

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
SEPTEMBER 25, 2020, 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  
 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

**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  
 Missy Kopp, Retirement Asst  
 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:**

Alex Browning, Callan LLC  
 Dennis Chua, Dept. of Trust Lands  
 Dean DePountis, Attorney General's Office  
 Paul Erlendson, Callan LLC  
 Andrew Feist, Governor's Office  
 Eric Hardmeyer, BND  
 Laura Helbling, Ins Dept.  
 Rachel Kriege, Ins. Dept.  
 James Leiman, Dept. of Commerce/Economic Director  
 Adam Mathiak, Legislative Council  
 Joe Morrisette, OMB  
 Bryan Reinhardt, PERS  
 Michael Shackelford, Dept. of Trust Lands  
 Todd Steinwand, BND

**CALL TO ORDER:**

Lt. Governor Sanford, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, September 25, 2020. The meeting was held at the State Capitol, Pioneer Room (virtual host), 600 East Boulevard, Bismarck, ND.

Attendance was taken:

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

AGENDA:

The Board considered the agenda for the September 25, 2020, meeting,

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE SEPTEMBER 25, 2020, MEETING.

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

NAYS: NONE

MOTION CARRIED

MINUTES:

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE AUGUST 28, 2020, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

INVESTMENTS:

Asset/Performance Overview - Mr. Hunter reviewed fiscal year end results as of June 30, 2020.

SIB client assets under management (AUM) approached \$16.3 billion at June 30, 2020, including the Pension Trust at \$6 billion, Insurance Trust at \$3 billion, and Legacy Fund at \$7 billion. Despite highly volatile market conditions, SIB clients generated over \$620 million of net investment income in fiscal year 2020 and Legacy Fund benefited from \$596 million of deposits.

The Pension Trust posted a net return of +3.4% in fiscal 2020. The Pension Trust generated a net annualized return of 6.2% during the last 5-years exceeding the policy benchmark of 5.9%.

The Insurance Trust generated a net investment return of +5.0% in the last year. During the last 5-years, the Insurance Trust posted a net annualized return of 5.5%, exceeding the performance benchmark of 4.8%.

The Legacy Fund generated a net investment return of +4.2% last year. During the last 5-years, Legacy Fund earned a net annualized return of 5.9%, exceeding the policy benchmark of 5.55%.

The U.S. economy and global capital markets were strong in 2019 with U.S. unemployment at record low levels and the U.S. equity markets posting record highs prior to the impact of the pandemic which caused a sharp and severe decline in the global economy including a 33% decline in U.S. Gross Domestic Product in quarter two of 2020 and the highest rate of U.S. unemployment since the Great Depression in 1933. Since March 31, 2020, the S&P 500 Index has materially recovered in part due to an unprecedented level of government intervention, although there is a major disparity of returns between mega-cap growth stocks and the broader market.

<b>Fund Name</b>	<b>Market Values as of 6/30/20 <sup>(1)</sup></b>	<b>Market Values as of 6/30/19 <sup>(2)</sup></b>
<b>Pension Trust Fund</b>		
Public Employees Retirement System (PERS)	3,212,113,496	3,152,930,087
Teachers' Fund for Retirement (TFFR)	2,612,716,499	2,573,622,554
City of Bismarck Employees Pension	106,946,867	104,517,247
City of Grand Forks Employees Pension	67,458,579	68,419,301
City of Bismarck Police Pension	42,552,004	41,862,976
Grand Forks Park District	7,406,214	7,176,427
<b>Subtotal Pension Trust Fund</b>	<b>6,049,193,658</b>	<b>5,948,528,592</b>
<b>Insurance Trust Fund</b>		
Workforce Safety & Insurance (WSI)	2,125,881,220	2,065,400,398
Budget Stabilization Fund	727,275,063	118,707,130
City of Fargo FargoDome Permanent Fund	43,550,868	44,840,633
PERS Group Insurance Account	31,495,987	31,067,120
State Fire and Tornado Fund	22,825,556	22,761,457
ND Association of Counties (NDACo) Fund	6,693,191	6,333,052
Petroleum Tank Release Compensation Fund	6,165,424	5,994,235
Insurance Regulatory Trust Fund	5,714,619	6,218,781
State Risk Management Workers Comp Fund	5,116,217	5,187,879
State Risk Management Fund	4,561,175	4,909,623
State Bonding Fund	3,787,526	3,609,422
ND Board of Medicine	2,470,787	2,362,384
Attorney General Settlement Fund	1,057,147	
Lewis & Clark Interpretive Center Endowment Fund	793,808	751,763
Bismarck Deferred Sick Leave Account	770,793	779,596
Cultural Endowment Fund	493,401	475,311
ND Veterans' Cemetary Trust Fund	312,782	
<b>Subtotal Insurance Trust Fund</b>	<b>2,988,965,565</b>	<b>2,319,398,784</b>
<b>Legacy Trust Fund</b>		
Legacy Fund	6,999,783,262	6,580,759,920
PERS Retiree Insurance Credit Fund	144,237,322	135,962,521
Job Service of North Dakota Pension	95,338,534	97,285,279
ND Tobacco Prevention and Control Trust Fund	7,589,354	9,300,127
<b>Total Assets Under SIB Management</b>	<b>16,285,107,695</b>	<b>15,091,235,223</b>

<sup>(1)</sup> Market values are unaudited and subject to change.

