

TFFR BOARD GOVERNANCE & POLICY REVIEW (GPR) COMMITTEE MEETING

Tuesday, June 2, 2026, 3:30 p.m.

Virtual Only

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AGENDA

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA (*Committee Action*)**

- II. **ACCEPTANCE OF MINUTES (*Committee Action*)**

- III. **REVIEW TFFR GOVERNANCE MANUAL REWRITE (*Committee Action*) –
MS. SMITH (45 MIN)**

- IV. **ADJOURNMENT**

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT GOVERNANCE & POLICY REVIEW COMMITTEE MINUTES OF THE APRIL 13, 2026, MEETING (VIRTUAL)

MEMBERS PRESENT

Cody Mickelson, Chair
Mike Burton, TFFR Board
Rob Lech, TFFR Board

STAFF PRESENT

Jodi Smith, Exec. Director
Chase Kauffeld, Chief Retirement Officer
Denise Weeks, Retirement Program Manager
Sarah Mudder, Communications & Outreach Director
Adam Otteson, Chief Financial & Operating Officer
Rachelle Smith, Retirement Prog. Admin. Assistant

CALL TO ORDER

Mr. Cody Mickelson, Chair of the Teachers' Fund for Retirement (TFFR) Governance & Policy Review (GPR) Committee, called the meeting to order at 3:00 p.m. on Monday, April 13, 2026. The meeting was held virtually.

AGENDA

The Committee considered the agenda for the April 13, 2026, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. BURTON AND CARRIED BY VOICE VOTE TO ACCEPT THE AGENDA FOR THE APRIL 13, 2026, MEETING.

AYES: DR. LECH, MR. BURTON, MR. MICKELSON

NAYS: NONE

MOTION CARRIED

MINUTES

The Committee considered the minutes for the February 5, 2026, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. BURTON AND CARRIED BY VOICE VOTE TO ACCEPT THE FEBRUARY 5, 2026, MINUTES AS PRESENTED.

AYES: DR. LECH, MR. BURTON, MR. MICKELSON

NAYS: NONE

MOTION CARRIED

TFFR GOVERNANCE POLICY MANUAL REVIEW AND DISCUSSION

Ms. Smith reported that the State Investment Board (SIB) has transitioned from a traditional Governance Manual based on the Carver Model to a Governance Policy System (GPS). This transition represents a fundamental shift from policy compliance and structure to a disciplined, fiduciary-driven governance system centered on decision making, accountability, and long-term stewardship.

The TFFR Manual is a comprehensive document that combines governance, plan administration, and operational policies, resulting in more hands-on, compliance- and process-oriented model where the Board is actively involved in administrative decisions.

Ms. Smith asked the Committee Members to determine whether to pursue a comprehensive rewrite of the TFFR Governance Manual with the assistance of an external governance consultant; collaborate with staff to align the SIB GPS by mirroring its structure and approach; or retain the current manual with targeted, minimal updates to address key gaps without significant structural changes. Committee discussion followed.

The Committee recommends that the TFFR Board engage Funston Advisory Services LLC to rewrite the TFFR Board Governance Manual.

The Committee also discussed its composition and the timing of member replacements.

ADJOURNMENT

With no further business to come before the Committee, Mr. Mickelson adjourned the meeting at 4:15 p.m.

Submitted by:

Rachelle Smith, Assistant to the Board

MEMORANDUM

TO: TFFR GPR Committee
FROM: Jodi Smith, Executive Director
DATE: 05/27/2026
RE: TFFR Governance Manual Rewrite

At its April 2026 meeting, the Teachers' Fund for Retirement Board authorized RIO to engage Funston Advisory Services to rewrite the TFFR Governance Manual into a Governance Policy System (GPS), consistent with the governance architecture currently being adopted by the State Investment Board.

The engagement was structured as a six-month project with two formal Board readings and final GPS adoption targeted for the fourth quarter of 2026, with implementation effective January 1, 2027.

Phase	Timing	Key Deliverables and Board Touchpoints
1 — Discovery	Weeks 1–8	InGov provisional review; GPRC kick-off; trustee and staff interviews; discussion document presented to the Board (July 29, 2026).
2 — Initial Re-Write	Weeks 9–12	GPS framework development; Version 1 presented to the Board for initial review.
3 — TFFR Feedback	Weeks 13–26	First and second readings; Board feedback integration; final GPS adoption targeted for October 28, 2026 (alternate November 18, 2026); implementation January 1, 2027.

Since Board authorization, RIO staff have completed the following work in support of the engagement:

- Confirmed engagement scope, deliverables, and phased work plan with FAS;
- Scheduled internal and Governance & Policy Review Committee kick-off meetings;

- Compiled and delivered the diagnostic document package required for review, including governance materials, statutes, committee charters, Board minutes and packets, trustee education records, policy documents, and investment performance information.

The engagement remains on schedule, and the diagnostic phase was completed within the anticipated timeframe.

