

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
SEPTEMBER 24, 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
 Jodi Smith, Commissioner of Unv & School Lands
 Yvonne Smith, PERS Board

STAFF PRESENT: Eric Chin, Interim CIO
 Connie Flanagan, Chief Financial Officer
 Jayme Heck, Retirement Programs Spec
 Missy Kopp, Executive Assistant
 Jan Murtha, Interim Exec Dir
 Matt Posch, Investment/Compliance Officer
 Ann Nagel, Investment Accountant
 Sara Sauter, Internal Audit Supvr
 Stephanie Starr, Retirement Programs Spec
 Dottie Thorsen, Internal Auditor
 Tami Volkert, Employer Svs Coordinator
 Susan Walcker, Senior Financial Accountant

GUESTS: Daniel Arche, L.A. Capital
 Nick Archuleta, ND United
 John Arnold, Insurance Dept.
 Jace Beehler, Governor's Office
 Alex Browning, Callan LLC
 Jeff Diehl, Adams Street
 Dean DePountis, Attorney General's Office
 Paul Erlendson, Callan LLC
 Luke Frey, Adams Street
 Miguel Gonzalo, Adams Street
 Kelvin Hullet, BND
 Scott Miller, PERS
 Chet Pollert, Legislative Assembly
 Thomas Stevens, L.A. Capital
 Hope Wedul, HRMS

CALL TO ORDER:

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, September 24, 2021. The meeting was held at Workforce Safety and Insurance, 1600 E Century Ave., Bismarck, ND.

The following members were present: Treasurer Beadle, Commissioner Godfread, Mr. Klipfel, Dr. Lech, Mr. Mickelson, Mr. Miller, Mr. Olson, Lt. Gov. Sanford, Mr. Seibel, Commissioner Smith, and Ms. Smith

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the September 24, 2021, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

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

MINUTES:

The Board considered the minutes of the August 27, 2021, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE AUGUST 27, 2021, MINUTES AS DISTRIBUTED.

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

BOARD EDUCATION:**Equity Market Overview:**

Mr. Stevens and Mr. Arche, L.A. Capital, presented Board education on trends, insights, and current risks affecting equity markets.

INVESTMENTS:**Performance Review:**

Mr. Erlendson and Mr. Browning, Callan LLC, reviewed the performance of the Pension Trust, Insurance Trust, and Legacy Fund as of June 30, 2021, and provided an analysis of current market conditions. Each of the trust's asset allocations was within policy ranges, and cash flows were managed to rebalance towards strategic targets as of June 30, 2021. The returns for PERS, TFFR, WSI, Budget Stabilization, and the Legacy Fund each have exceeded their respective total fund benchmarks on a net-of-fee basis for the one-year and five-year periods ended June 30, 2021. The small cap equity allocation within the Pension, Insurance, and Legacy has underperformed benchmark over most cumulative periods ended June 30, 2021. Two small cap managers were terminated due to performance concerns and were replaced by new firms within the last year. Total fund net-of-fee results exceed benchmark. As of June 20, 2021, the plans are meeting objectives. Board discussion followed.

The Board recessed at 10:30 a.m. and reconvened at 10:45 a.m.

Private Equity Overview:

Mr. Chin provided an overview of the SIB's private equity program. Private equity commitments made in 2015 and later have performed well, with both Adams Street and Blackrock significantly outperforming the public market equivalent. In addition, the decision to use diversified private equity fund of funds strategies as the core of the Pension Pool's private equity program and diversifying over vintage years has worked well.

Adams Street and Blackrock pacing models suggest that \$100-\$140 million of private equity commitments in 2021 is appropriate to achieve the Pension Pool's 8.2% private equity target. Both models incorporate the \$62.5 million that has already been committed to the Blackrock private equity program for 2021. Blackrock's private equity program is different in structure from Adams Street's. The \$250 million committed to the NDSIB Private Opportunities Fund, L.P. – 2020 Series is deployed over four years with \$62.5 million committed each year from 2021-24. Staff will recommend a commitment of up to \$60 million to Adams Street's 2021 Global Private Equity Program for a total private equity commitment of \$122.5 million in 2021.

