

**Governance and Policy Review Committee**

**Wednesday, March 22, 1:00 p.m.**

**Virtual Only**

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AGENDA

**I. CALL TO ORDER AND ACCEPTANCE OF AGENDA**

**II. MINUTES – JANUARY 26, 2022**

**III. 2023 LEGISLATIVE SESSION UPDATE – Ms. Murtha**

**IV. NEW BOARD MEMBER ONBOARDING – Ms. Murtha**

**V. SECURITIES LITIGATION COMMITTEE CHARTER – Ms. Murtha**

**VI. OTHER**

- a. Next Meeting – Reschedule April Meeting (Wednesday, April 26 @ 1:00 p.m.?)

**VII. ADJOURNMENT**

**STATE INVESTMENT BOARD  
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING  
MINUTES OF THE JANUARY 26, 2023, MEETING (VIRTUAL)**

**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  
Derek Dukart, Investment Officer  
Rachel Kmetz, Accounting Mgr.  
Missy Kopp, Exec Assistant  
George Moss, Sr. Investment Officer  
Jan Murtha, Exec. Dir.  
Matt Posch, Sr. Investment Officer  
Sara Seiler, Supvr. Internal Audit  
Ryan Skor, CFO/COO  
Jason Yu, Risk Officer

**GUESTS:** Colton Schulz, Insurance Dept.

**CALL TO ORDER:**

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 11:00 a.m. on Thursday, January 26, 2023, in the Retirement and Investment Office 1600 E Century Ave., Bismarck, ND.

**AGENDA:**

The agenda was considered for the January 26, 2023, meeting.

**IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JANUARY 26, 2023, MEETING AS DISTRIBUTED.**

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

**MINUTES:**

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

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE NOVEMBER 16, 2022, MINUTES AS DISTRIBUTED.**

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

**2023 LEGISLATIVE REVIEW AND DISCUSSION:**

Ms. Murtha reviewed the legislative bills that staff have been tracking and providing testimony on. HB 1088 was submitted by RIO to change the membership of the SIB. This bill was amended and passed the House.

The amendment reduced the investment professionals from two members to one and removed the word “institutional” in reference to their area of expertise. The amendment would also make the Legacy and Budget Stabilization Fund Advisory Board (LBSFAB) representative a voting member and added two additional legislative members.

Staff provided neutral testimony on HB 1400 which would allow the Department of Land Trust to use the SIB for investment purposes. There are seven bills (HBs 1278, 1283, 1345, 1347, 1368, 1429, and 1469) that all have similar provisions relating to Environmental, Social, Governance (ESG) investing and the impact the bills would have on the investment program. The Committee gave staff feedback and recommendations to include in the full Board discussion.

**OTHER:**

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 11:52 a.m.

Prepared by:

Missy Kopp  
Assistant to the Board

# 2023-2025 Legislative Session RIO Bill Tracker

Bill #	Topic	Description	Sponsor	Hearing Date	Committee	Status	Position
<a href="#">HB 1040</a>	Closing DB Plan	Closing DB Plan (eff. 12/31/24)	Legislative Management: Weisz, Bosch, Boschee, Lefor, Mitskog, Vigesaa, Burckhard, Klein, Piepkorn, Schaible, Wanzek	3/9 -10:30 a.m.	Senate State & Local	Passed House 2/22 77 yeas / 16 nays	Neutral
<a href="#">HB 1088</a>	SIB	SIB Membership changes	SIB			Amended by House.Reduced experts to 1 from 2, changed experience language; Legacy Advisory Board would be a voting member; and two legislative members.  Passed House 1/25 80 yeas/ 11 nays. 2/8 Senate I&B amended to original version except making Legacy Advisory member voting member and an amendment to replace the Insurance Commissioner with the OMB Director on the Advisory Board. Senate I&B passed amendment 5-0-0.  Passed Senate 3/10 46 yeas / 0 nays  <b>Return to House 3/13</b>	Support - Original Version
<a href="#">HB 1150</a>	Veteran Exemption for TFFR	Allows veterans with at least 20 years of military service to opt out of the TFFR in their first year of teaching	Thomas, Bekkedahl, Heinert, Meyer, O'Brien, Pyle, Richter, Ruby, Schaible, Schreiber-Beck, Vedaa			Passed House 1/19 54 yeas/ 37 nays- 2/13 Referred to Senate State & Local <b>Passed Senate 03/14 27 yeas / 18 nays</b> <b>Returned to House 3/15</b>	Oppose
<a href="#">HB 1183</a>	PERS retirement for law enforcement	Amends description of participants.	Rep. Porter, Sen. Axtman, Rep. Dockter, Rep. Heinert, Rep. Karls, Rep. Kasper, Sen. Larson, Rep. Louser, Rep. Motschenbacher, Rep. Ostlie, Rep. Ruby, Rep. Schauer	3/9 - 10am	Senate State & Local	2/22 Passed House 84 yeas 7 nays	Monitor
<a href="#">HB 1216</a>	ND Development Fund	Commerce Dept. funds to promote economic development.	Rep, Nathe			Passed House 1/25 91 yeas 0 nays. Passed Senate 3/9 45 yeas / 1 nay <b>Returned to House 3/10</b>	Monitor
<a href="#">HB 1219</a>	TFFR	TFFR Changes	Reps. Kempenich, Conmy, Kreidt Sen. Schaible	3/9 - 9:30am	Senate State & Local	Passed House 2/7 94 yeas/0 nays. 2/13 <b>Do Not Pass 3/10</b> <b>Rereferred to Senate State&amp;Local 3/15</b>	Support

<a href="#">HB 1227</a>	Legacy Fund	Requiring a cost-benefit analysis for a measure or policy affecting the Legacy Fund.	Reps. Kempenich, Bosch, Cory, Mock, Swiontek, Thomas, Vigesaa Sens. Klein, Meyer, Patten	3/7 - 10:45am	Senate I&B	Passed House 1/20 89 years / 0 nays. Passed Senate 3/10 47 years / 0 nays Sent to Governor 3/15	Neutral
<a href="#">HB 1278</a>	SIB	Requiring contracts with custodians/managers include required written support of fossil fuel and ag industries in state.	Reps. Satrom, Grueneich, Headland, Lefor, S. Olson, Ostlie, Schauer, Steiner Sens. Conley, Wanzek	3/15 - 11am	Senate I&B	Passed House 2/20 92 years / 1 nays. Amended to support investment program.	Oppose original Version; support amended version.
<a href="#">HB 1285</a>	Agency	Prohibiting executive branch agency bill submissions without legislator or legislative committee sponsor.	Reps. Toman, Christensen, Heilman, Henderson, Prichard	3/24 - 9:20 a.m.	Senate State & Local	Passed House 2/21 80 years / 14 nays	Monitor
<a href="#">HB 1309</a>	PERS	Plan design changes for law enforcement	Rep. Boschee, Sen. Braunberger, Sen. Cleary, Sen. Dever, Rep. Heinert, Rep. Martinson, Rep. Nathe, Sen. Roers, Rep. Ruby, Rep. Schneider	3/9 - 2pm	Senate State & Local	Passed House 2/21. 87 years, 7 nays.	Monitor
<a href="#">HB 1321</a>	PERS Board	Changing PERS Board makeup	Reps. Kasper, Dockter, Lefor, Louser, D. Ruby, M. Ruby, Steiner, Vigesaa, Weisz Sen. Hogue	3/13 - 9am	Senate I&B	Passed House 2/21 79 years / 15 nays	Monitor
<a href="#">HB 1345</a>	Procurement	State may give priority to companies that support state's ag & energy industries when procuring contracts.	Reps. Satrom, Grueneich, Hagert, Headland, Kiefert, Ostlie, Steiner Sen. Conley, Erbele, Lemm, Wanzek	3/16 - 9:45am	Senate Ag & Veterans Affairs	Passed House 2/20 85 years / 8 nays	Monitor with other ESG bills; amended to reduce impact to investment program
<a href="#">HB 1368</a>	Investments	Prohibiting investments and contracts with companies that boycott Israel.	Reps. K. Anderson, Bellew, M. Ruby, Strinden, Timmons, Tveit Sens. Clemens, Kannianen, Myrdal	3/15 - 10am	Senate I&B	Passed House 2/20 86 years / 7 nays	Oppose original Version; support amended version.
<a href="#">HB 1379</a>	Legacy Earnings Streams	Modifies Legacy Fund Earnings streams	Reps. Lefor, Bosch, Dockter, Headland, Nathe, Novak, O'Brien Sens. Bekkedahl, Hogue, Rummel, Sorvaag	3/22 - 8 a.m.	Senate Approps	Passed House 2/22 77 years / 16 nays	Monitor
<a href="#">HB 1429</a>	SIB	ESG Boycott/ Contract Restrictions/SIB list	Reps. Novak, Koppelman, Louser, J. Olson, S. Olson, M. Ruby, Thomas, Sen. Elkin, Magrum, Rummel	3/15 - 10:30am	Senate I&B	Passed House 93 years / 0 nays	Oppose original version; support amended version.
<a href="#">HB 1532</a>	TFFR	Bill provides funding for private school attendance; <b>Louser has proposed amendments incorporating private school teachers in to TFFR</b>	Reps. Cory, Kasper, Kempenich, Lefor, Nathe, Porter, Strinden, Sens. Beard, Burckhard, Meyer, Wobbema, Hogue	03/14 - 9:00 a.m.	Sen Education	Passed House 2/21 54 years / 40 nays	
<a href="#">SB 2015</a>	Budget bill	OMB Budget Bill	Senate Appropriations	3/22 - 8:30 a.m.	House Approps	Passed Senate 2/21 40 years / 6 nays	Monitor
<a href="#">SB 2022</a>	Budget bill	RIO's Budget	Senate Appropriations	3/23 - 3:30 p.m.	House-Approps	Passed Senate 2/20 45 years / 2 nays	Support

