

Friday, February 17, 2023, 8:30 a.m. WSI Board Room (In-Person)
1600 E Century Ave, Bismarck, ND Click here to join the meeting

<u>AGENDA</u>

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA
 - A. Executive Summary
- II. ACCEPTANCE OF MINUTES (January 27, 2023)
- III. INVESTMENTS (60 minutes)
 - A. HB 1425 Background Ms. Murtha
 - B. Legacy Fund & In-State Investment Program Update Mr. Anderson
 - C. ND Growth Fund Update Trey Hart & Kodee Furst, 50 South Capital
- IV. GOVERNANCE (75 minutes)
 - A. 2023 Legislative Session Update Ms. Murtha

(Break)

- B. Investment Committee Update Treasurer Beadle, Mr. Anderson
- C. Executive Review & Compensation Committee Report
 - 1. Board Self- Assessment Results
 - 2. Discussion
- V. Quarterly Monitoring Reports (40 minutes)
 - A. Budget/Fiscal Conditions (12/31) Mr. Skor
 - B. Internal Audit Activities (12/31) Ms. Seiler
 - C. Executive Limitations/Staff Relations Ms. Murtha
- VI. OTHER (5 minutes)

Next Meetings:

Investment Committee – March 10, 2023, at 9:00 a.m. Securities Litigation Committee – March 21, 2023, at 10 a.m. SIB GPR Committee – March 22, 2023, at 1:00 p.m. TFFR Board Meeting – March 23, 2023, at 1:00 p.m. SIB Meeting – March 24, 2023, at 8:30 a.m.

VII. ADJOURNMENT

EXECUTIVE SUMMARY

SIB Regular Meeting February 17, 2023 – 8:30am CT

- I. Agenda: The February Board Meeting will be In-Person at the WSI Conference Room, a link will be provided so that Board members and the public may join via video conference. The board member video link is included in the email with the Board materials.
- **II. Minutes (Board Action):** The January 27, 2023, Board meeting minutes are included for review and approval.
- III. Investments Legacy & In-State Investment Update (Information Only): Due to the earlier meeting date in February the performance report provided by Callan will be moved to the March meeting. Ms. Murtha will provide background on the requirements of H.B. 1425 and the prior discussion and actions of the SIB related to its implementation. Mr. Anderson will provide a Legacy Fund and In-State Investment Program Update. Representatives from 50 South Capital will provide an update on the North Dakota Growth Fund activity.
- IV. A. Governance 2023 Legislative Session Update (Information Only): Ms. Murtha will review information relating to the status of bills under consideration by the legislature that are impactful to the SIB program.
 - **B.** Governance Investment Committee Update (Information Only): The Committee Chair and Mr. Anderson will provide the Board with an overview of discussion items from the most recent committee meeting. The Committee meets on Friday, February 10, 2023, and therefore the Board packet will be updated with committee materials subsequent to that meeting.
 - C. Governance Executive Review & Compensation Committee Report (Board Action): Committee members will present the Board Self-Assessment survey results for approval and will lead Board discussion regarding any proposed recommendations as a result of this review. The ERCC meets Tuesday, February 14, 2023, and therefore the Board packet will be updated with committee materials subsequent to that meeting.
- V. A-C. Reports (Board Action): Staff will provide monitoring reports on quarterly budget and fiscal conditions, internal audit activities, and executive limitations/staff relations.

Adjournment.

NORTH DAKOTA STATE INVESTMENT BOARD MINUTES OF THE

JANUARY 27, 2023, BOARD MEETING (VIRTUAL)

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair

Dr. Rob Lech, TFFR Board, Vice Chair Thomas Beadle. State Treasurer

Jon Godfread, Insurance Commissioner

Joseph Herringer, Commissioner of Unv & School Lands

Cody Mickelson, TFFR Board Adam Miller, PERS Board

Claire Ness, PERS Board, Parliamentarian

Mel Olson, TFFR Board Yvonne Smith, PERS Board Art Thompson, Director of WSI

STAFF PRESENT: Scott Anderson, CIO

Eric Chin, Deputy CIO

Dean DePountis, Attorney General's Office

Derek Dukart, Investment Officer Jayme Heick, Retirement Spec. Rachel Kmetz, Accounting Mgr. Missy Kopp, Exec Assistant

George Moss, Sr. Investment Officer

Jan Murtha, Exec Dir.

Matt Posch, Sr. Investment Officer

Emmalee Riegler, Contracts/Records Admin.

Chad Roberts, DED/CRO

Sara Seiler, Internal Audit Supvr.

Ryan Skor, CFO/COO

Dottie Thorsen, Internal Auditor Tami Volkert, Compliance Spec.

Susan Walcker, Sr. Financial Accountant Denise Weeks, Retirement Prog. Mgr.

Jason Yu, Risk Officer

GUESTS: Jace Beehler, Governor's Office

Craig Chaikin, Callan

Candace Johnson, Securities Commission Adam Montgomery, Securities Commission Dr. Ruilin Tian, SIB Investment Comm.

Members of the Public

CALL TO ORDER:

Dr. Rob Lech, Vice Chair, called the State Investment Board (SIB) regular meeting to order at 8:31 a.m. on Friday, January 27, 2023. The meeting was held virtually.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the January 27, 2023, meeting.

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

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

MINUTES:

The Board considered the minutes of the December 16, 2022, SIB meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE DECEMBER 16, 2022, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MS. SMITH, MR. THOMPSON, TREASURER BEADLE, DR. LECH, COMMISSIONER GODFREAD, MR. OLSON, MS. NESS, MR. MILLER, AND LT. GOV. MILLER NAYS: NONE

NAYS: NONE
MOTION CARRIED

ELECTIONS:

Election of Chair:

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO CAST A UNANIMOUS BALLOT OF LT. GOV. MILLER FOR BOARD CHAIR.

AYES: MR. OLSON, MS. NESS, COMMISSIONER HERINGER, MR. MICKELSON, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, TREASURER BEADLE, MR. THOMPSON, AND DR. LECH NAYS: NONE MOTION CARRIED

EDUCATION:

Risk/Return:

Mr. Anderson provided education regarding return and risk with a focus on liquidity risk at the asset class level and portfolio level.

Board discussion followed.

INVESTMENTS:

Investment Policy Statements (IPS):

Mr. Anderson presented the updated IPS for the ND Public Employees Retirement System (PERS), NDPERS Retiree Health Insurance Credit (RHIC) Fund, and NDPERS Group Insurance Account. There are no material changes, but the PERS Board reviewed and approved, and SIB approval is also required.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A VOICE VOTE TO APPROVE THE NDPERS, NDPERS RHIC FUND, AND NDPERS GROUP INSURANCE ACCOUNT IPS.

AYES: TREASURER BEADLE, MR. MICKELSON, COMMISSIONER GODFREAD, MR. THOMPSON, COMMISSIONER HERINGER, MS. SMITH, DR. LECH, MR. MILLER, MS. NESS, MR. OLSON, AND LT.

GOV. MILLER
NAYS: NONE
MOTION CARRIED

GOVERNANCE:

2023 Legislative Session Update:

Ms. Murtha reviewed the bill tracking process that RIO staff have used. The bills that staff testify on are all included, but there are other bills staff are monitoring and are included because they may be of interest to Board members. The SIB GPR Committee discussed these same bills and made recommendations for staff to include in the discussion with the Board. Staff would like Board guidance on testimony.

HB 1088 was submitted by RIO to change the membership of the SIB. This bill was amended and passed the House. The amendment reduced the investment professionals from two members to one and removed the word "institutional" in reference to their area of expertise. The amendment would also make the Legacy and Budget Stabilization Fund Advisory Board (LBSFAB) representative a voting member and added two additional legislative members. After Board discussion, staff was advised to continue to support the original version of the bill and to ask for the word "institutional" to be added back in the description of the investment professional, request the additional investment professional, and to request only one legislator in addition to the LBSFAB member. Staff will reach out to Senate leadership to discuss the Board's concerns with the amendment.

HB 1400 allows the Department of Land Trust to use the SIB for investment purposes. Staff provided neutral testimony and had discussions with the Land Commissioner prior to the bill hearing. Ms. Murtha addressed seven bills (HBs 1278, 1283, 1345, 1347, 1368, 1429, and 1469) that all have similar provisions relating to Environmental, Social, Governance (ESG) investing and the impact the bills would have on the investment program. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD TO APPROVE EXISTING POSITIONS ON WITH A CHANGE TO SUPPORT FOR HB 1400.

DR. LECH AND COMMISSIONER GODFREAD WITHDREW THE MOTION

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE EXISTING POSITIONS EXCLUDING HB 1400.

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

MILLER NAYS: NONE MOTION CARRIED

IT WAS MOVED BY COMMISIONER HERINGER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO CONTINUE NEUTRAL TESTIMONY AS PREVIOUSLY PRESENTED ON HB1400.

AYES: MR. THOMPSON, MR. OLSON, TREASURER BEADLE, COMMISSIONER HERINGER, MS. NESS,

MS. SMITH, MR. MICKELSON, AND LT. GOV. MILLER

NAYS: COMMISSIONER GODFREAD, DR. LECH, AND MR. MILLER

MOTION CARRIED

Investment Committee (IC) Update:

Mr. Anderson provided an update from the IC meeting on January 13, 2023. Staff reviewed the private markets portfolio and provided the annual compliance review of the RIO portfolios. The Committee also discussed current legislation with potential impacts on the investment program. Board discussion followed.

Governance & Policy Review (GPR) Committee Update:

Dr. Lech shared an update from the SIB GPR meeting on January 26, 2023. The meeting focused on the legislative bills that RIO staff are testifying on. The Committee provided feedback and recommendations to staff.

Board Self-Assessment:

Ms. Seiler shared information about the annual Board self-assessment. The survey will be sent to all Board members on January 27, 2023, and responses are due by February 6, 2023. The Executive Review & Compensation Committee (ERCC) will discuss the survey results at their next meeting so an update can be provided to the SIB at the February 17, 2023, meeting. Board discussion followed.

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE AND DISTRIBUTE THE BOARD SELF-ASSESSMENT.

AYES: MR. THOMPSON, COMMISSIONER GODFREAD, MR. OLSON, MR. MILLER, TREASURER BEADLE, MR. MICKELSON, MS. SMITH, COMMISSIONER HERINGER, DR. LECH, MS. NESS, LT. GOV.

MILLER NAYS: NONE MOTION CARRIED

QUARTERLY MONITORING REPORTS:

Annual TFFR Ends:

Mr. Roberts reviewed the annual TFFR Ends report. The report summarizes and provides metrics for performance of the TFFR program to demonstrate that the program is adhering to policies and expectations. Key areas covered by the report are membership data and contributions, member services, account claims, and trust fund evaluation.

