

Friday, July 21, 2023, 8:30 a.m.

WSI Board Room (In-Person), 1600 E Century Ave, Bismarck, ND

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AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA - (Board Action)**
 - A. Pledge of Allegiance
 - B. Executive Summary
 - C. Welcome New Board Members
 - II. ACCEPTANCE OF MINUTES (May 19, 2023) – (Board Action)**
 - III. ELECTION OF OFFICERS AND COMMITTEE APPOINTMENTS (30 minutes) – Ms. Murtha**
 - A. Chair – Board Action
 - B. Vice Chair – Board Action
 - C. Parliamentarian – Appointed by Chair
 - D. Audit Committee – Board Action
 - E. Governance & Policy Review Committee – Board Action
 - F. Executive Review & Compensation Committee – Appointed by Chair
 - G. Investment Committee – Appointed by Chair
 - H. Securities Litigation Committee – Appointed by Chair
 - IV. EDUCATION (45 minutes) (Information)**
 - A. Country Risk - Mr. Gertken, BCA Research
 - V. INVESTMENTS (30 minutes)**
 - A. Legacy Fund Investment Policy Statement (Board Action) - Mr. Anderson
 - B. Quarterly Performance Review (3/31) (Board Action) – Mr. Anderson
- (Break)
- VI. GOVERNANCE (45 min)**
 - A. Governance & Policy Review Committee Update (Board Action) – Dr. Lech, Ms. Murtha
 - B. Investment Committee Update (Board Action) – Treasurer Beadle, Mr. Anderson
 - 1. Second Reading & Final Adoption of Policy E-3 & Ex. E-II
 - C. Securities Litigation Committee (Board Action) – Commissioner Heringer, Ms. Murtha
 - D. Legacy & Budget Stabilization Advisory Board Update (Information) – Rep. Bosch, Ms. Murtha
 - VII. Quarterly Monitoring Reports (20 minutes) – (Board Action)**
 - A. Quarterly Investment Ends (6/30) – Mr. Posch
 - 1. Code of Conduct Affirmation – Mr. Vaidya
 - B. TFFR Ends – Mr. Roberts
 - C. Executive Limitations/Staff Relations – Ms. Murtha
 - VIII. OTHER**

Next Meetings:
Audit Committee – August 2, 2023, at 2:30 p.m.
SIB ERCC –August 3, 2023, at 2:00 p.m.
Investment Committee -August 11, 2023, at 9:00 a.m.
SIB GPR – August 11, 2023, at 2:00 p.m.
SIB Meeting – August 25, 2023, at 8:30 a.m.
 - IX. ADJOURNMENT**

EXECUTIVE SUMMARY

SIB Regular Meeting

July 21 2023 – 8:30am CT

- I. **Agenda:** The July Board Meeting will be held at the WSI Board 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.
- Attendees are invited to join the Board Chair in the Pledge of Allegiance.
 - Welcome new Board members.
- II. **Minutes (Board Action):** The May 19, 2023, Board meeting minutes are included for review and approval.
- III. **Election of 2023-2024 Officers and Appointment of Committees (Board Action):** Election of Board Chair and Vice Chair. Appointment of Parliamentarian by Chair. Election of members of Audit and Governance and Policy Review Committees by SIB; and appointment of members of Executive Review & Compensation, Investment and Securities Litigation Committees by Chair.
- IV. **A. Board Education – Country Risk (Information Only):** Mr. Gertkin from BCA Research will provide a presentation on country risk.
- V. **A. Legacy Fund Investment Policy Statement (Board Action):** Mr. Anderson will review changes to the Legacy Fund Investment Policy Statement (IPS) recently approved by the Legacy & Budget Stabilization Fund Advisory Board on June 21, 2023. Implementation is subject to SIB approval under NDCC 21-10-02.1.
- B. Quarterly Performance Review (Board Action):** CIO Anderson will present on investment performance for the quarter ending March 31, 2023.
- VI. **A. Governance & Policy Review Committee (Board Action):** Meeting materials will be updated after the GPR Committee meets on July 17, 2023.
- B. Investment Committee (Board Action):** The Committee Chair and Mr. Anderson will provide the Board an update on recent committee activities and request approval for a delegation of duties. There will be a Second Reading & Final Adoption for Policy E-3 & Ex E-II.
- C. Securities Litigation Committee (Board Action):** The Committee Chair and Ms. Murtha will provide an update on recent committee activities.
- D. Legacy & Budget Stabilization Fund Advisory Board (Information Only):** Representative Bosch and Ms. Murtha will provide the Board with an update on recent Advisory Board activities and decisions.
- VII. **A-D. Reports (Board Action):** Staff will provide quarterly monitoring reports for Investment Ends, including the Board Member Code of Conduct Affirmation, TFFR Ends and executive limitations/ staff relations.

Adjournment.

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MAY 18, 2023, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer
Joseph Herringer, Commissioner of Unv. & School Lands
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Mel Olson, TFFR Board
Art Thompson, Director of WSI

MEMBERS ABSENT: Jon Godfread, Insurance Commissioner
Claire Ness, PERS Board, Parliamentarian
Yvonne Smith, PERS Board

STAFF PRESENT: Scott Anderson, CIO
Eric Chin, Deputy CIO
Derek Dukart, Investment Officer
Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec. Assistant
George Moss, Sr. Investment Officer
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Dir.
Ann Nagel, Retirement Accountant
Madalynn Nelson, Accounting Intern
Matt Posch, Sr. Investment Officer
Emmalee Riegler, Contracts/Records Admin.
Mike Schmitcke, Investment Accountant
Sara Seiler, Internal Audit Supvr.
Ryan Skor, CFO/COO
Lindsey Trotter, Legal Intern
Nitin Vaidya, Chief Risk Officer
Tami Volkert, Compliance Spec.
Susan Walcker, Sr. Financial Accountant
Jason Yu, Risk Officer
Lance Zietlow, Sr. Investment Officer

GUESTS: Craig Chaikin, Callan
Dean DePountis, Attorney General's Office
Perry Hopper, Callan
Candace Johnson, Securities Commission
Jerry Klein, Legacy/Budget Stab. Adv. Board
Adam Montgomery, Securities Commission
Members of the Public

CALL TO ORDER:

Lt. Gov. Miller, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, May 18, 2023. 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, Commissioner Heringer, Dr. Lech, Lt. Gov. Miller, Mr. Miller, Mr. Olson, and Mr. Thompson.

Ms. Murtha introduced new RIO staff Mike Schmitcke, Lindsey Trotter, and Madalynn Nelson.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the May 18, 2023, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, MR. OLSON, MR. THOMPSON, DR. LECH, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MR. MICKELSON, MS. NESS, AND MS. SMITH

MOTION CARRIED

Mr. Mickelson joined the meeting at 8:05 a.m.

MINUTES:

The Board considered the minutes of the April 28, 2023, SIB meeting.

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE APRIL 18, 2023, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH

MOTION CARRIED

GOVERNANCE:

2021-23 Biennium Review:

Ms. Murtha reviewed what RIO has accomplished over the biennium. The agency has gone through numerous changes since June of 2021 resulting from legislation, staffing changes, IT unification, an office move, and the pension administration system upgrade project. Ms. Murtha reviewed RIO milestones, accomplishments, and the strategic plan. Many of the goals in the strategic plan required legislative changes to achieve. With the legislation that was approved this session, we have achieved all of the goals that were set in our strategic plan. Ms. Murtha reviewed the new mission, vision, and core values for RIO and the process to create the new statements. Board discussion followed.

Board Education and Planning Calendar:

The Board approved the schedule for the upcoming fiscal year (FY) at the April 2023 meeting. Staff have prepared a planning calendar with routine meeting and education topics throughout the year. Ms. Murtha asked for Board acceptance of the planning calendar.

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

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

NAYS: NONE

**ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH
MOTION CARRIED**

Investment Committee (IC) Update:

Treasurer Beadle and Mr. Anderson provided an update from the IC meeting on May 12, 2023. The IC received presentations on the risk management strategy and country risk. The Committee discussed the timber portfolio and the IC charter. Staff provided updates to SIB Governance Policy E-3 which add clarity to delegation guidelines for the investment program. Mr. Anderson reviewed the proposed amendments to Policy E-3 and a new delegation matrix which will be added as Exhibit E-III. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE INTRODUCTION AND FIRST READING OF AMENDED POLICY E-3 AND NEW EXHIBIT E-III.

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

NAYS: NONE

**ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH
MOTION CARRIED**

Executive Review and Compensation Committee (ERCC):

Mr. Miller provided an update from the ERCC meeting on May 18, 2023. The ERCC completed the Executive Director's (ED) annual review and has provided a compensation recommendation for the ED to the Board. The ED review summary has been provided to the Board. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE RECOMMENDED INCREASE OF 6% FOR THE ED SALARY AND THE ANNUAL EXECUTIVE REVIEW.

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

NAYS: NONE

**ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH
MOTION CARRIED**

The Board recessed at 9:57 a.m. and reconvened at 10:11 a.m.

INVESTMENTS:

Quarterly Markets and Performance Update:

Mr. Chaikin, Callan, provided an update on market conditions and performance for the quarter ended March 31, 2023. Each of the Trust's asset allocations were within policy ranges and cash flows were managed to rebalance towards strategic targets as of March 31, 2023. Most total fund returns have each exceeded their respective benchmarks on a net-of-fee basis for the trailing five-year period ended March 31, 2023. PERS trails by an annualized 2 basis points (bps) and TFFR by an annualized 30 bps. Mr. Chaikin discussed corridor benchmarking which adjusts a portfolio's benchmark weights to reflect the actual weights of private market and less liquid investments. Any increase or decrease from the strategic target weights to private/less liquid investments will be offset by an equal magnitude decrease/increase to the benchmark weight in equity and/or fixed income. Corridor benchmarking is used so that performance attribution from asset allocation would more clearly reflect the investment team's decisions. The weights will be adjusted by rebalancing private equity to public equity. Real assets, including real estate, will be rebalanced to 50% public fixed income and 50% public equity. Mr. Chaikin provided examples of corridor benchmarking. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY PERFORMANCE REVIEW.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH

MOTION CARRIED

Risk Strategy:

Mr. Vaidya presented the risk allocation and management strategy. Investors must decide where they should be on the risk spectrum and what is the desired level of risk. Mr. Vaidya described investment risk, its effect on returns, and the measures of risk and return. A model for evaluating outcomes was provided. Mr. Vaidya outlined RIO's risk allocation and management beliefs, objective, and strategy. Information was provided on risk allocation and management and their effect on investment outcomes. Staff shared plans for communication with the SIB, IC, and client funds on risk allocation and management including an example of a structural risk dashboard. A timeline of near-term activities was reviewed. Board discussion followed.

Country Risk:

Mr. Anderson provided background on the previous activities and reasons for addressing country risk. Mr. Chin outlined the activities completed by staff to allow them to be nimbler in making exposure adjustment. Staff has implemented operational infrastructure and analytical resources to better manage country risk, including opening markets to facilitate separate accounts for international managers and adding new research capabilities to assess geopolitical risk. With US-China geopolitical tensions rising, staff recommended an interim portfolio solution to manage China exposure. Board discussion followed.

Portfolio Changes:

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO 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 NEGOTIATION STRATEGY.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH

MOTION CARRIED.

The executive session started at 11:26 a.m. and ended at 11:42 a.m. and was attended by Board members, staff, and Mr. Chaikin, Callan.

QUARTERLY MONITORING REPORTS:

Audit Activities Report:

Ms. Seiler provided the Quarterly Audit Activities Report. The SIB Audit Committee met on May 11, 2023. The Committee reviewed and approved the third quarter and current audit activities, June 30, 2023, FY financial statement audit kickoff, and 2023-24 internal audit (IA) workplan. Weaver and Tidwell, LLP presented the final report for the IA business process review. Ms. Sauter reviewed the process and results of the review. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided an update on staffing and shared that RIO is fully staffed. Staff are working on changes to current positions in preparation for posting the new FTEs which were granted by the legislature. Staff are preparing for new board members and board member onboarding. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY AUDIT ACTIVITIES AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH

MOTION CARRIED

RESOLUTION FOR CLAIRE NESS:

WHEREAS, Deputy Attorney General Claire Ness has served as a PERS Trustee representative of the State Investment Board since 2022; and

WHEREAS, Ms. Ness has diligently carried out her duties and responsibilities as a member of the SIB and fiduciary of the SIB Program; and

WHEREAS, Ms. Ness 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 Ms. Ness be duly recognized by the SIB for her unselfish dedication to the State of North Dakota through her service on the State Investment Board.

DATED this 18th day of May 2023

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE BOARD RESOLUTION.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH

MOTION CARRIED

RESOLUTION FOR YVONNE SMITH:

WHEREAS, Yvonne Smith has served as a PERS Trustee representative of the State Investment Board since 2014; and

WHEREAS, Ms. Smith has diligently carried out her duties and responsibilities as a member of the SIB and fiduciary of the SIB Program; and

WHEREAS, Ms. Smith 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 Ms. Smith be duly recognized by the SIB for her years of unselfish dedication to the State of North Dakota through her service on the State Investment Board.

DATED this 18th day of May 2023

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE BOARD RESOLUTION.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH

MOTION CARRIED

RESOLUTION FOR MEL OLSON:

WHEREAS, Mel Olson has served as a TFFR Trustee representative of the State Investment Board since 2015; and

WHEREAS, Mr. Olson has diligently carried out his duties and responsibilities as a member of the SIB and fiduciary of the SIB Program; and

WHEREAS, Mr. Olson 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 Mr. Olson 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 18th day of May 2023

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE BOARD RESOLUTION.

AYES: MR. MICKELSON, MR. MILLER, MR. THOMPSON, COMMISSIONER HERINGER, DR. LECH, TREASURER BEADLE, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MS. NESS, AND MS. SMITH

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 12:00 p.m.

Prepared by: Missy Kopp, Assistant to the Board

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 14, 2023
RE: Elections & Appointment of Officers

Pursuant the SIB Governance Manual By-Laws Chapter 3, the SIB must elect a Chair and Vice Chair at the first meeting of each fiscal year. The newly elected Chair must appoint a Parliamentarian. For the 2023-24 year, the Board will need to select:

- **SIB Chair**
(Currently Lt. Governor Miller)
- **SIB Vice Chair**
(Currently Dr. Lech – TFFR Trustee)

Either the Chair or Vice-Chair must be a member of the TFFR or PERS Board per Section 3.1 of the SIB By-Laws.

- **Parliamentarian – Appointed by SIB Chair**
(Currently Vacant)

The relevant By-Laws and Governance Policy of the SIB are below:

By-Laws Chapter 3:

Section 3-1. The officers of the SIB are a Chair and Vice Chair, one of which must be an appointed or elected member of the TFFR or PERS Board. The officers will be elected by the SIB to a one-year term at the first regularly scheduled meeting following July 1 of each year. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy.

Section 3-2. Chair. The Chair will preside at all meetings of the SIB.

Section 3-3. Vice Chair. In the absence of the Chair, the Vice Chair will perform the duties of the Chair.

Policy B-4(1)(D): The chairperson shall appoint a Parliamentarian.

**BOARD ACTION. Nominate and approve Chair and Vice-Chair.
Chair to appoint Parliamentarian.**

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 20, 2023
RE: Audit Committee Appointments

SIB Governance Manual B-6 on Standing Committees states:

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 committee charter states:

The Committee will consist of five members, selected by and approved by the SIB. Three members of the Committee will represent the three groups on the SIB: Teachers' Fund for Retirement (TFFR) Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials, and two members selected from outside of the SIB and the RIO. The SIB should select committee members who are both independent and financially literate. Membership on the Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Committee.

Current Committee members are:

Vacant (PERS Trustee)
Thomas Beadle (State Treasurer)
Cody Mickelson (TFFR Trustee)
Vacant (External) and
Vacant (External)

Both Ms. Dahle and Mr. Griffin have accepted new professional roles and as a result have resigned from their respective places on the Audit committee. Ms. Seiler reached out to prospective candidates with the necessary expertise and that are willing to serve as independent members of the audit committee. Their resumes have been provided to the SIB members separately for consideration.

BOARD ACTION. Board to Elect Audit Committee members.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 20, 2023
RE: Governance & Policy Review Committee

SIB Governance Manual B-6 on Standing Committees states:

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 committee charter states:

The Governance Committee shall be composed of at least three members. They will be nominated and approved by a majority vote of the SIB. This is a standing committee with no term limits. The Executive Director will be responsible for meeting preparation.

Current Committee members are:

Dr. Lech (TFFR Trustee) Chair;
Thomas Beadle (State Treasurer);
Vacant.

BOARD ACTION. Board to Elect GPR Committee Members.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 20, 2023
RE: Executive Review & Compensation Committee

SIB Governance Manual B-6 on Standing Committees states:

An Executive Review and Compensation Committee (ERCC) has been established as a standing committee of the SIB. The 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 and Chief Investment Officer 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 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 Charter states:

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.

Current board members assigned are:

- Mr. Adam Miller (as Chair – PERS Trustee)
- Dr. Rob Lech (TFFR Trustee)
- State Treasurer Thomas Beadle (Elected Official)

BOARD ACTION. Chair to appoint.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 20, 2023
RE: Investment Committee Appointments

SIB Governance Manual B-6 on Standing Committees states:

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.

The Investment Committee Charter states:

The Investment Committee shall be composed of two members of the SIB board, two external investment professionals and two RIO staff appointed by the SIB Chair. The SIB Chair will also appoint a Chair and a Vice Chair of the Committee. The two external investment professionals may be either currently active or retired and have substantial institutional investment experience.

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

Current board members assigned are:

- State Treasurer Thomas Beadle – Board Member (as Chair)
- Commissioner Joseph Heringer – Board Member (as Vice Chair)
- Prodosh Simlai – External professional
- Ruilin Tian – External professional
- CIO Scott Anderson – RIO Staff
- Deputy CIO Eric Chin – RIO Staff

BOARD ACTION. Chair to appoint Members and to appoint Chair and Vice Chair.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 20, 2023
RE: Securities Litigation Committee

SIB Governance Manual B-6 on Standing Committees states:

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.

The committee charter states:

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

Current Committee members are:

Land Commissioner Joe Heringer;
WSI Director Art Thompson; and
Vacant.

BOARD ACTION. Chair to appoint.

Geopolitics And Markets: 2023-24 And Beyond

Matt Gertken

Chief Geopolitical Strategist

MattG@bcareserach.com

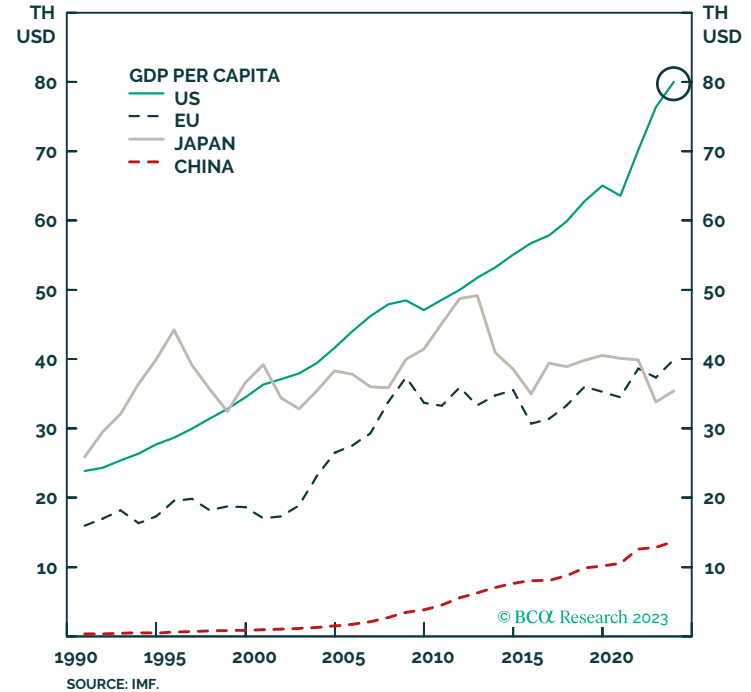
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The Geopolitical Method

The Geopolitical Method

- Reality Versus Appearance
- Data Versus Narrative
- Geopolitics Versus Politics
- Political Economy Versus Economics
- Institutions Versus Individuals
- Grand Strategy, Strategy, Tactics
- Macro and Market Themes, Trends, Views
- Forward-Looking Versus Backward-Looking
- Contrarian Versus Consensus

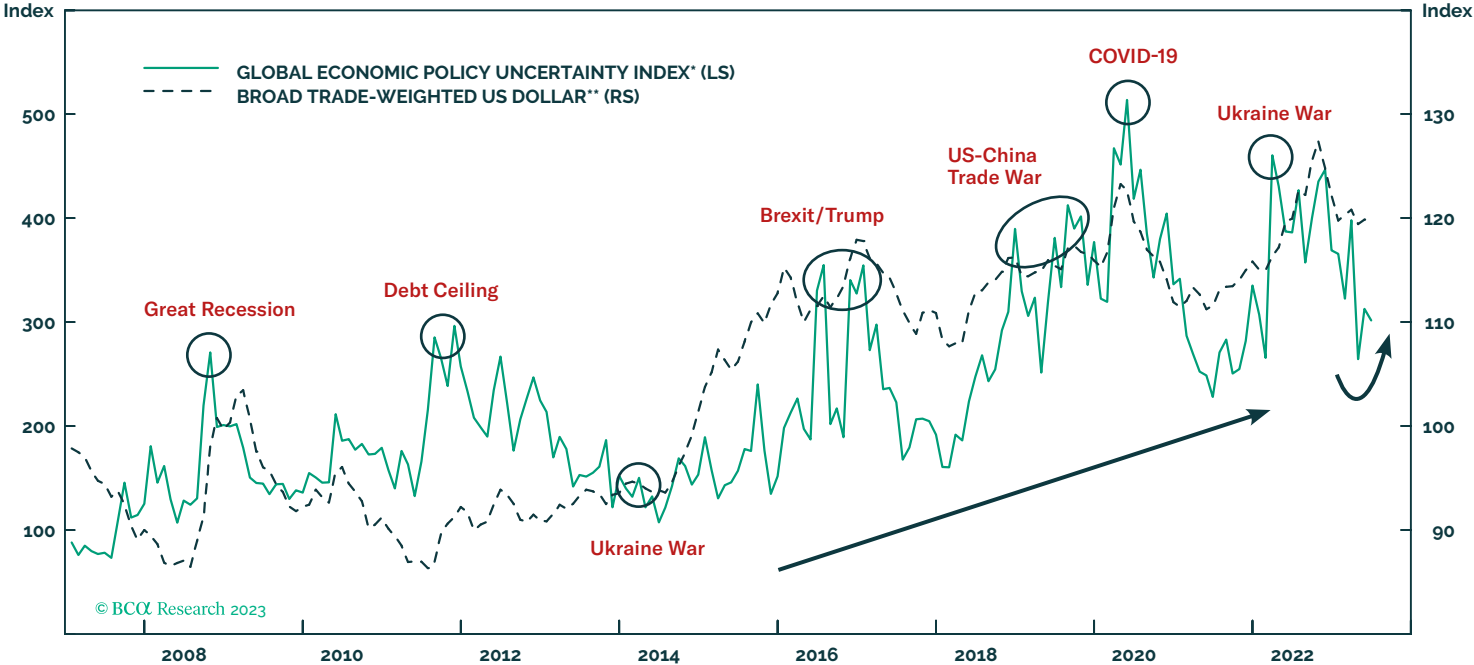


Checklist: Will Geopolitical Risk De-Escalate From Here?

CHECKLIST FOR GEOPOLITICAL AND MACRO BACKDROP					
CATEGORY	BAD NEWS		GOOD NEWS		
MACROECONOMICS	US SLOWDOWN	✓	US REBOUND	PMI: 53.2	?
	CHINA SLOWDOWN	✓	CHINA REBOUND	PMI: 52.5	?
	EU SLOWDOWN	✓	EU REBOUND	PMI: 49.8	?
GEOPOLITICS	EU ENERGY CRISIS		EU ENERGY STABILITY		✓
	US-CHINA WAR		US-CHINA STATUS QUO		✓
	TAIWAN STRAIT CRISIS	✓	TAIWAN STRAIT STABILITY		
	UKRAINE WAR	✓	UKRAINE CEASEFIRE		
	RUSSIA-NATO WAR		RUSSIA-NATO STATUS QUO		✓
	PERSIAN GULF WAR		PERSIAN GULF STABILITY		
	IRAN NUCLEAR CRISIS	✓	US-IRAN NUCLEAR DEAL		

NOTE: AS OF JUNE 2023.

