

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

**MEMBERS PRESENT:** Brent Sanford, Lt. Governor, Chair  
Claire Ness, PERS Board, Parliamentarian  
Thomas Beadle, State Treasurer  
Glenn Bosch, Legacy/Budget Stab. Adv. Board Rep  
Mike Burton, TFFR Alternate  
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  
Yvonne Smith, PERS Board

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

**STAFF PRESENT:** Scott Anderson, CIO  
Eric Chin, Deputy CIO  
Missy Kopp, Exec Assistant  
Rachel Kmetz, Accounting Mgr  
Jan Murtha, Exec Dir  
Ann Nagel, Investment Accountant  
Matt Posch, Sr. Investment Officer  
Sara Sauter, Internal Audit Supvr  
Dottie Thorsen, Internal Auditor  
Susan Walcker, Senior Financial Accountant  
Dr. Paul White, Chief Risk Officer

**GUESTS:** Lauren Albanese, FIN News  
Kevin Balaod, With Intelligence  
Dean DePountis, Attorney General's Office  
Paul Erlendson, Callan  
Candace Johnson, Securities Commission  
Scott Miller, PERS  
Mike Nowatzki, Gov. Office  
Colton Schulz, Insurance Department

**CALL TO ORDER:**

Lt. Gov. Sanford Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, July 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, Mr. Burton, Commissioner Godfread, Commissioner Heringer, Mr. Mickelson, Mr. Miller, Ms. Ness, Mr. Olson, Lt. Gov. Sanford, and Ms. Smith.**

**ACCEPTANCE OF AGENDA:**

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

**IT WAS MOVED BY MR. OLSON AND SECONDED BY COMMISSIONER GODFREAD 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. NESS, MR. BURTON, MS. SMITH, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: MR. KLIPFEL AND DR. LECH**

**MOTION CARRIED**

**MINUTES:**

The Board considered the minutes of the May 20, 2022, SIB meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 20, 2022, MINUTES AS DISTRIBUTED.**

**AYES: MR. MICKELSON, COMMISSIONER HERINGER, MS. SMITH, MR. KLIPFEL, TREASURER BEADLE, MR. BURTON, COMMISSIONER GODFREAD, MR. OLSON, MS. NESS, MR. MILLER, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: MR. KLIPFEL AND DR. LECH**

**MOTION CARRIED**

**ELECTION OF OFFICERS & COMMITTEE APPOINTMENTS:**

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO CAST A UNANMOUS BALLOT WITH LT. GOV. SANFORD AS SIB CHAIR AND DR. LECH AS SIB VICE CHAIR**

**AYES: MR. OLSON, MS. NESS, COMMISSIONER HERINGER, MR. MICKELSON, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, TREASURER BEADLE, MR. KLIPFEL, MR. BURTON, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: MR. KLIPFEL AND DR. LECH**

**MOTION CARRIED**

Lt. Gov. Sanford appointed Ms. Ness as the Parliamentarian.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO CAST A UNANIMOUS BALLOT WITH MS. SMITH, TREASURER BEADLE, AND MR. MICKELSON AS AUDIT COMMITTEE MEMBERS.**

**AYES: TREASURER BEADLE, MR. MICKELSON, COMMISSIONER GODFREAD, COMMISSIONER HERINGER, MS. SMITH, MR. BURTON, MR. MILLER, MS. NESS, MR. OLSON, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: MR. KLIPFEL AND DR. LECH**

**MOTION CARRIED**

Lt. Gov. Sanford appointed Commissioner Heringer, Mr. Klipfel, Mr. DePountis, Ms. Murtha, and Mr. Anderson to the SIB Securities Litigation Committee.

Lt. Gov. Sanford appointed Treasurer Beadle, Dr. Lech, and Mr. Miller to the SIB Executive Review Committee.

**IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO CAST A UNANIMOUS BALLOT WITH DR. LECH, COMMISSIONER GODFREAD, AND TREASURER BEADLE AS GOVERNANCE AND POLICY REVIEW COMMITTEE MEMBERS.**

**AYES: MS. SMITH, MR. MILLER, MR. OLSON, MR. MICKELSON, MR. BURTON, MS. NESS, COMMISSIONER GODFREAD, COMMISSIONER HERINGER, TREASURER BEADLE, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: MR. KLIPFEL AND DR. LECH**

**MOTION CARRIED**

**BOARD EDUCATION:**

Portfolio Construction:

Mr. Anderson provided education on portfolio construction. Portfolio construction is the combination of sub-asset allocation, manager selection, and manager allocation in a portfolio. Good portfolio construction enables an optimal amount of active return for a required active risk at a reasonable cost.