<a href="#">SB 2070</a>	Teacher Permitting	Extends the length of time non-certified teachers can be permitted	Senate State and Local Govt - Roers, Barta, Braunberger, Cleary, Estenson, Lee		House Education	Passed Senate 1/26 47 years / 0 nays <b>HE reported back, Do Not Pass, Place on Calendar 03/15</b>	Monitor
<a href="#">SB 2164</a>	PERS Board	Changing how legislative members of PERS Board are appointed	Sen. Dever Reps. Brandenburg, Hatlestad, D. Johnson, Monson, Schauer	3/3 - 9am	House GVA	Passed Senate 1/30 47 years / 0 nays	Monitor
<a href="#">SB 2165</a>	Energy Commission	Funds to clean sustainable energy fund/ BND	Sen. Patten, Rep. Bosch, Sen. Kannianen, Sen. Kessel, Rep. Novak, Rep. Porter			Passed Senate 2/21 40 years / 6 nays <b>Passed House 3/15 93 years / 0 nays</b>	Monitor
<a href="#">SB 2196</a>	Infrastructure Revolving Loan Fund	Resets terms of the infrastructure revolving loan fund.	Sen. Patten, Sen. Beard, Sen. Bekkedahl, Sen. Kannianen, Rep. Olson, Rep. Richter	3/3 at 9am	House Energy & Natural Resources	Passed Senate 1/23 47 years/ 0 nays	Monitor
<a href="#">SB 2233</a>	BND	Auditing practices of certain funds under management of BND	Sen. Klein, Sen. Bekkedahl, Sen. Hogue, Rep. Lefor, Rep. Vigesaa	3/13 - 9am	House IBL	Passed Senate 1/24 46 years/ 0 nays <b>House IBL reported back 3/13, do pass, place on calendar</b>	Monitor
<a href="#">SB 2239</a>	PERS Plan	Changing PERS contribution rates and appropriating \$250M to the fund	Sens. Cleary, Dever Rep. Boschee	3/10 - 9am	House GVA	Passed Senate 2/21 34 years / 13 nays	Support
<a href="#">SB 2258</a>	TFFR	Expands scope of Critical Shortage area qualification for rehired retirees	Sens. Paulson, Beard Reps. Heilman, Hoverson, Louser	3/6 - 3pm	House Education	Passed Senate 2/1 47 years 0 nays	Neutral
<a href="#">SB 2330</a>	Legacy Fund	Legacy earnings definition and change in Legacy Fund IPS percentages.	Sens. Klein, Hogan, Meyer Reps. Bosch, Kreidt	3/14 - 10am	House Finance & Taxation	Passed Senate 2/15 43 years / 3 nays	Support
<a href="#">HCR 3033</a>	Legacy Fund	Legacy fund earnings definition constitutional amendment	Reps. Mock, Hagert, Ista, Kempenich, Kreidt, Schatz Sens. Cleary, Meyer	<b>03/20 - 9:00 a.m.</b>	Senate I&B	Passed House 3/14 67 years / 24 nays	

