

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MAY 17, 2024, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Joseph Heringer, Commissioner of Univ. & School Lands
Pete Jahner, Investment Professional
Sen. Jerry Klein, LBSFAB
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Joe Morrissette, PERS Board
Dr. Prodosh Simlai, Investment Professional
Susan Sisk, Director of OMB
Art Thompson, Director of WSI

MEMBERS ABSENT: Rep. Glenn Bosch, LBSFAB

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
Robbie Morey, Investment Accountant
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
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
Chad Keech, State Procurement
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, May 17, 2024. 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, Mr. Jahner, Sen. Klein, Dr. Lech, Mr. Mickelson, Mr. Miller, Lt. Gov. Miller, Mr. Morrissette, Dr. Simlai, Ms. Sisk, and Mr. Thompson.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the May 17, 2024, meeting.

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

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

NAYS: NONE

ABSENT: REP. BOSCH

MOTION CARRIED

MINUTES:

The Board considered the minutes of the April 26, 2024, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. JAHNER AND CARRIED BY A VOICE VOTE TO APPROVE THE APRIL 26, 2024, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MR. MORRISSETTE, 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

MOTION CARRIED

EDUCATION:

Fiduciary Duties and Ethics:

Mr. DePountis, Assistant Attorney General, presented education on Fiduciary Duties and Ethics. Mr. DePountis reviewed terminology and Century Code language that establishes the SIB and the responsibilities of the Board. The definition of a fiduciary was discussed and included an explanation of who a fiduciary is and their duties and responsibilities under the law. Mr. DePountis described the types of conflict of interest and how board members should prepare for meetings, so they are aware of possible conflicts. Board discussion followed.

GOVERNANCE:

Executive Review & Compensation Committee (ERCC):

Dr. Lech provided a summary of the Executive Director (ED) evaluation. Areas of strength include strategic visioning, professionalism, integrity, and communication to stakeholders. Opportunities for development were identified as maintaining a balance between future and present operations and growing additional stakeholder relationships. Sen. Klein commented that the ED and staff have been able to educate legislators on RIO's programs and increase understanding about the program's needs. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY SEN. KLEIN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE ANNUAL PERFORMANCE EVALUATION OF THE ED.

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

NAYS: NONE

ABSENT: REP. BOSCH

MOTION CARRIED

ED Compensation:

Ms. Murtha thanked Board members and staff for their responses to the ED surveys which are used in the evaluation process. The surveys are meaningful, and she takes action based on the feedback. Dr. Lech thanked the Board for the formalized goal and time horizon for the ED compensation. This provided guidance for the ERCC which is recommending a 4% legislative increase and an additional 4% equity increase to work towards the Board's goal. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE A 4% LEGISLATIVE INCREASE WITH AN ADDITIONAL 4% EQUITY INCREASE FOR THE ED SALARY TO WORK TOWARDS THE SIB'S STRATEGIC GOAL OF REACHING THE MEDIAN SALARY WITHIN TEN YEARS.

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

NAYS: NONE

ABSENT: REP. BOSCH

MOTION CARRIED

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the May 10, 2024, and May 14, 2024, IC meetings. At the regular meeting on May 10 the IC received a presentation on the risk dashboard, a procurement update regarding the investment IT strategy and ongoing procurement project, and a recommendation for the procurement of legal services for broker/dealer agreements. Staff provided updates on benchmark changes, new client fund investment policy statements, and a private markets manager recommendation.

The IC had a special meeting on May 14, 2024, to receive finalist presentations for the Performance Measurement Consultant.

Performance Measurement Consultant Recommendation:

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A VOICE VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

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

NAYS: NONE

ABSENT: REP. BOSCH

MOTION CARRIED

The executive session started at 9:28 a.m. and ended at 10:09 a.m. and was attended by Board members, staff, A.A.G. DePountis, and Mr. Chad Keech, State Procurement.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO DIRECT STAFF TO BEGIN CONTRACT NEGOTIATIONS WITH THE FIRM MOST SUSCEPTIBLE FOR AWARD.

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

Benchmark Consultant Recommendation:

Mr. Chin reviewed updates to the benchmark memo recommended by Verus. Board discussion followed.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE BENCHMARK CONSULTANT RECOMMENDATIONS.

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

New Client Funds Update:

Mr. Skor provided an update on the three new client funds. The Board was provided with Investment Policy Statements (IPS) for each new client. The IPS's have been approved by the client boards and the IC has reviewed them and recommended approval.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SEN. KLEIN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE INVESTMENT POLICY STATEMENTS FOR THE WATER PROJECTS STABILIZATION FUND, OPIOID SETTLEMENT FUND, AND STATE HISTORICAL SOCIETY OF ND ENDOWMENT FUND.

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

Governance and Policy Review (GPR) Committee Update:

Dr. Lech provided an update from the May 8, 2024, GPR meeting. The Committee reviewed two additional exhibits for the SIB governance manual. The Board approved the introduction and first reading of the amended governance manual at their April meeting. The GPR recommends approval of the second reading and final adoption. 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 AMENDMENTS TO THE SIB GOVERNANCE MANUAL.

AYES: DR. LECH, TREASURER BEADLE, DR. SIMLAI, COMMISSIONER HERINGER, MR. MILLER, MS. SISK, MR. JAHNER, MR. MICKELSON, MR. MORRISSETTE, MR. THOMPSON, SEN. KLEIN, AND LT. GOV. MILLER
NAYS: NONE

**ABSENT: REP. BOSCH
MOTION CARRIED**

The Board recessed at 10:30 a.m. and reconvened at 10:43 a.m.

Audit Committee Update:

Ms. Seiler provided an update from the Audit Committee meeting on May 15, 2024. The Committee received an update from Weaver on the Internal Audit (IA) Modernization project. The new external auditor will be UHY. The procurement for those services is completed by the State Auditor's Office. Board discussion followed.

Board Education and Planning Calendar:

IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2024-25 BOARD EDUCATION AND PLANNING CALENDAR.

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

NAYS: NONE

ABSENT: REP. BOSCH

MOTION CARRIED

INVESTMENTS:

Quarterly Performance Update:

Mr. Browning, Callan, provided a performance update as of March 31, 2024, 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 corridor benchmarks on a net-of-fee basis for the trailing five-year period ended March 31, 2024. In most cases, Total Fund net-of-fee results exceed their corridor benchmark. Board discussion followed.

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. JAHNER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY PERFORMANCE UPDATE.

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

NAYS: NONE

ABSENT: REP. BOSCH

MOTION CARRIED

Internal Investment Initiative Update:

Mr. Chin provided an update on activities relating to the internal investment management initiative. The procurement process for the investment IT project is moving forward. Staff are working on the internal direct overlay and rebalance strategy and are in the final steps of hiring a securities lawyer. Staff are developing the job descriptions for the new positions for the program. Board discussion followed.

QUARTERLY MONITORING REPORTS:

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations report. The last two sessions for the new board member orientation curriculum have been scheduled in June and July covering the retirement and internal audit programs. An Investment Intern was hired and will start at the end of the month. The Accounting Intern recruitment was unsuccessful so that will be reposted in the fall. Ms. Murtha summarized the current projects and initiatives and the upcoming conferences and meetings that RIO staff will participate in. Ms. Murtha thanked Ms. Riegler, the procurement and records management coordinator, for all her work on the numerous procurements for the agency. Board discussion followed.

IT WAS MOVED BY SEN. KLEIN AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORT.

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

NAYS: NONE

ABSENT: REP. BOSCH

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 11:23 a.m.

Prepared by: Missy Kopp, Assistant to the Board