

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
DECEMBER 16, 2022, BOARD MEETING (VIRTUAL)**

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
Joseph Herringer, Commissioner of Unv & School Lands
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Claire Ness, PERS Board, Parliamentarian
Mel Olson, TFFR Board
Yvonne Smith, PERS Board
Art Thompson, Director of WSI

MEMBERS ABSENT: Jon Godfread, Insurance Commissioner

STAFF PRESENT: Scott Anderson, CIO
Eric Chin, Deputy CIO
Derek Dukart, Investment Officer
Jecca Geffre, Communications & Outreach Dir.
Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec Assistant
George Moss, Sr. Investment Officer
Jan Murtha, Exec Dir.
Ann Nagel, Investment Accountant
Matt Posch, Sr. Investment Officer
Emmalee Riegler, Contracts/Records Admin.
Chad Roberts, DED/CRO
Sara Sauter, Internal Audit Supvr.
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor
Tami Volkert, Compliance Spec.
Susan Walcker, Sr. Financial Accountant
Jason Yu, Risk Officer

GUESTS: Nick Archuleta, ND United
Jace Beehler, Governor's Office
Alex Browning, Callan
Rebecca Fricke, PERS
Kelvin Hullet, BND
Brenna Jessen, Securities Commission
Candace Johnson, Securities Commission
Bryan Klipfel, Retiring Director of WSI
Rachel Kriege, Insurance Dept
Scott Miller, PERS
Adam Montgomery, Securities Commission
Colton Schulz, Insurance Department
Members of the Public

CALL TO ORDER:

Lt. Gov. Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:53 a.m. on Friday, December 16, 2022. The meeting was held virtually.

The following members were present representing a quorum: Treasurer Beadle, Commissioner Heringer, Dr. Lech, Mr. Mickelson, Mr. Miller, Ms. Ness, Lt. Gov. Sanford, Ms. Smith, and Mr. Thompson.

Mr. Olson was in attendance via Microsoft Teams but was not able to unmute for votes.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the December 16, 2022, meeting.

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

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD AND MR. OLSON

MOTION CARRIED

MINUTES:

The Board considered the minutes of the November 18, 2022, SIB meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. NESS AND CARRIED BY A VOICE VOTE TO APPROVE THE NOVEMBER 18, 2022, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD AND MR. OLSON

MOTION CARRIED

INVESTMENTS:

Legacy Fund Investment Policy Statement (IPS):

Mr. Anderson reviewed the updated Legacy Fund IPS. The Legacy and Budget Stabilization Advisory Board has been working with RVK to update the IPS to help with the implementation of the in-state investment program. The Advisory Board did not change the asset allocation because of market turbulence but plans to reassess the allocation in the spring of 2023. An error was noted on the second page. Staff will correct the error. The IPS has been approved by the Advisory Board and now requires approval from the SIB. Board discussion followed.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE LEGACY FUND IPS AS AMENDED.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, MR. OLSON, AND MS. SMITH

MOTION CARRIED

GOVERNANCE:

2023 Legislative Session Update:

Ms. Murtha provided an update on the SIB composition bill that was submitted by RIO. Mr. Anderson reviewed the implementation of three bills from the 2021 Legislative Session. HB 1425 created an in-state manager preference and an in-state investment program. With almost \$300 million committed, ND has one of the largest in-state investment programs in the nation. Staff have been reaching out to in-state managers to find out their capabilities and desire as the staff works to implement investment mandates.

For HB 1380 we have created the Legacy Earnings Fund and a percent of market value (POMV) spending rule without amending the definition of earnings. The POMV of 7% for the current biennium is \$486 million. The earnings include realized gains and losses. The amount of earnings available for transfer will be in flux through May of 2023.

SB 2291 prohibits social investing. SIB client funds are managed by external managers. Staff meet with all managers at least twice per year as part of their due diligence process. All managers are asked if they are managing the funds for the exclusive benefit of the beneficiaries. Managers know they are required to follow the prudent investor rule and their incentives are aligned with this rule. Managers are instructed to vote proxies to maintain or improve shareholder value for the exclusive benefit of the client fund. Staff take this process very seriously.

Board discussion followed.

QUARTERLY MONITORING REPORTS:

Quarterly Budget/Expense Report:

Mr. Skor provided the Budget & Expense report for the quarter ended on September 30, 2022. There is a significant appropriation amount related to the TFFR PAS project which skews the available budget amount. Mr. Skor reviewed the expenditure summary and PAS project status. Board discussion followed.

Quarterly TFFR Ends:

Mr. Roberts reviewed the TFFR Ends Report for the period ended September 30, 2022. The Communications and Outreach Director and Accounting Intern positions were posted. RIO's NDIT Business Analyst resigned, and Mr. Roberts participated with NDIT in the hiring process for that position. The TFFR GPR Committee established a workplan to complete a full review of the TFFR Policy Manual. Ms. Murtha provided testimony to the Retirement Committee regarding impacts to the TFFR plan relating to the proposal to close the PERS defined benefit plan. Board discussion followed.

Quarterly Internal Audit Report:

Ms. Seiler provided the Quarterly IA Report. The SIB Audit Committee met on November 15, 2022, and approved the first quarter IA Activities Report and received an update on current IA activities. CliftonLarsonAllen (CLA) presented the FY 2022 Financial Statement Audit which had an unmodified "clean" opinion. The GASB 68 Schedule Audit included testing of 12 employers and 137 employees. There was one employer finding which was immaterial. IA completed a payroll audit for the agency which resulted in one recommendation. The TFFR File Maintenance Audit was completed, and IA provided two recommendations. A Request for Proposals (RFP) was issued to evaluate internal audit and the agency's future needs in this area. The bid was awarded to Weaver & Tidwell, LLP and a kickoff took place in November 2022. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. The reorganization of the TFFR Compliance Specialist and Retirement Accountant positions was the final phase of the reorganization of the Retirement Services

Division. The Retirement Accountant position has been posted. Three new investment staff started in November and the fourth position has been filled with an expected start date of January. Staff have been conducting interviews for the Chief Risk Officer position. The new Accounting Intern started earlier in December. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE QUARTERLY BUDGET/EXPENSE, TFFR ENDS, INTERNAL AUDIT, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD AND MR. OLSON

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 9:55 a.m.

Prepared by:

Missy Kopp, Assistant to the Board