

Investment Committee
Friday, November 8, 2024, 9:00 a.m.
Virtual Only
[Click here to join the meeting](#)

AGENDA

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA – (Committee Action)**
- II. **ACCEPTANCE OF MINUTES (October 17, 2024) – (Committee Action)**
- III. **STRATEGY REVIEW (60 minutes) – (Information)**
 - A. Internal Investing – *Mr. Anderson, Mr. Moss, Mr. Gandhi*
- (Break)
- IV. **MANAGER UPDATE (10 minutes) – (Information)**
 - A. Private Markets – *Mr. Zietlow*
- V. **CONSULTANT UPDATES (20 minutes) – (Committee Action) – Mr. Anderson**
 - A. Legacy Fund Legislative Cost Benefit Analysis
 - B. Performance Consultant
- VI. **CONFIDENTIALITY REVIEW SAAG REQUEST (10 minutes) – (Committee Action)**
 - A. Investment Manager Agreements – *Ms. Murtha*
- VII. **QUARTERLY REPORTS (10 minutes) – (Information)**
 - A. Contracts – *Mr. Anderson*
- VIII. **DISCUSSION**
- IX. **ADJOURNMENT**

**STATE INVESTMENT BOARD
INVESTMENT COMMITTEE MEETING
MINUTES OF THE
OCTOBER 17, 2024, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Joseph Heringer, Trust Lands Commissioner, Vice Chair
Scott Anderson, Chief Investment Officer
Eric Chin, Deputy Chief Investment Officer
Pete Jahner, External Representative
Dr. Prodosh Simlai, External Representative

STAFF PRESENT: Derek Dukart, Senior Investment Analyst
Jennifer Ferderer, Fiscal Investment Admin
Chirag Gandhi, Portfolio Manager
Rachel Kmetz, Fiscal & Investment Operations Manager
Robbie Morey, Investment Accountant
George Moss, Portfolio Manager
Janilyn Murtha, Executive Director
Matt Posch, Portfolio Manager
Emmalee Riegler, Procurement/Records Mgmt. Coordinator
Michael Schmitcke, Senior Investment Accountant
Ryan Skor, Chief Financial Officer/Chief Operating Officer
Nitin Vaidya, Chief Risk Officer
Jason Yu, Risk Analyst
Lance Zietlow, Portfolio Manager

GUESTS: Members of the public

CALL TO ORDER

Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 10:30 a.m. on Thursday, October 17, 2024. The meeting was held virtually.

The following members were present representing a quorum: Mr. Anderson, Treasurer Beadle, Mr. Chin, Commissioner Heringer, Mr. Jahner, and Dr. Simlai.

AGENDA

The agenda was considered for the October 17, 2024, meeting.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. CHIN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE OCTOBER 17, 2024, MEETING AS DISTRIBUTED.

AYES: MR. ANDERSON, MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, DR. SIMLAI, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

MINUTES

The minutes were considered for the September 13, 2024, and September 16, 2024, meetings.

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. JAHNER AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE SEPTEMBER 13, 2024, AND SEPTEMBER 16, 2024, MEETINGS AS DISTRIBUTED.

AYES: MR. ANDERSON, MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, DR. SIMLAI, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

MANAGER RECOMMENDATION

IT WAS MOVED BY MR. ANDERSON AND SECONDED BY MR. CHIN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. 44-04-19.2, 44-04-18.4 (2)(A) AND N.D.C.C. 44-04-18.4(2)(D) TO REVIEW AND DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION AND TRADE SECRETS.

AYES: COMMISSIONER HERINGER, MR. ANDERSON, DR. SIMLAI, MR. CHIN, MR. JAHNER, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

The executive session began at 10:34 a.m. and ended at 11:55 a.m. The session was attended by Committee members, Mr. Dukart, Ms. Ferderer, Mr. Gandhi, Ms. Kmetz, Mr. Moss, Ms. Murtha, Mr. Posch, Mr. Skor, Mr. Vaidya, Mr. Yu, and Mr. Zietlow.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. ANDERSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE STAFF RECOMMENDATION TO ADJUST THE PRIVATE MARKET MANAGERS PENDING LEGAL REVIEW AND DIRECT STAFF TO REPORT BACK AT A FUTURE COMMITTEE MEETING.

AYES: DR. SIMLAI, MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, MR. ANDERSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. JAHNER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE STAFF RECOMMENDATION TO ADJUST THE PUBLIC MARKET MANAGERS PENDING LEGAL REVIEW AND DIRECT STAFF TO REPORT BACK AT A FUTURE COMMITTEE MEETING.

AYES: MR. ANDERSON, MR. JAHNER, MR. CHIN, COMMISSIONER HERINGER, DR. SIMLAI, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

MANAGER UPDATE

IT WAS MOVED BY MR. ANDERSON AND SECONDED BY MR. CHIN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. 44-04-19.2, 44-04-18.4 (2)(A) AND N.D.C.C. 44-04-18.4(2)(D) TO REVIEW AND DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION AND TRADE SECRETS.

