



State Investment Board

RETIREMENT & INVESTMENT

**Governance and Policy Review Committee Meeting**

**Tuesday, September 9, 2025, 10:00 a.m.**

**Virtual Only**

[Click here to join the meeting](#)

**AGENDA**

**I. CALL TO ORDER AND ACCEPTANCE OF AGENDA (*Committee Action*)**

**II. ACCEPTANCE OF MINUTES (JULY 16, 2025) (*Committee Action*)**

**III. GOVERNANCE ASSESSMENT (*Information Only*)**

- a. Funston Presentation (60 minutes)
- b. Committee Discussion (30 minutes)

**IV. OTHER**

Next Meeting: November 12, 2025, at 10:00 a.m.

**V. ADJOURNMENT**

**STATE INVESTMENT BOARD  
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING  
MINUTES OF THE JULY 16, 2025, MEETING (VIRTUAL)**

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

**STAFF PRESENT:** Scott Anderson, CIO  
Missy Kopp, Executive Assistant  
Emmalee Riegler, Procurement/Records Coord.  
Sara Seiler, Supervisor of Internal Audit  
Jodi Smith, Interim Executive Director

**GUESTS:** Chad Keech, State Procurement

**CALL TO ORDER:**

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 10:00 a.m. on Wednesday, July 16, 2025. The meeting was held virtually.

**AGENDA:**

The agenda was considered for the July 16, 2025, meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JULY 16, 2025, MEETING AS DISTRIBUTED.**

**AYES: TREASURER BEADLE, MR. MORRISSETTE, AND DR. LECH  
NAYS: NONE  
MOTION CARRIED**

**ACCEPTANCE OF MINUTES:**

The Committee considered the minutes of the April 30, 2025, meeting.

**IT WAS MOVED BY MR. MORRISSETTE AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE APRIL 30, 2025, MINUTES AS DISTRIBUTED.**

**AYES: TREASURER BEADLE, MR. MORRISSETTE, AND DR. LECH  
NAYS: NONE  
MOTION CARRIED**

**GOVERNANCE AUDIT FINALIST PRESENTATION:**

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6) AND 54-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.**

**AYES: MR. MORRISSETTE, TREASURER BEADLE, AND DR. LECH  
NAYS: NONE  
MOTION CARRIED**

The executive session started at 10:05 a.m. and ended at 10:49 a.m. The session was attended by Committee members, Ms. Smith, Mr. Anderson, Ms. Kopp, Ms. Riegler, Ms. Seiler, Mr. Keech and the vendor. The vendor left the executive session at 10:42 a.m. The executive session continued with Committee members and staff to discuss the presentation.

The meeting continued in open session. The Committee discussed the next steps for the procurement and asked if information could be provided to ensure that there is room in the budget for this project.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A ROLL CALL VOTE TO RECOMMEND THE VENDOR TO THE SIB FOR APPROVAL.**

**AYES: TREASURER BEADLE, MR. MORRISSETTE, DR. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**OTHER:**

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 11:06 a.m.

Prepared by:

Missy Kopp, Assistant to the Board



State Investment Board  
RETIREMENT & INVESTMENT

# Governance Model Assessment

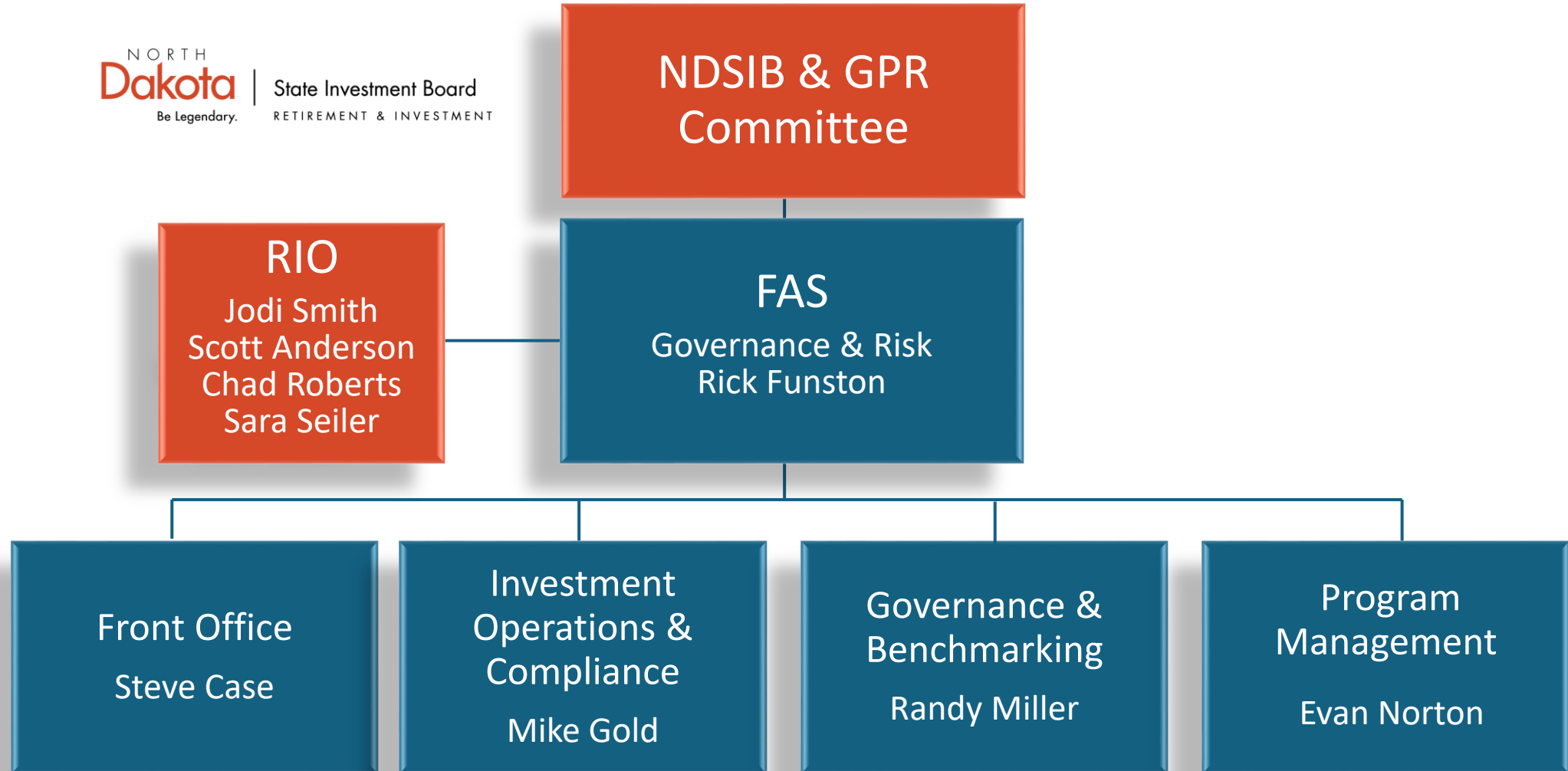
## GPRC Meeting #1

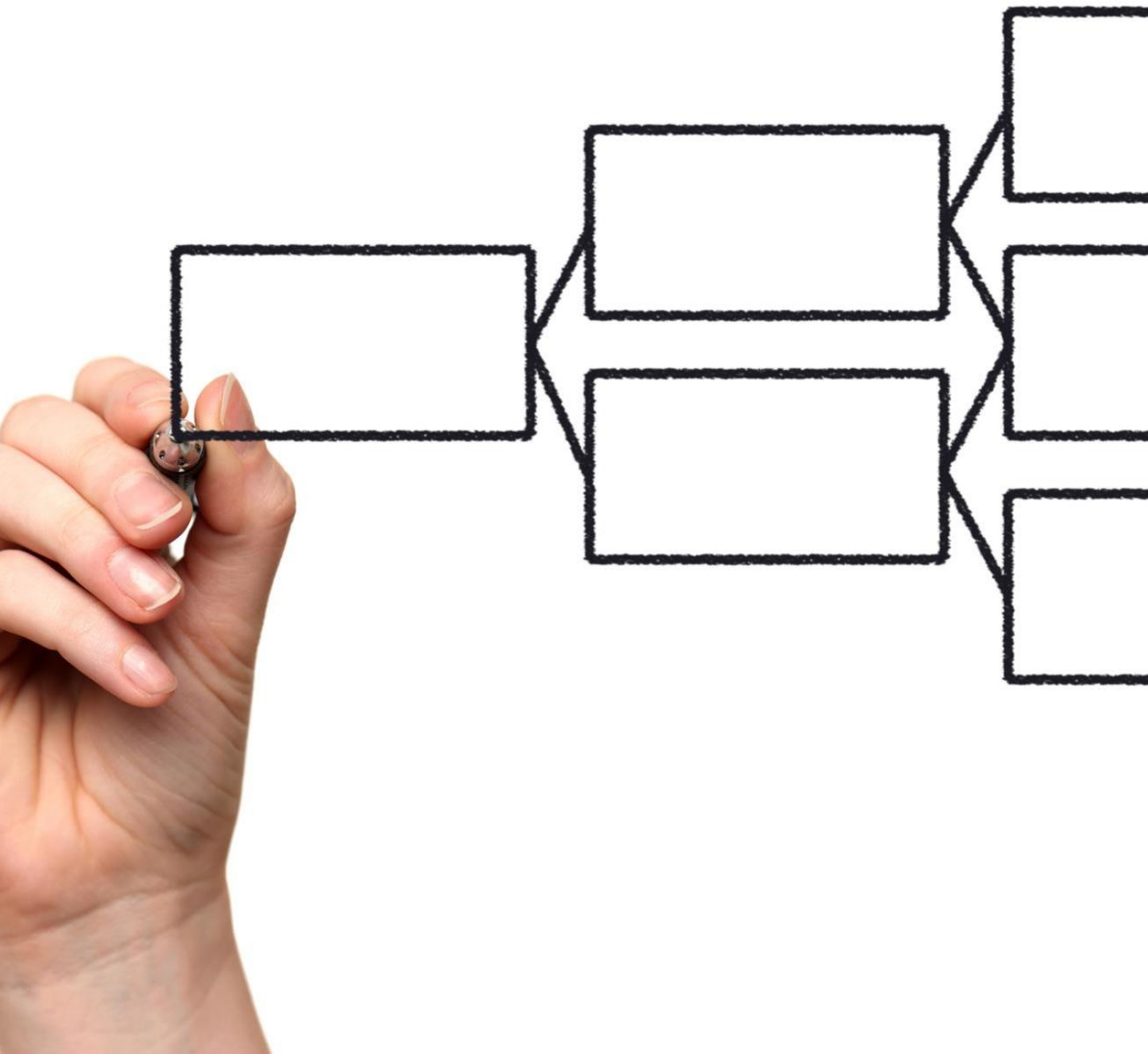
*September 9<sup>th</sup>, 2025*

### *Governance Model Review*



# Introductions & Project Structure





# Meeting Agenda

- Introductions – Project Kickoff and Team Structure
- The Committee's Project Expectations
- Workplan and Schedule
- Project Approach
- Survey and Interviews
- Report and Deliverables
- Preliminary Observations, Conclusions, and Recommendations
- Immediate Next Steps



