## STATE INVESTMENT BOARD RETIREMENT & INVESTMENT OFFICE IN-STATE PROGRAM ROLL-OUT



# KEY COMPONENTS OF H.B. 1425

## Manager Preference

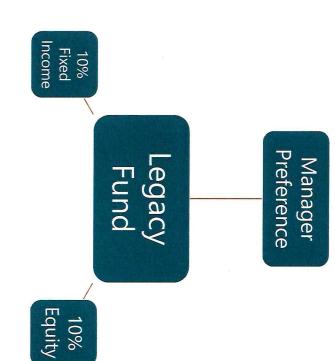
Develop a preference program for in-state managers

#### 10% Equity

- At least 3% private markets focus (50 South)
- Remainder of equity program likely invested in private markets given limited public equity opportunities

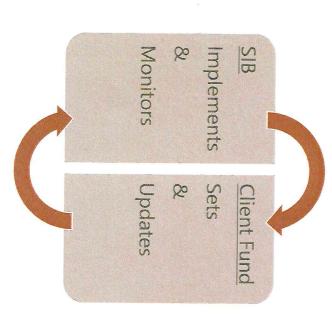
### 10% Fixed Income

- 40% infrastructure loans with 1.5% return
- 60% BND match loans with yields equivalent to comparable treasuries



## **ASSET ALLOCATIONS**

### Process

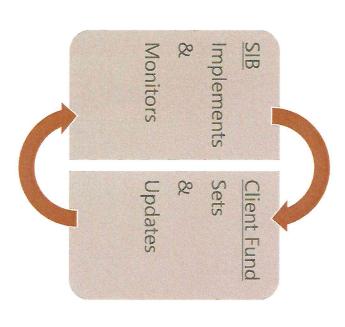


## ■ NDCC 21-10-02.1

- The governing body of each fund... shall establish policies on investment goals and objectives and asset allocation for each respective fund..
- The asset allocation and any subsequent allocation changes for each fund must be approved by the governing body of that fund and the state investment board.

## S.B. 2291 -FACTORS

### Process



## N.D.C.C. 21-10-08.1

- As used in this section, "social investment" means the consideration of socially responsible criteria in the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return to the state.
- 2. Except as otherwise provided in a state investment policy relating to the investment of the legacy fund and unless the state investment board can demonstrate a social investment would provide an equivalent or superior rate of return compared to a similar investment that is not a social investment and has a similar time horizon and risk, the state investment board may not invest state funds for the purpose of social investment.

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# ASSET ALLOCATION STUDY - WHY NOW?

Staff recommends conducting an asset allocation study to address key issues:

- assets in the In-State Fixed Income Program Fund to meet expected biennial earnings and account for lower returning Determine allocation targets of the 80% non-in-state portion of the Legacy
- Ascertain maximum amount of illiquid strategies in the Legacy Fund
- Adjust allocation targets to existing illiquid strategies if necessary
- Establish a pacing schedule for the In-State Equity Program
- Program. Determine appropriate investment guidelines for the entire In-State Equity

# MANAGER PREFERENCE PROGRAM

Staff conducts two separate searches to implement the In-State Preference Program

class and strategies Staff conducts research on asset

Determine parameters for manager search

search

managers

- i, Identify potential candidate managers
- ω consultant and search Communicate **ND Bankers** parameters to

consultant manager conducts Staff &



creates short consultant candidate Staff & list of



identifies top diligence & additional candidate manager performs

ND candidate Staff reviews materials

ND candidate

managers

information

strategy submit



identifies top diligence & additional candidate manager performs

> managers to the SIB Staff presents top

- Top non-in-state manager
- 2. Top in-state\* manager

Fund SIB determines best fit for the Legacy

\*Single Top Manager. Manager if In-State

## RIO STAFFING

## Contingent on Legislature

- C10 Search Committee Narrows Candidate Pool.
- Personnel Board approves CRO for unclassified status.
- CRO Final Interview.
- 6 New FTEs granted.

November

### December

- Search Committee conducts Initial CIO Interviews.
- SIB Conducts Final CIO Interviews.
- CRO starts.
- RIO Staff work w/ HRMS to classify & post new FTEs.

- CIO Starts.
- New FTEs Interviewed/Hired.
- ED Search Initiated.

January-March

# N-STATE PROGRAM ROLLOUT

Asset Allocation Study – Required by RIO Staffing – Required to H.B. 1425 & S.B. 2291

 RIO Staff conducts Research on Consultant Capabilities

November Draft RFP

Implement Manager Searches

RIO staff conducts final CRO

interviews.

November

November Industry Reps.

Manager Preference – Required by N.D.C.C. 21-10-07.1 & 21-10-11(2)

•RIO staff conducts Research on In-State Managers. Discuss Outreach structure with

 Search Committee selects CIO candidates for initial interviews.

**6FTE Request contingent** on Legislature.

Search Committee Initial & SIB

Expected CRO start date.

December • RIO/HRMS finalize/post new FTEs

Final CIO Interview

Structure to Implement Future AA Study. •RIO Staff Outlines Investment Project

Work with BND on viability of

December

application process

Jan-March

•CIO coordinates collaboration efforts of New Hires, Industry Reps, and BND assistance.

New Asset Allocation provides framework for Next Steps

Request & filling positions. Manager Searches contingent on 6FTE

#### December Timing of Award contingent on Advisory Board reviews Consultant responses

RFP Issued

RFP Awarded

Availability over Holidays. Consultant & Advisory Board

 Consultant and Advisory Board Adjust Asset Allocation. meet to develop guidelines to

Jan-March

Interviews/Hire New Positions

CIO Starts

an-March • ED Search initiated.