



State Investment Board

RETIREMENT & INVESTMENT

**Governance and Policy Review Committee**

**Thursday, October 12, 10:00 a.m.**

**Virtual Only**

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AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA *(Committee Action)*
- II. ACCEPTANCE OF MINUTES – (September 11, 2023) *(Committee Action)*
- III. SIB GOV MANUAL REVIEW – SECTION B (30 min) *(Committee Action)* – Ms. Murtha
- IV. PERS BOARD DECISION/ SPECIAL SESSION UPDATE (15 min) *(Information)* – Ms. Murtha
- V. OTHER

Next Meeting: November 9, 2023, at 2:00 p.m.

**VI. ADJOURNMENT**

**STATE INVESTMENT BOARD  
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING  
MINUTES OF THE SEPTEMBER 11, 2023, MEETING (VIRTUAL)**

**MEMBERS PRESENT:** Dr. Rob Lech, TFFR Board, Chair  
Thomas Beadle, State Treasurer, Vice Chair  
Susan Sisk, OMB Director

**STAFF PRESENT:** Scott Anderson, CIO  
Missy Kopp, Exec Assistant  
Sarah Mudder, Communications/Outreach Dir.  
Jan Murtha, Exec. Director  
Sara Seiler, Internal Audit Supr.  
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 1:02 p.m. on Monday, September 11, 2023. The meeting was held virtually.

**AGENDA:**

The agenda was considered for the September 11, 2023, meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SISK AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 11, 2023, MEETING AS DISTRIBUTED.**

**AYES: TREASURER BEADLE, MS. SISK, AND DR. LECH  
NAYS: NONE  
MOTION CARRIED**

**MINUTES:**

The minutes were considered for the August 24, 2023, meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SISK AND CARRIED BY A VOICE VOTE TO APPROVE THE AUGUST 24, 2023, MINUTES AS DISTRIBUTED.**

**AYES: MS. SISK, TREASURER BEADLE, AND DR. LECH  
NAYS: NONE  
MOTION CARRIED**

**SIB GOVERNANCE MANUAL REVIEW - SECTION A:**

Ms. Murtha reviewed proposed changes to the SIB Governance Manual Executive Limitations policies. Per the workplan approved by the Committee, no action is required until the entire manual has been reviewed. The suggested changes included the table of contents format, updated language for improved clarity, and language to reflect the agency's new mission, vision, and values. The Committee discussed the policy changes and provided feedback.

**GOVERNANCE MODEL MAP:**

Mr. Anderson provided information on governance models in follow up to prior Committee discussion. Mr. Anderson provided an overview of different types of governance models and provided summaries of the

Carver and Coherent models and a comparison between the two models. An overview was provided of a governance operating model. Committee discussion followed.

**OTHER:**

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 2:05 p.m.

Prepared by:

Missy Kopp, Assistant to the Board

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## Governance Process

### B-1: Governance Commitment (Convert to Board Values?)

The board, on behalf of benefit recipients and the other clients, who have entrusted their funds to us, will:

- Lead the North Dakota Retirement and Investment Office (RIO) with a strategic perspective.
- Rigorously attend to its investment and oversight role.
- Continually improve its capability as a body to define values and vision.

Policy Implemented: June 23, 1995.

### B-2: Governing Style

- The board will strive to govern with an emphasis on:
- Outward vision rather than an internal preoccupation.
- Encouragement of diversity in viewpoints.
- Strategic leadership more than administrative detail.
- Clear distinction of board and executive director roles.
- Collective rather than individual decisions.
- Future rather than past or present.
- Proactivity rather than reactivity.

The board will:

1. Cultivate a sense of group responsibility. The board, not the staff, will be responsible for excellence in governing. The board will strive to be an initiator of policy, not merely a reactor to staff initiatives. The board will strive to use the expertise of individual members to enhance the ability of the board as a body, rather than to substitute the individual judgments for the board's values.
2. Direct, control, and inspire the organization through the careful establishment of the broadest written policies reflecting the board's values and perspectives. The board's major focus will be

on the intended long-term impacts outside the operating organization (Ends), not on the administrative or programmatic means of attaining those effects.

3. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policy-making principles, respect of roles, and ensuring the continuity of governance capability.
4. After speaking with one voice, self-police any tendency to stray from adopted board governance policies. The board will not allow any officer, member, or committee of the board to hinder or be an excuse for not fulfilling its commitments. The board respects the right of any member, as an individual, to publicly disagree with an adopted board policy position, or decision. Board members will accurately portray board policies and decisions, and a Board member publicly disagreeing with a board policy or position must clearly distinguish between their individual view and the board view.
5. Promote continual board development through: orientation and mentoring of new members in the board's governance process and applicable fiscal and investment concepts; receipt and review of board education; and through periodic board discussion of process improvement. ~~The board shall not delegate new member governance orientation to the executive director or any staff member.~~
  - a. Board mentors are encouraged to assist new members to understand their fiduciary duty and role. ~~Board members may engage the Board Chair if they would like to participate in an optional board mentorship program.~~
  - b. ~~The n~~New board members should read and study Chapter 21-10, North Dakota Century Code and participate in a new board member onboarding curriculum approved by the SIB – GPR committee and administered by RIO staff to completion~~(Section J of the SIB Policy Governance Manual which governs the activities of the boards represented on the SIB: Teachers' Fund for Retirement Board, Public Employees Retirement Systems Board, and the State Investment Board).~~
  - c. ~~The board should receive a glossary of terms used by the retirement and pension fund industry, i.e., Callan Associates Inc. – Glossary of Terms.~~
  - d.c. \_\_\_\_\_ Newly appointed or elected board members should become familiar with the Carver Model of Governance since the SIB directs its activities by this model. They should read Boards That Make a Difference and study the policy manuals that have been developed by the SIB and TFFR Board.
  - e.d. \_\_\_\_\_ The board members must understand their roles as trustees and fiduciaries, the Prudent Investor Rule, and Procedural Prudence.

~~f.e. A "new trustee book bag" New board member curriculum shall be established by the SIB GPR committee and at minimum must contain education on containing the Retirement and Investment Office's Comprehensive Annual Financial Report (CAFR), and reference materials relating to board governance, fiduciary conduct, and investment management concepts and terminology, and other appropriate materials will be made available to new trustees.~~

~~g.f. The executive director will provide the SIB with access to a list of periodicals available which would provide current information on investment pension issues. The board members will review and request subscriptions to appropriate periodicals.~~

6. Monitor and regularly discuss the board's process and performance. Self-monitoring will include comparison of board activity and discipline to policies in the Governance Process and Board-Staff Relationship categories through a self-assessment process.
7. Observe Robert's Rules except where the board has superseded them.

Policy Implemented: June 23, 1995.

Amended: June 28, 1996; November 19, 1999, January 26, 2001, February 27, 2015, October 26, 2018, September 27, 2019.

### **B-3: Board Job Description**

The function of the board is to make certain contributions that lead RIO toward the desired performance and ensure that it occurs. The board's specific contributions are unique to its trusteeship role and necessary for proper governance and management.

Consequently, the "products" or contributions of the board shall be:

1. The link between the SIB, its investment clients, and benefit recipients.
2. Written governing policies that, at the broadest levels, address:
  - a. *Ends*: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth (what good for which needs at what cost).
  - b. *Executive Limitations*: Constraints on executive authority which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
  - c. *Governance Process*: Specification of how the board conceives, carries out, and monitors its own task.

- d. *Board-Executive Director Relationship*: How authority is delegated, and its proper use monitored: the executive director's role, authority, and accountability.
3. The assurance of executive director performance against above policies 2a and 2b.
4. Legislation necessary to achieve the board's Ends.

Policy Implemented: June 23, 1995.

## **B-4: Chairperson's Role**

The chairperson's primary responsibility is to ensure the integrity of the board's process. The chairperson is the only board member authorized to speak for the board other than in specifically authorized instances.

