

Friday, March 25, 2022, 8:30 a.m.

WSI Board Room (In-Person)

Teleconferencing: 701.328.0950 Participant Code: 966 419 481#

1600 E Century Ave, Bismarck, ND

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

- A. Executive Summary
- B. Welcome Land Commissioner Heringer

II. ACCEPTANCE OF MINUTES (February 25, 2022 & March 3, 2022)

III. BOARD EDUCATION (45 minutes)

- A. Board Governance Architype & Strategy – Mr. Anderson

IV. INVESTMENTS (60 minutes)

- A. Russian Entity Investment Exposure Update – Mr. Anderson
- B. Private Market Opportunity Update* Executive Session
- C. Performance Update – Mr. Anderson
- D. WSI Investment Policy Statement – Mr. Anderson

(Break)

V. GOVERNANCE (60 minutes)

- A. Strategic Plan Presentation – Ms. Murtha
- B. Legacy & Budget Stabilization Fund Advisory Board Update – Ms. Murtha
- C. Governance & Policy Review Committee Member Appointment – Ms. Murtha
- D. Executive Review Committee Update – Mr. Olson, Ms. Sauter

VI. Reports (5 min)

- A. Executive Limitations/Staff Relations – Ms. Murtha
- B. Quarterly TFFR Ends Report – Ms. Murtha

VII. OTHER (5 minutes)

Next Meetings:

Executive Review Comm: April 6, 2022, at 2:30 p.m.

TFFR: Thursday, April 21, 2022, at 1:00 p.m.

SIB: Friday, April 22, 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.

EXECUTIVE SUMMARY

SIB Regular Meeting

March 25, 2022 – 8:30am CT

- I. **Agenda:** The March 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 February 25, 2022 and March 3, 2022 Board meeting minutes are included for review and approval.
- III. **A. Board Education – Board Governance Architype & Strategy:** Mr. Anderson will provide the Board with examples of various governance architypes and how these models support investment program strategy and growth.
- IV. **A. Russian Entity Investment Exposure Update:** Mr. Anderson will present the Board with an update on staff's implementation of the Board's direction at the Special March 3, 2022 meeting of the Board.
- 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.
- C. Performance Update (Board Action):** Mr. Anderson will provide an investment performance review update.
- D. WSI Investment Policy Statement (Board Action):** Mr. Anderson will present an updated IPS for WSI for review and approval by the SIB. An asset allocation study was conducted by Callan, and a revised asset allocation was reviewed and approved by the WSI Board.
- V. **A. Strategic Plan Presentation:** Ms. Murtha will present to the Board the strategic plan developed by RIO and previously presented to the Governor's office earlier in March for agency operations.
- B. Legacy & Budget Stabilization Fund Advisory Board Update:** Ms. Murtha will provide the Board with an update on the Asset Allocation Study project for the Advisory Board.
- C. Governance & Policy Review Committee Member Appointment (Board Action):** Board to nominate and approve 3 members to the new standing committee.
- D. Executive Review Committee Update:** Mr. Olson and Ms. Sauter will update the Board regarding the status of the Executive Director performance review.
- VI. **A-B. Reports (Board Action):** Staff will provide reports for TFFR Ends and executive limitations/ staff relations.

Adjournment.

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
FEBRUARY 25, 2022, BOARD MEETING (IN PERSON)**

MEMBERS PRESENT: Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer
Jon Godfread, Insurance Commissioner
Keith Kempenich, Legacy/Budget Stab. Adv. Board
Bryan Klipfel, Director of WSI
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Mel Olson, TFFR Board
Jodi Smith, Commissioner of Unv & School Lands
Yvonne Smith, PERS Board

MEMBERS ABSENT: Brent Sanford, Lt. Governor, Chair
Troy Seibel, PERS Board, Parliamentarian

STAFF PRESENT: Scott Anderson, CIO
Eric Chin, Deputy CIO
Connie Flanagan, CFO
Missy Kopp, Executive Assistant
Jayme Heick, Retirement Prog Spec
Jan Murtha, Exec Dir
Matt Posch, Investment/Compliance Officer
Ann Nagel, Investment Accountant
Emmalee Riegler, Contracts/Records Admin
Sara Sauter, Internal Audit Supvr
Rachelle Smith, Retirement Assistant
Stephanie Starr, Retirement Prog Spec
Tami Volkert, Employer Svs Coor
Susan Walcker, Senior Financial Accountant
Dr. Paul White, Chief Risk Officer

GUESTS: Nick Archuleta, ND United
Dean DePountis, Attorney General's Office
Paul Erlendson, Callan
Alex Browning, Callan
Joseph Herringer, Incoming Comm of Unv & School Lands
Candace Johnson, Securities Commission
Scott Miller, PERS
Adam Montgomery, Securities Commission
Bryan Reinhardt, PERS
Rich Wardner, ND Senate
Hope Wedul, HRMS

CALL TO ORDER:

Dr. Rob Lech, Vice Chair, called the State Investment Board (SIB) regular meeting to order at 8:31 a.m. on Friday, February 25, 2022. The meeting was held in the Workforce Safety and Insurance Board Room, 1600 E Century Ave., Bismarck, ND.

The following members were present: Treasurer Beadle, Commissioner Godfread, Rep. Kempenich, Mr. Klipfel, Dr. Lech, Mr. Mickelson, Mr. Miller, and Mr. Olson

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the February 25, 2022, 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: TREASURER BEADLE, MR. MILLER, COMMISSIONER GODFREAD, MR. OLSON, MR. KLIPFEL, MR. MICKELSON, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOV. SANFORD, MR. SEIBEL, COMMISSIONER SMITH, AND MS. SMITH

MINUTES:

The Board considered the minutes of the January 28, 2022, SIB meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JANUARY 28, 2022, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MR. KLIPFEL, TREASURER BEADLE, DR. LECH, COMMISSIONER GODFREAD, MR. OLSON, AND MR. MILLER

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOV. SANFORD, MR. SEIBEL, COMMISSIONER SMITH, AND MS. SMITH

BOARD EDUCATION:

Board Governance & Client Relations:

Ms. Murtha presented information on board governance. As there is turnover on the Board, it is an appropriate time to examine where the Board has been and where it is going. Governance should be reviewed and updated as the Board and programs evolve. Governance should be adaptable. Ms. Murtha discussed the history of RIO; the SIB's powers, duties, and role; and the progression of the investment program. With the creation of the GPR committee and the growth of the programs RIO and the SIB oversee, staff recommend an in-depth discussion of governance changes to effectively build out the program and look ahead five to ten years to build a foundation for growth. Board discussion followed.

Commissioner Smith joined the meeting at 8:34 a.m.

Ms. Smith joined the meeting at 9:02 a.m.

INVESTMENTS:

Quarterly Performance Presentation:

Mr. Erlendson and Mr. Browning, Callen, provided an investment performance review as of December 31, 2021. Each of the Trust's asset allocations were within policy ranges as of December 31, 2021. Each Trust's cash flow were managed to rebalance towards strategic targets. Total Fund returns for PERS, TFFR, WSI, Budget Stabilization, and the Legacy Fund have each exceeded their respective benchmarks on a net-of-fee basis for the trailing five-year period. Within the Total Fund structures, the small cap equity allocations underperformed the benchmark over most cumulative periods ended December 31, 2021. Two small cap managers were terminated due to performance concerns and were replaced by new firms one year ago. Since the manager changes were implemented, small cap results have exceeded the benchmark. Total Fund net-of-fee results exceed benchmark.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE QUARTERLY PERFORMANCE REPORT.

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

The Board recessed at 9:45 a.m. and reconvened at 10:03 a.m.

Professional Investment Management Benefits:

Mr. Anderson provided information on professional investment management and how it has created a large benefit to the SIB funds when compared to less thoughtful allocation and implementation. The benefits of professional investment management scale with assets under management. There is an opportunity to improve investment value added while lowering the cost per AUM as the funds grow. The key to unlocking that value is governance talent management, operations, data and technology infrastructure, and a research/knowledge management-oriented culture.

GOVERNANCE:

Legacy & Budget Stabilization Fund Advisory Board Update:

Ms. Murtha provided an update on the February 15, 2022, Legacy and Budget Stabilization Fund Advisory Board meeting. Staff provided education on asset allocation studies. The Advisory Board discussed Board governance and awarded projects related to asset allocation and implementation for the Legacy Fund.

Policy Second Reading and Final Adoption:

Ms. Murtha shared information on the process for approving the amendment to Policy B-6 and the proposed Governance and Policy Review (GPR) Committee charter. The SIB reviewed and discussed the creation of a GPR standing committee at the January 28, 2022, meeting and approved the first reading. The Board must now approve the second reading and final adoption to move forward with the creation of the new Committee.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AMENDMENT TO POLICY B-6 AND THE DRAFT GPR COMMITTEE CHARTER FOR SECOND READING AND FINAL ADOPTION.

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

Board Self-Assessment:

Ms. Sauter shared the results of the 2022 SIB Self-Evaluation. The self-assessment responses from Board members indicate their areas of strength: actively engaged, understand the Board Code of Conduct, and have avoided conflicts of interest. Identified areas of improvement for Board members include the amount of information for Board meetings and the need to review governance regularly. The Board assessment responses indicate areas of strength: well-run meetings, the willingness to discuss difficult topics, and regular reviews of financial, investment, and portfolio reports. Areas of improvement that were identified for the Board include prioritizing Board packet information and reviewing bylaws and governance regularly.

