

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JULY 26, 2024, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Thomas Beadle, State Treasurer, Parliamentarian
Rep. Glenn Bosch, LBSFAB
Mike Burton, TFFR Board Alternate
Joseph Heringer, Commissioner of Unv. & 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: Dr. Rob Lech, TFFR Board, Vice Chair

STAFF PRESENT: Scott M. Anderson, CIO
Eric Chin, Deputy CIO
Derek Dukart, Senior Investment Analyst
Jennifer Ferderer, Fiscal/Investment Admin.
Rachel Kmetz, Fiscal/Investment Operations Mgr.
Missy Kopp, Exec. Assistant
George Moss, Portfolio Mgr
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Dir.
Matt Posch, Portfolio Mgr
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, Portfolio Mgr

GUESTS: Dean DePountis, Attorney General's Office
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 26, 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, Rep. Bosch, Mr. Burton, Commissioner Heringer, Mr. Jahner, Sen. Klein, 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 July 26, 2024, meeting.

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

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

NAYS: NONE

ABSENT: DR. LECH

MOTION CARRIED

MINUTES:

The Board considered the minutes of the May 17, 2024, SIB meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 17, 2024, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: DR. LECH

MOTION CARRIED

ELECTION OF OFFICER & COMMITTEE APPOINTMENTS:

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SEN. KLEIN TO NOMINATE LT. GOV. MILLER AS CHAIR OF THE SIB.

IT WAS MOVED BY MS. SISK AND SECONDED BY TREASURER BEADLE TO NOMINATE DR. LECH AS VICE CHAIR OF THE SIB.

THE NOMINATION SLATE WAS CARRIED BY A ROLL CALL VOTE.

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

NAYS: NONE

ABSENT: DR. LECH

MOTION CARRIED

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

IT WAS MOVED BY MR. MILLER AND SECONDED BY MR. THOMPSON AND CARRIED BY A ROLL CALL VOTE TO APPOINT TREASURER BEADLE, MR. MICKELSON, MR. MILLER, MR. VAN ORMAN, AND MS. CASHMAN TO THE SIB AUDIT COMMITTEE.

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

NAYS: NONE

ABSENT: DR. LECH

MOTION CARRIED

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SISK AND CARRIED BY A ROLL CALL VOTE TO APPOINT DR. LECH, TREASURER BEADLE, AND MS. SISK TO THE SIB GOVERNANCE AND POLICY REVIEW COMMITTEE.

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

NAYS: NONE

ABSENT: DR. LECH

MOTION CARRIED

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

Lt. Gov. Miller appointed Treasurer Beadle, Commissioner Heringer, Dr. Simlai, Mr. Jahner, Mr. Anderson, and Mr. Chin to the Investment Committee (IC) with Treasurer Beadle as Chair and Commissioner Heringer as Vice Chair.

Lt. Gov. Miller appointed Commissioner Heringer, Mr. Morrisette, and Mr. Thompson to the Securities Litigation Committee.

EDUCATION:

Investment Performance Metrics:

Mr. Anderson provided information regarding how performance return and risk is calculated including how to interpret performance reports to determine whether an investment program is meeting or exceeding its investment performance goals. Board discussion followed.

INVESTMENTS:

Staff Quarterly Performance Update:

Mr. Anderson reviewed market performance as of March 31, 2024, and July 16, 2024. The discussion included inflation and its effects on the markets. Mr. Anderson reviewed performance for PERS, TFFR, Legacy Fund, and WSI. Mr. Anderson discussed the consultant strategy that was approved by the Board. Staff have engaged with all the identified consultants except for an allocation consultant. A Request for Information (RFI) was issued. Working with an allocation consultant will provide the opportunity to unify asset allocations to simplify implementation. Mr. Anderson reviewed information from pension fund level studies on actuarial experience, asset/liability, and asset allocation studies and summarized the advantages of retaining an asset allocation consultant. Board discussion followed.

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

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

NAYS: NONE

ABSENT: DR. LECH

MOTION CARRIED

Internal Investment Initiative Update:

Mr. Anderson provided an update on the progress of the internal investment initiative. The hiring process for the internal team is progressing. The equity positions were filled internally, and staff is in the interview process for the Portfolio Manager of Fixed Income. The order/portfolio management system vendor negotiation is underway, and Weaver was hired as an independent compliance consultant for the investment program. Board discussion followed.

