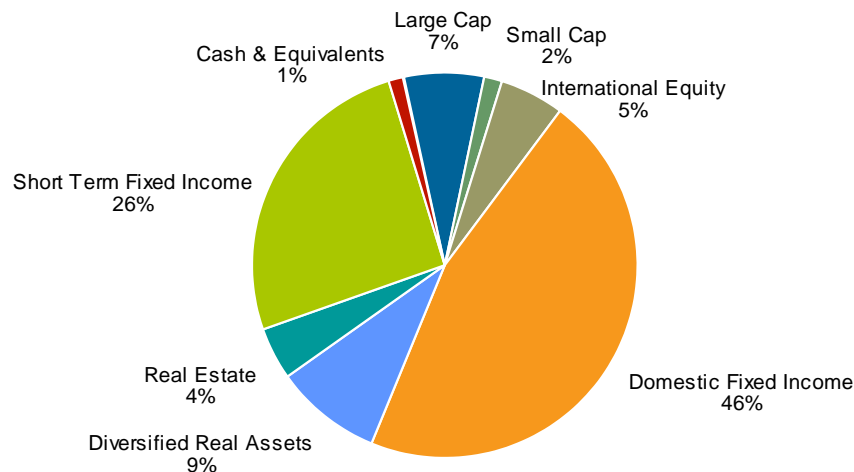
## **Consolidated Insurance Trust Quarterly Review**

- Workforce Safety and Insurance Legacy Fund
- Budget Stabilization Fund

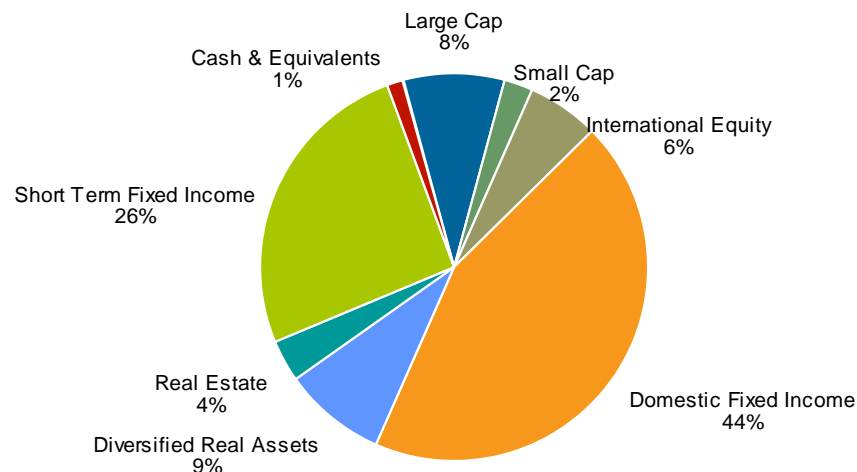
# Consolidated Insurance Trust Allocation

As of June 30, 2022

**Actual Asset Allocation**



**Target Asset Allocation**

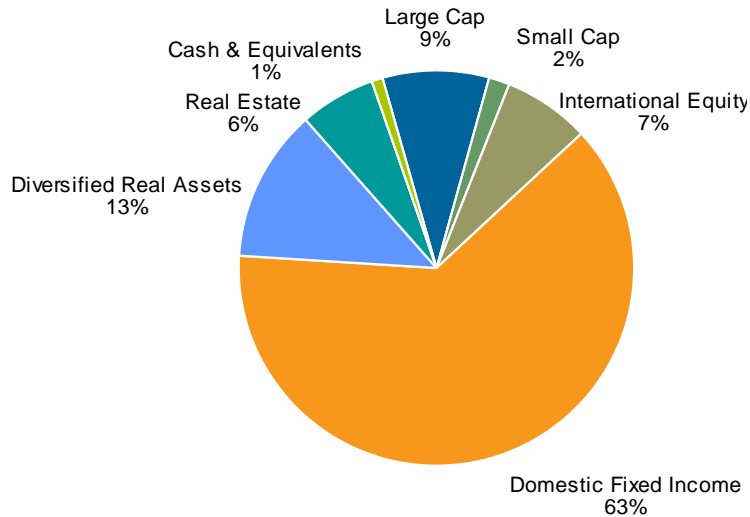


Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	195,775	6.7%	8.4%	(1.7%)	(48,091)
Small Cap	43,606	1.5%	2.4%	(0.9%)	(25,598)
International Equity	156,469	5.4%	6.0%	(0.6%)	(17,828)
Domestic Fixed Income	1,337,042	46.0%	44.0%	2.0%	58,546
Diversified Real Assets	261,619	9.0%	8.6%	0.4%	10,930
Real Estate	127,500	4.4%	3.5%	0.8%	24,520
Short Term Fixed Income	747,229	25.7%	25.7%	0.0%	0
Cash & Equivalents	34,977	1.2%	1.3%	(0.1%)	(2,478)
Total	2,904,217	100.0%	100.0%		

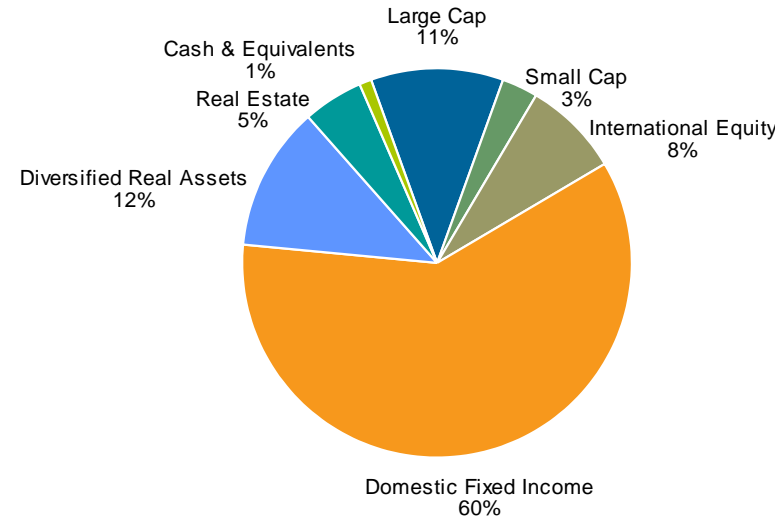
# WSI Allocation

As of June 30, 2022

**Actual Asset Allocation**



**Target Asset Allocation**

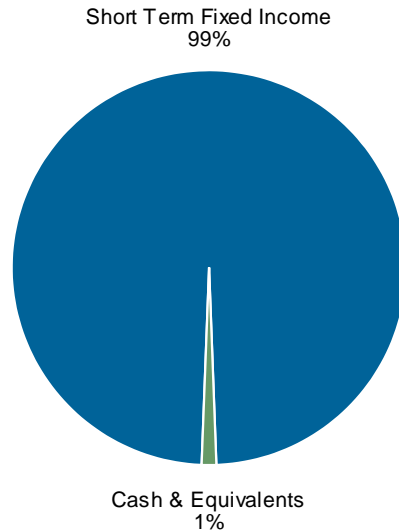


Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	178,043	8.7%	11.0%	(2.3%)	(48,047)
Small Cap	35,935	1.7%	3.0%	(1.3%)	(25,726)
International Equity	146,575	7.1%	8.0%	(0.9%)	(17,854)
Domestic Fixed Income	1,291,932	62.9%	60.0%	2.9%	58,713
Diversified Real Assets	257,559	12.5%	12.0%	0.5%	10,915
Real Estate	127,277	6.2%	5.0%	1.2%	24,508
Cash & Equivalents	18,044	0.9%	1.0%	(0.1%)	(2,509)
Total	2,055,364	100.0%	100.0%		