TFFR Governance Manual Rewrite

Preliminary Discussion Document

Submitted to the TFFR

Governance and Policy Review Committee (GPRC)

Funston Advisory Services LLC



May 27, 2026

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Preliminary Findings

The TFFR Board has commissioned Funston Advisory Services (FAS) to rewrite its Governance Policies. This document presents the consolidated preliminary findings of the diagnostic phase:

1. a review of the current Policy Manual and the broader statutory architecture
2. InGov® policy-completeness scoring against 520 statutory governance standards, authoritative guidance, and leading practices, and
3. benchmarking against eight US public retirement systems and
4. the work plan that follows from those findings.

TFFR and its Relationship with SIB and RIO

The North Dakota **Teachers' Fund for Retirement (TFFR)** is the statewide defined benefit retirement plan for North Dakota's public-school educators. Established under NDCC Chapter 15-39.1 and governed by a seven-member Board of Trustees, TFFR is responsible for the actuarial soundness of the plan, the funding policy that supports promised benefits, and the policies governing how trust assets are invested. The Board's fiduciary duty runs to plan members and beneficiaries.

TFFR does not manage its own investments or operate its own administrative office. Two other entities are integral to how the plan functions.

The **State Investment Board (SIB)** is the investment fiduciary for TFFR's trust assets. Established under NDCC Chapter 21-10, SIB is statutorily responsible for the investment of approximately 30 state funds, of which TFFR is one. SIB operates under the Prudent Investor Rule and implements the investment policies that each of its client funds establishes — including TFFR's. Two of TFFR's seven trustees serve concurrently on SIB under NDCC 21-10-01.1(f), creating both a coordination mechanism between the two boards and a dual-capacity fiduciary obligation for those trustees. The Treasurer sits on both boards.

The **Retirement and Investment Office (RIO)** is the administrative agency that serves as shared staff for both boards. RIO administers the day-to-day operations of the TFFR plan — member services, benefits processing, employer reporting, actuarial coordination — while simultaneously administering the SIB's investment program for all of its client funds. RIO's Executive Director is hired by SIB but functions as the chief executive for both boards' work. Within RIO, a Chief Retirement Officer leads day-to-day TFFR administration.

This structure produces a complex governance system in which authority is distributed across two boards and operations are integrated under a single agency. TFFR sets actuarial assumptions and funding policy and establishes asset allocation policy under NDCC 15-39.1-05.2(2).

SIB, as the investment fiduciary, implements that policy under NDCC 21-10 — manager selection, portfolio construction, and execution under the Prudent Investor Rule. The two boards' decisions intersect most consequentially at the assumed rate of return, asset allocation relative to liabilities, liquidity for benefit payments, and overall risk tolerance. Decision rights are separated, but consequences are shared. Sound governance therefore depends on structured alignment mechanisms across both boards — and on a clear understanding of where RIO, as the shared operating entity, sits within the framework.

We have identified five themes with significant overlap between TFFR and SIB:

1. Scope: What the Rewrite Can and Cannot Resolve
2. The Fiduciary Standard that should apply to TFFR
3. Areas requiring Substantive Policy Build-Out
4. Decision Architecture between TFFR, SIB and RIO
5. Risk and Accountability Infrastructure

The following pages describe each of these themes and present a workplan subject to direction from the TFFR GPRC.

Draft

Theme 1 — Scope: What the Rewrite Can and Cannot Resolve

The defining structural finding is that TFFR carries fiduciary responsibility for plan administration but has no hiring authority over the Executive Director (hired by SIB) and only “participation” rights over the Chief Retirement Officer (CRO). Across eight benchmark systems — including the neighboring South Dakota Retirement System (SDRS) — every comparator places hiring authority for the plan administrator with the board responsible for plan administration. TFFR is, on the available evidence, the only US system where this is not the case.

This finding shapes the rewrite’s scope. The issue sits in NDCC 15-39.1 and 21-10-02, not in the Manual. The rewrite cannot create hiring authority the statute withholds. It can, however, do three things that matter:

- Document the architecture cleanly so trustees and staff can answer “who decides what” without inference
- Build the strongest accountability framework available within current statutory limits, including a formal Service Agreement with SIB that the rewrite anticipates and accommodates
- Preserve compatibility with future statutory reform so the Manual does not require a second rewrite if hiring authority is later co-vested in TFFR

The Board’s threshold decision: position the rewrite as a self-contained operational improvement, or as the first step of a sequenced modernization that also contemplates a Service Agreement (6–12 months) and a longer-horizon statutory study (18–36 months, with South Dakota Retirement System SDRS as benchmark). Either way, the rewrite proceeds.

Theme 2 — Dual Fiduciary Standard

There is a related question the rewrite should address explicitly. SIB operates under the prudent investor / expert standard (NDCC 21-10). TFFR operates under the prudent person standard. Yet TFFR sets asset allocation policy, the actuarial return assumption, and funding policy. These are all investment-substance decisions but under the lower standard, while three trustees toggle between the two standards on functionally inseparable decisions when wearing their SIB hats.

