

**Friday, January 28, 2022, 8:30 a.m.**  
**WSI Board Room (Virtual Meeting Host)**  
**Teleconferencing – 701.328.0950 Participant Code – 157 998 872#**  
**1600 E Century Ave, Bismarck, ND**

AGENDA

**I. CALL TO ORDER AND ACCEPTANCE OF AGENDA**

- A. Executive Summary
- B. Welcome Mr. Anderson

**II. ACCEPTANCE OF MINUTES (November 19, 2021, December 15, 2021, December 28, 2021)**

**III. BOARD EDUCATION (75 minutes)**

- A. International Investments (Emerging Markets) – Jose Morales & Matthew Welling, Axiom
- B. Open Records & Meetings – A.A.G. DePountis

**IV. INVESTMENTS (30 minutes)**

- A. Investment Performance/Projects Update – Mr. Chin, Mr. Anderson
- B. Private Market Opportunity - Executive Session\* - Mr. Chin, Ms. Murtha

(Break)

**V. GOVERNANCE (30 minutes)**

- A. Audit Committee Recommendations Follow-up – Ms. Murtha
- B. Executive Review Committee Update – Mr. Olson & Ms. Sauter
- C. Executive Pay Plan – Dr. Lech

**VI. QUARTERLY MONITORING – Board Acceptance (15 minutes)**

- A. Executive Limitations/Staff Relations Report – Ms. Murtha
- B. Budget/Fiscal Conditions Report – Ms. Flanagan
- C. Investment Ends Report – Mr. Chin, Mr. Posch
- D. TFFR Ends Report – Ms. Murtha

**VII. OTHER (5 minutes)**

**Next Meetings:**

Audit Committee: Wednesday, February 16, 2022 at 2:30 p.m.  
SIB: Friday, February 25, 2022 at 8:30 a.m.

**VIII. ADJOURNMENT**

\*Executive session pursuant to NDCC 44-04-18.4(1) to discuss confidential commercial and financial information.

\*\*An informal welcome reception for CIO Scott Anderson will be held at the RIO conference room in Suite #3 of the WSI building following the SIB meeting.

# EXECUTIVE SUMMARY

SIB Regular Meeting  
January 28, 2022 – 8:30am CT

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- I. **Agenda:** The January Board Meeting will be held at the WSI Conference room to accommodate in person attendance; however, a link will also be provided so that Board members and other attendees may join via video conference. The board member video link is included in the email with the Board materials. There will be a call-in number for the public.
- II. **Minutes (Board Action):** The November 19, 2021, December 15, 2021, and December 28, 2021 Board meeting minutes are included for review and approval.
- III. **A. Board Education – International Investments (Emerging Markets):**  
Representatives from Axiom will be onsite to provide board education on the state of emerging markets and the investment opportunities in that space.  
**B. Board Education – Open Records & Meetings:** A.A.G. DePountis will provide Board education on North Dakota Open Records & Meetings law.
- IV. **A. Investment Performance/Projects Update:** Staff will provide an update on investment performance and the search for a consultant for the Legacy Fund Asset Allocation Study and In-State Investment program.  
**B. Private Market Opportunity (Board Action for Executive Session):** Staff will provide the Board an update on a private market opportunity. Materials will be provided to the Board via a secure link.
- V. **A. Audit Committee Recommendations Follow-Up (Board Action):** The Audit Committee presented recommendations relating to Board Member Orientation/Education and the establishment of a Governance & Policy Review Committee at the October 2021 meeting of the Board. Staff will present information and the Board will discuss how to proceed on those recommendations.  
**B. Executive Review Committee Update (Board Action):** Mr. Olson and Ms. Sauter will present the recommendation of the Executive Review Committee relating to the annual Board self-assessment.  
**C. Executive Pay Plan (Board Action):** Dr. Lech will present information relating to vacation pay.
- VI. **A-D. Quarterly Monitoring (Board Action):** Staff will provide quarterly monitoring reports for executive limitations/staff relations, budget/fiscal conditions, investment ends and TFFR ends.

**Adjournment.**

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
NOVEMBER 19, 2021, BOARD MEETING**

**MEMBERS PRESENT:** Brent Sanford, Lt. Governor, Chair  
Rob Lech, TFFR Board, Vice Chair  
Thomas Beadle, State Treasurer  
Jon Godfread, Insurance Commissioner  
Keith Kempenich, Legacy/Budget Stab. Adv. Board  
Cody Mickelson, TFFR Board  
Adam Miller, PERS Board  
Mel Olson, TFFR Board  
Troy Seibel, PERS Board, Parliamentarian  
Jodi Smith, Commissioner of Unv & School Lands  
Yvonne Smith, PERS Board

**MEMBERS ABSENT:** Bryan Klipfel, Director of WSI

**STAFF PRESENT:** Eric Chin, Interim CIO  
Connie Flanagan, Chief Financial Officer  
Missy Kopp, Executive Assistant  
Jan Murtha, Interim Exec Dir  
Matt Posch, Investment/Compliance Officer  
Ann Nagel, Investment Accountant  
Sara Sauter, Internal Audit Supvr  
Susan Walcker, Senior Financial Accountant

**GUESTS:** Jace Beehler, Governor's Office  
Dean DePountis, Attorney General's Office  
Paul Erlandson, Callan  
Alex Browning, Callan  
Scott Miller, PERS  
Adam Montgomery, Securities Commission  
Bryan Reinhardt, PERS  
Hope Wedul, HRMS

**CALL TO ORDER:**

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, November 19, 2021. The meeting was held at Workforce Safety and Insurance, 1600 E Century Ave., Bismarck, ND.

**The following members were present: Treasurer Beadle, Rep. Kempenich, Dr. Lech, Mr. Mickelson, Mr. Miller, Mr. Olson, Lt. Gov. Sanford, Commissioner Smith, and Ms. Smith**

**ACCEPTANCE OF AGENDA:**

The Board considered the agenda for the November 19, 2021, meeting.

**IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.**

**AYES: COMMISIONER SMITH, TREASURER BEADLE, MR. MILLER, MR. OLSON, MR. MICKELSON, DR. LECH, MS. SMITH, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL, AND MR. SEIBEL**

**MINUTES:**

The Board considered the minutes of the October 22, 2021, SIB meeting.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE OCTOBER 22, 2021, MINUTES AS DISTRIBUTED.**

**AYES: MR. MICKELSON, COMMISSIONER SMITH, MS. SMITH, TREASURER BEADLE, DR. LECH, MR. OLSON, MR. MILLER, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD, MR. KLIPFEL, AND MR. SEIBEL**

**BOARD EDUCATION:**

**Audit Operations:**

Ms. Sauter provided education on Internal Audit (IA) operations at RIO. Internal auditing provides an independent and objective assessment of agency operations. IA improves effectiveness and efficiencies by assessing controls, reviewing processes, and working with divisions to find solutions. Ms. Sauter reviewed IA responsibilities, types of auditors, and the risk-based internal auditing process.

**INVESTMENTS:**

**Callan Asset and Performance Overview:**

Mr. Erlendson and Mr. Browning, Callan provided an asset and performance overview for the period ended September 30, 2021. Each of the Trust's asset allocations were within policy ranges as of September 30, 2021. Each of the Trust's cash flows were managed to rebalance towards strategic targets. Returns for PERS, TFFR, WSI, Budget Stabilization, and Legacy Funds have each exceeded their respective Total Fund benchmarks on a net-of-fee basis for the trailing five-year period ended September 30, 2021. The small cap equity allocation within the Pension, Insurance, and Legacy funds has underperformed benchmark over most cumulative periods ended September 30, 2021. Two small cap managers were terminated due to performance concerns and were replaced by new firms within the last year. Total Fund net-of-fee results exceed benchmark. As of September 30, 2021, no specific action steps were recommended as the Plans are meeting objectives.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE CALLAN PERFORMANCE EVALUATION UPDATE.**

**AYES: MR. OLSON, MR. SEIBEL, MR. MICKELSON, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, TREASURER BEADLE, DR. LECH, AND LT. GOV. SANFORD.**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. KLIPFEL**

**Investment Program/Projects Update:**

Ms. Murtha provided an update on the in-state investment program roll out progress. Staff designed this presentation based on feedback received from stakeholders. Staff have noticed the need to clarify certain terms related to the investment

program. The term “investment” can be used in different ways, all of which are accurate, but there is a correct usage in relation to the SIB investment program. When discussing the in-state investment program, the SIB is authorized to invest in economic development through loans but not grants, which do not have an expectation of return. There will also be investment in financial markets which are structured to achieve a maximum return for an acceptable level of risk. Ms. Murtha highlighted the key components of HB 1425. Manager preference focuses on the Legacy Fund as a whole, not just the in-state program, to develop a preference program for in-state managers. This is contingent on RIO being allocated appropriate staffing to implement. The other parts of HB 1425 are the 10% Equity and 10% Fixed Income investments. Ms. Murtha discussed the roles of client boards and the SIB. The governing body of each fund is responsible to approve asset allocations then the SIB will implement and monitor those allocations. Manager selection occurs at the SIB level, not at the client board level.

Commissioner Godfreed asked a question about a letter that was sent to the SIB from the Legacy and Budget Stabilization Fund Advisory Board. This letter was set to be discussed later in the agenda, but the Board chose to address it now as it relates to the presentation topics. The Advisory Board has expressed confusion about their role as a client board. RIO staff have presented to the Advisory Board three times in the past month to reinforce the framework within statute in relation to the client fund and SIB responsibilities. Statute requires that the SIB chooses managers, not the client board. The SIB does not directly invest in any businesses, but discretion is given to the managers to choose investments. In staff’s response to the letter it was stated that RIO and the SIB will fulfill their obligations as appropriate under state law. It is necessary that the Advisory Board sets their asset allocation before the SIB can move forward with further action.

Ms. Murtha continued the presentation. SB 2291 was passed by the legislature this year. This bill enacted a prohibition on social investing. Social investment means the consideration of socially responsible criteria in the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return. There is an exception for the Legacy Fund pursuant to an investment policy and if there is an equivalent or superior rate of return to a similar investment.

The Advisory Board voted at their October 28, 2021, meeting to move forward with an Asset Allocation Study. RIO staff have been researching consultant capabilities before a Request for Proposal (RFP) is issued to ensure that all the needs are expressed to potential consultants.

Ms. Murtha highlighted the Manager Preference Program which consists of two separate searches to implement the In-State Preference Program. Staff used input from industry representatives when designing this process.

Mr. Chin shared an update on next steps for the In-State Equity program. The first step is to define the scope of the consultant search. Next, staff will work with the Advisory Board to develop and issue an RFP to select a consultant. The Advisory Board will conduct an asset allocation study and define investment policy for In-State Equity investments. Then staff will work with the Private Market In-State consultant to identify managers. Staff are looking at private market specialists and in-state banks that can serve as consultants for the in-state program. Staff have been evaluating in-state opportunities and laying the groundwork to deploy capital for the in-state equity program. This includes the ND Bankers Association, in-state banks, and existing managers that may have in-state investment capabilities.

Mr. Chin summarized some of the challenges to deploying in-state equity including the need for dedicated resources to identify managers, the increased risk associated with investments in smaller firms, and the specialized expertise required for private transactions.

Mr. Chin provided an update on global equities. Staff have reviewed the portfolio with Epoch and believe a change is warranted. Staff are reviewing options and researching potential replacements for Epoch.

#### University System Capital Building Investment Fund:

Ms. Flanagan shared information about a new client fund for the SIB. SB 2033 was passed during the legislative session and created the University System Capital Building Fund. The bill indicated the State Board of Higher Education may

provide for the fund to be invested under the supervision of the SIB. Ms. Flanagan reviewed the policy for bringing on new clients and asked the Board to contingently bring on this new client on December 31, 2021.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND APPROVED BY A ROLL CALL VOTE TO BRING ON THE UNIVERSITY SYSTEM CAPITAL BUILDING FUND AS A NEW CLIENT ON DECEMBER 31, 2021, CONTINGENT UPON RECEIVING THE FINAL APPROVALS FROM THE INDUSTRIAL COMMISSION AND THE BOARD OF HIGHER EDUCATION.**

**AYES: TREASURER BEADLE, MR. MICKELSON, COMMISSIONER GODFREAD, DR. LECH, MR. MILLER, MR. SEIBEL, MR. OLSON, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. KLIPFEL, COMMISSIONER SMITH, MS. SMITH**

The Board recessed at 10:40 a.m. and reconvened at 10:56 a.m.

**GOVERNANCE:**

**Legislative Special Session Update:**

Ms. Murtha shared an update on bills from the special legislative session that had an impact on RIO. HB 1506 authorized RIO's six Full Time Equivalent (FTE) request and additional budget adjustments. HB 1512 expanded the membership of the Legacy and Budget Stabilization Fund Advisory Board. SB 2345 expanded the list of funds that the SIB is required to invest by statute to include the Water Projects Stabilization Fund.

**Executive Limitations/Staff Relations:**

Ms. Murtha provided an update on the RIO facility move which will occur on November 23, 2021. A staff engagement survey was conducted in October and results were provided to the Board. Ms. Murtha provided a summary of staffing changes that have occurred and the work happening to fill openings. Current procurement activities include the Pension Administration System (PAS) project which is in the pre-award, contract negotiation stage and an RFP for temporary assistance firms that can provide contract services for additional investment personnel.

**IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORT.**

**AYES: TREASURER BEADLE, MR. SEIBEL, MR. OLSON, DR. LECH, MR. MILLER, COMMISSIONER GODFREAD, MR. MICKELSON, MS. SMITH, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. KLIPFEL AND COMMISSIONER SMITH**

**CIO Search Committee Update:**

Dr. Lech provided an update from the Executive Search Committee on the CIO search. The Committee met on October 22, 2021 to review and discuss the compensation parameters for the CIO position. The Committee recommends that the CIO salary range be set in the current biennium with a cap of \$271,456. This reflects the salary range cap previously approved for the ED/CIO position. The Committee will meet again on November 19, 2021, following the SIB meeting to review and discuss candidates.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO SET THE CIO SALARY RANGE WITH A CAP OF \$271,456.**

**AYES: MR. OLSON, COMMISSIONER GODFREAD, TREASURER BEADLE, MR. SEIBEL, DR. LECH, MR. MILLER, MS. SMITH, MR MICKELSON, AND LT. GOVERNOR SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. KLIPFEL AND COMMISSIONER SMITH**

Executive Director (ED) Search Discussion:

Dr. Lech provided options to the Board to fill the RIO ED position. The first option would be to work with a search firm. This option would provide the broadest candidate pool but would take the most time and would be costly. The second option is to open the position up internally and externally which could happen quickly and would be more cost effective. The third option is for the Board to appoint Ms. Murtha as the ED. Board discussion followed.

**IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO REMOVE THE INTERIM TAG MAKING MS. MURTHA THE EXECUTIVE DIRECTOR OF RIO.**

**AYES: COMMISSIONER GODFREAD, MR. OLSON, MR. MILLER, TREASURER BEADLE, MR. MICKELSON, MS. SMITH, DR. LECH, MR. SEIBEL, AND LT. GOV. SANFORD**

**NAYS: NONE**

**ABSENT: MR. KLIPFEL AND COMMISSIONER SMITH**

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO OFFER MS. MURTHA A STARTING SALARY OF \$203,000 PER YEAR FOR THE ED POSITION.**

**AYES: DR. LECH, TREASURER BEADLE, MR. OLSON, MR. MILLER, COMMISSIONER GODFREAD, MR. MICKELSON, MS. SMITH, AND LT. GOV. SANFORD**

**NAYS: MR. SEIBEL**

**MOTION CARRIED**

**ABSENT: MR. KLIPFEL AND COMMISSIONER SMITH**

Legacy & Budget Stabilization Fund Advisory Board Update:

Ms. Murtha provided an update on information that staff has presented to the Advisory Board. Ms. Murtha asked the Board if there were any concerns or additions to the response letter that will be sent to the Advisory Board.

Securities Litigation Committee Update:

Mr. Seibel provided an update from the Securities Litigation Committee. The Committee met on November 4, 2021. At that meeting, elections were held, and the Committee received updates on securities monitoring and five securities litigation cases. The cases are proceeding as planned.

**QUARTERLY MONITORING:**

Quarterly Audit Activities & TFFR Ends Reports:

**IT WAS MOVED BY COMMISSIONER GODFREAD AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE QUARTERLY AUDIT ACTIVITIES AND TFFR ENDS REPORTS AS PROVIDED.**

**AYES: COMMISSIONER GODFREAD, MR. MICKELSON, MS. SMITH, MR. SEIBEL, MR. MILLER, DR. LECH, MR. OLSON, TREASURER DEABLE, AND LT. GOV. SANFORD**  
**NAYS: NONE**  
**ABSENT: MR. KLIPFEL AND COMMISSIONER SMITH**

**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 11:57 a.m.

Respectfully Submitted:

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Lt. Governor Sanford, Chair  
State Investment Board

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Missy Kopp  
Recorder



**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
DECEMBER 15, 2021, SPECIAL BOARD MEETING**

**MEMBERS PRESENT:** Brent Sanford, Lt. Governor, Chair  
Rob Lech, TFFR Board, Vice Chair  
Thomas Beadle, State Treasurer  
Keith Kempenich, Legacy/Budget Stab. Adv. Board  
Bryan Klipfel, Director of WSI  
Cody Mickelson, TFFR Board  
Adam Miller, PERS Board  
Mel Olson, TFFR Board  
Troy Seibel, PERS Board, Parliamentarian  
Jodi Smith, Commissioner of Unv & School Lands  
Yvonne Smith, PERS Board

**MEMBERS ABSENT:** Jon Godfread, Insurance Commissioner

**STAFF PRESENT:** Eric Chin, Interim CIO  
Connie Flanagan, Chief Financial Officer  
Missy Kopp, Executive Assistant  
Jayme Heick, Retirement Spec.  
Jan Murtha, Exec Dir  
Matt Posch, Investment/Compliance Officer  
Ann Nagel, Investment Accountant  
Sara Sauter, Internal Audit Supvr  
Rachelle Smith, Retirement Assistant  
Dottie Thorson, Internal Auditor  
Tami Volkert, Employer Svs. Coord.  
Susan Walcker, Senior Financial Accountant  
Denise Weeks, Retirement Prog. Manager

**GUESTS:** Jace Beehler, Governor's Office  
Glenn Bosch, Legacy/Budget Stab. Adv. Board  
Alex Browning, Callan  
Mike Burton, TFFR Board  
Dan Cummings, EFL Associates  
Dean DePountis, Attorney General's Office  
Candace Johnson, Securities Commission  
Rachel Kriege, Insurance Dept.  
Scott Miller, PERS  
Adam Montgomery, Securities Commission  
Bryan Reinhardt, PERS  
Karen Tyler, Securities Commissioner

**CALL TO ORDER:**

Lt. Governor Sanford, Chair, turned the meeting over to Dr. Lech. Dr. Lech, Vice Chair, called the State Investment Board (SIB) special meeting to order at 8:30 a.m. on Wednesday, December 15, 2021. The meeting was held at Workforce Safety and Insurance, 1600 E Century Ave., Bismarck, ND.

**The following members were present: Treasurer Beadle, Rep. Kempenich, Mr. Klipfel, Dr. Lech, Mr. Mickelson, Mr. Miller, Mr. Olson, Mr. Seibel, Lt. Gov. Sanford, Commissioner Smith, and Ms. Smith**

**ACCEPTANCE OF AGENDA:**

The Board considered the agenda for the December 15, 2021, meeting.

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.**

**AYES: COMMISSIONER SMITH, TREASURER BEADLE, MR. MILLER, MR. OLSON, MR. KLIPFEL, MR. MICKELSON, MR. SEIBEL, DR. LECH, MS. SMITH, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD**

**OVERVIEW OF CIO INTERVIEW PROCESS:**

Dr. Lech reviewed the process leading up to the final interviews and the planned procedure for conducting each interview. Ms. Murtha provided information from Human Resource Management Services (HRMS) related to the interview process.

**SCOTT ANDERSON INTERVIEW:**

The SIB began their interview with Mr. Anderson at 8:55 a.m. Dr. Lech asked the questions and Board members asked follow-up questions as needed. Mr. Anderson presented his overview of private infrastructure as an asset class. The interview concluded at 9:56 a.m.

The Board recessed at 9:56 a.m. and reconvened at 10:10 a.m.

**MICHAEL RIFFLE INTERVIEW:**

The SIB began their interview with Mr. Riffle at 10:14 a.m. Dr. Lech asked the questions and Board members asked follow-up questions as needed. Mr. Riffle presented his overview of private infrastructure as an asset class. The interview concluded at 10:55 a.m.

The Board recessed at 10:55 a.m. and reconvened at 11:10 a.m.

**CANDIDATE SELECTION DISCUSSION:**

Dr. Lech asked the Board members to discuss the merits of each candidate. The Board and staff discussed strengths and weaknesses of each candidate. Dr. Lech provided the opportunity for each Board member to offer their top choice between the candidates.

1804

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND APPROVED BY A ROLL CALL VOTE TO OFFER THE CIO POSITION TO SCOTT ANDERSON CONTINGENT ON NEGOTIATIONS.**

**AYES: MR. OLSON, MR. SEIBEL, COMMISSIONER SMITH, MR. MICKELSON, MS. SMITH, MR. MILLER, TREASURER BEADLE, MR. KLIPFEL, DR. LECH, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD**

**IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. SMITH AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. 44-04-19.1(9) AND 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY.**

**AYES: TREASURER BEADLE, MR. MICKELSON, MR. KLIPFEL, COMMISSIONER SMITH, MS. SMITH, DR. LECH, MR. MILLER, MR. SEIBEL, MR. OLSON, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: COMMISSIONER GODFREAD**

The executive session began at 12:02 p.m. and ended at 12:31 p.m. In attendance were Committee members, RIO staff, and Mr. Cummings.

The Board provided guidance to EFL for negotiations.

**ADJOURNMENT:**

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 12:32 p.m.

Respectfully Submitted:

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Dr. Rob Lech, Vice Chair  
State Investment Board

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Missy Kopp  
Recorder

**NORTH DAKOTA STATE INVESTMENT BOARD  
MINUTES OF THE  
DECEMBER 28, 2021, SPECIAL BOARD MEETING**

**MEMBERS PRESENT:** Brent Sanford, Lt. Governor, Chair  
Rob Lech, TFFR Board, Vice Chair  
Thomas Beadle, State Treasurer  
Mike Burton, TFFR Board Alternate  
Jon Godfread, Insurance Commissioner  
Bryan Klipfel, Director of WSI  
Cody Mickelson, TFFR Board  
Adam Miller, PERS Board  
Troy Seibel, PERS Board, Parliamentarian  
Jodi Smith, Commissioner of Unv & School Lands

**MEMBERS ABSENT:** Keith Kempenich, Legacy/Budget Stab. Adv. Board  
Bryan Klipfel, Director of WSI  
Mel Olson, TFFR Board  
Yvonne Smith, PERS Board

**STAFF PRESENT:** Eric Chin, Interim CIO  
Connie Flanagan, Chief Financial Officer  
Missy Kopp, Executive Assistant  
Jan Murtha, Interim Exec Dir  
Matt Posch, Investment/Compliance Officer  
Dottie Thorson, Internal Audit

**GUESTS:** Dean DePountis, Attorney General's Office  
Adam Montgomery, Securities Commission  
Rich Wardner, ND Senate

**CALL TO ORDER:**

Lt. Governor Sanford, Chair, called the State Investment Board (SIB) special meeting to order at 1:00 p.m. on Tuesday, December 28, 2021. The meeting was held at the Retirement and Investment Office (RIO), 1600 E Century Ave., Bismarck, ND.

**The following members were present: Treasurer Beadle, Mr. Burton, Dr. Lech, Mr. Mickelson, Mr. Miller, Mr. Seibel, Lt. Gov. Sanford, and Commissioner Smith**

**CIO POSITION OFFER DISCUSSION:**

**IT WAS MOVED BY DR. LECH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION UNDER N.D.C.C. 44-04-19.1(9) AND 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY.**

**AYES: MR. MICKELSON, COMMISSIONER SMITH, TREASURER BEADLE, DR. LECH, COMMISSIONER GODFREAD, MR. BURTON, MR. SEIBEL, MR. MILLER, AND LT. GOV. SANFORD**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MR. KLIPFEL, MR. OLSON, AND MS. SMITH**

The executive session began at 1:04 p.m. and ended at 1:17 p.m. in attendance were Committee members and RIO staff.

The Board provided guidance to EFL for negotiations.

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**ADJOURNMENT:**

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 1:17 p.m.

Respectfully Submitted:

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Lt. Gov. Sanford, Chair  
State Investment Board

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Missy Kopp  
Recorder



North Dakota State Investment Board  
Investing Ahead of the Curve

January 28, 2022

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## Axiom Investors – Investing Ahead of the Curve

**Driven by  
Fundamentals**

Seasoned investment team collaborating on a common, fundamental investment philosophy and process.

**Supported by  
Evidence**

Fundamental investment thesis supported with empirical, fact-based evidence leveraging Axiom's proprietary research database, Axware, and our transparent risk and return framework.

**Rooted in  
Collaboration &  
Transparency**

Our culture of collaboration facilitates the sharing and integration of information across geographies, global sectors, and market caps.

**Aligned with  
Clients in Our  
Mission**

Fully independent and 100% active employee-owned allowing us to attract and retain diverse talent and to responsibly invest with a long-term focus in sustainable enterprises.

# Axiom Investors – Client Focused and Aligned

## Philosophy

Consistent & Transparent

## People

Experienced & Committed

## Culture

Client Focused & Aligned

### Established

1998

### Fundamental, Bottom-up

Focus on forward looking trends in operational drivers

### Proven

Net of fee outperformance across all strategies since inception

### Centralized

Greenwich, CT

### Experienced

25+ years average PM  
 20+ years average global sector analysts

### Stable

10+ years average PM tenure at Axiom

### Assets\*

\$19.5B

### Independent

100% employee-owned partnership  
 25 equity partners

### Investing Alongside Our Clients

Alignment of interests with clients allowing for a long-term perspective

As of 12/31/21

\*Assets include Assets Under Management (\$18.6B) & Assets Under Advisement (\$0.9B)



# Our Commitment to Responsible Investing

Advancing positive change through active engagement

## Axiom’s Approach to Responsible Investing

At Axiom, we holistically integrate environmental, social, and governance considerations into our investment process, organizational structure, and firm culture, believing that ESG factors are material to achieving investment outperformance and managing risk, as well as fostering a sustainable and responsible way of life.

## Advancing Positive Change

- Companies should be well governed and take environmental and social factors into account to enable sustainable long-term investment returns
- Investment decisions should consider opportunities and longer-term risks including environmental, social and governance factors to obtain positive outcomes and manage the risk of financial loss
- Effective stewardship and active engagement can have positive outcomes
- Engagement is preferred but there may be times when divestment is appropriate

## Active Engagement

We implement ESG into both our alpha generation and risk management, with a differentiated focus on engaging and investing in companies committed to improving their sustainability profile.

### Axiom PRI Reporting Scorecard

Strategy & Governance	<b>A+</b>
Listed Equity – Incorporation	<b>A+</b>
Listed Equity – Active Ownership	<b>A</b>

## Partnering with Professional Investors Around the World



# 350+

Clients

# ~40%

Non-US assets

# ~30%

Client relationships 10+ years

### Representative Clients:

#### Public

- City of Charlottesville
- Illinois Teachers
- Los Angeles City Employees
- State of Maryland
- City of Detroit
- State of North Dakota
- State of West Virginia
- New Mexico PERA

#### Sovereign Funds

- NPS (Korea)

#### Corporate

- Dominion
- National Football League
- NCR
- Auto Club Group

#### Subadvised

- John Hancock
- Northern Trust
- Pear Tree Funds
- Russell Investments
- SEI

#### Taft-Hartley

- Oregon Laborers-Employers Pension

#### Endowments & Foundations

- Florida State University
- Iowa State University
- Richard King Mellon
- University of Cincinnati
- University of Nebraska
- University of Oklahoma

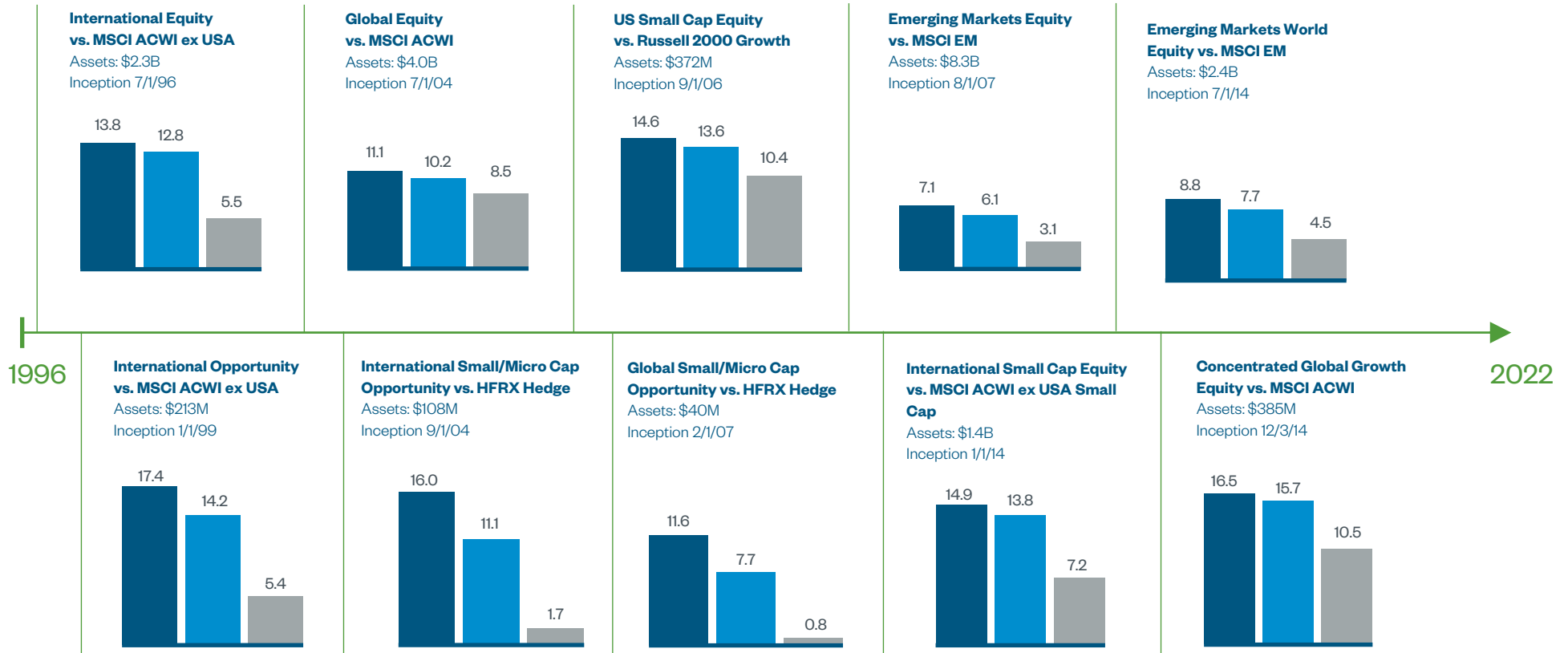
As of 12/31/21

**Confidential. Please do not publish for general public.**

This list is intended to represent a broad cross section of Axiom clients. None of the clients were selected on the basis of performance criteria and it is not known whether they approve of or disapprove of Axiom or the investment advisory services provided.

# Proven Results Across All Strategies

## Inception-to-date Percent Returns, Annualized



■ Axiom (Gross)   ■ Axiom (Net\*)   ■ Benchmark

As of 12/31/21  
 US dollar terms

Assets include Assets Under Management (\$18.6B) & Assets Under Advisement (\$0.9B)

\* Net-of-fee calculations are net of highest management fees, and where applicable, performance fees, and do not include individualized client administrative expenses. See disclosures in the back of the presentation for additional information.

