

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
APRIL 26, 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
Jodi Smith, Commissioner of Trust Lands
Yvonne Smith, PERS Board
Cindy Ternes, WSI Designee

MEMBER ABSENT: Brent Sanford, Lt. Governor, Chair

STAFF PRESENT: Connie Flanagan, Chief Financial Officer
Bonnie Heit, Admin Svs Suprv
David Hunter, ED/CIO
Sara Sauter, Audit Svs Suprv

OTHERS PRESENT: Matt Clark, PIMCO
Bryan Klipfel, WSI
Scott Mather, PIMCO
Anders Odegaard, Attorney General's Office
Ed Sasinowski, PIMCO

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, April 26, 2019, at Workforce Safety & Insurance, 1600 East Century Avenue, Bismarck, ND.

AGENDA:

The Board considered the agenda for the April 26, 2019, meeting,

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE APRIL 26, 2019, MEETING.

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

NAYS: NONE

MOTION CARRIED

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

MINUTES:

The Board considered the minutes of the March 22, 2019, meeting,

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES OF THE MARCH 22, 2019, MEETING AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

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

INVESTMENTS:

Fixed Income - Mr. Hunter provided an update on the mandates that PIMCO currently manages on behalf of the SIB. PIMCO currently manages \$550 million of fixed income investments in the Pension Trust. Within the Pension Trust, PIMCO manages \$319.3 million in a core plus constrained fixed income mandate. RIO investment personnel are recommending \$150 million in the Insurance Trust be allocated to the same mandate to reduce risk in the Insurance Trust. Risk would be reduced by decreasing exposure to the Wells Capital Medium Quality Credit strategy and increasing exposure to core bond strategies. The changes will result in increased diversification across the investment grade space and improve the overall credit quality of the Insurance Trust fixed income allocations.

PIMCO - PIMCO representatives Mr. Clark, Mr. Mather, and Mr. Sasinowski reviewed the portfolios the firm currently manages on behalf of the SIB and shared the firm's views on current economic conditions and their potential impact on the capital markets. Representatives also previewed the Private Income Fund which is currently undergoing a due diligence review by RIO investment personnel.

The Board discussed the recommendation by staff. After discussion,

IT WAS MOVED BY MS. TERNES AND SECONDED BY COMMISSIONER GODFREAD TO ACCEPT STAFF RECOMMENDATION AND APPROVE A \$150 MILLION INVESTMENT WITHIN THE INSURANCE TRUST IN PIMCO'S CORE PLUS CONSTRAINED STRATEGY.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD

Legacy Fund - Mr. Hunter provided an update on the Legacy Fund. The Legacy Fund, as of February 28, 2019, exceeds \$6.1 billion. Transferrable earnings as of February 28, 2019, exceed \$415 million which exclude net unrealized gains and losses per NDCC 21-10-12.

Ms. Flanagan provided an update on the procedures that will be followed internally for the first transfer of the Legacy Fund earnings to the General Fund at the end of the current biennium.

Investment Services - Mr. Hunter informed the Board RIO investment personnel have seen an increase in solicitations due to the continued growth of the Legacy Fund and the current legislative session. RIO investment personnel met with two local firms interested in offering their services to the SIB. Mr. Hunter stated RIO and the Office of the State Treasurer have collaborated to increase awareness of the Bid ND Program where by North Dakota Banks and Credit Unions are encouraged to participate in bidding on certificates of deposit for approximately 15 North Dakota investment groups outside of the SIB program.

GOVERNANCE :

Annual Board Planning Cycle - Mr. Hunter reviewed the annual board planning cycle. Updates to the plan included the board self-assessment and review of the ED/CIO assessment tool as recommended by the Executive Review Committee.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH TO ACCEPT THE ANNUAL BOARD PLANNING CYCLE AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD

Board Self-Assessment - Ms. Smith, Chair of the Executive Review Committee, informed the board the SIB self-assessment has been completed by the Executive Review Committee and Ms. Sauter. The self-assessment will be sent out April 26, 2019, by Ms. Sauter, via survey monkey, with a due date of May 10, 2019.

