

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
JANUARY 22, 2021, 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  
 Tom Beadle, State Treasurer  
 Yvonne Smith, PERS Board

**MEMBER ABSENT:**

Mel Olson, TFFR Board  
 Jodi Smith, Commissioner of Trust Lands

**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  
 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  
 Dean DePountis, Attorney General's Office  
 Paul Erlendson, Callan LLC  
 Eric Hardmeyer, LBSFAB  
 Kelvin Hullet, BND  
 Jeff Indovina, Parks & Rec  
 Candace Johnson, Securities Dept.  
 Rachel Kriege, Ins. Dept.  
 Jerry Klein, LBSFAB  
 Adam Mathiak, Legislative Council  
 Adam Montgomery, Securities Dept.  
 Tim Porter, BND  
 Ryan Rauschenberger, LBSFAB  
 Bryan Reinhardt, PERS  
 Karen Tyler, Securities Dept. Commissioner

**CALL TO ORDER:**

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:33 a.m. on Friday, January 22, 2021. The meeting was held at the Retirement and Investment Office (RIO) (virtual host), 3442 E Century Ave, Bismarck, ND.

**AGENDA:**

The Board considered the agenda for the January 22, 2021, meeting,

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JANUARY 22, 2021, MEETING.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. OLSON, COMMISSIONER SMITH

MINUTES:

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE NOVEMBER 20, 2020, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. OLSON, COMMISSIONER SMITH

INVESTMENTS:

Asset/Performance Overview - Mr. Hunter provided an asset and performance update. In the current fiscal year, U.S. and global equity markets gained over 19% and 17%, respectively, for the 5 months ended Nov. 30, 2020. Most SIB Clients benefited from these strong equity markets and earned over \$1.6 billion of net investment income for the five months ending November 30, 2020. The vast majority of SIB clients generated actual net investment returns which exceeded respective policy benchmarks by at least 0.20% versus passive indices.

Net investment income for the SIB's five largest clients for the five months ending November 30, 2020, included Teachers' Fund for Retirement (TFFR) \$287 million, PERS \$358 million, Workforce Safety & Insurance \$137 million, Budget Stabilization Fund \$17 million, and Legacy Fund \$778 million. Relative performance versus approved benchmarks was positive on a trailing 1, 3 and 5-year periods for the vast majority of the SIB clients. Client assets rose by over 10% or \$1.6 billion from \$16.3 billion at June 30, 2020 to over \$17.9 billion as of November 30, 2020, and climbed over 34% since 2018.

In-State Investment Program - Callan LLC highlighted key points and takeaways from a recently completed survey of potential in-state investment program managers to gain insight into their overall approach, unique views on the investment opportunity set in various sectors, target asset allocation ranges, deployment guidelines, expected sector returns, optimal investment vehicle structures, and key success elements, for building the program in North Dakota.

Discussion followed on the Governance/Statute roles of the Legacy and Budget Stabilization Fund Advisory Board (LBSFAB) and the SIB.

Discussion then followed on next steps for the in-state investment program.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO REQUEST THAT RIO ENGAGE WITH CALLAN TO ADVANCE AT LEAST ONE EXPERT, IN-STATE INVESTMENT FIRM FOR FINAL REVIEW AND APPROVAL AT A FUTURE SIB MEETING IN EITHER FEBRUARY OR MARCH 2021.

AYES: COMMISSIONER GODFREAD, MR. KLIPFEL, MS. GUMERINGER, MS. SMITH, MR. SEIBEL, MR. MILLER, DR. LECH, TREASURER BEADLE, AD LT. GOVERNOR SANFORD  
 NAYS: NONE  
 ABSENT: COMMISSIONER SMITH, MR. OLSON

Public Employees Retirement System (PERS)/Retiree Health Insurance Credit (RHIC) - Mr. Hunter reviewed the changes to the PERS RHIC Investment Policy Statement. Callan LLC recommended asset allocation changes to include a 5% increase to global ex-US equity and a 5% reduction to Fixed Income. The changes are consistent with PERS RHIC fund targeted investment return assumptions based on Callan LLC's latest capital market assumptions. The PERS board approved the changes at their January 14, 2021, meeting.

IT WAS MOVED BY MS. SMITH AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVISIONS TO THE PERS RHIC INVESTMENT POLICY STATEMENT.

AYES: MR. GUMERINGER, MS. SMITH, TREASURER BEADLE, DR. LECH, COMMISSIONER GODFREAD, MR. SEIBEL, MR. MILLER, MR. KLIPFEL, AND LT. GOVERNOR SANFORD  
 NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, MR. OLSON

Investment Work Plan - Mr. Schulz reviewed RIO investment personnel's recommendation to seek SIB approval to retain Callan LLC to assist in reviewing real asset exposures with the goal of developing program commitments for the Pension, Insurance, and Legacy pools in the near term.

