

Governance and Policy Review Committee
Wednesday, September 21, 2022, 2:00 p.m.
RIO Conference Room
1600 E Century Ave, Ste. 3, Bismarck, ND
[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA**
- II. MINUTES – JULY 27, 2022**
- III. EDUCATION – GOVERNANCE FOR GROWTH PRESENTATION – MR. ANDERSON, MS. MURTHA**
- IV. COMMITTEE DISCUSSION**
- V. ADJOURNMENT**

**STATE INVESTMENT BOARD
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING
MINUTES OF THE JULY 27, 2022, MEETING**

MEMBERS PRESENT: Dr. Rob Lech, TFFR Board, Chair
Thomas Beadle, State Treasurer, Vice Chair
Jon Godfread, Insurance Commissioner

STAFF PRESENT: Scott Anderson, CIO
Eric Chin, Deputy CIO
Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec Assistant
Jan Murtha, Exec Dir
Ann Nagel, Investment Accountant
Chad Roberts, DED/CRO
Sara Sauter, Supervisor of Internal Audit
Susan Walcker, Sr. Financial Accountant

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 1:30 p.m. on Wednesday July 27, 2022, in the Retirement and Investment Office 1600 E Century Ave., Bismarck, ND.

AGENDA:

The agenda was considered for the July 27, 2022, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JULY 27, 2022, MEETING AS DISTRIBUTED.

AYES: TREASURER BEADLE, COMMISSIONER GODFREAD, AND DR. LECH

NAYS: NONE

MOTION CARRIED

MINUTES:

The minutes were considered for the May 18, 2022, meeting.

IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 18, 2022, MINUTES AS DISTRIBUTED.

AYES: COMMISSIONER GODFREAD, TREASURER BEADLE, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ELECTION OF CHAIR & VICE CHAIR:

IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO CAST A UNANIMOUS BALLOT OF DR. LECH FOR CHAIR AND TREASURER BEADLE FOR VICE CHAIR.

AYES: TREASURER BEADLE, COMMISSIONER GODFREAD, AND DR. LECH

NAYS: NONE
MOTION CARRIED

EXECUTIVE REVIEW COMMITTEE SCOPE:

Ms. Murtha provided information about a staff recommendation on the scope of the Executive Review Committee. When the ERC was made a standing committee, there was no charter, so staff has created a proposed charter for the GPR to consider. The draft charter addresses ERC membership, which would include an elected official. The charter would also change the annual evaluation process. The ERC currently evaluates the Executive Director (ED). The structure of RIO has changed with the splitting of the ED/CIO position. The ED would continue to do the evaluations for the Deputy ED/Chief Retirement Officer (CRO) and the Chief Investment Officer (CIO), but with an executive level position review. Staff feel that the ERC should conduct a performance survey for the CIO and DED/CRO that can be incorporated into the ED evaluation of these two positions to add an additional layer to the evaluation process.

Many of our peer states have combined human resource (HR)/compensation committees which advise on talent management and salary for the entire agency considering the goals of the agency. Staff recommend changing the Committee name to the Executive Review and Compensation Committee (ERCC) to include the HR and compensation components. Ms. Murtha reviewed the recommended amendments to SIB Policy B-6 and the ERCC Charter. Committee discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO RECOMMEND TO THE SIB, A CHANGE IN SCOPE OF THE EXECUTIVE REVIEW COMMITTEE TO AN EXECUTIVE REVIEW AND COMPENSATION COMMITTEE.

AYES: COMMISSIONER GODFREAD, TREASURER BEADLE, AND DR. LECH
NAYS: NONE
MOTION CARRIED

TALENT MANAGEMENT:

Mr. Anderson provided education on talent management. As RIO grows, there is a need to increase staff expertise with more specialization which can reduce the cost per assets under management (AUM). There are significant cost and return enhancements with the new investment processes. Talent management is an important capability for unlocking investment results. The key tenants of talent management include structuring the organization for collaboration and knowledge development; attracting great talent; developing staff; and motivating staff to perform well. Mr. Anderson reviewed organization archetypes, investment management roles, and how to attract talent. Part of attracting talent and motivating performance is mission-based work, a merit-based culture, and the resources and tools to do the job. Other important factors are market-based salary and merit-based incentive compensation.

Ms. Murtha asked the Committee for guidance on preparing the optional package of the budget. Committee discussion followed.

OTHER:

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 3:42 p.m.

