

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
FEBRUARY 17, 2023, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Thomas Beadle, State Treasurer
Jon Godfread, Insurance Commissioner
Joseph Herringer, Commissioner of Univ. & 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: Dr. Rob Lech, TFFR Board, Vice Chair

STAFF PRESENT: Scott Anderson, CIO
Eric Chin, Deputy CIO
Derek Dukart, Investment Officer
Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec Assistant
George Moss, Sr. Investment Officer
Jan Murtha, Exec Dir.
Matt Posch, Sr. Investment Officer
Emmalee Riegler, Contracts/Records Admin.
Sara Seiler, Internal Audit Supvr.
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor
Tami Volkert, Compliance Spec.
Jason Yu, Risk Officer

GUESTS: Craig Chaikin, Callan
Dean DePountis, Attorney General's Office
Kodee Furst, 50 South Capital
Trey Hart, 50 South Capital
Members of the Public

CALL TO ORDER:

Lt. Gov. Miller, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, February 17, 2023. 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. Mickelson, Lt. Gov. Miller, Mr. Miller, and Mr. Olson.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the February 17, 2023, meeting.

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

AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, COMMISSIONER GODFREAD, MR. OLSON, MR. MICKELSON, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: DR. LECH, MS. NESS, MR. THOMPSON, AND MS. SMITH

MOTION CARRIED

MINUTES:

The Board considered the minutes of the January 27, 2023, SIB meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JANUARY 27, 2022, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, TREASURER BEADLE, COMMISSIONER GODFREAD, MR. OLSON, MR. MILLER, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: DR. LECH, MS. NESS, MR. THOMPSON, AND MS. SMITH

MOTION CARRIED

Ms. Ness joined the meeting at 8:35 a.m.

INVESTMENTS:

HB 1425 Background:

Ms. Murtha provided background on the requirements of HB 1425 and reviewed past discussion and actions by the SIB related to implementation. There are three key components to HB 1425. The preference program for in-state managers has been implemented by staff through outreach to in-state vendors to assess their interest and capabilities. Staff has received positive feedback about their outreach efforts. The other components are the 10% equity and 10% fixed income requirements. Ms. Murtha reviewed the in-state program rollout timeline and the current status. The Bank of ND is the in-state fixed income manager with over \$190 million in capital committed. 50 South is the in-state equity manager with \$100 million in capital committed to the ND Growth Fund. With almost \$300 million committed, ND has one of the largest in-state investment programs in the nation. Board discussion followed.

Legacy Fund & In-State Investment Program Update:

Mr. Anderson provided an update on the Legacy Fund and In-State Investment program. The Legacy Fund has grown dramatically to about \$8.5 billion. The fund is quite liquid because up to 15% can be called on to transfer to the general fund. \$1.3 billion has been transferred to the general fund so far. Mr. Anderson described how earnings are calculated, the definition of transferrable earnings, and fund performance. Mr. Anderson discussed the impacts of in-state investing on the asset allocation of the fund and the status of the in-state project. There is a general consensus that the goals of 1425 are beneficial, but refinement of the statute can help to more effectively achieve those goals. A bill is currently pending that would set a 3.5% of market value spending rule, smaller equity allocation, and eliminate the infrastructure loan program. Board discussion followed.

Ms. Smith joined the meeting at 9:13 a.m.

ND Growth Fund Update:

Ms. Furst and Mr. Hart, 50 South Capital, provided background and an update on the ND Growth Fund (NDGF). Ms. Furst reviewed the fund-of-funds overview, internal due diligence process, and investment process. The NDGF is building a diversified portfolio across vintage, sector, and strategy that is unified by a

commitment to invest in ND entrepreneurs. As of February 7, 2022, the NDGF has \$100 million in committed capital. Ms. Furst provided background on the NDGF investment portfolio. Board discussion followed.

GOVERNANCE:

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the IC meeting on February 10, 2023. There was an update on the Legacy Fund and presentation regarding country risk and a plan to monitor this risk. 50 South presented on the ND Growth Fund. The Committee also discussed current legislation with potential impacts on the investment program. Board discussion followed.

Executive Review & Compensation Committee (ERCC) Update:

Ms. Seiler reviewed the results of the SIB Self-Assessment which was distributed to Board members in January. All questions in the survey scored above a 3 on a 4-point scale and most comments were positive. Comments indicated that members appreciate the work done by the new Governance and Policy Review Committee, increased Board education, and the hard work by staff as they deal with many changes within the agency. An area the ERCC has identified as an opportunity for growth was question 6, "I find my participation on the Board to be stimulating and rewarding." Mr. Miller provided background on the self-assessment and how the results can be used by Board members. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE SIB SELF-ASSESSMENT RESULTS AS PRESENTED.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD, DR. LECH, AND MR. THOMPSON

MOTION CARRIED

QUARTERLY MONITORING REPORTS:

Budget/Financial Conditions:

Mr. Skor reviewed the quarterly budget and expense report for the quarter ended December 31, 2022. The report breaks out expenses including investment expenses, TFFR member payments, and budgeted expenses. The Pioneer project is on budget. Much of that budget will be carried over into the next biennium.

Internal Audit Activities:

Ms. Seiler provided the second quarter Internal Audit (IA) update. The SIB Audit Committee met on February 15, 2023. The Committee approved the second quarter IA activities and Executive Limitations audit. IA performed an employee exit review which IA performs when there is a sudden resignation or separation of an employee. IA reviews files to see if anything needs to be addressed. After the review, IA recommended the creation of a general email address for media and open records inquiries. The email would be monitored by multiple employees to prevent disruption to responses. IA also recommended adding an internal policy that staff members cannot add external people to internal RIO Team Channels without approval. IA also recommended annual governance education for Board members focusing on governance structure.

Mr. Thompson joined the meeting at 10:26 a.m.

Executive Limitations/Staff Relations:

Mr. Skor provided an update on staffing at RIO. The Chief Risk Officer starts on February 21, 2023. The Investment Accountant position is open because that staff person moved into the Retirement Accountant position. Interviews for that position have been scheduled. The new Senior Investment Officer starts on March 20, 2023, and the Communications and Outreach Director position offer has been accepted with an anticipated start date in March. Current projects include the Legacy Fund asset allocation project, Pioneer Project, Northern Trust Initiative, and the IA Business Process review. A list of meetings attended and legislative testimony provided by staff are included.

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE BUDGET/FISCAL CONDITIONS, INTERNAL AUDIT ACTIVITIES, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

**ABSENT: COMMISSIONER GODFREAD AND DR. LECH
MOTION CARRIED**

2023 Legislative Session Update:

Mr. Skor provided an update on the 2023 Legislative Session and bills that may be impactful to RIO programs. RIO's budget bill was approved by the subcommittee with only a small adjustment to the language in one of the requests. Staff continue to provide testimony on behalf of the Boards on bills that impact the TFFR or investment programs including multiple bills relating to Environmental, Social, Governance (ESG) investments. Ms. Murtha will send an email to Board members next week before cross over with an update on the bills staff are tracking. Board discussion followed.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 10:39 a.m.

Prepared by:

Missy Kopp, Assistant to the Board