REPORTS:

Audit Activities Report:

Ms. Sauter provided the Internal Audit (IA) activities report for the second quarter. After retirements and resignation of multiple staff, there was a need to examine responsibilities of exiting staff to ensure coverage by new staff members and that duties are assigned within the reorganization of the organization and positions. Ms. Sauter explained IA's recommendations and conclusions in Phase I of the succession plan. Ms. Sauter also reviewed the results of the annual Executive Limitations Audit.

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE AUDIT ACTIVITIES REPORT.

AYES: MS. SMITH, MR. MILLER, MR. OLSON, MR. MICKELSON, DR. LECH, MR. KLIPFEL, COMMISSIONER GODFREAD, COMMISSIONER SMITH, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOV. SANFORD AND MR. SEIBEL

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations report. The Chief Retirement Officer/Deputy ED position has been posted. New staff that have started or accepted a position include the Chief Risk Officer, Accounting Intern, and the Member Specialist. Procurement activities include the PAS project and the Legacy Fund Advisory Board consultant RFP. RIO staff have been working on strategic planning in partnership with NDIT and HRMS. The strategic plan will be presented at the March Board meeting.

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

AYES: TREASURER BEADLE, MR. OLSON, COMMISSIONER, SMITH, DR. LECH, MR. MILLER, COMMISSIONER GODFREAD, MR. MICKELSON, MS. SMITH, AND MR. KLIPFEL

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOV. SANFORD AND MR. SEIBEL

ADJOURNMENT:

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 11:14 a.m.

Respectfully Submitted:

Lt. Governor Sanford, Chair
State Investment Board

Missy Kopp
Recorder

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MARCH 3, 2022, SPECIAL BOARD MEETING (VIRTUAL)**

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
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

STAFF PRESENT:

Scott Anderson, CIO
Eric Chin, Deputy CIO
Connie Flanagan, CFO
Missy Kopp, Executive Assistant
Jayme Heick, Retirement Prog Spec
Jan Murtha, Exec Dir
Matt Posch, Investment/Compliance Officer
Ann Nagel, Investment Accountant
Emmalee Riegler, Contracts/Records Admin
Sara Sauter, Internal Audit Supvr
Rachelle Smith, Retirement Assistant
Stephanie Starr, Retirement Prog Spec
Dottie Thorsen, Internal Audit
Tami Volkert, Employer Svs Coor
Susan Walcker, Senior Financial Accountant
Len Wall, NDIT
Dr. Paul White, Chief Risk Officer

GUESTS:

Nick Archuleta, ND United
Jace Beehler, Gov. Office
Amy Copas, NDCEL
Dean DePountis, Attorney General's Office
Paul Erlendson, Callan
Alex Browning, Callan
Mike Burton, TFFR Board
Karlene Fine, Industrial Comm
Joseph Herringer, Incoming Comm of Unv & School Lands
Kathy Hogan, ND Senate
Candace Johnson, Securities Commission
Rachel Kriege, Insurance Commission
Scott Miller, PERS
Adam Montgomery, Securities Commission
Mike Nowatzki, Gov. Office
Bryan Reinhardt, PERS
Colton Schulz, Insurance Dpet.
Dawn Seay, Gov Office
Karen Tyler, Securities Dept
Rich Wardner, ND Senate
Hope Wedul, HRMS
Teleconference Guests - 28

CALL TO ORDER:

Lt. Gov. Sanford, Chair, called the State Investment Board (SIB) special meeting to order at 9:00 a.m. on Thursday, March 3, 2022. The meeting was held at the Retirement and Investment Office (virtual host), 1600 E Century Ave., Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the March 3, 2022, meeting.

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

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

NAYS: NONE

MOTION CARRIED

INVESTMENTS:

Introduction & Overview of Russian Entity Investment Exposure:

Mr. Anderson shared information on the SIB's Russian entity exposure. The total Russian entity exposure across the Legacy Fund, Pension Funds, and Insurance Funds is about \$10 million, based on manager discussions as of March 2, 2022. The situation is very fluid as managers are exiting positions, as prices are changing, and as brokers/traders are halting transaction activity. NDSIB has less exposure to Russian entities than many other plans at 0.05%. Challenges for investment managers include the difficulty of estimating value given the lack of market liquidity, difficulty trading dollar denominated securities, and capital constraints imposed by the Russian government.

Ms. Murtha and Mr. Anderson reviewed the Frequently Asked Questions (FAQ) document compiled by RIO staff. Staff have been working diligently to be as transparent as possible and to provide as much education and information to the public as possible. The FAQ document, which is available on the RIO website, reflects the changing nature of the current market. The document provides Russian exposure information across all funds and the names of the managers who oversee the investments.

Russian Entity Investment Strategy & Options:

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-18.4(1), 44-04-19.1(9) & 44-04-19.2 TO DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION, INVESTMENT NEGOTIATING STRATEGY, AND TO PROVIDE NEGOTIATING INSTRUCTIONS.

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

NAYS: NONE

MOTION CARRIED

Executive session began at 9:46 a.m. and ended at 11:11 a.m. In attendance were all Board members, RIO staff (Jan Murtha, Connie Flannagan, Missy Kopp, Matt Posch, Sara Sauter, Eric Chin, and Dr. Paul White), and Dean DePountis, legal counsel.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE DIVESTMENT OF RUSSIAN INVESTMENT EXPOSURE AS DISCUSSED IN EXECUTIVE SESSION AND TO DIRECT STAFF TO REPORT AT THE NEXT REGULARLY SCHEDULE SIB MEETING.

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

NAYS: NONE

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Sanford adjourned the meeting at 11:15 a.m.

Respectfully Submitted:

Lt. Governor Sanford, Chair
State Investment Board

Missy Kopp
Recorder

BOARD GOVERNANCE ARCHETYPES

Scott M Anderson, CFA
March 25, 2022

TIME HORIZON OF DECISION MAKING

Illustrative

10-40+ Years	5-10+ Years	2-10+ Years	2-5+ Years	Qtly/ Monthly	Weekly/ Monthly	Weekly/ Daily			
Statute	Governance Structure	Asset Allocation	Policy	Investment Strategy	Manager Selection/ Portfolio Design	Board Oversight	Investment Management	Security Selection	Risk Management and Control
	Pension Benefits, Insurance Benefits, Intergenerational Equity	Appropriate Guidance and Control of Mandates	Appropriate return, risk, and financial outcomes	Superior return, risk, and financial outcomes	Mandates are on track financially and with regards to risk	Mandates and portfolio execution are performing well, agile to respond to a changing environment and under control			

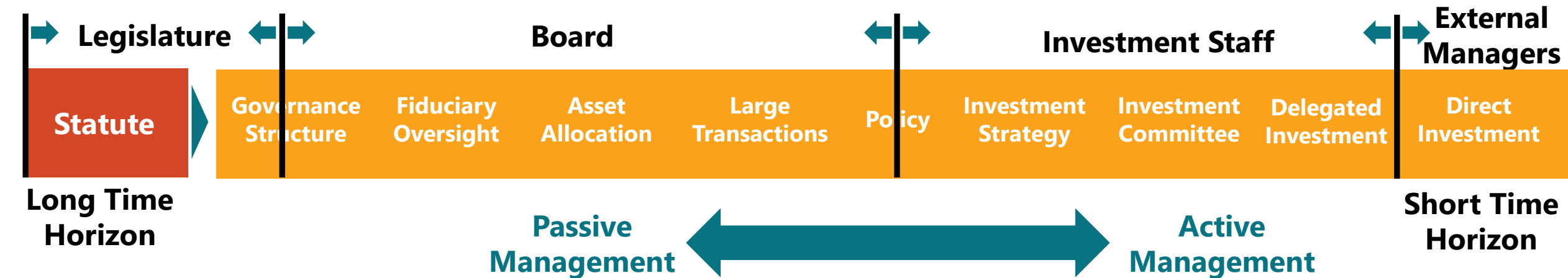
- Good governance requires the time horizon and frequency of decisions to match the timeline required to achieve a goal (agility ↔ stability)
- Good governance requires oversight to be independent of decisions and their implementation
- Performance and risk management require short time horizons to be agile to changing environments, discipline not to act too frequently, and contingent planning

