

Governance and Policy Review Committee

Thursday, May 18, 12:00 p.m.

Virtual Only

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AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA**
- II. MINUTES – APRIL 26, 2023**
- III. NEW BOARD MEMBER RECOMMENDATION PROCESS – Ms. Murtha, Mr. Anderson**
- IV. NEW BOARD MEMBER ONBOARDING – Ms. Murtha**
- V. OTHER**
- VI. ADJOURNMENT**

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

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

MEMBERS ABSENT: Jon Godfread, Insurance Commissioner

STAFF PRESENT: Scott Anderson, CIO
Missy Kopp, Exec Assistant
George Moss, Sr. Investment Officer
Jan Murtha, Exec. Dir.
Sara Seiler, Supvr. Internal Audit
Ryan Skor, CFO/COO

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 2:00 p.m. on Wednesday, April 26, 2023. The meeting was held virtually.

AGENDA:

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

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MARCH 22, 2023, MEETING AS DISTRIBUTED.

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

MINUTES:

The minutes were considered for the March 22, 2023, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE JANUARY 26, 2023, MINUTES AS DISTRIBUTED.

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

2023 LEGISLATIVE SESSION & STRATEGIC PLAN UPDATE:

Ms. Murtha reviewed the connection between the bills staff were closely monitoring during the legislative session and the goals in RIO's strategic plan. Many of the goals in the strategic plan required legislative changes to be accomplished. Those goals include intern development, adjustment to SIB membership, internal investment program, in-state investment program, talent management, and the Pioneer Project. These goals were accomplished through three bills passed by the Legislature. HB 1088 changes the SIB composition to support governance and program changes. These changes are effective on July 1, 2023. The Committee discussed their role in choosing investment professionals to recommend to the Governor's Office.

HB 1219 provided TFFR changes to support the Pioneer Project. SB 2022 is RIO's budget bill which was signed by the Governor on April 21, 2023. In this budget, RIO received nine new Full Time Equivalent (FTE) positions, funding for temporary positions, interns, and equity. The budget also includes statutory authorization for a talent management plan with incentive compensation.

The Committee discussed the process for picking investment professionals to provide recommendations to the Governor's Office who appoints those positions to the SIB. At the May SIB GPR meeting, staff will provide information to the Committee on prospective candidates. The Committee will recommend candidates to the SIB so the list can be narrowed down then provided to the Governor's Office.

NEW BOARD MEMBER ONBOARDING:

Ms. Murtha provided a summary of the discussion from the March 22, 2023, GPR meeting on new member onboarding. The process will be completed over 12 months with multiple staff providing information. Ms. Murtha provided a proposed schedule of curriculum for Committee comments and discussion. The proposed curriculum covers topic that staff believe are important for Board members. After Committee feedback, staff will develop a handbook for new members. The Committee discussed the proposed curriculum and provided feedback on topics, timing, and methods for the onboarding process.

OTHER:

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 2:56 p.m.

Prepared by:

Missy Kopp, Assistant to the Board

MEMORANDUM

TO: SIB GPR Committee
FROM: Scott M Anderson, Chief Investment Officer
DATE: May 17, 2023
RE: Investment Expertise Board Member Profile

Board Member Profile

Board members are the fiduciaries who steer RIO towards a sustainable future by adopting sound, ethical, and legal governance, and financial management policies, as well as by making sure the RIO has adequate resources to advance its mission.¹

Board members have three primary legal duties as well as significant roles in providing guidance to RIO:

Duty of Care: Take care of RIO by ensuring prudent use of all assets, including facility, people, and good will.

Duty of Loyalty:

- Ensure that the RIO's activities and transactions are, first and foremost, advancing its mission.
- Recognize and disclose conflicts of interest.
- Make decisions that are in the best interest of the RIO and not in the best interest of the individual board member (or any other individual or for-profit entity).

Duty of Obedience:

- Ensure that the RIO obeys applicable laws or regulations and follows its own bylaws.
- Ensure that RIO adheres to its stated corporate purposes/mission.

Board members also play very significant roles providing guidance to RIO by contributing to the organization's culture, strategic focus, effectiveness, and financial sustainability, as well as serving as ambassadors and advocates. Beyond fulfilling legal duties, board members can be important resources for the organization in multiple ways.