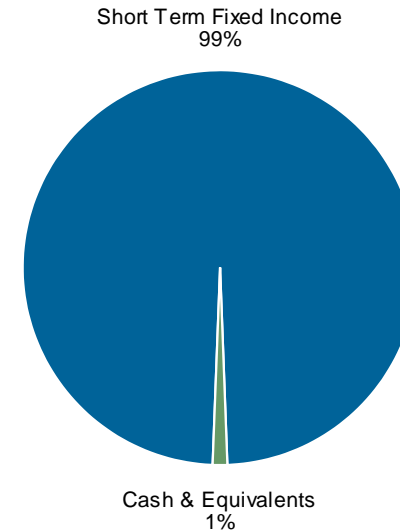
# Budget Stabilization Fund Allocation

As of June 30, 2022

**Actual Asset Allocation**



**Target Asset Allocation**

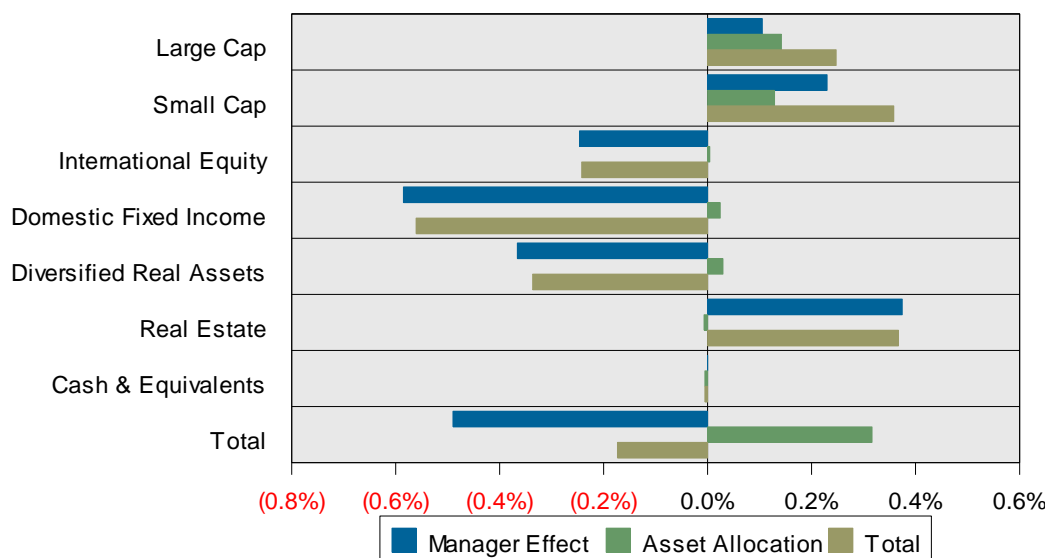


Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Short Term Fixed Income	712,199	99.2%	99.4%	(0.2%)	(1,096)
Cash & Equivalents	5,474	0.8%	0.6%	0.2%	1,096
Total	717,673	100.0%	100.0%		

# WSI Performance and Attribution

As of June 30, 2022

## One Year Relative Attribution Effects



## Returns for 1 Year Ended 06/30/2022

Return Type	Return (%)
Gross	-8.85%
Net of fees	-9.04%
Target	-8.68%
Net added	-0.36%

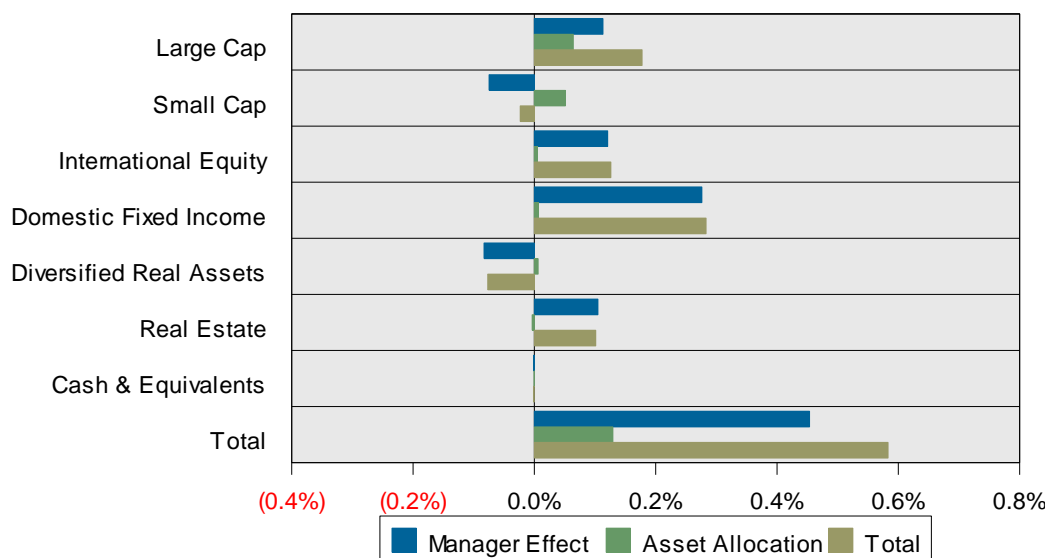
## One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	11%	11%	(11.96%)	(13.04%)	0.11%	0.14%	0.25%
Small Cap	3%	3%	(16.82%)	(25.20%)	0.23%	0.13%	0.36%
International Equity	8%	8%	(19.62%)	(16.76%)	(0.25%)	0.00%	(0.24%)
Domestic Fixed Income	61%	60%	(11.20%)	(10.29%)	(0.59%)	0.02%	(0.56%)
Diversified Real Assets	12%	12%	(2.24%)	0.97%	(0.37%)	0.03%	(0.34%)
Real Estate	5%	5%	29.83%	21.45%	0.37%	(0.01%)	0.37%
Cash & Equivalents	1%	1%	0.16%	0.17%	0.00%	(0.01%)	(0.01%)
<b>Total</b>			<b>(8.85%)</b>	<b>(8.68%)</b>	<b>+ (0.49%)</b>	<b>+ 0.32%</b>	<b>(0.17%)</b>

# WSI Performance and Attribution

As of June 30, 2022

## Three Year Annualized Relative Attribution Effects



## Returns for 3 Years Ended 06/30/2022

Return Type	Return (%)
Gross	2.65%
Net of fees	2.46%
Target	2.06%
Net added	0.40%

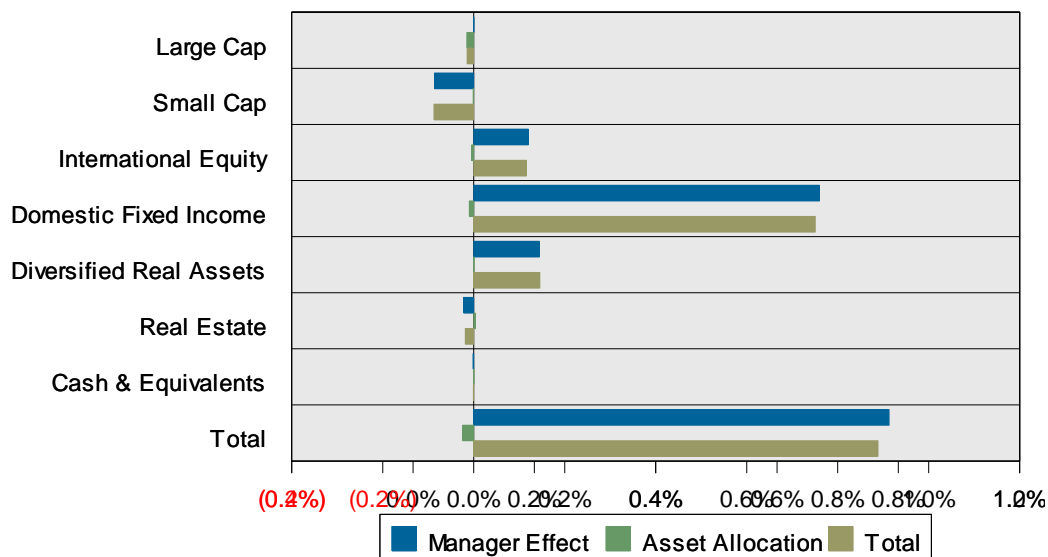
## Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	11%	11%	11.21%	10.17%	0.11%	0.06%	0.18%
Small Cap	3%	3%	2.95%	4.21%	(0.07%)	0.05%	(0.02%)
International Equity	8%	8%	3.09%	1.70%	0.12%	0.01%	0.13%
Domestic Fixed Income	61%	60%	(0.39%)	(0.93%)	0.28%	0.01%	0.28%
Diversified Real Assets	12%	12%	3.31%	3.96%	(0.08%)	0.01%	(0.08%)
Real Estate	5%	5%	11.86%	10.22%	0.10%	(0.00%)	0.10%
Cash & Equivalents	1%	1%	0.52%	0.63%	(0.00%)	(0.00%)	(0.00%)
<b>Total</b>			<b>2.65%</b>	<b>2.06%</b>	<b>+ 0.45%</b>	<b>+ 0.13%</b>	<b>0.58%</b>