## MEMORANDUM

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**TO:** SIB  
**FROM:** Jan Murtha, Executive Director  
**DATE:** January 26, 2022  
**RE:** Audit Committee Recommendations Follow-up

At its October 2021 meeting the SIB received recommendations from the Audit committee related to board governance. Specifically, that the SIB create a Governance & Policy Review (GPR) standing committee and expand and enhance new board member orientation and ongoing board member education.

RIO staff support these recommendations with one minor alteration, that the new GPR committee be directed to take on the task of developing and making a recommendation to the full SIB for policy changes related to board member orientation and education, as opposed to amending the policy prior to the creation of the GPR committee.

Pursuant to Policy B-10 of the SIB Governance Manual the creation of a standing committee requires an amendment to Policy B-6, and such an amendment may be adopted over the course of two meetings. The first meeting required an Introduction and First Reading. The second meeting requires a Second Reading and Final adoption. Policy B-10 states:

*Upon request of the Executive Director or a Board member a new policy or amendment shall be placed on the Board's agenda for action as follows:*

*1. Introduction and first reading. A brief explanation or summary of the new policy or amendment shall be presented to the Board. Upon approval of introduction and first reading, the measure shall be placed on the agenda of the next scheduled meeting of the Board for second reading and adoption. When appropriate, the measure shall be distributed to interested parties.*

*2. Second reading and adoption. Interested parties and the public shall be allowed an opportunity to comment on the policy or amendment before final action by the Board. The measure shall take effect immediately following second reading and adoption by the Board, unless a different effective date is stated.*

*3. Amendments. Amendments may be proposed at any time before final adoption of the measure. Upon determination by the Board that adoption of an amendment constitutes a substantive change that significantly changes the meaning or effect of the measure, the Board shall continue consideration of second reading and adoption to the next meeting to permit further review and comment.*

A draft of the proposed policy change and draft charter are enclosed for your consideration.

**BOARD ACTION REQUESTED: Motion to approve Amendment to Policy B-6 and Draft GPR Committee Charter for First Reading.**



# Board Member Orientation and Education Program

The State Investment Board (Board) members are responsible for making policy decisions affecting all major aspects of investment program administration. Therefore, Board members will develop and maintain an appropriate level of knowledge that provides and improves core competencies necessary to govern large, complex investment funds.