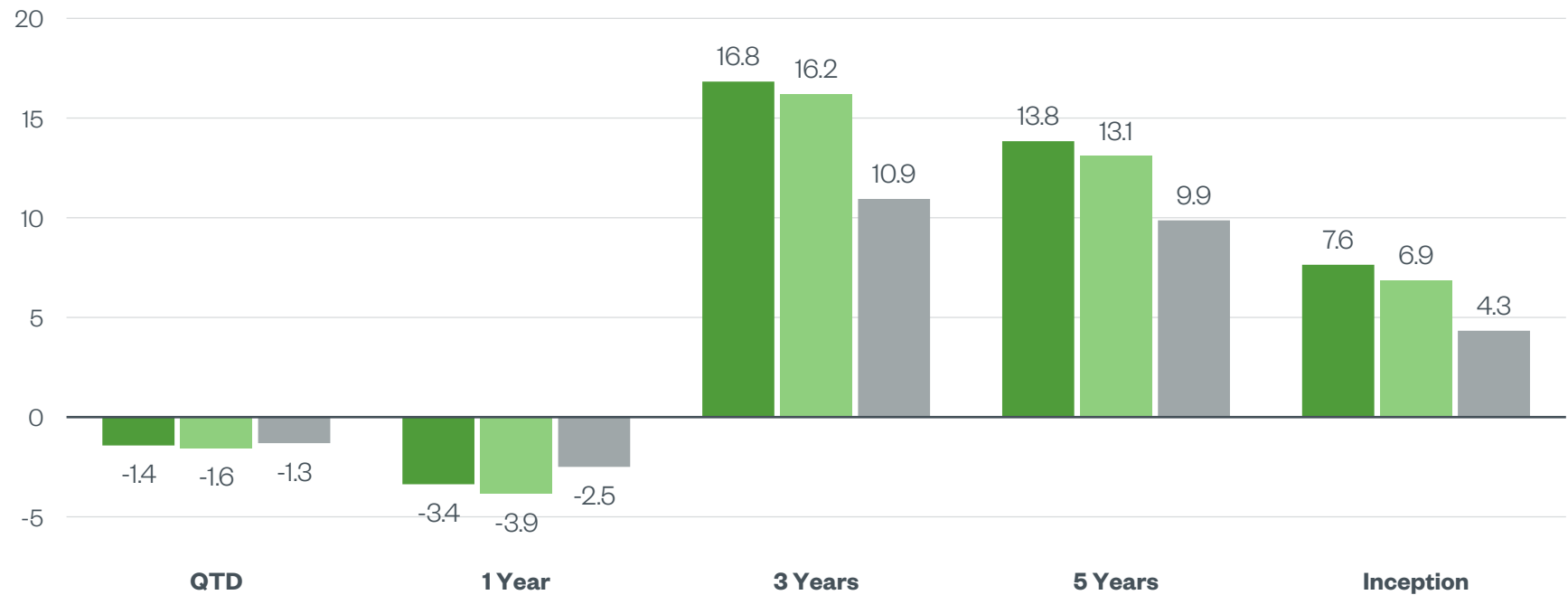
# Annualized Account Returns

## Emerging Markets Equity

Inception date: 8/1/14

North Dakota State Investment Board: \$193,781,204.87

■ Axiom - Gross   ■ Axiom - Net   ■ Index



### Relative Gross

Value Added:

**-0.1**

**-0.9**

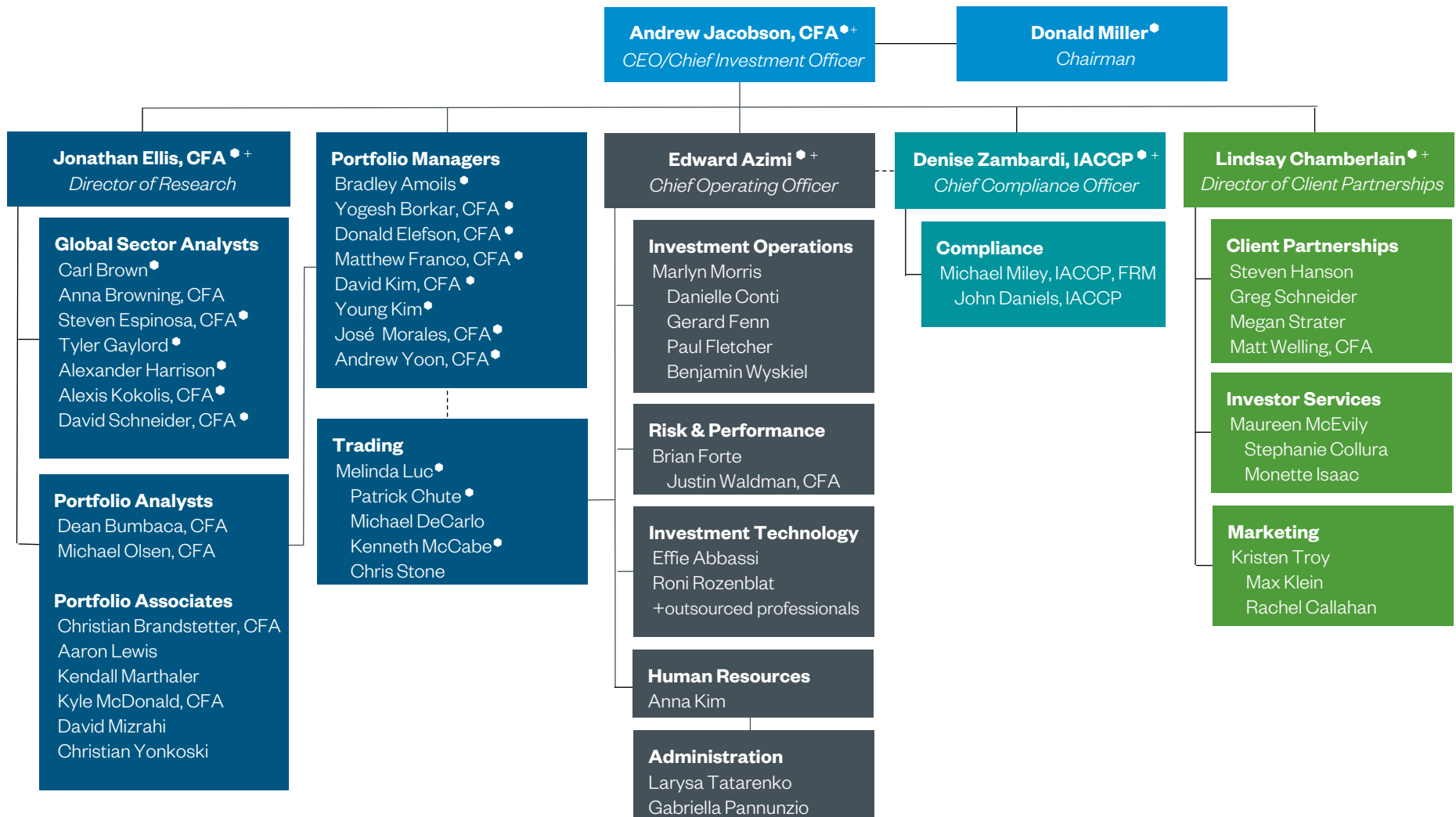
**+5.9**

**+4.0**

**+3.3**

As of 12/31/21  
 Index: MSCI Emerging Markets

# A Well-resourced Partnership



● Denotes Partner  
 + Denotes Management Oversight Committee

## Our Alpha Philosophy

Fundamentals drive ideas, evidence drives action

By focusing on three clearly defined alpha drivers, our objective is to compound capital over the long-term and deliver risk-adjusted relative outperformance of 2-4% per year by fundamentally investing in quality, dynamic growth businesses.



- Forward-looking, fundamental, empirical, holistic approach which incorporates improving ESG as an alpha source
- Consistent integration and transparency of information across geographies, global sectors, and market caps

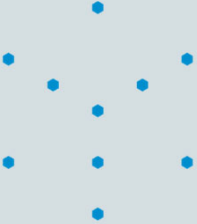


- Performance tailwinds from compounding organic earnings growth and positive ESG characteristics
- Focus on profitability, returns, cash generation, and balance sheet integrity



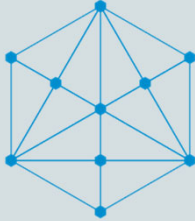
- Comprehensive assessment of valuation provides insight into the implicit expectations for a company
- Attractive valuation confirms upside potential and provides risk control benefits

# Our Investment Process




## Acceleration

- Fundamental, bottom-up idea generation through identifying forward looking, quantifiable operational accelerations
- Leverages proprietary Axiom research database, Axware, powered by an experienced, cohesive investment team
- Improving ESG characteristics are integrated into our forward looking, fundamental idea generation




## Analysis

- Holistic assessment of all key micro and macro drivers calibrated in absolute terms as well as relative to market expectations
- Arrive at a consistent, proprietary, and transparent firmwide risk and return rating
- ESG characteristics and the potential for ESG improvements are essential as an alpha source



## Adjustment

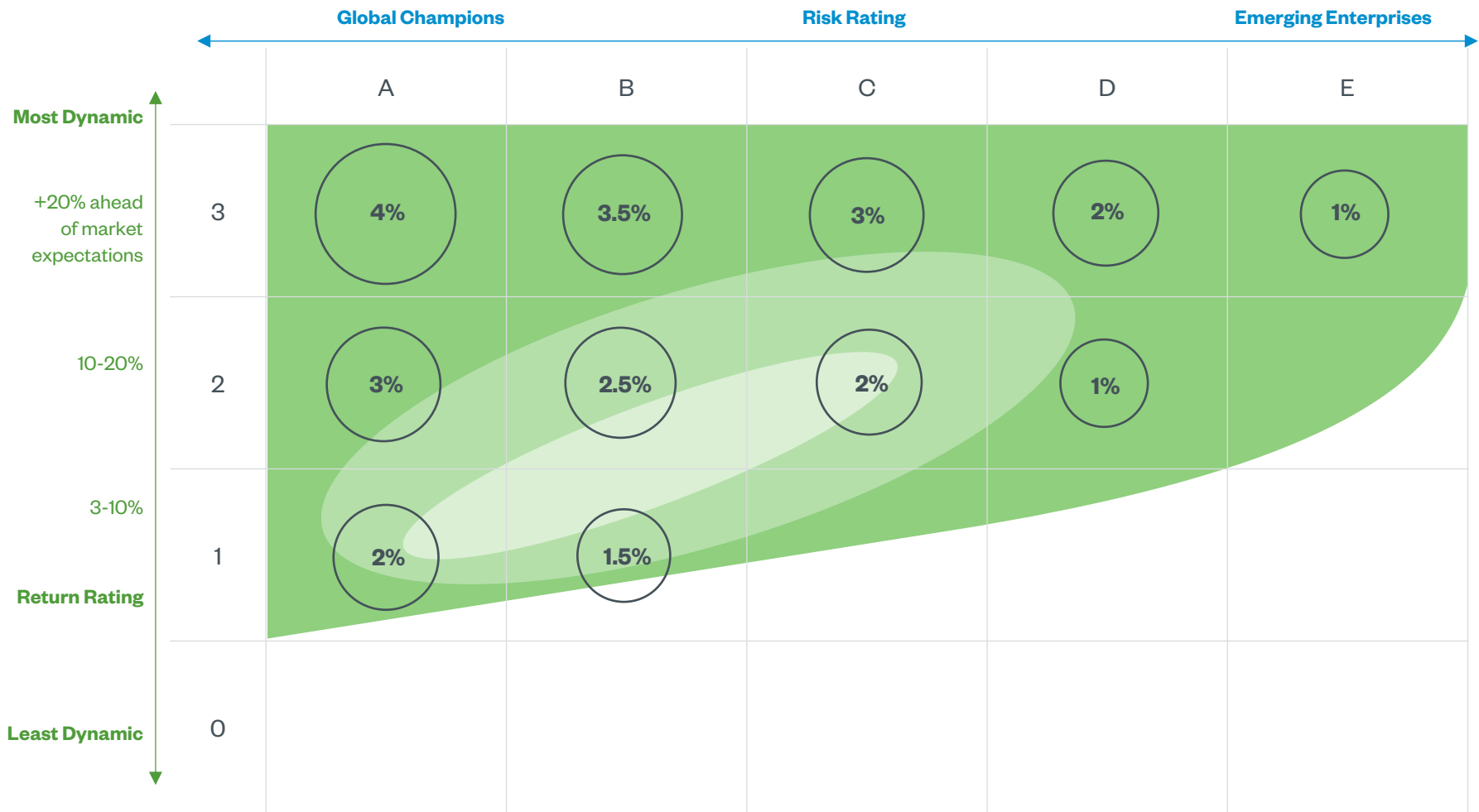
- Continuous monitoring ensures the fundamental investment thesis remains supported by empirical fact-based evidence
- Ratings and weights adjusted as risk and return expectations evolve
- Ongoing review of ESG developments related to active engagement and advancing positive change



## Action

- Integration and transparency of information across geographies, global sectors, and market caps
- Emphasizing diversified sources of alpha targeting high active share, reasonable tracking error, upside participation and downside protection
- ESG profile drives company engagement plan

# Disciplined Portfolio Construction

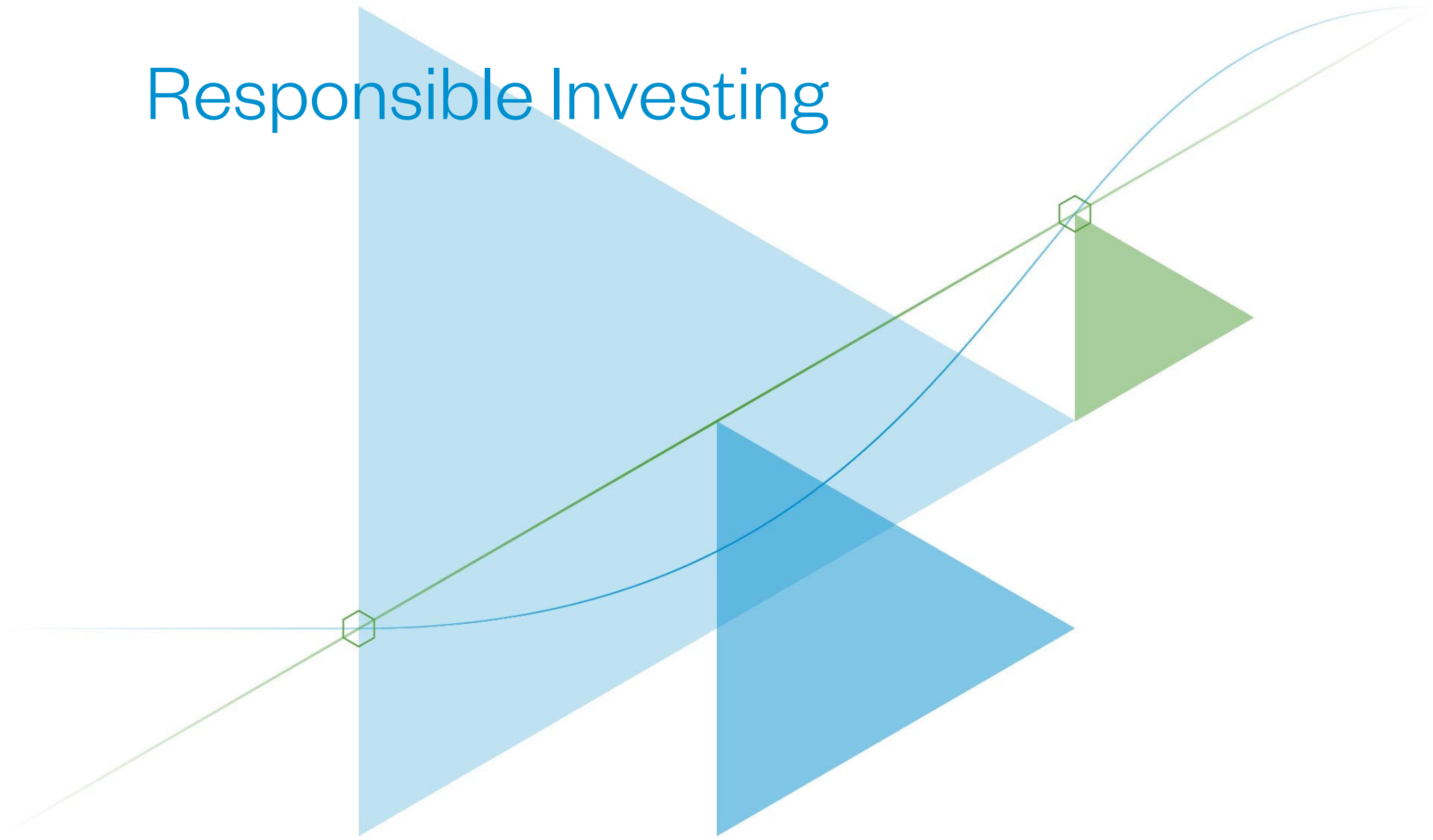


Please note the above percentages are representative allocations across Axiom's all-cap portfolios.

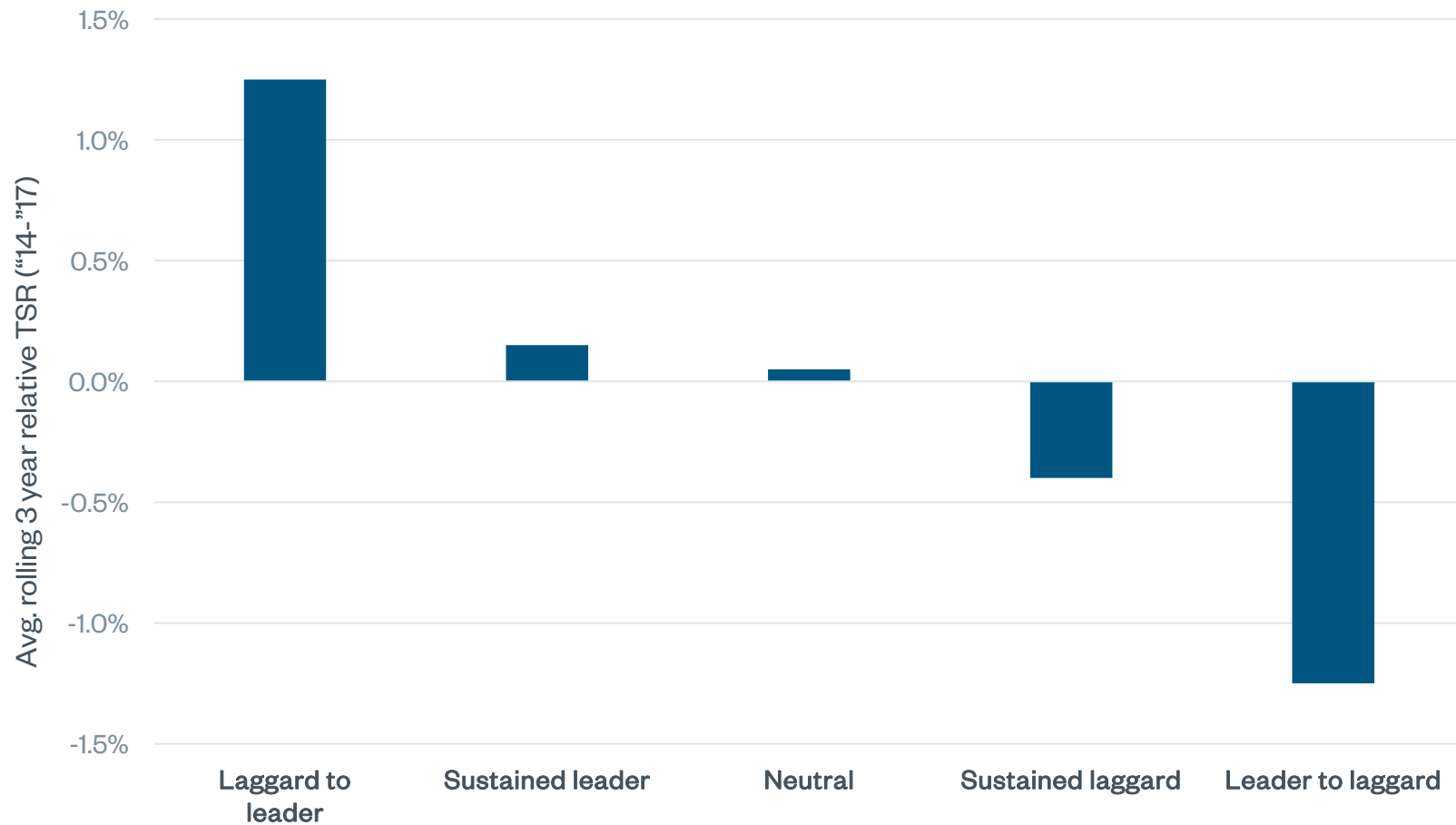




# Responsible Investing



## The change in ESG alignment matters more than the static ESG profile in terms of alpha generation



Source: Goldman Sachs

## Axiom advancing positive change

### Axiom MSCI ESG Summary

Strategy	MSCI Rating	Ratio of Securities Improving vs. Worsening
Con. Global Growth	AA	2.0
EM	A	5.8
EM World	A	3.9
Global	AA	7.5
International	AA	6.5
Int'l Small Cap	A	8.0
USSC	A	6.0
<b>Axiom Total</b>	<b>A</b>	<b>5.3</b>

- 3,430 ESG entries tracked in Axware
- 175 company engagements
- 41,118 firmwide Proxy votes
- 11.2% Proxy Votes against management

## Axiom's philosophy in action - How dynamic growth added value



### CATL:

- 40% upside to 2021 EPS; +15%/25% upside to 22/23
- Above-expectations EV adoption globally & Energy Storage acceleration

### BABA:

- Rising competition, anti-trust regulation, & slower consumer spending
- China GMV more than halved to +5% yy in Nov



### CATL:

- CATL #1 global m/s in a consolidated sector
- Sustainable premium returns through the cycle

### BABA:

- Losing share to Tencent, Pinduoduo, JD, and Bytedance
- E-commerce share fell to 51% in 2021 from 78% in 2015



### CATL:





- Premium valuation is explained by premium growth
- Scarcity of pure EV supplier names

### BABA:

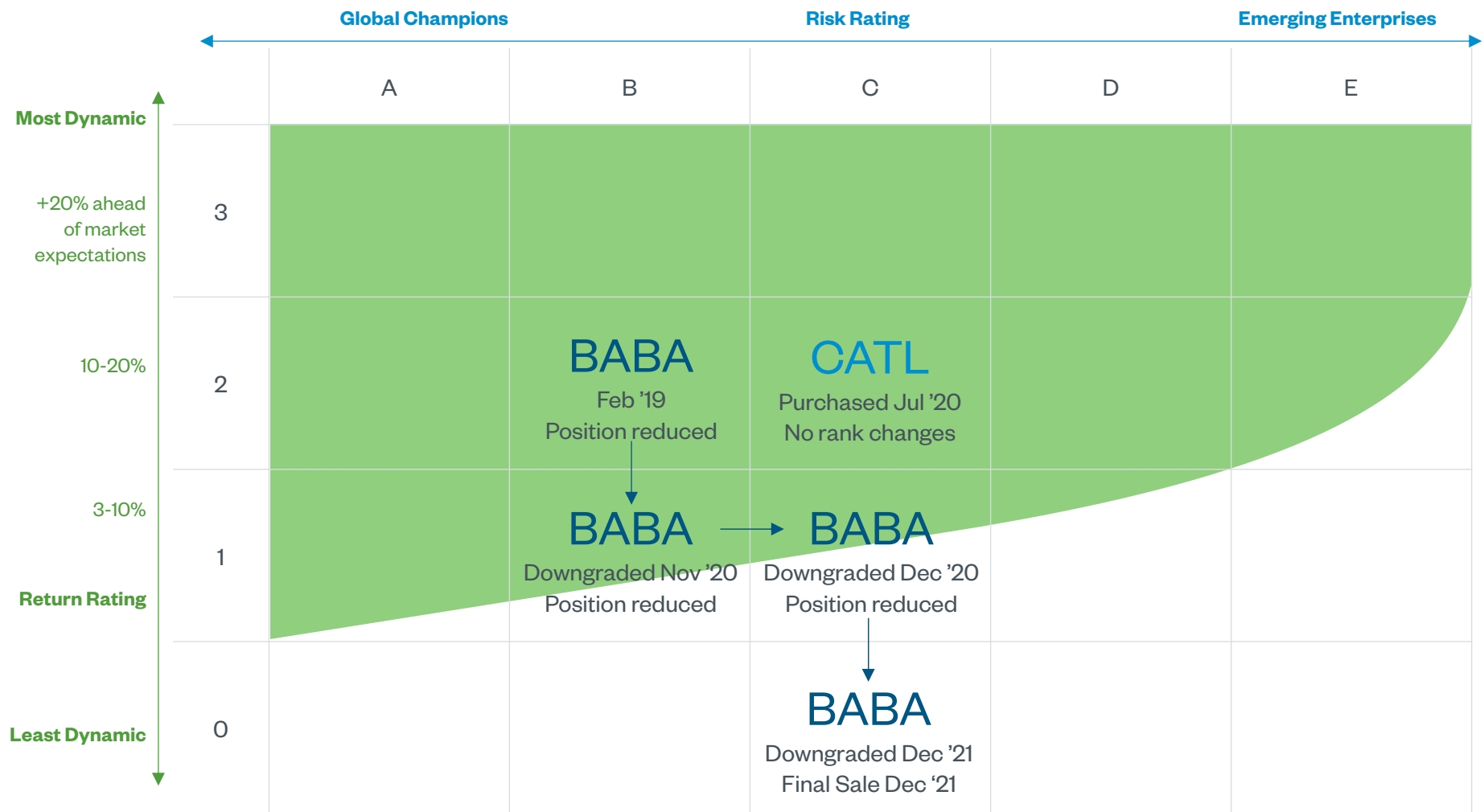
- Discount valuation justified given slower revenue growth

## Axware in Action

### Selection of notable Axware ESG entries for Alibaba

Date	Score	Note
12/11/2020		MSCI downgrades Alibaba ESG rating to BB from BBB. Emphasis on corporate behavior assessment drives the downgrade. The inclusion of the Corporate Behavior theme in the company's governance assessment is a key contributor to the downgrade, due to Alibaba's seemingly weak practices surrounding ethics policies and practices, relative to peers. Key governance risks related to its ownership structure remain, though the board became majority independent as of December 2020
1/13/2021		Previous warnings against Alibaba, Tencent, and others over illegal collection of consumer data mentioned amid antitrust crackdown against technology and internet companies in China. In December 2020, the State Administration for Market Regulation in China sent warnings to Alibaba Group, Tencent, Meituan, and other internet firms for alleged illegal collection of consumer data, which could cause monopolies and disrupt competition. Separately, regulators have ordered Ant Group, an affiliate of Alibaba, to revamp its business practices and improve personal data privacy. Regulators have also been looking into Ant over its alleged dominant market position.
4/11/2021		Alibaba Group Holding fined CNY 18.2b (\$2.8b) for monopolistic behavior, represents 4% of domestic sales of Rmb 455.7b in 2019 (excl int'l retail and wholesale). Alibaba was engaged in monopolistic behavior by using exclusive dealing agreements, which restricted merchants from selling products on the platforms of competitors. This compares to BABA's net cash of \$89b (fine represents 3% of net cash). Regulators decision will not change BABA's business model as a platform (relief).
4/23/2021		People's Bank of China seeks Ant Group's customer data - FT. Without citing sources, the FT reports that the PBoC wants the company to give the data to a state-controlled credit scoring company.
12/1/2021		China is closing a loophole used by the tech industry to raise capital from overseas investors. It plans to ban companies from going public on foreign stock markets through variable interest entities, people familiar said. Companies using the so-called VIE structure would still be allowed to pursue initial public offerings in Hong Kong, subject to regulatory approval. Companies currently listed in the U.S. and Hong Kong that use VIEs would need to make adjustments so their ownership structures are more transparent in regulatory reviews, especially in sectors off limits for foreign investment.

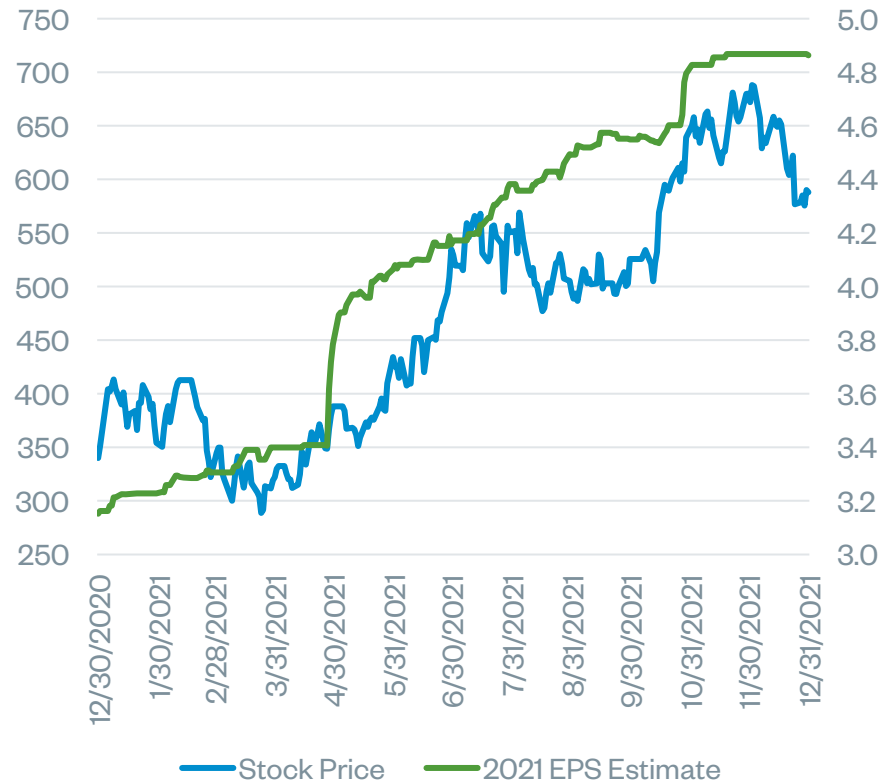
# CATL & BABA Axiom ratings progression



As of 12/31/21  
 Image above is representative of a typical portfolio construction

# Axiom invested ahead of the curve in a major acceleration at CATL and reduced/exited Alibaba avoiding a major business downturn

### CATL



CATL 2021 share price performance  
+67% on EPS revisions +54%

### BABA



BABA 2021 share price performance  
-50% on EPS revisions -35%

As of 12/31/2021  
Source: Bloomberg

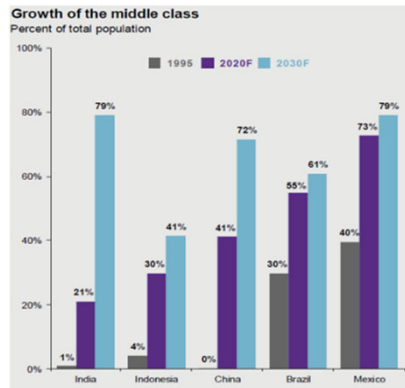
# Emerging Markets Equity: Why the Time is Now



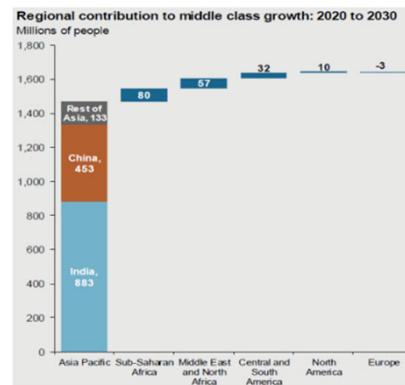


# EM countries have long-term structural growth tailwinds and are poised for near-term cyclical recovery

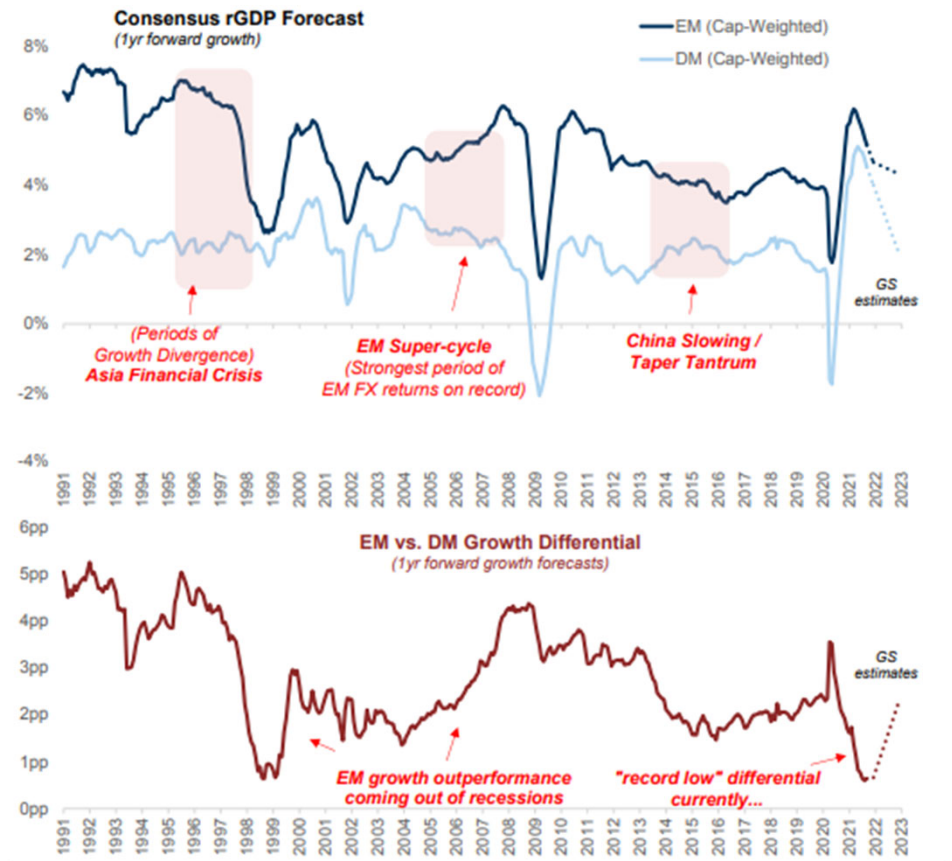
## Growth of Middle Class



## Regional Contribution to Middle Class Growth: 2020 - 2030



## The EM vs. DM Differential has Fallen to Record Lows in 2021



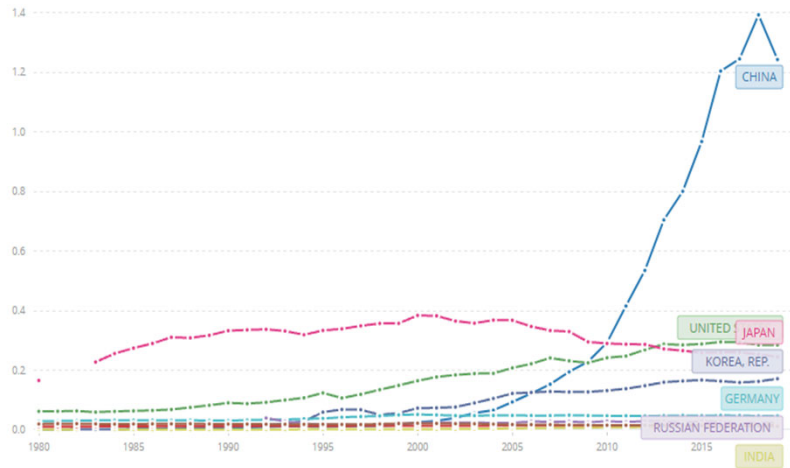
Source: Brookings Institution, J.P. Morgan Asset Management

Estimates for regional contribution are from Kharas, Homi. *The Unprecedented Expansion of the Global Middle Class, An Update*. Brookings Institution, 2017. Middle class is defined as households with per capita incomes between \$11 and \$110 per person per day in 2011 PPP terms. Forecasts, projections, and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to Markets – U.S. Data are as of June 30, 2021.