Quarterly Investment Ends:

Mr. Chin provided the Quarterly Investment Ends report for the quarter ended December 31, 2022. During the quarter, three new investment staff started at RIO. Offers were also extended to a Chief Risk Officer and Senior Investment Officer who are expected to start during the first quarter of 2023. Staff completed the \$3.3 billion equity portfolio transition which harmonized equity strategies across pools and clients. Staff began work on a fixed income transition. The new Northern Trust compliance and performance application went live at the end of the quarter. A quarterly monitoring report was provided which lists due diligence meetings held during the quarter.

Compliance Report:

Mr. Posch provided the Annual Compliance Report. Staff are working with Northern Trust who has provided access to a compliance monitoring system which allows staff to monitor daily positions of public market portfolios. The tool will notify staff daily if one of the positions has breached any of the implemented rules. Staff are reviewing the rules to ensure they are accurately coded. Investment managers are required to notify staff when positions fall out of portfolio guidelines. A list of notifications from the past year are included in the report. On an annual basis, staff review documents for each investment manager. The report includes the list of

reviewed documents and results of the review. Future compliance projects include reviewing and updating investment guidelines for each manager, the completion of onboarding for the Northern Trust compliance tool, and integration of the compliance process with the existing document management platform.

Executive Limitations/Staff Relations:

Ms. Murtha gave an update on staffing at RIO. The Retirement Accountant position was filled by an internal candidate which created a vacancy for an Investment Accountant. That position has been posted. The new Chief Risk Officer and Sr. Investment Officer have accepted offers. The new Accounting Intern started in December 2022. The Communications and Outreach Director position was recently vacated, and staff are working on filling that opening. Current projects include the Legacy Fund Asset Allocation Study, Pioneer Project, Northern Trust initiative, and Audit Consultant project. Ms. Murtha shared the results of the 2022 Gallup Engagement Survey for the RIO agency and the plan to address engagement each month at division meetings. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL TFFR ENDS, QUARTERLY INVESTMENT ENDS, COMPLIANCE, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE MOTION CARRIED

OTHER:

Board Resolution:

ND State Investment Board Resolution In Appreciation of Lt. Governor Brent Sanford

WHEREAS, Brent Sanford has served as the Lieutenant Governor and chair of the State Investment Board since 2016 through 2022; and

WHEREAS, Lt. Governor Brent Sanford diligently carried out his duties and responsibilities as a member of the SIB and fiduciary of the SIB Program; and

WHEREAS, Lt. Governor Brent Sanford has been a valued and dedicated member of the SIB in helping maintain the integrity and stability of the SIB Program.

NOW THEREFORE, BE IT RESOLVED that former Lt. Governor Brent Sanford be duly recognized by the SIB for his years of unselfish dedication to the State of North Dakota through his service on the State Investment Board.

DATED this 27th day of January 2023

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE BOARD RESOLUTION.

AYES: COMMISSIONER GODFREAD, MR. THOMPSON, COMMISSIONER HERINGER, MR. MICKELSON, MS. SMITH, MS. NESS, MR. MILLER, DR. LECH, MR. OLSON, TREASURER BEADLE, AND LT. GOV. MILLER NAYS: NONE

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 11:29 a.m.

Prepared by:

Missy Kopp, Assistant to the Board

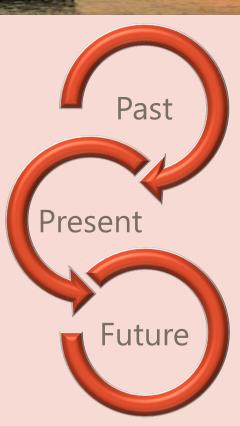


Jan Murtha, JD, MPAP – Executive Director State Investment Board - February 17, 2023



LEGACY FUND: AN EVOLVING MISSION

- Past: A Promise to Future Generations
- Present: Robust Growth & Oversight
- Future: A Pillar for Planning and a Tool for Growth



Oversight

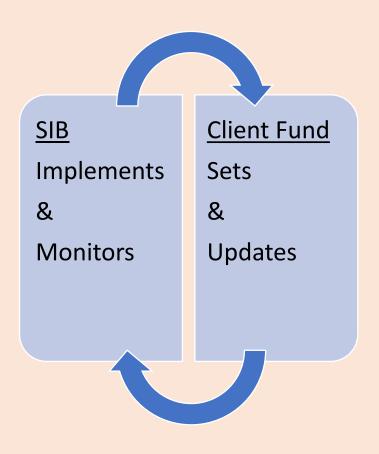


- Article X, Section 26, of the Constitution of North Dakota: ".. The state investment board shall invest the principal of the North Dakota legacy fund. The state treasurer shall transfer earnings of the North Dakota legacy fund accruing after June 30, 2017, to the state general fund at the end of each biennium."
- Legacy & Budget Stabilization Fund Advisory Board (Client Board comprised of legislators and elected and appointed officials). Created in 2011, expanded in 2021.
- Legacy Fund Earnings Committee created to advise legislature on earnings use.

Asset Allocations



Process



• NDCC 21-10-02.1

- The governing body of each fund... shall establish policies on investment goals and objectives and asset allocation for each respective fund..
- The asset allocation and any subsequent allocation changes for each fund must be approved by the governing body of that fund and the state investment board.

Legacy Fund – Timeline Perspective

First Asset Allocation Timeline



2011

Sept. - First Deposit

Dec. - Advisory Board directed asset allocation 100% in short term bonds.



2013

April - Final study presentation & Advisory Board approved new Asset Allocation.

Aug. - RIO begins implementation.

Aug. - Advisory Board directs new asset allocation study.

Sept. - R.V.K. hired.

Nov. - Study begins & consultant meets with Advisory Board.



2012

Key components of H.B. 1425



Manager Preference

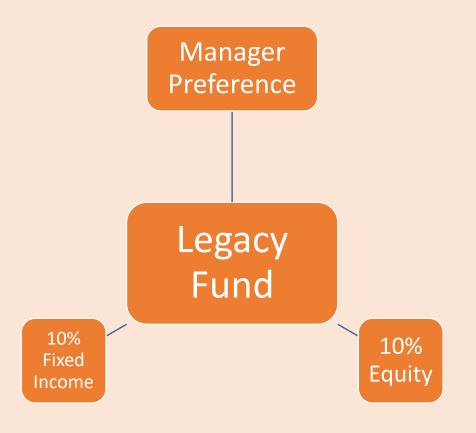
Develop a preference program for in-state managers

10% Equity

- At least 3% private markets focus (50 South)
- Remainder of equity program likely invested in private markets given limited public equity opportunities

10% Fixed Income

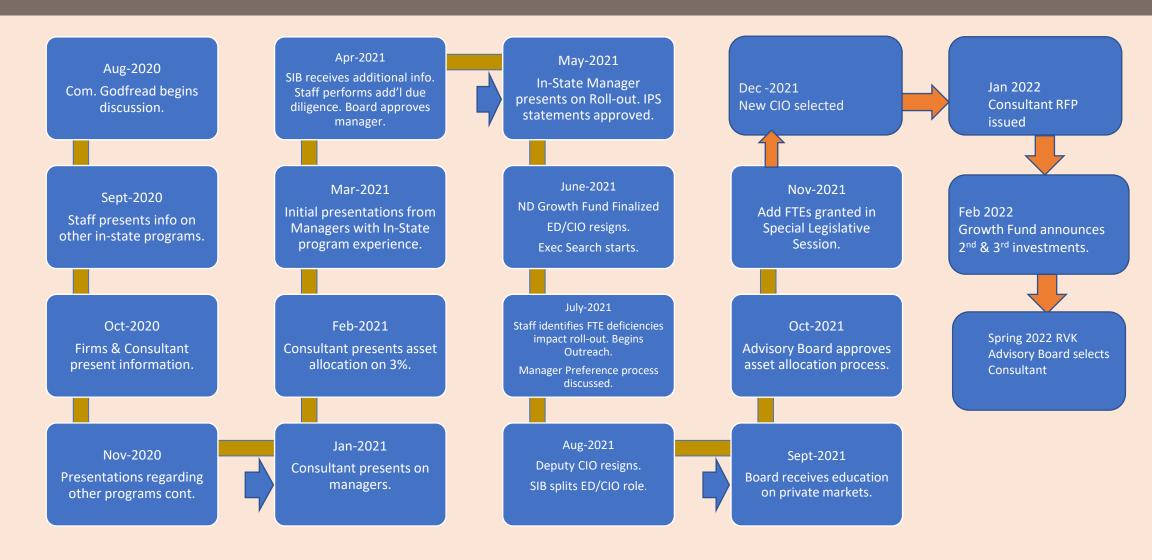
- 40% infrastructure loans with 1.5% return
- 60% BND match loans with yields equivalent to comparable treasuries



In-State Program Rollout Begins

Summer 2020 – Spring 2022





In-State Investment Program Today

BND is in-state fixed income manager with over \$190 million in capital committed.

50 South is in-state equity manager with \$100 million in capital committed to ND Growth Fund.

With almost \$300 million committed ND has one of the largest in-state investment programs in the nation.

The Legacy & Budget Stabilization Advisory Board continues its work to enhance the Legacy Fund asset allocation.

RIO continues its outreach to coordinate opportunities with in-state financial institutions.



Scott M Anderson, CFA FEBRUARY 10, 2022



HISTORY OF THE LEGACY FUND



CREATION

- ND Office of State Treasurer (website): "In 2009, the Legislative Assembly passed House Concurrent Resolution No. 3054, which placed the question of creating the Legacy Fund on the 2010 general election ballot. North Dakota voters approved the measure which created a perpetual source of state revenue from the finite national resources of oil and natural gas. The Legacy Fund was created as Article X, Section 26, of the Constitution of North Dakota." 1
- HCR 3054 Leg. History Testimony in Support: Question: Why create this Fund? Answer: "To save a part of a non-renewable resource, to share the wealth with future generations."

OVERSIGHT

- Article X, Section 26, of the Constitution of North Dakota: ".. The state investment board shall invest the principal of the North Dakota legacy fund. The state treasurer shall transfer earnings of the North Dakota legacy fund accruing after June 30, 2017, to the state general fund at the end of each biennium."
- Legacy & Budget Stabilization Fund Advisory Board (Client Board comprised of legislators and elected and appointed officials). Created in 2011, expanded in 2021.
- Legacy Fund Earnings Committee created to advise legislature on earnings use.

HB1425- IN-STATE INVESTMENT PROGRAM



NDCC 21-10-11. Legacy and budget stabilization fund advisory board.