## 1. Board Member Core Competencies

Board members are expected to develop and maintain their knowledge on effective Board governance. The State Investment Board will utilize a research-based framework to support the six core competencies of effective boards, which include:

- 1) **Contextual:** The Board understands and takes into account the culture, norms, and values of the organization it governs.
- 2) **Educational:** The Board takes the necessary steps to ensure that members are well informed about the organization and the professions working there, as well as the Board's own roles, responsibilities, and performance.
- 3) **Interpersonal:** The Board nurtures the development of its member as a group, attends to the Board's collective welfare, and fosters a sense of cohesiveness.
- 4) **Analytical:** The Board recognizes the complexities and subtleties in the issues it faces, and it draws on multiple perspectives to dissect complex problems and to synthesize appropriate responses.
- 5) **Political:** The Board accepts, as one of its primary responsibilities, the need to develop and maintain healthy relationships among all key constituencies.
- 6) **Strategic:** The Board envisions and shapes institutional direction and helps to ensure a strategic approach to the organization's future.

## 2. Board Member Education

The Executive Director will present an annual board education plan to align with the six core competencies. This will include a focus on critical areas necessary to effectively govern institutional investments. These board education topics will be presented, at minimum, on a 2-year rotation. These include, but are not limited to:

- a. Board governance policies
- b. Asset allocation and investment management concepts
- c. Investment terminology
- d. Prudent Investor Rule
- e. Financial reporting, controls, and audits
- f. Open meeting and open records laws
- g. Fiduciary responsibilities
- h. Ethics and conflicts of interest

Beyond regular, meeting-embedded, board education, the State Investment Board supports additional professional learning opportunities to develop core competencies, discharge their fiduciary duties, and ensure Board members have a full understanding of the issues facing the SIB. These areas include:

- a. New Board member orientation

- b. Educational conferences, workshops, and other training programs
- c. In-house education sessions
- d. Webinars, reports, and studies

The collective Board, and individual Board members, should identify areas in which they might benefit from additional education, and work with the Executive Director to find or develop educational opportunities to best address those needs.

Board members must annually report board education received each year.

### **3. New Board Member Orientation**

Each new Board member is strongly encouraged to attend a new Board member orientation session(s) as soon as possible after appointed to the Board or elected to office. The Board Chair will assign each new Board member an experienced Board mentor to assist the new member in becoming familiar with roles and responsibilities. The orientation sessions will be developed by the Executive Director, at minimum, review of the following topics and materials over the course of the Board members first year include:

- a. Introduction to RIO staff
- b. Tour of RIO office
- c. Board Governance Manual
  - a. Carver Model of Governance
  - b. Boards That Make a Difference
- d. Board duties and responsibilities
- e. History and overview of the investment program
- f. Overview of TFFR-SIB-RIO organizational structure
- g. Laws, rules, and board policies governing the investment program
- h. Fiduciary responsibilities, conflict of interests, and ethics
- i. Open meetings and open records
- j. Board meeting schedule and protocol
- k. Board meeting minutes and materials
- l. Annual financial report
- m. Investment program, investment policy statement, asset allocation, and performance
- n. RIO website – TFFR and SIB sections
- o. Legislative issues
- p. List of educational conferences and training sessions
- q. Other relevant information or materials deemed appropriate

### **4. Ongoing Board Member Education**

#### *a) Educational Conferences, Workshops, and other Training Programs*

The Executive Director will maintain a list of educational conferences, workshops, and other training programs appropriate for Board members to attend. The list will be provided at least annually to Board members. Board members may attend such conferences or others deemed to be appropriate by the Executive Director. Subject to budget availability, Board members may attend at least one out of state educational conference each year.

The Executive Director will review conference agendas and materials to ensure they are geared toward Board member education, subject to budget availability, and will approve board travel requests. Board

travel outside of the continental United States must be approved by the Board Chair and Executive Director.

The Executive Director will inform the Board of educational conferences, workshops, or other training programs attended by board members on an annual basis.

*b) In-House Education Sessions*

Based on the education needs identified by board members or staff, the Executive Director will arrange for staff or outside service providers to conduct educational sessions at regularly scheduled board meetings. Topics may include board governance, investments, asset allocations, benchmarks, and other topics determined by the Board.

*c) Webinars, Reports, and Studies*

Board members are encouraged to subscribe to mailing lists and review websites for information about public pension plan conferences, webinars, reports, and studies from pension and investment organizations.

The Executive Director will also provide links to recent published reports and studies with board meeting materials.

