

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 23, 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
 Keith Kempenich, Legacy/Budget Stab. Adv. Board
 Bryan Klipfel, Director of WSI
 Cody Mickelson, TFFR Board
 Adam Miller, PERS Board
 Mel Olson, TFFR Board

MEMBERS ABSENT: Jodi Smith, Commissioner of Unv & School 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 Svs Supvr
 Missy Kopp, Retirement Asst
 Jan Murtha, Interim Exec Dir
 Matt Posch, Investment/Compliance Officer
 Ann Nagel, Investment Accountant
 Sara Sauter, Internal Audit Supvr
 Dottie Thorsen, Internal Auditor
 Tami Volkert, Employer Svs Coordinator
 Len Wall, Data Processing Coordinator

GUESTS: Nick Archuleta, ND United
 Jeff Baumgartner, First Intl Bank & Trust
 Jace Beehler, Governor's Office
 Alex Browning, Callan LLC
 Dean DePountis, Attorney General's Office
 Tamara Doi Beck, Northern Trust/50 South
 Karlene Fine, Industrial Commission
 Trey Hart, Northern Trust/50 South
 Laura Helbling, Insurance Dept.
 Kathy Hogan, LBSFAB
 Candace Johnson, Securities Dept.
 Rachel Kriege, Insurance Dept.
 Adam Mathiak, Legislative Council
 Scott Miller, PERS
 Tricia Opp, Procurement
 Bryan Reinhardt, PERS
 Karen Tyler, Securities Dept. Commissioner
 Rich Wardner, Legislative Assembly

CALL TO ORDER:

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, July 23, 2021. The meeting was held at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

AGENDA:

The Board considered the agenda for the July 23, 2021, meeting,

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JULY 23, 2021, MEETING.

AYES: MR. OLSON, TREASURER BEADLE, MR. SEIBEL, DR. LECH, MR. MILLER, MR. MICKELSON, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, COMMISSIONER GODFREAD, COMMISSIONER SMITH, MS. SMITH

MINUTES:

IT WAS MOVED BY MR. OLSON AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 21, 2021, AND JUNE 15, 2021, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, COMMISSIONER GODFREAD, MS. SMITH, COMMISSIONER SMITH

ELECTION OF OFFICERS/APPTS:

New Trustee - The Board welcomed Mr. Cody Mickelson. Mr. Mickelson replaces Ms. Toni Gumeringer as a representative of Teachers' Fund for Retirement (TFFR) on the SIB.

At the first meeting of each fiscal year, the SIB is to elect a Chair, Vice Chair, and appoint a parliamentarian per By-Laws and Governance Policy.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE TO NOMINATE LT. GOVERNOR SANFORD AS CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2021 - JUNE 30, 2022.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO CEASE NOMINATIONS AND ELECT LT. GOVERNOR SANFORD AS CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2021 - JUNE 30, 2022.

AYES: DR. LECH, TREASURER BEADLE, MR. OLSON, MR. SEIBEL, MR. MILLER, MR. MICKELSON, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, COMMISSIONER GODFREAD, MS. SMITH, AND MR. KLIPFEL

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY LT. GOVERNOR SANFORD TO NOMINATE DR. LECH AS VICE CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2021 - JUNE 30, 2022.

IT WAS MOVED BY MR. OLSON AND SECONDED BY LT. GOVERNOR SANFORD TO CEASE NOMINATIONS AND ELECT DR. LECH AS VICE CHAIR OF THE SIB FOR THE PERIOD OF JULY 1, 2021 - JUNE 30, 2022.

AYES: MR. MICKELSON, MR. SEIBEL, MR. MILLER, DR. LECH, MR. OLSON, TREASURER BEADLE, AND LT. GOVERNOR SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL, COMMISSIONER SMITH, AND MS. SMITH

Appointment of Parliamentarian - Lt. Governor Sanford appointed Mr. Seibel as parliamentarian to the SIB for the period of July 1, 2021 - June 30, 2022.