# WSI Performance and Attribution

As of June 30, 2022

## Five Year Annualized Relative Attribution Effects



## Returns for 5 Years Ended 06/30/2022

Return Type	Return (%)
Gross	4.09%
Net of fees	3.90%
Target	3.38%
Net added	0.52%

## Five Year Annualized Relative Attribution Effects

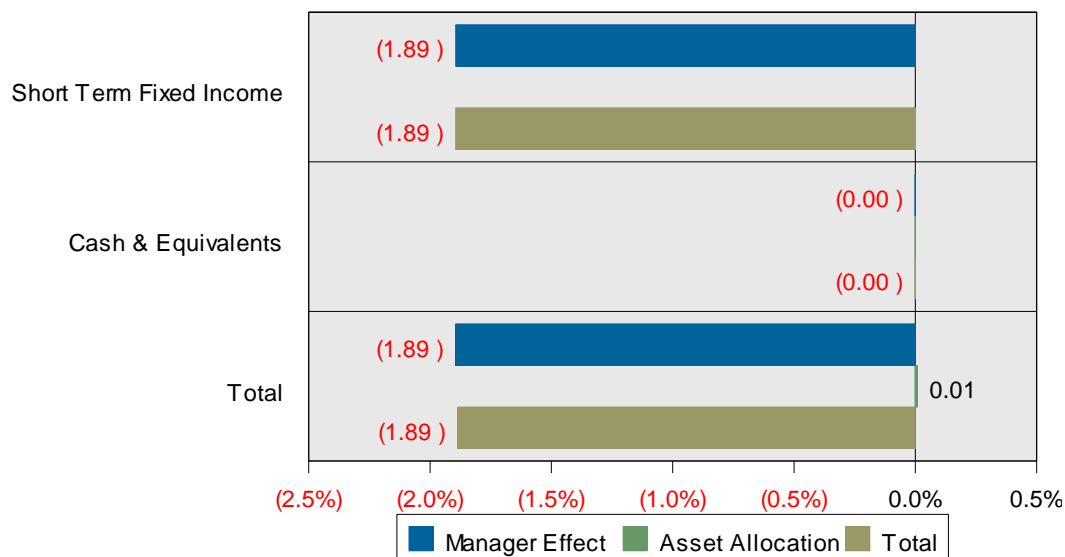
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	11%	11%	11.24%	11.00%	0.03%	0.02%	0.05%
Small Cap	3%	3%	3.96%	5.17%	(0.06%)	0.03%	(0.03%)
International Equity	8%	8%	3.43%	2.66%	0.08%	(0.00%)	0.08%
Domestic Fixed Income	59%	58%	1.76%	0.88%	0.47%	(0.00%)	0.47%
Diversified Real Assets	13%	13%	4.34%	3.99%	0.05%	0.00%	0.05%
Real Estate	5%	5%	9.81%	8.86%	0.06%	0.01%	0.08%
Cash & Equivalents	1%	1%	0.99%	1.11%	(0.00%)	0.00%	0.00%

**Total** **4.09% = 3.38% + 0.64% + 0.07%** **0.71%**

# Budget Stabilization Fund Performance and Attribution

As of June 30, 2022

## One Year Relative Attribution Effects



## Returns for 1 Year Ended 06/30/2022

Return Type	Return (%)
Gross	-5.40%
Net of fees	-5.51%
Target	-3.51%
Net added	-2.00%

## One Year Relative Attribution Effects

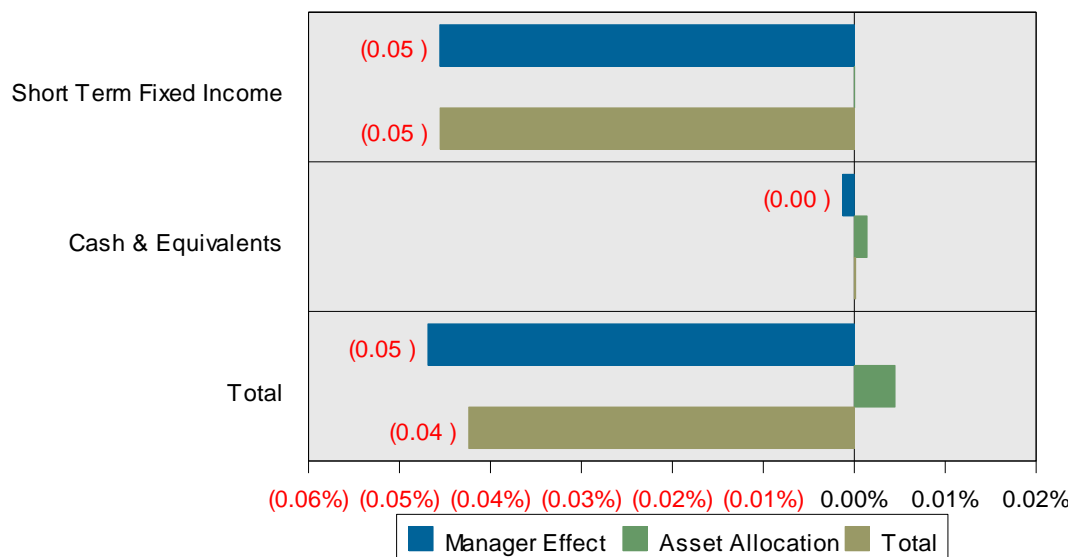
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return			
Short Term Fixed Income	99%	99%	(5.48%)	(3.56%)	(1.89%)	0.00%	(1.89%)			
Cash & Equivalents	1%	1%	0.16%	0.17%	(0.00%)	0.00%	(0.00%)			
Total			(5.40%)	=	(3.51%)	+	(1.89%)	+	0.01%	(1.89%)



# Budget Stabilization Fund Performance and Attribution

As of June 30, 2022

## Three Year Annualized Relative Attribution Effects



## Returns for 3 Years Ended 06/30/2022

Return Type	Return (%)
Gross	0.27%
Net of fees	0.17%
Target	0.32%
Net added	-0.15%

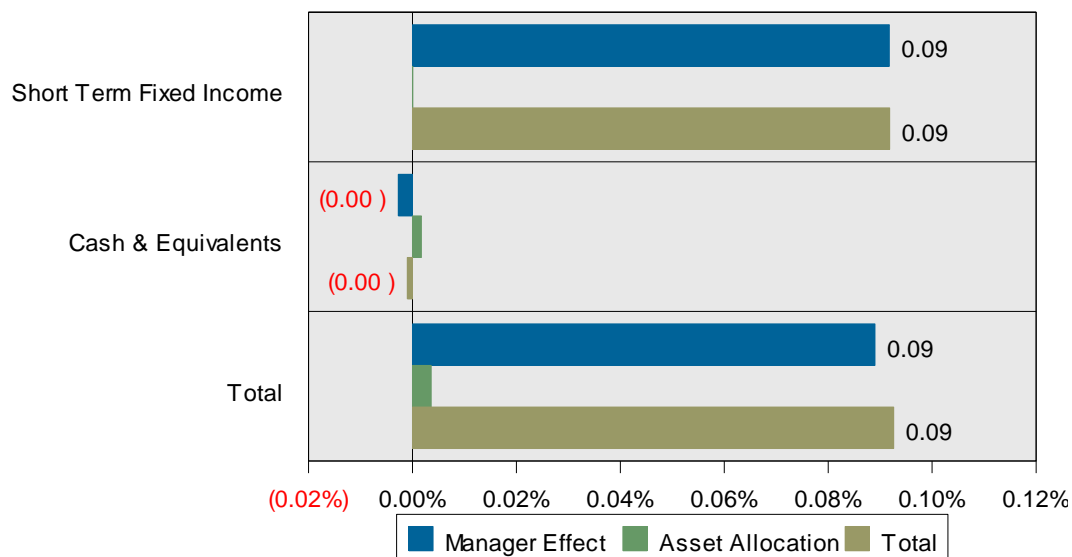
## Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return			
Short Term Fixed Income	99%	99%	0.26%	0.31%	(0.05%)	0.00%	(0.05%)			
Cash & Equivalents	1%	1%	0.53%	0.63%	(0.00%)	0.00%	0.00%			
Total			0.27%	=	0.32%	+	(0.05%)	+	0.00%	(0.04%)