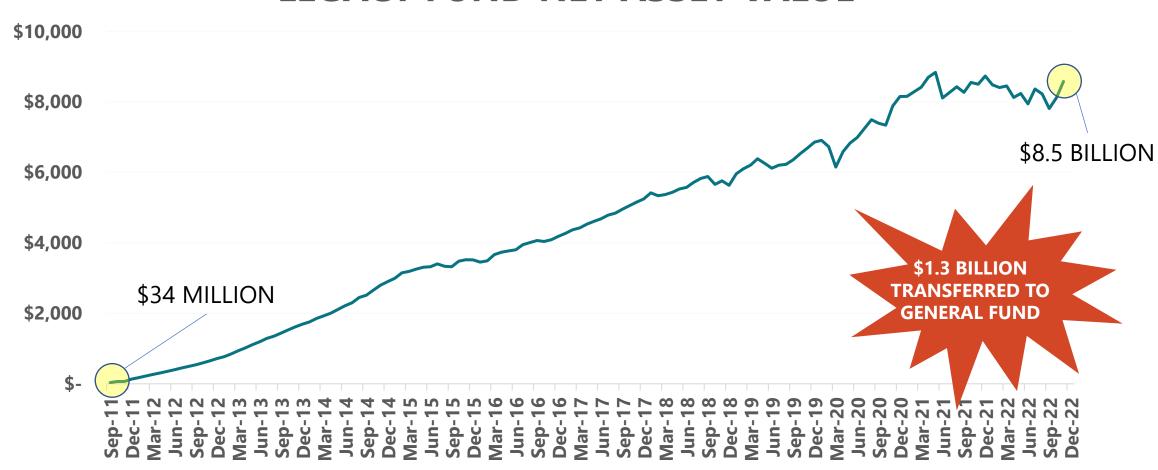
- 1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
- 2. The goal of investment for the legacy fund is principal preservation while maximizing total return and to provide a direct benefit to the state by investing a portion of the principal in the state. Preference must be given to qualified investment firms and financial institutions with a presence in the state for investment of the legacy fund.
- 3. The board shall determine the asset allocation for the investment of the principal of the legacy fund including:
 - a. A target allocation of ten percent to fixed income investments within the state, of which:
 - (1) Up to forty percent must be targeted for infrastructure loans to political subdivisions under section 6-09-49.1. The net return to the legacy fund under this paragraph must be fixed at a target rate of one and one-half percent;
 - (2) Up to sixty percent, with a minimum of four hundred million dollars, must be designated to the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and
 - (3) Any remaining amounts must be designated for other qualified fixed income investments within the state.
 - b. A target allocation of ten percent to equity investments in the state, of which at least three percent may be targeted for investment in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in emerging or expanding companies in the state. Equity investments under this subdivision must:
 - (1) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and
 - (2) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.
- 4. The board consists of two members of the senate appointed by the senate majority leader, two members of the house of representatives appointed by the house majority leader, the director of the office of management and budget or designee, the president of the Bank of North Dakota or designee, and the tax commissioner or designee. The board shall select a chairman and must meet at the call of the chairman.

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LEGACY FUND GROWTH



LEGACY FUND NET ASSET VALUE



2021 – 2022 TO DATE TRANSFERABLE EARNINGS (AS OF NOVEMBER 2022)



		FY 22'		NOV
INCOME CATEGORY (\$000)	FY 21'	To Date	21-23'	22'
PLUS NET REALIZED GAINS (LOSSES)	414,391	-198,272	216,118	12,012
PLUS INVESTMENT INCOME	174,624	60,792	235,416	10,784
PLUS NET SEC LENDING INCOME	461	184	645	37
LESS INVESTMENT EXPENSES	-19,292	-7,392	-26,684	-2,133
LESS ADMINISTRATIVE EXPENSES	-1465	-403	-1,868	-105
NET TRANSFERABLE EARNINGS	568,719	-145,091	423,627	20,595

ESTIMATED EARNINGS AVAILABLE FOR APPROPRIATION (AS OF JUNE 2022)¹



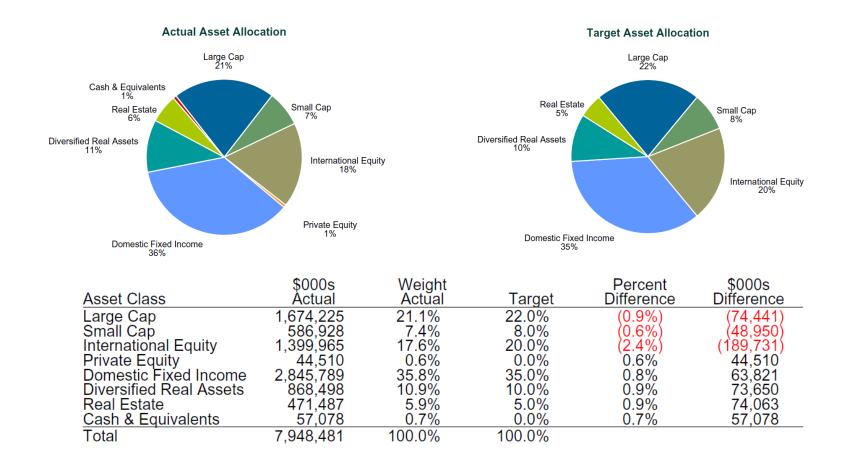
	NET ASSET VALUE		
DATE	(\$ BILLIONS)		
6/30/2018	\$5.6		
6/30/2019	\$6.1		
6/30/2020	\$7.0		
6/30/2021	\$8.1		
6/30/2022	\$7.9		
AVERAGE	\$7.0		
@7 %	\$0.486		

ESTIMATED \$486 MILLION OF EARNINGS AVAILABLE FOR APPROPRIATION (AS OF JUNE 2022)

^{1.} Based on HB1380 specified calculation: 7% of the five-year average value of Legacy Fund assets calculated at the end of each fiscal year for the five-year period ending in the even number year after the biennium in which Legacy Fund earnings are transferred.

ASSET ALLOCATION: DIVERSIFIED AND CLOSE TO TARGET





^{1.}Current Quarter Target = 35.0% Blmbg Aggregate, 22.0% Russell 1000 Index, 20.0% MSCI EAFE, 10.0% DRA Weighted Benchmark, 8.0% Russell 2000 Index and 5.0% NCREIF Total Index. – Callan Performance Report 3/31/2022

LEGACY FUND PERFORMANCE



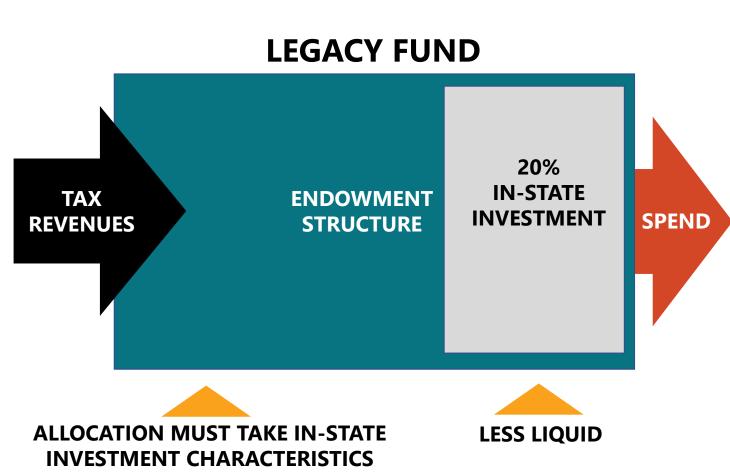
AS OF NOVEMBER 30, 2022



	YEAR TO			5	RISK
LEGACY FUND \$8.6 BILLION	DATE	1 YEAR	3 YEAR	YEAR	(5 YEAR)
TOTAL FUND RETURN - NET	-11.3%	-9.4%	4.1%	4.6%	10.4%
POLICY BENCHMARK RETURN	-11.7%	-9.7%	3.6%	4.4%	10.1%
TOTAL RELATIVE RETURN	0.4%	0.3%	0.5%	0.2%	

ASSET ALLOCATION PROJECT





- IN-STATE INVESTING IMPACTS THE ALLOCATION, LIQUIDITY AND RETURN DISTRIBUTIONS FROM THE LEGACY FUND AND ULTIMATELY EARNINGS AVAILABLE FOR APPROPRIATION
- IN-STATE INVESTMENT OR ECONOMIC DEVELOPMENT?
- INVESTMENT INDIVIDUALLY MUST COMPETE WITH EQUAL RISK INVESTMENTS
- THE PORTFOLIO OF IN-STATE INVESTMENTS MUST HAVE A RETURN THAT EXCEEDS THE NON-IN-STATE INVESTMENTS
- EXITING PRIVATE EQUITY INVESTMENTS IS DIFFICULT AND IS A MULTI-YEAR PROCESS
- INVESTMENTS SHOULD FOLLOW PACING SCHEDULE

INTO ACCOUNT

IN-STATE PROJECT STATUS



- MANY INTERVIEWS HAVE BEEN CONDUCTED WITH A NUMBER OF STAKEHOLDERS
- A GENERAL CONSENSUS HAS EMERGED THAT THE GOALS OF 1425 ARE GOOD BUT WITH SOME REFINEMENT 1425 CAN BE RECRAFTED TO MORE EFFECTIVELY ACHIEVE ITS GOALS
- A RANGE OF IMPLEMENTATION PARADIGMS HAVE BEEN ANALYZED TO GIVE DIRECTION TO POTENTIAL LEGISLATION, ASSET ALLOCATION AND POLICY
- A POLICY THAT IMPLEMENTS THE CURRENT LEGISLATION HAS BEEN APPROVED
- ■SB2330 IS PENDING REVIEW BY THE LEGISLATURE THAT SETS A 3.5% PERCENT OF MARKET VALUE SPENDING RULE RATHER THAN A REALIZED GAINS AND INCOME RULE. THE BILL ALSO SPECIFIES A SMALLER IN-STATE EQUITY ALLOCATION AND ELIMINATES THE INFRASTRUCTURE LOAN PROGRAM WHICH HAS A FIXED 2% INTEREST RATE SPECIFICATION





State Investment Board

February 17, 2023



To protect confidential and proprietary information included here, please do not share with third parties without the approval of 50 South Capital.