<sup>(2)</sup> 6/30/19 market values as stated in the Comprehensive Annual Financial Report.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL ASSET/PERFORMANCE OVERVIEW AS OF JUNE 30, 2020.

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

NAYS: NONE

MOTION CARRIED

Callan LLC Annual Review - Callan representatives, Mr. Erlendson and Mr. Browning, reviewed performance of the Pension Trust, Insurance Trust, and Legacy Fund as of June 30, 2020, and also provided an analysis of current market conditions.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE CALLAN LLC ANNUAL INVESTMENT REVIEW OF THE PENSION TRUST, INSURANCE TRUST, AND LEGACY FUND FOR THE PERIOD ENDING JUNE 30, 2020.

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

NAYS: NONE

MOTION CARRIED

Global Equity - Mr. Schulz provided an update on the restructuring of private equity. Retirement and Investment Office (RIO) Investment Personnel have been working with Callan LLC to analyze the public equity allocations across the three pools to identify and implement refinements to the allocations. RIO Investment Personnel will be looking at options to balance the equity allocations across the three pools, identify one to two managers for the Pension Pool's World Equity allocation, and will also be looking at options to optimize internal manager allocation targets. Future updates will be provided to the board.

**BOARD EDUCATION & GOVERNANCE:**

Callan Education - Mr. Hunter reviewed the Callan Institute's educational opportunities that are available to the board.

State Investment Programs - Mr. Hunter reviewed in-state investment programs implemented by other state investment funds similar to the SIB.

The Board recessed at 10:03 a.m. and reconvened at 10:19 a.m.

Discussion continued on in-state investment programs.

Mr. Hunter reviewed in-state presentations by three existing SIB managers; Adams Street Partners, Barings, and GCM Grosvenor.

Mr. Hunter will continue to reach out to other investment management firms, including those based in North Dakota or with significant operations in the state.

Bank of North Dakota (BND) - Mr. Hardmeyer reviewed the BND in-state investment program, BND Match Loan Certificate of Deposit (CD) Program. As of September 2020, the program has a funding of \$300 million from the SIB (Legacy Fund) which includes \$86,600,000 in outstanding loans and \$102,000,000 in pending loans. There are an additional five projects with a total commitment of \$375,000,000 - \$395,000,000.

Discussion followed on the BND program and its benefits to the State of North Dakota.

BND and RIO Investment Personnel requested the SIB increase the BND Match Loan CD Program by up to \$100 million for an overall commitment of \$400 million.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO INCREASE THE BND MATCH LOAN CD PROGRAM BY \$100 MILLION.

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

NAYS: NONE

MOTION CARRIED

Discussion followed on how best to communicate in-state investment programs to the public. The SIB will issue a press release regarding the additional commitment to the BND Match Loan CD Program.

Legacy Fund Investment Plan - Commissioner Godfread and Mr. Leiman reviewed a proposal to invest an additional 10% of the Legacy Fund's fund balance in economic development projects within the State of North Dakota.

Discussion followed.

RIO Investment Personnel, in conjunction with Callan LLC, will review the proposal and bring back their thoughts/recommendations at the October 23, 2020, meeting.

**MONITORING:**

The monitoring reports for the quarter ending June 30, 2020, were presented for the SIB's approval.

The Watch List was also included with a recommendation by RIO Investment Personnel to place Epoch Investment Partners on the manager watch list as a result of underperforming its benchmark since the strategy's inception.

Also included was a recommendation to review the Governance Manual over the next three months.

**IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE MONITORING REPORTS FOR THE QUARTER ENDING JUNE 30, 2020.**

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

**NAYS: NONE**

**MOTION CARRIED**

The next regular meeting of the SIB has been scheduled for October 23, 2020, at 8:30 a.m. at the State Capitol, Pioneer Room (virtual).

The next regular meeting of the SIB Securities Litigation Committee is scheduled for November 5, 2020, at 1:00 p.m. at RIO (virtual).

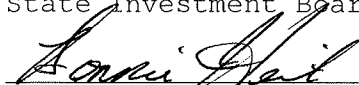
The next regular meeting of the SIB Audit Committee is scheduled for November 12, 2020, at 2:30 p.m. at RIO (virtual).

**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 12:02 p.m.



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Lt. Governor Sanford, Chair  
State Investment Board



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Bonnie Heit  
Recorder