

Executive Search Committee Special Meeting
Wednesday, September 22, 2021, 11:30 a.m.
North Dakota Retirement and Investment Office (Virtual Meeting Host)
Teleconferencing – 701.328.0950 Participant Code – 637 647 766#
3442 E Century Ave, Bismarck, ND

AGENDA

- I. APPROVAL OF AGENDA
- II. APPROVAL OF MINUTES – August 2, 2021
- III. Executive Search Status
 - A. Review CIO Specifications.
 - B. Discussion regarding Committee Scope.
- IV. ADJOURNMENT

**STATE INVESTMENT BOARD EXECUTIVE SEARCH COMMITTEE
MINUTES OF THE
AUGUST 2, 2021, SPECIAL MEETING**

MEMBERS PRESENT: Dr. Robert Lech, Chair
Thomas Beadle, State Treasurer
Jodi Smith, Commissioner of Univ & School Lands
Troy Seibel, Deputy Chief Attorney General

MEMBER ABSENT: Bryan Klipfel, Director, WSI

STAFF PRESENT: Connie Flanagan, Chief Financial Officer
Bonnie Heit, Administrative Svs Supvr.
Jan Murtha, Interim Executive Director
Sara Sauter, Internal Audit Supvr.

GUEST: Tricia Opp, State Procurement

CALL TO ORDER:

Dr. Robert Lech, Chair, called the State Investment Board (SIB) Executive Search Committee (ESC) to order at 12:02 p.m.

AGENDA:

The ESC considered the agenda for the August 2, 2021, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. SEIBEL AND CARRIED BY A VOICE VOTE TO APPROVE THE AUGUST 2, 2021, AGENDA.

AYES: MR. SEIBEL, TREASURER BEADLE, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, COMMISSIONER SMITH

MINUTES:

IT WAS MOVED BY MR. SEIBEL AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES OF THE JULY 26, 2021, MEETING.

AYES: TREASURER BEADLE, MR. SEIBEL, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, COMMISSIONER SMITH

PROCUREMENT ACTIVITY FOR THE EXECUTIVE RECRUITER:

The ESC discussed entering into Executive Session to review the most recent activity for the procurement of an Executive Recruiter.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. SEIBEL AND CARRIED BY A ROLL CALL VOTE TO MOVE INTO EXECUTIVE SESSION PURSUANT TO NDCC 54-44.4-10 FOR PURPOSES OF REVIEWING THE MOST RECENT ACTIVITY FOR THE PROCUREMENT OF AN EXECUTIVE RECRUITER.

AYES: TREASURER BEADLE, MR. SEIBEL, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, MR. KLIPFEL

The ESC entered into Executive Session at 12:05 p.m.

Present: Dr. Lech, Treasurer Beadle, Commissioner Smith, Mr. Seibel, Ms. Murtha, Ms. Flanagan, Ms. Heit, Ms. Opp, Ms. Sauter, Executive Recruitment Firm (2 individuals)

The ESC entered back into open session at 1:16 p.m.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ISSUE A NOTICE OF INTENT TO AWARD TO THE VENDOR MOST SUSCEPTIBLE TO AN AWARD.

AYES: MR. SEIBEL, TREASURER BEADLE, COMMISSIONER SMITH, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL

ADJOURNMENT:

With no further business to come before the ESC, Dr. Lech adjourned the meeting at 1:18 p.m.

Dr. Lech, Chair
SIB Executive Search Committee

Bonnie Heit
Recorder

MEMORANDUM

TO: SIB Executive Search Committee
FROM: Jan Murtha, Interim Executive Director
DATE: September 21, 2021
RE: CIO Position Specifications and Committee Scope Discussion

I. CIO Position Specifications - Ms. Murtha (10 minutes) Committee Action

Attached for your review is the CIO Position Specifications prepared by EFL. These specifications have been reviewed by staff, and all staff comments or questions have been incorporated or addressed. Once approved these specifications will be advertised.

