

AUDIT COMMITTEE MEETING

Monday, November 18, 2024 – 2:30 PM
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
[Click here to join the meeting](#)

AGENDA

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA** – *(Committee Action)*
- II. **APPROVAL OF MINUTES (August 14, 2024)** - *(Committee Action)*
- III. **GOVERNANCE (60 minutes)**
 - A. Presentation of June 30, 2024, Financial Report of RIO and GASB 68 Schedule Audit Update *(Committee Action)* – Thomas Rey, UHY, LLP
 - B. Internal Audit Co-Sourcing Request for Proposal *(Committee Action)* – Ms. Murtha & Mr. Skor
- IV. **REPORTS (45 minutes)**
 - A. Executive Limitations/Staff Relations *(Information)* – Ms. Murtha
 - B. 2024-25 First Quarter Activities *(Committee Action)* – Ms. Thorsen
 - C. Update on Current Audit Activities *(Committee Action)* – Ms. Thorsen
 - i. Audit Committee and Internal Audit Charters
- V. **OTHER**

Next SIB Audit Committee Meeting:
Workforce Safety & Insurance Board Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
Wednesday, February 19, 2025 @ 2:30 PM
- VI. **ADJOURNMENT**

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
AUGUST 14, 2024, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Dina Cashman, External Representative
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Todd Van Orman, External Representative

STAFF PRESENT: Missy Kopp, Exec. Assistant
Jan Murtha, Exec. Director
Chad Roberts, DED/CRO
Sara Seiler, Suprv. of Internal Audit
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor

GUESTS : Dean DePountis, Attorney General's Office
Bruce Mills, Weaver

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee meeting to order at 2:32 p.m. on Wednesday, August 14, 2024, at the WSI Board Room, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum, Treasurer Beadle, Ms. Cashman, Mr. Mickelson, Mr. Miller, and Mr. Van Orman.

AGENDA:

The agenda was considered for the August 14, 2024, meeting.

IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. MILLER AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE AUGUST 14, 2024, MEETING AS DISTRIBUTED.

AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

MINUTES:

The minutes were considered for the May 15, 2024, and June 21, 2024, meetings.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CASHMAN AND CARRIED BY A VOICE VOTE TO ACCEPT THE MINUTES FROM THE MAY 15, 2024, AND JUNE 21, 2024, MEETINGS.

AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, MS. CASHMAN, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

GOVERNANCE:

Election of Chair and Vice Chair:

Mr. Mickelson nominated Treasurer Beadle for Committee Chair and Mr. Miller seconded the nomination. Mr. Van Orman nominated Mr. Mickelson for Committee Vice Chair and Ms. Cashman seconded the nomination.

IT WAS MOVED BY MR. MILLER AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO APPOINT TREASURER BEADLE AS CHAIR AND MR. MICKELSON AS VICE CHAIR OF THE AUDIT COMMITTEE.

AYES: MR. MILLER, MS. CASHMAN, MR. MICKELSON, MR. VAN ORMAN, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

Liaison Appointment:

Treasurer Beadle appointed Ms. Seiler as the Audit Committee Liaison to the SIB.

Internal Audit (IA) Maturity Project:

Mr. Miller, Weaver, provided an overview and results of the IA Maturity Project. Mr. Mills reviewed the proposed updates to the Internal Audit and Audit Committee charters, aligning them with the latest standards from the Institute of Internal Auditors (IIA). A risk assessment was conducted to create a comprehensive audit plan for fiscal and investment activities. Improvements in documentation, standardization, and reporting practices were recommended. The team also reviewed and clarified governance and independence requirements, ensuring support for IA's autonomy and compliance with ethics codes. These enhancements are intended to move the IA department towards the maturity goals. Committee discussion followed.

Ms. Seiler reviewed the resource needs to move into the next steps of the maturity project. Staff proposed the development of a request for proposal (RFP) for a co-sourcing relationship with IA for additional resources to complete the audit plan. The relationship would include audits which are outside of RIO staff's expertise. The RFP would be developed by the Supervisor of IA, Executive Director, and Chief Financial/Operating Officer and brought to the Audit Committee in November for approval. Committee discussion followed.

IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE IA NEXT STEPS AS PRESENTED.

AYES: MR. VAN ORMAN, MS. CASHMAN, MR. MICKELSON, MR. MILLER, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

Internal Audit Workplan:

Ms. Seiler reviewed the proposed IA workplan for 2024-25. The plan lists out projects and approximate hours required. Committee discussion followed.

IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2024-25 IA WORKPLAN.

**AYES: MS. CASHMAN, MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND
TREASURER BEADLE
NAYS: NONE
MOTION CARRIED**

Audit Committee and Internal Audit Charters:

Ms. Seiler reviewed the proposed changes to the Audit Committee and IA Charters. The charters were updated to align with the updated IIA standards. After approval from the Audit Committee, the charter will be reviewed by the SIB Governance and Policy Review Committee before going to the SIB. Committee discussion followed.

**IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. MILLER AND CARRIED BY
A ROLL CALL VOTE TO APPROVE THE AUDIT COMMITTEE CHARTER WITH THE
DISCUSSED UPDATES.**

**AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, MS. CASHMAN, AND
TREASURER BEADLE
NAYS: NONE
MOTION CARRIED**

**IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. VAN ORMAN AND CARRIED
BY A ROLL CALL VOTE TO APPROVE THE IA CHARTER WITH THE DISCUSSED
UPDATES.**

**AYES: MR. MILLER, MS. CASHMAN, MR. MICKELSON, MR. VAN ORMAN, AND
TREASURER BEADLE
NAYS: NONE
MOTION CARRIED**

Mr. Van Orman left the meeting at 4:00 p.m.

REPORTS:

2023-24 Year End Audit Activities Report:

Ms. Seiler provided a review of the audit activities for Fiscal Year 2024. Activities completed during the year included the multiple audits, SIB self-assessment, maturity development project, external audit assistance, and agency policy manual updates. IA staff also participated extensively in the retirement program's pension administration system project. Committee discussion followed.

**IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. MILLER AND CARRIED BY
A ROLL CALL VOTE TO ACCEPT THE 2023-24 YEAR END AUDIT ACTIVITIES REPORT.**

**AYES: MS. CASHMAN, MR. MICKELSON, MR. MILLER, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. VAN ORMAN
MOTION CARRIED**

2023-24 Audit Committee Report to SIB:

The FY End Audit Committee Activities report to the SIB was provided for Committee member review.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AUDIT COMMITTEE REPORT TO THE SIB.

**AYES: MS. CASHMAN, MR. MICKELSON, MR. MILLER, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. VAN ORMAN
MOTION CARRIED**

Audit Charter: 2023-24 Review of Responsibilities:

The Audit Committee charter requires the Committee members to annually review all responsibilities outlined in the charter. Ms. Seiler reviewed Committee responsibilities as outlined in the charter. Committee discussion followed.

IT WAS MOVED BY MS. CASHMAN AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVIEW OF RESPONSIBILITIES.

**AYES: MS. CASHMAN, MR. MILLER, MR. MICKELSON, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. VAN ORMAN
MOTION CARRIED**

Current Audit Activities:

Ms. Seiler reviewed current IA activities. Ms. Seiler reviewed the audits that are in progress, meetings attended by IA staff, and upcoming activities. Committee discussion followed.

IT WAS MOVED BY MR. MILLER AND SECONDED BY MS. CASHMAN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE CURRENT AUDIT ACTIVITIES REPORT.

**AYES: MR. MICKELSON, MR. MILLER, MS. CASHMAN, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. VAN ORMAN
MOTION CARRIED**

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:31 p.m.

Prepared by: Missy Kopp, Assistant to the Board

North Dakota Retirement and Investment Office



Year End Financial Statement Audit
Presentation – June 30, 2024

November 18, 2024



Agenda



FINANCIAL
HIGHLIGHTS



JUNE 30, 2024
AUDIT RESULTS



REQUIRED
COMMUNICATIONS

Financial Highlights

North Dakota Retirement and Investment Office Net Position – Fiduciary Funds (In Millions)

	2024	2023	Total % Change
Assets			
Investments	\$ 22,295.6	\$ 19,449.9	14.6%
Securities Lending Collateral	212.1	119.0	78.2%
Receivables	101.2	94.1	7.5%
Cash & Other	36.9	27.4	34.6%
Total Assets	<u>22,645.8</u>	<u>19,690.4</u>	15.0%
Deferred Outflows of Resources			
Deferred outflows related to pensions	4.0	3.1	27.2%
Liabilities			
Obligations under Securities Lending	212.1	119.0	78.2%
Accounts Payable & Accrued Expenses	74.6	17.0	339.1%
Total Liabilities	<u>286.7</u>	<u>136.0</u>	110.8%
Deferred Inflows of Resources			
Deferred inflows related to pensions	3.2	1.8	81.8%
Total Net Position	<u>\$ 22,359.9</u>	<u>\$ 19,555.7</u>	14.3%

Financial Highlights, cont'd.

North Dakota Retirement and Investment Office Changes in Net Position – Fiduciary Funds (In Millions)

	<u>2024</u>	<u>2023</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 209.0	\$ 197.7	5.7%
Net Investment Income (Loss)	1,888.1	1,311.3	44.0%
Net Securities Lending Income	1.4	1.0	34.8%
Purchase of Units	1,487.6	1,077.4	38.1%
Total Additions	<u>3,586.1</u>	<u>2,587.4</u>	38.6%
Deductions			
Payments to TFRF members	277.7	262.3	5.9%
Administrative Expenses	7.4	6.0	24.0%
Redemption of Units	496.9	820.6	-39.4%
Total Deductions	<u>782.0</u>	<u>1,088.9</u>	-28.2%
Total Change in Net Position	<u>\$ 2,804.1</u>	<u>\$ 1,498.5</u>	87.1%

TFFR Net Pension Liability

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2024 and 2023 (expressed in thousands), were as follows:

	June 30, 2024	June 30, 2023
Total pension liability	\$ 4,758,417	\$ 4,577,220
Plan fiduciary net position	<u>(3,351,008)</u>	<u>(3,173,908)</u>
Net pension liability (NPL)	<u>\$ 1,407,409</u>	<u>\$ 1,403,312</u>
Plan fiduciary net position as a percentage of the total pension liability	70.4%	69.3%

2024 Audit Results



Independent Auditors' Report - Unmodified "clean" opinions that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).



Limited procedures were performed, and no opinion was rendered on management's discussion and analysis and required supplemental information.



Limited procedures were performed, and an opinion was rendered on the supplemental schedules.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

No material weaknesses or significant deficiencies were identified.

No significant deficiencies were identified



Letter to the Board providing required communications with those charged with governance.

Required Governing Body Communications



Auditor's responsibility under U.S. Generally Accepted Auditing Standards



Significant accounting policies

No new accounting policies adopted in 2024 nor any other transactions lacking authoritative guidance.



Management judgments and accounting estimates

Valuation of alternative investments
Actuarial assumptions and methods –
Teachers' Fund for Retirement



Financial statement disclosures

Other Communications



MANAGEMENT WAS VERY COOPERATIVE AND PROFESSIONAL DURING THE AUDIT PROCESS



NO DISAGREEMENTS WITH MANAGEMENT



MANAGEMENT DID NOT CONSULT WITH OTHER ACCOUNTANTS ON THE APPLICATION OF GAAP OR GAAS



NO MAJOR ISSUES WERE DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION



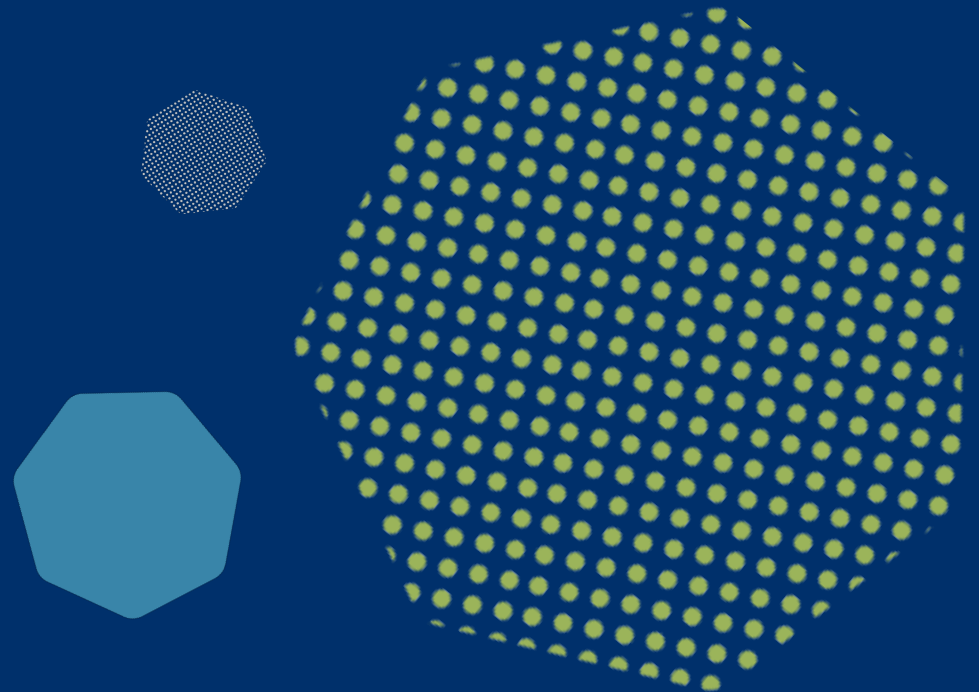
MANAGEMENT REPRESENTATIONS



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Managing Director

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FINANCIAL STATEMENTS
June 30, 2024 and 2023

1600 East Century Avenue, Suite 3
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North Dakota Retirement and Investment Office

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INDEPENDENT AUDITORS' REPORT

Governor Doug Burgum
The Legislative Assembly
Janilyn Murtha, Executive Director
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

Opinion

We have audited the accompanying financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprises the statement of net position - fiduciary funds as of June 30, 2024, and the related statement of changes in net position - fiduciary funds for the year then ended, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements as of and for the year ended June 30, 2024, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of RIO, as of June 30, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the respective financial position of each fund of the individual funds of RIO as of June 30, 2024, and the changes in financial position of such funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of RIO are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2024, and the changes in its financial position for the years ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RIO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RIO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RIO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in NPL and related ratios - ND Teachers' Fund for Retirement and employer contributions - ND Teachers' Fund for Retirement, investment returns - ND Teachers' Fund for Retirement, employer's share of NPL and NOL - ND Public Employees Retirement System and employer contributions - ND Public Employees Retirement System and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RIO's basic financial statements and the combining and individual nonmajor fund financial statements. The schedules of administrative expenses, consultant expenses, investment expenses and appropriations - budget basis - fiduciary funds (schedules), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matter - Prior Period Financial Statements

The financial statements of RIO as of June 30, 2023 were audited by other auditors who report date dated November 3, 2023 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated November 1, 2024, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the effectiveness of RIO's internal control over financial reporting or on compliance. That report is an integral part of an audit performance in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
November 1, 2024



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor Doug Burgum
The Legislative Assembly
Janilyn Murtha, Executive Director
State Investment Board
Teachers' Fund for Retirement
North Dakota Retirement and Investment Office

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, and have issued our report thereon dated November 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control. Accordingly, we do not express an opinion on the effectiveness of RIO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP
Columbia, Maryland
November 1, 2024

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

Our discussion and analysis of the ND Retirement and Investment Office's (RIO) financial performance provides an overview of RIO's financial activities for the fiscal years ended June 30, 2024 and 2023. Please read this in conjunction with the basic financial statements, which follow this discussion.

RIO administers two fiduciary funds, a pension trust fund for the ND Teachers' Fund for Retirement (TFFR) and an investment trust fund for the ND State Investment Board (SIB) consisting of 30 investment clients (noting that TFFR is one of the 30 investment clients) in two investment pools and three individual investment accounts.

Financial Highlights

Total net position increased in fiscal year 2024 from the previous fiscal year in the fiduciary funds by \$2.8 billion (14.3%). Fiscal year 2023 net position also had increased \$1.5 billion (8.3%) from fiscal year 2022. The increase in FY2024 is primarily due to investment returns and significant deposits into the Legacy Fund. Approximately 30% of the FY2024 increase is due to the growth of the Legacy Fund. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled \$836.7 million and \$858.7 million in FY2024 and FY2023, respectively. Meanwhile, net investment income for the Legacy Fund exceeded \$1.8 billion in FY2024 and \$683 million in FY2023.

Total additions to the fiduciary funds was a positive \$3.6 billion in FY2024 and a positive \$2.6 billion in FY2023. A large portion of this change was driven by an increase in net investment income and an increase in purchase of units. Net investment income was \$1.9 billion in FY2024 following an increase of \$1.3 billion in FY2023. Changes in purchases of units each year are highly dependent on Legacy Fund deposits and thus on oil and gas production. There was an increase in purchases of units in the investment program in FY2024 and FY2023 as the price and production of oil remained strong throughout the year. Total fiduciary fund purchases of units increased \$410.2 million (38.1%) in FY2024 and increased \$158.7 million (17.3%) in FY2023.

Deductions in the fiduciary funds decreased in FY2024 by \$306.8 million (28%) and increased in FY2023 by \$503.7 million (86%). The vast majority of the changes in deductions are driven by redemptions of units due to the constitutionally mandated earnings transfers from the Legacy Fund to the State's general fund every two years. The State Constitution requires that all earnings accrued after June 30, 2017, be transferred to the general fund at the end of each biennium. A transfer of \$486.6 million was made in June 2023.

Payments to TFFR members in the form of benefits and refunds increased by \$15.4 million (5.9%) and \$10.5 million (4.4%) in FY2024 and FY2023, respectively. These increases represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries on which the benefits of new retirees are based.

As of June 30, 2024 and 2023, the TFFR pension plan had a Net Pension Liability (NPL) of \$1.41 billion and of \$1.40 billion, and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 70.4% and 69.3%, respectively.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

Overview of the Financial Statements

This report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and additional supplementary information that presents combining statements for the investment trust funds. The basic financial statements include fund financial statements that focus on individual parts of RIO's activities (fiduciary funds).

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included additional supplementary information, including combining statements that provide details about our investment trust funds, each of which are added together and presented in single columns in the basic financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about RIO's activities. Funds are accounting devices that RIO uses to keep track of specific sources of funding and spending for particular purposes.

RIO uses fiduciary funds as RIO is the trustee, or fiduciary, for TFFR (a pension plan) and SIB (investment trust funds). RIO is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of RIO's fiduciary activities are reported in a statement of net position and a statement of changes in net position.

Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2024 and 2023, were \$22.65 billion and \$19.69 billion, respectively, and were comprised mainly of investments. Total assets increased by \$3.0 billion (15.0%) in fiscal year 2024 primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as strong financial markets in FY2024. The increase of \$1.48 billion (8.1%) in fiscal year 2023 primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as stronger financial markets in FY2023.

Total liabilities as of June 30, 2024 and 2023, were \$286.63 million and \$135.98 million. Both year-end liabilities were comprised mainly of the securities lending collateral payable.

RIO's fiduciary fund total net position was \$22.4 billion and \$19.6 billion at the close of fiscal years 2024 and 2023, respectively.

**North Dakota Retirement and Investment Office
Net Position – Fiduciary Funds
(In Millions)**

	<u>2024</u>	<u>2023</u>	<u>Total % Change</u>
Assets			
Investments	\$ 22,295.6	\$ 19,449.9	14.6%
Securities Lending Collateral	212.1	119.0	78.2%
Receivables	101.2	94.1	7.5%
Cash & Other	36.9	27.4	34.6%
Total Assets	<u>22,645.8</u>	<u>19,690.4</u>	15.0%
Deferred Outflows of Resources			
Deferred outflows related to pensions	4.0	3.1	27.2%
Liabilities			
Obligations under Securities Lending	212.1	119.0	78.2%
Accounts Payable & Accrued Expenses	74.6	17.0	339.1%
Total Liabilities	<u>286.7</u>	<u>136.0</u>	110.8%
Deferred Inflows of Resources			
Deferred inflows related to pensions	3.2	1.8	81.8%
Total Net Position	<u>\$ 22,359.9</u>	<u>\$ 19,555.7</u>	14.3%

	<u>2023</u>	<u>2022</u>	<u>Total % Change</u>
Assets			
Investments	\$ 19,449.9	\$ 17,948.5	8.4%
Sec Lending Collateral	119.0	147.7	-19.4%
Receivables	94.1	95.3	-1.3%
Cash & Other	27.4	24.4	12.3%
Total Assets	<u>19,690.4</u>	<u>18,215.9</u>	8.1%
Deferred Outflows of Resources			
Deferred outflows related to pensions	3.1	1.8	71.2%
Liabilities			
Obligations under Securities Lending	119.0	147.7	-19.4%
Accounts Payable & Accrued Expenses	17.0	9.8	72.5%
Total Liabilities	<u>136.0</u>	<u>157.5</u>	-13.7%
Deferred Inflows of Resources			
Deferred inflows related to pensions	1.8	3.0	-40.3%
Total Net Position	<u>\$ 19,555.7</u>	<u>\$ 18,057.2</u>	8.3%

**North Dakota Retirement and Investment Office
Changes in Net Position – Fiduciary Funds
(In Millions)**

	<u>2024</u>	<u>2023</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 209.0	\$ 197.7	5.7%
Net Investment Income (Loss)	1,888.1	1,311.3	44.0%
Net Securities Lending Income	1.4	1.0	34.8%
Purchase of Units	1,487.6	1,077.4	38.1%
Total Additions	<u>3,586.1</u>	<u>2,587.4</u>	38.6%
Deductions			
Payments to TFFR members	277.7	262.3	5.9%
Administrative Expenses	7.4	6.0	24.0%
Redemption of Units	496.9	820.6	-39.4%
Total Deductions	<u>782.0</u>	<u>1,088.9</u>	-28.2%
Total Change in Net Position	<u>\$ 2,804.1</u>	<u>\$ 1,498.5</u>	87.1%

	<u>2023</u>	<u>2022</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 197.7	\$ 194.8	1.5%
Net Investment Income	1,311.3	(1,645.7)	179.7%
Net Securities Lending Income	1.0	0.8	34.5%
Purchase of Units	1,077.4	918.7	17.3%
Total Additions	<u>2,587.4</u>	<u>(531.4)</u>	586.9%
Deductions			
Payments to TFFR members	262.3	251.8	4.1%
Administrative Expenses	6.0	4.6	30.1%
Redemption of Units	820.6	328.7	149.6%
Total Deductions	<u>1,088.9</u>	<u>585.1</u>	86.1%
Total Change in Net Position	<u>\$ 1,498.5</u>	<u>\$ (1,116.5)</u>	234.2%

Statement of Changes in Net Position - Additions

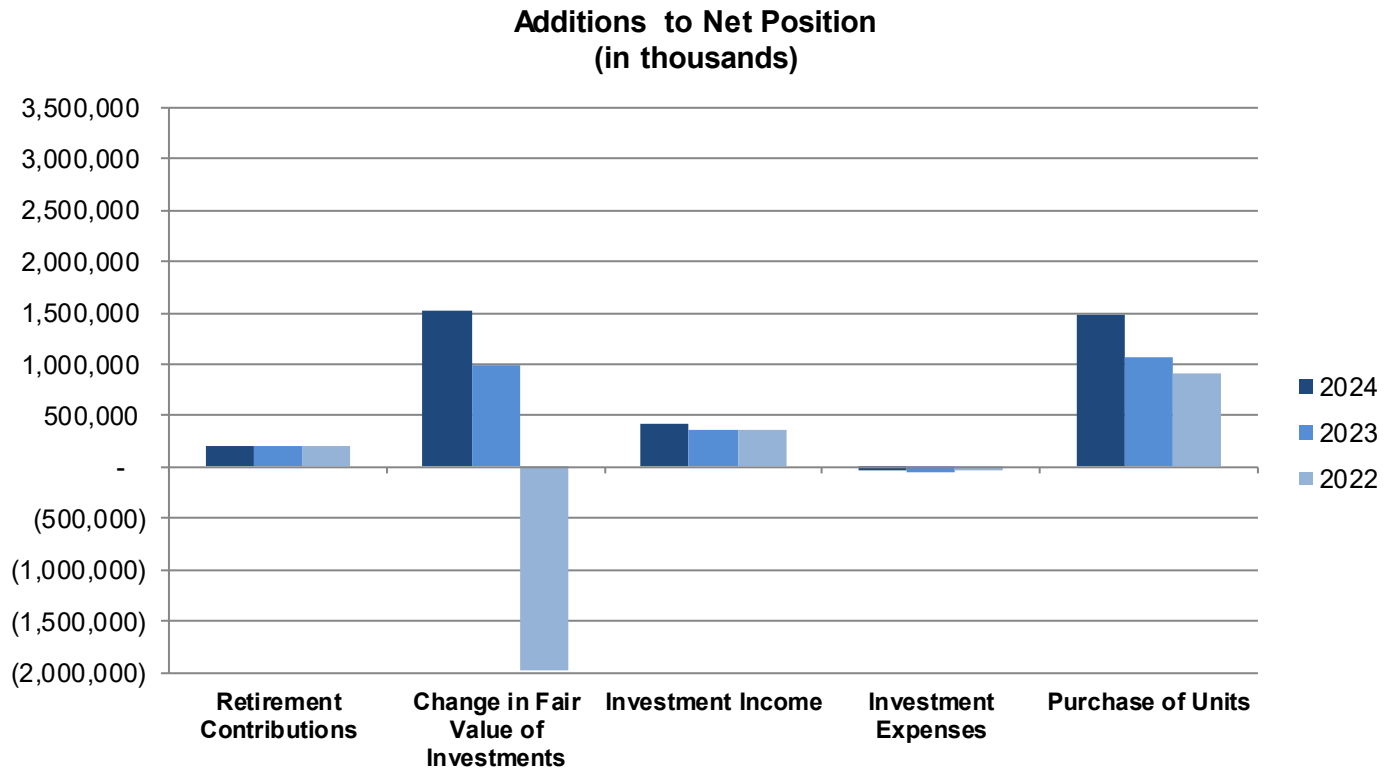
Contributions collected by the pension trust fund increased by \$11.3 million (5.7%) in FY2024 and \$2.9 million (1.5%) in FY2023 due to both an increase in the number of active members contributing to the fund and an increase in the average salary of active members. Net investment income (including net securities lending income and net of investment expenses) increased by \$577 million (44.0%) in FY2024 and increased by \$2.96 billion (179.7%) in FY2023.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

Deposits of funds into the investment trust fund (purchase of units) increased by \$332.7 million in FY2024 and \$158.7 million in FY2023, mainly due to changes in amounts available for deposits to the Legacy Fund and Budget Stabilization Fund.



Statement of Changes in Net Position - Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by \$11.1 million (4.4%) and \$9.7 million (3.9%) in FY2024 and FY2023, respectively. The increases are due to an increase in the total number of retirees in the plan as well as an increased retirement salary on which the benefits are based. Refunds increased by \$4.3 million (54.4%) in FY2024 and \$778 thousand (10.9%) in FY2023.

Administrative expenses again increased by \$1.4 million in FY2024 after also increasing by \$1.4 million in FY2023. The FY2024 the increase is due to a couple of different factors. The first factor for FY2024 is an increase due to the continuation of the Pension Administration System (PAS) modernization project that began in FY2020. The total budget for this multi-year PAS project is \$9.0 million, with approximately \$5.7 million expended through June 30, 2024. This project will go live in FY2025. Also, in FY2024 the agency has begun to implement an in-house investment program. With this program the office is gaining resources to assist with handling client fund investments within our office as opposed to using an outside investment managers.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

The increase in FY2023 was due to multiple factors within the agency. The first factor was due to the continuation of the Pension Administration System modernization project as previously discussed. An additional factor was the increase in the pension expense from the ND Public Employees Retirement System pension plan for the State of ND due to the decrease of the NDPERS system discount rate. Also, in FY2023 an additional 6 full time employees were granted to RIO during a special legislative session which has increased the salary line for the agency.

The redemption of units in the investment trust funds decreased by \$323.7 million in FY2024 after increasing by \$491.9 million in FY2023. Biennial swings will continue in this line item due to the biennial earnings transfers from the Legacy Fund required under the State Constitution.

