

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 26, 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
 Bryan Klipfel, WSI
 Adam Miller, PERS Board
 Mel Olson, TFFR Board
 Yvonne Smith, PERS Board

MEMBER ABSENT: Kelly Schmidt, State Treasurer
 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, Exec Dir/CIO
 Fay Kopp, Dep ED/CRA
 Sara Sauter, Audit Svs Suprv
 Darren Schulz, Deputy CIO

GUESTS: Mike Burton, Teachers' Fund for Retirement
 Julie Dahle, Choice Financial Group
 Sen. Jim Dotzenrod, Legacy/Budget Stab. Adv. Board
 Karlene Fine, Industrial Commission
 Shane Goettle, Odney Public Affairs
 Jon Griffin, SIB Audit Committee
 Eric Hardmeyer, Bank of North Dakota
 Danelle Hopkins, Governor's Office
 Rep. Keith Kempenich, Legacy/Budget Stab. Adv. Board
 Allen Knudson, Legislative Council
 Adam Mathiak, Legislative Council
 Amy McDuffee, Mosaic Governance Advisors
 Scott Miller, Public Employees Retirement System
 Anders Odegaard, Attorney General Counsel
 Andrea Pfennig, Industrial Commission
 Tim Porter, Bank of North Dakota
 Angela Rodell, Alaska Permanent Fund
 Ryan Rauschenberger, Tax Commissioner
 Sheila Sandness, Legislative Council
 Mylynn Tufte, Public Employees Retirement System
 Sen. Rich Wardner, Legislative Assembly

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 26, 2019, at Bismarck State College, National Energy Center of Excellence, Room 335, Bismarck, ND.

MINUTES:

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 24, 2019, AND JUNE 19, 2019, MINUTES AS DISTRIBUTED.

AYES: MR. MILLER, COMMISSIONER GODFREAD, MR. OLSON, MR. KLIPFEL, MS. GUMERINGER, MR. SEIBEL, DR. LECH, MS. SMITH, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

AGENDA:

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

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JULY 26, 2019, MEETING.

AYES: MS. GUMERINGER, MS. SMITH, MR. KLIPFEL, DR. LECH, COMMISSIONER GODFREAD, MR. OLSON, MR. SEIBEL, MR. MILLER, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

ELECTION OF OFFICERS AND APPOINTMENTS:

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO NOMINATE LT. GOVERNOR SANFORD AS CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2019 - JUNE 30, 2020.

AYES: MR. OLSON, MR. SEIBEL, MS. GUMERINGER, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, MR. KIPFEL, DR. LECH, LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

IT WAS MOVED BY LT. GOVERNOR SANFORD AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO NOMINATE DR. LECH AS VICE CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2019 - JUNE 30, 2020.

AYES: MS. GUMERINGER, COMMISSIONER GODFREAD, MR. KLIPFEL, MS. SMITH, DR. LECH, MR. MILLER, MR. SEIBEL, MR. OLSON, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

Lt. Governor Sanford reappointed Mr. Seibel as parliamentarian for the period of July 1, 2019 - June 30, 2020.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE MEMBERSHIP OF THE AUDIT COMMITTEE, CONSISTING OF MS. SMITH, DR. LECH, MR. GRIFFIN, MS. DAHLE, AND COMMISSIONER SMITH, FOR THE PERIOD OF JULY 1, 2019 - JUNE 30, 2020.

AYES: MS. SMITH, MR. MILLER, MR. OLSON, MS. GUMERINGER, DR. LECH, MR. SEIBEL, MR. KLIPFEL, COMMISSIONER GODFREAD, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

IT WAS MOVED BY MS. SMITH AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE MEMBERSHIP OF THE SECURITIES LITIGATION COMMITTEE, CONSISTING OF MR. SEIBEL, COMMISSIONER SMITH, MR. ODEGAARD, MS. FLANAGAN, AND MR. HUNTER, FOR THE PERIOD OF JULY 1, 2019 - JUNE 30, 2020.

AYES: MR. SEIBEL, MR. OLSON, DR. LECH, MR. MILLER, COMMISSIONER GODFREAD, MS. GUMERINGER, MS. SMITH, MR. KLIPFEL, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE MEMBERSHIP OF THE EXECUTIVE REVIEW COMMITTEE, CONSISTING OF MS. SMITH, MR. OLSON, AND MR. MILLER, FOR THE PERIOD OF JULY 1, 2019 - JUNE 30, 2020.