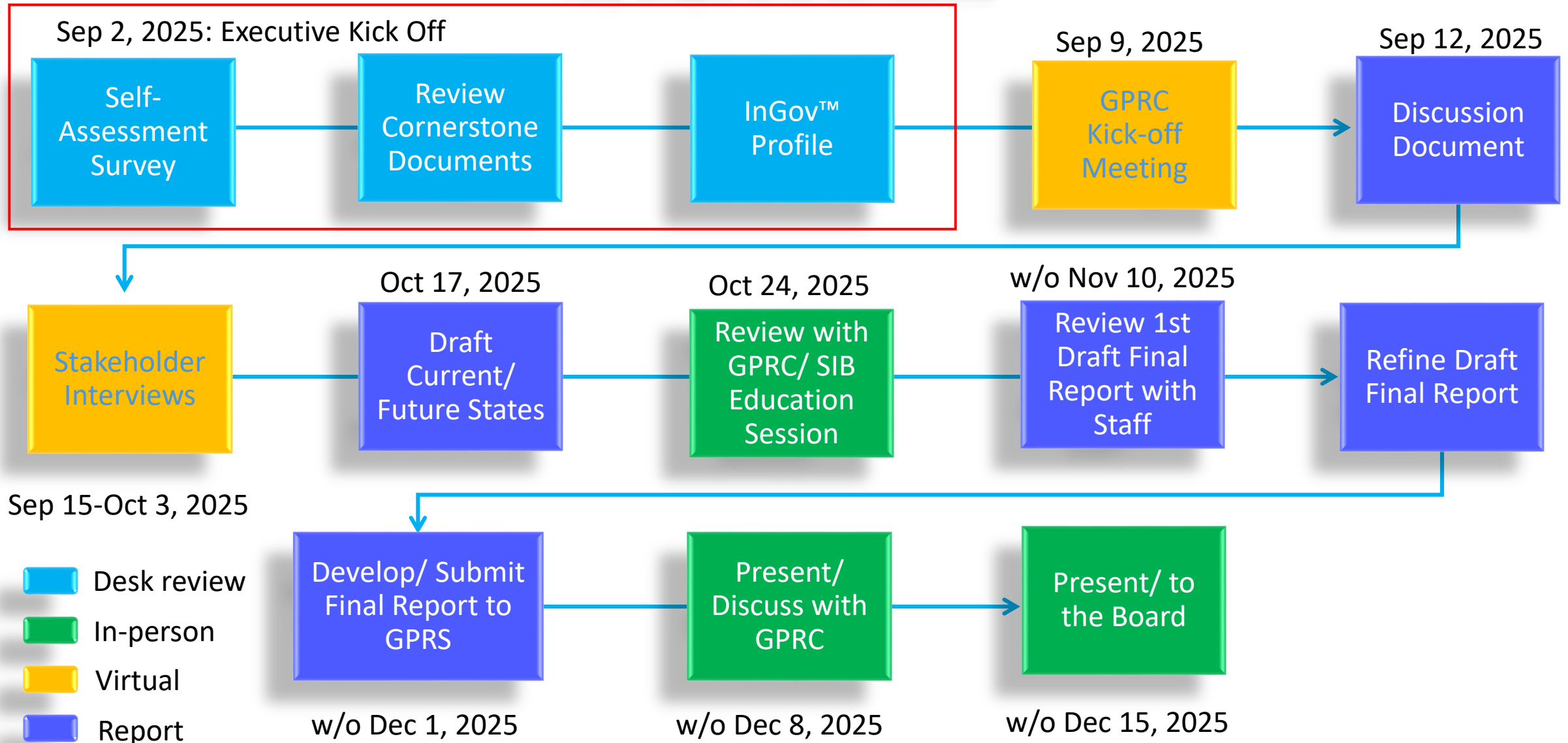
# Committee Project Expectations

- Context
- Successful outcomes
- Challenges



# Project 1 Governance Model Review Process

## Key Steps and Schedule





# ND SIB's Mandate

“A sound investment policy ensures that fund assets are managed in a disciplined process, based on long-term fundamental investment principles.” – ND SIB Policy Manual, D. Investment Policy Development – Trust Funds.

The **North Dakota State Investment Board (SIB)** is the fiduciary body responsible for managing and investing long-term state funds, primarily public retirement and trust assets.

Its **mandate** is to:

- **Oversee and prudently invest assets** of several funds, including the Teachers' Fund for Retirement, Public Employees Retirement System, Workforce Safety & Insurance Fund, Legacy Fund, and various state trust funds.
- **Act as fiduciary** for the beneficiaries of these funds, ensuring that long-term investment decisions are made solely in their interest.
- **Set investment policy, asset allocation (except the Legacy Fund), and risk management frameworks** consistent with long-term obligations and state law.
- **Hire, monitor, and oversee investment managers and consultants** where appropriate, and assure internal investment operations meet performance and compliance standards.
- **Report regularly to the Governor, Legislature, and beneficiaries** on performance, policy, and governance.

