

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
May 21, 2021, BOARD MEETING**

MEMBERS PRESENT:

Brent Sanford, Lt. Governor, Chair
 Rob Lech, TFFR Board, Vice Chair
 Troy Seibel, PERS Board, Parliamentarian
 Thomas 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
 Jayme Heick, Retirement Programs Specialist
 Bonnie Heit, Admin Svcs Supvr
 David Hunter, Exec Dir/CIO
 Jan Murtha, Dep Exec Dir/CRO
 Matt Posch, Investment/Compliance Officer
 Ann Nagel, Investment Accountant
 Sara Sauter, Internal Audit Supvr
 Darren Schulz, Dep CIO
 Dottie Thorsen, Internal Auditor
 Tami Volkert, Employer Svcs Coordinator
 Susan Walcker, Senior Financial Accountant
 Len Wall, Data Processing Coordinator

GUESTS:

Jeff Baumgartner, First Intl Bank & Trust
 Jodi Bjornson, WSI
 Alex Browning, Callan LLC
 Tamara Doi Beck, Northern Trust/50 South
 Dean DePountis, Attorney General's Office
 Jack Dura, Bismarck Tribune
 Paul Erlendson, Callan LLC
 Eric Hardmeyer, BND
 Trey Hart, Northern Trust/50 South
 Candace Johnson, Securities Dept.
 Adam Montgomery, Securities Dept.
 Bob Morgan, Northern Trust/50 South
 Adil Rahmathulla, I Squared Capital
 Bryan Reinhardt, PERS
 Ed Saunders, I Squared Capital
 Bridget Schweihs, Northern Trust/50 South
 Tom Stromme, Bismarck Tribune
 Karen Tyler, Securities Dept. Commissioner

CALL TO ORDER:

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, May 21, 2021. The meeting was held at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

AGENDA:

The Board considered the agenda for the May 21, 2021, meeting,

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. MILLER AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE MAY 21, 2021, MEETING.

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

NAYS: NONE

MOTION

CARRIED

ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL

MINUTES:

IT WAS MOVED BY MS. SMITH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE APRIL 23, 2021, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION

CARRIED

ABSENT: MR. KLIPFEL, COMMISSIONER GODFREAD

INVESTMENTS:

Asset/Performance Overview - Mr. Hunter highlighted SIB clients' assets under management and performance for the quarter ending March 31, 2021.

SIB Clients assets totaled approximately \$18.9 billion as of March 31, 2021, with the Pension Trust at \$7.1 billion, Insurance Trust at \$3.1 billion, and Legacy Fund exceeding \$8.4 billion.

The Pension Trust posted a net return of 31.4% in the last year and during the last 5-years generated a net annualized return of 10.1%, exceeding the performance benchmark of 9.8%.

The Insurance Trust posted a net return of 14.2% in the last year and during the last 5-years generated a net annualized return of 6.6%, exceeding the performance benchmark of 5.5%.

Legacy Fund generated a net return of 31.0% last year and during the last 5-years, earned a net annualized return of 9.3%, exceeding the performance benchmark of 8.8%.

Every Pension Pool client generated positive excess returns of at least 0.25% per annum in the last 5-years (including 0.43% for Public Employees Retirement System (PERS) and 0.34% for Teachers' Fund for Retirement (TFFR), while adhering to approved risk levels and producing positive risk adjusted excess return. TFFR and PERS earned over 10% per annum for the 5-years ended March 31, 2021, and over 31% in the last year largely due to global public equities rising by 13% per annum over the last 5-years and over 54% in the last year.

Every Non-Pension client generated positive excess return for the 5-years ended March 31, 2021, with two exceptions for Job Service and Tobacco Prevention & Control.