Deductions from Net Position (in thousands)



Conclusion

The economic outlook for the economy is generally positive but there are some risks and uncertainties. A survey of economists predict that GDP will grow 2.6% thru the end of 2024 continuing a trend of economic expansion greater than the Federal Reserve's long term growth assumption of 1.8%. The outlook for inflation also continues to improve towards the Federal Reserve's target inflation rate of 2.0%. In addition, rate cuts by the Fed should lead to more borrowing and help to continue a growth in consumer demand. Business investment also continues at a healthy pace enabling higher productivity and GDP growth potential in the future. Growth and moderate inflation are good for both the equity and the fixed income markets which have relatively high valuations currently. Geo-political conflicts continue to be a worry. The Ukraine war has the potential to widen and include other countries, the middle east conflicts are also escalating. The other geo-political concern is the increasing trade tension among major trading partners. Both sets of conflicts have the potential to impact supply chains and inflation ultimately leading to a slower economy and higher inflation. The risks aside, higher growth, lower inflation and rate reductions have the potential to continue a positive market environment.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

For the fiscal year ended June 30, 2024, the pension investment pool (which includes the TFFR pension plan), the Legacy Fund and the insurance investment pool generated net time weighted investment returns of 7.87%, 10.89% and 6.34%, respectively, with both the legacy and insurance pool outperforming their corresponding policy benchmarks. Public equity and fixed income were both up as opposed to the prior year. Global public equities for pension, insurance, and legacy were up 15.49%, 18.17%, and 18.00%, respectively. Total fixed income for pension, insurance, and legacy were also up 5.55%, 4.17%, and 4.57%, respectively. Alternatively, real asset performance was down for FY2024. The pension pool's real asset allocation was down (4.75%), while the Legacy Fund and insurance pool's real asset portfolios were down (3.33%) and (.91%), respectively. Private equity in the pension pool and legacy fund returned 2.99% and 3.03% for the fiscal year.

For the fiscal year ended June 30, 2023, the pension investment pool (which includes the TFFR pension plan), the Legacy Fund and the insurance investment pool generated net time weighted investment returns of 7.76%, 8.19% and 3.01%, respectively, with both the legacy and insurance pool outperforming their corresponding policy benchmarks. Investment returns for global equities exceeded policy benchmarks in fiscal year 2023 largely due to factors mentioned above. Public equity and fixed income were both up as opposed to the prior year. Global public equities for pension, insurance, and legacy were up 15.49%, 16.72%, and 16.51%, respectively. Total fixed income was also slightly up for pension, insurance, and legacy at 1.56%, 0.30%, and 1.32%, respectively. Alternatively, real asset performance was down for FY2023. The pension pool's real asset allocation was down (5.01%), while the Legacy Fund and insurance pool's real asset portfolios down (1.24%) and (2.48%), respectively. Private equity in the pension pool and legacy fund returned 9.25% and 4.30% for the fiscal year.

The State Investment Board will continue to evaluate the ever-evolving markets and research investment strategies to prudently manage its investment portfolios.

TFFR's funding objective is to meet long-term pension benefit obligations through contributions and investment income. To address TFFR's funding shortfall, the ND State Legislature took action in 2011 and approved legislation to increase contributions (4% member and 4% employer) and modify certain benefits for non-grandfathered members. Increased contribution rates will be in effect until TFFR reaches 100% funding on an actuarial basis. This comprehensive funding recovery plan, along with solid investment performance in the future, is expected to improve TFFR's funding level over the long term. However, the Board is continuing to closely assess plan risks and monitor funding progress.

As reported by the valuation report provided by GRS, TFFR's funding level increased from 71.21% to 71.63% on an actuarial basis from July 1, 2023 to July 1, 2024. Based on the fair value of assets rather than the actuarial value of assets, the funded ratio increased to 70.42% compared to 69.34% last year. The Plan has a net investment loss of \$57.5 million, down from \$85.6 million from the previous year that has not yet been recognized in the actuarial value of assets due to the five-year smoothing. GRS has observed that as the net asset losses currently being deferred are phased into the actuarial value of assets over the next four years this will put adverse pressure on the results in coming years. GRS also noted that the plan experience an actuarial asset loss of \$12.8 million during fiscal year ending 2024 and this loss was due to the actuarial value of assets earning a return less than the assumed 7.25%.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility. The Board will continue to proactively address TFFR funding issues so the plan will be financially strong and sustainable for past, present, and future ND educators. Fund actuary GRS has opined 2043, as such, the current Member and Employer contribution rates are expected to be sufficient to meet the Board financing objectives.

Contacting RIO Financial Management

This financial report is designed to provide our Boards, our membership, our clients and the general public with a general overview of RIO's finances and to demonstrate RIO's accountability for the money we receive. If you have any questions about this report or need additional information, contact the North Dakota Retirement and Investment Office, PO Box 7100, Bismarck, ND 58507-7100.

North Dakota Retirement and Investment Office
Statement of Net Position – Fiduciary Funds
June 30, 2024 and 2023

	Pension Trust		Investment Trust		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Investments, at fair value						
Global equities	\$ 1,842,466,840	\$ 1,765,727,972	\$ 9,512,487,152	\$ 7,634,156,673	\$ 11,354,953,992	\$ 9,399,884,645
Global fixed income	877,328,837	785,396,084	6,871,538,198	6,118,263,992	7,748,867,035	6,903,660,076
Global real assets	519,442,836	550,692,368	2,050,151,692	2,492,901,108	2,569,594,528	3,043,593,476
In State Investments	-	-	408,303,484	-	408,303,484	-
Cash equivalents	43,215,803	11,465,710	170,667,778	91,320,247	213,883,581	102,785,957
Total investments	<u>3,282,454,316</u>	<u>3,113,282,134</u>	<u>19,013,148,304</u>	<u>16,336,642,020</u>	<u>22,295,602,620</u>	<u>19,449,924,154</u>
Invested securities lending collateral	45,978,717	24,099,094	166,096,162	94,904,315	212,074,879	119,003,409
Receivables:						
Investment income	11,667,607	10,215,544	63,445,669	54,917,457	75,113,276	65,133,001
Contributions	25,997,776	28,887,364	-	-	25,997,776	28,887,364
Miscellaneous	14,515	10,502	38,637	37,003	53,152	47,505
Total receivables	<u>37,679,898</u>	<u>39,113,410</u>	<u>63,484,306</u>	<u>54,954,460</u>	<u>101,164,204</u>	<u>94,067,870</u>
Due from other state agency	743	889	-	641	743	1,530
Cash and cash equivalents	30,863,710	23,963,066	1,032,821	866,980	31,896,531	24,830,046
Equipment (net of depreciation)	-	-	-	-	-	-
Software (not in production)	5,005,816	2,580,327	-	-	5,005,816	2,580,327
Total assets	<u>3,401,983,200</u>	<u>3,203,038,920</u>	<u>19,243,761,593</u>	<u>16,487,368,416</u>	<u>22,645,744,793</u>	<u>19,690,407,336</u>
Deferred outflows of resources						
Related to pensions	<u>2,041,484</u>	<u>1,715,386</u>	<u>1,965,412</u>	<u>1,433,652</u>	<u>4,006,896</u>	<u>3,149,038</u>
Liabilities:						
Accounts payable	529,280	624,924	373,591	173,010	902,871	797,934
Investment expenses payable	1,538,824	1,702,692	8,117,911	8,735,757	9,656,735	10,438,449
Securities lending collateral	45,978,717	24,099,094	166,096,162	94,904,315	212,074,879	119,003,409
Accrued expenses	3,419,488	3,432,474	2,150,014	2,220,534	5,569,502	5,653,008
Miscellaneous payable	-	-	45,641	42,921	45,641	42,921
Due to other state funds	-	-	58,328,500	-	58,328,500	-
Due to other state agencies	38,561	39,647	11,539	6,177	50,100	45,824
Total liabilities	<u>51,504,870</u>	<u>29,898,831</u>	<u>235,123,358</u>	<u>106,082,714</u>	<u>286,628,228</u>	<u>135,981,545</u>
Deferred inflows of resources						
Related to pensions	<u>1,511,973</u>	<u>947,020</u>	<u>1,704,875</u>	<u>822,733</u>	<u>3,216,848</u>	<u>1,769,753</u>
Fiduciary net position:						
Restricted for pensions	3,351,007,841	3,173,908,455	-	-	3,351,007,841	3,173,908,455
Held in trust for investment pool participants:						
Pension pool	-	-	4,611,350,216	4,167,815,538	4,611,350,216	4,167,815,538
Insurance pool	-	-	3,257,008,659	2,966,057,036	3,257,008,659	2,966,057,036
Held in trust for individual investment accounts	-	-	11,140,539,897	9,248,024,047	11,140,539,897	9,248,024,047
Total fiduciary net position	<u>\$ 3,351,007,841</u>	<u>\$ 3,173,908,455</u>	<u>\$ 19,008,898,772</u>	<u>\$ 16,381,896,621</u>	<u>\$ 22,359,906,613</u>	<u>\$ 19,555,805,076</u>
Each participant unit is valued at \$1.00						
Participant units outstanding			<u>19,008,898,772</u>	<u>16,381,896,621</u>		

The accompanying notes are an integral part of the financial statements.

North Dakota Retirement and Investment Office
Statement of Changes in Net Position – Fiduciary Funds
Years Ending June 30, 2024 and 2023

	Pension Trust		Investment Trust		Total	
	2024	2023	2024	2023	2024	2023
Additions:						
Contributions:						
Employer contributions	\$ 108,087,909	\$ 102,307,888	\$ -	\$ -	\$ 108,087,909	\$ 102,307,888
Member contributions	99,610,414	94,283,739	-	-	99,610,414	94,283,739
Purchased service credit	1,195,665	1,108,690	-	-	1,195,665	1,108,690
Interest, penalties and other	87,985	(10,492)	-	-	87,985	(10,492)
Total contributions	208,981,973	197,689,825	-	-	208,981,973	197,689,825
Investment income:						
Net change in fair value of investments						
	203,124,840	175,293,526	1,312,660,066	817,632,974	1,515,784,906	992,926,500
Interest, dividends and other income	52,075,126	49,487,353	358,908,756	311,158,011	410,983,882	360,645,364
	255,199,966	224,780,879	1,671,568,822	1,128,790,985	1,926,768,788	1,353,571,864
Less investment expenses	6,293,751	7,468,043	32,363,429	34,820,522	38,657,180	42,288,565
Net investment income	248,906,215	217,312,836	1,639,205,393	1,093,970,463	1,888,111,608	1,311,283,299
Securities lending activity:						
Securities lending income	265,638	198,283	1,441,225	1,070,688	1,706,863	1,268,971
Less securities lending expenses	(53,091)	(39,632)	(288,013)	(216,321)	(341,104)	(255,953)
Net securities lending income	212,547	158,651	1,153,212	854,367	1,365,759	1,013,018
Purchase of units (\$1 per unit)	77,550,000	-	1,410,074,169	1,077,407,627	1,487,624,169	1,077,407,627
Total additions	535,650,735	415,161,312	3,050,432,774	2,172,232,457	3,586,083,509	2,587,393,769
Deductions:						
Benefits paid to participants	264,450,311	253,704,476	-	-	264,450,311	253,704,476
Partial lump-sum distributions	984,583	657,452	-	-	984,583	657,452
Refunds	12,225,640	7,920,125	-	-	12,225,640	7,920,125
Administrative expenses	3,312,773	2,891,047	4,071,447	3,061,781	7,384,220	5,952,828
Redemption of units (\$1 per unit)	77,578,042	-	419,359,176	820,581,407	496,937,218	820,581,407
Total deductions	358,551,349	265,173,100	423,430,623	823,643,188	781,981,972	1,088,816,288
Change in fiduciary net position	177,099,386	149,988,212	2,627,002,151	1,348,589,269	2,804,101,537	1,498,577,481
Fiduciary net position:						
Beginning of year	\$ 3,173,908,455	\$ 3,023,920,243	\$ 16,381,896,621	\$ 15,033,307,352	\$ 19,555,805,076	\$ 18,057,227,595
End of Year	\$ 3,351,007,841	\$ 3,173,908,455	\$ 19,008,898,772	\$ 16,381,896,621	\$ 22,359,906,613	\$ 19,555,805,076

The accompanying notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

RIO is an agency of the State of North Dakota operating through the legislative authority of North Dakota Century Code (NDCC) Chapter 54-52.5 and is considered part of the State of North Dakota financial reporting entity and included in the State of North Dakota's Annual Comprehensive Financial Report.

For financial reporting purposes, RIO has included all funds, and has considered all potential component units for which RIO is financially accountable, and other organizations for which the nature and significance of their relationship with RIO are such that exclusion would cause RIO's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of RIO to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on RIO.

Based upon these criteria, there are no component units to be included within RIO as a reporting entity and RIO is part of the State of North Dakota as a reporting entity.

Fund Financial Statement

All activities of RIO are accounted for within the pension and investment trust funds and are shown, by fund, in the fiduciary fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of RIO are reported using the economic resources measurement focus and the accrual basis of accounting.

This measurement focus includes all assets and liabilities associated with the operations of the fiduciary funds on the statements of net position. Additions are recorded when earned and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fiduciary Fund

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of the SIB. The SIB manages two external investment pools and three individual investment accounts. The two external investment pools consist of a pension pool and insurance pool. The SIB manages the investments of the North Dakota Public Employees Retirement System, Bismarck City Employees and Police, City of Grand Forks Employees and City of Grand Forks Park District Employees pension plans in the pension pool. The investments of Workforce Safety & Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, North Dakota Association of Counties Fund, Risk Management, Risk Management Workers Comp, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, ND State Board of Medicine, Lewis and Clark Interpretive Center Endowment Fund, Attorney General Settlement Fund, Veterans' Cemetery Trust Fund, ND University System Capital Building Fund, Budget Stabilization Fund, Arts Across the Prairie Maintenance Endowment fund, Water Projects Stabilization Fund and the ND State Historical Society are managed in the insurance pool. The Legacy Fund, Job Service of North Dakota, and PERS Retiree Health investments are managed by the SIB in individual investment accounts.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

RIO has no statutory authority over, nor responsibility for, these investment trust funds other than the investment responsibility provided for by statute or through contracts with the individual agencies. The funds that are required to participate according to statute are: Public Employees Retirement System, Workforce Safety & Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Risk Management, Risk Management Workers Comp, Cultural Endowment Fund, Legacy Fund, Budget Stabilization Fund and Water Projects Stabilization Fund.

RIO follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

Pension and Investment Trust Funds are accounted for using the accrual basis of accounting. Member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the NDCC.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RIO utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net position.

Budgetary Process

RIO operates through a biennial appropriation, which represents appropriations recommended by the Governor and presented to the General Assembly (the Assembly) at the beginning of each legislative session. The Assembly enacts RIO's budget through passage of a specific appropriation bill. The State of North Dakota's budget is prepared principally on a modified accrual basis. The Governor has line-item veto power over all legislation, subject to legislative override.

Once passed and signed, the appropriation bill becomes RIO's financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items; however, RIO has specific authority as a special fund to transfer between the contingency line item and other line items. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under NDCC section 54-44.1-11.

RIO does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line-item level. RIO does not formally budget revenues and does not budget by fund. The statement of revenues, expenditures and changes in fund balances - budget and actual is not prepared because revenues are not budgeted.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

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Capital Assets and Depreciation

Capital asset expenditures greater than \$5,000 are capitalized at cost in accordance with Section 54-27-21 of the NDCC. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

	<u>Years</u>
Office equipment	5
Furniture and fixtures	5

Investments

NDCC Section 21-10-07 states that the SIB shall apply the prudent investor rule when investing funds under its supervision. The prudent investor rule means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

The pension fund belonging to TFFR and investment trust funds attributable to the City of Bismarck Employee Pension Plan, the City of Bismarck Police Pension Plan, Job Service of North Dakota, City of Grand Forks Employee Pension Plan, City of Grand Forks Park District Pension Plan and the Public Employees Retirement System (PERS) must be invested exclusively for the benefit of their members. All investments are made in accordance with the respective fund's long-term investment objectives and performance goals.

Pooled Investments

Many funds whose investments are under the supervision of the SIB participate in pooled investments. The agencies transfer money into the investment pools and receive an appropriate percentage ownership of the pooled portfolio based upon fair value. All activities of the investment pools are allocated to the agencies based upon their respective ownership percentages. Each participant unit is valued at \$1.00 per unit.

Investment Valuation and Income Recognition

Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. International securities are valued based upon quoted foreign market prices and translated into US dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

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The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Unrealized gains and losses are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the ND Public Employees Retirement System (NDPERS) defined benefit pension and OPEB plans, and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, “[a]ll state funds ... must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provisions.

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2024 were deposited in the Bank of North Dakota. At June 30, 2024 and 2023, the carrying amount of TFFR's deposits was \$30,863,710 and \$23,963,066 respectively, and the bank balance was \$30,897,063 and \$23,995,175, respectively. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit, an infrastructure loan fund, an insurance pool cash account, a pension pool cash account and a Legacy Fund cash account are recorded as investments and have a cost and carrying value of \$428,328,767 and \$239,321,410 at June 30, 2024 and 2023, respectively. In addition, these funds carry cash and cash equivalents totaling \$1,032,822 and \$866,982 at June 30, 2024 and 2023, respectively. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

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Note 3 - Investments

The investment policy of the SIB is governed by NDCC 21-10. The SIB shall apply the prudent investor rule in investing for funds under its supervision. The “prudent investor rule” means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers’ fund for retirement and the public employees’ retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds’ investment goals and objectives.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The SIB does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

At June 30, 2024 and 2023, the following tables show the investments by investment type and maturity (expressed in thousands).

2024	All values in \$000				
	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 557,514	\$ 904	\$ 186,300	\$ 195,659	\$ 174,651
Bank Loans	1,481	-	1,135	346	-
Collateralized Bonds	859	-	-	859	-
Commercial Mortgage-Backed	327,993	5	4,755	8,667	314,566
Commercial Paper	144,105	144,105	-	-	-
Corporate Bonds	2,830,052	119,107	1,814,575	549,229	347,141
Corporate Convertible Bonds	7,634	-	-	-	7,634
Government Agencies	35,793	4,948	21,300	7,045	2,500
Government Bonds	726,783	8,074	266,955	44,197	407,557
Gov't Mortgage Backed	1,290,878	94	26,670	38,544	1,225,570
Gov't-issued CMB	11,728	21	5,396	1,032	5,279
Index Linked Government Bonds	306,967	43,087	161,471	56,789	45,620
Municipal/Provincial Bonds	20,146	596	3,422	1,967	14,161
Non-Government Backed CMOs	107,561	-	2,649	2,580	102,332
Repurchase Agreements	(8,422)	(8,422)	-	-	-
Short Term Bills and Notes	10,999	10,999	-	-	-
Sukuk	2,530	-	1,282	1,248	-
Funds/Pooled Investments	1,174,639	1,874	696,672	316,660	159,433
Total Debt Securities	\$ 7,549,240	\$ 325,392	\$ 3,192,582	\$ 1,224,822	\$ 2,806,444

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

2023	All values in \$000				
	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 439,098	\$ 3,843	\$ 127,372	\$ 178,924	\$ 128,959
Bank Loans	-	-	-	-	-
Collateralized Bonds	1,652	-	-	1,652	-
Commercial Mortgage-Backed	322,945	5	3,839	9,147	309,954
Commercial Paper	106,717	106,717	-	-	-
Corporate Bonds	1,920,369	83,902	1,085,624	350,601	400,242
Corporate Convertible Bonds	11,596	-	7,058	81	4,457
Government Agencies	32,016	6,347	17,763	5,737	2,169
Government Bonds	774,763	6,537	287,578	73,578	407,070
Govt Mortgage Backed	1,264,892	91	6,455	14,156	1,244,190
Govt-issued CMB	18,255	55	3,967	9,243	4,990
Index Linked Government Bonds	635,558	8,677	358,588	123,678	144,615
Municipal/Provincial Bonds	22,222	2,171	3,766	3,125	13,160
Non-Government Backed CMOs	106,134	806	4,986	6,040	94,302
Repurchase Agreements	(786)	(786)	-	-	-
Short Term Bills and Notes	14,388	14,388	-	-	-
Sukuk	2,506	-	1,282	1,224	-
Funds/Pooled Investments	1,432,690	-	685,151	596,419	151,120
Total Debt Securities	\$ 7,105,015	\$ 232,753	\$ 2,593,429	\$ 1,373,605	\$ 2,905,228

In the tables above, the fair values of inflation indexed bonds are reflected in the columns based on their stated maturity dates. The principal balances of these bonds are adjusted every six months based on the inflation index for that period.

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMOs), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held POs valued at \$7.3 million and \$4.8 million and IOs valued at \$20.7 million and \$18.9 million at June 30, 2024 and 2023, respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following tables present the SIB's ratings as of June 30, 2024 and 2023, (expressed in thousands).

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2024	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 557,514	\$ 338,611	\$ 81,761	\$ 53,846	\$ 17,601	\$ 327	\$ 573	\$ 2,069	\$ -	\$ 221	\$ 544	\$ 61,961
Bank Loans	1,481	-	-	-	-	880	429	-	-	-	-	172
Collateralized Bond	859	859	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	327,993	252,230	11,369	11,519	6,281	2,532	2,125	69	-	-	-	41,868
Commercial Paper	144,105	-	-	80,428	-	-	-	-	-	-	-	63,677
Corporate Bonds	2,830,052	8,914	54,695	519,603	1,242,869	558,862	350,101	84,488	184	-	1,141	9,195
Corporate Convertible Bonds	7,634	-	-	-	1,576	6,058	-	-	-	-	-	-
Govt Agencies	35,479	3,460	2,880	971	12,027	7,703	1,407	174	-	-	-	6,857
Govt Bonds	65,845	-	779	6,809	29,039	8,983	2,259	764	-	-	-	17,212
Govt Mortgage Backed	1,091,812	-	1,074,396	5,673	8,602	2,606	380	-	-	-	-	155
Govt Issued CMB	7,804	373	6,212	-	-	-	-	-	-	-	-	1,219
Index Linked Government Bonds	96,681	73,202	-	-	3,044	-	-	-	-	-	-	20,435
Municipal/Provincial Bonds	20,146	2,761	12,316	2,616	-	581	-	1,872	-	-	-	-
Non-Govt Backed CMOs	107,561	34,354	7,598	3,420	3,913	2,200	445	217	337	-	-	55,077
Repurchase Agreements	(8,422)	-	-	-	-	-	-	-	-	-	-	(8,422)
Short Term Bills & Notes	1,397	-	1,397	-	-	-	-	-	-	-	-	-
Sukuk	2,530	-	-	-	2,530	-	-	-	-	-	-	-
Funds/Pooled Investments	1,162,258	-	777,943	103,470	83,890	18,737	27,233	-	-	-	-	150,985
Total Credit Risk of Debt Securities	\$ 6,452,729	\$ 714,764	\$ 2,031,346	\$ 788,355	\$ 1,411,372	\$ 609,469	\$ 384,952	\$ 89,653	\$ 521	\$ 221	\$ 1,685	\$ 420,391
US Govt & Agencies **	1,096,511											
Total Debt Securities	\$ 7,549,240											

2023	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 439,098	\$ 241,736	\$ 60,920	\$ 47,744	\$ 17,512	\$ 1,684	\$ 498	\$ 2,437	\$ 741	\$ -	\$ 607	\$ 65,219
Collateralized Bond	1,652	1,652	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	322,945	246,189	10,782	8,128	8,600	1,037	2,449	1,604	18	-	-	44,138
Commercial Paper	106,717	-	-	57,240	-	-	-	-	-	-	-	49,477
Corporate Bonds	1,920,369	11,430	53,474	503,201	1,089,641	189,402	52,693	11,467	39	25	117	8,880
Corporate Convertible Bonds	11,596	-	-	-	1,426	4,457	-	1,852	-	-	-	3,861
Govt Agencies	31,455	3,467	3,411	6,306	10,135	3,682	-	-	-	-	-	4,454
Govt Bonds	54,168	-	2,556	1,881	29,067	13,418	2,395	852	-	-	-	3,999
Govt Mortgage Backed	1,062,793	-	1,032,051	9,381	17,876	1,888	388	-	-	-	-	1,209
Govt Issued CMB	15,871	2,239	13,029	-	603	-	-	-	-	-	-	-
Index Linked Government Bonds	117,046	-	-	-	-	-	-	-	-	-	-	117,046
Municipal/Provincial Bonds	22,222	2,764	11,674	5,481	629	723	-	951	-	-	-	-
Non-Govt Backed CMOs	106,134	28,615	7,466	14,956	6,784	3,335	938	378	361	-	-	43,301
Repurchase Agreements	(786)	-	-	-	-	-	-	-	-	-	-	(786)
Short Term Bills & Notes	4,479	-	4,479	-	-	-	-	-	-	-	-	-
Sukuk	2,506	-	-	-	2,506	-	-	-	-	-	-	-
Funds/Pooled Investments	1,420,254	448,497	263,424	511,166	66,210	18,471	26,042	-	-	-	-	86,444
Total Credit Risk of Debt Securities	5,638,519	\$ 986,589	\$ 1,463,266	\$ 1,165,484	\$ 1,250,989	\$ 238,097	\$ 85,403	\$ 19,541	\$ 1,159	\$ 25	\$ 724	\$ 427,242
US Govt & Agencies **	1,466,496											
Total Debt Securities	\$ 7,105,015											

- * Ratings are determined in the following order:
1. S&P rating
 2. Moody's rating
 3. Fitch rating
 4. Manager-determined rating (internal rating)
 5. If no ratings available using steps 1-4, then shown as not rated.

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** US government agency securities explicitly guaranteed by the US government are categorized here. Credit ratings of US government agency securities that are only implicitly guaranteed by the US government are categorized accordingly in the main body of these tables. Implicitly guaranteed agency securities included in the *Gov't Agencies*, *Gov't Bonds*, *Gov't Mortgage Backed*, *Gov't Issued CMB*, *Index Linked Gov't Bonds*, and *Short Term Bills and Notes* categories are issued by FNMA, FHLB, FHLMC, and SLMA.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2024 and 2023, the SIB's portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the US government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB manages its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB's exposure to foreign currency risk is presented in the following tables as of June 30, 2024 and 2023. **June 30, 2024** (expressed in thousands).

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Notes to the Financial Statements

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2024

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 1	\$ -	\$ -	\$ -	\$ 1
Australian dollar	(32)	-	-	-	(32)
Brazilian real	902	3,349	-	-	4,251
British pound sterling	(23,783)	13,907	81,642	-	71,766
Canadian dollar	(13,553)	10,048	28,008	-	24,503
Chilean peso	(273)	-	-	-	(273)
Chinese yuan renminbi	283	-	-	-	283
Danish krone	(47)	-	31,882	-	31,835
Euro	(58,972)	48,440	170,346	-	159,814
Hong Kong Off-Shore-Chinese yuan renminbi	7,698	-	-	-	7,698
Hong Kong dollar	-	-	6,394	-	6,394
Hungarian forint	1	-	-	-	1
Indian rupee	8,417	-	-	-	8,417
Indonesian rupiah	2,382	-	-	-	2,382
Japanese yen	2,976	(3,552)	115,054	-	114,478
Mexican peso	(7,776)	11,933	-	-	4,157
New Israeli shekel	-	-	-	-	-
New Taiwan dollar	(4,203)	-	-	-	(4,203)
Norwegian krone	87	-	-	-	87
Polish zloty	(2)	-	-	-	(2)
Russian ruble	605	-	3,059	-	3,664
Singapore dollar	(3,447)	-	-	-	(3,447)
South Korean won	(450)	-	21,961	-	21,511
Swedish krona	7	-	22,545	-	22,552
Swiss franc	2	-	32,958	-	32,960
Thai baht	(242)	-	-	-	(242)
Turkish lira	8,398	-	-	-	8,398
International commingled funds (various currencies)	-	-	4,086,118	33,832	4,119,950
Total international investment securities	<u>\$ (81,021)</u>	<u>\$ 84,125</u>	<u>\$4,599,967</u>	<u>\$ 33,832</u>	<u>\$ 4,636,903</u>

Negative amounts represent short positions.

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Notes to the Financial Statements

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2023

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 12	\$ -	\$ -	\$ -	\$ 12
Australian dollar	9,127	-	6,168	-	15,295
Brazilian real	(30)	-	3,955	-	3,925
British pound sterling	(25,935)	18,162	90,232	-	82,459
Canadian dollar	(1,533)	288	25,969	-	24,724
Chilean peso	(315)	-	-	-	(315)
Chinese yuan renminbi	301	-	-	-	301
Danish krone	(62)	-	20,407	-	20,345
Euro	(24,754)	25,571	111,552	610	112,979
Hong Kong Off-Shore-Chinese yuan renminbi	4,239	-	12,233	-	16,472
Hong Kong dollar	-	-	20,282	-	20,282
Hungarian forint	1	-	-	-	1
Indian rupee	6,644	-	-	-	6,644
Indonesian rupiah	1,174	-	-	-	1,174
Japanese yen	44,521	(40,083)	35,267	-	39,705
Mexican peso	(337)	-	-	-	(337)
New Israeli shekel	(1)	-	-	-	(1)
New Taiwan dollar	370	-	-	-	370
New Zealand dollar	-	-	-	-	-
Norwegian krone	87	-	5,532	-	5,619
Peruvian nuevo sol	202	-	-	-	202
Polish zloty	(2)	-	-	-	(2)
Russian ruble	276	-	2,092	-	2,368
Singapore dollar	(3,943)	-	-	-	(3,943)
South African rand	-	-	-	-	-
South Korean won	(338)	-	6,011	-	5,673
Swedish krona	562	-	26,479	-	27,041
Swiss franc	2	-	28,659	-	28,661
Thai baht	4,432	-	-	-	4,432
International commingled funds (various currencies)	-	-	2,690,182	32,629	2,722,811
Total international investment securities	\$ 14,700	\$ 3,938	\$3,085,020	\$ 33,239	\$ 3,136,897

Negative amounts represent short positions.