AYES: MR. JAHNER, MR. CHIN, MR. ANDERSON, DR. SIMLAI, COMMISSIONER HERINGER, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

The executive session began at 11:59 a.m. and ended at 12:11 p.m. The session was attended by Committee members, Mr. Dukart, Ms. Ferderer, Mr. Gandhi, Ms. Kmetz, Mr. Moss, Ms. Murtha, Mr. Posch, Mr. Skor, Mr. Vaidya, Mr. Yu, and Mr. Zietlow.

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE APPROVE STAFF MOVING FORWARD WITH THE RECOMMENDED PORTFOLIO CHANGES TO THE FIXED INCOME MANAGER.

AYES: MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, MR. ANDERSON, DR. SIMLAI AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

STRATEGY REVIEW

Mr. Chin provided a public markets performance and strategy update, highlighting equity markets nationally and internationally, drivers of equities, inflation the past five years, performance of equity managers, and reviewed small cap portfolios. Mr. Posch presented the fixed income markets and manager performance. Finally, Mr. Posch provided an Equity 2.0 update, noting the onboarding of Two Sigma and two transition managers. Committee discussion followed.

OPENING MARKETS ARRANGEMENTS

Mr. Chin provided an update on the effort to enable separately managed accounts for global managers requesting approval of retaining external legal counsel to assist with enabling international transactions in separately managed accounts.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE APPROVE STAFF RETAINING EXTERNAL COUNSEL TO FACILITATE OPENING INTERNATIONAL MARKETS.

AYES: COMMISSIONER HERINGER, MR. ANDERSON, DR. SIMLAI, MR. CHIN, MR. JAHNER, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

ADJOURNMENT

With no further business to come before the Investment Committee, Treasurer Beadle adjourned the meeting at 12:48 p.m.

Prepared by:

Jennifer Ferderer, Assistant to the Board

INTERNAL INVESTMENT STRATEGY

Scott M Anderson, CFA – Chief Investment Officer
Chirag Gandhi, CFA – Portfolio Manager, Internal Fixed Income
George Moss – Portfolio Manager, Internal Equity
November 8, 2024

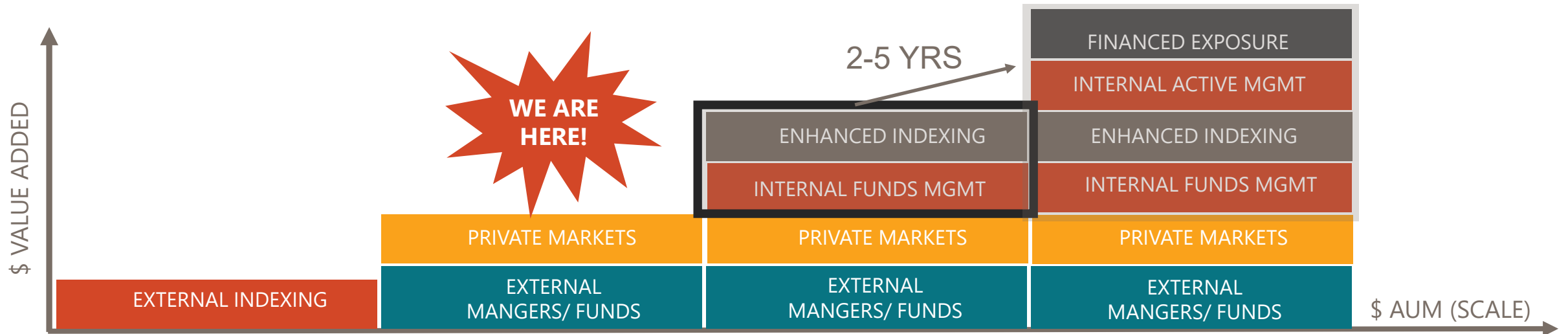
NORTH
Dakota
Be Legendary.

