

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
FEBRUARY 26, 2021, BOARD MEETING**

MEMBERS PRESENT:

Brent Sanford, Lt. Governor, Chair
 Rob Lech, TFFR Board, Vice Chair
 Tom Beadle, State Treasurer
 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
 Jodi Smith, Commissioner of Trust Lands
 Yvonne Smith, PERS Board

MEMBER ABSENT:

Troy Seibel, PERS Board, Parliamentarian

STAFF PRESENT:

Eric Chin, Chief Risk Officer/Senior CIO
 Connie Flanagan, Chief Financial Officer
 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:

Alex Browning, Callan LLC
 Dean DePountis, Attorney General's Office
 Eric Hall, GCM Grosvenor
 Eric Hardmeyer, LBSFAB
 Perry Hopper, Callan LLC
 Candace Johnson, Securities Dept.
 Jerry Klein, LBSFAB
 Jay Kloepfer, Callan LLC
 Scott Litman, GCM Grosvenor
 Adam Mathiak, Legislative Council
 Adam Montgomery, Securities Dept.
 Bryan Reinhardt, PERS
 Michael Rose, GCM Grosvenor

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 26, 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 February 26, 2021, meeting,

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE FEBRUARY 26, 2021, MEETING.

AYES: COMMISSIONER SMITH, MR. MILLER, MR. OLSON, MR. KLIPFEL, MS. GUMERINGER, MS. SMITH,
AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER BEADLE, COMMISSIONER GODFREAD, MR. SEIBEL, AND DR. LECH

MINUTES:

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JANUARY 22, 2021, MINUTES AS DISTRIBUTED.

AYES: MS. GUMERINGER, COMMISSIONER SMITH, MS. SMITH, MR. KLIPFEL, MR. OLSON, MR. MILLER,
AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: TREASURER BEADLE, DR. LECH, COMMISSIONER GODFREAD, MR. SEIBEL

INVESTMENTS:

Asset/Performance - Mr. Hunter highlighted performance. Over 99% of SIB clients generated net returns which exceeded their approved policy benchmarks for the five years ended December 31, 2020.

For the current fiscal year, Legacy Fund, Public Employees Retirement System (PERS), and Teachers' Fund for Retirement (TFFR) net returns were 14.37%, 15.10%, and 14.86% respectively, exceeding policy benchmark returns. Workforce Safety & Insurance (WSI) and Budget Stabilization Fund also performed well with net investments returns of 8.16% and 2.80%, respectively.

SIB Five Largest Clients (AUM as of 12/31/2020)	Current FYTD 12/31/2020	1 Yr Ended 12/31/2020	3 Yrs Ended 12/31/2020	5 Yrs Ended 12/31/2020	10 Yrs Ende 12/31/2020
Legacy Fund \$8.16 billion					Since 10/1/2011
Total Fund Return - Net	14.37%	12.22%	7.88%	9.25%	6.03%
Policy Benchmark Return	13.32%	12.08%	7.96%	8.60%	5.28%
Excess Return	1.06%	0.14%	-0.08%	0.65%	0.75%
PERS \$3.67 billion					
Total Fund Return - Net	15.10%	12.19%	8.28%	9.77%	8.34%
Policy Benchmark Return	14.52%	11.96%	8.37%	9.27%	7.88%
Excess Return	0.58%	0.23%	-0.09%	0.50%	0.46%
TFFR \$2.955 billion					
Total Fund Return - Net	14.86%	12.07%	8.25%	9.69%	8.29%
Policy Benchmark Return	14.66%	12.00%	8.38%	9.24%	7.72%
Excess Return	0.20%	0.07%	-0.13%	0.45%	0.57%
WSI \$2.263 billion					
Total Fund Return - Net	8.16%	9.85%	7.12%	7.84%	7.29%
Policy Benchmark Return	6.61%	9.54%	6.71%	6.65%	5.90%
Excess Return	1.54%	0.31%	0.41%	1.20%	1.39%
BSF \$747 million					
Total Fund Return - Net	2.80%	3.45%	3.24%	2.53%	2.15%
Policy Benchmark Return	0.35%	3.22%	2.94%	2.14%	1.29%
Excess Return	2.45%	0.23%	0.30%	0.39%	0.86%

In-State Investment - Mr. Hunter provided an update on expansion of the In-State Investment Program. Discussion followed on legislation being introduced and how it will play out between the SIB, Legacy Fund, and the Bank of North Dakota.

Callan LLC reviewed Phase 1 of an asset allocation study of the Legacy Fund to evaluate the impact of incorporating a new target allocation to private equity. The review was previously given to the Legacy and Budget Stabilization Fund Advisory Board (LBSFAB) at their February 16, 2021, meeting.

Legacy Fund - Mr. Hunter reviewed a revised Investment Policy Statement (IPS) for the Legacy Fund. The IPS statement reflects a Private Capital target of 3% to include a preference for in-state investments at a competitive rate of return. The Legacy and Budget Stabilization Fund Advisory Board approved the revision at their February 16, 2021, meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVISIONS TO THE LEGACY FUND INVESTMENT POLICY STATEMENT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. SEIBEL

Diversified Real Assets - GCM Grosvenor representatives reviewed their Customized Infrastructure Strategies (CIS) Fund III.

