NORTH Dakota Be Legendary. | State Investment Board RETIREMENT & INVESTMENT

Governance and Policy Review Committee Meeting
Tuesday, January 13, 2026, 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 24 & November 6, 2025) ***(Committee Action)***

III. SIB GOVERNANCE MANUAL REWRITE UPDATE (60 minutes) **(Information)**

A. Draft Governance Manual Status Review
B. Draft Governance & Policy Review Committee Charter Review

IV. OTHER

A. Schedule GPR Meetings
   i. Reschedule February Meeting (currently February 10, 2025)
   ii. Add March Meeting

V. ADJOURNMENT

Any individual requiring an auxiliary aid or service, please contact the Retirement and Investment Office (701) 328-9885 at least three (3) days prior to the scheduled meeting.

STATE INVESTMENT BOARD
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING
MINUTES OF THE OCTOBER 24, 2025, MEETING

MEMBERS PRESENT:	Dr. Rob Lech, TFFR Board, Chair Thomas Beadle, State Treasurer, Vice Chair Joe Morrissette, OMB Director
STAFF PRESENT:	Scott Anderson, CIO Missy Kopp, Executive Assistant Sarah Mudder, Communications & Outreach Director Sara Seiler, Supervisor of Internal Audit Jodi Smith, Interim Executive Director
GUESTS:	Steve Case, Funston Advisory Rick Funston, Funston Advisory Michael Gold, Funston Advisory Randall Miller, Funston Advisory Evan Norton, Funston Advisory

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 12:03 p.m. on Friday, October 24, 2025. The meeting was held in the RIO Conference Room, 1600 E Century Ave., Bismarck, ND.

AGENDA:

The agenda was considered for the October 24, 2025, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE OCTOBER 24, 2025, MEETING AS DISTRIBUTED.

AYES: TREASURER BEADLE, MR. MORRISSETTE, AND DR. LECH
NAYS: NONE
MOTION CARRIED

ACCEPTANCE OF MINUTES:

The Committee considered the minutes of the September 9, 2025, meeting.

IT WAS MOVED BY MR. MORRISSETTE AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE SEPTEMBER 9, 2025, MINUTES AS DISTRIBUTED.

AYES: TREASURER BEADLE, MR. MORRISSETTE, AND DR. LECH
NAYS: NONE
MOTION CARRIED

GOVERNANCE ASSESSMENT DISCUSSION:

The Committee reviewed the SIB discussion of the Governance Assessment presentation. Questions, misunderstandings, and concerns raised by board members highlight areas where additional board education is needed. The committee discussed the importance of further internal work to define the governance model, establish appropriate guardrails, and adjust reporting to the board. Members emphasized that these elements should be clarified and in place prior to the upcoming legislative session.

Staffing and operational constraints were discussed, including challenges related to FTE caps and the ability to implement IT systems within existing procurement timelines. These were identified as significant barriers to efficiency and execution.

Next steps of the assessment were discussed. The Committee will schedule a special meeting to review the final draft report and provide feedback to Mr. Funston.

OTHER:

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 12:38 p.m.

Prepared by:

Missy Kopp, Assistant to the Board

STATE INVESTMENT BOARD
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING
MINUTES OF THE NOVEMBER 6, 2025, MEETING

MEMBERS PRESENT:	Dr. Rob Lech, TFFR Board, Chair Thomas Beadle, State Treasurer, Vice Chair Joe Morrissette, OMB Director
STAFF PRESENT:	Scott Anderson, CIO Missy Kopp, Executive Assistant Sarah Mudder, Communications & Outreach Director Adam Otteson, CFOO Sara Seiler, Supervisor of Internal Audit Jodi Smith, Interim Executive Director
GUESTS:	Rick Funston, Funston Advisory Evan Norton, Funston Advisory Kirsten Tuntland, Attorney General's Office

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 3:00 p.m. on Thursday, November 6, 2025. The meeting was held virtually.

AGENDA:

The agenda was considered for the November 6, 2025, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 6, 2025, MEETING AS DISTRIBUTED.

AYES: TREASURER BEADLE AND DR. LECH
NAYS: NONE
ABSENT: MR. MORRISSETTE
MOTION CARRIED

Mr. Morrissette joined the meeting at 3:02 p.m.

GOVERNANCE MODEL REVIEW DRAFT REPORT:

Mr. Funston, Funston Advisory, provided the Committee with the draft report for the governance model review for their review prior to the meeting. Mr. Funston highlighted proposed additions to the report addressing delegation of authority, particularly investment manager selection. He noted that national best practices show a significant trend toward boards delegating manager selection to staff as fund size, complexity, and volume increase, with appropriate checks and balances in place. Comparative data indicated that most public funds and retirement systems have moved in this direction over the past decade.

Committee members agreed on the need for clarity around governance roles and delegation. Mr. Funston indicated he would revise the report to incorporate the changes discussed and additional information, including vacancy rate data, and finalize the next iteration for distribution to the full board.

OTHER:

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 3:26 p.m.

Prepared by:

Missy Kopp, Assistant to the Board

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MEMORANDUM

TO: **SIB Governance & Policy Review Committee**

FROM: **Jodi Smith, Executive Director**

DATE: **January 13, 2026**

RE: **Draft Governance Manual Review Status Report**

At its meeting on March 28, 2025, the State Investment Board (SIB) authorized the Governance and Policy Review (GPR) Committee to conduct a governance audit, issue a Request for Proposal (RFP), select a vendor, and present a final report and recommendation to the SIB. The purpose of the governance audit is to assess the SIB's current governance framework; evaluate alignment with applicable statutes and best practices; clarify roles and responsibilities; enhance risk oversight; streamline documentation; and improve transparency and decision-making processes. The RFP included an optional second phase to update and modernize the SIB Program Manual.

In August 2025, a contract was executed with Funston Advisory Services LLC (Funston) to complete Project 1, a comprehensive governance model assessment. Project 1 included:

a) Reviewing the SIB Program Manual.
b) Reviewing the SIB governance model, including roles and responsibilities of the Board, staff, and committees.
c) Meeting with key stakeholders (Board/committee members, executive staff, etc.).
d) Evaluating the Program Manual for compliance with applicable laws, administrative rules, and policies.
e) Assessing the organizational framework for directing, controlling, and monitoring operations, including decision-making effectiveness.
f) Evaluating Board and committee reporting practices and recommending improvements to enhance transparency and public trust.
g) Benchmarking the SIB governance model and Program Manual against comparable institutional investors and public pension systems.
h) Recommending or developing a governance review process.
i) Developing a governance risk heat map identifying key vulnerabilities and oversight priorities.

j) Providing recommendations to the GPR Committee and the SIB on the above findings.
k) Providing governance education to the SIB regarding governance frameworks and best-practice models.
l) Attending GPR Committee meetings remotely as needed.
m) Attending at least two SIB meetings in person as needed.

At the November 21, 2025, SIB meeting, the Final Governance Model Review Report was approved, pending incorporation of suggested revisions. The revised report was distributed to SIB members on December 9, 2025.

Additionally, at the November 21, 2025, meeting, the SIB authorized the GPR Committee to proceed with Project 2 (Option 1) under the contract with Funston. Project 2 authorizes:

a) Development of a plan and timeline, in coordination with the GPR Committee, to update the SIB Program Manual.
b) A comprehensive review and update of the Program Manual.
c) Recommendations and assistance in developing additional governance policies to support fiduciary responsibilities.
d) Development of a regular cadence for internal review of the Program Manual by staff and the GPR Committee.
e) A high-level implementation roadmap with timelines, responsible parties, and milestones.
f) Education for the SIB on program manual updates as needed.
g) Remote participation in GPR Committee meetings as needed.
h) In-person attendance at a minimum of two SIB meetings.

Since the approval of Phase 2, the Funston team has rewritten much of the SIB Governance Manual to create a plain-language, easy-to-navigate governance policy system that improves accessibility, clarity, and transparency.

The draft updated manual (Attachment 1) is built around the following guiding principles:

- **Purpose-first orientation** with clearly defined intent for each section
- **Clear information architecture** that is intuitive and searchable
- **Consistent policy framework** across all sections
- **Progressive disclosure** that presents essential content first, with detail available as needed
- **Visualizations** to clarify complex concepts
- **Low-friction navigation** (1–2 clicks to key content)

- **Plain-language drafting** that is ADA-compliant and accessible

The draft includes:

- Assessing current content and identifying and correcting gaps
- Aligning policies with the Governance Effectiveness Model and leading industry practices
- Developing a delegation matrix and validating assignments
- Rewriting policies in plain language and positive terms
- Embedding hyperlinks to Century Code and related governing documents

A structured change-management process is necessary to support adoption of the updated governance by both the Board and staff.

Committee Action: Information Only

Governance Policy System (GPS)

Draft

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The Governance Policy System (GPS)

The **Governance Policy System (GPS)** is a navigation tool that helps you quickly find what you are looking for. The GPS is not meant to be read cover to cover. It works like a website or a map. In the final version there will be links throughout to supporting materials.

Start with your question → Use the GEM diagram →follow the navigation → click through → return home. If you have a question about a term or acronym, just click on the Glossary icon (to be added to the final version). You can also use the Table of Contents below.

The Governance Policy System (GPS) 2
The Governance Effectiveness Model (GEM) 3
1. Purpose of the SIB 4
Stakeholder Alignment and Relations (relatively silent) 4
2. Beneficiaries 4
Current and future (relatively silent) 4
3. Fiduciary Duties 5
The Duty of Loyalty (silent) 5
The Duty of Prudence 5
The Duty of Compliance (silent) 6
4. Lines of Accountability: 7
The ND Statutory Framework 7
The ND State Investment Board 9
Standing Committee Charters 21
Executive Director Charter 40
1st Line - Investment Services 42
2nd Line – Enterprise Services 43
3rd Line - Internal Audit Services Charter 44
4th Line – Independent External Auditors and Advisors Charter 45
5. Powers of the Board 46
Set, Approve, Oversee, Verify 46
Conduct the Business of the Board and its Committees 46

Draft

The Governance Effectiveness Model (GEM)

The GEM™ (Governance Effectiveness Model) is a concise, decision-centered framework that defines the essential elements of effective fiduciary governance for the North Dakota State Investment Board (SIB) as a patient-capital institutional investor.



Whatever you want to learn more about, just click on the aspect of the pyramid you wish to explore:

1. **Purpose** (why the SIB exists and how success is defined over time).

2. **Beneficiaries** (who the SIB serves - both current and future beneficiaries and the intergenerational obligations owed to each).

3. **Fiduciary Duties** (loyalty, prudence, and compliance).

4. **Lines of Accountability** (authority, delegation, escalation, and verification across the SIB, its Committees, management, and sources of independent reassurance).

5. **Board Powers** (SIB's five powers to fulfill its fiduciary duties: to conduct business, to set policy, to approve key decisions and then delegate authority and resources, to oversee execution, and to verify outcomes).

1. Purpose of the SIB

Proposed

The mission of the North Dakota State Investment Board is to prudently invest entrusted assets to generate long-term value while meeting liquidity, fiduciary, and statutory obligations.

