

**Governance and Policy Review Committee**

**Thursday November 9, 2:00 p.m.**

**Virtual Only**

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AGENDA

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA** (*Committee Action*)
- II. **ACCEPTANCE OF MINUTES – (October 12, 2023)** (*Committee Action*)
- III. **SIB GOV MANUAL REVIEW – SECTION C** (30 min) (*Committee Action*) – Ms. Murtha
- IV. **STRATEGIC PLANNING PREPARATION** (10 min) (*Information*) – Ms. Murtha
- V. **LEGISLATIVE STUDY AND INITIATIVE IMPLEMENTATION UPDATE** (10 min) (*Information*)  
– Ms. Murtha
- VI. **OTHER**  
  
Next Meeting: Scheduled January 18, 2024, at 10:00 a.m., propose to reschedule to Wednesday, February 14, 2024, at 2:00 p.m. to facilitate strategic plan review.
- VII. **ADJOURNMENT**

**STATE INVESTMENT BOARD  
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING  
MINUTES OF THE OCTOBER 12, 2023, MEETING (VIRTUAL)**

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

**STAFF PRESENT:** Missy Kopp, Exec Assistant  
Sarah Mudder, Communications/Outreach Dir.  
Jan Murtha, Exec. Director  
Sara Seiler, Internal Audit Supr.

**CALL TO ORDER:**

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 10:02 a.m. on Thursday, October 12, 2023. The meeting was held virtually.

**AGENDA:**

The agenda was considered for the October 12, 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 OCTOBER 12, 2023, MEETING AS DISTRIBUTED.**

**AYES: TREASURER BEADLE, MS. SISK, AND DR. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**MINUTES:**

The minutes were 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 SEPTEMBER 11, 2023, MINUTES AS DISTRIBUTED.**

**AYES: MS. SISK, TREASURER BEADLE, AND DR. LECH**

**NAYS: NONE**

**MOTION CARRIED**

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

Ms. Murtha reviewed proposed changes to the SIB Governance Manual Governance Process policies. This section of the governance manual has been updated the least in the past. This section is about the Board and its values and governance process. The governance process must grow for the program to grow, and the Board has moved to decentralize decision making by adding committees and delegating more authority to those committees. Suggested changes to this section reflect those changes. Ms. Murtha reviewed the suggested changes which update the language to better reflect current practice. The Committee discussed the policy changes and provided feedback.

**PERS BOARD DECISION/SPECIAL SESSION UPDATE:**

Ms. Murtha provided an update on the recent Supreme Court decision regarding the PERS Board lawsuit. The ruling voided the OMB budget bill which will require a special legislative session. The ruling does not have a major impact on RIO. Staff will monitor the bills introduced. Committee discussion followed.

**OTHER:**

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 10:50 am.

Prepared by:

Missy Kopp, Assistant to the Board

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## C-1: Chief Executive Role

The executive director, as chief executive officer, is accountable to the board acting as a body. The board will instruct the executive director through these written policies, delegating to the executive director the implementation and administration of these policies.

**Policy Implemented:** June 23, 1995.

## C-2: Delegation to the Executive Director

All board authority delegated to staff is delegated through the executive director.

1. The board authority will direct the executive director to achieve specified results, for specified recipients, at a specified cost through the establishment of *Ends* policies. The board will limit the latitude the Executive Director may exercise in practices, methods, conduct, and other “means” to the *Ends* through establishment of *Executive Limitations* policies.
2. The Executive Director must use reasonable judgment in the implementation or administration of the board’s *Ends* and *Executive Limitations* policies; the executive director is authorized to establish practices and develop activities.
3. The board may change its *Ends* and *Executive Limitations* policies. By so doing, the board changes the latitude of choice given to the Executive Director. If any particular delegation is in place, the board and its members will respect and support the Executive Director’s choices, provided that the Executive Director’s choice is consistent with the board’s fiduciary responsibility.
4. Only decisions of the board acting as the body are binding upon the Executive Director.
  - a. Decisions or instructions of individual board members, officers, or committees are not binding on the Executive Director except in rare instances when the board has specifically authorized such exercise of authority.
  - b. In the case of board members or committees requesting information, other than a public record, or assistance without board authorization, the Executive Director may refuse such requests that require a material amount of staff time or funds or is disruptive.
5. The Executive Director will be responsible for the hiring, termination, and annual evaluation of all employees of the Retirement and Investment Office.

**Policy Implemented:** June 23, 1995.

**Amended:** November 22, 1996; November 19, 1999.

### C-3: Executive Director Job Description

As the board's single official link to the operating organization, the executive director's performance will be considered to be synonymous with the RIO's total performance.

