

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
FEBRUARY 25, 2022, BOARD MEETING (IN PERSON)**

**MEMBERS PRESENT:** Dr. Rob Lech, TFFR Board, Vice Chair  
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

**MEMBERS ABSENT:** Brent Sanford, Lt. Governor, Chair  
Troy Seibel, PERS Board, Parliamentarian

**STAFF PRESENT:** Scott Anderson, CIO  
Eric Chin, Deputy CIO  
Connie Flanagan, CFO  
Missy Kopp, Executive Assistant  
Jayme Heick, Retirement Prog Spec  
Jan Murtha, Exec Dir  
Matt Posch, Investment/Compliance Officer  
Ann Nagel, Investment Accountant  
Emmalee Riegler, Contracts/Records Admin  
Sara Sauter, Internal Audit Supvr  
Rachelle Smith, Retirement Assistant  
Stephanie Starr, Retirement Prog Spec  
Tami Volkert, Employer Svs Coor  
Susan Walcker, Senior Financial Accountant  
Dr. Paul White, Chief Risk Officer

**GUESTS:** Nick Archuleta, ND United  
Dean DePountis, Attorney General's Office  
Paul Erlendson, Callan  
Alex Browning, Callan  
Joseph Herringer, Incoming Comm of Unv & School Lands  
Candace Johnson, Securities Commission  
Scott Miller, PERS  
Adam Montgomery, Securities Commission  
Bryan Reinhardt, PERS  
Rich Wardner, ND Senate  
Hope Wedul, HRMS

**CALL TO ORDER:**

Dr. Rob Lech, Vice Chair, called the State Investment Board (SIB) regular meeting to order at 8:31 a.m. on Friday, February 25, 2022. The meeting was held in the Workforce Safety and Insurance Board Room, 1600 E Century Ave., Bismarck, ND.

**The following members were present: Treasurer Beadle, Commissioner Godfread, Rep. Kempenich, Mr. Klipfel, Dr. Lech, Mr. Mickelson, Mr. Miller, and Mr. Olson**

**ACCEPTANCE OF AGENDA:**

The Board considered the agenda for the February 25, 2022, meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.**

**AYES: TREASURER BEADLE, MR. MILLER, COMMISSIONER GODFREAD, MR. OLSON, MR. KLIPFEL, MR. MICKELSON, AND DR. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: LT. GOV. SANFORD, MR. SEIBEL, COMMISSIONER SMITH, AND MS. SMITH**

**MINUTES:**

The Board considered the minutes of the January 28, 2022, SIB meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JANUARY 28, 2022, MINUTES AS DISTRIBUTED.**

**AYES: MR. MICKELSON, MR. KLIPFEL, TREASURER BEADLE, DR. LECH, COMMISSIONER GODFREAD, MR. OLSON, AND MR. MILLER**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: LT. GOV. SANFORD, MR. SEIBEL, COMMISSIONER SMITH, AND MS. SMITH**

**BOARD EDUCATION:**

**Board Governance & Client Relations:**

Ms. Murtha presented information on board governance. As there is turnover on the Board, it is an appropriate time to examine where the Board has been and where it is going. Governance should be reviewed and updated as the Board and programs evolve. Governance should be adaptable. Ms. Murtha discussed the history of RIO; the SIB's powers, duties, and role; and the progression of the investment program. With the creation of the GPR committee and the growth of the programs RIO and the SIB oversee, staff recommend an in-depth discussion of governance changes to effectively build out the program and look ahead five to ten years to build a foundation for growth. Board discussion followed.

Commissioner Smith joined the meeting at 8:34 a.m.

Ms. Smith joined the meeting at 9:02 a.m.

**INVESTMENTS:**

**Quarterly Performance Presentation:**

Mr. Erlendson and Mr. Browning, Callen, provided an investment performance review as of December 31, 2021. Each of the Trust's asset allocations were within policy ranges as of December 31, 2021. Each Trust's cash flow were managed to rebalance towards strategic targets. Total Fund returns for PERS, TFFR, WSI, Budget Stabilization, and the Legacy Fund have each exceeded their respective benchmarks on a net-of-fee basis for the trailing five-year period. Within the Total Fund structures, the small cap equity allocations underperformed the benchmark over most cumulative periods ended December 31, 2021. Two small cap managers were terminated due to performance concerns and were replaced by new firms one year ago. Since the manager changes were implemented, small cap results have exceeded the benchmark. Total Fund net-of-fee results exceed benchmark.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE QUARTERLY PERFORMANCE REPORT.**

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

The Board recessed at 9:45 a.m. and reconvened at 10:03 a.m.