Stakeholder Alignment and Relations (relatively silent)

Rewrite

The Executive Director will assure all interactions with the public and other government entities reflect the agency's core values of integrity, accountability, and service. The Executive Director will also assure staff communications are accurate, clear, and properly distinguish between facts and personal opinions.

2. Beneficiaries

Current and future (relatively silent)

RIO beneficiaries (clients) are those which are statutorily defined and those which have contracted for services under statutory authority. Organizational beneficiaries during any fiscal year may be found in the annual financial report.

Policy Implemented: October 27, 1995; and May 17, 2024.

Proposed

For purposes of this manual, beneficiaries of the Retirement and Investment Office (RIO) and the SIB include those entities and participants defined by statute, as well as those that have contracted for investment or related services under statutory authority. This includes include all current and future beneficiaries of the funds managed by the SIB, such as public pension and retirement funds, legacy and trust funds, insurance and guarantee funds, and growth and stabilization funds.

In fulfilling its fiduciary duties, the SIB recognizes the principle of intergenerational equity and balances the needs of current beneficiaries with the responsibility to preserve purchasing power, financial sustainability, and flexibility for future beneficiaries, taking into account differing fund purposes, time horizons, and risk tolerances.

Draft

3. Fiduciary Duties

By virtue of the responsibilities assigned to the SIB by N.D.C.C. Chapter 21-10, the members of the SIB are fiduciaries for multiple statutory funds. Through contractual obligations, fiduciary responsibility extends to contracted additional funds.

A fiduciary is a person who has discretionary authority or management responsibility for assets held in trust to which another has beneficial title or interest. The fiduciary is responsible for knowing the "prudent requirements" for the investment of trust assets. Remedial actions may be assessed against fiduciaries for violations of fiduciary duty.

The Duty of Loyalty (silent)

The current legislation and governance manual are silent on the duty of loyalty

Proposed

Each Board and Committee member shall discharge their duties solely in the interest of the beneficiaries and participants, placing those interests above any personal, political, or external considerations, avoiding conflicts of interest, and acting with undivided loyalty to the funds entrusted to the Board.

The Duty of Prudence

A prudent investor is evaluated based on the demonstration of prudence compared to prevailing peer practices.

Existing

North Dakota state law provides broad fiduciary guidelines for the SIB members. NDCC § 21-10-07 specifies that "the state investment Board shall apply the prudent investor rule in investing for funds under its supervision except that § 21-10-07.1 requires the SIB to give preference to qualified investment firms and financial institutions with a presence in the state for legacy fund investment purposes. The "prudent investor rule" means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not regarding speculation but regarding the permanent disposition of funds, considering probable safety of capital as well as probable income."

Procedural Prudence

Procedural prudence is a term that has evolved to describe the appropriate activities of a person (or persons) who act in a fiduciary role. Court decisions to date indicate that procedural prudence is more important in assessing fiduciary activities than actual portfolio performance. A fiduciary cannot be faulted for making the "wrong" decision provided that proper due diligence was performed.

Draft

The key to successfully discharging the SIB's fiduciary duties is the establishment of and adherence to proper due diligence procedures. While not bound by ERISA (Employee Retirement and Income Security Act of 1974), the SIB will use the procedural prudence outlined by ERISA as guidance in developing its procedures:

a. An investment policy must be established for each fund and must be in writing.
b. Plan assets must be diversified, unless under the circumstances it would be prudent not to do so.
c. Investment decisions must be made with the skill and care of a prudent expert.
d. Investment performance must be monitored.
e. Investment expenses must be controlled.
f. Prohibited transactions must be avoided.

Policy Implemented: September 20, 1995. Amended: May 30, 1997; January 22, 1999; February 27, 2009; and October 26, 2018.

The Duty of Compliance (silent)

The current legislation and governance manual is silent on this board duty although compliance policies, and practices are widely referenced

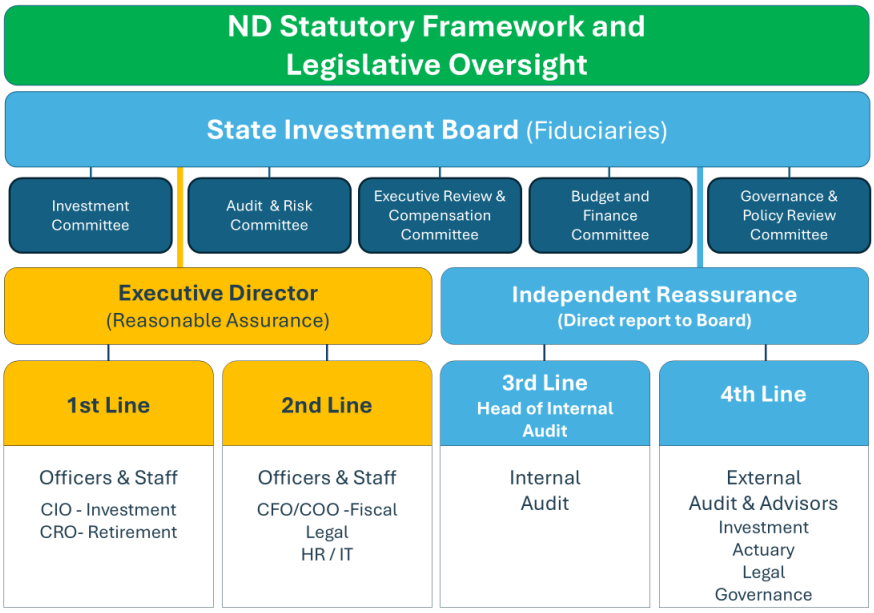
Proposed

Members shall comply with all applicable statutes, regulations, Board policies, ethics requirements, duly adopted procedures and plan documents, assuring that all actions remain within the scope of lawful authority and delegated responsibility including, for example, the Americans with Disabilities Act (ADA),

Draft

4. Lines of Accountability:

Four Lines Model



To become clickable role-based navigation

The ND Statutory Framework

The Role of the Legislature and Oversight

Proposed

The North Dakota Legislature establishes the statutory framework within which the SIB operates. Its role is one of policy-setting, fiscal authorization, and accountability oversight—not investment management.

The Legislature defines the rules, resources, and accountability expectations; the SIB governs and oversees investment activity within those statutory boundaries; and management executes. This separation preserves fiduciary integrity while assuring oversight of public capital.

The Legislature:

- **Sets governing law and public purpose**
  Enacts and amends statutes that define the SIB's mandate, powers, fiduciary duties, governance structure, and the funds under its care.

- **Approves budgets and resource authority**
  Authorizes the SIB's operating budget, staffing levels, and major expenditure categories

through the biennial appropriations process, establishing fiscal boundaries within which the Board and management must operate.

- **Provides oversight and accountability**
  Exercises oversight through interim Committees, hearings, reporting requirements, audits, and confirmation or review processes—focused on legality, stewardship of public resources, and alignment with legislative intent.

- **Does not direct investments or operations**
  The Legislature does not select investments, set asset allocation, hire managers, or manage day-to-day operations. Those responsibilities are delegated by statute to the SIB and its Committees, consistent with fiduciary standards.

Reporting Role of the SIB to the Legislature

The SIB has a statutory duty to report to the North Dakota Legislature to support transparency, accountability, and legislative oversight—without compromising the Board's fiduciary independence.

The SIB's reporting role includes:

- **Periodic and statutory reports**
  Providing required reports on investment performance, financial condition, fund status, and compliance with governing statutes and policies.

- **Budget and appropriation support**
  Submitting budget requests, expenditure reports, and staffing information necessary for the Legislature to exercise its appropriation and fiscal oversight responsibilities.

- **Audit, risk, and compliance reporting**
  Communicating the results of independent external audits, internal audit activity, and material risk, control, or compliance matters relevant to legislative oversight.

- **Testimony and legislative engagement**
  Appearing before legislative Committees to explain results, respond to inquiries, and provide factual, non-advocacy information on the SIB's activities and governance.

The SIB reports what has been done, how public resources are safeguarded, and whether statutory intent is being met—while the Legislature retains oversight authority and the SIB retains fiduciary and operational independence.

Draft

The ND State Investment Board

Purpose:

Existing

1. SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost-effective manner and under the Prudent Investor Rule.

    a. This objective will be evaluated based on the following:

        i. Comparison of client fund's rate of return net of fees and expenses, to that of the client's policy benchmark over a minimum evaluation period of 5 years.

        ii. Comparison of the client fund's risk, measured by standard deviation of net returns, to that of the client's policy benchmark over a minimum evaluation period of 5 years.

        iii. Comparison of the risk-adjusted performance of the client fund, net of fees and expenses, to that of the client's policy benchmark over a minimum evaluation period of 5 years.

2. Potential SIB clients have access to information regarding the investment services provided by the SIB.

Policy Implemented: October 27, 1995.
Amended: November 22, 1996; January 27, 2012; and May 17, 2024.

Board Composition

Section 2-1. Members of the SIB are sent forth in Chapter 21-10 of the N.D.C.C.

Charge and management of the business

Section 2-1. The SIB will have general charge and management of the business of TFFR and the SIB, subject to law, administrative rules and regulations, and governance policies. The SIB will make such policy as necessary to fulfill this obligation.

Representation by Deputies

Section 2-2. When the statutes allow a Deputy to represent a member of the SIB or an alternate to represent the TFFR or PERS Board, the Chair will recognize the individual for the record, and the individual(s) will then have the right to vote on matters before the SIB.

Administrative Support for TFFR

Section 2-3. The SIB will be responsible for the operation of an administrative office that will provide support services to TFFR and the SIB.

Policy Implemented: June 23, 1995. Amended: May17, 2024.

Draft

SIB Board Charter

Proposed

Purpose

The Board of the State Investment Board (SIB) serves as the fiduciary governing body responsible for the long-term stewardship, oversight, and protection of assets entrusted to the SIB on behalf of current and future beneficiaries.

Board members collectively assure that investment policies, governance structures, and oversight systems are aligned with statutory mandates, fiduciary duties, and the long-term interests of plan participants, beneficiaries, and the State of North Dakota.

A SIB Board member is a long-horizon fiduciary steward, governing policy and oversight—not day-to-day management—to protect and grow entrusted assets in a manner consistent with law, purpose, and intergenerational responsibility.

Core Fiduciary Responsibilities

Board members are expected to exercise the duties of loyalty, prudence and compliance of an institutional investor, acting solely in the interest of beneficiaries and in accordance with applicable law.

1. Strategic Governance and Policy Stewardship

- Establish, approve, and periodically review:
  - Investment policies and asset allocation frameworks
  - Risk appetite, tolerance, and governance boundaries
  - Delegations of authority to the Executive Director and Committees
- Preserve strategic policy continuity across market cycles, leadership changes, and external pressures.

2. Approval and Oversight of Investment Program

- Approve and oversee the long-term investment strategy, including:
  - Asset allocation and active risk parameters
  - Performance relative to objectives, benchmarks, and peer context
  - Material changes in strategy, structure, or risk exposures
- Assure decisions are aligned with long-horizon objectives rather than short-term performance pressures.

3. Decision Authority and Governance Architecture

The Board governs through a structured decision architecture that distinguishes among

recommendation, approval, delegation, oversight and verification responsibilities.