# Budget Stabilization Fund Performance and Attribution

As of June 30, 2022

## Five Year Annualized Relative Attribution Effects



## Returns for 5 Years Ended 06/30/2022

Return Type	Return (%)
Gross	1.16%
Net of fees	1.05%
Target	1.07%
Net added	-0.02%

## Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Short Term Fixed Income	98%	98%	1.16%	1.07%	0.09%	0.00%	0.09%
Cash & Equivalents	2%	2%	0.99%	1.11%	(0.00)%	0.00%	(0.00)%
<b>Total</b>			<b>1.16%</b>	<b>1.07%</b>	<b>+ 0.09%</b>	<b>+ 0.00%</b>	<b>0.09%</b>

Callan

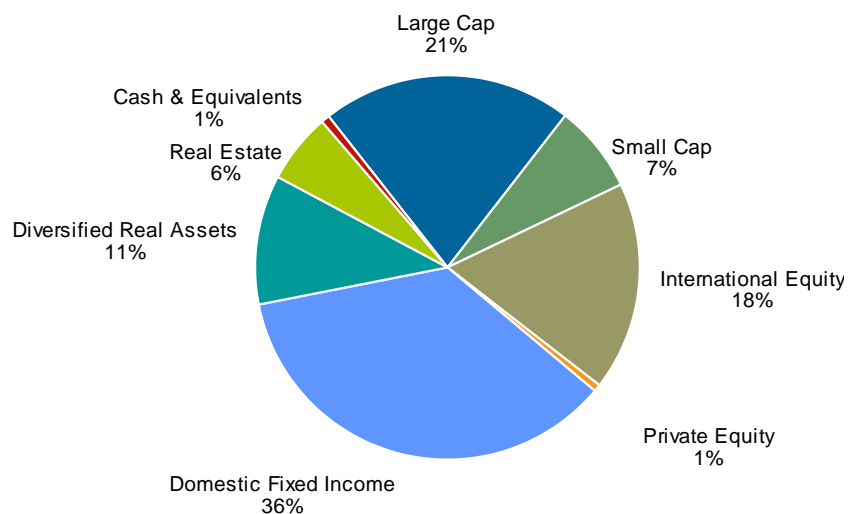
---

## Legacy Fund Quarterly Review

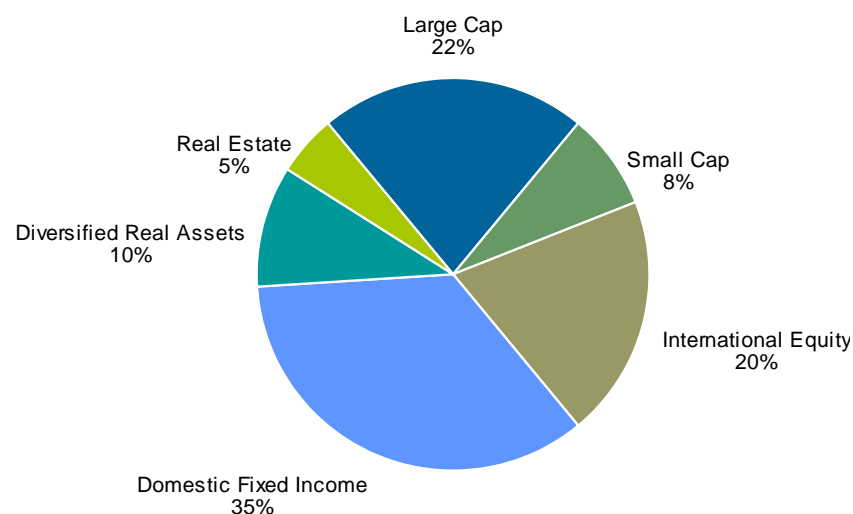
# Legacy Fund Allocation

As of June 30, 2022

**Actual Asset Allocation**



**Target Asset Allocation**

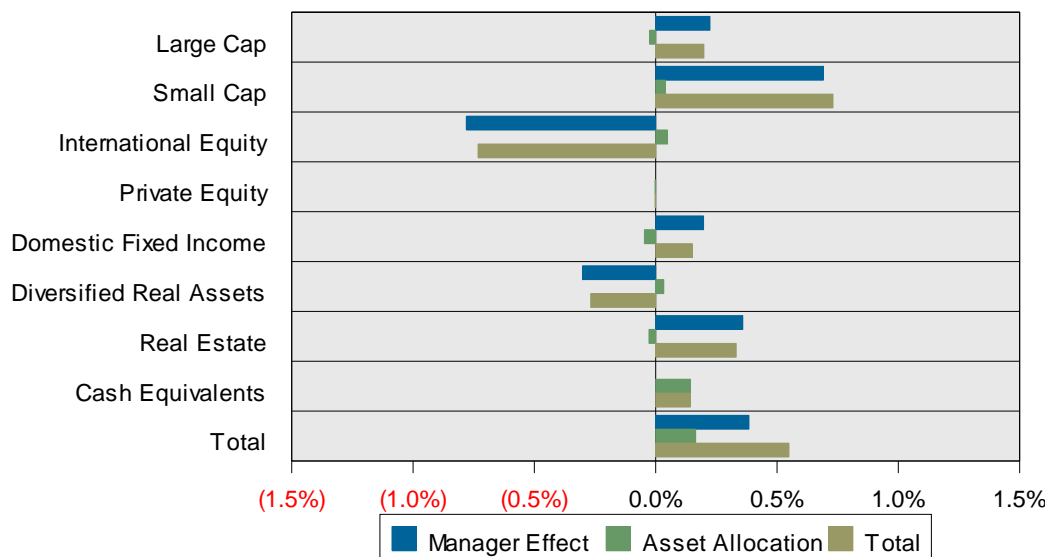


Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	1,674,225	21.1%	22.0%	(0.9%)	(74,441)
Small Cap	586,928	7.4%	8.0%	(0.6%)	(48,950)
International Equity	1,399,965	17.6%	20.0%	(2.4%)	(189,731)
Private Equity	44,510	0.6%	0.0%	0.6%	44,510
Domestic Fixed Income	2,845,789	35.8%	35.0%	0.8%	63,821
Diversified Real Assets	868,498	10.9%	10.0%	0.9%	73,650
Real Estate	471,487	5.9%	5.0%	0.9%	74,063
Cash & Equivalents	57,078	0.7%	0.0%	0.7%	57,078
Total	7,948,481	100.0%	100.0%		

# Legacy Performance and Attribution

As of June 30, 2022

## One Year Relative Attribution Effects



## Returns for 1 Year Ended 06/30/2022

Return Type	Return (%)
Gross	-9.90%
Net of fees	-10.12%
Target	-10.45%
Net added	0.33%

