

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

**MEMBERS PRESENT:**

Brent Sanford, Lt. Governor, Chair  
 Rob Lech, TFFR Board, Vice Chair  
 Troy Seibel, PERS Board, Parliamentarian  
 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

**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  
 Ann Nagel, Investment Accountant  
 Matt Posch, Investment/Compliance Officer  
 Sara Sauter, Suprv of Internal Audit  
 Darren Schulz, Dep CIO  
 Susan Walcker, Senior Financial Accountant

**GUESTS:**

Tamara Doi Beck, Northern Trust/50 South  
 Jace Beehler, Governor's Office  
 Brian Birk, Sun Mountain  
 Jodi Bjornson, WSI  
 Dan Brooks, Sun Mountain  
 Melford Carter, GCM Grosvenor  
 Sally Corning, Sun Mountain  
 Dean DePountis, Attorney General's Office  
 Bailey Doll, Securities Dept.  
 Paul Erlendson, Callan LLC  
 Eric Hall, GCM Grosvenor  
 Eric Hardmeyer, LBSFAB  
 Trey Hart, Northern Trust/50 South  
 Kathy Hogan, LBSFAB  
 Perry Hopper, Callan LLC  
 Jeffrey Indovina, Parks & Rec  
 Candace Johnson, Securities Dept.  
 Pete Keliuotis, Callan LLC  
 Jerry Klein, LBSFAB  
 Jay Kloepfer, Callan LLC  
 Rachel Kriege, Insurance Dept.  
 Scott Litman, GCM Grosvenor  
 Adam Mathiak, Legislative Council  
 Bob Morgan, Northern Trust/50 South  
 Lee Rand, Sun Mountain  
 Ryan Rauschenberger, LBSFAB  
 Bryan Reinhardt, PERS  
 Michael Rose, GCM Grosvenor  
 Karen Tyler, Securities Dept. Commissioner  
 Jared Ungar, Callan LLC  
 Bernard Yancovich, GCM Grosvenor

A roll call was taken and a quorum was present.

**CALL TO ORDER:**

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:32 a.m. on Friday, March 26, 2021. The meeting was held at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

**AGENDA:**

The Board considered the agenda for the March 26, 2021, meeting,

**IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE MARCH 26, 2021, MEETING.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD, COMMISSIONER SMITH, MS. SMITH**

**MINUTES:**

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO APPROVE THE FEBRUARY 26, 2021, MINUTES AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER SMITH, COMMISSIONER GODFREAD, MS. SMITH**

**INVESTMENTS:**

Investment Performance Overview - Mr. Hunter highlighted performance results for the period ending December 31, 2020. Over 98% of the SIB clients generated net investment returns which exceeded their approved policy benchmarks for the 1, 5, and 10 years ended December 31, 2020 which included the Legacy Fund, Public Employees Retirement System (PERS), Teachers' Fund for Retirement (TFFR), Workforce Safety & Insurance (WSI), and the Budget Stabilization Fund. Investment staff estimates this translates into \$300 million of incremental income for the SIB's clients over the last 5-years and nearly \$500 million over the last decade. In the last half of 2020, Legacy Fund alone earned \$70 million of excess return.

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

Mr. Hunter also reviewed a comparison of the Legacy Fund net investment returns (ranked #47 in size by the Sovereign Wealth Fund Institute "SWFI") versus Norway's Government Pension Fund (ranked #1 at \$1.3 trillion) and the next three largest U.S. SWF's, Alaska's Permanent Fund (ranked #18 in the World and #1 in the U.S.) New Mexico's State Investment Council (#31) and Wyoming's Permanent Mineral Trust Fund (#45).

Mr. Hunter also stated the Legacy Fund has performed reasonably well versus peers as of December 31, 2020 posting the second highest returns in the last six months, highest return in the last year, and second highest return in the last 5-years. A major driver of investment returns is the asset allocation and comparisons between SWF's with different asset allocation targets can be challenging, if not misleading. As a result, most institutional investors assess fund performance in comparison with their approved Policy Benchmark Return (or Passive Index Benchmark) over 5 or more years. Based on this one comparison, the Legacy Fund was ranked #2 with 0.65% of above benchmark returns for the 5-years ended December 31, 2020 (9.25% versus 8.60%), trailing Alaska's Permanent Fund at 0.69% (10.09% versus 9.40%).

