

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MARCH 28, 2025, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT:

Kelly Armstrong, 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
Joe Morrisette, Director of OMB
Dr. Prodosh Simlai, Investment Professional
Gerald Buck, PERS Board,
Art Thompson, Director of WSI

MEMBERS ABSENT:

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

STAFF PRESENT:

Scott M. Anderson, CIO
Eric Chin, Deputy CIO/Head of AFM
Cory Cox, Public Funds Analyst
Derek Dukart, Sr. Investment Analyst
Jennifer Ferderer, Fiscal/Investment Admin.
Chirag Gandhi, Portfolio Mgr.
Brian Hermanson, Investment Accountant
Rachel Kmetz, Interim CFO/COO
Missy Kopp, Executive Assistant
Robbie Morey, Investment Accountant
George Moss, Portfolio Mgr.
Sarah Mudder, Communications/Outreach Dir.
Matt Posch, Portfolio Mgr.
Emmalee Riegler, Procurement/Records Coord.
Chad Roberts, DED/CRO
Mike Schmitcke, Sr. Investment Accountant
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Interim Executive Director
Nitin Vaidya, Chief Risk Officer
Jason Yu, Risk Officer
Lance Zietlow, Portfolio Mgr.

GUESTS:

Marc Gesell, Verus
Eileen Neill, Verus
Members of the Public

CALL TO ORDER:

Gov. Armstrong, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, March 28, 2025. The meeting was held virtually.

The following members were present representing a quorum: Treasurer Beadle, Mr. Miller, Mr. Buck, Mr. Thompson, Dr. Simlai, Mr. Mickelson, Sen. Klein, Dr. Lech, Mr. Morrisette, Mr. Jahner, and Gov. Armstrong

AGENDA:

The Board considered the agenda for the March 28, 2025, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE MARCH 28, 2025, AGENDA.

**AYES: TREASURER BEADLE, MR. MILLER, MR. BUCK, MR. THOMPSON, DR. SIMLAI, MR. MICKELSON, SEN. KLEIN, DR. LECH, MR. MORRISSETTE, MR. JAHNER, AND GOV. ARMSTRONG
NAYS: NONE
ABSENT: REP. BOSCH AND COMMISSIONER HERINGER
MOTION CARRIED**

MINUTES:

The Board considered the minutes of the February 21, 2025, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE FEBRUARY 21, 2025, MINUTES AS DISTRIBUTED.

**AYES: MR. MICKELSON, MR. MORRISSETTE, MR. THOMPSON, TREASURER BEADLE, DR. LECH, MR. JAHNER, MR. BUCK, SEN. KLEIN, MR. MILLER, DR. SIMLAI, AND GOV. ARMSTRONG
NAYS: NONE
ABSENT: REP. BOSCH AND COMMISSIONER HERINGER
MOTION CARRIED**

The order of agenda items was adjusted to allow Ms. Smith to leave the meeting for a legislative hearing.

GOVERNANCE:

2025 Legislative Session Update:

Ms. Smith provided an update on legislative activities that affect RIO and the SIB program. HB 1022, RIO's budget bill, had many amendments added by the Senate subcommittee. Ms. Smith emailed Board members to inform them of these amendments which removed a large amount of funding from the budget, the internal audit (IA) FTE, and limited the incentive compensation program. Ms. Smith attended a committee hearing in the morning and the committee removed most of the amendments, restoring the previous budget amounts and the IA FTE. There will be committee work on the bill today.

HB 1319, which would call for the creation of a Legacy Fund website, has been amended to make the bill less prescriptive. This bill will go to the House Appropriations committee next week. HB 1330 which would require some divestment from China has been amended to give the SIB the ability to do large scale infrastructure investments. This bill will be on the Senate floor today. In case 1330 doesn't pass an amendment has also been added to HB 1579 which mirrors the language about the large infrastructure investments. Board discussion followed.