**INVESTMENTS:**

Investment Program Initiatives Update:

Mr. Chin provided an update on investment program initiatives. At the May 20, 2022, meeting the SIB approved a change to the equity portfolio. Staff have compared the products offered by State Street and Northern Trust. Staff selected Northern Trust to manage U.S. passive equity strategies and SSGA to manage international passive equity strategies. Staff are amending existing contracts to facilitate onboarding of new passive products. Next steps will include working with a transition manager to facilitate reallocation and minimize costs. Staff will begin building a portfolio of equity managers that optimizes active return and risk targeting 200 bps of tracking error and 100 bps of excess return. Staff are looking to engage a third-party firm to help conduct an independent valuation of the timber holdings. This project will help the Board determine the next steps for the timber holdings.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE STAFF TO ENGAGE THE SERVICES OF A THIRD-PARTY TIMBERLAND VALUATION FIRM.**

**AYES: TREASURER BEADLE, MS. NESS, MR. OLSON, COMMISSIONER HERINGER, MR. BURTON, MR. MILLER, COMMISSIONER GODFREAD, MR. MICKELSON, MS. SMITH, MR. KLIPFEL, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: DR. LECH**

**MOTION CARRIED**

**GOVERNANCE:**

2<sup>nd</sup> Reading – Governance & Policy Review (GPR) Committee Recommendations:

Ms. Murtha reviewed the policies and charter for 2<sup>nd</sup> reading and final adoption. There are minor changes needed in the charter including correcting the title and some punctuation.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO APPROVE POLICIES B-6 AND E-10, AND THE INVESTMENT COMMITTEE CHARTER WITH DISCUSSED CHANGES FOR 2<sup>ND</sup> READING AND FINAL ADOPTION.**

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

Lt. Gov. Sanford appointed Treasurer Beadle, Commissioner Heringer, Mr. Anderson, and Mr. Chin to the SIB Investment Committee.

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

Mr. Anderson provided an update from the June 30, 2022, LBSFAB meeting. Representatives from RVK provided a presentation on the asset allocation study of the Legacy Fund and the development of policies and guidelines for an in-state equity investment program. A representative from 50 South Capital provided an update of the in-state investment program. Staff provided a presentation regarding the asset allocation, basis points charged by investment advisors, fund balances, and investment returns of the Legacy and Budget Stabilization Funds. The LBSFAB discussed legislation related to the asset allocation plan for the Legacy Fund.

SIB Calendar & Program Plan:

Ms. Murtha reviewed the proposed 2022-23 SIB Calendar and Program Plan.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. KLIPFEL AND CARRIED BY A VOICE VOTE TO ACCEPT THE SIB CALENDAR AND PROGRAM PLAN FOR 2022-23.**

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

QUARTERLY MONITORING REPORTS:

Investment Ends:

Mr. Chin presented the Investment Ends report for the quarter ending June 30, 2022. During the quarter staff presented to the board on harmonization of strategies across pools and clients within the public entity sleeve. A review of the fixed income allocation has begun and will be presented to the Board. An evaluation of index provider took place including a review of fees, performance, and other capabilities. Staff selected Northern Trust for the domestic components and State Street for the international components. Staff began a review of the timber allocation and a private markets pacing model analysis. The job postings for the additional investment team positions were posted and interviews are underway.

Investment Manager Catalog:

The SIB Investment Manager Catalog was provided for review and acceptance.

TFFR Ends:

The TFFR Ends Report for the quarter ending March 31, 2022, was provided for review and acceptance.

Executive Limitations/Staff Relations:

Ms. Murtha provided an update on staffing, current projects, and staff presentations to boards and committees. The new DED/CRO and Accounting Manager have started and the offer for the CFO/COO position was accepted by Ryan Skor who will start on August 22, 2022. The Legal Intern position was filled for the summer. The interviews for the open investment positions have begun. The PAS project will be called the Pioneer Project, a name that was chosen by the staff. State email accounts have been created for all Board and Committee members that are not state employees. RIO administrative staff will work with members to get their new email set up.

**IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT ENDS, INVESTMENT MANAGER CATALOG, TFFR ENDS, AND EXECUTIVE LIMITATION/STAFF RELATIONS REPORTS.**

**AYES: MR. BURTON, TREASURER BEADLE, MR. OLSON, COMMISSIONER HERINGER, MS. NESS, MR. MILLER, COMMISSIONER GODFREAD, MR. MICKELSON, MS. SMITH, MR. KLIPFEL, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: DR. LECH**

**MOTION CARRIED**

**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 10:28 a.m.

Prepared by:

Missy Kopp, Assistant to the Board