Respectfully Submitted:

Missy Kopp
Assistant to the Board



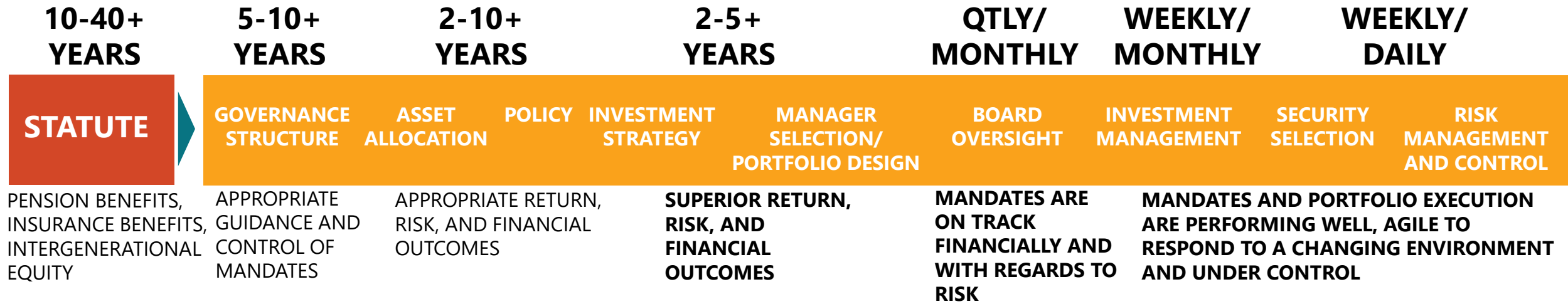
GOVERNANCE FOR GROWTH

Scott M Anderson, CFA
Sept 22, 2022

NORTH
Dakota
Be Legendary.

Retirement & Investment

TIME HORIZON OF DECISION MAKING



- GOOD GOVERNANCE REQUIRES THE TIME HORIZON AND FREQUENCY OF DECISIONS TO MATCH THE TIMELINE REQUIRED TO ACHIEVE A GOAL (AGILITY ↔ STABILITY)
- GOOD GOVERNANCE REQUIRES OVERSIGHT TO BE INDEPENDENT OF DECISIONS AND THEIR IMPLEMENTATION
- PERFORMANCE AND RISK MANAGEMENT REQUIRE SHORT TIME HORIZONS TO BE AGILE TO CHANGING ENVIRONMENTS, DISCIPLINE NOT TO ACT TOO FREQUENTLY, AND CONTINGENT PLANNING