Retirement & Investment

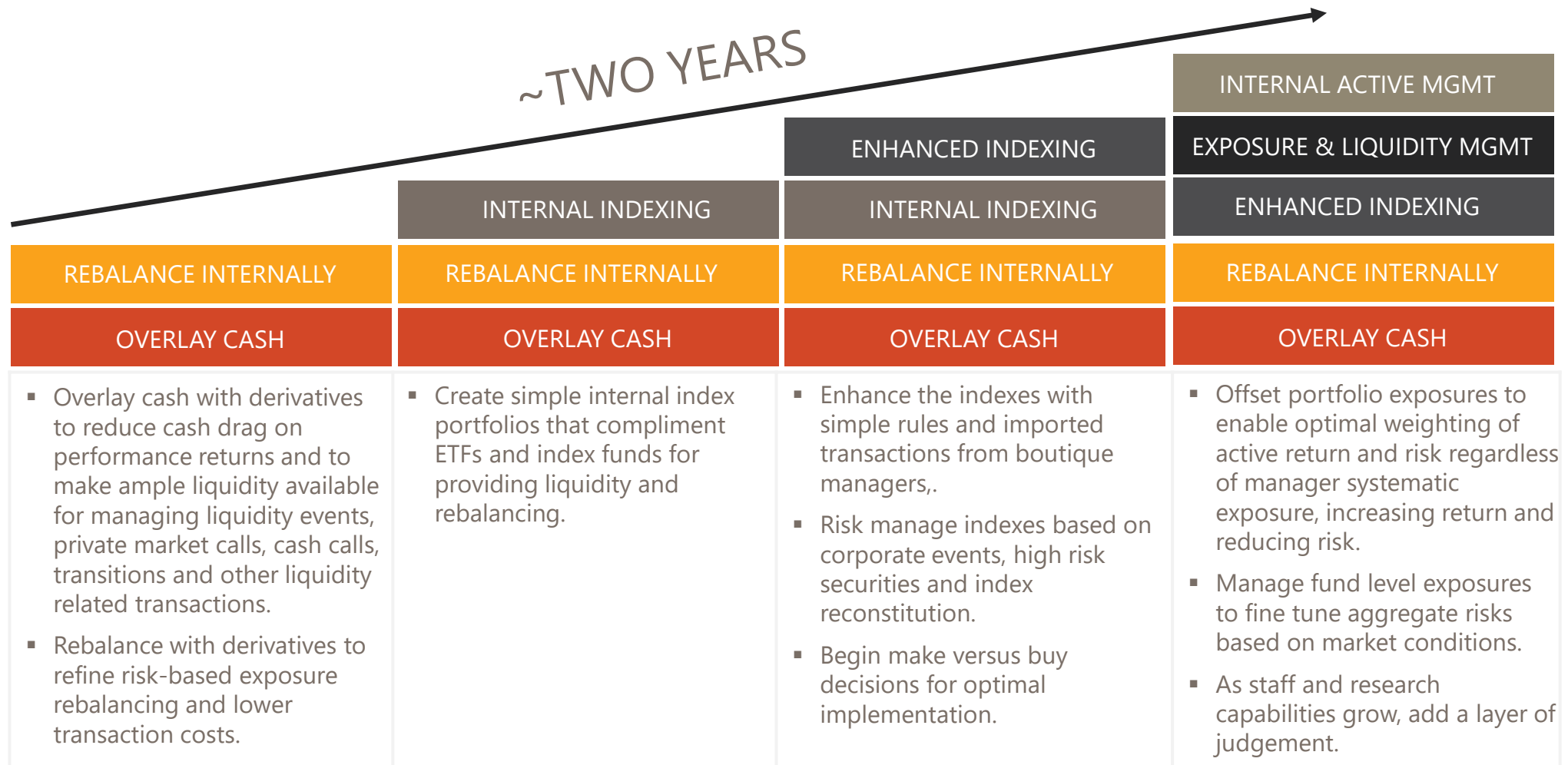
AGENDA

- Overview & Strategy Refresher
- Third party systems, data, trading agreements, legal and compliance
- Cash Overlay Structure & Guidelines
- Fixed Income Index Initialization Opportunity

ENHANCE CAPABILITY TO INCREASE VALUE ADDED



SEQUENCE OF CAPABILITY



INITIAL OPPORTUNITY SUMMARY

OPPORTUNITY	
ENHANCED INDEXING STRATEGIES	<ul style="list-style-type: none">• Enhanced indexing; multi-asset capability; leverages expertise with index information; same active return for a lower active risk and cost than external managers for simple mandates
ENHANCED LIQUIDITY MANAGEMENT	<ul style="list-style-type: none">• Overlay of cash generates additional return and enables more available cash• Buying and selling of liquidity
ENHANCED REBALANCING	<ul style="list-style-type: none">• Rebalancing of exposures in shorter time frames• Rebalancing thru internal portfolios rather than managers – reducing transaction costs
EXPOSURE MANAGEMENT	<ul style="list-style-type: none">• Separate manager active return from manager policy return to optimize cost and active return• Manage exposures to manage risks and generate returns
OPTIMAL IMPLEMENTATION	<ul style="list-style-type: none">• Choose optimal instrument to implement policy exposures to reduces cost, increase revenue, and manages risk

OBJECTIVE & STRATEGY

OBJECTIVE: ■ To enhance the after-cost return per unit of risk at a prudent level of risk for the funds in our care.

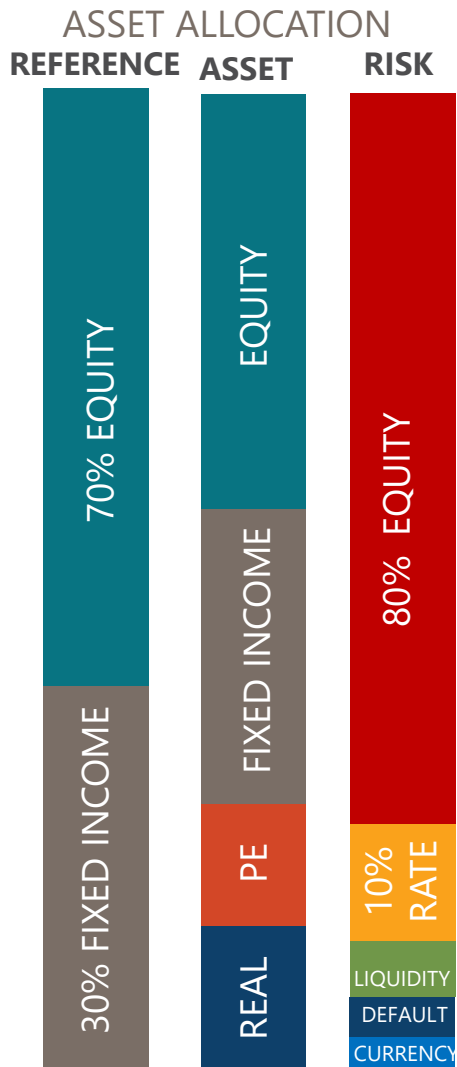
STRATEGY: ■ Enable more advanced and effective funds implementation of asset allocation exposures, management of liquidity, and fund operations like rebalancing by directly buying and selling the most effective instruments.

