

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
AUGUST 26, 2022, BOARD MEETING (IN PERSON)**

MEMBERS PRESENT: Brent Sanford, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Claire Ness, PERS Board, Parliamentarian
Thomas Beadle, State Treasurer
Jerry Kline, 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
Adam Miller, PERS Board
Mel Olson, TFFR Board
Yvonne Smith, PERS Board

MEMBERS ABSENT: Cody Mickelson, TFFR Board

STAFF PRESENT: Scott Anderson, CIO
Connie Flanagan, Fiscal Mgt Spec
Missy Kopp, Exec Assistant
Rachel Kmetz, Accounting Mgr
Jan Murtha, Exec Dir
Matt Posch, Sr. Investment Officer
Chad Roberts, DED/CRO
Sara Sauter, Internal Audit Supvr
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor
Susan Walcker, Senior Financial Accountant

GUESTS: Lauren Albanese, FIN News
Kevin Balaod, With Intelligence
Glenn Bosch, Legacy/Budget Stab. Adv. Board Rep
Dean DePountis, Attorney General's Office
Paul Erlendson, Callan
Candace Johnson, Securities Commission
Scott Miller, PERS
Mike Nowatzki, Gov. Office
Colton Schulz, Insurance Department
Rich Wardner, State Senate
Members of the Public

CALL TO ORDER:

Lt. Gov. Sanford Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, August 26, 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, Dr. Lech, Mr. Miller, Ms. Ness, Lt. Gov. Sanford, and Ms. Smith.

Ms. Murtha introduced Ryan Skor, the new Chief Financial Officer/Chief Operating Officer and Vicki Alberts, the new Legal Intern.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the August 26, 2022, meeting.

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

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

MINUTES:

The Board considered the minutes of the July 22, 2022, SIB meeting. Amendments to the minutes were discussed.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE JULY 22, 2022, MINUTES WITH AMENDMENTS.

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

BOARD EDUCATION:

Portfolio Construction Part 2 – Fixed Income:

Mr. Anderson provided education which continues to illustrate the advantages contained in portfolio construction with a focus on fixed income.

GOVERNANCE:

Governance & Policy Review (GPR) Committee Update:

Dr. Lech provided an update from the July 27, 2022, SIB GPR meeting. The Committee discussed proposed policy changes, recommendations for appointments to the SIB Investment Committee, and governance initiatives the Board may wish to consider in the upcoming legislative session. The SIB Board Chair appointed the two investment professionals to the Investment Committee after receiving the GPR recommendations. The two appointed members are Prodosh Simlai, Ph.D., University of ND Department of Economic and Finance Chair, and Ruilin Tian, Ph.D., Professor of Finance at ND State University. Additional amendments to the minutes were discussed.

1st Reading – Policy B-6 and Draft Charter for Executive Review Committee:

Ms. Murtha presented the changes recommended by the GPR Committee to the scope of the Executive Review Committee. A proposed amendment to policy B-6 and proposed charter were reviewed.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO APPROVE POLICY B-6 AND THE DRAFT CHARTER FOR THE EXECUTIVE REVIEW AND COMPENSATION COMMITTEE FOR FIRST READING.

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

NAYS: NONE

ABSENT: MR. MICKELSON

MOTION CARRIED

2023 Legislative Initiatives:

Ms. Murtha presented the 2023 legislative initiatives. The initiatives that are being discussed align with the core priorities of RIO's strategic plan. Areas of the strategic plan which are supported by the legislative proposals include public/private partnerships, intern development to support agency resource needs/talent development; governance to support growth; H.B. 1425 rollout; talent management; investment data management; and the TFFR Pioneer Project.

Mr. Anderson shared that the large growth in assets under management has caused more complexity but also provides opportunities to achieve greater benefits with scale. The SIB is currently a fund of funds with investments largely managed by external managers. The increased scale allows us the opportunity to take on a small amount of internal management. The cost of internal management is significantly cheaper than external management. Mr. Anderson presented the necessary capabilities for success, ongoing activities to enable those capabilities, and legislative activities.

Ms. Murtha discussed infrastructure and technology enabled process initiatives. Temporary staff are being utilized to continue with manual processes until completion of the TFFR Pioneer Project. Staff added a death auditing vendor for improved death auditing. Ms. Murtha discussed one-time and ongoing costs and efficiencies from these projects. A summary of workforce initiative was provided. Board discussion followed.

The Board recessed at 10:12 a.m. and reconvened at 10:29 a.m.

2023 Budget/Fiscal Conditions Planning:

Ms. Murtha reviewed the 2023 budget planning process. Staff requested an extension due to staff turnover. Ms. Kmetz started in June and quickly learned about the agency and worked with staff to submit the budget and decision packages to OMB on August 15, 2022. Ms. Murtha explained the reasons for the decision packages, the impact of the budget on the implementation of the strategic plan, and the cost of workforce initiatives. The budget includes a request for carryover funding for the Pioneer Project, and funds for both talent management and the internal investment initiative.

Staff made a request to the Board to use contingency funds for advertising costs for the Chief Risk Officer position.

IT WAS MOVED BY MS. NESS AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE USE OF CONTINGENCY FUNDS FOR ADVERTISING FOR THE CHIEF RISK OFFICER POSITION.

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

NAYS: NONE

ABSENT: MR. MICKELSON

MOTION CARRIED

QUARTERLY MONITORING REPORTS:

Annual Internal Audit (IA) Report:

Ms. Sauter provided the Annual IA report which covers July 1, 2021, to June 30, 2022. The Audit Committee had four regular meetings and one special meeting. IA and the Audit Committee worked on some special projects that were not in the workplan including a review of SIB governance, the Executive Search process, succession planning, and strategic planning. The external auditors, CliftonLarsonAllen, issued an unmodified "clean" opinion for the RIO financial audit for

the fiscal year ended June 30, 2021. The financial audit for the fiscal year ended June 30, 2022, is underway. The Committee adopted the audit work plan and budgeted hours for the fiscal year starting July 1, 2022.

Quarterly Budget/Financial Report:

Ms. Kmetz provided the Budget/Financial report for the quarter ending June 30, 2022.

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. Ms. Flanagan is working part-time to facilitate knowledge transfer and to cover other duties for staff who are on extended leave. The Chief Risk Officer position is open and has been posted. Staff are conducting interviews for the four investment positions. The Communications and Outreach Director position has been posted and will close next week. Staff will conduct interviews for that position in September. The Accounting Intern graduated, so staff will be posting for a new student to fill that position.

The Legacy Fund Asset Allocation study is in progress. RVK continues to work on the study and provided preliminary recommendations to the Advisory Board on June 30, 2022. The TFFR Pioneer Project continues with implementation consistent with the project plan. Staff are working with Northern Trust on new infrastructure for the investment program. Board members have their new state email accounts which will be used for Board information going forward.

IT WAS MOVED BY MR. OLSON AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL INTERNAL AUDIT, QUARTERLY BUDGET/FISCAL PLANNING, AND EXECUTIVE LIMITATION/STAFF RELATIONS REPORTS.

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

NAYS: NONE

ABSENT: MR. MICKELSON

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 10:55 a.m.

Prepared by:

Missy Kopp, Assistant to the Board