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the SIB’s clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of net position. At June 30, 2024 and 2023, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB’s counterparty risk. The net change in the futures contracts’ value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the statement of changes in net position and totaled \$76.6 and \$64.7 million for fiscal years 2024 and 2023, respectively. At June 30, 2024 and 2023, the SIB investment portfolio had the

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Notes to the Financial Statements

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notional futures balances shown below (expressed in thousands).

<u>Futures</u>	Notional Value	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Cash & Cash Equivalent Derivative Futures		
Long	\$ 171,610	\$ 139,071
Short	122,023	(394,403)
Commodity Derivative Futures		
Short	(18,719)	(81,977)
Equity Derivative Futures		
Long	457,320	446,414
Fixed Income Derivative Futures		
Long	289,982	755,688
Short	(305,874)	(922,277)
 Total Futures	 <u>\$ 716,342</u>	 <u>\$ (57,484)</u>

Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty credit risk. The option's price is usually a small percentage of the underlying asset's value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the statement of changes in net position and totaled \$4.9 million and \$3.5 million in fiscal years 2024 and 2023, respectively. At June 30, 2024 and 2023, the SIB investment portfolio had the following option balances (expressed in thousands).

<u>Options</u>	Fair Value	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Cash & Other Options		
Call	\$ 1,349	\$ (170)
Put	42	(1,931)
Equity Options		
Call	697	438
Fixed Income Options		
Call	43	(57)
Put	(94)	(277)
 Total Options	 <u>\$ 2,037</u>	 <u>\$ (1,997)</u>

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June 30, 2024 and 2023

Swaps

A swap is a derivative in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. Specifically, the two counterparties agree to exchange one stream of cash flows for another stream. The SIB, through its investment managers, has entered into various swap agreements in an attempt to manage its exposure to interest rate, inflation, credit and total return risk.

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the statement of changes in net position and totaled \$1.5 million and \$(670) thousand for fiscal years 2024 and 2023, respectively. The maximum loss that would be recognized at June 30, 2024 and 2023, if all counterparties failed to perform as contracted is \$2.5 million and \$2.5 million, respectively. Swap fair values are determined by a third-party pricing source. At June 30, 2024 and 2023, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

Credit risk represents the exposure to fair value losses arising from a credit event such as default, failure to pay, restructuring or bankruptcy. In a credit default swap (CDS) contract, the protection buyer of the CDS makes a series of payments to the protection seller and, in exchange, receives a payoff if the credit instrument experiences a credit event. CDS contracts are also used to establish exposure to a desired credit instrument.

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Bank of America/Aa2 (7 contracts)	\$ (9,135)	\$ -	2028 - 2029	\$ 314	\$ -
Bank of America/Aa2 (5 contracts)	-	(128,400)	2027 - 2028	-	2,145
Barclays Capital Inc/A1 (1 contracts)	(3,250)	-	2029	2	-
Barclays Capital Inc/A1 (1 contracts)	-	(4,000)	2028	-	(29)
BNP Paribas Sa Paris/Aa3 (1 contract)	(100)	-	2027	(1)	-
BNP Paribas Sa Paris/Aa3 (1 contract)	-	(100)	2027	-	(4)
Citibank/A1 (2 contracts)	(400)	-	2024 - 2027	(1)	-
Citibank/A1 (2 contract)	-	(400)	2024 - 2027	-	(9)
Citigroup Global Markets/A1 (1 contracts)	(2,790)	-	2029	179	-
Citigroup Global Markets/A1 (11 contracts)	-	(4,655)	2023 - 2028	-	61
Goldman Sachs/A2 (6 contracts)	(1,500)	-	2027	(11)	-
Goldman Sachs/A2 (6 contracts)	-	2,400	2023 - 2027	-	(52)
JP Morgan Chase/Aa2 (4 contracts)	(13,709)	-	2024 - 2029	854	-
JP Morgan Chase/Aa2 (1 contract)	-	(400)	2024	-	(4)
Morgan Stanley/A1 (8 contracts)	(11,825)	-	2026 - 2029	220	-
Morgan Stanley/A1 (1 contract)	-	28,000	2028	-	(432)
Wells Fargo Bank/Aa2 (11 contracts)	1,304	-	2024 - 2029	(251)	-
Wells Fargo Bank/Aa2 (13 contracts)	-	(924)	2023 - 2028	-	(27)
Total Credit Default Swaps	\$ (41,405)	\$ (113,279)		\$ 1,305	\$ 1,649

The notional amount may be positive or negative, depending on whether the position is long or short, respectively.

Interest Rate Swaps

Interest rate risk represents the exposure to fair value losses arising from future changes in prevailing market interest rates. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty, who in turn agrees to make return interest payments that float with some reference rate.

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Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Bank of America/Aa2 (5 contracts)	\$ -	\$ 48,338	2024 - 2041	\$ -	\$ 708
Bank of America/Aa2 (48 contracts)	229,088	-	2025 - 2054	2,914	-
Citigroup Global Markets/A1 (43 contracts)	106,975	93,429	2024 - 2054	213	1,093
Citigroup Global Markets/A1 (47 contracts)	-	-	2025 - 2053	-	-
JP Morgan Chase/Aa2 (18 contracts)	-	61,954	2024 - 2034	-	948
JP Morgan Chase/Aa2 (16 contracts)	100,071	-	2024 - 2054	547	-
Morgan Stanley/A1 (61 contracts)	141,878	-	2024 - 2054	2,527	-
Morgan Stanley/A1 (8 contracts)	-	64,670	2025 - 2033	-	(632)
Wells Fargo Bank/Aa2 (13 contracts)	-	116,255	2025 - 2052	-	1,942
Wells Fargo Bank/Aa2 (65 contracts)	164,383	-	2024 - 2054	3,910	-
Total Interest Rate Swaps	\$ 742,395	\$ 384,646		\$ 10,111	\$ 4,059

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

Inflation Swaps

Inflation risk represents the exposure to fair value losses arising from future changes in prevailing market inflation. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI).

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Goldman Sachs/A2 (2 contracts)	\$ -	\$ 18,956	2023	\$ -	\$ (452)
Goldman Sachs/A2 (2 contracts)	19,305	-	2024	(184)	-
JP Morgan Chase/Aa2 (1 contracts)	2,260	-	2024	(17)	-
JP Morgan Chase/Aa2 (1 contracts)	-	2,313	2023	-	38
Total Inflation Swaps	\$ 21,565	\$ 21,269		\$ (201)	\$ (414)

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

Total Return Swaps

A total return swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset (income and capital gains). The underlying asset, or reference asset, is owned by the party receiving the set rate payment.

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Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Goldman Sachs/A2 (1 contract)	\$ -	\$ 6,310	2023	\$ -	\$ (227)
Goldman Sachs/A2 (1 contract)	6,310	-	2024	(355)	-
Bank of America/Aa2 (1 contract)	20,035	-	2024	(932)	-
Citibank/A1 (2 contracts)	16,910	-	2024	(415)	-
JP Morgan Chase/Aa2 (2 contracts)	10,140	-	2024	(210)	-
JP Morgan Chase/Aa2 (3 contracts)	-	15,725	2023	-	(289)
Total Total Return Swaps	\$ 53,395	\$ 22,035		\$ (1,912)	\$ (516)

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the statements of changes in net position and totaled \$4.0 million and \$(2.3) million for fiscal years 2024 and 2023, respectively. At June 30, 2024 and 2023, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

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June 30, 2024 and 2023

	Currency	Cost	Purchases	Sales	Fair Value	
					6/30/2024	6/30/2023
AUD	Australian dollar	\$ (57)	\$ 57	\$ (114)	\$ (57)	\$ 9,126
BRL	Brazilian real	(796)	5,278	(6,075)	(692)	(118)
GBP	British pound sterling	(12,171)	10,472	(22,643)	(12,054)	(29,110)
CAD	Canadian dollar	(1,832)	684	(2,516)	(1,828)	(58)
CLP	Chilean peso	(279)	-	(279)	(273)	(315)
CNH	Chinese offshore	(23)	2,384	(2,408)	(24)	(23)
CNY	Chinese Yuan	284	567	(283)	283	301
DKK	Danish Krone	(76)	19	(95)	(75)	(63)
EUR	Euro	(38,647)	21,564	(60,211)	(38,360)	(70,774)
HUF	Hungarian Forint	0	2	4	6	-
IDR	Indonesia Rupiah	1,018	1,018	-	1,011	(115)
INR	Indian Rupee	3,506	3,506	-	3,509	6,644
JPY	Japanese yen	(993)	-	(993)	(978)	4,693
MXN	Mexican peso	(3,824)	4	(3,828)	(3,871)	(363)
ILS	New Israeli shekel	-	-	-	-	-
NZD	New Zealand dollar	-	-	-	-	-
NOK	Norwegian Krone	-	-	-	-	-
PEN	Peruvian nuevo sol	0	-	-	-	202
PLN	Poland Zloty	-	-	-	-	-
SGD	Singapore Dollar	(846)	841	(1,687)	(842)	(3,948)
ZAR	South African rand	-	2	4	6	-
KRW	South Korean won	(318)	-	(318)	(318)	(338)
THB	Thai Baht	(247)	-	(247)	(247)	4,432
TWD	Taiwan Dollar	(2,037)	-	(2,037)	(2,026)	370
TRY	Turkish Lira	3,788	3,788	-	3,869	-
USD	United States dollar	53,552	103,734	(50,182)	53,552	77,812
Total forwards subject to currency risk					\$ 591	\$ (1,645)

Derivative Interest Rate Risk

Derivative interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The SIB does not have a formal investment policy regarding such derivative investments. At June 30, 2024 and 2023, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

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All values in \$000

2024	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Futures-interest rate contracts	\$ 277,741	\$ (56,049)	\$ 26,669	\$ 122,023	\$ 185,098	\$ -	\$ -
Futures-commodity contracts	(18,719)	-	(18,719)	-	-	-	-
Total	\$ 259,022	\$ (56,049)	\$ 7,950	\$ 122,023	\$ 185,098	\$ -	\$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Options - Interest Rate Contracts	\$ (46)	\$ (102)	\$ 41	\$ 15	\$ -	\$ -	\$ -
Options on Futures	(157)	(26)	82	(213)	-	-	-
Options - Foreign Exchange Contracts	1,533	5	863	665	-	-	-
Options - Credit Contracts	10	7	3	-	-	-	-
Swaps - Interest Rate Contracts	8,199	(1,611)	(405)	(418)	2,204	1,321	7,108
Swaps - Credit Contracts	1,305	-	30	-	1,275	-	-
Total	\$ 10,844	\$ (1,727)	\$ 614	\$ 49	\$ 3,479	\$ 1,321	\$ 7,108

2023	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Futures-interest rate contracts	\$ (421,921)	\$ (537,437)	\$ 371,085	\$ (170,589)	\$ (84,980)	\$ -	\$ -
Futures-commodity contracts	(81,977)	-	(81,977)	-	-	-	-
Total	\$ (503,898)	\$ (537,437)	\$ 289,108	\$ (170,589)	\$ (84,980)	\$ -	\$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Options - interest rate contracts	\$ (450)	\$ (147)	\$ (191)	\$ (112)	\$ -	\$ -	\$ -
Options on futures	(1,985)	78	(858)	(941)	(264)	-	-
Options - Foreign Exchange Contracts	-	-	-	-	-	-	-
Swaps - interest rate contracts	3,543	(448)	(38)	(22)	(2,537)	1,392	5,196
Swaps - credit contracts	1,649	-	3	13	2,070	(437)	-
Total	\$ 2,757	\$ (517)	\$ (1,084)	\$ (1,062)	\$ (731)	\$ 955	\$ 5,196

Fair Value Measurement

The SIB categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

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Notes to the Financial Statements

June 30, 2024 and 2023

The following tables show the fair value leveling of the SIB's investment portfolio at June 30, 2024 and 2023 (expressed in thousands).

2024	Dollars in (000)			
	Fair Value 6/30/24	Fair Value Measures Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Short Term Securities				
Commercial Paper	\$ 144,105	\$ -	\$ 144,105	\$ -
Short Term Bills and Notes	10,999	-	10,999	-
Total Short Term Securities	155,104	-	155,104	-
Fixed Income Investments				
Asset Backed Securities	557,515	-	555,514	2,001
Bank Loans	1,480	-	1,480	-
Collateralized Bonds	859	-	859	-
Commercial Mortgage-Backed	327,994	-	327,994	-
Corporate Bonds	2,830,053	-	2,830,053	-
Corporate Convertible Bonds	7,634	-	7,634	-
Funds - Fixed Income ETF	17,017	17,017	-	-
Government Agencies	35,794	-	35,794	-
Government Bonds	726,782	-	726,782	-
Government Mortgage Backed Securities	1,290,880	-	1,290,880	-
Govt-issued Commercial Mortgage-Backed	11,729	-	11,729	-
Index Linked Government Bonds	306,967	-	306,967	-
Municipal/Provincial Bonds	20,146	-	20,146	-
Non-Government Backed C.M.O.s	106,968	-	104,955	2,013
Sukuk	2,530	-	2,530	-
Total Fixed Income Investments	6,244,348	17,017	6,223,317	4,014
Equity Investments				
Common Stock	3,227,800	3,227,333	-	467
Convertible Equity	-	-	-	-
Funds - Equities ETF	406,558	406,558	-	-
Preferred Stock	40	-	-	40
Stapled Securities	-	-	-	-
Total Equity Investments	3,634,398	3,633,891	-	507
Derivative Investments				
Exchange Cleared Swaps	11,382	-	11,382	-
Options	2,037	541	1,496	-
Swaps	(2,079)	-	(2,079)	-
Total Derivative Investments	11,340	541	10,799	-
Total Investments by Fair Value Level	\$ 10,045,190	\$ 3,651,449	\$ 6,389,220	\$ 4,521

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Notes to the Financial Statements

June 30, 2024 and 2023

	Dollars in (000)			
Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Funds-Debt	\$ 1,157,621	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	4,921,741	-	Daily, monthly	1-15 days
Distressed Debt	230,764	-	Quarterly, Not eligible	60 days
Long/Short	924,093	-	Monthly	15 days
Mezzanine Debt	1	-	Not eligible	Not eligible
Private Credit	551,682	120,700	Not eligible	Not eligible
Private Equity	1,774,040	428,163	Not eligible	Not eligible
Real Assets	2,351,216	456,684	Quarterly, Not eligible	30-90 days
Total Investments Measured at the NAV	\$ 11,911,158	\$ 1,005,547		
Investments at Other Than Fair Value				
Cash and adjustments to cash	\$ 35,988			
Bank Certificates of Deposit	311,051			
Other miscellaneous securities	638			
Repurchase Agreements	(8,422)			
Total Investments at Other Than Fair Value	\$ 339,255			
Total Investments	\$ 22,295,603			

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June 30, 2024 and 2023

2023	Dollars in (000)			
	Fair Value 6/30/23	Fair Value Measures Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Short Term Securities				
Commercial Paper	\$ 106,717	\$ -	\$ 106,717	\$ -
Short Term Bills and Notes	14,388	-	14,388	-
Total Short Term Securities	121,105	-	121,105	-
Fixed Income Investments				
Asset Backed Securities	439,098	-	438,500	598
Bank Loans	-	-	-	-
Collateralized Bonds	1,652	-	1,652	-
Commercial Mortgage-Backed	322,945	-	322,945	-
Corporate Bonds	1,918,998	-	1,918,998	-
Corporate Convertible Bonds	11,596	-	11,596	-
Funds - Fixed Income ETF	16,687	16,687	-	-
Government Agencies	32,016	-	32,016	-
Government Bonds	774,763	-	774,763	-
Government Mortgage Backed Securities	1,264,892	-	1,264,823	69
Govt-issued Commercial Mortgage-Backed	18,255	-	18,255	-
Index Linked Government Bonds	635,558	-	635,558	-
Municipal/Provincial Bonds	22,222	-	22,222	-
Non-Government Backed C.M.O.s	102,353	-	102,353	-
Sukuk	2,506	-	2,506	-
Total Fixed Income Investments	5,563,541	16,687	5,546,187	667
Equity Investments				
Common Stock	3,124,600	3,124,202	-	398
Convertible Equity	290	290	-	-
Funds - Equities ETF	282,983	282,983	-	-
Preferred Stock	-	-	-	-
Stapled Securities	-	-	-	-
Total Equity Investments	3,407,873	3,407,475	-	398
Derivative Investments				
Exchange Cleared Swaps	5,778	-	5,778	-
Options	(1,997)	(1,547)	(450)	-
Swaps	(1,000)	-	(1,000)	-
Total Derivative Investments	2,781	(1,547)	4,328	-
Total Investments by Fair Value Level	\$ 9,095,300	\$ 3,422,615	\$ 5,671,620	\$ 1,065

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	Dollars in (000)			
		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the Net Asset Value (NAV)				
Commingled Funds-Debt	\$ 1,416,003	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	3,223,944	-	Daily, monthly	1-15 days
Distressed Debt	211,245	-	Quarterly, Not eligible	60 days
Long/Short	811,402	-	Monthly	15 days
Mezzanine Debt	1	-	Not eligible	Not eligible
Private Credit	623,507	120,700	Not eligible	Not eligible
Private Equity	1,034,930	540,130	Not eligible	Not eligible
Real Assets	2,814,301	455,448	Quarterly, Not eligible	30-90 days
Total Investments Measured at the NAV	\$ 10,135,333	\$ 1,116,278		
Investments at Other Than Fair Value				
Cash and adjustments to cash	\$ 34,099			
Bank Certificates of Deposit	180,767			
Other miscellaneous securities	5,211			
Repurchase Agreements	(786)			
Total Investments at Other Than Fair Value	\$ 219,291			
Total Investments	\$ 19,449,924			

Securities classified in Level 1 are valued using quoted prices in active markets for those securities. Securities classified in Level 2 and Level 3 are valued using methodologies such as various bid evaluations, market averages and other matrix pricing techniques as well as values derived from associated traded securities or last trade data. In instances where inputs used to measure fair value fall into different levels, the fair value is categorized based on the lowest level input that is significant to the valuation.

Investments valued at the net asset value (NAV) per share (or its equivalent) have been classified separately in the tables above and include investments considered to be *alternative investments* as defined by the AICPA. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or NASDAQ). These types of investments can be held within any of the asset classes used by the SIB based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

Commingled/Mutual Funds - These types of funds are open-ended funds and may be utilized in equity or fixed income asset classes. They are funds made up of underlying securities that have readily available fair values (publicly traded stocks or bonds). The SIB owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed, generally with daily or monthly liquidity, with a notice period of one to fifteen days. Because they are liquid funds, there are no unfunded commitments for these types of investments.

Distressed Debt - these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The SIB is including these types of investments in its global fixed income allocations. As of June 30, 2024 and June 30, 2023, all unfunded commitments in the SIB distressed debt portfolios

had been released. One of the funds in this category is not eligible for redemptions, while the other fund is eligible for redemptions with quarterly liquidity and 60 days' notice.

Equity Long/Short - This strategy is a combination of long and short positions, primarily in publicly traded equities. The SIB utilizes this strategy, through a limited partnership structure, within its global equity allocations. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2024 and 2023.

Mezzanine Debt - This strategy is a hybrid of debt and equity financing. It is essentially debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The SIB utilizes this strategy, through a limited partnership structure, in its global fixed income allocation. The two funds in this category are not eligible for redemptions, have remaining lives of 1-2 years, and no unfunded commitments as of both June 30, 2024 and 2023.

Private Credit - These investments include loans to private companies, privately placed debt of public companies, or loans backed by real assets. Loan repayment can be derived from either cash flows from an operating company or cash flows generated by a physical or esoteric asset. Private debt is typically secured and has various protections/covenants in place. The debt is customized to the borrower's requirement, thus rendering it illiquid. The SIB includes these strategies within its global fixed income allocation through limited partnership-type structures. Private credit issuers may be investment grade but are typically below-investment grade and similar in some respect to the syndicated bank loan and high yield markets. The SIB participates in two senior private credit funds, commonly referred to as direct lenders, which are structured as custom managed accounts and are not eligible for redemptions during their investment lives. Due to the perpetual nature of the funds, the remaining investment lives fluctuate based on timing of new commitments, and the unfunded commitments totaled \$216.7 million and \$120.7 million as of June 30, 2024 and 2023, respectively.

Private Equity - Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. The SIB has a dedicated sub-asset class for private equity investments within its global equity allocation in the pension pool and Legacy Fund. The SIB does not have the option to request redemptions from its private equity funds. The General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The SIB has \$432.6 million and \$540.1 million in unfunded private equity commitments as of June 30, 2024 and 2023, respectively.

Venture Capital - these include investments in companies in a range of stages of development from start-up/seed stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten.

Buyouts - these include investments in funds that seek out and purchase underperforming or undervalued companies in order to improve them and sell them or take them public many years later. These funds are also often involved in management buyouts, which are buyouts conducted by the management of the company being purchased, and they often play key roles in leveraged buyouts, which are buyouts that are funded with borrowed money.

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Real Assets - These investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments are generally structured as limited partnerships or limited liability companies. Investments in Real Assets include:

Real Estate - includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include “value added” strategies, which derive their return from both income and appreciation, “opportunistic”, which derive their return primarily through appreciation, and “alternative” which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The SIB has a dedicated sub-asset class for these types of investments within global real assets. There are currently 11 real estate funds in the portfolio. Five of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. There were no unfunded commitments in the open-ended funds as of June 30, 2024 and 2023. The remaining six funds are closed-ended limited partnerships that are not eligible for redemptions. Those six funds have a combined unfunded commitment of \$132.1 million and \$158.7 million as of June 30, 2024 and 2023, respectively.

Timberland - includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the “higher and better use” value of the underlying land. The SIB includes these assets within its global real assets allocations. There are three funds in the portfolio, and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 1-4 years.

Infrastructure - includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The SIB includes these assets within its global real assets allocations. The infrastructure investments in the portfolio as of June 30, 2024 and 2023, include both open and closed-ended funds. The three open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days’ notice. There may be a 3-12 month queue for receiving redemptions. The 17 closed-ended funds have unfunded commitments of \$240.7 million and \$296.8 million at June 30, 2024 and 2023, respectively, and are not eligible for redemptions.

Securities Lending

State statutes permit and the SIB has authorized the use of securities lending – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Northern Trust is the securities lending agent for the SIB. Securities are loaned versus collateral that may include cash, US government securities and irrevocable letters of credit. US securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-US securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SIB loans was approximately 47 and 74 days as of June 30, 2024 and 2023, respectively. Cash open collateral is invested in a short-term investment pool, which had an interest sensitivity of 3 and 3 days as of June 30, 2024 and

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2023, respectively. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

For securities loaned at fiscal year end, the SIB has no credit risk exposure to borrowers because the amounts the SIB owes the borrowers exceeds the amounts the borrowers owe the SIB.

The following represents the balances relating to the securities lending transactions at June 30, 2024 and 2023 (expressed in thousands).

2024	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 577	\$ -	\$ 599
US government securities	101	-	103
US corporate fixed income securities	119,421	-	122,659
Global agency securities	-	-	-
Global government securities	334	-	366
Global corporate fixed income securities	2,087	-	2,257
US equities	83,847	-	86,091
Global equities	-	-	-
Lent for non-cash collateral:			
US agency securities	3,382	3,479	-
US government securities	3,876	4,006	-
US corporate fixed income securities	274,905	281,995	-
US equities	185,692	189,355	-
Global equities	1,229	1,324	-
Global corporate fixed	12	13	-
Total	<u>\$ 675,463</u>	<u>\$ 480,172</u>	<u>\$ 212,075</u>

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2023	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 636	\$ -	\$ 651
US government securities	327	-	336
US corporate fixed income securities	55,426	-	56,543
Global government securities	555	-	579
Global corporate fixed income securities	1,997	-	2,152
US equities	55,709	-	56,892
Global equities	1,557	-	1,627
Lent for non-cash collateral:			
US agency securities	1,541	1,577	-
US government securities	7,671	7,850	-
US corporate fixed income securities	98,961	101,098	-
US equities	338,691	344,275	-
Global equities	1,414	1,499	-
Global corporate fixed	8,396	9,061	-
Total	<u>\$ 573,091</u>	<u>\$ 465,360</u>	<u>\$ 119,003</u>

Note 4 - Capital Assets

	June 30, 2022	Additions	Retirements	June 30, 2023	Additions	Retirements	June 30, 2024
Office equipment	\$16,879	\$ -	\$ -	\$16,879	\$ -	\$ -	\$16,879
Less accumulated depreciation on office equipment	(16,879)	-	-	(16,879)	-	-	(16,879)
Software	1,894,499	1,899,328	-	3,793,827	2,425,489	-	6,219,316
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	-	-	(1,213,500)
	<u>\$ 680,999</u>	<u>\$ 1,899,328</u>	<u>\$ -</u>	<u>\$ 2,580,327</u>	<u>\$ 2,425,489</u>	<u>\$ -</u>	<u>\$ 5,005,816</u>

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Note 5 - State Agency Transactions

Due To/From Other State Agencies and Other State Funds

Amounts due from/to other state agencies and other state funds are as follows as of June 30, 2024 and 2023:

	2024	2023
Due To Other State Agencies		
Information Technology Department	\$ 46,645	\$ 39,202
Health Department	-	30
Department of Transportation	31	-
Office of Attorney General	3,079	2,875
Office of Management and Budget	345	3,717
Total due to other state agencies	\$ 50,100	\$ 45,824
Due From Other State Agencies		
Public Employees Retirement System	\$ 743	\$ 1,530
Total due from other state agencies	\$ 743	\$ 1,530
Due To Other State Funds		
Budget Stabilization Fund	\$ 58,328,500	\$ -

Due to other state agencies balances are a result of a time lag between the dates that services are provided, the payments are made, and the transactions are entered into the accounting system.

Note 6 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities are included in accrued expenses in the statements of changes in net position. The changes for the years ended June 30, 2024 and 2023 are summarized as follows:

	Beginning Balance 7/1/2023	Additions	Reductions	Ending Balance 6/30/2024	Amounts Due Within One Year
Accrued Leave	\$258,130	\$264,235	(\$206,135)	\$316,230	\$154,695
	Beginning Balance 6/30/2022	Additions	Reductions	Ending Balance 6/30/2023	Amounts Due Within One Year
Accrued Leave	\$158,988	\$194,600	(\$95,458)	\$258,130	\$143,765

Pension and Investment Trust Funds liquidate the accrued annual leave.

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Note 7 - North Dakota Teachers' Fund for Retirement

Administration

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Membership

As of June 30, 2024 and 2023, the number of participating employer units was 204 and 206, respectively, consisting of the following:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Public School Districts	168	171
County Superintendents	4	4
Special Education Units	20	19
Vocational Education Units	4	4
Other	8	8
Total	<u>204</u>	<u>206</u>

TFFR's membership consisted of the following:

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	2024	2023
Retirees and beneficiaries currently receiving benefits	9,693	9,615
Terminated employees - vested	2,147	2,010
Terminated employees - nonvested	1,878	1,711
Total	<u>13,718</u>	<u>13,336</u>
Current employees		
Vested	8,453	8,336
Nonvested	3,492	3,430
Total	<u>11,945</u>	<u>11,766</u>

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Investment Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.02% and 7.35% for the years ended June 30, 2024 and 2023, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the

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changing amounts actually invested.

Realized Gains and Losses

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in Note 1. For the years ended June 30, 2024 and 2023, TFFR had net realized gains of \$115,149,049 and \$37,160,466, respectively.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2024 and 2023 (expressed in thousands), were as follows:

	June 30, 2024	June 30, 2023
Total pension liability	\$ 4,758,417	\$ 4,577,220
Plan fiduciary net position	<u>(3,351,008)</u>	<u>(3,173,908)</u>
Net pension liability (NPL)	<u>\$ 1,407,409</u>	<u>\$ 1,403,312</u>
Plan fiduciary net position as a percentage of the total pension liability	70.4%	69.3%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2024 and 2023, using the following actuarial assumptions:

Valuation date	July 1, 2024	July 1, 2023
Inflation	2.30%	2.30%
Salary increases	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service
Cost of living adjustments	None	None
Investment rate of return	7.25% net of investment expenses, including inflation	7.25% net of investment expenses, including inflation

For the July 1, 2024 and 2023, valuations, the post-retirement healthy mortality table was 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. The disabled mortality table was the Pub-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix.