Board Governance Education - Mr. Hunter reviewed topics for consideration at the Board's July meeting which typically include board education. Mr. Hunter encouraged board members to share their thoughts on additional topics for consideration. Mr. Hunter requested authorization to contract with Mosaic Governance Advisors LLC to provide governance education.

IT WAS MOVED BY MS. SMITH AND SECONDED BY COMMISSIONER GODFREAD TO AUTHORIZE STAFF TO CONTRACT WITH MOSAIC GOVERNANCE ADVISORS, LLC TO PROVIDE BOARD GOVERNANCE EDUCATION AT THE JULY 26, 2019, SIB MEETING.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD

Audit Committee and Securities Litigation Committee - Mr. Hunter stated since Ms. Ternes will be retiring April 30, 2019, there will be a vacancy on the SIB Audit Committee representing elected and appointed officials. Mr. Hunter informed the board Mr. Klipfel has offered to represent that group at the upcoming May 23, 2019, meeting. Dr. Lech appointed Mr. Klipfel to serve on an interim basis at the May 23, 2019, SIB Audit Committee meeting.

Mr. Hunter informed the Board at the upcoming May 20, 2019, SIB Securities Litigation Committee, Financial Recovery Technologies will be providing their annual update.

Mr. Hunter also informed the Board the May 20, 2019, meeting will be the last meeting for Treasurer Schmidt serving as a member of the Securities Litigation Committee. Treasurer Schmidt no longer desires to serve.

The membership of the SIB Audit Committee and the SIB Securities Litigation Committee meeting will come before the SIB for their consideration at their July 26, 2019, meeting.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE UPDATES ON THE SIB STANDING COMMITTEES.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD

ADMINISTRATION:

Executive Review Committee - Ms. Smith updated the Board on the activity of the Executive Review Committee as a result of their April 25, 2019, meeting.

The Executive Review Committee received the results of the SIB and RIO staff evaluations of the Executive Director/CIO. Ms. Smith stated, in general, both were very positive. The SIB had 100 percent participation with many positive comments.

The Executive Review Committee will be meeting in May and will provide a final performance evaluation and compensation recommendation to the full board at their May 24, 2019, meeting.

Legislation - Mr. Hunter provided an update on legislation that RIO is currently monitoring - HB 1013 Land Agency Budget and Investments (transfer of investment oversight authority to the SIB was removed. Passed by House April 25, 2019/Passed by Senate April 26, 2019). HB 1368 SIB Membership (Passed by Senate March 26, 2019). SB 2022 RIO Budget (Passed by House and Senate April 23, 2019). SB 2293 Game and Fish - Special Fund (Passed by House and Senate April 23, 2019) and SB 2017 - Game and Fish Dept. Budget (Passed by Senate April 19, 2019) which would give Game and Fish an opportunity to create a special for possible investment with the SIB. HCR 3055 Legacy Fund - Principal & Earnings (May turn into a study or possibly come back).

MONITORING:

Per Governance Policy, Board/Staff Relationship/Monitoring Executive Performance C-4, the following monitoring reports for the quarter ending March 31, 2019, were provided to the SIB for their consideration: Budget/Financial Conditions, Executive Limitations/Staff Relations, Investment Program, and Retirement Program.

IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE MONITORING REPORTS FOR THE QUARTER ENDING MARCH 31, 2019.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD

OTHER:

The Board recognized Ms. Ternes and thanked her for her leadership, support, and service. Ms. Ternes will be retiring effective April 30, 2019. Dr. Lech presented Ms. Ternes with a Certificate of Appreciation from Governor Burgum.

The next meeting of the SIB for regular business has been scheduled for May 24, 2019, at 8:30 a.m. at the State Capitol, Peace Garden Room.

The next meeting of the Securities Litigation Committee is scheduled for May 20, 2019, at 3:00 p.m. at the Retirement and Investment Office.

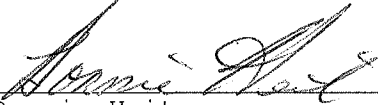
The next meeting of the SIB Audit Committee is scheduled for May 23, 2019, at 3:00 p.m. at the Retirement and Investment Office.

ADJOURNMENT:

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 9:49 a.m.



Dr. Rob Lech, Vice Chair
State Investment Board



Bonnie Heit
Recorder