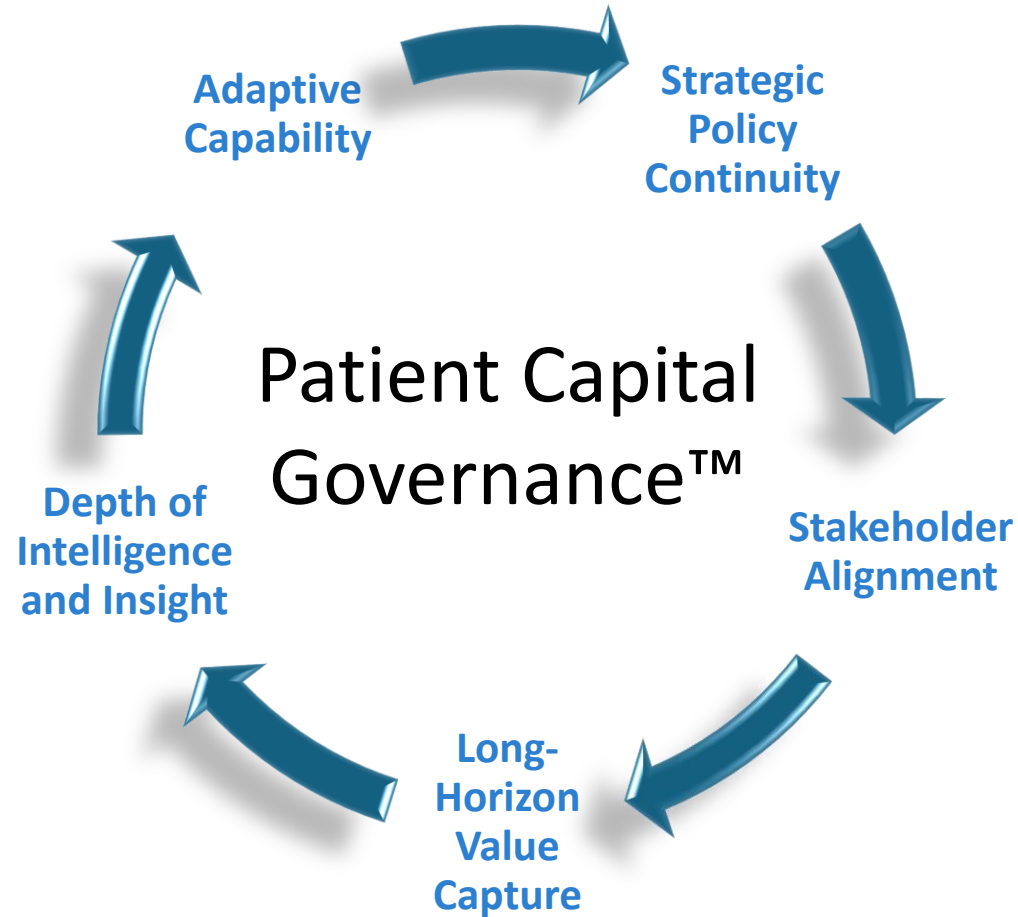
The SIB's statutory authority is grounded in North Dakota Century Code (§ 21-10), which establishes its role as trustee for these long-term funds, requiring investments to be managed with the prudence, loyalty, and care expected of subject to the “prudent investor rule” for fiduciaries.

# Purpose of Project 1

- Assess the ND SIB's current state investment governance model and make recommendations for future state improvement.
  - What is governance risk?
  - What are the governance characteristics of the most successful long-horizon investors?
  - What needs to be delegated vs. powers reserved for the Board?
  - How will the Board obtain risk intelligence and provide effective oversight?
- Provide governance education to the Board.
- Recommend the most appropriate governance model for ND SIB.

Project 2 – Revise the Governance Policy Manual accordingly.

# Patient Capital Governance



# Governance Model Assessment Scope

1. Evaluate the SIB Program Manual and identify any potential gaps with respect to compliance and peer practices.
2. Assess the organization's framework for directing, controlling, and monitoring operations with respect to compliance, effectiveness, and peer policies and practices.
3. Evaluate the reports to the board and committees from staff and consultants and identify opportunities for improvement.
4. Benchmark the SIB governance model and Program Manual against leading practices from comparable institutional investors or public pension systems.
5. Develop a recommended governance review process based upon leading and prevailing peer practices.
6. Develop a governance risk heat map identifying key vulnerabilities and oversight priorities.

# Governance Models

## **Carver**

### **(Policy Governance)**

**1970-80s**

- Primarily used by Not-for-Profits, Health
- Principles - Role of boards is to set policy - stay out of operations
- Hasn't evolved to meet complexity and speed of change in 21<sup>st</sup> century environment
- Rigid, highly structured ends/means - best when the board can remain politically insulated and disciplined.
- Focus on executive director relationships and limitations
- Archaic language
- Pre-information age

## **GEM**

### **(Governance Effectiveness Management)**

**2020s**

- We generally agree with the Carver principles
- We developed GEM developed specifically for public retirement systems and investment boards
- Adaptive framework to suited complexity and high- speed change based on five board powers – Conduct, Set, Approve and Delegate, Oversee and Verify
- Aggregation of leading peer practices
- Clear policy expectations and authorities about what should happen
- More effective in real-world patient capital contexts
- Builds intelligence loops and adaptive capacity, which are essential for long-horizon investing