The rewrite could adopt the expert standard as a matter of board governance policy now, in advance of any statutory amendment. Conforming indemnification and fiduciary insurance to expert-standard practice is part of the same workstream. This is achievable within the rewrite itself and should be a deliberate decision rather than an implicit one.

Draft

Theme 3 — Substantive Policy Build-Out Required

Of the 404 in-scope standards (includes authoritative guidance and leading practices), approximately 129 are currently addressed in the Manual — a completeness rate of about 32% (see [Methodology](#)). Eight areas are entirely in scope (no statutory requirement/floor): Board Chair, Election of Officers, Duties of Officers, Litigation, Board–Staff Interaction, Board Development, and Succession Planning. A substantive policy build-out is concentrated in five areas where the policy gap is largest and the fiduciary-risk consequences are highest. These are described below:

1. Litigation Governance (32 of 32 standards in scope; 0% currently addressed)

Build the policy from zero. The core TFFR exposures include benefits determinations, qualified Domestic Relations Orders (QDROs), overpayment recoupment, employer reporting, constitutional challenges to benefit changes, records and open meetings, tax qualification, employment, vendor, and cyber.

There is a gray zone of asset allocation and overlapping-trustee exposure that remains with TFFR. Securities and investment-management litigation that sits with SIB rather than TFFR. The rewrite should make that division explicit — it is one of the rare areas where TFFR’s structure produces a narrower exposure than peers, and the policy should not inherit boilerplate that misrepresents the allocation.

2. Succession Planning (13 of 13 standards in scope; ~15% currently addressed)

The rewrite should distinguish between what the Board can control (e.g., officer rotation, staff continuity, vendor renewal, emergency protocols), can influence (gubernatorial appointee pipeline, candidate vetting, term-expiration tracking), and can only react to (ex officio seats, statewide election outcomes, governor’s appointment decisions, statutory composition itself). The CEO/ED and CRO succession standards require special treatment given the structural issue identified in Theme 1. The policy can articulate TFFR’s coordination role with SIB and RIO without overstating an authority the Board does not have.

3. Board–Staff Interaction (17 of 17 standards in scope; ~12% currently addressed)

The rewrite should define permissible channels of communication, e.g., route requests through the Executive Director and CRO, and distinguish collective from individual trustee authority over staff. Without these rules, the dual-reporting structure amplifies the risk of informal directive relationships.

4. Service Provider Selection (22 of 26 standards in scope; ~9% currently addressed)

The rewrite should build a vendor-risk framework — selection criteria, independence requirements, fiduciary-capacity tests, monitoring standards — above the state procurement code baseline. The current Manual addresses only the actuarial RFP cadence.

5. Code of Conduct (25 of 33 standards in scope; ~20% currently addressed).

The core principles are present such as precedence rules, gift acceptance specifics, but enforcement mechanisms are missing. Eight standards are statutorily addressed by the state ethics-law and will be handled by citation only.

Draft

Theme 4 — Complex Decision Architecture

The current Manual is duties-based; the rewrite is decision-based. A trustee should be able to answer “Who decides X?” by consulting a single Delegation Matrix rather than inferring from narrative across multiple sections. This was the diagnosis articulated in the Executive Director’s November 2025 memorandum, and the rewrite is the vehicle for implementing it.