50 SOUTH CAPITAL ADVISORS



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

AT A GLANCE

- Experienced team with a 22-year history.
- Integrated alternative investment platform with hedge fund, private equity, and private credit solutions.
- · Customized and multi-manager offerings.
- Wholly owned subsidiary of Northern Trust

DISTINGUISHED APPROACH

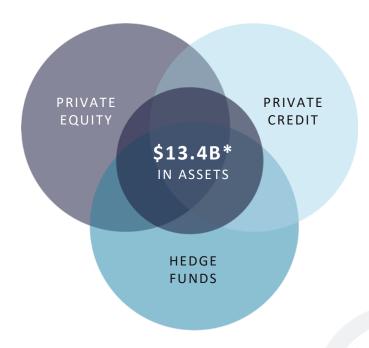
Connected to the global network and resources of Northern Trust.

Focus on inefficient markets, specifically small to mid-sized managers.

Diversified and growing client base.

Thoughtful portfolio construction.

Reputation of finding talent early.



Source: 50 South Capital. *AUM=\$9.8B and AUA=\$3.6B as of 12/31/22. Categories for investor breakouts include 50 South Advisor clients (AUM) as well as clients of affiliates (AUA).

50 SOUTH CAPITAL STRIVES TO PROVIDE CLIENTS WITH EXPOSURE TO TOP MANAGERS AND TO DIFFERENTIATED INVESTMENT OPPORTUNITIES



INSTITUTIONAL SCALE

- \$10.8B+ in combined AUM and AUA*
- 460+ partnership investments
- Backed 139 unique GPs across 9 different countries

EXPERIENCED TEAM

- 18 dedicated private markets investment professionals
- 130+ years of combined PE investing experience

INVESTMENT TYPE

- Primary investments
- Secondary investments
- Direct co-investments

FUND FOCUS

- · Global buyouts
- Global IT & healthcare venture capital

MULTIPLE INVESTMENT STRUCTURES

- Core commingled offerings
- Strategy-specific buyout and venture funds
- Custom account solutions

Source: 50 South Capital. *AUM=\$8.5B and AUA=\$2.2B as of 12/31/22. Categories for investor breakouts include 50 South Advisor clients (AUM) as well as clients of affiliates (AUA).

50 SOUTH CAPITAL PRIVATE EQUITY TEAM



INVESTMENT TEAM



Bob Morgan Managing Director



Brad Dorchinecz Managing Director



Adam Freda Managing Director



Trey Hart Managing Director



Aaron Gillum Senior Vice President



Mike Marderosian Senior Vice President



Kevin Butts Senior Vice President



Molly Brister Director



Chip Davis Director



Murielle Dawdy Director



Kodee Furst Director



Bridget Schweihs Director



Patrick Clavio Vice President



Tony Sorrentino Vice President



Sarah Jaeger **Associate**



Kelsey McHugh Associate



Megan Cunningham Analyst



Melissa Hernandez Analyst

BUSINESS OPERATIONS & LEGAL TEAM



Jeffrey Buth CFO



Antonio Muinos ССО



Justin Redeker General Counsel



Josh Abrego Controller



Kate Lazarevski Assistant Controller



Julie Canna Senior Vice President



INVESTOR RELATIONS TEAM

Kathleen Switala Vice President



Megan Brooks Vice President



Peter Morin Analyst



Thalia Lloyd Vice President



Patti Nolan Vice President



Philip Schwartzman Operations



Atif Uddin Operations

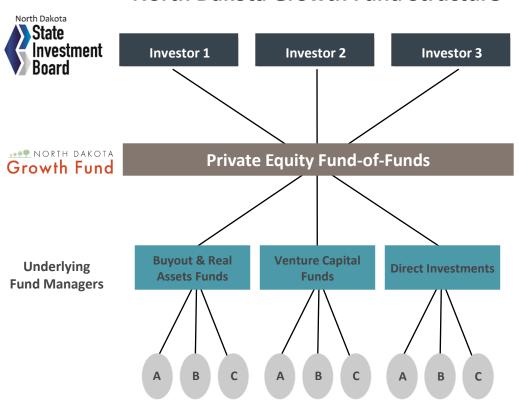


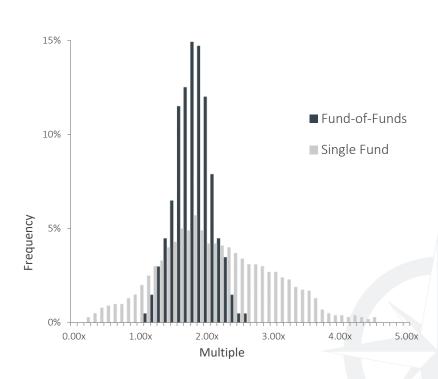
Maria Maldonado Executive Admin

PRIVATE EQUITY FUND-OF-FUNDS OVERVIEW



North Dakota Growth Fund Structure





For illustrative purposes only. 50 South Capital estimate.

INTERNAL DUE DILIGENCE PROCESS



Preliminary Due Diligence

Active Due Diligence

Confirmatory Due Diligence and Underwriting

Initial Introduction Made Via:

- 50SC calling program
- Private equity team or Northern Trust network

Introductory Meeting:

- In person/virtual at 50SC office or fund headquarters
- Focus on the team, strategy, and track record

Fund Presented in Weekly Team Meeting:

Decision made to pass, track, or pursue

Initial Fund Analysis:

- Create key statistics spreadsheet (analysis of cash flows, returns, deal sources, loss ratio, etc.)
- Deeper review of private placement memorandum

On-Site Due Diligence:

- Day-long meeting reviewing all portfolio reviews, prior funds, broader team, and indepth discussion of strategy
- Multiple meetings are typical, based on multi-city office setup

Team Follow-Up Discussion:

- Discuss manger merits, risks, and fit within the portfolio
- Preparation of detailed follow-up questions

Reference Calls:

 On and off list references made with portfolio company CEOs, LPs, former team, lenders, and other

Follow-Up Discussion with Fund:

- Majority of questions and concerns typically addressed
- Additional in-person meetings for other team members if needed

Legal Review:

- All concerns addressed
- Side letter and LPA terms negotiated
- Performed with assistance from outside counsel

Investment Memorandum Prepared:

 Contains multiple sections detailing investment rationale, risks/mitigants, fund overview, investment strategy, historical performance, return distribution, and team retention

Background Checks Completed On Key Partners:

Investment contingent on no concerns

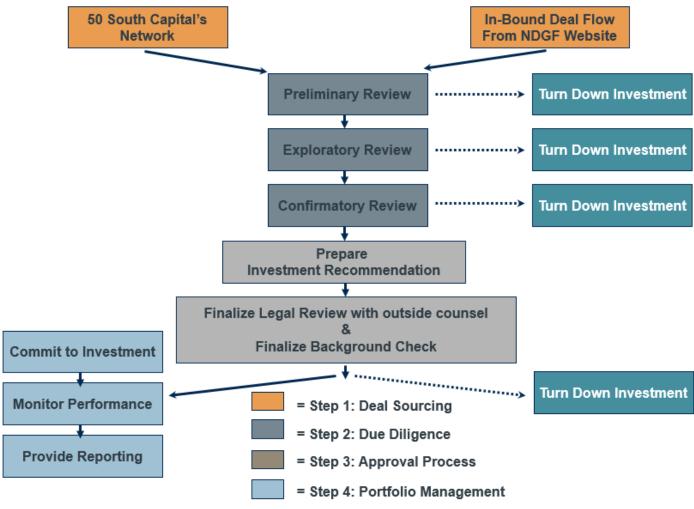
Presentation To Investment Committee:

Unanimous approval required

Note that all steps of the analysis may not be taken for each investment. The analysis completed may occur at different points in the process than stated above.

50 SOUTH CAPITAL INVESTMENT PROCESS





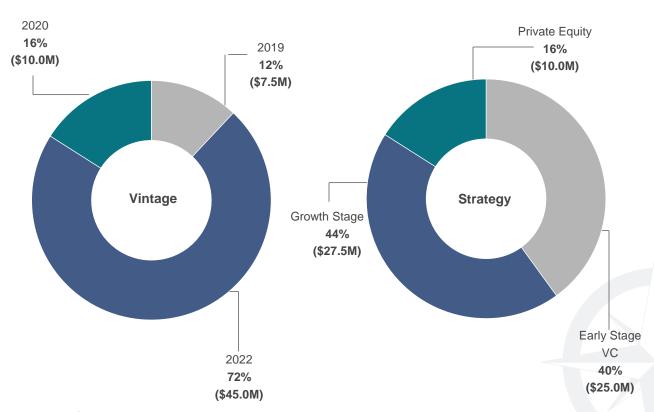
For illustrative purposes only.

50 SOUTH CAPITAL ADVISORS



NDGF is building a diversified portfolio across vintage, sector and strategy that is unified by a commitment to invest in North Dakota entrepreneurs.

North Dakota Growth Fund (as of February 7, 2022)		
\$100 million in committed capital		
5 fund commitments		
\$62.5 million in commitments		
62.5% committed		
88.0% invested in ND-domiciled managers		
28% called		
5 North Dakota companies		
20 total portfolio companies		
\$17.4 million invested in ND companies		
5 LP Advisory Board seats		



NDGF capital activity as of February 2023. Logos are for illustrative purposes only.

LONG-TERM PARTNERS, EARLY MOMENTUM



"The Badlands Capital team has been investing equity in businesses in the Midwest for more than 20 years. North Dakota is an especially attractive state in which to invest given the growing and diverse economy, entrepreneurial spirit, strong university system, and support of state government."

Startup accelerator gener8tor announced launches seed fund in Fargo and Grand Forks

The gener8tor 1889 seed fund's goal is to grow the entrepreneurial ecosystem in North Dakota through investing in local startups and attracting new startups to the state.

Monitoring Startup Soiltech Completes Seed Funding Round

Soiltech Wireless, a startup focused on remote crop monitoring and traceability from field to transport and storage, has completed its seed funding round of \$2.5 million.

Leading the round was Homegrown Capital along with Great North Ventures, Capital 11, SBR Enterprises, Junto, Vynyl and the 701 Angel Fund.

"These funds will help us accelerate growth," said Ehsan Soltan, Soiltech Founder and CEO. "We have worked hard to prove the concept, enhance the product, and demonstrate value to our customers."

Thread announced more than \$15 million in Series A funding, led by Badlands Capital and Partner Blaine Crissman.

Bushel® Closes \$47 Million Investment Round Led by Lewis & Clark AgriFood and Continental Grain Company

Investment captures significant market share of grain supply chain and accelerates digital infrastructure for sustainability initiatives, fintech offerings and expanded product suites

50 SOUTH CAPITAL ADVISORS



NDGF Investment Portfolio (as of 2.7.23)				
Investment	Strategy	Vintage		
Lewis & Clark AgriFood II	Later stage venture capital	2019		
LongWater Opportunities III	Lower middle market private equity	2020		
Homegrown Capital I	Early stage venture capital	2022		
gener8tor 1889	Early stage venture capital	2022		
Badlands Capital I	Multi stage growth capital	2022		











Investment schedule as of February 2023. Logos are for illustrative purposes only.

