

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 27, 2018, BOARD MEETING**

MEMBERS PRESENT: Brent Sanford, Lt.Governor, Chair
Rob Lech, TFFR Board, Vice Chair
Troy Seibel, PERS Board, Parliamentarian
Jon Godfread, Insurance Commissioner
Toni Gumeringer, TFFR Board
Adam Miller, PERS Board
Mel Olson, TFFR Board
Kelly Schmidt, State Treasurer
Jodi Smith, Commissioner of Trust Lands
Yvonne Smith, PERS Board
Cindy Ternes, WSI Designee

STAFF PRESENT: Bonnie Heit, Assist to the SIB
David Hunter, ED/CIO
Fay Kopp, Dep ED/CRA
Sara Sauter, Audit Svs Suprv
Cody Schmidt, Compliance Officer
Susan Walcker, Invt Acct

OTHERS PRESENT: Alex Browning, Callan Associates
Mike Burton, TFFR
Jim Dotzenrod, District 26, Senate
Paul Erlendson, Callan Associates
Chris Kadrmas, Legislative Council
Keith Kempenich, District 39, House
Jerry Klein, District 14, Senate
Gary Kreidt, District 33, House
Scott Miller, PERS
Joe Morrissette, OMB
Anders Odegaard, Attorney General's Office
Tim Porter, Bank of North Dakota
William Priest, Epoch
Bryan Reinhardt, PERS
Charles Steffan, Workforce Safety & Insurance
Jeff Ulness, Epoch

Mrs. Gumeringer, active teacher on the TFFR Board, will represent the TFFR Board on the SIB. Mrs. Gumeringer replaces Mr. Gessner who retired from active employment in May 2018.

CALL TO ORDER:

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, July 27, 2018, at Bismarck State College, National Energy Center of Excellence, Bismarck, ND.

AGENDA:

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JULY 27, 2018, MEETING.

AYES: COMMISSIONER GODFREAD, MS. TERNES, COMMISSIONER SMITH, MRS. GUMERINGER, MS. SMITH, MR. SEIBEL, MR. MILLER, MR. LECH, MR. OLSON, TREASURER SCHMIDT, AND LT. GOVERNOR SANFORD

NAYS: NONE
MOTION CARRIED

MINUTES:

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE MINUTES OF THE MAY 25, 2018, MEETING AS DISTRIBUTED.

AYES: MRS. GUMERINGER, COMMISSIONER SMITH, MS. SMITH, TREASURER SCHMIDT, MR. LECH, COMMISSIONER GODFREAD, MR. OLSON, MR. SEIBEL, MR. MILLER, MS. TERNES, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED

ELECTION OF OFFICERS:

IT WAS MOVED BY MR. LECH AND SECONDED BY MS. TERNES TO NOMINATE LT. GOVERNOR SANFORD AS CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2018 - JUNE 30, 2019.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. LECH TO CEASE NOMINATIONS AND CAST A UNANIMOUS BALLET FOR LT. GOVERNOR SANFORD TO SERVE AS CHAIR.

A roll call vote was taken as follows:

AYES: MR. OLSON, MRS. GUMERINGER, MR. MILLER, MS. SMITH, MR. SEIBEL, MS. TERNES, COMMISSIONER GODFREAD, COMMISSIONER SMITH, MR. LECH, TREASURER SCHMIDT, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. MILLER TO NOMINATE MR. LECH AS VICE CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2018 - JUNE 30, 2019.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. TERNES TO CEASE NOMINATIONS AND CAST A UNANIMOUS BALLET FOR MR. LECH TO SERVE AS VICE CHAIR.

A roll call vote was taken as follows:

AYES: MS. TERNES, MR. OLSON, COMMISSIONER GODFREAD, TREASURER SCHMIDT, COMMISSIONER SMITH, MR. SEIBEL, MR. LECH, MR. MILLER, MS. SMITH, MRS. GUMERINGER, AND LT. GOVERNOR SANFORD
NAYS: NONE
MOTION CARRIED

Parliamentarian - Lt. Governor Sanford appointed Mr. Seibel Parliamentarian for the period of July 1, 2018 - June 30, 2019.

Audit Committee - Mr. Hunter requested re-appointment of the following individuals to the Audit Committee for the period of July 1, 2018 - June 30, 2019. Ms. Ternes (representing elected/appointed officials), Ms. Smith (representing PERS), and Mr. Josh Wiens (external representative). Mr. Hunter also requested the appointment of Mr. Jon Griffin (external representative). Mr. Lech, nominated by the TFFR Board at their July 26, 2018, meeting, will serve as the TFFR representative.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AUDIT COMMITTEE MEMBERSHIP OF MS. TERNES, MS. SMITH, MR. WIENS, MR. GRIFFIN, AND MR. LECH FOR THE PERIOD OF JULY 1, 2018 - JUNE 30, 2019.