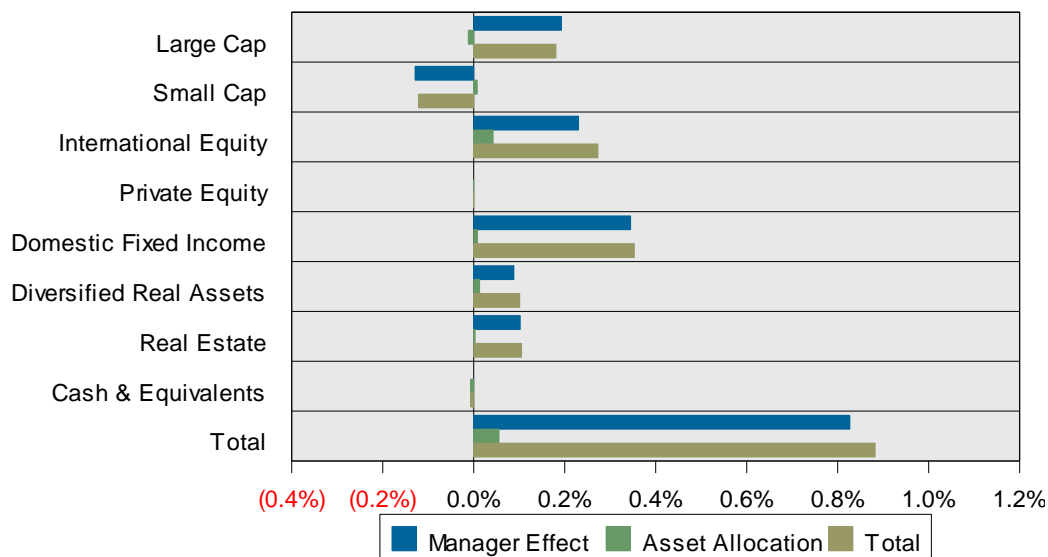
## One Year Relative Attribution Effects

	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Asset Class							
Large Cap	22%	22%	(12.00%)	(13.04%)	0.22%	(0.02%)	0.20%
Small Cap	8%	8%	(17.13%)	(25.20%)	0.69%	0.04%	0.73%
International Equity	19%	20%	(20.59%)	(16.76%)	(0.78%)	0.05%	(0.73%)
Private Equity	0%	0%	1.69%	1.69%	0.00%	(0.00%)	(0.00%)
Domestic Fixed Income	35%	35%	(9.70%)	(10.29%)	0.20%	(0.05%)	0.15%
Diversified Real Assets	10%	10%	0.93%	4.39%	(0.30%)	0.03%	(0.27%)
Real Estate	5%	5%	29.96%	21.45%	0.36%	(0.03%)	0.33%
Cash Equivalents	1%	0%	0.16%	0.16%	0.00%	0.14%	0.14%
Total			(9.90%) = (10.45%) + 0.38% + 0.16%				0.55%

# Legacy Performance and Attribution

As of June 30, 2022

## Three Year Annualized Relative Attribution Effects



## Returns for 3 Years Ended 06/30/2022

Return Type	Return (%)
Gross	4.97%
Net of fees	4.75%
Target	4.09%
Net added	0.66%

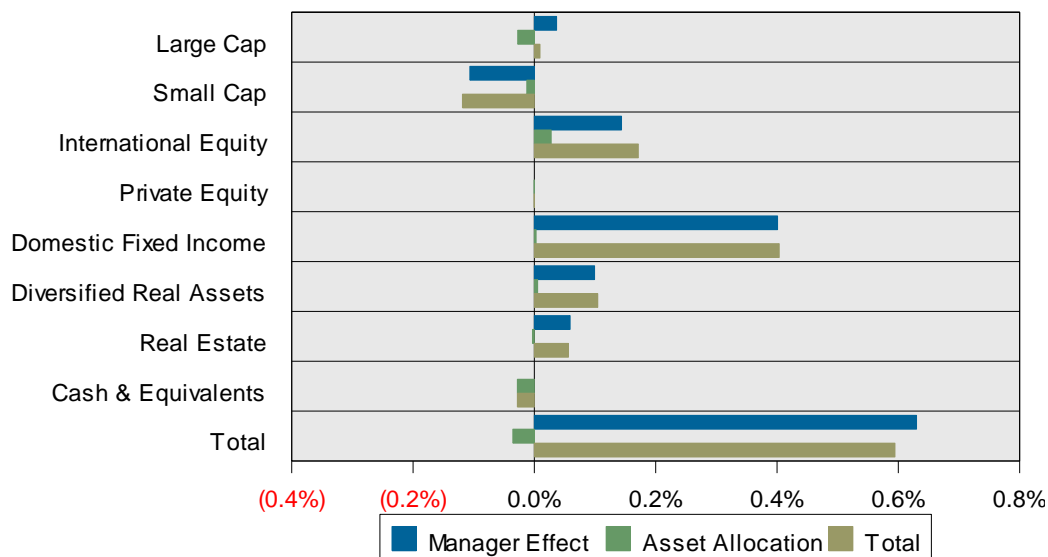
## Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	22%	22%	11.04%	10.17%	0.19%	(0.01%)	0.18%
Small Cap	8%	8%	3.17%	4.21%	(0.13%)	0.01%	(0.12%)
International Equity	20%	20%	2.69%	1.70%	0.23%	0.04%	0.27%
Private Equity	0%	0%	-	-	0.00%	(0.00%)	(0.00%)
Domestic Fixed Income	35%	35%	0.23%	(0.93%)	0.35%	0.01%	0.35%
Diversified Real Assets	10%	10%	6.45%	5.43%	0.09%	0.01%	0.10%
Real Estate	5%	5%	11.87%	10.22%	0.10%	0.00%	0.11%
Cash & Equivalents	1%	0%	0.51%	0.51%	0.00%	(0.01%)	(0.01%)
<b>Total</b>			<b>4.97%</b>	<b>4.09%</b>	<b>0.83%</b>	<b>0.06%</b>	<b>0.88%</b>

# Legacy Performance and Attribution

As of June 30, 2022

## Five Year Annualized Relative Attribution Effects



## Returns for 5 Years Ended 06/30/2022

Return Type	Return (%)
Gross	5.57%
Net of fees	5.35%
Target	4.97%
Net added	0.38%

## Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	22%	22%	11.13%	11.00%	0.04%	(0.03%)	0.01%
Small Cap	8%	8%	4.18%	5.17%	(0.11%)	(0.01%)	(0.12%)
International Equity	20%	20%	3.22%	2.66%	0.14%	0.03%	0.17%
Private Equity	0%	0%	-	-	0.00%	(0.00%)	(0.00%)
Domestic Fixed Income	35%	35%	2.15%	0.88%	0.40%	0.00%	0.40%
Diversified Real Assets	10%	10%	5.86%	4.77%	0.10%	0.01%	0.10%
Real Estate	5%	5%	9.78%	8.86%	0.06%	(0.00%)	0.06%
Cash & Equivalents	1%	0%	0.98%	0.98%	0.00%	(0.03%)	(0.03%)
<b>Total</b>			<b>5.57%</b>	<b>4.97%</b>	<b>0.63%</b>	<b>(0.04%)</b>	<b>0.59%</b>

Callan

---

## Appendix

Consolidated Asset Class Rankings



---

## Callan Update

## Published Research Highlights from 2Q22

### Research Café: ESG Interview Series



### Investing in Data Centers: The Real Assets of the Digital Age



### Webinar: Pension Risk Transfer



### Do Active Fixed Income Managers Add Value With Sector Rotation?



### Recent Blog Posts

**Best Practices to Make Sure Investors and Their Managers Are in Sync**

Jan Mende

**Rising Interest Rates Spur Look at Structured Credit**

Nathan Wong

**SEC Proposes Rule to Enhance ESG Disclosures for Investments**

Kristin Bradbury

### Additional Reading

*Alternatives Focus* quarterly newsletter  
*Active vs. Passive* quarterly charts  
*Capital Markets Review* quarterly newsletter  
Monthly Updates to the Periodic Table  
*Market Pulse Flipbook* quarterly markets update  
*Real Estate Indicators* market outlook

# Callan Institute Events

Upcoming conferences, workshops, and webinars

## Callan College

### Intro to Alternatives

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with alternative investments like private equity, hedge funds, and real estate and how they can play a key role in any portfolio. In our “Callan College” on Alternatives, you will learn about the importance of allocations to alternatives, and how to consider integrating, evaluating, and monitoring them.

**Join our next VIRTUAL session via Zoom** (2 sessions, 3 hours each):  
August 24-25, 2022

### Intro to Investments—Learn the Fundamentals

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with basic investment theory, terminology, and practices.