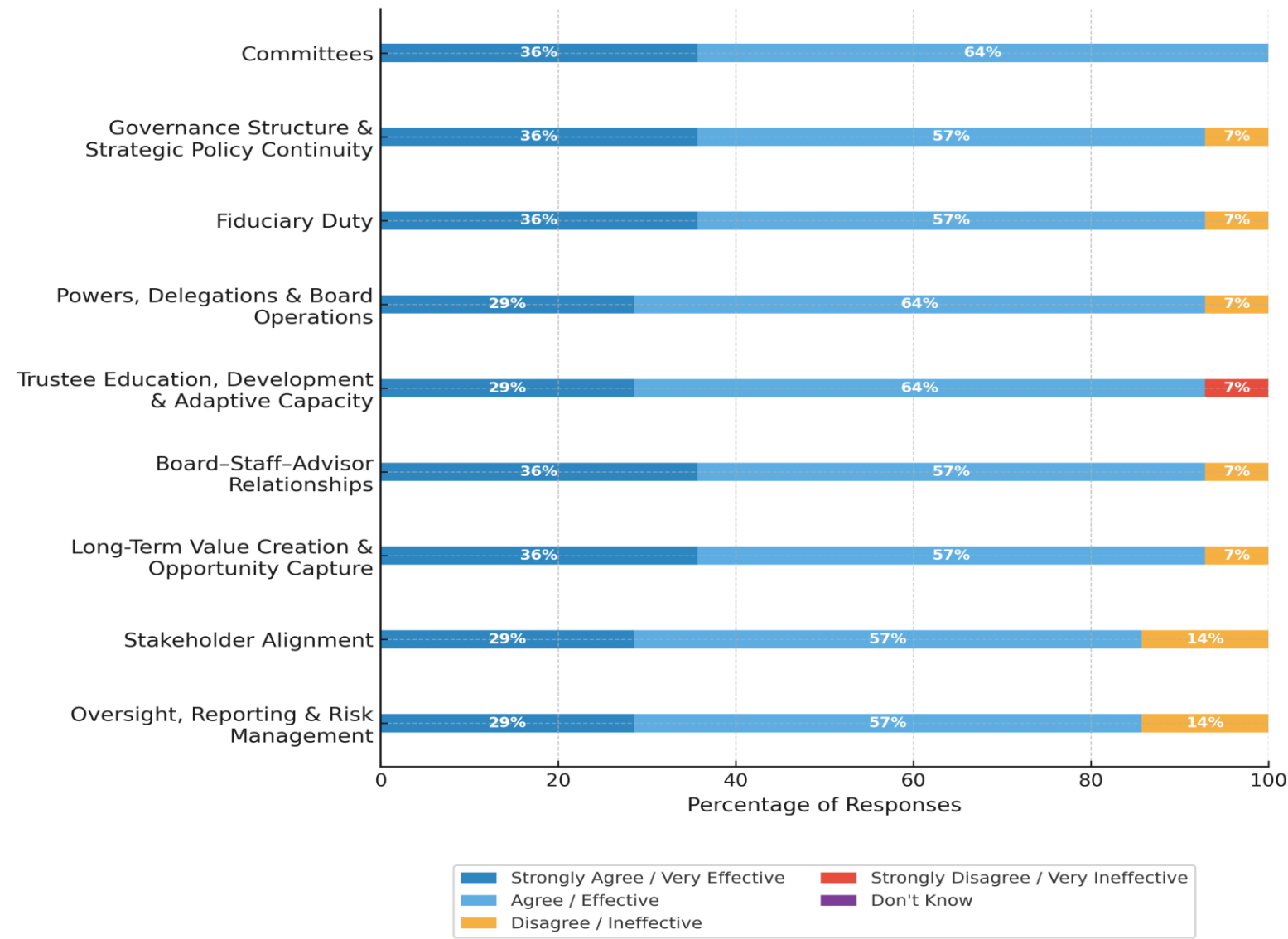


# Preliminary Governance Observations

- SIB mandate is complex with multiple client funds and policy stakeholders
- Stakeholders have different priorities about long-term policy which will need to be addressed
- Governance Model needs to evolve and adapt, need plain language policies, improve accessibility
- Recent changes in business model need to be clearly understood (e.g., clients, responsibilities as asset owner and asset manager, implications for risk, compliance)
- Risk oversight and reporting discipline can benefit from better risk intelligence
- Board learning, education, and self-assessment and consensus building will be critical to policy continuity
- Executive continuity should be a priority
- Board delegations needs to be re-evaluated and clarified
- Incentive compensation and pay optics create vulnerabilities to inhouse talent attraction and retention
- Policy manual will likely require a major overhaul

# Governance Self-Assessment Survey

## 14 Responses



# Preliminary Survey Results

Dimension	What We Heard You Say
<b>Overall</b>	<ul style="list-style-type: none"> <li>• Effective governance but needs improved policies, processes and systems.</li> <li>• Would benefit from increased SIB authority.</li> </ul>
<b>Governance Manual</b>	<ul style="list-style-type: none"> <li>• Archaic language, outdated, overly complex, patchwork, need a complete overhaul in plain language.</li> <li>• Confusing roles and authority between SIB Board, Committees and RIO.</li> <li>• Need focus on the powers reserved for the SIB and role of the Board.</li> </ul>
<b>Stakeholder Alignment</b>	<ul style="list-style-type: none"> <li>• Improve articulation of long-term investment policy and the need for enabling staff and infrastructure.</li> <li>• Need to improve transparency.</li> </ul>
<b>Fiduciary Duty</b>	<ul style="list-style-type: none"> <li>• Shared value, but policy manual contributes to confusion about loyalties to beneficiaries vs. general public.</li> </ul>
<b>Delegations &amp; Operations</b>	<ul style="list-style-type: none"> <li>• Lack of clarity among trustees regarding what has been delegated.</li> <li>• Need clear lines of reporting and accountability through the Executive Director.</li> <li>• Need clear agenda-setting and decision-making protocols, including dissenting views, to be more decision-ready.</li> </ul>
<b>Oversight &amp; Risk</b>	<ul style="list-style-type: none"> <li>• Want more timely reports and increased focus on emerging risks and trends.</li> <li>• Inconsistent / high volume reporting, lack of exception-based reporting with defined tolerances.</li> <li>• Internal Audit needs to be better aligned.</li> </ul>
<b>Committees</b>	<ul style="list-style-type: none"> <li>• Committees are valued by trustees, but decision delegation to committees has caused significant concerns.</li> <li>• Need improved communications to full SIB from committees.</li> <li>• Securities Litigation seen as ineffective.</li> <li>• Staff voting in Investment Committee should be revisited.</li> <li>• Need to evaluate effectiveness of all committees and clarify role of each committee.</li> </ul>
<b>Trustee Education</b>	<ul style="list-style-type: none"> <li>• Broadly appreciated but repetitive, lacks depth, adaptability and customization; on-boarding needs improvement.</li> <li>• Needs to be much more dynamic and helpful in addressing emerging risks and should include “role of the board.”</li> </ul>
<b>Board–Staff–Advisors</b>	<ul style="list-style-type: none"> <li>• Trust improving under leadership, but authority lines/roles unclear.</li> <li>• ED evaluation needs major improvement.</li> <li>• Some concerns expressed related to the new benchmark consultant.</li> </ul>
<b>Long-Term Value</b>	<ul style="list-style-type: none"> <li>• Committed to patient capital but need to keep stakeholders well informed.</li> <li>• Making key investments to build infrastructure.</li> </ul>

