

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

MEMBERS PRESENT:

Tammy Miller, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Pete Jahner, Investment Professional
Sen. Jerry Klein, LBSFAB
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Dr. Prodosh Simlai, Investment Professional
Susan Sisk, Director of OMB
Art Thompson, Director of WSI

MEMBERS ABSENT:

Rep. Glenn Bosch, LBSFAB
Joseph Heringer, Commissioner of Unv. & School Lands

STAFF PRESENT:

Scott Anderson, CIO
Eric Chin, Deputy CIO
Derek Dukart, Investment Officer
Jennifer Ferderer, Fiscal/Investment Admin.
Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec. Assistant
George Moss, Sr. Investment Officer
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Dir.
Matt Posch, Sr. Investment Officer
Emmalee Riegler, Procurement/Records Coord.
Chad Roberts, DED/CRO
Sara Seiler, Internal Audit Supvr.
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor
Nitin Vaidya, Chief Risk Officer
Susan Walcker, Sr. Financial Accountant
Jason Yu, Risk Officer
Lance Zietlow, Sr. Investment Officer

GUESTS:

Dean DePountis, Attorney General's Office
Marc Gesell, Verus Consulting
Derrick Hohbein, PERS
Candace Johnson, Securities Commission
Adam Montgomery, Securities Commission
Eileen Neill, Verus Consulting
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, November 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, Mr. Jahner, Sen. Klein, Dr. Lech, Mr. Mickelson, Lt. Gov. Miller, Mr. Miller, Dr. Simlai, Ms. Sisk, and Mr. Thompson.

ACCEPTANCE OF AGENDA:

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

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

AYES: TREASURER BEADLE, MR. MILLER, MS. SISK, MR. THOMPSON, DR. SIMLAI, MR. MICKELSON, SEN. KLEIN, DR. LECH, MR. JAHNER, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERRINGER

MOTION CARRIED

MINUTES:

The Board considered the minutes of the October 26, 2023, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE OCTOBER 26, 2023, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MR. THOMPSON, TREASURER BEADLE, DR. LECH, MR. JAHNER, MS. SISK, SEN. KLEIN MR. MILLER, DR. SIMLAI, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERRINGER

MOTION CARRIED

INVESTMENTS:

Quarterly Performance Review:

Mr. Chaikin, Callan, provided a performance update as of September 30, 2023, including an overview of the economy and how that has affected performance. Each of the Trust's asset allocations were within policy ranges and cash flows were managed to rebalance towards strategic targets. All Total Fund returns have each exceeded their respective static benchmarks on a net-of-fee basis for the trailing five-year period ended September 30, 2023. In most cases, Total Fund net-of-fee results exceed benchmark.

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

AYES: SEN. KLEIN, DR. SIMLAI, MS. SISK, MR. MICKELSON, MR. MILLER, TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, DR. LECH, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERRINGER

MOTION CARRIED

Pathway to Strategy:

Mr. Anderson reviewed the next steps in the implementation of the internal investment management initiative. An overview was provided of the necessary capabilities and near-term timeline of activities. Board discussion followed.

Benchmark Memo:

Ms. Neill and Mr. Gesell, Verus, reviewed the Strategic Benchmark Recommendations for the strategic asset classes which comprise the asset allocation polices overseen by the SIB. Selecting benchmarks is an

important decision and provides the method for evaluating the success of the respective investment program objectives. The desirable qualities of benchmarks were reviewed. The recommended benchmarks were presented. Board discussion followed.

The Board recessed at 10:31 a.m. and reconvened at 10:42 a.m.

GOVERNANCE:

Strategic Communication Plan:

Ms. Mudder presented the Strategic Communication Plan. A strategic communication plan outlines who the target audience is, when we need to communicate with them, and the channels that will be used. The plan should support agency goals, be research based, and use input from stakeholders. Ms. Mudder reviewed the communication goals and outlined the methods to achieve the goals. Progress will be monitored and shared with the Board. Board discussion followed.

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE STRATEGIC COMMUNICATION PLAN.

AYES: MR. MILLER, MR. MICKELSON, DR. LECH, MR. JAHNER, MS. SISK, MR. THOMPSON, DR. SIMLAI, TREASURER BEADLE, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERRINGER

MOTION CARRIED

Governance & Policy Review (GPR) Committee Update:

Dr. Lech provided an update from the November 9, 2023, GPR meeting. The Committee continued their review of the SIB Governance Manual and discussed the strategic review process for RIO. The draft plan will be presented to the GPR Committee for feedback. Dr. Lech discussed the “BHAGs” (Big Hairy Audacious Goals) that the Committee suggested including transitioning the PERS program and the Land assets to RIO, and a more active role for the agency in the outcomes of the cash management study. Staff will review the suggested goals, create a draft plan, and present the plan to the GPR Committee then the SIB. Board discussion followed.

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the November 7, 2023, IC meeting. The IC received a presentation of the Benchmark Memo from Verus and recommended approval by the SIB. Staff provided a Private Equity and Private Real Estate strategy update and a presentation on Machine Learning and Investments. Board discussion followed.

QUARTERLY MONITORING REPORTS:

Quarterly Audit Activities Report:

Ms. Seiler provided an update on Internal Audit (IA) activities. At the November 14, 2023, meeting of the Audit Committee, the external auditor presented the June 30, 2023, Fiscal Year Financial Statement Audit result. There was an unmodified clean opinion, and no material weaknesses or significant deficiencies were identified. The Committee reviewed and approved an RFP and the proposed workplan for IA development. Board discussion followed.

Quarterly Budget/Expense Report:

Mr. Skor reviewed the Budget/Expense Report for the quarter ended September 30, 2023. The report includes the budget appropriation status, expenditure summary, and pension administration project status.

Quarterly TFFR End Report:

Mr. Roberts provided the TFFR Ends report for the quarter ended September 30, 2023. Staff and the pension administration system vendor completed Pilot three of the Pioneer Project and began pilot four of the system design phase. The Accounting Intern completed her time at RIO in August 2023. Staff attended the Governor's Summit on Innovative Education. The publication of an active member newsletter resumed and was delivered via the GovDelivery system. The open Retirement Specialist position was filled internally.

Executive Limitations/Staff Relations:

Ms. Murtha reviewed RIO's strategic planning process. Board members will receive a brief survey. The responses will be used during the initial discussion with staff. Staff will present the draft strategic plan to the TFFR & SIB GPR Committees in February so both groups can provide feedback. The final plan will be presented to the Governor's Office and Boards in March.

Ms. Murtha provided an update on New Board Member Onboarding, Staffing, and ongoing projects. RIO received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association and the TFFR program received the Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council. The results of the 2023 RIO Engagement Survey were provided. Board discussion followed.

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

AYES: SEN. KLEIN, MS. SISK, DR. LECH, MR. MILLER, TREASURER BEADLE, DR. SIMLAI, MR. MICKELSON, MR. JAHNER, MR. THOMPSON, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERRINGER

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 11:52 a.m.

Prepared by: Missy Kopp, Assistant to the Board