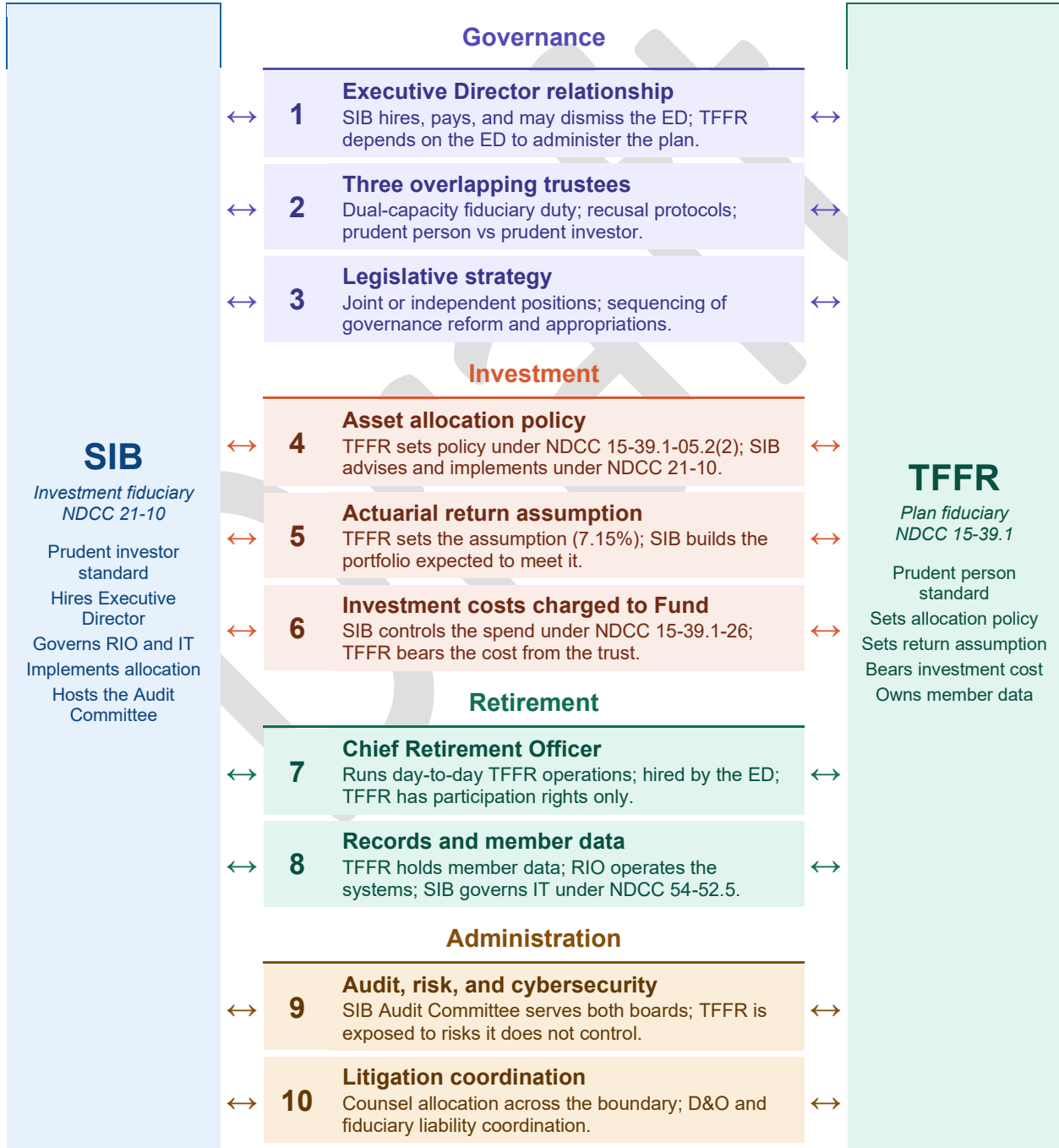
Three architectural elements follow:

- **Delegation Matrix** with dollar thresholds, contracting authorities, use-of-counsel triggers, Board-approval requirements, and reporting cadence — the central deliverable of the rewrite as a decision-oriented document.
- **Committee architecture review.** TFFR has only one standing committee (GPR). The rewrite evaluates whether a Benefits/Member Services Committee might be warranted given Board authority over disability, QDROs, appeals, and erroneous payment relief. The SIB Audit Committee should continue to function as the TFFR Audit Committee unless TFFR has concerns about this arrangement.
- **Narrowing operational policy authority.** §J.2(e) grants the ED unilateral authority to develop and approve policies “relating to the effective operation of the Office.” The rewrite should replace this broad reservation with positive, risk-based delegations.

Ten Key Policy Intersections

The decision architecture compounds the overlap: TFFR and SIB share staff (RIO), share a fund (the trust assets TFFR governs but SIB invests), and share two overlapping trustees. The result is a finite but consequential set of policy intersections where neither board's Governance policies can stand alone.

Ten policy clusters warrant explicit treatment in the rewrite or should be addressed in a Service Agreement. We have grouped them by functional category: Governance, Investment, Retirement, and Administration:



Governance

1. The Executive Director Relationship

This relationship is the most structurally complex intersection. SIB hires, approves annual compensation, and may dismiss the Executive Director; TFFR depends on the Executive Director to administer the plan. Policy intersections include:

- ED hiring, with TFFR's documented role in candidate selection
- ED performance evaluation, with TFFR input mechanisms
- ED compensation, with TFFR consultation on the retirement-side portion
- Removal or non-renewal, with TFFR notification and consultation rights
- Allocation of ED time between TFFR and SIB priorities

These standards underpin the structural issue Theme 1 identified and are the natural content of a Service Agreement between the two boards (Track B in the work plan).

2. Three Overlapping Trustees

NDCC 21-10-01.1(f) places two TFFR trustees on SIB. The Manual should address:

- Fiduciary duty in each capacity, and what to do when those duties conflict
- Recusal protocols when the same decision affects both bodies
- Information walls and reporting protocols
- Conflict of interest disclosure across both bodies
- Application of the fiduciary standard (prudent person at TFFR; prudent investor at SIB) when wearing each hat

The potential disruption caused by trustee turnover underlines the importance of effective onboarding, continuing education and board succession planning.