**CHARTER OF THE  
SECURITIES LITIGATION COMMITTEE OF THE  
NORTH DAKOTA STATE INVESTMENT BOARD**

**I. PURPOSE**

The Securities Litigation Committee (the Committee) is a standing committee of the North Dakota State Investment Board (SIB) created to assist in fulfilling its fiduciary oversight responsibilities of monitoring the investment of assets entrusted to it by the various statutory and contracted funds, and to serve as a communications link for the SIB, RIO's management and staff, third party securities litigation firms, and others.

The Committee will determine when an active role should be pursued in regards to securities litigation affecting securities within the SIB's portfolios.

**II. AUTHORITY**

The Committee is authorized to:

- draft policy (to be formally approved by SIB) regarding dollar and/or risk thresholds for determining when to opt-out of class actions and/or seek direct litigation or lead plaintiff status;
- based on SIB approved policy, make decisions on the level of participation the SIB will take in direct litigation, opt-in or group litigation, anti-trust and other class actions; and
- approve the selection of special assistant attorneys in cases of direct litigation.

**III. COMPOSITION**

The Committee will consist of ~~the Executive Director of RIO, one member of RIO fiscal or investment staff, RIO general counsel, and two~~three members of the SIB appointed by the Chair.

Membership on the Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB Chair at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Committee.

The Committee will elect a Chair ~~and a Vice Chair~~. The Chair will preside at all meetings of the Committee and serve as the liaison to the SIB. In the absence of, or at the direction of the Chair, the ~~Vice Chair will perform the duties of the Chair~~. Executive Director will report committee actions. The liaison will report at least four times a year quarterly to the SIB, or as often as the committee shall meet, on the activities of the Committee and other pertinent information.

~~The Committee may form, and delegate authority to, subcommittees when it deems appropriate.~~

#### **IV. MEETINGS**

The Committee will meet ~~generally four times a year~~quarterly, with authority to convene additional **or reduce** meetings, as circumstances require ~~or~~ to adequately fulfill all the obligations and duties as outlined in this charter.

Meeting agendas will be prepared by the Executive Director and approved by the Committee Chair, unless otherwise directed by the Committee and will be provided to the Committee members along with briefing materials before the scheduled committee meeting.

Committee members are expected to attend each meeting, in person or ~~via tele or video conference~~**virtually**. RIO's executive management and others necessary to provide information and to conduct business will attend meetings. The Committee may invite staff of RIO or others to attend meetings, as necessary. The Committee may hold executive sessions as allowed under state law.

~~The Committee will act only on the affirmative vote of three of the committee members at a meeting. To conduct business, a quorum will be three members of the Committee. 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. Meetings unable to transact business for lack of a quorum are not considered meetings. Meeting minutes will be prepared by RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.~~

#### **V. RESPONSIBILITIES**

RIO's management is responsible for ongoing monitoring of securities litigation and claims filing. Based on SIB approved policy guidelines, the Committee has the responsibility to provide oversight in the areas of:

- policy development
- determination on direct litigation and/or lead plaintiff status
- approval of special assistant attorneys (outside counsel)

To this end, the Committee will:

- Develop initial policy and periodically review policy to determine if changes are needed.
- Review reports from RIO staff and third parties in order to maintain awareness of potential and actual securities litigation affecting the SIB portfolios.
- Make decisions on whether to pursue direct litigation and/or lead plaintiff status on cases exceeding policy thresholds for passive participation.

- Select third party litigation firms when deemed appropriate.
- Perform other activities related to this charter as requested by the SIB.
- Review and assess the adequacy of the Committee charter annually, requesting the SIB approval for proposed changes.
- Confirm annually the review of all responsibilities outlined in this charter.

#### Reporting Responsibilities

- ~~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.~~

**DATE OF CREATION OF COMMITTEE AMENDMENTS:** February 16,2018

**DATE AUDIT COMMITTEE CHARTER ADOPTED AND APPROVED:** April 27,2018