

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
APRIL 22, 2022, BOARD MEETING (IN PERSON)**

MEMBERS PRESENT: Brent Sanford, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer
Glenn Bosch, Legacy/Budget Stab. Adv. Board Rep
Jon Godfread, Insurance Commissioner
Joseph Herringer, Commissioner of Unv & School Lands
Bryan Klipfel, Director of WSI
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Mel Olson, TFFR Board
Kim Riedlinger Wassim, PERS Board Alternate
Yvonne Smith, PERS Board

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

GUESTS: Jace Beehler, Gov Office
Alex Browning, Callan
Dean DePountis, Attorney General's Office
Candace Johnson, Securities Commission
Keith Kempenich, Legacy/Budget Stab. Adv. Board
Jerry Kline, Legacy/Budget Stab. Adv. Board
Brian Krochus, Tax Commissioner
Scott Miller, PERS
Adam Montgomery, Securities Commission
Joe Morrissette, Director of OMB
Bryan Reinhardt, PERS
Colton Schulz, Insurance Department
Karen Tyler, Securities Commissioner
Teleconference Guests - 5

CALL TO ORDER:

Lt. Gov. Sanford Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, April 22, 2022. The meeting was held in the Workforce Safety and Insurance Board Room, 1600 E Century Ave., Bismarck, ND.

The following members were present representing a quorum: Treasurer Beadle, Commissioner Godfread, Commissioner Heringer, Mr. Klipfel, Dr. Lech, Mr. Mickelson, Mr. Miller, Mr. Olson, Ms. Riedlinger Wassim, Lt. Gov. Sanford, and Ms. Smith.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the April 22, 2022, meeting.

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

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

NAYS: NONE

MOTION CARRIED

MINUTES:

The Board considered the minutes of the March 25, 2022, SIB meeting.

IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE MARCH 25, 2022, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

BOARD EDUCATION:

Fund Return & Risk:

Mr. Anderson provided education on fund risk and return. Return and risk are defined where compensated risk adds benefit when optimized and controlled in a well-constructed fund. The presentation included information on the value of an investment, market risk, sources of risk, tracking error risk, and fund management opportunities.

INVESTMENTS:

Private Placement Opportunity Update:

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. MILLER AND CARRIED BY A ROLL CALL VOTE TO ENTER EXECUTIVE SESSION PURSUANT TO NDCC 44-04-18.4(1) TO DISCUSS CONFIDENTIAL COMMERCIAL AND FINANCIAL INFORMATION.

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

NAYS: NONE

MOTION CARRIED

The executive session began at 9:15 a.m. and ended at 9:22 a.m. In attendance were Board members, RIO staff, Mr. Depountis, and Mr. Schulz.

Manager & Investment Portfolio Changes:

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ENTER EXECUTIVE SESSION PURSUANT TO NDCC 44-04-18.4(1), 44-04-19.1(9), AND 44-04-19.2 TO DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION AND CONTRACT NEGOTIATING STRATEGY.

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

The executive session began at 9:24 a.m. and ended at 9:47 a.m. In attendance were Board members, RIO staff, Mr. DePountis, and Mr. Schulz.

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO APPROVE STAFF TO PROCEED AS DISCUSSED AND REPORT BACK IN MAY.

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

The Board recessed at 9:50 a.m. and reconvened at 10:04 a.m.

GOVERNANCE:

Legacy & Budget Stabilization Fund Advisory Board (LBSFAB) Update:

Ms. Murtha shared an update from the LBSFAB meeting on April 8, 2022. RVK provided a project kick-off presentation for the asset allocation study of the Legacy Fund and the development of policies and guidelines for the in-state equity investment program. RVK outlined project scope, timing, and deliverables.