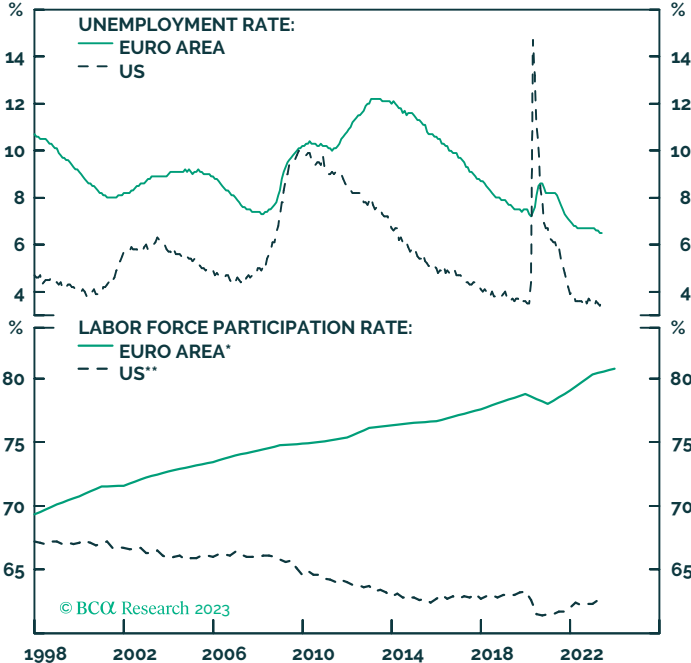
A Secular Rise In Global Policy Uncertainty



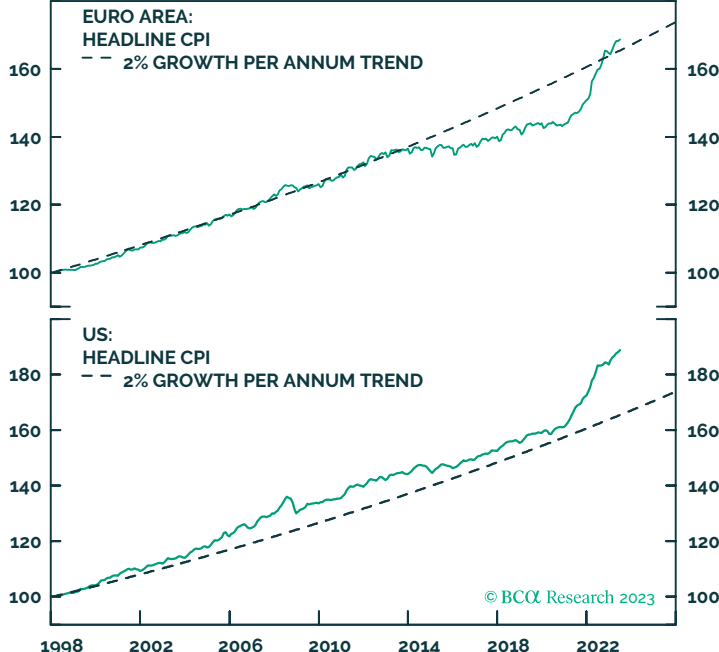
* GDP-WEIGHTED AVERAGE OF 21 COUNTRIES. SOURCE: BAKER, BLOOM AND DAVIS, AVAILABLE AT WWW.POLICYUNCERTAINTY.COM.
** SOURCE: FEDERAL RESERVE.

BCA House View 2023

Will Inflation Remain Subdued?

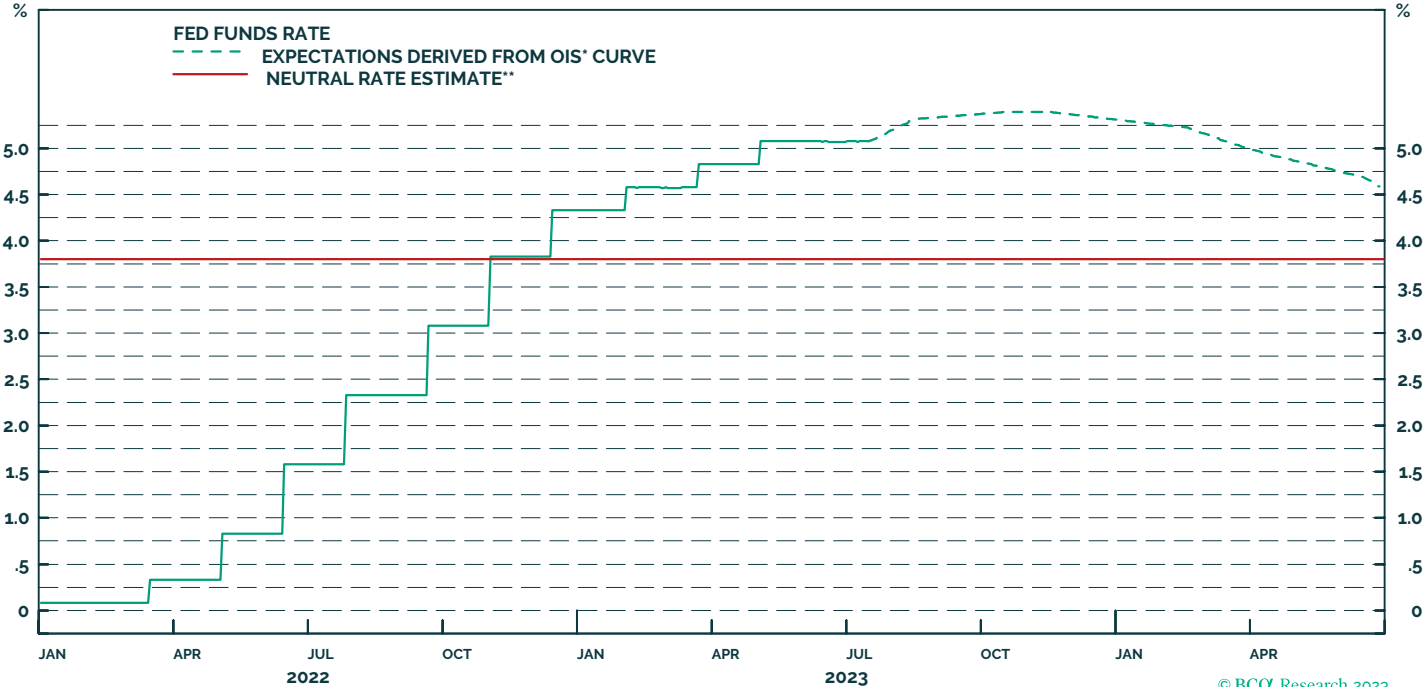


* SOURCE: EUROPEAN COMMISSION AMECO DATABASE.
** SOURCE: US BUREAU OF LABOR STATISTICS.



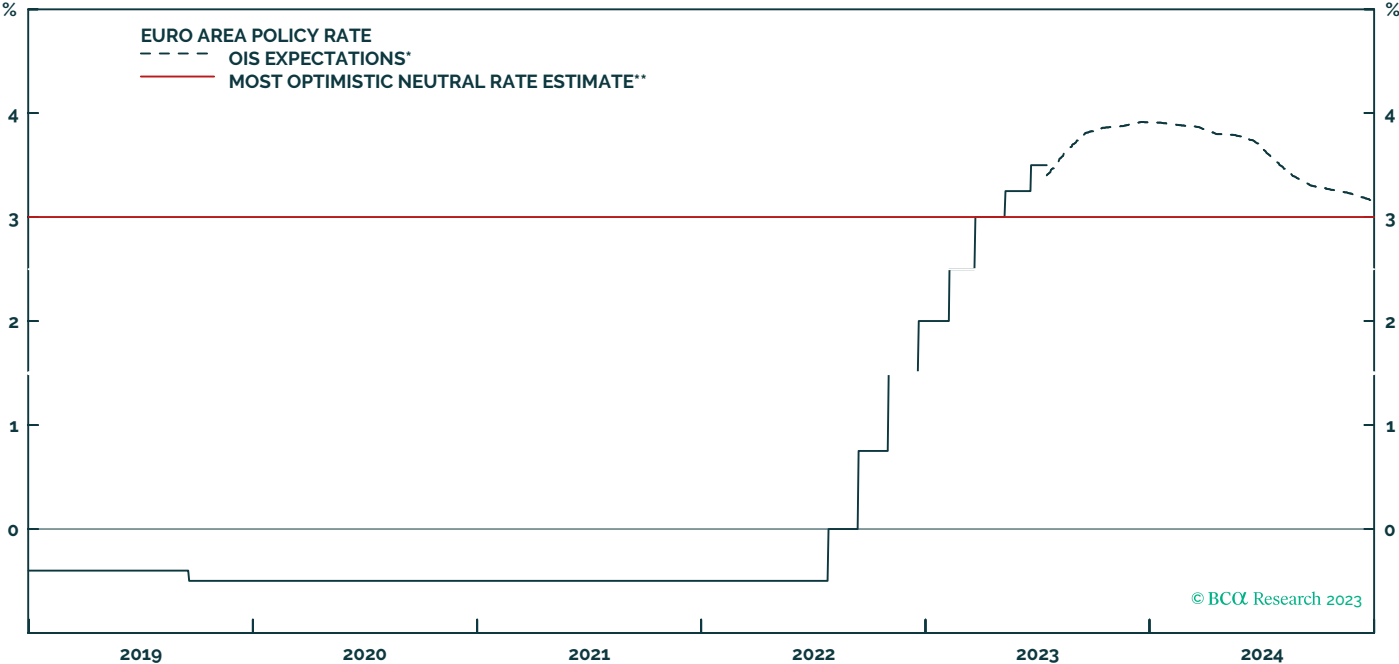
NOTE: ALL SERIES REBASED TO JANUARY 1998 = 100
* SOURCE: J.P MORGAN CHASE & CO

Is Monetary Policy Restrictive?



NOTE: DATA AS OF JULY 18, 2023.
* OVERNIGHT INDEX SWAPS.
** BCA CALCULATIONS.

What About Monetary Policy In Europe?

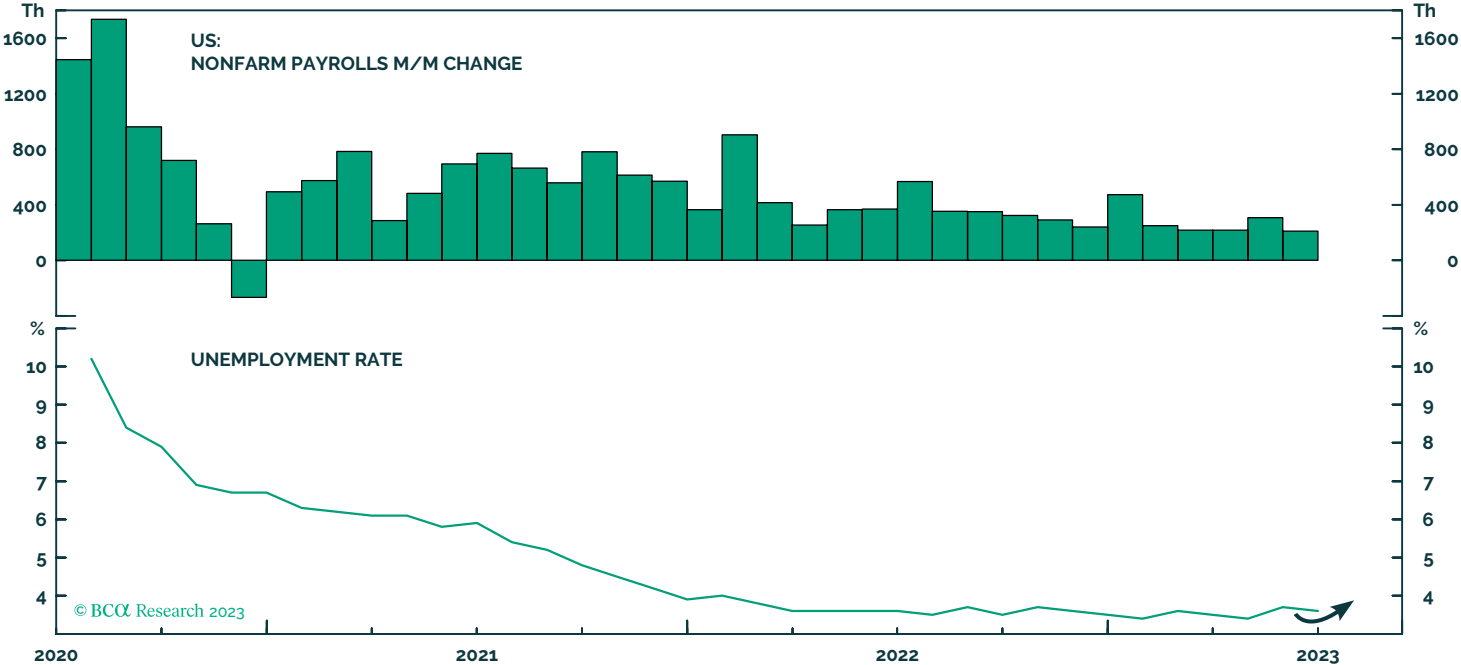


* SOURCE: OVERNIGHT INDEX SWAP CURVE.

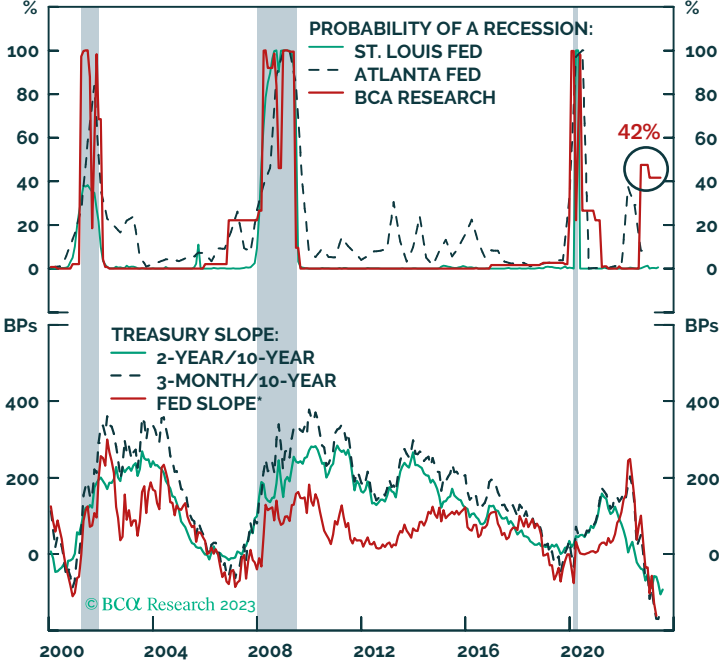
** SOURCE: BCA CALCULATIONS.

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Will The US Labor Market Hold Up?



What Are The Odds Of US Recession?



NOTE: SHADED AREAS DENOTE NBER-DESIGNATED RECESSIONS.
 * SPREAD BETWEEN 3-MONTH T-BILL RATE AND 3-MONTH T-BILL RATE, 18 MONTHS FORWARD.
 SOURCE: FED AND BCA CALCULATIONS.

Recession Checklist		
Inverted yield curve	✓	10/2-year and 10-year/3-months yield curves inverted
Rise in credit spreads	?	HY spreads widened by 105 BPs
Fed Funds Rate above neutral	✓	From November 2022
Significant decline in global PMIs	✓	Already below 50, around 48.8
Cyclical spending as % of GDP	✓	Peak in 2022 Q1: 27.5%, now 25.6%
Peak in profit margins	✓	Peak in 2022 Q1: 12%, now 9.3%

US Power Struggle

Recessions Usually Decide US Elections

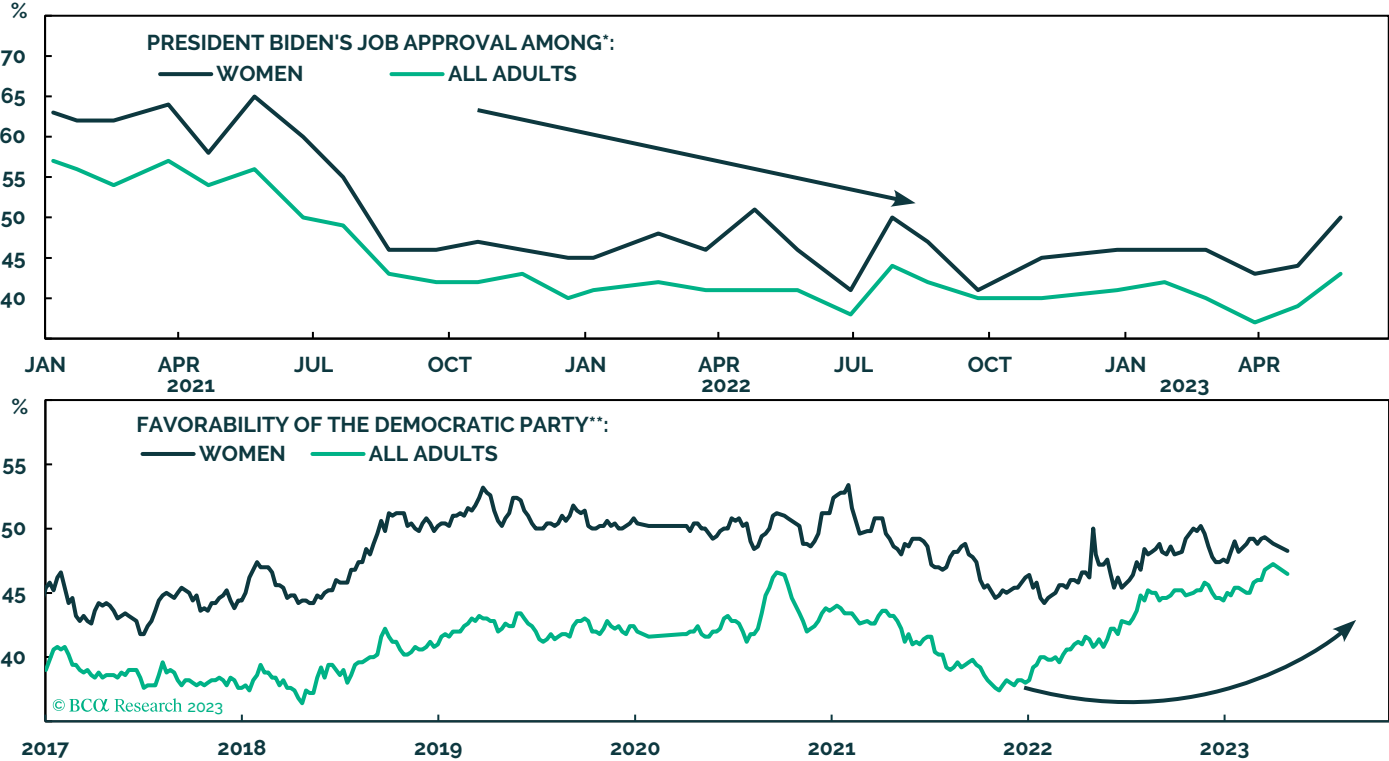
WIN RATES IN US ELECTIONS AMID RECESSION	
RECESSION IN CALENDAR YEAR OF ELECTION	
INCUMBENT PRESIDENT WIN RATE	44%
POST-WWII	33%
INCUMBENT PARTY WIN RATE	40%
POST-WWII	20%
RECESSION ENDS BEFORE ELECTION	
INCUMBENT PRESIDENT WIN RATE	33%
POST-WWII	0%
INCUMBENT PARTY WIN RATE	43%
POST-WWII	0%
RECESSION IN CALENDAR YEAR BEFORE ELECTION	
INCUMBENT PRESIDENT WIN RATE	29%
POST-WWII	0%
INCUMBENT PARTY WIN RATE	43%
POST-WWII	0%

SOURCE: NBER; DAVE LEIP'S ATLAS.

	KEY	DESCRIPTION	BCA SCORING
1	Incumbent Party Mandate	Incumbent party holds more seats in House of Representatives after last midterm elections than after previous midterms.	FALSE
2	Nomination Contest	There is no serious competition for the incumbent party's nomination.	TRUE?
3	Incumbency	The incumbent party's candidate is the sitting president.	?
4	Third Party	No significant third-party candidacy.	TRUE?
5	Short-Term Economy	Economy is not in recession during campaign.	TRUE?
6	Long-Term Economy	Real annual per capita GDP growth during the current four-year term equals or exceeds mean growth during two previous terms.	FALSE?
7	Policy Change	The incumbent administration achieved a major change to national policy in current term.	TRUE
8	Social Unrest	No sustained social unrest over the current term.	TRUE?
9	Scandal	Incumbent administration untainted by major scandal.	?
10	Foreign Or Military Failure	Incumbent administration suffers no major failure in foreign or military affairs.	?
11	Foreign Or Military Success	Incumbent administration achieves a major success in foreign or military affairs.	?
12	Incumbent Charisma	Incumbent-party candidate is charismatic or a national hero.	FALSE
13	Challenger Charisma	Challenger candidate is not charismatic or a national hero.	TRUE
Total (If 6+ are false, incumbent party loses the White House)			3

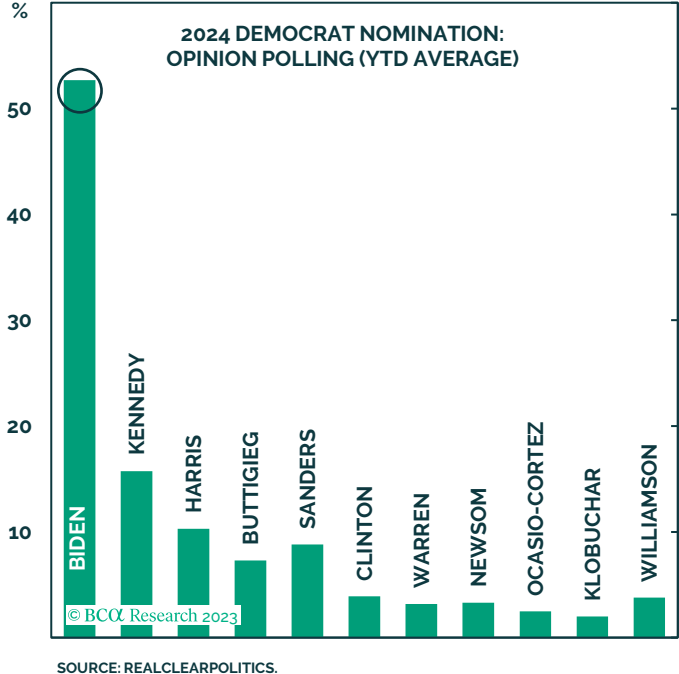
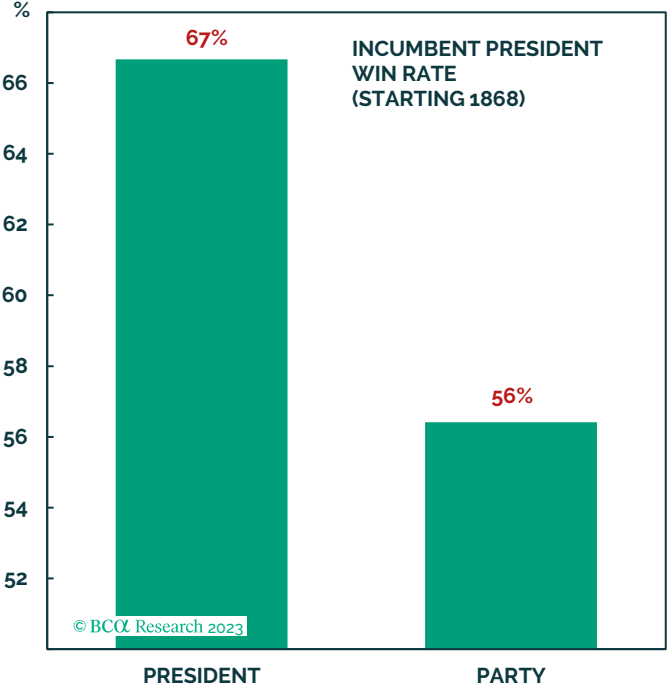
ADAPTED FROM ALLAN J. LICHTMAN, PREDICTING THE NEXT PRESIDENT: THE KEYS TO THE WHITE HOUSE, 2016 EDITION (NY: ROWMAN & LITTLEFIELD, 2016) AND LICHTMAN'S SUBSEQUENT PREDICTIONS IN STEVENSON, "TRUMP IS HEADED FOR A WIN," WASHINGTON POST, SEPTEMBER 23, 2016.

Other Election Issues Less Decisive

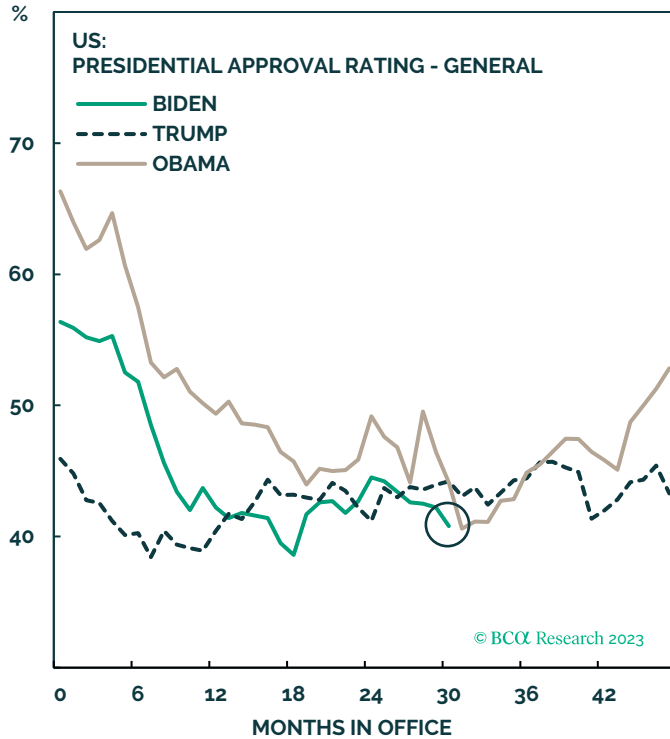


* SOURCE: GALLUP.
** SHOWN AS A 5-PERIOD MOVING AVERAGE. LAST DATA POINT IS UNSMOOTHED. SOURCE: YOUNG & RUBICAM.