**Join our next VIRTUAL session via Zoom** (3 sessions, 2–3 hours each):  
September 20–22, 2022

## Mark Your Calendar

### 2022 October Regional Workshops

October 18, 2022  
Denver

October 20, 2022  
San Francisco

### Callan Institute’s 2023 National Conference

April 2-4, 2023  
Scottsdale, Arizona

*Watch your email for further details and an invitation.*

## Webinars & Research Café Sessions

### Market Intelligence

October 14, 2022 – 9:30am (PT)

# **SIB Performance Report Appendix September 2022**

---

Performance Reports prepared by Callan for quarter ending June 30, 2022 are available on the RIO website at:

[Newsletters & Reports | Retirement Investment Office \(nd.gov\)](#)

**Executive Session items will be sent separately to Board members.**

# **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 3.75%.

### **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 3.75% 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 annual standard deviation of total returns for the Fund should not materially exceed 5.7%.
- b) 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 and the standard deviation of returns should not materially exceed 5.7%
- c) The standard deviation of portfolio returns compared to the policy benchmark or tracking error should not materially exceed 1.25%.

## 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:

US Low Beta Equities - 2%  
 Global Low Beta Equities 18%  
 U.S. High Yield Bonds - 3%  
 Emerging Markets Debt - 3%  
 Core Fixed Income - 38%  
 Limited Duration Fixed Income - 16% Diversified  
 Short Term Fixed Income - 5% Short Term  
 Corporate Fixed Income - 15%

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**

Date: 9/13/2022

Approved by the PERS Board:

**Janilyn Murtha**  
**Executive Director**  
**North Dakota Retirement and Investment Office**

Date: \_\_\_\_\_

Approved by the SIB:

**V. A. Governance & Policy Review Update - the GPR Committee meets on Wednesday, September 21, so a verbal update will be provided.**

**V. C. Legacy Fund Earnings Committee Update - The Committee meets on Thursday, September 22, so a verbal update will be provided.**

## MEMORANDUM

---

**TO:** SIB  
**FROM:** Jan Murtha, Executive Director  
**DATE:** September 16, 2022  
**RE:** 2nd Reading & Final Adoption - Policy B-6 & Draft Charter for Executive Review Committee

### **I. Executive Review Committee Scope**

At its meeting on August 26, 2022, the Board approved for Introduction and First Reading amendments to Policy B-6 and a draft charter for the Executive Review and Compensation Committee. Further corrections to the initial draft have been made to correct format errors. The amendments and draft charter are presented at this meeting for 2<sup>nd</sup> Reading & Final Adoption.

**BOARD ACTION:** Motion to approve 2<sup>nd</sup> Reading & Final Adoption of amendments to Policy B-6 and a draft charter for the Executive Review and Compensation Committee.

---

## **POLICY TITLE: *STANDING COMMITTEES***

The board's standing committees are set forth in this policy as follows:

1. Audit Committee
2. Securities Litigation Committee
3. Executive Review and Compensation Committee
4. Governance and Policy Review Committee
5. Investment Committee

- A. The Audit Committee, Securities Litigation Committee, Executive Review and Compensation Committee, the Governance and Policy Review Committee, and the Investment Committee shall operate under the terms of a charter approved by the board.

### **INTRODUCTION – Audit Committee**

An Audit Committee has been established as a standing committee of the State Investment Board (SIB). The Audit Committee will assist the SIB in carrying out its oversight responsibilities as they relate to the Retirement and Investment Office (RIO) internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics.

The primary objective of the internal audit function is to assist the SIB and management in the effective discharge of their responsibilities. To this end, internal auditing will furnish them with analyses, appraisals, recommendations, and pertinent information concerning the activities reviewed.

Functions and units within RIO will be reviewed at appropriate intervals to determine whether they are effectively carrying out their responsibilities of planning, organizing, directing, and controlling in accordance with SIB and management instructions, applicable laws, policies, and procedures, and in a manner consistent with both the RIO objectives and high standards of administrative practice.

### **POLICY OF THE STATE INVESTMENT BOARD – Audit Committee**

The audit staff shall have full, free, and unrestricted access to all RIO activities, records, property, and personnel relative to the subject under review. The audit function will be conducted in a manner consistent with acceptable professional standards and coordinated with others to best achieve the audit objectives and the RIO objectives.

The Internal Audit Services Unit is responsible for developing and directing a broad, comprehensive program of internal auditing within RIO. The Internal Audit Services Unit will report administratively to management and functionally to the Audit Committee of the SIB.

The RIO unit supervisors are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from the receipt of a report disclosing those weaknesses if known or applicable. The unit supervisors are also responsible for seeing that a written report of action planned or completed is sent to the executive director. If a plan for action is reported, a second report shall be made promptly upon completion of the plan.

### **INTRODUCTION – Securities Litigation Committee**

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

---

---

## **POLICY TITLE: *STANDING COMMITTEES***

The SLC will determine when an active role should be pursued in regards to securities litigation affecting investments within the SIB's portfolios based on the SIB approved Securities Litigation Policy and approved SIB Securities Litigation Committee Charter.

### **POLICY OF THE STATE INVESTMENT BOARD – Securities Litigation Committee**

The SLC is authorized to:

- Draft policy (to be formally approved by SIB) regarding dollar and/or risk thresholds for determining when to opt-out of class actions and/or seek direct litigation or lead plaintiff status;
- Based on SIB approved policy make decisions on the level of participation the SIB will take in direct litigation, opt-in or group litigation, anti-trust and other class actions; and
- Approve the selection of special assistant attorneys (in conjunction with the approval of the Office of the Attorney General) in cases of direct litigation.

RIO's management is responsible for ongoing monitoring of securities litigation and claims filing. RIO management and staff will enable the SLC to provide a periodic update to the SIB on the SLC's activities and related recommendations.

The SLC has the responsibility to provide oversight in the areas of:

- policy development;
- determination on direct litigation and/or lead plaintiff status; and
- approval of special assistant attorneys (outside counsel) with concurrence of the Attorney General.

### **INTRODUCTION – Executive Review *and Compensation* Committee**

An Executive Review *and Compensation* Committee (ERCC) has been established as a standing committee of the SIB. The ~~ERC~~ ERCC will assist the SIB in fulfilling its fiduciary oversight responsibilities of “monitoring executive performance (which) is synonymous with monitoring organizational performance against board policies on *Ends* and *Executive Limitations*”. The ERCC will also assist the SIB in developing compensation goals and strategies for the agency as a whole that are in alignment with the strategic plan of the agency. The Chief Financial Officer- Chief Operating Officer (CFO-COO) will be responsible for the preparation of all committee materials with the exception of internal survey and audit materials. Internal audit will be responsible for preparing an annual summary of the required reports submitted to the SIB by the Executive Director in connection with its review of policy adherence to *Ends* and *Executive Limitations*. Internal audit will also assist the ERCC in completing annual surveys of the Executive Director and Chief Investment Officer with the SIB, SIB clients, and RIO team members, and Executive Director and Deputy Executive Director- Chief Retirement Officer with the TFFR Board, TFFR stakeholders, and RIO team members.

The ERCC will conduct a formal evaluation of the Executive Director, and survey's regarding the performance of the Chief Investment Officer, and Deputy Executive Director – Chief Retirement Officer during the first half of every calendar year. This formal evaluation by the ERCC will serve as the basis for an annual compensation recommendation for the Executive Director only to be reviewed and approved by the SIB on or before June 30<sup>th</sup> each year. The survey results for all three positions will be reported to both the SIB and TFFR Board. Internal audit will also assist the SIB and ERCC in administering the annual board self-assessment process.