3. Legislative Strategy

Neither board controls the legislative agenda; the Executive Director does, in consultation with SIB. Both boards should receive the same update on legislative matters with a focus being placed on items that impact the specific board. TFFR's interests in benefit security, contribution rates, governance reform, and budget authority intersect with SIB's interests in investment authority, custodial structure, and operational autonomy. Policy intersections:

- Joint legislative positions versus independent positions
- Sequencing of governance reform initiatives (the Track C statutory reform conversation)
- Coordination on biennial appropriations requests
- Stakeholder communication on shared issues

Investment

4. Asset Allocation Policy

Asset Allocation Policy is the cleanest example of co-decision. TFFR (like all SIB client funds) sets asset allocation policy under NDCC 15-39.1-05.2(2); SIB implements it under NDCC 21-10. The intersection requires policy clarity on:

- Who initiates allocation changes (TFFR proposes; SIB advises)
- The role of SIB's investment staff and consultant in shaping TFFR's policy
- Cadence of formal asset-liability studies and how the two boards consume them
- Authority to deviate from policy in market stress conditions, and notification protocols
- Whether SIB can decline to implement an allocation it considers imprudent — and if so, the escalation path

Without explicit treatment, allocation decisions live in a procedural gray zone where each board could plausibly claim primary authority on a given element.

5. The Actuarial Return Assumption

TFFR's Board sets the assumed rate of return (currently 7.15%) as part of its actuarial funding policy. SIB, under the Prudent Investor Rule, builds a portfolio expected to meet it. The two judgments are interdependent:

- A higher assumption requires a more aggressive portfolio
- A more conservative portfolio requires a lower assumption
- Either decision made unilaterally can put the other board in a fiduciary bind

The policy rewrite should specify how TFFR's actuary, SIB's asset allocation consultant, and the two boards' staffs converge on an assumption — and what happens if and when they do not agree.

6. Investment Costs Charged to the Fund

NDCC 15-39.1-26 provides a continuing appropriation for investment costs paid directly from the TFFR Fund. SIB controls the spend; TFFR bears it. The policy intersection covers:

- Cost transparency to TFFR (line-standard reporting, peer comparison, attribution)
- TFFR's authority to question or challenge investment-related expenditures
- Allocation methodology when SIB manages assets for multiple funds
- Performance fees and incentive compensation paid from the Fund

The current Manual is silent on TFFR's oversight role here, which both creates fiduciary exposure and leaves potential cost discipline on the table.

Retirement

7. The Chief Retirement Officer (CRO)

The Chief Retirement Officer runs day-to-day TFFR operations but is hired by the Executive Director, who is in turn hired by SIB. TFFR currently has "participation" rights only. Policy intersections:

- TFFR's substantive role in hiring (not merely participation)
- Direct accountability of the CRO to TFFR on plan administration matters
- Performance evaluation with TFFR as the primary evaluator on retirement-side performance
- Compensation aligned with TFFR's expectations for the role limited by the State HR system
- Removal protocols and TFFR consultation

This is where the gap between TFFR's fiduciary responsibility and its formal authority is sharpest.

8. Records, Confidentiality, and Member Data

The TFFR retirement program holds detailed member data (SSNs, beneficiaries, direct-deposit routing). RIO operates the systems; SIB does not govern RIO IT. The North Dakota IT department does this. RIO controls the custody and access controls. Breach notification protocols are problematic. NDIT notifies SIB and then it's up to the agency to determine notifications. Records retention policies are NDIT. Public Records and Open meeting laws are encoded in statute. Audit trail requirements are managed by the laws records retention laws which also sit under NDIT.

Intersections include:

- Custody and access controls for member data
- Breach notification protocols and TFFR's notification rights
- Records retention policies for plan administration records
- Public records and open meetings law application across the two boards
- Audit trail requirements for benefits decisions

Administration

9. Audit, Risk, and Cybersecurity

The SIB Audit Committee currently functions as the TFFR Audit Committee, with one TFFR-designated SIB member sitting on it. The intersection covers:

- Internal audit scope (does it adequately cover plan administration risks?)
- External auditor selection (the State Auditor selects, but the Audit Committee oversees the engagement)
- IT and cybersecurity governance (As noted SIB does not govern RIO IT ; TFFR depends on the systems but has limited oversight)
- Enterprise Risk Management coverage (operational risks affecting benefits administration)
- Incident response when benefits-administration systems are affected

Our parallel SIB review flagged rising operational risk at RIO. TFFR is materially exposed to those risks without controlling them.

10. Litigation Coordination

As laid out in the Litigation theme, TFFR and SIB face different litigation surfaces, but several categories cross the boundary:

- Asset allocation-based fiduciary claims that could name both boards
- Securities and investment-management litigation handled by SIB but potentially affecting plan beneficiaries
- Claims involving overlapping trustees in their dual capacities
- Member claims that misallocate exposure between the boards
- Insurance coordination — D&O and fiduciary liability policies covering trustees serving in both capacities

Implications for the Policy Rewrite

Five of these intersections (1, 2, 4, 5, 6) are properly the subject of a Service Agreement between the two boards — Track B in the work plan. Three (3, 7, 10) are better addressed through coordinated policy clauses in both Manuals, drafted to dovetail. Two (8, 9) involve external parties (legal counsel, the Legislature) and require coordination protocols rather than co-decision.