Rep. Bosch left the meeting at 10:31 a.m.

The Board recessed at 10:31 a.m. and reconvened at 10:48 a.m.

GOVERNANCE:

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the June 14, 2024, and July 10, 2024, IC meetings. At the June meeting, the IC interviewed firms for the investment compliance services and had the initial conversation on the asset allocation consultant. At the July meeting, the IC received an update on the private market strategy and an update regarding the asset allocation consultant search process. A special IC meeting will be held in August for finalist interviews so that a recommendation to approve can be brought to the SIB. Board discussion followed.

Annual Governance and Policy Review (GPR) Committee Report:

Treasurer Beadle reviewed the GPR Committee Annual Report. The Committee reviewed the governance manual, and the Board approved the updated manual in May. The updated manual is available on the RIO website. The review completed by the Committee and subsequent approval by the SIB fulfills the requirement to do an annual review of the Board's governance and policies. Board discussion followed.

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

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

NAYS: NONE

ABSENT: REP. BOSCH AND DR. LECH

MOTION CARRIED

Audit Committee Update:

Treasurer Beadle provided an update from the June 21, 2024, Audit Committee special meeting. The Committee had the kickoff with the new external auditor, UHY, for the July 1, 2023, through June 30, 2024, fiscal year financial statement audit and the GASB 68 audit. The engagement scope, workplan, and timeline was presented and approved. Both audits are scheduled to be completed by the end of 2024. Board discussion followed.

Annual SIB Customer Satisfaction Survey:

Ms. Mudder summarized the annual SIB customer satisfaction survey results. The survey was sent to all clients in June. Staff made phone calls to increase responses and follow-up meetings and calls have been completed or scheduled. Ms. Murtha commented that staff appreciates the feedback and uses it to help us improve our processes and customer service. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SISK AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ANNUAL SIB CUSTOMER SATISFACTION SURVEY.

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

NAYS: NONE

ABSENT: REP. BOSCH AND DR. LECH

MOTION CARRIED

Code of Conduct Affirmation:

Mr. Skor informed Board members that the SIB Code of Conduct & Ethic Policy was provided in the materials. Part of the policy requires all members to provide an annual acknowledgement that they have reviewed the policy. A form was provided to fulfill this requirement and to disclose any conflicts of interest.

Budget Update:

Mr. Skor provided an update on the budget submission to the Governor's Office for the upcoming biennium. Each agency was asked to submit a budget with a 3% reduction from the current biennium. RIO included some optional packages to fund ongoing initiatives, because our current budget only contains half a biennium of salaries for the new investment positions. There will also be hosting costs for the new pension administration system. Other items from the strategic plan were submitted including an addition communications staff person and additional IA staff. Board discussion followed.

QUARTERLY MONITORING REPORTS:

Quarterly Investment Ends:

Mr. Chin provided the Investment Ends Report for the quarter ending June 30, 2024. During the quarter, staff onboarded new investment managers, selected and engaged with Verus as the new performance consultant and made significant progress on Equity 2.0. The team continues due diligence activities. Two private credit managers were approved by the IC. The Private Markets Team conducted introductory, due diligence, and monitoring meetings with prospective and current managers and continues its work on the In-State program.

The Risk Team continued efforts on the procurement of the investment IT system. They are in the final stages of negotiations with the preferred vendor. Staff have continued maintaining and updating the current country risk assessment and are working on automation. Board discussion followed.

Quarterly Outreach Report:

Ms. Mudder provided the outreach report for the quarter ending June 30, 2024. A list of media responses and client board meeting attendance were provided. Metrics were provided which illustrate the engagement of stakeholder groups in RIO communications sent through GOVDelivery. Registration information for the upcoming investment seminar will be sent to Board members soon. Ms. Mudder provided an update on social media activity for the agency. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. The first year of the enhanced new board member onboarding process has been completed. RIO has begun posting some of the new internal investment positions. Two positions were posting internally and offers have been accepted by current RIO staff. Interviews are underway for the new Investment Accountant and Portfolio Manager of Fixed income positions. Ms. Murtha reviewed RIO participation in statewide initiatives, ongoing project activities, and ED activities. Board discussion followed.

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

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

NAYS: NONE

ABSENT: REP. BOSCH AND DR. LECH

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 11:24 a.m.

Prepared by: Missy Kopp, Assistant to the Board