GOVERNANCE MODEL – Roles & Responsibilities

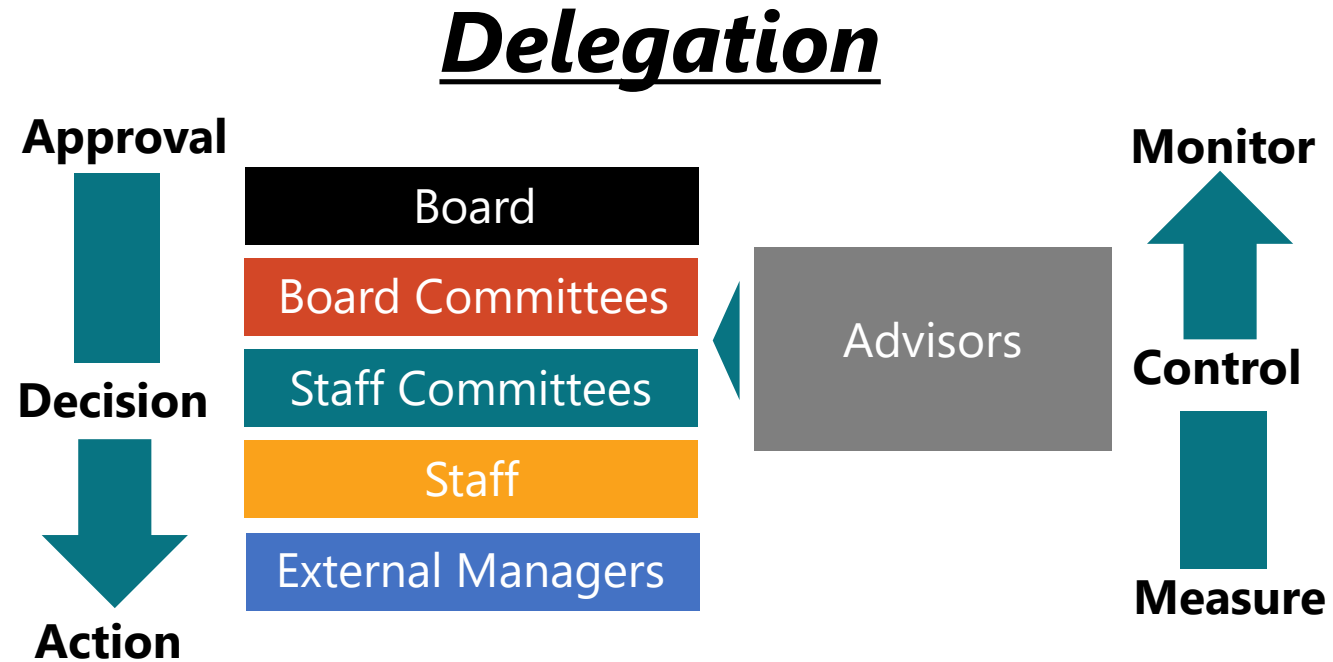
-a governance model defines roles and responsibilities, decision making authority, and the structure by which policies are determined and executed.

Roles and Responsibilities

Illustrative



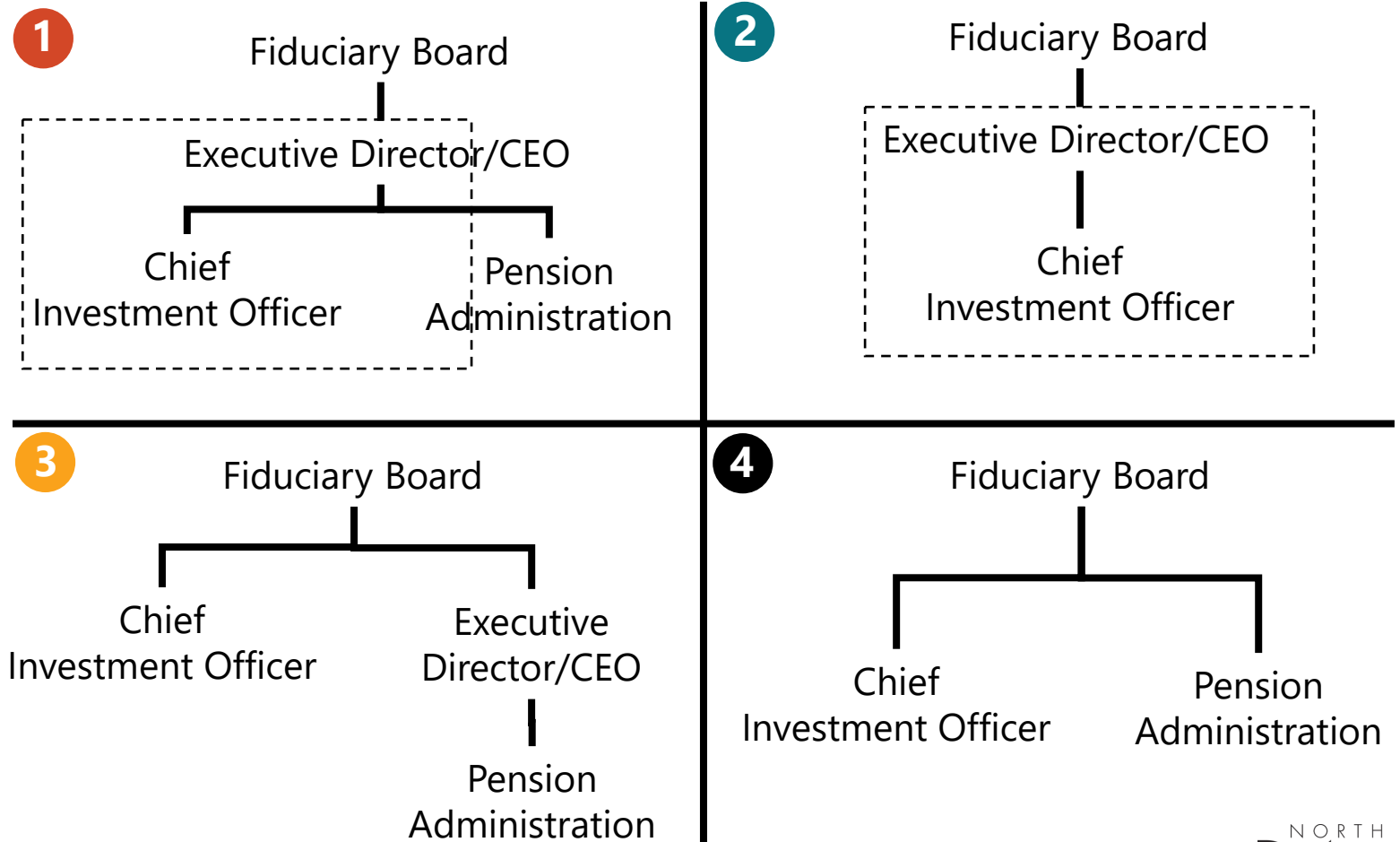
GOVERNANCE MODEL – Delegation



GOVERNANCE MODEL – Organization Structure¹

- roles are organized into a structure to facilitate efficient communication, decision making, action, oversight, and control.

Board
Executive Director
Chief Investment Officer
Pension Administration

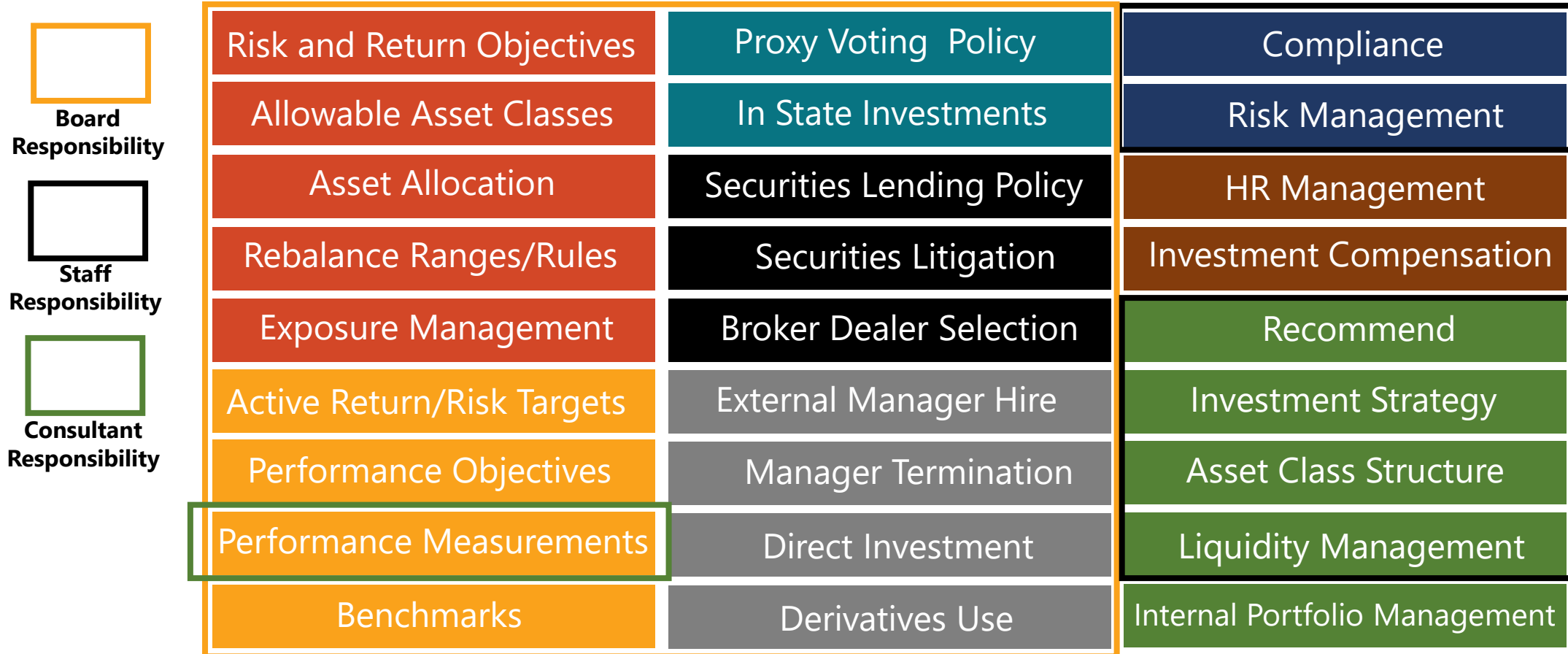


1. From various public plan governance documents

GOVERNANCE MODEL – Decisions¹

- The Board decides which decisions are delegated to staff and which decisions are retained as well as how those decisions are made.