COMMITTEE ACTION REQUESTED: Approve CIO Position Specifications for Publication.

II. Committee Scope Discussion – Dr. Lech/Ms. Murtha (10 minutes) Committee Action

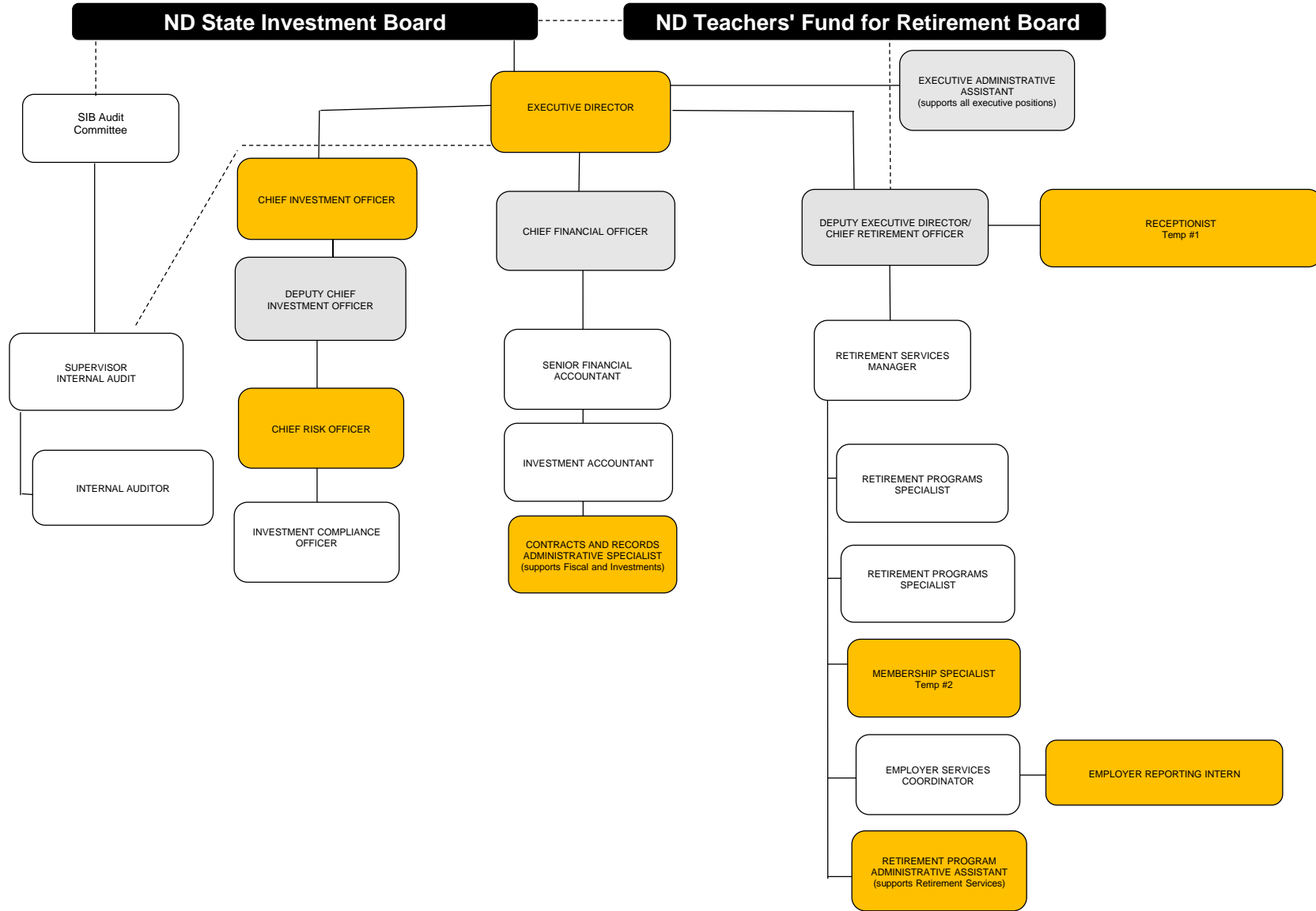
At its August 27, 2021 meeting the SIB voted to split the combined ED/CIO role into two separate positions and proceed with filling the CIO role first. Attached for your reference is an updated organization chart for the RIO agency. RIO staff is working through the process of reviewing SIB governance policies and bringing forth proposed recommendations for adjustments to these policies to reflect the split of this role.