---

**POLICY TITLE: *STANDING COMMITTEES***

---

**POLICY OF THE STATE INVESTMENT BOARD – Executive Review and Compensation Committee**

The ERCC is authorized to:

- Conduct a formal evaluation of the Executive Director annually;
- Obtain SIB approval of the annual performance evaluation of the Executive Director;
- Obtain performance survey's of the Chief Investment Officer and Deputy Executive Director- Chief Retirement Officer;
- Make a compensation recommendation for the Executive Director to the SIB on or before June 30<sup>th</sup> of each year; ~~and~~
- Administer a formal self-assessment of the SIB periodically (unless instructed otherwise);
- Review and make recommendations regarding RIO's compensation policy to ensure RIO can recruit and retain superior talent to satisfy the core mission and strategic plan of the agency; and
- Conduct or procure a new peer compensation study or survey at least every three years to assess the current level of RIO staff compensation and recommend policy changes to address target salary ranges as appropriate.

The ERCC 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.

**INTRODUCTION – Governance & Policy Review**

A Governance and Policy Review Committee has been established as a standing committee of the SIB. The Governance and Policy Review Committee will assist the SIB in fulfilling its fiduciary oversight responsibilities to fulfill its responsibilities regarding matters that relate to governing the SIB, policies, and identifying and making recommendations to the SIB.

The Governance and Policy Review Committee will be responsible for reviewing the governance manual, recommending policy changes, and when directed by the board review governance specific concerns, and make recommendations for improvement.

**POLICY OF THE STATE INVESTMENT BOARD – Governance & Policy Review Committee**

The Governance & Policy Review Committee is authorized to:

- Review and recommend policies for the governance manual.
- Ensure the governance manual reflects best practices and good governance.
- As directed by the board, review specific governance concerns, and make recommendations for improvement.

- Request RIO staff for specific topic training or education

## INTRODUCTION – Investment Committee

The Investment Committee (the “Committee”) is created to provide oversight of SIB investments within the parameters established by the SIB. Oversight will include an analysis of risk and return at the portfolio, asset class, and client fund levels. Additionally, the Committee will provide input to the Board on asset allocation and benchmark recommendations.

In general, the Committee will focus on various policies and procedures of the agency to ensure they are consistent with industry standards and that they continue to keep pace with prudent investment theory and practice.

The Committee will review decisions made about deviations from established benchmarks and allocation of investments among internal management (if approved) and external management, including decisions about passive, active and quantitative styles.

## POLICY OF THE STATE INVESTMENT BOARD – Investment Committee

The Investment Committee is authorized to:

- propose to the SIB changes to its Investment Policy including delegation of investment authority to RIO investment staff;
- approve the SIB Investment Committee Investment Guidelines (IC Guidelines);
- approve the general strategies for each investment division; and
- approve new investment instruments.

# **Executive Review and Compensation Committee Charter**

## **I. PURPOSE**

The Executive Review and Compensation Committee (“ERCC”) will assist the State Investment Board (SIB) to fulfill its responsibilities regarding matters that relate to “monitoring executive performance (which) is synonymous with monitoring organizational performance against board policies on *Ends* and *Executive Limitations*”. The ERCC will also assist the SIB in developing compensation goals and strategies for the agency as a whole that are in alignment with the strategic plan of the agency.

## **II. KEY RESPONSIBILITIES**

The ERCC shall perform all duties as requested or required by the SIB. Specifically:

1. Conduct a formal evaluation of the Executive Director annually prior to June 30<sup>th</sup> of each year;
2. Obtain SIB approval of the annual performance evaluation of the Executive Director prior to June 30<sup>th</sup> of each year;
3. Obtain performance survey’s of the Chief Investment Officer and Deputy Executive Director- Chief Retirement Officer prior to June 30<sup>th</sup> of each;
4. Make a compensation recommendation for the Executive Director to the SIB on or before June 30<sup>th</sup> of each year;
5. Administer a formal self-assessment of the SIB periodically (unless instructed otherwise);
6. Review and make recommendations regarding RIO’s compensation policy to ensure RIO can recruit and retain superior talent to satisfy the core mission and strategic plan of the agency; and
7. Conduct or procure a new peer compensation study or survey at least every three years to assess the current level of RIO staff compensation and recommend policy changes to address target salary ranges as appropriate.

The ERCC will conduct a formal evaluation of the Executive Director, and performance survey’s regarding the performance of the Chief Investment Officer, and Deputy Executive Director – Chief Retirement Officer during the first half of every calendar year. This formal evaluation by the ERCC will serve as the basis for an annual compensation recommendation for the Executive Director only to be reviewed and approved by the SIB on or before June 30<sup>th</sup> each year. The survey results for all three positions will be reported to both the SIB and TFFR Board.

## **III. ERCC COMPOSITION AND TERM LIMITS**

The ERCC shall be composed of at least three SIB members as appointed by the SIB Chair at the first SIB meeting in July of each year or when a vacancy arises. This is a standing committee with no term limits. At least one committee member must be an elected or appointed official.

The Chief Financial Officer- Chief Operating Officer (CFO-COO) will be responsible for the preparation of all committee materials with the exception of internal survey and audit materials. Internal audit will be responsible for preparing an annual summary of the required reports submitted to the SIB by the Executive Director in connection with its review of policy adherence



to *Ends* and *Executive Limitations*. Internal audit will assist the ERCC in completing annual surveys of the Executive Director and Chief Investment Officer with the SIB, SIB clients, and RIO team members, and Executive Director and Deputy Executive Director- Chief Retirement Officer with the TFFR Board, TFFR stakeholders, and RIO team members. Internal audit will also assist the SIB and ERCC in administering the annual board self-assessment process.

#### **IV. MEETINGS**

The ERCC must meet at least twice in the second half of the fiscal year, and hold additional meetings as needed, to fulfill its responsibilities as described in this Committee Charter and as called by the Committee Chair. At its first meeting after July the Committee will elect a Committee Chair and Vice-Chair.

#### **V. AUTHORIZATION AND LIMITATIONS OF POWER**

The ERCC is established by the SIB governance manual and has no power or authority to act on behalf of the full board. The ERCC will abide by the provisions in the governance manual that pertain to the meetings and actions of the Board.

## MEMORANDUM

---

**TO:** State Investment Board  
**FROM:** Chad R. Roberts, DED/CRO  
**DATE:** September 19, 2022  
**RE:** NDIT Technology Update for Retirement and Investment Office

Ms. LuAnn Thiel, NDIT Customer Success Manager assigned to RIO, will present an update to the committee as to the initiatives and changes at RIO as they relate to technology and the NDIT unification project.

Security:

IT Security

### **Tools and Technologies**

Security benefits to unification for RIO is critical coverage of two security toolsets:

- **Cortex XDR** was installed on most devices prior to unification, providing real-time alerting on suspicious or malicious behavior, along with artificial intelligence and user behavior analytics. However, RIO desktop staff had to manually push out important updates and upgrades, which is crucial for zero-day vulnerabilities. NDIT now pushes out these updates automatically to RIO devices, saving deployment time and ensuring all devices have the latest protections.
- **Tenable**, prior to unification, was installed on very few devices. Tenable scans workstations twice a week and all NDIT servers weekly. The scans look for software that is out-of-date or any other weaknesses within installed software products. Giving NDIT security analysts a view into what is installed on RIO devices can allow NDIT to quickly move on remediating critical flaws discovered in the environment. The software produces a monthly report that is sent to NDIT Desktop to remediate other weaknesses discovered.
- **Third-Party Risk Management**, ensures vendors that RIO selects to store or access State data for business initiatives and applications undergo a formal risk assessment to identify vendor weaknesses in their security controls.

Additional people support for RIO includes:

- An assigned **Information Security Officer**, who is responsible for reporting quarterly security reports to Executive staff (this part of the program is being developed) and providing a security resource to be the main point-of-contact for security-related audits, questions, and concerns. NDIT security will interface with this individual so RIO does not have to respond to the entire security team, but to only this dedicated individual.

- **Business Resilience Support** – NDIT is building a strong business resilience program, to assist RIO and other agencies with ensuring disaster recovery plans are in place for applications cloud- and state-hosted. This program will also assist RIO with numerous findings found in an independent assessment performed prior to unification that found weaknesses with a Business Continuity and Continuity of Operations Plan.

