

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
FEBRUARY 28, 2020, BOARD MEETING**

**MEMBERS PRESENT:** Brent Sanford, Lt. Governor, Chair  
Rob Lech, TFFR Board, Vice Chair (tlcf)  
Bryan Klipfel, Director of WSI  
Troy Seibel, PERS Board, Parliamentarian  
Toni Gumeringer, TFFR Board  
Gary Kreidt, Legacy/Budget Stab. Adv. Board  
Adam Miller, PERS Board  
Mel Olson, TFFR Board  
Kelly Schmidt, State Treasurer  
Jodi Smith, Commissioner of Trust Lands  
Yvonne Smith, PERS Board

**MEMBERS ABSENT:** Jon Godfread, Insurance Commissioner

**STAFF PRESENT:** Eric Chin, Chief Risk Officer/Senior CIO (tlcf)  
Bonnie Heit, Admin Svs Suprv  
David Hunter, Exec Dir/CIO  
Matt Posch, Investment/Compliance Officer  
Sara Sauter, Suprv of Internal Audit  
Darren Schulz, Dep CIO

**GUESTS:** Alex Browning, Callan LLC  
Paul Erlendson, Callan 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, February 28, 2020, at the State Capitol, Ft. Union Room, Bismarck, ND.

**AGENDA:**

The Board considered the agenda for the February 28, 2020, meeting,

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE FEBRUARY 28, 2020, MEETING.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD**

**MINUTES:**

**IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. KLIPFEL AND CARRIED BY A VOICE VOTE TO APPROVE THE JANUARY 24, 2020, MINUTES AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD**

**INVESTMENTS:**

Mr. Hunter highlighted the investment portfolios the SIB manages on behalf of its clients for the period ending December 31, 2019. SIB investments exceeded \$16.3 billion. SIB clients earned over \$2.3 billion of net investment income in 2019 with the Legacy Fund earning over 18% (\$1+ billion) and Public Employees Retirement System (PERS) (\$500+ million) and Teachers' Fund for Retirement (TFFR) (\$400+ million) each earning over 17.9% for the year ended 12/31/2019. The vast majority of SIB clients earned at least 0.50% of positive excess return for the 5-years ended 12/31/2019, while net investment returns for PERS and TFFR were ranked in the top quartile based on Callan's Public Fund Database for the 3, 5 and 10 year periods ended 12/31/2019.

Callan LLC - Representatives reviewed the investment performance of the Pension Trust, Insurance Trust, and Legacy Fund for the period ending December 31, 2019. Callan LLC also provided a market update for the same period.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE CALLAN REPORT FOR THE QUARTER ENDING DECEMBER 31, 2019.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD**

U.S. Small Cap Equity - Mr. Schulz reviewed the parameters of the U.S. small cap equity search in which Callan LLC will be assisting. The small cap equity search process will replace the Parametric Russell 2000 synthetic index mandates with strategies that have a greater potential for outperformance. The search will be aligned to complement the SIB's existing manager structure. In 2019, the SIB approved expanding an existing \$160 million relationship with Atlanta Capital in U.S. small cap.

Investment Updates - Mr. Hunter informed the Board he provided investment updates for the period ending December 31, 2019, to the PERS Investment Subcommittee and Workforce Safety & Insurance in February. Mr. Hunter highlighted key points of the presentations.

The Board recessed at 9:50 a.m. and reconvened at 10:13 a.m.

**GOVERNANCE:**

Audit Committee - Ms. Sauter reviewed activities of the Internal Audit division for the period of October 1, 2019 - December 31, 2019.

Audit Activities Completed on Behalf of TFFR - Three Employer Audits were completed and one will be started soon.

The Salary Verification Audit is in progress. The reconciliation of salaries is scheduled to start during the third quarter.

The TFFR File Maintenance Audit fieldwork was completed and a report will be issued in February 2020.

The Benefit Payment Audit will be completed February/March 2020 timeframe.

Audit Activities Completed on Behalf of RIO - The Administrative Expense Audit was completed in January 2020. Internal Audit reviewed RIO's policies pertaining to travel and office expenses and compared those to the Office of Management and Budget (OMB) policies and state purchasing requirements.

Audit Activities Completed on Behalf of the SIB - The Executive Limitations Audit for the calendar year January 1, 2019 - December 31, 2019 was completed in February 2020. The audit reviews the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation policies.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. KLIPFEL AND CARRIED BY A VOICE VOTE TO APPROVE THE AUDIT REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD**

Executive Review Committee (ERC) - The SIB self-assessment was sent out on Wednesday, February 12, 2020, with a due date of Wednesday, February 26, 2020. The results of the self-assessment will be shared with the SIB at their March 27, 2020, meeting.

Once the SIB self-assessment is completed, the ERC will focus on the Executive Director/CIO performance evaluation and compensation recommendation.

Proxy Voting Policy - The SIB approved engaging Broadridge Financial Solutions to utilize their Proxy Disclosure service to enhance the SIB's ability to more efficiently audit the proxy voting practices and actions of its equity managers. RIO personnel will be conducting a comparison of Northern Trust and Broadridge's proxy voting reporting services and will share their findings at the March board meeting as well as an update on contract discussions with Broadridge.

Pension Administration System - Mr. Hunter informed the Board, the TFFR Board approved the Project Charter for the Pension Administration System Modernization Project at their January 23, 2020, meeting. The Project Charter was included in the Board's meeting materials.

Agency Update - The Deputy Executive Director/Chief Retirement Officer position was posted on January 8, 2020. Interviews were conducted on February 21, 2020, by Dr. Lech, Treasurer Schmidt, Mr. Hunter, and Ms. Denise Weeks. An offer of employment was extended to the top finalist, and RIO and Human Resource Management Services (HRMS) are in the process of finalizing the details.

The Retirement Program Manager position was accepted by Ms. Weeks, effective March 1, 2020. RIO will be posting a Retirement Programs Specialist vacancy in the near future.

The Investment Accountant position has been filled by Ms. Ann Griffin, effective March 2, 2020.

**OTHER:**

The next meeting of the SIB Executive Review Committee has been scheduled for March 16, 2020, at 8:30 a.m. at the Retirement and Investment Office.

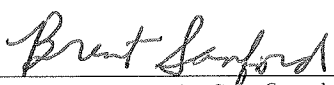
The next meeting of the SIB for regular business has been scheduled for March 27, 2020, at 8:30 a.m., at the State Capitol, Ft. Union Room.

The next meeting of the SIB Securities Litigation Committee is scheduled for May 19, 2020, at 1:00 p.m. at the Retirement and Investment Office.

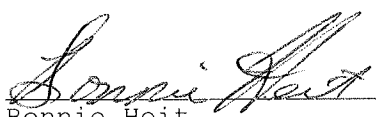
The next meeting of the SIB Audit Committee is scheduled for May 21, 2020, at 3:00 p.m. at the Retirement and Investment Office.

**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 10:39 a.m.



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Lt. Governor Brent Sanford, Chair  
State Investment Board



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Bonnie Heit  
Recorder