1. The duty of the chairperson is to see that the board operates consistent with state and federal law, administrative rules, and its own policies.
  - a. The board agenda will be the responsibility and be coordinated by the chairperson with the assistance of the executive director.
  - b. Meeting discussion content will only be those issues which, according to board policy, clearly belong to the board and not the executive director, or in a board member's opinion, may deal with fiduciary responsibilities.
  - c. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly, and brief.
  - e.d. \_\_\_\_\_D—The chairperson shall appoint a parliamentarian.
2. The authority of the chairperson consists in making decisions that fall within the topics covered by board policies on *Governance Process and Board-Executive Director Relationship*, except where the board specifically delegates portions of this authority to others. The chairperson is authorized to use any reasonable interpretation of the provisions in these policies.
  - a. The chairperson is empowered to chair board meetings with all the commonly accepted authority of that position (e.g., ruling, recognizing).
  - b. The chairperson has no authority to make decisions about policies created by the board within Ends and Executive Limitations policy areas. Therefore, the chairperson has no authority to supervise or direct the executive director.



- c. The chairperson may represent the board to outside parties in announcing board-stated positions and in stating chairperson decisions and interpretations within the area delegated to the chairperson.
- d. The chairperson is authorized, in consultation with the ~~RIO Executive Director~~, to grant approval for international travel by SIB members and to keep the board informed on travel requests.
- e. The chairperson is authorized, in consultation with the ~~RIO Executive Director~~, to grant approval for participation in domestic due diligence visits by SIB members with RIO staff members and it shall be the responsibility of the traveling board member to report to the SIB – Investment Committee on the results of the due diligence visits.

Policy Implemented: June 23, 1995.

Amended: August 17, 2001, September 25, 2009.

## B-5: Board Committee Principles

Unless specifically provided by governance policy, board committees will be assigned to minimally interfere with the wholeness of the board's job and to never to interfere with delegation from board to executive director. Board committees will be used strategically sparingly.

Board committees are to help the board do its job, not to help the staff do its job. Committees ordinarily will assist the board by preparing policy alternatives and implications for board deliberation. Board committees are created to advise the board, not the staff. Notwithstanding the foregoing, ~~the~~ Investment Committee is a hybrid committee comprised of Board members, Staff and external investment experts. The investment committee is delegated authority as provided by Board policy.

1. Board committees may not speak or act for the board except when formally given such authority for specific ~~and time-limited~~ purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the executive director. Standing committees shall operate in accordance with a committee charter approved by the SIB.
2. Board committees cannot exercise authority over staff however committees will make requests of staff through the executive director unless staff is assigned to the committee. Because the executive director works for the full board, he or she will not be required to obtain approval of a board committee before an executive action. In keeping with the board's broader focus, board committees will normally not have direct dealings with current staff operations, except as specified in the committee charter.
3. Board committees are to avoid over-identification with the committee's assignment. Therefore, a board committee which has helped the board create policy will not be used to monitor

organizational performance on that policy. The Investment Committee is chartered to monitor certain investment strategy execution strategies and investment performance in a more detailed way than the Board which receives independent performance appraisals and summarized updates on investment activities. The Board is the ultimate governance authority of the investment program.

4. This policy applies only to committees which are formed by board action, whether or not the committees include non-board members. It does not apply to committees formed under the authority of the executive director.
5. The chairperson will appoint board committees authorized by the board, or as otherwise set forth in the committee charter. The operational life span of a board committee will be defined at the time of appointment.

Policy Implemented: June 23, 1995.

Amended: November 22, 1996, February 27, 2015, November 18, 2022

## **B-6: Standing Committees**

The board's standing committees shall operate under the terms of a charter approved by the board and are set forth in this policy as follows: (Note: alphabetize committees)

1. Audit Committee
2. Securities Litigation Committee
3. Executive Review and Compensation Committee
4. Governance and Policy Review Committee
5. Investment Committee

~~a. The Audit Committee, Securities Litigation Committee, Executive Review and Compensation Committee, the Governance and Policy Review Committee, and the Investment Committee shall operate under the terms of a charter approved by the board. (Note: each committee shall be responsible for reviewing its charter and proposing charter updates to the SIB -GPR committee.)~~

### 1. Introduction – Audit Committee

An Audit Committee has been established as a standing committee of the State Investment Board (SIB). The Audit Committee will assist the SIB in carrying out its oversight responsibilities as they relate to the Retirement and Investment Office (RIO) internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics.

