

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
MARCH 22, 2019, 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:** 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  
Susan Walcker, Investment Accountant

**OTHERS PRESENT:** Jeff Engleson, Dept. of Trust Lands  
Bryan Klipfel, WSI  
Anders Odegaard, Attorney General's Office  
Bryan Reinhardt, PERS

**CALL TO ORDER:**

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, March 22, 2019, at Workforce Safety & Insurance, 1600 East Century Avenue, Bismarck, ND.

**AGENDA:**

**IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE MARCH 22, 2019, MEETING.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH**

**MINUTES:**

**IT WAS MOVED BY MS. TERNES AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES OF THE FEBRUARY 22, 2019, MEETING AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH**

**INVESTMENTS:**

Prudential - Mr. Hunter provided a portfolio update on Prudential Global Investment Management (PGIM). PGIM manages core plus and core bond mandates for the SIB. PGIM has been under contract with the SIB since 2006 and is one of the largest relationships. Staff will be allocating additional assets to PGIM to reduce risk across the portfolios within the BBB bond space.

PGIM representatives reviewed the portfolios they currently manage on behalf of the SIB.

Investment Policy Statement (IPS) - Mr. Hunter reviewed a revised IPS for the Public Employees Retirement System (PERS) for the Board's consideration.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. SMITH TO ACCEPT THE REVISED IPS FOR PERS.**

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

**NAYS: NONE**

**MOTION CARRIED**

Legacy and Budget Stabilization Fund Advisory Board - Mr. Hunter provided an update on the asset allocation, basis points charged, and the balance and returns of the Budget Stabilization Fund and the Legacy Fund. Mr. Hunter presented the information to the Legacy and Budget Stabilization Advisory Board (LBSFAB) at their March 20, 2019, meeting.

Legacy Fund Fees/Returns - Mr. Hunter had received a number of legislative requests relating to SIB client investment fees and returns in comparison to the Permanent Trust Funds of the Dept. of Trust Lands. Mr. Hunter utilized the Legacy Fund to compare as the portfolios are similar but stated comparing the two entities is challenging since the two Fund's asset allocations are different. Mr. Hunter shared the results with the Board.

Callan LLC Contract - RIO personnel are working on a review of the investment consultant industry focusing on firms with a strong presence in US public pension plan and US sovereign wealth funds. RIO personnel are working towards renewing the SIB's existing two-year retainer contract with Callan LLC before July 1, 2019. Callan LLC has served as the SIB's primary general consultant since April 1984.

**GOVERNANCE/EDUCATION:**

Executive Review Comm. - Ms. Smith informed the Board the Committee will be following basically the same timeline and evaluation process of the Executive Director/CIO as the prior year. The Committee reviewed the evaluation itself based on feedback from the prior year's process. The Committee felt the evaluation meets the needs of the Board as well as the Governance requirements. The Board will receive the evaluation on April 1, 2019, with a deadline of April 12, 2019. The Committee will review the results of the evaluation and will provide a preliminary update to the Board at their April 26, 2019, meeting. A final report will be given at the May 24, 2019, meeting along with a compensation recommendation.

**BOARD SELF-ASSESSMENT:**

Ms. Sauter reviewed a proposed timeline for the board's 2019 self-assessment. Ms. Sauter suggested the board self-assessment process be overseen by the current Executive Review Committee or elect a new Committee. If the Board elects to have the Executive Review Committee oversee future assessments, the Executive Review Committee could be appointed at the Board's July meeting when the Board appoints its officers for the fiscal year. This would allow the Executive Review Committee additional time to oversee the board self-assessment process.

**IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD TO COMBINE THE EXECUTIVE REVIEW COMMITTEE AND THE BOARD SELF-ASSESSMENT PROCESS IN THE TIME LINE PRESENTED BY MS. SAUTER.**

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

**NAYS: NONE**

**MOTION CARRIED**

Legislative Update - Ms. Flanagan attended the March 22, 2019, Senate Government and Veterans Affairs (GVA) Committee hearing on HB 1368 SIB Membership. Ms. Flanagan stated Representative Kempenich provided background information on the request to add a member of the LBSFAB as a nonvoting member to the SIB. As a statutory member of the SIB, compensation would be provided to the LBSFAB member for attending the SIB meetings. No action was taken by the Senate GVA.

Discussion followed.

Mr. Hunter will notify the Senate GVA regarding the SIB's position on HB 1368 SIB Membership.

Mr. Hunter reviewed legislation that RIO is currently monitoring - HB 1013 Land Agency Budget and Investments, HB 1368 SIB Membership, SB 2022 RIO Budget, SB 2276 Infrastructure Revolving Loan Fund, SB 2293 Game and Fish - Special Fund, SB 2017 - Game and Fish Dept. Budget, HCR 3055 Legacy Fund - Principal & Earnings.

Education - Mr. Hunter informed the Board that the July 26, 2019, meeting will focus on board education. Potential topics for consideration include best practices and current trends in board governance (with an outside speaker), establishing appropriate performance benchmarks (based on long-term capital market expectations which serve as the framework for the SIB's asset allocation policies) and evaluating overall investment performance (based on comparing actual net investment returns versus agreed upon policy benchmarks over an appropriate time horizon). Board members are to notify Mr. Hunter if they have additional topics for consideration.

Asset Class Definitions - Mr. Hunter provided the Board with an updated version of Asset Class Definitions for their reference.

Vested Interest - Included in the Board member's packet was a preview of the Vested Interest newsletter which RIO personnel are currently working on and plan to mail within the next week.

**OTHER:**

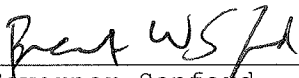
The next meeting of the SIB for regular business has been scheduled for April 26, 2019, at 8:30 a.m. at Workforce Safety & Insurance, 1600 E Century Ave.

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.

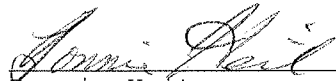
The next meeting of the SIB Audit Committee is scheduled for May 23, 2019, at 3:00 p.m. at the Retirement and Investment Office.

**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 10:07 a.m.



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Lt. Governor Sanford  
State Investment Board



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Bonnie Heit  
Recorder