The most important point: the rewrite cannot treat TFFR as a standalone entity. The Manual should explicitly identify where TFFR's authority ends and SIB's begins, where the two overlap, and what governance mechanisms manage the overlap. That treatment is itself a deliverable — not a footnote.

Areas with Substantial Statutory Content

Three policy areas have a meaningful statutory requirement floor that limits the substantive rewrite work:

- **Trustee Compensation** (16 of 30 standards in scope). Per-diem and reimbursement structure statutorily defined under NDCC — the Board has no design authority over the substance. The 16 in-scope standards concern administrative controls and oversight: claims procedures, segregation of duties, audit trail, fiduciary alignment, conflicts arising from compensation. Substantive compensation policy itself moves to an administrative reference appendix citing the statute.
- **Oath of Office** (3 of 12 standards in scope). Content and administration statutorily defined for public officials. The 3 in-scope standards concern recordkeeping procedure and review cadence. Substantive oath content moves to an administrative reference appendix.
- **Terms of Office** (7 of 16 standards in scope). Term length, vacancy events for ex officio seats, and replacement terms statutorily defined under NDCC 15-39.1-05.1. The 7 in-scope standards concern resignation procedure, removal documentation, and the Board's administrative role in vacancy onboarding.

Theme 5 — Weak Risk and Accountability Infrastructure

There are six areas where TFFR is the most exposed by the structural arrangement. The rewrite should produce, at minimum:

1. An Enterprise Risk Management policy with a risk appetite statement and risk register
2. A whistleblower and fraud reporting policy — resolving the tension created by the current public participation guidelines, which disallow “charges or complaints against staff”
3. A vendor risk management framework (overlapping with Theme 3’s service provider policy)
4. A working Board Self-Assessment instrument — Exhibit 8’s “Process and Survey to Be Developed” placeholder closed out
5. A trustee capability matrix to replace the qualitative “desired attributes” in §D.3
6. A stakeholder engagement policy for NDU, NDCEL, NDRTA, the Legislature, and employer school districts

Our parallel SIB Governance Model Review identified rising operational risk and significant understaffing at RIO. Those risks affect TFFR even though RIO is governed by SIB, and the rewrite reflects that reality.

InGov® Methodology — Statutory Authority Triage

The InGov diagnostic framework comprises 520 statutory governance standards, authoritative guidance, and leading practices across 20 policy areas, drawn from our U.S. public retirement system experience.

Type	Description	Standard Count	% of Total	In-Scope?
A	Board has full policy authority	386	74.2%	Yes
B	Statute sets floor; Board designs above	18	3.5%	Yes
C	Statutory floor; citation only	64	12.3%	No
D	Statutorily defined; no design authority	29	5.6%	No
N/A	Pertains to RIO; not within TFFR scope	23	4.4%	Excluded
TOTAL		520	100.0%	

Of the 520 InGov standards, 23 are not applicable to TFFR (the AI Governance area). TFFR's applicable InGov universe is therefore 497 standards across 19 policy areas. Of those 497, 404 fall in scope (386 Type A plus 18 Type B). The 93 out-of-scope standards (64 Type C plus 29 Type D) are concentrated in Oath of Office, the statutory portion of Terms of Office, the substantive content of Trustee Compensation, the statutory-floor portion of Board Meeting Conduct (open meetings compliance), and the statutory requirement floor portions of Code of Conduct, Disclosures, and Procurement.

Several standards address content that under North Dakota statute is not within the Board's policy design authority such as trustee per-diem and expense reimbursement (NDCC), oath of office content and administration, statutory term lengths, and vacancy events for ex officio seats. Scoring TFFR against those standards as if the Board could design them would conflate jurisdictional differences with governance quality.

Each of the 520 standards was classified into one of five types:

Type A. Board has full policy authority. Standard is in scope.

Type B above-statutory requirement floor. State statute or administrative code sets a floor (e.g., open meetings law, ethics law, procurement code). The Board has authority to design policy above the floor thus the standard is in scope.

Type C statutory requirement floor. Statutory compliance only; the policy's role is to cite the statute. The standard is out of scope; the rewrite will only cite the requirement.

Type D. Substantive content is statutorily defined. Board has no design authority. Standard is out of scope; the rewrite will cite the statute and document the administrative procedure.

N/A — RIO scope. Standards that pertain to operational matters governed by RIO under NDCC 54-52.5, not TFFR and are therefore excluded from TFFR's applicable InGov universe. This applies to the entire AI Governance policy area (23 standards), which concerns operational use of AI tools by RIO staff and systems. These are being addressed by the proposed policy addition to the SIB manual.