GOVERNANCE MODEL – ROLES & RESPONSIBILITIES

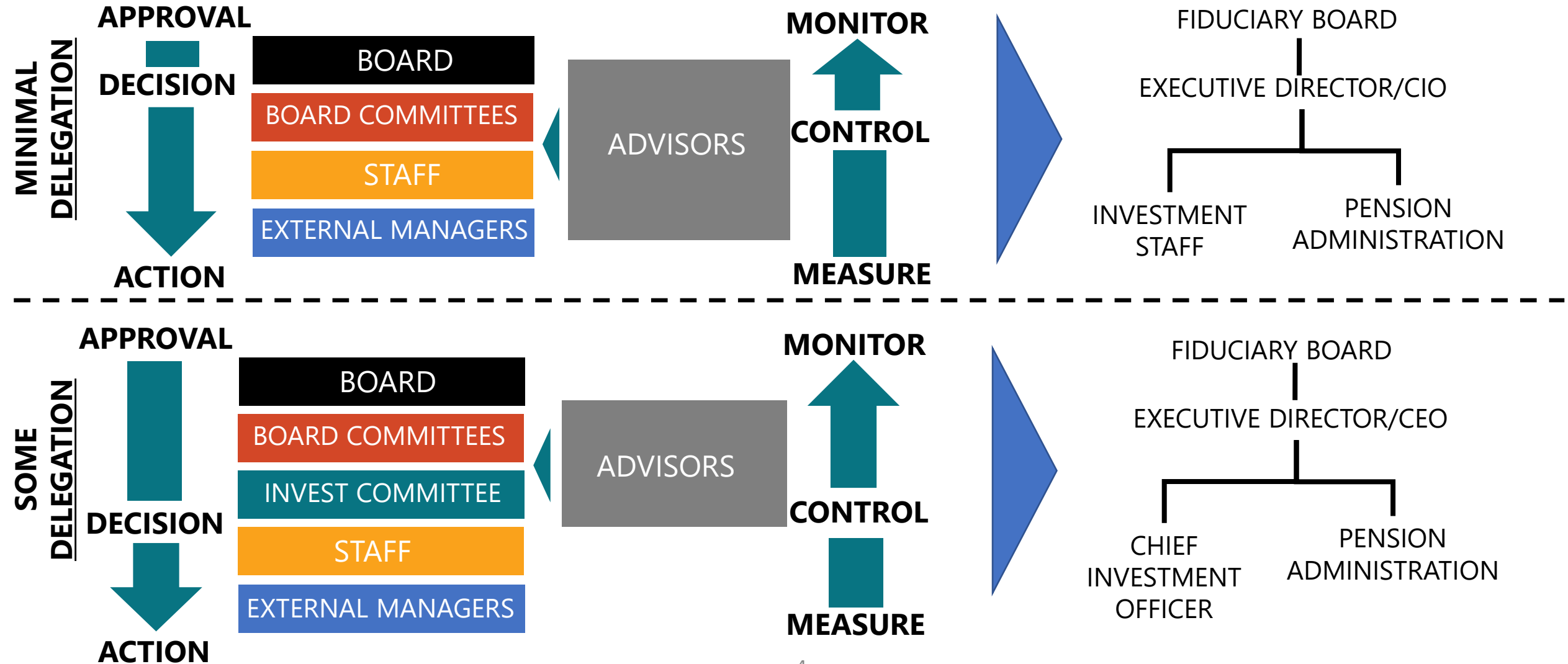
MINIMAL DELEGATION – CURRENT MODEL



SOME DELEGATED AUTHORITY



GOVERNANCE MODEL – DELEGATION



GOVERNANCE MODEL – DECISIONS

ILLUSTRATION

SOME DELEGATED AUTHORITY



BENEFITS OF SOME DELEGATION

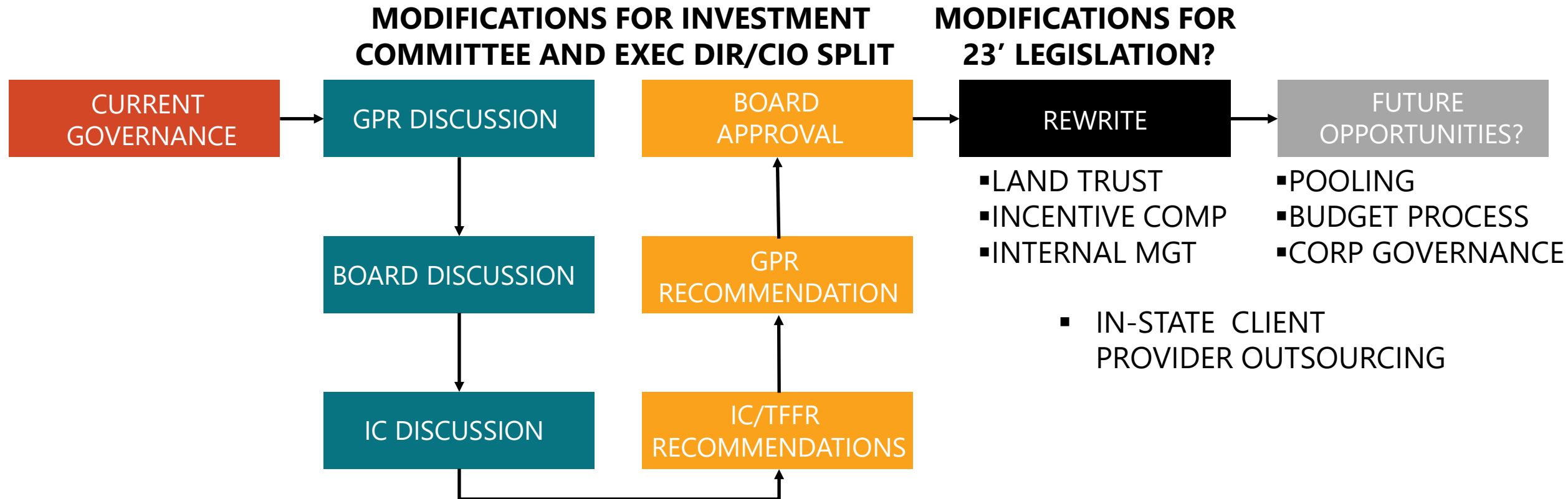
- AGILITY TO RESPOND TO A FAST-CHANGING ENVIRONMENT
- STABILITY FROM GOVERNANCE LAYERS
- MORE SUBSTANTIAL AND TECHNICAL CONVERSATIONS TO ENABLE MORE SOPHISTICATED STRATEGIES
- INDEPENDENCE OF OVERSITE AND POLICY FROM DECISION MAKING AND EXECUTION
- BETTER ENDS ACHIEVEMENT AT A LOWER COST

STATE INVESTMENT BOARD GOVERNANCE MANUAL

TABLE OF CONTENTS

- A. EXECUTIVE LIMITATIONS
- B. GOVERNANCE PROCESS
- C. BOARD-STAFF RELATIONSHIP
- D. ENDS
- E. INVESTMENTS
- F. TFFR PROGRAM
- G. TRUST FUND INVESTMENT GUIDELINES
- H. BY-LAWS
- I. CENTURY CODE

NEAR TERM MODIFICATIONS/ POST LEGISLATIVE SESSION MODIFICATIONS



MODIFICATIONS FOR INVESTMENT COMMITTEE AND GOVERNANCE

D. ENDS

D. A. 3. – RISK ADJUSTED PERFORMANCE
EXHIBIT D. 1 – CLIENT LIST

E. FIDUCIARY DUTIES

CONSIDERATION FOR LEGACY FUND

E. INVESTMENT PROCESS

E.2 – INVESTMENT PROCESS DIAGRAM;

E. ENTITIES/RESPONSIBILITIES

E.3 – INCLUDE IC; CLARIFY DELEGATION AND ROLES

E. PROXY VOTING

E.7 – CLARIFY

E. EVALUATION

E.10, 11, 13 – REFLECTS INVESTMENT COMMITTEE EXISTANCE

E. EXHIBITS

E. EXHIBITS - UPDATE EXHIBITS