■ Achieve a lower cost of implementing less complex investment mandates at a lower risk with internal resources, external rule providers and more custom implementations.

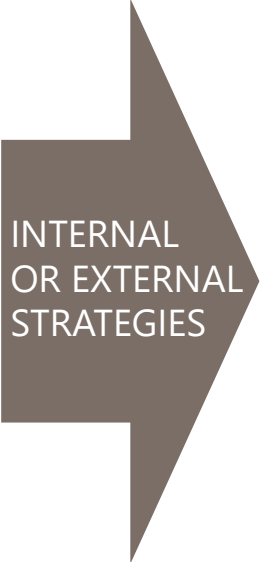
■ Bootstrap operational capabilities and skills by incrementally adding internal mandates and partnering with external experts.

WHY? • The internal direct investment capability adds additional information and skills at the security level, complements external manager capabilities, unlocks new strategies, and adds agility to the investment process.

CORE INVESTMENT FRAMEWORK



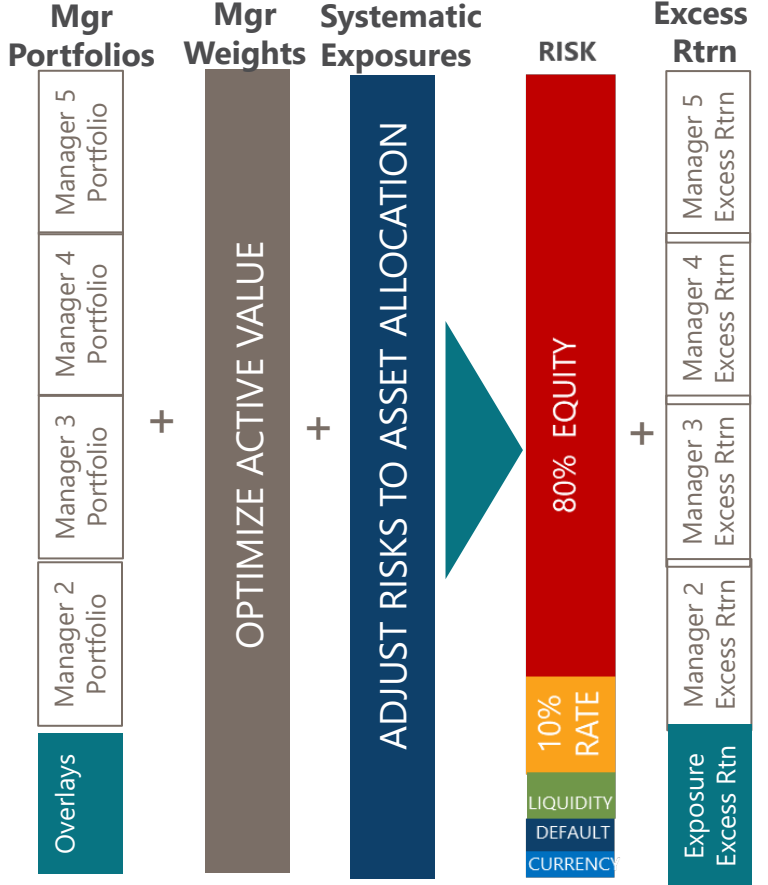
Maintain Fidelity to Asset Allocation Return and Risk Requirements While Enhancing Return Per Risk After Cost At a Prudent Level of Risk



- Find and underwrite the best investment strategies on an active return per risk after cost basis
- Adjust manager weights to optimize total active return per risk after cost
- Adjust fund exposures to achieve targeted asset allocation systematic risks

