

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MARCH 24, 2023, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer
Joseph Heringer, 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
Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec. Assistant
George Moss, Sr. Investment Officer
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Dir.
Ann Nagel, Retirement Accountant
Matt Posch, Sr. Investment Officer
Emmalee Riegler, Contracts/Records Admin.
Chad Roberts, DED/CRO
Sara Seiler, Internal Audit Supvr.
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor
Nitin Vaidya, Chief Risk Officer
Tami Volkert, Compliance Spec.
Susan Walcker, Sr. Financial Accountant
Jason Yu, Risk Officer
Lance Zietlow, Sr. Investment Officer

GUESTS: Alex Browning, Callan
Dean DePountis, Attorney General's Office
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, March 24, 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 Heringer, Dr. Lech, Mr. Mickelson, Lt. Gov. Miller, Mr. Miller, Ms. Ness, Mr. Olson, and Ms. Smith.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the March 24, 2023, 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, MS. NESS, DR. LECH, MS. SMITH, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD AND MR. THOMPSON

MOTION CARRIED

MINUTES:

The Board considered the minutes of the February 17, 2023, SIB meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE FEBRUARY 17, 2023, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD AND MR. THOMPSON

MOTION CARRIED

INVESTMENTS:

Market Trends and Performance Update:

Mr. Browning, Callan, shared an update on market trends. Inflation drove markets through the end of 2022. Mr. Browning reviewed the primary categories that contributed to recent inflation and performance trends across asset classes. Performance for the quarter ended December 31, 2022, was reviewed. Each of the Trust's asset allocations were within policy ranges. Each Trust's cash flows were managed to rebalance towards strategic targets. Total Fund returns have each exceeded their respective benchmarks on a net-of-fee basis for the trailing five-year period. Board discussion followed.

Mr. Thompson joined the meeting at 9:20 a.m.

IT WAS MOVED BY MS. SMITH AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE PERFORMANCE REVIEW.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD

MOTION CARRIED

Investment Program Update:

Mr. Chin provided an update on the fixed income transition. The object of the transition is to harmonize the investment grade portfolios across pools. This transition has been complex. Staff looked for ways to reduce costs using inter-pool transfers and crossing. State Street Global Markets (SSGM) was hired as the transition manager. The transition began in January 2023 and ramped up on March 6, 2023. Staff expect the transition to be mostly complete on April 1, 2023. Next steps will include a reconciliation and post trade review of the transition with SSGM. Staff will continue portfolio analysis across asset classes and begin work on the Investment Grade Fixed Income Portfolio 2.0 project. Board discussion followed.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. THOMPSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT PROGRAM UPDATE.

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

NAYS: NONE

ABSENT: COMMISSIONER GODFREAD

MOTION CARRIED

The Board recessed at 9:35 a.m. and reconvened at 9:48 a.m.

GOVERNANCE:

2023 Legislative Session Update:

Ms. Murtha reviewed the bills that staff are tracking and that may be of interest to the Board. HB 1088 is the SIB composition bill. The House had amended the bill, but the Senate returned the bill to the original version except making the Legacy and Budget Stabilization Advisory Board (LBSAB) representative a voting member. An amendment was also added to replace the Insurance Commission with the OMB Director on the LBSAB. This version passed the Senate and was sent back to the House. Staff are following three Legacy Fund related bills and four remaining Environment, Social, Governance (ESG) related bills. Board discussion followed.

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the March 10, 2023, IC meeting. The Committee received an update on the second quarter investment performance and the status of the fixed income transition. The Committee discussed future meeting agendas and received a legislative update.

Governance & Policy Review (GPR) Committee:

Dr. Lech and Ms. Murtha provided an update from the March 22, 2023, GPR meeting. The Committee reviewed the SLC charter which is coming before the SIB today. The Committee discussed new Board member onboarding, including a new member handbook.

Securities Litigation Committee (SLC):

Ms. Murtha provided an update from the March 21, 2023, SLC meeting. The Committee received case updates from outside counsel on four cases and the securities litigation monitoring report. The Committee approved participation in a new action and approved seeking an arrangement with FRT and a local organizer to facilitate participation. The jurisdiction is in the Netherlands and exceeded the policy threshold amount for participation. The Committee reviewed and recommended approval of changes to the Committee charter.

Ms. Murtha reviewed the recommended changes to the SLC charter. The current SLC membership is two SIB members, two staff, and the Assistant Attorney General (AAG) who serves as legal counsel for the Board. The makeup has made it difficult for staff to prepare for meetings while trying to avoid a quorum. It is also problematic for the AAG to serve as a committee member and legal counsel at the same time. The Committee's recommended change to the charter is to change the membership to three Board members, removing staff and the AAG. A committee charter change only requires one reading before the Board decides to approve it.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. THOMPSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT CHANGES TO THE COMMITTEE CHARTER AS PRESENTED.

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

NAYS: NONE
ABSENT: COMMISSIONER GODFREAD
MOTION CARRIED

Lt. Gov. Miller appointed Mr. Thompson to the SLC.

Executive Review & Compensation Committee (ERCC) Update:

Mr. Miller provided an update from the March 15, 2023, ERCC meeting. The Committee discussed and approved some surveys that will be sent to the Boards concerning the ED evaluation. The surveys will be sent by Ms. Seiler via Survey Monkey. The ERCC will have oversight on the performance compensation program along with the Investment Committee. The SIB will have final approval of the plan. The Committee discussed the next steps on compensation changes which will be a topic of discussion after the completion of legislative session.

QUARTERLY MONITORING REPORTS:

Quarterly TFFR Ends Report:

Mr. Roberts reviewed the annual TFFR Ends report. The report summarizes and provides metrics for performance of the TFFR program to demonstrate that the program is adhering to policies and expectations. Key areas covered by the report are membership data and contributions, member services, account claims, and trust fund evaluation.

Executive Limitations/Staff Relations:

Ms. Murtha provided an update on staffing at RIO. The Accounting Intern will be done at the end of the current semester. The Investment Accountant position was posted and extended to reach more candidates. Interviews were completed for a summer Legal Intern. Current projects include the TFFR Pioneer project, TFFR Actuarial Services request for proposal (RFP), Legacy Fund Asset Allocation study, and Northern Trust Initiative. The ERCC is beginning the process for the annual review of the ED. Surveys will be sent to Board members for their feedback. The ERCC is also collecting survey data related to the performance of the DED/CRO from the Board to assist the ED in the performance review of this position.

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY TFFR ENDS AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 10:30 a.m.

Prepared by:

Missy Kopp, Assistant to the Board