- Committees and staff research and recommend and the Board approves long-term strategy, policy, risk boundaries, and material changes.
- The Board (typically through its Committees) oversees and verifies performance, risk, and compliance relative to approved policies.
- The Board delegates day-to-day execution authority to the Executive Director and staff through formal policies and Committee charters.

This architecture is designed to promote clarity, accountability, and disciplined long-term governance. Detailed approval, oversight, and delegation authorities are defined in Board policy and Committee charters.

4. Committee Authority and Role

Standing Committees act as extensions of the Board's fiduciary authority, performing detailed review, analysis, and oversight within scopes defined by Board-approved charters. Committee authority is collective and advisory unless explicitly delegated by Board action.

Committees:

- Prepare recommendations for full Board consideration
- Monitor delegated activities within assigned domains
- Escalate material risks, exceptions, or policy issues to the full Board
- Verify performance and risk through the use of independent third parties

Committees do not exercise independent governing authority unless expressly delegated by the Board, and all material decisions remain subject to full Board approval.

5. Oversight of Management and Organization

- Appoint, support, evaluate, compensate, terminate and plan for the succession of the Executive Director—take action regarding the Executive Director consistent with statutory authority.
- Monitor organizational capacity, resources, and internal controls necessary to execute Board-approved policies.
- Assure management operates within delegated authority and established limitations.

6. Risk, Compliance and Accountability

- Oversee enterprise risks, including:
    - Investment, liquidity, operational, legal, and reputational risks
- Assure effective compliance with:
    - Statute and administrative rules
    - Board policies and ethical standards
- Promote transparency, documentation, and timely escalation of issues.

Draft

7. Stakeholder and Public Accountability
- Act as responsible stewards of public trust.
- Balance independence of fiduciary judgment with accountability to:
    - Beneficiaries
    - Participating entities
    - Legislative and oversight bodies
- Communicate clearly, professionally, and constructively in public meetings and official settings.

Individual Board Member Duties and Expectations

Each Board member is expected to:
- Prepare for and actively participate in Board and assigned Committee meetings
- Exercise independent judgment while respecting collective Board decisions
- Ask informed, prudent questions focused on risk, assumptions, and long-term implications
- Avoid conflicts of interest and comply with ethics and disclosure requirements
- Maintain confidentiality of non-public information
- Support a culture of integrity, respect, and continuous improvement

Committee Service
- Board members may serve on one or more standing Committees.
- Committee service includes deeper research, recommendations and oversight within delegated scopes, while ultimate authority and responsibility remains with the full Board.

Time Commitment
- Regularly scheduled Board meetings
- Committee meetings as assigned
- Periodic education, retreats, and special sessions
- Ongoing preparation and review of materials between meetings

Knowledge, Skills and Competencies

Board members are not expected to be investment professionals but are expected to govern prudently and intelligently. Desired competencies include:
- Understanding of fiduciary responsibility and public trust
- Ability to evaluate long-term risk and reward tradeoffs
- Financial, economic, or organizational literacy
- Strategic thinking and sound judgment
- Willingness to engage in continuing education

Draft

Continuing Education

Institutional Investor Standard of Care

Board members are expected to govern consistent with the standards of a large, long-term institutional investor, informed by peer practices, fiduciary norms, and evolving governance and risk oversight frameworks. This includes:

- Awareness of peer governance and investment practices
- Use of benchmarking and external expertise where appropriate
- Commitment to disciplined, evidence-based decision-making over market cycles

Continuing education supports the Board's ability to meet institutional investor standards and evolving fiduciary expectations. Board members are expected to engage in ongoing fiduciary and governance education to:

- Strengthen approval and oversight capabilities
- Remain informed about evolving investment, risk, and governance practices among peers
- Fulfill fiduciary standards of care

FAS recommends 10 hours CE with curriculum to be based on Board and Committee capability requirements (combined on-line and/or in-person)

Collective Responsibility

Authority rests with the Board acting as a body, not with individual members.
Individual Board members do not direct staff or make unilateral decisions on behalf of the SIB.

Performance and Accountability

- Board performance is evaluated through periodic self-assessment.
- Members are accountable for fulfilling fiduciary duties, adhering to Board standards, and contributing constructively to Board effectiveness.

Draft

Chair and Vice Chair Charter

Existing
Section 3-1. The officers of the SIB are a Chair and Vice Chair, one of which must be an appointed or elected member of the TFFR or PERS Board. The officers will be elected by the SIB to a one-year term at the first regularly scheduled meeting following July 1 of each year. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy.

Section 3-2. **Chair**. The Chair will preside at all meetings of the SIB.

Section 3-3. **Vice Chair**. In the absence of the Chair, the Vice Chair will perform the duties of the Chair.

Chairperson's Role

The chairperson's primary responsibility is to assure the integrity of the Board's process. The chairperson is the only Board member authorized to speak for the Board other than in specifically authorized instances. The duty of the chairperson is to see that the Board operates consistently with state and federal law, administrative rules, and its own policies.

The Board agenda will be the responsibility and be coordinated by the chairperson with the assistance of the Executive Director. Meeting discussion content will only be those issues which, according to Board policy, clearly belong to the Board and not the Executive Director, or in a Board member's opinion, may deal with fiduciary responsibilities. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly, and brief. The chairperson shall appoint a parliamentarian.

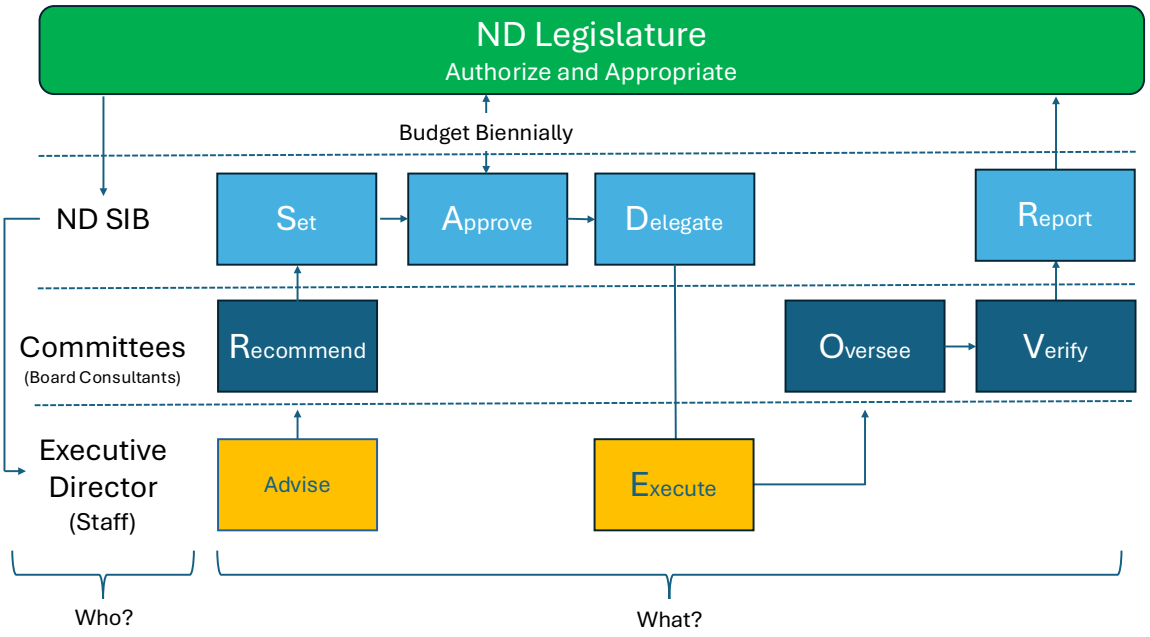
The authority of the chairperson consists in making decisions that fall within the topics covered by Board policies ~~on *Governance Process and Board-Executive Director Relationship*~~, except where the Board specifically delegates portions of this authority to others. The chairperson is authorized to use any reasonable interpretation of the provisions in these policies.

The chairperson is empowered to chair Board meetings with all the commonly accepted authority of that position (e.g., ruling, recognizing). The chairperson has no authority to make decisions about policies created by the Board. Therefore, the chairperson has no authority to supervise or direct the Executive Director. The chairperson may represent the Board to outside parties in announcing Board-stated positions and in stating chairperson decisions and interpretations within the area delegated to the chairperson. The chairperson is authorized, in consultation with the Executive Director, to grant approval for international travel by SIB members and to keep the Board informed on travel requests.
~~The chairperson is authorized, in consultation with the Executive Director, to grant approval for participation in domestic due diligence visits by SIB members with RIO staff members and it shall be the responsibility of the traveling Board member to report to the SIB – Investment Committee on the results of the due diligence visits.~~

Policy Implemented: June 23, 1995. Amended: August 17, 2001; September 25, 2009; May 17, 2024

The Powers of the SIB and Prudent Delegation

Proposed



The ND Legislature created the SIB. The SIB governs using the GEM framework and exercises its authority through a prudent delegation architecture which embeds prudence across how authority is informed, delegated, exercised, overseen, independently verified, and reported. The Board may delegate authority to Committees, to the Executive Director, and others, however, delegation of authority does not and cannot delegate fiduciary responsibility.

The Board hires, evaluates, compensates and plans for the succession of the Executive Director. The Executive Director hires officers and staff and advises the SIB – typically through its Committees. Committees may retain independent consultants, perform due diligence and make recommendations to the SIB for its approval.

The Board sets direction and policy and exercises its authority to approve certain key decisions. The budget is subject to biennial approval by the Legislature. Once approved, the Board delegates authority and resources to the Executive Director. The Executive Director executes directions within board approved policy. Committees oversee performance and risk and escalate and report exceptions to the SIB. The SIB reports to the Legislature, the beneficiaries and the general public.

Delegation Principles

The Board delegates authority consistent with the following principles:

- Delegation of authority and resources is intentional, explicit, and documented.
- Authority is delegated with clear purpose, scope, limits, and expectations.
- Execution authority is accompanied by oversight, verification, and reporting requirements.
- The Board retains ultimate accountability and responsibility for prudent proceses.
- Only the Board can delegate to the Executive Director.

Governance Process

In exercising delegation, the Board follows a disciplined governance process:

1. Executive Director (Staff) advise the Board and its Committees.
2. Committees (and Board consultants) recommend to the full Board.
3. The Board sets direction aligned to purpose, beneficiaries, and fiduciary duties.
4. The Board approves decisions and delegates authority and resources, defining limits and escalation thresholds.
5. The Executive executes within delegated authority.
6. Committees oversee performance and risk.
7. Independent functions verify outcomes and controls to Committees.
8. The Board reports transparently to stakeholders and beneficiaries.

Role of Committees

Committees act on behalf of the Board in accordance with delegated authority and do not exercise management functions. Committees are accountable to:

- Advise and recommend to the Board based on analysis, expertise, and professional judgment.
- Oversee performance, risk, and compliance within their remit.
- Verify outcomes through metrics, internal audit, compliance, and independent reassurance.
- Escalate material issues, exceptions, and emerging risks to the Board.

Committees recommend but do not approve, unless explicitly authorized by the Board.

Draft

Chief Executive Authority: Execution Within Delegated Authority

The Executive Director is responsible for executing Board-approved direction within the scope of delegated authority. Execution responsibilities include:

- Implementing approved strategies, policies, and plans.
- Managing operations, resources, personnel, and risk.
- Maintaining appropriate controls and professional standards.
- Providing timely, insightful reporting to Committees and the Board.