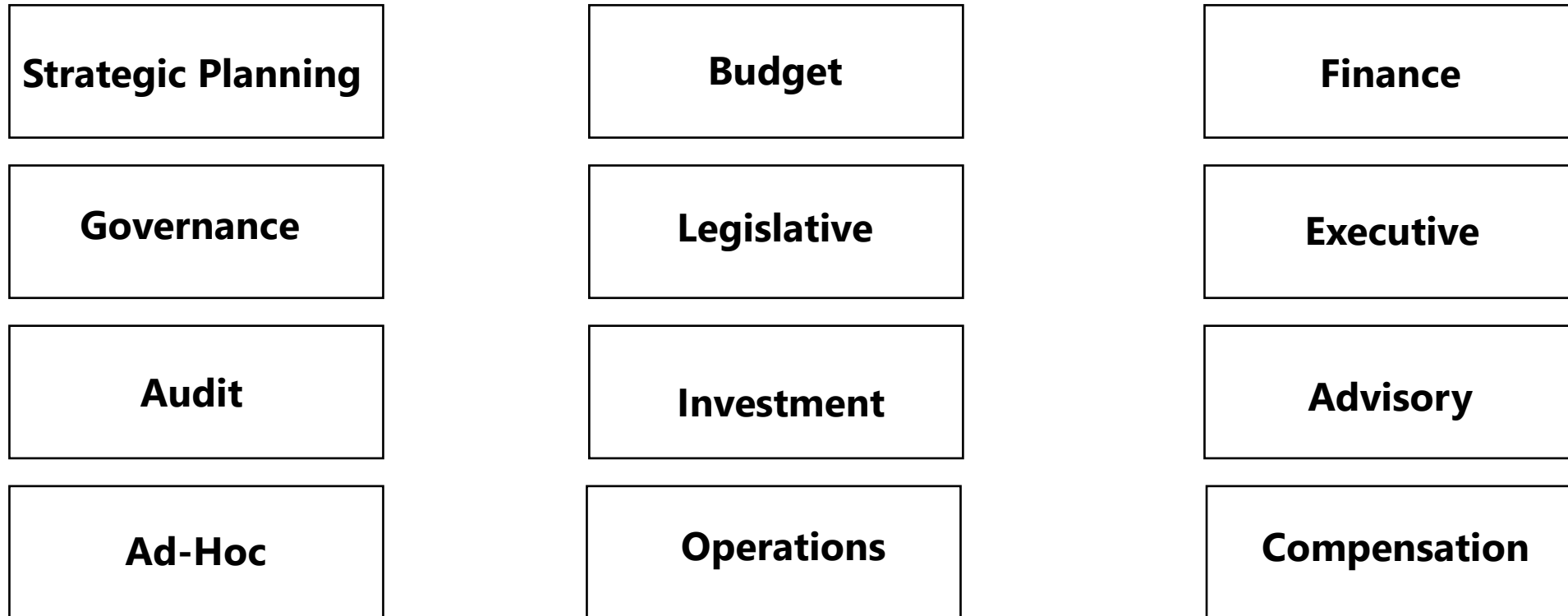
Illustrative



1. From various public plan governance documents

GOVERNANCE MODEL – Board Committees¹

- The Board decides committees for the purpose of specialized discussion and recommendation to the Board.



Decisions include what committees, committee size, quorum, chair, term and charter.

1. From various public plan governance documents

GOVERNANCE MODEL – Board Composition¹



Often elected by teacher or public employee members and/or appointed by the governor, the legislature or other elected official for a specified term as well as by ex-officio appointment.

1. From various public plan governance documents

MODEL 1 – MINIMAL DELEGATED AUTHORITY

- The Board and Client Boards make decisions regarding risk/return objectives, asset allocation, investment policies, the hiring and termination of investment managers, custodians and consultants
- The Staff recommends and executes Board directives sometimes in conjunction with a Board Investment Committee
- Advisors have a broad scope and major input into decisions
- External managers implement investment mandates
- The Board monitors external manager performance
- Incentive compensation is not typically provided to Staff
- Boards are mostly comprised of members without investment expertise
- There are a small number of committees typically Audit and Budget

GOVERNANCE MODEL – Roles & Responsibilities

(Minimal Delegated Authority)

Roles and Responsibilities



Examples:

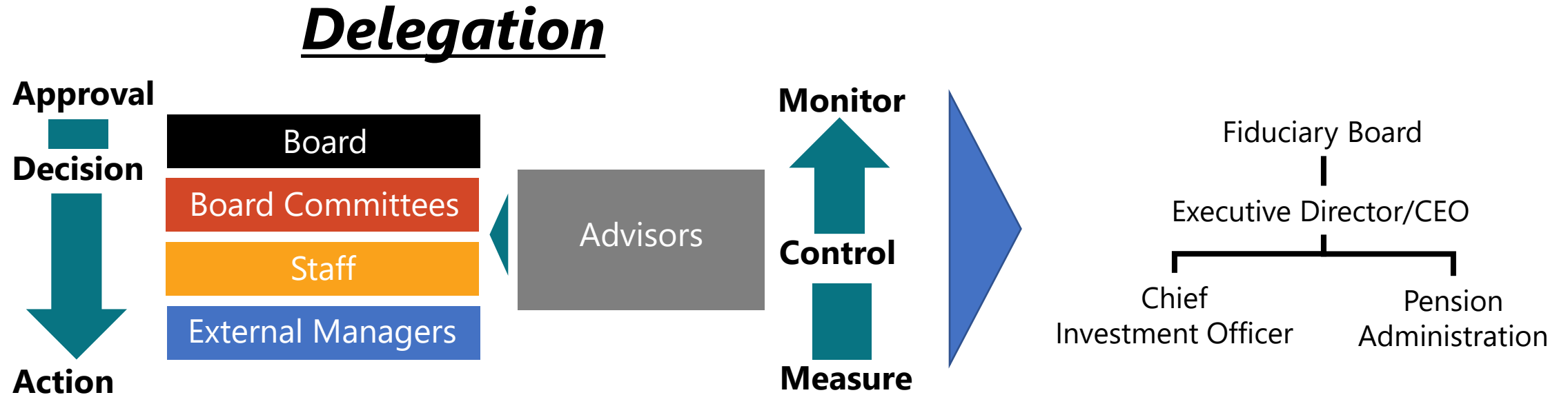
Rhode Island ERS ~\$10 Billion

North Dakota SIB ~\$20 Billion

Oklahoma PERS ~\$13 Billion

GOVERNANCE MODEL – Delegation

(Minimal Delegated Authority)



GOVERNANCE MODEL – Decisions

(Minimal Delegated Authority)

Illustrative



Risk and Return Objectives	Proxy Voting Policy	Compliance
Allowable Asset Classes	In State Investments	Risk Management
Asset Allocation	Securities Lending Policy	HR Management
Rebalance Ranges/Rules	Securities Litigation	Investment Compensation
Exposure Management	Broker Dealer Selection	Recommend
Active Return/Risk Targets	External Manager Hire	Investment Strategy
Performance Objectives	Manager Termination	Asset Class Structure
Performance Measurements	Direct Investment	Liquidity Management
Benchmarks	Derivatives Use	Internal Portfolio Management

GOVERNANCE MODEL – Board Composition

(Minimal Delegated Authority)

A “Lay” Board (Not members of the Investment Profession)

Elected Official

**Contributing
Member**

**Retired
Member**

**Ex-Officio
Member**

A lay member is someone who serves on a board of an organization that furthers the interests of a particular profession and, not being a member of that profession, brings an outside and independent perspective to enhance its governance.

MODEL 2 – SOME DELEGATED AUTHORITY

- The Board and Client Boards make decisions regarding risk/return objectives, asset allocation, and most investment policies
- The Staff determines investment strategy, the hiring/termination of investment managers, custodians and some consultants and executes Board directives
- There is internal investment management and execution of less sophisticated investment strategies typically governed with an internal Investment Committee
- Advisors are diversified across advisory services and provide input to Staff
- The Board monitors internal and external manager performance
- Incentive compensation is typically provided to Staff
- Boards have some members with investment expertise
- There are more Board committees including Audit, Budget, Incentive, Governance/Strategy and Compensation

GOVERNANCE MODEL – Roles & Responsibilities

(Some Delegated Authority)

Roles and Responsibilities



Examples:

Colorado PERA ~\$60 Billion

Ohio State Teachers ~\$80 Billion

South Carolina IC ~\$40 Billion

GOVERNANCE MODEL – Delegation

Delegation

Approval



Decision



Action



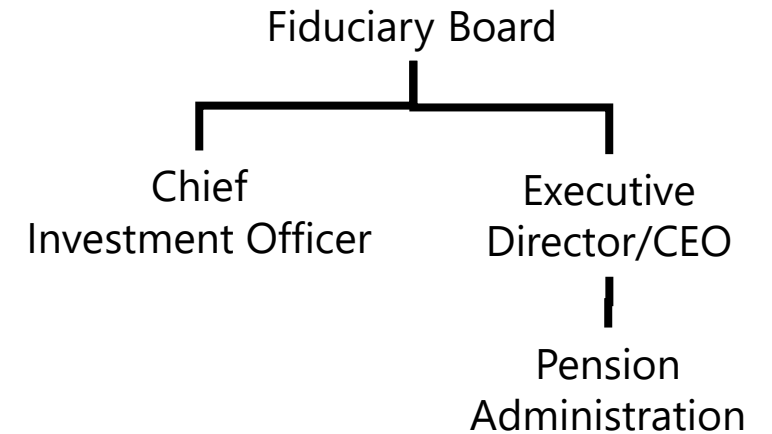
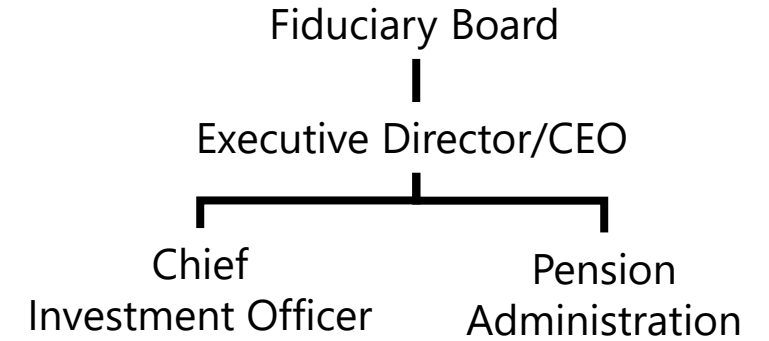
Advisors

