

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

**MEMBERS PRESENT:** Brent Sanford, Lt. Governor, Chair  
Rob Lech, TFFR Board, Vice Chair  
Troy Seibel, PERS Board, Parliamentarian  
Toni Gumeringer, TFFR Board  
Keith Kempenich, Legacy/Budget Stab. Adv. Board  
Bryan Klipfel, Director of WSI  
Adam Miller, PERS Board  
Mel Olson, TFFR Board  
Kelly Schmidt, State Treasurer  
Yvonne Smith, PERS Board

**MEMBERS ABSENT:** Jon Godfread, Insurance Commissioner  
Jodi Smith, Commissioner of Trust Lands

**PRESENT:** Amy Carlson, Investment Acct  
Eric Chin, Chief Risk Officer (tlcf)  
Connie Flanagan, Chief Financial Officer  
Bonnie Heit, Admin Svs Suprv  
David Hunter, Exec Dir/CIO  
Sara Sauter, Suprv of Internal Audit  
Darren Schulz, Dep CIO  
Susan Walcker, Senior Financial Acct

**GUESTS:** Alex Browning, Callan Associates LLC  
Paul Erlendson, Callan Associates LLC  
Pete Keliuotis, Callan Associates LLC  
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, November 22, 2019, at the State Capitol, Ft. Union Room, Bismarck, ND.

**AGENDA:**

The Board considered the agenda for the November 22, 2019, meeting,

**IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE NOVEMBER 22, 2019, MEETING.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH**

**MINUTES:**

**IT WAS MOVED BY MS. SMITH AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE OCTOBER 25, 2019, MINUTES AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH, COMMISSIONER GODFREAD**

**INVESTMENTS:**

Asset/Performance - Mr. Hunter highlighted the growth in the SIB client assets and investment results for each of the 25 client portfolios. RIO notes that 99% of the clients, based on Assets Under Management, generated net investment returns which exceeded their approved policy benchmark for the 5-years ended September 30, 2019, while adhering to approved risk levels. Excess returns for the five largest clients - the Legacy Fund (\$6.4 billion), Public Employees Retirement System (PERS) (\$3.1 billion), Teachers' Fund for Retirement (TFFR) (\$2.6 billion), Workforce Safety & Insurance (WSI) (\$2.1 billion) and Budget Stabilization Fund (\$669 million) surpassed approved performance benchmarks by at least 0.44% (and up to 1.02%) per annum for the 5-years ended September 30, 2019.

Callan Associates LLC Review - Representatives reviewed the investment performance of the Pension Trust, Insurance Trust, and Legacy Fund for the period ending September 30, 2019.

Callan also provided an educational segment on private markets and reviewed the SIB's private equity portfolio.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. KLIPFEL AND CARRIED BY A VOICE VOTE TO ACCEPT CALLAN ASSOCIATES LLC PERFORMANCE MEASUREMENT REPORTS OF THE PENSION TRUST, INSURANCE TRUST, AND LEGACY FUND FOR THE PERIOD ENDING SEPTEMBER 30, 2019.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH**

The Board recessed at 10:24 a.m. and reconvened at 10:45 a.m.

Investment Consulting - Mr. Hunter reached out to the ten largest investment consulting firms to determine which firms were most interested in working with the SIB and to gain an understanding of which firms appear to be most well suited to assist the SIB in future investment consulting engagements. At the January 24, 2020, SIB meeting, Mr. Hunter will share the presentations from the two highest rated general investment consultants from the following field - Aon, Callan, NEPC, RVK, and Wilshire.

**GOVERNANCE:**

Audit Committee - Ms. Sauter reviewed activities of the Audit Committee for the period of July 1, 2019 - September 30, 2019.

Audit Activities Completed on Behalf of the SIB - The SIB Customer Satisfaction Survey was completed and the results were provided to the SIB in October 2019.

The Investment Due Diligence Audit was completed in July 2019.

Audit Activities Completed on Behalf of TFFR - Three Employer Audits were completed and one was in progress.