| SWFI Rank | Asset Allocation is a Major Driver of Long-Term Returns                         | 6-Mos. Ended<br>12/31/2020 | 1-Year Ended<br>12/31/2020 | 5-Yrs. Ended<br>12/31/2020 |
|-----------|---|----------------------------|----------------------------|----------------------------|
| 1         | <b>Norway Gov't. Pension Fund Global \$1.3 trillion</b>                         |                            |                            |                            |
|           | <b>Net Investment Return</b>  | na                         | 10.86%                     | 8.69%                      |
|           | - Passive Index Benchmark   | na                         | 10.59%                     | 8.50%                      |
|           | 72.8% Equity / 24.7% Fixed Income / 2.5% Real Estate                            |                            |                            |                            |
| 18        | <b>Alaska Permanent Fund \$73 billion</b>                                       |                            |                            |                            |
|           | <b>Net Investment Return</b>  | 15.74%                     | 12.15%                     | 10.09%                     |
|           | - Passive Index Benchmark   | 18.24%                     | 12.38%                     | 9.40%                      |
|           | 60% Equity / 20% Fixed Income / 10% US TIPs / 10% Real Estate                   |                            |                            |                            |
| 31        | <b>New Mexico SIC Land Grant \$22 billion</b>                                   |                            |                            |                            |
|           | <b>Net Investment Return</b>  | 14.24%                     | 8.94%                      | 8.68%                      |
|           | - Interim Policy Index  | 14.55%                     | 10.13%                     | 8.75%                      |
|           | 51% Equity / 26% Fixed Income / 12% Real Estate / 10% Real Return / 1% Cash     |                            |                            |                            |
| 45        | <b>Wyoming Permanent Mineral \$9 billion</b>                                    |                            |                            |                            |
|           | <b>Net Investment Return</b>  | 11.5%                      | 9.1%                       | 7.1%                       |
|           | - Total Fund Index  | 11.2%                      | 8.4%                       | 6.9%                       |
|           | 40% Equity / 36% Fixed Income / 11% Real Estate / 7.5% Hedge Funds / 5.5% MLPs  |                            |                            |                            |
| 47        | <b>North Dakota Legacy \$8 billion</b>  |                            |                            |                            |
|           | <b>Net Investment Return</b>  | 14.37%                     | 12.22%                     | 9.25%                      |
|           | - Policy Benchmark Return   | 13.32%                     | 12.08%                     | 8.60%                      |
|           | 50% Equity / 35% Fixed Income / 5% US TIPs / 5% Real Estate / 5% Infrastructure |                            |                            |                            |

**Texas Permanent School Fund and University of Texas Investment Management Company are ranked 23 and 24, respectively, but have an August 31 fiscal year end and extensive private investments impacting comparability.**

Mr. Hunter also stated at the March 23, 2021, Legacy and Budget Stabilization Fund Advisory Board (LBSFAB) meeting, RIO and Callan LLC provided an update on the status, asset allocation, and returns of the Legacy Fund and also reviewed Phase Two of the Legacy Fund's asset allocation study.

Phase Two of Callan LLC's asset allocation study confirmed a target 3% Private Capital allocation (+/-3%) with a preference for in-state investments at a competitive rate of return improves the Legacy Fund's long-term expected returns with no material adverse impact on downside risk or liquidity. Callan LLC highlighted the advantages of Legacy Fund earnings distributions being based on the Percent of Market Value (POMV) method, which is an industry best practice, versus the current definition in order to reduce budget and spending volatility. Callan LLC's projections included Legacy Fund earnings and market value forecasts through 2040 based on the current earnings definition and POMV at 6%, 8%, and 10% per biennium.

Legacy Fund In-State Investment Program - Callan LLC representatives reviewed their In-State Investment Program manager selection process.

Callan LLC presented the following firms for the Board's consideration; GCM Grosvenor, Northern Trust/50 South Capital, and Sun Mountain Capital.

After the firm's presentations, the Board discussed the reviews and next steps. One firm will be selected to move forward with implementing the In-State Investment Program.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO MOVE ALL THREE FIRMS FORWARD FOR FURTHER CONSIDERATION.

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

The Board tabled the following agenda items:

- A. Legislative Update
- B. TFFR Ends Report & Pension Administration System Update
- C. Executive Review Committee Update
  - 1. Board Self-Assessment Results
  - 2. Annual Compensation Survey

**OTHER:**

The next meeting of the Executive Review Committee has been scheduled for April 14, 2021, at 1:00 p.m. at RIO.

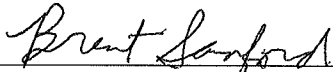
The next regular meeting of the SIB has been scheduled for April 23, 2021, at 8:30 a.m. at Workforce Safety & Insurance.

The next regular meeting of the Securities Litigation Committee has been scheduled for May 6, 2021, at 2:00 p.m. at RIO.

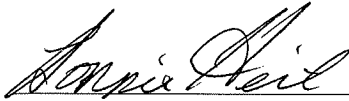
The next regular meeting of the Audit Committee has been scheduled for May 27, 2021, at 2:30 p.m. at RIO.

**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 11:53 a.m.



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 Lt. Governor Sanford, Chair  
 State Investment Board



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 Bonnie Heit  
 Recorder