Oversight

Oversight is an ongoing fiduciary responsibility of the Board and its Committees and includes:

- Monitoring performance and risk relative to expectations.
- Challenging results and assumptions.
- Focusing on trends, signals, and exceptions.
- Escalating material exceptions.

Verification

Verification provides objective evidence and is performed through independent functions, including:

- Internal audit
- Compliance and risk management reviews
- External audit and independent advisors

Four 4 Lines Model

The Board recognizes the 4 Lines Model as the foundation for reasonable assurance and independent reassurance and accountability:

- 1st and 2nd Lines provide reasonable assurance through execution, controls, and monitoring.
- 3rd and 4th Lines provide independent reassurance through objective review and assurance.

The Board relies on all four lines to support prudent delegation and informed oversight.

Draft

Prudence

The Board demonstrates prudence through process evidence, including:

- Consideration of alternatives and trade-offs.
- Clear delegation limits and escalation triggers.
- Ongoing oversight supported by agreed metrics.
- Independent verification of results.
- Transparent reporting, including exceptions and corrective actions.

SIB Key Decisions and Powers Matrix

Proposed

ND State Investment Board					
Key Decisions	Conduct Business				
	Research & Recommend	Approve (Authority & Resources)	Delegate / Execute	Oversee Execution	Verify & Report
Governance	GPRC	SIB	ED	GPRC	GPRC
Investment	IC	SIB	ED	IC	IC
Exec. Comp.	ERCC	SIB	ERCC	ERCC	ERCC
Budget & Finance	BFC	SIB→Legislature	ED	BFC	BFC
Audit & Risk	ARC	SIB	SIA & Ext. Auditor	ARC	ARC

The Board's standing Committees shall operate under the terms of a charter approved by the Board and are set forth in this policy as follows:

- Audit and Risk Committee (ARC)
- Executive Review and Compensation Committee (ERCC)
- Governance and Policy Review Committee (GPRC)
- Investment Committee (IC)
- Budget and Finance Committee (BFC-new)

Note: The chart below describes the approvals reserved for the SIB. The expectation is that Committees will perform the due diligence necessary to support a recommendation to the full board for its approval. The SIB needs to determine a multi-year calendar and then Committees need to organize their work accordingly. Continuing education should be linked to the calendar to be targeted and just-in-time taking into account the very busy schedules of members.

Key Board Approvals organized by Committee

Key Board Approvals and Committee Leads	Calendar (Multi-year TBD)
Investment Strategy & Long-Horizon Direction (IC)	
Approve investment beliefs	
Approve long-term objectives & risk appetite	
Approve asset allocation policy	
Approve strategic asset allocation targets	
Approve use of leverage / derivatives / alternatives	
Approve deviation from investment policy	
Approve hiring / termination of custodian & master service providers	
Portfolio Structure & Risk (IC)	
Approve active risk / tracking error limits	
Approve liquidity framework	
Approve concentration limits	
Approve capital deployment pacing	
Approve stress testing & scenario framework	
Approve rebalancing policy	
Approve response to market stress	
Approve response to liquidity event	
Benchmarks & Performance Oversight (IC)	
Approve benchmarks & reference portfolios	
Approve performance evaluation framework	
Approve risk-adjusted performance measures	
Approve underperformance thresholds & watch lists	
Approve manager hiring and termination criteria	
Approve long-term funding status	
Approve investment & risk dashboards	
Governance, Authority & Controls (GPRC)	
Approve Delegation of Authority	
Approve Annual Governance Calendar	
Approve Delegation of Authority Matrix	
Approve Committee Charters	
Approve Governance Policies & Code of Conduct	
Approve Conflict of Interest Determinations	
Approve Policy Review Schedule	
Approve Exception Requests to Policy	
Approve Hiring / Termination of Fiduciary Advisors	
Approve Response to Governance Failure or Breach	
Approve Governance Advisors	
Approve Legal Counsel (NA)	

Draft

Key Board Approvals and Committee Leads	Calendar (Multi-year TBD)
Extraordinary & Non-Routine Decisions (GPRC)	
Approve declaration of Emergency Authority	
Approve Litigation Strategy	
Approve Settlement or Indemnification	
Approve escalation of an Issue to Legislature	
Leadership & Talent (ERCC)	
Approve Hiring / Termination of the Chief Executive	
Approve Executive Compensation Plan	
Approve Incentive & Long-Term Incentive Plan (LTIP)	
Approve Performance Goals for the Chief Executive	
Approve Succession Plan	
Financial & Operational Stewardship (BFC)	
Approve Annual Operating Budget for Legislative approval	
Approve Staffing Levels & Key Positions	
Approve Fee & Expense Policy	
Approve Cost Allocation Methodology	
Approve Capital Expenditures	
Approve variances beyond budget	
Risk, Compliance & Reassurance (ARC)	
Participate in hiring / termination of Supervisor of Internal Audit	
Approve External Auditor Appointment (NA)	
Approve Risk Management Framework	
Approve internal audit plans	
Approve Internal Audit Findings	
Approve Corrective Action Plans	
Approve certification of Compliance with Statutory Duties	

Draft

Standing Committee Charters

Proposed - All charters have been rewritten

Investment Committee (IC)

Purpose

The Investment Committee is a standing Committee of the SIB. The "Committee") will:

- Be forward-looking to reduce "surprises" for the SIB
- Provide research and recommendations to the Board on asset allocation and benchmarks.
- Provide oversight of SIB investments within the parameters established by the SIB including an analysis of risk and return at the portfolio, asset class, and client fund levels.
- Review decisions made about deviations from established benchmarks and allocation of investments among internal management (if approved) and external management, including decisions about passive, active and quantitative styles.
- Focus on various policies and procedures of the agency to assure they are consistent with industry standards and that they continue to keep pace with prudent investment theory and practice.

  (i) propose changes to its Investment Policy including delegation of investment authority to RIO investment staff;

  (ii) recommend the SIB Investment Committee Investment Guidelines (IC Guidelines);

  (iii) recommend the general strategies for each investment division; and (iv) recommend new investment instruments. All investment guidelines must be consistent with the investment authority provided in N.D.C.C. Chapter 21-10.
- Act as liaison between the RIO Investment Staff and the SIB on issues concerning investment performance and risk management.
- Provide consultation and assistance to the SIB, Executive Director and staff concerning total fund allocation changes or rebalance decisions, as needed.

Recommended Capabilities:

Collectively members of the Committee should possess the following capabilities, and where gaps exist, a targeted continuing education plan shall be established to address them: (see Exhibit: Committee Skills Matrix)

- Strategic Asset Allocation & Long-Horizon Policy Setting
- Active Risk Budgeting & Portfolio Construction
- Public & Private Markets Understanding
- Manager Oversight & Performance
- Liquidity, Risk & Stress Scenario Awareness.

Draft

Staff Liaison: Chief Investment Officer

Powers and Responsibilities

1. Set: Research and Recommend

- Changes to the SIB Investment Policy, as necessary including any delegation of authority to RIO investment staff.
- Changes to SIB's strategic asset allocations and fund-level active risk objectives and benchmarks.
- Asset class strategies annually in the context of long-term policy, not annual reinvention.
- New investment strategies (both internal direct and external), portfolios, and the use of new investment instruments.
- Changes and additions to the Portfolio and Committee Guidelines as necessary
- Oversee the hiring of investment advisors and benchmark consultants to the Board.
- Waiver: Review and act on all requests from investment managers, both internal and external for waivers to provisions in their investment guidelines.
- On an emergency basis when it is impractical to timely convene a meeting of the Committee, either the Chair or Vice Chair of the Committee with the concurrence of the Chief Investment Officer or the Executive Director, may approve a waiver. That waiver will be brought to the Committee for ratification at its next regularly scheduled meeting.
- Recommend total fund risk budget
- Recommend active risk allocation by asset class / strategy

2. Approve: Not authorized

3. Oversee performance and risk

a. Long-Term Policy & Strategic Asset Allocation

Purpose: Preserve strategic policy continuity and long-horizon return objectives.

- Long-term investment policy and multi-year strategic asset allocation.
- Strategic performance and risk of asset allocation relative to objectives and liabilities.
- Any new investment programs or initiatives across all SIB portfolios.
- Alignment of strategies with the system's risk appetite and long-term return objectives.

Draft

b. Total Portfolio Risk & Active Risk Governance

Purpose: Assure risks taken are intentional, measured, and aligned with policy.

- Risk and return at the total fund, asset class, portfolio, and client fund levels.
- Active risk compared to objectives, benchmarks, and approved active risk targets.
- Oversight of the total fund risk appetite and active risk budget, including escalation thresholds requiring IC or Board action.
- Decisions regarding deviations from benchmarks and the allocation of risk across internal, external, passive, active, and quantitative strategies.

c. Performance Measurement & Reporting Framework

Purpose: Assure decision-quality information and consistent evaluation standards.

- Oversight of procedures, methodologies, and frequency of review for:
    - Fund, asset class, and portfolio performance
    - Performance attribution
    - Allocation within asset classes
    - Risk levels
- Review of annual benchmark recommendations from a Board-appointed benchmark consultant.
- Examination of internally and externally managed portfolios, individual investments, and correlations among portfolios to support informed oversight.

d. Investment Manager & Service Provider Oversight

Purpose: Maintain accountability for delegated investment execution.

- Oversight of investment managers' performance.
- Oversight of staff selection of investment managers.
- Review of allocation decisions among internal and external management mandates.
- Assurance that delegated authority is exercised within Board-approved policy and risk parameters.

e. Implementation, Operations & Transition Oversight

Purpose: Reduce execution risk and assure value is not lost in implementation.

- Review of trading effectiveness for internally managed investment strategies.
- Review of quarterly transition reports, including costs, timing, and impacts.

Draft

- Oversight of implementation risks associated with portfolio changes and strategy execution.

f. Exception Management & Escalation

Purpose: Assure timely visibility into deviations and emerging risks.

- Require exception-based reporting highlighting deviations from policy, risk limits, benchmarks, or expectations.
- Timely escalation of material exceptions to the SIB, based on agreed-upon thresholds and criteria.

g. Market Intelligence & Continuous Learning

Purpose: Support informed judgment in a changing environment.

- Participation in periodic round-table discussions on the economic and investment environment.
- Ongoing education to maintain awareness of evolving market risks, opportunities, and structural changes.

4. Verify and report performance and investment policy compliance

Purpose: Assure the Board is timely informed of emerging investment, liquidity, operational, or governance risks that could materially affect long-term objectives or policy continuity.

- Report the investment performance of the funds to each fund's governing authority.
- Review all compliance-related issues including compliance with statutes, administrative rules, internal and external manager investment guidelines or as otherwise requested.
- Review other compliance-, risk- or derivative-related matters that are directed to the attention of the Committee by the SIB, external auditors, the Internal Audit group, and RIO investment and accounting staff.

Draft

Audit & Risk Committee (ARC)

The Audit and Risk Committee (ARC) is a standing Committee of the North Dakota State Investment Board established to support the Board's fiduciary oversight of the North Dakota Retirement and Investment Office by obtaining independent reassurance and verification and providing enterprise-wide performance risk oversight.