Legacy Fund earned over 31% and 9.3% for the 1 and 5 year periods ended March 31, 2021, respectively exceeding Policy Benchmarks by nearly 3% in the last year and over 0.50% in the last 5-years. Legacy Fund earned over \$1.9 billion of net investment income in the last year increasing assets from \$6.1 billion at March 31, 2020, to over \$8.4 billion as of March 31, 2021. Asset allocation was responsible for generating \$1.72 billion (or 92%) of this income, while the prudent use of active investment management generated an incremental \$180 million of net investment income for the 1-year ended March 31, 2021. Workforce Safety & Insurance and Budget Stabilization also generated strong absolute and relative returns for the 1 and 5-year periods ended March 31, 2021.

Mr. Hunter also reviewed introductions conducted with 50 South Capital to various State agencies, firms, and representatives throughout the State. Mr. Hunter felt the introductions went well and 50 South Capital representatives have done a wonderful job of making themselves available to key individuals. 50 South Capital and the SIB investment personnel are working towards a potential first "equity closing" in June 2021 and "debt closing" in August 2021.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ASSET AND PERFORMANCE OVERVIEW FOR THE PERIOD ENDING MARCH 31, 2021.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL

Callan LLC Review - Mr. Erlendson and Mr. Browning reviewed U.S. market conditions and also performance of the Pension Trust, Insurance Trust, and Legacy Fund portfolios for the period ending March 31, 2021.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT CALLAN LLC'S PERFORMANCE EVALUATION FOR THE PERIOD ENDING MARCH 31, 2021.

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

NAYS: NONE

MOTION CARRIED

Infrastructure - Mr. Schulz reviewed the infrastructure program dating back to March of 2018. In the Callan LLC Diversified Real Assets Engagement recommendation dated January 22, 2021, SIB investment personnel noted 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. The additional allocation to I Squared Capital's Global Infrastructure Fund III will help to address the imbalances in the Pension and Legacy pools. SIB investment personnel recommended a follow-up investment of up to \$150 million in I Squared Capital's Global Infrastructure Fund III.

IT WAS MOVED BY MR. OLSON AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT SIB INVESTMENT PERSONNEL'S RECOMMENDATION AND INVEST UP TO \$150 MILLION (\$60 MILLION PENSION POOL AND \$90 MILLION LEGACY FUND) IN I SQUARED CAPITAL'S ISQ GLOBAL INFRASTRUCTURE FUND III.

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

Mr. Schulz also reviewed the SIB's existing relationship with Macquarie Infrastructure Partners V. The SIB previously committed \$100 million to Fund V in May 2020. SIB investment personnel recommended an additional commitment of \$65 million to address the imbalances in the Pension and Legacy Pools and a new allocation to the Insurance pool.

IT WAS MOVED BY MS. SMITH AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT SIB INVESTMENT PERSONNEL'S RECOMMENDATION AND COMMIT AN ADDITIONAL \$65 MILLION (\$30 MILLION LEGACY FUND, \$20 MILLION PENSION POOL, AND \$15 MILLION INSURANCE POOL) TO MACQUARIE INFRASTRUCTURE PARTNERS V.

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

50 South Capital - Mr. Bob Morgan and Mr. Trey Hart provided an update on the progress of implementing the in-state investment program since being selected at the SIB's April 23, 2021, meeting. Focus has been on securing the legal documentation, investment policy statement, hiring personnel, and a number of investment opportunities.

ND Growth Fund - Mr. Hunter reviewed the ND Growth Fund Investment Policy Statement (IPS) for the SIB's review and consideration. Discussion followed on investment roles and responsibilities.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT POLICY STATEMENT FOR THE ND GROWTH FUND.

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

The Board recessed at 9:45 a.m. and reconvened at 10:02 a.m.

GOVERNANCE:

Executive Review Committee - Ms. Smith reviewed RIO's Executive Director/CIO performance evaluation and compensation recommendation. Overall, the Executive Director/CIO's performance has improved year over year.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE 2020 PERFORMANCE EVALUATION OF THE EXECUTIVE DIRECTOR/CIO AND TO ALSO THANK MR. HUNTER, EXECUTIVE REVIEW COMMITTEE, AND STAFF.

