

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
MAY 10, 2022, MEETING**

MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Thomas Beadle, State Treasurer
Julie Dahle, External Representative
Jon Griffin, External Representative
Cody Mickelson, TFFR Board

STAFF PRESENT: Scott Anderson, CIO
Connie Flanagan, CFO/COO
Jayme Heick, Retirement Programs Specialist
Missy Kopp, Exec Assistant
Jan Murtha, Exec Director
Emmalee Riegler, Contracts/Records Assistant
Sara Sauter, Suprv of Internal Audit
Rachelle Smith, Retirement Assistant
Dottie Thorsen, Internal Auditor
Susan Walcker, Sr. Financial Accountant
Dr. Paul White, Chief Risk Officer

GUESTS : Dean DePountis, Attorney General's Office
Paul Niedermuller, CLA
Tonia Shultz, CLA

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 10:05 a.m. on Tuesday, May 10, 2022, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum; Treasurer Beadle, Ms. Dahle, and Mr. Mickelson

AGENDA:

The agenda was considered for the May 10, 2022, meeting.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 10, 2022, MEETING AS DISTRIBUTED.

AYES: MS. DAHLE, TREASURER BEADLE, AND MR. MICKELSON

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GRIFFIN AND MS. SMITH

MINUTES:

The minutes were considered for the February 16, 2022, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE FEBRUARY 16, 2022, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, TREASURER BEADLE, AND MS. DAHLE

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GRIFFIN AND MS. SMITH

2022 FISCAL YEAR (FY) FINANCIAL AUDIT SCOPE AND APPROACH:

Mr. Niedermuller and Ms. Shulz, CliftonLarsonAllen (CLA), reviewed the engagement scope, work plan, significant financial audit areas, external audit/internal audit interplay, government pension data analytics, information technology, and the timeline of work. Ms. Shulz also reviewed trustee fiduciary duties and opportunity to identify risks that should be assessed.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2022 FY FINANCIAL AUDIT SCOPE AND APPROACH.

AYES: TREASURER BEADLE, MS. DAHLE, MR. MICKELSON, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. GRIFFIN

EDUCATION – MANAGER SELECTION:

Mr. Anderson presented education on the SIB's investment manager selection process. Any investment plan has an asset allocation which is split into asset classes and implemented externally by external managers and internally by staff. There is a process to select the external managers then monitor their performance. Mr. Anderson summarized the capabilities of a good manager and their impact to the fund, the activities and tasks in the manager selection process, and how staff screen and narrow the field of managers.

EXECUTIVE LIMITATIONS/STAFF RELATIONS:

Ms. Murtha provided an update on staffing at RIO. The Deputy Executive Director/Chief Retirement Officer initial interviews will take place this month. The job description for the Chief Financial Officer/Chief Operating Officer has been updated and a reclassification request was submitted to HRMS. Staff received a verbal denial of the request but are waiting for the written denial so they can appeal. Staff plan to post the position at the current classification while the appeal is pending. The Accounting Manager interviews have been scheduled. Staff have received confirmation of classification for the investment positions and the pay grade exception for the current investment position. Project kick-off has occurred for the Legacy Fund Asset Allocation study, the Pension Administration System project, and Northern Trust is scheduled to come onsite to review opportunities to increase collaboration and information flow. Ms. Murtha also reviewed open record and media requests, board member email account setup, and board and committee presentations done by staff.

EXECUTIVE DIRECTOR REQUESTS:

Ms. Murtha shared information about the need for additional IA time dedicated to agency strategic planning and budget development relating to IA services. Extra time for this has been included in the IA workplan. Governance is the most important piece to ensuring the program changes occur and IA is a large piece of good governance. There is a need to plan for auditing functions to grow when budgeting and assess which items should be outsourced and future FTE needs.

THIRD QUARTER AUDIT ACTIVITIES:

Ms. Sauter provided an update on third quarter IA activities ending March 31, 2022. The review of the Administrative Manual has started and will be ongoing. The Executive Limitation audit was completed and reported to the SIB at their February 25, 2022, meeting. IA assisted the Executive Review committee with administration of the SIB self-assessment evaluation and the annual evaluation of the Executive Director. IA assisted with the development of a new standing Governance and Policy Review committee for the SIB. IA staff participated in RIO's strategic planning process along with other agency staff. The Succession Planning Phase I report was presented to the Audit Committee on February 16, 2022 and contained four recommendations. Phase II is in progress.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE THIRD QUARTER AUDIT ACTIVITIES REPORT.

AYES: MR. GRIFFIN, MS. DAHLE, MR. MICKELSON, TREASURER BEADLE, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

2022-23 INTERNAL AUDIT WORKPLAN AND BUDGETED HOURS:

Ms. Sauter presented the 2022-23 IA workplan and budgeted hours. The workplan represents what IA anticipates will be accomplished in the upcoming fiscal year, however, needs and priorities may change and require changes to the workplan.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE 2022-23 IA WORKPLAN AND BUDGETED HOURS.

AYES: MS. DAHLE, TREASURER BEADLE, MR. GRIFFIN, MR. MICKELSON, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

CURRENT INTERNAL AUDIT ACTIVITIES:

Ms. Sauter provided an update on current IA activities. IA has multiple audits in progress including the RIO policy manual update, ongoing Pension Administration System meetings, TFFR file maintenance, and phase two of succession planning. IA will be aiding our external auditors CLA for the RIO financial and the GASB 68 census data audits, and work with staff on the annual Risk Management Report.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE CURRENT IA ACTIVITIES REPORT.

AYES: MR. GRIFFIN, MR. MICKELSON, TREASURER BEADLE, MS. DAHLE, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

2022-23 SIB AUDIT COMMITTEE SCHEDULE:

A proposed meeting schedule for 2022-23 was presented to the Committee for their consideration.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE 2022-23 SIB AUDIT COMMITTEE SCHEDULE.

AYES: TREASURER BEADLE, MS. DAHLE, MR. MICKELSON, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

2022-23 SIB AUDIT COMMITTEE MEMBERSHIP:

Each July, the SIB is required to review and approve appointments to the SIB Audit Committee. Ms. Sauter requested that the Committee members notify her of their intent to continue to serve for the period of July 1, 2022 – June 30, 2023.

OTHER:

The next Audit Committee meeting is scheduled for Tuesday, August 9, at 2:30 p.m. at Workforce Safety & Insurance, 1600 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 11:57 a.m.

Respectfully Submitted:

Missy Kopp
Assistant to the Board