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This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of July 1, 2024 and 2023 are summarized in the following tables:

2024	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	5.8%
Global Fixed Income	26.0%	2.9%
Global Real Assets	18.0%	6.3%
Cash Equivalents	1.0%	1.6%

2023	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	6.2%
Global Fixed Income	26.0%	3.0%
Global Real Assets	18.0%	4.4%
Cash Equivalents	1.0%	0.9%

As part of the most recent asset/liability study, the total fund real rate of return was upwardly adjusted by 0.50% to reflect a longer investment time horizon than is assumed in the investment consultant's expected returns and to account for above benchmark returns achieved through active management. In order to estimate the nominal rate of return, the real rate of return was adjusted upward by 2.30% for expected inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2024 and 2023 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from

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future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2024 and 2023. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2024 and 2023.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2024 and 2023, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (expressed in thousands):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2024			
Employers' net pension liability	\$ 1,982,327	\$ 1,407,409	\$ 927,768
2023			
Employers' net pension liability	\$ 1,953,806	\$ 1,403,312	\$ 946,493

Note 8 - ND Public Employees Retirement System (NDPERS)

Permanent employees of RIO participate in the pension and other post-employment benefit (OPEB) plans of NDPERS, which is also an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Annual Comprehensive Financial Report. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS pension (Main System) and OPEB plans are cost-sharing multiple-employer defined benefit plans that cover employees/retirees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS pension plan provides for pension, death and disability benefits. NDPERS OPEB plan provides a credit toward the monthly health insurance premium of members receiving retirement benefits from the PERS, HPRS and Judges retirement under Chapter 27-17 of the North Dakota Century Code. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the credit is expanded to also include any eligible health, prescription drug plan, dental, vision, and long-term care plan premium expense. The cost to administer the pension plan is financed through the contributions and investment earnings of the plan. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Board consists of a Chairman, who is appointed by the Governor; three members appointed by the Governor; four members of the legislative assembly appointed by the chairman of the legislative management; and three members elected by the active membership of the

NDPERS system.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 is replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payment in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's beneficiary.

Eligible members, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Contributions

Upon termination, if a member is not vested (is not 65 or does not have three years of service credited for the NDPERS) they will receive the accumulated member contributions plus interest, or may elect to receive this amount at a later date. If a member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contributions and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. During the 1983-1985 biennium the State of North Dakota implemented the employer pickup provision of the IRS code whereby a portion or all of the required member contributions are made by the employer. RIO, as the employer, is paying 4% of the member contribution. Employer contributions are set by statute.

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Contribution rates are established as a percent of covered compensation as follows:

	Member	Employer
Members first enrolled prior to January 1, 2020	7.00%	7.12%
Members first enrolled after January 1, 2020	7.00%	8.26%
Members returning to the DB Plan as a result of Senate Bill 2015	9.00%	7.12%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

OPEB Benefits

The employer contribution is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020 members first enrolled in the NDPERS main system and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the part a closed plan.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

Pension & OPEB Liabilities, Pension & OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions & OPEB

At June 30, 2024 and 2023, RIO reported a liability of \$4,281,321 and \$4,453,741, respectively, for its proportionate share of the net pension and OPEB liability. These amounts are included in the accrued liabilities in the statements of net position. The net pension and OPEB liability were measured as of June 30, 2023 and 2022, and the total pension and OPEB liability used to calculate the net pension and OPEB liability was determined by an actuarial valuation as of that date. RIO's proportion of the net pension liability was based on RIO's share of covered payroll in the pension and OPEB plans relative to the covered payroll of all participating NDPERS Main System and OPEB employers. At June 30, 2023, RIO's pension plan proportion was 0.214521 percent and as of June 30, 2022, was 0.150263 percent. RIO's OPEB plan proportion was 0.144851 percent as of June 30, 2023 and was 0.105029 percent as of June 30, 2022.

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RIO recognized pension and OPEB expense of \$416,820 and \$401,259 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2024	2023	2024	2023
Differences between expected and actual experience	\$ 137,381	\$ 25,563	\$ 24,470	\$ 83,750
Changes in assumptions	2,311,803	2,619,766	3,151,703	1,604,425
Net differences between projected and actual earnings on plan investments	118,994	175,369	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,176,734	139,323	40,675	81,577
Employer contributions subsequent to the measurement date	261,984	189,018	-	-
Total	\$ 4,006,896	\$ 3,149,039	\$ 3,216,848	\$ 1,769,752

Deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date in the amount of \$261,984 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) related to pensions and OPEB will be recognized in pension expense as follows:

Year Ended June 30	
2025	\$ 342,194
2026	(123,856)
2027	410,587
2028	(100,861)
2029	-
2029	-
	<u>\$ 528,064</u>

Actuarial assumptions

The total pension and OPEB liabilities in the July 1, 2024 and 2023 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

2023 - Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.5% to 17.75%, including inflation
Investment Rate of Return	6.50%, net of investment expense
Cost-of-living Adjustments	None

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

2022 - Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.5% to 17.75%, including inflation
Investment Rate of Return	5.10%, net of investment expense
Cost-of-living Adjustments	None

For active members, inactive members and healthy retirees in both 2023 and 2022, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

2023 & 2022 - OPEB Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	Not applicable.
Investment Rate of Return	5.75%, net of investment expense
Cost of Living Adjustments	None

For active members, inactive members and healthy retirees in both 2023 and 2022, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocations are summarized in the following table:

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

2023 - Pension Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	6.9%
Global Fixed Income	23%	2.5%
Global Real Assets	19%	4.3%

2022 - Pension Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	6.4%
Global Fixed Income	23%	0.3%
Global Real Assets	19%	4.6%

2023 - OPEB Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	33%	6.1%
Small Cap Domestic Equity	6%	7.1%
International Equity	26%	6.5%
Core-Plus Fixed Income	35%	2.6%

2022 - OPEB Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	33%	5.6%
Small Cap Domestic Equity	6%	6.5%
International Equity	26%	6.0%
Core-Plus Fixed Income	35%	0.2%

Discount rate

For pension plans, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate (SDR) that reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For 2023, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69% (based on the most recent date available on or before the measurement date of the “20-year Municipal GO Index” from Fidelity); and the resulting Single Discount Rate is 6.50%.

For 2022, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69% (based on the most recent date available on or before the measurement date of the “20-year Municipal GO Index” from Fidelity); and the resulting Single Discount Rate is 5.10%.

The discount rate used to measure the total OPEB liability for 2023 was 5.75% and for 2022 was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2023 OPEB actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current OPEB members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability for both years.

Sensitivity of the Employer's proportionate share of the net pension and OPEB liability to changes in the discount rate

The following presents RIO's proportionate share of the net pension and OPEB liability calculated using the current discount rate, as well as what the RIO's proportionate share of the net pension and OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

2024

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
RIO's net pension liability	\$5,703,248	\$ 4,136,506	\$2,836,772

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
RIO's net OPEB liability	190,322	144,815	106,503

2023

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
RIO's net pension liability	\$5,712,233	\$ 4,327,674	\$3,191,000

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
RIO's net OPEB liability	160,917	126,067	96,812

Sensitivity for Healthcare Cost Trend Rates

The benefit provided by the North Dakota retiree health insurance credit fund is a fixed dollar subsidy and is not affected by the healthcare cost trend. Therefore, a sensitivity analysis was not performed.

Pension and OPEB plan fiduciary net position

Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued NDPERS Annual Comprehensive Financial Report. This report can be accessed on the NDPERS website at <https://www.ndpers.nd.gov/about/financial-actuarial-reports/annual-report-archive>

Note 9 - Related Parties

As stated in Note 1, RIO is an agency of the State of North Dakota; as such, other agencies of the state are related parties.

REQUIRED SUPPLEMENTARY INFORMATION

North Dakota Retirement and Investment Office
 Required Supplementary Information
 For Fiscal Year Ended June 30, 2024

**Schedule of Changes in Net Pension Liability and Related Ratios
 North Dakota Teachers' Fund for Retirement
 Last 10 Fiscal Years
 (Dollars in thousands)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 100,869	\$ 96,101	92,336	\$ 87,088	\$ 80,591	\$ 77,756	\$ 78,041	\$ 75,476	\$ 68,239	\$ 60,618
Interest	325,552	318,879	311,929	300,698	306,791	296,876	287,375	276,412	265,440	249,064
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	32,437	(55,450)	(8,505)	8,366	(20,732)	(23,495)	(27,939)	(10,749)	(8,093)	2,209
Changes of assumptions	-	-	-	-	51,813	-	-	-	-	171,325
Benefit payments, including refunds of member contributions	(277,661)	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)
Net change in total pension liability	181,197	97,248	143,913	155,024	187,612	129,909	129,498	144,623	139,617	310,977
Total pension liability - beginning	4,577,221	4,479,973	4,336,060	4,181,036	3,993,424	3,863,515	3,734,017	3,589,394	3,449,777	3,138,800
Total pension liability - ending (a)	\$ 4,758,418	\$ 4,577,221	4,479,973	\$ 4,336,060	\$ 4,181,036	\$ 3,993,424	\$ 3,863,515	\$ 3,734,017	\$ 3,589,394	\$ 3,449,777
Plan fiduciary net position										
Contributions - employer	\$ 108,088	\$ 102,308	100,331	\$ 98,264	\$ 93,032	\$ 89,445	\$ 86,676	\$ 86,059	\$ 82,840	\$ 78,422
Contributions - member	99,610	94,284	92,462	90,557	85,735	82,429	79,878	79,309	76,343	72,268
Contributions - purchased service credit	1,196	1,109	2,017	2,559	2,175	1,917	2,181	2,553	2,768	1,601
Contributions - other	88	(10)	25	126	159	159	194	236	45	172
Net investment income	249,092	217,471	(198,881)	684,173	86,206	135,043	211,345	266,688	8,239	73,205
Benefit payments, including refunds of member contributions	(277,661)	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)
Administrative expenses	(3,313)	(2,891)	(2,592)	(2,678)	(2,095)	(2,251)	(2,129)	(2,173)	(1,852)	(1,923)
Net change in plan fiduciary net position	177,100	149,989	(258,485)	631,873	34,361	85,514	170,166	236,156	(17,586)	51,506
Plan fiduciary net position - beginning *	3,173,909	3,023,920	3,282,405	2,650,532	2,616,171	2,530,657	2,360,491	2,124,335	2,141,921	2,090,415
Plan fiduciary net position - ending (b)	\$ 3,351,009	\$ 3,173,909	3,023,920	\$ 3,282,405	\$ 2,650,532	\$ 2,616,171	\$ 2,530,657	\$ 2,360,491	\$ 2,124,335	\$ 2,141,921
Plan's net pension liability - ending (a) - (b)	\$ 1,407,409	\$ 1,403,312	1,456,053	\$ 1,053,655	\$ 1,530,504	\$ 1,377,253	\$ 1,332,858	\$ 1,373,526	\$ 1,465,059	\$ 1,307,856
Plan fiduciary net position as a percentage of the total pension liability	70.4%	69.3%	67.5%	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%
Covered payroll	847,923	802,413	786,912	770,700	729,661	701,528	679,809	674,971	649,725	615,105
Plan's net pension liability as a percentage of covered payroll	166.0%	174.9%	185.0%	136.7%	209.8%	196.3%	196.1%	203.5%	225.5%	212.6%

Notes to Schedule:

* Restated in 2015 due to GASB 68 implementation.

Changes of assumptions:

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

North Dakota Retirement and Investment Office

Required Supplementary Information

For Fiscal Year Ended June 30, 2024

Schedule of Employer Contributions North Dakota Teachers' Fund for Retirement Last 10 Fiscal Years (Dollars in thousands)

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2024	\$ 105,990	\$ 108,088	\$ (2,098)	\$ 847,923	12.75%
2023	97,252	102,308	(5,056)	802,413	12.75%
2022	97,341	100,331	(2,990)	786,912	12.75%
2021	101,655	98,264	3,391	770,700	12.75%
2020	93,688	93,032	656	729,661	12.75%
2019	90,778	89,445	1,333	701,528	12.75%
2018	88,307	86,676	1,631	679,809	12.75%
2017	89,231	86,059	3,172	674,971	12.75%
2016	84,724	82,840	1,884	649,725	12.75%
2015	71,168	78,422	(7,254)	615,105	12.75%

Notes to Schedule

Valuation Date: Actuarially determined contributions for each fiscal year are based on the actuarial valuation as of the beginning of the year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years as of July 1, 2023
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increases	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service.
Investment rate of return	7.25%
Retirement age	Experience-based tables of rates based on age and gender
Mortality	Post-retirement Non-Disabled: 104% of the Pub T-2010 Retiree Table and 95% of the Pub T-2010 Contingent Survivor Table with generational mortality improvement using Scale MP-2019. Disabled: Pub NS-2010 Retiree Table with generational mortality improvement using Scale MP-2019.

**Schedule of Investment Returns
North Dakota Teachers' Fund for Retirement
Last 10 Fiscal Years**

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSES

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
8.02%	7.35%	-6.17%	26.36%	3.37%	5.46%	9.15%	12.81%	0.39%	3.56%

North Dakota Retirement and Investment Office

Required Supplementary Information

For Fiscal Year Ended June 30, 2024

Schedule of Employer's Share of Net Pension and OPEB Liability ND Public Employees Retirement System Last 10 Fiscal Years* (Dollars in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
RIO's proportion of NDPERS net pension liability (asset)	0.214521%	0.150263%	0.141582%	0.140747%	0.151523%	0.153507%	0.156317%	0.152969%	0.145546%	0.121849%
RIO's proportion of NDPERS net OPEB liability (asset)	0.144851%	0.105029%	0.132262%	0.122537%	0.141245%	0.144121%	0.147503%			
RIO's proportionate share of NDPERS net pension liability (asset)	\$ 4,137	\$ 4,328	\$ 1,475.71	\$ 4,428	\$ 1,776	\$ 2,591	\$ 2,513	\$ 1,491	\$ 990	\$ 773
RIO's proportionate share of NDPERS net OPEB liability (asset)	145	126	74	103	113	114	117			
RIO's covered payroll	\$ 2,286	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377	\$ 1,026
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll	180.95%	269.64%	80.071%	271.49%	112.12%	165.35%	157.46%	98.94%	71.90%	75.34%
RIO's proportionate share of NDPERS net OPEB liability (asset) as a percentage of its covered payroll	6.33%	7.85%	3.99%	6.32%	7.16%	7.28%	7.31%			
NDPERS Plan fiduciary net position as a percentage of the total pension liability	65.31%	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%
NDPERS Plan fiduciary net position as a percentage of the total OPEB liability	62.74%	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%			

*Complete data for this schedule is not available prior to 2018 for OPEB liability.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

North Dakota Retirement and Investment Office

Required Supplementary Information

For Fiscal Year Ended June 30, 2024

Schedule of Employer Pension and OPEB Contributions ND Public Employees Retirement System Last 10 Years* (Dollars in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
RIO's Statutorily required pension contributions	\$ 244	\$ 174	\$ 119	\$ 131	\$ 116	\$ 113	\$ 112	\$ 114	\$ 107	\$ 98
RIO's Statutorily required OPEB contributions	18	15	14	21	19	18	18	18		
RIO's pension contributions in relation to the statutory required contribution	244	174	119	131	116	113	112	114	107	98
RIO's OPEB contributions in relation to the statutory required contribution	18	15	14	21	19	18	18	18		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RIO's Covered payroll	\$ 2,977	\$ 2,286	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377
RIO's pension contributions as a percentage of covered payroll	8.19%	7.62%	7.40%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
RIO's OPEB contributions as a percentage of covered payroll	0.61%	0.65%	0.86%	1.14%	1.14%	1.14%	1.14%	1.14%		

*Complete data for this schedule is not available prior to 2017 for OPEB contributions.

North Dakota Retirement and Investment Office
 Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
 June 30, 2024 (with Summarized Comparative Totals for 2023)

	Pension Pool Participants					Insurance Pool Participants				Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund		
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding					
	Assets:												
	Investments												
Global equities	\$2,584,378,867	\$61,237,060	\$28,526,243	\$47,011,650	\$4,835,104	\$433,004,284	\$5,803,488	\$ -	\$ -	\$1,459,181			
Global fixed income	1,023,613,249	44,681,618	16,139,838	18,842,791	2,207,481	134,000,540	8,873,342	2,094,754	3,034,491	1,658,576			
Global real assets	698,182,769	23,120,784	9,551,430	10,773,155	1,678,307	351,092,026	-	-	-	-			
In State Investments	-	-	-	-	-	-	-	-	-	-			
Cash equivalents	27,986,735	457,382	183,252	771,779	24,165	25,190,643	1,630,821	1,728,394	3,078,359	1,649,542			
Total investments	4,334,161,620	129,496,844	54,400,763	77,399,375	8,745,057	2,123,287,493	16,307,651	3,823,148	6,112,850	4,767,299			
Invested sec lending collateral	64,061,639	1,825,352	791,637	1213,869	133,560	19,248,457	167,628	28,756	4,1885	34,385			
Investment income receivable	9,190,359	288,391	109,307	109,141	25,495	10,351,104	152,650	29,976	62,557	26,511			
Operating Cash	256,453	-	-	-	-	159,529	1,770	1,272	14,13	10,15			
Miscellaneous receivable	9,233	-	-	-	-	4,603	40	8	13	4			
Due from other state agencies	-	-	-	-	-	-	-	-	-	-			
Total assets	4,407,679,304	131,610,587	55,301,707	78,722,385	8,904,112	2,153,051,186	16,629,739	3,883,160	6,218,718	4,829,214			
Deferred outflows of resources													
Related to pensions	491,831	-	-	-	-	281,702	2,870	496	861	272			
Liabilities:													
Investment expenses payable	2,088,610	70,047	28,419	36,117	5,817	919,702	8,707	1,055	1,554	1,849			
Securities lending collateral	64,061,639	1,825,352	791,637	1213,869	133,560	19,248,457	167,628	28,756	4,1885	34,385			
Accounts payable	82,938	-	-	-	-	34,479	298	62	98	30			
Accrued expenses	564,629	-	-	-	-	352,539	4,260	641	1,223	286			
Miscellaneous payable	-	8,899	3,756	5,319	719	-	-	-	-	-			
Due to other state funds	-	-	-	-	-	-	-	-	-	-			
Due to other state agencies	2,757	-	-	-	-	1,375	12	2	4	1			
Total liabilities	66,800,573	1,904,298	823,812	1,255,305	140,096	20,556,552	180,905	30,516	44,764	36,551			
Deferred inflows of resources													
Related to pensions	435,626	-	-	-	-	241,524	2,361	422	693	278			
Fiduciary net position held in trust for external investment pool participants													
	\$ 4,340,934,936	\$ 129,706,289	\$ 54,477,895	\$ 77,467,080	\$ 8,764,016	\$ 2,132,534,812	\$ 16,449,343	\$ 3,852,718	\$ 6,174,122	\$ 4,792,657			
Each participant unit is valued at \$ 100													
Participant units outstanding	4,340,934,936	129,706,289	54,477,895	77,467,080	8,764,016	2,132,534,812	16,449,343	3,852,718	6,174,122	4,792,657			

North Dakota Retirement and Investment Office
 Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
 June 30, 2024 (with Summarized Comparative Totals for 2023)

Insurance Pool Participants												
Cultural Endowment Fund	Risk Mgmt Fund	Risk Mgmt Workers' Comp	ND Veterans' Cemetery Trust Fund	ND Ass'n. of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo Fargo Dome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement Fund
\$333,554	\$1,342,878	\$821,117	\$250,632	\$2,778,941	\$ -	\$ -	\$256,408	\$22,119,806	\$1,190,994	\$323,655	\$854,249	\$ -
220,442	2,802,937	1,302,609	171,302	4,842,572	56,158,352	960,857,103	546,508	16,904,078	2,900,639	582,812	356,873	1,033,628
29,544	-	-	73,960	-	-	-	-	4,341,112	258,458	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
17,541	217,109	61,231	1,172	232,887	2,972,589	9,957,768	41,679	432,608	12,628	8,841	3,677	8,377
601,081	4,362,924	2,184,957	497,066	7,854,400	59,130,941	970,814,871	844,595	43,797,604	4,362,719	915,308	124,799	1,042,005
6,011	53,651	27,169	3,156	84,548	645,709	1,105,490	9,354	454,544	42,557	9,148	7,335	11,929
480	53,084	9,462	330	9,515	402,606	7,477,251	2,353	51,774	4,227	863	129	13,014
222	1,282	1,264	-	-	-	62,649	-	-	-	-	3,597	-
1	9	2	-	-	-	2,070	-	-	-	-	3	-
-	-	-	-	-	-	-	-	-	-	-	-	-
607,795	4,470,950	2,222,854	500,552	7,948,463	60,179,256	989,411,742	856,302	44,303,922	4,409,503	925,319	1,225,863	1,066,948
73	616	471	-	-	-	82,191	-	-	-	-	86	-
394	2,646	1,399	190	4,089	16,904	287,611	445	30,715	1,864	388	438	310
6,011	53,651	27,169	3,156	84,548	645,709	1,105,490	9,354	454,544	42,557	9,148	7,335	11,929
10	66	18	-	-	-	15,504	-	-	-	-	19	-
87	913	775	-	-	-	82,441	-	-	-	-	120	-
-	-	-	185	525	4,058	-	250	3,007	292	250	-	250
-	-	-	-	-	-	58,328,500	-	-	-	-	-	-
-	3	1	-	-	-	618	-	-	-	-	1	-
6,502	57,279	29,362	3,531	89,162	666,671	69,769,575	10,049	488,266	44,713	9,786	7,913	12,489
62	512	366	-	-	-	90,623	-	-	-	-	17	-
\$ 601,304	\$ 4,413,775	\$ 2,193,597	\$ 497,021	\$ 7,859,301	\$ 59,512,585	\$ 919,633,735	\$ 846,253	\$ 43,815,656	\$ 4,364,790	\$ 915,533	\$ 1,218,019	\$ 1,054,459
601,304	4,413,775	2,193,597	497,021	7,859,301	59,512,585	919,633,735	846,253	43,815,656	4,364,790	915,533	1,218,019	1,054,459

North Dakota Retirement and Investment Office
Combining State of Net Position – Investment Trust Funds – Fiduciary Funds
June 30, 2024 (with Summarized Comparative Totals for 2023)

	Insurance Pool Participants			Individual Investment Accounts			Totals	
	ND University System Capital Building Fund	Water Project Stabilization Fund	ND State Historical Society	Legacy Fund	Job Service of North Dakota	PERS Retiree Health Credit Fund	2024	2023
Assets:								
Investments								
Global equities	\$ -	\$ -	\$ -	\$ 6,179,246,705	\$ 16,452,057	\$ 120,260,279	\$ 9,512,487,152	\$ 7,634,156,673
Global fixed income	673,865	-	-	3,256,839,735	66,270,484	63,927,579	6,871,538,198	6,118,263,992
Global real assets	-	-	-	951,050,147	-	-	2,050,151,692	2,492,901,108
In State Investments	-	-	-	408,303,484	-	-	408,303,484	-
Cash equivalents	6,417	44,661,418	873,563	48,350,696	49,324	57,181	170,667,778	91,320,247
Total investments	680,282	44,661,418	873,563	10,843,790,767	82,771,865	184,245,039	19,013,148,304	16,336,642,020
Invested sec lending collateral	7,761	-	-	66,131,221	-	-	166,096,162	94,904,315
Investment income receivable	6,054	57,125	989	35,009,290	430	1,202	63,445,669	54,917,457
Operating Cash	-	-	-	542,355	-	-	1,032,821	866,980
Miscellaneous receivable	-	-	-	22,651	-	-	38,637	37,003
Due from other state agencies	-	-	-	-	-	-	-	641
Total assets	694,097	44,718,543	874,552	10,945,496,284	82,772,295	184,246,241	19,243,761,593	16,487,368,416
Deferred outflows of resources								
Related to pensions	-	-	-	1,103,943	-	-	1,965,412	1,433,652
Liabilities:								
Investment expenses payable	202	-	-	4,409,491	64,897	134,051	8,117,911	8,735,757
Securities lending collateral	7,761	-	-	66,131,221	-	-	166,096,162	94,904,315
Accounts payable	-	-	-	240,069	-	-	373,591	173,010
Accrued expenses	-	-	-	1,142,100	-	-	2,150,014	2,220,534
Miscellaneous payable	250	-	-	-	5,636	12,245	45,641	42,921
Due to other state funds	-	-	-	-	-	-	58,328,500	-
Due to other state agencies	-	-	-	6,765	-	-	11,539	6,177
Total liabilities	8,213	-	-	7,192,946	70,533	146,296	235,123,358	106,082,714
Deferred inflows of resources								
Related to pensions	-	-	-	932,391	-	-	1,704,875	822,733
Fiduciary net position held in trust for external investment pool participants								
	\$ 685,884	\$ 44,718,543	\$ 874,552	\$ 10,873,738,190	\$ 82,701,762	\$ 184,099,945	\$ 19,008,898,772	\$ 16,381,896,621
Each participant unit is valued at \$ 100								
Participant units outstanding	685,884	44,718,543	874,552	10,873,738,190	82,701,762	184,099,945	19,008,898,772	16,381,896,621

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North Dakota Retirement and Investment Office
 Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
 Year Ended June 30, 2024 (with Summarized Comparative Totals for 2023)

	Pension Pool Participants					Insurance Pool Participants				
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District Pension Plan	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund
Additions:										
Investment income:										
Net change in fair value of investments	\$ 30,106,880	\$ 7,727,832	\$ 3,533,848	\$ 6,371,211	\$ 477,952	\$ 70,167,866	\$ 1,130,234	\$ 26,256	\$ 41,979	\$ (143,231)
Interest, dividends and other income	64,701,143	2,248,444	873,263	1,149,700	176,715	54,818,122	493,141	154,360	252,244	99,509
	365,768,023	9,976,276	4,407,111	7,520,911	654,667	124,985,988	1,623,375	180,616	294,223	(43,722)
Less investment expenses	8,636,790	293,044	121,734	163,016	23,207	3,614,381	27,489	2,881	4,250	2,861
Net investment income	357,131,233	9,683,232	4,285,377	7,357,895	631,460	121,371,607	1,595,886	177,735	289,973	(46,583)
Securities lending activity:										
Securities lending income	312,578	7,730	3,336	5,617	1,203	203,659	2,085	262	376	276
Less Securities lending expenses	(62,476)	(1,545)	(666)	(1,123)	(241)	(40,655)	(416)	(51)	(74)	(56)
Net securities lending income	250,102	6,185	2,670	4,494	962	163,004	1,669	211	302	220
Purchase of units (\$1 per unit)	138,028,042	-	-	3,350,089	304,953	5,000,000	8,757,890	-	-	4,281,550
Total Additions	495,409,377	9,689,417	4,288,047	10,712,478	937,375	126,534,611	10,355,445	177,946	290,275	4,235,187
Deductions:										
Administrative Expenses	1,003,070	-	-	-	-	483,204	4,244	1,075	1,375	996
Redemption of units (\$1 per unit)	63,475,000	3,250,000	750,000	8,124,940	899,006	59,000,000	12,177,820	-	-	6,600,000
Total Deductions	64,478,070	3,250,000	750,000	8,124,940	899,006	59,483,204	12,182,064	1,075	1,375	6,600,996
Change in fiduciary net position	430,931,307	6,439,417	3,538,047	2,587,538	38,369	67,051,407	(1,826,619)	176,871	288,900	(2,365,809)
Fiduciary net position:										
Beginning of year	3,910,003,629	123,266,872	50,939,848	74,879,542	8,725,647	2,065,483,405	18,275,962	3,675,847	5,885,222	7,158,466
End of year	\$ 4,340,934,936	\$ 129,706,289	\$ 54,477,895	\$ 77,467,080	\$ 8,764,016	\$ 2,132,534,812	\$ 16,449,343	\$ 3,852,718	\$ 6,174,122	\$ 4,792,657

North Dakota Retirement and Investment Office
 Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
 Year Ended June 30, 2024 (with Summarized Comparative Totals for 2023)