Governance & Policy Review (GPR) Committee Update:

Ms. Smith provided an update from the March 5, 2025, GPR Committee meeting. Staff brought a recommendation to the committee to update the new board member onboarding videos that are out of date and to move them to RIO's YouTube channel. That recommendation is included for board approval today. The Committee also discussed the annual review of the SIB Governance Manual. Dr. Lech provided an overview of the board governance history and model. The Committee recommends completing a governance audit to review the model and determine if the current model is still the best option for the board. Board discussion followed.

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A ROLL CALL VOTE TO DESIGNATE AUTHORITY TO THE GPR COMMITTEE TO ISSUE AN RFP, SELECT A FIRM, AND COMPLETE AN SIB GOVERNANCE AUDIT WITH A FINAL REPORT AND RECOMMENDATION GIVEN TO THE SIB.

AYES: SEN. KLEIN, DR. SIMLAI, MR. BUCK, MR. MORRISSETTE, MR. MICKELSON, MR. MILLER, TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, DR. LECH, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERINGER

MOTION CARRIED

Agency Strategic Plan Review:

Ms. Smith reviewed RIO's strategic plan including strategic goals from 2023 and 2024. For 2025, the agency plans to focus on optimization across the agency. The goals and activities that are recommended for the upcoming year include a continued effort to be an industry leader. To accomplish this goal staff will continue to work on recruiting a new ED and CFOO, complete a project to move all network folders to SharePoint, and implement the investment operations compliance plan.

The agency will work to create succession plans for the four executive team positions to ensure the continuity of operations for RIO. The last goal is to identify pockets of innovation across the agency to increase efficiency. Staff will also work to implement any actions required by legislation that is passed and complete the governance audit. Board discussion followed.

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

AYES: TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, MR. MORRISSETTE, DR. SIMLAI, DR. LECH, MR. MILLER, MR. BUCK, SEN. KLEIN, MR. MICKELSON, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERINGER

MOTION CARRIED

Executive Review & Compensation Committee (ERCC) Update:

Ms. Smith reviewed the discussion from the ERCC meeting on February 26, 2025. The Committee met to discuss the incentive compensation plan. There has been extensive discussion of the plan during the legislative session, so the Committee thought it was important to review the activity surrounding this plan. After discussion the Committee concurred that there should be no changes to the plan for the current fiscal year. Ms. Smith shared the staff's concerns about the effect that legislation that removes positions from the plan could have on current recruitment efforts. Board discussion followed.

REPORTS:

Executive Limitations/Staff Relations:

Ms. Smith provided a staffing update. Mr. Vaidya, the Chief Risk Officer, will be retiring later this year. The CFOO position was posted, and staff expect to post the ED position early next week. Ms. Smith reviewed current projects and ongoing activities. The Board was provided with a list of board and committee presentations provided by RIO staff during the second quarter. Board discussion followed.

INVESTMENTS:

Consultant Quarterly Performance Update:

Ms. Eileen Neill, Verus, provided the performance update for the quarter ended December 31, 2024. The discussion began by setting the macroeconomic context, focusing on GDP and inflation as key capital market drivers. The consolidated pension trust was highlighted for its strong implementation, with low tracking error, consistent outperformance, and positive risk-adjusted returns. Peer comparisons revealed the fund's above-median performance with lower risk over five and ten years.

The Legacy Fund, although historically more conservative and heavier in fixed income, has begun shifting toward private equity. Its performance has improved, with strong risk-adjusted returns recently. Finally, the insurance fund shows minimal growth due to its purpose of maintaining capital while paying out claims. Overall, the funds show solid performance, thoughtful risk control, and positive trajectory. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY PERFORMANCE UPDATE.

AYES: MR. MORRISSETTE, MR. MILLER, SEN. KLEIN, MR. MICKELSON, DR. LECH, MR. JAHNER, MR. BUCK, MR. THOMPSON, DR. SIMLAI, TREASURER BEADLE, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERINGER

MOTION CARRIED

Benchmark Memo:

After the departure of the CFO, staff began reviewing performance benchmarks more closely and reached out to Verus for clarification and validation. Mr. Gesell, Verus reviewed the current practices, recommended clarifications for the current fiscal year and suggested improvements for subsequent years. Every asset class outperformed its benchmark last quarter which highlights the importance of having appropriate benchmarks to measure against. Annual review of benchmarks is considered best practice. Mr. Gesell reviewed the recommended clarifications. The IC reviewed and discussed the benchmark memo ahead of the SIB meeting. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE BENCHMARK MEMO.