In the interim, however, staff requires guidance as to how the Executive Search Committee would like to proceed and participate with the CIO search, and be able to bring that recommendation forward to the entire SIB.

Staff will provide example decisions to consider at the meeting such as hiring and salary determination decisions.

COMMITTEE ACTION REQUESTED: Provide guidance on Committee scope of participation during the CIO search.

ND Retirement and Investment Office Organizational Chart - Pre PAS Implementation





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NORTH DAKOTA RETIREMENT & INVESTMENT OFFICE

CHIEF INVESTMENT OFFICER

POSITION SPECIFICATIONS

CLIENT

Created in 1989, the **North Dakota Retirement & Investment Office (NDRIO)**, is an agency of the State of North Dakota. The agency was established via the Legislative Assembly to capture administrative and investment savings in the management of two important and long-standing State programs – the retirement program of the Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB).

Established in 1913, TFFR is one of the oldest retirement plans in the nation. TFFR is a qualified contributory defined benefit pension plan which covers North Dakota public school teachers and administrators. As of June 30, 2020, TFFR serves 11,347 members from 213 participating employers and pays benefits to 9,036 retirees and their beneficiaries.

The SIB has statutory responsibility for setting policies and procedures guiding the investment of nearly \$20 billion in assets for seven pension funds and 20 non-pension funds. Investments are divided into two investment trust funds and four individual investment accounts. The investment trust funds are comprised of a Pension Pool and an Insurance Pool. In addition to TFFR, the other five pension funds participating in the pension pool are: the North Dakota Public Employees Retirement System (NDPERS); the Bismarck City Employee Pension Fund; the Bismarck City Police Pension Fund; the City of Grand Forks Pension Fund; and the Grand Forks Park District Pension Fund. The seventh pension fund is the Job Service ND pension fund which is not pooled with the other pension funds. The insurance investment pool is made up of mainly insurance-type funds, but also includes other funds that do not qualify as pension funds and would like to benefit from the cost savings of being pooled with other funds' assets.

The four individual investment accounts are: the Legacy Fund; the Retiree Health Insurance Credit Fund; the Job Service of North Dakota pension fund; and, the Tobacco Prevention and Control Trust Fund.

The SIB embraces the belief that an investment program must be built and managed like any good business, with a clear statement of mission, overall objectives, roles and responsibilities, and policies and guidelines. Major issues to be considered include:

Asset Allocation Targets

- Setting appropriate benchmarks
- Finding the right managers
- Monitoring the program
- Searching for appropriate new opportunities

To ensure rigorous attention to these and all aspects of the investment program, the SIB follows an established investment process. The process involves the following three phases:

- Investment policy development/modification
- Implementation/monitoring
- Evaluation

The SIB is a 12-person board, chaired by the Lt. Governor, and also includes the State Treasurer, the State Insurance Commissioner, the Executive Director of the Workforce Safety & Insurance Office or designee, the Land Commissioner and three appointed representatives from TFFR and NDPERS, appointed by their respective boards, as well as one member of the Legacy and Budget Stabilization Fund advisory board who serves as a non-voting member.

The investment program is highly sophisticated and diversified, with ten asset classes, including domestic and global equity, domestic and global fixed income, real estate, timber, infrastructure, and cash equivalents. **NDRIO** employs approximately 42 external managers that manage over 70 different strategies within 125 portfolios. All investments are managed externally and Callan, LLC serves as the general investment consultant.