Consequently, the executive director's job contributions can be stated as performance in the following areas:

1. Organizational accomplishment of the provisions of board policies on *Ends*.
2. Organizational operation within the boundaries of prudence and ethics established in board policies on *Executive Limitations*.
3. Maintain accurate records of the proceedings of the SIB and TFFR Board.

**Policy Implemented:** June 23, 1995.

### C-4: Monitoring Executive Performance

Monitoring executive performance is synonymous with monitoring organizational performance against board policies on *Ends* and on *Executive Limitations*. Any evaluation of the executive director's performance, formal or informal, may be derived only from these monitoring data.

1. The purpose of monitoring is simply to determine the degree to which board policies are being fulfilled. Information which does not do this will not be considered to be monitoring. Only a minimum amount of board time as necessary will be devoted toward monitoring so that meetings can best be used to create the future rather than to review the past.
2. A given policy may be monitored in one or more of three ways:
  - A. Internal report: Disclosure of compliance information to the board from the executive director.
  - B. External report: Discovery of compliance information by a disinterested, external auditor, inspector or judge who is selected by and reports directly to the board. Such reports must assess executive performance only against policies of the board, not those of the external party unless the board has previously indicated that party's opinion to be the standard.

**Commented [M11]:** Question for committee: Should this section be amended and elaborated on in the manual in a manner consistent with the job description and as outlined in the TFFR Manual? See additional materials for reference.

- C. Direct board inspection: Discovery of compliance information by a board member, a committee, or the board as a whole. This is a board inspection of documents, activities, or circumstances directed by the board which allows a "prudent person" test of policy compliance.

3. The board will monitor each *Ends* and *Executive Limitations* policy according to the following frequency and method:

Quarterly internal reports for policies:

- A-2: Staff Relations
- A-4: Budgeting
- A-5: Financial Condition
- D-3: Investment Services
- D-4: Investment Performance

**Commented [M2]:** Subject to renaming/renumbering at conclusion of review.

Annual external reports for policies:

- A-2: Staff Relations
- A-4: Budgeting
- A-7: Asset Protection
- D-3: Investment Services
- D-4: Investment Performance

**Commented [M3]:** Subject to renaming/renumbering at conclusion of review. Also suggest adding the party type responsible for review. Asset protection and investment services are external auditor and performance is by consultant. A-4 is external to other state agencies, A-2 is monitored by Internal Audit and is referred to under Annual Internal Reports.

Annual internal reports for policies under Section I Executive Limitations will be assessed and provided as part of the annual Executive Limitations Audit referred to under Subsection 4 C of this policy.

**Commented [M4]:** Expanded to include all of Executive Limits section currently Section A policies.

- ~~A-1: General Executive Constraint~~
- ~~A-3: Relating to Public and Government~~
- ~~A-8: Compensation and Benefits~~
- ~~A-9: Conflict of Interest~~

4. The Executive Director will submit required monitoring reports at regular meetings of the board. The board will act on those reports by voting on one of the following motions:

- A. A motion to accept the report.
- B. A motion to conditionally accept the report, with a statement of the revisions or additional information that is necessary for the report to be accepted without condition.

C. The internal audit staff will be responsible for preparing an annual summary of the board's action concerning required reports submitted by the Executive Director, and the summary will be made available as a part of the formal evaluation of the Executive Director.

5. Each March the board will conduct a formal evaluation of the executive director/investment officer. This evaluation will be based on accomplishments of Ends and *Compliance with Executive Limitations*.

6. ~~At the February board meeting, the chairperson will appoint a three-member committee to~~The Executive Review and Compensation Committee will conduct the executive director performance review~~review the board's evaluation~~ and make a recommendation to the full board concerning salary for the executive director/investment officer.

In making its recommendation, the committee will consider job performance as evidenced by the annual summary of the periodic monitoring reports, the Retirement and Investment Office budget status, ~~the annual Public Pension System's Compensation Survey, the annual National Association of State Investment Officer's survey~~ applicable and available national compensation surveys, the legislature's approved salary increases for state employees, the North Dakota market compensation for comparable positions, and other data or information considered relevant by the committee.

The committee's recommendation will be placed on the May board meeting agenda for possible action by the board. Final action by the board will be accomplished no later than ~~the~~ June of any fiscal year ~~board meeting~~.

**Policy Implemented:** June 23, 1995

**Amended:** November 21, 1997; June 25, 1999; November 19, 1999; January 28, 2000; February 25, 2000; February 23, 2001; September 26, 2014.

**EXECUTIVE DIRECTOR  
NON-CLASSIFIED**

JOB SUMMARY

Oversees planning, supervising, and directing Office operations under the general direction of the State Investment Board (SIB) in accordance with governing statutes and Board Governance Policies.