AYES: SEN. KLEIN, MR. BUCK, DR. LECH, MR. MILLER, TREASURER BEADLE, DR. SIMLAI, MR. MICKELSON, MR. JAHNER, MR. THOMPSON, MR. MORRISSETTE, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERINGER

MOTION CARRIED

Internal Investment Initiative Update:

Mr. Anderson provided an update on the internal investment program. The IT system went live on March 10, 2025, and internal trading will start on April 1, 2025. Everything is in place for trading except for the system required for futures trading which will be ready in 4-6 weeks. Staff continue to train and test the system. Mr. Anderson reviewed the outlined trading pilot and the list of completed and future activities for the program. Board discussion followed.

GOVERNANCE (CONT'D):

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the March 14, 2025, IC meeting. The Investment Committee held an in-depth strategy review with NEPC, who will propose adjustments to the pension pool's asset allocation. The internal investment rollout is launching a \$285M pilot next week, with structural changes underway to enhance in-house capabilities. In closed session, the committee approved a \$50M commitment to a new private credit manager and the termination of an underperforming international equity manager. Additionally, they finalized an extra \$150M commitment to 50 South Capital, bringing total support for in-state investments to \$250M.

Audit Committee Update:

Treasurer Beadle provided an update from the March 25, 2025, Audit Committee meeting. The Committee reviewed second quarter and current audit activities. Staff provided updates on IA involvement for the pension administration system (PAS) that was launched in February. IA staff had a kick-off meeting with Weaver launching the first formal investment audit. This consultant will also train internal audit staff, helping build in-house expertise in investment oversight. With only two current audit staff, there's a hope to expand the team soon, marking a big step forward in strengthening internal audit capabilities.

Executive Search Committee Update:

Dr. Lech provided an update for the ongoing executive searches. The Executive Search Committee met multiple times to determine the recruitment process and timeline and to hire EFL CBIZ as the executive search firm. The Committee reviewed a draft job description for the Executive Director (ED) which has been brought to the SIB for final approval. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE UPDATED ED JOB DESCRIPTION.

AYES: DR. SIMLAI, MR. BUCK, TREASURER BEADLE, SEN. KLEIN, MR. THOMPSON, DR. LECH, MR. JAHNER, MR. MORRISSETTE, MR. MICKELSON, MR. MILLER, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERINGER

MOTOIN CARRIED

REPORTS (CONT'D):

Quarterly Audit activities Report:

IA is currently working on the Executive Limitations audit for 2024. The Supervisor of IA is the staff person responsible for the Executive Search Committee and is working with other staff on the recruitment of the ED and the Chief Financial and Operations Officer (CFOO). During the quarter IA conducted an exit interview, provided support to the external auditors, and progressed through the IA maturity project. IA staff initiated the co-sourcing work with the consultant who will conduct 2-3 audits per year focused on the investment program. The process will include knowledge transfer to RIO IA staff.

Quarterly Budget/Fiscal Conditions:

Ms. Kmetz reviewed the quarterly budget/fiscal conditions report for the period ended December 31, 2024. The report includes the budget appropriation status, expenditure summary, and the PAS project status.

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

AYES: MR. THOMPSON, MR. BUCK, MR. MORRISSETTE, MR. MILLER, MR. JAHNER, MR. MICKELSON, DR. SIMLAI, DR. LECH, SEN. KLEIN, TREASURER BEADLE, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: REP. BOSCH AND COMMISSIONER HERINGER

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Gov. Armstrong adjourned the meeting at 10:33 a.m.

Prepared by: Missy Kopp, Assistant to the Board