50 SOUTH CAPITAL ADVISORS



North Dakota Companies				
Company	Sector	Office(s)		
Bushel	Agtech	Fargo		
Soiltech Wireless	Agtech	Fargo		
RxE2	Healthcare	Fargo		
Thread (previously Airtonomy)	UAS	Grand Forks		
Edgewood Healthcare	Healthcare	Grand Forks		











Investment schedule as of December 2022. Logos are for illustrative purposes only.

Funds discussed herein not insured by the Federal Deposit Insurance Corporation or any governmental agency and are not deposits or obligations of, or guaranteed or endorsed in any way by, 50 South Capital Advisors, LLC or its affiliates.

GENER8TOR OVERVIEW



NDGF's investment in gener8tor will accelerate up to fifteen companies per year over the next five years. We anticipate that, at minimum, one-third of those companies will be on the path to raising private capital for their growth increasing the supply of companies for the entire NDGF recipient funds to consider. Additionally, gener8tor's network of over 3000 co-investors will potentially increase the number of firms eligible for NDGF as they are exposed to North Dakota deal flow through gener8tor's investor network.

Gener8tor North Dakota						
	gBETA Fargo	gBETA Grand Forks	gener8tor Accelerator	Direct Investments		
Program Overview	pre-accelerator program for companies that are looking to achieve rapid growth and/or raise venture capital	pre-accelerator program for companies that are looking to achieve rapid growth and/or raise venture capital	accelerator focused on individualized coaching, access to over 100 local mentors and exposure to investors	seed stage fund investing in ND companies across sectors and verticals		
Program Timeline	Jan – March*	April – June	March – June	N/A		
Investment	Free	Free	\$100k SAFE	\$250k - \$750k		
Cohort Size	5 companies	5 companies	5 companies	15-20		
*gBETA Fargo will be h	osted again in Fall 2023 and su	ubsequently in the Fall for the remai	ning years of the program.			

Source: 50 South Capital.

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COMMUNITY ENGAGEMENT



50 South continues to maintain a high level of visibility across the State participating in and sponsoring events focused on entrepreneurship, private markets investing and community development.

KEY 2022 ACTIVITIES

- Cohosted Prairie Capital Summit with over 200 attendees
- Hosted meetups in Bismarck, Minot and Watford City for local entrepreneurs, economic developers, legislators and investors
- Presented to Southwest ND Economic Development Association
- Presented at She Starts Week
- Attended Greater North Dakota Chamber's Annual Meeting, Main Street Summit, Cultivate Conference, TEDxFargo, Startup Brew and Startup Investor Meetups
- Supported Grand Farm's groundbreaking and visit from Canadian AgTech Accelerator
- Engaged with University of North Dakota and North Dakota State University leaders



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MEMORANDUM

TO: SIB

FROM: Jan Murtha, Executive Director

DATE: February 10, 2023

RE: 2023 Legislative Session Update

Please find following this memorandum the bill tracker prepared by RIO staff for the week of February 6, 2023. An updated bill tracker will be provided to the Board and replace the enclosed in the Board packet prior to the SIB meeting on Friday, February 17, 2023. Staff does not anticipate the need to request a review of SIB positions on proposed legislation this month; rather staff will provide a brief status update regarding the bills most likely to impact the investment program.

Additional testimony offered by RIO staff on behalf of both the SIB and TFFR Board thus far this session includes: HB 1271, HB 1278, HB 1368, HB 1400, HB 1429, HB 1469, SB 2258, SB 2330. This in addition to the testimony previously provided on HB 1039, HB 1040, HB 1088, HB 1150, HB 1219, HB 1227, and SB 2022.

ACTION REQUESTED: Information Only.

2023-2025 Legislative Session RIO Bill Tracker

- W //		zozo zegi				
Bill#	Topic	Description	Sponsor	Hearing Date	Committee	Status
<u>HB 1039</u>	Closing DB Plan	Closing DB Plan (eff. 12/31/23)	Legislative Management: Weisz, Bosch, Boschee, Lefor, Mitskog, Vigesaa, Burckhard, Klein, Piepkorn, Schaible, Wanzek	1/13 - 9:15am	House GVA	2/6 House GVA Do Not Pass 13-0-0
HB 1040	Closing DB Plan	Closing DB Plan (eff. 12/31/24)	Legislative Management: Weisz, Bosch, Boschee, Lefor, Mitskog, Vigesaa, Burckhard, Klein, Piepkorn, Schaible, Wanzek	1/13 - 8:30a.m.	House GVA	2/6 House GVA Do Pass 11-2-0. Referred to House Approps. Hearing on 2/13.
HB 1088	SIB	SIB Membership changes	Government and Veterans Affairs: Schauer, Satrom, Bahl, Cory, Hoverson, Johnson, Karls, Louser, McLeod, Rohr, Schneider, Steiner, Vetter			Amended by House.Reduced experts to 1 from 2, changed experience language; Legacy Advisory Board would be a voting member; and two legislative members. Passed House 1/25 80 yeas/ 11 nays. 2/8 Referred to Senate I&B
<u>HB 1147</u>	Legacy Earnings	Creating a county and township bridge fund from legacy earnings	Reps. Thomas, Anderson, Hagert, Lefor, Mitskog, Monson, Pyle, Stemen Sens. Myrdal, Sorvaag, Vedaa	1/18 - 10:30am	House Approps	
HB 1150	Veteran Exemption for TFFR	Allows veterans with at least 20 years of military service to opt out of the TFFR in their first year of teaching	Thomas, Bekkedahl, Heinert, Meyer, O'Brien, Pyle, Richter, Ruby, Schaible, Schreiber-Beck, Vedaa			Passed House 1/19 54 yeas/ 37 nays- 2/13 Referred to Senate State & Local
HB 1201	Employee recruiting	Prohibiting a state entity from employing an individual under contract with a school district	Reps. Heinert, Hauck, Koppelman, Meier, Porter, M. Ruby, Toman Sens. Larsen, Meyer, Schaible			Failed House 1/26 1 yea/ 91 nays
<u>HB 1216</u>	ND Development Fund	Commerce Dept. funds to promote economic development.	Rep, Nathe			Passed House 1/25 91 yeas 0 nays. 2/13 Referred to Senate I&B
<u>HB 1219</u>	TFFR	TFFR Changes	Reps. Kempenich, Conmy, Kreidt Sen. Schaible		House GVA	Passed House 2/7 94 yeas/0 nays. 2/13 Referred to Senate State&Local
<u>HB 1227</u>	Legacy Fund	Requiring a cost- benefit analysis for a measure or policy affecting the Legacy Fund.	Reps. Kempenich, Bosch, Cory, Mock, Swiontek, Thomas, Vigesaa Sens. Klein, Meyer, Patten			Passed House 1/20 89 yeas/ 0 nays. 2/13 Referred to Senate I&B

<u>HB 1251</u>	Salaries for school superintendents	Capping salaries for school superintendents	Rep. Ruby, Sen. Cleary, Rep. Heilman, Rep. Heinert, Sen. Hogue, Sen. Krebsbach, Sen. Kreun, Rep. Lefor, Sen. Meyer, Rep. Schreiber-Beck	1/25 - 10:00am	House Education	Failed House 2/10 0 yeas/ 90 nays
<u>HB 1271</u>	TFFR	Opt-out for retired teachers returning to service from having to contribute to TFFR	Reps. Schatz, Hauck, D. Ruby, Strinden Sen. Myrdal			Failed House 1/26 27 yeas/65 nays
HB 1278	SIB	Requiring contracts with custodians/managers include required written support of fossil fuel and ag industries in state.	Reps. Satrom, Grueneich, Headland, Lefor, S. Olson, Ostlie, Schauer, Steiner Sens. Conley, Wanzek	2/2 - 10:00am	House GVA	
HB 1283	Financial Industry	Impacting and creating a list of banks that develop stances on ESG	Rep. Novak, Rep. Dyk, Rep. Kempenich, Rep. Lefor, Sen. Myrdal, Sen. Rummel, Rep. Steiner, Rep. Tveit	1/24- 8:00am	House IBL	
HB 1285	Agency	Prohibiting executive branch agency bill submissions without legislator or legislative committee sponsor.	Reps. Toman, Christensen, Heilman, Henderson, Prichard	2/2 - 8:30am	House GVA	
<u>HB 1321</u>	PERS Board	Changing PERS Board makeup	Reps. Kasper, Dockter, Lefor, Louser, D. Ruby, M. Ruby, Steiner, Vigesaa, Weisz Sen. Hogue	1/18 - 2:30pm	House IBL	
<u>HB 1345</u>	Procurement	All contracts between a state entity and a vendor must include a provision of the vendor supporting the state's agriculture and energy industries	Reps. Satrom, Grueneich, Hagert, Headland, Kiefert, Ostlie, Steiner Sen. Conley, Erbele, Lemm, Wanzek	1/20 - 9:00am	House Agriculture	
<u>HB 1347</u>	Banking	State treasurer and financial institutions engaged in boycotts of energy companies	Reps. Satrom, Grueneich, Ostlie, Schauer, Strinden Sens. Clemens, Conley			Failed House 2/1 3 yeas 90 nays
<u>HB 1368</u>	Investments	Prohibiting investments and contracts with companies that boycott Israel.	Reps. K. Anderson, Bellew, M. Ruby, Strinden, Timmons, Tveit Sens. Clemens, Kannianen, Myrdal	2/8- 8:00am	House GVA	
<u>HB 1372</u>	Teacher Permitting	Foreign practitioners	Rep. Toman, Rep. Cory, Rep. Holle, Rep. Motschenbacher	2/7 - 8:00am	House Education	Failed House 2/10 0 yeas/ 90 nays
HB 1379	Legacy Earnings Streams	Modifies Legacy Fund Earnings streams	Reps. Lefor, Bosch, Dockter, Headland, Nathe, Novak, O'Brien Sens. Bekkedahl, Hogue, Rummel, Sorvaag	2/8 - 9:00am	House Approps	
HB 1399	Investments	Relating to oil/gas tax revenue hedging	Reps. Kempenich, B. Anderson, Christensen, Dockter, Hagert, Mock, Timmons, Sens. Bekkedahl, Dwyer, Kessel, Patten		House Finance & Taxation	Failed House 2/6 27 yeas/ 65 nays
HB 1400	Investing Land Assets	Allows Land to use SIB for Investment purposes	Rep. Kempenich, Rep. Bellew, Rep. Grueneich, Sen. Klein, Sen. Meyer, Rep. Murphy, Rep. J. Olson	1/24 - 8:00a.m.	House IBL	Failed House 13 yeas 80 nays on 2/1