## #1. Evaluate the SIB Program Manual and identify any potential gaps with respect to compliance and peer practices

*Standard of comparison – Integrated Compliance Framework™*

*2024 National Compliance Benchmark survey of the largest public retirement systems*

### Program Effectiveness and Continuous Improvement

Strategic Initiatives  
Compliance Audits  
Root Causes  
Annual Attestation

### Program Delivery

Compliance Monitoring  
Performance Reporting  
Coordination/Collaboration across Lines  
Third Party Oversight  
Incident Management & Reporting



### Operating Model

Board / Executive Support/Culture  
4 Lines Model  
Compliance Roles & Responsibilities  
Compliance Program Leadership  
Functional Reporting  
Authority and Resources  
Program Scope

### Program Design

Compliance Requirements  
Policy Management  
Documentation  
Record Retention  
Risk Assessment  
Escalation  
Training & Education

## #2. Assess the organization's framework for directing, controlling, and monitoring operations with respect to compliance, effectiveness, and peer policies and practices

*Standard of comparison – Governance Effectiveness Management (GEM™)*

Govern  
Collectively





### #3. Evaluate the reports to the board and committees from staff and consultants and identify opportunities for improvement

*Standard of comparison – Key Performance and Risk Indicators and Exception Based Reporting*



#### Insights

- **Stay?**
- **Adjust?**
- **Change Course?**

## How insightful are the reports?

Report Type	Governance & Policy Review	Investment Committee	Executive Review & Compensation	Full Board
Examples				
Investment Policy / Governance Updates	Y			
Internal Audit & Compliance Reports	Y			
CIO Market Outlook & Strategy Letter		Y		
Investment Performance Summary		Y		Y
Manager Oversight & Search Reports		Y		
Largest Holdings & Concentration		Y		
Investment Fees & Commissions		Y		
Asset Allocation & Rebalancing		Y		
Executive Director & CIO Evaluation			Y	
Compensation & Incentive Reports			Y	
Staffing & Strategic Plan Updates			Y	
Administrative Expense Schedules			Y	
Audited Financial Statements				Y
Management's Discussion & Analysis				Y
Actuarial Valuation & Funding Reports				Y
Funding Progress & Risk Reports				Y
Legacy Fund & Budget Stabilization Reports		Y		Y
Comprehensive Investment Report		Y		Y
Statistical / Demographic Reports				Y
Governance & Policy Changes	Y			Y

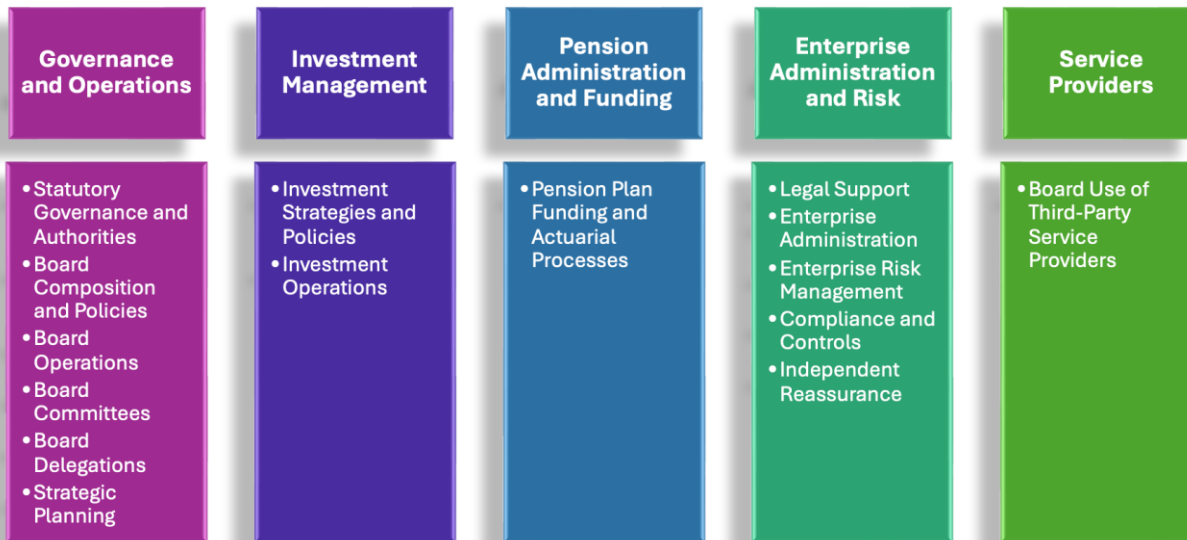
- Are materials concise, prioritized, and decision-focused?
- Are data reconciled, consistent, and free of errors?
- Are materials delivered at least 7–10 days before meetings, with minimal late changes?
- Do materials cover past, present, and forward-looking horizons?
- Is raw data presented clearly and in a digestible form with benchmarks?
- Is data synthesized into meaningful categories?
- Does it provide intelligence on important changes?
- Do materials provide insight into performance drivers, risks, and implications?
- Do materials explicitly connect to IPS, funding policy, or strategy?

## #4. Benchmark the SIB governance model and Program Manual against best practices from comparable institutional investors or public pension systems.