Commitments made to Adams Street before 2015 have fared well, with the total Adams Street program generating 4.45% excess returns over the public market equivalents. However, the SIB's primary investment portfolio has underperformed due to insufficient vintage year and portfolio diversification.

Executive Session:

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ENTER INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL COMMERCIAL AND FINANCIAL INFORMATION PURSUANT TO N.D.C.C. 44-04-18.4(1).

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

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL

The executive session began at 10:54 a.m. and ended at 11:10 a.m. It was attended by the SIB Board, RIO staff members, and SIB legal counsel.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD TO RETAIN NORTHLAND SECURITIES FOR PRICING AGENT SERVICES.

A conflict of interest was declared by Commissioner Smith and Treasurer Beadle.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. MILLER AND CARRIED BY A ROLL CALL VOTE TO ALLOW COMMISSIONER SMITH AND TREASURER BEADLE TO VOTE ON THE MOTION.

AYES: MS. SMITH, MR. MILLER, MR. OLSON, MR. MICKELSON, DR. LECH, COMMISSIONER GODFREAD, AND LT. GOV. SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, MR. SEIBEL

THE ORIGINAL MOTION CARRIED BY A ROLL CALL VOTE.

AYES: TREASURER BEADLE, MR. OLSON, COMMISSIONER SMITH, DR. LECH, MR. MILLER, MR. MICKELSON, MS. SMITH, AND LT. GOV. SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, MR. SEIBEL

Adams Street - Global Private Equity:

Mr. Gonzalo and Mr. Diehl, Adams Street, presented an overview of the 2021 Adams Street Global Private Equity Program. Adams Street is happy with performance on both an absolute and relative basis. The total portfolio since inception net Internal Rate of Return (IRR) of 12.2% is exceeding public equities by 5.0%. Since 2010, ND's commitments to the Global Fund Program have a since inception net IRR of 25.7%, outperforming public equities by 10.7% and exceeding the pooled Burgiss private equity market by 8.1%. The portfolio is well-diversified by geography, strategy, industry, and subclass to mitigate risk and is mature and generating liquidity due to consistent investment pacing.

The 2021 Adams Street Global Private Equity Program will focus on primary partnership strategies but will also have exposure to co-investment and secondary funds to capitalize on market inefficiencies and mitigate the j-curve.

Staff Recommendation:

Mr. Chin shared the RIO staff recommendation that the SIB approve a commitment of up to \$60 million to Adams Street Partners 2021 Global Fund for the Pension Pool. This commitment will keep the long-term allocation goals to private equity on track to reach the 8.2% policy target for the Pension Pool.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE STAFF RECOMMENDATION TO COMMIT UP TO \$60 MILLION TO ADAMS STREET PARTNERS 2021 GLOBAL FUND FOR THE PENSION POOL.

AYES: TREASURER BEADLE, MR. OLSON, COMMISSIONER SMITH, DR. LECH, MR. MILLER, MR. MICKELSON, MS. SMITH, AND LT. GOV. SANFORD

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL, AND MR. SEIBEL

GOVERNANCE:

Executive Search Committee Update:

Dr. Lech provided an update of the activities of the Executive Search Committee. On September 22, 2021, the Committee met to review the Chief Investment Officer (CIO) specifications for publication. The specifications were approved and have been published. The Committee will discuss the CIO salary range and will bring a recommendation to the SIB.

Reports:

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL BUDGET AND EXPENSE REPORT, ANNUAL INTERNAL AUDIT REPORT, AND THE TFFR QUARTERLY MONITORING/PENSION ADMINISTRATION SYSTEM UPDATE REPORT AS PRESENTED.

AYES: MR. OLSON, TREASURER BEADLE, COMMISSIONER SMITH, DR. LECH, MR. MILLER, MS. SMITH, MR. MICKELSON, AND LT. GOV. SANFORD

NAYS: NONE


MOTION CARRIED

ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL, AND MR. SEIBEL

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 11:39 a.m.

Respectfully Submitted:



Lt. Governor Sanford, Chair
State Investment Board



Missy Kopp
Recorder