The SIB previously approved commitments to GCM Grosvenor's predecessor funds (\$75 million to CIS I in 2011 and \$105 million to CIS II in 2014). Performance of the predecessor funds are in line with expectations with a net investment rate of return of 8.5% for CIS I and 9.9% for CIS II as of September 30, 2020.

RIO investment personnel requested the SIB approve up to a \$200 million commitment to GCM Grosvenor Customized Infrastructure Strategies Fund III to be split between the Legacy Fund (\$105 million), the Pension Pool (\$80 million) and the Insurance Trust (\$15 million). A combination of strong public equity performance and the lifecycle of current commitments have led to deviations from policy targets in diversified real assets. This commitment will aid in bringing expected allocations in diversified real assets closer to target.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT STAFF RECOMMENDATION FOR GCM GROSVENOR CUSTOMIZED INFRASTRUCTURE STRATEGIES FUND III.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. SEIBEL

Callan LLC Investment Measurement Review - Mr. Browning reviewed US market conditions and also reviewed performance of the Pension Trust, Insurance Trust, and Legacy Fund portfolios for the period ending December 31, 2020.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE CALLAN LLC REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH, MR. SEIBEL

GOVERNANCE/EDUCATION:

Governance Review - Mr. Hunter reviewed changes to Exhibit E-I to update SIB membership and term expiration dates for the Board's consideration.

There were no further revisions to the Governance Manual which concluded the annual review.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. KLIPFEL AND CARRIED BY A VOICE VOTE TO ACCEPT THE UPDATES TO EXHIBIT E-I OF THE GOVERNANCE MANUAL.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. SEIBEL, DR. LECH

Audit Committee - Ms. Sauter reviewed activities of Internal Audit for the period of October 1, 2020 - December 31, 2020.

Retirement/Investment Office (RIO) - The Executive Limitations Audit was issued in February 2021.

Support was provided to CliftonLarsonAllen (CLA) for the TFFR GASB 68 Census Data audit and the Financial Statements audit of RIO for the period ending June 30, 2020. The Financial Statements audit of RIO was issued on November 9, 2020 and the GASB 68 Schedules of Employer Allocations and Pension Amounts by Employer was issued in December 2020.

Internal Audit is also assisting with the review of RIO's administrative policies.

Internal Audit is working on internal control guidelines for an overall assessment of processes for state agencies put forth by the Office of Management and Budget (OMB).

SIB - Cash Management and Rebalancing Audit. The audit entails a review of procedures for cash management and rebalancing of investment allocations, wire transactions, and bank fees. A review of staff access and authorization will also be reviewed. The audit is currently in progress.

TFFR - The Minot Employer Salary Review was completed in November 2020. There are no other audits in progress.

The Salary Verification Audit is in progress. On an annual basis retirement salaries and contributions reported to TFFR for the prior fiscal year for 65 randomly selected member accounts from 60 different employers are verified.

Internal Audit continues to assist in the Pension Administration System upgrade.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUDIT COMMITTEE REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. SEIBEL, DR. LECH

Executive Review Committee (ERC) - Ms. Smith, Chair, reviewed activities from the February 10, 2021, meeting. The SIB self-assessment process, timeline, and template were reviewed as well as the results of the 2020 assessment. The ERC elected to complete an assessment for 2021. The assessment will be sent to the SIB on February 15, 2021 with a due date of March 1, 2021.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE EXECUTIVE REVIEW COMMITTEE REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH, MR. SEIBEL

Securities Litigation Committee (SLC) - Mr. Hunter updated the Board on activities of the SLC from their February 4, 2021, meeting. The SLC approved the engagement of Robbins Geller Rudman & Dowd LLP to Opt-In to an international group securities litigation to recover up to an estimated \$315,000 in net loss recoveries due to Daimler AG allegedly violating German securities trading laws.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE SECURITIES LITIGATION COMMITTEE REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH, MR. SEIBEL

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 hearings when deemed appropriate and/or upon specific requests by legislative committee members.

Quarterly Monitoring - The following quarterly reports for the period ending December 31, 2020, were provided for the SIB's consideration: Executive Limitations/Staff Relations, Budget/Financial Conditions, Investment Program (also included Due Diligence report), and TFFR Pension Administration System update.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE QUARTERLY MONITORING REPORTS FOR THE PERIOD ENDING DECEMBER 31, 2020.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. SEIBEL, DR. LECH

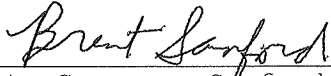
OTHER:

The next meeting of the Executive Review Committee has been scheduled for March 8, 2021, at 8:30 a.m. at RIO.

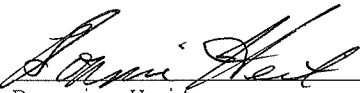
The next regular meeting of the SIB has been scheduled for March 26, 2021, at 8:30 a.m. RIO.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 11:30 a.m.



Lt. Governor Sanford, Chair
State Investment Board



Bonnie Heit
Recorder