The primary objective of the internal audit function is to assist the SIB and management in the effective discharge of their responsibilities. To this end, internal auditing will furnish them with analyses, appraisals, recommendations, and pertinent information concerning the activities reviewed.

Functions and units within RIO will be reviewed at appropriate intervals to determine whether they are effectively carrying out their responsibilities of planning, organizing, directing, and controlling in accordance with SIB and management instructions, applicable laws, policies, and procedures, and in a manner consistent with both the RIO objectives and high standards of administrative practice.

#### Policy of the State Investment Board – Audit Committee

The audit staff shall have full, free, and unrestricted access to all RIO activities, records, property, and personnel relative to the subject under review. The audit function will be conducted in a manner consistent with acceptable professional standards and coordinated with others to best achieve the audit objectives and the RIO objectives.

The Internal Audit Services Unit is responsible for developing and directing a broad, comprehensive program of internal auditing within RIO. The Internal Audit Services Unit will report administratively to management and functionally to the Audit Committee of the SIB.

The RIO unit supervisors are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from the receipt of a report disclosing those weaknesses if known or applicable. The unit supervisors are also responsible for seeing that a written report of action planned or completed is sent to the executive director. If a plan for action is reported, a second report shall be made promptly upon completion of the plan.

#### 2. Introduction – Securities Litigation Committee

A Securities Litigation Committee (SLC) has been established as a standing committee of the State Investment Board (SIB). The SLC will assist the SIB in fulfilling its fiduciary oversight responsibilities of monitoring the investment 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 SLC will determine when an active role should be pursued in regard to securities litigation affecting investments within the SIB's portfolios based on the SIB approved Securities Litigation Policy and approved SIB Securities Litigation Committee Charter.

#### Policy of the State Investment Board – Securities Litigation Committee

The SLC 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 conjunction with the approval of the Office of the Attorney General) in cases of direct litigation.

RIO's management is responsible for ongoing monitoring of securities litigation and claims filing. RIO management and staff will enable the SLC to provide a periodic update to the SIB on the SLC's activities and related recommendations.

The SLC has the responsibility to provide oversight in the areas of:

- policy development;
- determination on direct litigation and/or lead plaintiff status; and
- approval of special assistant attorneys (outside counsel) with concurrence of the Attorney General.

### 3. Introduction – Executive Review and Compensation Committee

An Executive Review and Compensation Committee (ERCC) has been established as a standing committee of the SIB. The ERCC will assist the SIB in fulfilling its fiduciary oversight responsibilities of “monitoring executive performance (which) is synonymous with monitoring organizational performance against board policies on Ends and Executive Limitations”. The ERCC will also assist the SIB in developing compensation goals and strategies for the agency as a whole that are in alignment with the strategic plan of the agency. The Chief Financial Officer- Chief Operating Officer (CFO-COO) will be responsible for the preparation of all committee materials with the exception of internal survey and audit materials. Internal audit will be responsible for preparing an annual summary of the required reports submitted to the SIB by the Executive Director and Chief Investment Officer in connection with its review of policy adherence to Ends and Executive Limitations. Internal audit will also assist the ERC in completing annual surveys of the Executive Director with the SIB, SIB clients, and RIO team members, and Executive Director and Deputy Executive Director- Chief Retirement Officer with the TFFR Board, TFFR stakeholders, and RIO team members.

The ERCC will conduct a formal evaluation of the Executive Director, and survey's regarding the performance of the Chief Investment Officer, and Deputy Executive Director – Chief Retirement Officer during the first half of every calendar year. This formal evaluation by the ERCC will serve as the basis for an annual compensation recommendation for the Executive Director only to be reviewed and approved by the SIB on or before June 30th each year. The survey results for all three positions will be reported to both the SIB and TFFR Board. Internal audit will also assist the SIB and ERC in administering the annual board self-assessment process.