# The quality of the EM investible universe has dramatically improved

Four of top 8 patent filing countries are now in EM  
 (China, Korea, Russia, India):

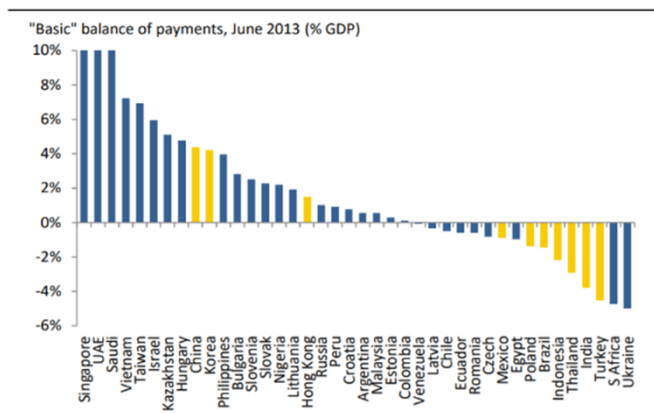


World Bank's Ease of Doing Business Index rankings show meaningful improvement over the past decade

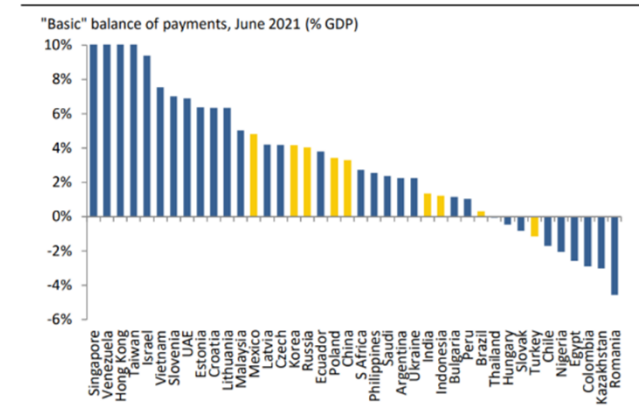
	2020	2010
<b>South Korea</b>	#5	#19
<b>Malaysia</b>	12	23
<b>Taiwan</b>	15	46
<b>UAE</b>	16	33
<b>Thailand</b>	21	12
<b>Russia</b>	28	120
<b>China</b>	31	89

Many Emerging Market countries have improved their financial positions and are no longer as vulnerable to external shocks such as they were during the 2013 taper tantrum:

External balance then



External balance now



Source: Bloomberg

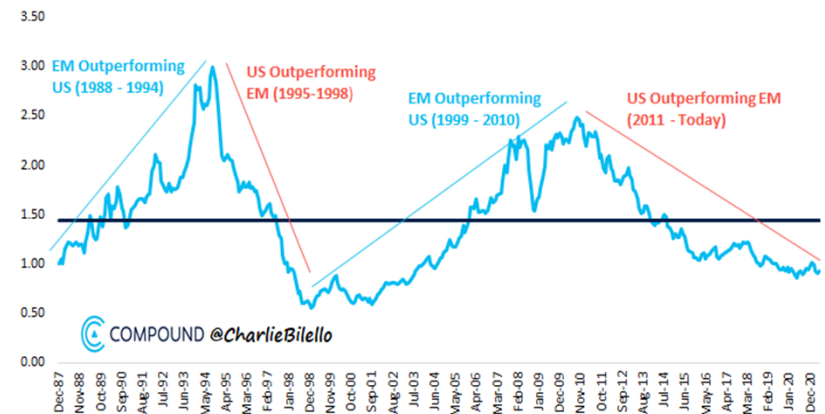
# EM valuation is attractive and at near all-time trough vs. DM valuation

## Relative Valuation\*

MSCI Emerging Markets Index/S&P 500 Index  
 Monthly data: March 1995 through August 2021



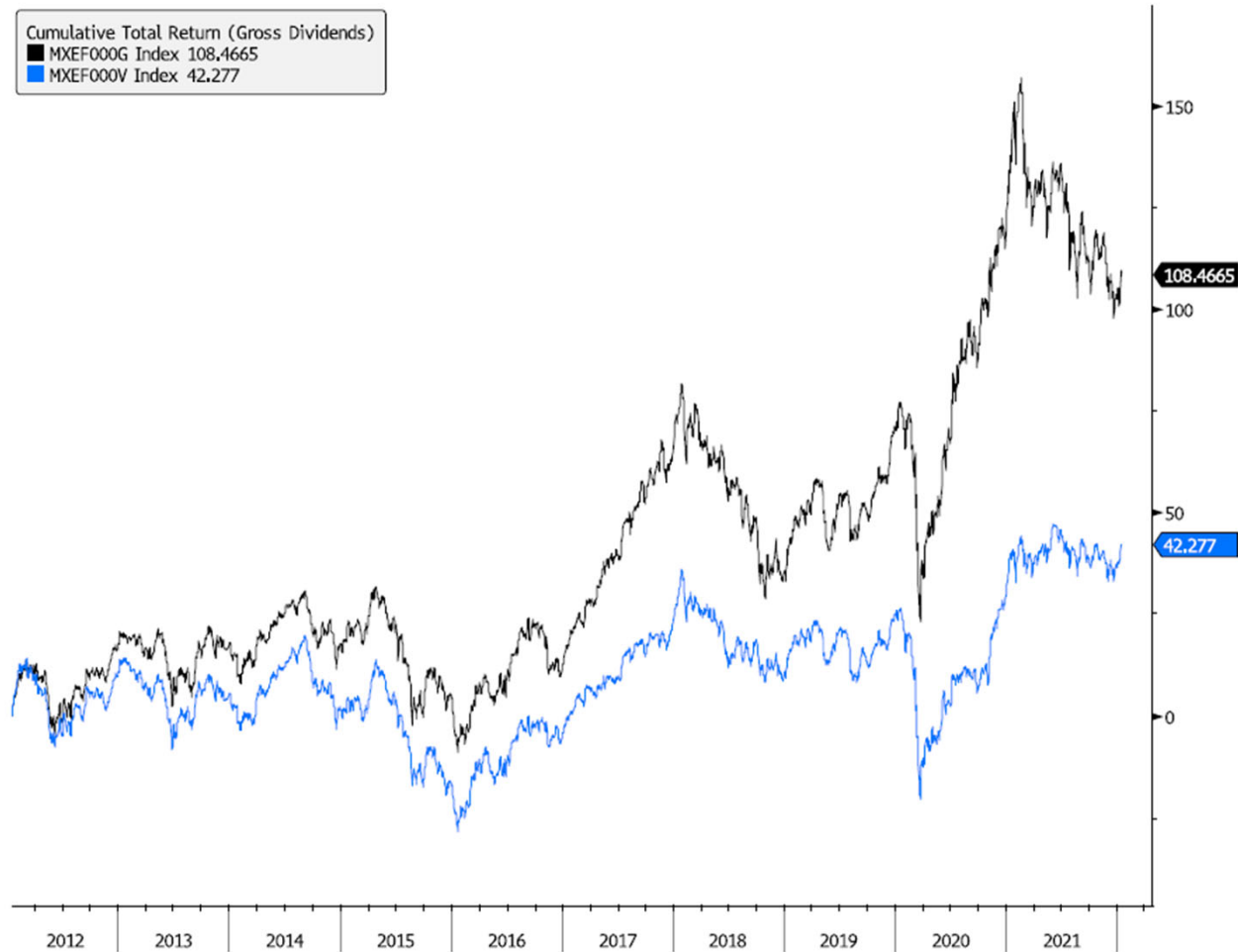
## Ratio: MSCI Emerging Markets to S&P 500 (Total Return, 1988 – 2021)



\*Average of the five relative valuation measures  
 Sources: Bloomberg, MSCI

# The case for active growth investing in EM is strong

MXEF000G Index (MSCI EM Growth Index)  
 MXEF000V Index (MSCI EM Value Index)



Sources: Bloomberg

# We believe there are many compelling long term investment themes across EM

## Healthcare

Healthcare Spending as of % of GDP	
<b>USA</b>	17%
<b>Japan</b>	11%
<b>Brazil</b>	10%
<b>South Africa</b>	8%
<b>China</b>	7%
<b>Saudi Arabia</b>	6%
<b>India</b>	4%
<b>Indonesia</b>	3%

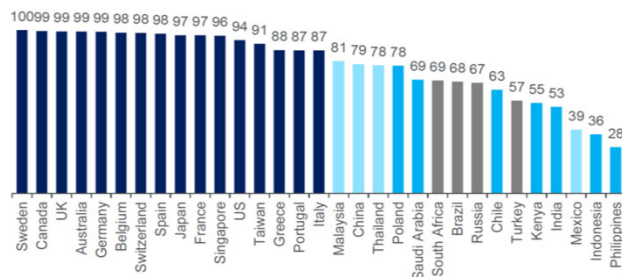
Sources: Bloomberg

## Semiconductor

- Semiconductor supply chain will continue to develop and strengthen in EM
- Advanced semiconductor chips are critical drivers of next generation technologies
- Increasing difficulties in manufacturing technology have built competitive barriers for leading semiconductor manufacturers in Asia

## Digital Transformation and Digitally Native Companies

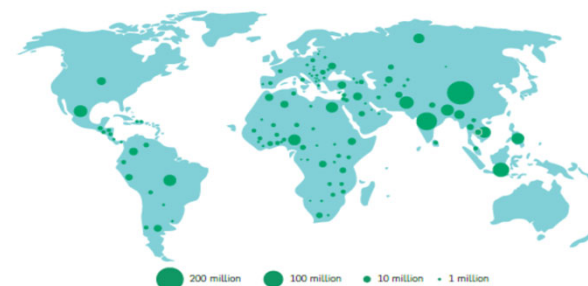
**Banked Adult Population**  
 % of Adults with an Account at a Financial Institution



#Dark blue shading shows DMs, light blue EMs.

Source: World Bank Global Findex 2014, Citi Research

**Two-thirds of unbanked adults have a mobile phone**  
 Adults without an account owning a mobile phone, 2017



Source: Global Findex database, Gallup World Poll, 2017

Note: Data are not displayed for economies where the share of adults w/o an account is 5% or less

# China offers areas of exciting investment opportunities for stock pickers, notwithstanding recent regulatory and credit challenges

## Green energy / EV

- Achieving improved air quality and carbon neutrality are critical strategic priorities for China
- Anticipate continued policy support and investment from the government in renewables and electric vehicles (EVs)

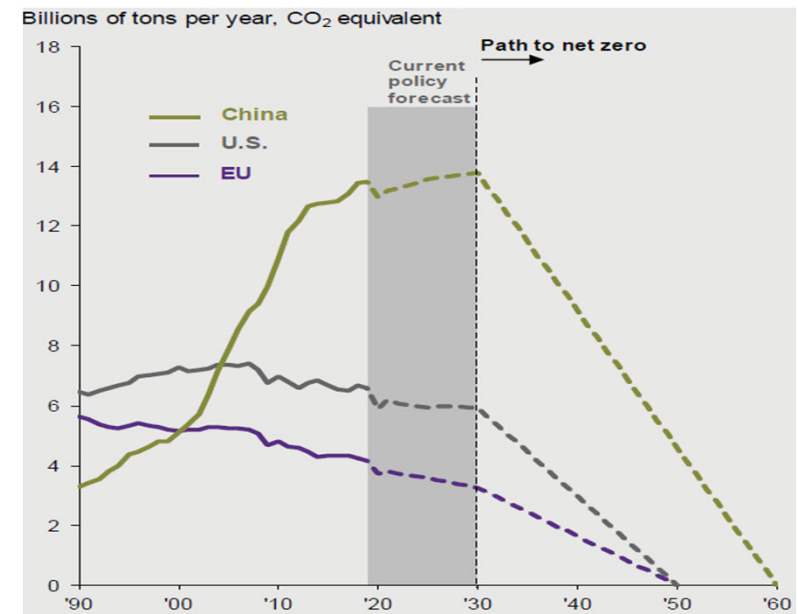
## Localization

- Building home-grown national champions across a variety of industries to challenge historically dominant foreign competitors
- Domestic national champions receive government support and have significant growth runway as they gain market share

## Innovation enablers

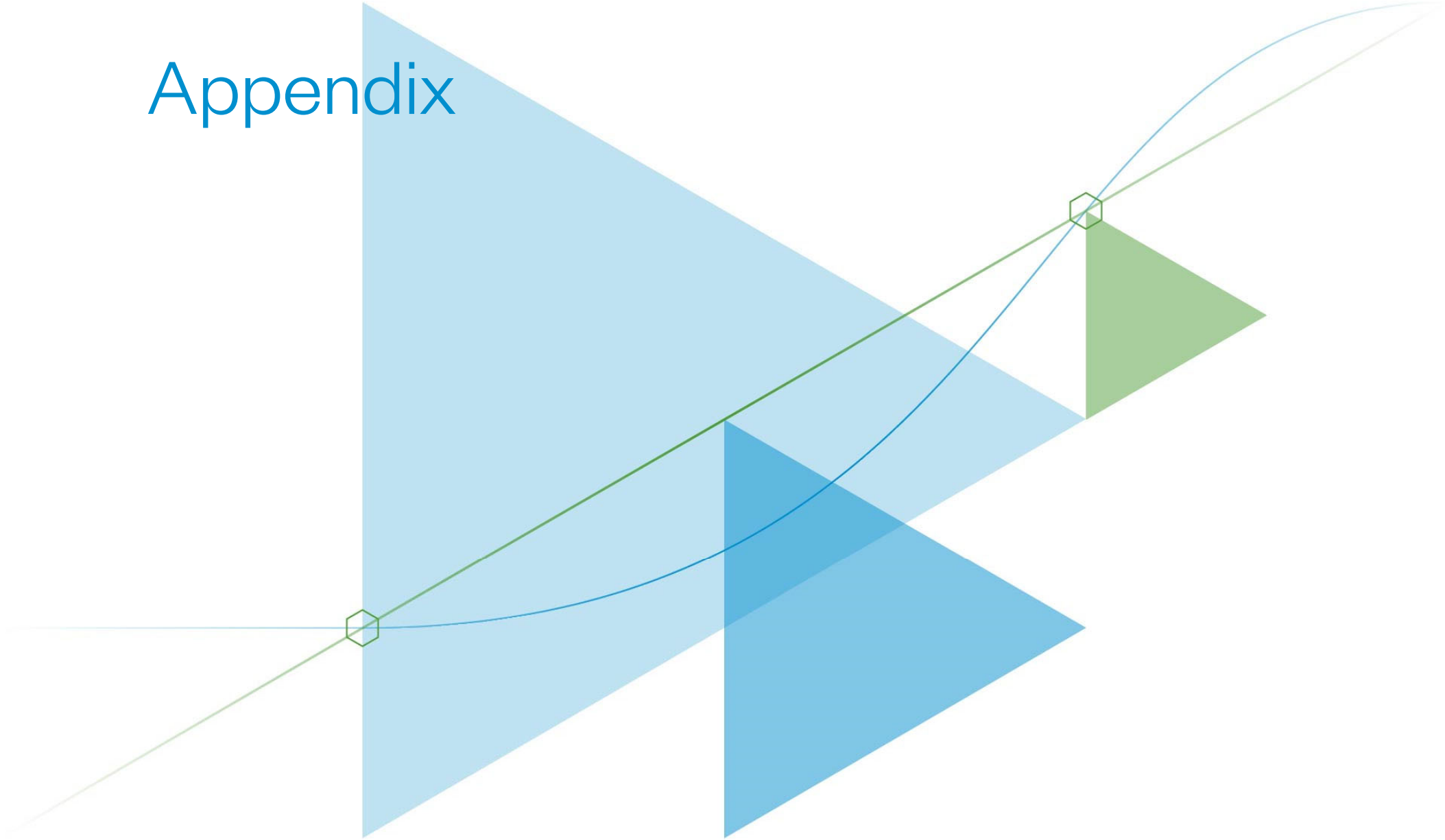
- China's commitment to advance continuously along the value-added curve is succeeding
- Open-platform companies that enable innovation will continue to be strong beneficiaries and important sources of investment returns

## Greenhouse gas emissions targets



Sources: Bloomberg

# Appendix



# Axiom International Equity Strategy: GIPS composite report

## International Equity Composite (Inception 07/01/96)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	20.20%	19.21%	7.82%	6	2,251.0	18,639.7	12.08	0.54	15.82	16.79
<b>2020</b>	37.97%	36.84%	10.65%	6	2,202.5	18,535.9	11.88	N/A	17.83	17.93
<b>2019</b>	33.76%	32.66%	21.51%	7	1,715.6	13,458.1	12.75	N/A	12.99	11.34
<b>2018</b>	-16.34%	-17.05%	-14.20%	6	989.4	9,729.2	10.17	N/A	13.02	11.38
<b>2017</b>	35.25%	34.15%	27.19%	6	1,123.6	12,116.0	9.27	N/A	10.91	11.87
<b>2016</b>	-3.56%	-4.38%	4.50%	7	1,124.2	9,671.6	11.62	0.11	11.17	12.51
<b>2015</b>	1.21%	0.35%	-5.66%	7	1,402.2	8,704.3	16.11	0.20	11.25	12.13
<b>2014</b>	-2.76%	-3.58%	-3.87%	8	2,035.0	9,482.3	21.46	0.07	13.04	12.81
<b>2013</b>	32.03%	30.94%	15.29%	8	2,307.9	9,949.8	23.20	0.42	16.91	16.23
<b>2012</b>	13.92%	12.98%	16.83%	12	3,008.3	8,611.6	34.93	0.25	19.83	19.26
<b>2011</b>	-19.02%	-19.71%	-13.71%	15	4,691.0	10,161.2	46.17	0.37	22.90	22.71

**Fee schedule: First \$25 million: 0.85%; Balance: 0.75%**

**Firm Compliance Statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Axiom International Equity Composite has had a performance examination for the periods September 1, 1998 to September 30, 2021. The verification and performance examination reports are available upon request.

**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The International Equity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of international equities. Portfolios are invested in the full range of developed markets and may also invest in selected emerging markets. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all Institutional international style fee-paying, discretionary equity accounts, regardless of asset size and comingled fund(s). The Composite was initiated and created in September 1998. For the periods from July 1, 1996 to August 31, 1998 (the "Prior Composite") was managed by Andrew Jacobson and current Axiom team members at Columbus Circle Investors ("Columbus"). A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request.

**Benchmark Description:** The benchmark is the MSCI All Country World ex U.S. index, which is designed to measure the equity market performance of developed and emerging markets excluding the United States. The benchmark is calculated on a total return basis with net dividends reinvested, after the deduction of withholding taxes and is free float-adjusted market cap weighted and unmanaged. Prior to January 1, 2001, the benchmark was calculated on a total return basis not including tax credits. FX is based off London 4 P.M. close.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars. FX is based off NY 4 P.M. close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom International Equity Fund II, which is included in the International Equity Composite is listed above. The total expense ratio as of December 31, 2020 was 0.07%. The Axiom International Equity CIT, which is also included in the composite has an all-in fee (management fees & expenses) of 0.85%.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Axiom Global Equity Strategy: GIPS composite report

## Global Equity Composite (Inception 07/01/04)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	20.20%	19.21%	18.54%	≤5	3,672.3	18,639.7	19.70	N/A	17.95	16.84
<b>2020</b>	36.03%	34.92%	16.25%	≤5	3,554.8	18,535.9	19.18	N/A	19.40	18.13
<b>2019</b>	32.43%	31.35%	26.60%	≤5	2,575.4	13,458.1	19.14	N/A	13.80	11.22
<b>2018</b>	-10.76%	-11.51%	-9.42%	≤5	1,535.5	9,729.2	15.78	N/A	12.88	10.48
<b>2017</b>	35.03%	33.97%	23.97%	≤5	1,853.3	12,116.0	15.30	N/A	10.96	10.36
<b>2016</b>	-0.82%	-1.61%	7.86%	9	2,829.8	9,671.6	29.26	0.24	11.26	11.06
<b>2015</b>	4.78%	3.95%	-2.36%	10	3,072.8	8,704.3	35.30	0.16	11.19	10.79
<b>2014</b>	1.67%	0.86%	4.16%	11	3,269.7	9,482.3	34.48	0.19	12.08	10.50
<b>2013</b>	27.86%	26.86%	22.80%	13	4,072.2	9,949.8	40.93	0.25	16.30	13.94
<b>2012</b>	19.68%	18.84%	16.13%	16	3,270.0	8,611.6	37.97	0.17	19.76	17.13
<b>2011</b>	-10.52%	-11.17%	-7.35%	19	3,568.0	10,161.2	35.11	0.06	20.98	20.59

**Fee schedule: First \$25 million: 0.80%; next \$50 million: 0.70%; next \$150 million: 0.60%; next \$250 million: 0.50%; Balance: 0.30%**

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**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The Global Equity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of international equities. Portfolios are invested in companies located both in the United States and throughout the world. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all institutional global style fee-paying, discretionary equity accounts, regardless of asset size and comingled fund(s). The Composite was initiated and created in July 2004. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request.

**Benchmark Description:** The benchmark is the MSCI All Country World index, which is designed to measure the equity market performance of developed and emerging markets. The benchmark is calculated on a total return basis with net dividends reinvested, after the deduction of withholdings taxes and is free float-adjusted market cap weighted and unmanaged. FX is based off London 4 P.M. close.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars. FX is based off NY 4 P.M. close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom Global Equity Fund, which is included in the Global Equity Composite is listed above. The total expense ratio as of December 31, 2020 was 0.19%.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Axiom US Small Cap Equity Strategy: GIPS composite report

## US Small Cap Equity Composite – IPO Eligible (Inception 09/01/06)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	25.61%	24.58%	2.83%	≤5	249.9	18,639.7	1.34	N/A	17.06	23.07
<b>2020</b>	48.98%	47.77%	34.63%	≤5	242.7	18,535.9	1.31	N/A	20.74	25.10
<b>2019</b>	30.87%	29.80%	28.48%	≤5	204.3	13,458.1	1.52	N/A	15.67	16.37
<b>2018</b>	-2.70%	-3.51%	-9.31%	≤5	208.0	9,729.2	2.14	N/A	15.73	16.46
<b>2017</b>	21.02%	20.04%	22.17%	≤5	363.1	12,116.0	3.00	N/A	12.56	14.59
<b>2016</b>	5.52%	4.68%	11.32%	≤5	282.4	9,671.6	2.92	N/A	14.23	16.67
<b>2015</b>	-2.73%	-3.50%	-1.38%	≤5	44.2	8,704.3	0.51	N/A	14.37	14.95
<b>2014</b>	1.11%	0.31%	5.60%	≤5	101.7	9,482.3	1.07	N/A	13.14	13.82
<b>2013</b>	54.36%	53.17%	43.30%	≤5	103.7	9,949.8	1.04	N/A	14.65	17.27
<b>2012</b>	10.26%	9.47%	14.59%	≤5	78.0	8,611.6	0.91	N/A	17.68	20.72
<b>2011</b>	5.82%	4.91%	-2.91%	≤5	1.9	10,161.2	0.02	N/A	20.31	24.31

**Fee schedule: First \$10 million: 0.80%; next \$15 million: 0.75%; Balance: 0.70%**

**Firm Compliance Statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Axiom US Small Cap Equity – IPO Eligible composite has had a performance examination for the periods September 1, 2006 to September 30, 2021. The verification and performance examination reports are available upon request.

**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The US Small Cap Equity - IPO Eligible strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of small cap equities. Portfolios are invested in smaller capitalization equity and equity-related securities in companies located within the United States. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all Institutional small cap style fee-paying, discretionary equity accounts, regardless of asset size and comingled fund(s) that are eligible to invest in Initial Public Offerings. The Composite was initiated and created in September 2006. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request.

**Benchmark Description:** The benchmark is the Russell 2000 Growth index, which is designed to measure the performance of the small cap growth segment of the U.S. equity universe. The benchmark is calculated on a total return basis and is free float-adjusted market cap weighted and unmanaged.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income. The fee schedule for the Axiom US Small Cap Equity Portfolio, which is included in the US Small Cap Equity Composite – IPO Eligible is listed above. The total expense ratio as of December 31, 2020 was 0.61%. The Axiom US Small Cap Equity Trust CIT, which is also included in the composite has an all-in fee (management fees & expenses) of 0.70%.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Axiom Emerging Markets Equity Strategy: GIPS composite report

## Emerging Markets Equity Composite (Inception 08/01/07)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	-3.22%	-4.15%	-2.54%	17	7,526.5	18,639.7	40.38	0.26	18.49	18.33
<b>2020</b>	31.22%	29.99%	18.31%	17	7,342.6	18,535.9	39.61	0.53	19.80	19.60
<b>2019</b>	25.98%	24.79%	18.42%	18	6,180.6	13,458.1	45.93	0.31	14.46	14.17
<b>2018</b>	-15.76%	-16.59%	-14.58%	18	4,541.1	9,729.2	46.67	0.50	14.76	14.60
<b>2017</b>	42.57%	41.21%	37.28%	21	6,210.6	12,116.0	51.26	0.71	15.07	15.35
<b>2016</b>	9.30%	8.21%	11.19%	16	3,170.0	9,671.6	32.78	0.17	15.55	16.07
<b>2015</b>	-11.29%	-12.19%	-14.92%	16	2,571.7	8,704.3	29.54	0.29	13.96	14.06
<b>2014</b>	-0.26%	-1.26%	-2.19%	14	2,349.1	9,482.3	24.77	0.35	15.07	15.00
<b>2013</b>	4.30%	3.26%	-2.60%	8	1,444.2	9,949.8	14.52	0.30	19.37	19.04
<b>2012</b>	22.94%	21.74%	18.22%	8	1,271.3	8,611.6	14.76	0.03	21.98	21.50
<b>2011</b>	-17.48%	-18.31%	-18.42%	7	833.8	10,161.2	8.21	0.07	26.38	25.76

**Fee schedule: First \$25 million: 1.00%; next \$75 million: 0.90%; next \$25 million: 0.80%; next \$50 million: 0.70%; Balance: 0.60%**

**Firm Compliance Statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Axiom Emerging Markets Equity composite has had a performance examination for the periods August 1, 2007 to September 30, 2021. The verification and performance examination reports are available upon request.

**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The Emerging Markets Equity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of emerging market equities. Portfolios are invested in the full range of global emerging markets. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all institutional emerging markets style fee-paying, discretionary equity accounts, regardless of asset size and comingled fund(s). The Composite was initiated and created in August 2007. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request.

**Benchmark Description:** The benchmark is the MSCI Emerging Markets index, which is designed to measure the equity market performance in the global emerging markets. The benchmark is calculated on a total return basis with net dividends reinvested, after the deduction of withholding taxes and is free float-adjusted market cap weighted and unmanaged. FX is based off London 4 P.M. close.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars. FX is based off NY 4 P.M. close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom Emerging Markets Equity Fund, which is included in the Emerging Markets Equity Composite is listed above. The total expense ratio as of December 31, 2020 was 0.15%. The Axiom Emerging Markets Trust CIT, which is also included in the composite has an all-in fee (management fees & expenses) of 1.00%.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Axiom International Small Cap Equity Strategy: GIPS composite report

## International Small Cap Equity Composite (Inception 01/01/14)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	11.18%	10.12%	12.93%	7	1,095.4	18,639.7	5.88	N/A	18.58	19.86
<b>2020</b>	38.87%	37.57%	14.24%	7	1,076.8	18,535.9	5.81	N/A	20.93	20.98
<b>2019</b>	34.82%	33.57%	22.42%	6	672.9	13,458.1	5.00	N/A	13.60	11.61
<b>2018</b>	-18.59%	-19.39%	-18.20%	≤5	389.8	9,729.2	4.01	N/A	14.77	12.34
<b>2017</b>	41.39%	40.09%	31.65%	≤5	334.7	12,116.0	2.76	N/A	12.11	11.53
<b>2016</b>	-0.67%	-1.65%	3.91%	≤5	227.0	9,671.6	2.35	N/A	12.53	12.31
<b>2015</b>	29.59%	28.35%	2.60%	≤5	19.8	8,704.3	0.23	N/A	N/A	N/A
<b>2014</b>	-1.48%	-2.47%	-4.03%	≤5	7.9	9,482.3	0.08	N/A	N/A	N/A

**Fee schedule: First \$25 million: 0.95%; next \$75 million: 0.85% ; Balance: 0.75%**

**Firm Compliance Statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Axiom International Small Cap Equity composite has had a performance examination for the periods January 1, 2014 to September 30, 2021. The verification and performance examination reports are available upon request.

**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The International Small Cap Equity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of International small cap equities. Portfolios are invested in smaller capitalization international equity and international equity-related securities. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all institutional international small cap style fee-paying, discretionary equity accounts, regardless of asset size and comingled fund(s). The Composite was initiated and created in January 2014. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request.

**Benchmark Description:** The benchmark is the MSCI All Country World ex U.S. Small Cap index, which is designed to measure the small cap equity market performance of developed and emerging markets excluding the United States. The benchmark is calculated on a total return basis with net dividends reinvested, after the deduction of withholding taxes and is free float-adjusted market cap weighted and unmanaged. FX is calculated using London 4 P.M. close.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month effective September 30, 2017.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars. FX is based off NY 4 P.M. close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom International Small Cap Equity Fund, which is included in the International Small Cap Equity Composite is listed above. The total expense ratio as of December 31, 2020 was 0.20%. The Axiom International Small Cap CIT, which is also included in the composite has an all-in fee (management fees & expenses) of 0.80%.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Axiom Emerging Markets World Equity Strategy: GIPS composite report

## Emerging Markets World Equity Composite (Inception 07/01/14)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	-0.71%	-1.66%	-2.54%	8	1,634.8	18,639.7	8.77	0.48	18.10	18.33
<b>2020</b>	34.07%	32.81%	18.31%	8	1,876.2	18,535.9	10.12	N/A	19.65	19.60
<b>2019</b>	25.67%	24.49%	18.42%	6	1,268.6	13,458.1	9.43	0.09	14.33	14.17
<b>2018</b>	-16.00%	-16.82%	-14.58%	≤5	1,118.5	9,729.2	11.50	N/A	14.42	14.60
<b>2017</b>	44.13%	42.76%	37.28%	≤5	221.6	12,116.0	1.83	N/A	13.87	15.35
<b>2016</b>	7.09%	6.07%	11.19%	≤5	87.1	9,671.6	0.90	N/A	N/A	N/A
<b>2015</b>	-7.83%	-8.73%	-14.92%	≤5	2.2	8,704.3	0.02	N/A	N/A	N/A
<b>2014*</b>	-1.41%	-2.12%	-1.25%	8	1,666.7	18,649.8	8.94	N/A	19.08	19.13

\*Non-annualized partial period performance beginning 7/01/2014

**Fee schedule: First \$25 million: 1.00%; next \$75 million: 0.90%; next \$25 million: 0.80%; next \$50 million: 0.70%; Balance: 0.60%**

**Firm compliance statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Axiom Emerging Markets World Equity composite has had a performance examination for the periods July 1, 2014 to September 30, 2021. The verification and performance examination reports are available upon request.