Insurance Pool Participants

Cultural Endowment Fund	Risk Mgmt Fund	Risk Mgmt Workers' Comp	ND Veterans' Cemetery Trust Fund	ND Ass'n of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement Fund
\$ 46,209	\$ 232,725	\$ (22,911)	\$ 35,648	\$ 459,944	\$ 1,591,237	\$ 25,512,345	\$ 42,834	\$ 3,176,981	\$ 14,1389	\$ 52,812	\$ 128,199	\$ 39,775
12,501	109,669	47,977	9,454	194,141	2,848,692	37,618,814	21,644	868,958	103,599	22,608	20,217	56,864
58,710	342,394	25,066	45,102	654,085	4,439,929	63,131,159	64,478	4,045,939	244,988	75,420	148,416	96,639
1250	6,782	2,807	1,543	13,562	77,925	113,858	2,291	104,293	7,773	2,307	1,898	2,395
57,460	335,612	22,259	43,559	640,523	4,362,004	62,017,301	62,187	3,941,646	237,215	73,113	146,518	94,244
74	541	279	43	910	5,296	85,039	97	5,505	416	102	118	137
(12)	(108)	(56)	(9)	(180)	(1059)	(16,996)	(20)	(1097)	(83)	(21)	(23)	(26)
62	433	223	34	730	4,237	68,043	77	4,408	333	81	95	111
-	250,000	1,000,000	-	-	184,200,000	176,601,907	-	-	89,1941	-	-	-
57,522	586,045	1,022,482	43,593	641,253	188,566,241	238,687,251	62,264	3,946,054	1,129,489	73,194	146,613	94,355
840	1,100	989	-	-	-	207,414	-	-	-	-	990	-
10,000	450,000	2,250,000	-	-	187,800,000	58,328,500	-	2,750,000	-	-	-	857,730
10,840	451,100	2,250,989	-	-	187,800,000	58,535,914	-	2,750,000	-	-	990	857,730
46,682	134,945	(1,228,507)	43,593	641,253	766,241	180,151,337	62,264	1,196,054	1,129,489	73,194	145,623	(763,375)
554,622	4,278,830	3,422,104	453,428	7,218,048	58,746,344	739,482,398	783,989	42,619,602	3,235,301	842,339	1,072,396	1,817,834
\$ 60,1304	\$ 4,413,775	\$ 2,193,597	\$ 497,021	\$ 7,859,301	\$ 59,512,585	\$ 919,633,735	\$ 846,253	\$ 43,815,656	\$ 4,364,790	\$ 915,533	\$ 1,218,019	\$ 1,054,459

North Dakota Retirement and Investment Office
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
Year Ended June 30, 2024 (with Summarized Comparative Totals for 2023)

	Insurance Pool Participants			Individual Investment Accounts			2024	2023
	ND University System Capital Building Fund	Water Project Stabilization Fund	ND State Historical Society	Legacy Fund	Job Service of North Dakota	PERS Retiree Health Credit Fund		
Additions:								
Investment income:								
> in fair value of investments	\$ 19,885	\$ -	\$ -	\$ 873,602,292	\$ 1,160,091	\$ 16,039,784	\$ 1,312,660,066	\$ 817,632,974
Interest, dividends and other income	32,734	196,299	3,345	182,748,175	3,728,489	5,297,935	358,908,756	311,158,011
	52,619	196,299	3,345	1,056,350,467	4,888,580	21,337,719	1,671,568,822	1,128,790,985
Less investment expenses	1,746	-	-	17,313,862	276,920	542,564	32,363,429	34,820,522
Net investment income	50,873	196,299	3,345	1,039,036,605	4,611,660	20,795,155	1,639,205,393	1,093,970,463
Securities lending activity:								
Securities lending income	73	-	-	805,473	-	-	144,1225	1,070,688
Less Securities lending expenses	(16)	-	-	(161,004)	-	-	(288,013)	(216,321)
Net securities lending income	57	-	-	644,469	-	-	156,109	854,367
Purchase of units (\$1 per unit)	-	44,718,543	871,207	836,684,346	-	5,330,000	14,10,074,169	1,077,407,627
Total Additions	50,930	44,718,543	874,552	1,876,365,420	4,611,660	26,125,155	3,050,432,774	2,172,232,457
Deductions:								
Administrative Expenses	-	-	-	2,366,150	-	-	4,071,447	3,061,781
Redemption of units (\$1 per unit)	415,945	-	-	-	5,320,235	6,900,000	4,19,359,176	820,581,407
Total Deductions	415,945	-	-	2,366,150	5,320,235	6,900,000	423,430,623	823,643,188
Change in fiduciary net position	(365,015)	44,718,543	874,552	1,873,999,270	(708,575)	19,225,155	2,627,002,151	1,348,589,269
Fiduciary net position:								
Beginning of year	1,050,899	-	-	8,999,738,920	83,410,337	164,874,790	16,381,896,621	15,033,307,352
End of year	\$ 685,884	\$ 44,718,543	\$ 874,552	\$ 10,873,738,190	\$ 82,701,762	\$ 184,099,945	\$ 19,008,898,772	\$ 16,381,896,621

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Administrative Expenses
Years Ended June 30, 2024 and 2023

	Pension Trust		Investment Trust	
	2024	2023	2024	2023
Salaries and wages:				
Salaries and wages	\$ 1,121,651	\$ 987,936	\$ 2,194,985	\$1,655,919
Fringe benefits	578,547	576,853	1,026,873	765,024
Total salaries and wages	<u>1,700,198</u>	<u>1,564,789</u>	<u>3,221,858</u>	<u>2,420,943</u>
Operating expenses:				
Travel	46,573	33,818	91,682	31,330
Supplies	967	4,078	1,117	2,280
Postage and Mailing Services	21,188	19,676	2,395	2,676
Printing	8,823	9,086	366	1,153
Small Office Equipment and Furniture	869	11,556	3,078	15,229
Insurance	670	571	798	669
Rent/Lease of Building Space	53,868	50,507	51,282	44,558
Repairs	-	103	-	127
Information Technology & Communications	255,577	219,140	737,421	677,924
Professional Development	30,704	29,079	21,694	16,859
Operating Fees and Services	29,970	30,970	76,995	78,535
Professional Fees and Services	96,151	82,890	179,295	78,683
Consultant Services	566,587	449,274	184,094	76,326
Total operating expenses	<u>1,111,947</u>	<u>940,748</u>	<u>1,350,217</u>	<u>1,026,349</u>
Pension trust portion of investment program expenses	500,628	385,510	(500,628)	(385,510)
Depreciation	-	-	-	-
Total administrative expenses	<u>3,312,773</u>	<u>2,891,047</u>	<u>4,071,447</u>	<u>3,061,782</u>
Capital assets purchased	<u>2,425,489</u>	<u>1,899,328</u>	-	-
Less - nonappropriated items:				
Consultant Services	243,662	193,110	184,094	76,326
Other operating fees paid under continuing appropriation	162,277	156,181	947,905	775,741
Depreciation	-	-	-	-
Retainage Payable	208,078	170,367	-	-
Accrual adjustments to employee benefits	186,011	231,833	281,678	268,569
Total nonappropriated items	<u>800,028</u>	<u>751,491</u>	<u>1,413,677</u>	<u>1,120,636</u>
Total appropriated administrative expenses	<u>\$4,938,234</u>	<u>\$4,038,884</u>	<u>\$ 2,657,770</u>	<u>\$1,941,146</u>

The accompanying notes are an integral part of these statements.

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Consultant Expenses
Years Ended June 30, 2024 and 2023

	Pension Trust		Investment Trust	
	2024	2023	2024	2023
Actuary fees:				
Segal Consulting	\$ 11,813	\$121,476	\$ -	\$ -
GRS Consulting	94,329	30,000	-	-
Total Actuary Fees	106,142	151,476	-	-
Auditing/Accounting fees:				
CliftonLarsonAllen LLP	69,954	15,750	17,182	15,750
Total Auditing Fees	69,954	15,750	17,182	15,750
Project management fees:				
Segal Consulting	322,923	255,599	-	-
Disability consulting fees:				
Sanford Health	360	250	-	-
Legal fees:				
K&L Gates LLP	-	1,351	-	(1,351)
Jackson Walker LLP	55,223	12,101	141,833	44,659
ND Attorney General	11,985	12,747	25,079	17,268
Total legal fees:	67,208	26,199	166,912	60,576
Total consultant expenses	<u>\$566,587</u>	<u>\$449,274</u>	<u>\$184,094</u>	<u>\$ 76,326</u>

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Investment Expenses
Years Ended June 30, 2024 and 2023

	Pension Trust		Investment Trust	
	2024	2023	2024	2023
Investment managers' fees:				
Global equity managers	\$ -	\$ 515,749	\$ -	\$ 740,726
Domestic large cap equity managers	1,454,877	1,796,585	6,973,760	8,074,428
Domestic small cap equity managers	722,894	786,323	4,276,754	3,979,688
International equity managers	964,640	1,041,416	6,836,991	7,211,790
Emerging markets equity managers	202,742	385,510	322,244	618,253
Domestic fixed income managers	1,580,671	1,116,310	8,415,346	13,911,661
Below investment grade fixed income managers	4,150,870	3,396,552	5,751,698	4,768,510
Diversified real assets managers	-	-	7,190,016	11,127,133
Real estate managers	1,400,470	(988,076)	5,238,196	1,439,900
Infrastructure managers	2,414,478	3,430,215	3,169,064	4,501,620
Timber managers	312,206	256,928	386,680	314,297
In State Equity managers	-	-	1,000,000	-
High Yield Fixed Income managers	-	-	430,648	-
Private Credit managers	-	-	14,679,449	-
Private equity managers	3,791,146	3,170,639	6,352,856	5,918,907
Short term fixed income managers	-	-	1,058,705	879,205
Cash & equivalents managers	22,141	29,028	68,979	232,094
Balanced account managers	-	-	1,106,726	1,041,945
Total investment managers' fees	\$ 17,017,135	\$ 14,937,179	\$ 73,258,112	\$ 64,760,157
Custodian fees	308,552	252,016	1,401,696	1,205,164
Investment consultant fees	134,638	106,622	703,803	674,998
SIB Service Fees	-	-	137,184	110,708
Total investment expenses	\$ 17,460,325	\$ 15,295,817	\$ 75,500,795	\$ 66,751,027

Reconciliation of investment expenses to financial statements

	2024	2023	2024	2023
Investment expenses as reflected in the financial statements	\$ 6,293,751	\$ 7,468,043	\$ 32,363,429	\$ 34,820,522
Plus investment management fees included in investment income				
Domestic large cap equity managers	914,283	195,757	3,758,525	974,905
Domestic small cap equity managers	-	-	-	-
International equity managers	56,090	105,741	1,114,355	1,143,953
Emerging markets equity managers	165,458	109,165	263,039	174,357
Domestic fixed income managers	693,268	674,004	2,274,451	9,027,380
Below investment grade fixed income managers	3,718,416	3,010,844	5,356,901	4,508,405
Diversified real assets managers	-	-	5,186,470	9,241,197
Real estate managers	(92,056)	(2,623,992)	241,277	(3,770,955)
Infrastructure managers	1,777,850	2,949,837	2,333,985	3,871,352
Timber managers	142,119	235,779	172,726	286,557
In State Equity	-	-	1,000,000	-
Private Credit Managers	-	-	14,679,449	-
Private equity managers	3,791,146	3,170,639	6,352,856	5,918,907
Short term fixed income managers	-	-	-	-
Cash equivalents managers	-	-	42,895	213,873
Balanced account managers	-	-	360,437	340,574
Investment expenses per schedule	\$ 17,460,325	\$ 15,295,817	\$ 75,500,795	\$ 66,751,027

North Dakota Retirement and Investment Office
 Schedule of Appropriations – Budget Basis – Fiduciary Funds
 July 1, 2023 to June 30, 2025 Biennium

	Approved 2023-2025 Appropriation	2023-2025 Appropriation Adjustment	Adjusted 2023-2025 Appropriation	Fiscal 2024 Expenses	Unexpended Appropriations
All Fund Types:					
Salaries and wages	\$ 8,910,047	\$ 556,104	\$ 9,466,151	\$ 4,454,366	\$ 5,011,785
Operating expenses	2,869,937	1,407,623	4,277,560	1,571,236	2,706,324
Capital Assets	-	4,150,214	4,150,214	1,570,402	2,579,812
Contingency	200,000	-	200,000	-	200,000
Total	<u>\$ 11,979,984</u>	<u>\$ 6,113,941</u>	<u>\$ 18,093,925</u>	<u>\$ 7,596,004</u>	<u>\$ 10,497,921</u>

NOTE: Only those expenses for which there are appropriations are included in this statement.

Reconciliation of Administrative Expenses to Appropriated Expenditures

	<u>2024</u>
Administrative expenses as reflected in the financial statements	\$ 7,384,220
Plus:	
Capitalized software purchases - appropriated	2,425,489
Less appropriated accrual expense	
Retainage Payable	(208,078)
Less expenses paid under continuing appropriation:	
Consulting Services*	(427,756)
Other operating fees paid under continuing appropriations*	(1,110,182)
Depreciation expense	-
Changes in benefit accrual amounts	<u>(467,689)</u>
Total appropriated expenses	<u>\$ 7,596,004</u>

* North Dakota Century Code 21-10-06.2 and 15-39.1-05.2 provide authorization for the continuing appropriation.

**Special Comments Requested by the Legislative Audit
and Fiscal Review Committee
Year Ended June 30, 2024**

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by auditors performing audits of state agencies. These items and our responses are as follows:

Audit Report Communications

1. What type of opinion was issued on the financial statements?

Unmodified

2. Was there compliance with statutes, laws, rules, regulations under which the agency was created and is functioning?

Yes

3. Was internal control adequate and functioning effectively?

Yes

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No

5. Has action been taken on findings and recommendations included in prior year reports?

There were no prior year findings or recommendations.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management response.

No

Audit Committee Communications

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

For the year ended June 30, 2024, no new accounting policies were adopted, and the application of existing policies was not changed.

2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.

The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 16% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2024. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.25% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2024 as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

3. Identify any significant audit adjustments.

None

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to financial accounting, reporting, or auditing matters that could be significant to the financial statements.

None

5. Identify any significant difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accounts about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

Based on the audit procedures performed, the Retirement and Investment Office's critical information technology system is the CPAS system. There were no exceptions identified that were directly related to this application.

This report is intended solely for the information and use of the audit committee, management, the Legislative Audit and Fiscal Review Committee, and other state officials, and is not intended to be and should not be used by anyone other than these specified parties.

UHY LLP

Columbia, Maryland
November 1, 2024



MEMORANDUM

TO: SIB Audit Committee
FROM: Ryan Skor, CFO/COO
DATE: November 18, 2024
RE: Internal Audit Co-Sourcing RFP Highlights

The Internal Auditor along with the Executive Director and the Chief Financial Officer/Chief Operating Officer developed the following request for proposal (RFP). The Audit Committee should review the following sections to ensure the scope, timeline, and deliverables are acceptable.

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Technical Proposal Evaluation Worksheet	30 - 32

The SIB Audit Committee needs to decide if they would like to be a part of the selection of the firm for this RFP or they would like to delegate the authority to staff. If the Audit Committee wants to be a part of the selection process, a special Audit Committee meeting could be held in January or February of 2025 to hear the finalist presentations for selection. If the Audit Committee would like to delegate the authority to staff, staff would score the RFPs and award to the highest score. The firm could possibly attend the Audit Committee meeting in February 2024.

COMMITTEE ACTION REQUESTED: Approve RFP and desired method for selection.

STATE OF NORTH DAKOTA

ND Retirement and Investment Office
1600 E Century Ave, Ste 3
P.O. Box 7100
Bismarck, ND 58507-7100

REQUEST FOR PROPOSAL (RFP)

RFP Title: Internal Audit Co-sourcing Services

RFP Number: 110.7-24-085

Issued: November 20, 2024

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DISCRETION IS PROTECTED FROM MANDATORY PUBLIC DISCLOSURE UNDER A SPECIFIC EXCEPTION TO THE NORTH DAKOTA PUBLIC RECORDS LAW, N.D.C.C. CH. 44-04. THE DUTY OF STATE AND CONTRACTOR TO MAINTAIN CONFIDENTIALITY OF INFORMATION UNDER THIS SECTION CONTINUES BEYOND THE TERM OF THIS CONTRACT. 39

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- Attachment A – List of Sample Potential Audits
- Attachment B – Cost Proposal Template
- Attachment C – Technical Proposal Evaluation Worksheet
- Attachment D – Contract

SECTION ONE – INSTRUCTIONS

1.1 PURPOSE OF RFP

The State of North Dakota, acting through its North Dakota Retirement and Investment Office (the STATE) is soliciting proposals from qualified firms who can perform internal audit services on behalf of the Retirement and Investment Office's (RIO) Internal Audit Division relating to the RIO investment and fiscal divisions and an annual review of the Internal Audit Division's risk assessment. The internal audits will be determined by a risk-based audit plan approved by the State Investment Board (SIB) Audit Committee.

1.2 PROCUREMENT OFFICER CONTACT INFORMATION

The Procurement Officer is the point of contact for this RFP. Offerors shall direct all communications regarding this RFP to the Procurement Officer. Do not add the Procurement Officer to any marketing distribution lists.

PROCUREMENT OFFICER: Chad Keech EMAIL: ckeech@nd.gov

PHONE: 701-328-2767

TTY Users call: 7-1-1

A person or firm interested in submitting a proposal should ensure all communications related to the procurement are only with the designated point of contact. This section does not restrict communication with state officials or any member of the legislative assembly unless the state official or member of the legislative assembly is involved directly with the procurement for which the person is interested or has submitted a bid or proposal ([N.D.C.C. § 54-44.4-01.1](#)).

Engaging in unauthorized communication or seeking to obtain information about an open solicitation with any state employee or official other than the responsible Procurement Officer or designee is sufficient grounds for suspension or debarment. ([N.D.A.C. § 4-12-05-04\(7\)](#))

1.3 DEFINITIONS

For the purposes of this RFP, the acronyms and defined terms are as follows:

Acronym or Term	Name or Definitions
Contractor	Entity that has an approved contract with the State of North Dakota
CT	Central Time Zone
OMB	Office of Management and Budget
RFP	Request for Proposal
Solicitation Closing	Deadline for receipt of proposals listed in the RFP Schedule
SPO	Office of Management and Budget, State Procurement Office
SPO Online	State Procurement Office Online system
TPRM	Cyber Third-Party Risk Management
TPSQ	Third-Party Security Questionnaire
RIO	North Dakota Retirement and Investment Office
SIB	North Dakota State Investment Board
Audit Committee	North Dakota State Investment Board Audit Committee
TFFR	North Dakota Teacher's Fund for Retirement
IIA	Institute of Internal Auditors

1.4 RFP SCHEDULE

EVENT	DATE and TIME
RFP issued	November 20, 2024
Deadline for submission of Questions and Objections	December 4, 2024, by 12:00 PM, CT
Solicitation Amendment with responses to Questions issued approximately (if required)	December 11, 2024
Deadline for receipt of proposals (Solicitation Closing)	January 6, 2025, by 12:00 PM, CT
Presentations, approximately	January / February 2025
Proposal evaluation completed by approximately	February 2025
Notice of intent to award issued approximately	February 2025
Secretary of State Registration, if determined to be required.	Prior to Contract Signing
Contract start approximately	March 2025

1.5 ASSISTANCE TO INDIVIDUALS WITH A DISABILITY

Contact the Procurement Officer, as soon as possible, if an individual with a disability needs assistance with the RFP, including any events in the RFP schedule, so reasonable accommodations can be made.

1.6 SECRETARY OF STATE REGISTRATION REQUIREMENTS

The North Dakota Secretary of State has registration requirements for individuals and businesses transacting business in North Dakota. If the successful Offeror is determined to have a registration requirement with the North Dakota Secretary of State, they must be registered before the contract award and registration must remain active for the duration of the contract period ([N.D.C.C. § 54-44.4-09.1](#))

- See the OMB [Guidelines to Vendor Registry](#) for more information.

Visit the Secretary of State's [Vendor Registration](#) webpage for information on registration requirements and fees. Visit [FirstStop](#), the Secretary of State's business and licensing software, for online form options.

- Check the [Business Records](#) database to see if a business is registered.
- Contact Secretary of State's office by [email](#) or call 701-328-2900 (choose menu item 2, then option 1).
- If you need to register, fees apply.
- Vendors may need to obtain businesses licenses. See the [list of licenses required of businesses](#) in the State of North Dakota. The link includes information on who to contact, application fees, renewal dates, and the legal reference.

1.7 BIDDERS LIST REGISTRATION

Individuals or business entities desiring to be notified of bidding opportunities may apply to be placed on the Bidders List. ([N.D.C.C. § 54-44.4-09](#)) Bidders Lists are used to notify vendors when solicitations are issued on the State Procurement Office Online system (SPO Online). Placement on the Bidders List does not guarantee a vendor will receive notice of every solicitation ([N.D.A.C. § 4-12-05-01](#)). There are no fees to register as a bidder. The online application form requests contact information for the receipt of solicitation notices. The Bidders List application and SPO Online system use commodity codes to identify categories of goods, services, and information technology.

The commodity codes used for this solicitation are:

918-04, 918-40, 918-49, 918-83, 946-12, 946-20, 946-31, 946-45, 946-56, and 946-75.

Visit the OMB website for instructions and the online Bidders List Application:

[Bidders List Registration Website](#)

For assistance with Bidders List Registration, contact State Procurement Help Desk at 701-328-1728 or infospo@nd.gov.

1.8 STATE PROCUREMENT WEBSITE (SPO ONLINE)

This RFP and any related amendments and notices will be posted on the North Dakota OMB website using SPO Online. Offerors are responsible for checking this website to obtain all information and documents related to this RFP: <https://apps.nd.gov/csd/spo/services/bidder/main.htm>

Select "Recent Solicitations". Recent Solicitations are listed by close date.

Notices related to this RFP will be sent to the Bidders List for the needed commodity or service and other known potential Offerors.

Offerors not having completed the Bidders List registration may request to receive notices related to this RFP by contacting the Procurement Officer in writing with the following information: RFP title, business name, contact person, mailing address, telephone number, and email address.

1.9 AMENDMENTS TO THE RFP

If an amendment to this RFP is issued, it will be provided to all Offerors on the Bidders List for the solicitation and to those prospective Offerors who have contacted the Procurement Officer to receive notices related to the RFP. An Offeror shall include in their proposal any required acknowledgements of amendments to the RFP.

1.10 DEADLINE FOR QUESTIONS AND OBJECTIONS

Offerors should carefully review the RFP including all Attachments. Offerors may ask questions to obtain clarification and request additional information, or object to material in the RFP. Questions and objections must be submitted to the Procurement Officer in writing by the deadline identified in the RFP Schedule. If no deadline is specified, questions or objections must be received at least seven days prior to the Solicitation Closing deadline. The Procurement Officer may elect to respond to questions received after the deadline.

Questions and objections should include a reference to the applicable RFP section or subsection. Email is the preferred method of submission with the RFP number and title cited in the email subject line.

Responses to questions will be distributed as a solicitation amendment unless the question can be answered by referring the Offeror to a specific section of the RFP.

1.11 PREPROPOSAL CONFERENCE OR SITE INSPECTION

The STATE will not hold a preproposal conference or site inspection for this RFP.

1.12 OFFER HELD FIRM

Offerors must hold proposals firm for at least 180 days from the deadline for receipt of proposals (Solicitation Closing). The STATE may send a written request to all Offerors to hold their offer firm for a longer period of time.

1.13 OFFEROR RESPONSIBLE FOR COSTS

Offeror is responsible for all costs associated with the preparation, submittal, and evaluation of any proposal including any travel and per diem associated with demonstrations and presentations.

1.14 TAXES

The STATE is not responsible for and will not pay itemized local, state, or federal taxes. Purchases of tangible personal property made by a state government agency is exempt from sales tax. The state

sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency. The contractor must provide a valid Vendor Tax Identification Number as a provision of the contract.

The purchasing agency will determine if services provided under this contract are Form 1099 reportable. The purchasing agency may require the contractor to submit an IRS Form W-9.

The state tax exemption number should not be used by contractors in the performance of a contract.

A contractor or service provider performing any contract, including service contracts, for the United States Government, State of North Dakota, counties, cities, school districts, park board or any other political subdivisions within North Dakota is not exempt from payment of sales or use tax on materials, tangible personal property, and supplies used or consumed in carrying out contracts. In these cases, the contractor is required to file returns and pay sales and use tax just as required for contracts with private parties. Contact the North Dakota Tax Department at 701-328-1246 or visit their website at <https://www.nd.gov/tax/tax-resources/> for more information.

A contractor performing any contract, including a service contract, within North Dakota is also subject to the corporation income tax, individual income tax, and withholding tax reporting requirements, whether the contract is performed by a corporation, partnership, or other business entity, or as an employee of the contractor. In the case of employees performing the services in the state, the contractor is required to withhold state income tax from the employees' compensation and remit to the state as required by law. Contact the North Dakota Tax Department at 701-328-1248 or visit their website for more information.

1.15 PROPOSAL RECEIPT DEADLINE – LATE PROPOSALS REJECTED

An Offeror is solely responsible for ensuring their proposal is received by the STATE prior to the Solicitation Closing deadline identified in the RFP schedule regardless of the method of submission. A solicitation amendment will be issued if this deadline is changed. An Offeror may contact the Procurement Officer to inquire whether their proposal has been received. Proposals delivered late will be rejected pursuant to [N.D.A.C. § 4-12-08-13](#).

1.16 PROPOSAL OPENING

A public opening will not be held.

This is a formal sealed Request for Proposal (RFP) process. Proposals will be secured and held unopened until the Solicitation Closing deadline. Per [N.D.A.C § 4-12-08-04](#), the openings may be made public at the discretion of the purchasing agency. If a public opening is held, only the names of Offerors that submitted proposals can be revealed at the opening, and each proposal will be opened in a manner to avoid disclosure of the contents to the competing Offerors.

1.17 AMENDMENT AND WITHDRAWAL OF PROPOSALS

Offeror may amend, supplement, or withdraw proposal prior to the Solicitation closing deadline. No changes will be accepted after the Solicitation closing deadline. After the Solicitation closing deadline, Offeror may make a written request to withdraw their proposal and shall provide evidence that a substantial mistake has been made, at which point the STATE may permit withdrawal.

1.18 NEWS RELEASES

Offerors shall not make any news releases related to this RFP without prior approval of the STATE.

1.19 CONFLICT OF INTEREST

Under state laws and rules, a state employee or official shall not participate directly or indirectly in a procurement when the state employee or official knows of a conflict of interest. Potential conflicts of interest include state employees or their immediate family members employed by the firm, seeking

employment with the firm, or with a financial interest in the firm. Potential conflicts of interest will be addressed in accordance with [N.D.A.C. § 4-12-04-04](#). ([N.D.C.C. § 12.1-13-03](#))

Persons employed by the State of North Dakota, or within one year thereafter, may be prohibited from acquiring a pecuniary interest in a public contract or transaction. Offerors should review [N.D.C.C. § 12.1-13-02](#) to ensure compliance and avoid such conflict(s) of interest.

1.20 ATTEMPT TO INFLUENCE PROHIBITED

Offerors must not give or offer to give anything to a state employee or official that might influence or appear to influence procurement decisions. Suspected attempts to influence will be handled in accordance with [N.D.A.C. § 4-12-04-05](#).

1.21 COLLUSION PROHIBITED

Offerors must prepare proposals independently, without collusion. Suspected collusion will be handled in accordance with [N.D.A.C. § 4-12-04-06](#).

1.22 PROTEST AND APPEAL

An interested party may protest a solicitation pursuant to [N.D.C.C. § 54-44.4-12](#) and [N.D.A.C. § 4-12-14-01](#). When a solicitation contains a deadline for submission of questions and objections, protests of the solicitation will not be allowed if these faults have not been brought to the attention of the Procurement Officer before the specified deadline. If no deadline for questions is specified, protests based upon defects in the solicitation must be made at least seven calendar days before the deadline for receipt of proposals.

An Offeror that has submitted a response to a solicitation and is aggrieved may protest an award or notice of intent to award pursuant to [N.D.C.C. § 54-44.4-12](#) and [N.D.A.C. § 4-12-14-02](#). The protest must be submitted in writing to the Procurement Officer during the protest period, which is seven calendar days beginning the day after the notice of intent to award is issued.

The protestor may appeal the decision of the Procurement Officer to the Director of OMB or designee in writing within seven calendar days after receiving notice of the decision pursuant to [N.D.C.C. § 54-44.4-12](#) and [N.D.A.C. § 4-12-14-03](#).

1.23 SPECIFICATIONS PREPARED BY NON-STATE PERSONNEL

When a purchasing agency has specifications prepared by someone other than a state employee or official on behalf of the STATE, that person or business entity must be excluded from submitting bids or proposals in accordance with [N.D.A.C. § 4-12-06-06](#).

1.24 SUPPLIER REGISTRATION (PAYEE)

The successful Offeror will be required to complete Supplier Registration, if not already registered as a Supplier. Any individual or business who will be receiving payment from a state agency or higher education institution must complete a registration process to collect important financial and taxpayer information. Payments are generally made by check or automatic clearing house (ACH), and taxpayer information must be collected in compliance with IRS requirements. The State and North Dakota University System (NDUS) have separate financial systems and vendor registration processes.

SECTION TWO – BACKGROUND

2.1 BACKGROUND INFORMATION

The North Dakota Retirement and Investment Office (RIO) was established in 1989 to coordinate the activities of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR) as stated in [N.D.C.C. § 54-52.5-01](#) (North Dakota Century Code). The mission of the North Dakota RIO is to provide prudent and transparent investment services for our client funds and support North Dakota public school educators with responsible benefit administration.