Applies to internal or external strategies

Illustration



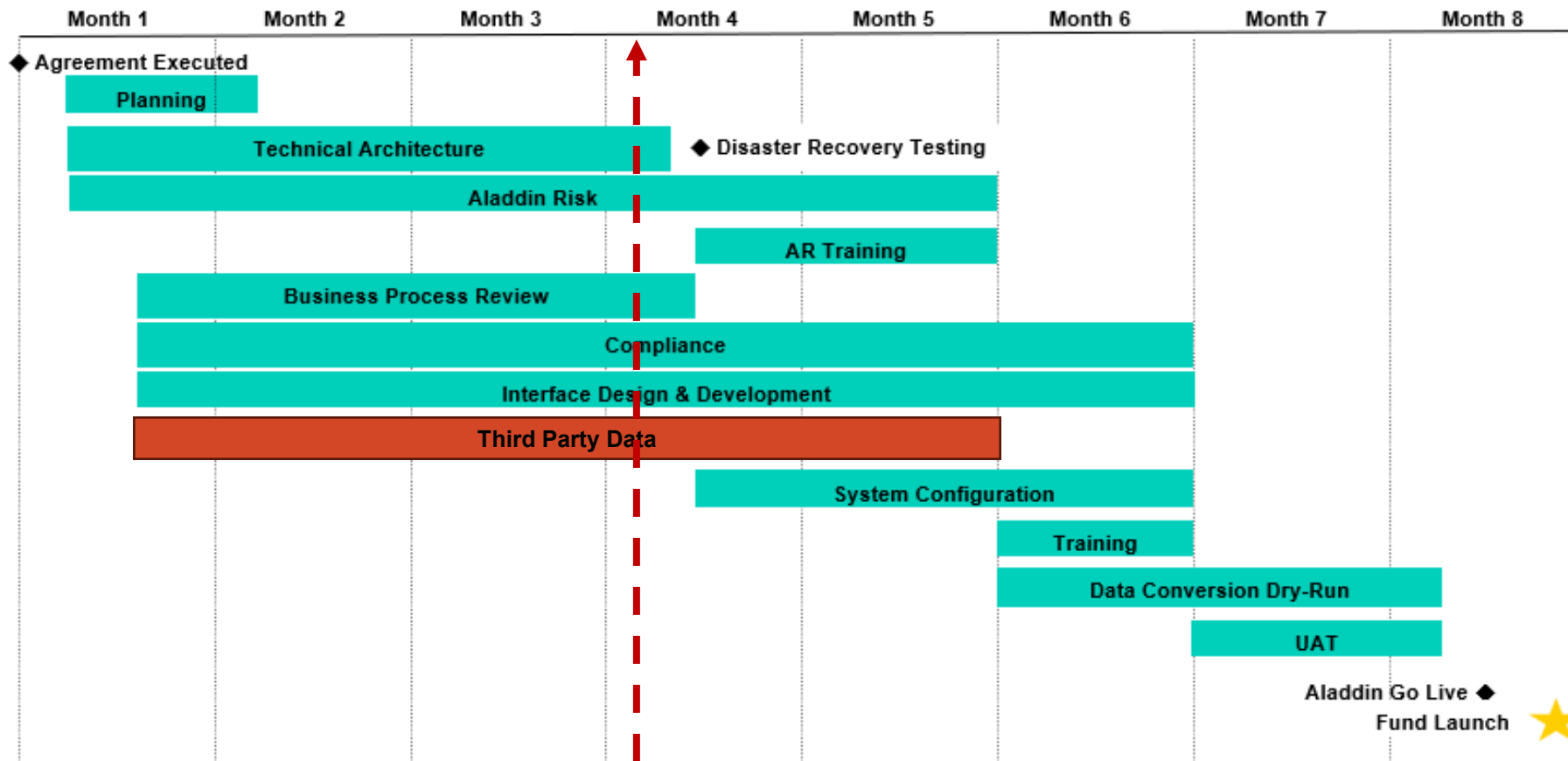
INTEGRATED INDEX FUND MANAGEMENT



- Optimize instrument type and manage liquidity/roll cost
- Identify physical/ETF/Future trade-offs (lending, liquidity spread, liquidity, etc.)
- Overlay cash collateral to enhance returns
- Low-cost rebalancing
- Manage optimal collateral
- Construct index to optimize cost
- Manage security lending and internal borrowing
- Construct to liquidity requirements
- Use as a platform for transitions
- Optimize with ETFs and futures indexes
- Manage cash and optimize liquidity risk
- Apply simple rules regarding what securities not to hold
- Apply simple rules to create signal driven dynamic exposures
- Apply simple rules regarding index constitution, tracking error and corporate events
- Hold manager invested assets and by agreement replicated holdings
- Receive rules from manager by agreement
- Assemble several micro strategies from boutique managers in a long/short overlay

ORDER & EXECUTION MANAGEMENT SYSTEM

ILLUSTRATIVE TIMELINE



TRADING AGREEMENTS AND PLATFORMS

Trading Agreements:

- Engaged with two of the top five Futures Commission Merchants (FCM)
- Future engagement on International Swaps and Derivatives (ISDA) Master Agreement
- Purrington Moody Weil serves as external counsel to assist with these complex agreements

Evaluating Trading Platforms:

- Bloomberg TradeBook, EMSX
- Bloomberg Fixed Income Trading
- MarketAxess
- Third party trading and operations services (in discussion with 3 major providers)