Professional Investment Management Benefits:

Mr. Anderson provided information on professional investment management and how it has created a large benefit to the SIB funds when compared to less thoughtful allocation and implementation. The benefits of professional investment management scale with assets under management. There is an opportunity to improve investment value added while lowering the cost per AUM as the funds grow. The key to unlocking that value is governance talent management, operations, data and technology infrastructure, and a research/knowledge management-oriented culture.

GOVERNANCE:

Legacy & Budget Stabilization Fund Advisory Board Update:

Ms. Murtha provided an update on the February 15, 2022, Legacy and Budget Stabilization Fund Advisory Board meeting. Staff provided education on asset allocation studies. The Advisory Board discussed Board governance and awarded projects related to asset allocation and implementation for the Legacy Fund.

Policy Second Reading and Final Adoption:

Ms. Murtha shared information on the process for approving the amendment to Policy B-6 and the proposed Governance and Policy Review (GPR) Committee charter. The SIB reviewed and discussed the creation of a GPR standing committee at the January 28, 2022, meeting and approved the first reading. The Board must now approve the second reading and final adoption to move forward with the creation of the new Committee.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AMENDMENT TO POLICY B-6 AND THE DRAFT GPR COMMITTEE CHARTER FOR SECOND READING AND FINAL ADOPTION.**

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

Board Self-Assessment:

Ms. Sauter shared the results of the 2022 SIB Self-Evaluation. The self-assessment responses from Board members indicate their areas of strength: actively engaged, understand the Board Code of Conduct, and have avoided conflicts of interest. Identified areas of improvement for Board members include the amount of information for Board meetings and the need to review governance regularly. The Board assessment responses indicate areas of strength: well-run meetings, the willingness to discuss difficult topics, and regular reviews of financial, investment, and portfolio reports. Areas of improvement that were identified for the Board include prioritizing Board packet information and reviewing bylaws and governance regularly.

REPORTS:

Audit Activities Report:

**REPORTS:**

Audit Activities Report:

Ms. Sauter provided the Internal Audit (IA) activities report for the second quarter. After retirements and resignation of multiple staff, there was a need to examine responsibilities of exiting staff to ensure coverage by new staff members and that duties are assigned within the reorganization of the organization and positions. Ms. Sauter explained IA's recommendations and conclusions in Phase I of the succession plan. Ms. Sauter also reviewed the results of the annual Executive Limitations Audit.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUDIT ACTIVITIES REPORT.**

**AYES: MS. SMITH, MR. MILLER, MR. OLSON, MR. MICKELSON, DR. LECH, MR. KLIPFEL, COMMISSIONER GODFREAD, COMMISSIONER SMITH, AND TREASURER BEADLE**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: LT. GOV. SANFORD AND MR. SEIBEL**

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations report. The Chief Retirement Officer/Deputy ED position has been posted. New staff that have started or accepted a position include the Chief Risk Officer, Accounting Intern, and the Member Specialist. Procurement activities include the PAS project and the Legacy Fund Advisory Board consultant RFP. RIO staff have been working on strategic planning in partnership with NDI and HRMS. The strategic plan will be presented at the March Board meeting.

**IT WAS MOVED BY MS. SMITH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORT.**

**AYES: TREASURER BEADLE, MR. OLSON, COMMISSIONER, SMITH, DR. LECH, MR. MILLER, COMMISSIONER GODFREAD, MR. MICKELSON, MS. SMITH, AND MR. KLIPFEL**

**NAYS: NONE**

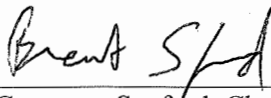
**MOTION CARRIED**

**ABSENT: LT. GOV. SANFORD AND MR. SEIBEL**

**ADJOURNMENT:**

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 11:14 a.m.

Respectfully Submitted:



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Lt. Governor Sanford, Chair  
State Investment Board



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Missy Kopp  
Recorder