#### Desktop/Hardware:

- Set up RIO to use 64-bit Office automatically without manually having to touch their computers to upgrade from the standalone version
- Automatically uninstall Silverlight which has been out of support since last year
- Moved RIO to Intune which allows us to manage 3rd party patching and Windows Updates
- Replaced more than 12 machines for RIO
- RIO Staff is now submitting their own Desktop Support tickets via Service Now to NDIT desktop team.

#### Business Application team:

##### Upgrades

- Pension Administration System Database was upgraded from Oracle 12.2 to 19 with it being successfully completed on test system with Production due soon.
- Microsoft Dynamics Great Plains to latest software version (18.4) as well as the database to SQL Server 2019

#### TFFR Pension Administration System Project – Replace legacy CPAS System with modern solution

- Review Requirement, Technical and Functional requirements (about 1,200 requirements total)
- Attend and participate in meetings to provide input as needed and upload necessary documentation requested by Vendor.
- Data Conversion- Request backups to be taken by NDIT Database team and Review legacy data and list table names to allow Vendor to better understand RIO's data structure and where data is located

#### Daily, weekly, monthly, yearly tasks completed as part of our support to RIO

- Calendar year-end (1099R, Tax tables, etc.), Fiscal year-end (Actuary files, External Auditor requests, Reports, etc.)

#### NDIT Unification:

A significant organization change effort, referred to as NDIT Unification and authorized by the 2019 Legislature, involved the transfer of IT FTEs from 5 agencies to NDIT, with the intent to align IT staff, IT processes and technologies into an NDIT Shared Service. The FTEs from an additional 10 agencies were transferred during the 2021 Legislature. The Retirement and Investment Office (RIO) recognized the benefits for the agency and their IT staff and as such, was included as one of these 10 agencies. To ensure the best outcome, the unification process included both a high level and detail workforce analysis effort. The result enabled an understanding of the work performed and best fit for team alignment of each of the staff. To optimize overall services, work efforts and responsibilities of the positions were analyzed, and plans made to transition the respective work to

teams covering that scope. The two positions from RIO were transferred to NDIT as of July 1, 2021, and aligned under the Business Application Support team, which is part of the Technology vertical of NDIT. This team was formed to support the business applications for agencies, with the team members serving as subject matter experts and providing key activities to include daily operations support, performing routine system maintenance by coordinating with vendors or other IT teams on system upgrades and patching, providing application support to end users and working on project delivery efforts. Activities such as, desktop support, hardware procurement and deployments, cell phone support and other related activities were transitioned from these positions to the NDIT End User Collaboration team. The functional team scope enables each team in NDIT to build skills, expertise, resource depth and staff backups, standardized processes, efficiencies, knowledge sharing and focused services. As a result, RIO's leadership and team members have benefitted by having access to an increased level and breadth of IT expertise, IT services and resources. The two transferred positions are part of a team of their peers and supervised by a Senior IT leader; their responsibilities are focused to provide support for RIO applications. The NDIT End User Collaboration team manages and supports RIOs devices, an Information Security Officer (ISO) from NDIT's Security team collaborates with RIO leadership and supports RIO's cybersecurity and other related efforts. A Customer Success Manager (CSM) is assigned to RIO and works with RIO leadership team to enhance and increase the partnership between NDIT and RIO, assist with IT strategy, and needs and serves as a liaison to elevate concerns and challenges if needed. Specific results this past year are outlined in the respective sections.

Initially it was anticipated through projections that the cost of IT support for RIO would decrease almost immediately because of unification. Presently RIO is experiencing increased costs under unification due to the pension administration project and the significant amount of IT personnel hours involved in that project. However, there are significant reductions in the cost of IT support for RIO after the implementation in 4<sup>th</sup> QTR 2024. These reductions will be due to both the sunseting of the implementation phase and the automation of many processes that IT presently support through manual processes.

## MEMORANDUM

---

**TO: TFFR Board of Trustees**  
**FROM: Chad R. Roberts, DED/CRO**  
**DATE: September 14, 2022**  
**RE: TFFR Ends Report 4<sup>th</sup> QTR 2021 ending June 30, 2021**

This report highlights exceptions to the normal operating conditions of the TFFR program for the period spanning April 1, 202 through June 30, 2021.

- The position of DED/CRO was filled in the 4<sup>th</sup> quarter. The position was offered to Chad Roberts and accepted. A planned start date of July 11<sup>th</sup>, 2022 was established.
- The PAS project began with a “kick-off” meeting in May. Technical requirements meetings began in June with an estimated completion date for that phase of meetings in late August 2022.
- The TFFR staff began an internal book club focusing on the “Crucial Conversations” training received prior in the year. The book club is a discussion on the text and what the growth areas and takeaways are for the workgroup.
- The Retirement Services Manager attended the PRISM (Public Retirement Information Systems Management) Conference.
- TFFR hosted the first of the new “Info Mixer” outreach sessions for business managers in April. These sessions are designed to help inform business managers of changes in procedures, problem areas identified during compliance review and address any questions or concerns the business managers identify. Two sessions were held, one on April 27<sup>th</sup> and one on April 28<sup>th</sup>. The attendance by business managers was thirty-one and nineteen respectively.

**BOARD ACTION REQUESTED: Board Acceptance.**

## MEMORANDUM

**TO:** State Investment Board  
**FROM:** Jan Murtha, Executive Director  
**DATE:** September 14, 2022  
**RE:** Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update at the meeting on agency efforts to address current and future organizational risk through strategic planning. Including updates on the following topics:

### 1. Retirements/Resignations/FTE's/Temporary Assistance:

Employee Title	Status
Fiscal Management Specialist	Temporary/Part-Time. Started 8-2-22.
Chief Risk Officer	Posted 8-11-22, closes 9-29-22.
Investment #1	Posted in June, closed 6/27/22. Interviews scheduled.
Investment #2	Posted in June, closed 6/27/22. Interviews scheduled.
Investment #3	Posted in June, closed 6/29/22. Interviews scheduled.
Investment #4	Posted in June, closed 7/5/22. Interviews pending.
Communications/Outreach Director	Posted 8-11-22. Closed 8-28-22. Interviews Scheduled.
Accounting Intern	Posted 9-2-22. Closes 9-19-22.

\* RIO prevailed in appealing the classification of the CFO-COO position to a Grade 109.

### 2. Current Project Activities/Initiatives:

- **Legacy Fund Asset Allocation Study** – RVK continues its work on the Legacy Fund Asset Allocation Study and provided preliminary considerations/recommendations to the Advisory Board on June 30, 2022. Another meeting is anticipated in October
- **TFFR PAS Project** (hereinafter TFFR “Pioneer Project”)– The TFFR Pioneer Project continues with implementation consistent with the project plan. The amount of time spent on the project by various staff members currently varies from 5 to 25 hours or more per week.
- **Northern Trust Initiative** – In an effort to enhance the infrastructure for the investment program the Investment and Fiscal teams are leading an initiative to coordinate with Northern Trust for additional functionality/capabilities.
- **Board Member ND.gov Accounts:** State email accounts have been created for all SIB, TFFR, and committee members that are non-state employees (except for the new investment committee which is in progress). All affected Board and committee members, except as noted, have been contacted. Board/committee materials will be delivered to nd.gov accounts. RIO’s fiscal team members will also be contacting affected Board and committee members to schedule a demonstration of the Peoplesoft function associated with the nd.gov accounts.

### 3. End of Fiscal Year Close-out

All agency divisions have participated in various aspects of end of fiscal year close-out including external auditor coordination during the month of August.

**4. RIO Board & Committee Presentations – September 1 through October 14, 2022**

Staff provided or is scheduled to provide the following presentations to Boards and Committees during the above referenced time period.

- **TFFR GPR Committee – 9/7/22**
- **Legacy Fund Earnings Committee – 9/22/22**
- **SIB GPR Committee – 9/21/22**
- **Legacy Fund Earnings Committee – 9/22/22**
- **TFFR – 9/22/22**
- **SIB – 9/23/22**
- **SIB Securities Litigation Committee 9/27/22**
- **SIB Investment Committee – 10/7/22**
- **Legacy & Budget Stabilization Fund Advisory Board – Tentative Week of 10/10/22.**

**BOARD ACTION REQUESTED: Board Acceptance.**