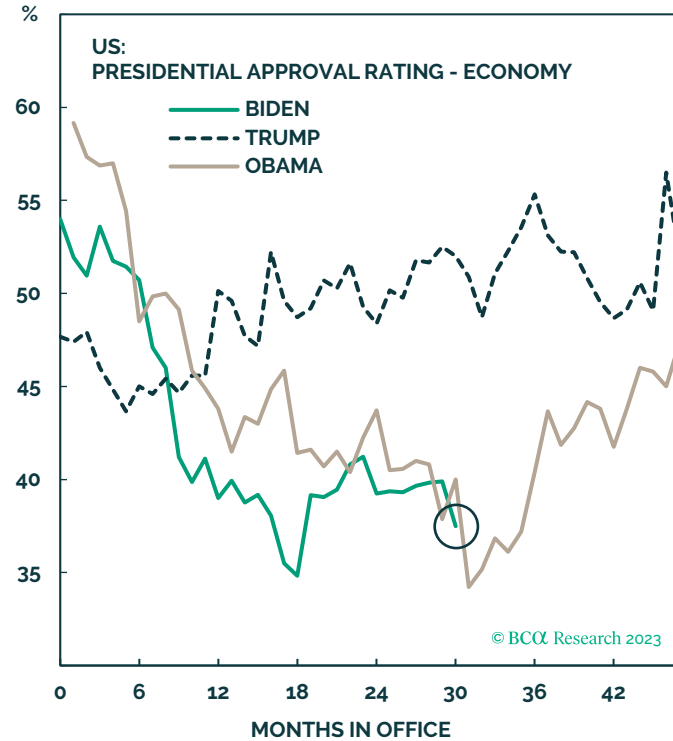
Democrats Must Stick With Biden/Harris



Yet Biden's Popular Approval Is Weak

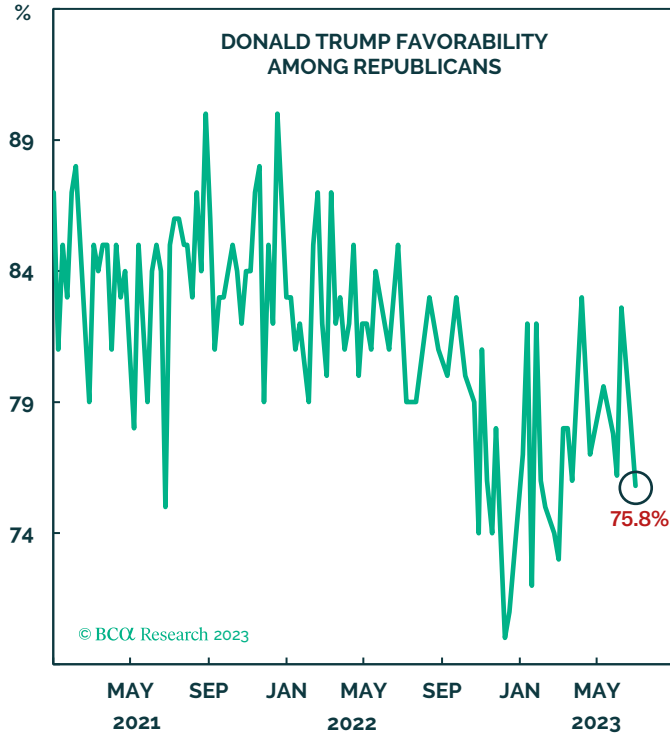


SOURCE: REALCLEARPOLITICS AND AMERICAN PRESIDENCY PROJECT.

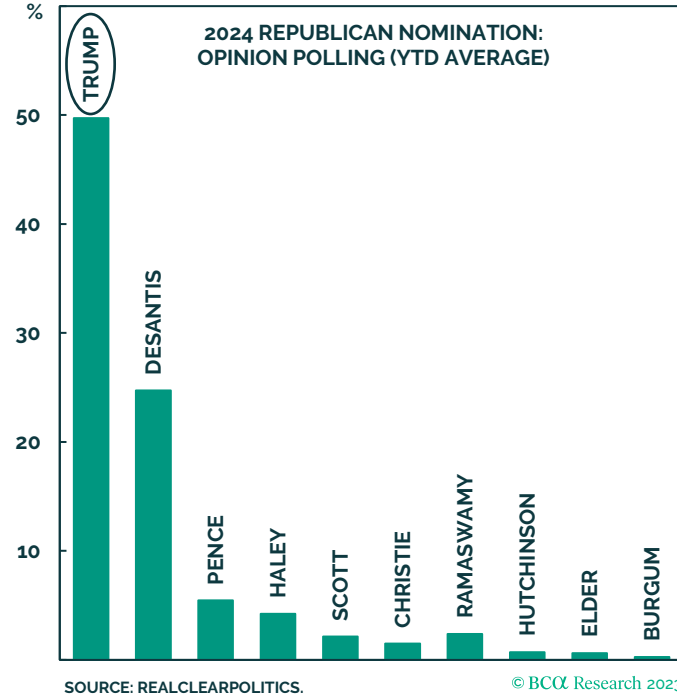


SOURCE: REALCLEARPOLITICS.

Republicans Will Stick With Trump Unless Imprisoned



SOURCE: YOUNG.



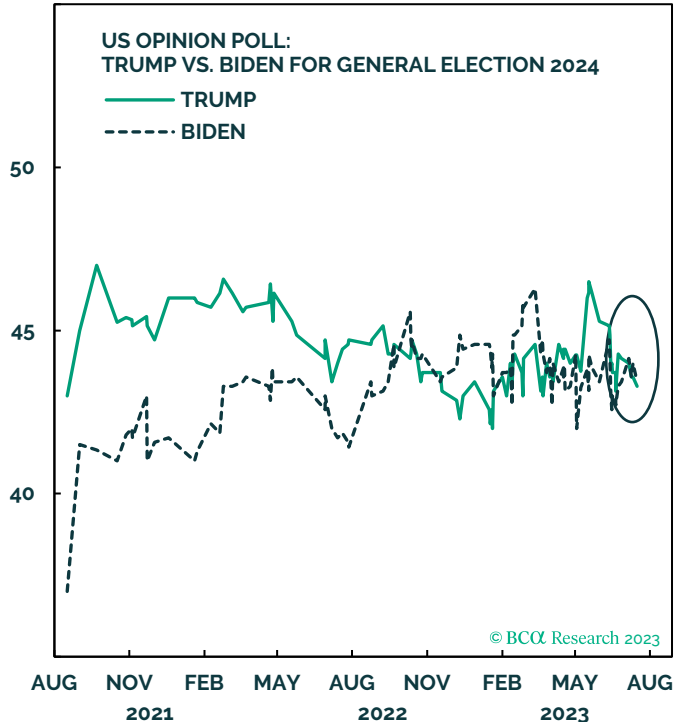
Game Theory Explains Trump Nomination

		TRUMP	
		BOWS OUT 2024	RUNS FOR PRESIDENT 2024
REPUBLICAN PARTY	TRUMPIST	<p>8,0</p> <p>GOP has chance to have a new candidate with support of Trump's base, and prospect of an incumbent advantage in 2028, therefore a max of eight years in power. Trump has zero chance of presidency.</p>	<p>4,4</p> <p>GOP gains Trump's base but would lack an incumbent advantage in 2028, as Trump could win in 2024 but can only serve one more term in office.</p>
	TRADITIONALIST	<p>4,0</p> <p>GOP has half as likely a chance of winning the 2024 election with a non-populist candidate that gets lukewarm support from Trump's base, while Trump has zero chance of presidency.</p>	<p>0,0</p> <p>Trump runs as third-party candidate, dividing the conservative vote and reducing odds of Trump or GOP victory.</p>

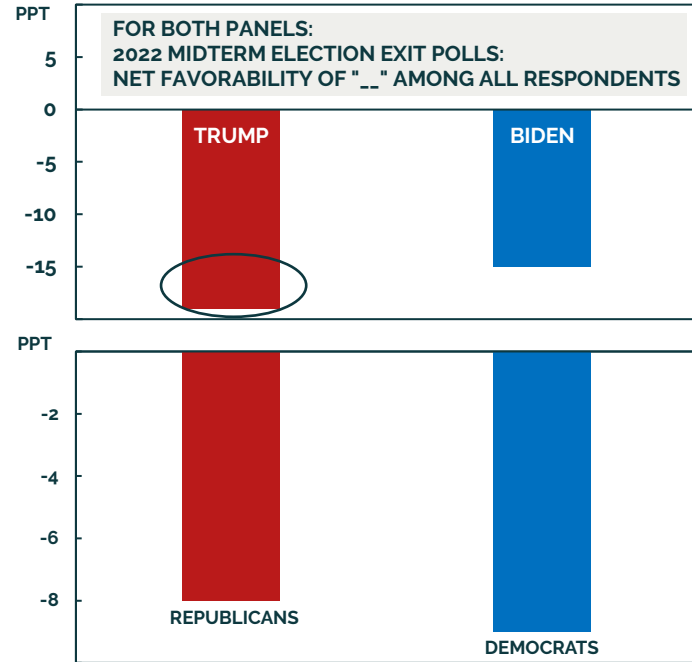
Trump Can Run As Third Party Candidate

US Presidential Election Results With Sitting Presidents And Elevated Third Party Vote Shares								
Year	Republican Vote Share	Democratic Vote Share	Remainder > 2%	Third Place (Candidate)	Third Place Vote Share	Third Place (Party)	Sitting President Runs?	Incumbent Party Wins/ Losses
1888	47.8	48.63	3.57	Fisk	2.2	Prohibition	Yes	L
1892	43.01	46.02	10.97	Weaver	8.51	Populist	Yes	L
1900	51.66	45.51	2.83	Woolley	1.5	Prohibition	Yes	W
1904	56.42	37.59	5.99	Debs	2.98	Socialist	Yes	W
1912	23.18	41.83	34.99	Roosevelt	27.39	Progressive	Yes	L
1916	46.11	49.25	4.64	Benson	3.18	Socialist	Yes	W
1924	54.03	28.82	17.15	LaFollette	16.62	Progressive	Yes	W
1932	39.65	57.41	2.94	Thomas	2.23	Socialist	Yes	L
1936	36.54	60.8	2.66	Lemke	1.95	Union	Yes	W
1980	50.75	41.01	8.24	Anderson	6.61	Independent	Yes	L
1992	37.45	43.01	19.54	Perot	18.91	Independent	Yes	L
1996	40.72	49.23	10.05	Perot	8.4	Reform	Yes	W
2000	47.86	48.38	3.76	Nader	2.74	Green	No	L
Biden's Implied Odds								46%

Biden Not Far Ahead Of Trump In Head-To-Head Polls



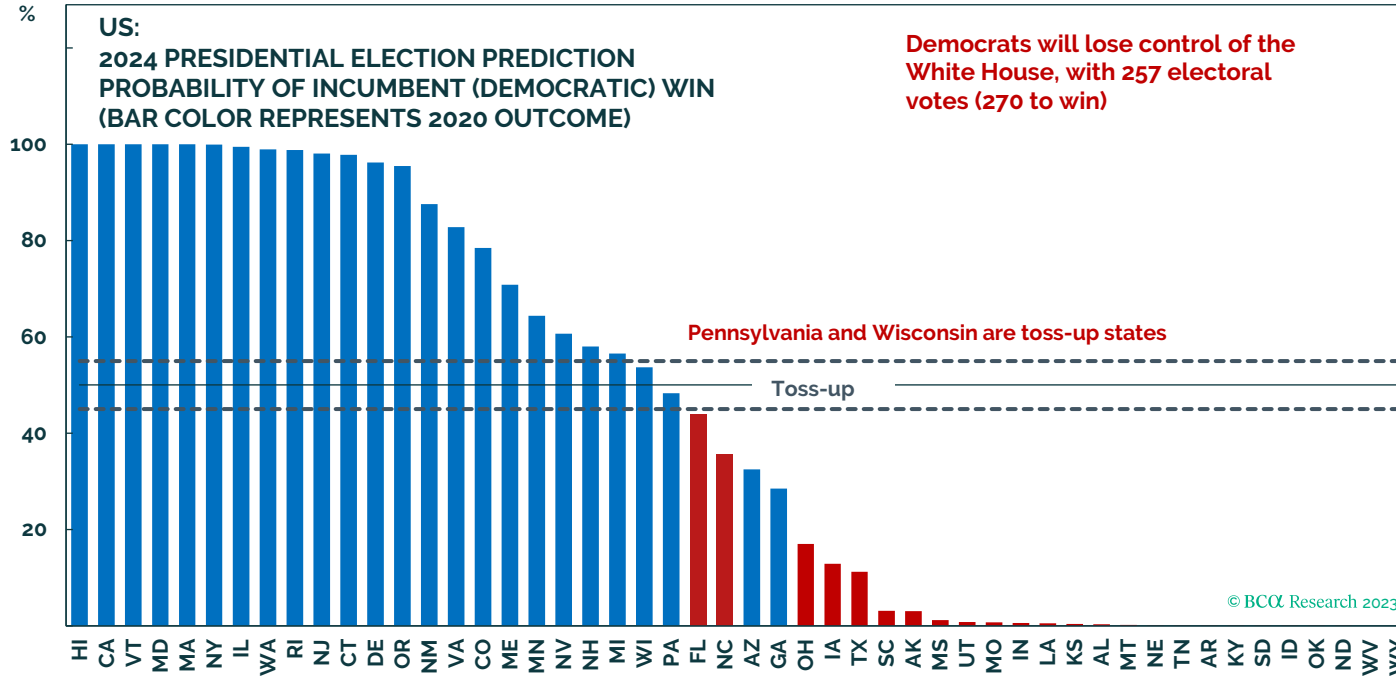
SOURCE: REALCLEARPOLITICS.



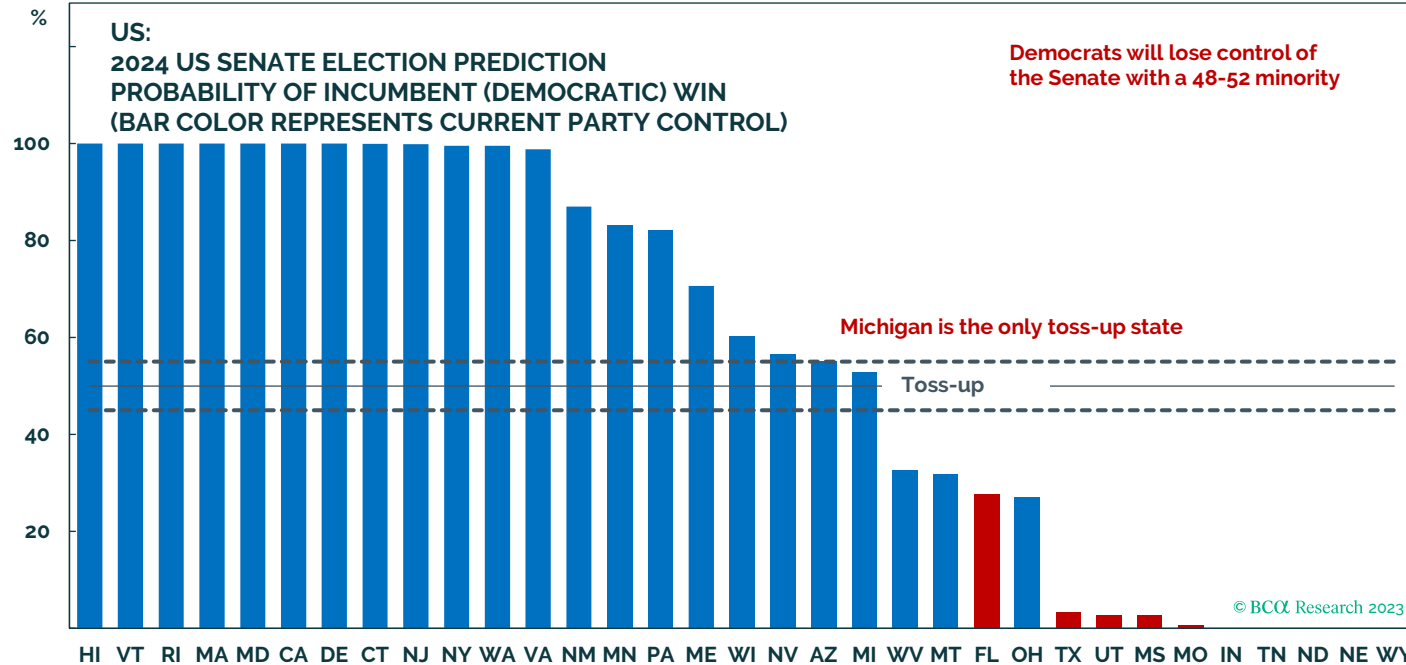
SOURCE: CNN AND BCA CALCULATIONS.

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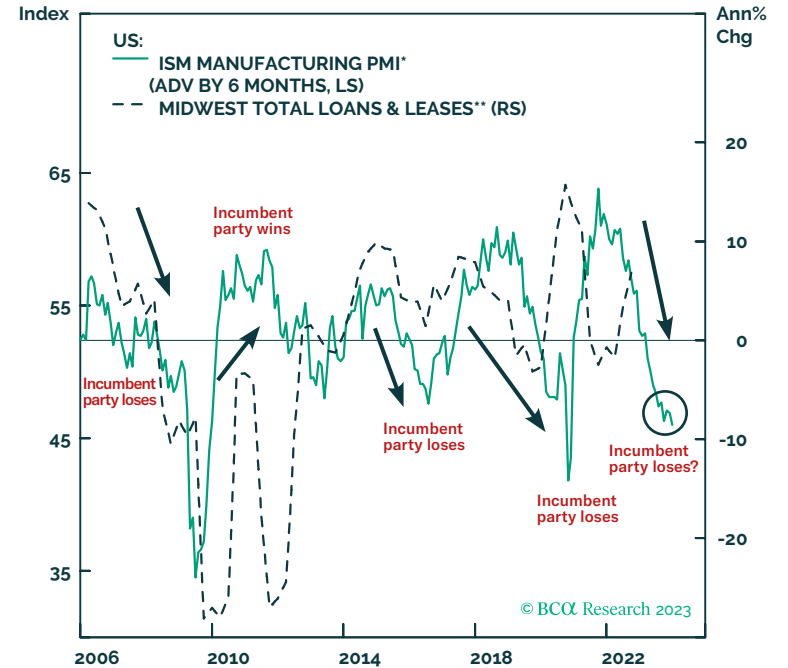
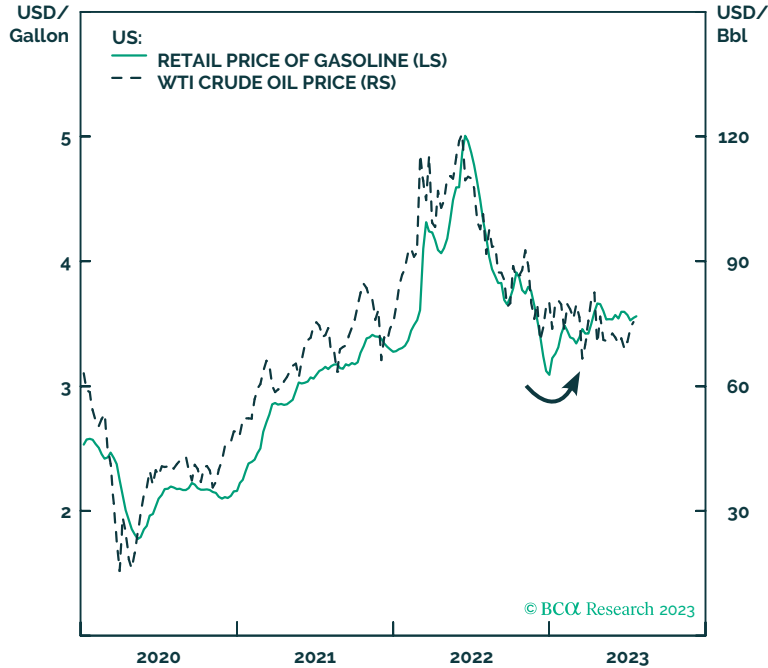
Our Quant Model Tips GOP, But Wait For Recession To Confirm



Our Quant Model Tips GOP For Senate ... Full GOP Sweep Is Possible



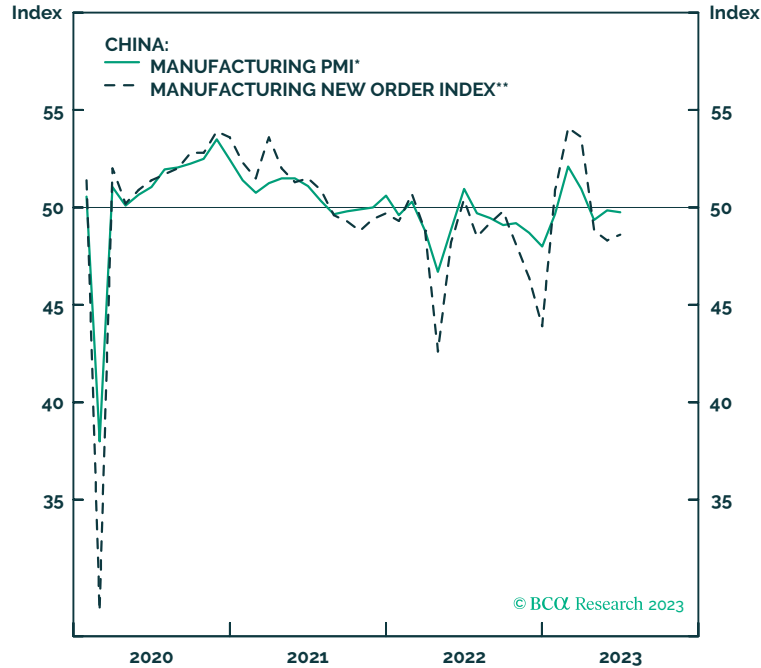
Biden Needs Foreign Policy To Reinforce 'Soft Landing'



* SOURCE: INSTITUTE FOR SUPPLY MANAGEMENT.
 ** SOURCE: FEDERAL DEPOSIT INSURANCE CORPORATION.

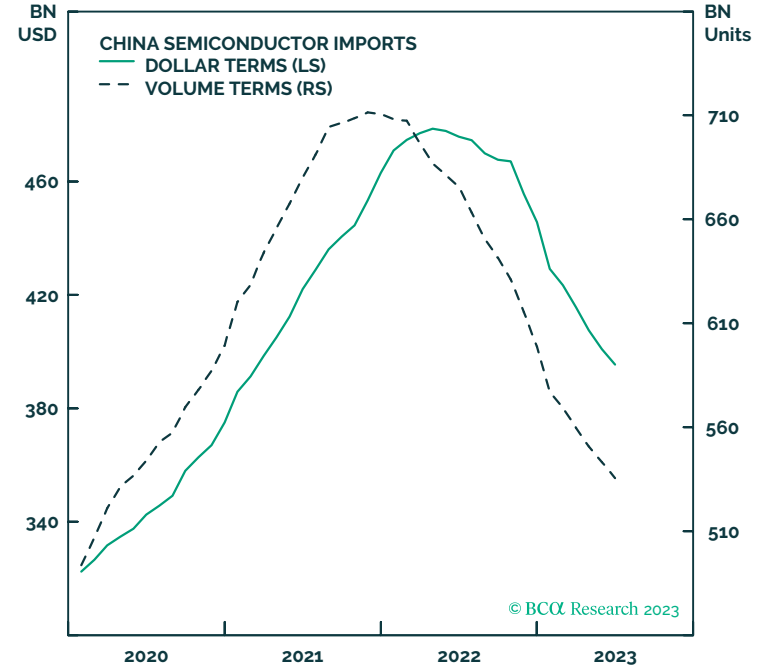
China's Crisis

China Will Take What Biden Gives, But Will Not Give Concessions Back



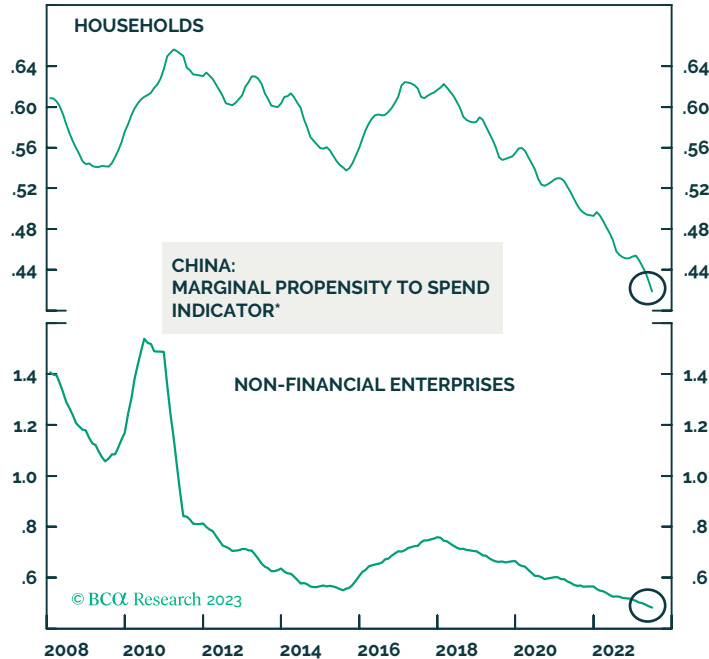
* AVERAGE OF CAIXIN AND NBS PMI. SOURCE: NBS AND CAIXIN.