Audit Committee - The Audit Committee is a standing committee of the SIB. The Audit Committee is to assist the SIB in carrying out its oversight responsibilities as they relate to RIO's internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics.

Current Audit Committee members are Ms. Smith, Dr. Lech, Commissioner Smith, Mr. Jon Griffin, and Ms. Julie Dahle.

Lt. Governor Sanford reappointed the current Audit Committee members for the period of July 1, 2021 - June 30, 2022.

Securities Litigation Committee (SLC) - The SLC is a standing committee of the SIB. The SLC is to assist the SIB in fulfilling its fiduciary oversight responsibilities of monitoring the investment assets entrusted to it by the various statutory and contracted funds, and to serve as a communications link for the SIB, RIO's management and staff, third party securities litigation firms, and others.

Current SLC members are Mr. Seibel, Commissioner Smith, Mr. Dean DePountis, Ms. Flanagan, and RIO's Executive Director.

Lt. Governor Sanford reappointed the current SLC members for the period of July 1, 2021 - June 30, 2022. Ms. Murtha will serve until an Executive Director is on board.

Executive Review Committee (ERC) - The ERC is a standing committee of the SIB. The ERC is to assist the SIB in fulfilling its fiduciary oversight responsibilities of "monitoring executive performance which is synonymous with monitoring organizational performance against board policies on Ends and Executive Limitations".

Current ERC members are Ms. Smith, Mr. Olson, and Mr. Miller.

Lt. Governor Sanford reappointed the current ERC members for the period of July 1, 2021 - June 30, 2022. Mr. Olson will serve as Chair.

INVESTMENTS:

50 South Capitol - Mr. Trey Hart and Ms. Murtha provided an update on the progress of 50 South Capital since the closing of the North Dakota Growth Fund. The firm has launched its website www.ndgrowthfund.com. The firm has been active in the sourcing and evaluation of potential investment opportunities across the State. The firm is making progress in establishing its team and physical presence throughout the State. The firm will provide more details and a demo of its website at the August 27, 2021, SIB meeting.

Discussion followed on the roles of the Retirement and Investment Office (RIO), the SIB, and 50 South Capitol as the program is implemented.

Investment Update - Mr. Chin provided an investment update as of June 30, 2021. He highlighted performance of the SIB's five largest clients.

	Date	TFFR	PERS	WSI	Legacy	Budget Stabilization
Market Value	May 31	\$ 3,154,294,333	\$ 3,931,731,142	\$ 2,291,280,975	\$ 8,843,879,496	\$ 754,864,657
Net Investment Return - Actual through	May 31	23.42%	24.10%	10.22%	21.27%	3.87%
Total Fund Policy through	May 31	22.87%	22.97%	8.21%	19.49%	0.59%
Excess Return for 11 month period	May 31	0.56%	1.13%	2.01%	1.78%	3.28%
Estimated Month-to-Date	June 30	0.74%	0.77%	0.69%	0.75%	-0.16%
Estimated 2021 FYTD Return	June 30	24.3%	26.0%	11.7%	23.1%	3.5%

(Actual returns are net of fees; estimates are based on index returns)

RIO investment personnel have been working to bring the Invesco Real Estate U.S. Fund VI, ND 1889 Growth Fund, Macquarie Infrastructure Partners V, and ISQ Global Infrastructure Fund III on board.

RIO investment personnel have been working with 50 South Capitol on the ND 1889 Growth Fund which has been launched.

Work continues on optimizing the public equity allocations across the three pools. The comprehensive search for a quantitative international equity manager is nearly complete. An allocation to a quantitative strategy will add a diversifying alpha engine and RIO investment personnel will be recommending a manager at the August 27, 2021, meeting.

RIO investment personnel have been reviewing and considering rebalancing the real estate portfolio to not only mitigate risk but also capitalize on opportunities given the uncertainty over the longer term impact of COVID on real estate assets. The pandemic has had significant repercussions on the real estate markets, from vacant office buildings, to empty shopping malls, and closed restaurants.