Purpose

The Committee serves as the Board's primary forum for oversight of enterprise risk management, internal and external audit, financial reporting and controls, and compliance with laws, regulations, and ethical standards, including the Americans with Disabilities Act (ADA) and as a communications link among the Board, RIO management, Internal Audit, independent auditors, and other reassurance providers.

ARC's role is oversight—not execution. The Committee does not direct investment activity or operational execution, nor does it participate in management's execution of controls, audits, or risk mitigation activities. Where matters intersect with investment operations, ARC's role is limited to independent oversight, reassurance, and verification, with primary responsibility residing with management and the Investment Committee. Operational matters remain Investment Committee–led, with ARC providing independent oversight.

In fulfilling its mandate, the Committee:

- Oversees the enterprise risk management (ERM) framework, including the identification, assessment, monitoring, and escalation of material financial, operational, compliance, technology, reputational and accessibility risks, including key performance and risk indicators (KPRIs).
- Provides independent oversight of the Internal Audit function, including approval of the annual risk-based audit plan and assessment of Internal Audit's effectiveness and independence in accordance with The Institute of Internal Auditors' professional standards.
- Oversees the independent external audit, including audit scope, significant accounting judgments, internal control over financial reporting, and the resolution of audit findings.
- Oversees financial reporting and controls, compliance, ethics, whistleblower, and fraud-prevention frameworks, and monitors management's responsiveness to regulatory examinations and audit recommendations.

The Committee has authority to approve the annual internal audit plan, recommend the selection, evaluation, or termination of independent external auditors, investigate any matter within its scope, and retain independent advisors as necessary. All approvals are limited to authority explicitly delegated by the Board.

Draft

The Committee reports regularly to the Board on its activities, findings, risks, and recommendations; provides an annual written report describing how its responsibilities were discharged; and escalates significant risk, compliance, ethics, or audit matters to the Board as appropriate.

Recommended Capabilities:

Collectively Committee members should have capabilities in the following areas and where gaps exist, a targeted continuing education plan shall be established to address them. (see Exhibit: Committee Skills Matrix)

- Financial Reporting & Audit Oversight
- Internal Controls & Assurance
- Enterprise & Investment Risk Oversight
- Compliance, Ethics & Regulatory Awareness including ADA
- Risk Reporting, Dashboards & Escalation

Staff Liaison: Supervisor of Internal Audit (SIA)

The RIO's Supervisor of Internal Audit is the staff member reporting administratively to the Executive Director and functionally to the Committee. The Supervisor of Internal Audit is independent of the Executive Director and reports functionally to the Audit and Risk Committee.

The Supervisor of Internal Audit shall have unrestricted access to the Committee, the Board Chair, and all records, personnel, and physical properties relevant to audit activities.

The Executive Director will supervise the administrative activities of the Internal Audit function and independent audit activities such as securing contracts, paying fees, maintaining official reports, and other appropriate activities.

The SIA will report annually to the SIB on the results of the independent audit and at least four times a year to the SIB and TFFR Board on the activities of the Committee and other pertinent information.

Powers and Responsibilities

1. Conduct Special Investigations

- Institute and oversee special investigations as needed.

2. Set: Research and Recommend

- Identify improvements to performance and risk management
- Selection, evaluation and termination of independent external auditors
- Make recommendations to the North Dakota State Auditor's Office, when appropriate.

3. Approve: Not authorized except to approve the annual internal audit plan.

- All Committee approvals are limited to those explicitly delegated by the Board.

Draft

4. Oversee Performance and Risk

The Committee oversees the enterprise risk management framework, including the identification, assessment, monitoring, and reporting of material financial, operational, compliance, technology, and reputational risks. The Committee reviews management's risk assessments, mitigation strategies, and reporting processes, and escalates material risk exposures to the Board as appropriate.

- Internal and external audit programs Includes financial and other reporting practices.
- Internal controls
- Compliance with laws, regulations, and ethics

5. Oversee Internal Audit Services

a. Internal Audit Services

- Consider the effectiveness of the Internal Audit function, within The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
- Review with the Executive Director and the Supervisor of Internal Audit the audit charter, activities, staffing, and organizational structure of Internal Audit.
- Review and approve the annual risk-based audit work plan and all major changes to the plan.
- Escalate to the Board any internal audit issues the Committee determines significant and appropriate for Board consideration.
- Participate with the Executive Director in the appointment and annual evaluation of the Supervisor of Internal Audit. Work with the Executive Director on any changes in staffing, including the addition, termination, or replacement of auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.

b. Independent External Audit

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Internal Audit staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.
- Review the results of the financial statements report with the independent auditors and RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:
- Any major problems encountered by the independent auditors and the resolution thereof.
- The effect on the audit of any developments.
- Any unresolved differences between the independent auditors and the RIO's management.

Draft

- Any other significant comments or recommendations of the independent auditors or the RIO's management.
- The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices.
- Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.
- The effectiveness of the RIO's internal control system, including information technology security and control.
- Whether the financial statements are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. This will include the following, as applicable:
- The accuracy and completeness of the information in other §s of the annual report and related regulatory filings.
- The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.
- Review non-audit services, if any, performed for the RIO by the independent auditors.

c. Oversee Performance Risk Management

- Obtain information and/or training to enhance the Committee's understanding of organization and its related risk management processes and key performance risk indicators.
- Review the adequacy of the organization's policy on risk management.
- Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures.
- Review management reports on risks and related risk mitigations.
- Hire outside experts and consultants in risk management, as necessary, subject to full Board approval.

d. Verify Compliance

- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.
- Review the process for communicating and monitoring compliance with the code of ethics, code of conduct, and fraud policies.
- Review the findings of any examinations by regulatory agencies, any auditor observations related to compliance, and the responsiveness and timeliness of management's actions to

address the findings/recommendations.

- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.

e. Whistleblower

- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.

f. Fraud, abuse, misuse

- Oversee management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.

g. Other

- Perform other activities related to this charter as requested by the SIB.
- Review any other reports the RIO issues that relates to the Committee's responsibilities.

6. Verify and Report

- Report to the SIB about the Committee's activities, issues, and related recommendations.
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.
- Significant compliance, ethics, or fraud matters shall be reported promptly to the Committee Chair and escalated to the Board as appropriate.
- The Supervisor of Internal Audit shall provide an annual attestation to the Audit and Risk Committee confirming that no undue influence has been exerted over the Internal Audit function.

Draft

Governance & Policy Review Committee (GPRC)

Purpose

The Governance & Policy Review Committee (GPRC) is a standing Committee of the North Dakota State Investment Board (SIB). The Committee assists the Board in fulfilling its fiduciary responsibilities by overseeing the integrity, coherence, and effectiveness of the Board's governance framework.

The Committee's role is governance and policy stewardship, not management execution. The Committee ensures that Board policies remain clear, current, internally consistent, and aligned with fiduciary duties, statutory authority, and long-term objectives.

The Committee is intentionally policy-centric rather than operational and serves as the Board's institutional memory and governance steward. Its effectiveness is measured by improved clarity, consistency, fewer governance-related surprises, and stronger long-term decision discipline.

The Committee shall periodically review the Board's governance framework against recognized governance standards and leading practices and recommend enhancements as appropriate.

Authority and Limitations

The following authorities and limitations apply to the Committee:

- It has authority to review, assess, and recommend.
- It does not have authority to approve policy, except where specifically delegated by the Board.
- It does not direct management operations.
- It may request information, analyses, and assistance from management and external advisors as necessary to fulfill its duties.

Recommended Capabilities:

Collectively members of the Committee should possess the following capabilities, and where gaps exist, a targeted continuing education plan shall be established to address them: (see Exhibit: Committee Skills Matrix)

- Fiduciary Duties & Public Governance Law
- Board–Management Delegation & Accountability
- Governance Frameworks, Policies & Charters
- Ethics, Conflicts & Independence
- Board Effectiveness & Self-Assessment
- Compliance with the Americans with Disabilities Act (ADA)

Staff Liaison: Executive Director

Draft

Powers and Responsibilities

1. Conduct

a. Annual Self-Assessments

The Committee shall conduct its own self-assessment and oversee the completion of annual self-assessments for the Board and all Committees and shall report the results to the Board.

2. Set: Research and Recommend

a. Charter Reviews

This Charter and all Committee charters shall be reviewed periodically by the Committee but no less than every three years.

- Updated as needed to reflect:
    - Changes in law
    - Evolving governance practices
    - Board priorities
    - Improvements to Decision-making, Delegation & Accountability Clarity

Charter and Delegations Framework

The Committee shall periodically review this Charter and all Committee charters (no less than every three years) and recommend updates to reflect:

- Statutory or regulatory changes.
- Evolving governance practices.
- Board priorities.
- Clearer decision-making, delegation, and accountability.
- Delegations of Authority.

The Committee shall review and recommend Board delegations to Committees, the Executive Director, and staff, ensuring that delegations:

- Are clearly defined.
- Include appropriate limits and reporting expectations.
- Preserve Board accountability while enabling effective operations.

The Committee may recommend governance enhancements that strengthen long-term stewardship, informed challenge, constructive Board–management relationships, and disciplined decision-making.

3. Approve: Not authorized

The Committee is not authorized to approve, except where explicitly delegated by the Board.

Draft

4. Oversee

a. Governance Risk and Alignment

The Committee shall:

- Monitor emerging governance, fiduciary, and regulatory risks.
- Oversee alignment of Board policies with statutes, regulations, fiduciary standards, and leading practices.
- Coordinate, as appropriate, with Audit & Risk, Legal Counsel, and external governance advisors.

Material governance issues shall be elevated to the Board with clear recommendations.

b. Board Effectiveness and Development

The Committee shall oversee processes that support effective Board performance, including:

- Annual Board and Committee self-assessments.
- Trustee orientation and ongoing education expectations.
- Practices related to meeting effectiveness, agenda design, and the quality and timeliness of Board materials.

c. Governance Policy System

The Committee shall oversee the design and coherence of the Board's governance system, including:

- Governance policies.
- Delegations of authority.
- Committee charters.
- Board bylaws and procedures.

The Committee shall monitor for gaps, overlaps, or ambiguity that could undermine fiduciary oversight.

d. Governance Policy Review Cycle

The Committee shall establish and oversee a structured review cadence (no less than every three years) ensuring reviews are:

- Risk-informed.
- Aligned with statute and leading practice.
- Reflective of Board intent.

Annual review does not imply annual revision.

Draft

5. Verify and report to the Board

a. Verification

The Committee shall verify that governance documents:

- Clearly define roles, authorities, and accountability.
- Distinguish Board oversight from management execution.
- Remain internally consistent and free of conflict or duplication.

b. Reporting

The Committee shall report regularly to the Board regarding:

- Policy review activities.
- Governance assessments.
- Recommendations for action.

Recommendations shall be decision-ready and include rationale, implications, and alternatives where appropriate.

Draft

Executive Review & Compensation Committee (ERCC)

Purpose

The Executive Review and Compensation Committee (ERCC) is a standing Committee of the State Investment Board. The ERCC will assist the SIB in fulfilling its fiduciary oversight responsibilities of "monitoring executive performance (which) is synonymous with monitoring organizational performance against Board policies. The ERCC will also assist the SIB in developing compensation goals and strategies for the agency as a whole that are in alignment with the strategic plan of the agency."