** SOURCE: NBS.

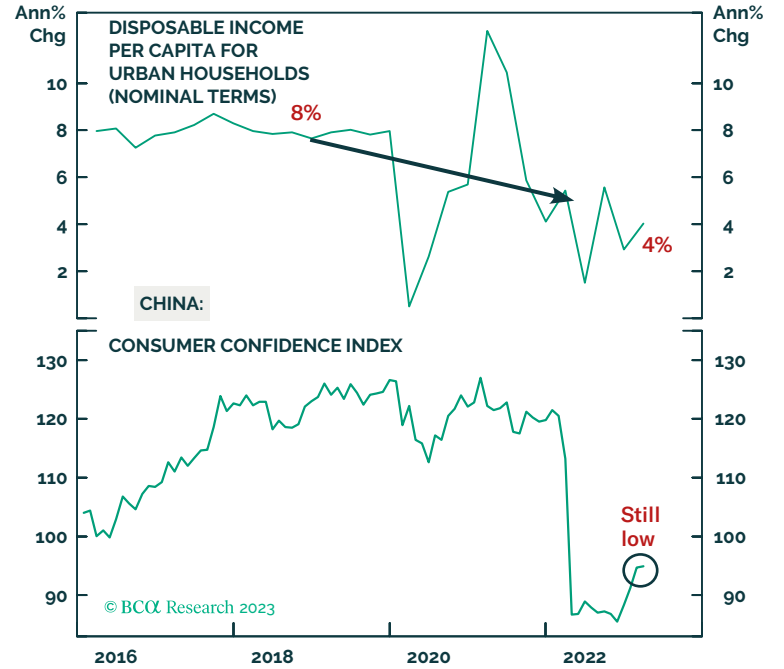


NOTE: INCLUDES DIODES, TRANSISTORS, SIMILAR SEMICONDUCTORS AND ELECTRONIC INTEGRATED CIRCUITS AND MICROASSEMBLIES. SHOWN AS 12-MONTH TOTAL. SOURCE: CHINA CUSTOMS.

China Failing To Unleash Consumerism As Growth Engine

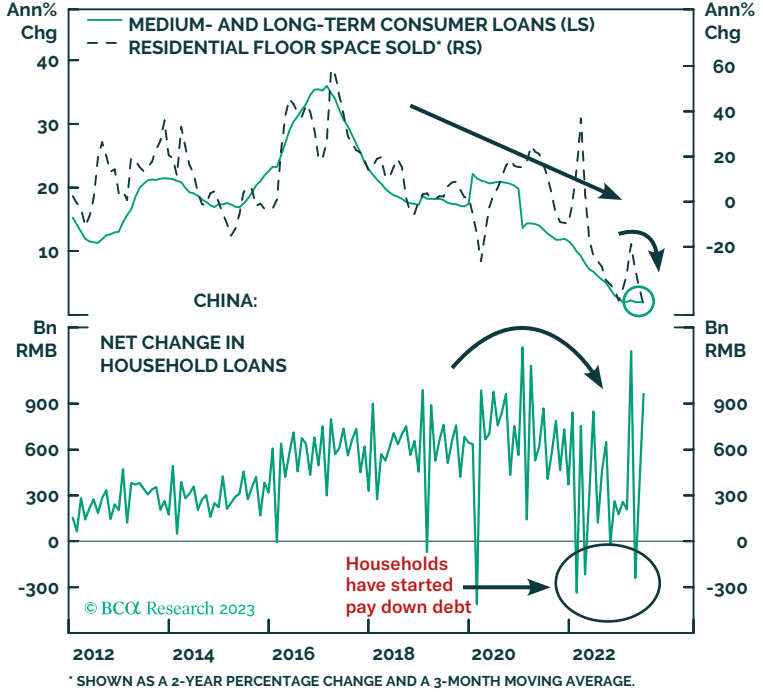
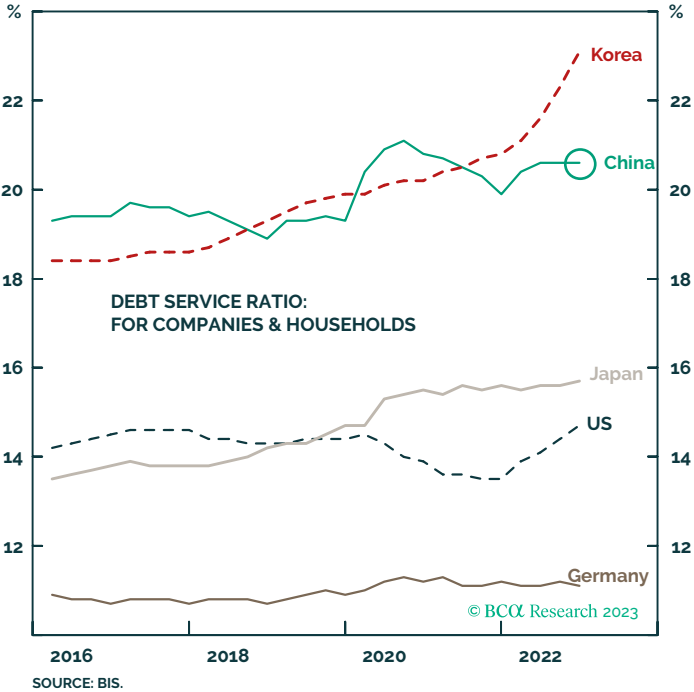


NOTE: ALL SERIES SHOWN AS A 6-MONTH MOVING AVERAGE.
 * CALCULATED AS A RATIO OF DEMAND DEPOSITS TO TIME DEPOSITS.



SOURCE: NBS.

China Succumbing To Liquidity Trap At Home

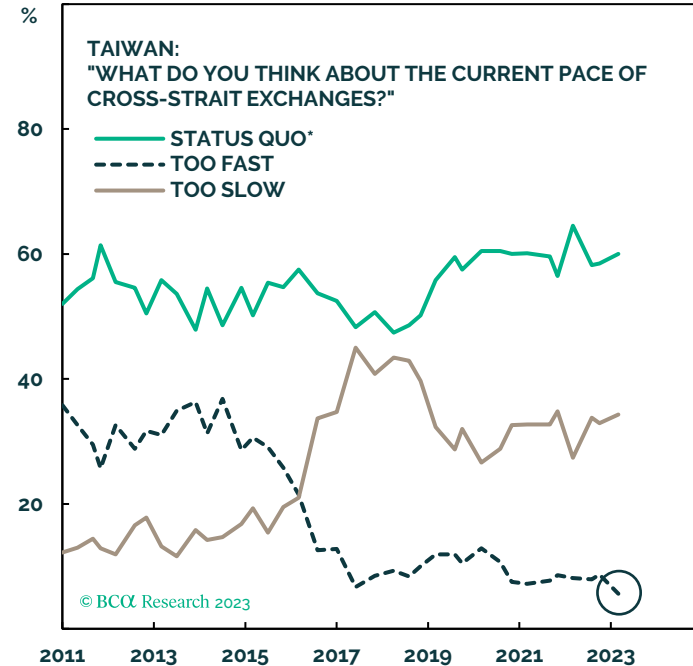
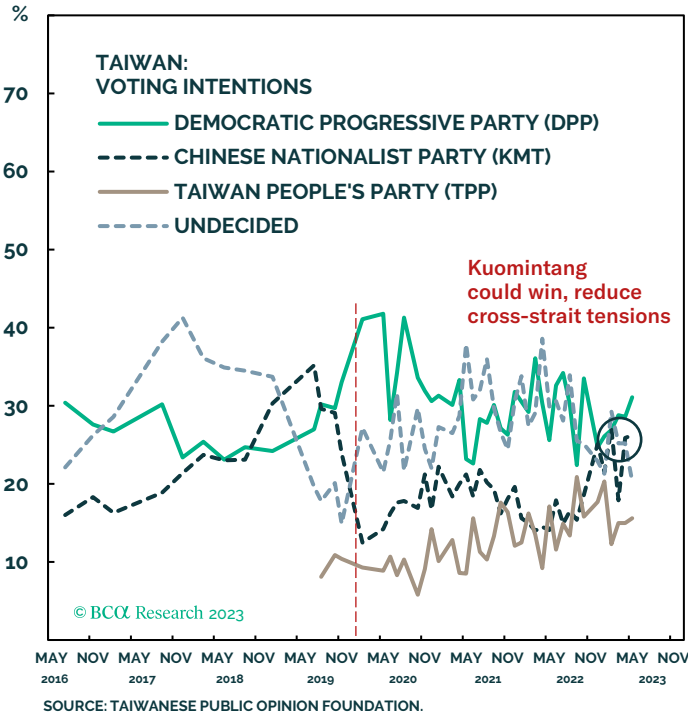


Major Fiscal Stimulus Needed, But Fiscal Policy Already Ultra-Loose



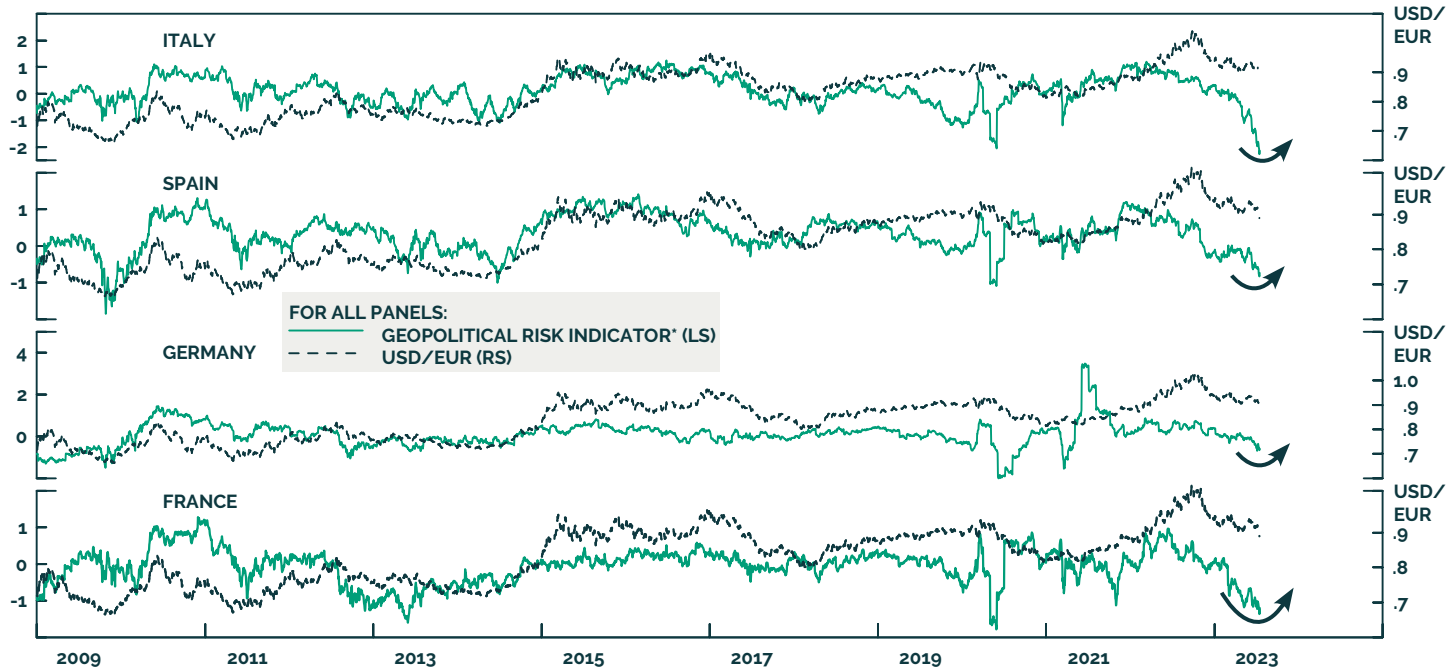
* SOURCE: IMF ARTICLE IV CONSULTATION.

Taiwanese Election A Major Turning Point For Cross-Strait Tensions



* RESPONDENTS CHOOSING "JUST RIGHT" PLUS "DON'T KNOW".
SOURCE: MAINLAND AFFAIRS COUNCIL, TAIWAN & NATIONAL CHENGCHI UNIVERSITY.

European Geopolitical Risk Will Re-Escalate On China Bust, Recession



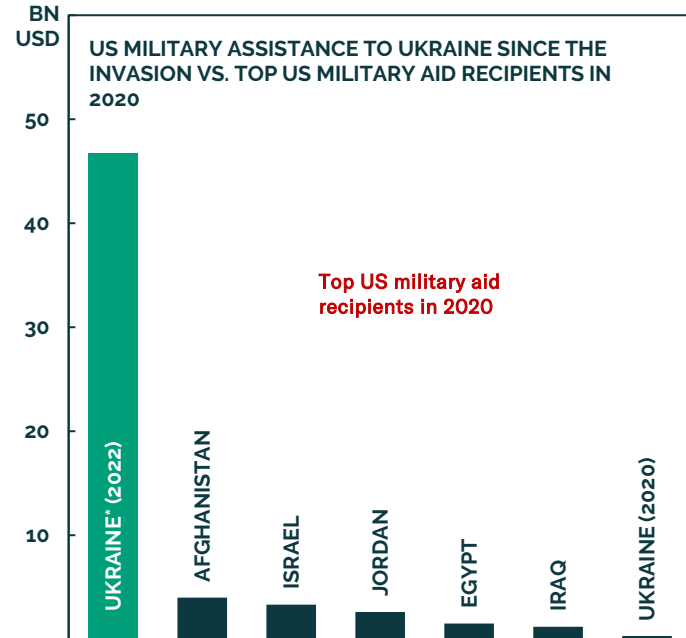
* BASED ON NATIONAL EQUITIES IN USD TERMS, EXCHANGE RATES, FINANCIALS EQUITIES IN USD TERMS, AND NATIONAL MANUFACTURING PMI.
SOURCE: BCA CALCULATIONS.

Petro-State Instability

Ukraine's Offensive Raises Risk Of Russian Humiliation



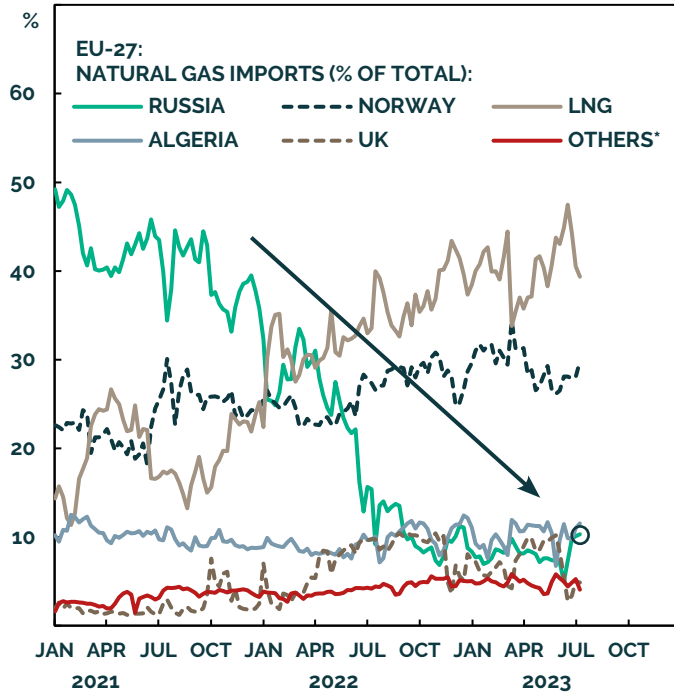
SOURCE: KIEL INSTITUTE, AS OF MAY. 31, 2023.



* US MILITARY AID TO UKRAINE BETWEEN JAN 24, 2022 AND MAY 19, 2023.
SOURCE: COUNCIL ON FOREIGN RELATIONS.

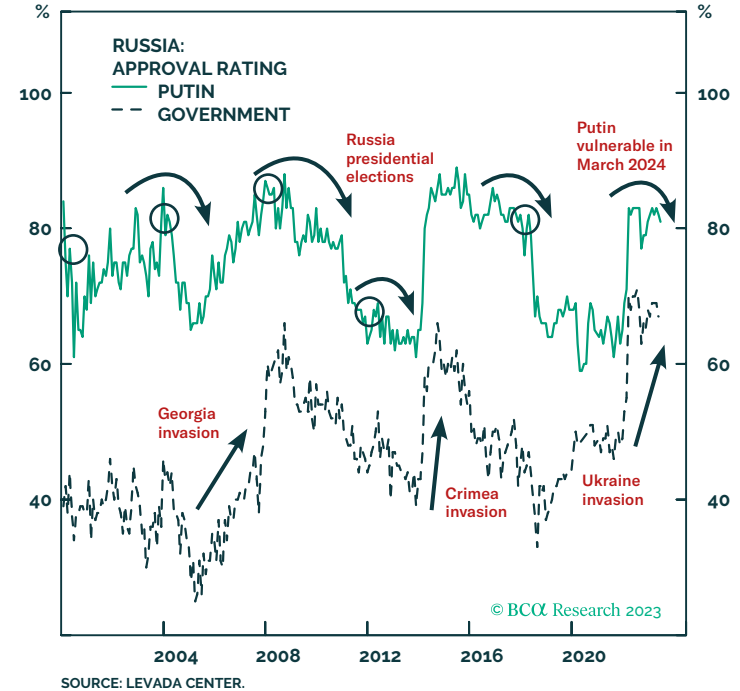
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Russia Ready For Ceasefire Whenever Battlefield Reaches Stalemate



* INCLUDES AZERBAIJAN AND OTHER SOURCES.
SOURCE: BRUEGEL.

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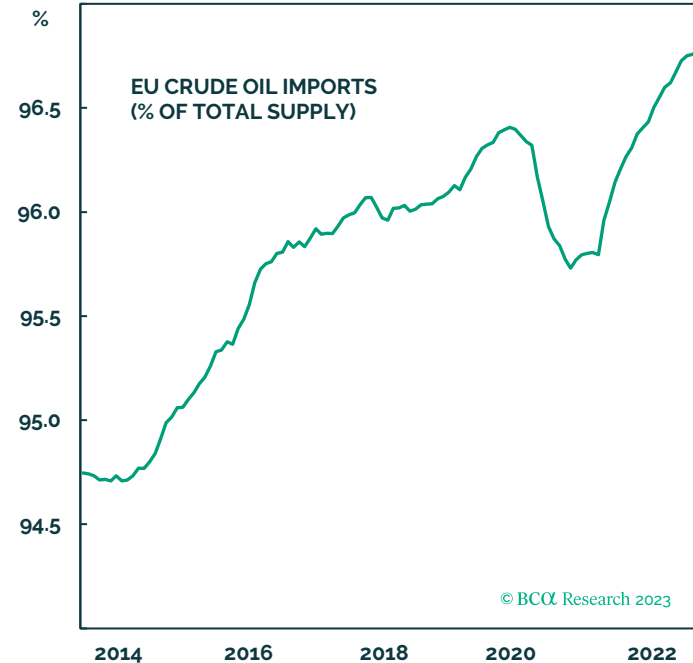
SOURCE: LEVADA CENTER.

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Russia Will Promote Iran, Middle Eastern Instability

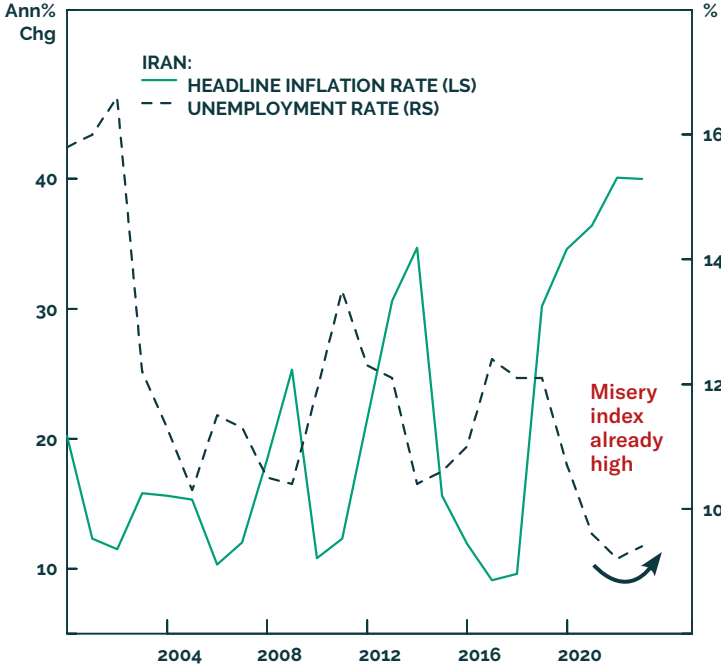
RUSSIAN SURFACE-TO-AIR MISSILES (SAM) ARMS SALE TO IRAN					
COUNTRY	YEAR ORDERED	YEAR DELIVERED	WEAPON SYSTEM	QUANTITY	NOTE
SOVIET UNION	1976	1977-1978	Strela-2	2000	Portable SAM. NATO reporting name: SA-7 Grail.
	1986	1986	Strela-2	400	Portable SAM. NATO reporting name: SA-7 Grail.
	1989	1991	S-200	40	SAM. NATO reporting name: SA-5 Gammon.
RUSSIA	1995	1995-1996	2K12 Kub	120	SAM. NATO reporting name: SA-6 Gainful. Second-hand.
	2005	2006-2007	Tor	750	SAM. NATO reporting name: SA-15 Gauntlet.
	2015	2016	S-300	150	SAM. NATO reporting name: SA-10 Grumble.

SOURCE: SIPRI.

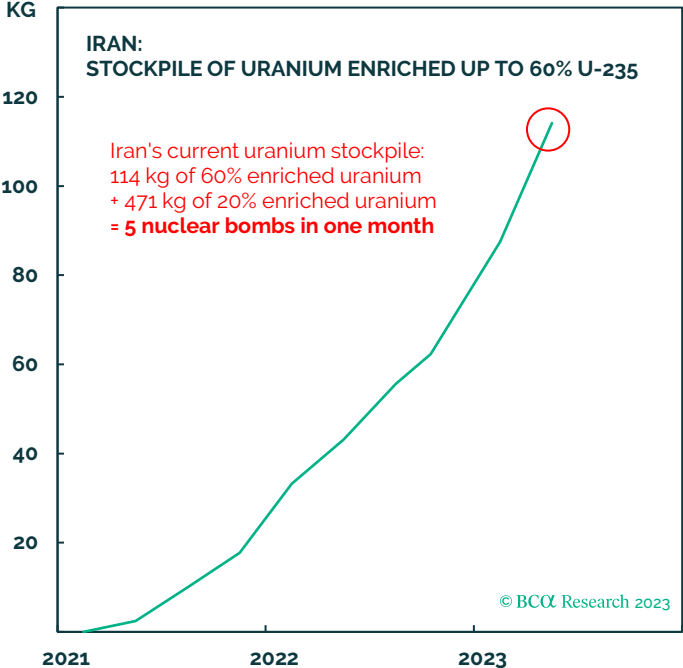


NOTE: SUPPLY INCLUDES IMPORTS AND INDIGENOUS PRODUCTION. SHOWN AS 12-MONTH MOVING TOTAL. SOURCE: EUROSTAT.

Iran Reacted To Unrest By Doubling Down On Nuclear Program

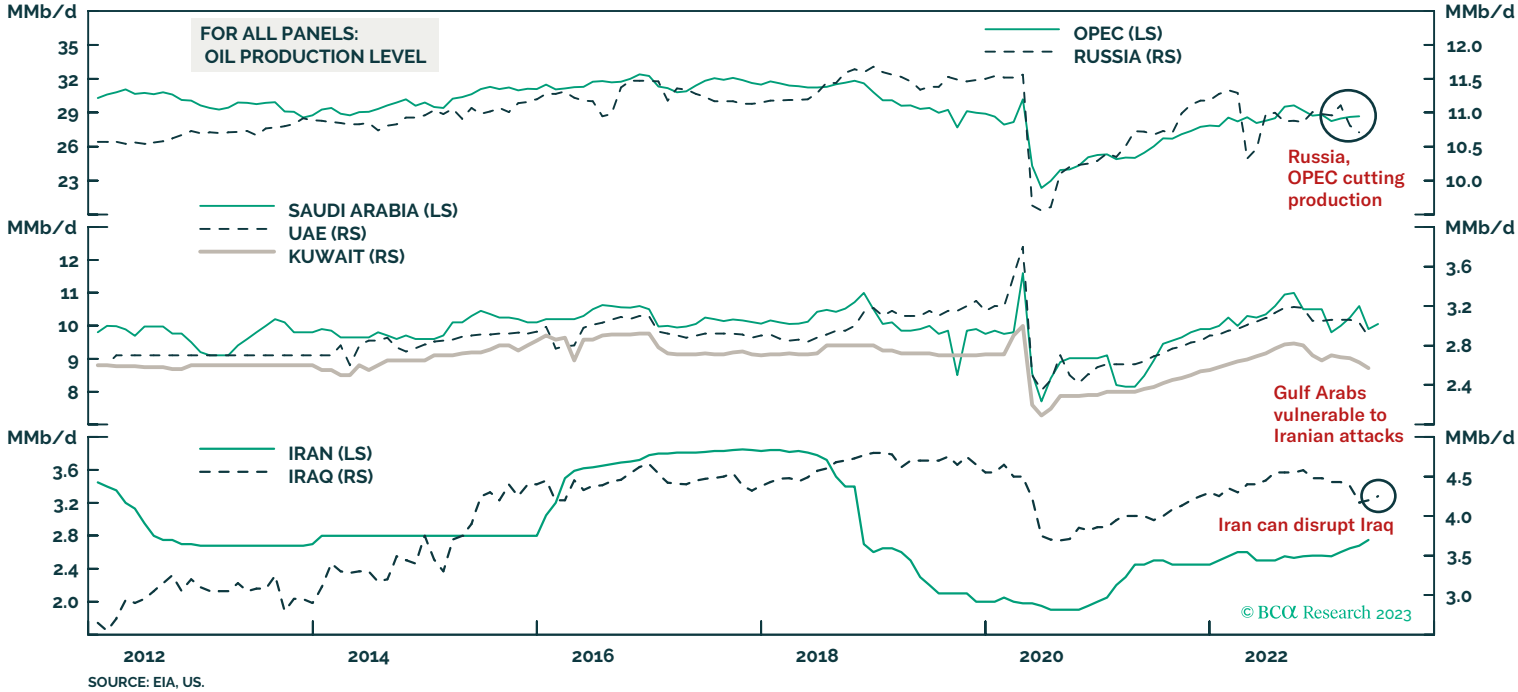


SOURCE: IMF WORLD ECONOMIC OUTLOOK, OCTOBER 2022.