Monitor



Control

Measure



GOVERNANCE MODEL – Decisions

(Some Delegated Authority)

Illustrative



Risk and Return Objectives	Proxy Voting Policy	Compliance
Allowable Asset Classes	In State Investments	Risk Management
Asset Allocation	Securities Lending Policy	HR Management
Rebalance Ranges/Rules	Securities Litigation	Investment Compensation
Exposure Management	Broker Dealer Selection	Recommend
Active Return/Risk Targets	External Manager Hire	Investment Strategy
Performance Objectives	Manager Termination	Asset Class Structure
Performance Measurements	Direct Investment	Liquidity Management
Benchmarks	Derivatives Use	Internal Portfolio Management

GOVERNANCE MODEL – Board Composition

(Some Delegated Authority)

Some Board Level Investment Expertise

Elected Official

**Contributing
Member**

**Retired
Member**

**Investment
Expert**

**Ex-Officio
Member**



Advisory Council

MODEL 3 – DELEGATED AUTHORITY

- The Board and Client Boards make decisions regarding risk/return objectives, asset allocation, and a limited set of large value investments
- The Staff determines investment strategy, the hiring/termination of investment managers, custodians and some consultants and executes Board directives
- There is internal investment management and execution of some sophisticated investment strategies typically governed with an internal Investment Committee
- Advisors are diversified across advisory services and provide input to Staff
- The Board monitors plan level performance and receives manager performance
- Incentive compensation is typically provided to Staff
- Boards have members with investment expertise
- There is some internal HR functions such as recruiting and compensation
- There are more Board committees including Audit, Finance, Incentive, Governance/Strategy and Compensation with more emphasis on strategy

GOVERNANCE MODEL – Roles & Responsibilities

(Delegated Authority)

Roles and Responsibilities



Examples:

Texas Teachers ~\$186 Billion

State of Wisconsin IB ~\$150 Billion

South Dakota IC ~\$19 Billion

GOVERNANCE MODEL – Delegation

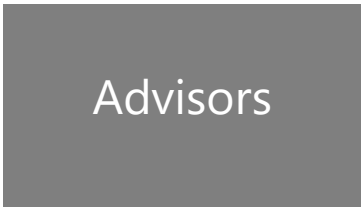
(Delegated Authority)

Delegation

Approval

Decision

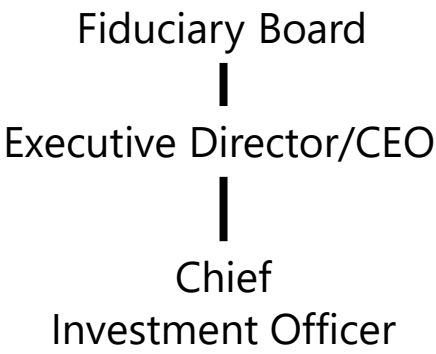
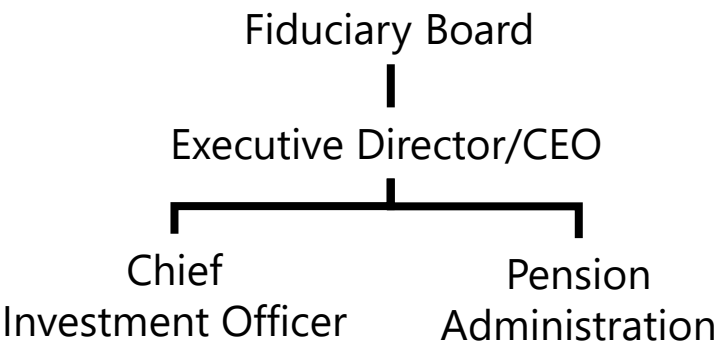
Action



Monitor

Control

Measure



GOVERNANCE MODEL – Decisions

(Delegated Authority)

Illustrative



Risk and Return Objectives	Proxy Voting Policy	Compliance
Allowable Asset Classes	In State Investments	Risk Management
Asset Allocation	Securities Lending Policy	HR Management
Rebalance Ranges/Rules	Securities Litigation	Investment Compensation
Exposure Management	Broker Dealer Selection	Recommend
Active Return/Risk Targets	External Manager Hire	Investment Strategy
Performance Objectives	Manager Termination	Asset Class Structure
Performance Measurements	Direct Investment	Liquidity Management
Benchmarks	Derivatives Use	Internal Portfolio Management

GOVERNANCE MODEL – Board Composition

(Delegated Authority)

Board Level Investment Expertise

Elected Official

**Contributing
Member**

**Retired
Member**

**Investment
Expert**

**Ex-Officio
Member**

Several board members have investment, banking or economics expertise from the investment industry, banking industry and academic industries.

BOARD GOVERNANCE ARCHETYPES

	Limited Delegation	Some Delegation	Delegated Authority
Board Composition	Lay Board	Some Investment expertise or an advisory council	Board level investment expertise
Committees	Audit & budget	Strategy/governance, audit & finance, compensation	Strategy/governance, audit & finance and, compensation
Investment Committee	None or Board level	Internal Staff or Board level	Internal Staff
Board Responsibilities	Risk and return objectives, asset allocation, hire/terminate managers	Risk and return objectives, asset allocation	Risk and return objectives, asset allocation
Delegation	Limited	hire/terminate managers, less sophisticated internal management	hire/terminate managers/Staff, sophisticated internal management
Investment Sophistication	Less sophisticated	More sophisticated funds management, less sophisticated internal management	More sophisticated funds management, more sophisticated internal management
Benchmark Approval	Advisor and Board approval	Staff input, Board approval with advisor opinion	Staff input, Board approval with advisor opinion
Compensation	No incentive compensation	Incentive compensation	Industry incentive compensation
Proxy Voting	Board directed; manager implemented; voting agents	Board directed; manager and Staff implemented (advisors); voting agents	Board directed; internal staff implemented (advisors)
HR Operations	State HR assistance	State HR assistance with some Staff	Staff managed HR
Advisors	Broad scope; major input	Diversified across disciplines and mandates; provide advice to staff	Diversified across disciplines and mandates; provide advice to staff

RUSSIAN ENTITY EXPOSURE Update

March 25, 2022

RUSSIAN ENTITY EXPOSURE

-the total Russian entity exposure across the Legacy Fund, the Pension Funds and the Insurance Funds is about \$2.7 million¹

(\$ Millions) Mandate Type	Current ²			Russia Current			Total
	Legacy	Pension	Insurance	Legacy	Pension	Insurance	
Equity Commingled	510	370	70	1.2	1.2	0.2	
Equity Separately Managed	0	450	0	0	0	0	
Fixed Income Separately Managed	1,780	500	1,120	0	0	0.1	
	2,290	1,320	1,190	1.2	1.2	0.3	2.7

-the situation is very fluid as managers are exiting positions, as prices are changing, and as brokers/traders are halting transaction activity

1. Estimated from manager discussions through March 15, 2022; Includes ArrowStreet, DFA, Vanguard, LSV, Prudential, WAMCO, Barrings

2. Based on most recent holdings information

SOME SALES HAVE BEEN COMPLETED

- One equity separately managed account manager exited its Russian holding as the situation was evolving
- One bond manager was able to exit its position in a Russian related gas company holding at face value (\$1.3 million) while another was able to exit at about 25% of face value or about \$200 thousand
- A third bond manager sold 80% of its position in a Russian steel and mining company
- Trading of the remaining equity shares with Russian exposure has been halted
- MSCI removed Russian securities from all MSCI Global Investable Market Indexes

Executive Session information is sent to Board members via secure link.