RIO administers two programs: the investment program and the retirement program. The Internal Audit Division reports to the SIB Audit Committee which is a standing committee of the SIB. The Internal Audit Division has two full-time internal auditors. Its primary function is to assist the SIB in fulfilling its oversight and responsibilities to the RIO internal and external audit programs, including financial reporting process, internal controls, and compliance with laws, regulations, policies, procedures, and provides the internal audit function for the retirement program. TFFR Board oversees the retirement program.

The SIB is established in [N.D.C.C. § 21-10](#) and has statutory responsibility for the administration of the investment program of several funds including the Teachers' Fund for Retirement, the Public Employees Retirement System, the Workforce Safety & Insurance Fund, and the Legacy Fund. The SIB also maintains contractual relationships for investment management with certain political subdivisions. The investment program is highly sophisticated with ten asset classes and approximately 42 external investment manager relationships. The investments are pooled into three distinct groups, pension, insurance, and Legacy Fund, and currently includes 30 state and local government funds. All investments are currently managed externally. The investment program has had significant growth in the past decade and is now implementing internal investing.

The mission of the TFFR division is to administer a comprehensive retirement program that provides North Dakota public educators with a foundation for retirement and security. The retirement program is currently implementing a multi-year pension system software upgrade. The TFFR has approximately 25,000 active, inactive, and retired members and over 200 employers.

Additional information about RIO and SIB can be found here:

<https://www.rio.nd.gov/>

2023 Annual Comprehensive Financial Report:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2023.pdf>

SIB Governance Manual:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB/Board/GovernanceManual.pdf>

TFFR Program Manual:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/TFFR/teachersprogrammanual.pdf>

SIB Audit Committee Charter:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Audit/Board/Audit%20Comm%20Charter.pdf>

SECTION THREE – SCOPE OF WORK

3.1 SCOPE OF WORK

The North Dakota Retirement and Investment Office (RIO), Internal Audit Division, is soliciting proposals from qualified firms to establish a vendor who can perform internal audit and consulting services on behalf of RIO on as-needed basis relating to the investment and fiscal divisions. All services must be provided in accordance with the most recent Institute of Internal Auditors (IIA) standards.

Internal audit services:

1. Up to three investment or fiscal related complex audits performed each fiscal year. The internal audits will be determined by a risk-based audit plan approved by the State Investment Board (SIB) Audit Committee. See Attachment A for a list of sample potential audits.
2. An annual review of the current risk assessment for the investment and fiscal divisions and recommend updates as needed.

RIO and SIB operate on a fiscal year of July 1 through June 30. RIO anticipates the engagement will begin in the second half of FY2025 (7/1/24 – 6/30/25). RIO expects one audit to begin, and possibly be completed, by the end of FY2025, specifically the first audit listed on Attachment A List of Sample Potential Audits: External Investment Oversight Audit (estimated level of effort 600-800 hours). For subsequent fiscal years, RIO's approximates internal audit services will total 1,500 hours each fiscal year and encompass up to three 3 audits.

Responding firms must demonstrate experience and expertise in the areas of investment auditing and the capabilities to successfully perform the engagement. The engagement should be planned as a co-source and "knowledge transfer" process inclusive of the RIO internal audit staff. All responding firms must meet the highest standards of professional competence and ethics.

Consulting Services:

The consultant will be required to serve on an ongoing basis in an advisory and review capacity to RIO staff and SIB Audit Committee, as required based on an hourly fee for services rate. Prior to initiating any efforts under this area, authorization must be given by the Executive Director of RIO. Any work efforts the consultant completes or initiates that are not authorized will not be reimbursed.

3.2 APPLICABLE DIRECTIVES

The contractor is responsible for identifying and complying with all state and federal requirements that apply to the contract. All services must be provided in accordance with the most recent Institute of Internal Auditors (IIA) standards.

3.3 REQUIREMENTS

A. DELIVERABLES

The contractor will be required to provide the following to achieve the objective of this project:

The vendor will be required to use and complete RIO's internal audit divisions templates and documentation that will be provided to ensure cohesiveness of internal audits. All services must be provided in accordance with the most recent Institute of Internal Auditors (IIA) standards.

1. Risk Assessment: A risk assessment for each audit will need to be completed.
2. Audit Plan: A detailed audit plan outlining the approach, scope, objectives, and methodologies to be used during the audit.
3. Final Audit Report: A comprehensive final audit reporting that includes the following:
 - a. Executive Summary: An executive summary providing a concise overview of the audit, key findings, and recommendations.
 - b. Introduction: An introduction to the audit, its purpose, and scope.
 - c. Methodology: A description of the audit methodology, including sampling methods and data analysis techniques used.
 - d. Findings: Detailed findings, including any internal control weaknesses, compliance issues, efficiency concerns, and potential irregularities identified during the audit.
 - e. Recommendations: Specific recommendations for addressing the identified issues and improving the accounts payable process.
 - f. Management Response: A section for RIO to provide its response to the findings and recommendations, indicating actions taken or planned.
 - g. Conclusion: A summary conclusion of the audit, highlighting the overall effectiveness and compliance of the accounts payable process.
4. Supporting Documentation: Any supporting documentation, workpapers, and evidence collected during the audit process. A debrief with internal audit staff going through workpapers and walk-through notes.
5. Presentations: Presentations of the audit findings and recommendations to RIO's management team and SIB Audit Committee.
6. Periodic Progress Updates: Weekly updates during the duration of the audit to inform designated RIO of the audit's progress and any significant findings or issues.
7. Exit Conference: A closing meeting or conference to discuss the audit results, findings, and recommendations with applicable RIO management and internal audit staff.
8. Annual review/recommendations of the current risk assessment for the investment and fiscal divisions.
9. Other materials as requested related to consulting services.

B. LOCATION OF WORK/TRAVEL

The contractor may be required to travel to Bismarck, ND, if it is considered best practice for the requested audit work. No travel is required for presentations to staff, committees, or boards. Travel to other locations will not be required.

C. STATE-FURNISHED PROPERTY/SERVICES

The STATE will provide assistance and access to reports, data, or other information as needed to enable to contractor to perform the designated audits.

Should the contractor travel to Bismarck, the STATE will provide office space for contractor use.

D. RISK MANAGEMENT

The contractor will take appropriate measures to ensure the safety of their employees, state employees, the public, and property. The contractor must identify any potential risks, issues and problems associated with the project and identify ways to mitigate those potential risks.

E. TECHNICAL EXHIBITS

Attachment A is a list of sample potential audits (not all inclusive) which is subject to change depending on changes to the risk profile of RIO.

F. PROJECT MANAGEMENT PLAN

The contractor will be expected to use appropriate project management to ensure the work is accomplished on time, within budget, and meets quantity and quality standards.

1. The contractor will be required to collaborate with the STATE to agree upon the contract schedule, including a work breakdown, schedule of tasks and activities, and progress milestones.
2. The contractor will be required to coordinate with the STATE to develop a communication plan. Any problems or unforeseen events must be communicated timely to the STATE project manager and any changes must be agreed upon between the parties and set forth in a written amendment to the contract. If the STATE requires corrective action, the contractor will be notified in writing.
3. Contract Closeout Plan

When the contract is completed, the STATE and contractor will communicate regarding the contract closeout, including transition of any records. A contract closeout debrief may be performed at the discretion of the Procurement Officer or project manager designated by the STATE. The debriefing time and location will be negotiated between the STATE and contractor. The contractor must collaborate in the development of a Project Closeout Report to include feedback regarding the project implementation and any lessons learned.

G. CONTRACT TERM, SCHEDULE, AND DELIVERABLES

1. Contract Term

This contract will be for an initial period of approximately two years, from the date of execution through June 30, 2027, with two two-year renewal options, and an option to extend for a one-year period. See the attached contract.

2. Schedule and Deliverables

The STATE has identified the following deliverables which are significant work products or milestones in the project. The STATE requires these deliverables to be addressed in the Contract Schedule, at a minimum. The contractor shall develop a schedule for accomplishing the Scope of Work, including these specific deliverables. The final schedule shall be agreed upon between the STATE and the successful Offeror and incorporated into the contract. The approximate schedule for this contract is as follows:

- a. Contract start: March 2025
- b. "Kick off" meeting/conference call: Within two weeks of contract signing
- c. Initial audit planning session: Within one month of contract signing
- d. Regular audit planning sessions: Periodically throughout the contract period, approximately quarterly
- e. Regular progress update meetings: Approximately biweekly
- f. Audit deliverables (up to three audits per year): As determined during audit planning
 - a. Risk assessment

- b. Audit plan
- c. Final audit report
- d. Supporting documentation
- e. Presentation(s)
- f. Periodic progress updates
- g. Exit conference
- g. Annual review of the risk assessment: Annually
- h. Consulting deliverables: As requested in the event additional consulting work is requested and approved
- i. Contract Closeout Plan: Six months before contract end date

10. EXPERIENCE AND QUALIFICATIONS

A. Minimum Qualifications & Experience

The Offeror must meet the following experience requirements to be considered for contract award. A proposal from the Offeror that does not meet minimum experience requirements will be rejected.

Firm:

- 1) Must have a minimum of five (5) years of experience with auditing internal and external investment operations for public investment programs. At least three (3) of your clients must be listed as references.
- 2) Must have a minimum of five (5) years of experience in internal audit programs with public pension plans. At least three (3) of your clients must be listed as references.

Primary or Lead:

- 1) Must have a minimum of five (5) years of experience developing internal audit programs in the public sector pertaining to investments and pension plans.

SECTION FOUR – PROPOSAL INSTRUCTIONS

4.1 PROPOSAL PREPARATION

The STATE discourages overly lengthy and costly proposals. An Offeror must prepare their proposal using the prescribed proposal format and provide all the requested information; this will enable the proposal to be evaluated fairly and completely. If an Offeror submits more than one proposal, each proposal must be prepared in accordance with these instructions.

Each proposal will include a Technical Proposal and a Cost Proposal prepared in accordance with these instructions. The Technical Proposal and the Cost Proposal must be submitted as separate documents, clearly labeled with the name of the Offeror, and marked “Technical Proposal” and “Cost Proposal.” Costs must not be revealed in the Technical Proposal. Options may be discussed in the technical proposal, but all cost information must be in the Cost Proposal only. DO NOT submit documents that are embedded into proposal documents or that contain links to documents on an external website.

4.2 PROPOSAL SUBMISSION INSTRUCTIONS

UPLOAD RESPONSE THROUGH THE STATE PROCUREMENT ONLINE SYSTEM (SPO ONLINE):

Offeror **must** electronically submit proposals through the State Procurement Office Online system (SPO Online) by the Solicitation Closing deadline.

DO NOT WAIT UNTIL THE “LAST MINUTE” TO SUBMIT A RESPONSE. We recommend uploading your response 24 hours prior to the Solicitation Closing deadline.

Offeror must begin the electronic submission process well in advance of the Solicitation Closing deadline to allow for transmission and resolution of any technical difficulties. Be advised that the STATE is not responsible for an Offeror’s failure to timely submit a proposal due to any technical difficulties. If you experience any technical difficulties, contact the Procurement Officer or the State Procurement Office at infospo@nd.gov or 701-328-2740.

If documents are in the process of being uploaded when the Solicitation Closing deadline occurs, the upload process will stop. The attempted submission will not be uploaded successfully and is ineligible for consideration. The STATE takes no responsibility for electronic submissions that are captured, blocked, filtered, quarantined, or otherwise prevented from uploading by any anti-virus or other security software.

1. This solicitation is posted on SPO Online at: <https://apps.nd.gov/csd/spo/services/bidder/main.htm>
2. Select “Recent Solicitations” and find the solicitation. Solicitations are listed by close date.
3. Use “Upload Response” to upload a maximum of five (5) clearly labeled documents before the Solicitation Closing deadline provided in the RFP Schedule.
4. Offeror must upload their Technical Proposal and Cost Proposal in separate files.
5. The maximum file size allowed is 50 MB per file.
6. There is a 50 character file name limitation for the document being uploaded.
7. There is 75 character limit in the TITLE field within SPO Online.
8. All SPO Online field entries must be alphanumeric. Dashes and underscores are allowed; however, the system DOES NOT accept other special characters such as apostrophe, & symbol, quotation marks, etc.
9. DO NOT submit documents that are embedded (zip files), movies, wmp, encrypted, or mp3 files.
10. Offeror will receive an email confirmation from infospo@nd.gov that the upload response was received including the “File Description” for the uploaded files. Review this email to ensure all files

were successfully uploaded. If Offeror DOES NOT receive an email confirmation, the upload was NOT successful, and the files will need to be uploaded again. If Offeror does not receive an email confirmation after the reattempt, contact the Procurement Officer or the State Procurement Office at infospo@nd.gov or 701-328-2740.

Visit <https://www.omb.nd.gov/sites/www/files/documents/doing-business-with-the-state/procurement/spo-electronic-response-external-job-aid.pdf> for the SPO Electronic Response Job Aid which describes how to submit an electronic response.

4.3 PROPOSAL FORMAT

Prepare the Technical Proposal and Cost Proposal in accordance with these instructions.

Technical Proposal – Format the proposal with the following labeled sections:

- Section 1 – Cover Letter
- Section 2 – RFP Amendments
- Section 3 – Scope of Work Strategy
- Section 4 – Experience and Qualifications
- Section 5 – Contract Provisions
- Section 6 – Open Records and Confidentiality

Cost Proposal – The Cost Proposal must be a separate document. Format the Cost Proposal following the RFP instructions.

4.4 TECHNICAL PROPOSAL

SECTION 1 – COVER LETTER

Proposals shall include a cover letter that includes the following:

1. The name of the Offeror, name of the person to contact regarding the proposal, email address, telephone number, and mailing address.
2. Offerors are instructed to review the “Conflict of Interest” provisions in RFP Section 1 “Instructions.” If the firm, its employees, or subcontractors working on the contract have an apparent or actual conflict of interest, provide a statement disclosing the circumstances of the apparent or actual conflict of interest. Otherwise, provide a statement that your firm, employees, and subcontractors do not have a conflict of interest.
3. The cover letter must be signed by an individual with authority to bind the Offeror. By signing the cover letter, an Offeror certifies that it complies with:
 - a. All the requirements, terms, and conditions as set forth in this RFP.
 - b. The requirement that the Offeror’s proposal accurately describes the goods and services being offered to the STATE, and the proposal will be held firm for the period specified.
 - c. All local, state, and federal laws, rules, code laws, rules, code, regulation, and policies, including those relating to nondiscrimination, accessibility, civil rights, and equal employment.
 - d. The requirement that this proposal was prepared independently without collusion.

SECTION 2 – RFP AMENDMENTS

Provide signed copies of all Solicitation Amendments issued by the STATE that were required to be acknowledged by Offerors.

SECTION 3 –SCOPE OF WORK STRATEGY

Offeror must review the requirements and deliverables provided in RFP Section 3, Scope of Work.

1. **Applicable Directives.** The Offeror must identify any state and federal requirements that apply to the contract.
2. **Strategy for Scope of Work Requirements.** The Offeror must provide narrative statements to demonstrate their understanding of the scope of work requirements. Explain the proposed strategy to accomplish the scope of work, meet all requirements, and provide the deliverables described in the scope of work within the STATE's project schedule.
3. **Value-Added Options.** Offerors may include any optional services or goods that are not required by the STATE but are within the scope of work (e.g., an option for a higher level of service, equipment accessories, extended warranty options, etc.). Describe any value-added options being offered.
4. **Location of Work.** The proposal must respond to the STATE's Location of Work instructions within the RFP Scope of Work. Describe where the work will be performed and any proposed travel.
5. **State Furnished Property and Services.** Provide a detailed breakdown of the Offeror's expectations for STATE resources that will be needed for the project, including number of staff, qualifications, roles and responsibilities, and time requirements for the various phases of the project.
6. **Risk Management.** Offerors must describe measures to be taken to ensure the safety of its employees, state employees, the public, and property. Offerors must also identify any pertinent issues and potential problems related to the project and describe how those potential issues and problems could be mitigated.
7. **Project Management Plan.** The proposal must describe how the contractor intends to manage the project to ensure the work is accomplished on time, within budget, and meet quantity and quality standards. Offerors may provide a narrative or organizational chart to illustrate the lines of authority and accountability.
8. **Proposed Schedule and Deliverables.** The proposal must provide a timeline for accomplishing the work, in consideration of the STATE's Contract Schedule within the RFP Scope of Work.

SECTION 4 –EXPERIENCE AND QUALIFICATIONS

Mandatory Requirements. An Offeror must provide information to demonstrate meeting the Offeror Experience and Qualifications Requirement in RFP Section 3, Scope of Work, [Experience and Qualifications](#).

Experience and Qualifications of the Firm

Provide a brief history and describe the organization of the firm. Describe the number of years the Offeror has provided the type of work requested in this RFP. Describe specific experience of their firm in completing similar projects. Provide a description of the project, approximate time frame of the project, and contact information for the customer. Offerors may provide letters of reference from customers.

During the past five years, has your organization or any of its affiliates, parent or predecessor organizations, or any officer or principal of your organization been involved in any business

litigation, regulatory or legal proceedings? If yes, provide a brief explanation of the matter, including the parties to the litigation, and indicate the current status of the proceedings.

Experience and Qualifications of the Project Team

Provide a narrative or organizational chart that describes the organization of the proposed project team. Provide information for key project team members, including:

1. Description of anticipated work they will perform and approximate estimated hours;
2. Resume or description of the relevant education, training, experience, skills, and qualifications;
3. Offeror must provide a designated executive level contact that will act as a point of contact for any issues that need escalation or to discuss the needs of the STATE. This point of contact will be required to participate in any requested demonstration or presentation requested during the RFP process. They will discuss how the contract will be supported and how the Offeror and STATE will work together to ensure a successful outcome;
4. If the Offeror has vacant positions, identify the job description and minimum qualifications for staff members to be recruited;
5. Subcontractors. If an Offeror intends to use subcontractors, the Offeror must identify in the proposal the names of the subcontractors and the portions of the work the subcontractors will perform. Provide a statement that the Offeror will ensure that the subcontractor has or will obtain any required licenses and registrations, including registration with the North Dakota Secretary of State; and
6. Joint Venture. If submitting a proposal as a joint venture, provide narrative statements that describe the roles and responsibilities of each party to the joint vendor. If available, submit a copy of the joint venture agreement that identifies the parties involved and their rights and responsibilities.

References

Must provide six (6) total references, three (3) from public investment clients and three (3) from public pension clients, for whom similar work was completed. Offerors must include the name of a contact person, address, **email**, and telephone number. Offerors are responsible for providing accurate reference contact information and are instructed to notify the reference that the STATE may be contacting them. Reference checks may begin within one (1) business day of the Solicitation Closing deadline. Evaluation may be impacted if the STATE is unable to contact the reference or the reference does not provide the requested information in a timely fashion.

SECTION 5 – CONTRACT PROVISIONS

Offeror shall review the RFP Section 6 and the STATE's contract – Attachment D.

The proposal must indicate whether the Offeror accepts the terms and conditions in the STATE's contract.

An Offeror may state that they accept the STATE's contract as written.

An Offeror may state any objections or propose changes or additions to the STATE's contract. Describe the changes to the contract being proposed or provide a red-line of the STATE's contract. Offeror is not to submit their own contract or standard terms and conditions with their proposals. Offeror should address the specific language in the attached contract and submit any proposed changes.

North Dakota procurement statutes, rules, and policies allow some negotiation of the terms and conditions. No changes to the terms and conditions will be permitted without prior written approval from the STATE.

SECTION 6 – OPEN RECORDS AND CONFIDENTIALITY

All proposals and other material submitted become the property of the STATE and may be returned only at the STATE's discretion. The State of North Dakota has broad open records laws. Proposals received are exempt from open record requirements until an award is made, in accordance with [N.D.C.C. § 54-44.4-10\(2\)](#). After award, proposals are subject to the North Dakota open records laws. Proposals or portions of proposals may be confidential only if specifically stated in law.

Offerors are instructed not to mark their entire proposal as "confidential".

Offeror must provide one of the following in their proposal:

- Provide a statement indicating that their proposal does not contain any confidential information, OR
- Make a written request to hold confidential any trade secrets and other proprietary data contained in their proposal. Offeror must clearly identify the material considered confidential and explain why the material is confidential. See the North Dakota Office of the Attorney General website for additional information at <https://www.legis.nd.gov/cencode/t44c04.pdf> and <https://attorneygeneral.nd.gov/open-records-meetings>

If the STATE receives a request for public information, the Procurement Officer, in consultation with the Office of the Attorney General, shall determine whether the information is an exception to the North Dakota open records laws, and the information shall be processed accordingly.

4.5 COST PROPOSAL

Cost Proposal Format. Cost proposals must be prepared as a separate document from the technical proposal, clearly labeled, "Cost Proposal".

Offeror must complete the Cost Proposal Format – Attachment A or prepare a Cost Proposal following the same format.

Value-Added Options. Offeror may include pricing for any value-added options that are described in the Offeror's proposal as options, but not included in the total cost. Any options must be within the scope of work. (e.g., an option for a higher level of service, equipment accessories, extended warranty options, etc.) Provide details related to initial cost, reoccurring costs, and options. The STATE shall not consider these costs as part of cost evaluation scoring.

All costs must be stated in U.S. currency. Any commodities being imported must be identified, and the price must include any applicable shipping and handling, customs, brokerage agency fees, and duties.

Offeror should describe any discount terms for prompt payment. Discounts for prompt payment will not be considered in evaluating costs.

SECTION FIVE – AWARD AND PROPOSAL EVALUATION

5.1 AWARD

The STATE intends to award a contract to the responsible Offeror whose proposal is determined to be responsive to the requirements of the solicitation and is determined to be the most advantageous in consideration of the RFP evaluation criteria.

5.2 RESPONSIVENESS

All proposals will be evaluated to determine if they are responsive to the requirements of the solicitation. The STATE reserves the right to waive minor informalities in accordance with [N.D.A.C. chapter 4-12-10](#). Minor informalities are insignificant omissions or nonjudgmental mistakes that are matters of form rather than substance, evident from RFP document, with a negligible effect on price, quantity, quality, delivery, or contractual conditions that can be waived or corrected without prejudice to other Offerors. Responsive proposals will be evaluated by the Procurement Officer or evaluation committee using the evaluation criteria stated within the RFP.

5.3 RESPONSIBILITY – SUPPLEMENTARY INVESTIGATION

The STATE reserves the right to contact references, other customers, including state and local government agencies, regarding past experience with the Offeror. Prior experience of the state agency or institution with any prospective Offeror may also be taken into consideration during evaluation.

The STATE may, at any time, make a supplementary investigation as to the responsibility of any Offeror in accordance with [N.D.A.C. § 4-12-11-04](#). This investigation may include, but is not limited to, financial responsibility, capacity to produce, sources of supply, performance record, or other matters related to the Offeror's probable ability to deliver if a contract is awarded to the Offeror. If it is determined that an Offeror appears not to be sufficiently responsible, the proposal will be rejected.

5.4 EVALUATION CRITERIA

Proposals will be evaluated using a 100 point scale. The evaluation committee will award points based on the questions in the Technical Proposal Evaluation Worksheet – Attachment B. The Technical Proposal evaluation score and Cost Proposal evaluation score will be added together to determine the total evaluation score. After the initial evaluation, the evaluation committee may determine which proposals are reasonably susceptible for award and continue the evaluation process with only those Offerors. Offerors whose proposals are not selected for further evaluation may request a debrief from the Procurement Officer after an award notice is issued. The final evaluation score will consider information received by the STATE, including but not limited to, discussions with Offerors, demonstrations, presentations, site visits, reference checks, and best and final offers.

The evaluation criteria and relative weight is as follows:

Technical Proposal Evaluation: 70 Points

- A. Scope of Work Strategy – 45 Points
- B. Experience and Qualifications – 25 Points

Cost Proposal Evaluation: 30 Points

Minimum Technical Score: Technical proposals must receive at least 50 points of the total points available for the Technical Score to be considered responsive to the RFP requirements.

Preference Laws: Any applicable preference laws will be applied. For more information, refer to the [Guidelines to Preference Laws](#).

5.5 COST PROPOSAL EVALUATION

The STATE will calculate evaluation points awarded to Cost Proposals. Any prompt payment discount terms proposed by the Offeror will not be considered in evaluating cost.

The reciprocal preference law, N.D.C.C. § 44-08-01, was repealed effective August 1, 2023.

The cost amount used for evaluation may be affected by the application of other costs required to implement the proposed solution to determine the total cost of the solution (i.e. cost for ITD to host a STATE hosted solution).

The lowest Cost Proposal will receive the maximum number of points allocated to cost. Cost proposals will be evaluated using the following formula.

Price of Lowest Cost Proposal

$$\text{Price of Proposal Being Rated} \times \text{Total Points for Cost Available} = \text{Awarded Points}$$

5.6 CLARIFICATIONS OF PROPOSALS – DISCUSSIONS

To determine if a proposal is reasonably susceptible for award, communications by the Procurement Officer or evaluation committee are permitted with an Offeror to clarify uncertainties or eliminate confusion concerning the contents of a proposal and determine responsiveness to the RFP requirements. Discussions will be limited to the specific section of the RFP or proposal indicated by the STATE. Discussions are generally conducted by telephone or internet-based conference.

In conducting discussions, there may be no disclosure of any information derived from proposals submitted by competing Offerors. Clarifications may not result in material or substantive change to the proposals. Evaluation scores may be adjusted based in consideration of information obtained through discussions.

5.7 RIGHT OF REJECTION

The STATE reserves the right to reject any proposals, in whole or in part. Proposals received from suspended or debarred bidders will be rejected. Proposals determined to be nonresponsive to the requirements of the RFP will be rejected. The STATE reserves the right to reject the proposal of an Offeror determined to be not responsible. The STATE reserves the right to refrain from making an award if determined to be in its best interest.

5.8 PRESENTATIONS, DEMONSTRATIONS, AND SITE VISITS

After the initial evaluation, the evaluation committee may determine which proposals are reasonably susceptible for award and continue the evaluation process with only those Offerors. These Offerors will be required to provide a presentation for the evaluation committee and the SIB Audit Committee. Offerors whose proposals are not selected for further evaluation may request a debrief from the Procurement Officer after an award notice is issued.

Location: Internet-based conference

Schedule: Approximately January or February 2025

5.9 BEST AND FINAL OFFERS

The STATE is not obligated to request best and final offers; therefore, Offerors should submit their best terms (technical and cost) in response to this RFP.

If the STATE determines there is a need for additional information, substantial clarification or changes to the RFP or proposals, the STATE may request for best and final offers from Offerors that have submitted proposals determined to be reasonably susceptible for award. The best and final offer request will describe the additional information, clarification, or change being requested.

A date and time will be established for receipt of revised proposals. If an Offeror does not submit a best and final offer, the STATE shall consider its original proposal its best and final offer. Best and final

offers will be evaluated using the evaluation criteria stated in the RFP. The STATE may request more than one best and final offer.

5.10 TIE PROPOSALS

In the event that two or more proposals contain identical pricing or receive identical evaluation scores, [N.D.C.C. § 54-44.4-05.1](#) requires preference must be given to a resident North Dakota bidder, seller, vendor, offeror, or contractor as defined in [N.D.C.C. § 44-08-02](#). In the event the tie is not resolved by application of this law, [N.D.A.C. § 4-12-11-05](#) will be applied.

5.11 NEGOTIATIONS

Contract negotiations will be conducted in accordance with [N.D.A.C. § 4-12-12](#). The STATE may enter negotiations with one or more Offeror whose proposals received the highest scores and are reasonably susceptible for award. During negotiations, the STATE and Offeror may agree to alter or otherwise change the terms and conditions and price of the proposed contract. Negotiation, if held, will be within the scope of the RFP and limited to those items that would not have an effect on the ranking of proposals.

Each Offeror will be responsible for all costs it incurs as a result of negotiations, including any travel and per diem expenses. Contract negotiations will be conducted primarily by email, conference calls, or internet-based conference. Any on-site negotiation, if needed, will be held in Bismarck, North Dakota.

The STATE may terminate negotiations, reject a proposal as nonresponsive, and continue or commence negotiations with other Offerors reasonably susceptible for award, if the Offeror:

- Fails to provide necessary information for negotiations in a timely manner
- Fails to negotiate in good faith
- Is unable to successfully negotiate contract terms that are acceptable to the STATE
- Indicates that it cannot perform the contract within the budgeted funds

In accordance with [N.D.C.C. § 54-44.4-13.1](#), the STATE and contractor may negotiate payment terms for all commodities and services procured. If a date for payment is not specified in this contract, payment must be made pursuant to section [N.D.A.C § 13-01.1-01](#).

5.12 NOTICE OF INTENT TO AWARD

After proposals have been evaluated and the successful Offeror selected, a notice of intent to award will be promptly issued to all Offerors that submitted proposals. Upon issuance of this notice, the procurement file becomes an open record. The successful Offeror named in the notice of intent to Award is advised not to begin work, purchase materials, or enter into subcontracts until the successful Offeror and the STATE sign the contract.

