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North Dakota Plots **Oil** Fund Investment Roadmap, Eyes PE

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The **North Dakota** Retirement and Investment Office is reviewing the private equity bucket of its \$4 billion pension pool and is working on a much-awaited investment plan for its \$1 billion **Legacy Fund**. The **oil** and gas endowment has been growing rapidly since its creation in 2010 with **North Dakota's oil** boom, but the state has not completed a roadmap on how to put its assets to work. The office is drawing up blueprints while searching for a permanent investment chief. **North Dakota** has been seeking a new CIO since John Geissingler left for Hewitt EnnisKnupp nearly a year ago (MMI, 5/22/12) .

The **oil** endowment, temporarily parked in short-term fixed income under JPMorgan and Babson Capital, will be transitioned into a portfolio with targets of 30% U.S. equity, 20% international equity, 35% fixed income 10% real assets and 5% in core real estate. "This was intended as the first stage in developing a prudent long-term policy allocation-it's easy to implement out of the gate," Interim CIO Darren Schulz said in an interview. R.V. Kuhns & Associates assisted with setting the targets. Staff and Callan Associates are developing a strategic plan for implementation, due in four to six weeks.

North Dakota Oil

North Dakota intends to initially pool endowment assets together with **North Dakota's** \$2 billion insurance pool. "Where we can, we will try to use common managers to get economies of scale and consolidate many accounts to get fee efficiency," said Schulz. He declined to specify what searches will be launched while discussions are underway.

Hedge funds and private equity will not be in the initial mix, but Schulz envisions an inclusion down the road, especially as the state is slated to start dipping into the endowment fund in 2017, creating a greater need for return generators. The focus on pooling assets and manager accounts places additional importance on the private equity review the office is carrying out. **North Dakota** plans to study the structure of its pension pool's \$206 million private equity bucket through the summer. Shifts in the manager roster could potentially affect the shape the **Legacy Fund**, Schulz signaled. The 5% bucket is structured with Adams Street fund-of-funds vehicles and other direct venture capital, debt, energy and private equity funds. (See roster below.)

CIO Search Draws On

Korn/Ferry International was enlisted in April to recruit for the executive director/CIO position. **North Dakota** turned to a search firm after an earlier job application process turned up subpar candidates. The state selected 30 candidates in March from a pool of 200 applications but "evaluation results indicated that of the 30 applications reviewed, none brought all of the necessary skills needed for the position," state documents reveal. Schulz's hope is that when a new CIO has been picked by fall, the office will move to find a third investment official. The office has four other people in back-office roles, but Schulz is the sole person overseeing investments for a \$7 billion pot.

Private Equity Managers For The Pension Portfolio, as of June 30, 2012.

Adams Street Partners

Capital International

Coral Partners

EIG Global Energy Partners

Corsair Capital

InvestAmerica

Matlin Patterson Global Advisors

Quantum Energy Partners

Quantum Resources