

Governance and Policy Review Committee (Virtual Only)

Monday, November 16, 2022, 2:30 p.m.

RIO Conference Room

1600 E Century Ave, Ste. 3, Bismarck, ND

[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA**
- II. MINUTES – OCTOBER 24, 2022**
- III. 2023 LEGISLATIVE PLANNING – MS. MURTHA**
- IV. PROXY VOTING PROCESS – MS. RIEGLER, MR. ANDERSON**
- V. ADJOURNMENT**

**STATE INVESTMENT BOARD
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING
MINUTES OF THE OCTOBER 24, 2022, MEETING (VIRTUAL)**

MEMBERS PRESENT: Dr. Rob Lech, TFFR Board, Chair
Thomas Beadle, State Treasurer, Vice Chair
Jon Godfread, Insurance Commissioner

STAFF PRESENT: Scott Anderson, CIO
Eric Chin, Deputy CIO
Missy Kopp, Exec Assistant
Sara Sauter, Supervisor of Internal Audit
Colton Schulz, Insurance Dept.
Ryan Skor, CFO/COO

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 10:00 a.m. on Monday, October 24, 2022, in the Retirement and Investment Office 1600 E Century Ave., Bismarck, ND.

AGENDA:

The agenda was considered for the October 24, 2022, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE OCTOBER 24, 2022, MEETING AS DISTRIBUTED.

**AYES: TREASURER BEADLE AND DR. LECH
NAYS: NONE
ABSENT: COMMISSIONER GODFREAD
MOTION CARRIED**

MINUTES:

The minutes were considered for the September 21, 2022, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE SEPTEMBER 21, 2022, MINUTES AS DISTRIBUTED.

**AYES: TREASURER BEADLE AND DR. LECH
NAYS: NONE
ABSENT: COMMISSIONER GODFREAD
MOTION CARRIED**

Commissioner Godfread arrived at 10:02 a.m.

EDUCATION – SIB GOVERNANCE MANUAL CHANGES:

Mr. Anderson reviewed a portion of the Governance for Growth presentation which has previously been presented to the Committee. In that presentation, staff outlined the process for reviewing and amending the SIB Governance Manual. Staff started with an initial discussion with the GPR Committee and SIB. The Investment Committee (IC) discussed policy changes that were needed to accommodate the responsibilities of the IC. The Teachers' Fund for Retirement (TFFR) GPR Committee will discuss TFFR related changes at their meeting on November 10, 2022.


Legislation may affect the operations at RIO which will necessitate additional governance manual changes. Staff propose a complete rewrite of the governance manual by the SIB GPR Committee starting next summer. Mr. Anderson reviewed the proposed changes to the SIB Governance Manual. The policies have been amended to accommodate the IC's role and responsibilities. The GPR Committee members gave feedback on the proposed amendments.

OTHER:

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 10:58 a.m.

Prepared by:

Missy Kopp
Assistant to the Board



2023 Legislative Session Planning - SIB

SIB – GPR Committee

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Topics & Guidance

In-State Investment Program Investment Program Changes

- SIB Governance
- RIO Initiatives

Retirement Plan Design Changes & Funding

- PERS
- TFFR

- Staff Guidance/Parameters
 - Support
 - Neutral
 - Negative

In-State Investment Program

Anticipated:

- Clarification of Statutory Provisions.
- Asset Allocation Adjustments
- Waterfall Adjustments
- Staff Guidance
 - Support
 - Neutral
- Parameters
 - Feasibility of Administration
 - Candid Observations/Expert Testimony

Investment Program Changes

RIO Initiatives - Known

- Internal Investment Opportunities

SIB Governance - Anticipated

- Board Composition

- Land Assets
- ESG Factors/Prohibitions

- Staff Guidance

- Support
- Neutral
- Negative

- Parameters

- Client Fund Benefits
- Agency HR Impact
- Governance & Control

Retirement Plan Design Changes

Known Bills:

- DB Plan Closure

Retirement Comm. 10-31-22:

- <https://ndlegis.gov/assembly/67-2021/interim/23-0280-02000.pdf>
- Funding Proposals

Anticipated Topics:

- Plan Design Changes.
 - PERS
 - TFFR

- Staff Guidance

- Neutral
- Negative

- Parameters

Impact to Investment Program from Plan Design Changes and Funding Proposals.

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PROXY VOTING PROCESS

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Retirement & Investment

GOVERNANCE POLICY

POLICY TITLE: PROXY VOTING*

STATEMENT OF POLICY

It shall be the policy of the State Investment Board (SIB) to vote all proxies appurtenant to shares held in the various plans administered by the Board, and to vote said shares in a manner that best serves the system's interests. Specifically, all shares are to be voted with the interest of preserving or enhancing share value. The Board endorses the Department of Labor opinion that proxies have economic power which shareholders are obligated to exercise to improve corporate performance. The Board further recognized that proxy issues are frequently complex, requiring expert guidance; accordingly, it has adopted procedures that employ such experts.

The objectives of these policies are as follows:

1. Exercise the value empowered in proxies.
2. Maintain or improve share value for the exclusive benefit of the participants.

**Includes proposed amendments per first reading to the SIB on 10/28/2022*

ACCOUNT TYPES

Separately Managed Accounts

- Public Equities
- Custodian holds Securities
- Investment Manager is the Proxy Holder

Publicly Traded Commingled Funds

- Investment Manager holds Securities so is automatically the Proxy Holder
- If vote is specific to the fund, RIO will vote (rare event)

Other Funds

- Usually private equity, private credit or infrastructure funds are managed through Trust or Partnership Agreements

PROXY VOTING PARTIES

Distribution Agent (DA) Broadridge

- Broadridge is the industry leader in global proxy distribution services.
- Confirm and coordinate proxy voting information between issuer, custodian, and proxy holder.

Custodian Northern Trust

- Hold custody of SIB securities.
- Outsource management of proxy distribution services to Broadridge. Report Proxy Holders to Broadridge as requested.

Proxy Holder (PH) External Investment Manager

- Investment Manager holds proxy rights for all separately managed equity accounts.
- May hire a Proxy Researcher and/or Proxy Administrator to facilitate their voting process.

Proxy Researcher (PR) Often ISS or Glass Lewis

- Assists Proxy Holder by providing research and voting recommendations according to agreed upon guidelines.
- May also serve as the Proxy Administrator.

Proxy Administrator (PA) Often ISS or Glass Lewis

- Assists Proxy Holder by coordinating and entering voting information.
- May also serve as the Proxy Researcher.

Proxy Database Proxy Disclosure

- Broadridge reporting database with proxy voting records.
- Access provided to RIO through Custodian

PROXY VOTING FLOW

SEPARATELY MANAGED ACCOUNTS - PUBLIC EQUITIES