The primary roles are to:

- Evaluate Executive Director ~~and CIO~~ performance annually
- Recommend executive compensation to the Board
- Oversee executive succession and leadership continuity
- Assure compensation philosophy supports long-term mission
- Commission independent compensation benchmarking

Recommended Capabilities:

Collectively Committee members should posses the following capabilities and where gaps exist, a targeted continuing education plan shall be established to address them: (see Exhibit: Committee Skills Matrix)

- Executive Performance Evaluation
- Incentive Design & Risk Alignment
- Peer Benchmarking & Market Context
- Succession Planning & Leadership Assessment
- Independence, Ethics & Compensation Governance.

Staff Liaison: Chief Legal Counsel (CLO) or 3rd Party

The Chief Legal Officer (CLO or a third party will be responsible for the preparation of all Committee materials with the exception of internal survey and audit materials.

The CLO or 3rd party will prepare an annual summary of the required reports submitted to the SIB by the Executive Director and Chief Investment Officer in connection with its review of policy adherence. The CLO or 3rd party will also assist the ERCC in completing annual surveys of the Executive Director with the SIB, SIB clients, and RIO team members

Conduct evaluations and surveys

Evaluate the Executive Director

- Conduct a formal evaluation of the Executive Director annually prior to June 30th of each year.

The ERCC will conduct a formal evaluation of the Executive Director, and ~~survey's regarding the performance of the Chief Investment Officer, and Deputy Executive Director – Chief Retirement Officer~~ during the first half of every calendar year. This formal evaluation by the ERCC will serve as the basis for an annual compensation recommendation for the Executive Director only to be reviewed and approved by the SIB on or before June 30th each year. ~~The survey results for all three positions will be reported to both the SIB and TFFR Board. Internal audit will also assist the SIB and ERCC in administering the annual Board self-assessment process.~~

The ERCC shall utilize an independent third-party advisor, as appropriate, to facilitate executive performance evaluations and compensation benchmarking to preserve objectivity and independence. Internal Audit may observe or verify process integrity but shall not lead executive performance assessments.

Powers and Responsibilities:

1. Set: Research / Recommend

Prior to June 30th of each year

- Recommend approval of the annual performance evaluation of the Executive Director;
- Make a compensation recommendation for the Executive Director to the SIB;
- Review and make recommendations regarding RIO's compensation policy to assure RIO can recruit and retain superior talent to satisfy the core mission and strategic plan of the agency;

The ERCC and/or RIO will seek SIB approval prior to formally engaging any third-party assistance in conducting the annual executive review process or Board self-assessment.

2. Approve: Not authorized

The ERCC is established by the SIB and has no power or authority to act on behalf of the full Board unless specifically delegated. The ERCC will abide by the provisions in the governance manual that pertain to the meetings and actions of the Board.

3. Oversee:

The ERCC shall oversee executive succession and leadership continuity frameworks for key executive roles, including the Executive Director, the Chief Investment Officer and the Chief Financial Officer, to reduce key-person risk and support long-term organizational resilience.

Draft

4. Verify / Report

Report the survey results ~~for all three positions~~ to both the SIB and TFFR Board.

Draft

Budget and Finance Committee (BFC)

Purpose

The Budget & Finance Committee (BFC) is a standing Committee of the SIB. It assists the SIB in fulfilling its fiduciary responsibilities for financial stewardship, resource alignment, and long-term organizational sustainability. The Committee's role is oversight and assurance, not execution.

The BFC assures that the SIB's budget, financial plans, and resource decisions are aligned with Board-approved priorities, statutory constraints, and the long-term ability of the organization to carry out its investment and fiduciary mandate.

This Committee is forward-looking, not transactional

- Its success is measured by:
    - Fewer budget surprises
    - Clear linkage between strategy and resources
    - Stronger long-term organizational capacity
- It provides the Board with a disciplined forum to address resource tradeoffs explicitly, rather than implicitly through risk or performance outcomes

The Committee does not evaluate internal controls, accounting judgments, or audit findings, which remain within the purview of the ARC. The BFC may rely on ARC assurance in assessing financial sustainability.

The Committee shall consider the budget and financial plans over a multi-year horizon, including the forward implications of staffing, compensation, technology, and vendor commitments.
The Committee shall coordinate with the ERCC to assure compensation structures and staffing plans are financially sustainable and aligned with approved resource levels.

Recommended Capabilities:

Collectively Committee members should have the following capabilities and where gaps exist, a targeted continuing education plan shall be established to address them: (see Exhibit: Committee Skills Matrix)

- Financial Reporting & Fund Accounting
- Multi-Year Financial Planning & Sustainability
- Financial Controls, Procurement & Contracts
- Resource Alignment to Strategic Priorities

Staff Liaison: The Chief Financial Officer

Draft

Powers and Responsibilities:

1. Set: Research / Recommend

Financial Policy (Non-Investment)

The Committee shall:

- Review and recommend Board-level financial policies, including:
    - Budget principles
    - Reserve or contingency policies (if applicable)
    - Cost allocation methodologies
- Assure financial policies:
    - Support long-term stewardship
    - Are internally consistent with governance and delegation policies
    - Do not conflict with investment policy (IC) or audit controls (ARC)

Budget Recommendation

The Committee shall:

- Review management's proposed:
    - Annual operating budget
    - Biennial or multi-year financial plans (as applicable)
- Assess whether proposed budgets:
    - Align with Board priorities and policies
    - Support effective execution of the investment program
    - Are realistic given statutory appropriation constraints
- Recommend the budget to the full Board for approval prior to submission to the Legislature as required

2. Approve: Not authorized

The Budget & Finance Committee:

- Has authority to research and recommend.
- It does not:
    - Approve expenditures
    - Direct management spending decisions
    - Manage staff or vendors
    - Negotiate contracts
- It may request information, analyses, and scenario modeling from management
- It may recommend engagement of external advisors, subject to Board approval

3. Oversee

A. Financial Performance & Monitoring

The Committee shall:

- Oversee reporting on:
    - Exception-based reporting of Actual vs. budgeted expenditures

Draft

    - Material variances and their drivers
    - Trends in cost structure over time
- Monitor financial sustainability indicators, including:
    - Staffing and compensation capacity
    - Technology and systems funding
    - Vendor and external service costs
- Escalate material budgetary risks or pressures to the full Board

B. Resource Adequacy & Organizational Capacity

The Committee shall:

- Evaluate whether financial resources are sufficient to support:
    - The complexity and scale of assets under management
    - Internal investment management and oversight
    - Risk management, compliance, audit, and data capabilities
- Consider benchmarking inputs (e.g., peer systems, AUM-per-FTE, budget per $AUM) as context, not determinative metrics
- Advise the Board on resource tradeoffs that may affect:
    - Investment performance
    - Risk exposure
    - Organizational resilience

C. Statutory & Appropriation Alignment

The Committee shall:

- Oversee alignment of the budget with:
    - Legislative appropriation authority
    - Continuing appropriation provisions
    - Applicable fiscal statutes and policies
- Monitor constraints or risks arising from:
    - Line-item appropriations
    - Hiring or compensation limitations
    - Procurement or technology funding restrictions
- Coordinate, as appropriate, with:
    - Management
    - Legal counsel
    - Legislative or oversight bodies (through the Board)

4. Verify & Report

Reporting to the Board

The Committee shall report regularly to the full Board on:

- Budget recommendations
- Financial performance and material variances
- Resource adequacy risks
- Policy recommendations related to financial stewardship

Draft

Executive Director Charter

As the Board's single official link to the operating organization, the Executive Director's performance will be considered to be synonymous with the RIO's total performance. It is the responsibility of the Board to establish and maintain a job description for the Executive Director.

Policy Implemented: June 23, 1995; May 17, 2024.

Executive Director Role and Authority

Section 3-4. **Executive Director**. An Executive Director will be retained by the SIB. The Executive Director will serve at the SIB's pleasure, be responsible for keeping the records of the SIB and TFFR Board actions and perform such duties as the SIB prescribes. The Executive Director will make out and give out all notices required to be given by law, procedures, or rules and regulations of the two Boards.

Policy Implemented**:** June 23, 1995.

The Executive Director, as chief executive officer, is accountable to the Board acting as a body. The Board only will instruct the Executive Director through these written policies, delegating to the Executive Director the implementation and administration of these policies.

Policy Implemented: June 23, 1995.

New
The Executive Director is accountable for assuring compliance with laws, bylaws, and policies
The Executive Director has the authority to:
Approve expenditures within approved budgets
Approve Hiring / Termination of Chief Investment Officer
Approve Hiring / Termination of Chief Retirement Officer
Approve Hiring / Termination of Chief Financial Officer
Approve Hiring / Termination of External Managers
Approve Material Contract Amendments within budget
Approve Securities Monitoring and Litigation
Approves all contracts unless delegated by the Executive Director

The Chair speaks on behalf of the SIB. The Executive Director is the spokesperson for RIO

Communication and Counsel to the Board

With respect to providing information and counsel to the Board, the Executive Director shall:

A. Provide monitoring data required by the Board in a timely, accurate, and understandable fashion, directly addressing provisions of the Board policies being monitored.
B. Keep the Board informed of relevant trends, anticipated adverse media coverage, material external and internal changes, and particularly changes in the assumptions upon which any Board policy has previously been established.
C. Advise the Board chair and governance and policy review Committee if, in the Executive Director's opinion, the Board is not in compliance particularly in the case of Board behavior which is detrimental to the work relationship between the Board and the Executive Director, and Executive Director and staff.
D. Provide the Board -with varying staff and external points of view on issues and options as prudent for fully informed Board choices.
E. Present information in a short and simple form.
F. Provide a mechanism for official Board, officer, or Committee communications.
G. Deal with the Board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or Committees duly charged by the Board (c) as otherwise delegated in accordance with Board policies.
H. Report in a timely manner an actual or anticipated noncompliance with any policy of the Board.
I. Inform the Board chair and the full Board in a timely manner of any changes related to the resignation or hiring of the Chief Retirement Officer, the Chief Investment Officer, the Supervisor of Internal Audit, or the Chief Financial Officer/ Chief Operating Officer
J. Keep the Board informed concerning the delegation of fiduciary authority to any staff member. Every person to whom such fiduciary responsibility authority is delegated is ultimately accountable to the Board as to the exercise and execution of the delegated authority.

Policy Implemented: June 23, 1995; November 19, 1999.

Amended: September 26, 2014; and May 17, 2024.