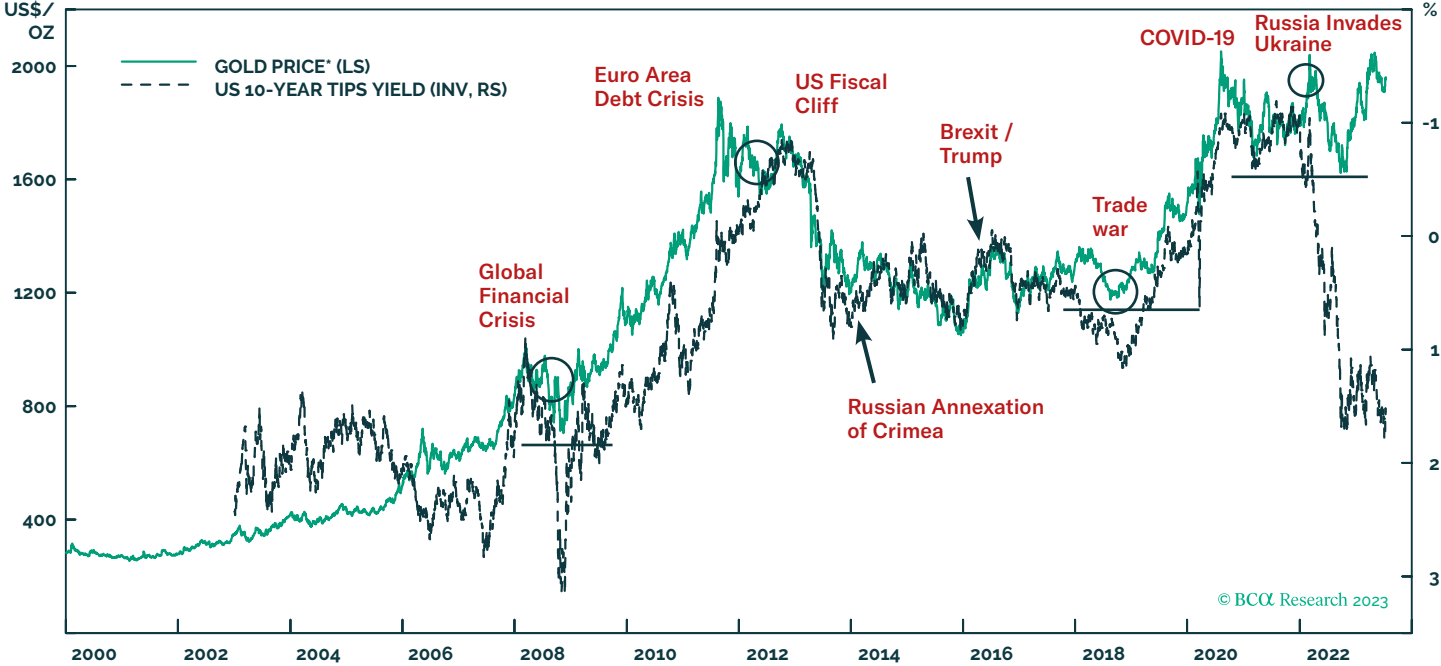
SOURCE: INTERNATIONAL ATOMIC ENERGY AGENCY.

Saudis And OPEC Keep Oil Supply Constrained For Domestic Interests



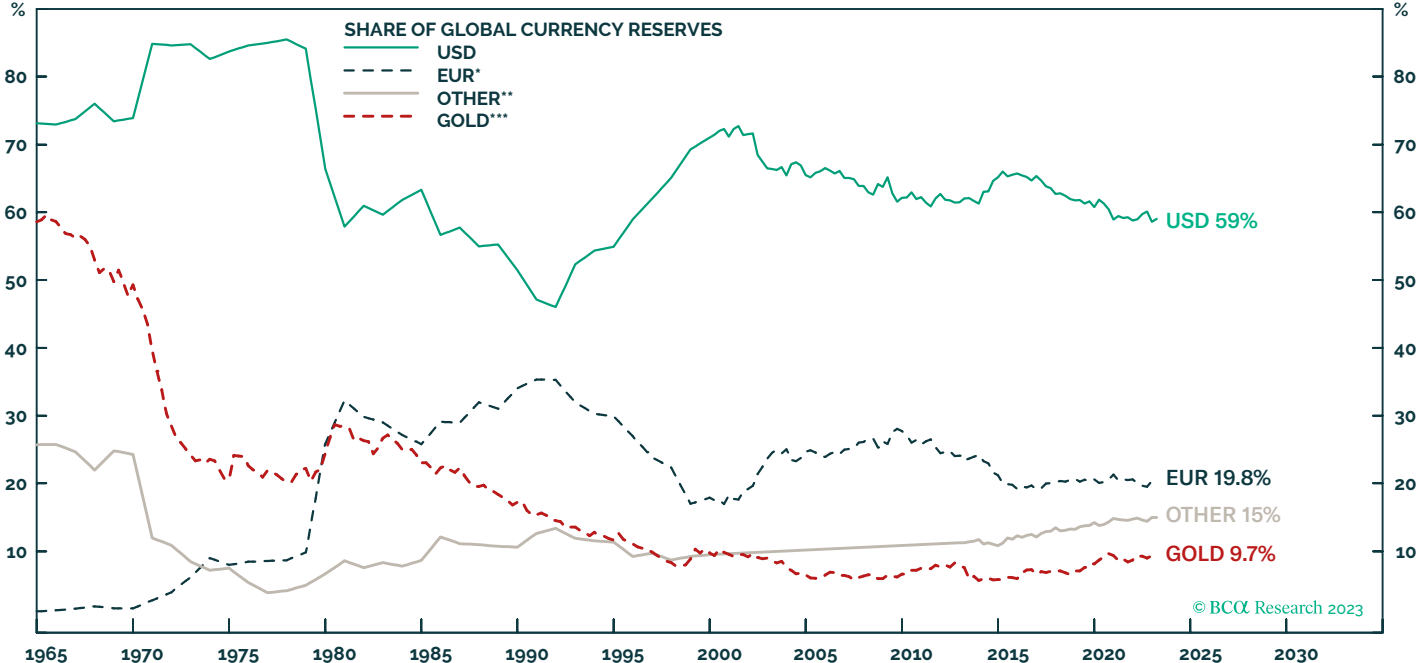
Investment Takeaways

Gold Flat-To-Up Amid Secular Rise In Geopolitical Risk



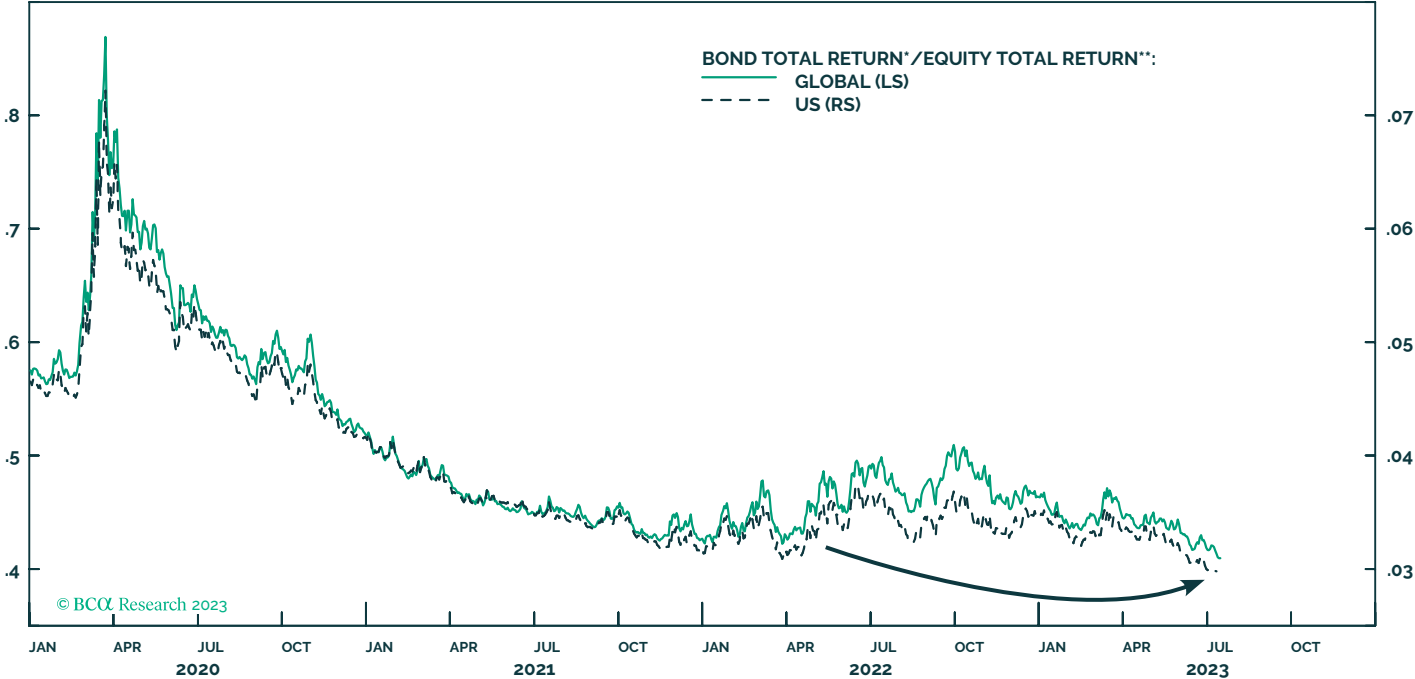
* NOTE: GENERIC 1ST GC FUTURE CONTRACT. SOURCE: BLOOMBERG FINANCE L.P.

Yet US Dollar Will Rally On Recession ... And Remain Premier Reserve Currency



* INCLUDES PREDECESSORS: DEUTSCHE MARK, ECU, FRENCH FRANC, AND DUTCH GUILDER PRIOR TO 1999.
** INCLUDES JPY, CHF, GBP, AUD, RMB.
*** SHOWN AS A SHARE OF TOTAL RESERVES.
SOURCE: CURRENCY COMPOSITION OF OFFICIAL FOREIGN EXCHANGE RESERVES, IMF - IFS.

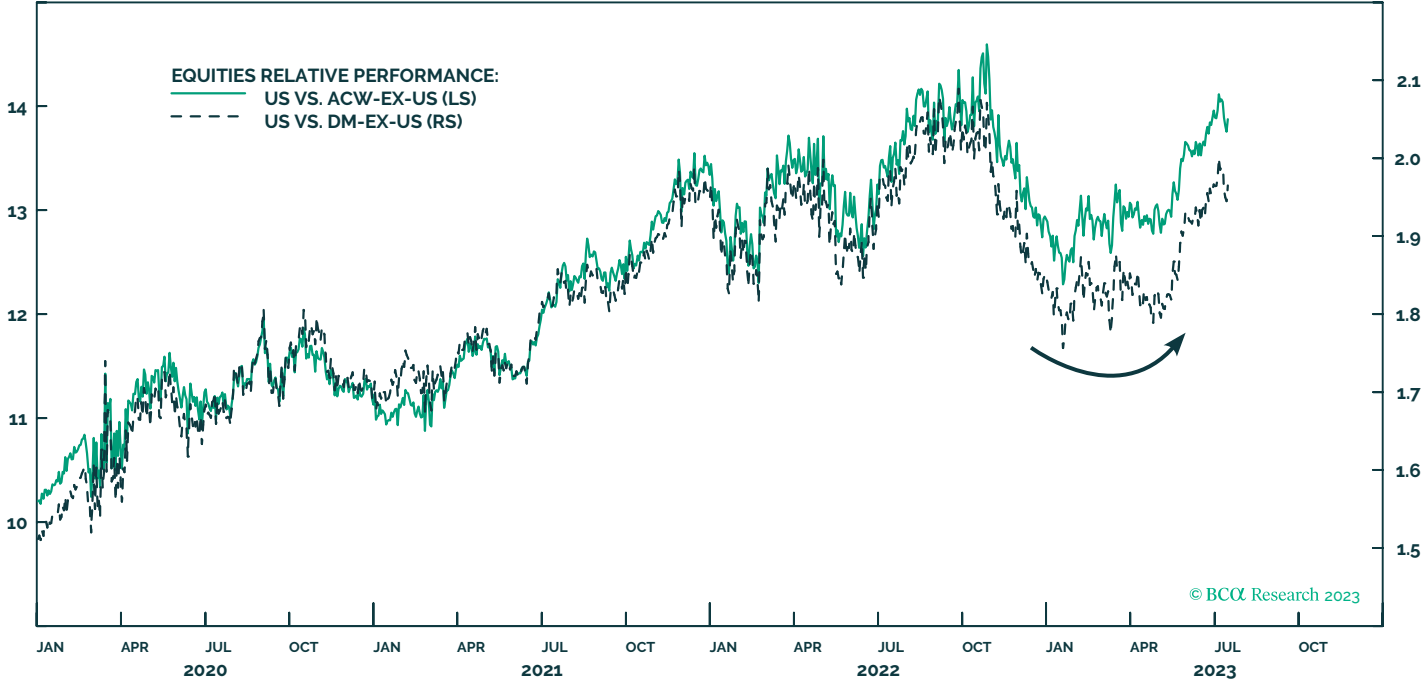
Overweight Bonds Relative To Stocks



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* LEHMAN GLOBAL TREASURY INDEX. SOURCE: BLOOMBERG BARCLAYS INDICES.
** MSCI TOTAL RETURN USD INDEX. SOURCE: MSCI INC. (SEE COPYRIGHT DECLARATION).

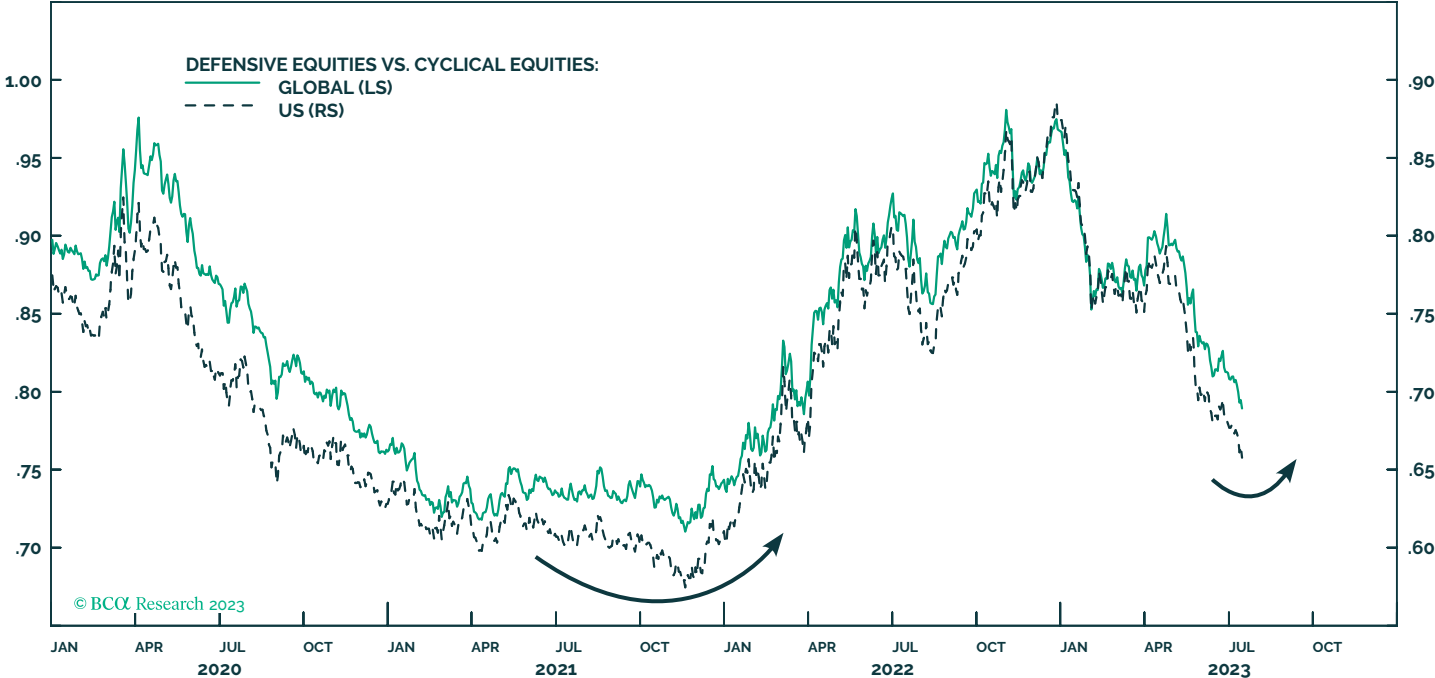
Overweight US Stocks Relative To Global Stocks



SOURCE: MSCI INC. (SEE COPYRIGHT DECLARATION).

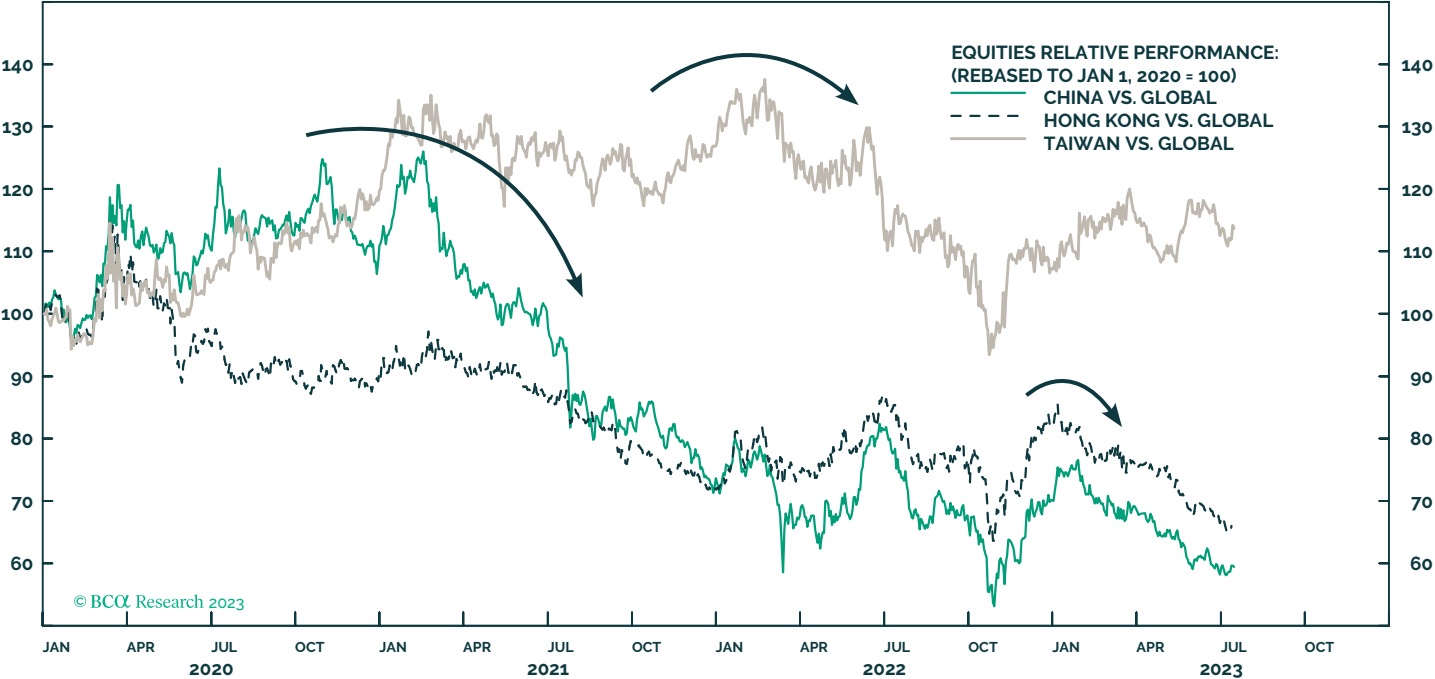
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Overweight Defensives Versus Cyclicals

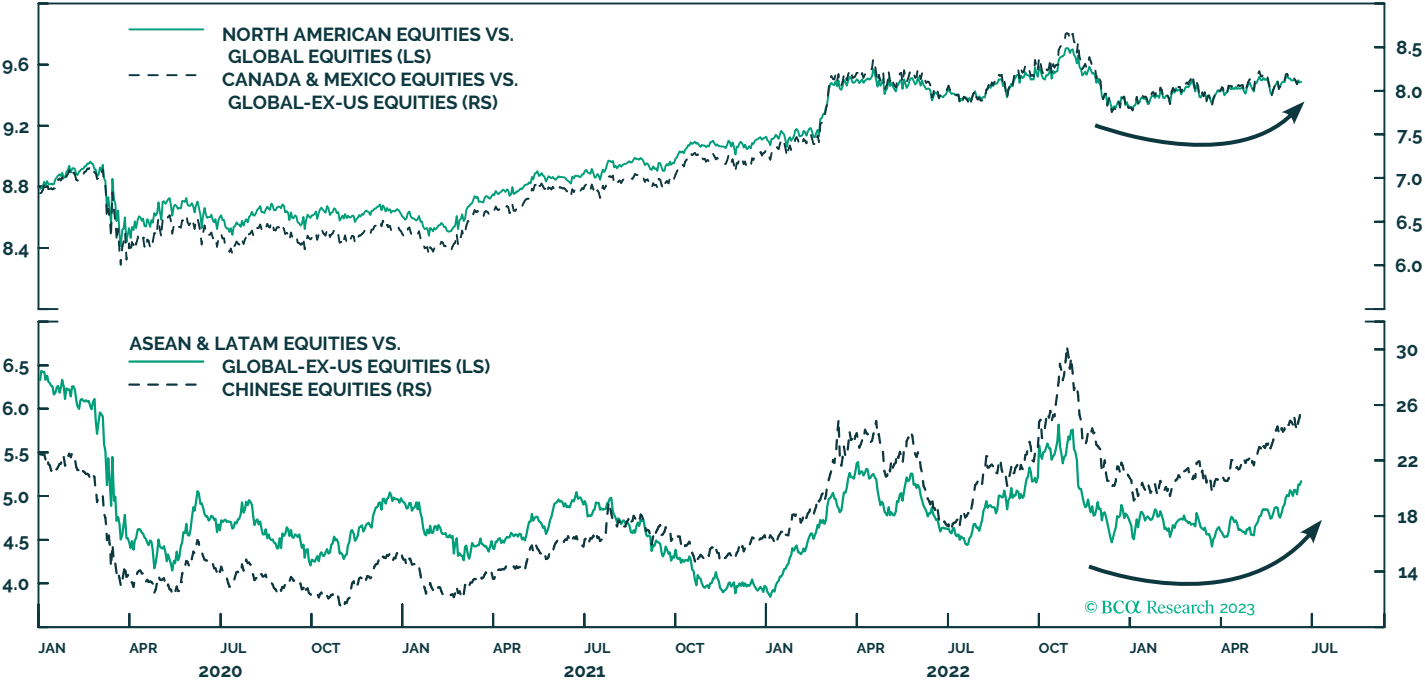


SOURCE: MSCI INC. (SEE COPYRIGHT DECLARATION).

Strategically Underweight Greater China



Strategically Overweight ASEAN, LATAM



NOTE: NORTH AMERICA INCLUDES CANADA, MEXICO AND THE US.
SOURCE: MSCI INC. (SEE COPYRIGHT DECLARATION).