Standard of Comparison – InGov®, Model Governance Policy Manual (MGPM™) & N3PR™

### InGov® Governance Benchmarking

National Quantitative Knowledgebase (300+ Governance Characteristics)



GOVERNING STATUTES AND REGULATIONS	
POWERS RESERVED FOR THE JURISDICTION	PURPOSE / MISSION / VISION
• Litigation	• Vision and Mission
• Actions, Venue	• Principles / Values
• Limits on Authority	• Description of Funds
• Prohibited business transactions	• Board History and Structure
• State preferences	VITAL FUNCTIONS
• External Service Providers	• Investment, Benefits, Enterprise-wide
• Custodian	FIDUCIARY DUTIES
• Compensation	• Investment / fiduciary duties
• Procurement	• Restrictions on fiduciaries
POWERS RESERVED FOR THE BOARD	
CONDUCT	APPROVE
• Composition	• Investment Policies
• Ethics / Code of Conduct	• Operational Financial Planning
• Meetings	• Securities Litigation
• Officers, Term of Office, Duties	OVERSEE
• Committees	• Operational Performance
• Board Self-Evaluation / Fiduciary Review	• Funding Soundness
• Onboarding and Continuing Education	• Enterprise Performance, Risk, Compliance
• Board Direct Reports	• Stakeholder Engagement
• Legal Counsel	• Whistleblower and complaint handling
• Actuarial Services	VERIFY / VALIDATE / REPORT
• Indemnification / Liability Insurance	• Notifications / Record Maintenance
SET / DELEGATE	• Annual Statement of Funds
• Executive Director / CEO	• Financial Report
• Chief Investment Officer	• Disclosures
• Board involvement in strategic planning	DEFINITIONS
• Board-Staff Relations	GLOSSARY

## #4. Benchmark the SIB governance model and Program Manual against best practices from comparable institutional investors or public pension systems.

### Funds with Delegated Manager Selection

DB and DC Assets Under Management	Largest U.S. State Funds (including Investment Boards)	Funds with Delegated Manager Selection			
		2015		2025	
		Number	%	Number	%
> \$100 billion	14	8	57%	10	71%
\$50-100 billion	15	6	40%	11	73%
\$25-50 billion	15	2	13%	5	33%
\$10-25 billion	24	6	25%	10	42%
Total	68	22	32%	36	53%

# Committee Benchmark

Type		Committees				
Trustee-Only Boards	DB/DC AUM \$ Bil <sup>1/</sup>	Investment	Audit	Governance	Compensation	Other
State of Wisconsin Investment Board	\$150		Audit & Finance		Compensation	Benchmark & Performance; Strat. Planning & Corp. Gov.
State of Michigan Investment Board	\$127	No committees				
Oregon Investment Council	\$105	No committees				
New Jersey State Investment Council	\$81	Investment Policy; ESG	Audit	Governance & Operations		Executive; Nominating
South Carolina Retirement System Investment Commission	\$58		Audit & ERM		HR & Comp.	
Illinois State Board of Investment <sup>1</sup>	\$33	Invest. Policy; Emerging Mgr.	Audit & Compliance			Executive; Defined Contribution
Nebraska Investment Council <sup>1</sup>	\$25		Audit			
West Virginia Investment Management Board <sup>1</sup>	\$22	Investment	Audit	Governance	Personnel	Legal & Legislative
Montana Board of Investments	\$16		Audit		Human Res.	Loan
South Dakota Investment Council <sup>1</sup>	\$16		Audit		Compensation	
Rhode Island State Investment Commission <sup>1</sup>	\$14	No committees				
North Dakota State Investment Board <sup>1</sup>	\$12	Investment	Audit	Gov. & Policy	Exec. Rev. & Comp.	Securities Litigation
<b>Boards with Advisory Experts</b>						
Washington State Investment Board <sup>1</sup>	\$187	Public Mkts; Private Mkts.	Audit			Administrative
Massachusetts Pension Reserves Investment Management Board (PRIM) <sup>1</sup>	\$111	Investment; R.E. & Timber	Administration & Audit			Stewardship & Sustainability
<b>Ex-Officio Boards with Advisory Committees</b>						
Florida State Board of Administration	\$223	Investment	Audit			
Minnesota State Board of Investment	\$112	Investment				Administration; Proxy

<sup>1</sup> Board does not delegate manager selection



## #5. Develop a recommended governance review process based upon leading and prevailing peer practices.

### Standard of Comparison – GEM™

ND SIB Current Governance Model and Program Manual	Peers		GEM
	MGPM / N3PR	InGov	
a. Overall governance structure			Purpose, Relationships and Duties
b. Board and committee operations			Conduct
c. Conduct of board responsibilities			Conduct
d. Board setting of direction and policy			Set
e. Approval of key decisions			Approve
f. Delegations to staff and third parties			Prudently Delegate
g. Oversight of performance and risk			Oversee
h. Independent reassurance			Verify