PERFORMANCE UPDATE

AS OF JANUARY 31, 2022



BENCHMARK INDEX PERFORMANCE

Summary of Returns					
January 31, 2022					
Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
PERS Policy Benchmark	-2.9%	12.7%	10.0%	8.8%	7.3%
TFFR Policy Benchmark	-2.7%	13.3%	10.2%	8.8%	7.4%
Legacy Policy Benchmark	-3.6%	6.7%	8.3%	5.5%	6.6%
WSI Policy Benchmark	-2.6%	2.7%	5.9%	5.3%	3.9%
Russell 1000	-5.6%	20.3%	16.6%	15.3%	13.5%
Russell 2000	-9.6%	-1.2%	9.7%	11.3%	18.0%
S&P 500	-5.2%	23.3%	16.8%	15.4%	13.2%
MSCI ACWI Gross	-4.9%	13.2%	12.6%	10.7%	13.2%
MSCI World ex US	-4.4%	8.8%	8.0%	6.8%	14.1%
MSCI Emerging Markets	-1.9%	-7.2%	8.3%	4.2%	16.0%
Bloomberg Aggregate	-2.2%	-3.0%	3.1%	2.6%	3.1%
Bloomberg Gov/Credit	-2.4%	-3.1%	3.4%	2.8%	3.6%
ICE High Yield Corp	-2.7%	2.1%	5.2%	6.1%	6.6%

Source: Callan database

PERFORMANCE UPDATE

- PERS and TFFR earned a net investment return of 12.98% and 12.75% respectively for the one-year period ending January 31, 2022
- For the 5-year period ending January 31, 2022, PERS and TFFR earned a net investment return of 10.64% and 10.53% respectively
- Job Service, a de-risked pension plan, failed to exceed policy benchmark returns for the 3-year and 5-year periods ending January 31, 2022

	Current FYTD	1 Year	3 Year	5 Year	Risk 5 Year
PERS \$4.1 billion					
Total Fund Return - Net	2.43%	12.98%	12.67%	10.64%	8.8%
Policy Benchmark Return	2.55%	12.72%	12.25%	10.05%	8.4%
Total Relative Return	-0.12%	0.27%	0.41%	0.59%	
TFFR \$3.3 billion					
Total Fund Return - Net	2.46%	12.75%	12.53%	10.53%	8.6%
Policy Benchmark Return	2.87%	13.34%	12.50%	10.17%	8.5%
Total Relative Return	-0.40%	-0.59%	0.04%	0.36%	
Bismarck Employees \$128.9 million					
Total Fund Return - Net	2.29%	10.90%	11.04%	9.43%	7.2%
Policy Benchmark Return	2.15%	9.94%	10.54%	8.71%	7.2%
Total Relative Return	0.14%	0.96%	0.51%	0.72%	
Bismarck Police \$52.5 million					
Total Fund Return - Net	2.46%	12.00%	11.65%	9.87%	7.7%
Policy Benchmark Return	2.33%	11.05%	11.15%	9.19%	7.8%
Total Relative Return	0.14%	0.95%	0.50%	0.69%	
Grand Forks Pension \$80.5 million					
Total Fund Return - Net	2.43%	13.26%	13.14%	10.97%	9.1%
Policy Benchmark Return	1.95%	11.99%	12.56%	10.29%	9.2%
Total Relative Return	0.48%	1.27%	0.58%	0.67%	
Grand Forks Parks \$9.5 million					
Total Fund Return - Net	1.92%	12.23%	12.38%	10.57%	8.4%
Policy Benchmark Return	2.36%	11.88%	11.82%	9.93%	8.0%
Total Relative Return	-0.44%	0.35%	0.56%	0.64%	
Job Service \$93.8 million					
Total Fund Return - Net	-0.07%	2.50%	4.39%	4.57%	3.7%
Policy Benchmark Return	-0.58%	2.03%	5.53%	5.36%	3.7%
Total Relative Return	0.51%	0.47%	-1.15%	-0.79%	

PERFORMANCE UPDATE

CONTINUED...

- WSI and Legacy Fund earned a net investment return of 3.45% and 7.65% respectively for the 1-year period ending January 31, 2022
- For the 5-year period ended January 31, 2022, WSI and Legacy Fund earned a net investment return of 6.83% and 8.79% respectively

	Current FYTD	1 Year	3 Year	5 Year	Risk 5 Year
WSI \$2.3 billion					
Total Fund Return - Net	-0.10%	3.45%	7.71%	6.83%	5.3%
Policy Benchmark Return	-0.15%	2.66%	7.01%	5.95%	4.3%
Total Relative Return	0.05%	0.78%	0.70%	0.88%	
Legacy Fund \$8.5 billion					
Total Fund Return - Net	0.07%	7.65%	10.69%	8.79%	8.9%
Policy Benchmark Return	0.02%	6.68%	10.23%	8.35%	8.2%
Total Relative Return	0.05%	0.97%	0.47%	0.44%	
Budget Stabilization \$742.2 million					
Total Fund Return - Net	-0.99%	-0.28%	2.59%	2.05%	2.5%
Policy Benchmark Return	-1.17%	-1.20%	1.89%	1.64%	1.0%
Total Relative Return	0.18%	0.93%	0.70%	0.41%	
Fire & Tornado \$22.2 million					
Total Fund Return - Net	-0.73%	4.19%	8.45%	7.14%	7.2%
Policy Benchmark Return	-1.31%	2.83%	7.96%	6.57%	6.1%
Total Relative Return	0.58%	1.36%	0.50%	0.57%	
State Bonding \$3.8 million					
Total Fund Return - Net	-0.98%	-1.00%	3.06%	2.90%	2.4%
Policy Benchmark Return	-1.14%	-1.61%	2.44%	2.21%	1.8%
Total Relative Return	0.16%	0.62%	0.62%	0.69%	
Insur. Reg. Trust \$1.7 million					
Total Fund Return - Net	-0.57%	3.52%	7.55%	6.21%	5.2%
Policy Benchmark Return	-0.87%	2.75%	6.49%	5.46%	5.0%
Total Relative Return	0.30%	0.78%	1.05%	0.75%	
Petrol. Tank Release \$6.2 million					
Total Fund Return - Net	-0.85%	-0.83%	2.87%	2.74%	2.1%
Policy Benchmark Return	-1.03%	-1.46%	2.31%	2.11%	1.7%
Total Relative Return	0.18%	0.64%	0.56%	0.63%	

PERFORMANCE UPDATE

CONTINUED...

- Over 98% of the SIB Pension clients earned net returns which exceeded their respective policy benchmarks for the 5-year period ending January 31, 2022 (based on AUM)
- All of the SIB Non-Pension clients earned net returns which exceeded their respective policy benchmarks for the 5-year period ending January 31, 2022

	Current FYTD	1 Year	3 Year	5 Year	Risk 5 Year
State Risk Mgmt \$3.9 million					
Total Fund Return - Net	-0.24%	4.52%	8.68%	7.32%	6.8%
Policy Benchmark Return	-1.33%	2.34%	8.18%	6.74%	5.7%
Total Relative Return	1.09%	2.17%	0.50%	0.58%	
State Risk W/C \$2.6 million					
Total Fund Return - Net	0.06%	5.91%	9.70%	8.07%	7.8%
Policy Benchmark Return	-1.23%	3.50%	9.30%	7.63%	6.7%
Total Relative Return	1.29%	2.42%	0.40%	0.44%	
NDACo \$7.7 million					
Total Fund Return - Net	-0.86%	4.02%	8.83%	7.19%	7.3%
Policy Benchmark Return	-1.26%	2.86%	8.24%	6.59%	6.1%
Total Relative Return	0.40%	1.16%	0.59%	0.61%	
Bismarck Def. Sick \$0.8 million					
Total Fund Return - Net	-1.05%	3.07%	7.98%	6.81%	6.6%
Policy Benchmark Return	-1.52%	1.80%	7.34%	6.06%	5.4%
Total Relative Return	0.46%	1.27%	0.63%	0.75%	
FargoDome \$47.7 million					
Total Fund Return - Net	-0.60%	6.46%	10.17%	8.44%	9.4%
Policy Benchmark Return	-1.24%	5.12%	10.08%	8.18%	8.5%
Total Relative Return	0.64%	1.34%	0.09%	0.26%	
Cultural Endowment \$0.6 million					
Total Fund Return - Net	0.77%	9.25%	11.41%	9.42%	10.0%
Policy Benchmark Return	-0.31%	7.23%	11.41%	9.36%	9.2%
Total Relative Return	1.08%	2.03%	0.00%	0.06%	
Board of Medicine \$3.1 million					
Total Fund Return - Net	-0.48%	3.33%	7.12%	5.56%	5.7%
Policy Benchmark Return	-0.80%	2.35%	6.36%	5.06%	4.6%
Total Relative Return	0.32%	0.98%	0.76%	0.51%	

PERFORMANCE UPDATE

CONTINUED...

- Domestic Fixed Income managers continue to contribute to positive excess returns
- Domestic Equity managers in the portfolio have outperformed in the current fiscal year, while International managers have driven excess returns over longer periods
- The managers in the small cap allocation have outperformed the Russell 2000 by over 6% for the current fiscal year

	Current FYTD	1 Year	3 Year	5 Year	Risk 5 Year
PERS Group Insurance \$33.5 million					
Total Fund Return - Net	-0.95%	-0.31%	2.44%	2.01%	2.3%
Policy Benchmark Return	-1.08%	-1.12%	1.81%	1.61%	0.9%
Total Relative Return	0.13%	0.81%	0.63%	0.40%	
Lewis & Clark \$0.9 million					
Total Fund Return - Net	-1.25%	3.34%	8.63%	N/A	
Policy Benchmark Return	-1.48%	2.48%	8.00%	N/A	
Total Relative Return	0.23%	0.86%	0.63%	N/A	
AG Settlement \$3.7 million					
Total Fund Return - Net	-0.99%	-0.99%	N/A	N/A	
Policy Benchmark Return	-1.17%	-1.17%	N/A	N/A	
Total Relative Return	0.18%	0.18%	N/A	N/A	
Veterans' Cemetery \$0.5 million					
Total Fund Return - Net	0.05%	7.19%	N/A	N/A	
Policy Benchmark Return	-0.32%	6.24%	N/A	N/A	
Total Relative Return	0.37%	0.95%	N/A	N/A	
PERS Retiree Health \$178.4 million					
Total Fund Return - Net	-0.88%	7.06%	11.90%	9.52%	10.3%
Policy Benchmark Return	-1.26%	5.97%	11.23%	9.17%	9.5%
Total Relative Return	0.38%	1.10%	0.67%	0.34%	

WORKFORCE SAFETY & INSURANCE

INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS.

