NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JUNE 26, 2020, BOARD MEETING

MEMBERS PRESENT: Rob Lech, TFFR Board, Vice Chair
Troy Seibel, PERS Board, Parliamentarian
Jon Godfread, Insurance Commissioner
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
Jodi Smith, Commissioner of Trust Lands
Yvonne Smith, PERS Board

MEMBER ABSENT: Brent Sanford, Lt. Governor, Chair

STAFF PRESENT: Eric Chin, Chief Risk Officer/Senior CIO
Connie Flanagan, Chief Financial Officer
Ann Griffin, Investment Accountant
Bonnie Heit, Admin Svs Suprv
David Hunter, Exec Dir/CIO
Jan Murtha, Dep Exec Dir/CRO
Matt Posch, Investment/Compliance Officer
Sara Sauter, Suprv of Internal Audit
Darren Schulz, Dep CIO
Dottie Thorsen, Internal Auditor
Susan Walcker, Senior Financial Accountant

GUESTS: Brian D’Arcy, Sixth Street Partners
Dean DePountis, Attorney General’s Office
Karlene Fine, Industrial Commission
Ahsha Haggart, Sixth Street Partners
Ross Johnson, Riverbridge
Rick Moulton, Riverbridge
Bryan Reinhardt, PERS
Alan Waxman, Sixth Street Partners
Tim Wilkinson, Riverbridge

CALL TO ORDER:

Dr. Rob Lech, called the State Investment Board (SIB) special meeting to order at 8:30 a.m. on Friday, June 26, 2020. The virtual meeting was held at the Retirement and Investment Office (RIO), 3442 East Century Avenue, Bismarck, ND.

AGENDA:

The Board considered the agenda for the June 26, 2020, meeting,

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JUNE 26, 2020, MEETING.

AYES: MR. OLSON, COMMISSIONER GODFREAD, TREASURER SCHMIDT, MR. SEIBEL, MR. MILLER, MS. SMITH, MS. GUMERINGER, AND DR. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: MR. KLIPFEL, COMMISSIONER SMITH, LT. GOVERNOR SANFORD

MINUTES:

IT WAS MOVED BY MS. SMITH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 22, 2020, MINUTES AS DISTRIBUTED.

AYES: COMMISSIONER GODFREAD, MR. OLSON, MR. MILLER, TREASURER SCHMIDT, MS. GUMERINGER, MS. SMITH, MR. SEIBEL, AND DR. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: MR. KLIPFEL, COMMISSIONER SMITH, LT. GOVERNOR SANFORD

INVESTMENTS:

Interim Performance – Mr. Hunter reviewed performance as of June 19, 2020.

Teachers’ Fund for Retirement (TFFR), Public Employees Retirement System (PERS) and the Legacy Fund net returns improved from -7% on a fiscal year to date basis as of March 31, 2020 to -1.3% on a fiscal year to date basis as of April 30, 2020, due to a strong equity market recovery in April. Based on preliminary indicative return estimates for May and early June, RIO believes TFFR, PERS, and the Legacy Fund net returns are estimated to roughly approximate +3% on a fiscal year to date basis as of June 19, 2020, noting these estimates are subject to material change. WSI and Budget Stabilization Fund returns have also rebounded significantly since March 31, 2020, and broadly estimated to approximate +4% and +1%, respectively, on a fiscal year to date basis as of June 19, 2020.

Interim estimated returns for the SIB’s five largest clients are summarized below on a Fiscal Year To Date (FYTD) basis from July 1, 2019 through June 19, 2020:

<table>
<thead>
<tr>
<th>Net Returns for 1-Year Ended 12/31/2019</th>
<th>TFFR</th>
<th>PERS</th>
<th>Legacy</th>
<th>WSI</th>
<th>Budget Stabilization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18.0%</td>
<td>18.0%</td>
<td>18.1%</td>
<td>13.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Net Returns for Quarter Ended 9/30/2019</td>
<td>0.4%</td>
<td>0.4%</td>
<td>1.0%</td>
<td>1.7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Net Returns for Quarter Ended 12/31/2019</td>
<td>5.6%</td>
<td>5.7%</td>
<td>5.2%</td>
<td>2.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Net Returns for Quarter Ended 3/31/2020</td>
<td>-12.0%</td>
<td>-12.1%</td>
<td>-12.7%</td>
<td>-6.1%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Fiscal Year to Date Returns at 3/31/2020</td>
<td>-7%</td>
<td>-7%</td>
<td>-7%</td>
<td>-2%</td>
<td>-2%</td>
</tr>
<tr>
<td>Net Returns for Month Ended 4/30/2020</td>
<td>5.7%</td>
<td>5.8%</td>
<td>6.4%</td>
<td>4.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Fiscal Year to Date Returns at 4/30/2020</td>
<td>-1.3%</td>
<td>-1.3%</td>
<td>-1.3%</td>
<td>2%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Est. MTD through 5/31/2020</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Est. MTD through 6/19/2020</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Estimated FYTD Returns at June 19, 2020</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>1%</td>
</tr>
</tbody>
</table>

US Small Cap Equity – Riverbridge representatives reviewed their Small Cap Growth Strategy.