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

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE EXECUTIVE REVIEW COMMITTEE'S RECOMMENDATION AND GRANT A 10.5% EQUITY INCREASE TO RIO'S EXECUTIVE DIRECTOR/CIO RETROACTIVE TO MAY 1, 2021 AND ALSO GRANT THE LEGISLATIVE INCREASE OF 1.5% EFFECTIVE JULY 1, 2021.

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

NAYS: NONE

MOTION CARRIED

Audit Committee - Ms. Sauter highlighted activities of internal audit and the SIB Audit Committee for the period of January 1 - March 31, 2021. Internal Audit continues to assist with the Pension Administration System upgrade and following their work plan however needs and priorities may change and the work plan may require adjustments.

The contract with RIO's external auditors expired with the completion of the 2019/20 annual audit. The State Auditor's Office issued a Request for Proposal and again selected CliftonLarsonAllen as RIO's external audit partner for the next three years.

IT WAS MOVED BY MR. KLIPFEL AND SECONDED DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE AUDIT COMMITTEE REPORT FOR THE PERIOD OF JANUARY 1 - MARCH 31, 2021.

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

NAYS: NONE

MOTION CARRIED

Governance Review - The SIB discussed Governance specifically Board Governance Policy B-2/Governing Style in Section B Governance Process. Dr. Lech highlighted key areas of the policy. Discussion followed on good governance and following policy.

Discussion also followed on addressing inquiries of the SIB. After discussion,

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO DIRECT THE SIB AUDIT COMMITTEE TO REVIEW SIB GOVERNANCE POLICY B-2, GOVERNING STYLE IN SECTION B GOVERNANCE PROCESS, TO CLEARLY DEFINE INQUIRY AND TO REVIEW THE BOARD STRUCTURE AND BRING A RECOMMENDATION BACK TO THE FULL SIB.

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

NAYS: NONE

MOTION CARRIED

MONITORING:

The following monitoring reports for the quarter ending March 31, 2021, were provided for the SIB's consideration: Executive Limitations/Staff Relations, Budget/Financial Conditions, Investment Ends/Watch List/Due Diligence, and TFFR IPS.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE MONITORING REPORTS FOR THE QUARTER ENDING MARCH 31, 2021.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. MILLER

OTHER:

Resolution - Lt. Governor Sanford read the following resolution in honor of Ms. Gumeringer. Ms. Gumeringer has served on the TFFR Board since July 21, 2016 and the S since July 27, 2018.

*ND TFFR and ND SIB Joint Board Resolution
In Appreciation of
Trustee Toni Gumeringer*

WHEREAS, Trustee Toni Gumeringer has served as a member of the TFFR and SIB Boards; and

WHEREAS, Trustee Toni Gumeringer has diligently carried out her duties and responsibilities as a member of these Boards and fiduciary of the TFFR and SIB Programs; and

WHEREAS, Trustee Toni Gumeringer has been a valued and dedicated member of these Boards in helping maintain the high standards of integrity for the TFFR and SIB Programs.

NOW THEREFORE, BE IT RESOLVED that Trustee Toni Gumeringer be duly recognized by these Boards for her dedication to the State of North Dakota through her service on the Teacher's Fund for Retirement Board of Trustees and State Investment Board.

IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ADOPT THE RESOLUTION IN APPRECIATION OF MS. GUMERINGER.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. MILLER

ABSTAIN: MS. GUMERINGER

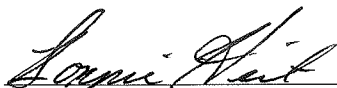
The next regular meeting of the SIB has been scheduled for July 23, 2021, at 8:30 a.m. at Bismarck State College.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 11:46 a.m.



Lt. Governor Sanford, Chair
State Investment Board



Bonnie Heit
Recorder