5.13 CONTRACT APPROVAL

This RFP does not, by itself, obligate the STATE. The STATE's obligation shall commence when the STATE signs the contract. Upon written notice to the contractor, the STATE may set a different starting date for the contract. The STATE shall not be responsible for any work done by the contractor, even work done in good faith, if it occurs prior to the contract start date set by the STATE.

5.14 EVALUATION DEBRIEFING

After the notice of intent to award is issued, Offerors may contact the Procurement Officer to schedule an evaluation debrief. The debrief will provide information about the evaluation process and proposal scores.

SECTION SIX – CONTRACT INFORMATION

6.1 NORTH DAKOTA CONTRACTUAL REQUIREMENTS – BACKGROUND

As a public institution and government entity of the State of North Dakota (the STATE), there are a number of statutes, rules, and policies (Requirements) that may restrict or prevent the STATE from entering into certain types of contracts or certain contractual terms and conditions, some of these Requirements are non-negotiable.

While these Requirements occasionally make the process of negotiating a contract with the STATE more challenging than negotiating with a private industry business, these are not unique to any one agency of the State of North Dakota. These Requirements apply to all public institutions and government entities of the State of North Dakota. Although some are unique to North Dakota, the majority of these Requirements are common to public institutions and government entities throughout the United States.

6.2 STATE CONTRACT TERMS AND CONDITIONS – OFFEROR’S PROPOSED CHANGES

The STATE intends to execute a contract substantially similar to the contract – Attachment [Insert number](#). The Offeror will be required to sign the contract attached to this RFP and must comply with the terms and conditions. The STATE may deem any failure to object to a contract provision as the Offeror’s acceptance of that provision.

North Dakota procurement statutes, rules, and policies allow some negotiation of the terms and conditions. No changes to the terms and conditions will be permitted without prior written approval from the STATE.

Pursuant to [N.D.A.C. § 4-12-11-06](#), proposals subject to conditions imposed by the Offeror may be rejected as nonresponsive, as determined by the STATE. Proposed terms and conditions that conflict with those contained in the attached contract or that diminish the STATE’s rights under the contract shall be considered null and void. The terms and conditions in the attached contract shall prevail in the event a conflict arises between a term or condition in the proposal and a term or condition in the attached contract.

Part or all of this RFP and Offeror’s proposal may be incorporated into the attached contract. The STATE may deem any failure to object to a contract provision as the Offeror’s acceptance of that provision.

6.3 CONTRACT PROVISIONS

A. Contract Type.

The contract type will be as follows:

Firm Fixed Price with Adjustment. The contractor will be required to hold the price firm during the initial two (2) year term (Initial Term), except as otherwise provided in the contract. During this period, no price increases will be allowed, and the contractor must notify the STATE immediately of any price decreases. After the completion of the firm fixed period, the contractor may make a written request to the STATE for a price increase. The request must include the basis for the cost increase, such as evidence that the price increase applies to all customers. The STATE must approve, deny, or negotiate the requested price increase within 30 days. Any price changes will be set forth in a written amendment to the contract.

B. Payment Procedures

Compensation and payment terms will be set forth in the contract based upon the successful Offeror’s proposal. The STATE will not make any advanced payments before performance by the contractor under this contract.

- The STATE will make payments based on a negotiated payment schedule. Each billing must consist of an invoice and progress report. No payment will be made until the progress report and the project director has approved the invoice.

C. Inspection & Modification

The contractor is responsible for the completion of all work set out in the contract. All work is subject to inspection, evaluation, and approval by the STATE. The STATE may employ all reasonable means to ensure that the work is progressing and being performed in compliance with the contract.

Should the STATE determine that corrections or modifications are necessary to accomplish its intent, the STATE may direct the contractor to make changes. The contractor will not unreasonably withhold changes.

Substantial failure of the contractor to perform the contract may cause the STATE to terminate the contract. In this event, the STATE may require the contractor to reimburse monies paid (based on the identified portion of unacceptable work received) and may seek associated damages.

D. Contract Changes – Unanticipated Amendments

During the course of the contract entered as a result of this solicitation, the contractor may be required to perform additional work due to a legitimate unforeseen circumstance. That work will be within the general scope of the initial contract. When additional work is required, the STATE shall provide the contractor with a written description of the additional work and request that the contractor submit proposal for accomplishing the scope of work. Contractor will not commence additional work until all parties agree in writing.

E. Purchasing Card

The STATE may make payments under this contract using a state purchasing card. See the contract related to payments using the STATE purchasing card.

6.4 CONTRACTUAL TERMS AND CONDITIONS – NO MATERIAL CHANGES

A. Indemnification and Insurance

[N.D.C.C. § 32-12.2-17](#) requires that the OMB establish guidelines for indemnification and insurance provisions in state contracts. The indemnification and insurance requirements contained in the attached contract are pursuant to those guidelines. The STATE shall not be deemed to have accepted any alteration of these provisions without prior written approval to Offeror from the STATE acting in consultation with the North Dakota Risk Management Division.

B. Indemnification

Indemnification is a contractual clause by which one party to a contract asks the other party to defend it against any claims of third parties who might be injured as a result of something that occurs while the parties are performing their duties and obligations under the contract. Without specific authority to do so, the STATE agencies cannot enter into agreements indemnifying contractors, or any other entity, against third party claims.

Any clause that has the intent of seeking indemnification from the STATE, whether the clause contains the words “indemnity” or “indemnify,” are not clauses to which the STATE may agree.

The STATE will also not agree to clauses to indemnify a contractor “to the extent permitted by law”. This is because the STATE knows that the extent to which the law permits it to indemnify contractors is no extent whatsoever, and as a result would be disingenuous for the STATE to imply in a contract that there might be some set of circumstances under which the STATE would defend the contractor against a third party claim(s). Simply put, the STATE is not going to agree to something it knows it cannot do. In this circumstance an “extent” clause is merely an

invitation to litigate the matter in the event a third party claim(s) arises, and the STATE does not enter into agreements that invite litigation. Do not ask the STATE to indemnify you against third party claims because it is a contractual obligation to which the STATE cannot agree.

While the STATE may limit the liability of a contractor in claims between the STATE and the contractor, the STATE does not have authority to limit a contractor's liability for claims brought by a third party. In the event a contract contains a limitation of liability clause, the contract's Indemnification clause and obligation of the contractor cannot be subject to that limitation of liability clause. See 6.4(D) for Limitation of Liability.

C. Insurance

Upon receipt of the notice of intent to award, the successful Offeror must obtain the required insurance coverage and provide the Procurement Officer with proof of coverage prior to contract approval. The coverage must be satisfactory to the STATE, in consultation with the North Dakota Risk Management Division. The successful Offeror's failure to provide evidence of insurance coverage is a material breach and grounds for withdrawal of the award or termination of the contract.

D. Limitation of Liability

The STATE may negotiate Limitation of Liability pursuant to [N.D.C.C. § 32-12.2-15](#) "Contracts limiting liability to the STATE".

Notwithstanding any provision in [N.D.C.C. ch. 32-12.2](#) to the contrary, an agency may agree to limit the liability of a contractor to the STATE if:

1. the agency determines such services or products cannot be effectively obtained without such limitation; and
2. the limitation does not pose any significant risk of loss to the STATE; and
3. the limitation is in the best interests of the STATE.

The agency, in consultation with OMB and the Attorney General's Office, shall prepare written documentation before agreeing to any liability limitation.

An agency's authority to agree to a limitation of liability is limited to contracts for the purchase or lease of, or services related to, software, communication, electronic equipment, and economic forecasting.

1. An agency may limit its ability to recover indirect consequential damages.
2. If the extent of potential direct loss is unknown, an agency may agree to limit direct damages to a reasonably estimated amount commensurate with the foreseeable risk of loss to the STATE. The amount must be equal to twice the total value of the contract unless all parties to the contract agree to an alternative amount. Any agreed upon amount that is less than twice the value of the contract must be approved by the director of OMB. The liquidated damages and retainage provisions for delay, missed deadlines, and other breaches are not subject to a general limitation on direct or indirect damages authorized under [N.D.C.C. § 32-12.2-15](#).
3. A contract under [N.D.C.C. § 32-12.2-15](#) may not limit any loss to the STATE resulting from fraud or other intentional or willful misconduct, breach of confidentiality obligations, or loss resulting from tangible property damage or personal injury.

E. Waivers of Jurisdiction and Venue; Alternative Dispute Resolution

The North Dakota Attorney General is the STATE's attorney for all purposes, including management of litigation and claims against the STATE. The STATE may not usurp the

Attorney General's authority by agreeing in advance to control the way litigation may be managed in the event of a dispute. The STATE cannot, without specific authority, agree to the jurisdiction or the laws of another state or federal courts, nor can it contractually agree to participate in any form of alternative dispute resolution.

Although the STATE cannot contractually agree to such terms, this does not mean that in the event of a dispute, the STATE would not agree to participate in alternative dispute resolution. It simply means that this is a decision that must be made by the Attorney General and is a decision that is made at the time a dispute arises.

F. Confidentiality

All state agencies of North Dakota are subject to North Dakota public records laws. The STATE cannot agree to contractual terms that attempt to prevent it from having to disclose records that are declared public records under applicable statutes. Although some confidentiality and exemptions are allowed under the public records laws, the STATE may not agree to more restrictive obligations concerning its records. Under North Dakota public records laws, contracts are records that are open to the public and may be reviewed at the request of the public.

G. Unliquidated Expenses (i.e., attorney's fees, add-ons, cost increases)

Because the STATE may only obligate those funds that have been appropriated to it by the Legislative Assembly and may only obligate those funds for the purposes for which the funds were appropriated, the STATE may not agree to clauses which may obligate it to pay for claims that might exceed its current funding appropriation. Certainly, this is one of numerous reasons why the STATE cannot indemnify a contractor against third party claims, but it may also be said for clauses that purport to obligate the STATE to pay a contractor's attorneys' fees, unknown cost increases during the life of the contract, add-ons that were not contemplated or priced in the contract.

6.5 SCOPE OF WORK

The Scope of Work agreed upon by the parties will be incorporated into the attached contract.

6.6 CONTRACT TERM

The contract term will be set forth in the contract, including any options for extension, renewal, and renegotiation.

6.7 RIGHT TO INSPECT PLACE OF BUSINESS

At reasonable times, the STATE may inspect those areas of the contractor's place of business that are related to the performance of a contract. If the STATE performs an inspection, the contractor must provide reasonable assistance.

ATTACHMENT A

LIST OF SAMPLE POTENTIAL AUDITS

List of sample potential audits (not all inclusive), subject to change depending on changes to risk profile of the agency.

- External Investment Oversight Audit – Auditing the public and private marking teams including a selection of oversight of external managers, secondary investing, valuation, portfolio construction, investment compliance, special mandates and oversight of fees and expenses.
 - o Level of Effort: 600-800 hours
 - o Expertise Level: High
- Public Equity - Audit over the controls and oversight over the Public Equity investment processes including portfolio construction, rebalancing, investment restrictions and compliance, external manager selection and oversight, oversight of fees and expenses and segregation of duties.
 - o Level of Effort: 400-500 hours
 - o Expertise Level: High
- Investment Compliance and Conflicts of Interest - Internal Audit of the oversight of investment compliance within the portfolio along with conflicts of interest associated with investments including portfolio compliance, material non-public information, information barriers, economic interests, segregation of duties, disclosures, personal trade reporting, approved brokers, restricted lists, blackout periods, trade monitoring, reporting, and exception resolution.
 - o Level of Effort: 600-800 hours
 - o Expertise Level: High
- Fixed Income & Money Markets – Auditing over the controls and oversight over the Fixed Income and Money Market investment processes including portfolio construction, rebalancing, investment restrictions and compliance, external manager selection and oversight, oversight of fees and expense and segregation of duties.
 - o Level of Effort: 600-800 hours
 - o Expertise Level: High
- Trading - Auditing over the controls and oversight over the Trading investment processes including trade capture and processing, broker selection, best execution, manager transitions, and segregation of duties.
 - o Level of Effort: 400-500 hours
 - o Expertise Level: Moderate
- Governance – Auditing of Governance including board reporting and oversight; investment approval processes; disclosure and participant communication; vendor oversight and concentration; fees and expenses; custodian oversight; data quality and integrity; portfolio asset and risk allocation; performance benchmark selection, measurement and reporting; asset liability studies; investment risk including market, country, sector, volatility, credit, model,

tracking error, VaR, liquidity and counterparty risks; broker dealer concentration; investment reporting; compensation and incentives and staff performance measurement.

- Level of Effort: 600-800 hours
 - Expertise Level: High
- Investment Accounting, Operations and Administration - Auditing of the controls and processes for trade operations and accounting including confirmation and settlement, reconciliations, collateral management, trade exceptions, security master, corporate actions, cash reporting, and custodian oversight. Audit would also include valuation controls, stale pricing, illiquid investments, pricing vendors, and overrides. Within Accounting the focus would include IBOR & ABOR reconciliations, custodian reporting, market value and annual reporting.
- Level of Effort: 600-800 hours
 - Expertise Level: High

ATTACHMENT B
COST PROPOSAL TEMPLATE

FIXED FEES*

FIXED FEE

Fiscal Year 2025 (contract execution – June 30, 2025)

\$ _____

Fiscal Year 2026 (July 1, 2025 – June 30, 2026)

\$ _____

Fiscal Year 2027 (July 1, 2026 – June 30, 2027)

\$ _____

TOTAL FIXED FEES**

\$ _____

GENERAL CONSULTING RATE

General Consulting

FIXED HOURLY FEE FOR SERVICES

\$ _____ per hour

*RIO expects one audit to begin, and possibly be completed, by the end of FY2025, specifically the first audit listed on Attachment A List of Sample Potential Audits: External Investment Oversight Audit (estimated level of effort 600-800 hours). For subsequent fiscal years, RIO approximates up to three (3) audits. For potential subsequent renewal terms, offerors must indicate their willingness for annual fixed fee rate increases to be capped at a flat rate and/or the Consumer Price Index (ex: the hourly rate may increase by not more than the lower of 3% or Consumer Price Index (CPI)).

**For purposes of calculating cost points, only the Total Fixed Fees will be used.

ATTACHMENT C

TECHNICAL PROPOSAL EVALUATION WORKSHEET

Proposals that are determined to be responsive to the requirements of the RFP will be evaluated by the Evaluation Committee using the evaluation criteria stated in the RFP. For assistance with RFP evaluations, contact the State Procurement Office at infospo@nd.gov or 701-328-2740.

- If a group evaluation is conducted, the Evaluation Committee will produce one worksheet that summarizes the comments and scores. If individual scores are being compiled, each member of the Evaluation Committee will prepare an evaluation worksheet with their comments and scores.
- Evaluation Committee members must read the Request for Proposal and have a clear understanding of the requirements and evaluation criteria before attempting to evaluate proposals.
- Evaluators should read all proposals twice. First, read all proposals for a general understanding without scoring. Next, read proposals with the intent to complete the evaluation worksheet which includes taking notes and documenting any questions/clarification needed.
- Each evaluation criterion is assigned a specific number of points. The questions under each evaluation criterion help Evaluators measure the quality of the Offeror's response. Do not assign points to individual questions, instead, award a total score for each evaluation criterion.
- Evaluators will assign an initial score for each evaluation criterion and provide comments which explain their scores.
- Evaluation documents become an open record upon award.

RATING SCALE FOR TECHNICAL PROPOSAL SCORING

The rating scale provided is intended to help Evaluators perform evaluations. Evaluators are exercising independent judgement so variation in scoring is normal. However, the Procurement Officer may question scoring that appears to be unsupported. Evaluators may assign any value for a given evaluation area from 0 to the maximum number of points allowed per evaluation criterion. A zero value typically constitutes no response or an inability of the Offeror to meet the criteria. In contrast, the maximum value should constitute a high standard of meeting the criteria. For example: "Experience and Qualifications" is an evaluation area weighted at 25% of the total possible points on a 100 Point Scale, so any value between 0 and 25 points can be awarded. An example of the rating scale is below:

Experience and Qualifications Rating Scale (25 Point Maximum)	
Point Value	Explanation
0-5	Poor. Not addressed or response of no value
6-10	Fair. Limited applicability
11-15	Good. Some applicability
16-20	Very Good. Substantial applicability
21-25	Excellent. Total applicability

COST PROPOSAL

Cost proposals are normally scored by the Procurement Officer or selected evaluators, and cost proposals are given to the Evaluation Committee after technical proposals have been evaluated. Prompt payment discounts are not considered in evaluating cost.

ADJUSTMENT OF INITIAL EVALUATION SCORES

After the initial scoring, the Evaluation Committee should meet to discuss proposals and identify areas where clarification or more information is needed. Evaluation scores may be adjusted as a result of discussions with offerors, clarifications, demonstrations, presentations, reference check results, Best and Final Offers, and further due diligence within the evaluation process.

TECHNICAL PROPOSAL EVALUATION WORKSHEET

Offeror Name _____

RFP Title/Number _____

Evaluator Name _____

Evaluator Certification. I have reviewed the Request for Proposal Evaluators Guide, and I certify that neither I nor my immediate family members have a conflict of interest with regard to this offeror, in accordance with [N.D.A.C. § 4-12-04-04.](#)

Evaluator Signature _____ **Date** _____

THE TOTAL NUMBER OF POINTS USED TO SCORE THIS PROPOSAL IS 100

SCOPE OF WORK STRATEGY RATING SCALE (45 Point Maximum)	
Point Value	Explanation
0 – 9	Poor. Not addressed or response of no value
10 – 18	Fair. Limited applicability
19 – 27	Good. Some applicability
28 – 36	Very Good. Substantial applicability
37 – 45	Excellent. Total applicability

IMPORTANT. Proposals will be evaluated against the questions set out below. Do not assign points to individual questions, instead, award a total score for each evaluation criterion. Evaluators must provide comments to support scoring.

How well has the Offeror followed the proposal preparation instructions? Does the proposal contain all the requested information?

EVALUATOR NOTES

Has the Offeror identified any additional directives that apply to the contract?

EVALUATOR NOTES

How well has the Offeror described their strategy for accomplishing the scope of work requirements? What are the strengths of the proposed strategy?

EVALUATOR NOTES

Are there aspects of the proposed Scope of Work strategy of concern or that requires clarification or further information?

EVALUATOR NOTES

How well does the proposed timeline demonstrate the offeror's ability to meet the contract schedule and deliverables?

EVALUATOR NOTES

How well does the proposal address where the work will be performed and any travel?

EVALUATOR NOTES

How well has offeror described any expectations for State resources?

EVALUATOR NOTES

How well has the offeror addressed risk management? Did they identify any potential risks, issues or problems?

EVALUATOR NOTES

Has the offeror described their project management to accomplish the work on time, within budget, and meet quantity and quality standards?

EVALUATOR NOTES

INITIAL EVALUATION SCORE FOR SCOPE OF WORK STRATEGY: _____

Additional/overall comments related to the offeror’s proposed strategy for accomplishing the work.

EVALUATOR NOTES

EXPERIENCE AND QUALIFICATIONS RATING SCALE (25 Point Maximum)	
Point Value	Explanation
0-5	Poor. Not addressed or response of no value
6-10	Fair. Limited applicability
11-15	Good. Some applicability
16-20	Very Good. Substantial applicability
21-25	Excellent. Total applicability

IMPORTANT. Proposals will be evaluated against the questions set out below. Do not assign points to individual questions, instead, award a total score for each evaluation criterion. Comments to support scoring are required, and will be helpful when performing offeror evaluation debriefs after award.

MINIMUM EXPERIENCE OR QUALIFICATIONS

If the RFP required a minimum amount of experience or qualifications, has the offeror provided information to demonstrate meeting this requirements? Does the offeror exceed the minimum experience or qualifications?

EVALUATOR NOTES

EXPERIENCE AND QUALIFICATIONS OF THE FIRM

Has the offeror provided historical information to demonstrate the firm is well established in this field?

EVALUATOR NOTES

How extensive is the firm’s experience in this type of work? How well does the information about similar projects demonstrate the firm’s experience work related to this RFP?

EVALUATOR NOTES

If the offeror provided letters of reference or the Evaluation Committee contacted the customer contacts, what information did the offeror’s customers provide related to the offeror’s past performance?

EVALUATOR NOTES

EXPERIENCE AND QUALIFICATIONS OF THE PROJECT TEAM

Has the offeror provided information about the organization of the project team and proposed work project team members will perform, and estimated hours? Does the proposed project team and work breakdown seem appropriate to accomplish the requirements of the RFP?

EVALUATOR NOTES

Are resumes complete and do they demonstrate education and experience that would be desirable for individuals engaged in the work the RFP requires?

EVALUATOR NOTES

How extensive is the experience of the project team members on similar projects?

EVALUATOR NOTES

If a subcontractor will perform work on the project or joint venture is proposed, has the offeror provided the requested information? How extensive is the experience and qualifications of the subcontractor or other party of the joint venture?

EVALUATOR NOTES

REFERENCE CHECK RESULTS

If references were required, did the references provide information to verify the satisfactory performance of the vendor?

EVALUATOR NOTES

Did references identify any areas of concern?

EVALUATOR NOTES

Did references identify any particular strengths of the vendor?

EVALUATOR NOTES

INITIAL EVALUATION SCORE FOR EXPERIENCE AND QUALIFICATIONS: _____

Additional/overall comments related to the offeror's experience and qualifications.

EVALUATOR NOTES

ATTACHMENT D

CONTRACT

OFFEROR INSTRUCTIONS

Offeror shall review the STATE's Contract.

The proposal must include indicate whether or not the offeror accepts the terms and conditions in the STATE's Contract.

An offeror may state that they accept the STATE's Contract as written.

An offeror may state any objections or propose changes or additions to the STATE's Contract. Describe the changes to the Contract being proposed or provide a red-line of the STATE's Contract. Offerors are not to submit their own contract or standard terms and conditions with their proposals. Offeror should address the specific language in the attached contract and submit any proposed changes.

North Dakota procurement statutes, rules, and policies allow some negotiation of the terms and conditions. No changes to the terms and conditions will be permitted without prior written approval from the STATE.

INTERNAL AUDIT CO-SOURCING SERVICES CONTRACT

1. PARTIES

The parties to this contract (Contract) are the State of North Dakota, acting through its Retirement and Investment Office (STATE), and *Name of Business a type of business (e.g. Delaware corporation or privately held company)* having its principal place of business at *principal business address* (CONTRACTOR);

2. SCOPE OF WORK

CONTRACTOR, in exchange for the compensation paid by STATE under this Contract, shall provide internal audit and consulting services on behalf of RIO on as-needed basis relating to the investment and fiscal divisions. All services must be provided in accordance with the most recent Institute of Internal Auditors (IIA) standards.

Internal audit services:

1. Up to three investment or fiscal related complex audits performed each fiscal year. The internal audits will be determined by a risk-based audit plan approved by the State Investment Board (SIB) Audit Committee.
2. An annual review of the current risk assessment for the investment and fiscal divisions and recommend updates as needed.

Consulting Services:

The consultant will be required to serve on an ongoing basis in an advisory and review capacity to RIO staff and SIB Audit Committee, as required based on an hourly fee for services rate. Prior to initiating any efforts under this area, authorization must be given by the Executive Director of RIO. Any work efforts the consultant completes or initiates that are not authorized will not be reimbursed.

3. COMPENSATION-PAYMENTS

a. Contractual Amount

STATE shall pay for the accepted services provided by CONTRACTOR under this Contract an amount not to exceed **[Amount]** (Contractual Amount) for the fixed fee services. The hourly fee for service **[Amount]** (Hourly Amount) shall apply for any hourly services requested beyond the fixed fee amount. Any hourly services must be approved in advance by STATE.

The Contractual Amount is firm for the duration of this Contract and constitutes the entire compensation due CONTRACTOR for performance of its obligations under this Contract regardless of the difficulty, materials or equipment required, including fees, licenses, overhead, profit and all other direct and indirect costs incurred by CONTRACTOR, except as provided by an amendment to this Contract.

b. Payment

- 1) Payment made in accordance with this Compensation section shall constitute payment in full for the services and work performed and the deliverables and work(s) provided under this Contract and CONTRACTOR shall not receive any additional compensation hereunder.
- 2) STATE shall make payment under this Contract within sixty (60) calendar days after receipt of a correct invoice.
- 3) Payment of an invoice by STATE will not prejudice STATE's right to object to or question that or any other invoice or matter in relation thereto. CONTRACTOR's invoice will be subject to reduction for amounts included in any invoice or payment made which are determined by STATE, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute allowable costs. At STATE's sole discretion, all payments shall be subject to reduction for amounts equal to prior overpayments to CONTRACTOR.
- 4) For any amounts that are or will become due and payable to STATE by CONTRACTOR, STATE reserves the right to deduct the amount owed from payments that are or will become due and payable to CONTRACTOR under this Contract.

c. Travel

CONTRACTOR acknowledges travel costs are covered by the Contractual Amount and shall not invoice STATE for travel costs.

d. Prepayment

STATE will not make any advance payments before performance or delivery by CONTRACTOR under this Contract.

e. Payment of Taxes by STATE

STATE is not responsible for and will not pay local, state, or federal taxes. STATE sales tax exemption number is E-2001. STATE will furnish certificates of exemption upon request by the CONTRACTOR.

f. Taxpayer ID

CONTRACTOR'S federal employer ID number is: **[Insert FEIN]**.

g. Purchasing Card

STATE may make payment using a government credit card. CONTRACTOR will accept a government credit card without passing the processing fees for the government credit card back to STATE.

4. TERM OF CONTRACT

This Contract term (Term or Initial Term) begins on the execution date and ends on June 30, 2027.

a. No Automatic Renewal

This Contract will not automatically renew.

b. Renewal Option

STATE may renew this Contract upon satisfactory completion of the Initial Term. STATE reserves the right to execute up to two (2) options to renew this Contract under the same terms and conditions for a period of two (2) years each (Renewal Term).

Upon renewal, CONTRACTOR agrees that fixed fee services may increase by not more than the lower of 3% or Consumer Price Index (CPI). The rates shall be adjusted in accordance with the index titled "All Urban Consumers (CPI-U). for the U.S. City Average. All Items 1982-84=100", prepared by the U.S. Bureau of Labor Statistics.

c. Extension Option

STATE reserves the right to extend this Contract for an additional period, not to exceed 1 year, beyond the current termination date of this Contract.

5. TERMINATION

a. Termination for Convenience or by Mutual Agreement

This Contract may be terminated by STATE upon thirty (30) days' written notice to CONTRACTOR. This Contract may be terminated by mutual consent of both Parties executed in writing.

b. Early Termination in the Public Interest

STATE is entering this Contract for the purpose of carrying out the public policy of the State of North Dakota, as determined by its Governor, Legislative Assembly, Agencies and Courts. If this Contract ceases to further the public policy of the State of North Dakota, STATE, in its sole discretion, by written notice to CONTRACTOR, may terminate this Contract in whole or in part.

c. Termination for Lack of Funding or Authority

STATE by written notice to CONTRACTOR, may terminate the whole or any part of this Contract under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained or continued at levels sufficient to allow for purchase of the services or goods in the indicated quantities or term.

- 2) If federal or state laws or rules are modified or interpreted in a way that the services or goods are no longer allowable or appropriate for purchase under this Contract or are no longer eligible for the funding proposed for payments authorized by this Contract.
- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Contract, is for any reason denied, revoked, suspended, or not renewed.

Termination of this Contract under this subsection is without prejudice to any obligations or liabilities of either Party already accrued prior to termination.

d. Termination for Cause

STATE may terminate this Contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:

- 1) If CONTRACTOR fails to provide services or goods required by this Contract within the time specified or any extension agreed to in writing by STATE; or
- 2) If CONTRACTOR fails to perform any of the other provisions of this Contract, or so fails to pursue the work as to endanger performance of this Contract in accordance with its terms.

The rights and remedies of STATE provided in this subsection are not exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

6. FORCE MAJEURE

Neither Party shall be held responsible for delay or default caused by fire, riot, terrorism, pandemic (excluding COVID-19), acts of God, or war if the event was not foreseeable through the exercise of reasonable diligence by the affected Party, the event is beyond the Party's reasonable control, and the affected Party gives notice to the other Party promptly upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default. If CONTRACTOR is the affected Party and does not resume performance within fifteen (15) days or another period agreed between the Parties, then STATE may seek all available remedies, up to and including termination of this Contract pursuant to its Termination Section, and STATE shall be entitled to a pro-rata refund of any amounts paid for which the full value has not been realized, including amounts paid toward software subscriptions, maintenance, or licenses.

7. INDEMNIFICATION

CONTRACTOR agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of State or its agents, but not against claims based on State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by CONTRACTOR to State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for State is necessary. Any attorney appointed to represent State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. CONTRACTOR also agrees to reimburse State for all costs, expenses and attorneys' fees incurred if State prevails in an action against CONTRACTOR in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this Contract.