COMPLIANCE

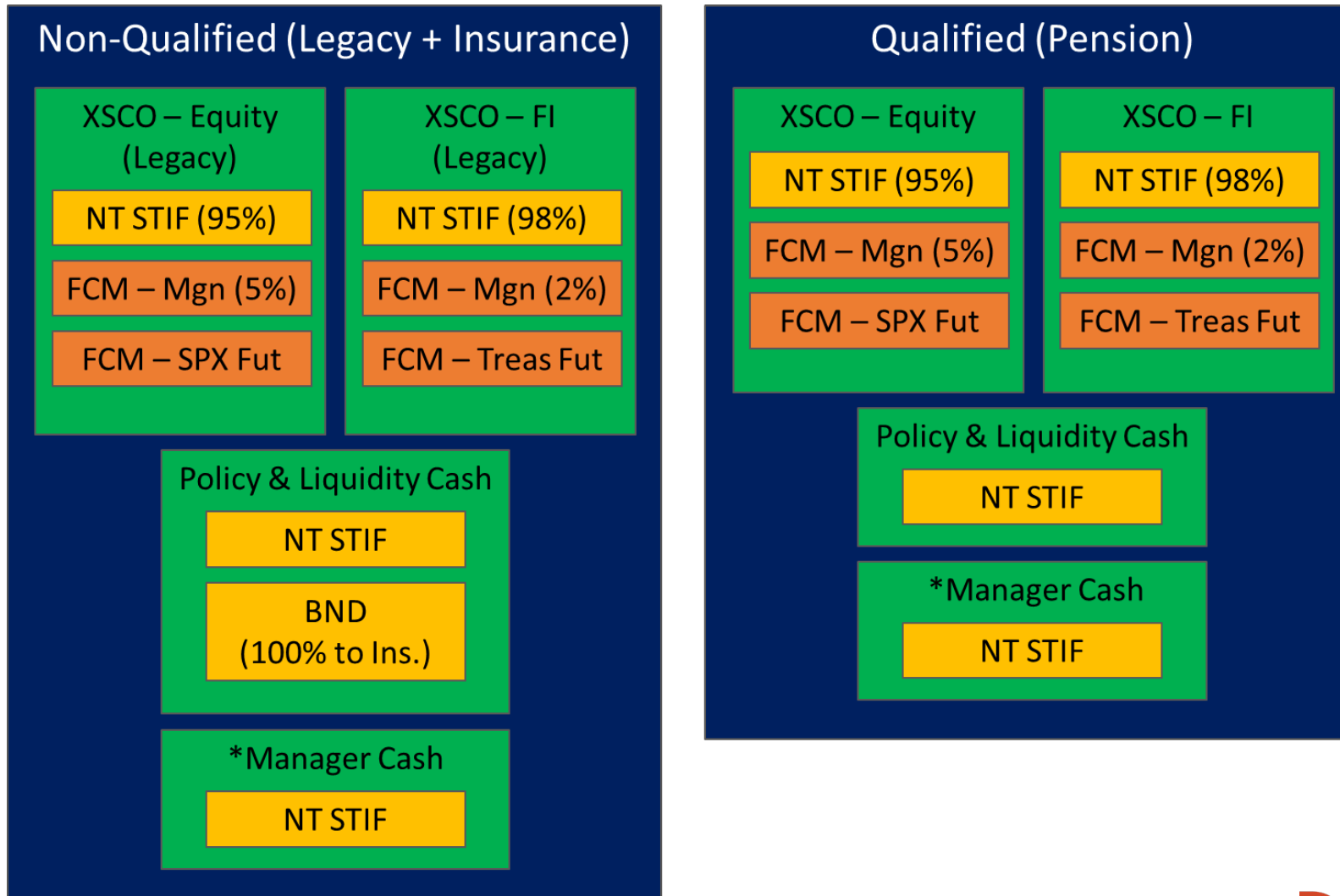


- National accounting and consulting firm
- Code of Ethics
- Personal trading policy
- Policy and Investment Guidelines Compliance