Each of the funds in both the pension pool and insurance pool have unique asset allocation targets. Of the individual investment accounts, the Legacy Fund is by far the largest and has experienced dramatic growth since its inception. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. The SIB is responsible for the investment of the fund. The first Legacy Fund transfer was received by the SIB in September 2011. The ND Constitution also requires that all earnings accrued after June 30, 2017, must be transferred to the state's general fund at the end of each biennium.

In June 2021, the SIB formed the North Dakota Growth Fund (NDGF) which will be managed by 50 South Capital, a well-established institutional private equity solutions investment advisor. This was an initial step in implementing the in-state investment requirements for the Legacy Fund under North Dakota Century Code 21-10-11. The NDGF was created to further advance innovation and private markets investments in North Dakota by seeking investments that provide strong risk-adjusted returns and support the growing entrepreneurial ecosystem in the state. The SIB has committed \$250 million of the Legacy Fund to the NDGF, with a targeted initial investment period of five years. 50 South Capital is responsible for seeking out and vetting investment opportunities that fit within the investment policies set by the SIB for this fund. The SIB

and the Legacy and Budget Stabilization Fund Advisory Board will review investment performance, pacing and investment policies for this important program on a semi-annual basis going forward.

ABOUT NDRIO

While the SIB is the oversight board for **NDRIO**, the TFFR Board is responsible for the administration of the TFFR benefits program. **NDRIO** has traditionally been led by a Chief Investment Office/Executive Director. One of the direct reports to the CIO/ED was the Chief Retirement Officer who was responsible for overseeing all administration and benefits processing for TFFR. As the investment program has grown dramatically, the SIB made the decision at their August 2021 meeting to bifurcate the **Chief Investment Officer** role from the Executive Director responsibilities.

NDRIO employs a workforce of 19 based from their offices in Bismarck, although most are working a hybrid remote/in-office arrangement currently. The agency has adopted the following mission:

- SIB clients receive cost-effective investment services directed at meeting their written financial goals under the Prudent Investor Rule.
- SIB clients receive investment returns consistent with their written investment policies and market variables.
- Potential SIB clients have access to information regarding the investment services provided by the SIB.
- TFFR benefit recipients receive their retirement benefits in a cost-effective and timely manner.
- TFFR members have access to information which will allow them to become knowledgeable about issues and the process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

For more information about **NDRIO**, please refer to their website, www.rio.nd.gov.

ABOUT BISMARCK

Bismarck is the capital of North Dakota and, with a metro area population of roughly 130,000, is the second most populous city in the State, after Fargo. The City is situated on the east bank of the Missouri River, directly across from the City of Mandan on the opposite bank. In addition to the State Government which employs roughly 4,600, Bismarck is a hub of retail and healthcare making it the economic center of south-central North Dakota and north-central South Dakota.

Bismarck enjoys a 4-season climate and offers a number of area recreational opportunities with a large park system, area lakes, and an expansive network of trails. The City is also home to three colleges and one university and has a variety of cultural arts offerings. Livability.com has ranked Bismarck number 51 in the top 100 best places to live in the United States. Besides having such a great ranking, Bismarck has also been dubbed, "The least stressful town in America." The City is served by Bismarck Municipal Airport.

For more information about Bismarck, please refer to:

City Website	www.bismarck.nd.gov
Bismarck/Mandan Chamber of Commerce	www.bismarckmandan.com
Convention & Visitors Bureau	www.noboundariesnd.com
The Bismarck Tribune	www.bismarcktribune.com

THE CHIEF INVESTMENT OFFICER ROLE

The **Chief Investment Officer** of **NDRIO** reports to the Executive Director and is responsible for administering the investment program of the SIB. The **CIO** administers the program within the Investment Governance Policies established by the SIB.

The **CIO** leads a small internal team expected to include three other roles which are: Deputy Chief Investment Officer; Chief Risk Officer; and, the Investment and Compliance Officer.