**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The Emerging Markets World Equity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of emerging market equities. Portfolios are invested in the full range of global emerging markets within all capitalization sizes. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all institutional emerging markets world style fee-paying, discretionary equity accounts, regardless of asset size. The Composite was initiated and created in July 2014. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request. As of September 30, 2016, the Emerging Markets All Cap strategy (the "Composite") has been renamed the Emerging Markets World Equity composite.

**Benchmark Description:** The benchmark is the MSCI Emerging Markets index, which is designed to measure the equity market performance in the global emerging markets. The benchmark is calculated on a total return basis with net dividends reinvested, after the deduction of withholding taxes and is free float-adjusted market cap weighted and unmanaged. FX is based off London 4 P.M. close.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month effective July 31, 2018.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars. FX is based off NY 4 P.M. close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom Emerging Markets World Equity Fund, which is included in the Emerging Markets World Equity Composite is listed above. The total expense ratio as of December 31, 2020 was 0.96%.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Axiom Concentrated Global Growth Equity Strategy: GIPS composite report

## Concentrated Global Growth Equity Composite (Inception 12/03/14)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	22.32%	21.31%	18.54%	≤5	384.6	18,639.7	2.06	N/A	17.89	16.84
<b>2020</b>	38.02%	36.89%	16.25%	≤5	781.1	18,535.9	4.21	N/A	19.28	18.13
<b>2019</b>	38.49%	37.36%	26.60%	≤5	105.1	13,458.1	0.78	N/A	14.21	11.22
<b>2018</b>	-9.59%	-10.34%	-9.42%	≤5	135.1	9,729.2	1.39	N/A	13.33	10.48
<b>2017</b>	36.29%	35.43%	23.97%	≤5	153.4	12,116.0	1.27	N/A	11.11	10.36
<b>2016</b>	-3.09%	-3.46%	7.86%	≤5	43.1	9,671.6	0.45	N/A	N/A	N/A
<b>2015</b>	6.71%	6.27%	-2.36%	≤5	64.0	8,704.3	0.74	N/A	N/A	N/A
<b>2014*</b>	-1.23%	-1.26%	-1.55%	≤5	74.1	9,482.3	0.78	N/A	N/A	N/A

\*Non-annualized partial period performance beginning 12/03/2014

**Fee schedule: First \$25 million: 0.80%; next \$50 million: 0.70%; next \$150 million: 0.60%; next \$250 million: 0.50%; Balance: 0.30%**

Firm Compliance Statement: Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Axiom Concentrated Global Growth Equity composite has had a performance examination for the periods December 3, 2014 to September 30, 2021. The verification and performance examination reports are available upon request.

Definition of the Firm: The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

Policies: Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

Composite Description: The Concentrated Global Growth Equity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of international equities. Portfolios are invested in companies within the United States and throughout the world. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all institutional concentrated global growth style fee-paying, discretionary equity accounts, regardless of asset size. The Composite was initiated and created in December 2014. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request.

As of 12/31/21

Benchmark Description: The benchmark is the MSCI All Country World index, which is designed to measure the equity market performance of developed and emerging markets. The benchmark is calculated on a total return basis with net dividends reinvested, after the deduction of withholdings taxes and is free float-adjusted market cap weighted and unmanaged. FX is based off London 4 P.M. close.

Reporting Currency: Valuations are computed and performance is reported in U.S. dollars. FX is based off NY 4 P.M. close.

Fees: Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Prior to May 2017, actual fees were used to calculate net of fee performance. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom Concentrated Global Growth Equity Fund, which is included in the Concentrated Global Growth Equity Composite is listed above. The total expense ratio as of December 31, 2020 was 0.66%.

Internal Dispersion: Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

Annualized Standard Deviation: The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Axiom International Opportunity Strategy: GIPS composite report

## International Opportunity Long/Short Composite (Inception 01/01/99)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	22.15%	18.79%	7.82%	≤5	212.9	18,639.7	1.14	N/A	18.72	16.79
<b>2020</b>	46.38%	40.07%	10.65%	≤5	193.8	18,535.9	1.05	N/A	21.56	17.93
<b>2019</b>	37.50%	35.44%	21.51%	≤5	161.0	13,458.1	1.20	N/A	16.49	11.34
<b>2018</b>	-20.05%	-20.97%	-14.20%	≤5	126.3	9,729.2	1.30	N/A	16.43	11.38
<b>2017</b>	43.90%	40.79%	27.19%	≤5	164.7	12,116.0	1.36	N/A	14.02	11.87
<b>2016</b>	-7.04%	-7.94%	4.50%	≤5	130.4	9,671.6	1.35	N/A	14.85	12.51
<b>2015</b>	4.24%	3.23%	-5.66%	≤5	156.2	8,704.3	1.79	N/A	16.65	12.13
<b>2014</b>	-4.03%	-5.22%	-3.87%	≤5	157.5	9,482.3	1.66	N/A	16.77	12.81
<b>2013</b>	47.57%	45.87%	15.29%	≤5	182.1	9,949.8	1.83	N/A	19.06	16.23
<b>2012</b>	12.02%	10.44%	16.83%	≤5	132.6	8,611.6	1.54	N/A	23.76	19.26
<b>2011</b>	-23.74%	-24.78%	-13.71%	≤5	168.7	10,161.2	1.66	N/A	30.72	22.71

### Fee schedule: 1.00% Management Fee and 10% Incentive Fee

**Firm compliance statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

**Definition of the firm:** The firm is currently defined for GIPS purposes as Axiom Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite description:** The International Opportunity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of international equities both long and short. Portfolios are invested in the full range of developed markets and may also invest in selected emerging markets. Currencies may be actively managed to reduce portfolio volatility. Modest levels of leverage may be used when deemed appropriate in declining markets. The Composite represents the performance of all institutional global style fee-paying, discretionary equity accounts, regardless of asset size and commingled fund(s). The Composite was initiated and created in January 1999. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request. As of September 1, 2016, the Composite includes both the International Opportunity and International Offshore Funds. Previously, only International Opportunity was included in the Composite.

**Benchmark Description:** The benchmark is the MSCI All Country World ex US Index, which is designed to measure the equity market performance of developed and emerging markets excluding the United States. The benchmark is calculated

on a total return basis with Net Dividends reinvested, after the deduction of withholding taxes and is free float-adjusted market cap weighted and unmanaged. Prior to January 1, 2001, the benchmark was calculated on a total return basis not including tax credits.

**Reporting currency:** Valuations are computed and performance is reported in US dollars. FX is based off NY 4 P.M. Close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule along with incentive fees. Incentive Fees are applied when the fund reaches its High Water Mark and are calculated quarterly over the period its realized. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom International Opportunity Fund, L.P. and Axiom Offshore Opportunity LP, which are included in the International Opportunity Long/Short Composite is listed above. The total expense ratio including incentive fees as of December 31, 2020 were 4.33% and 6.18%. The performance fee is earned when the fund's total return, reduced by the management fee, exceeds the benchmark return (the excess return) and the fund's net asset value is above the high watermark, which is the fund's net asset value as of the last quarter end when the performance fee crystallized. The performance fee is 10% of the excess return, which is calculated arithmetically, accrued quarterly, and crystallizes quarterly. Further details of the performance fee calculation are available upon request.

**Internal dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized standard deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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## Axiom International Small/Micro Cap Opportunity Strategy: GIPS composite report International Small/Micro Cap Opportunity Long/Short Composite (Inception 09/01/04)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	10.85%	7.09%	12.14%	≤5	108.0	18,639.7	0.58	N/A	13.87	8.47
<b>2020</b>	24.21%	17.45%	4.58%	≤5	109.5	18,535.9	0.59	N/A	14.98	9.22
<b>2019</b>	22.45%	19.60%	10.71%	≤5	103.5	13,458.1	0.77	N/A	9.86	5.43
<b>2018</b>	-7.99%	-10.60%	-9.42%	≤5	97.2	9,729.2	1.00	N/A	10.78	5.89
<b>2017</b>	30.51%	23.36%	9.98%	≤5	101.2	12,116.0	0.84	N/A	9.26	5.06
<b>2016</b>	0.56%	-2.19%	0.10%	≤5	88.7	9,671.6	0.92	N/A	9.72	5.37
<b>2015</b>	23.12%	17.64%	-2.33%	≤5	94.5	8,704.3	1.09	N/A	11.27	5.02
<b>2014</b>	3.83%	0.75%	1.42%	≤5	83.2	9,482.3	0.88	N/A	11.80	4.54
<b>2013</b>	22.47%	16.90%	11.14%	≤5	111.2	9,949.8	1.12	N/A	12.72	6.67
<b>2012</b>	24.61%	20.34%	4.81%	≤5	94.6	8,611.6	1.10	N/A	13.27	7.38
<b>2011</b>	-9.76%	-11.56%	-19.08%	≤5	117.7	10,161.2	1.16	N/A	13.20	8.16

### Fee schedule: 1.75% Management Fee and 20% Incentive Fee

**Firm compliance statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1993 to September 30, 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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**Policies:** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not predict or guarantee future results.

**Composite description:** The International Small/Micro Cap Opportunity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of Small/Micro Capitalization stocks, both long and short. Portfolios are invested in the full range of developed markets outside the United States and may also invest in selected emerging markets. Currencies may be actively managed to reduce portfolio volatility. Modest levels of leverage may be used when deemed appropriate in declining markets. The Composite represents the performance of all institutional global style fee-paying, discretionary equity accounts, regardless of asset size and commingled fund(s). The Composite was initiated and created in September 2004. A list of composite descriptions, a list of limited distribution pooled fund descriptions, a list of broad distribution pooled funds and performance results are available upon request. Prior to January 1, 2018, the composite name was the International Micro Cap Strategy.

**Benchmark Description:** The benchmark is the HFRX Equity Hedge which encompasses various equity hedge strategies, also known as long/short equity, that combine core long holdings of equities with short sales of stock, stock indices, related

derivatives, or other financial instruments related to the equity markets. Net exposure of equity hedge portfolios may range anywhere from net long to net short depending on market conditions. It is constructed using robust filtering, monitoring and quantitative constituent selection process using the Hedge Fund Research database (HFR Database), an industry standard for hedge fund data. FX is based off London 4 P.M. close.

**Reporting currency:** Valuations are computed and performance is reported in US dollars. FX is based off NY 4 P.M. Close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule along with incentive fees. Incentive Fees are applied when the fund reaches its High Water Mark and are calculated quarterly over the period its realized. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends. The fee schedule for the Axiom International Small/Micro Cap Opportunity Fund, L.P., which is included in the International Small/Micro Cap Opportunity Long/Short Composite is listed above. The total expense ratio including incentive fees as of December 31, 2020 were 4.00%. The performance fee is earned when the fund's total return, reduced by the management fee, exceeds the benchmark return (the excess return) and the fund's net asset value is above the high watermark, which is the fund's net asset value as of the last quarter end when the performance fee crystallized. The performance fee is 20% of the excess return, which is calculated arithmetically, accrued quarterly, and crystallizes quarterly. Further details of the performance fee calculation are available upon request.

**Internal dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

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# Axiom Global Small/Micro Cap Opportunity Strategy: GIPS composite report

## Global Small/Micro Cap Opportunity Long/Short Composite (Inception 02/01/07)

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
<b>2021</b>	9.96%	6.40%	12.14%	≤5	39.9	18,639.7	0.21	N/A	14.39	8.47
<b>2020</b>	25.23%	18.27%	4.58%	≤5	40.8	18,535.9	0.22	N/A	15.49	9.22
<b>2019</b>	22.81%	19.80%	10.71%	≤5	36.8	13,458.1	0.27	N/A	10.04	5.43
<b>2018</b>	-7.45%	-10.08%	-9.42%	≤5	32.6	9,729.2	0.33	N/A	11.13	5.89
<b>2017</b>	32.25%	25.63%	9.98%	≤5	35.2	12,116.0	0.29	N/A	9.64	5.06
<b>2016</b>	1.30%	-1.58%	0.10%	≤5	31.4	9,671.6	0.32	N/A	10.24	5.37
<b>2015</b>	23.01%	17.85%	-2.33%	≤5	32.7	8,704.3	0.38	N/A	11.36	5.02
<b>2014</b>	1.60%	-1.25%	1.42%	≤5	32.9	9,482.3	0.35	N/A	11.95	4.54
<b>2013</b>	24.43%	18.79%	11.14%	≤5	35.7	9,949.8	0.36	N/A	13.33	6.67
<b>2012</b>	26.45%	22.12%	4.81%	≤5	21.6	8,611.6	0.25	N/A	14.89	7.38
<b>2011</b>	-10.24%	-12.18%	-19.08%	≤5	20.0	10,161.2	0.20	N/A	15.30	8.16

### Fee schedule: 1.75% Management Fee and 20% Incentive Fee

**Firm compliance statement:** Axiom Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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**Benchmark Description:** The benchmark is the HFRX Equity Hedge which encompasses various equity hedge strategies, also known as long/short equity, that combine core long holdings of equities with short sales of stock, stock indices, related derivatives, or other financial instruments related to the equity markets. Net exposure of equity hedge portfolios may range

As of 12/31/21

anywhere from net long to net short depending on market conditions. It is constructed using robust filtering, monitoring and quantitative constituent selection process using the Hedge Fund Research database (HFR Database), an industry standard for hedge fund data. FX is based off London 4 P.M. close.

**Reporting currency:** Valuations are computed and performance is reported in US dollars. FX is based off NY 4 P.M. Close.

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**Internal dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized standard deviation:** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

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# Open Records and Open Meetings (SIB)



Dean DePountis  
Assistant Attorney General

# What is subject to open record laws?

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- All **records**
- In the possession of a **public entity**
- Regarding **public business**

# What is a Record?

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- **Recorded information** of any kind, regardless of the physical form or characteristic by which the information is stored, recorded, or reproduced . . .

# What is Public Business?

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- **All matters** that relate or may foreseeably relate in any way to . . . the performance of the public entity's governmental functions, including any matter over which the public entity has supervision, control, jurisdiction, or advisory power; or...the public entity's use of public funds.

# What is protected?

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- All public business records are open unless a law specifically provides the record is protected.
- Protected means the record is “not subject to Article XI of the North Dakota Constitution,” “not an open record,” “**exempt**,” or “**confidential**.”

# Examples of Records that are generally open

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- Personnel file, including:
  - *Job performance*
  - *Evaluations*
- Business-related e-mails
- Records on personal devices, including:
  - *Cell phones (e-mail, messages, photos)*
  - *Computers (e-mail, documents, etc.)*
- Contracts with a public entity, including:
  - *Prices*
  - *Costs*

# Exempt

- May be released.
- Public entity has discretion – needs entity action.
- May be called a “closed” record.
- Not against the law to release an exempt record.

# Confidential

- Cannot be released.
- Public entity has no discretion.
- Can only be released pursuant to a statute.
- Class C felony to knowingly release confidential records.



# Exempt

Public employee personal information, including:

- Month/Day of Birth;
- Home Address;
- Personal Phone Numbers;
- Photograph;
- DMV and Employee ID Numbers;
- Payroll Deduction Information;
- Dependent/emergency contact information;
- Any credit, debit, or electronic fund transfer card number;
- Any account number at a bank or other financial institution; and
- Type of leave taken, and leave applied for but not yet taken.

# Confidential

- Social Security Numbers;
- Computer Passwords;
- Employee use of Employee Assistance Programs; and
- BCI background checks.

# 2021 Open Record Legislative Changes

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- Applications (N.D.C.C. § 44-04-18.27)
  - *Applications and any records related to the applications which contain information that could reasonably be used to identify an applicant are exempt. Finalists' information remains open.*
- Active litigation records (N.D.C.C. § 44-04-19.1(12))
  - *Records obtained, compiled, or prepared by a public entity or the attorney representing a public entity for the purpose of litigation, unless the records already have been filed publicly or the litigation is completed, are exempt.*

## 44-04-18.4. Confidentiality of trade secret, proprietary, commercial, financial, and research information

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Trade secret, proprietary, commercial, and financial information is confidential if it is of a privileged nature and it has not been previously publicly disclosed.

# "Commercial information"

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...means information pertaining to buying or selling of goods and services that has not been previously publicly disclosed and that if the information were to be disclosed would impair the public entity's future ability to obtain necessary information or would cause substantial competitive injury to the person from which the information was obtained.

# "Financial information"

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...means information pertaining to monetary resources of a person that has not been previously publicly disclosed and that if the information were to be disclosed would impair the public entity's future ability to obtain necessary information or would cause substantial competitive injury to the person from which the information was obtained.

# "Proprietary information"

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(2) Information received from a private business that has entered or is negotiating an agreement with a public entity to conduct research or manufacture or create a product for potential commercialization.

(5) Technical, financial, or marketing records that are received by a public entity, which are owned or controlled by the submitting person, are intended to be and are treated by the submitting person as private, and the disclosure of which would cause harm to the submitting person's business.

# "Trade secret"

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...means information, including a formula, pattern, compilation, program, device, method, technique, technical know-how, or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons that can obtain economic value from its disclosure or use; and

(2) Is the subject of efforts that are reasonable under the circumstances to maintain the secrecy of the information.

# Analysis

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1) Does the requested record contain:

- a. *A trade secret;*
- b. *Commercial information;*
- c. *Financial information; or*
- d. *Proprietary information.*

If not, it is not confidential and must be released. If yes, proceed to step 2.

2) Was the information previously publicly disclosed?

If yes, it is not confidential and must be released. If not, proceed to step 3.

3) Is the information privileged (impair state's ability to obtain information or substantial harm to competitive position of provider of information)?

If not, it is not confidential and must be released. If yes, the record must be redacted as appropriate.



# What is a Meeting?

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- A **quorum** of
- A **governing body**
- Of a **public entity**
- Discussing **public business**

# What is a Quorum?

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- **One-half or more of the members** of the governing body, or any smaller number if sufficient for a governing body to transact business on behalf of the public entity.

# Committees

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- Committee: **Two or more people** acting collectively pursuant to authority delegated to that group by the governing body.
  - *Includes delegation of any public business, including information gathering.*
  - *Applies even if the public business being discussed was not delegated to the committee by the governing body, so long as it relates to the business of the public entity.*

Key questions:

- Did the governing body delegate any sort of authority?
- Is the committee doing something the governing body could do itself?

# Committees

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It does not matter...

- If the committee does not have final authority;
- If the committee is just “brainstorming” or “fact-finding;”
- If the committee is only intended to recommend something to the governing body;
- If the subject being discussed is not a subject within the authority delegated to the committee.

...a quorum of a committee is still a meeting.

# A Meeting can happen...

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- By conference call;
- On very short notice;
- Over video conference; or
- At a restaurant

**Anywhere** a quorum is present.

# Open Meeting Exceptions

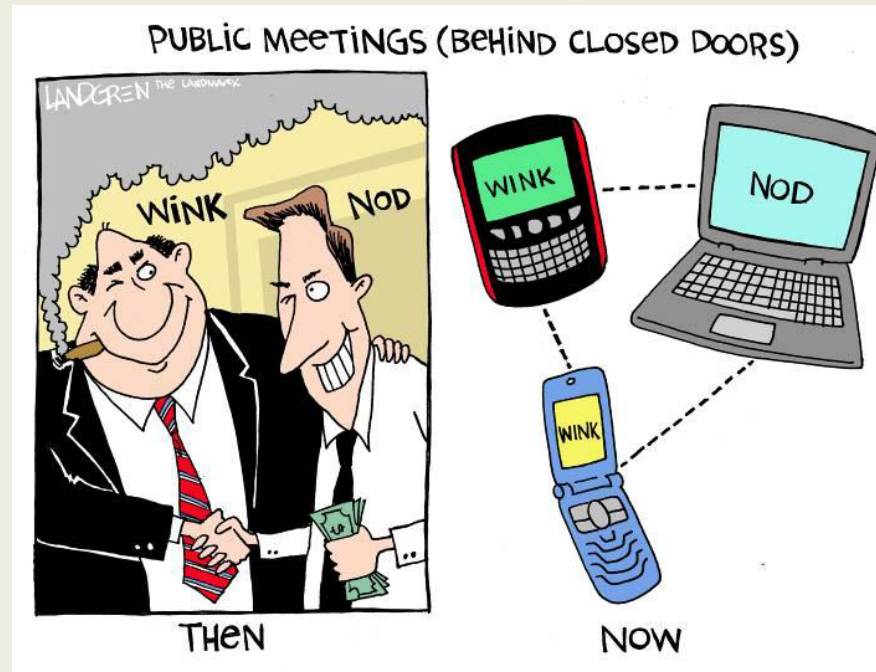
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- Chance or social gatherings where no public business is considered or discussed.
- Emergency operations during a disaster or emergency declared under section 37-17.1-10 or an equivalent ordinance if a quorum of the members of the governing body are present but are not discussing public business as the full governing body or as a task force or working group.
- Attendance at meetings of national, regional, or state associations.
- Training seminars where no public business is discussed.
- 2021 Legislative change: Administration of examinations by a regulatory board when no other public business is considered or discussed.

# Common Violations

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- Using technology to circumvent open meetings laws.



# Common Violations

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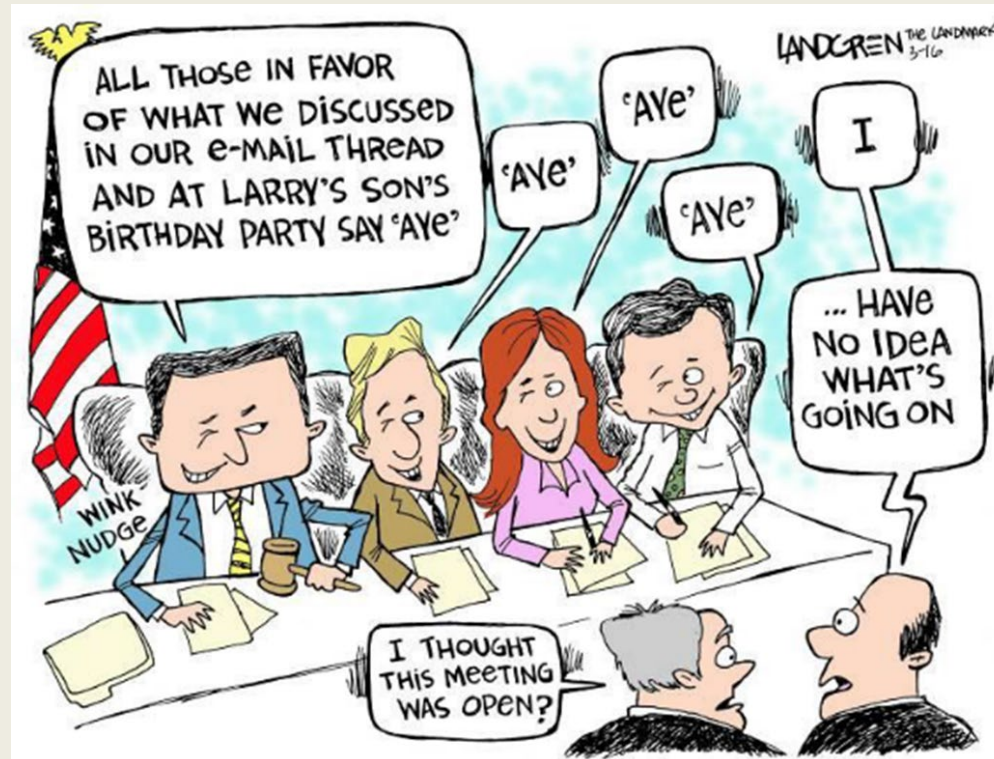
Using emails or other communication methods where a quorum is involved to discuss public business.

- Permissible
  - *To provide information for members to review before a meeting;*
  - *To set a meeting date.*
- Violation
  - *A member sharing thoughts, ideas, or opinions to a quorum of a public entity or a committee, even if no one responds.*
  - *Hitting “reply all” to a permissible communication to hold a discussion or provide an opinion.*



# Common Violations

- Telephone straw polling (no matter who does the polling).
- Serial meetings - a series of smaller gatherings which collectively constitute a quorum - and public business is discussed.



# 2021 Open Meetings Legislative Change

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## Access to Public Meetings

- If a meeting is held in-person, the meeting room must be accessible to, and the size of the room must accommodate, the number of persons reasonably expected to attend the meeting.
- If the meeting is held by electronic means, the electronic capacity must accommodate the number of persons reasonably expected to attend the meeting remotely.

# Executive Session

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Must be legally authorized:

- Most common: exempt/confidential records, attorney consultation, and negotiation strategy.
- Most common violation: closing meeting to discuss personnel matters.

# Executive Session

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## Attorney consultation – 2 Ways

1. Advice regarding and in anticipation of reasonably predictable or pending litigation or adversarial administrative proceedings **OR**
  2. To receive attorney's advice and guidance on the legal risks, strengths, and weaknesses of an action of a public entity, which, if held in public, **would have an adverse fiscal effect.**
- Remember: Just because attorney is sitting in does not automatically make it an attorney consultation!

# Executive Session

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## Negotiation strategy

- Must relate to strategy or provide instructions to an attorney or other negotiator,
- Regarding a pending claim, litigation, adversarial administrative proceedings, or contracts,
- Which is currently being negotiated or for which negotiation is reasonably likely to occur in the immediate future,
- **AND** must have adverse fiscal effect if the discussion would be held in public.

# Executive Session Procedure

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- Convene in open meeting;
- Announce in open meeting the topics to be discussed and legal authority;
  - *Note: To discuss confidential information – no motion necessary. To discuss exempt/closed information - motion to enter executive session.*
- Record the session (keep for 6 months);
- Note time of executive session and who attended in minutes;
- Only discuss topics in announcement;
- (usually) Final action in open meeting.

# Resources

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Attorney General's website: [www.attorneygeneral.nd.gov](http://www.attorneygeneral.nd.gov).

- Open Records & Meetings Laws
  - *Manuals & Guides*
    - Open Records Guide (“One pager”)
    - Template for Responding to Records Requests
    - Open Meetings Guide (“One pager”)
    - Sample Form for Closing Executive Session
    - Sample Meeting Notice
    - Notice Checklist

Thank you!





# INTERIM FYTD PERFORMANCE

## FIVE LARGEST CLIENTS – DECEMBER 31, 2021

	Date	TFFR	PERS	WSI	Legacy	Budget Stabilization
<b>Market Value</b>	<b>December 31</b>	<b>\$ 3,375,140,504</b>	<b>\$ 4,219,396,011</b>	<b>\$ 2,333,012,237</b>	<b>\$ 8,742,356,194</b>	<b>\$ 748,396,179</b>
<b>Net Investment Return - Actual through</b>	<b>December 31</b>	<b>5.48%</b>	<b>5.63%</b>	<b>2.34%</b>	<b>3.75%</b>	<b>-0.16%</b>
Total Fund Policy through	December 31	5.06%	5.11%	2.41%	3.68%	-0.47%
<i>Excess Return for 5 month period</i>	<i>December 31</i>	<i>0.42%</i>	<i>0.52%</i>	<i>-0.07%</i>	<i>0.07%</i>	<i>0.31%</i>

- Based on preliminary market data, which is unaudited and subject to material change, four of the five largest NDSIB clients are estimated to generate positive returns for the first half of the fiscal year.
- With the S&P 500 and NASDAQ Composite reaching record highs in the 4<sup>th</sup> quarter, equities continue to drive positive FYTD returns.
- Real estate investments also generated strong positive returns for the FYTD.
- Short term fixed income returns were negative resulting in Budget Stabilization's negative FYTD returns.

Estimated Month-to-Date and Fiscal Year-to-Date Returns as of December 31, 2021, are rough indicative estimates based on underlying benchmark data (not actual results) and all amounts are preliminary, unaudited and subject to material change.

# INVESTMENT PROJECTS UPDATE

## Legacy Fund Consultant Search :

- At the Dec. 8<sup>th</sup> Legacy and Budget Stabilization Fund Advisory Board (LBSFAB) meeting—Staff informed the LBSFAB that the RFP for the consultant search would be issued for two projects
  1. Asset Allocation Study for the Legacy Fund
  2. In-State Equity Program Consultant
- RFP issued on January 12<sup>th</sup>, 2022
- Staff responded to question from offerors on January 21, 2022
- Proposals due January 31<sup>st</sup>, 2022
- In-depth discussions with potential consultants from February 1-11<sup>th</sup>
- Consultant presentations to the LBSFAB scheduled for February 15<sup>th</sup>

# INVESTMENT PROJECTS UPDATE

## Staff Hiring:

Dr. Paul White will be officially joining the NDRIO on January 31<sup>st</sup>

- SVP at PNC, VP at Morgan Stanley
- Experience with Risk Management for Multi Asset Class, Investment Strategy, Portfolio Strategy, Portfolio Construction, Quantitative Research
- PhD Stanford (Applied Physics), MBA Wharton (Finance), BS MIT (Physics)

## Contracts/Onboarding:

- Arrowstreet contract signed.
- Initial investments slated for Feb. 1

## MEMORANDUM

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**TO:** SIB  
**FROM:** Jan Murtha, Executive Director  
**DATE:** January 26, 2022  
**RE:** Audit Committee Recommendations Follow-up

At its October 2021 meeting the SIB received recommendations from the Audit committee related to board governance. Specifically, that the SIB create a Governance & Policy Review (GPR) standing committee and expand and enhance new board member orientation and ongoing board member education.

RIO staff support these recommendations with one minor alteration, that the new GPR committee be directed to take on the task of developing and making a recommendation to the full SIB for policy changes related to board member orientation and education, as opposed to amending the policy prior to the creation of the GPR committee.

Pursuant to Policy B-10 of the SIB Governance Manual the creation of a standing committee requires an amendment to Policy B-6, and such an amendment may be adopted over the course of two meetings. The first meeting required an Introduction and First Reading. The second meeting requires a Second Reading and Final adoption. Policy B-10 states:

*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.*

A draft of the proposed policy change and draft charter are enclosed for your consideration.

**BOARD ACTION REQUESTED: Motion to approve Amendment to Policy B-6 and Draft GPR Committee Charter for First Reading.**

The board's standing committees are set forth in this policy as follows:

1. Audit Committee
2. Securities Litigation Committee
3. Executive Review Committee
- 3.4. Governance and Policy Review Committee

- A. The Audit Committee, Securities Litigation Committee, ~~and~~ Executive Review Committee, and Governance and Policy Review Committee shall operate under the terms of a charter approved by the board.

#### 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.

#### 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.

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**POLICY TITLE: *STANDING COMMITTEES***

The SLC will determine when an active role should be pursued in regards 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.

**INTRODUCTION – Executive Review Committee**

An Executive Review Committee (ERC) has been established as a standing committee of the SIB. The ERC 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*”. Internal audit will be responsible for preparing an annual summary of the required reports submitted to the SIB by the Executive Director 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.

The ERC will conduct a formal evaluation of the Executive Director during the first half of every calendar year. This formal evaluation by the ERC will serve as the basis for an annual compensation recommendation to be reviewed and approved by the SIB on or before June 30<sup>th</sup> each year. 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 Committee**

The ERC is authorized to:

- Conduct a formal evaluation of the Executive Director annually;
- Obtain SIB approval of the annual performance evaluation of the Executive Director;
- Make a compensation recommendation to the SIB on or before June 30<sup>th</sup> of each year; and
- Administer a formal self-assessment of the SIB periodically (unless instructed otherwise).

The ERC 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.

**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



## **Governance & Policy Review Committee Charter**

### **PURPOSE**

The Governance & Policy Review Committee (“Committee”) will assist the State Investment Board (SIB) to fulfill its responsibilities regarding matters that relate to governing the SIB, policies, and identifying and making recommendations to the SIB.

### **KEY RESPONSIBILITIES**

The Governance & Policy Review Committee shall perform all duties as requested or required by the SIB. The Governance & Policy Review Committee will specifically be responsible for the following duties and responsibilities:

1. Advise the SIB about operational strategies relevant to the SIB’s governance manual to strengthen the SIB and empower the Board members to meet its obligations related to sound governance principles and abide by the agency’s mission.
2. Advise the SIB about strategies that strive to increase the individual Board member effectiveness and their abilities to work collaboratively with their peers.
3. Review and make recommendations for policies for the governance manual that reflect best practices for overall good governance.
4. As directed by the board, review specific governance concerns and make recommendations for improvement.
5. Request Retirement and Investment Office staff for specific topic training and education for Board members. Make recommendations regarding an orientation process for newly appointed SIB members.