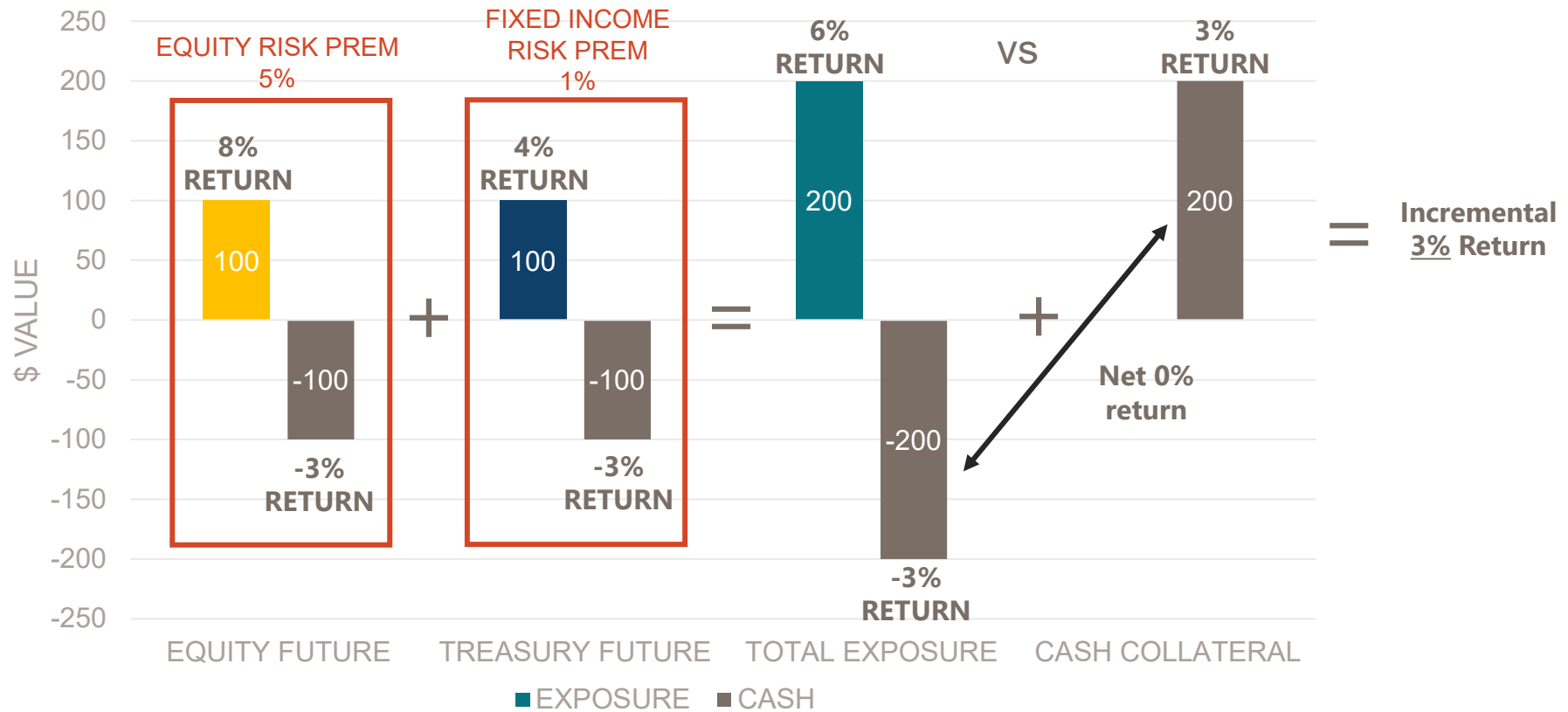
PROPOSED OVERLAY GUIDELINES

- Excess Cash: frictional cash that is not part of a policy allocation (e.g. TFFR has a 1% policy target)
- Goal is to maintain the liquidity of the excess cash while investing it in a manner that more closely approximates the overall policy targets to equity and fixed income...reduce cash “drag”
- Primarily utilize U.S. Treasury and S&P 500 futures that are fully collateralized (i.e. NO leverage)
- Target Allocations & Rebalancing Ranges:
 - Equity: 60% target, 55%-65% range
 - Fixed Income: 40% target, 35%-45% range
- Leverage is explicitly prohibited and must be corrected by the end of any month in which it occurs (may occur when there is a large net distribution)

ILLUSTRATIVE CASH OVERLAY STRUCTURE



OVERLAY CASH WITH FUTURES



REBALANCING

ILLUSTRATION

RUSSELL 1000 MANAGERS

RUSSELL 1000 FUTURES

MANAGER 2

MANAGER 3

MANAGER 4

RUSSELL 1000 WEIGHTS

RUSSELL 2000 MANAGERS

RUSSELL 2000 FUTURES

MANAGER 2

MANAGER 3

RUSSELL 2000 WEIGHTS

WEIGHTS
BEFORE

WEIGHTS
AFTER

POLICY BENCHMARK WEIGHT

17%

14%

10%

Low
transaction
cost

10%

4%

4%

23%

23%

54%

51%

51%

3%

6%

1%

1%

2%

2%

6%

9%

9.0%

**Sum of manager weights
by sub-asset class equals
sub-asset class weight**

PRIVATE MARKETS MANAGER UPDATE

Carlyle Realty Partners X, L.P.

- U.S. Opportunistic Real Estate
- \$100 million commitment (\$40 Pension Pool, \$60 Legacy Fund)

November 5, 2024

Scott Anderson, Chief Investment Officer
North Dakota Retirement and Investment Office
1600 E Century Avenue
Bismarck, ND 58503
scmanderson@nd.gov



Regarding: Request for Proposal for Legacy Fund Legislation Cost/Benefit Analysis

Dear Mr. Anderson,

Thank you for reaching out to RVK, Inc. (RVK) regarding your request for proposal for cost/benefit (C/B) analysis services with regards to legislation introduced that would impact the North Dakota Legacy Fund. With over 38 years of experience providing independent, non-discretionary investment consulting services, we have the skills and capability to provide independent and strategic investment advice and client service. For your review and consideration, we have prepared the following scope of services and associated fees.

RVK’s Understanding, Proposed Scope, and Terms

RVK understands that the project scope involves estimating the potential costs and benefits to the Legacy Fund associated with proposed legislation.