Included in the duties and responsibilities for the **CIO** are the following:

- Develops and presents recommendations to the SIB for policies, goals, objectives, and asset allocation for the investment of trust assets under the control of the SIB.
- Supervises the monitoring and evaluation of the performance of money managers, master custodian, and other agents contracted by the SIB.
- Reviews and makes recommendations on investment money managers and investment consultants.
- Conducts research to develop analyses for consideration by the SIB.
- Assists the SIB with the selection of money managers, master custodian, and investment consultants.
- Assists the Executive Director to develop statutory changes necessary to assure prudent management of trust funds.
- Assists the Executive Director with interpretation and implementation of new or revised federal and State laws.
- Assists the Executive Director with the development of rules under the North Dakota Administrative Code.
- Assists with publications concerning the investment program which includes a newsletter, statistical reports, and the annual financial report of the Office.
- Testifies before legislative committees on investment program matters.
- Interacts with State government entities on the investment program.
- As necessary, with staff, prepares and presents reports to the governing boards of the funds under management by the SIB.
- Supervises, leads, and mentors the investment program staff.

EDUCATION AND EXPERIENCE

- Bachelor's degree from an accredited college or university, preferably in business administration with an emphasis in finance, economics and/or accounting.
- An advanced degree and/or appropriate professional certifications (CFA, CAIA, etc.) are highly preferred.

- Significant (ideally five or more years) relevant experience in the administration and implementation of a sizeable trust fund investment program, preferably involving experience with public funds.
- Broad asset class familiarity within both public markets and private markets.
- Knowledge of management principles, especially as they relate to a public appointed office.
- Knowledge of the principles, concepts and methodologies of finance, investments, accounting, economics and other disciplines necessary to manage an investment program and protect funds under the SIB.
- Knowledge of federal and state laws, regulations, and generally accepted practices pertaining to the investment and safekeeping of trust funds.
- Knowledge of research, statistics, actuarial calculations, management, accounting, and other principles relating to the operation of a government investment program.
- Demonstrated experience working closely with an oversight board.
- Significant experience working with external investment managers, custodians, advisors and consultants.
- Strong experience (ideally five years) managing a diverse group of investment professionals.
- Broad and deep knowledge of institutional investing strategies and practices and strong systems understanding in the analysis and use of investment-related financial data.
- Previous experience delivering oral and written presentations to legislative committees, agency and government officials, trust fund participants and oversight boards, and the general public is highly preferred.

PERSONAL CHARACTERISTICS

- High level of ethics and demonstrated commitment to transparency, accountability, efficiency and performance reporting.
- Unassailable standards of personal and professional integrity.
- Demonstrated leadership and management capabilities.
- Effective and persuasive oral and written communication, presentation, and negotiation skills.
- Visionary capabilities beyond the functions of the investments arena, and the desire to participate in organization-wide strategic and policy decisions.
- Gravitas to effectively represent **NDRIO** with investment managers and advisors, agency and governmental officials, members of the Legislature, brokers/dealers, and other financial community representatives.
- Strong work ethic and dedication.
- Commitment to the mission and vision of **NDRIO**.
- Common sense and good judgment; deliberative and thoughtful, not impulsive; understands and embraces implementing the SIB's risk tolerances.

COMPENSATION

Compensation will be commensurate with qualifications. The total compensation package includes a competitive base salary and the State's comprehensive benefits package, including retirement benefits offered by NDPERS. Details may be found at www.omb.nd.gov/team-nd-careers/team-nd-benefits.

APPLICATION PROCESS

EFL Associates, an executive search firm, is assisting **NDRIO** and the SIB with this important search. All calls and inquiries should be made through the search firm. Nominations and applications will be held in confidence. Review of applications will begin immediately and will continue until the position is filled.

NON-DISCRIMINATION

Our client and EFL Associates firmly support the principle and philosophy of equal opportunity for all individuals, regardless of age, race, gender, creed, national origin, disability, veteran status or any other protected category pursuant to applicable federal, state or local law.

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