### **GOVERNANCE COMMITTEE COMPOSITION AND TERM LIMITS**

The Governance Committee shall be composed of at least three members. They will be nominated, approved by the SIB, and appointed by a majority vote of the SIB. This is a standing committee with no term limits. The Executive Director will be responsible for meeting preparation.

### **MEETINGS**

The Governance Committee will meet quarterly and hold additional meetings as needed to fulfill its responsibilities as described in this Committee Charter and as called by the Governance Committee Chair.

### **AUTHORIZATION AND LIMITATIONS OF POWER**

The Governance Committee is established by the SIB governance manual and has no power or authority to act on behalf of the full board. The Governance Committee will abide by the provisions in the governance manual that pertain to the meetings and actions of the Board.

## MEMORANDUM

**TO:** State Investment Board

**FROM:** Executive Review Committee

**DATE:** January 28, 2022

**SUBJECT:** SIB Board Self-Assessment

The Executive Review Committee will be conducting the Board Self-Assessment. The Board Self-Assessment will be sent out **Friday, January 28, 2022** and will be due **Friday, February 11, 2022**.

The Board Self-Assessment will be sent out via SurveyMonkey by the Supervisor of Internal Audit, Sara Sauter. Attached is a copy of the survey questions that will be asked.

The results will be presented at the February SIB meeting.

## **2022 State Investment Board Self-Evaluation**

### **Introduction**

The State Investment Board (SIB) has appointed the Executive Review Committee to administer a board self-evaluation.

As a member of the SIB you are being asked to participate in the board self-evaluation. There are five categories, for both the self-assessment and board assessment portions. The first 15 questions are self-assessment, followed by 12 questions for the board assessment portion, and ending with 2 open ended questions. After each category there is a comment section available to give explanation on your ratings or to make comments.

Please contact the Supervisor of Internal Audit, Sara Sauter, at 701-328-9896 or [sasauter@nd.gov](mailto:sasauter@nd.gov) if you have any questions.

Survey responses are due by midnight on **Friday, February 11, 2022.**

Thank you in advance for your participation.

## 2022 State Investment Board Self-Evaluation

### Self-Assessment

#### Board & Staff Roles

1. I believe I have the skills and training necessary to fulfill my responsibilities as SIB member.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. I understand the authority that has been retained by the SIB and what duties have been delegated to staff.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. I actively engage in Board meetings by contributing to the discussions in a meaningful way, listening to others (i.e., board members, staff, guests) and communicate my points concisely.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. I make an effort to be educated on the aspects of the investment program that I do not understand.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Board & Staff Roles

## 2022 State Investment Board Self-Evaluation Self-Assessment

### Board & Committee Structure

5. I understand board conduct, abide by it, and avoid conflicts of interest.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. I find my participation on the Board to be stimulating and rewarding.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. I am comfortable with the amount of time I devote as a Board member.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. If I am not able to attend the SIB meeting, I make appropriate notifications to staff and review the information presented at the meeting.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Board and Committee Structure

## 2022 State Investment Board Self-Evaluation

### Self-Assessment

#### Board Meetings

9. I am aware of an effective new member orientation program which outlined responsibilities and important organizational information.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. I am prepared for Board meetings, reading information in advance, so I can make informed decisions.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Board Meetings

## 2022 State Investment Board Self-Evaluation

### Self-Assessment

#### Policy Making & Reviews

11. I fully understand the policies of the SIB.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. I review board policies as necessary to fulfill my role as a board member.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Policy Making & Reviews

## 2022 State Investment Board Self-Evaluation Self-Assessment

### Financial Management & Investment Practices

13. I understand the legal duties and responsibilities required of me as a fiduciary.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. I sufficiently understand all financial reports and seek clarification when necessary.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15. I am familiar with the annual report by the independent auditors and understand any findings or recommendations.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Financial Management & Investment Practices



## 2022 State Investment Board Self-Evaluation

### Board Assessment

#### Board & Staff Roles

16. The Board members are consistently prepared for meetings and stays engaged.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

17. The Board has healthy discussions on a topic before making a well-informed decision.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

18. The Board recognizes the authority it has retained and what has been delegated to staff.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Board & Staff Roles

## 2022 State Investment Board Self-Evaluation

### Board Assessment

#### Board and Committee Structure

19. All Board members regularly attend board meetings.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

20. Standing and ad hoc committees complete their tasks in an effective and timely way.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

21. Standing and ad hoc committees communicate to the full board in an effective and timely manner.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Board and Committee Structure

## 2022 State Investment Board Self-Evaluation

### Board Assessment

#### Board Meetings

22. Board meetings are generally well-run and make good use of members' time.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

23. Board meetings allow the right allocation of time between Board discussions and presentations.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Board Meetings

## 2022 State Investment Board Self-Evaluation

### Board Assessment

#### Policy Making & Reviews

24. The Board reviews policies on a regular basis and updates them as needed.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

25. If a new policy is needed for the SIB, the policy is clearly presented to and discussed by the Board.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Policy Making & Reviews

## 2022 State Investment Board Self-Evaluation

### Board Assessment

#### Financial Management & Investment Practices

26. The Board regularly reviews the financial, investment, and portfolio performance of the agency.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

27. The Board is regularly informed of economic trends or conditions that can effect investment performance.

Strongly Agree	Agree	Disagree	Strongly Disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for Financial Management & Investment Practices

## 2022 State Investment Board Self-Evaluation Overall Assessment

**\* 28. Any final comments, observations, or suggestions for the board self-evaluation?**

**29. Please let the Executive Review Committee know if there are any areas in the board self-evaluation that you would like to see addressed in the future?**

## MEMORANDUM

**TO: SIB**  
**FROM: Jan Murtha, Executive Director**  
**DATE: January 28, 2022**  
**RE: Executive Pay Plan**

Dr. Lech will present the following information to the Board. Hope Wedul from HRMS will also be available to answer questions. The State of North Dakota generally provides paid annual leave according to the following schedule:

Length of Service – In Years	Annual Leave Hours Earned per Month
0-3	8
4-7	10
8-12	12
13-18	14
19+	16

Many state agencies offer their agency director an executive pay plan that allows for the accrual of 16 hours of annual leave per month upon their assumption of the position. Some state agencies permit the extension of this executive pay plan to an additional executive position within the agency in addition to offering the plan to the agency director. RIO has historically offered the executive pay plan to the ED/CIO position when it was combined. Subsequent to the split of the ED/CIO position, the executive pay plan was granted to the CIO but not the ED position. HRMS informed agency staff that this was not consistent with what has occurred in other state agencies.

**BOARD ACTION REQUESTED: Motion to approve Executive Pay Plan (for annual leave) for the ED position.**

## MEMORANDUM

**TO:** State Investment Board  
**FROM:** Jan Murtha, Executive Director  
**DATE:** January 25, 2022  
**RE:** Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update at the meeting on agency efforts to address current and future organizational risk through strategic planning. Including updates on the following topics:

1. **Facility Move:** RIO has successfully moved to its new location at the WSI Building. RIO is in the process of updating all communication methods to reflect both the new address and new branding logos previously developed by Dept. of Commerce.
2. **Staff Engagement:** As part of its commitment to team member professional development and in partnership with WSI, all RIO team members have or are scheduled to participate in Crucial Conversations training in 2022.
3. **Retirements/Resignations/FTE's/Temporary Assistance:**

Employee Title	Status
Executive Director	Filled 11/21
Chief Investment Officer	Filled 01/22
Deputy ED – Chief Retirement Officer	Anticipated posting week of 1/24/22
Chief Risk Officer	Start date 1/31/22
Contracts/Records Admin	Filled 11/21
Retirement Program Admin	Filled 11/21
Front Desk Temp	Filled 10/21
Membership Specialist Temp	Started 10/18/21; reposted in 11/21 and 1/22. Interviews 2/22.
Employer Reporting Intern	Start date 2/7/22
Investment #1	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's
Investment #2	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's
Investment #3	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's
Investment #4	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's
Accounting #1	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's
Programs Coordinator	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's



#### **4. Current Procurement Activities including:**

- **PAS Project** – We anticipate the contract negotiating phase to complete within February 2022. The ESC may issue a notice of award at the conclusion of contract negotiations and Phase 3 (final phase) will initiate.
- **Legacy Fund Advisory Board Consultant RFP** – The consultant for the Legacy Fund Advisory Board RFP was issued in January 2022. Finalists may be presented to the Advisory Board the week of February 14, 2022.

- 5. Strategic Planning:** RIO is undertaking the development of a comprehensive strategic plan by partnering with other state agencies who are leading such efforts. RIO has accepted an invitation to participate in a strategic planning project with ITD, the first meeting is scheduled for January 31, 2022. RIO is also collaborating with HRMS for the strategic planning of staffing needs. Further, WSI has also offered to provide strategic planning guidance and assistance.

**BOARD ACTION REQUESTED: Board Acceptance.**

**BUDGETING / FINANCIAL CONDITION**

**AS OF DECEMBER 31, 2021**

	2021-2023 BUDGET	ADJUSTED APPROPRIATION	EXPENDITURES			
			BIENNIUM TO DATE ACTUAL	BUDGET AVAILABLE	% BUDGET AVAILABLE	% OF BIENNIUM REMAINING
SALARIES AND BENEFITS	\$ 5,103,977.00 *	\$ 6,835,839.00	\$ 1,012,511.79	\$ 5,823,327.21	85.19%	75.00%
OPERATING EXPENDITURES	3,567,403.00 *	3,642,403.00	357,609.08	3,284,793.92	90.18%	75.00%
CAPITAL ASSETS	6,300,000.00	6,300,000.00	0.00	6,300,000.00	100.00%	75.00%
CONTINGENCY	100,000.00	100,000.00	77,650.00	22,350.00	22.35%	75.00%
<b>TOTAL</b>	<b>\$ 15,071,380.00</b>	<b>\$ 16,878,242.00</b>	<b>\$ 1,447,770.87</b>	<b>15,430,471.13</b>	<b>91.42%</b>	<b>75.00%</b>

\* In addition to the Capital Assets line, the salaries and benefit line includes \$50,000 and the operating expenditure budget includes \$2,318,875 for the TFFR Pension Administration System Project.

The adjusted appropriation includes additional amounts appropriated during the Special Legislative Session in November 2021.

**EXPENDITURE REPORT**  
**AS OF AND FOR THE QUARTER**  
**ENDED DECEMBER 31, 2021**

	INVESTMENT	RETIREMENT	QUARTERLY TOTALS	FISCAL YEAR TO - DATE	BIENNIUM TO - DATE
<u>CONTINUING APPROPRIATIONS</u>					
INVESTMENT EXPENDITURES	\$ 29,745,534	\$ 0	\$ 29,745,534	\$ 29,745,534	\$ 29,745,534
MEMBER CLAIMS					
1. ANNUITY PAYMENTS	0	61,164,351	61,164,351	122,641,095	122,641,095
2. REFUND PAYMENTS	0	1,958,589	1,958,589	3,503,215	3,503,215
TOTAL MEMBER CLAIMS	0	63,122,940	63,122,940	126,144,310	126,144,310
OTHER CONTINUING APPROPRIATIONS	108,769	1,409	110,178	140,207	140,207
TOTAL CONTINUING APPROPRIATIONS	29,854,304	63,124,349	92,978,653	156,030,051	156,030,051
<u>BUDGETED EXPENDITURES</u>					
1. SALARIES & BENEFITS					
SALARIES	177,948	155,599	333,548	752,637	752,637
OVERTIME/TEMPORARY	622	6,446	7,068	7,068	7,068
TERMINATION SALARY & BENEFITS	0	0	0	0	0
FRINGE BENEFITS	58,891	59,599	118,490	252,807	252,807
TOTAL SALARY & BENEFITS	237,461	221,644	459,105	1,012,512	1,012,512
2. OPERATING EXPENDITURES					
DATA PROCESSING	18,642	63,529	82,171	137,241	137,241
TELECOMMUNICATIONS - ISD	1,173	1,237	2,410	3,944	3,944
TRAVEL	2,763	1,476	4,239	6,656	6,656
IT - SOFTWARE/SUPPLIES	0	0	0	0	0
POSTAGE SERVICES	567	8,132	8,699	10,278	10,278
IT - CONTRACTUAL SERVICES	140	151	291	737	737
BUILDING/LAND RENT & LEASES	20,001	22,373	42,374	65,365	65,365
DUES & PROF. DEVELOPMENT	1,796	1,629	3,425	4,460	4,460
OPERATING FEES & SERVICES	3,676	4,183	7,860	9,190	9,190
REPAIR SERVICE	49	54	103	103	103
PROFESSIONAL SERVICES	1,143	71,748	72,891	115,704	115,704
INSURANCE	487	517	1,004	1,192	1,192
OFFICE SUPPLIES	95	167	262	348	348
PRINTING	77	975	1,052	1,388	1,388
PROFESSIONAL SUPPLIES & MATERIALS	15	15	30	861	861
MISCELLANEOUS SUPPLIES	49	51	100	142	142
IT EQUIPMENT UNDER \$5000	0	0	0	0	0
OTHER EQUIP. UNDER \$5000	0	0	0	0	0
OFFICE EQUIP. & FURNITURE UNDER \$5000	0	0	0	0	0
TOTAL OPERATING EXPENDITURES	50,672	176,240	226,913	357,609	357,609
3. CAPITAL ASSETS	0	0	0	0	0
4. CONTINGENCY	77,650	0	77,650	77,650	77,650
TOTAL BUDGETED EXPENDITURES	365,783	397,884	763,668	1,447,771	1,447,771
TOTAL EXPENDITURES	\$ 30,111,318	\$ 63,520,824	\$ 93,742,321	\$ 157,477,822	\$ 157,477,822

**EXPENDITURE REPORT**  
**AS OF DECEMBER 31, 2021**

**PAS PROJECT - UNEXPENDED PORTION CARRIED FORWARD TO 2021-23 BIENNIUM**

	2019-2021 Biennium Approved Budget	2019-2021 Biennium Actual	Carryover to 2021-2023 Biennium	2021-2023 Biennium Actual*	Total PAS Project to Date
TEMPORARY SALARIES	50,000	0	50,000	0	0
IT - DATA PROCESSING (NDIT PROJECT MGMT)	775,000	34,025	740,975	9,232	43,257
PROFESSIONAL SERVICES	1,875,000	297,099	1,577,901	90,789	387,889
CAPITAL ASSETS	6,300,000	0	6,300,000	0	0
<b>TOTAL PAS PROJECT BUDGET</b>	<b>9,000,000</b>	<b>331,125</b>	<b>8,668,875</b>	<b>100,021</b>	<b>431,146</b>

\* The amounts in the 2021-2023 actual column are included in the totals on the Expenditure Report on the previous page.

**INVESTMENT EXPENDITURE DETAIL**  
**INVESTMENT EXPENSES FOR YEAR ENDED JUNE 30, 2022**

	9/30/2021 Quarter	12/31/2021 Quarter	Fiscal Year to Date Totals
<b>Investment Manager Fees</b>			
Pension Investment Pool	\$ 16,119,121	\$ 56,983	\$ 16,176,104
Insurance Investment Pool	2,078,965	-	2,078,965
Legacy Fund	10,992,478	-	10,992,478
PERS Retiree Health Credit Fund / Job Service ND Pension Fund	301,967	-	301,967
<b>Total Investment Manager Fees</b>	<b>\$ 29,492,532</b>	<b>\$ 56,983</b>	<b>\$ 29,549,515</b>
<b>Investment Consultant Fees</b>			
Pension Investment Pool	\$ 84,223	\$ -	\$ 84,223
Insurance Investment Pool	29,678	-	29,678
Legacy Fund	82,119	-	82,119
<b>Total Investment Consultant Fees</b>	<b>\$ 196,020</b>	<b>\$ -</b>	<b>\$ 196,020</b>
<b>Total Investment Expenses</b>	<b>\$ 29,688,551</b>	<b>\$ 56,983</b>	<b>\$ 29,745,534</b>

**Quarterly Report on Ends  
Q4 2021**

Investment Program

**Manager Research and Monitoring Highlights**

Over the quarter, Staff spent a considerable amount of time conducting research on North Dakota banks, consulting firms, and private markets managers to advance the Legacy Fund's In-State investment program. Staff also continued to research the public equity space, meeting with Callan and a number of public equity managers in order to optimize North Dakota's public equity program.

**Portfolio Changes & Investment Consultant**

At the October 28<sup>th</sup> Legacy and Budget Stabilization Fund Advisory Board meeting, the Legacy and Budget Stabilization Fund Advisory Board recommended that the State Investment Board arrange to issue a request for proposal for an investment consultant to conduct an asset allocation study for the Legacy Fund.

At the December 8<sup>th</sup> Legacy and Budget Stabilization Fund Advisory Board meeting, Staff presented an update on the RFP process. At this meeting, Staff informed the Legacy and Budget Stabilization Fund Advisory Board that the RFP would be issued for two projects, one for an asset allocation study and one for an in-state equity program study.

**Other**

Staff continues to conduct preliminary due diligence on prospect managers/products for future consideration.

Staff continues to monitor each client's asset allocation monthly and makes rebalancing decisions based on rebalancing policy and cash flow requirements.

Staff attended meetings with many SIB client boards, sub-committees and/or legislative committees or representatives including TFFR, PERS, and WSI.

LSV and Epoch remain on the Watch List.

# NDRIO Investment Due Diligence Quarterly Monitoring Report

Oct-01-2021 to Dec-31-2021

Date	Firm	Reason For Call	Key Takeaways	Location	RIO Attendees
10/8/2021	Jackson Walker	Legal call on private transaction	Legal docs are in early stages	Call	Eric Chin, Matt Posch
10/8/2021	Invesco	Brief Update on Invesco	Consider optimizing real estate portfolio	Call	Eric Chin
10/13/2021	Barings - Muni Discussion	Discuss pricing on private transaction	Information on items to consider	Call	Eric Chin, Matt Posch
10/14/2021	Western	Update on Western		Call	Eric Chin
10/18/2021	Match Loan Liquidity Chat			Call	
10/20/2021	Wellington	Portfolio Review		Call	Matt Posch
10/21/2021	TPG	Explore TPG products	Potential for in-state program	Call	Eric Chin
10/21/2021	Bell Call	Explore products and potential for in-state program	Continue dialogue	Call	Matt Posch, Eric Chin
10/25/2021	50 South	NDGF Update		Call	Eric Chin, Matt Posch
10/26/2021	Manulife	Update	No issue	Call	Eric Chin
10/27/2021	Cerberus	Portfolio is near capacity	Consider upsizing portfolio	Call	Eric Chin
10/28/2021	Pagaya	Intro	Interesting Prospect	Call	Eric Chin
11/1/2021	Contrarian	Prospect Update	Interesting credit strategy	Call	Eric Chin
11/2/2021	Bell Bank	Discuss in-state opportunities	Continue dialogue	Call	Eric Chin, Matt Posch
11/2/2021	PanAgora	Introduction and strategy review	Quant equity strategy	Call	Matt Posch
11/3/2021	Epoch	Review of Global Choice performance and introduction to other strategy		Call	Matt Posch
11/5/2021	PGIM Fixed Income	Update on firm/products		Meeting	Eric Chin
11/8/2021	Merced Capital	Introduction on firm		Call	Matt Posch
11/9/2021	Federated	In person meet		Bismarck	Matt Posch
11/9/2021	Callan	Global Equity Discussion	Thoughts on how to structure equity portfolio	Call	Eric Chin, Matt Posch
11/10/2021	50 South	NDGF Update		Call	Eric Chin, Matt Posch
11/10/2021	Mercer	Asset allocation study & In-State consultant research	Continue dialogue	Call	Eric Chin, Matt Posch
11/12/2021	Aksia	In-state discussion		Call	Eric Chin
11/12/2021	Aon	Asset allocation study & In-State consultant research	Continue dialogue	Call	Eric Chin
11/12/2021	RVK	Asset allocation study & In-State consultant research	Continue dialogue	Call	Eric Chin
11/12/2021	William Blair	China dialogue		Call	Eric Chin, Matt Posch
11/15/2021	Callan	Global Equity	Structure of global equity	Call	Eric Chin, Matt Posch
11/15/2021	Probitas	Introduction		Call	Matt Posch
11/16/2021	Bell Bank	In-State equity discussion		Call	Matt Posch, Eric Chin
11/16/2021	Albourne	In-State Equity Consultant discussion		Call	Eric Chin
11/17/2021	Aksia	In-State Equity Consultant discussion		Call	Eric Chin
11/18/2021	William Blair	Portfolio Review		Call	Matt Posch
11/22/2021	Adams Street	In-State discussion		Call	Eric Chin, Matt Posch
11/22/2021	First Western	Intro call with First Western	ND Bank	Call	Eric Chin
11/23/2021	Aon	In-State Consultant Discussion		Call	Eric Chin
11/29/2021	Bravera	Intro call with Bravera		Call	Eric Chin, Matt Posch
11/29/2021	State Street	Transition management overview		Call	Matt Posch
11/30/2021	Entrust	Prospect Manager		Call	Eric Chin
11/30/2021	Aksia	In-State Consultant Discussion		Call	Eric Chin
12/2/2021	Jackson Walcker	Legal docs review		Call	Matt Posch, Eric Chin
12/3/2021	Ares	Portfolio Review	Portfolio is near fully committed	Call	Eric Chin, Matt Posch
12/6/2021	FIBT and PPC	In-State discussion		PPC Offices New York	Eric Chin
12/9/2021	CIFC	Prospect Manager		Meeting	Eric Chin
12/9/2021	Northland	Kick-Off call		Call	Eric Chin, Matt Posch
12/9/2021	Arrowstreet	Documentation and funding discussion		Call	Matt Posch
12/9/2021	GCM Grosvenor	LPAC		Video	Matt Posch
12/14/2021	Neuberger Berman	Catchup call		Call	Matt Posch
12/23/2021	TIR	ETO Timber Update		Call	Eric Chin, Matt Posch
12/28/2021	Adams Street	Update and future items		Call	Matt Posch, Eric Chin

**TFFR Ends  
Annual Review  
Year Ended June 30, 2021**

The information provided below indicates that the TFFR ends policies formally adopted by the TFFR Board and accepted by the SIB are being implemented.

**Ends Policy:           Membership Data and Contributions**

**Ends:**           Ensure the security and accuracy of the members' permanent records and the collection of member and employer contributions from every governmental body employing a TFFR member.

▪ **Collections and Payments**

Collected member and employer contributions totaling \$188.8 million from 210 employers and \$2.6 million from members for the purchase of service credit.

Paid out \$235.2 million in pension benefits and \$5.9 million in refunds and rollovers totaling \$241.1 million for the year.

About 86% of employers electronically report contributions to TFFR. This comprises over 98% of the active membership.

As of June 30, 2021, 183 employers are reporting using TFFR Employer Online Services.

Assessed 1 reporting penalty and did not withhold foundation payments from any school districts. TFFR waived the 1 penalty. Employer reporting penalties include late reporting of contributions and failure to provide documentation in a timely manner (e.g. new member forms, return to teach forms, employer compliance audit documentation.)

6 employers modified employer payment plan model election.

▪ **Employer Summary Report and Member Statements**

Mailed 9,068 annual statements to retired members in December 2020.

Mailed FY2021 Employer Summary Report to each employer in August 2021.

Prepared 14,623 Annual Statements for non-retiree's online accounts in September 2021.

Mailed 23,606 notices to all members and beneficiaries in September 2021, notifying members newsletters and active annual statements are found online.

▪ **Employer Outreach Programs & Communications**

The 2020 School Board and School Business Manager Association Annual Conference scheduled in October 2020, was cancelled due to COVID-19.

All new business manager trainings held at RIO were cancelled due to COVID-19.

The Spring Business Manager Workshop was held virtually in May 2021 where Tami Volkert and Denise Weeks presented TFFR material. There were approximately 105 attendees.

GASB 68 2020 data updated and added to website.

Briefly employer newsletter (3 publications sent electronically)



**Ends Policy: Member Services**

**Ends:** Provide direct services and public information to members of TFFR.

- **Outreach Program Statistics**

316 attended outreach programs (plus convention participants)  
Retirement Services staff traveled 0 miles

- **Retirement Education Workshops**

Cancelled due to COVID-19 - Retirement Education Workshops are generally held at two sites each year in July and rotate between Bismarck, Minot, Fargo, and Grand Forks. Additional workshops will be added if requested by an employer and minimum attendance can be met.

- **Retirement 101 Workshops** – None requested in fiscal year 2020-21

- **Group and Individual Counseling Sessions** – All Virtual - 135 attended

- **Local Office Counseling** – 31 members

- **Group Presentations - NDCEL** – Virtual - 150 attended

- **Conferences and Conventions**

ND Career and Technical Education Convention - Cancelled  
ND Retired Teachers Convention – n/a  
DPI Educators Conference - Bismarck  
ND School Board Convention – n/a  
NDCEL Annual Conference - Virtual  
CREA Winter Conference – n/a  
School In-Services – n/a

- **Member Communications**

Report Card non-retired newsletter (2 publications)  
Retirement Today retiree newsletter (2 publications)  
Updated TFFR Fast Facts handout  
Marketed Member Online with email blasts

- **NDRIO Website**

NDRIO is working with NDIT to find a better method for tracking website traffic.

The webcasts in the training library were viewed 199 times in FY21.

- **TFFR Member Online**

As of June 30, 2021, 6,559 members have signed up for TFFR Member Online Services.

**Ends Policy: Account Claims**

**Ends:** Ensure the payment of benefit claims to members of TFFR.

▪ **Annuity Payments**

Distributed \$235.2 million in pension benefits to 9,262 retired members and beneficiaries.

▪ **Monthly Payroll Deductions** (July 1, 2021 payroll – total 9,220)

Federal tax withholding	7,024	76%
ND state tax withholding	5,768	63%
PERS health insurance	598	6%
PERS dental insurance	373	4%
PERS vision insurance	206	2%
PERS life insurance	19	<1%

▪ **Refunds, Rollovers & Transfers**

Distributed refund and rollover payments of \$5.9 million to 222 participants during the fiscal year. Approximately 44% of the refunding members rolled over their refund payment to an IRA or another eligible plan.

▪ **Processed Claims for Benefits**

Refunds	124
Rollovers	98
Retirements	401
Disabilities	5
Survivor annuitants	4
Continuing annuitants	64

▪ **Member Account Activity**

New members	1,004
Deaths	188
Pop ups	53
Purchase requests	142
Retiree payroll notices	8,261

**Ends Policy: Trust Fund Evaluation/Monitoring**

**Ends:** Ensure actuarial consulting and accounting services are provided to the retirement program. The TFFR Board of Trustees will select the independent actuary for consulting and actuarial purposes and direct a contract to be executed by the Deputy Directory/Chief Retirement Officer.

▪ **Actuarial Services**

The annual actuarial valuation for July 1, 2021, was presented to the TFFR Board by Segal on November 18, 2021.

- **External Audit**

An unqualified opinion was issued by independent auditors, Clifton Larson Allen, LLP, regarding RIO's financial statements for the year ending June 30, 2021. Clifton Larson Allen, LLP presented the report to the SIB Audit Committee on November 16, 2021.

- **Internal Audit**

The annual audit activities report was presented to the TFFR Board on September 23, 2021. The report included information on the annual Employer Participant Data/Salary Review Audit, File Maintenance Audit, succession planning, and Pension Administration Modernization Project.

- **Other**

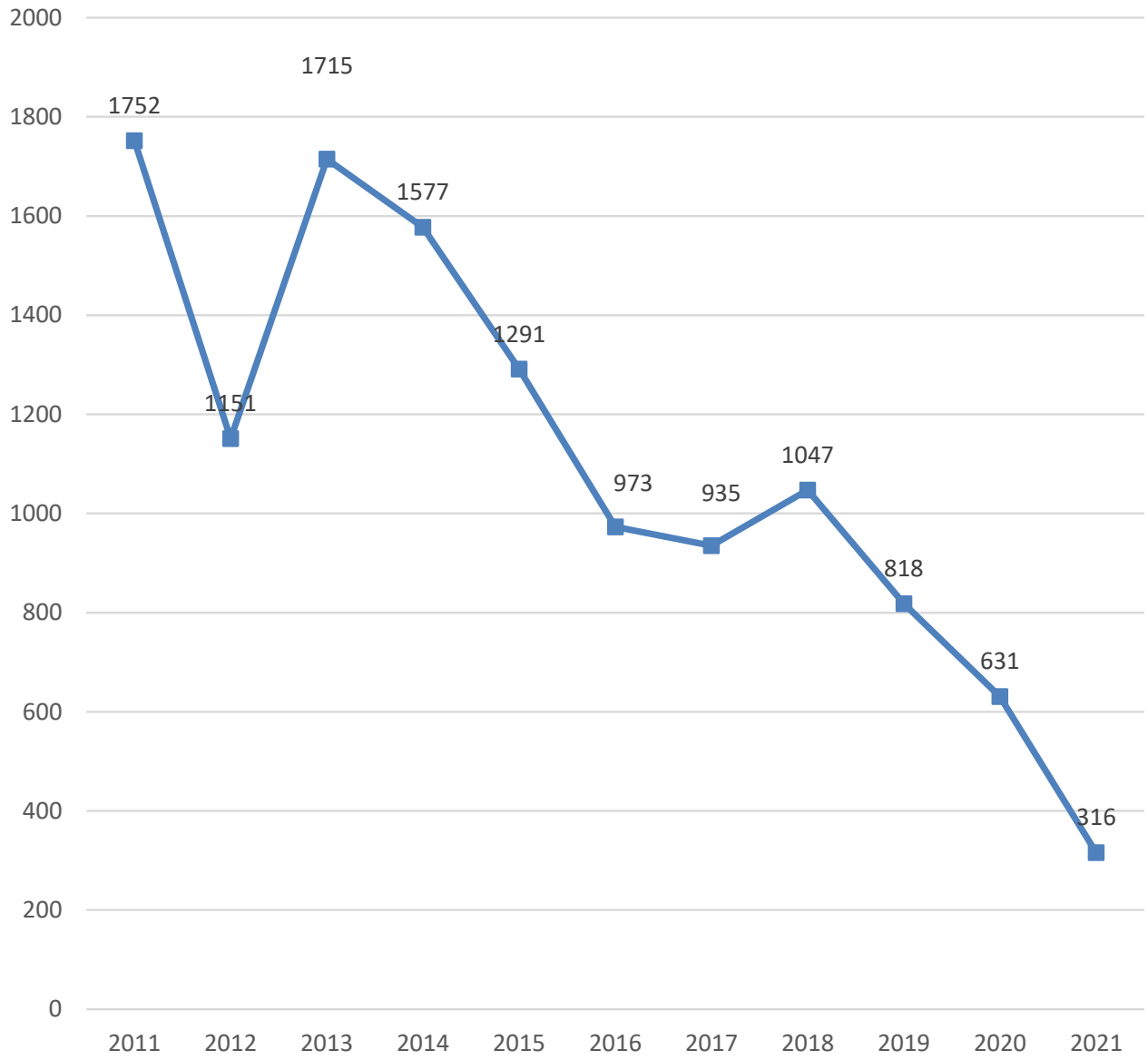
Received Certificate of Achievement in Financial Reporting from GFOA for June 30, 2020, Annual Financial Report.

Received 2021 recognition award for pension plan administration from the Public Pension Coordinating Council.