The diagnostic completeness score is therefore expressed against the 404-standard in-scope universe. Peer comparisons require the same triage methodology be applied to peer datasets. Jurisdiction-adjusted peer benchmarks will be developed before peer comparisons are used as targets.

Draft

Proposed Work Plan

If the GPRC approves, we propose the rewrite should proceed in three tiers across the 427 in-scope standards, with an administrative reference appendix for the 93 out-of-scope standards.

Tier	Scope	Policy Areas (with in-scope standard counts)
Tier 1 Greenfield	Build from zero. No current Manual content. Drafted first because they are independent of decisions still pending on Themes 1 and 2.	<ul style="list-style-type: none"> • Litigation Governance (32 standards) • Enterprise Risk Management (new policy area; ~20–25 standards expected)
Tier 2 Substantial Rebuild	Current policy is materially thin. These address the largest peer gaps and the policy areas most consequential to fiduciary risk.	<ul style="list-style-type: none"> • Board-Staff Interaction (17 standards) • Service Provider Selection (22 in-scope of 26) • Succession Planning (13 standards) • Procurement (16 in-scope of 19) • External Communications (28 in-scope of 34) • Disclosure & Conflict of Interest (18 in-scope of 26) • Board Chair Role (26 standards) • Code of Conduct (25 in-scope of 33) • Trustee Travel (16 in-scope of 22)
Tier 3 Targeted Enhancement	Current policies are adequate; the rewrite tightens specific standards rather than rebuilding.	<ul style="list-style-type: none"> • Policy Review (20 in-scope of 22) • Duties of Officers (22 standards) • Duties of Trustees (31 in-scope of 43) • Election of Officers (18 standards) • Board Meeting Conduct (46 in-scope of 61) • Board Development (25 standards) • Trustee Compensation — controls and oversight (16 in-scope of 30)
Appendix Administrative Reference	Statutorily defined or statutory-compliance standards. The Manual cites statute and documents administrative procedure where applicable.	<ul style="list-style-type: none"> • Trustee Compensation — substantive structure (14 standards) • Oath of Office — content and administration (9 standards) • Terms of Office — statutory portion (9 standards) • Open meetings and public records compliance standards distributed across Meeting Conduct, External Communications, and other areas (61 standards)

Our target is to lift the in-scope completeness score from approximately 30% to at least 75%. Expressed in absolute terms, this means moving from approximately 129 standards addressed to approximately 320 standards addressed — an increment of 191 standards across the rewrite. The Tier 1 greenfield areas alone contribute approximately 75–80 of those standards if fully built out.

The Path Forward — Three Tracks

The work ahead.

1. **First**, the rewrite should proceed within the current statutory architecture. A structural finding — that TFFR is the only US public retirement system in our benchmark in which the board responsible for plan administration has no formal hiring authority over the executive who administers the plan — cannot be resolved by policy itself, but the policies can be designed to remain compatible with future reform.
2. **Second**, our InGov diagnostic scored TFFR at approximately 32% policy completeness against the 404 InGov standards the Board has authority to address. Substantive build-out concentrates in five high-priority areas: Litigation Governance, Succession Planning, Board–Staff Interaction, and Service Provider Selection and Code of Conduct.

Track A (3–6 months) — Governance Policy rewrite.

Within TFFR Board authority alone. Build the decision-oriented governance policy system using the 11-code delegation taxonomy. Tier 1 first, Tier 2 next, Tier 3 last, with administrative reference appendix produced alongside.

Track B (6–12 months) — Develop a Formal Service Agreement with SIB.

Codifies coordination on cost allocation oversight, service levels, and escalation. Requires SIB cooperation but no legislative action. Useful regardless of whether Track C proceeds.

Track C (18–36 months) — Statutory reform (if needed).

Joint study with SIB and stakeholders on various statutory options to better align TFFR’s responsibilities and authorities. Evaluate options; document the rationale so the Board can credibly tell the Legislature the alternatives considered.

Coordination with the SIB Policy Modernization Project

This rewrite is taking place alongside the SIB governance policy modernization. If the GPRC agrees, the rewrite will adopt the directional framework laid out in the Executive Director’s November 2025 memorandum — anchor to statute by reference, shift to a four-tier authority model, clarify TFFR-SIB-RIO interfaces, replace negative limitations with positive risk-based delegations, build enterprise-aware oversight, modernize reporting through exception-based packets, and embed continuous improvement. We will coordinate our SIB work to assure consistency at the interfaces.

Questions for the GPRC

1. Do these preliminary findings make sense?
2. Does the committee agree with designing policies within the current statutory framework?
3. Does the committee approve the proposed scope and workplan?
4. Are there other governance policy areas that should be addressed?