The TFFR File Maintenance Audit fieldwork has been completed and a report will be issued in November 2019.

Audit Activities Completed on Behalf of RIO - Assistance was provided to CliftonLarsonAllen (CLA) during the GASB 68 Census Data Audits. Internal Audit notified twelve Employers of the audit in July 2019. Internal Audit also sent out twenty-four Employer confirmations as part of the financial statement audit.

The Administrative Expense Audit is currently in progress. Internal Audit is reviewing RIO's policies pertaining to travel and office expenses and comparing those to the Office of Management and Budget (OMB) policies and state purchasing requirements.

The Audit Committee's Charter was revised and presented to the SIB for their review and approval.

CLA's financial audit of RIO for the fiscal year ended June 30, 2019, was presented to the SIB for their review and approval. CLA issued an unmodified "clean" opinion that the financial statements were presented fairly, in all material respects, in conformity with US Generally Accepted Accounting Principles (GAAP).

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE SIB AUDIT COMMITTEE REPORT FOR THE PERIOD ENDING SEPTEMBER 30, 2019, TO APPROVE THE REVISED AUDIT COMMITTEE CHARTER, AND APPROVE CLA'S FINANCIAL STATEMENT AUDIT OF RIO FOR THE FISCAL YEAR ENDED JUNE 30, 2019.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH**

Securities Litigation Committee - Mr. Hunter and Mr. Seibel sought confirmation to confirm the Securities Litigation Committee is authorized to make decisions on the level of participation the SIB will take in direct litigation, opt-in or group litigation, anti-trust and other class actions. The Securities Litigation Committee is seeking this confirmation given the practical time constraints inherent in pursuing opt-out securities litigation cases in the U.S. The opt-out claim filing period of 60-days impairs, if not prohibits, the SIB from seeking direct litigation in the U.S. unless the Securities Litigation Committee is authorized to take this action during interim periods between scheduled SIB meetings.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO CONFIRM THE SECURITIES LITIGATION COMMITTEE IS AUTHORIZED TO MAKE DECISIONS ON BEHALF OF THE SIB REGARDING THE LEVEL OF PARTICIPATION THE SIB WILL TAKE IN DIRECT LITIGATION, OPT-IN OR GROUP LITIGATION, ANTI-TRUST AND OTHER CLASS ACTIONS.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH**

Legacy Fund Earnings Committee - Mr. Hunter updated the SIB on the November 13, 2019, meeting of the Legacy Fund Earnings Committee. Mr. Hunter presented an overview of U.S. Sovereign Wealth Funds and the benefits of the Percent of Market Value (POMV) approach as a prudent, responsible and transparent method for defining future earnings. Mr. Hunter also indicated the POMV is utilized by most other U.S. Sovereign Wealth Funds, including ND Common Schools Trust Fund, in developing a sustainable spending policy.

Informational Request - Mr. Hunter handed out a page from a report researched and written by an individual expressing their views on private equity. The page was for informational purposes only and Mr. Hunter wanted the SIB to be aware that he occasionally receives information from individuals interested in the SIB's program and he does his best to address their views.

**OTHER:**

The next meeting of the SIB for regular business has been scheduled for January 24, 2020, at 8:30 a.m., at the State Capitol, Ft. Union Room.

The next meeting of the Securities Litigation Committee is scheduled for February 4, 2020, at 1:00 p.m. at the Retirement and Investment Office.

The next meeting of the SIB Audit Committee is scheduled for February 27, at 3:00 p.m. at the Retirement and Investment Office.

**ADJOURNMENT:**

**IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. KLIPFEL AND CARRIED BY A VOICE VOTE TO ADJOURN THE MEETING.**


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

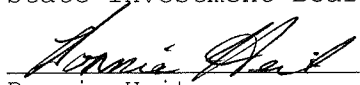
**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH, COMMISSIONER GODFREAD**

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 11:35 a.m.

  
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Lt. Governor Sanford, Chair  
State Investment Board

  
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Bonnie Heit  
Recorder