## **TFFR Retirement Statistics**

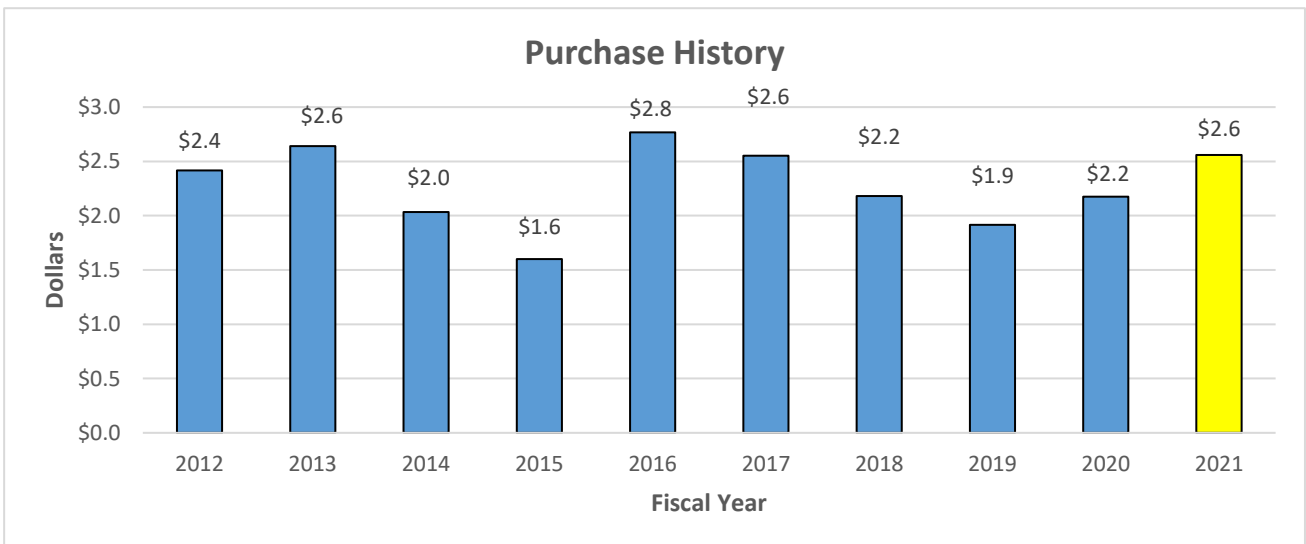
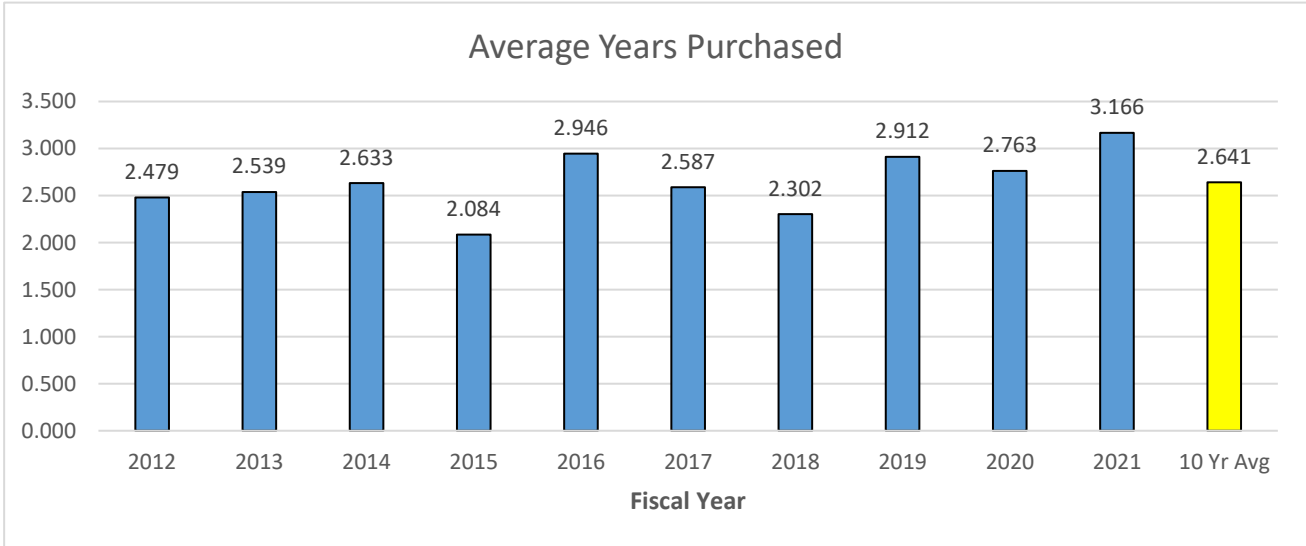
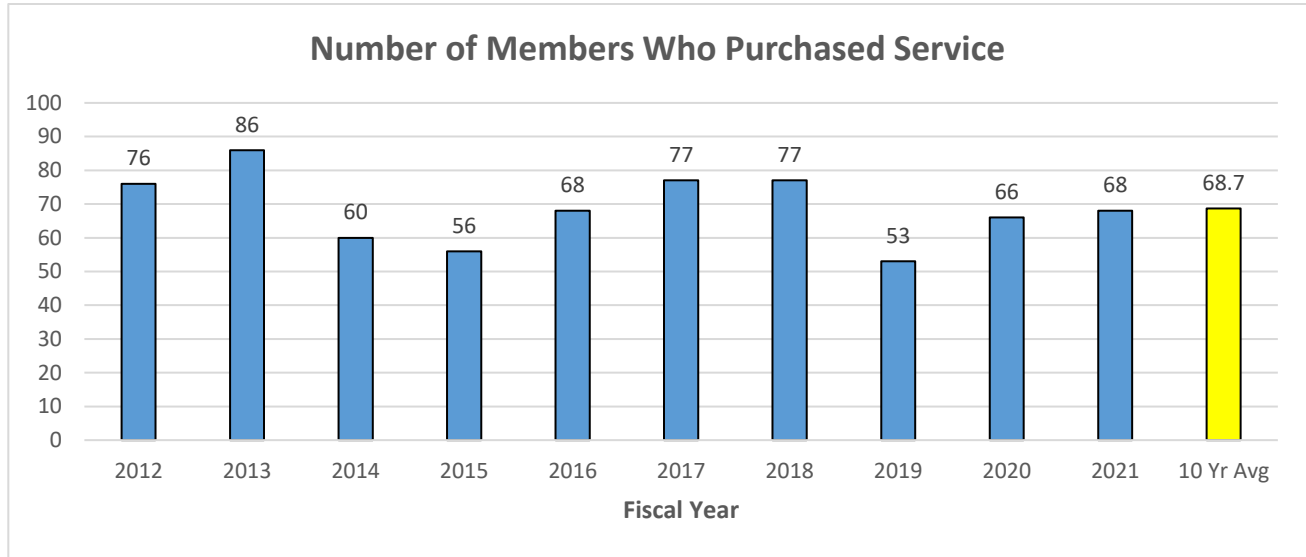
- >Participation in Outreach Programs
- >Service Purchase Statistics
- >Active Membership Tier Statistics
- >Service Retiree History & Option Usage
- >Retiree Statistics
- >Disability Retirements
- >Employer History & Current Employer Payment Model Statistics

## Participation in Outreach Programs

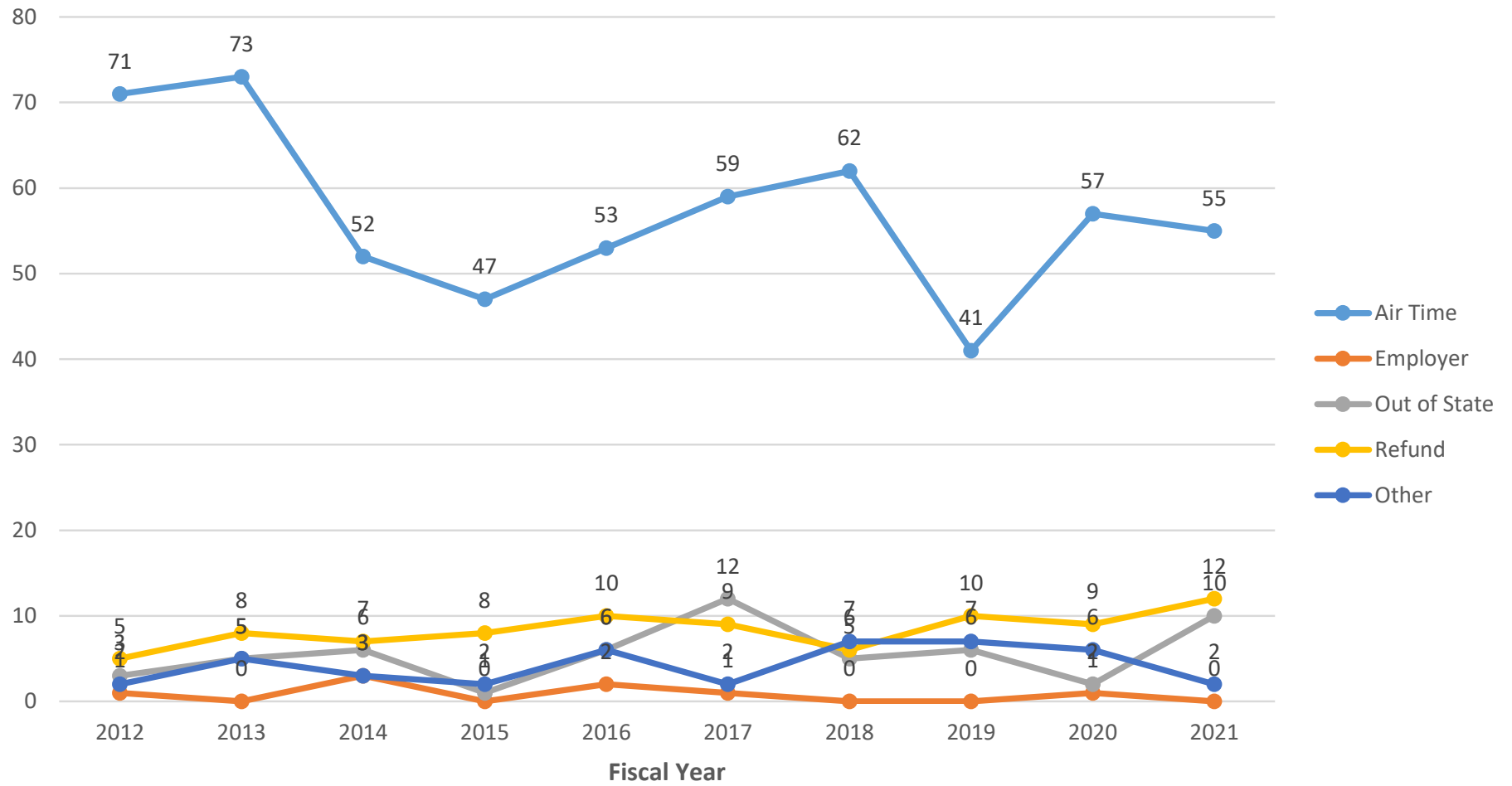


Fiscal Year Ending June 30

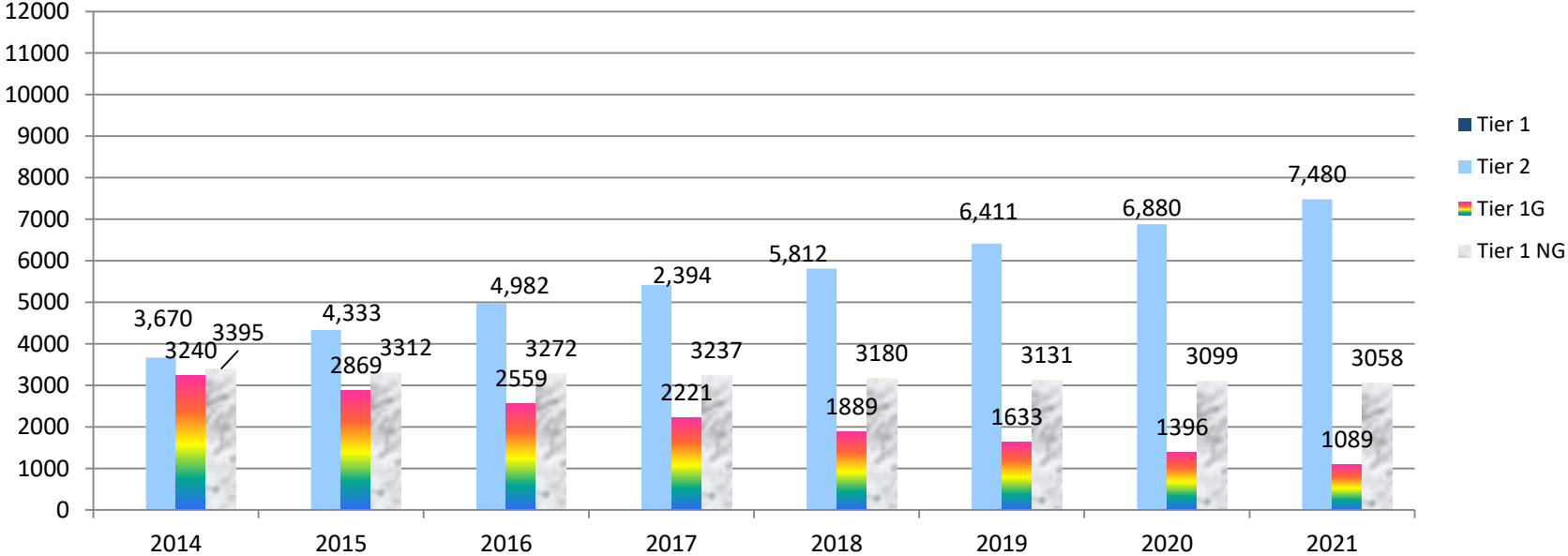
# Service Purchase Statistics 2021



### Purchase by Type

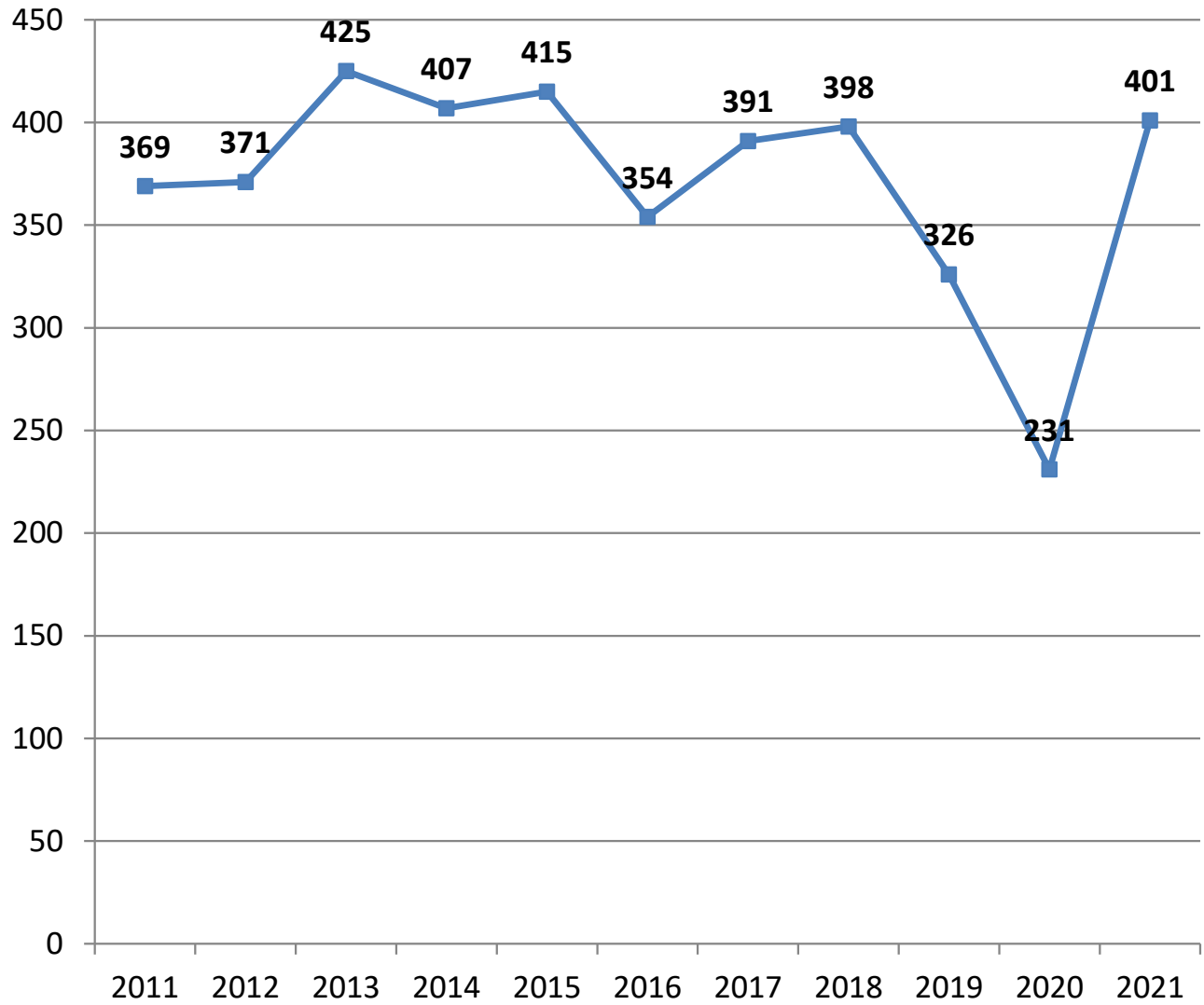


# ACTIVE MEMBERSHIP TIER STATISTICS





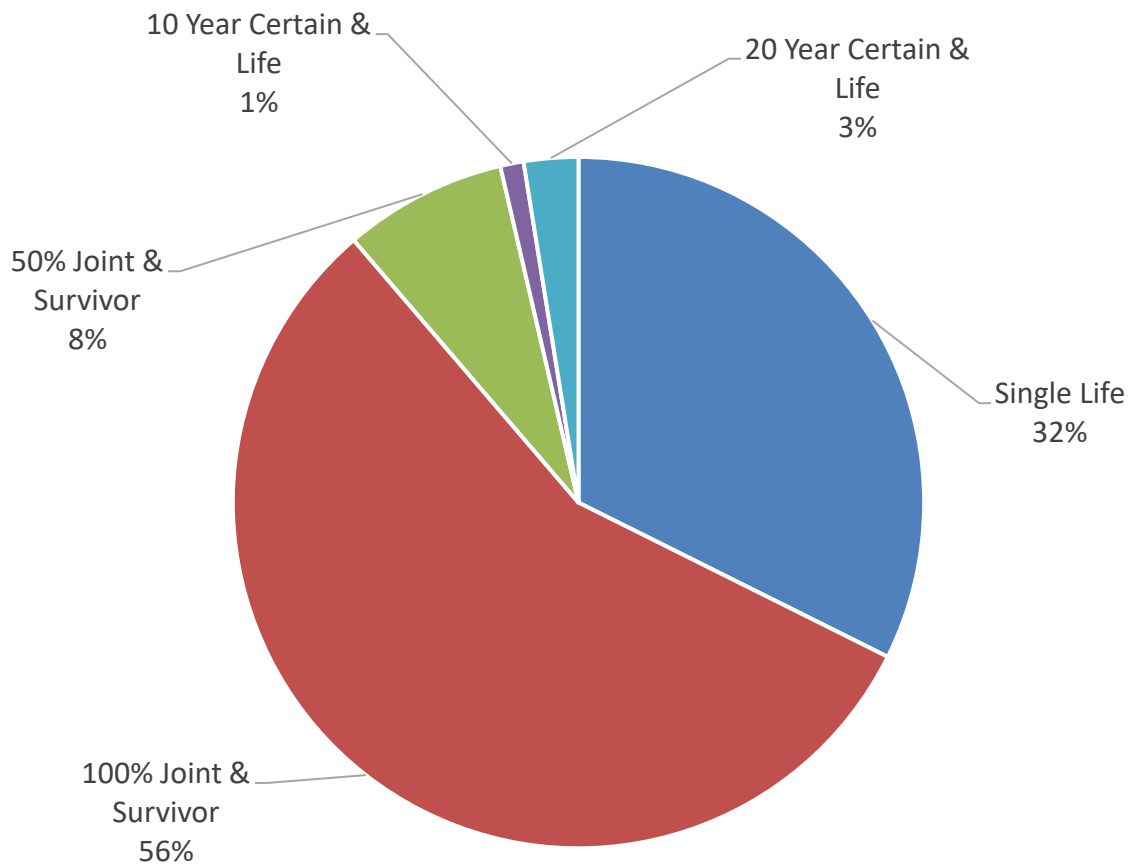
## Retiree Set-Ups by Fiscal Year



# Service Retirement Options

2020-21

Retirement Option	Number
Single Life	91
100% Joint & Survivor	146
50% Joint & Survivor	26
10 Year Certain & Life	2
20 Year Certain & Life	15
<b>Total</b>	<b>280</b>



Note: Of total, 0 members (0%) selected level income option.

Of total, 22 members (8%) selected partial lump sum option.

# TFFR Retiree Statistics

## Data Selection

- 9,262 retired members and beneficiaries as of July 2021 on data from the valuation file
- Selected various categories of retiree data and grouped data 3 ways

## TFFR Retiree Statistics by Fiscal Year

<u>Fiscal Year of Retirement Ending June 30</u>	<u>Avg Monthly Pension</u>	<u>Avg Annual Salary</u>	<u>Avg Service Credit</u>	<u>Avg Retirement Age of Member</u>	<u>Avg Current Age of Recipient</u>	<u>Number of Retirees</u>
pre-1979	\$ 491	\$ 7,955	26.1	59.5	87.1	45
1980	\$ 621	\$ 13,231	28.3	59.0	92.1	7
1981	\$ 506	\$ 12,025	20.9	57.3	97.2	5
1982	\$ 767	\$ 21,901	27.9	61.3	92.9	10
1983	\$ 421	\$ 10,536	21.8	58.5	90.8	5
1984	\$ 688	\$ 19,921	27.1	61.0	93.7	23
1985	\$ 925	\$ 25,141	31.6	59.6	90.0	13
1986	\$ 933	\$ 24,002	30.7	60.6	93.9	36
1987	\$ 833	\$ 23,629	26.8	59.2	90.6	10
1988	\$ 973	\$ 25,357	28.0	59.9	91.3	58
1989	\$ 1,034	\$ 30,018	28.1	59.5	90.3	18
1990	\$ 1,097	\$ 27,370	29.9	58.7	88.7	131
1991	\$ 1,031	\$ 28,590	26.5	59.2	87.7	63
1992	\$ 1,218	\$ 31,635	30.2	58.7	86.3	120
1993	\$ 1,087	\$ 33,028	25.9	57.2	83.4	50
1994	\$ 1,284	\$ 32,408	28.4	59.1	86.2	196
1995	\$ 1,254	\$ 32,863	27.8	58.6	83.4	159
1996	\$ 1,288	\$ 33,640	27.8	58.3	82.9	133
1997	\$ 836	\$ 27,441	20.1	58.2	82.3	69
1998	\$ 1,510	\$ 34,586	29.1	58.8	81.9	289
1999	\$ 1,136	\$ 33,799	21.6	58.5	80.4	85
2000	\$ 1,711	\$ 38,160	29.4	58.6	79.8	366
2001	\$ 1,393	\$ 38,849	23.2	56.9	77.0	74
2002	\$ 1,758	\$ 39,444	28.5	58.2	77.5	458
2003	\$ 1,730	\$ 40,513	27.2	58.1	76.2	269
2004	\$ 1,770	\$ 41,551	27.2	58.1	74.9	333
2005	\$ 1,914	\$ 43,166	27.7	58.4	74.6	339
2006	\$ 1,936	\$ 44,743	27.4	58.9	73.5	355
2007	\$ 2,119	\$ 48,223	28.0	58.6	72.7	332
2008	\$ 1,986	\$ 46,167	26.4	59.3	72.5	350
2009	\$ 2,126	\$ 49,330	27.1	59.2	71.3	331
2010	\$ 2,149	\$ 50,010	26.3	60.5	71.7	328
2011	\$ 2,174	\$ 50,966	25.8	60.4	70.2	394
2012	\$ 2,331	\$ 53,828	26.6	60.7	69.8	361
2013	\$ 2,627	\$ 58,200	27.8	60.5	68.7	452
2014	\$ 2,630	\$ 59,055	27.7	61.2	68.4	414
2015	\$ 2,553	\$ 57,887	26.8	61.0	67.1	390
2016	\$ 2,837	\$ 63,949	26.7	61.5	66.5	404
2017	\$ 2,872	\$ 64,197	26.8	61.9	65.8	376
2018	\$ 2,936	\$ 66,599	26.1	61.5	64.6	401
2019	\$ 3,058	\$ 72,011	25.3	61.7	63.6	364
2020	\$ 3,168	\$ 71,002	27.0	61.5	62.7	331
2021	\$ 3,129	\$ 72,062	26.8	61.6	61.8	280
2022	\$ 4,841	\$ 100,123	30.2	61.6	61.6	35
<b>All FY</b>	<b>\$ 2,172</b>	<b>\$ 50,130</b>	<b>27.2</b>	<b>59.9</b>	<b>72.7</b>	<b>9,262</b>

## TFFR Retiree Statistics by Formula

<u>Fiscal Year of Retirement Ending June 30</u>	<u>Avg Monthly Pension</u>	<u>Avg Annual Salary</u>	<u>Avg Service Credit</u>	<u>Avg Retirement Age of Member</u>	<u>Avg Current Age of Recipient</u>	<u>Number of Retirees</u>
Old formulas	\$ 491	\$ 7,955	26.1	59.5	87.1	45
1979-1983 or 1.00%	\$ 617	\$ 15,719	25.6	59.4	93.1	27
1983-1985 or 1.05%	\$ 774	\$ 21,806	28.7	60.5	92.4	36
1985-1987 or 1.15%	\$ 911	\$ 23,921	29.8	60.2	93.2	46
1987-1989 or 1.22%	\$ 988	\$ 26,461	28.0	59.8	91.0	76
1989-1991 or 1.275%	\$ 1,076	\$ 27,766	28.8	58.9	88.4	194
1991-1993 or 1.39%	\$ 1,179	\$ 32,045	29.0	58.2	85.5	170
1993-1997 or 1.55%	\$ 1,221	\$ 32,217	27.1	58.7	84.1	557
1997-1999 or 1.75%	\$ 1,425	\$ 34,408	27.4	58.8	81.6	374
1999-2001 or 1.88%	\$ 1,657	\$ 38,276	28.4	58.3	79.4	440
2001-present or 2.00%	\$ 2,410	\$ 54,973	27.0	60.2	69.6	7,297
<b>All Formulas</b>	<b>\$ 2,172</b>	<b>\$ 50,130</b>	<b>27.2</b>	<b>59.9</b>	<b>72.7</b>	<b>9,262</b>

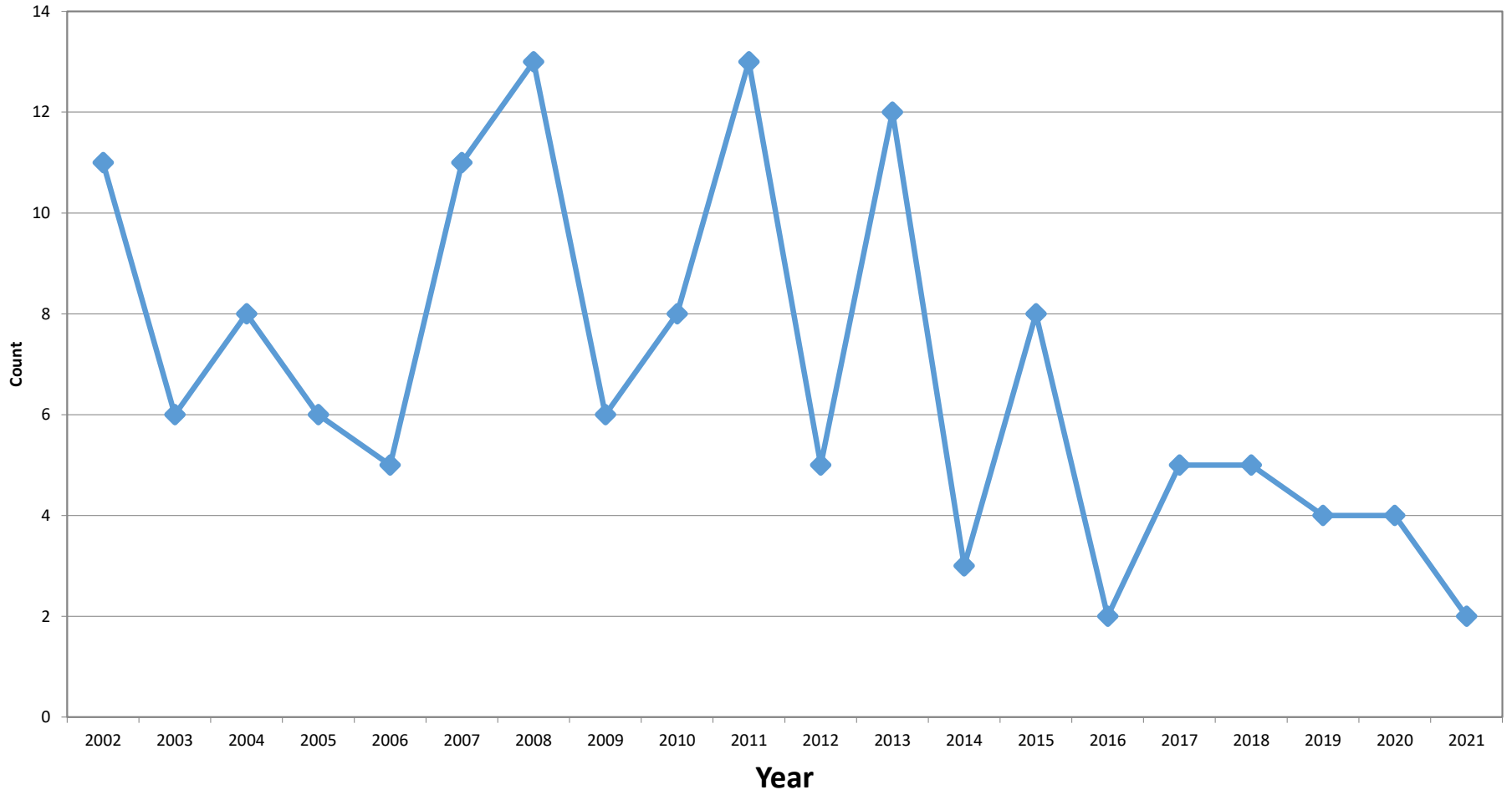
## TFFR Retiree Statistics By Retirement Type

<u>Type</u>	<u>Avg Monthly Pension</u>	<u>Avg Annual Salary</u>	<u>Avg Service Credit</u>	<u>Avg Retirement Age of Member</u>	<u>Avg Current Age of Recipient</u>	<u>Number of Retirees</u>
Death	\$ 1,367	\$ 39,679	26.8	58.7	75.2	816
Disability	\$ 1,255	\$ 40,271	15.2	50.6	65.8	125
Early	\$ 764	\$ 37,664	14.6	60.4	74.2	991
Normal	\$ 2,475	\$ 53,165	29.2	60.1	72.3	7,300
QDRO	\$ 684	\$ 48,715	9.6	59.0	69.4	30
<b>All Types</b>	<b>\$ 2,172</b>	<b>\$ 50,130</b>	<b>27.2</b>	<b>59.9</b>	<b>72.7</b>	<b>9,262</b>

## Disability Summary -- 2002 - 2021

• Total disabilities approved since 2002 - 2021	137
Of 137, number of physical disabilities:	118
Of 137, number of emotional disabilities:	19
• Average number of disabilities approved per year:	7
• Of 137, number that are living and drawing benefits:	92
Of 128, number that are living and returned to work:	3
Of 128, number that are deceased:	42
• Of 137, option selected was:	
Count of Single Life:	84
Count of 100% Joint & Survivor:	37
Count of 50% Joint & Survivor:	11
Count of 5 Year Certain & Life:	0
Count of 10 Year Certain & Life:	1
Count of 20 Year Certain & Life:	4
• Of 92 living and drawing benefits:	
Average service credit in years:	16
Average age in years:	62
Average monthly benefit:	\$1,468
Average years benefit was received:	11.2
Number of physical disabilities:	76
Number of emotional disabilities:	16
• Of 3 living and returned to work:	
Average service credit in years:	4.9
Average age in years:	62
Average monthly benefit:	\$888
Average years benefit was received:	5.4
Number of physical disabilities:	2
Number of emotional disabilities:	1