Investment Expertise Board Member Profile

The new independent Investment Expertise Board Member will ideally have many or all the following characteristics:

1. National Council of Non-Profits

- Highly capable and experienced in the fundamentals of institutional asset and portfolio management.
- CIO, CEO or Managing Director level experience with an insurance company, university, or foundation endowments and/or private or public pension funds is a plus.
- Experience with mission/impact investing, both theory and application.
- Passion for the SIB mission and familiarity with the types of client funds that the SIB governs. Experience with government or the non-profit sector is a plus.
- Interested in exploring the intersection of financial performance and institutional impact, across the capital spectrum.
- Comfortable discussing technical investment terminology and concepts clearly with individuals that have less investment experience.
- Intellectually curious, able to offer probing questions, and comfortable examining alternate points of view in a respectful, collaborative, and rigorous way.
- More than 10 years of investment experience and does not have a financial interest in or is not employed by an entity that is primarily a dealer or broker in securities or mortgage or real estate investments.

Examples:

CIO or managing director of a public pension plan, insurance company, investment management company or non-profit endowment.

CEO or C-level executive of a large corporation such as insurance company, bank, or utility with advanced finance and risk processes for allocating capital.

Economist.

Investment, Finance or Economics Professor.

MEMORANDUM

TO: SIB Governance & Policy Review (GPR) Committee
FROM: Jan Murtha, Executive Director
DATE: May 17, 2023
RE: New Board Member On-Boarding

I. Introduction

At its last meeting the committee discussed the parameters of a new Board member onboarding program. Development of the new program recognizes that Board membership has and will continue to shift on a more frequent basis especially with the changes to the SIB member composition resulting from H.B. 1088 and the new onboarding process must reflect the fact that at any given time at least half the board may be at a different stage of the onboarding process.

A. Characteristics of On-Boarding Program – Summary of Committee Discussion from April

- The committee recommends that the onboarding process be comprehensive and span the first year of SIB membership. Given the changes to board composition as a result of H.B. 1088, 7 members of the 13-member board may be new as of July 2023. Therefore, the onboarding process must recognize that individual board member onboarding sessions are less efficient. The committee discussed and recommended an initial half day board member onboarding session to provide a comprehensive program overview to occur within the first month of board member appointment. Due to the timing of such appointments this onboarding may or may not occur prior to the July 2023 SIB meeting. Thereafter, shorter topic specific board member onboarding sessions will be scheduled.
- Recognizing that Board members may join the SIB at any point in the biennium the onboarding program must be flexible but consistent in providing information to new board members.
- Board members and RIO staff have a shared responsibility in the onboarding process.
- Onboarding materials may be provided in a variety of formats, but development of a new Board member Handbook is recommended to provide an overview of the topics and process. The committee also recommends that staff divide onboarding responsibilities among staff members and utilize pre-recorded options as well.
- Establishing a uniform meeting time for onboarding sessions is recommended. The Committee recommends that onboarding activities occur in the hour prior to scheduled

board meetings. Staff recognizes that new board members may be at a different stage of the onboarding process but believe that division of labor among team members can facilitate onboarding different topics during the same scheduled hour with different board members.

- A proposed schedule of curriculum follows for committee comments and discussion. Staff will prepare policy and materials for subsequent review and approval based on the curriculum feedback.

Month	Topic	Duration	Format
1	SIB/RIO agency, Strategic Plan, Calendar, Board Governance/ Board member expectations, Annual Financial Report, Investment Program Overview (manager selection etc.)	3.5 hours	In person, multi-presenter, power-point presentations. ED, CIO, CFO-COO, IA Supervisor.
2	Fiduciary Duties & Prudent Investor Rule	1 hour	Pre-recorded.
2	Open Records/ Open Meetings	30-45 minutes	Pre-recorded.
3	Performance Reports/ Asset Allocation/ Investment Policy Statements	90 minutes	Discussion with CIO in person.
4	Governance Manual Part #1	1 hour	Discussion with ED in person.
5	Risk Strategy	1 hour	Live or pre-recorded session with Chief Risk Officer.
6	Governance Manual Part #2	1 hour	Discussion with ED in person.
7	Governance Manual Part #3	1 hour	Discussion with ED in person.
8	Understanding Internal Investment Management	90 minutes	Live or pre-recorded session with CIO.
9	Fiscal Operations Overview	1 hour	Live or pre-recorded session with CFO-COO.
10	Retirement Program Overview	1 hour	Live or pre-recorded session with DED-CRO.
11	Internal Audit Overview	1 hour	Live or pre-recorded session with IA Supervisor.
12	Discuss Committee Assignments & Continuing Ed.	45 minutes	In person with ED.