ESSENTIAL FUNCTIONS

1. Directs overall Office programs through directors and managers in accordance with the SIB governance policies and State laws and rules.
2. Provides leadership, coaching, and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
3. Develops and approves policies related to the effective operation of the Office.
4. Directs the preparation and execution of the budget and legislative agenda. Assures follow through and evaluates results.
5. Evaluates and monitors financial and operation programs.
6. Establishes and maintains working relationships across all organizational work units and levels.
7. Represents the Office and promotes Office programs in a variety of forums.
8. Attends Board meetings and brings appropriate issues and information to the Board's attention.
9. Assures organization accountability and compliance to the Board.

ADDITIONAL RESPONSIBILITIES

Performs related work as appropriate or assigned by the State Investment Board.

QUALIFICATIONS

- Bachelor's degree in Management or Business preferred. Master's or other advanced degree in an appropriate specialized field of study required.
- At least 5 years of combined management/executive management experience, covering a broad range of similar operating and administrative functions, most of which must be gained in a related business environment.
- Must possess excellent communication skills and the ability to make effective and convincing oral and written presentations.
- Must exhibit strong leadership, problem-solving, and decision-making abilities. Ability to effectively lead and influence others in a confident, positive, and results-oriented manner.
- Demonstrated ability to effectively supervise, develop, and direct the activities of a professional management staff.
- Proven ability to analyze, evaluate, and resolve major organizational issues, conflicts, and problems.
- Ability to think and plan on the conceptual and strategic level.
- Ability to effectively promote and lead continuous improvement and change efforts.

- Knowledge of principles of research, statistics, actuarial calculations, investments, and accounting.
- Knowledge of federal and state laws and regulations pertaining to the administration of benefit and investment programs and applicable compliance requirements.

## WORKING CONDITIONS

Physical/Environmental Conditions: This position requires working primarily indoors in an office environment, at a level-surface desk, with access to stairs and an outside ramp. Requirements of the position include sitting for long periods of time, walking, standing, finger dexterity, good vision, and strong speaking skills, and the ability to hear within normal range. The position also involves working under time pressures and deadlines. This position is classified under OSHA guidelines as a Category III, with no risk of exposure to blood borne pathogens or other potentially infectious materials.

Cognitive/Mental Requirements: This position requires a high aptitude in the areas of reading; writing; simple arithmetic; drawing conclusions from written and/or computer generated materials; creating methodologies for accomplishing a goal; implementing recommendations by coordinating persons and/or resources; analyzing data or report information; conducting research; assisting in developing plans, procedures, goals, strategies, and/or processes.

Equipment, Tools, Materials Used: Equipment used in this position includes a computer, keyboards, printers, telephones, and fax and copy machine.

## SUPERVISION

### Direct Supervision Over:

Deputy Executive Director/CRO

Chief Investment Officer

Supervisor of Administrative Services

Supervisor of Internal Audit

Indirect Supervision of approximately 14 additional employees.

## 2. Executive Director

The Executive Director (ED) is hired by the SIB, serves in an unclassified position at the SIB's pleasure, and is paid such salary as the SIB determines.

Duties and Responsibilities include:

- a. Administer the investment and retirement programs of RIO, oversee planning, supervising, and directing overall RIO programs in accordance with SIB and TFFR governance policies, federal and state laws, and rules, and perform related work as assigned by the SIB and TFFR Board.
- b. Responsible for the developing the annual, biennial and strategic long-range plans for RIO and both the SIB and TFFR Board.
- c. Develop administrative rules, policies and procedures necessary to administer the retirement and investments programs and seek committee and board approval for changes when appropriate.
- d. Direct the preparation and execution of the RIO budget and legislative agenda for the agency and both the SIB and TFFR boards.
- e. Represent RIO, promote RIO programs, and has the authority and responsibility to carry out the day-to-day administrative duties for RIO including developing and approving policies relating to the effective operation of the Office.
- f. Develop and prepare or direct the preparation of agendas and materials, meeting minutes, required notices, procedures, and applicable rules and regulations for the retirement and investment programs and attend all meetings of the SIB and TFFR Board and corresponding committees.
- g. Hire staff as necessary to carry out the responsibilities of RIO. Provides leadership, coaching and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
- h. The TFFR Board will participate with the Executive Director in the hiring of the Deputy Executive Director-Chief Retirement Officer and participate in any surveys conducted by the SIB – Executive Review and Compensation Committee for executive team members.
- i. Maintain effective relationships with clients, members, beneficiaries, employers, state officials, legislators and legislative committees, member and employer stakeholder groups, the media, and the public at large relevant to both the retirement and investment programs.
- j. Advise the SIB and TFFR Board on significant issues, problems or developments pertaining to the plan, and provide recommended courses of action as appropriate regarding Board policy or action.

**A verbal update will be provided for agenda items IV. and V.**