### Policy of the State Investment Board – Executive Review and Compensation Committee

The ERCC is authorized to:

- Conduct a formal evaluation of the Executive Director annually;
- Obtain SIB approval of the annual performance evaluation of the Executive Director;
- Obtain performance surveys of the Chief Investment Officer and Deputy Executive Director-Chief Retirement Officer;
- Make a compensation recommendation for the Executive Director to the SIB on or before June 30th of each year;
- Administer a formal self-assessment of the SIB periodically (unless instructed otherwise)
- Review and make recommendations regarding RIO’s compensation policy to ensure RIO can recruit and retain superior talent to satisfy the core mission and strategic plan of the agency; and
- Conduct or procure a new peer compensation study or survey at least every three years to assess the current level of RIO staff compensation and recommend policy changes to address target salary ranges as appropriate.

The ERCC and/or RIO will seek SIB approval prior to formally engaging any third-party assistance in conducting the annual executive review process or board self-assessment.

#### 4. Introduction – Governance & Policy Review

A Governance and Policy Review Committee has been established as a standing committee of the SIB. The Governance and Policy Review Committee will assist the SIB in fulfilling its fiduciary oversight responsibilities to fulfill its responsibilities regarding matters that relate to governing the SIB, policies, and identifying and making recommendations to the SIB.

The Governance and Policy Review Committee will be responsible for reviewing the governance manual, recommending policy changes, and when directed by the board review governance specific concerns, and make recommendations for improvement.

#### Policy of the State Investment Board – Governance & Policy Review Committee

The Governance & Policy Review Committee is authorized to:

- Review and recommend policies for the governance manual.
- Ensure the governance manual reflects best practices and good governance.
- As directed by the board, review specific governance concerns, and make recommendations for improvement.
- Request RIO staff for specific topic training or education

#### 5. Introduction – Investment Committee

The Investment Committee (the “Committee”) is created to provide oversight of SIB investments within the parameters established by the SIB. Oversight will include an analysis of risk and return at

the portfolio, asset class, and client fund levels. Additionally, the Committee will provide input to the Board on asset allocation and benchmark recommendations.

In general, the Committee will focus on various policies and procedures of the agency to ensure they are consistent with industry standards and that they continue to keep pace with prudent investment theory and practice.

The Committee will review decisions made about deviations from established benchmarks and allocation of investments among internal management (if approved) and external management, including decisions about passive, active and quantitative styles.

### Policy of the State Investment Board - Investment Committee

The Investment Committee is authorized to:

- propose to the SIB changes to its Investment Policy including delegation of investment authority to RIO investment staff;
- approve the SIB Investment Committee Investment Guidelines (IC Guidelines);
- approve the general strategies for each investment division; and
- approve new investment instruments.

Policy Implemented: June 23, 1995.

Policy Amended: April 27, 2018, September 27, 2019, February 25, 2022, July 22, 2022.

## **B-7: Annual Board Planning Cycle**

To accomplish its job outputs with a governance style consistent with board policies, the board will strive to follow ~~ana-biennial~~ annual agenda which (a) completes a re-exploration of Ends policies annually and (b) continually improves its performance through attention to board education and to enriched input and deliberation.

1. ~~An-biennial~~ annual calendar will be developed.
2. The cycle will conclude each year on the last day of June in order that administrative budgeting can be based on accomplishing a one-year segment of the most recent board long-range vision.
  - a. In the ~~first~~last three months of the ~~new~~concluding cycle, the board will strive to develop its agenda for the ensuing fiscal one-year period.
  - b. Scheduled monitoring will be used to evaluate and adjust the annual agenda as needed.

3. Education, input, and deliberation will receive paramount attention in structuring the series of meetings and other board activities during the year.
  - a. To the extent feasible, the board will strive to identify those areas of education and input needed to increase the level of wisdom and forethought it can give to subsequent choices.
  - b. A board education plan will be developed during JulyApril and AugustMay of each year for the following year.
  
4. The sequence derived from this process for the board planning year ending June 30 is as follows: by May of the preceding fiscal year the board shall review and approve a board education and planning calendar. This calendar must provide quarterly investment performance and Investment Ends reports from the Chief Investment Officer, quarterly reports from any consultant retained by the board to monitor investment performance, quarterly fiscal and budget conditions reports, internal audit and TFFR Ends reports; at least quarterly, or as frequently as needed standing committee and executive limitations reports including a plan for a board self-assessment and review of the executive director, and board education.

4.