Governance & Policy Review (GPR) Committee Update:

Ms. Murtha provided an update from the GPR Committee meeting on April 21, 2022. The Committee elected officers, received education from staff on board and committee composition, internal investment management, and staff levels. The Committee will approve its meeting schedule at their meeting in May. Dr. Lech shared the Committee's plan to focus on prioritizing what topics will be dealt with first. Currently, the Committee plans to focus on analyzing SIB membership and composition, the formation of an investment committee, and the potential for internal investment and the staffing needs to accomplish this.

Securities Litigation Committee Member Appointment:

Ms. Murtha discussed the vacancies on the Securities Litigation Committee. There are two vacant Board member positions and one pending staff member position on the Committee. The first vacancy occurred when former Land Commissioner Jodi Smith resigned, Commissioner Heringer is willing to fill that opening. The other opening was previously filled by Mr. Seibel from the PERS Board. Mr. Klipfel has agreed to fill that opening. Upon Ms. Flanagan's retirement, staff recommended that Mr. Anderson be appointed as her replacement. SIB Governance Policy B-6 outlines the membership of this standing committee. Vacancies are filled by the SIB Chair. Lt. Gov. Sanford appointed Commissioner Heringer, Mr. Klipfel, and Mr. Anderson to the Securities Litigation Committee.

Audit Committee Member Appointment:

Ms. Murtha discussed the vacancy on the Audit Committee. Dr. Lech was appointed to serve on the SIB GPR Committee and requested that he be replaced on the Audit Committee. Dr. Lech represented TFFR on the Audit Committee, so he must be replaced with another TFFR representative. The Audit Committee charter requires that the Board appoints new members to the Committee.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPOINT MR. MICKELSON TO THE AUDIT COMMITTEE.

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

NAYS: NONE

MOTION CARRIED

Executive Review Committee (ERC) Update:

Mr. Olson provided an update from the ERC. The ERC met on April 28, 2022, to review the survey and performance evaluation for the ED. The ERC will complete an evaluation of the ED then evaluate the budget before deciding on a recommendation of salary for SIB action in May.

REPORTS:

Investment Ends:

Mr. Chin provided the Quarterly Investment Ends Report for quarter one of 2022. During the quarter, the Chief Investment Officer, Scott Anderson, and Chief Risk Officer, Dr. Paul White joined the staff. Staff completed the Request for Proposal (RFP) process to identify a consultant for the asset allocation study and in-state investment program for the Legacy Fund. The LBSFAB selected RVK for both projects. The Board approved Arrowstreet Capital as an investment manager.

Budget/Financial Conditions Report:

Ms. Flannagan provided a summary of the Budget/Financial Conditions as of March 31, 2022. RIO is under budget at this point in the biennium. The report includes the Pension Administration System (PAS) project expenditures and investment expenses.

Executive Limitations/Staff Relations Report:

Ms. Murtha provided an update on staffing, procurement activities, and open record/media requests. The Deputy ED/Chief Retirement Officer position posting closed, and staff will conduct initial interviews in the next few weeks. The reclassification request for the Chief Financial Officer position was verbally denied. Staff plan to post at the current classification to get the process started then will appeal the denial as soon as written notification is received. Staff still hope to fill the position prior to Ms. Flannagan's departure.

The Accounting Manager position has been classified and posted with a closing date of May 2, 2022. The remaining classification requests are still pending a response from HRMS. The classification delays are impeding RIO's ability to pursue its strategic plan activities. Board members expressed their displeasure at the delay of classification when the positions and the budget were approved by the legislature.

The PAS project was awarded to Sagitec and an on-site kick-off meeting has been scheduled for May 16 and 17. Ms. Murtha will be including open records and media requests in this report to give the Board an understanding of the amount of time that is involved in responding to these requests. Staff are working to set up nd.gov email addresses for Board and Committee members who are not state employees to offer improved cybersecurity.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE INVESTMENT ENDS, BUDGET/FINANCIAL CONDITIONS, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOV. SANFORD

ADJOURNMENT:

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 10:22 a.m.

Respectfully Submitted:



Lt. Governor Sanford, Chair
State Investment Board



Missy Kopp
Recorder