

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 21, 2023, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Rep. Glenn Bosch, LBSFAB
Joseph Heringer, Commissioner of Univ. & School Lands
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Susan Sisk, Director of OMB
Mona Tedford-Rindy, PERS Board

MEMBER ABSENT: Sen. Jerry Klein, LBSFAB
Art Thompson, Director of WSI

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, Procurement/Records Coord.
Chad Roberts, DED/CRO
Mike Schmitzke, Sr. Investment Accountant
Sara Seiler, Internal Audit Supvr.
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor
Lindsey Trotter, Legal Intern
Nitin Vaidya, Chief Risk Officer
Tami Volkert, Compliance Spec.
Susan Walcker, Sr. Financial Accountant
Jason Yu, Risk Officer
Lance Zietlow, Sr. Investment Officer

GUESTS: Craig Chaikin, Callan
Dean DePountis, Attorney General's Office
Matt Gertken, BCA Research
Scott Miller, PERS
Prodosh Simlai, UND
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, July 21, 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, Rep. Bosch, Commissioner Heringer, Dr. Lech, Mr. Mickelson, Lt. Gov. Miller, Mr. Miller, Ms. Rindy and Ms. Sisk.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the July 21, 2023, meeting.

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

AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, MS. SISK, REP. BOSCH, MR. MICKELSON, DR. LECH, MS. RINDY AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. THOMPSON

MOTION CARRIED

MINUTES:

The Board considered the minutes of the May 19, 2023, SIB meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY REP. BOSCH AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 19, 2023, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MS. RINDY, TREASURER BEADLE, DR. LECH, MS. SISK, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. THOMPSON

MOTION CARRIED

ELECTION OF OFFICERS AND COMMITTEE APPOINTMENTS:

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. MILLER AND CARRIED BY A ROLL CALL VOTE TO CAST A UNANIMOUS BALLOT WITH LT. GOV. MILLER AS SIB CHAIR AND DR. LECH AS VICE CHAIR.

AYES: REP. BOSCH, COMMISSIONER HERINGER, MR. MICKELSON, MS. SISK, MS. RINDY, MR. MILLER, TREASURER BEADLE, DR. LECH, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. THOMPSON

MOTION CARRIED

Lt. Gov. Miller appointed Treasurer Beadle as the Parliamentarian.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. SISK AND CARRIED BY A ROLL CALL VOTE TO CAST A UNANIMOUS BALLOT WITH MR. MILLER, TREASURER BEADLE, MR. MICKELSON, DINA CASHMAN, AND TODD VAN ORMAN AS AUDIT COMMITTEE MEMBERS.

AYES: TREASURER BEADLE, MR. MICKELSON, REP. BOSCH, COMMISSIONER HERINGER, MS. RINDY, DR. LECH, MR. MILLER, MS. SISK, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. THOMPSON

MOTION CARRIED

IT WAS MOVED BY MR. MILLER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO CAST A UNANIMOUS BALLOT WITH DR. LECH, TREASURER BEADLE, AND MS. SISK AS GOVERNANCE & POLICY REVIEW COMMITTEE MEMBERS.

AYES: MS. RINDY, MR. MILLER, MR. MICKELSON, DR. LECH, REP. BOSCH, MS. SISK, COMMISSIONER HERINGER, TREASURER BEADLE, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. THOMPSON

MOTION CARRIED

Lt. Gov. Miller appointed Sen. Klein, Dr. Lech, and Treasurer Beadle to the Executive Review & Compensation Committee.

Lt. Gov. Miller appointed Treasurer Beadle as chair, Commissioner Heringer as vice chair, and Dr. Simlai, Dr. Tian, Mr. Anderson, and Mr. Chin as members of the Investment Committee.

Lt. Gov. Miller appointed Commissioner Heringer, Mr. Thompson, and Ms. Rindy as members of the Securities Litigation Committee.

EDUCATION:

Country Risk:

Mr. Matt Gertken, BCA Research, provided Board education on geopolitics and markets. Mr. Gertken provided an overview of the geopolitical method, an explanation of geopolitical risk in relation to investments, and a discussion about the three major economies of the U.S., China, and the EU. Board discussion followed.

INVESTMENTS:

Legacy Fund Investment Policy Statement (IPS):

Mr. Anderson provided background on the Legacy Fund asset allocation project undertaken by the LBSAB. The Advisory Board worked with RVK to update the asset allocation in relation to the in-state investment program. After initiatives that were passed during legislative session earlier this year, adjustments were made to the in-state program and the earnings definition for the Legacy Fund. With these changes in place, the asset allocation was updated and the IPS was approved by the LBSAB and now requires approval by the SIB. Mr. Anderson reviewed the changes to the Legacy Fund IPS. Board discussion followed.

IT WAS MOVED BY MR. MILLER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE LEGACY FUND IPS.

AYES: TREASURER BEADLE, MS. SISK, REP. BOSCH, COMMISSIONER HERINGER, DR. LECH, MR. MILLER, MR. MICKELSON, MS. RINDY, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. THOMPSON

MOTION CARRIED

Quarterly Performance Review:

Mr. Anderson provided the performance review for the quarter ended March 31, 2023. Mr. Anderson reviewed market conditions for the quarter. PERS and TFFR returns were reviewed and an illustration of the benefit of active management was provided. Legacy Fund and WSI returns were reviewed. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT PERFORMANCE REVIEW.