Draft

1st Line - Investment Services

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The RIO 1st and 2nd Line unit supervisors are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from the receipt of a report disclosing those weaknesses if known or applicable. The unit supervisors are also responsible for seeing that a written report of action planned or completed is sent to the Executive Director. If a plan for action is reported, a second report shall be made promptly upon completion of the plan

Chief Investment Officer Charter

1. Participate on the Investment Committee and report to the Board as required. (nonvoting)
2. Advise and then implement investment policies approved by the Investment Committee and the Board.
3. Provide research and administration for SIB client funds and client projects.
4. Recommend investment policies and procedures appropriate for governing the investment of entrusted funds.
5. Lead the development of asset allocations, investment strategies, manager mandates, manager guidelines, investment implementations and investment policies to be approved by the Investment Committee and Board.
6. Negotiate manager contract terms and conditions as delegated by the Investment Committee and Board.
7. Evaluate money manager adherence to investment objectives, mandate requirements, and guidelines.
8. Provide performance reports to the Investment Committee, the Board and Boards of participating funds as a representative of the Investment Committee and the SIB.
9. Hire or terminate money managers, consultants, and other outside services needed to effectively manage the investment funds.
10. Develop and maintain appropriate accounting policies and investment systems for the funds entrusted to the SIB.
11. Recommend to the investment Committee new investment strategies (both internal direct and external), portfolios, and the use of new investment instruments prior to their implementation.
12. Manage direct investment strategies approved by the investment Committee including the allocation of capital within the strategies, as well as security selection, weighting, and trading.
13. Provide rebalance instructions to the fiscal team that comply with client policy statements.

Retirement Services – (silent)

Draft

2nd Line – Enterprise Services

Fiscal Services - Chief Financial Officer Charter

Purpose:

Assure the funds and accounts of SIB clients and TFFR beneficiaries are managed prudently under applicable accounting standards and practices.

Evaluation criteria:

Internal and external audit reports, internal compliance controls, the publishing of timely and accurate performance reports and financial statements, and responsiveness and accuracy of reporting to oversight authorities.

Policy Implemented: May 17, 2024.

Compensation and Benefits

Compensation and benefits, or employment terms for staff shall comply with applicable state and federal law.

Policy Implemented: June 23, 1995.
Amended: January 22, 1999; November 19, 1999; and May 17, 2024

Accounting

The master custodian will provide RIO staff with such accounting detail and at such frequency as the staff deems necessary to fulfill the SIB's reporting requirements.

From this information, RIO staff will generate monthly and annual financial statements for each of the trust funds managed by the SIB.

RIO staff is responsible to assure the proper valuation of all assets. Formal valuation policies must be developed and implemented utilizing industry best practices and GAAP accounting requirements.

Draft

3rd Line - Internal Audit Services Charter

Purpose:

Existing

The purpose of the internal audit division is to provide an independent, objective assurance and advisory activity designed to add value and improve RIO's operations.

This will be evaluated based on the following:

Internal audit reports, the timely completion of internal audit activities, audit Committee reports, and responsiveness and accuracy of reporting.

Policy Implemented: May 17, 2024.

Proposed

The purpose of the internal audit division is to provides an independent, objective assurance and advisory activity designed to add value and improve North Dakota RIO's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit division will assist RIO in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Functions and units within RIO will be reviewed at appropriate intervals to determine whether they are effectively carrying out their responsibilities of planning, organizing, directing, and controlling in accordance with SIB and management instructions, applicable laws, policies, and procedures, and in a manner consistent with both the RIO objectives and high standards of administrative practice.

The audit staff shall have full, free, and unrestricted access to all RIO activities, records, property, and personnel relative to the subject under review. The audit function will be conducted in a manner consistent with acceptable professional standards and coordinated with others to best achieve the audit objectives and the RIO objectives.

The Internal Audit Services Unit is responsible for developing and directing a broad, comprehensive program of internal auditing within RIO. The Internal Audit Services Unit will report administratively to management and functionally to the Audit Committee of the SIB.

The Internal Audit Charter requires a QAIP (Quality Assurance and Improvement Program), including (1) ongoing internal monitoring, (2) annual internal assessments, and (3) external quality assessment (EQA) at least every five years. (NEW)

Draft

4th Line – Independent External Auditors and Advisors Charter

Proposed

Fourth Line of Defense – Independent External Auditors and Advisors

The Fourth Line consists of independent external professionals engaged by the Board to provide objective assurance, expert judgment, and independent validation across critical fiduciary, financial, investment, and governance functions. These parties do not manage or execute operations; their role is to independently assess, test, advise, and opine—strengthening Board oversight, reducing blind spots, and reinforcing accountability.

Included roles

- **Investment Consultant** – Provides independent advice on investment policy, asset allocation, risk, benchmarks, manager structure, and performance evaluation; challenges assumptions and validates staff recommendations.
- **Actuary** – Independently evaluates funding status, liabilities, assumptions, and contribution adequacy; assesses long-term sustainability and intergenerational equity.
- **Independent External Auditor** – Performs independent financial statement audits and internal control assessments; provides assurance on financial reporting integrity and compliance.
- **Governance Advisor** – Assesses governance structure, policies, delegation, board effectiveness, and fiduciary practices; benchmarks against leading practices and statutory requirements.
- **Master Custodian** – Independently safeguards assets, settles trades, reconciles holdings, and provides independent books and records supporting valuation, performance, and control assurance.
- **External Legal Counsel** – Provides independent legal advice on fiduciary duties, statutory authority, contracts, litigation, ethics, and regulatory compliance.

Collectively, the Fourth Line enhances the Board's ability to **verify**, **challenge**, and **validate** information and decisions, reinforcing trust, transparency, and long-term fiduciary integrity.

Draft

5. Powers of the Board

Set, Approve, Oversee, Verify

The Board holds the exclusive authority to approve policies, delegations, and major decisions, and remains ultimately responsible for prudent fiduciary processes, while Committees serve in an advisory and oversight capacity by conducting detailed research, developing recommendations for Board consideration, and overseeing and verifying that Board-approved decisions are implemented and performing as intended without exercising independent approval or execution authority.

See Board and Standing Committee Charters

Conduct the Business of the Board and its Committees

Conduct Dimension	State Investment Board (Board)	Standing Committees (All Committees)
Purpose	Serves as the statutory governing body responsible for investment oversight, policy approval, delegation, and fiduciary accountability for all funds under NDCC §21-10.	Support the Board by providing focused research and recommendations, oversee performance and risk, verify and report to the SIB within delegated subject-matter areas.
Fiduciary Status	Acts as fiduciary with full statutory duties of care, loyalty, and prudence for funds under management.	Committee members act as fiduciaries when exercising delegated responsibilities on behalf of the Board.
Authority	Holds all authority granted by statute; may delegate specific accountability while retaining ultimate responsibility.	Advise, oversee and verify only unless expressly delegated authority by the Board; may not bind the Board or exceed delegated scope.
Limitations	Authority constrained by statute, legislative appropriations, ethics laws, and open meetings requirements. Budget must be approved by the Legislature on a line by line basis biennially	Authority limited to Board-approved charters; no independent or implied powers.
Composition	Membership defined by NDCC §21-10, including voting and ex officio members. a. The governor; b. The state treasurer; c. The commissioner of university and school lands; d. The director of workforce safety and insurance; e. The director of the office of management and budget;	Three (3) members per Committee, all drawn from Board membership except for the Investment and the Audit Committee which shall have five (5). The Investment Committee shall have two external investment professionals. The two external investment professionals may be either active or retired and have substantial institutional investment experience. Three members of the Audit and Risk Committee will represent the three groups

Draft

Conduct Dimension	State Investment Board (Board)	Standing Committees (All Committees)
	f. Two members of the teachers' fund for retirement board or the board's designees who need not be members of the fund as selected by that board; g. Two members of the public employees retirement system board as selected by that board; h. Two members, each of whom by experience is familiar with institutional investments, appointed by the governor. One initial appointee shall serve a term of three years, one initial appointee shall serve a term of five years, and all subsequent appointees shall serve five-year terms; and i. Two members, one from the senate and one from the house of representatives, or the member's designee, who serve on the legacy and budget stabilization fund advisory board, as selected by that board to represent that board.	on the SIB: Legacy & Budget Stabilization Fund Advisory Board, a TFFR representative, member-at-large, and two members selected from outside of the SIB and the RIO. Members of the Budget and Finance Committee should be expected to be financially literate and statutorily aware. It should at least one member with experience in public budgeting or appropriations.
Independence	Not specified at the Board other than 21-10-09. Personal profit prohibited - Penalty. No member, officer, agent, or employee of the state investment board may profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this § is guilty of a class A misdemeanor. See also Board members' code of conduct. (add link)	External Investment Committee members shall be independent and free from material conflicts of interest. External members may not: Have a current business relationship with investment managers, service providers, or counterparties used by the SIB Participate in decisions where a real or perceived conflict exists External members are subject to applicable ethics, disclosure, and recusal requirements. Independence is reviewed at appointment and periodically thereafter.
Committees	The Board Chair will propose a slate of Committee members (based on the match between recommended capabilities for each Committee and the members' interests) for Board approval. The Board may also form an investment	Investment Audit & Risk Governance Policy Review Executive Review & Compensation Budget & Finance

Draft

Conduct Dimension	State Investment Board (Board)	Standing Committees (All Committees)
	advisory council.	
Ad hoc and Sub-Committees	The Board may form, and delegate authority to ad hoc or sub Committees when it deems appropriate.	Same
Terms	Board member terms are not set by statute. The only board members who have terms are the two members who have institutional investment experience. They have a 5-year term. There are no term limits.	Terms will be one year or termination of the term on the SIB. There are no term limits; Committee members serve at the pleasure of the Board.
Chair/Vice-Chair	21-10-04. Board - Meetings. The state investment board shall select one of its members to serve as chair, one to serve as vice chair, and shall meet at the call of the chair or upon written notice signed by two members of the board.	The Board Chair will appoint a Committee Chair, and a Vice Chair. The Board Chair typically acts as the liaison. The Chair will preside at all meetings of the Committee. In the absence of the Chair, the Vice Chair will perform the duties of the Chair. The Board Chair / Vice Chair may serve as ex officio members.
Quorum	A majority of voting members (7)	A majority of voting members (2-3). The Committee will act only on the affirmative vote of the majority ~~three~~ of the Committee members at a meeting. Should a quorum not be present before a scheduled meeting or during a meeting, the Chair will announce the absence of a quorum and the members will disburse. Meeting minutes will be prepared by the RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.
Voting	Section 4-4. Voting on matters before the SIB will be contained in the minutes which will show the recorded vote of each SIB member.	Same
Records	Section 4-6. A record of procedures will be kept by the Executive Director on all meetings of the SIB. The records of these proceedings are public documents, and copies will be distributed upon request.	Same
Appointment	Members appointed or seated as provided in statute.	Committee members appointed by the Board Chair at the first SIB meeting in July of each year or when a vacancy arises.
Compensation	Section 4-8. SIB members, except elected	Same

Draft

Conduct Dimension	State Investment Board (Board)	Standing Committees (All Committees)
	and appointed officials, will be paid the amount specified in NDCC 21-10-01 per SIB meeting attended. Expenses will be paid according to state law and OMB policies.	
Leadership	Board Chair presides over Board meetings and sets agendas in coordination with the Executive Director.	Committee Chairs designated by the Board Chair or Board action.
Staff Support	Executive Director serves as primary liaison; senior staff support Board deliberations.	Executive Director designates senior staff liaisons appropriate to Committee scope.
Independent Advisors	The Board may retain independent advisors as required.	Same subject to Board approval
Meetings	Meets as required to fulfill statutory duties (at least quarterly); subject to ND open meetings law. Section 4-5. All meetings of the SIB are open to the public, except as allowed under North Dakota law. Meetings of the SIB may be called by the Chair or two members of the SIB upon reasonable notice in writing to the other members of the Board. (NDCC 21-10-04) Board members are expected to attend each meeting, in person or via tele- or videoconference. The Board may invite staff of the RIO, auditors or others to attend meetings, as necessary to provide information and to conduct business will attend meetings. Meetings will be conducted in accordance with NDCC 44-04-17.1. The Board may hold executive sessions as allowed under state law. Meeting materials must be provided in accessible formats Presentations must not rely solely on visual content	Same except the Governance and Policy Review Committee and the Executive Review Compensation Committee may meet semi-annually.

