

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
SEPTEMBER 23, 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 Heringer, Commissioner of Unv & School Lands
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Mel Olson, TFFR Board
Yvonne Smith, PERS Board

MEMBERS ABSENT: Claire Ness, PERS Board, Parliamentarian
Bryan Klipfel, Director of WSI

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

GUESTS: John Arnold, Insurance Dept
Alex Browning, Callan
Craig Chaikin, Callan
Dean DePountis, Attorney General's Office
Keith Kempenich, Legacy/Budget Stab. Adv. Board
LuAnn Thiel, NDIT
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, September 23, 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 Heringer, Dr. Lech, Mr. Mickelson, Mr. Miller, Lt. Gov. Sanford, and Ms. Smith.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the September 23, 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, MR. OLSON, MR. MICKELSON, DR. LECH, MS. SMITH, AND LT. GOV. SANFORD

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL AND MS. NESS

MOTION CARRIED

MINUTES:

The Board considered the minutes of the August 26, 2022, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AUGUST 26, 2022, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL, AND MS. NESS

MOTION CARRIED

Commissioner Godfread arrived at 8:42 a.m.

BOARD EDUCATION:

Governance for Growth:

Mr. Anderson provided education on how the SIB's evolving governance model can support further program growth. Mr. Anderson discussed the time horizon of decision making. The current governance model falls into a minimal delegation model where external managers are responsible for executing a mandate, investment staff make recommendations and provide opinions on investment strategy, and the Board is responsible for making policy and final decisions. We are moving toward a "some delegated authority" model where decision making moves toward the Investment Committee which is a hybrid committee made up of Board members, staff, and outside experts.

Mr. Anderson discussed the near-term plans for modifications to the SIB Governance manual and post-legislative session modifications. Some sections of the manual need modifications because of the addition of the Investment Committee. There are also some sections of the manual that are out of date and some changes that need to be made for TFFR. Staff plan to work on the necessary changes now so we can operate. After completion of legislative session, staff recommend a complete rewrite of the manual. Mr. Anderson outlined the proposed process for making these modifications. Board discussion followed.

INVESTMENTS:

Callan Performance Review:

Mr. Browning and Mr. Chaikin, Callan, provided the performance review for the period ended June 30, 2022. Each of the Trust's asset allocations were within policy ranges and cash flows were managed to rebalance towards strategic targets. Total Fund returns for PERS, TFFR, WSI, and Legacy Funds have each exceeded their respective benchmarks on a net-of-fee basis for the trailing five-year period. The Budget Stabilization Fund had a -2% return when compared to its benchmark which is a sizable drawdown when compared to the expected benchmark risk. The return indicates that consideration should be made whether a different implementation of the policy benchmark would reduce the occurrence of potential return fluctuations of that size.

Fixed Income Portfolio Changes:

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO 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: MR. OLSON, COMMISSIONER HERINGER, MR. MICKELSON, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, TREASURER BEADLE, DR. LECH, AND LT. GOV. SANFORD

NAYS: NONE

ABSENT: MR. KLIPFEL AND MS. NESS

MOTION CARRIED

The executive session began at 9:49 a.m. and ended at 10:25 a.m. In attendance were Board members, RIO staff, Mr. DePountis, Mr. Browning, and Mr. Chaikin.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO TERMINATE DECLARATION TOTAL RETURN BOND FUND, THE SSGA LONG TREASURY INDEX, AND THE SSGA GOV/CREDIT INDEX; UTILIZE STATE STREET AND ETFS TO MANAGE PASSIVE INDEX EXPOSURE; AND REALLOCATE FIXED INCOME PORTFOLIOS AND WORK WITH EXISTING MANAGERS AS DIRECTED.

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

NAYS: NONE

ABSENT: MR. KLIPFEL AND MS. NESS

MOTION CARRIED

Job Service Plan Investment Policy Statement (IPS):

Mr. Skor discussed the Job Service Plan IPS which requires Board approval.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE JOB SERVICE NORTH DAKOTA RETIREMENT PLAN IPS.

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

NAYS: NONE

ABSENT: MR. KLIPFEL AND MS. NESS

MOTION CARRIED

The Board recessed at 10:30 a.m. and reconvened at 10:54 a.m.

GOVERNANCE:

Governance & Policy Review (GPR) Committee Update:

Dr. Lech provided an update from the GPR Committee meeting on September 21, 2022. Mr. Anderson provided the Governance for Growth presentation to the Committee and asked for their feedback before presenting to the Board. The Committee provided feedback and discussed the plan for updating the SIB Governance Manual.

2nd Reading & Final Adoption – Policy B-6 & Draft Charter for Executive Review & Compensation Committee (ERCC):

Mr. Skor discussed the amended Policy B-6 and Draft Charter for the ERCC. Both were provided to the Board for second reading and final adoption.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2ND READING AND FINAL ADOPTION OF AMENDMENTS TO POLICY B-6 AND DRAFT CHARTER FOR THE ERCC.

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

NAYS: NONE

ABSENT: MR. KLIPFEL AND MS. NESS

MOTION CARRIED

Legacy Fund Earnings Committee Update:

Mr. Anderson provided an update from the Legacy Fund Earnings Committee meeting on September 22, 2022. Mr. Anderson presented to the Committee on market performance and performance of the Legacy Fund. There was discussion about the asset allocation project with RVK and how the in-state program affects the allocation. It was discussed that the in-state program's purpose is to find viable investments and not economic development such as grants. Staff have conducted many interviews of in-state stakeholders, and these have resulted in good feedback.

QUARTERLY MONITORING REPORTS:

Annual Technology Report:

Ms. Thiel, Customer Success Manager from NDIT, provided the Annual Technology Report. Ms. Thiel discussed the tools and technologies that RIO has access to through IT unification. RIO has been assigned an Information Security Officer who is responsible for reporting quarterly security reports to RIO's executive staff and is the main point-of-contact for security resources. NDIT is building a strong business resilience program to assist RIO with ensuring disaster recovery plans are in place. RIO has two dedicated IT positions who transitioned to NDIT but continue to support RIO. Additional NDIT staff are participating in the TFFR Pioneer project to provide assistance. Board discussion followed.

Mr. Mickelson left the meeting at 11:00 a.m.

Quarterly TFFR Ends Report:

The TFFR Ends Report for the quarter ending June 30, 2022, was provided for Board acceptance.

Executive Limitations/Staff Relations:

Mr. Skor provided the Executive Limitations/Staff Relations report. Interviews are in progress for the four investment positions. There was a good group of candidates and staff have conducted many interviews. The Communications & Outreach Director initial interviews have been completed. Staff plan to schedule second interviews in October. State email accounts have been created for Board and Committee members who are not state employees. This allows those members to access PeopleSoft to view their payroll information and W-2s. Fiscal staff will be contacting affected Board and Committee members to schedule a demonstration of PeopleSoft.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL TECHNOLOGY, QUARTERLY TFFR ENDS, AND EXECUTIVE LIMITATION/STAFF RELATIONS REPORTS.

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

NAYS: NONE

ABSENT: MR. KLIPFEL, MR. MICKELSON, AND MS. NESS

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 11:19 a.m.

Prepared by:

Missy Kopp, Assistant to the Board