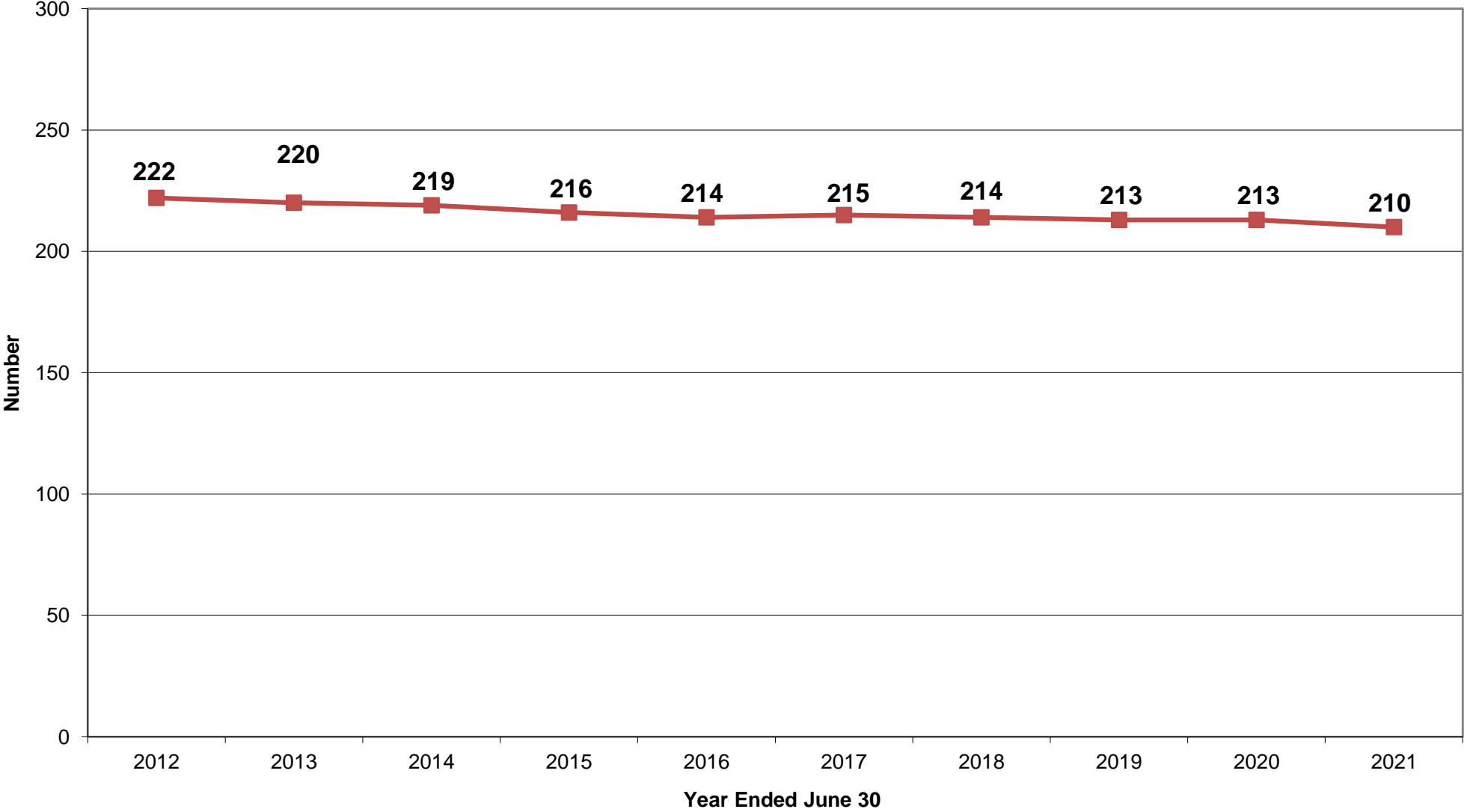
# Disabilities By Year





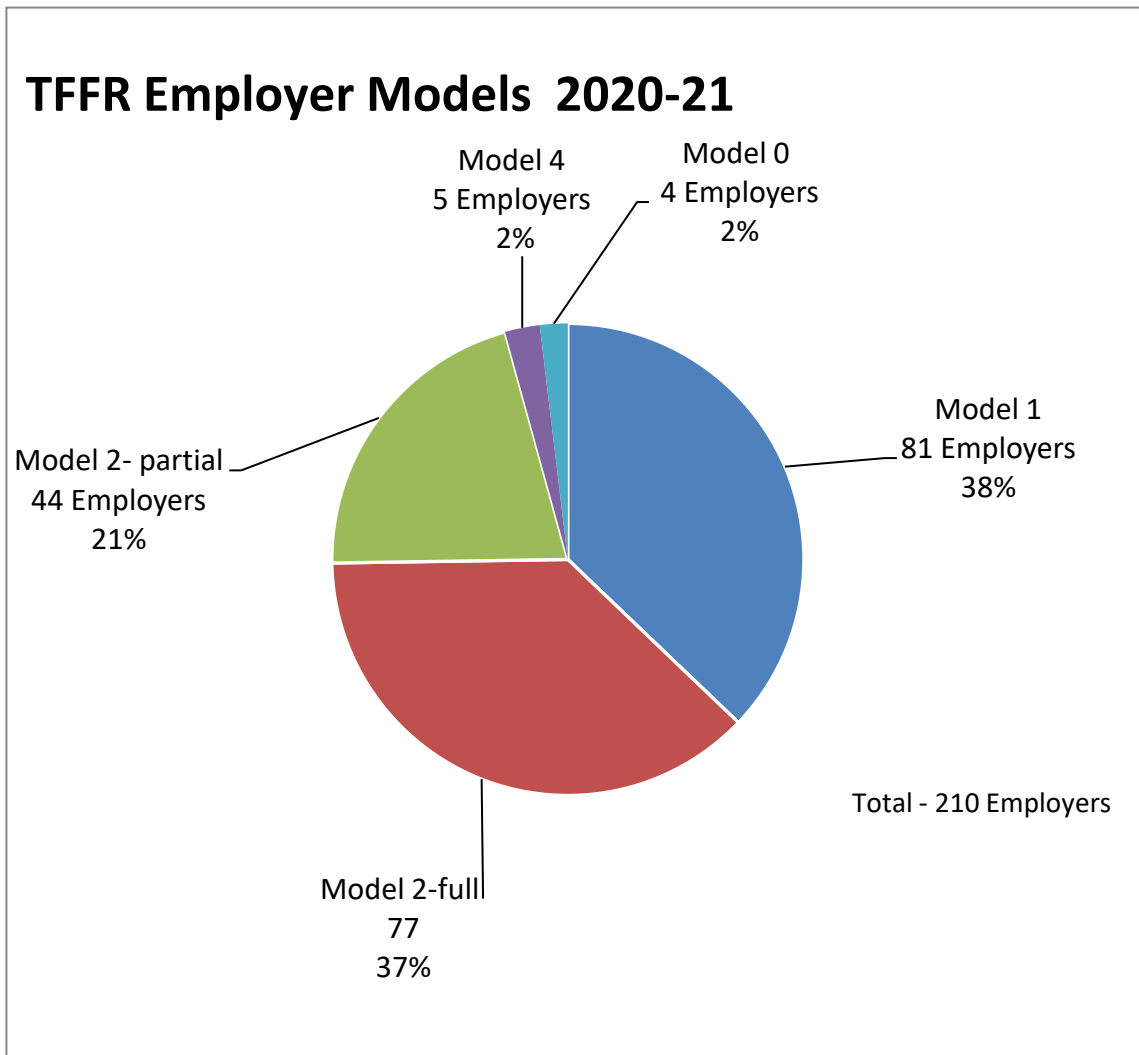
# TFFR Participating Employers

2012 - 2021



## Model Usage 2020-21

	Employers	
Model 1	78	38%
Model 2-full	79	37%
Model 2-partial	44	21%
Model 4	5	2%
Model 0	4	2%
Total	210	100%



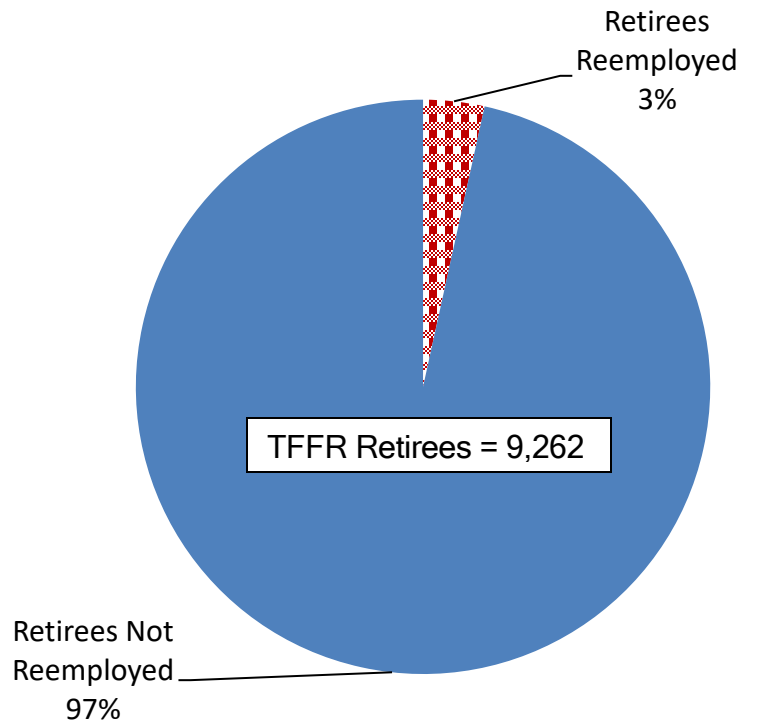
# TFFR REEMPLOYED RETIREE REPORT 2020-21

**Total number of Reemployed Retirees: 291**

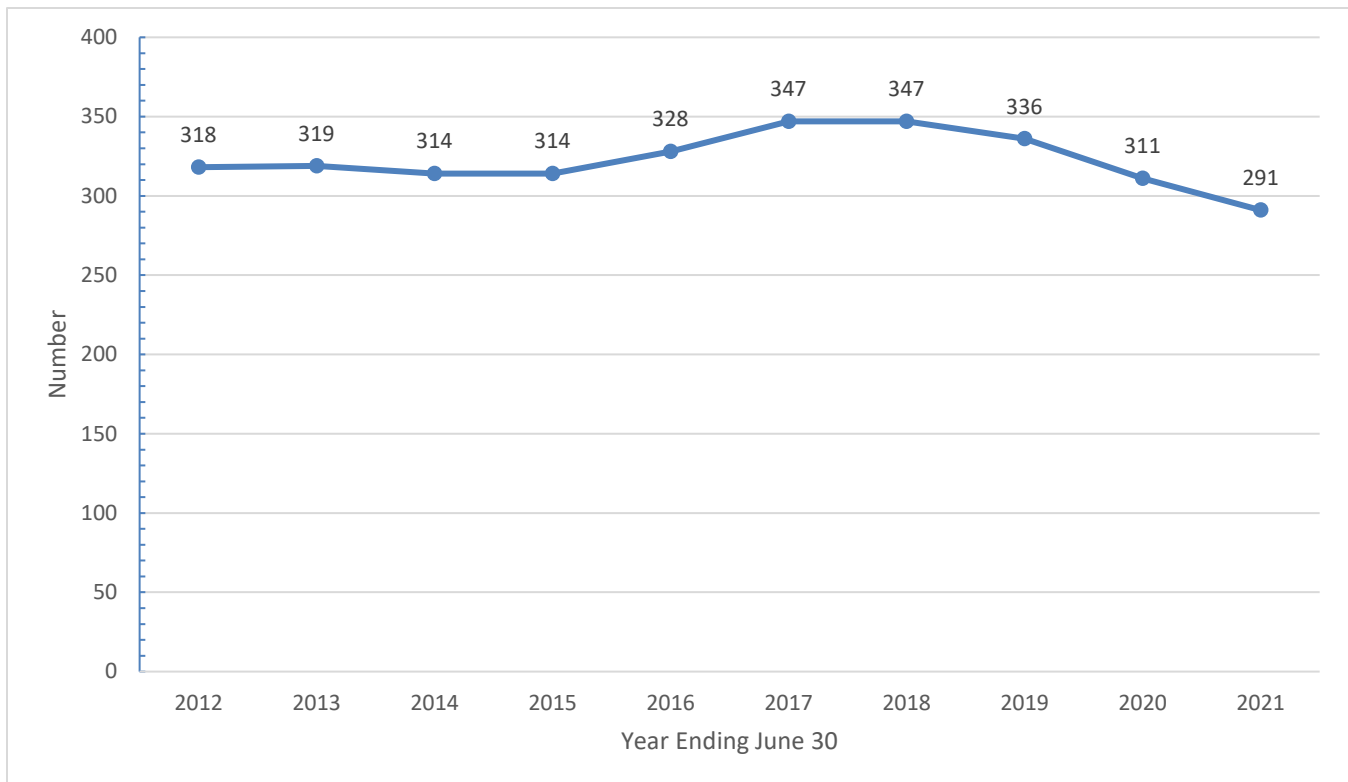
Superintendents	15
Administrators	13
Teachers	<u>263</u>

General Rule	261
Critical Shortage Area	25
Suspend and Recalculate	<u>5</u>

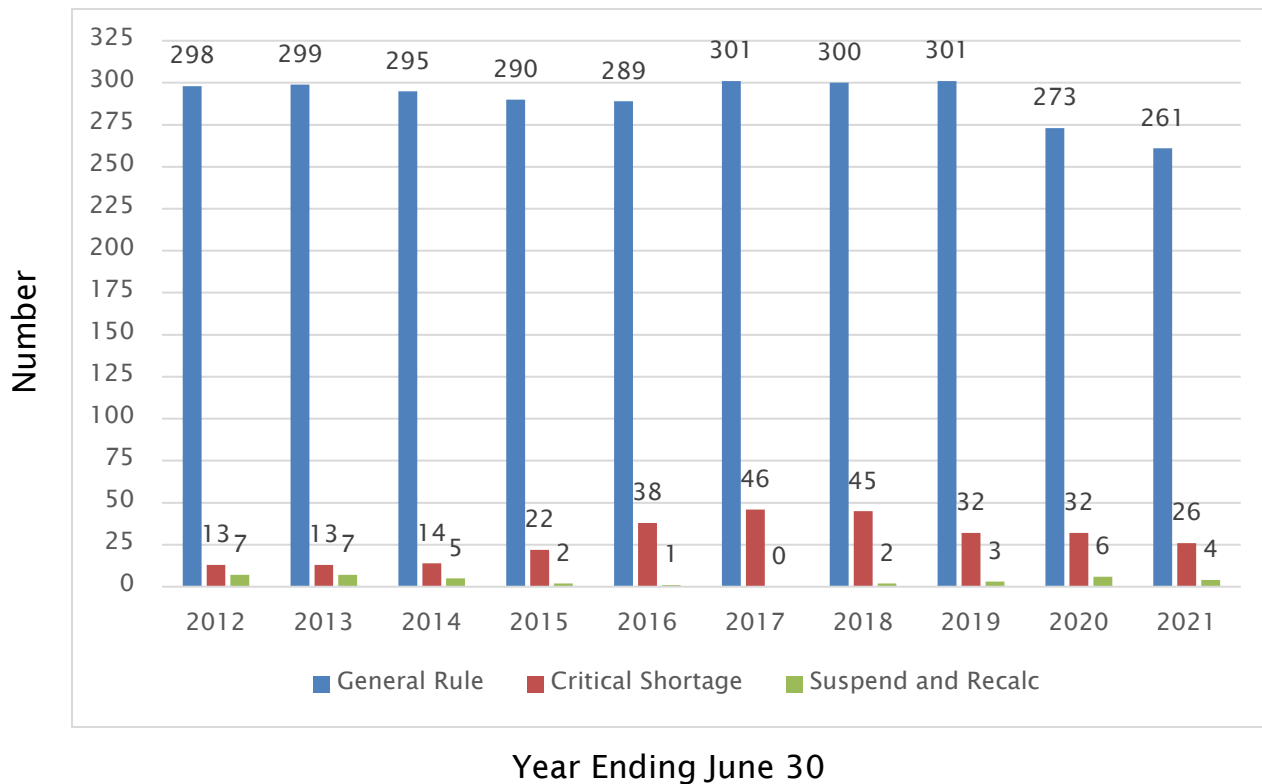
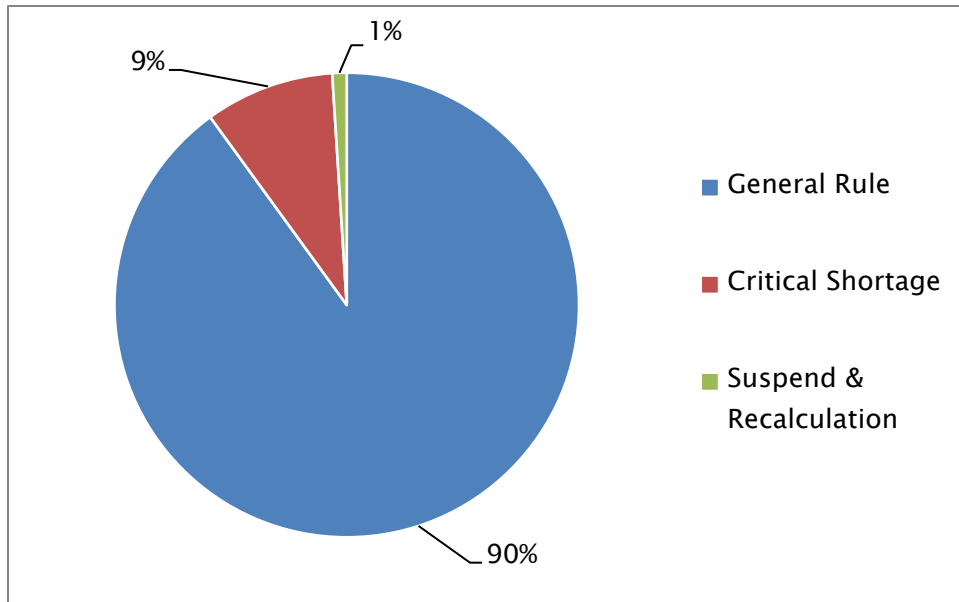
Average Age	64
Average Salary	\$23,589
Total Salaries	\$7,264,520
No. Employers w/retirees	114



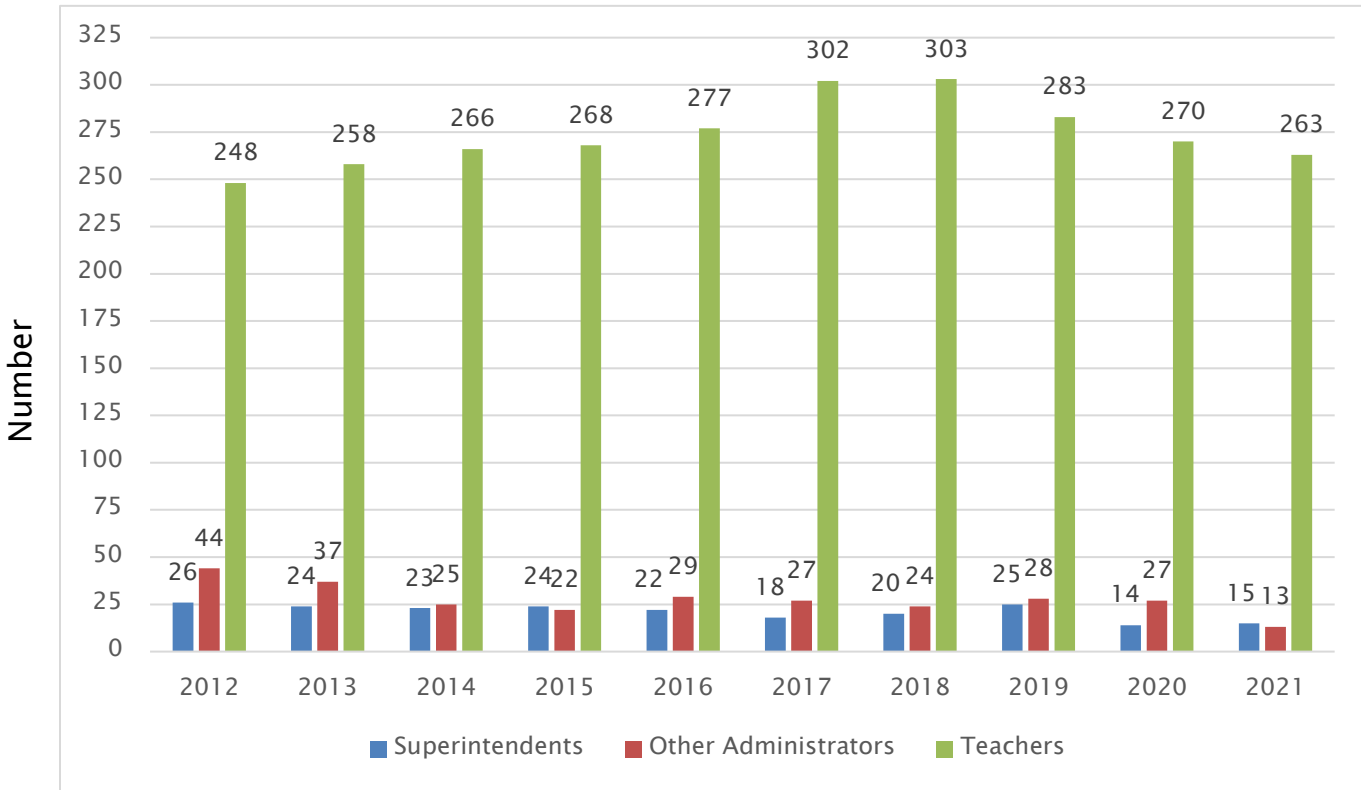
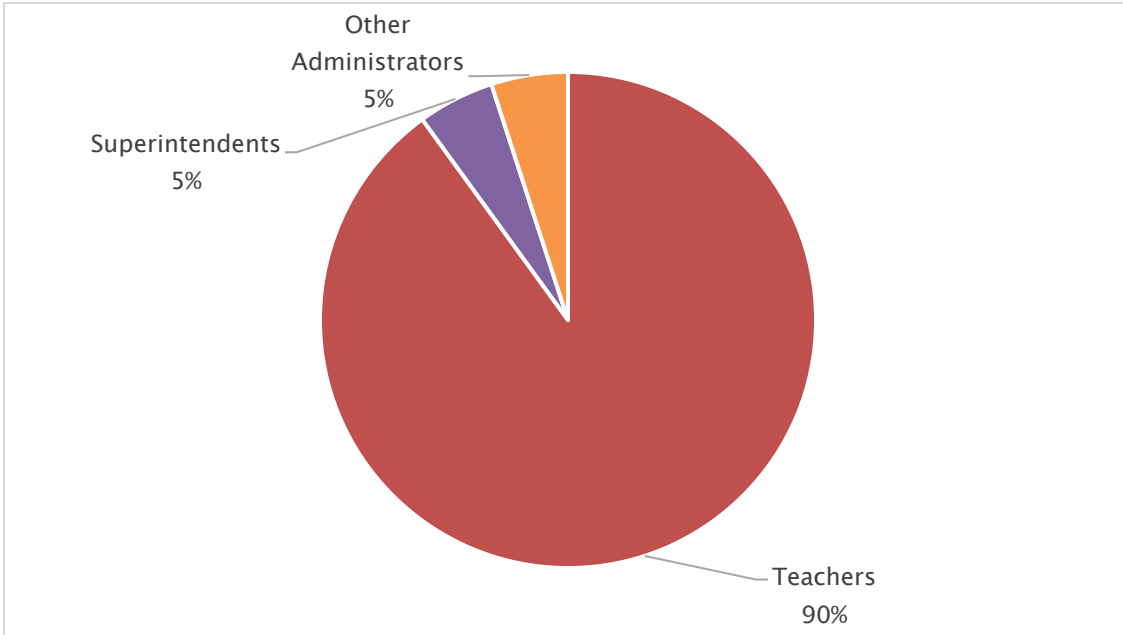
## TFFR REEMPLOYED RETIREES 10 YRS. ENDING 6-30-21



# TFFR RE-EMPLOYED RETIREES BY OPTION 2020-21



# TFFR RE-EMPLOYED RETIREES BY JOB TYPE 2020-21



Year Ending June 30

# TFFR REEMPLOYED RETIREES

## BY SUBJECT/POSITION

2020-21

<u>Subject or Position</u>	Re-Employed Retirees		
	Full Time CSA/SR	Part Time Gen Rule	Total
<b>Art</b>	0	1	1
<b>Business</b>	1	5	6
<b>Counseling</b>	0	13	13
<b>Elementary Ed</b>	3	18	21
<b>English/Reading</b>	6	10	16
<b>Extra-Curricular</b>	0	47	47
<b>FACS</b>	1	1	2
<b>Foreign Language</b>	0	2	2
<b>Health/Phy Ed</b>	0	3	3
<b>Library/Media</b>	1	4	5
<b>Math</b>	1	7	8
<b>Mentors, Strategists, Prof. Dev.</b>	0	11	11
<b>Music</b>	1	5	6
<b>Science</b>	3	10	13
<b>Social Studies/History</b>	2	5	7
<b>Special Ed/Title/LD/Speech *</b>	6	44	50
<b>Summer School/Driver's Ed</b>	0	25	25
<b>Tech Coordination/Tech Ed</b>	0	5	5
<b>Voc Ed/Adult Ed</b>	2	5	7
<b>Other Teachers</b>	1	14	15
<b>Total Retired Teachers</b>	28	235	263
<b>Superintendent</b>	0	15	15
<b>Other Admin (Principle, Asst. Supt, Director, Coordinator)</b>	2	13	13
<b>Total Retired Administrators</b>	2	28	28
<b>Total Reemployed Retirees</b>	30	263	293

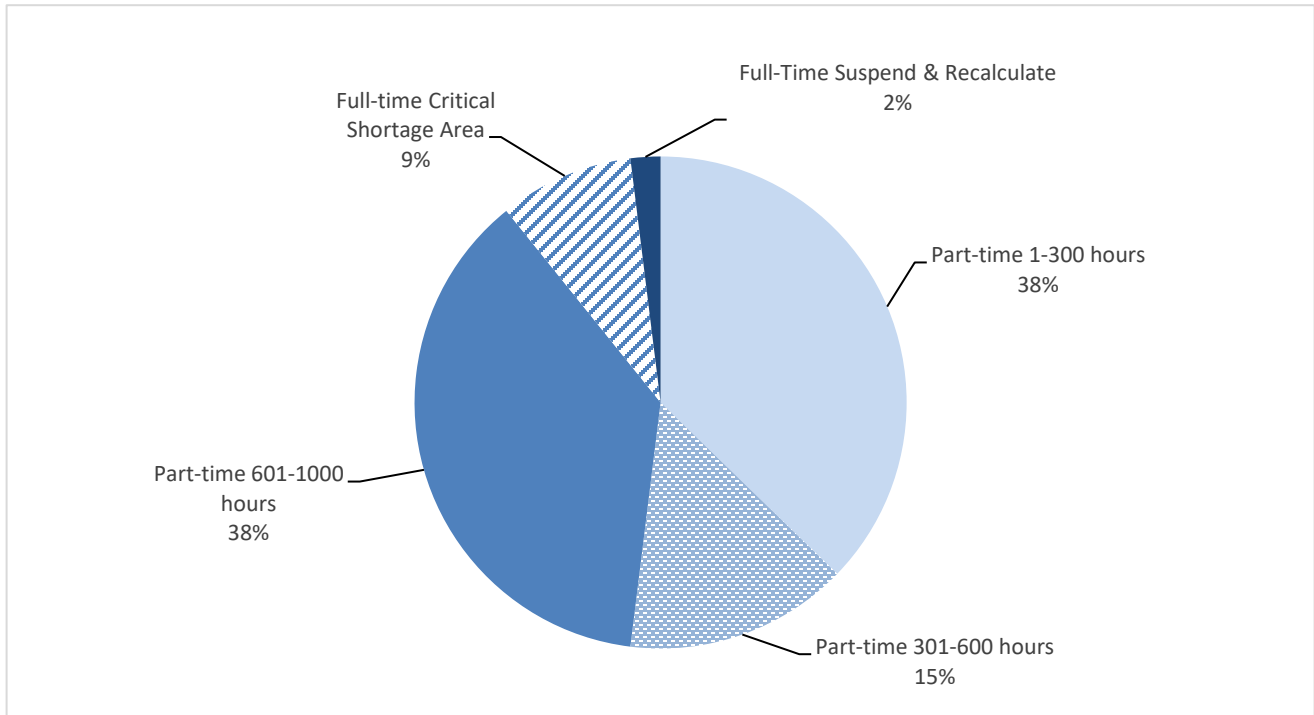
(9 teaching in 2 school districts & 2 teaching in 3 school districts)

*Special Ed	
LD	4
Speech Path/Ther	6
Spec Ed	20
Title	9
Hearing Impair	0
Spec Ed Dir & Coor	11

CSA = Critical Shortage Area

SR = Suspend & Recalc

# TFFR REEMPLOYED RETIREES BY HOURS CONTRACTED 2020-21



## Hours Contracted

## Reemployed Retirees

### Part Time – General Rule

	Number	Percent
1 – 300 hours	110	38%
301 – 600 hours	44	15%
601 – 1000 hours	107	36%

### Full Time

Critical Shortage Area	25	9%
Suspend & Recalculate	<u>5</u>	<u>2%</u>

### Total Reemployed Retirees

**291**      **100%**

(9 teaching in 2 districts)

(2 teaching in 3 districts)

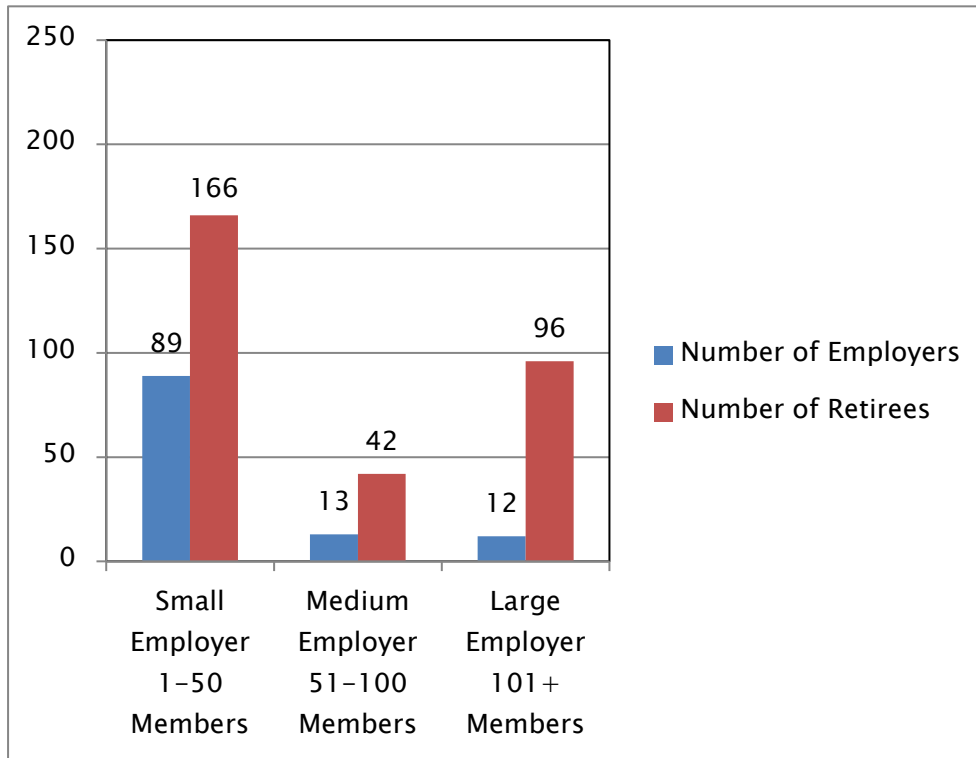
## TFFR RE-EMPLOYED RETIREES BY EMPLOYER 2020-21

School Districts	#	School Districts	#	School Districts	#
Alexander		Glenburn	1	Midkota	2
Anamoose		Goodrich	2	Midway	1
Apple Creek Elementary		Grafton	3	Milnor	
Ashley		Grand Forks	20	Minnewauken	2
Bakker Elementary		Grenora		Minot	2
Barnes County North		Griggs County Central	3	Minto	
Beach		Halliday	1	Mohall-Lansford-Sherwood	
Belcourt	1	Hankinson		Montpelier	2
Belfield	1	Harvey	1	Mott-Regent	
Beulah	3	Hatton Eielson	1	Mt. Pleasant	
Billings County School	2	Hazelton-Moffit		Munich	2
Bismarck	13	Hazen	2	Napoleon	2
Bottineau	2	Hebron	2	Naughton Rural	2
Bowbells		Hettinger		Nedrose	
Bowman		Hillsboro	4	Nesson	3
Burke Central		Hope		New England	2
Carrington	1	Horse Creek Elementary		New Rockford-Sheyenne	
Cavalier	3	Jamestown	3	New Salem-Almont	2
Center-Stanton		Kenmare		New Town	3
Central Cass	1	Kensal	3	Newburg United	1
Central Valley		Kidder County School Dist.		North Border School	6
Dakota Prairie		Killdeer	1	North Sargent	
Devils Lake	2	Kindred	4	North Star-Cando	5
Dickinson	7	Kulm		Northern Cass	
Divide County		Lakota		Northwood	
Drake		LaMoure	4	Oakes	
Drayton	5	Langdon	2	Oberon Elementary	
Dunseith	3	Larimore	2	Page	
Earl Elementary		Leeds	1	Park River	3
Edgeley		Lewis and Clark	2	Parshall	
Edmore		Lidgerwood		Pingree-Buchanan	3
Eight Mile		Linton	1	Powers Lake	1
Elgin/New Leipzig	1	Lisbon	1	Richardton-Taylor	2
Ellendale		Litchville-Marion		Richland	
Emerado Elementary		Little Heart Elementary		Rolette	3
Enderlin Area School		Lone Tree Elementary	1	Roosevelt-Carson	1
Fairmount		Maddock	1	Rugby	4
Fargo	24	Mandan	6	Sargent Central	
Fessenden-Bowdon		Mandaree	2	Sawyer	
Finley-Sharon		Manning Elementary		Scranton	2
Flasher		Manvel Elementary	1	Selfridge	1
Fordville Lankin		Maple Valley		Solen-Canonball	2
Fort Ransom Elementary	1	Mapleton Elementary		South Heart	
Fort Totten	4	Marmarth Elementary	1	South Prairie	2
Fort Yates	1	Max		St. John's School	2
Gackle-Streeter	1	Mayville-Portland CG	2	St. Thomas	5
Garrison		McClusky	2	Stanley	
Glen Ullin		McKenzie County School Dist			
		Medina			
		Menoken Elementary			