North Dakota Workforce Safety & Insurance (WSI) is an exclusive state workers' compensation fund (Fund), which exists for the mutual benefit of North Dakota employers and employees. The assets of the Fund are utilized to pay benefits to injured workers or their survivors.

Section 65-04-01 of the North Dakota Century Code requires WSI to establish premium rates for funding sufficiently high to provide for:

1. The payment of the expenses of administration of the organization,
2. The payment of compensation according to the provisions and schedules contained in this title, and
3. The maintenance by the Fund of adequate reserves and surplus to the end that it may be kept at all times in an entirely solvent condition.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB).

The governing body of WSI is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. WSI fulfills this responsibility through its Board of Directors, under the oversight and approval of the Governor. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

3. INVESTMENT OBJECTIVES.

The investment goal of WSI is to supplement premiums, through various investments, to accomplish its statutory obligations.

The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members. WSI expects to receive results from the SIB that are consistent with the policies included herein. These objectives and guidelines will provide a basis for evaluating the effectiveness of the investment program over time. It is clearly understood these objectives and standards are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Policy.

The operating and liquidity needs of WSI are generally to be met by the cash equivalents allocation.

Funds in excess of those required for operating and liquidity needs will be invested in domestic equity, international equity, real estate and fixed income securities. The objective of these assets is to obtain the maximum total return on investments consistent with safety of principal on funds in excess of those required for operating and liquidity needs.

4. STANDARDS OF INVESTMENT PERFORMANCE.

The Fund's investment objectives and characteristics give rise to an asset allocation that is considered to have greater than a 50% probability of achieving the results desired. For evaluation purposes, the following performance targets will apply:

- a. The rate of return, net of fees and expenses, should at least match that of the policy portfolio, over a minimum evaluation period of five years.
- b. Risk, as measured by the annual standard deviation of net returns for the Fund, should not exceed that of the policy portfolio by more than 100 basis points over a minimum evaluation period of five years.
- c. Risk adjusted excess returns of the Fund, net of fees and expenses, should match or exceed the policy benchmark over a minimum evaluation period of five years.

5. POLICY AND GUIDELINES

The asset allocation policy developed herein is based on an evaluation of WSI's ability and willingness to assume investment risk in light of WSI's financial goals and objectives. In recognition of these goals and objectives, coupled with a liability-sensitive asset allocation study conducted by Callan Associates in February of 2022, the following asset allocation is deemed appropriate for WSI. The portfolio mix shall be in accordance with the following asset allocation and periodically reviewed by WSI.

Global Equity		20%
- U.S. Large Cap	10%	
- U.S. Small Cap	2%	
- International	8%	
Domestic Fixed Income		62%
Global Real Assets		17%
- Diversified		
o TIPS	8%	
o Infrastructure/Timber	4%	
- Real Estate	5%	
Cash Equivalents		1%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. No transaction shall be made which threatens the tax exempt status of the Fund.
- d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases shall be made.
- f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as *"The consideration of socially responsible criteria in the investment or commitment of public funds for the purpose of obtaining and effect other than a maximized return to the state."*

- g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk

involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

6. EVALUATION AND REVIEW.

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

Approved by:

**WORKFORCE SAFETY &
INSURANCE**

STATE INVESTMENT BOARD

Bryan Klipfel
Director, WSI

Scott Anderson
Chief Investment Officer, RIO

Date: _____

Date: _____

Recommended by WSI Board
Approved by Governor

February 16, 2022
March 1, 2022

STRATEGY REVIEW

North Dakota Retirement and Investment



LOOKING AHEAD TO #BELEGENDARY

Jan Murtha

Monday, March 7, 2022

NORTH
Dakota
Be Legendary.

CURIOSITY



WE CHOSE TO LEARN

- Spring 2020: Top 2 Managers in Retirement Program left within 60 days (Including Deputy Executive Director)
- Summer 2021: Top 2 Managers in Investment Program left within 60 days (including Executive Director)
- Fall 2021: additional retirements resulted in a significant staff reduction to a low of 13 filled FTE's to support both programs – contributing to significant operational risk

"Kites rise highest against the wind - not with it."

- Winston Churchill

Courtesy of www.brainyquote.com

WE CHOSE TO LISTEN

- Fall 2021 Gallup Results - Increase in team member engagement over the prior year despite strain on agency resources
- Significant Increase in Mission/Purpose

Gallup Q¹² Items

Questions	Total N	Current Mean	Last Mean	Change	Mean Percentile Rank - Gallup Overall	Company Overall Current Mean
Q00: Overall Satisfaction	12	4.00	3.69	▲+0.31	46	3.69
Q01: Know What's Expected	12	4.08	4.06	+0.02	18	4.19
Q02: Materials and Equipment	12	4.33	4.31	+0.02	58	4.03
Q03: Opportunity to do Best	12	3.92	4.00	-0.08	31	3.89
Q04: Recognition	12	4.17	4.06	+0.11	68	3.41
Q05: Cares About Me	12	4.58	4.19	▲+0.39	68	4.07
Q06: Development	12	4.17	4.00	+0.17	55	3.75
Q07: Opinions Count	12	4.00	3.69	▲+0.31	54	3.52
Q08: Mission/Purpose	12	4.92	4.19	▲+0.73	93	3.91
Q09: Committed to Quality	12	4.42	4.50	-0.08	66	3.95
Q10: Best Friend	11	3.55	3.63	-0.08	39	3.28
Q11: Progress	12	4.08	3.94	+0.14	49	3.69
Q12: Learn and Grow	12	4.42	4.13	▲+0.29	65	3.88

Not shown if n < 4 for Mean, Top Box, Verbatim Responses, and Sentiment, n < 10 for Frequency, or data is unavailable.

Scores are not available due to data suppression.

Respondents can select multiple responses for multi-select questions.

Percentile Rank in Gallup Overall Database

■ < 25th Percentile

■ 25-49th Percentile

■ 50-74th Percentile

■ 75-89th Percentile

■ ≥ 90th Percentile

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GALLUP

AGENCY VISION: Seeking our Future State



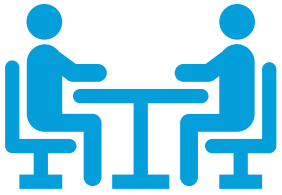
FACTORS REQUIRING TRANSFORMATION

- Operating in reaction mode
- Future uncertainty to North Dakota's budget as the oil industry experience changes
- The evolving mission of the Legacy Fund
- Landscape of the K-12 Education Environment Changes: plan changes to support meeting teacher shortage demand
- Request for portability of retirement plan options

Retirement and Investments Core Priorities



BIG IDEAS FOR THE FUTURE



- **Communication**

- Internal and external communication is purposeful and measured for effectiveness towards continual improvement



- **Technology Enable Processes**

- Opportunities implemented to reduce manual intervention allowing seamless transactions with enhanced efficiencies

BIG IDEAS FOR THE FUTURE

■ **Organizational Culture**

- Our organizational culture provides alignment connecting team members to work collaboratively together internally and with partner agencies to achieve a mission that inspires and drives our work



■ **Talent Management**

- Implementation of a growth centered mindset within the agency allowing purposeful coaching, career development, and staff retention