<u>HB 1420</u>	Economic Development	Small Business Diversity revolving Loan fund	Reps. Schneider, Boschee, Conmy, Dakane, Davis, Finley DeVille, Hanson, McLeod, O'Brien, Schreiber-Beck, Sens. Davison, Hogan	1/23 - 9:00a.m.	House IBL	Failed House 20 yeas 73 nays on 2/2
<u>HB 1429</u>	SIB	ESG Boycott/ Contract Restrictions/SIB list	Reps. Novak, Koppelman, Louser, J. Olson, S. Olson, M. Ruby, Thomas, Sen. Elkin, Magrum, Rummel	1/23 - 9:00a.m.	House IBL	2/14 Amended Passed House IBL.
HB 1469	SIB	Restrictions on Investment Operations	Reps. Novak, Dyk, J. Olson, S. Olson, Porter, Schauer, Weisz, Sen. Bekkedahl, Rust	2/6 - 9:00a.m.	House IBL	
<u>HB1486</u>	NDPERS	Specifies a lump sum deposit from the GF, special funds and municipalities for the closing of the DB plan	Kasper	1/26 - 8:30a.m.	House GVA	
SB 2015	Budget bill	OMB Budget Bill	Senate Appropriations	2/14 - 2:30pm	Senate Approps - Gov't Ops	
SB 2022	Budget bill	RIO's Budget	Senate Appropriations	1/19 - 10:00am	Senate Approps - Human Resources	Committee Work 1/23
SB 2070	Teacher Permitting	Extends the length of time non-certified teachers can be permitted	Senate State and Local Govt - Roers, Barta, Braunberger, Cleary, Estenson, Lee			Amended. Passed Senate 1/26 47 yeas/ 0 nays
SB 2164	PERS Board	Changing how legislative members of PERS Board are appointed	Sen. Dever Reps. Brandenburg, Hatlestad, D. Johnson, Monson, Schauer			Passed Senate 47 yeas 0 nays on 1/30
SB 2165	Energy Commission	Funds to clean sustainable engery fund/ BND	Sen. Patten, Rep. Bosch, Sen. Kannianen, Sen. Kessel, Rep. Novak, Rep. Porter	2/15 - 8:30am	Senate Approps	
SB 2196	Infrastructure Revolving Loan Fund	Resets terms of the infrastructure revolving loan fund.	Sen. Patten, Sen. Beard, Sen. Bekkedahl, Sen. Kannianen, Rep. Olson, Rep. Richter			Passed Senate 1/23 47 yeas/ 0 nays
SB 2220	Legacy Earnings	Adding a Housing Incentive Fund bucket to Legacy stream	Sens. Kreun, Barta, Hogan, Mathern Reps. Ista, O'Brien	1/23 - 9:30a.m.	Senate Finance & Taxation	Failed Senate 2/1 16 yeas 31 nays
SB 2233	BND	Auditing practices of certain funds under management of BND	Sen. Klein, Sen. Bekkedahl, Sen. Hogue, Rep. Lefor, Rep. Vigesaa			Passed Senate 1/24 46 yeas/ 0 nays
SB 2239	PERS Plan	Changing PERS contribution rates and appropriating \$250M to the fund	Sens. Cleary, Dever Rep. Boschee		Senate Approps	
SB 2258	TFFR	Expands scope of Critical Shortage area qualification for rehired retirees	Sens. Paulson, Beard Reps. Heilman, Hoverson, Louser	1/30 - 2:00pm (committee work)	Senate Education	Passed Senate 2/1 47 yeas 0 nays
SB 2330	Legacy Fund	Legacy earnings definition and change in Legacy Fund IPS percentages.	Sens. Klein, Hogan, Meyer Reps. Bosch, Kreidt		Senate IBL	2/14 Reported back Do Pass 5-0.
SB 2346	Legacy Earnings	Using \$160M of Legacy Earnings school funding formula	Sens. Larsen, Vedaa Reps. Fisher, Toman	1/31 - 10:00a.m.	Senate Finance & Taxation	

MEMORANDUM

TO: SIB

FROM: Scott Anderson, Chief Investment Officer

DATE: February 15, 2023

RE: Investment Committee Update

The Investment Committee met Friday February 10, 2022. The meeting was called to order and there was an acceptance of the agenda followed by an acceptance of the minutes from the January 13, 2022, meeting. Mr. Anderson discussed the Legacy fund, its purpose, performance and the RVK Legacy Fund project. Mrs. Kodee Furst of 50 South provided a presentation regarding the North Dakota growth fund and answered questions. Mr. Anderson then presented regarding country risk and a plan to monitor country risk. Lastly, there was a discussion regarding current pending legislation that may impact the funds under management by RIO.

https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Investment/Board/Materials/sibinvestmat20230210.pdf

BOARD ACTION REQUESTED: Information Only.

State Investment Board

2023 Board Self-Evaluation

Compilation of State Investment Board Self-Evaluation Results

GENERAL OVERVIEW					
The Board Self-Evaluation consists of five categories, for both the self-assessment and board assessment portions. The five categories in each section which included:					
□ Board and Staff Roles					
□ Board and Committee Structure					
□ Board Meetings					
□ Policy Making and Reviews					
☐ Financial Managment and Investment Practices					
Any comments provided by respondents have been included as written in survey responses and have not been edited for spelling, grammar, etc.					

2023 State Investment Board Self-Evaluation Self Assessment - Board and Staff Roles

1. I believe I have the skills and training necessary to fulfil my responsibilities as a SIB member.

			<u>2023 </u>	<u> 2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.40	3.40
3 - Agree	6	60.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

2. I understand the authority that has been retained by the SIB and what duties have been delegated to staff.

			<u>2023 </u>	<u> 2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	6	60.00%	3.60	3.60
3 - Agree	4	40.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

3. I actively engage in Board meetings by contributing to the discussions in a meaningful way, listening to others (i.e., board members, staff, guests) and communicate my points concisely.

			<u>2023 </u>	<u> 2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	6	60.00%	3.60	3.70
3 - Agree	4	40.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

4. I make an effort to be educated on the aspects of the investment program that I do not understand.

			<u>2023 </u>	<u> 2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.40	3.30
3 - Agree	6	60.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

2023 State Investment Board Self-Evaluation Self Assessment - Board and Staff Roles

Comments for Self-Assessment - Board and Staff Meetings:

I have served on the board for a number of years and appreciate all the education and training provided by the staff and consultants.

I strongly believe that the SIB model for board education is crucial in this aspect of board responsibilities. Board education builds board capacity around complex and nuanced information that is required for effective decision-making.

Staff has been incredibly helpful and detailed. Jan has been fantastic at helping navigate all of the subcommittees and various board communications. Scott and the Investment team have been incredibly patient and helpful!

2023 State Investment Board Self-Evaluation Self Assessment - Board and Committee Structure

5. I understand board conduct, abide by it, and avoid conflicts of interest.

Answer Choices	# Responses	% Responses	<u>2023</u> <u>Average</u> <u>Response</u>	<u>2022</u> <u>Average</u> <u>Response</u>
4 - Strongly Agree	6	60.00%	3.60	3.80
3 - Agree	4	40.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%	_	
	10	100.00%	<u>-</u>	

6. I find my participation on the Board to be stimulating and rewarding.

			<u>2023 </u>	<u> 2022 </u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	3	30.00%	3.10	3.60
3 - Agree	5	50.00%		
2 - Disagree	2	20.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%	-	

7. I am comfortable with the amount of time I devote as a Board member.

			<u>2023 </u>	<u> 2022 </u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	2	20.00%	3.10	3.10
3 - Agree	7	70.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%	•	

8. If I am not able to attend the SIB meeting, I make appropriate notifications to staff and review the information presented at the meeting.

Anguar Chainea	# Pagnanaga	9/ Doonongo	<u>2023</u> <u>Average</u>	<u>2022</u> <u>Average</u>
Answer Choices	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	6	60.00%	3.60	3.60
3 - Agree	4	40.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%	_	
	10	100.00%	•	

2023 State Investment Board Self-Evaluation Self Assessment - Board and Committee Structure

Comments for Self-Assessment - Board and Committee Structure:

The role of board member is certainly fulfilling and rewarding. I take great pride in my role on SIB and the work that we do. It does, however, require a signflicant time commitment both in preparation for the meetings and attendance at the board and committee meetings. It is, however, time well spent because the work is so valuable to North Dakotans.

Subcommittee structure is much improved from previous versions and I feel like things are moving smoothly.

2023 State Investment Board Self-Evaluation Self-Assessment - Board Meeting

9. I am aware of an effective new member orientation program which outlined responsibilities and important organizational information.

				<u> 2022 </u>
			2023 Average	<u>Average</u>
Answer Choices	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	2	20.00%	3.10	3.40
3 - Agree	7	70.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%	_	
	10	100.00%	_	

10. I am prepared for Board meetings, reading information in advance, so I can make informed decisions.

				<u> 2022 </u>
			2023 Average	<u>Average</u>
Answer Choices	<u># Responses</u>	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	6	66.67%	3.67	3.44
3 - Agree	3	33.33%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	9	100.00%	_	

Comments for Self Assessment - Board Meeting:

RIO and SIB has a process for board orientation. I believe it may even more effective if a more clearly defined set of processes, outputs, and timeline were articulated for the board and new members.

Structure of meetings is very clear and information is very detailed. The executive summaries are very helpful when provided.

2023 State Investment Board Self-Evaluation Self-Assessment - Policy Making and Reviews

11. I fully understand the policies of the SIB.

			<u>2023</u> <u>Average</u>	<u>2022</u> <u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.40	3.30
3 - Agree	6	60.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

12. I review board policies as necessary to fulfill my role as a board member.

			<u>2023</u>	2022
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	Response
4 - Strongly Agree	6	66.67%	3.67	3.30
3 - Agree	3	33.33%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	9	100.00%	•	

Comments for Self Assessment - Policy Making and Reviews:

I often review the board policies to improve effectiveness.

I believe the Governance and Policy Review Committee are invaluable to this as a committee of board members will review, in great detail, board policy with the full board still providing oversight, review, and formal adoption of policy.

The GPR committee has been thorough in presenting any policy changes and helpful for giving full explanation for why changes are being made or why policies should remain as they are.