Draft

Conduct Dimension	State Investment Board (Board)	Standing Committees (All Committees)
	Recordings and posted materials must be provided in accessible formats.	
Meeting Agendas	Meeting agendas will be prepared by the Executive Director and approved by the Board Chair, unless otherwise directed by the Board and will be provided to the board members along with briefing materials (7) days before the scheduled board meeting. Meeting materials should be distributed at least seven (7) days in advance.	Same – except agendas will be prepared by the Committee staff liaison.
Meeting Materials	Members are encouraged to read the materials in advance as presentations should be based on that assumption. This is intended to reduce the time spent "presenting" materials and increase the time spent on dialogue. Materials should meet ADA Design Standards	Same
Consent Agendas (New)	The Board may use consent agendas to approve routine, non-controversial items in a single motion, without discussion—unless a member asks to pull an item for separate consideration. Typically, such matters are informational or procedural, have been reviewed in advance, or require no debate or decision trade-offs.	Same
Rules of Order	Robert's Rules of Order Newly Revised except as superseded by-laws and Board governance policies. (Rosenberg)	Same
Reporting	Receives reports from Committees, staff, auditors, and external advisors. Reports should be exception-based wherever appropriate. Reports to the Legislature as required.	Reports regularly to the full Board; escalates material issues promptly. Reports should be decision-ready, clearly identifying: • Issues • Options (least to most) • Implications (pros and cons) • Recommended actions
Decision-Making	Makes final decisions unless authority is explicitly delegated.	Makes recommendations; decisions only where expressly delegated.

Draft

Conduct Dimension	State Investment Board (Board)	Standing Committees (All Committees)
Self-Assessment	Conducts an annual Board self-assessment focused on fiduciary effectiveness and governance performance using a standardized, confidential survey and facilitated discussion, timed to inform governance planning and charter reviews, and result in a written summary of strengths, gaps, and prioritized improvement actions reported to the Board.	• Same • The GPRC conducts annual Committee self-assessments focused on: effectiveness and clarity of delegation. Clarity of roles and decision authority • Quality, timeliness, and usefulness of information received • Adequacy of time spent on strategic vs. operational matters • Effectiveness of risk, performance, and policy oversight • Committee composition, expertise (key capabilities), and workload • The results should be summarized and shared with the Board, along with any recommended improvements.
Mentor (NEW)	Each new trustee shall be assigned a mentor by the Chair in consultation with the Executive Director to aid in their onboarding. Each trustee participates in ongoing fiduciary, investment, and governance education.	NA
Continuing Education	The Board should specify the minimum number of hours of annual continuing education, an individualized curriculum and a method for tracking and reporting progress. The national average is about 10 hours.	Each Committee member shall complete continuing education aligned with the Committee's responsibilities and required capabilities.
Charter / Governance Review	Approves governance framework and Committee charters; triennially reviews Board governance policies.	The GPRC will review Committee charter at least triennially and recommend updates to the Board through the GPRC.
Accountability	Accountable to beneficiaries, Legislature, and the public for statutory compliance and long-term stewardship.	Accountable to the Board for researching and recommending policy, oversight of performance and risk within the delegated scope and verification and reporting to the Board.
Annual Workplans (new)	The Board should create a multi-year workplan and calendar based on the approvals required by it.	Every standing Committee will create an at least annual plan to provide timely recommendations to the SIB according to the agreed upon board calendar.

Conflicts of Interest (existing)

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Conflicts of interest and the appearance of impropriety must be avoided by the Executive Director. The Executive Director must not allow family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. The Executive Director must refrain from financial and business dealings that tend to reflect adversely on their duties. If a conflict of interest unavoidably arises, the Executive Director shall immediately disclose the conflict to the chair and the supervisor of internal audit and follow any subsequent recommendations of the SIB audit Committee.

Conflicts of interest to be avoided include but are not limited to: receiving consideration for advice given to a person concerning any matter over which the Executive Director has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the Board, and participation in any transaction for which the Executive Director has acquired information unavailable to the general public, through their position.

The Executive Director shall establish policies and procedures for the disclosure of and affirmation of understanding of conflicts of interests by staff. "Conflict of Interest" means a situation in which a Board member or staff member has a conflict of interest as that term is defined in North Dakota statute and rules promulgated by the North Dakota Ethics Commission under N.D.A.C. Chapter 115-04-01.

The Executive Director will be required to affirm their understanding of this policy, and require the affirmation of staff annually, in writing, and must disclose any conflicts of interest that may arise (See Exhibit A-I (Executive Director).

Policy Implemented: June 23, 1995.
Amended: January 22, 1999; February 25, 2011; and May 17, 2024.

Draft

NORTH Dakota | Retirement & Investment
Be Legendary.

MEMORANDUM

TO: **SIB Governance & Policy Review Committee**

FROM: **Jodi Smith, Executive Director**

DATE: **January 13, 2026**

RE: **Draft Governance & Policy Review Committee Charter Review**

GPR Committee Charter Updated Version vs. Original Policy

The updated charter (Attachment 1) moves the GPRC from a narrow policy review body to a strategic governance oversight committee with clearer authority limits, stronger fiduciary alignment, and structured review and reporting processes.

It improves clarity, accountability, and governance maturity, while still preventing management overreach.

Key Enhancements

1. Clearer Purpose and Role

- Defines the GPRC as a policy-centric governance steward.
- Emphasizes support for fiduciary responsibilities, governance clarity, and long-term decision discipline.
- Clarifies that the Committee does **not** manage operations.

2. Defined Authority and Boundaries

- Committee may review, assess, and recommend.
- Committee may **not approve policy** unless the Board explicitly delegates that authority.
- Committee may request information and external expertise as needed.

3. Structured Powers Framework

Organizes work into five clear functions:

- **Conduct** – self-assessments.
- **Set** – research, charter review, and delegation recommendations.
- **Approve** – explicitly not authorized.
- **Oversee** – governance policy system, alignment, risk awareness, and Board effectiveness.
- **Verify & Report** – assurance and regular reporting to the Board.

4. Governance Risk and Alignment

- Introduces monitoring of governance and regulatory risks.
- Aligns Board policies with statutes, fiduciary standards, and peer practices.

5. Policy Review Discipline

- Establishes a structured, risk-informed review cadence (generally at least every three years).
- Shifts from ad-hoc revisions to a consistent governance cycle.

6. Delegation Clarity

- Reviews Board delegations to committees and staff.
- Ensures appropriate limits, reporting expectations, and accountability.
- Guards against “delegation creep.”

7. Board Effectiveness Support

- Oversees Board and committee self-assessments.
- Supports trustee onboarding and continuing education.
- Encourages stronger agenda design and information quality.

8. Accessibility and Compliance

- Adds expectations that governance documents are accessible and ADA-compliant.

What Does Not Change

- The Board retains ultimate decision-making authority.
- Management continues to execute operations.
- The Committee remains advisory in nature, focused on recommendations.

Committee Action Requested: Information only.

SECTION ?. COMMITTEES

Governance & Policy Review Committee

The Governance & Policy Review Committee (GPRC) is a standing committee of the North Dakota State Investment Board (SIB). The Committee assists the Board in fulfilling its fiduciary responsibilities by overseeing the integrity, coherence, and effectiveness of the Board's governance framework.

The Committee's role is governance and policy stewardship, not management execution. The Committee assures that Board policies remain clear, current, internally consistent, and aligned with fiduciary duties, statutory authority, and long-term objectives.

The Committee is intentionally policy-centric rather than operational and serves as the Board's institutional memory and governance steward. Its effectiveness is measured by improved clarity, consistency, fewer governance-related surprises, and stronger long-term decision discipline.

The Committee shall periodically review the Board's governance framework against recognized governance standards and leading practices and recommend enhancements as appropriate.

Authority and Limitations

The following authorities and limitations apply to the Committee:

- It has authority to review, assess, and recommend.
- It does not have authority to approve policy, except where specifically delegated by the Board.
- It does not direct management operations.
- It may request information, analyses, and assistance from management and external advisors as necessary to fulfill its duties.

Staff Liaison: Executive Director

Powers and Responsibilities

1. **Conduct**

   Annual Self-Assessments

The Committee shall conduct its own self-assessment and oversee the completion of annual self-assessments for the Board and all committees and shall report the results to the Board.

2. **Set: Research and Recommend**

   a. Charter and Delegations Framework

   The Committee shall periodically review this Charter and all committee charters (no less than every three years) and recommend updates to reflect:

   - Statutory or regulatory changes.
   - Evolving governance practices.
   - Board priorities.
   - Clearer decision-making, delegation, and accountability.
   - Delegations of Authority.

   The Committee shall review and recommend Board delegations to committees, the Executive Director, and staff, assuring that delegations:

   - Are clearly defined.
   - Include appropriate limits and reporting expectations.
   - Preserve Board accountability while enabling effective operations.

   The Committee may recommend governance enhancements that strengthen long-term stewardship, informed challenge, constructive Board–management relationships, and disciplined decision-making.

3. **Approve**

   The Committee is not authorized to approve, except where explicitly delegated by the Board.

4. **Oversee**

   a. Governance Risk and Alignment

   The Committee shall:

   - Monitor emerging governance, fiduciary, and regulatory risks.
   - Oversee alignment of Board policies with statutes, regulations, fiduciary standards, and leading practices.

- Coordinate, as appropriate, with Audit & Risk, Legal Counsel, and external governance advisors.

Material governance issues shall be elevated to the Board with clear recommendations.

b. Board Effectiveness and Development

The Committee shall oversee processes that support effective Board performance, including:

- Annual Board and committee self-assessments.
- Trustee orientation and ongoing education expectations.
- Practices related to meeting effectiveness, agenda design, and the quality and timeliness of Board materials.

c. Governance Policy System

The Committee shall oversee the design and coherence of the Board's governance system, including:

- Governance policies.
- Delegations of authority.
- Committee charters.
- Board bylaws and procedures.

The Committee shall monitor for gaps, overlaps, or ambiguity that could undermine fiduciary oversight.

d. Governance Policy Review Cycle

The Committee shall establish and oversee a structured review cadence (no less than every three years) assuring reviews are:

- Risk-informed.
- Aligned with statute and leading practice.
- Reflective of Board intent.

Annual review does not imply annual revision.

5. Verify and Report

a. Verification

The Committee shall verify that governance documents:

- Clearly define roles, authorities, and accountability.
- Distinguish Board oversight from management execution.
- Remain internally consistent and free of conflict or duplication.

b. Reporting

The Committee shall report regularly to the Board regarding:

- Policy review activities.
- Governance assessments.
- Recommendations for action.

Recommendations shall be decision-ready and include rationale, implications, and alternatives where appropriate.