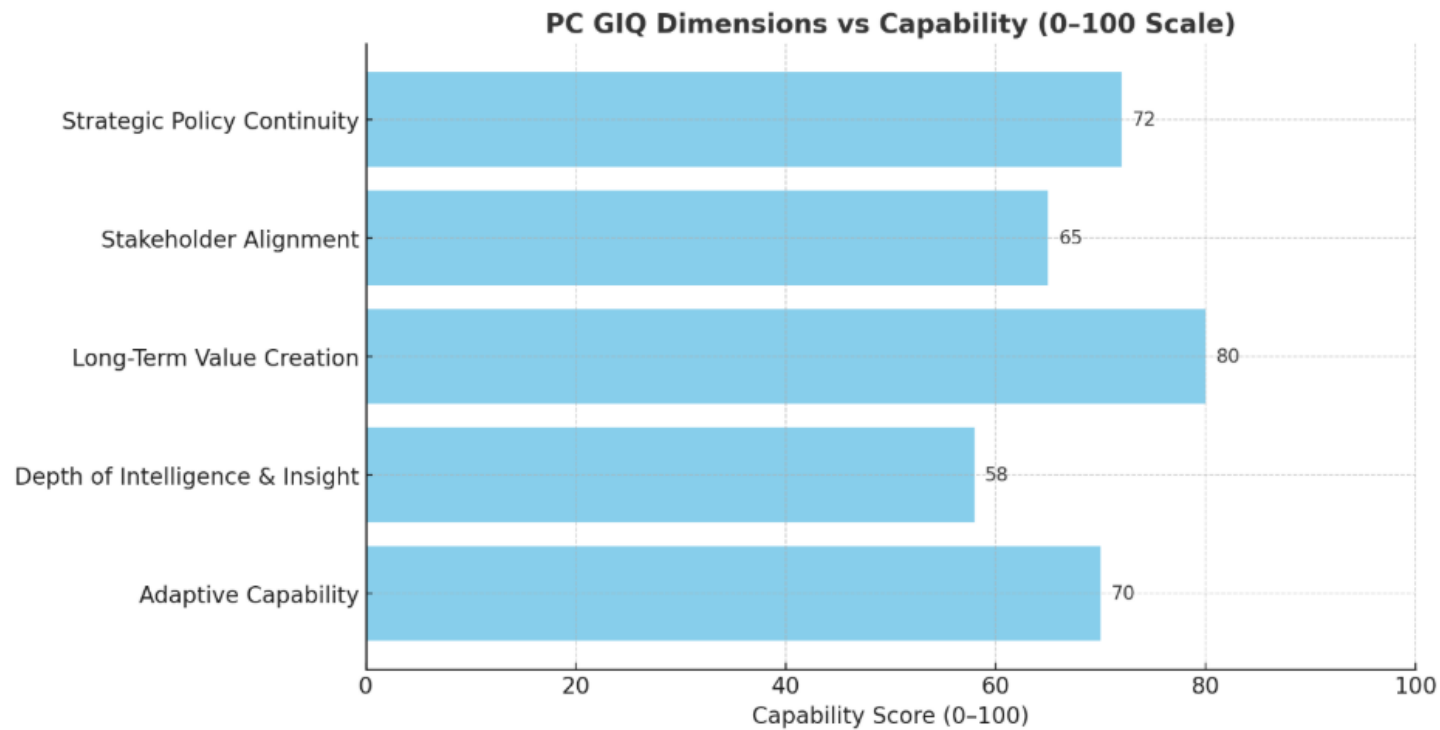
### Options

- Self-Assessment
- Independent Assessment
- Benchmarking
- Coaching
- Other

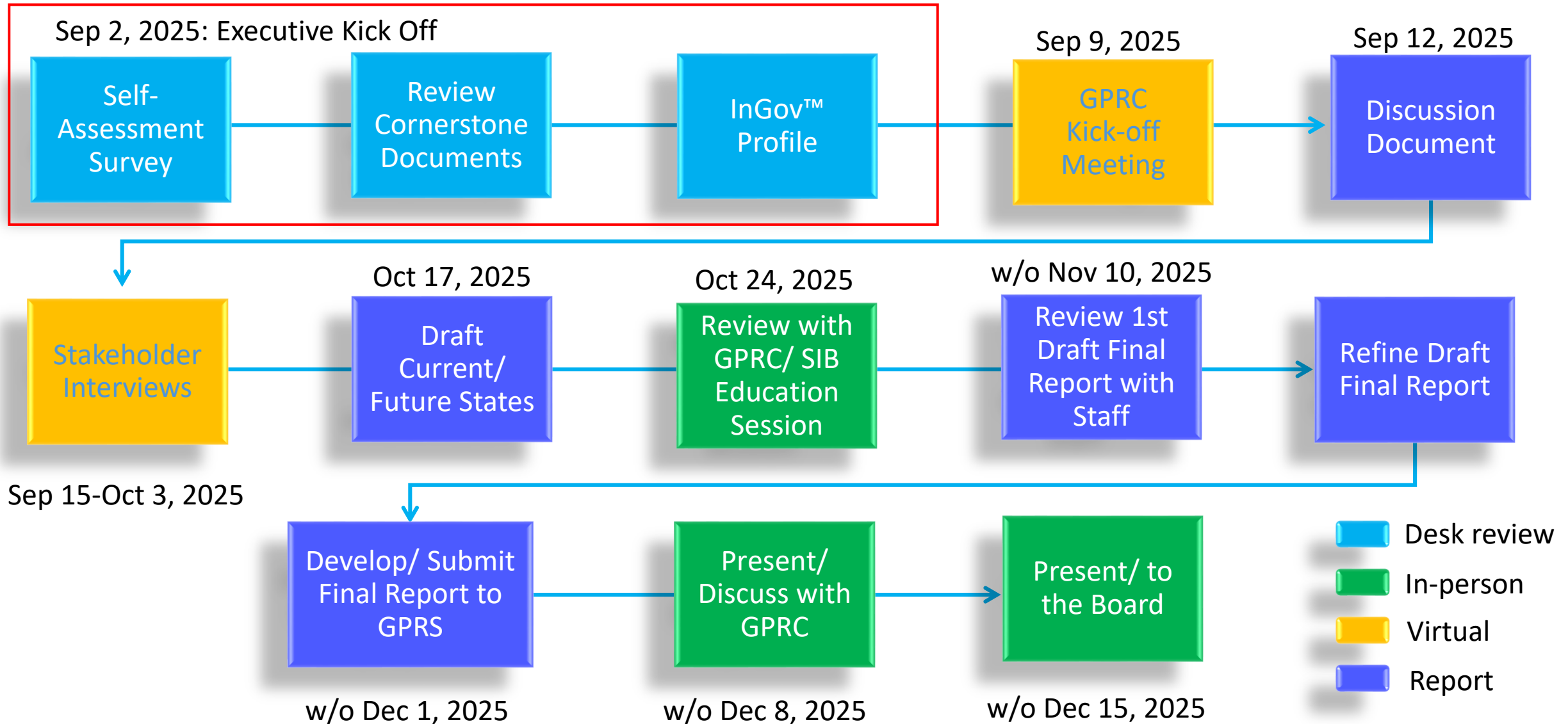
## #6. Develop a governance risk heat map identifying key vulnerabilities and oversight priorities.

Standard of Comparison – Patient Capital Governance IQ™ and GEM

### Example



# Next Steps and Schedule



# Contact Information

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