2023 State Investment Board Self-Evaluation Self-Assessment - Financial Management and Investment Practices

13. I understand the legal duties and responsibilities required of me as a fiduciary.

			<u>2023 </u>	<u> 2022 </u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	7	70.00%	3.70	3.70
3 - Agree	3	30.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

14. I sufficiently understand all financial reports and seek clarification when necessary.

Anguar Chainea	# Dagnanaga	9/ Pagnanaga	2023 Average	2022 Average
<u>Answer Choices</u>	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.20	3.60
3 - Agree	4	40.00%		
2 - Disagree	2	20.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

15. I am familiar with the annual report by the independent auditors and understand any findings or recommendations.

			<u>2023 </u>	<u>2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	6	60.00%	3.40	3.60
3 - Agree	4	40.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

Comments for Self Assessment - Financial Management and Investment Practices:

My education and work experience provides me with the significant experience in this area.

Financial Management and Investment Practices is another competency area heavily influenced by board education. As lay board members, the commitment to board education within this area is crucial to effective governance. Without it, the board would be unable to provide the necessary layer of oversight and decision-making. The great care taken by staff to provide board education in this area is greatly appreciated. One suggestion, however, may be that, at times, board education can feel very heavy and overly technical. While these are important topics, they may need to be tailored more to the audience and/or broken down into more digestible chunks.

Reports can sometimes be dense with a tremendous amount of info that is new/foreign, but staff does an excellent job explaining it and making it digestible.

2023 State Investment Board Self-Evaluation Board Assessment - Board and Staff Roles

16. The Board members are consistently prepared for meetings and stays engaged.

Answer Choices	# Responses	% Responses	<u>2023</u> <u>Average</u> <u>Response</u>	<u>2022</u> <u>Average</u> <u>Response</u>
4 - Strongly Agree	4	40.00%	3.40	3.20
3 - Agree	6	60.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%	-	

17. The Board has healthy discussions on a topic before making a well informed decision.

			<u>2023 </u>	<u> 2022 </u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	6	60.00%	3.60	3.40
3 - Agree	4	40.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

18. The Board recognizes the authority it has retained and what has been delegated to staff.

			<u>2023 </u>	<u> 2022 </u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.30	3.40
3 - Agree	5	50.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%	_	
	10	100.00%	•	

Comments for Board Assessment - Board and Staff Roles:

From my perspective, the board has rich dialogue and has been able to discuss potentially divisive issues respectfully.

Sometimes the board could give better direction to staff, but over the last year in particular I feel that staff has been excellent at chiming in when they need clarification.

2023 State Investment Board Self-Evaluation Board Assessment - Board and Committee Structure

19. All Board members regularly attend board meetings.

			<u>2023</u>	<u> 2022 </u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	2	20.00%	3.10	3.10
3 - Agree	7	70.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%	•	

20. Standing and ad hoc committees complete their tasks in an effective and timely way.

			<u>2023</u> <u>Average</u>	<u>2022</u> <u>Average</u>
<u>Answer Choices</u>	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.30	3.50
3 - Agree	5	50.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

21. Standing and ad hoc committees communicate to the full board in an effective and timely manner.

			<u>2023 </u>	<u>2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	3	30.00%	3.20	3.40
3 - Agree	6	60.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

Comments for Board Assessment - Board and Committee Structure:

While board attendance has traditionally been very strong, it appears that this has even improved in recent years. One suggestion may be to discontinue virtual options unless necessary for attendance. It is quite challenging to have strong discussion in a hybrid environment.

Communication is usually good. Since staff prepares the memos, the board member presenting is sometimes caught flat footed on what they should highlight, but usually info is still effectively shared.

2023 State Investment Board Self-Evaluation Board Assessment - Board Meetings

22. Board meetings are generally well-run and make good use of members' time.

			<u>2023 </u>	<u> 2022 </u>
			<u>Average</u>	<u>Average</u>
Answer Choices	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.20	3.60
3 - Agree	4	40.00%		
2 - Disagree	2	20.00%		
1 - Strongly Disagree	0	0.00%	_	
	10	100.00%	<u>-</u>	

23. Board meetings allow the right allocation of time between Board discussions and presentations.

			<u>2023 </u>	<u>2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	2	20.00%	3.10	3.50
3 - Agree	7	70.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%		

Comments for Board Assessment - Board Meetings:

I return to previous points about the length of some agenda items, such as board education. Again, I do not mean to demean the importance of board education. It is critical to our success as a board. An appropriate goal, however, may be to fit board education into a 20-25 minute maximum time allotment unless the topic and/or the board's actions in that meeting require a deeper dive into a specific area.

Education is too detailed and frequent; avoid complicated math and formulas; would like more time spent on actual investment decisions the board needs to make.

Anytime you have a 3-4 hour meeting there will be things that feel like they are running too long, but I think time is realistically allocated and shared concisely.

2023 State Investment Board Self-Evaluation Board Assessment - Policy Making and Reviews

24. The Board reviews policies on a regular basis and updates them as needed.

			<u>2023 </u>	<u>2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	# Responses	% Responses	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	4	40.00%	3.40	3.40
3 - Agree	6	60.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%	•	

25. If a new policy is needed for the SIB, the policy is clearly presented to and discussed by the Board.

			<u>2023</u>	<u>2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	5	50.00%	3.50	3.50
3 - Agree	5	50.00%		
2 - Disagree	0	0.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%	•	

Comments for Board Assessment - Policy Making and Reviews:

The GPR committee will be a significant benefit in this competency area.

GPR committee has really helped with this.

2023 State Investment Board Self-Evaluation Board Assessment - Financial Management & Investment Practices

26. The Board regularly reviews financial, investment, and portfolio.

			<u>2023 </u>	<u>2022</u>
			<u>Average</u>	<u>Average</u>
Answer Choices	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	5	50.00%	3.40	3.60
3 - Agree	4	40.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%		
	10	100.00%	•	

27. The Board is regularly informed of economic trends or conditions that can effect investment performance.

			<u>2023</u> <u>Average</u>	<u>2022</u> <u>Average</u>
<u>Answer Choices</u>	<u># Responses</u>	<u>% Responses</u>	<u>Response</u>	<u>Response</u>
4 - Strongly Agree	5	50.00%	3.40	3.50
3 - Agree	4	40.00%		
2 - Disagree	1	10.00%		
1 - Strongly Disagree	0	0.00%	_	
	10	100.00%	•	

Comments for Board Assessment - Financial Management and Investment Practices:

Again, board education is a critical component to the SIB's ability to effectively govern in this competency area.

Would like more time spent on both these items

The investment team does a great job sharing what is going on. The occasions when they bring in some of our fund managers to highlight specific market areas is especially helpful.

2023 State Investment Board Self-Evaluation Overall Assessment

28. Any final comments, observations, or suggestions for the board self-evaluation?

Board information and training is very adequate and continues to improve.

I am very comfortable with the functioning of the SIB.

While there are always opportunities for improvement, RIO staff and the SIB do an outstanding job, from my perspective, in fulfilling the roles and responsibilities of the position. All involved should be proud of the work that is done.

Meetings are very informative and well run. I appreciate the speakers who present and the discussion - I generally feel the discussion is forward and honest, which I appreciate.

Board meetings while long are well run, and I am hopeful with the investment committee that some of the high technical stuff will be lessened at the full board level and left to the technical experts.

Board member education is especially important for the SIB, and the staff's educational programming during and outside meetings is necessary and appreciated.

This may be a good time to have a board education on "Fiduciary Obligations" with new members on the board. I know not everyone on the board (currently) has heard Dean's presentation on the topic and why it is so important for us as individual board members, from a personal liability standpoint. It is a good time to review why the board meets, covers the topics it does, and why covering those topics is important in fulfilling our obligations as board members.

Policy, procedure, and legislation are important, but would like more focus back on actual investment issues

Is there a maximum amount of absences a board member can miss before they are no longer allowed to be an active member of the SIB?

Just keep swimming

29. Please let the Executive Review Committee know if there are any areas in the board self-evaluation that you would like to see addressed in the future?

The process is very good and continues and provides board members with the incentive to improve.

None

As always this is a comprehensive survey, thank you.

The staff are excellent. They are consistently prepared for meetings, answer questions thoroughly, and present sufficient information for the board's analysis. They carry a heavy workload in a complicated, heavily regulated area of government - and they should be compensated appropriately. Staff leadership is to be commended for excellent work.

Not for the full board necessarily, but information regarding how our investment and admin team salaries/benefits compared to other states or to private sector would be helpful so that we can advocate in a way that fairly compensates our team.

State Investment Board Evaluation

		2023 Average Response	2022 Average Response	<u>Change</u>
1	I believe I have the skills and training necessary to fulfil my responsibilities as a SIB member.	3.40	3.40	0.00
2	I understand the authority that has been retained by the SIB and what duties have been delegated to staff.	3.60	3.60	0.00
3	I actively engage in Board meetings by contributing to the discussions in a meaningful way, listening to others (i.e., board members, staff, guests) and communicate my points concisely.	3.60	3.70	(0.10)
	I make an effort to be educated on the aspects of the investment program that I do not understand.	3.40	3.30	0.10
	I understand board conduct, abide by it, and avoid conflicts of interest.	3.60	3.80	(0.20)
	I find my participation on the Board to be stimulating and rewarding.	3.10	3.60	(0.50)
7	I am comfortable with the amount of time I devote as a Board member.	3.10	3.10	0.00
8	If I am not able to attend the SIB meeting, I make appropriate notifications to staff and review the information presented at the meeting.	3.60	3.60	0.00
9	I am aware of an effective new member orientation program which outlined responsibilities and important organizational information.	3.10	3.40	(0.30)
10	I am prepared for Board meetings, reading information in advance, so I can make informed decisions.	3.67	3.44	0.23
	I fully understand the policies of the SIB.	3.40	3.30	0.10
	I review board policies as necessary to fulfill my role as a board member.	3.67	3.30	0.37
	I understand the legal duties and responsibilities required of me as a fiduciary.	3.70	3.70	0.00
14	I sufficiently understand all financial reports and seek clarification when necessary.	3.20	3.60	(0.40)
15	I am familiar with the annual report by the independent auditors and understand any findings or recommendations.	3.40	3.60	(0.20)
16	The Board members are consistently prepared for meetings and stays engaged.	3.40	3.20	0.20
17	The Board has healthy discussions on a topic before making a well informed decision.	3.60	3.40	0.20
18	The Board recognizes the authority it has retained and what has been delegated to staff.	3.30	3.40	(0.10)
19	All Board members regularly attend board meetings.	3.10	3.10	0.00
20	Standing and ad hoc committees complete their tasks in an effective and timely way.	3.30	3.50	(0.20)
21	Standing and ad hoc committees communicate to the full board in an effective and timely manner.	3.20	3.40	(0.20)
22	Board meetings are generally well-run and make good use of members' time.	3.20	3.60	(0.40)
23	Board meetings allow the right allocation of time between Board discussions and presentations.	3.10	3.50	(0.40)
	The Board reviews policies on a regular basis and updates them as needed.	3.40	3.40	0.00
25	If a new policy is needed for the SIB, the policy is clearly presented to and discussed by the Board.	3.50	3.50	0.00
26	The Board regularly reviews financial, investment, and portfolio.	3.40	3.60	(0.20)
27	The Board is regularly informed of economic trends or conditions that can effect investment performance.	3.40	3.50	(0.10)

MEMORANDUM

TO: State Investment Board FROM: Ryan K. Skor, CFO/COO

DATE: February 17, 2023

RE: Quarterly Budget & Expense Report

Enclosed are the following quarterly budget and expense reports for the quarter ended December 31, 2022:

• Budget Appropriation Status Report

• Expenditure Summary Report

• PAS Modernization Project Status Report

BOARD ACTION REQUESTED: Board Acceptance.