Geopolitical Regional Risk Matrix

REGIONAL GEOPOLITICAL RISK MATRIX		
REGION	GEOPOLITICAL RISK (18+ MONTHS)	STRATEGIC VIEW
UNITED STATES	RISKY	BULLISH
CHINA / EM ASIA	VERY RISKY	NEUTRAL
DM EUROPE	RISKY	NEUTRAL
RUSSIA / EM EUROPE	VERY RISKY	BEARISH
MIDDLE EAST	VERY RISKY	BEARISH
SOUTH ASIA	RISKY	BULLISH
DM ASIA PACIFIC	SAFE	BULLISH
AMERICAS	NEUTRAL	BULLISH
AFRICA	RISKY	NEUTRAL

| Open Trades & Positions

STRATEGIC THEMES	
Great Power Rivalry	Secular uptrend in geopolitical risk as global governance falters. Mixed effects on inflation.
Hypo-Globalization	Global trade recovers but falls short of potential; regionalization grows. Marginally inflationary.
Populism And Nationalism	Secular uptrend in domestic political risk and economic policy uncertainty, often prompting larger deficit spending. Marginally inflationary.

| Open Tactical Recommendations

TACTICAL TRADE RECOMMENDATIONS (0-6 MONTHS)		
ASSET	INITIATION DATE	RETURN
LONG CANADA & MEXICO / GLOBAL-EX-US EQUITIES	DEC 9/22	3.5%
LONG DM EUROPE / EM CENTRAL & EASTERN EUROPE-EX-RUSSIA EQUITIES	DEC 9 /22	-15.5%
LONG GLOBAL LARGE CAPS / SMALL CAPS EQUITIES	JAN 20/22	3.7%

NOTE: RETURN AS OF JULY 18, 2023.

Open Cyclical Recommendations

CYCLICAL TRADE RECOMMENDATIONS (6-18 MONTHS)		
ASSET	INITIATION DATE	RETURN
LONG DXY	MAY 19/23	-3.3%
LONG S&P 500 KENSHO SPACE INDEX / GLOBAL EQUITIES	MAY 15/23	0.6%
LONG FRENCH AEROSPACE & DEFENSE / EUROSTOXX 50 EQUITIES	MAR 17/23	9.1%
LONG LATAM / GLOBAL-EX-US EQUITIES	DEC 9/22	6.1%
LONG PHILIPPINES / EM EQUITIES	MAY 12/22	-3.0%
LONG ASEAN / ACW EQUITIES	MAY 12/22	-8.3%
LONG INDIAN TECH / CHINESE TECH EQUITIES	APR 21/22	-6.4%
LONG US / GLOBAL EQUITIES	MAR 11/22	2.1%
LONG ISE CYBER SECURITY INDEX	MAR 11/22	-17.2%
LONG KOREA/ SHORT TAIWAN EQUITIES	MAR 27/20	-23.2%
LONG JPY/KRW	DEC 3/21	-12.5%

NOTE: RETURN AS OF JULY 18, 2023.

Thank You

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NORTH DAKOTA LEGACY FUND INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota legacy fund was created in 2010 when the voters of North Dakota approved a constitutional amendment--now Article X, Section 26, of the Constitution of North Dakota--to provide that 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the legacy fund. The principal and earnings of the legacy fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the legacy fund may be spent during a biennium. The legislative Assembly may transfer funds from any source to the legacy fund, and such transfers become part of the principal of the fund. The State Investment Board (SIB) is responsible for investment of the principal of the legacy fund. Interest earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-11 provides that the goal of investment for the legacy fund is principal preservation while maximizing total return

2. FUND MISSION

The legacy fund was created, in part, due to the recognition that state revenue from the oil and gas industry will be derived over a finite timeframe. The legacy fund defers the recognition of 30 percent of this revenue for the benefit of future generations. The primary mission of the legacy fund is to preserve the real inflation-adjusted purchasing power of the money deposited into the fund while maximizing total return for a prudent level of risk.

3. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD

The legacy and Budget Stabilization Fund Advisory Board (the "Advisory Board") is charged by law under Section 21-10-11 with the responsibility of recommending policies on investment goals and asset allocation of the legacy fund. The SIB is charged with implementing policies and asset allocation and investing the assets of the legacy fund in the manner provided in Section 21-10-07--the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers, which are also required to employ investment strategies consistent with the investment policy. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

At the discretion of the SIB, the fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pool.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, retaining, and terminating money managers. The SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB shall notify the Advisory Board within 30 days of any substantial or notable changes in money managers; performance measurement services; and consultants, including hiring or terminating a money manager, performance measurement service, or a consultant.

The SIB, after consultation with the board, will implement necessary changes to this policy in an efficient and prudent manner.

The Policies governing the investment of Legacy Fund assets fall into three categories.

- Those applicable to all investment for Legacy Fund assets.
- Those applicable to those assets – referred to here as the Core Legacy Fund (CLF) – that are not invested under the In-State Investment Program.
- Those assets defined under law made within the In-State Investment Program (ISIP)

A. Policies governing the investment of All Legacy Fund assets.

a. Risk Tolerance

The Advisory Board's risk tolerance with respect to the primary aspect of the legacy fund's mission is low. The Advisory Board is unwilling to undertake investment strategies that might jeopardize the ability of the legacy fund to maintain principal value over time. The Advisory Board recognizes that the plan will evolve as the legacy fund matures and economic conditions and opportunities change.

b. Investment Objectives

The Advisory Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The legacy fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- The legacy fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- The legacy fund's risk, measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.

c. The Prudent Investor Rule

All investments and the investment strategy in its totality will adhere to the Prudent Investor Rule.

B. ~~Policies specific to the Core Legacy Fund (CLF)~~ Asset Allocation Policy

~~For the purpose of this Investment Policy the Core Legacy Fund is defined as all non in-state investments. The SIB and the Legacy Advisory Board recognize that the most important determinant of long-term return and risk is the asset allocation decision. The asset allocation decision is intended to reflect the return objective and risk tolerance expressed in this Investment Policy Statement.~~ The table below delineates the following key guidelines for the ~~Core~~-Total Legacy Fund:

- The approved asset classes to be utilized.
- The policy target allocations for each.
- The application of a rebalancing program.

At its discretion, the SIB advised by the Legacy Board may adjust these targets on an interim or a long-term basis to account for (a) extreme market conditions, (b) the specific composition of Legacy Fund assets deployed via the In-State Investment Program (ISIP), a decision by the North Dakota State Legislature to withdraw and spend an amount above that consistent with capital preservation of the Legacy Fund assets up to but not exceeding 15% of the Fund and (c) the long-term implementation nature of alternative assets (such as private equity and private real assets).

Asset Class	Policy Target	Policy Target Ranges	Additional Guidelines
Broad US Equity	27.5 30%	18 20% - 40%	Rebalanced with the total invested in-state equity AUM and private markets- <u>equity and real assets; apply corridor treatment</u> equity
Broad International Equity	19 20%	14 5% - 24 5%	<u>Rebalanced with the total invested in-state and private markets- equity and real assets; apply corridor treatment</u>

Private Equity	7%	0% - 12%	Rebalance with public equity; apply corridor treatment
Continued on next page			
Asset Class	Policy Target	Policy Target Ranges	Additional Guidelines
Fixed Income	28.535%	2330% - 3440%	Rebalanced with the total invested in-state fixed income AUM and private markets fixed income and real assets; apply corridor treatment fixed income
Core Fixed Income	13.5%	10% - 17%	
High Yield Fixed Income	5.0%	0% - 7%	
Private Credit	10.0%	0% - 13%	Rebalance with public fixed income; apply corridor treatment
Real Estate	5%	3% - 8%	
Diversified Private Real Assets	10%	57% - 153%	Rebalance half public equity/half public fixed income; apply corridor treatment
In-state Fixed Income			Target of \$700 million; rebalance with public fixed income; apply corridor treatment
In-state Infrastructure Loan	1%	0% - 2%	Up to \$150 million
BND CD Match Program	4%	0% - 610%	Minimum target of \$400 million
Long-Term Target of \$150 M In-state Equity	3%	0% - 710%	minimum target of 3% growth investments Long-Term Target of \$600 million; rebalance with public equity; apply corridor treatment M
TOTAL	100%		

Rebalancing of the fund to these targets will be done in accordance with the SIB's rebalancing policy. [Additionally, for rebalancing purposes, portfolio weights of private markets \(equity, fixed income and half equity/half fixed income for real assets\) can be applied to benchmark weights using the policy target ranges stated in the table above.](#)

C. Policies Specific to the In-State Investment Program

In 2021, House Bill 1425 (HB 1425) was approved by the North Dakota legislature and signed into law. It establishes a program for the investment of a portion of Legacy Fund assets within the state and empowers the State Investment Board advised by the Legacy and Budget Stabilization Fund Advisory Board ("Advisory Board") to execute that program.

The in-state investment program ("ISIP") provides specific direction that grants the SIB and the Advisory Board substantial latitude in the implementation of the program.

[In 2023, Specifically, HB-Senate Bill 1425-2330 amended NDCC 21-10-11 by directing](#) the SIB advised by the Advisory Board to [invest in the ISIP program in the following way:](#)

- A target allocation of [seven hundred million dollars](#) ~~10%~~ to fixed income investments within the state, ~~including of which:~~
 - Up to [one hundred fifty million dollars](#) ~~40% must be targeted~~ for infrastructure loans, with the fixed net return to the legacy fund of 1.5%.
 - ~~Up to 60%, with the A~~ minimum of [\\$400 four hundred million dollars](#) million, ~~must be designated to for~~ the Bank of North Dakota's ("BND") certificate of deposit match program with an interest rate fixed at the equivalent yield of the United State treasury bonds having the same term, up to a maximum term of 20 years; [and](#)
 - [Other qualified fixed income investments within the state based on guidelines developed by the legacy and budget stabilization advisory board.](#)
- A target allocation of [six hundred million dollars](#) ~~10%~~ to equity investments in the state, ~~of which including:~~

- ~~at least 3% 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 must:
 - Be managed by qualified investment firms, financial institutions, or equity funds.
 - Have a benchmark investment return equal to the 5-year average net return for the legacy fund, excluding in-state investments.
- [Other eligible investments under this subdivision based on guidelines developed by the legacy and budget stabilization fund advisory board.](#)

In addition to the policies covering all Legacy Fund assets noted above in Section 3.A. – risk tolerance, return objectives, and the Prudent Investor Rule – policies specific to the investments made within the ISIP include:

- a. Specific to the assessment of acceptable risk and return targets for the ISIP in total and all ISIB investments, in-state investments should offer credible evidence that they will meet or exceed the forward expected returns of similar investments with similar levels of risk and liquidity present in the Core Legacy Fund.
- b. All proposed investments will be made using third party asset managers. Direct investments by the SIB advised by the Advisory Board are not contemplated.
- c. All investments must be subject to the same level of due diligence that similar investments considered for funding using Core Legacy Fund assets.
- d. The Board at its discretion may choose to direct asset managers retained in the ISIP to utilize either equity, fixed income, convertible debt, debt with warrants or a combination of any of these securities to best meet the risk, return and prudence in the ISIP investments.
- e. The Board will create and maintain an annual investment pacing schedule that – subject to the successful sourcing, due diligence and deal structuring that meets the Board’s policy requirements for the ISIP, fluctuations in market values and distributions back to the Legacy Fund – will create the opportunity to commit funds at a rate such that the full amount of the equity capital limit for the ISIP set in statute (~~currently 10%~~) is reached within ten years.
- f. The Board will direct asset managers retained in the ISIP to:
 - i. require in the structuring of transactions that the State never becomes a majority equity owner of a business,
 - ii. require that private capital provided by independent third parties always be invested alongside capital provided from Legacy Fund assets,
 - iii. give strong preference for investments that provide the Board the ability to exit from the investment to recycle capital into new ISIP opportunities. The Board, to the extent prudent, will give special consideration to qualified and experienced institutional asset managers domiciled or having operating offices within the state for participation in implementation of the ISIP,
 - iv. limit capital provided to any one direct investment by an in-state portfolio fund manager should not exceed \$10 million, with two exceptions per fund commitment of up to \$25 million.

~~Target Allocation for the In-State Investment Program Assets~~

Asset Class	Restrictions	Total Target
Fixed Income	<ul style="list-style-type: none"> ● Up to 40% for infrastructure loans ● Up to 60% with a minimum target of \$400-million to BND’s CD match program 	40%
Equity	<ul style="list-style-type: none"> ● A minimum target of 3% in growth equity funds ● Other eligible investments based on Advisory Board Guidelines 	40%

4. RESTRICTIONS

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

- a. Futures and options may be used to [manage underlying systematic exposures for fund rebalancing and risk management](#)~~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. No transaction may be made that would threaten the tax-exempt status of the legacy fund.
- d. All assets will be held in custody by the SIB's master custodian, or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases may be made.
- f. Social investing is prohibited unless it meets the exclusive benefit rule, and it can be substantiated that the investment provides an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk. For the purpose of this document, social investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the Fund.
- g. Economically targeted investing is prohibited unless the investment meets the exclusive benefit rule.

For the purpose of this document, 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. Also, for the purpose of this document, the exclusive benefit rule is met if the following four conditions are satisfied:

- The cost does not exceed the fair market value at the time of investment.
- The investment provides the legacy fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- Sufficient liquidity is maintained in the legacy fund to permit distributions in accordance with the terms of the plan.
- The safeguards and diversity that a prudent investor would adhere to are present.
- Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Advisory Board's policy favors investments which will have a positive impact on the economy of North Dakota.

5. INTERNAL CONTROLS

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such 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 investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

6. EVALUATION AND REVIEW

Investment management of the legacy fund will be evaluated against the fund's investment objectives and investment performance standards. Emphasis will be placed on 5-year and 10-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy statement for achieving those objectives.

Performance reports will be provided to the Advisory Board periodically, but not less than quarterly. Such

reports will include asset returns and allocation data. Additionally, not less than annually, reports will include information regarding all significant and/or material matters and changes pertaining to the investment of the legacy fund, including:

- Changes in asset class portfolio structures, tactical approaches, and market values.
- Loss of principal, if any.
- Management costs associated with various types of investments.
- All material legal or legislative proceedings affecting the SIB. Compliance with this investment policy statement.
- An evaluation of the national economic climate.
- A forecast of the expected economic opportunities and dangers.
- Management of risk by the SIB.

In addition to the quarterly and annual evaluation and review process, the SIB shall notify the Advisory Board within 30 days of any substantial or notable deviation from the normal management of the legacy fund, including any anomalies, notable losses, gains, or liquidation of assets affecting the fund.

Approved by:

**LEGACY AND BUDGET STABILIZATION
FUND ADVISORY BOARD**

STATE INVESTMENT BOARD

X _____
Representative Glenn Bosch, Chairman

X _____
Scott Anderson, Chief Investment Officer

Date: _____

Date: _____

Approved by LBSFAB: 2-16-2021
Approved by SIB: 2-26-2021
Amended by LBSFAB 10-12-2022 and 12-6-2022
Approved as amended by SIB 12-16-2022
Amended & approved by LBSFAB: 6-21-2023

PERFORMANCE

Scott M Anderson, CFA – Chief Investment Officer

July 21, 2023

NORTH
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THE MARKET

NORTH
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Retirement & Investment

PERFORMANCE – BENCHMARK INDICES

Summary of Returns
December 31, 2022

Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 1000	-19.1%	-19.1%	8.9%	12.4%	17.7%
Russell 2000	-20.4%	-20.4%	3.9%	9.0%	22.2%
S&P 500	-18.1%	-18.1%	9.2%	12.6%	17.6%
MSCI ACWI IMI Net	-18.4%	-18.4%	5.0%	7.9%	14.2%
MSCI World ex US	-14.3%	-14.3%	1.8%	4.6%	14.3%
MSCI Emerging Markets	-20.1%	-20.1%	-1.4%	1.4%	15.7%
Bloomberg Aggregate	-13.0%	-13.0%	0.1%	1.1%	4.1%
Bloomberg Gov/Credit	-13.6%	-13.6%	0.3%	1.2%	4.5%
Bloomberg US High Yield	-11.2%	-11.2%	2.3%	4.0%	5.0%
NCREIF Property Index	5.5%	5.5%	7.5%	8.81%	3.2%

Source: Bloomberg

Summary of Returns
May 31, 2023

Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 1000	9.8%	2.4%	10.6%	11.7%	17.9%
Russell 2000	0.6%	-4.7%	2.7%	7.4%	22.3%
S&P 500	10.1%	2.9%	11.0%	12.0%	17.7%
MSCI ACWI IMI Net	6.8%	0.3%	6.3%	7.7%	14.2%
MSCI World ex US	5.7%	1.5%	3.4%	4.5%	14.3%
MSCI Emerging Markets	1.1%	-8.5%	-0.7%	1.9%	15.8%
Bloomberg Aggregate	2.1%	-2.1%	0.8%	1.4%	4.3%
Bloomberg Gov/Credit	2.2%	-2.0%	1.1%	1.5%	4.7%
Bloomberg US High Yield	3.1%	0.0%	3.1%	4.0%	5.2%
NCREIF Property Index (03/31/2023)	-1.8%	-1.6%	6.7%	8.34%	3.4%

Source: Bloomberg

PERFORMANCE – BENCHMARK INDICES

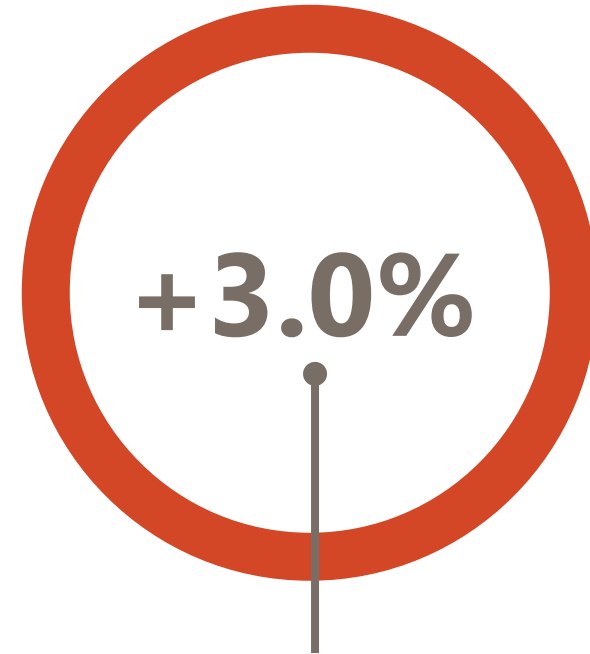
Summary of Returns					
July 07, 2023					
Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 1000	15.9%	14.3%	11.1%	12.3%	17.8%
Russell 2000	7.4%	7.0%	3.2%	7.8%	22.3%
S&P 500	16.1%	14.7%	11.5%	12.5%	17.7%
MSCI ACWI IMI Net	11.7%	12.6%	7.0%	8.3%	14.2%
MSCI World ex US	8.4%	15.2%	3.9%	5.1%	14.2%
MSCI Emerging Markets	4.2%	1.5%	0.6%	3.3%	15.7%
Bloomberg Aggregate	0.4%	-2.3%	0.5%	1.4%	4.3%
Bloomberg Gov/Credit	0.6%	-2.0%	0.7%	1.6%	4.7%
Bloomberg US High Yield	4.2%	7.0%	3.2%	4.4%	5.1%
NCREIF Property Index (03/31/2023)	-1.8%	-1.6%	6.7%	8.34%	3.4%

Source: Bloomberg

HAS INFLATION PEAKED?¹



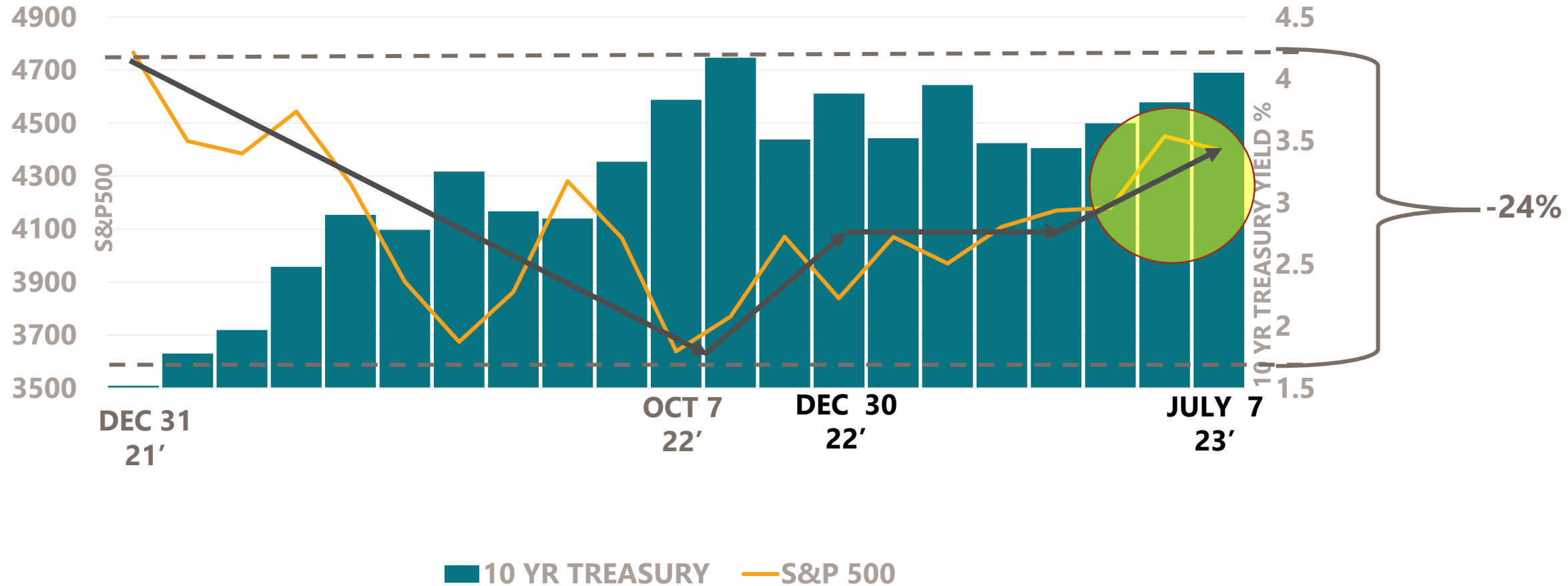
**ANNUAL INFLATION RATE
(June 2021 thru June 2022)**



**ANNUAL INFLATION RATE
(May 2022 thru May 2023)**
4.8% Ex Food & Energy

1. Bureau of Labor Statistics
Scott M Anderson, CFA - July 21, 2023

THE S&P500 HAS TRACKED INFLATION EXPECTATIONS¹



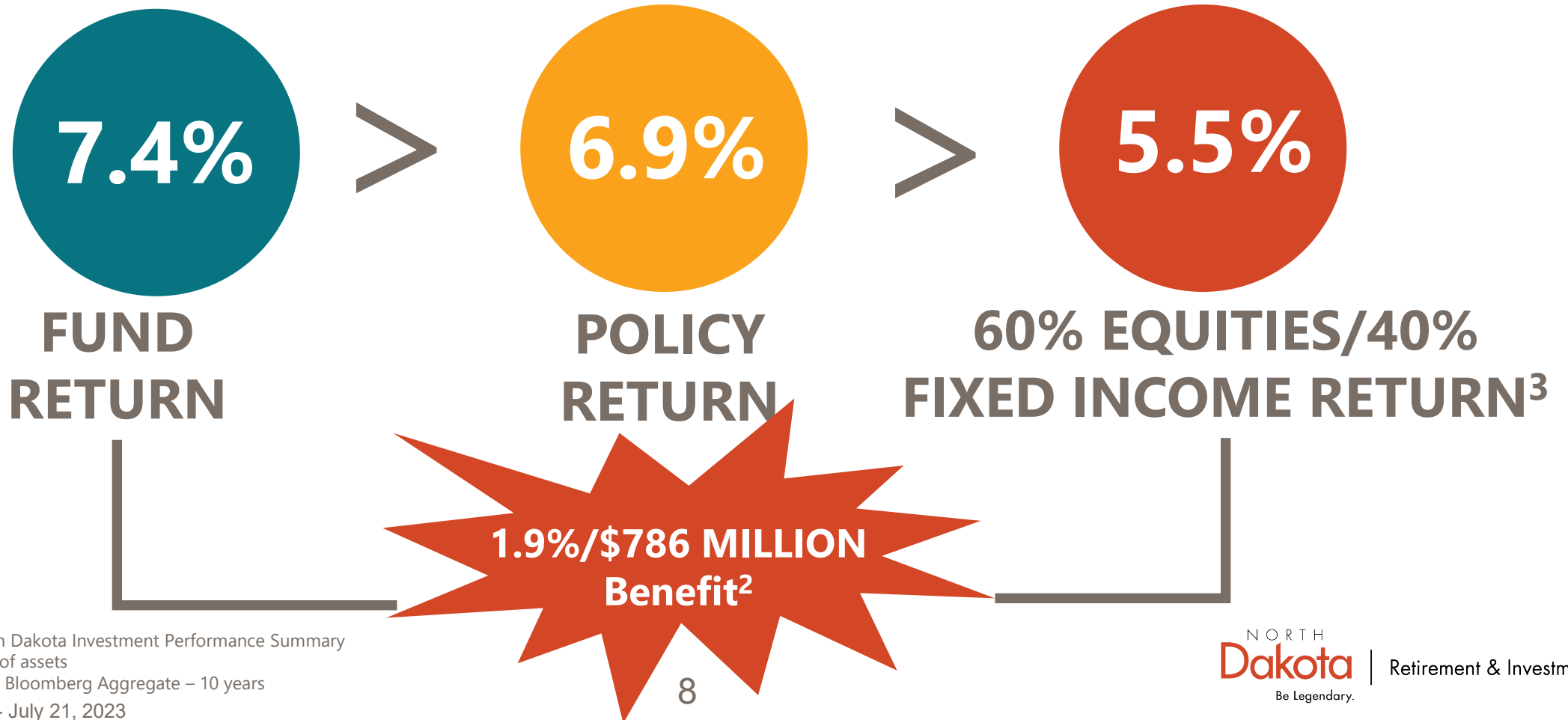
PERFORMANCE

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INVESTMENT MANAGEMENT BENEFITS