Funston Advisory Services LLC | Prudent by Design™ | Discussion draft for the TFFR GPR Committee

Draft

Proposed SIB GPS Amendments

These clarifications describes the current organizational structure and governance practice of the Retirement and Investment Office and is not intended as legal, investment, or actuarial advice.

NOTE: These have not yet been presented to or reviewed by the SIB.

Part A Executive Director — Selection, Evaluation, Compensation and Retention

The State Investment Board, as the governing authority of the Retirement and Investment Office under N.D.C.C. § 54-52.5-02, retains sole authority to appoint, set the compensation of, evaluate the performance of, and remove the Executive Director of the Retirement and Investment Office.

In recognition that the Executive Director also directs the operations of the Teachers' Fund for Retirement and serves a constituency for which the Board of Trustees of the Teachers' Fund for Retirement holds independent fiduciary responsibility, the State Investment Board shall provide the TFFR Board of Trustees a meaningful and structured opportunity to participate in decisions concerning the appointment, annual performance evaluation, compensation, and removal of the Executive Director. The mechanics of that participation are set forth in the Board's internal operational policy on Executive Director Selection and Review described below.

Nothing in this section transfers, divides, or conditions the State Investment Board's governing authority over the Retirement and Investment Office, and the final decision on each matter described in this section rests with the State Investment Board.

Part B Executive Director Selection, Evaluation, and Retention — TFFR Board Participation

Purpose. This policy establishes how the Board of Trustees of the Teachers' Fund for Retirement (the "TFFR Board") participates in State Investment Board (the "Board") decisions regarding the Executive Director of the Retirement and Investment Office, consistent with the Board's governing authority under N.D.C.C. § 54-52.5-02 and the distinct fiduciary role of the TFFR Board under N.D.C.C. ch. 15-39.1.

1. Appointment. When a vacancy in the Executive Director position occurs or is anticipated, the Board shall constitute a hiring committee to conduct the search and recommend a candidate. The committee shall include at least two members designated by the TFFR Board, drawn from its trustees. The committee shall develop the position profile, review candidates, and conduct interviews jointly. The committee's recommendation, including any minority view expressed by a TFFR-designated member, shall be presented to the full Board, which makes the final appointment decision.

2. Annual Performance Evaluation. The Executive Director's annual performance evaluation shall be coordinated by the Board or its designated review committee. Before the evaluation is finalized, the TFFR Board shall be invited to provide written input addressing the Executive Director's performance with respect to Teachers' Fund for Retirement operations, benefit administration, and service to TFFR members. TFFR-designated representatives shall be afforded the opportunity to participate in the review committee's deliberations. The Board considers this input in completing the evaluation and documents that it was received and considered.

3. Compensation. Any decision to establish or adjust the Executive Director's compensation shall be informed by input solicited from the TFFR Board. The TFFR Board may submit a written recommendation, which the Board considers prior to acting. The Board sets compensation consistent with applicable appropriation authority and state classification and compensation requirements.

4. Removal. Should the Board consider removal of the Executive Director, it shall, except where immediate action is necessary to protect the agency or the funds it administers, notify the TFFR Board and provide a reasonable opportunity for the TFFR Board to submit its views before the Board acts. Where circumstances require immediate action, the Board shall notify the TFFR Board as soon as practicable thereafter and document the basis for proceeding without prior notice.

5. Designation of TFFR Representatives. The TFFR Board shall designate its representatives and any written submissions through its presiding officer. Where a single individual serves on both Boards, that individual's participation satisfies, but does not limit, TFFR representation under this policy.

6. Reservation of Authority. This policy provides for input and participation only. It does not grant the TFFR Board approval, concurrence, or veto authority over any decision concerning the Executive Director, and it does not alter the State Investment Board's sole governing authority over the Retirement and Investment Office. The final decision on each matter addressed in this policy rests with the State Investment Board.

Part C - Statutory "Investment Director" and the Executive Director

References in N.D.C.C. ch. 21-10, including the "investment director" identified in N.D.C.C. § 21-10-05, are understood for purposes of this Governance Policy System to refer to the office held by the Executive Director of the Retirement and Investment Office. Under the current structure of the Retirement and Investment Office, a single officer serves as the agency head of RIO under N.D.C.C. ch. 54-52.5 and holds the statutory investment director authority described in N.D.C.C. § 21-10-05, including the authority to sign and execute investment-related contracts and agreements relating to funds under the management of the State Investment Board, subject to the limitations established by law and by Board policy.

The Executive Director has delegated the day-to-day exercise of this investment director authority to the Chief Investment Officer, who signs and executes investment-related contracts and agreements relating to funds under the management of the State Investment Board within the scope of that delegation and consistent with the delegation framework established elsewhere in this Governance Policy System. The Executive Director retains the statutory authority and remains accountable for its proper exercise; the delegation does not relieve the Executive Director of that responsibility.

Where this Governance Policy System uses the term "Executive Director," that term encompasses the statutory investment director role unless the context indicates otherwise.