- ~~a. **July:** Election of officers, appoints standing committee members, plan annual agenda, begin to develop board education plan, and new board member orientation.~~
- ~~b. **August:** Present education plan and continue new board member orientation.~~
- ~~c. **September:** Annual Review of Governance Manual.~~
- ~~d. **October:** Chief Investment Officer review of investment results. Annual meeting for evaluation of RIO vs. *Ends* policies and annual board evaluation.~~
- ~~e. **November:** Chief Investment Officer report on investment work plan.~~
- ~~f. **January:** During second year of the biennium, begin to develop *Ends* policies for the coming biennium for budget purposes.~~
- ~~g. **February:** Chief Investment Officer present the investment work plan. Evaluation of Executive Director.~~
- ~~h. **March:** Chief Investment Officer review of investment results and report on investment work plan. During first year of biennium, set budget guidelines for budget development.~~
- ~~i. **June:** Chief Investment Officer review of investment results and report on investment work plan.~~

Policy Implemented: June 23, 1995; November 19, 1999.

Amended: September 26, 2014, February 27, 2015, November 18, 2022

## B-8: Board Members' Code of Conduct



The following will be the Code of Ethical Responsibility for the SIB:

1. SIB members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the SIB members and to strive to avoid not only professional impropriety but also the appearance of impropriety.
2. SIB members should perform the duties of their offices impartially and diligently. SIB members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and regulations and to refrain from any form of dishonest or unethical conduct. Board members should be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by SIB members. Board members must not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members must refrain from financial and business dealings that tend to reflect adversely on their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the SIB. A board member must abstain in those situations where the board member is faced with taking some official action regarding property or a contract in which the board member has a personal interest. Conflicts of interest to be avoided include but are not limited to: receiving consideration for advice over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction involving for which the board member has acquired information unavailable to the general public, through participation on the board.
4. "Conflict of Interest" means a situation in which a board member or staff member has a direct and substantial personal or financial interest in a matter with also involves the member's fiduciary responsibility, or as otherwise defined in state law or an action contrary to the requirements of N.D.C.C. Ch. 21-10-09.
5. The board should not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
- ~~6. Board members must abide by North Dakota Century code 21-10-09, which reads: "No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a Class A misdemeanor."~~
- ~~7.6.~~ Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.



**8-7.** All activities and transactions performed on behalf of public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

**9-8.** ~~Prohibited transactions.~~ Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.

**10-9.** Violation of these rules may result in an official reprimand from the SIB. No reprimand may be issued until the board member or employee has had the opportunity to be heard by the board.

**11-10.** Board Members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise (~~See Exhibit B-1~~).

Policy Implemented: June 23, 1995.

Amended: January 22, 1999, February 25, 2011, January 27, 2012, February 27, 2015.

## **B-9: Administration of Fiduciary Authority**

The board is responsible for:

1. Proper exercise of fiduciary investment authority by RIO.
2. The determination of policies.
3. The investment and disposition of property held in a fiduciary capacity.
4. The direction and review of the actions of all officers, employees, and committees in the exercise of the board's delegated fiduciary authority.

Policy Implemented: June 23, 1995.

## **B-10: Policy Introduction/Amendment/Passage**

New policies or policy amendments may be proposed by the Executive Director or a Board member. All new policies or amendments may be submitted to the Board's Legal Counsel for drafting in the approved style.

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.

Emergency measures. The Board may, upon determination that an emergency or other circumstances calling for expeditious action exists, waive the requirement of a second reading and immediately approve the new policy or amendment following introduction and first reading.

Policy Implemented: February 27, 2009

Policy Revised: November 18, 2016

**Exhibit II – A.B-1 (Note: Also add Committee Charters as Exhibits to this Section)**

**Memorandum**

**To: State Investment Board**  
**From: RIO Compliance Officer**  
**Date: July 1, 20--**  
**RE: Annual Affirmation of Code of Conduct Policy**

Governance Process Policy ~~B-8~~, Board Members' Code of Conduct, which is attached to this memorandum, details the Code of Ethical Responsibility for the SIB. Item #10 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand SIB Governance Process Policy ~~B-8~~ Board Members' Code of Conduct. I have disclosed any conflicts of interest as required by this policy."

Name (printed) \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Detail of any conflicts of interest (if any):