RIO investment personnel are currently working on generating a new private equity pacing analysis and will likely recommend increasing allocations to existing managers and/or begin a search for another manager. The Pension Pool has been underweight in private equity since TFFR increased its policy target to private equity from 6% to 10%.

The underperformance of the Pension Pool's world equity allocation continues to be monitored. LSV Global Value and Epoch Global Choice have underperformed the policy benchmark. Additional analysis will be conducted with recommendations coming back to the Board in the near future.

GOVERNANCE :

Executive Search Committee (ESC) - Dr. Lech, Chair of the ESC, updated the Board on activities of the ESC since its appointment at the June 15, 2021, SIB meeting. ESC members are Dr. Lech, Treasurer Beadle, Mr. Klipfel, Mr. Seibel, and Commissioner Smith. Staff worked with State Procurement to develop and issue a Request for Proposal (RFP) for an executive search firm. The RFP was issued on June 24, 2021, with responses due July 16, 2021. The SIB was provided a copy of the RFP.

The ESC discussed the process for evaluating and selecting the successful bidder in a manner compliant with state procurement and open meeting laws. A subcommittee of the ESC consisting of one to two committee members and four RIO personnel would provide an initial evaluation of the proposals and then would bring those results back to the full ESC for review and discussion. The next meeting is scheduled for July 26, 2021.

The ESC requested direction from the SIB on issuance of the Notice to Award. ESC requested clarification on whether the SIB would prefer to grant the ESC authority to issue the Notice of Award or have the ESC bring their evaluation back to the SIB for review and approval.

The SIB directed the ESC to issue the Notice of Award to keep the process moving ahead as efficiently as possible.

Meeting Schedule - A combined meeting schedule for the SIB and TFFR Board for the period of July 1, 2021 - June 30, 2022 was presented for the Board's consideration.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE SIB/TFFR MEETING SCHEDULES FOR THE PERIOD OF JULY 1, 2021 - JUNE 30, 2022.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, MS. SMITH

Contingency Funds - Ms. Flanagan requested approval to use the contingency line for payment of the executive search firm once selected. The cost is not known at this time but is expected to exceed the \$100,000 currently in RIO's contingency line.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO PAY FOR THE EXECUTIVE SEARCH FIRM WITH THE CONTINGENCY FUNDS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: MS. SMITH, COMMISSIONER SMITH

Ms. Flanagan also updated the Board on the relocation of RIO to Workforce Safety & Insurance. The move is expected to occur late September 2021.

Code of Conduct - SIB Governance Policy/Board Members' Code of Conduct requires the SIB members reaffirm their understanding of the policy on an annual basis and disclose any conflicts of interest. Mr. Posch requested the Board members to acknowledge the affirmation by signing and dating the form and returning to him by August 13, 2021.

Investment Manager Catalog - In the Board's meeting materials was a catalog of investment managers which includes a brief description of existing investment strategies and firms, the date in which the SIB engaged the firms for a specific mandate, the asset class (or classes) for which they offer their services and the major investment pools (or trusts) in which these strategies are utilized. A listing of closed investment strategies was also included.

MONITORING:

The following monitoring reports for the quarter ending June 30, 2021, were presented to the Board for their consideration and approval - Executive Limitations/Staff Relations, Budget/Financial Conditions, and Investment Ends/Due Diligence. The TFFR Ends/PAS Project as of March 31, 2021 was also included.

IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY MR. SEIBEL AND CARRIED BY A VOICE VOTE TO ACCEPT THE QUARTERLY MONITORING REPORTS AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, MS. SMITH

OTHER:

The next regular meeting of the SIB has been scheduled for August 27, 2021, at 8:30 a.m. at Workforce Safety & Insurance.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Sanford adjourned the meeting at 9:30 a.m.



Lt. Governor Sanford, Chair
State Investment Board



Bonnie Heit
Recorder