AYES: MR. KLIPFEL, MR. OLSON, COMMISSIONER GODFREAD, MR. SEIBEL, DR. LECH, MR. MILLER, MS. SMITH, MS. GUMERINGER, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

INVESTMENT GOVERNANCE:

Fundamental Investment Beliefs - Mr. Hunter highlighted the SIB and RIO Fundamental Investment Beliefs, Client Assets Under Management as of March 31, 2019, Investment Fees and Expenses between 2013 - 2018, Strategic investment Plan 2019-21, RIO's Mission Statement, Annual Board Planning cycle, and ND Legacy Fund Summary of Deposits, Earnings, and Net Position as of May 31, 2019.

Code of Conduct - 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.

Investment Policies - Mr. Hunter presented revised Investment Policy Statements for the Public Employees Retirement System (PERS,) PERS Retiree Health Insurance Credit, and Job Service for the Board's consideration. After discussion,

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVISED INVESTMENT POLICY STATEMENTS FOR THE PUBLIC EMPLOYEES RETIREMENT SYSTEM, RETIREE HEALTH INSURANCE CREDIT, AND JOB SERVICE.

AYES: MR. KLIPFEL, COMMISSIONER GODFREAD, MR. OLSON, MR. MILLER, MS. GUMERINGER, MS. SMITH, DR. LECH, MR. SEIBEL, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

Mr. Hunter presented a revised Investment Policy Statement for the ND State Board of Medicine. After discussion,

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ASSET ALLOCATION CHANGES FOR THE ND STATE BOARD OF MEDICINE.

AYES: DR. LECH, MR. OLSON, MR. SEIBEL, MR. MILLER, COMMISSIONER GODFREAD, MS. GUMERINGER, MS. SMITH, MR. KLIPFEL, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

Investment Update - Mr. Hunter reported on the first distribution from the Legacy Fund since its funding inception in late 2011. RIO personnel will transfer \$455 million of investment earnings, as defined by NDCC 21-10-12 from the Legacy Fund to the General Fund on or about July 23, 2019. This transfer will reduce Legacy Fund investments from roughly \$6.5 billion to \$6 billion.

Mr. Hunter also reported approximately \$450 million will be transferred into the Budget Stabilization Fund on or after August 12, 2019 by the Office of Management and Budget (OMB) which will increase the value of the Fund to approximately \$568 million.

Mr. Hunter also informed the Board the Office of Attorney General is inquiring if the SIB could accept the Office of the Attorney General as a new client to oversee their "AG Settlement Fund" of approximately \$1 million. After discussion,

IT WAS MOVED BY MS. SMITH AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE OFFICE OF ATTORNEY GENERAL AS A NEW CLIENT TO OVERSEE THEIR "AG SETTLEMENT FUND."

AYES: COMMISSIONER GODFREAD, MR. KLIPFEL, MS. GUMERINGER, MS. SMITH, MR. SEIBEL, MR. MILLER, DR. LECH, MR. OLSON, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER SCHMIDT, COMMISSIONER SMITH

Governance Best Practices - Ms. Amy McDuffee, Mosaic Governance Advisors, presented an educational segment on best practices and current trends in public fund governance.

The Board recessed at 10:40 a.m. and reconvened at 11:02 a.m.

BOARD EDUCATION:

Education Options - Mr. Hunter reviewed the importance of continuing education and strong board governance and summarized previous board education and upcoming board educational opportunities.

US Sovereign Wealth Funds - Ms. Angela Rodell, Chief Executive Officer of the Alaska Permanent Fund Corporation, discussed the unique opportunities and challenges facing the largest US Sovereign Wealth Fund presently at \$65 billion.

Investment Manager Catalog - In the Board's meeting materials was a catalog of investment managers which includes a brief description of existing investment strategies and firms, the date in which the SIB engaged the firms for a specific mandate, the asset class (or classes) for which they offer their services and the major investment pools (or trusts) in which these strategies are utilized. A listing of closed investment strategies is also included in the catalog.

OTHER:

The next meeting of the SIB for regular business has been scheduled for August 23, 2019, at 8:30 a.m., at the State Capitol, Peace Garden Room.

The next meeting of the Securities Litigation Committee is scheduled for August 22, 2019, at 3:00 p.m. at the Retirement and Investment Office.

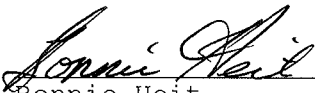
The next meeting of the SIB Audit Committee is scheduled for September 26, 2019, at 10:00 a.m. at the Retirement and Investment Office.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 12:10 p.m.



Lt. Governor Sanford, Chair
State Investment Board



Bonnie Heit
Recorder