PERS TEN YEAR AVERAGE RETURN¹



1. Thru MARCH 2023; North Dakota Investment Performance Summary

2. Starting with \$3.8 Billion of assets

3. 60% MSCI ACW IMI/40% Bloomberg Aggregate – 10 years

Scott M Anderson, CFA - July 21, 2023

PERS PERFORMANCE

AS OF MAY 31, 2023

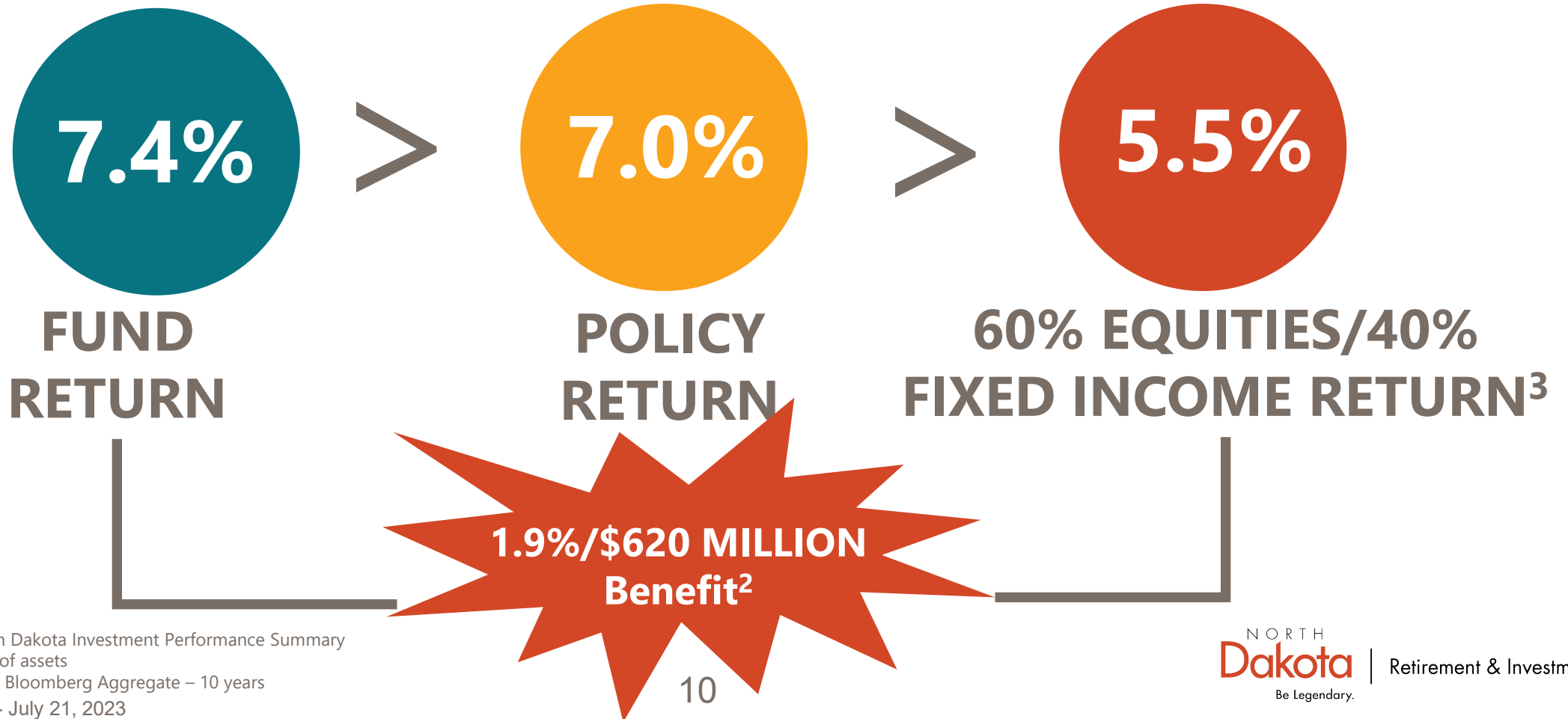
PERS \$3.8 Billion	Year to Date	1 Year	3 year	5 Year ¹	Risk (5 Year)
Total Fund Return - Net	3.5%	-0.4%	8.1%	6.2%	10.1%
Policy Benchmark Return	3.7%	-0.4%	7.8%	6.2%	10.3%
Total Relative Return	-0.2%	0.0%	0.3%	0.0%	

This does not incorporate the corridor treatment to benchmark weighting

1. Median performance in Callan Public Fund Sponsor Database is 5.3% thru Q1 2023

INVESTMENT MANAGEMENT BENEFITS

TFFR TEN YEAR AVERAGE RETURN¹



1. Thru MARCH 2023; North Dakota Investment Performance Summary
2. Starting with \$3.0 Billion of assets
3. 60% MSCI ACW IMI/40% Bloomberg Aggregate – 10 years
Scott M Anderson, CFA - July 21, 2023

TFFR PERFORMANCE

AS OF MAY 31, 2023

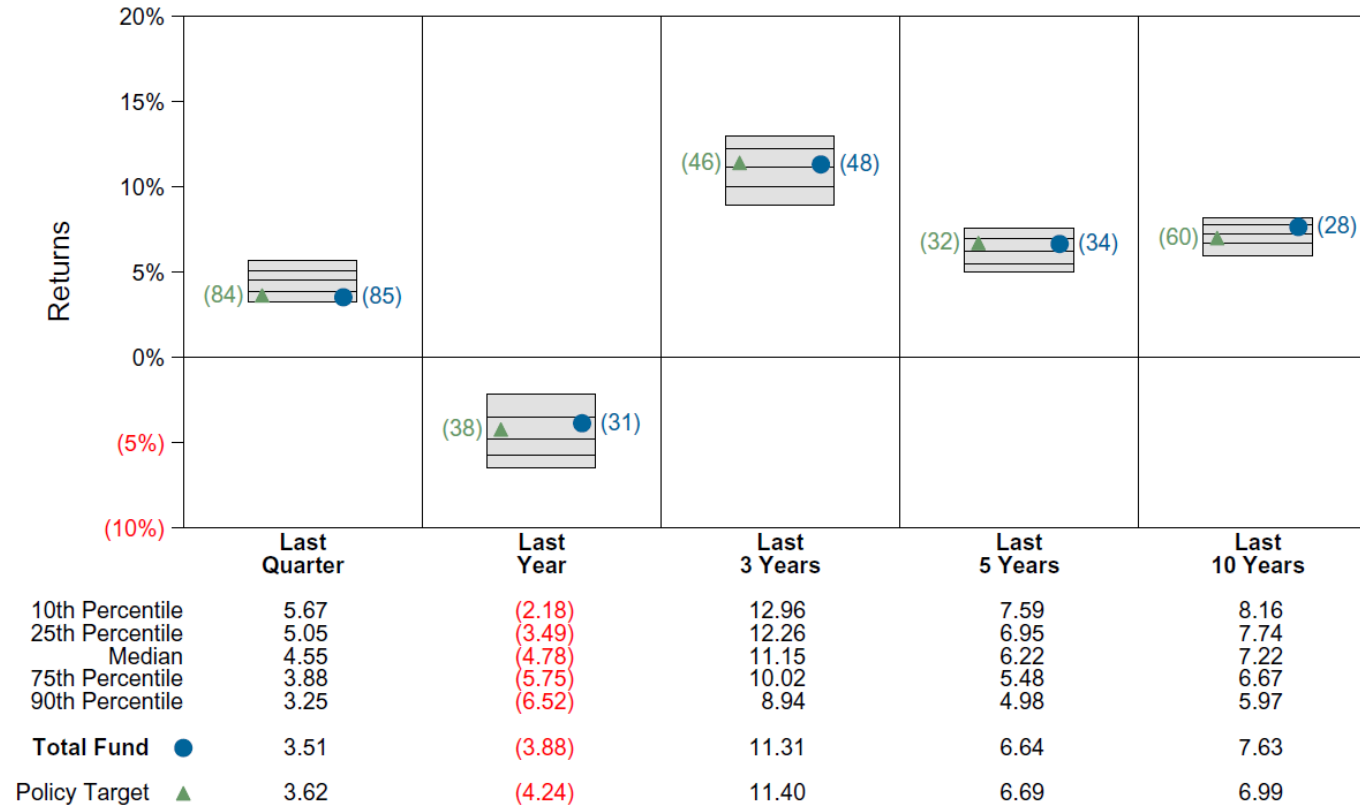
TFFR \$3.0 Billion	Year to Date	1 Year	3 year	5 Year ¹	Risk (5 Year)
Total Fund Return - Net	3.3%	-0.5%	7.9%	6.1%	9.9%
Policy Benchmark Return	3.5%	-0.4%	8.1%	6.4%	10.1%
Total Relative Return	-0.2%	-0.1%	-0.2%	-0.3%	

This does not incorporate the corridor treatment to benchmark weighting

1. Median performance in Callan Public Fund Sponsor Database is 5.3% thru Q1 2023

TFFR PERFORMANCE¹

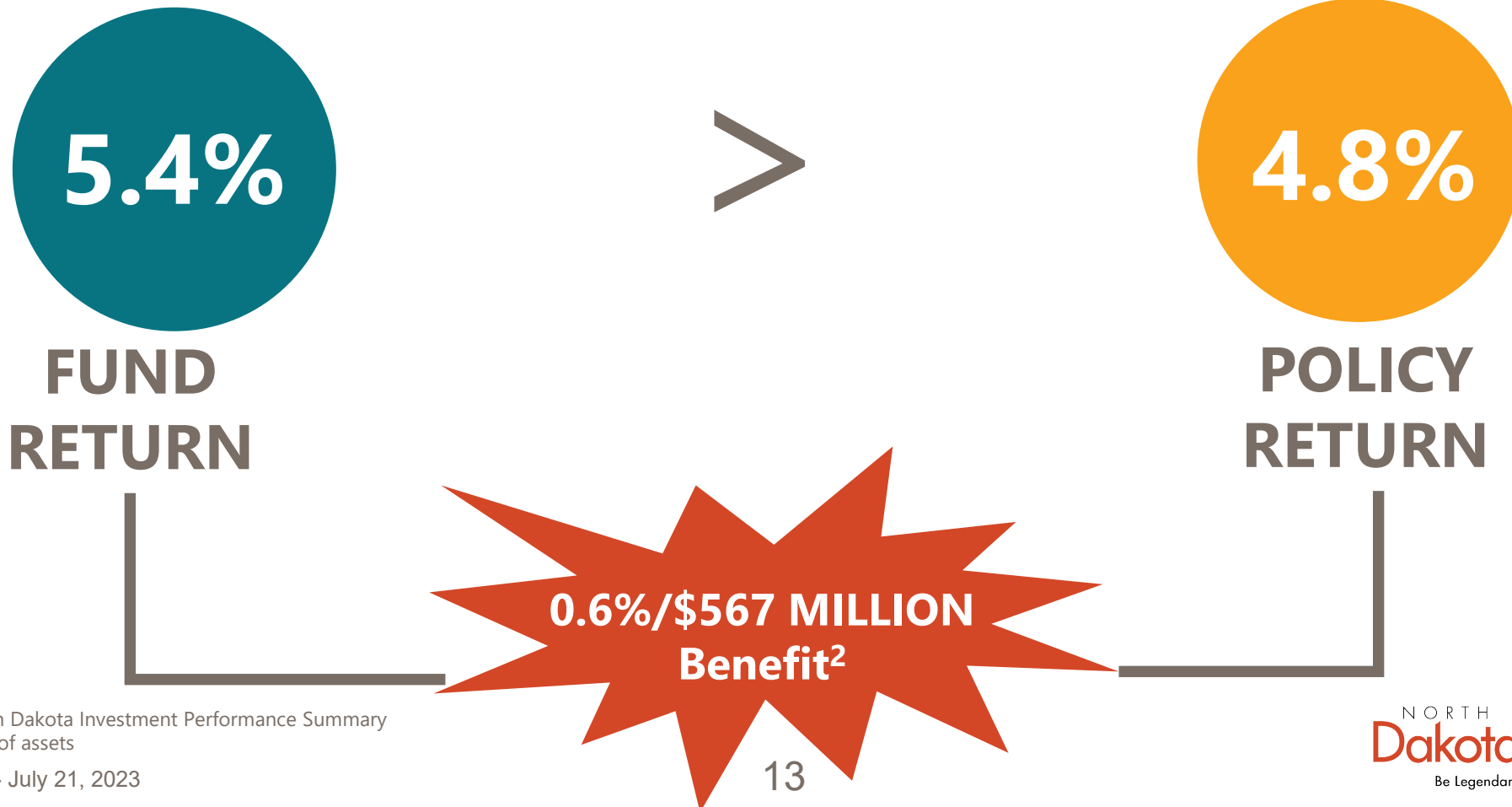
Callan Public Fund Sponsor Database



1. Median performance in Callan Public Fund Sponsor Database is 5.3% thru Q1 2023

INVESTMENT MANAGEMENT BENEFITS

LEGACY TEN YEAR AVERAGE RETURN¹



1. Thru MARCH 2023; North Dakota Investment Performance Summary

2. Starting with \$9.2 Billion of assets

LEGACY PERFORMANCE

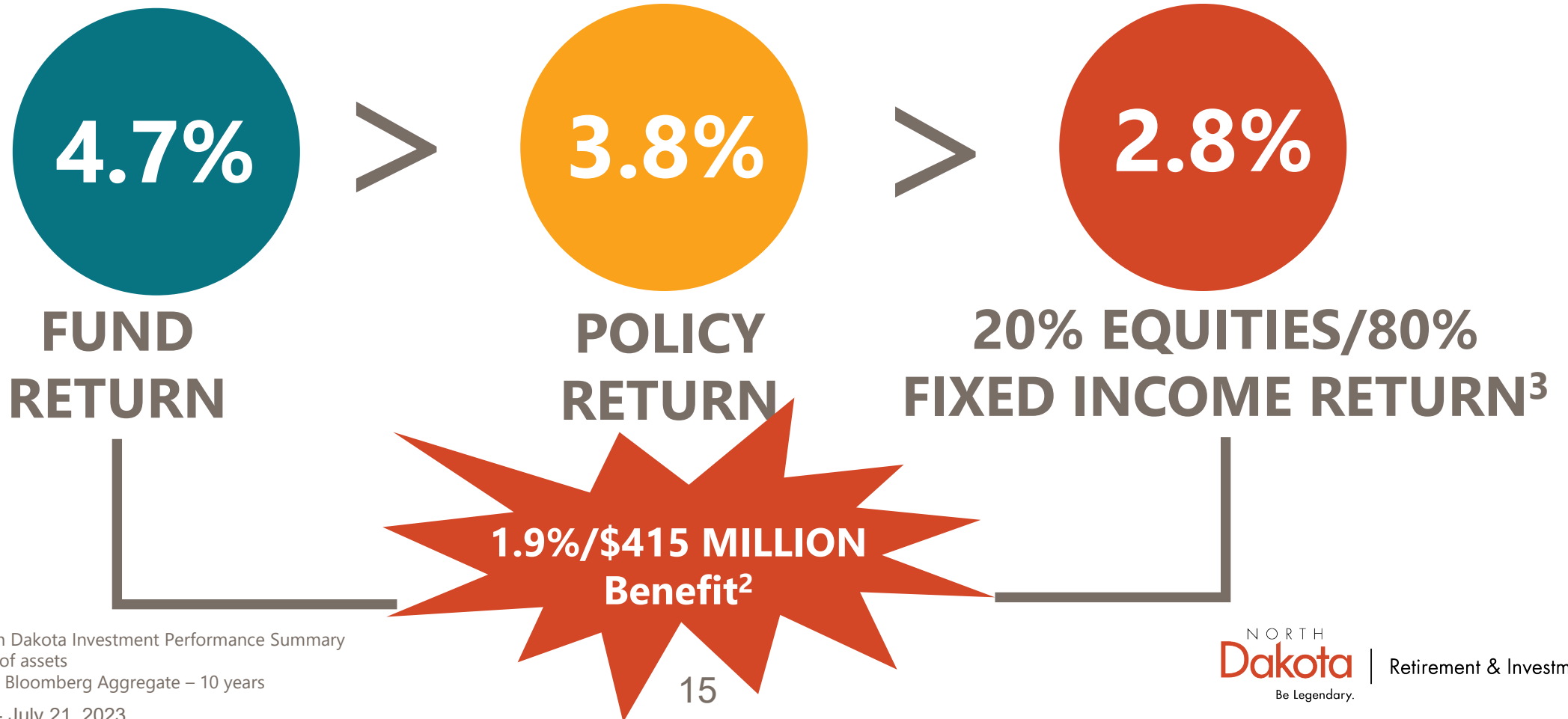
AS OF MAY 31, 2023

LEGACY \$9.2 Billion	Year to Date	1 Year	3 year	5 Year¹	Risk (5 Year)
Total Fund Return - Net	4.4%	0.3%	5.8%	4.8%	10.6%
Policy Benchmark Return	3.9%	-1.1%	4.6%	4.5%	10.3%
Total Relative Return	0.5%	1.4%	1.2%	0.3%	

This does not incorporate the corridor treatment to benchmark weighting

INVESTMENT MANAGEMENT BENEFITS

WSI TEN YEAR AVERAGE RETURN¹



1. Thru MARCH 2023; North Dakota Investment Performance Summary

2. Starting with \$2.0 Billion of assets

3. 20% MSCI ACW IMI/80% Bloomberg Aggregate – 10 years

WSI PERFORMANCE

AS OF MAY 31, 2023

WSI \$2.0 Billion	Year to Date	1 Year	3 year	5 Year¹	Risk (5 Year)
Total Fund Return - Net	2.9%	-1.4%	1.5%	3.2%	7.1%
Policy Benchmark Return	2.8%	-1.6%	0.7%	2.9%	6.5%
Total Relative Return	0.1%	0.2%	0.8%	0.3%	

This does incorporate the corridor treatment to benchmark weighting

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 20, 2023
RE: Governance & Policy Review Committee

I. Summary of Actions

The SIB Governance & Policy Review Committee (GPR Committee) met on June 20, 2023 and July 17, 2023 to discuss the following:

- New Board member recommendation.
- SIB Governance Manual Review Project

The Committee took the following actions:

- Discussed process for recommending experts to Governor's Office for appointment in relation to H.B. 1088. Ultimately the committee provided the following recommendation regarding categories of candidate: the committee expressed a preference for selecting individuals that could provide a voice/perspective in institutional investment and in-state financial institution and discussed known candidates in relation to these categories but did not provide recommendations on specific candidates.
- The committee also discussed the need to begin a SIB Governance Manual Review Project for the upcoming fiscal year given the amount of changes that are anticipated in the investment program.
- Additional information may be found at: [State Investment Board Governance & Policy Review Committee | Retirement Investment Office \(nd.gov\)](https://www.nd.gov/state-investment-board/governance-policy-review-committee/retirement-investment-office)

BOARD ACTION REQUESTED: Board Acceptance.

MEMORANDUM

TO: SIB
FROM: Scott Anderson, Chief Investment Officer
DATE: July 21, 2023
RE: Investment Committee Update

The Investment Committee met Friday July 14, 2023. The meeting was called to order and there was an acceptance of the agenda followed by an acceptance of the minutes from the May 12, 2023, meeting. Mr. Anderson then presented an investment policy for the Legacy Fund recently approved by the Legacy Fund and Budget Stabilization Fund Advisory Board that will be reviewed for approval at the July SIB Board meeting.

Mr. Zietlow and Mr. Moss then presented the Private Markets strategy followed by a discussion regarding private market secondary offerings and an approval of a change to the Black Rock Private Opportunities 2020 Fund guidelines to increase the funds allocation to secondaries.

Mr. Dukart then presented an index valuation framework followed by a banking risk discussion presented by Mr. Vaidya and Mr. Yu.

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Investment/Board/Materials/sibinvestmat20230714.pdf>

BOARD ACTION REQUESTED: Information Only.

MEMORANDUM

TO: SIB
FROM: Scott M Anderson, Chief Investment Officer
DATE: July 21, 2023
RE: Second Reading & Final Adoption – Policy E-3 & Exhibit E-III

I. Introduction

At the May 12, 2023, SIB-IC committee meeting, the committee met and reviewed the following:

1. A proposed delegation matrix outlining the policy related activities, the recommending governance role, the approve for recommendation role, the approving governance role, the oversight role, and the implementation role within the governance hierarchy.
2. Recommended changes to the SIB Governance manual to enable an internal direct investment strategy and an incentive compensation program.

At the May SIB meeting staff presented:

1. For First Reading – Changes to the SIB Governance manual to enable an internal direct investment strategy and an incentive compensation program.

At the July SIB meeting staff will present:

2. For Second Reading & Final Adoption – Changes to the SIB Governance manual to enable an internal direct investment strategy and an incentive compensation program.

POLICY TYPE: INVESTMENTS

POLICY TITLE: KEY PROGRAM ENTITIES AND RESPONSIBILITIES

The key responsibilities of the entities involved in the investment program are:

Fund Governing Bodies

1. Establish policy on investment goals and objectives.
2. Establish asset allocation or approve a pool allocation.
3. Hire actuary when required.

SIB

1. Invest funds entrusted by statute and contracted entities, delegating investment authority to either the Investment Committee or staff when deemed appropriate.
2. Set policies for appropriate investments and investment practices of entrusted funds.
3. Approve asset allocation and investment policies of participating trust funds or establish pool asset allocation previously recommended by the Investment Committee.
4. Monitor the progress of the implementation of the investment strategy.
5. Monitor the performance and risk of the investment program provided by an independent third-party performance appraisal.
6. The Board will receive program updates, training regarding investment topics, market updates, investment performance/risk, investment procedures, program costs and updates on investment execution of investment strategies from Investment Committee representatives.
7. Approve benchmark recommendations from an independent third-party benchmark consultant previously recommended by the Investment Committee.
8. Review summaries of Investment Committee proceedings.
9. Review updates regarding specific investment strategies, manager selection, termination, guideline changes and changes to instrument usage.
10. The Board may choose to have decision authority over specific Investment Committee decisions when deemed appropriate including new investment programs, strategies, techniques, instruments, and initiatives.

Investment Committee

1. The Committee will suggest and recommend changes to the SIB Investment Policy, as necessary including any delegation of authority to RIO investment staff.
2. The Committee will review periodically and approve changes and additions to the IC Guidelines and will report any revisions to the SIB.

POLICY TYPE: INVESTMENTS

POLICY TITLE: KEY PROGRAM ENTITIES AND RESPONSIBILITIES

3. The Committee may examine internally (if approved) and externally managed portfolios, individual investments, correlation among portfolios, and such other matters as the Committee deems appropriate for the purpose of understanding, measuring, controlling, monitoring, and reporting SIB investment exposure.
4. The Committee will review and approve ~~the use of~~ new investment strategies (both internal direct and external), portfolios, and the use of new investment instruments prior to their implementation.~~instruments prior to their implementation in internal (if approved) and external SIB portfolios.~~
5. The Committee will oversee the review and implementation of any other new investment programs or initiatives in all SIB portfolios and will coordinate any necessary related SIB approvals.
6. For purposes of fulfilling its risk management and oversight responsibilities, the Committee will act as liaison between the RIO investment Staff and the SIB on issues concerning investment risk management.
7. The Committee will review subset of asset class strategies at least quarterly to assess established risk limits and evaluate strategy and will approve such strategies annually. The relevant Investment Staff shall be responsible for the specific investment decisions and implementations including internally (if approved) and externally managed mandates that are used to execute the approved strategies.
8. The Committee will review all compliance-related issues including compliance with statutes, administrative rules, internal and external manager investment guidelines or as otherwise requested.
9. The Committee will review asset allocation plans and strategies and will review and approve recommend any proposed changes to SIB's strategic asset allocations and fund-level active risk objectives before they are presented to the Board for approval. The Committee will provide consultation and assistance to the SIB, ED and staff concerning total fund allocation changes or rebalance decisions, as needed.
10. The Committee will review and act on all requests from investment managers, both internal (if approved) and external for waivers to provisions in their investment guidelines. On an emergency basis when it is impractical to timely convene a meeting of the Investment Committee, either the Chair or Vice Chair of the committee with the concurrence of the Chief Investment Officer of the Committee or the Executive Director, may approve a waiver. That waiver will be brought to the Committee for ratification at its next regularly scheduled meeting.
11. The Committee may review and analyze other compliance-, risk- or derivative-related (if approved) matters that are directed to the attention of the Committee by the SIB, external auditors, the Internal Audit group, and RIO investment and accounting staff.
12. The Committee will receive quarterly reports regarding transitions (if any) and shall review with the applicable Investment Staff the costs and impacts associated with the transitions. It will also from time-to- time review reports on the trading effectiveness of investment execution of internal investment strategies (if approved).
13. The Committee will review annual benchmark recommendations from a Board-appointed benchmark consultant and will provide its evaluation and recommendation to the Board.
14. The Committee will review and revise portfolio guidelines as necessary.
15. The Committee will establish procedures for the methodology and frequency of review of (i) fund, asset class and portfolio performance, (ii) performance attribution, (iii) allocation within asset classes and (iv) risk levels. Procedures will be shared with the Board.
16. The Committee will conduct periodic round table discussions of the economic and investment environment.