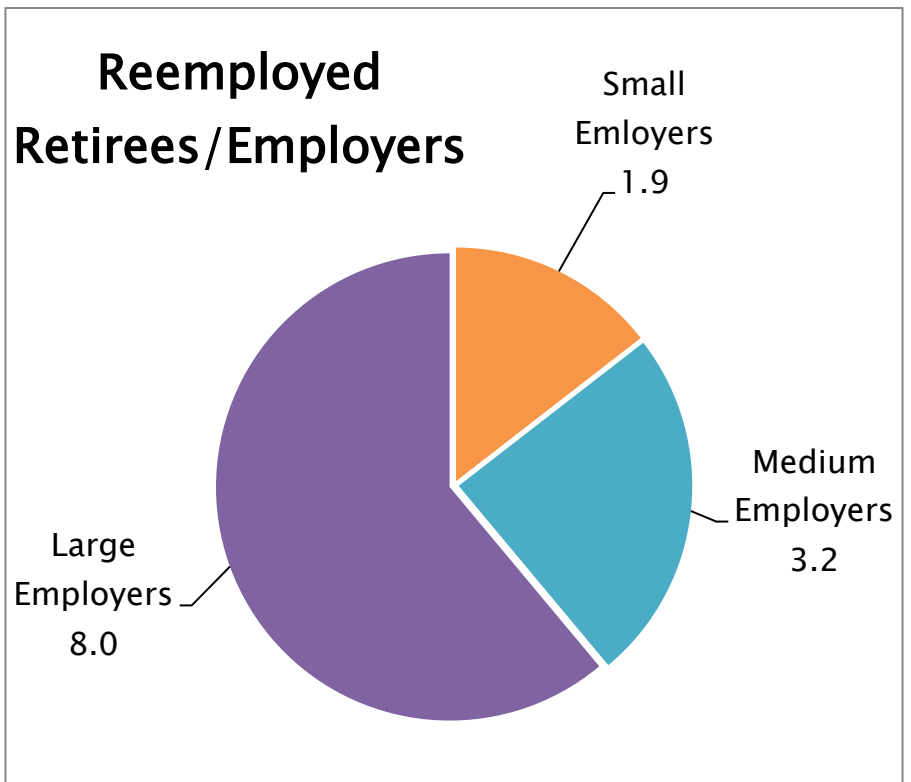
<b>School Districts (cont)</b>	<b>#</b>	<b>Special Education Units</b>	<b>#</b>	<b>Other</b>	<b>#</b>
Starkweather		Burleigh County Special Ed	1	Great NW Education Co-op	2
Sterling Elementary		East Central Special Ed		ND United	
Strasburg	1	GST Educational	1	Rough Rider Ed Services	2
Surrey	2	James River Special Ed	1	South East Education Co-op	3
Sweet Briar Elementary		Lake Region Special Ed			
TGU		Lonetree Special Ed	1		
Thompson	1	Northern Plains Special Ed			
Tioga		Oliver-Mercer Special Ed			
Turtle Lake-Mercer	3	Peace Garden Special Ed	2		
Twin Buttes Elementary		Pembina Special Ed		<b>Total TFFR Participating Employers</b>	<b>210</b>
Underwood	2	Rural Cass County Special Ed	1		
United		Sheyenne Valley Special Ed	1		
Valley-Edinburg	4	Souris Valley Special Ed		<b>114 Employers Employing TFFR Retirees (60%)</b>	
Valley City	1	South Central Prairie Sp Ed	1		
Velva	1	South Valley Special Ed			
Wahpeton		Southwest Special Ed			
Warwick	2	Upper Valley Special Ed	2		
Washburn	1	West River Student Services	1	<b>291 TFFR Retirees Employed (9 retirees working in 2 school districts and 2 working in 3 school districts)</b>	
West Fargo	11	Wil-Mac Special Ed	5		
Westhope					
White Shield	2				
Williams Co School Dist					
Williston	4				
Wilton		<b>Vocational Centers</b>			
Wing		N Central Area Career & Tech			
Wishek	1	N Valley Career & Tech Ctr	1		
Wolford		Roughrider Area Career/Tech	1		
Wyndmere	2	SE Region Career & Tech Ctr			
Yellowstone		Sheyenne Valley Area Voc Ctr			
Zeeland					
		CREA	2		
<b>County Superintendents</b>		<b>State Agencies &amp; Institutions</b>			
Logan County		ND Center for Distance Ed	8		
McKenzie County		ND Dept of Public Instruction			
Morton County	1	ND School for the Blind			
Nelson County		ND School for the Deaf	1		
Slope County		ND Youth Correctional Center	1		
Ward County					

# TFFR REEMPLOYED RETIREES BY EMPLOYER SIZE 2020-21



Empl Size	All Empl.	Empl w/ Re-empl Retirees	
Small	179	89	42%
Medium	17	13	6%
Large	14	12	6%
<b>Total</b>	<b>210</b>	<b>114</b>	<b>54%</b>

Employer Size	Re-empl Retirees	
Small	166	55%
Medium	42	14%
Large	96	31%
<b>Total</b>	<b>304</b>	<b>100%</b>



291 Retirees employed by 114 employers  
(9 retirees working in 2 districts)  
(2 retirees working in 3 districts)

Average All = 2.7 retirees/employer

## MEMORANDUM

---

**TO:** TFFR Board  
**FROM:** Jan Murtha, Executive Director  
**DATE:** January 25, 2022  
**RE:** PAS Project Update

The following summarizes the efforts of RIO agency staff to complete Phase 1 and initiate Phase 2 of the PAS project from July 2021 through the current date:

- All Phase 1 Deliverables have been accepted by Staff.
- Phase 2 has been initiated (Procurement of Solution).
- The ESC approved contracting with Segal for assistance through Phase 3 of the PAS Project.
- Due to the need to prioritize resources for succession planning and all agency communication, Retirement Services staff reduced the frequency of meetings to discuss operation items and PAS related topic review from bi-monthly to monthly. Issue specific trainings to identify areas of improvement for both applicable processes and recommendations for changes to the law will resume once vacancies in the division have been filled.
- NDIT, RIO staff, and Segal meet weekly to discuss PAS project status and review progress on interim recommendations.
- The vendor solution RFP was issued June 1, 2021; responses were due July 21, 2021.
- Vendor responses were received, reviewed, and an initial analysis was conducted.
- We are currently in the contract negotiating phase of the procurement process prior to award.
- We anticipate the contract negotiating phase to complete within February 2022. The ESC may issue a notice of award at the conclusion of contract negotiations and Phase 3 (final phase) will initiate.

**BOARD INFORMATION ONLY. No board action requested.**



# BOARD LEADERSHIP

INNOVATIVE APPROACHES TO GOVERNANCE

NUMBER 178, NOVEMBER–DECEMBER 2021

[www.wileyonlinelibrary.com/journal/bl](http://www.wileyonlinelibrary.com/journal/bl)

## Tick, Tock! Time to Make Policy Governance® Easier Already

By Susan Mogensen

*Susan Mogensen is president of Brown Dog Consulting ([www.browndogconsulting.com](http://www.browndogconsulting.com)), which educates board members, senior executives, and staff on the theory and practice of Policy Governance® principles. In this article, she provides suggestions on how boards can streamline their processes and act more quickly to govern with excellence.*

**B**oard governance is not easy, nor should it be, when you consider the full scope and depth of accountability that boards have.

Boards navigating their way through the early stages of Policy Governance adoption might feel especially challenged, particularly as they move from a state of unconscious incompetence to conscious incompetence.

New terms like “legal and/or moral ownership,” “any reasonable interpretation,” “Executive Limitations,” and “Ends” poke and prod at board members’ brains, demanding precision in usage.

Students of Policy Governance are also reminded again and again how all the principles used together comprise a system, and that “using parts of a system can result in inadequate or even undesirable performance. It is

rather like removing a few components from a watch, yet expecting it still to keep accurate time.”<sup>1</sup>

As brilliant as the “watch analogy” is, some people new to Policy Governance wonder if the whole system concept is a bit too much to ask, or shrug their shoulders and take the extreme view that unless all 10 principles are perfectly applied all of the time, there is really no point in trying.

Those who have been applying Policy Governance principles for many years often make governance much more difficult than it needs to be by creating an accumulation of increasingly complicated layers of policies, practices, and procedures that might have been useful at one time, but no longer serve any meaningful purpose.

It’s understandable how this happens, as each newly comprised board seeks to elaborate and to improve upon the work of the preceding boards, adding some detail here, a process there, and then perhaps throwing in a spreadsheet and a few forms for good measure.

It’s this documentation and procedural buildup over many years that some people then equate to or

*(continued on page 5)*

## CALENDAR OF EVENTS

DEC. 7–9

### Conference Board 2021 Diversity, Equity & Inclusion Global Conference

The Conference Board will host its 2021 Diversity, Equity & Inclusion Global Conference on a virtual platform, Dec. 7–9. According to organizers, this event serves as a platform for DEI practitioners worldwide to share their work and discuss race, social justice, neurodiversity, women’s health, disability, allyship, and others.

Attendees will share their experiences and strategies for creating workplaces committed to inclusion, equity, and belonging. Reflecting the global nature of the event, the conference will feature additional live conversations scheduled specifically for audiences based in European and Asian time zones.

Registration fees range up to \$495.

For more information, visit <https://bit.ly/3nHsRvH>.

### ALSO IN THIS ISSUE

- CFOs Need to Play a Bigger Role in Corporate Governance . . . . . 2
- The Currently Acceptable but Overly Narrow View of Workplace Diversity . . . . . 4
- News . . . . . 7



# CFOs Need to Play a Bigger Role in Corporate Governance

By Dr. Linda Henman

*Dr. Linda Henman is the author of seven books, including Risky Business: Why Leaders Must Develop a Disruptive Mindset. She has more than 40 years of experience working with executives and boards in Fortune 500 companies and small businesses to help them exceed their strategic objectives by maximizing talent. In this article, Dr. Henman explains the critical role a chief financial officer can—and should—play in corporate governance.*

Corporate governance describes the set of protocols, processes, and procedures that controls the way a board operates; and it underpins the board's ability to do all the aspects of its job. While strategy and succession planning address specific "What?" questions, governance deals with the "How?" It includes, but is not limited to, decisions about the board's size, frequency of meetings, director selection, shareholder relations, and social responsibility. Often, governance committees initiate and shape action plans with specific timelines for implementation of recommendations. Just as often, CEOs and board chairs take the lead in steering directors toward making pivotal decisions that ensure maximum effectiveness. Of course, when the decision involves finance, the CFO takes center stage. However, most boards overlook the fact that finance affects virtually all decisions, so directors need to call CFOs from the wings more quickly and more frequently.

## Why is the CFO Important to Corporate Governance?

The primary responsibility of any board member involves giving advice that will drive the business. However, shareholders and stakeholders have started to expect nonfinancial measures of corporate value too, particularly when they relate to enhancing the company's reputation in the industry. Therefore, corporate governance now involves overseeing the intangibles as well as the tangibles.

Further, with new government regulations, the definition of "governance" has evolved, becoming broader in its meaning to include both internal board operations and external stakeholder relations. The connection between corporate governance and corporate performance has never been more critical—or more complex. The presence of good governance practices, therefore, can dramatically contribute to economic strength, and the absence of them will compromise it.

Although each director should assume responsibility for the overall governance of the board, every board should also create a formal governance committee that oversees the structure of the board, and an independent chair should head this committee. Once committee members have outlined the policies and procedures for the board, often in the form of a charter or by-laws, they need to address three ongoing concerns:

1. Choosing new directors for the board defines one of the most important responsibilities the governance committee will face. Therefore, the search for new directors should be ongoing, even when no vacancies exist. The committee will want to adjust the criteria for new directors based on the current and emerging strategic needs of the company; however, each new member should demonstrate at least modest financial acumen.
2. The governance committee

should evaluate itself and spearhead the overall board assessment process. Sometimes the committee will handle this evaluation process itself; at other times members will decide to hire an external consultant who specializes in evaluations and giving feedback. CFOs should assess whether directors possess the requisite experience and ease with numbers that will help them in their own decision-making.

3. The committee should orient new directors as soon as they accept their roles and provide continuing education for them and the entire board. Effective CFOs recognize that they must play an active and ongoing role in alerting directors to changes that affect the company.

## General Best Practices for Board Governance

In addition to assessing the general qualifications of each potential candidate, the governance committee will want to ensure that existing directors' skills and talents align with the organization's strategy and determine whether collectively directors offer the expertise to take the company into the future.

It all starts with mission and strategy. Why do we exist? What do our customers expect from us? What do we want to accomplish in the next 3–5 years? These questions will set the stage for the board to do its best work and to offer the highest caliber of guidance. The answers may also imply a need for one of the following:

- A turnaround expert.
- An international expert.
- Government procurement experience.
- Manufacturing or industry-specific expertise.
- Legal insight.
- Public relations specialist.
- Marketing support.

Of course, the governance committee will want to write by-laws that explain director elections, their term

of service, and their conditions for service. But that's just the start. Effective governance demands more. The CFO and governance committee should also evaluate the integrity, judgment, strategic thinking, performance standards, and financial literacy of each potential candidate. Obviously, evaluation of current and potential directors will be one of the most daunting but most critical of the committee's responsibilities

The governance guidelines must also address the following for companies listed on the New York Stock Exchange:

- Director qualification standards.
- Director responsibilities.
- Director access to management.
- Director compensation.
- Director orientation and continuing education.
- Management succession.
- Annual performance evaluation of the board.

Whether they work with a board of a privately held or publicly traded company, the real challenge for directors and executives isn't regulatory compliance—it's high performance.

### Best Governance Practices for CFOs

As mentioned previously, one of the most overwhelming obligations of the governance committee involves making decisions about who has the expertise to guide the strategy. Once directors have established that, with the CFO's help, their responsibility will be to make sure those candidates have the financial knowledge to put the strategy into motion. Working with the nominating committee and chair of governance, CFOs will want to consider how well directors demonstrate the following:

- Reading financial statements.
- Using numbers to evaluate risk.
- Using the balance sheet to evaluate assets, liabilities, and shareholder investments.
- Utilizing income statements to evaluate sales, operating costs, expenses, and earnings.
- Developing ways to use and

protect cash.

- Assessing company strengths and liabilities regarding profitability, asset management, liquidity, debt management, and market value.
- Evidencing specific knowledge or experience related to tax, mergers and acquisitions, auditing, etc.

Once the CFO and the committee members have decided on the criteria they consider most critical, the next step is to submit their suggestions for board approval.

Another key CFO responsibility necessitates taking a lead role in setting and revising director compensation, which usually involves a mix of cash and equity awards—restricted stock, deferred stock, and stock options, and helping decision-makers determine appropriate percentages of each. To align directors' interests with the long-term good of the company, director compensation should include long-term equity grants (not just options).

### Play an Active Role in Evaluating the Audit Committee

Another form of general governance involves oversight of all committees, but the CFO's knowledge and expertise will align most directly with the duties of the audit committee. Therefore, in addition to playing a role in the functioning of the audit committee, most CFOs would improve their governance roles by becoming more actively involved in evaluating both the directors on the audit committee and the committee itself. The following is a 10-part review for the audit committee:

#### Audit Committee Evaluations

On a scale from 1 to 10, with 10 representing top performance, rate the following:

1. The audit committee members have the right background and skills to provide effective input.
2. The committee's actions reflect independence from management.

(continued on page 8)

## WHEN WE SAY...

**B**oard Leadership's mission is "to discover, explain and discuss innovative approaches to board governance with the goal of helping organizations achieve effective, meaningful and successful leadership to fulfill their missions."

Board Leadership aims to fulfill this mission by engaging its readers in a lively and illuminating inquiry into how board governance can be made more effective. This inquiry is based on three key assumptions:

- Boards exist to lead organizations, not merely monitor them.
- Effective board governance is not about either systems, structures, processes, theories, practices, culture, or behaviors—it is about all of them.
- Significant improvements are likely to come only through challenging the status quo and trying out new ideas in theory and in practice.

Uniquely among regular publications on board governance, *Board Leadership* primarily focuses on the job of board leadership as a whole, rather than on individual elements of practice within the overall job.

Over time, *Board Leadership* will provide a repository of different approaches to governance created through its regular "One Way to Govern" feature.

Here's what a few of the key terms we use mean to us:

- **Innovative:** Creating significant positive change
- **Approaches:** Principles, theories, ideas, methodologies and practices.
- **Board governance:** The job of governing whole organizations. □

# The Currently Acceptable but Overly Narrow View of Workplace Diversity

By Patricia Lenkov

Patricia Lenkov is the founder and president of Agility Executive Search, a New York-based firm that specializes in corporate board and senior level executive search. She is the author of the new book *Time's Up: Why Boards Need to Get Diverse Now*. In this article, she discusses the current view of diversity and why it is insufficient for today's workplace.

Which of the following is a form of diversity?

- Critical thinking ability.
- Culture.
- Age.
- Listening ability.
- All the above are types of diversity.

If you answered number 5 above, you are absolutely correct. Nevertheless, most of our discussions about diversity still pertain to diversity that is visible in nature, such as gender and race. But diversity is actually far more complex.

Diversity is about what makes each of us unique and includes our backgrounds, personality, life experiences, and beliefs, all the things that make us who we are. It is a combination of our differences that shape our view of the world, our perspective, and our approach.<sup>1</sup>

There is much research on the topic of diversity. There are also numerous taxonomies of diversity providing inventories and explanations of aspects of diversity that go far beyond the common debate on the topic. For example, in a 2021 article titled "Types of Diversity in the Workplace You Need to Know,"<sup>2</sup> Bailey Reiners describes 39 types of workplace diversity. They include cognitive abilities, physical abilities and disabilities, education, and income.

On this list Bailey also includes both gender identity and gender expression, as well as sex, the latter of which is defined as "the biological and genetic differences between

male and female bodies." This is important and interesting to note because in most business conversations about gender diversity, whether they be about boards of directors or middle-level management, the issues are still focused on in a binary manner. "We do not have enough women on our board" or "We need to recruit more women analysts for our internship program." This is rapidly becoming too simplistic for the realities of our world. In a 2021 survey across 27 countries, those who identify as transgender, nonbinary, nonconforming, gender-fluid, or other than male or female make up 4% of Gen Z (born since 1997) compared with 1% among all adults.<sup>3</sup> The reality of our gender diversity dialogue is that it is oversimplified.

Oversimplification is also applicable to the conversation around diversity of race and ethnicity. As it pertains to corporate boards in the United States, race and ethnicity typically includes the following categories:

- African-American or black.
- Alaskan Native or Native American.
- Asian.
- Hispanic or Latinx.
- Native Hawaiian or Pacific Islander.
- White.

The above list in fact comes from the Nasdaq,<sup>4</sup> and relates to their recent requirement that all companies traded on this stock exchange disclose in aggregate the diversity on the board.

Kudos to them for this monumental step, but this list, while an excellent beginning, is only just that, a beginning. Ethnic and racial diversity is much more nuanced and complex than this list demonstrates. For example, according to Pew research, "a record 22 million Asian Americans trace their roots to more than 20 countries in East and Southeast Asia and the Indian subcontinent, each with unique histories, cultures, languages and other characteristics."<sup>5</sup>

Blacks/African-Americans and Hispanic/Latinx are also not monolithic groups. For example, are Hispanic people only those of Latin American, Cuban, Mexican, or Puerto Rican descent? What about Europeans from Spain? And for a long time, black and African-American were used somewhat interchangeably (at least in business circles).

It is not only the complexities of what categories are enumerated on diversity checklists that merit attention, but what is missing is important as well. In March 2019, *The Los Angeles Times* published an article titled "Are Arabs and Iranians white? Census says yes, but many disagree." They reported that Arab and Iranian communities for years have lobbied the census bureau to create a separate category for people of Middle Eastern or North African descent as many in this community identify as people of color. This conversation has yet to reach the realm of mainstream board diversity conversation, but perhaps it should.

There are many other expressions of diversity that perhaps should be considered as well. Additionally, the above conversation and enumeration is very United States centric. Diversity means very different things in other parts of the world. The point is that the concept is extremely complex. Additionally, it is fraught with sensitivities and the opportunity to offend and antagonize. But these challenges do not mean we stay away. On the contrary, we must continue to ask the tough questions and expand our understanding of diversity and its implications.

Now that we have explored some of intricacies surrounding diversity, let's reiterate why diversity is important to the composition and configuration of organizations and their boards of directors. Diversity reflects the real world and diverse teams have been shown to make better decisions. They reduce risk when making decisions because diversity curtails groupthink. The ability to constructively disagree and deliberate are core elements of an organizations' work and if its members are too similar this may not take place. And perhaps most importantly, clients, employees, and shareholders of all companies are diverse, and organizations should be reflective of this.

To understand the importance and value of diversity in organizations, it can help to use a sports analogy. Think of your favorite sport, let's take for example, baseball. A baseball team is made up of nine highly specialized players, each with their own skills and expertise. The team comes together, and the sum should prove to be greater than its parts. The team cannot be made up of too many pitchers or too many outfielders. It is precisely the combination of different players that come together to create wins. It is the diversity of the team that makes it successful.

From an employee perspective, diversity embedded within the

company is an important first step. It is meaningful to see yourself reflected in the organization and increasingly companies that are diverse are viewed as more desirable employers than those that are not. However, to achieve an impact and improvement, diversity must be complimented with inclusion. It is one thing to advocate and support diversity, but it is entirely another level to welcome the authentic contributions of the entire gamut of members of an organization. Diversity leads to improved business results when it goes beyond compliance and all members of the organization feel included for who they are and what their unique experiences bring to the group and its dynamics.

The diversity definition and value to organizations remain hotly debated. Despite many advancements, for some there is a high cost to diversity (monetarily, but mostly otherwise). As it relates to value for organizations, no one is suggesting that companies sub-optimize on skills, professional qualifications, and experiences to achieve diversity. These should never be compromised on. Rather, the diversity logic contends that your organization can have all of what you require in terms of qualifications and expertise, as well as someone who brings an element of dissimilarity and heterogeneity. □

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## Governance

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confuse with Policy Governance, when the real requirements of Policy Governance are relatively simple.

As great as the challenge in governing that Policy Governance boards experience, boards using "traditional" governance approaches arguably have an even more difficult job. Spare some empathy for the board members who don't know whom they serve, what success looks like, how to express values as policy, or how to delegate. Right this minute, people are suffering through recurring conversations going nowhere, lengthy opinions on operational minutiae, committee reports

that could have been circulated by email, arguments that have more to do with ego than the best interests of the organization, and on it goes. Imagine having no focus, no principles, no system at all.

Now, however, is no time to shrink from the challenge of effective governance. Boards, especially duly constituted public boards, are literally under attack. At school board meetings, for example, elected board members have come under vicious verbal and even physical assault from activists over mask and vaccine mandates, as well as other issues of the day.

Good governance is not an impenetrable shield against externally driven illegal, boorish, or nefarious acts, but it

very well might help boards keep their hands steady on the wheel as they make their way through rough and stormy waters.

When times are tough enough already, board governance should not be made any more complicated or difficult than it already is. Board members need to be engaged and effective, not burnt out or running for the hills. With increasing threats to democracy, the need for wise and skillful board members to hold steady the wheels of public, private, and nonprofit institutions is greater now than ever before.

The good news for Policy Governance boards is that there are many ways they can streamline their

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processes, while still remaining faithful to the principles. As a principle-based rather than a rules-based system, Policy Governance allows much more flexibility, scalability, and creativity than it is given credit for.

Let's be clear: Policy Governance is not easy, but it can be a lot easier than people think. In our work with clients, we've seen two keys in accelerating results and sustaining momentum:

1. Exhale.
2. Do one thing.

By advising boards to exhale, we mean the necessity to let go of old processes, routines, behaviors, and even people who no longer contribute to the objective to "translate the wishes of an organization's owners into organizational performance."<sup>2</sup> Before boards can truly absorb and develop new habits, and take their performance to the next level (inhale), there are usually many activities they need to stop (exhale).

One of the biggest time-saving practices boards should stop is maintaining operationally focused committees as if they report to the board and not to the CEO. Certainly, individual board members are free to volunteer to serve on operational committees (and the CEO or staff are free to reject their offer to volunteer), but continuing to pretend that these committees are board committees is no longer necessary within the framework established by the board's new policy manual. If board members are concerned that relinquishing an operational committee will deprive the board of information it needs, then there are other ways of assuring the board that it will receive that information, without muddying the line of authority and accountability between board and CEO.

The board meeting agenda can also present a treasure trove of opportunities to exhale old practices so that new and engaging conversations can take their place. The presentation of reports is a common time-consuming element in traditional board meeting

agendas, and it's something we're betting most people wouldn't miss if it were eliminated or scaled back significantly.

Boards using Policy Governance will need to assess monitoring reports, and receive other reports related to the board's governance function. But the presentation of operational information that does not trigger a decision by the board can be circulated at any time and need not be placed on a board meeting agenda.

Another practice boards can "exhale" while retaining Policy Governance principles is having a schedule or method for reviewing (as distinct from monitoring compliance with) all policies once per year or so. While reviewing Ends policies once per year is recommended, all other policies can be reviewed on an as-needed basis, or certainly less frequently than once per year. The board can and should change policy language whenever it needs to; whether a regular routine similar to the monitoring schedule is desirable for doing so is completely up to the individual board.

We've found that boards can also save time in how they evaluate their own performance, i.e., their compliance with Governance Process and Board-Management Delegation policies. Ideally, whichever evaluation method a board uses will compare people's actions with the criteria set out in policy and give the board an increasing ability to align its behaviors with stated expectations.

Some boards, however, can get just a little bit too fancy with this self-evaluation process, creating much more paperwork, metrics, surveys, forms, and the like than are really needed. If these kinds of processes are working—great! If not, boards can achieve similar results by scaling all the way back to a focused conversation during a board meeting, and noting the outcome(s) of the conversation in the minutes.

Lastly, it might be necessary to "exhale" certain board members or people who occupy board-appointed officer positions. This option is not always possible, and usually somewhat

unpleasant, but if a board member or CEO is resisting the use of Policy Governance principles or accomplishment of the board policies themselves, they can be reminded that other options to contribute to the organization might be available. Excellence in governance requires both good people and good process; if lack of progress can be attributed to, for example, a chief governance officer who has no will to fulfill their role, a board secretary who doesn't attend meetings, or a CEO who doesn't accomplish the Ends, then perhaps a change is in order.

The second key we promote to boards right now is to do one thing. It's a common human desire to want perfection, to create comprehensive plans, and to get everything done all at once. In the early stages of adopting Policy Governance, some boards have a tendency to freeze, not knowing where to start, and wanting to do everything perfectly. The answer is simple: take one step. And when that's done, take another.

If the challenge is getting started on ownership linkage, one simple step could be:

- Brainstorm three questions the board will ask its owners.
- Post a message to owners from the board on the website.
- Schedule one focus group session (in person or online) to take place during the year.
- Arrange to meet with another board that has many of the same owners.
- Set aside time on a board meeting agenda to discuss all owner input received over the past year.
- If the challenge is producing more engaging board meetings, one simple step could be:
- Devote one board meeting to having a "What If" session.
- Reformat board meeting agendas to focus on (1) ownership linkage, (2) board education, (3) policy decisions, and (4) monitoring.
- Ask each board member to facilitate a board education topic

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## Study shows impactful boards have strong understanding of roles, responsibilities and programs

New research has homed in on a handful of factors – such as a board’s understanding of its roles and responsibilities, and its knowledge of the organization’s programming – that lead to especially impactful nonprofit boards.

The findings, included in BoardSource’s latest report, *Leading with Intent*, is based on surveys of nonprofit executive directors and board chairs from across the country on current board composition, practices and performance.

While board chairs tended to give slightly more favorable ratings than EDs, they generally agreed that their boards were having a positive impact in all of these areas, the survey found.

More interestingly, though, is the data showing which specific board practices or factors may be related to stronger or more positive board impact on organizational performance. According to the report, the following proved to be especially significant:

- **Understanding roles.** The report identified a clear connection between the board’s impact on the organization and its understanding of its own roles and responsibilities. In fact, a strong understanding of the board’s role also correlates with higher marks across all other areas of board performance, the report said. The relationship is most pronounced when it comes to setting the organization’s strategic direction; providing adequate financial legal and ethical oversight; understanding the organization’s mission; and projecting a positive public image for the organization.

- **Regular board self-assessments.** The research also found a strong correlation between board self-assessment practices and the ratings of board performance. According to BoardSource, nonprofit executives with boards that regularly assess themselves—defined as having done so within the past two years—rate their boards higher across all areas of board performance than those that assess themselves less frequently, and even more so compared to boards that have never assessed their own performance.
- **Strong understanding of programs.** As well, the research identified a strong relationship between the board’s knowledge of the nonprofit’s programs and the board’s impact on organizational performance. Executives who rated their boards as having a strong knowledge of programs gave their boards higher grades on average across many other areas of board performance, especially in terms of strategy, engagement, and external leadership, the report said.

The survey also explored the board’s impact on the nonprofit chief executive in two key areas:

- **Partnership and support.** The research shows this is an area with room for improvement, BoardSource said. Nonprofit executives gave their boards just average marks when it comes to providing guidance to the chief executive, setting strategic direction in partnership with the chief executive and evaluating the chief executive’s performance. However, the relationship between the chief executive and board chair fared better—70% of chief executives said that

their board chair was one of their top two people to consult with when they need to discuss a tough decision—outranking the organization’s senior staff, other current board members, an outside mentor, a spouse or partner or a former board member.

- **Job satisfaction.** The survey showed that the vast majority of nonprofit chief executives are satisfied with their jobs and say that their boards have a positive impact on their level of satisfaction. In particular, the extent that a board adds value and perspective as a part of strategic conversations, allows the CEO to lead the organization independently and autonomously, sees its responsibility for the success (or failures) of the organization, and understands the distinct roles of the board and staff all had a significant impact on CEO job satisfaction, the report said. Conversely, the amount of money that board members gave personally or helped to raise for the organization also had a major, negative impact on CEO job satisfaction—in other words, the less satisfied the CEO was with board fundraising, the less satisfied they were with their jobs overall, the data show.

*For more information, the report can be accessed in full at <https://bit.ly/3EpdUM>. □*

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## Governance

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of their choosing over the next year or two.

- Invite a facilitator to guide the board through a difficult or controversial issue.
- Create a “board meeting report card” for use by owners who view or attend board meetings.

In the best of times, governance is a skill that requires unlearning and relearning, a commitment to serve, a willingness to listen, and a great deal of emotional intelligence. When times are difficult, and the ability of boards to provide wise, steady leadership is under threat, the need for speed in applying good governance principles

rises in importance. By focusing on the essentials, and by executing one simple step at a time, boards will have a better chance of weathering the storm. □

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audit committee members.

10. The audit committee engages in yearly self-evaluations.

With 100 points available, score the committee.

### Conclusion

The key to better board performance lies in the working relationships among directors and executives, in the dynamics of board interactions, and in the competence, integrity, and constructive involvement of individual members. Most people understand what boards should be: sources of challenge and inquiry that add value without meddling—champions of the organization that make CEOs and CFOs more effective but not all-powerful.

The high-performance board is competent, coordinated, cohesive, and focused. Such entities do not simply evolve, however; an exacting blueprint of corporate governance must guide their construction. CFOs have both the opportunity and the obligation to act as the architect of the blueprint and the foreman of the construction. They must oversee anything that touches finance, which touches everything either directly or indirectly. Therein lies stellar performance and corporate governance. □

## CFO

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3. The audit committee meeting packages are comprehensive and received well in advance of meetings.
4. Reports to the full board reflect significant recommendations, not just explanations of activities and meetings.
5. The audit committee sets clear expectations and provides feedback concerning the competency of the company's CFO and senior financial management.
6. Audit committee members give appropriate recommendations about the company's risk and internal controls.
7. The committee gives appropriate recommendations about the company's external financial reporting (including the annual report, quarterly filings, and press releases).
8. The committee takes direct responsibility for the appointment, compensation, and oversight of the work of the independent auditor.
9. The committee requires and tracks ongoing education for

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