AYES: MS. TERNES, COMMISSIONER GODFRED, MR. OLSON, MR. MILLER, TREASURER SCHMIDT, MRS. GUMERINGER, MS. SMITH, COMMISSIONER SMITH, MR. LECH, MR. SEIBEL, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

Securities Litigation Committee - Mr. Hunter requested affirmation of the current members of the Securities Litigation Committee for the period of July 1, 2018 - June 30, 2019 - Mr. Seibel, Treasurer Schmidt, Mr. Anders Odegaard, Ms. Connie Flanagan, and himself.

IT WAS MOVED BY MR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO REAFFIRM THE SECURITIES LITIGATION COMMITTEE MEMBERSHIP OF MR. SEIBEL, TREASURER SCHMIDT, MR. ODEGAARD, MS. FLANAGAN, AND MR. HUNTER FOR THE PERIOD OF JULY 1, 2018 - JUNE 30, 2019.

AYES: MR. LECH, TREASURER SCHMIDT, MR. OLSON, COMMISSIONER SMITH, MR. SEIBEL, MR. MILLER, COMMISSIONER GODFREAD, MRS. GUMERINGER, MS. SMITH, MS. TERNES, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

INVESTMENT GOVERNANCE:

PERS Job Service Investment Policy Statement - Mr. Hunter requested approval of the revised PERS Job Service Investment Policy Statement. The statement was revised by the PERS Board at their June 21, 2018, meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE PERS JOB SERVICE INVESTMENT POLICY STATEMENT AS PRESENTED.

AYES: TREASURER SCHMIDT, MRS. GUMERINGER, COMMISSIONER GODFREAD, MS. TERNES, COMMISSIONER SMITH, MS. SMITH, MR. LECH, MR. MILLER, MR. SEIBEL, MR. OLSON, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

Code of Conduct Affirmation - Per SIB Governance Policy/Board Members' Code of Conduct requires the SIB members to reaffirm their understanding of the policy on an annual basis and disclose any conflicts of interest. Board members are to acknowledge the affirmation by signing and dating the form and returning to staff.

Private Equity - Mr. Hunter requested approval to sell the Corsair IV non-core private equity mandate at a purchase price which is close in value to the most recently reported quarter end value of \$25 million. RIO investment personnel have been diversifying the SIB private equity portoflio away from smaller, industry or geographic specific investments towards larger, more globally and industry diverse strategies since a strategic review was completed in 2014 and approved by the SIB.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT STAFF RECOMMENDATION AND SELL THE CORSAIR IV NON-CORE PRIVATE EQUITY MANDATE.

AYES: MS. SMITH, MR. MILLER, MR. OLSON, MRS. GUMERINGER, MR. LECH, MR. SEIBEL, MS. TERNES, COMMISSIONER GODFREAD, COMMISSIONER SMITH, TREASURER SCHMIDT, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

Investment Consulting Contract - Mr. Hunter informed the board staff will be providing the SIB with an update on the growth and success of the leading investment consulting firms which compete with Callan in the institutional market place. Staff intends to reach out to the following firms to provide this market update in the upcoming months: Aon Hewitt, Callan, Cambridge, Mercer, NEPC, PCA, Russell, RVK, SIS, and Towers Watson.

BOARD EDUCATION:

Fundamental Investment Beliefs - Mr. Hunter reviewed the SIB's Fundamental Investment Beliefs for the current time period.

Callan Performance Benchmarks - Mr. Erlendson and Mr. Browning presented an educational segment on benchmarking.

Board Member Education Options - Mr. Hunter reviewed the survey results of board member education. RIO worked with Callan to create a brief survey which was distributed to each SIB member to develop a custom investment education plan to better meet the needs of the individual board member. RIO personnel will work with the SIB and Callan in the development of custom investment education plans for each SIB member.

The Board recessed at 10:13 a.m. and reconvened at 10:42 a.m.

Epoch - Epoch Investment Partners, Mr. Bill Priest, reviewed the firm's perspective, investment process, capital markets outlook, and an update on the SIB's portfolio.

OTHER:

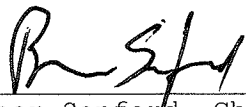
The next meeting of the Securities Litigation Committee meeting is scheduled for August 23, 2018, at 3:00 p.m. at the Retirement and Investment Office.

The next meeting of the SIB is scheduled for August 24, 2018, at 8:30 a.m. at the State Capitol, Peace Garden Room.

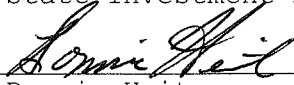
The next meeting of the SIB Audit Committee is scheduled for September 27, 2018, at 10:00 a.m. at the Retirement and Investment Office.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 11:57 a.m.



 Lt. Governor Sanford, Chair
 State Investment Board



 Bonnie Heit
 Assistant to the Board