POLICY TYPE: INVESTMENTS

POLICY TITLE: KEY PROGRAM ENTITIES AND RESPONSIBILITIES

17. Report the investment performance of the funds to each fund's governing authority.

18. Hire and terminate money managers, custodians, and consultants.

Chief Investment Officer and RIO Staff

1. Participate on the Investment Committee and report to the Board as required.
2. Implement investment policies approved by the Investment Committee and the Board.
3. Provide research and administration for SIB client funds and client projects.
4. Recommend investment policies and procedures appropriate for governing the investment of entrusted funds.
5. Lead the development of asset allocations, investment strategies, manager mandates, manager guidelines, investment implementations and investment policies to be approved by the Investment Committee and Board.
6. Negotiate manager contract terms and conditions as delegated by the Investment Committee and Board.
7. Evaluate money manager adherence to investment objectives, mandate requirements and guidelines.
8. Provide performance reports to the Investment Committee, the Board and Boards of participating funds as a representative of the Investment Committee and the SIB.
9. Recommend hiring or terminating money managers, custodians, consultants, and other outside services needed to effectively manage the investment funds.
10. Develop and maintain appropriate accounting policies and investment systems for the funds entrusted to the SIB.
11. Recommend to the investment committee new investment strategies (both internal direct and external), portfolios, and the use of new investment instruments prior to their implementation.
12. Manage direct investment strategies approved by the investment committee including the allocation of capital within the strategies, as well as security selection, weighting, and trading.
13. Provide rebalance instructions to the fiscal team that comply with client policy statements.

Investment Consultant

1. Measure money manager performance and monitor adherence to investment goals, objectives, and policies.
2. Assist in the annual evaluation of program policies, results, and the development of annual work plan.
3. Work with Staff to develop the asset allocation or asset/liability studies.
4. Provide information for requested money manager searches.
5. Assist in development of investment policies and manager structure and rebalancing guidelines.
6. Extension of staff for special projects.

Actuary

1. Assist fund governing bodies in developing benefit and funding policies.
 2. Measure actuarial soundness of plan.
 3. Perform experience studies as requested by plan sponsor.
 4. Provide liability projections as needed.
 5. Conduct annual evaluation of program policies, results, and assist in developmental of annual work plan.
-

POLICY TYPE: INVESTMENTS

POLICY TITLE: KEY PROGRAM ENTITIES AND RESPONSIBILITIES

6. Assist in implementation of annual work plan.

Auditor

1. Measure, validate, and offer an opinion on agency financial statements and management.
2. Assist in developing appropriate accounting policies and procedures.
3. Bring technical competence, sound business judgment, integrity, and objectivity to the financial reporting process.

Master Custodian

1. Provide safekeeping of all securities purchased by managers on behalf of the SIB.
2. Provide global custody services.
3. Collect interest, dividend, and principal payments in a timely manner.
4. Provide for timely settlement of securities.
5. Price all securities and post transactions daily.
6. Maintain short-term investment vehicles for investment of cash not invested by SIB managers. Sweep all manager accounts daily to ensure all available cash is invested.
7. Provide monthly, quarterly, and annual accounting reports for posting to RIO's general ledger.
8. May manage a securities lending program to enhance income.
9. Provide electronic access to accounting reports.
10. Provide other services that assist with the monitoring of managers and investments.

Portfolio Managers

1. Manage portfolios as assigned by the SIB.
2. Provide liquidity, as required, in a timely and cost-efficient manner.
3. Vote proxies.
4. Provide educational assistance to board.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009, November 18, 2022.

Delegation Matrix

<u>Activity</u>	<u>Recommend</u>	<u>Approve for Recommendation</u>	<u>Approve</u>	<u>Oversight</u>	<u>Implement</u>
<u>Investment Policy</u>	<u>Staff/IC</u>	<u>IC</u>	<u>Board</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Asset Allocation</u>	<u>Staff</u>	<u>IC</u>	<u>Board</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Third Party Performance Assessment</u>	<u>Third Party</u>			<u>IC and Board</u>	
<u>Program Updates/Training</u>				<u>IC and Board</u>	<u>Staff/IC</u>
<u>Benchmarks</u>	<u>Third Party</u>	<u>IC</u>	<u>Board</u>	<u>IC and Board</u>	<u>Staff</u>
<u>IC Proceedings</u>		<u>IC</u>	<u>Board</u>	<u>Board</u>	<u>Staff</u>
<u>Any Authority</u>			<u>Board</u>	<u>Board</u>	<u>Staff/IC</u>
<u>Manager Guidelines</u>	<u>IC/Staff</u>		<u>IC</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Monitor Funds and Portfolios</u>				<u>IC and Board</u>	<u>Staff</u>
<u>New Investment Strategies</u>	<u>Staff</u>		<u>IC</u>	<u>IC and Board</u>	<u>Staff</u>
<u>New Investment Portfolios</u>	<u>Staff</u>		<u>IC</u>	<u>IC and Board</u>	<u>Staff</u>
<u>New Investment Instruments</u>	<u>Staff</u>		<u>IC</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Compliance</u>	<u>Staff</u>		<u>IC</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Waivers</u>	<u>Staff</u>		<u>IC</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Transitions</u>			<u>Staff</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Rebalance</u>			<u>Staff</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Hire/Terminate Managers</u>	<u>Staff</u>		<u>IC</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Hire/Terminate Benchmark, Hurdle Rate Consultants</u>	<u>Staff</u>	<u>IC</u>	<u>Board</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Hire/Terminate Custodians, Staff Consultants</u>	<u>Staff</u>		<u>Staff</u>	<u>IC and Board</u>	<u>Staff</u>
<u>Negotiate Manager Contracts</u>				<u>IC and Board</u>	<u>Staff</u>
<u>Manage Approved Direct Strategies</u>				<u>IC and Board</u>	<u>Staff</u>

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 14, 2023
RE: Securities Litigation Committee

I. Summary of Actions

The SIB Securities Litigation Committee (Committee) met on April 10th, June 14th, July 6th and 7th to review the following items:

- Securities Litigation Case Updates from outside counsel on pending litigation:
 - Daimler – counsel assigned to case changed firms and the committee elected to continue with the same counsel at the new firm.
 - Phillips – Update.
 - Volkswagen – Committee affirmed participation.
 - PG&E Case – Committee provided guidance.
- Securities Litigation Monitoring Report.
- Special AG Appointment Process discussed.

II. Committee Discussion

Committee discussed the options for developing a formal process for selection of outside counsel to represent the SIB in securities litigation matters and for securities litigation monitoring services generally. Committee directed staff to prepare an RFP for approval at the September meeting for the purposes of establishing a securities litigation counsel roster. The Committee also requested presentations at future meetings from both FRT and Northern Trust regarding securities litigation monitoring services.

III. Additional Information

Committee materials may be found on the RIO website here: [State Investment Board Securities Litigation Committee | Retirement Investment Office \(nd.gov\)](https://www.nd.gov/state-investment-board/securities-litigation-committee/)

BOARD ACTION REQUESTED: Board Acceptance.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 14, 2023
RE: Legacy & Budget Stabilization Fund Advisory Board (Advisory Board)

I. Introduction

Representative Bosch, Chair of the Advisory Board will update the SIB on current Advisory Board activities. At its June meeting the Advisory Board received multiple presentations from both the Retirement and Investment Office staff as well as representatives from RVK regarding the Legacy Fund. The Advisory Board selected a new asset allocation for the Legacy Fund and directed RIO staff to update the Legacy Fund Investment Policy Statement accordingly.

The updated Legacy Fund Investment Policy Statement was reviewed by the Chairman of the Advisory Board and will be presented to the SIB for approval in July.

Advisory Board information and materials may be found at: [Legacy and Budget Stabilization Fund Advisory Board | North Dakota Legislative Branch \(ndlegis.gov\)](https://www.ndlegis.gov/committees/legacy-and-budget-stabilization-fund-advisory-board)

BOARD ACTION REQUESTED: Information Only.

Quarterly Report on Ends

Quarter ending June 30, 2023

Investment Program

Quarter Highlights

During the quarter, the Investment Team introduced a proposal to transition the plan policy benchmarks from static weights to dynamic corridor weighting. This approach received approval from both the Investment Committee (IC) and the State Investment Board (SIB).

Now that all positions within the team are filled, strategic planning for each vertical - public markets, private markets, and risk - has been a priority. Strategies from each group have been presented to the IC over the course of the quarter.

Several changes to the portfolio were proposed and subsequently approved by the IC. In public markets, the recommendation was to terminate the mandate with Axiom Emerging Markets, reallocating those funds to Dimensional Fund Advisors (DFA), an existing manager in the Emerging Markets portfolio. The DFA mandate will change from small cap value to all cap core. In developed international small cap, Wellington made the decision to return funds to investors. Those assets will be reallocated to a passive index until the proposal of future equity 2.0 changes. In the area of private markets, the IC gave approval for a commitment to Altor, a private equity manager that the team presented on.

Updates on the impact of these changes and strategic planning progress will be shared in the upcoming quarters.

Portfolio Changes & Investment Consultant

There were no notable changes to the portfolio. The Axiom and Wellington transitions will occur in the third quarter.

Other

- Staff continues to conduct preliminary due diligence on prospect managers/products for future consideration.
- Staff continues to monitor each client's asset allocation monthly and makes rebalancing decisions based on rebalancing policy and cash flow requirements.
- Staff attended meetings with many SIB client boards, sub-committees and/or legislative committees or representatives including TFFR, PERS, and WSI.
- There are currently no managers on the watch list.

NDRIO Investment Due Diligence Quarterly Monitoring Report

Apr-01-2023 to Jun-30-2023

Date	Firm	Reason For Call	Location	RIO Attendees
4/4/2023	Fisher	Introduction	Bismarck	Matt Posch,Derek Dukart
4/5/2023	LA Capital	AI Discussion	Call	Matt Posch
4/6/2023	BCA Research	2Q Strategy/Outlook	Call	Investment Staff
4/11/2023	Voya	General Updates	Bismarck	Matt Posch
4/11/2023	Ned Davis Research	Macro Update with Joe Kalish	Call	All Investment Staff
4/12/2023	TIR	Annual Review	Call & Onsite	George Moss,Lance Zietlow,Nitin Vaidya
4/12/2023	Callan	Private Market Performance & Rebalancing	Call	Eric Chin,Matt Posch,Scott Anderson,Nitin Vaidya,Ryan Skor
4/12/2023	TIR	Annual Review	Call	All Investment Staff
4/13/2023	50 South Capital	Quarterly Update	Call	Lance Zietlow,George Moss
4/13/2023	Albourne	Demo	Call	Lance Zietlow,George Moss
4/13/2023	Cerberus Capital Management	Annual Review	Call	All Investment Staff
4/14/2023	DFA	Emerging Markets	Call	AFM Team,Risk Team
4/14/2023	Axiom	Emerging Markets	Call	Eric Chin,Matt Posch,Derek Dukart
4/17/2023	SWIB	Private Market Markets Benchmark and Corridor Treatment	Call	Eric Chin,Scott Anderson,Matt Posch,Nitin Vaidya,Rachel Kmetz,Ryan George Moss,Nitin Vaidya,Lance Zietlow
4/18/2023	JP Morgan	Real Estate Market Discussion	Call	Zietlow
4/18/2023	BCA Research	Recession ETA	Call	Investment Staff

4/20/2023	Goldman Sachs	De-Dollarisation	Call	Derek Dukart,Nitin Vaidya
4/20/2023	PGIM	FI Investment Risk Management	Call	Eric Chin,Matt Posch,Nitin Vaidya Scott Anderson,George Moss,Nitin Vaidya,Lance Zietlow
4/25/2023	Invesco	Annual Review	Office	Eric Chin,Matt Posch,George Moss,Derek Dukart,Jason Yu,Nitin
4/25/2023	Cerberus	Annual Review	Call	Moss,Derek Dukart,Jason Yu,Nitin
4/26/2023	SEI	Annual Meeting	Call	Eric Chin,Matt Posch,Derek Dukart
4/26/2023	Blackrock	General Updates	Bismarck	Matt Posch,Derek Dukart
4/27/2023	Grosvenor	Portfolio Update	Call	Lance Zietlow,George Moss
5/1/2023	Blackrock	Performance Attribution (Commingled Funds)	Call	Jason Yu,Nitin Vaidya
5/3/2023	Inveco	Office property tour	Boulder, CO	Lance Zietlow
5/3/2023	CFA Houston	Marc Faber: Economic, Social, Geopolitical Plates	Call	Nitin Vaidya
5/4/2023	Altor	Intro / Due Diligence	Call	George Moss,Lance Zietlow
5/8/2023	Callan	Introduction	Denver CO	Lance Zietlow
5/9/2023	Ares	Portfolio Update	Call	George Moss,Lance Zietlow
5/9/2023	Gallup/GeopoliticalFutures	George Friedman: Monthly Outlook	Call	Nitin Vaidya
5/10/2023	BCA Research	Interest Rate Strategy	Call	Investment Staff
5/10/2023	TIR	Timber update	Call	Lance Zietlow,George Moss George Moss,Lance Zietlow,Nitin Vaidya
5/10/2023	Albourne	Data and Analytics Demo	Call	Vaidya
5/10/2023	WAMCO	Structured Products	Call	Jason Yu,Lance Zietlow,Nitin Vaidya George Moss,Jason Yu,Nitin Vaidya,Lance Zietlow
5/15/2023	Hamilton Lane	Cobalt Demo	Call	Vaidya,Lance Zietlow George Moss,Lance Zietlow,Ryan Skor
5/17/2023	Hamilton Lane	iLEVEL Demo	Call	Skor

5/18/2023 Atlanta Capital	Annual Review	Bismarck	Eric Chin,Matt Posch,Derek Dukart,Jason Yu,Nitin Vaidya
5/19/2023 Adams Street	Altor Due Diligence	Call	George Moss,Lance Zietlow
5/23/2023 Ares	Global Direct Lending Annual Meeting	New York	Lance Zietlow
5/24/2023 ISquared	LPAC & Annual General Meeting	Miami	George Moss
5/24/2023 Cerberus	Annual General Meeting	New York	Lance Zietlow
5/25/2023 Kelso	Introductory meeting	New York	Lance Zietlow
5/25/2023 Hamilton Lane	Due diligence review	New York	Lance Zietlow
5/25/2023 ISquared	Annual Review	Miami	George Moss
5/30/2023 Bloomberg	PORT Enterprise Solution	Call	Matt Posch,Nitin Vaidya
5/31/2023 Sixth Street	Portfolio Update	Call	George Moss,Lance Zietlow
5/31/2023 Hamilton Lane	Due Diligence Review	Call	Private Markets Team
5/31/2023 50 South	Portfolio update	Call	George Moss,Lance Zietlow
6/1/2023 Altor	Due Diligence	Call	George Moss,Lance Zietlow
6/5/2023 Altor	Due Diligence	Call	George Moss,Scott Anderson,Lance Zietlow
6/6/2023 Jackson Walker	Manager Guidelines	Call	Eric Chin,Derek Dukart,Jason Yu,Nitin Vaidya,Ryan Skor
6/6/2023 TIR	Timber Update	Call	George Moss,Lance Zietlow
6/6/2023 Amundi	EM and EM ex-China	Call	Jason Yu,Nitin Vaidya
6/9/2023 LA Capital	AI Topics	Call	Derek Dukart,Nitin Vaidya,Jason Yu
6/9/2023 LA Capital	Machine Learning in Quant Investing	Call	Investment Staff
6/13/2023 Callan	Data and Operations	Call	Scott Anderson,Nitin Vaidya,Ryan Skor

6/13/2023 PIMCO	Portfolio Update	Bismarck	All Investment Staff
6/14/2023 Snowflake	Technology introduction	Call	Nitin Vaidya
6/14/2023 BCA Research	Private Market Analytics	Call	Investment Staff
6/15/2023 Alumni Advisors	Consultation	Call	Scott Anderson,Nitin Vaidya,Ryan Skor
6/15/2023 Invesco	Compliance, Snowflake	Call	Nitin Vaidya
6/15/2023 DFA	Manager Guidelines	Call	Nitin Vaidya,Eric Chin
6/20/2023 Northern Trust	Custodian needs	Bismarck	Matt Posch,Scott Anderson,Nitin Vaidya,Jason Yu,Derek Dukart
6/21/2023 CLA Connect	External Audit	Call	Jason Yu,Matt Posch,Nitin Vaidya
6/21/2023 Northern Trust/TwoSigma	VENN Onboarding	Call	Eric Chin,Matt Posch,Derek Dukart,Jason Yu,Nitin Vaidya,Ryan
6/21/2023 BCA Research	Investment Stratefy	Call	Investment Staff
6/22/2023 Ned Davis Research	Mid-year Outlook	Call	Investment Staff
6/23/2023 FACTSET	Introduction	Call	Scott Anderson,Nitin Vaidya
6/23/2023 BCA Research	China Economic Policy	Call	Investment Staff
6/26/2023 Invesco	Snowflake Technolgy	Call	Nitin Vaidya
6/27/2023 50 South	Quarterly Update	Call	George Moss,Lance Ziettlow
6/27/2023 Morgan Stanley	Private Markets Portfolio Construction	Call	George Moss,Lance Ziettlow,Nitin Vaidya
6/27/2023 Burgiss	Global Private Capital Review	Call	George Moss,Nitin Vaidya,Lance Ziettlow
6/28/2023 Blackrock	Mid-Year Outlook	Call	Investment Staff
6/28/2023 Kelso	Due Diligence	Call	George Moss,Lance Ziettlow
6/29/2023 DFA	Annual Review	Call	AFM Team,Risk Team

MEMORANDUM

To: State investment Board

From: Nitin Vaidya

Date: July 14, 2023

RE: Annual Affirmation of Code of Conduct Policy

Governance Process Policy B-8, *Board Members' Code of Conduct*, which is attached to this memorandum, details the Code of Ethical Responsibility for the SIB. Item #10 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand SIB Governance Process Policy B-8 *Board Members' Code of Conduct*. I have disclosed any conflicts of interest as required by this policy."

Name (printed) _____

Signature _____

Date _____

Detail of any conflicts of interest (if any):

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

The following will be the Code of Ethical Responsibility for the SIB:

1. SIB members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the SIB members and to strive to avoid not only professional impropriety but also the appearance of impropriety.
2. SIB members should perform the duties of their offices impartially and diligently. SIB members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and regulations and to refrain from any form of dishonest or unethical conduct. Board members should be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by SIB members. Board members must not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members must refrain from financial and business dealings that tend to reflect adversely on their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the SIB. A board member must abstain in those situations where the board member is faced with taking some official action regarding property or a contract in which the board member has a personal interest. Conflicts of interest to be avoided include but are not limited to: receiving consideration for advice over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction involving for which the board member has acquired information unavailable to the general public, through participation on the board.

“Conflict of Interest” means a situation in which a board member or staff member has a direct and substantial personal or financial interest in a matter with also involves the member’s fiduciary responsibility.

4. The board should not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
5. Board members must abide by North Dakota Century code 21-10-09, which reads: “No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a Class A misdemeanor.”
6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.
7. All activities and transactions performed on behalf of public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

8. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.
9. Violation of these rules may result in an official reprimand from the SIB. No reprimand may be issued until the board member or employee has had the opportunity to be heard by the board.
10. Board Members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise (See Exhibit B-I).

Policy Implemented: June 23, 1995.

Amended: January 22, 1999, February 25, 2011, January 27, 2012, February 27, 2015.

MEMORANDUM

TO: TFFR Board of Trustees
FROM: Chad R. Roberts, DED/CRO
DATE: July 12, 2023
RE: TFFR Ends Report 3rd QTR 2023 ending March 31, 2023

This report highlights exceptions to the normal operating conditions of the TFFR program for the period spanning January 1, 2023, through March 31, 2023.

- The TFFR system worked with the legacy PAS vendor to design and implement changes to the federal income tax collection guidelines with the introduction of Form W-4P from the IRS. In addition to system changes, educational outreach communication was developed for persons receiving benefits to help with the transition. TFFR staff fielded a surge of calls and walk-in appointments related to the IRS changes and the new form.
- Testimony was prepared and presented during the 2023 legislative session on numerous bills affecting TFFR programming by RIO staff. Those bills included:
 - HB1219 relating to TFFR programming changes sponsored by the Board
 - HB1150 relating to a military retiree exemption from TFFR participation
 - HB1039 relating to the closure of the PERS defined benefit plan
 - HB1040 relating to the PERS defined benefit plan
 - SB2022 relating to the RIO agency budget bill
 - SB2258 relating to expanding the scope of critical shortage areas in teaching
- The Board received the actuarial audit report from GRS. The audit revealed no significant findings.
- An RFP for actuarial services was reviewed, approved, and issued.
- Sarah Mudder was hired as the Communications and Outreach Director for the RIO agency.

BOARD ACTION REQUESTED: Board Acceptance.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: July 14, 2023
RE: Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update at the meeting on staff relations and strategic planning. Including updates on the following topics:

I. Retirements/Resignations/FTE's/Temporary Assistance:

Position Title*	Status
Sr. Investment Accountant	Posted internally 7/7/23, closed 7/12/23.
Fiscal/Investment Administrative Assistant	Posted 6/28/23, closes 7/17/23.

*New FTEs granted by the 2023 Legislative Assembly. Remaining new FTEs related to the Internal Investment program are expected to be posted by March 2024.

II. Current Project Activities/Initiatives:

- **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 continues to vary from 5 to 25 hours or more per week.
- **TFFR Actuary** – The TFFR Board selected a new actuary for the upcoming biennium. Staff has been working to coordinate transitioning actuary activities from Segal to GRS.
- **TFFR Medical Consultant** – The TFFR Medical Consultant contract has been renewed with Sanford Health.
- **Northern Trust Initiative** – In an effort to enhance the infrastructure for the investment program the Investment and Fiscal teams continues to coordinate with Northern Trust for additional functionality/capabilities.
- **Annual Audit Activities** – Staff has been coordinating activities with CLA to complete external audit activities for this past fiscal year.
- **Audit Consultant Report** - Staff is working on a project plan to present to the Audit committee in August to implement recommendations from Weaver Consulting. This plan includes internal activities as well as a future RFP for co-sourcing activities.
- **Compensation Study RFP** - An RFP for a Compensation Study was issued for consultant services necessary to prepare and present an incentive compensation plan for approval to the Board and develop compensation goals for agency positions. The ERCC will meet in August to interview and select the consultant.
- **Benchmark Consultant RFP** - An RFP was issued for an independent third-party consultant to provide benchmarking services. These services are necessary for the creation of an internal investment program. No responses were received by the initial or extended RFP deadline.

Staff is proceeding under an agency procurement exception allowed in century code to reach out to potential vendors to procure these services. The Investment Committee is scheduled to interview potential vendors in August.

III. Board & Committee Presentations May 19, 2023, through July 21, 2023

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

- **NDPERS Investment Subcommittee – 5/30/23**
- **BoardSmart ESG Panel – 6/1/23**
- **NCTR Director’s meeting – 6/7/23 – 6/9/23**
- **SIB Securities Litigation Committee - 6/14/23, 7/6/23, 7/7/23**
- **SIB Investment Committee – 6/16/23, 7/14/23**
- **SIB GPR Committee – 6/20/23, 7/17/23**
- **Legacy & Budget Stabilization Fund Advisory Board - 6/21/23**
- **TFFR Board Retreat – 6/22/23**
- **Legislature - Budget Section – 6/29/23**
- **City of Bismarck (Pension) – 7/12/23**
- **Retirement Education Workshop – 7/19/23**
- **TFFR meeting – 7/20/23**
- **SIB meeting – 7/21/23**

IV. New Board Members and Board Member Onboarding

As a result of H.B. 1088 and an amendment to the S.B. 2015 (OMB Budget bill) relating to the PERS Board during the legislative session the composition of the State Investment Board membership has significantly changed. As individuals that will be serving on the SIB are identified RIO staff will reach out to begin the onboarding process. The SIB GPR committee has worked with staff to update and enhance the new board member onboarding process and curriculum. We have tentatively scheduled a group new board member onboarding education session on Wednesday, August 2, 2023, in the Governor’s Conference room. All current board and committee members are also invited to attend. An agenda for the remaining curriculum will be distributed at that time.

V. Executive Director Education/Travel Activities

During June 2023, I attended two conferences:

- National Council on Teacher Retirement (NCTR) Director’s Meeting in Madison, WI (6/7/23 – 6/9/23); and
- National Association of Public Pension Attorney’s (NAPPA) legal education conference in San Antonio, TX (6/27/23 – 6/30/23).

Both conferences provide an opportunity to receive education on public pension plan administration and public sector institutional investor topics and learn from other states.

BOARD ACTION REQUESTED: Board Acceptance.