AYES: REP. BOSCH, MS. SISK, TREASURER BEADLE, COMMISSIONER HERINGER, DR. LECH, MR. MILLER, MS. RINDY, MR. MICKELSON, AND LT. GOV. MILLER

NAYS: NONE

**ABSENT: SEN. KLEIN AND MR. THOMPSON
MOTION CARRIED**

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

Agenda item VI. D. was moved up. Rep. Bosch provided an update from the LBSFAB meeting in June of 2023. The Advisory Board completed work on the Legacy Fund asset allocation and IPS. The Advisory Board is looking forward to implementation after all the work that has been done. Ms. Murtha thanked everyone involved in the effort to realize the potential for the Legacy Fund and in-state investment program. Board discussion followed.

Rep. Bosch left the meeting at 10:22 a.m.

The Board recessed at 10:22 a.m. and reconvened at 10:39 a.m.

GOVERNANCE:

Governance & Policy Review (GPR) Committee Update:

Dr. Lech provided an update from the June 20, 2023, and July 17, 2023, GPR meetings. The Committee discussed new Board member recommendations and the SIB Governance Manual review project. The Committee recommends providing the Governor's Office with characteristics of the two institutional investment positions instead of a slate of candidates. Board discussion followed.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE GPR COMMITTEE UPDATE.

AYES: MS. SISK, MS. RINDY, MR. MILLER, TREASURER BEADLE, MR. MICKELSON, COMMISSIONER HERINGER, DR. LECH, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH, SEN. KLEIN, AND MR. THOMPSON

MOTION CARRIED

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the July 14, 2023, IC meeting. The IC reviewed the Legacy Fund IPS and received presentations on private market strategy, secondary guidelines, and bank risk. Mr. Anderson shared that the IC had received various strategy presentations which will be summarized in a presentation for the SIB at an upcoming meeting. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE SECOND READING AND FINAL ADOPTION OF AMENDED POLICY E-3 AND NEW EXHIBIT E-III.

AYES: DR. LECH, TREASURER BEADLE, COMMISSIONER HERINGER, MR. MILLER, MS. SISK, MR. MICKELSON, MS. RINDY, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH, SEN. KLEIN, AND MR. THOMPSON

MOTION CARRIED

Securities Litigation Committee (SLC) Update:

Ms. Murtha provided an update from recent SLC meetings. The Committee received updates from outside counsel on pending litigation, a securities litigation monitoring report, and discussed the Special Attorney General (AG) appointment process. There was not a defined process for the SLC to choose special AGs on

behalf of the Board. Mr. DePountis conducted outreach with other plans to receive information on their processes. The Committee moved forward with a more formalized process and asked staff to prepare an RFP for approval at the September meeting for the purposes of establishing a securities litigation counsel roster.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE SLC UPDATE.

AYES: MS. SISK, COMMISSIONER HERINGER, MR. MICKELSON, MS. RINDY, MR. MILLER, DR. LECH, TREASURER BEADLE, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH, SEN. KLEIN, AND MR. THOMPSON

MOTION CARRIED

QUARTERLY MONITORING REPORTS:

Investment Ends:

Mr. Chin reviewed the Quarterly Investment Ends Report for the quarter ended June 30, 2023. The Investment Team recommended a transition for the plan policy benchmarks from static to dynamic corridor weighting. The recommendation was approved by the IC and SIB. Strategies from each investment vertical have been provided to the IC. Several changes to the portfolio were recommended and approval was received from the IC. A quarterly monitoring report was provided. Board discussion followed.

TFFR Ends:

Mr. Roberts provided the TFFR Ends report for the quarter ended March 31, 2023. This report highlights exceptions to the normal operating conditions of the TFFR program. During the quarter there were changes to the federal income tax collection guidelines and a new withholding form. This resulted in an increase in calls and visits from TFFR members. Staff prepared and provided legislative testimony during the session. The actuarial audit was completed and an RFP for actuarial services was reviewed, approved, and issued. The Communications and Outreach Director, Sarah Mudder joined the agency. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided an update on staffing. Two of the new FTEs that were granted as part of RIO's budget have been posted. The Sr. Investment Accountant position was posted internally and filled by Mr. Schmitcke. The Investment Accountant position which he vacated, will be posted soon. The other new position is the Fiscal/Investment Administrative Assistant which has been posted and closed. Interviews will be conducted soon. Ms. Murtha reviewed current projects, initiatives, Executive Director education activities, and staff presentations. There is a new Board member onboarding process that has been developed by the GPR Committee. The first session is scheduled for August 2, 2023. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY INVESTMENT ENDS, TFFR ENDS, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MS. RINDY, TREASURER BEADLE, DR. LECH, MS. SISK, MR. MILLER, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH, SEN. KLEIN, AND MR. THOMPSON

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 11:21 a.m.

Prepared by: Missy Kopp, Assistant to the Board