In 2020, thanks to unprecedented policy support in response to the COVID-19 induced downturn and the realization of at least three viable COVID-19 vaccines, investors looked through near-term economic and market volatility and adopted a pro-risk stance, thus bidding up public equity securities. As investors sought to discern cyclical weakness from an acceleration of pre-existing secular trends already in play, the performance of real assets such as private real estate was mixed, reflecting uncertainty regarding the pace and shape of the post-pandemic recovery. As a result of the divided 2020 return environment, RIO investment personnel recognized the need to address imbalances relative to policy targets within the broad diversified real assets category created by strong equity market performance across the Pension, Insurance and Legacy Fund pools.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. MILLER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT STAFF RECOMMENDATION TO ENGAGE CALLAN LLC TO ASSIST IN REVIEWING REAL ASSET EXPOSURES WITH THE GOAL OF DEVELOPING PROGRAM COMMITMENTS IN THE PENSION, INSURANCE, AND LEGACY FUND POOLS.

AYES: MS. GUMERINGER, MR. MILLER, MS. SMITH, MR. SEIBEL, MR. KLIPFEL, COMMISSIONER GODFREAD, DR. LECH, TREASURER BEADLE, AND LT. GOVERNOR SANFORD  
 NAYS: NONE

MOTION CARRIED

ABSENT: MR. OLSON, COMMISSIONER SMITH

GOVERNANCE/EDUCATION:

Meeting Schedule - A draft of the meeting scheduled for July 1, 2021 - June 30, 2022, was presented for consideration.

IT WAS MOVED BY MS. SMITH AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE SIB MEETING SCHEDULE FOR THE PERIOD OF JULY 1, 2021 - JUNE 30, 2022.

AYES: TREASURER BEADLE, MR. MILLER, COMMISSIONER GODFRED, MR. KLIPFEL, MS. GUMERINGER, MR. SEIBEL, DR. LECH, MS. SMITH, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, MR. OLSON

Governance Review - A second reading of Sections A-Executive Limitations, B-Governance Process, C-Board/Staff Relationship, and D-Ends of the SIB Governance Manual was considered.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE SECOND READING, WITH NO EXCEPTIONS, TO SECTIONS A - D.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, MR. OLSON

Mosaic Review - Mr. Hunter will provide a follow-up report on the governance review of Ms. Amy McDuffee, Mosaic Governance Advisors, at the next meeting. The report will coincide with the first reading of the remaining sections of the SIB Governance Manual.

Lt. Governor Sanford requested the Mosaic report be shared with the LBSFAB.

Executive Review Committee (ERC) - Membership of the ERC was considered for the period of January 22, 2021 - December 31, 2021. ERC members will remain the same; Ms. Smith, Mr. Olson, and Mr. Miller.

Board Self-Assessment - Mr. Hunter reviewed the SIB self-assessment background and proposed the following: 1) Conduct the SIB self-assessment in 2021, 2) Confirm the ERC members will be appointed to serve the SIB in providing oversight and direction for the 2021 self-assessment, 3) Confirm RIO's Supervisor of Audit Services will offer administrative support to complete the self-assessment and survey process on or before May 21, 2021.

IT WAS MOVED BY MR. KLIPFEL AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE BOARD SELF-ASSESSMENT PROPOSALS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. OLSON, COMMISSIONER SMITH

Investment Manager Compliance - The Investment Compliance Report for the fiscal year ended June 30, 2020, was provided to the board. The report compiled and completed by RIO Investment Personnel, was for informational purposes only.

Legislation - Mr. Hunter reviewed and discussion took place on legislation affecting RIO and the SIB. The SIB encouraged Mr. Hunter to offer neutral clarifying testimony at legislative when deemed appropriate and/or upon specific request by legislative committee members.

**OTHER:**

The next regular meeting of the SIB Securities Litigation Committee is scheduled for February 4, 2021, at 2:00 p.m. at RIO (virtual).

The next regular meeting of the SIB Audit Committee is scheduled for February 25, 2021, at 3:00 p.m. at Workforce Safety & Insurance.

The next regular meeting of the SIB has been scheduled for February 26, 2021, at 8:30 a.m. at RIO.

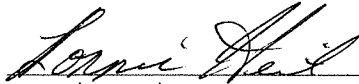
**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 10:50 a.m.



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Lt. Governor Sanford, Chair  
State Investment Board



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Bonnie Heit  
Recorder