RVK Assumptions:

- The C/B assessments are focused solely on the returns, risks, implementation, and other Legacy Fund aspects; they do not extend into costs and benefits that any proposed legislation in question may have on activities beyond the Fund.
- When executing these C/B assessments, our team will have timely access to all information required for a robust analysis.
- There will be a single point of contact for each requested C/B analysis to be available for questions, guidance, and assistance in acquiring necessary information.
- For each requested C/B analysis, our team will be required to submit a formal document containing our analysis and conclusions.

For C/B analyses requiring an Asset Allocation Analysis or Spending Policy Analysis—to estimate the effects of a proposed bill on Legacy Fund return, risk, liquidity, cash flows, implementation, etc.—RVK proposes a range of \$18,000 up to a “not-to-exceed limit” of \$40,000, to be agreed upon in advance of the project. Various factors will be confirmed, such as: (1) the timeframe, (2) the nature of the legislation, notably the breadth and depth of its required effects on Legacy Fund investment strategy and execution, (3) whether there is mutual agreement that project execution requires an onsite visit to North Dakota, and (4) the number of legislative variants that must be analyzed individually.



For C/B analyses that do *not* require an Asset Allocation or Spending Policy Analysis, we propose a range of \$5,000 to \$15,000, to be mutually agreed upon prior to project execution. Should RVK be required to travel to North Dakota to present the C/B analysis and stand for questions, we would propose an additional \$3,000 fee per instance.

RVK further proposes that this mandate be executed via an umbrella project retainer contract that codifies our service obligation (and other relevant terms) to either the end of a three-year period or six months, following the end of the next legislative session, whichever is longer.

Proposed Team

Each individual C/B analysis requested under this agreement will be led by Josh Kevan or Jim Voytko, with additional RVK resources utilized as needed for each analysis. Their biographies are provided below.



Josh Kevan, CFA – CEO-Elect, Senior Consultant, Principal

Josh is CEO-Elect and a Senior Consultant with RVK. He leads our Boise, Idaho office, and will step into the role of CEO in January 2025. Josh joined RVK in 2000 and has over 25 years of experience in investment consulting and capital markets.

As a Senior Consultant, he advises a diverse mix of clients that includes defined benefit plans, defined contribution plans, endowments and foundations, insurance companies, and other special purpose funds.

Josh earned a BA degree in Business from the University of Washington. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Idaho. Josh is a shareholder of the firm.



Jim Voytko, MPA, MPP – Director of Research, Senior Consultant, President Emeritus, Principal

Located in our Portland office, Jim serves as our Director of Research and a Senior Consultant. He joined the firm in 2004 and brings over 40 years of industry experience, including serving as RVK’s President and a member of the firm’s Board of Directors for 15 years until May 2024.

A highly sought-after public speaker, Jim has delivered original presentations on various topics at numerous institutional investment conferences and economic/public policy forums. He is involved in multiple aspects of RVK’s specialty consulting practices, most notably with asset/liability studies and board governance/investment program structural reviews.



Prior to joining RVK, Jim served as the CEO/Executive Director of Oregon’s statewide pension system for all employees at the state and local levels—including teachers, police and fire, and general staff as well as the Oregon 457 DC plan and health insurance plans. He also served as a member of the Oregon Investment Council, which is charged with investing all state funds—pension, workers compensation insurance, and others. His career includes several decades managing Wall Street research efforts, investment banking, and serving as the Chief Investment Officer at a major private bank. Jim has also served as a director on several corporate boards, a trustee on both corporate and public pension and savings plans, and on the Advisory Board of the Institutional Investor’s Conference Series

Jim earned his Bachelor of Arts degree from Carnegie Mellon University, Master of Public Administration degree from the University of Washington, and Master of Public Policy degree from Harvard University. Jim is a shareholder of the firm.

Alignment of Interests

RVK is one of a few remaining full-service investment consultants that is 100% employee owned and solely focused on non-discretionary strategic investment consulting, aligning our interests with those of our clients. Our firm’s long track record of integrity and no-conflicts-of-interest philosophy is well known throughout the institutional investment community.

We welcome the opportunity to discuss any questions you may have regarding our proposal. Should this proposal meet your needs, we will be pleased to formalize a service agreement for your review. Thank you for your consideration of RVK. We look forward to the opportunity of partnering with you.

Sincerely,

A handwritten signature in blue ink that reads "Rebecca A. Gratsinger".

Rebecca A. Gratsinger, CFA
CEO, Senior Consultant, Principal
503-221-4200
Becky.Gratsinger@RVKInc.com

INVESTMENT SERVICE CONTRACTS

Vendor	Execution Date	Description	Cost
Two Sigma	5/30/2024	Prospective Investor NDA	None
BCA Research	5/31/2024	Investment Seminar Speaker	\$15,000*
MSCI	7/1/2024	Index License Agreement Amendment	None
Purrington Moody Weil	7/18/2024	Legal Services Engagement Letter	Hourly Estimates previously provided
Bloomberg	9/4/2024	Schedule of Services - Bloomberg Anywhere	\$2,215/month

Policy Inception through Q3 2024

*This cost was offset by \$10,500 from seminar sponsors

Report provided pursuant to Section IV
Exhibit 2 of the SIB Governance Manual