BUDGET APPROPRIATION STATUS

AS OF DECEMBER 31, 2022

EXPENDITURES 2021-2023 ADJUSTED **BIENNIUM TO** % BUDGET % OF BIENNIUM BUDGET **BUDGET APPROPRIATION** DATE ACTUAL **AVAILABLE AVAILABLE** REMAINING SALARIES AND BENEFITS 3,845,638.73 43.81% 25.00% 5,103,977.00 6,843,576.00 \$ 2,997,937.27 OPERATING EXPENDITURES 3,567,403.00 * 61.82% 25.00% 3,642,403.00 1,390,735.52 2,251,667.48 CAPITAL ASSETS 6,300,000.00 6,300,000.00 1,434,489.00 4,865,511.00 77.23% 25.00% CONTINGENCY 100,000.00 100,000.00 85,831.81 14,168.19 14.17% 25.00% **TOTAL** 15,071,380.00 \$ 16,885,979.00 \$ 6,756,695.06 10,129,283.94 59.99% 25.00%

The adjusted appropriation includes additional amounts appropriated during the Special Legislative Session in November 2021.

^{*} In addition to the Capital Assets line, the salaries and benefit line includes \$50,000 and the operating expenditure budget includes \$2,318,875 for the TFFR Pension Administration System Project.

EXPENDITURE REPORT

AS OF AND FOR THE QUARTER ENDED DECEMBER 31, 2022

CONTINUING APPROPRIATIONS	INVESTMENT	RETIREMENT	QUARTERLY TOTALS	FISCAL YEAR TO - DATE	BIENNIUM TO - DATE
INVESTMENT EXPENDITURES	\$ 18,388,999 \$	0_\$	18,388,999 \$	18,388,999 \$	122,549,145
MEMBER CLAIMS 1. ANNUITY PAYMENTS 2. REFUND PAYMENTS	0	63,380,317 2,875,283	63,380,317 2,875,283	127,247,123 4,991,115	371,952,219 12,133,475
TOTAL MEMBER CLAIMS	0	66,255,599	66,255,599	132,238,239	384,085,694
OTHER CONTINUING APPROPRIATIONS	62,617	165,700	228,317	253,444	1,100,793
TOTAL CONTINUING APPROPRIATIONS	18,451,616	66,421,299	84,872,915	150,880,682	479,069,189
BUDGETED EXPENDITURES					
1. SALARIES & BENEFITS					
SALARIES OVERTIME/TEMPORARY TERMINATION SALARY & BENEFITS	367,479 19,345 0	217,907 21,908 0	585,385 41,253 0	1,087,067 79,014 0	2,795,202 115,402 0
FRINGE BENEFITS	110,562	85,383	195,946	363,250	935,034
TOTAL SALARY & BENEFITS	497,386	325,198	822,584	1,529,331	3,845,639
2. OPERATING EXPENDITURES					
DATA PROCESSING TELECOMMUNICATIONS - ISD TRAVEL IT - SOFTWARE/SUPPLIES POSTAGE SERVICES IT - CONTRACTUAL SERVICES EQUIPMENT RENTS AND LEASES BUILDING/LAND RENT & LEASES DUES & PROF. DEVELOPMENT OPERATING FEES & SERVICES REPAIR SERVICE PROFESSIONAL SERVICES INSURANCE OFFICE SUPPLIES PRINTING PROFESSIONAL SUPPLIES & MATERIALS MISCELLANEOUS SUPPLIES IT EQUIPMENT UNDER \$5000 OFFICE EQUIP. & FURNITURE UNDER \$5000 TOTAL OPERATING EXPENDITURES	15,477 1,498 (3,388) 38 584 420 0 10,228 23 329 0 0 40 29 0 89 298 411 26,075	54,919 1,382 12,697 38 1,653 88,570 0 11,725 4,547 219 0 110,478 0 32 135 0 23 202 699 287,319 499,577	70,395 2,880 9,309 76 2,236 88,990 0 21,953 4,570 549 0 110,478 0 72 164 0 112 500 1,110 313,394	156,820 4,774 14,317 143 6,240 131,673 5,183 39,997 7,864 1,625 0 120,006 1,240 202 763 694 223 565 1,110 493,438	493,850 14,472 52,850 185 32,027 208,233 5,183 149,268 28,571 42,447 654 343,681 2,432 2,216 8,417 2,321 1,613 805 1,509 1,390,736 1,434,489
4. CONTINGENCY	2,300	0	2,300	5,187	85,832
TOTAL BUDGETED EXPENDITURES	525,761	1,112,094	1,637,855	2,527,532	6,756,695
TOTAL EXPENDITURES	\$\$	67,367,693 \$	86,510,770 \$	153,408,214 \$	485,825,884

EXPENDITURE REPORT

AS OF AND FOR THE QUARTER ENDED DECEMBER 31, 2022

PAS PROJECT - UNEXPENDED PORTION CARRIED FORWARD TO 2021-23 BIENNIUM

	2019-2021 Biennium Approved Budget	2019-2021 Biennium Actual	Carryover to 2021-2023 Biennium	2021-2023 Biennium Actual	Total PAS Project to Date
TEMPORARY SALARIES	50,000	0	50,000	0	0
IT - DATA PROCESSING (NDIT PROJECT MGMT)	775,000	34,025	740,975	78,457	112,483
PROFESSIONAL SERVICES	1,875,000	297,099	1,577,901	462,073	759,173
CAPITAL ASSETS	6,300,000	0	6,300,000	1,412,777	1,412,777
TOTAL PAS PROJECT BUDGET	9,000,000	331,125	8,668,875	1,953,307	2,284,432

^{*} The amounts in the 2021-2023 actual column are included in the totals on the Expenditure Report on the previous page.



MEMORANDUM

TO: State Investment Board

FROM: Sara Seiler, Supervisor of Internal Audit

DATE: February 15, 2023

SUBJECT: Audit Activities Quarterly Update

The SIB Audit Committee will meet on February 15, 2023. The SIB Audit Committee reviewed and approved the second quarter audit activities and an update on current audit activities.

The following will be presented:

- 1. Executive Limitations Audit
 - a. Internal Audit is sufficiently satisfied that the Executive Director was in compliance with SIB Governance Manual Executive Limitation Policies A-1 through A-11
- 2. Employee Exit Review
 - a. RIO creates a general email address for media and open request inquiries. The email address is monitored by multiple employees to ensure there is no disruptions in responses when staff is out or if there is staff turnover.
 - b. Create an internal policy that staff members cannot add anyone outside the agency to any internal RIO Teams Channels without prior approval from the Executive Director or Deputy Executive Director.
 - c. On an annual basis, the State Investment Board and Teachers' Fund for Retirement Board receives training on board governance, focusing on governance structure (e.g., authority retained versus delegated, communications with staff, etc.)
- 3. GASB 68 Schedules Audit
 - a. Schedule of Employee Allocations as of June 30, 2022
 - b. No Material Findings
- 4. Internal Audit Business Process Review
 - a. Weaver & Tidwell, LLP has been reviewing:
 - Audit Charter
 - Audit Documentation
 - Current State Analysis
 - Future State Development
 - Investment Internalization Plan
 - b. On track to be completed and presented in May 2023.

The following link has the committee materials that were presented for your reference:

https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Audit/Board/Materials/sibauditmat20230215.pdf

MEMORANDUM

TO: SIB

FROM: Jan Murtha, Executive Director

DATE: February 10, 2023

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
Chief Risk Officer	Offer accepted. Start date is 2/21/23.
	Vacancy due to team member accepting Retirement Acct.
Investment Accountant	position. Posted and closed 1/30/23. Interviews scheduled.
Sr. Investment Officer	Offer accepted. Start date is 3/20/23.
Communication &	
Outreach Director	Offer accepted. Anticipated start date March 2023.

2. Current Project Activities/Initiatives:

- Legacy Fund Asset Allocation Study RVK continues its work on the Legacy Fund Asset Allocation Study. The changes to the Investment Policy Statement recommended by RVK were approved by both the Advisory Board and the SIB in December 2023. At the last meeting, it was discussed that RVK and the Advisory Board intend to meet in Q2 2023 to review recommendations for updates to the Legacy Fund asset allocation and discuss a pacing schedule.
- TFFR PAS Project (hereinafter TFFR "Pioneer Project")— The TFFR Pioneer Project continues with implementation consistent with the project plan. Currently the project is in an elaboration phase involving review of system components. 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.
- Audit Consultant RFP: In September staff issued an RFP for Audit consultant services to assist with the development of additional internal audit business practices to support program evolution consistent with the agencies strategic plan. Procurement concluded, the contract is finalized, and work is currently underway with the expectation that recommendations will be presented to the SIB Audit Committee in May 2023. Weaver Consultants was awarded the contract.

3. Board & Committee Presentations January 1, 2023 through February 17, 2023

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

- Testimony on: HB 1039, HB 1040, HB 1088, HB 1150, HB 1219, HB 1227, HB 1271, HB 1278, HB 1368, HB 1400, HB 1429, HB 1469, SB 2022, SB 2258, and SB 2330.
- SIB Investment Committee 1/13/23 & 2/10/23
- SIB GPR Committee 1/26/23
- TFFR Board 1/26/23
- SIB Program Presentation in Dickinson 1/28/23
- TFFR GPR Committee 2/7/23
- SIB Program Presentation to Senate Committee 2/13/23
- WSI Board 2/15/23
- SIB Audit Committee 2/15/23
- SIB meeting 1/27/23 & 2/17/23

BOARD ACTION REQUESTED: Board Acceptance.