

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
OCTOBER 28, 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  
Claire Ness, PERS Board, Parliamentarian  
Mel Olson, TFFR Board  
Yvonne Smith, PERS Board

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

**GUESTS:** John Arnold, Insurance Dept  
Dean DePountis, Attorney General's Office  
Karlene Fine, Industrial Commission  
Candace Johnson, Securities Commission  
Keith Kempenich, Legacy/Budget Stab. Adv. Board  
Rachel Kriege, Insurance Dept  
Adam Montgomery, Securities Commission  
Andrea Pfennig, Greater ND Chamber  
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, October 28, 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, Ms. Ness, Mr. Olson, Lt. Gov. Sanford, and Ms. Smith.**

**ACCEPTANCE OF AGENDA:**

The Board considered the agenda for the October 28, 2022, meeting.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY DR. LECH 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, DR. LECH, MS. SMITH, AND LT. GOV. SANFORD**  
**NAYS: NONE**  
**MOTION CARRIED**

**MINUTES:**

The Board considered the minutes of the September 23, 2022, SIB meeting.

**IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE SEPTEMBER 23, 2022, MINUTES AS DISTRIBUTED.**

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

**BOARD EDUCATION:**

Currency:

Mr. Anderson provided education on how the price of currency impacts the investment portfolio. The uncertainty of the price of currency flows through and significantly impacts the returns of global market indexes, earnings of companies, and the cost of living.

**INVESTMENTS:**

Annual Performance Review:

Mr. Anderson provided the annual performance review as of June 30, 2022. When looking at the benchmark indices year to date, both equities and fixed income are not doing well. It is unusual for both equities and fixed income returns to be so low. The returns improved a small amount in August. In September there was an overall inflation decline, but it's not coming down in a dramatic way, so there is still much uncertainty. TFFR is very well diversified, has a good asset allocation, and has been diligently rebalanced. The 5-year performance puts TFFR in the top quartile compared to similar funds. PERS has strong returns over time which shows the benefits of actively managing the portfolio. The Legacy Fund is well diversified, and the Advisory Board is currently working on the asset allocation. The Legacy Fund has had very strong active returns. WSI is also well diversified. Because WSI is an insurance fund, it has much more fixed income which results in lower risk and returns. Active returns for WSI are good over the 3 and 5-year period. Overall, each of the plans have good asset allocations for the mandate in place. The performance of the benchmarks has done well, and the active returns have been beneficial to the funds. The report provides performance information for all SIB clients. Board discussion followed.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL PERFORMANCE REVIEW.**

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

Equity Transition Update:

Mr. Chin provided an update on the progress of the equity transition which the Board approved at the May 2022 meeting. As of yesterday, 95% of the transition has been completed. The transition has been a complex and nuanced transaction with approximately \$3.3 billion of add and \$3.3 billion of redemptions. There were over 1,900 securities on the sell list and over 5,400 on the buy list. Because of the complexity of the transition Northern Trust was brought on to assist with the process. The transition is expected to be complete on November 1, 2022.

The Board recessed at 10:07 a.m. and reconvened at 10:20 a.m.

Investment Policy Statement (IPS) Approvals:

Two Investment Policy Statements were provided to the Board for approval. Mr. Chin provided background on each IPS. The Cultural Endowment Fund's board chose their asset allocation and have approved the IPS for the Prairie Maintenance Endowment Fund, which now needs SIB approval.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MS. NESS AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE ARTS ACROSS THE PRAIRIE MAINTENANCE ENDOWMENT FUND IPS.**

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

**NAYS: NONE**

**MOTION CARRIED**

The Teachers' Fund for Retirement (TFFR) IPS was initially approved by the TFFR Board in April 2021, then by the SIB in May 2021. That version of the IPS had a more prescriptive allocation to broad US and non-US equities. Staff noticed that it was overly prescriptive, so brought the amended IPS to the TFFR Board for their approval at their July 2021 meeting. The IPS was not added to the SIB agenda, so staff is asking the Board to approve the TFFR IPS retroactive to July 2021.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE TFFR IPS RETROACTIVE TO JULY 2021.**

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

**NAYS: NONE**

**MOTION CARRIED**

**GOVERNANCE:**

Investment Committee Update:

Mr. Anderson provided an update from the first meeting of the SIB Investment Committee (IC). The IC had its first meeting on October 7, 2022. The SIB Chair appointed Treasurer Beadle as Committee Chair and Commissioner Heringer as Vice Chair. The other members of the IC are Mr. Anderson and Mr. Chin and two outside investment professionals, Dr. Prodosh Simlai from University of ND and Dr. Ruilin Tian from ND State University. Mr. Anderson provided the Committee with the Governance for Growth presentation which had previously been presented to the Board. There was discussion about the need to modify the governance manual to incorporate the IC. Staff provided proposed policy changes to the IC for discussion. Staff also provided a summary of the investment program activities to date so the outside members could become familiar with our investment program. Board discussion followed.

Governance and Policy Review (GPR) Committee Update:

Dr. Lech provided an update on the GPR Committee meeting on October 24, 2022. Staff presented the proposed SIB Governance Manual policy amendments to the Committee. Dr. Lech explained the process for the proposed amendments which were reviewed by the IC and the GPR Committee before being presented to the SIB for approval.

**IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE INTRODUCTION AND 1<sup>ST</sup> READING OF AMENDMENTS TO SIB GOVERNANCE MANUAL POLICIES B-5, B-7, E-1, E-2, E-3, E-4, E-5, E-7, E-8, E-9, E-10, AND EXHIBITS.**

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

**NAYS: NONE**

**MOTION CARRIED**

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

Mr. Anderson provided an update from the LBSFAB meeting on October 12, 2022. Representatives from RVK led a discussion regarding the asset allocation study for the Legacy Fund. There is a lot of uncertainty in the markets now and the possibility that legislation will affect the current in-state investment program, so the Advisory Board decided to keep the current asset allocation in place and reassess after legislative session is complete. RVK presented a draft investment policy for the Legacy Fund which reflects the requirements of the in-state program. The Advisory Board voted to approve the policy with a suggested amendment. RVK will bring the amended policy back to the next Advisory Board meeting. Board discussion followed.

Securities Litigation Committee:

Ms. Murtha provided an update on the Securities Litigation Committee meeting on September 27, 2022. The Committee elected Commissioner Heringer as the chair. The Committee received monitoring updates from the attorneys on active cases and one case that has been settled. The link to the meeting materials and agenda were provided.

Annual SIB Customer Satisfaction Survey Results:

Ms. Sauter shared the SIB Client Satisfaction Survey results. The survey is issued annually to fulfill the Governance Manual Policy Ends D-1. Eighteen surveys were sent to clients, and we received eleven responses. The overall score was 3.47 out of 4. There were a few comments shared which were all positive.

**IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE SIB CLIENT SATISFACTION SURVEY RESULTS.**

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

**NAYS: NONE**

**MOTION CARRIED**

**QUARTERLY MONITORING REPORTS:**

Annual Budget/Expense Report:

Mr. Skor reviewed the Annual Budget and Expense Report for the year ended June 30, 2022. The operating expenditures line includes the TFFR Pension Administration System (PAS) project. Without that project included, the operating expenditures line is at about 57% for budget available. Much of the budget for the PAS project will carry over to the next biennium. The report summarizes the schedule of consulting expenses and investment expenses. Board discussion followed.

Investment Ends:

Mr. Posch reviewed the Quarterly End Report for the quarter ending September 30, 2022. The equity harmonization project is almost complete. A similar proposal focused on fixed income was presented and approved by the Board at the September 2022 meeting. The transition for fixed income will occur soon. Interviews for the four new investment positions are completed and the new staff will start with RIO over the next couple of months. There are no investment managers currently on the watch list. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations report. Offers have been accepted for the four new investment positions and interviews are underway for the Chief Risk Officer position. The new Outreach and Communications Director will start in November. The new Retirement Accountant position will be posted soon. Ms. Murtha summarized current projects including the Legacy Fund asset allocation study, the TFFR Pioneer Project, Northern Trust initiative, and the Audit Consultant Request for Proposals. A list of staff presentations was provided. Board discussion followed.

**IT WAS MOVED BY MR OLSON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL BUDGET/EXPENSE, INVESTMENT ENDS, AND EXECUTIVE LIMITATION/STAFF RELATIONS REPORTS.**

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

**NAYS: NONE**

**MOTION CARRIED**

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 11:00 a.m.

Prepared by:

Missy Kopp, Assistant to the Board