Mr. Schulz reviewed the due diligence conducted on Riverbridge Partners and the investment personnel’s recommendation.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE RIVERBRIDGE PARTNERS AS A NEW U.S. SMALL CAP EQUITY MANAGER, UP TO A $250 MILLION COMMITMENT, TO REPLACE THE PARAMETRIC CLIFTON RUSSELL 2000 MANDATE.
AYES: TREASURER SCHMIDT, MR. OLSON, COMMISSIONER SMITH, MR. SEIBEL, MR. MILLER, COMMISSIONER GODFREAD, MS. GUMERINGER, MR. SMITH, MR. KLIPFEL, AND DR. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: LT. GOVERNOR SANFORD

GOVERNANCE:

Meeting Schedule – Discussion took place on the July 24, 2020, retreat. The Board elected to cancel the retreat and conduct regular business due to COVID-19.

INVESTMENTS:

Opportunistic Credit – Sixth Street Partners reviewed their Opportunistic Credit strategy.

Mr. Schulz reviewed the due diligence conducted on Sixth Street Partners and the investment personnel’s recommendation.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO APPROVE SIXTH STREET PARTNERS AS A NEW OPPORTUNISTIC CREDIT MANAGER AND COMMIT $250 MILLION ($150 MILLION PENSION TRUST AND $100 MILLION LEGACY FUND).

AYES: COMMISSIONER GODFREAD, MR. KLIPFEL, COMMISSIONER SMITH, MS. GUMERINGER, MS. SMITH, MR. SEIBEL, MR. MILLER, MR. OLSON, TREASURER SCHMIDT, AND DR. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: LT. GOVERNOR SANFORD

GOVERNANCE:

Governor Budget Guidelines – Mr. Hunter reviewed the timeline and progress of RIO’s budget based on the Governor’s guidelines.

ED/CIO Compensation – The Board discussed compensation options for the Executive Director/CIO based on the 2019 evaluation.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A ROLL CALL VOTE TO GRANT THE EXECUTIVE DIRECTOR/CIO A 2.5% LEGISLATIVE INCREASE EFFECTIVE JULY 1, 2020, WITH ANOTHER REVIEW IN SIX MONTHS DUE TO THE CURRENT ECONOMIC CONDITIONS OF THE STATE.

AYES: COMMISSIONER SMITH, TREASURER SCHMIDT, COMMISSIONER GODFREAD, MR. SEIBEL
NAYS: MS. GUMERINGER, MS. SMITH, MR. OLSON, MR. MILLER, MR. KLIPFEL, DR. LECH
MOTION FAILED:
ABSENT: LT. GOVERNOR SANFORD

IT WAS MOVED BY MR. KLIPFEL AND SECONDED BY MS. GUMERINGER TO GRANT THE EXECUTIVE DIRECTOR/CIO A 3.5% LEGISLATIVE INCREASE EFFECTIVE JULY 1, 2020.

AYES: MR. OLSON, MS. GUMERINGER, MR. MILLER, MS. SMITH, MR. KLIPFEL, COMMISSIONER GODFREAD, COMMISSIONER SMITH, DR. LECH
NAYS: MR. SEIBEL, TREASURER SCHMIDT
MOTION CARRIED.
ABSENT: LT. GOVERNOR SANFORD

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH TO GRANT THE EXECUTIVE DIRECTOR/CIO A 5% PERFORMANCE BONUS BASED ON THE EXECUTIVE DIRECTOR/CIO’S 2019 EVALUATION.
AYES: MR. GUMERINGER, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, MR. OLSON
NAYS: TREASURER SCHMIDT, MR. KLIPFEL, COMMISSIONER SMITH, DR. LECH, MR. SEIBEL
MOTION FAILED.
ABSENT: Lt. GOVENOR SANFORD

RIO staff will consult with legal counsel on what is permissible as far as compensation
for the Executive Director/CIO position (which is unclassified).

OTHER:

The next regular meeting of the SIB has been scheduled for July 24, 2020, at 8:30 a.m.
at the Retirement and Investment Office (virtual).

ADJOURNMENT:

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 10:50 a.m.

[Signature]
Dr. Rob Lech, Vice Chair
State Investment Board

[Signature]
Bonnie Heit
Recorder