

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
FEBRUARY 22, 2019, BOARD MEETING**

**MEMBERS PRESENT:** 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  
Yvonne Smith, PERS Board  
Cindy Ternes, WSI Designee

**MEMBERS ABSENT:** Brent Sanford, Lt. Governor, Chair  
Jodi Smith, Commissioner of Trust Lands

**STAFF PRESENT:** Eric Chin, Senior Investment Officer  
Connie Flanagan, Chief Financial Officer  
Bonnie Heit, Admin Svs Suprv  
David Hunter, ED/CIO  
Sara Sauter, Audit Svs Suprv  
Cody Schmidt, Compliance Officer  
Darren Schulz, Dep CIO

**OTHERS PRESENT:** Alex Browning, Callan Associates LLC  
Paul Erlendson, Callan Associates LLC  
Bryan Klipfel, WSI  
Anders Odegaard, Attorney General's Office  
Bryan Reinhardt, PERS

**CALL TO ORDER:**

Dr. Rob Lech, Vice Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, February 22, 2019, at Workforce Safety & Insurance, 1600 East Century Avenue, Bismarck, ND.

**AGENDA:**

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE FEBRUARY 25, 2019, MEETING.

AYES: TREASURER SCHMIDT, MS. GUMERINGER, MS. TERNES, MS. SMITH, DR. LECH, MR. MILLER, MR. SEIBEL, AND MR. OLSON

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GODFREAD, LT. GOVERNOR SANFORD, COMMISSIONER SMITH

**MINUTES:**

IT WAS MOVED BY MS. TERNES AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES OF THE JANUARY 25, 2019, MEETING AS DISTRIBUTED.

AYES: MS. SMITH, MR. MILLER, MR. OLSON, MS. GUMERINGER, DR. LECH, MR. SEIBEL, MS. TERNES, AND TREASURER SCHMIDT

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GODFREAD, LT. GOVERNOR SANFORD, COMMISSIONER SMITH

INVESTMENTS AND GOVERNANCE:

Asset/Performance Overview - Mr. Hunter highlighted assets and performance of the SIB portfolios for the period ending December 31, 2018. As of December 31, 2018, the Pension Trust was at approximately \$5.4 billion, Insurance Trust was at approximately \$2.1 billion, and the Legacy Fund was over \$5.6 billion.

The Pension Trust posted a net return of -4.0% in the last year. During the last 5-years, the Pension Trust generated a net annualized return of 5.1%, exceeding the performance benchmark of 4.5%.

The Insurance Trust generated a net return of -1.1% in the last year. During the last 5-years, the Insurance Trust posted a net annualized return of 4.2%, exceeding the performance benchmark of 3.2%.

The Legacy Fund generated a net return of -5.3% last year. During the last 5-years, the Legacy Fund earned a net annualized return of 4.3%, exceeding the performance benchmark of 3.7% noting the assets were not fully invested in its current asset allocation until 2015.

Every Pension Pool client posted positive excess returns of at least 0.44% per annum over the last 5-years (including 0.59% for PERS and 0.60% for TFFR), while adhering to approved risk levels and generating positive risk adjusted excess return.

Every Non-Pension Pool client generated positive excess return of at least 0.43% per annum and positive risk adjusted excess returns for the 5-years ended December 31, 2018, with two exceptions for PERS Retiree Health Insurance Credit Fund (-0.36%) and PERS Group Insurance (-0.06%).

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ASSET/PERFORMANCE UPDATE FOR THE PERIOD ENDING DECEMBER 31, 2018.

AYES: TREASURER SCHMIDT, MR. SEIBEL, MR. OLSON, DR. LECH, MR. MILLER, COMMISSIONER GODFREAD, MS. GUMERINGER, MS. SMITH, AND MS. TERNES

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD AND COMMISSIONER SMITH

CALLAN ASSOCIATES LLC:

Callan representatives reviewed US and Foreign markets and the investment performance of the Pension Trust, Insurance Trust, and Legacy Fund for the quarter ending December 31, 2018.

IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE CALLAN ASSOCIATES LLC INVESTMENT MEASUREMENT REVIEW FOR THE QUARTER ENDING DECEMBER 31, 2018.

AYES: TREASURER SCHMIDT, MR. MILLER, COMMISSIONER GODFREAD, MR. OLSON, MS. TERNES, MS. GUMERINGER, MR. SEIBEL, DR. LECH, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD, COMMISSIONER SMITH

Included in the board member's meeting materials were recent investment updates provided to the Public Employees Retirement System (PERS) and Workforce Safety and Insurance (WSI) by Mr. Hunter. Mr. Hunter briefly highlighted performance and fees.

The Board recessed at 9:53 a.m. and reconvened at 10:13 a.m.

**BOARD SELF-ASSESSMENT:**

The Board discussed conducting a board self-assessment. After discussion, the Board elected to have Mr. Hunter and Ms. Sauter bring back some options for the Board to consider.

**AUDIT COMMITTEE:**

Ms. Sauter updated the Board on activity of the Audit Committee and the Internal Audit Division of RIO.

SIB Program - The Audit Committee elected to have Dr. Lech serve as liaison to the SIB for the period ending June 30, 2019.

The Executive Limitation Audit was started in December 2018. Ms. Sauter is developing an audit to review the ongoing due diligence of the investment managers that have been hired by the SIB.

Teachers' Fund for Retirement (TFFR) Program - The Cost Benefit Effective Benefit Payment Audit was completed. The Audit Division has been working with the Information Technology Division to develop data analytics to help streamline the TFFR Employer Salary, Service hours, and the Eligibility Review process. The GASB 68 Census Data Audit was completed in October 2018. The Audit Division assisted CliftonLarsonAllen (CLA) in reconciling the tested census data. CLA will review the results of the audit with the Audit Committee at their May 23, 2019, meeting. The TFFR Employer Reporting process was revised to exclude the Audit Division from communicating their final audit report findings to the Employers. The Retirement Services Division of RIO (the administrative unit of the TFFR Board) will communicate directly with the Employers per state statute. As of December 31, 2018, three Employer audits had been completed and three were in progress.

**IT WAS MOVED BY MS. SMITH AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE AUDIT COMMITTEE REPORT.**

**AYES: MS. GUMERINGER, MS. SMITH, MS. TERNES, TREASURER SCHMIDT, COMMISSIONER GODFREAD, MR. OLSON, MR. SEIBEL, MR. MILLER, AND DR. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: LT. GOVERNOR SANFORD AND COMMISSIONER SMITH**

Executive Review Committee - The Board discussed membership of the Executive Review Committee to oversee the formal evaluation of the Executive Director of RIO for the 2018 calendar year. After discussion, Ms. Smith will serve as Chair, Dr. Lech and Mr. Olson will also serve.

Legislative/Budget - Mr. Hunter reviewed legislation that RIO is monitoring - HB 1013 Land Agency Budget and Investments, HB 1368 SIB Membership, HB 1504 Legacy Earnings Fund, SB 2022 RIO Budget, SB 2276 Infrastructure Revolving Loan Fund, SB 2293 Game and Fish - Special Fund, SB 2017 - Game and Fish Dept. Budget, SCR 4005 Legacy Fund - Principal & Earnings.

Discussion followed on HB 1013.

**OTHER:**

The next meeting of the SIB for regular business has been scheduled for March 22, 2019, at 8:30 a.m. at Workforce Safety & Insurance, 1600 E Century Ave.

The next meeting of the Securities Litigation Committee is scheduled for May 16, 2019, at 3:00 p.m. at the Retirement and Investment Office.

The next meeting of the SIB Audit Committee is scheduled for May 23, 2019, at 3:00 p.m. at the Retirement and Investment Office.

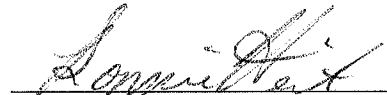
**ADJOURNMENT:**

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 10:48 a.m.



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Dr. Rob Lech, Vice Chair  
State Investment Board



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Bonnie Heit  
Recorder