BIG IDEAS FOR THE FUTURE



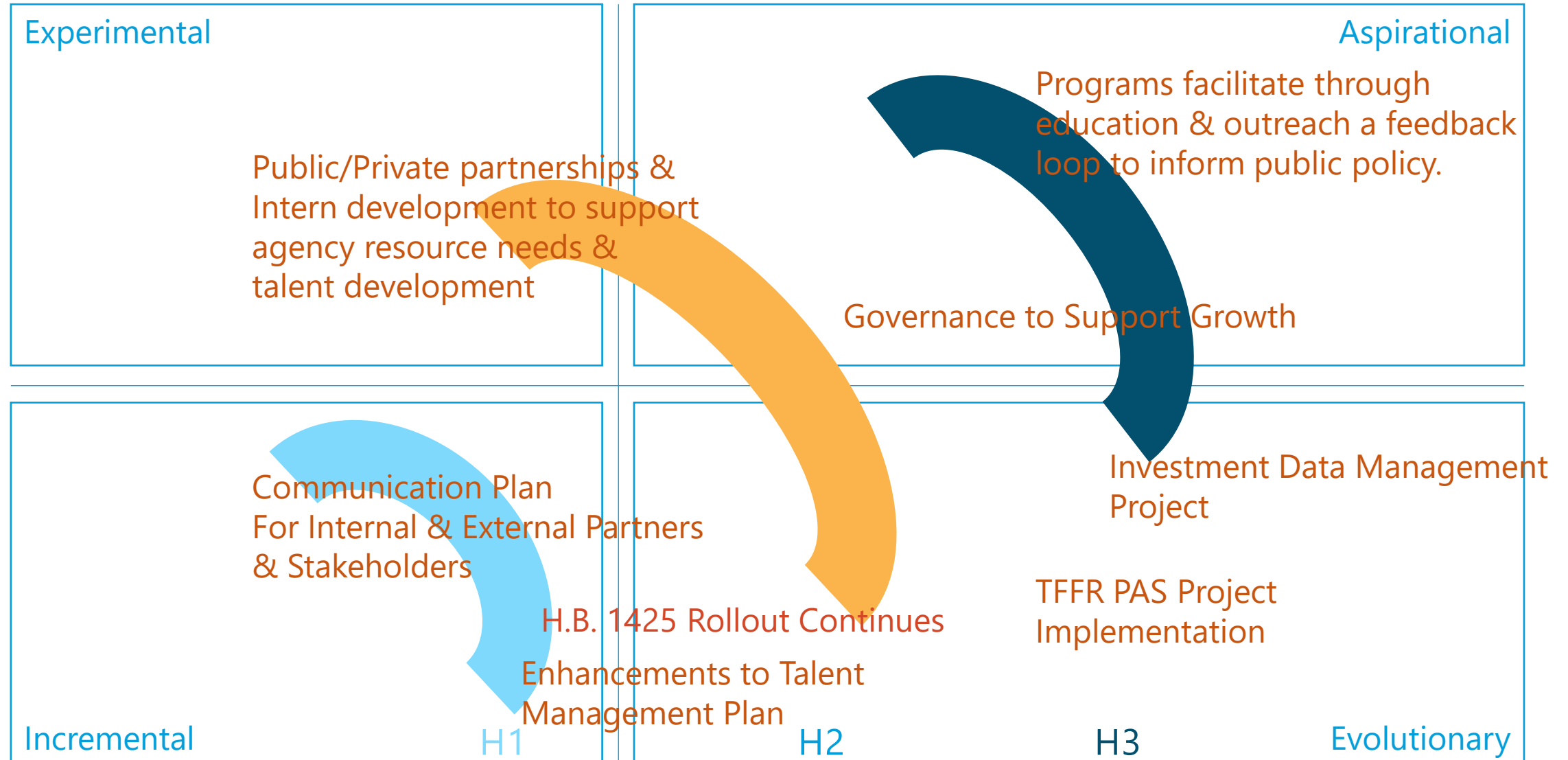
- **Infrastructure**

- A technology plan created identifying the tools needed to create the foundation for future agency growth, data management and synchronization on a full-scale plan in place of short-term implementations that may not enable future connections utilizing the most efficient spending model

ACTION PLAN



HORIZON-BASED TRANSFORMATION



CONSIDERATIONS FOR RESOURCES REQUIRED

Talent

- Recognition of limits on talent recruitment and building an organizational culture that supports talent acquisition where possible
- Agency Reorganization is ongoing
- Succession planning and professional development of team members

Systems

- TFFR Pension Administration System Modernization Project to overhaul interactions between the agency, plan members, and plan employers
- Investment Data Management Project to improve data flow and leverage operational efficiencies

Partnerships

- Attorney General
- NDIT
- OMB - Fiscal
- OMB – HRMS
- OMB – Procurement
- WSI
- External Agency Partners

Budget & Policy

- Budget Priorities
- PAS Project Infrastructure
- Investment Data Infrastructure
- Organizational structure of Both Agency & Governance
- Talent Management
- Legislative Priorities
- TFFR technical corrections to support PAS implementation
- Governance & Organization Structure

2022 RETIREMENT AND INVESTMENT WORKFORCE PLAN

Retirement and Investment Mission: Provide the Best Possible Customer Service to our Clients & Members

Internal and External Trends Impacting our Workforce Needs:

- Future uncertainty to North Dakota's budget as the oil industry changes
- Citizen perspectives due to lack of consensus with Legacy Fund utilization
- Rate of retirement of current teachers
- Demand for portability of retirement plan options

Prioritized Workforce Competencies:

- Communicate Effectively and Build Collaborative Relationships
- Cultivate Innovation and Strategic Mindset
- Action-Oriented, Resourceful, Flexible and Adaptable

Top Workforce Initiatives		Timeline
Talent	Successfully and expeditiously recruit new talent for investment, retirement, and internal divisions	Q2-Q4
	Stand-up agency LinkedIn page to highlight the work of the agency and contributions and impact of team members	Q2
	Build on Crucial Conversations learning to enhance interactions with internal/external stakeholders	Q2-Q4
Leadership	Manager participation in targeted Boss to Coach sessions and utilization of 5 coaching conversations in team member interactions/engagement in alignment with agency mission and strategy	Q2-Q4
Organizational	Technology enhancements to allow seamless transactions with enhanced efficiencies	In-progress
	Reorganization of divisions to optimize existing staff and business processes and build a better structure for future growth	In-progress

Authorized FTE	Full-Time	Temporary	Contractor
2021-2023 Biennium	25	4	2
2023-2025 Biennium <i>(Proposed)</i>	31	5	Will determine

Success Measures	Current State 2022	End State 2022
Successful acquisition of new talent	In-progress	8 positions filled
Sustain team member engagement	4.22 mean	4.25
Increase customer service/success scores	3.60 out of 4.00	3.75 out of 4.00
Implementation of technology enhancements and systems	In-progress	In-progress
Investment performance	TBD by Board	TBD by Board

Talent Acquisition Priorities/Key Positions To Fill	Approx Timing to Fill
Deputy Director/Chief Retirement Officer	Q2
Senior Investment Officer (Alpha & Funds Mgmt)	Q2-Q3
Investment Officer (Alpha & Funds Mgmt)	Q2-Q3
Senior Investment Officer (Private Equity)	Q2-Q3
Senior Investment Officer (Private Equity In-State)	Q2-Q3
Accounting Manager	Q2-Q3
Programs Outreach Coordinator	Q2-Q3
Retirement Program Compliance Specialist	Q4

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MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: March 18, 2022
RE: Legacy and Budget Stabilization Fund Advisory Board Update

The Legacy and Budget Stabilization Fund Advisory Board met February 15, 2022 (hereinafter “Advisory Board”). The link to the meeting and presentation materials provided by RIO staff to the Advisory Board is attached for your reference.

<https://www.legis.nd.gov/assembly/67-2021/interim/23-5120-02000-meeting-agenda.pdf>

During this meeting the Advisory Board awarded the project to RVK. The contract with RVK has been signed and RIO staff has been working with RVK to coordinate the timing of a project kick-off presentation for the Advisory Board. Staff will provide a verbal update to the SIB regarding next steps at the March meeting.

BOARD ACTION REQUESTED: Board Discussion.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: March 18, 2022
RE: GPR Committee Member Appointments

At its February meeting, the SIB approved the creation of a Governance & Policy Review (GPR) standing committee at the recommendation of the Audit Committee.

An amendment to Policy B-6 and proposed committee charter were approved for 2nd reading and final adoption in accordance with Policy B-10. The initial committee charter states:

GOVERNANCE COMMITTEE COMPOSITION AND TERM LIMITS The Governance Committee shall be composed of at least three members. They will be nominated and approved 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.

Similar to the Audit Committee, membership on the GPR Committee is by nomination and approval of a majority of the SIB.

A copy of the approved charter for the GPR committee is included for your reference.

BOARD ACTION REQUESTED: Motion to nominate and approve three committee members by a majority vote of the Board.

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 and approved 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: Mel Olson, Chair, Executive Review Committee

DATE: March 15, 2022

SUBJECT: Executive Director Performance Review

The Executive Review Committee is working on developing a new format for the Executive Director's performance review. The Executive Review Committee will meet at the beginning of April to discuss the questions and structure. It is expected that the survey will be sent out in the middle of April to board members to complete.

MEMORANDUM

TO: State Investment Board
FROM: Jan Murtha, Executive Director
DATE: March 23, 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. Retirements/Resignations/FTE's/Temporary Assistance:

Ms. Connie Flanagan (CFO) has announced her retirement effective June 30, 2022. An update regarding succession planning will be provided to the Board at the meeting.

Employee Title	Status
Deputy ED – Chief Retirement Officer	Posted February 2022, currently set to close 4/4/22.
Chief Fiscal Officer	Anticipate Posting in April, Filling by June. Reclassification request to include Chief Operating Officer duties (CFO/COO) is currently pending review with HRMS.
Legal Intern	Interviews Conducted March 2022. Anticipated to fill May-August as part of UND Law School Externship Program.
Membership Specialist Temp	Filled 3/7/22
Employer Reporting Intern	Started 2/7/22
Investment #1	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Investment #2	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Investment #3	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Investment #4	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Accounting #1	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Programs Coordinator	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ.

2. Current Procurement Activities including:

- **PAS Project** – The ESC awarded the vendor solution contract to Sagitec. The parties are working on scheduling project kick-off activities.

3. Strategic Planning Implementation

As part of the strategic planning implementation process additional topics will be tracked and included as part of this report beginning April 2022. Such topics will include: public presentation and outreach requests and events, media requests and articles, other information requests.

BOARD ACTION REQUESTED: Board Acceptance.

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: March 23, 2022
RE: Quarterly TFFR Ends Report

In accordance with the requirements of Policy D *Ends* in the SIB Governance Manual, please find following a link to reporting materials scheduled for presentation to the TFFR Board at its March 24, 2022 meeting.

The following items are referenced in relation to monitoring requirements for the TFFR Program:

IV. Governance

- A. 2023 Legislative Planning
- B. PAS Project Update
- D. Actuarial Audit Discussion
- E. Outreach Update

V. Reports

- B. Annual Retirement Trends Report
- C. Quarterly TFFR Ends Report

[TFFR Meeting Materials 3-24-22 \(nd.gov\)](#)

BOARD ACTION REQUESTED: Board Acceptance