8. INSURANCE

CONTRACTOR shall provide certificate of insurance and any endorsements to STATE electronically to:

Name: Emmalee Riegler

Email Address: rio@nd.gov

Email Subject Line: Certificate of Insurance – Internal Audit Co-sourcing Services Contract

CONTRACTOR shall secure and keep in force during the term of this Contract and CONTRACTOR shall require all subcontractors, prior to commencement of an agreement between CONTRACTOR and the subcontractor, to secure and keep in force during the term of this Contract, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$2,000,000 per occurrence.
- 2) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this Contract.
- 3) Employer's liability or "stop gap" insurance of not less than \$2,000,000 as an endorsement on the workers compensation or commercial general liability insurance.
- 4) Professional errors and omissions with minimum limits of \$1,000,000 per claim and in the aggregate, CONTRACTOR shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, CONTRACTOR shall purchase an extended reporting period to meet the time periods required in this section.

The insurance coverages listed above must meet the following additional requirements:

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of CONTRACTOR.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by State. The policies shall be in form and terms approved by State.
- 3) The duty to defend, indemnify, and hold harmless State under this Contract shall not be limited by the insurance required in this Contract.
- 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy on a primary and noncontributory basis, including any excess policies (to the extent applicable), as additional insured. State shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this Contract or by the contractual indemnity obligations of CONTRACTOR.
- 5) A "Waiver of Subrogation" waiving any right to recovery the insurance company may have against State.
- 6) CONTRACTOR shall furnish a certificate of insurance to the undersigned STATE representative prior to commencement of this Contract. All endorsements shall be provided as soon as practicable.

- 7) Failure to provide insurance as required in this Contract is a material breach of contract entitling STATE to terminate this Contract immediately.
- 8) CONTRACTOR shall provide at least 30-day notice of any cancellation or material change to the policies or endorsements. CONTRACTOR shall provide on an ongoing basis, current certificates of insurance during the term of the Contract. A renewal certificate will be provided 10 days prior to coverage expiration. An updated, current certificate of insurance shall be provided in the event of any change to a policy.

9. WORKS FOR HIRE

CONTRACTOR acknowledges that all work(s) under this Contract is "work(s) for hire" within the meaning of the United States Copyright Act (Title 17 United States Code) and hereby assigns to STATE all rights and interests CONTRACTOR may have in the work(s) it prepares under this Contract, including any right to derivative use of the work(s). All software and related materials developed by CONTRACTOR in performance of this Contract for STATE shall be the sole property of STATE, and CONTRACTOR hereby assigns and transfers all its right, title, and interest therein to STATE. CONTRACTOR shall execute all necessary documents to enable STATE to protect STATE's intellectual property rights under this section.

10. WORK PRODUCT

All work product, equipment or materials created for STATE or purchased by STATE under this Contract belong to STATE and must be immediately delivered to STATE at STATE's request upon termination of this Contract.

11. NOTICE

All notices or other communications required under this Contract must be given by email, registered or certified mail and are complete on the date postmarked when addressed to the Parties at the following addresses:

STATE	CONTRACTOR
Sara Seiler	<i>Name</i>
Supervisor of Internal Audit	<i>Title</i>
PO Box 7100	<i>Address</i>
Bismarck, ND 58507-7100	<i>City, State, Zip</i>
sseiler@nd.gov	<i>Email</i>

Notice provided under this provision does not meet the notice requirements for monetary claims against the State found at N.D.C.C. § 32-12.2-04.

12. CONFIDENTIALITY

CONTRACTOR shall not use or disclose any information it receives from STATE under this Contract that STATE has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Contract or as authorized in advance by STATE. STATE shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that STATE determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota public records law, [N.D.C.C. CH.](#)

44-04. The duty of STATE and CONTRACTOR to maintain confidentiality of information under this section continues beyond the Term of this Contract.

13. COMPLIANCE WITH PUBLIC RECORDS LAWS

Under the North Dakota public records law and subject to the Confidentiality clause of this Contract, certain records may be open to the public upon request.

Public records may include: (a) records STATE receives from CONTRACTOR under this Contract, (b) records obtained by either Party under this Contract, and (c) records generated by either Party under this Contract.

CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the public records law and to comply with STATE's instructions on how to respond to such request.

14. INDEPENDENT ENTITY

CONTRACTOR is an independent entity under this Contract and is not a STATE employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR's activities and responsibilities under this Contract, except to the extent specified in this Contract.

15. ASSIGNMENT AND SUBCONTRACTS

CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE's express written consent, provided, however, that CONTRACTOR may assign its rights and obligations hereunder in the event of a change of control or sale of all or substantially all of its assets related to this Contract, whether by merger, reorganization, operation of law, or otherwise. Should Assignee be a business or entity with whom STATE is prohibited from conducting business, STATE shall have the right to terminate in accordance with the Termination for Cause section of this Contract.

CONTRACTOR may enter subcontracts provided that any subcontract acknowledges the binding nature of this Contract and incorporates this Contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor with whom CONTRACTOR contracts. CONTRACTOR does not have authority to contract for or incur obligations on behalf of STATE.

16. SPOILIATION – PRESERVATION OF EVIDENCE

CONTRACTOR shall promptly notify STATE of all potential claims that arise or result from this Contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to STATE the opportunity to review and inspect such evidence, including the scene of an accident.

17. MERGER AND MODIFICATION, CONFLICT IN DOCUMENTS

This Contract, including the following documents, constitutes the entire agreement between the Parties. There are no understandings, agreements, or representations, oral or written, not specified within this Contract. This Contract may not be modified, supplemented or amended, in any manner, except by written agreement signed by both Parties.

Notwithstanding anything herein to the contrary, in the event of any inconsistency or conflict among the documents making up this Contract, the documents must control in this order of precedence:

- a. The terms of this Contract as may be amended;

- b. STATE's Solicitation Amendment #1 to Request for Proposal ("RFP") number 110.7-24-085_ dated 11/20/2024_____;
- c. STATE's Request for Proposal ("RFP") number 110.7-24-085____, dated 11/20/2024_____;
- d. CONTRACTOR's proposal dated _____ in response to RFP number 110.7-24-085
- e. All terms and conditions contained in any automated end-user agreements (e.g., click-throughs, shrink wrap, or browse wrap) are specifically excluded and null and void, and shall not alter the terms of this Contract.

18. SEVERABILITY

If any term of this Contract is declared to be illegal or unenforceable by a court having competent jurisdiction, the validity of the remaining terms is unaffected and, if possible, the rights and obligations of the Parties are to be construed and enforced as if this Contract did not contain that term.

19. APPLICABLE LAW AND VENUE

This Contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this Contract must be adjudicated exclusively in the state District Court of Burleigh County, North Dakota. Each Party consents to the exclusive jurisdiction of such court and waives any claim of lack of jurisdiction or *forum non conveniens*.

20. ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL

By entering this Contract, STATE does not agree to binding arbitration, mediation, or any other form of mandatory Alternative Dispute Resolution. The Parties may enforce the rights and remedies in judicial proceedings. STATE does not waive any right to a jury trial.

21. ATTORNEY FEES

In the event a lawsuit is instituted by STATE to obtain performance due under this Contract, and STATE is the prevailing Party, CONTRACTOR shall, except when prohibited by N.D.C.C. § 28 26 04, pay STATE's reasonable attorney fees and costs in connection with the lawsuit.

22. NONDISCRIMINATION AND COMPLIANCE WITH LAWS

CONTRACTOR agrees to comply with all applicable federal and state laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. (See N.D.C.C. Title 34 – Labor and Employment, specifically N.D.C.C. ch. 34-06.1 Equal Pay for Men and Women.)

CONTRACTOR agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes, unemployment compensation and workers' compensation premiums.

CONTRACTOR shall have and keep current all licenses and permits required by law during the Term of this Contract.

CONTRACTOR is prohibited from boycotting Israel for the duration of this Contract. (See N.D.C.C § 54-44.4-15.) CONTRACTOR represents that it does not and will not engage in a boycotting Israel during the term of this Contract. If STATE receives evidence that CONTRACTOR boycotts Israel, STATE shall determine whether the company boycotts Israel. The foregoing does not apply to contracts with a total value of less than \$100,000 or if CONTRACTOR has fewer than ten (10) full-time employees.

CONTRACTOR's failure to comply with this section may be deemed a material breach by CONTRACTOR entitling STATE to terminate in accordance with the Termination for Cause section of this Contract.

23. STATE AUDIT

Pursuant to N.D.C.C. § 54-10-19, all records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this Contract are subject to examination by the North Dakota State Auditor, the Auditor’s designee, or Federal auditors, if required. CONTRACTOR shall maintain these records for at least three (3) years following completion of this Contract and be able to provide them upon reasonable notice. STATE, State Auditor, or Auditor’s designee shall provide reasonable notice to CONTRACTOR prior to conducting examination.

24. COUNTERPARTS

This Contract may be executed in multiple, identical counterparts, each of which is be deemed an original, and all of which taken together shall constitute one and the same contract.

25. EFFECTIVENESS OF CONTRACT

This Contract is not effective until fully executed by both Parties. If no start date is specified in the Term of Contract, the most recent date of the signatures of the Parties shall be deemed the Effective Date.

CONTRACTOR	STATE OF NORTH DAKOTA
<insert business>	Acting through its Retirement and Investment Agency
BY:	BY:
<Printed Name>	Janilyn Murtha
<Title>	Executive Director
Date:	Date:

MEMORANDUM

TO: SIB
FROM: Jan Murtha, Executive Director
DATE: October 17, 2024
RE: Executive Limitations

A verbal update will be provided at the meeting on staff relations and strategic planning. Including updates on the following topics:

I. Retirements/Resignations/FTE's/Temporary Assistance:

Position Title	Status
Private Markets Senior Investment Analyst	Interviews scheduled. Vacancy due to internal transfer.
Public Funds Investment Analyst	Interviews scheduled. Vacancy due to internal transfer.
Internal Fixed Income Investment Analyst (new)	Posting closes 10-24-24.
Internal Equity Investment Analyst (new)	Posting pending.
Investment Administrative Assistant (new)	Posting pending.

II. Current Project Activities/Initiatives:

- **Investment Program Software Solutions:** An update on these activities and next steps will be provided by CIO Anderson.
- **TFFR Pioneer Project:** There have been some adjustments to the project schedule. The tentative go live date is December 2024.
- **Legislative Session Planning:** Staff is assisting both the SIB and TFFR GPR committees in preparing recommendations regarding positions for both boards on draft legislation for the upcoming legislative session.

III. Executive Director Activities

Executive Director activities between the September SIB meeting and October SIB meeting include:

- Prepared materials for and/or attended the following meetings:
 - 10-3-24 University of Mary State Career Day panel.
 - 10-4-24 through 10-9-24 NCTR annual conference.
 - 10-16-24 TFFR PAS Project ESC meeting.
 - 10-17-24 Investment Committee meeting.
 - 10-21-24 SIB GPR Committee meeting.
 - 10-25-24 SIB Board meeting.

- I also had several external meetings and discussions with legislators and other agency leaders on program operations and state-wide initiatives, as well as internal meetings with consultants, direct reports, executive team, manager, all staff, and division specific meetings.
- I attended the NCTR (National Council on Teacher Retirement) Annual Conference in October and moderated a panel on securities litigation at the conference.
- I participated in the University of Mary State Career Day panel at the Gary Tharaldson School of Business.

Board Action Requested: Board acceptance.

RETIREMENT AND INVESTMENT OFFICE
Internal Audit
2024-2025 First Quarter Audit Activities Report
July 1, 2024 – September 30, 2024

The audit objective of Internal Audit (IA) is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Audit coverage is based on the July 1, 2024, through June 30, 2025, work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Internal Audit charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

Investment and Agency Audit Activities

- **Executive Limitation Audit**

On an annual basis, IA reviews the Executive Director's level of compliance with the SIB Governance Manual Executive Limitation Policies A-1 through A-11. The audit is reviewing the calendar year of 2024. The Internal Audit staff will continue to do quarterly reconciliations for the Executive Limitations Audit. With the update to the governance manual and all the changes occurring at RIO, this change ensures that throughout the year documentation will not be missed as part of the Executive Limitations Audit.

The final report will still be issued in February 2025.

- **Exit Interview**

The Supervisor of Internal Audit completed an exit interview with an intern whose term was completed in August 2024. The comments were reported to the Executive Director.

- **SIB Onboarding Session**

The Supervisor of Internal Audit gave a presentation on an Internal Audit Overview as part of the State Investment Board onboarding process on July 17, 2024.

- **Internal Audit Maturity Development Project**

Weaver presented their report to the SIB Audit Committee on August 14, 2024. The project provided a foundation for IA that conforms with the 2024 IIA Standards. The project has allowed IA to meet their medium-term goal by establishing or refining processes necessary to conform with the Standards. The project also achieved consistent execution of these processes throughout 2024-2025 to reach the long-term goal.

The following projects were completed: the Audit Committee and IA Audit Charters are now compliant with the 2024 IIA Standards; a risk assessment over the investment and fiscal divisions of NDRIO and a risk-based multi-year internal audit plan was completed; IA staff completed a risk assessment for the Retirement Division; an IA Manual meeting the 2024 IIA Standards was provided (it also included consulting engagement procedures); standard

documentation/work paper templates which are compliant with the 2024 Standards were completed; and planning/ work paper templates based on procedures in the Audit Manual were completed.

The State Investment Board (SIB) approved the charters at the meeting held on September 27, 2024.

- **Internal Audit Co-Sourcing request for proposal**

Through the risk assessment and a resource assessment completed and presented by Weaver at the August 2024 Audit Committee meeting, additional resources to meet the audit plan are needed. The Audit Committee approved internal audit staff and senior management to propose a request for proposal (RFP) for additional audit resources to perform internal audits for the investment and fiscal divisions. This would be approximately 2-3 audits a year that would be a combination of co-sourcing and outsourcing depending on the availability of internal audit staff.

The draft RFP will be presented to the SIB Audit Committee at the November 18, 2024 meeting for approval.

Retirement Program Audit Activities

- **TFFR File Maintenance Review**

Internal audit of the Retirement and Investment Office (RIO) is reviewing the system generated (CPAS) audit tables to ensure transactions initiated by RIO staff are expected and appropriate given the role in the organization. The processes for entering information from member action forms, change of address forms, and direct deposit forms are also reviewed. A sample of members will be reviewed for each of the processes to verify the information on the form is the same as the information in the system. A sample of deaths, disabilities, purchases, refunds, and retirements will also be reviewed.

The review is in progress. IA hopes to have it completed by the February 2025 Audit Committee meeting.

- **TFFR Pioneer Project**

User acceptance testing (UAT) continued during this timeframe. Operational staff members tested the business processes in the training environment to ensure that the system was functioning appropriately.

IA staff attended testing sessions and meetings on the following modules: Benefit payment and Adjustment UAT, Black-out meetings, uploading documents on the Employer Self Service portal, multiple sessions of operating and testing the Employer Self Service Portal, multiple PIR retesting sessions, Required Minimum Distribution UAT, Split/Merge Payment UAT, Tax UAT, and multiple weekly meetings.

In September of 2024, the PAS project manager set up the following three groups: Employer Self-Service (ESS), Fiscal Accounting, and Retirement Services. Each of these groups were assigned with duties preparing for cut-off/go-live and working with membership. IA staff was assigned to the ESS group along with the Compliance Officer, Retirement Accountant, and an Administrative Assistant. The Communications and Outreach Director assisted with drafting

notifications to the Business Partners as needed. Tasks assigned to the group were as follows: setting up a schedule of notifications; establishing training schedule, training materials, training media for Business Partners; Monitoring Business Partners logging into new system testing region; completing the enrollment file, payroll file, and paying an invoice; passing the information to the software vendor; and working with the Accounting group in establishing cut-off dates and activities for the Business Partners and RIO.

The go-live date is scheduled for early December 2024.

Administrative Activities

The IA staff attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, monthly Fiscal/Organization meetings, monthly Retirement Services' meetings, one Audit Committee meeting, two SIB meetings, two TFFR meetings, TFFR/SIB agenda meetings, an end of the year close-out meeting, and two Investment meetings.

Professional Development/CE/General Education

Audit staff completed the following training: NDIR Cyber awareness training and all-day RIO training. The RIO training was on the Six types of Working Genius

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
BUDGETED VS. ACTUAL HOURS FOR FISCAL YEAR 2024-2025**

	2024-2025 BUDGET HOURS (2 FTE'S)	1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2024-2025 Actual Hours	Actual vs. Budgeted Hours Over/(Under)
Primary Audit Responsibilities - Total Hours Allocated: 2,495							
Internal Audit Business Co-Sourcing Request for Proposal	100					0.00	(100.00)
Executive Limitation Audit	200					0.00	(200.00)
Executive Review and Compensation Committee	40					0.00	(40.00)
Purchasing and Procurement Audit	450					0.00	(450.00)
Investment Compliance (Advisory)	40					0.00	(40.00)
External Investment Advisor Oversight Audit (co-source)	80					0.00	(80.00)
TFFR Pioneer Project Testing	350					0.00	(350.00)
TFFR File Maintenance	450	59.75				59.75	(390.25)
TFFR Pioneer Project	300	143.25				143.25	(156.75)
General Employer Advisory	30	15.00				15.00	(15.00)
External Auditor Assistance (Financial, GASB, Actuary, etc)	50	1.25				1.25	(48.75)
Records Retention	75					0.00	(75.00)
Special Projects	40					0.00	(40.00)
Succession Planning and Knowledge	80					0.00	(80.00)
Risk Assessment and Audit Planning	150	11.00				11.00	(139.00)
Professional Development	60	8.50				8.50	(51.50)
						0.00	0.00
	2,495	238.75	0.00	0.00	0.00	238.75	(2,256.25)
% of Available Hours Allocated to Primary Audit Responsibilities	60%						
Primary Administrative Responsibilities - Total Hours Allocated: 1665							
Annual Leave, Sick Leave, and Holidays	1,005	106.00				106.00	(899.00)
Staff meetings, Reporting , and Email	390	77.25				77.25	(312.75)
SIB Audit Committee, SIB, and TFFR Board Meetings Preparation and Attendance	270	98.00				98.00	(172.00)
	1,665	281.25	0.00	0.00	0.00	281.25	(1,383.75)
% of Available Hours Allocated to Primary Administrative Responsibilities	40%						
Total Hours for 2024-2025:	4,160	520.00	0.00	0.00	0.00	520.00	3,640.00

Total Budget Hours for 2024-2025 4,160
 Budget Hours for D. Thorsen 2,080
 Budget Hours for S. Seiler 2,080

Note for Quarter 1: S. Seiler worked until September 20, 2024.
 Projects worked on were Executive Limitations, AC meeting in August, SIB onboarding session, IA Modernization Project, RFP

MEMORANDUM

TO: SIB Audit Committee
FROM: Dottie Thorsen, Internal Audit
DATE: November 18, 2024
RE: Current Internal Audit Activities

Internal Audit (IA) typically has multiple audits going on at the same time in different stages. The following is the status of current audits in progress:

Phase 1 – Planning and Notification
Phase 2 – Fieldwork
Phase 3 – Communication with Staff
Phase 4 – Writing Report
Phase 5 – Final Report and Management Response

Internal Audit Activities In-Progress

- Model 2 Partial Salary Review – Phase 5
- TFFR File Maintenance Audit – Phase 2
- Pioneer – Pension Administration Software – Life Cycle testing of the system in progress.
- Executive Limitations – Phase 1

RIO/Investment Activities

IA staff attended the following meetings: monthly staff meetings, monthly Fiscal/Organization meetings, TFFR/SIB Agenda Planning, and monthly Retirement Services meetings. IA staff also attended the State Investment Board and Teachers Fund for Retirement board meetings.

In October 2024, IA provided assistance to UHY for the GASB 68 census data audit. Four Business Partners did not respond to additional requests for information. IA sent reminders to the Business Partners to return the information by a certain day or a penalty would be assessed.

In October 2024, IA staff completed an exit interview for a staff member. The exit interview remarks were given to the Executive Director.

As part of the IA Modernization project, the Supervisor of IA drafted a RFP for co-sourcing as needed for audits for the investment and fiscal divisions. The internal audits will be determined by a risk-based audit plan approved by the SIB Audit Committee. IA staff met with the Executive Director, the Chief Financial Officer/Chief Operating Officer, and the Procurement and Records Management Coordinator to review the draft. There were a revisions made. The RFP will be presented to the SIB Audit Committee for approval at the November 2024 meeting.

Also, as part of the IA Modernization project, the SIB Audit Committee reviewed and approved the IA charter and the Audit Committee charter at the August Audit Committee meeting. The GPR Committee and SIB Board approved the revisions (see the attached memorandum).

As part of the RIO policy review, IA talked with the Executive Director about some policy updates.

TFFR Activities

During the months of October and early November, IA staff attended Annual Statement PIR testing, Benefit PIR testing, Contact Management PIR testing, a Dashboard review, Dual Member testing, ESS PIR testing (employer portal), Functional Lifecycle testing, MSS PIR testing (member portal), Retired Returned to Teach PIR testing, and weekly meetings.

In September, IA was assigned to the Employer Self Service small group. Responsibilities were as follows: Set-up schedule for notifying Business Partners, reviewing and revising the MyTFFR Business Partner Handbook, scheduling training for superusers and staff with Sajitec, reviewing the Toolkit which is a line of business manual for RIO staff members, and working with the accounting group on the cut-off period for accounting information. The IT staff, Compliance Officer and Retirement Accountant are fielding questions the employers have about logging into the new system and loading information into the testing system.

For the TFFR File Maintenance Audit, the Internal Auditor is reviewing transactions found on the CPAS Table reports for fiscal and retirement services staff members.

Upcoming Audit Activities

Our external audit partners, UHY, LLP, will present the 2023-24 external audit report for RIO at the November SIB Audit Committee meeting.

The investment compliance program is currently being developed through Weaver. Internal audit will be in an advisory role as policies and procedures are being developed.

The Internal Auditor will continue Phase 2 for the TFFR File Maintenance Audit by reviewing transactions on the staff table reports.

The new Pension Administration System will go live in early December 2024. The employers reporting to TFFR have been notified of cut-off dates for the old system. Training videos and the MyTFFR Business Partner Handbook can be found on the RIO Website.

In January 2025, the Supervisor of Internal Audit, along with the Executive Director and Chief Financial Officer/Chief Operating Officer will review the consultants that responded to the RFP for co-sourcing resources for internal audit.

The Internal Audit staff will continue to do quarterly reconciliations for the Executive Limitations Audit. With the update to the governance manual and all the changes occurring at RIO, this change ensures that throughout the year documentation will not be missed as part of the Executive Limitations Audit. The final report will still be issued in February 2025.

COMMITTEE ACTION REQUESTED: Committee Acceptance.

MEMORANDUM

TO: SIB Audit Committee
FROM: Dottie Thorsen, Internal Auditor
DATE: November 18, 2024
**RE: Audit Committee and Internal Audit Charter
Current Updates**

Weaver reviewed the Audit Committee and the Internal Audit Charter and recommended updates to be in alignment with the 2024 the Institute of Internal Auditors (IIA) Standards at the August SIB Audit Committee meeting.

- The SIB Audit Committee approved the charters at their August, 14, 2024 2024 meeting.
- The SIB GPR Committee approved the charters at their September 10, 2024 meeting.
- The SIB approved the charters at the September 27, 2024 meeting.

The Charters are attached.

COMMITTEE: Approval as part of the Current Updated report.

CHARTER OF THE AUDIT COMMITTEE OF THE NORTH DAKOTA STATE INVESTMENT BOARD

PURPOSE AND MISSION

The Audit Committee (the Committee) is a standing committee of the North Dakota State Investment Board (SIB) created to fulfill its fiduciary oversight responsibilities of the North Dakota Retirement and Investment Office (RIO) and to serve as a communications link among the SIB, the RIO's management and Internal Audit staff, independent auditors, and others.

The Committee will assist with 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.

AUTHORITY

The Committee's authority comes from the SIB as outlined in the SIB Governance Policy F, Standing Committees, and is authorized to provide oversight to the Internal Audit function and the independent audit for the RIO. These activities provide assurance that RIO's financial condition and results of operations are accomplished in accordance with the RIO's policies and procedures and legal and regulatory requirements. The Committee may investigate any activity of the RIO and may retain persons as necessary from within or outside the RIO having special competence to assist the Committee in the accomplishment of its responsibilities.

The RIO's Supervisor of Internal Audit will be the staff member reporting administratively to the Executive Director and functionally to the Committee.

The Executive Director will supervise the administrative activities of the Internal Audit function and independent audit activities such as securing contracts, paying fees, maintaining official reports, and other appropriate activities.

COMPOSITION

The Committee will consist of five members, selected by and approved by the SIB. Three members of the Committee will represent the three groups on the SIB: Legacy & Budget Stabilization Fund Advisory Board, a Teachers' Fund for Retirement representative, member-at-large, and two members selected from outside of the SIB and the RIO. The SIB should select committee members who are both independent and financially literate.

Membership on the Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Committee.

The Committee will elect a Chair, and a Vice Chair. A liaison will be appointed by the Chair. The Chair will preside at all meetings of the Committee. In the absence of the Chair, the Vice Chair will perform the duties of the Chair. The liaison will report annually to the SIB on the results of the independent audit and at least four times a year to the SIB and TFFR board on the activities of the Committee and other pertinent information.

The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

MEETINGS

The Committee will meet generally four times a year, with authority to convene additional meetings, as circumstances require or to adequately fulfill all the obligations and duties as outlined in this charter.

Meeting agendas will be prepared by the Supervisor of Internal Audit and approved by the Committee Chair, unless otherwise directed by the Committee and will be provided to the Committee members along with briefing materials before the scheduled committee meeting.

Committee members are expected to attend each meeting, in person or via tele- or videoconference. The Supervisor of Internal Audit, a representative of RIO's management team and others necessary to provide information and to conduct business will attend meetings. The Committee may invite staff of the RIO, auditors or others to attend meetings, as necessary. Meetings will be conducted in accordance with NDCC 44-04-17.1. The Committee may hold executive sessions as allowed under state law.

The Committee will act only on the affirmative vote of three of the committee members at a meeting. To conduct business, a quorum will be three members of the Committee. Should a quorum not be present before a scheduled meeting or during a meeting, the Chair will announce the absence of a quorum and the members will disburse. Meeting minutes will be prepared by the RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.

RESPONSIBILITIES

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The Committee has the responsibility to provide oversight in the areas of:

- Internal and external audit programs
 - Includes financial and other reporting practices.
- Internal controls
- Compliance with laws, regulations, and ethics

To this end, the Committee will:

Independent Audit

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Internal Audit staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.
- Review the results of the financial statements report with the independent auditors and the RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:
 - Any major problems encountered by the independent auditors and the resolution thereof;
 - The effect on the audit of any developments;
 - Any unresolved differences between the independent auditors and the RIO's management;
 - Any other significant comments or recommendations of the independent auditors or the RIO's management;
 - The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices; and
 - Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.
- Consider the effectiveness of the RIO's internal control system, including information technology security and control.
- Consider whether the financial statements are complete, consistent with information known to committee members, and reflect appropriate accounting principles. This will include the following, as applicable:
 - The accuracy and completeness of the information in other sections of the annual report and related regulatory filings;
 - The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
 - All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.

- Review non-audit services, if any, performed for the RIO by the independent auditors.

Audit Services

- Consider the effectiveness of the Internal Audit function, within The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing* consisting of the *Definition of Internal Auditing, Code of Ethics and the Standards*.
- Review with the Executive Director and the Supervisor of Internal Audit the Audit Charter, consult on the budget, activities, staffing, organizational structure, and performance objectives of Internal Audit.
- Review and approve the annual risk-based audit work plan, all major changes to the plan and provide Board's perspective to assist with determining internal audit priorities.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the Supervisor of Internal Audits that are beyond the scope of internal auditing.
- Assist senior management with ensuring that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.
- Bring to attention of the Board any internal audit issues the Committee determines significant and appropriate for Board consideration.
- Participate with the Executive Director in the hiring and annual evaluation of the Supervisor of Internal Audit. Work with the Executive Director on any changes in staffing, including the addition of internal audit staff.

Risk Management

- Obtain information and/or training to enhance the Committee's understanding of organization and its related risk management processes.
- Review the adequacy of the organization's policy on risk management.
- Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures.
- Review management's reports on risks and related risk mitigations.
- Hire outside experts and consultants in risk management, as necessary, subject to full board approval.

Compliance

- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, as related to the code ethics, code of conduct, fraud policies, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.
- Review the process for communicating and monitoring compliance with the code of ethics, code of conduct, and fraud policies.
- Review the findings of any examinations by regulatory agencies, any auditor observations related to compliance, and the responsiveness and timeliness of management's actions to address the findings/recommendations.
- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.

Reporting Responsibilities

- Report to the SIB about the Committee's activities, issues, and related recommendations.
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.

Other Responsibilities

- Make recommendations to the North Dakota State Auditor's Office, when requested, as it relates to selection, evaluation, and termination of independent auditors.
- Obtain the information and training needed to enhance the committee members' understanding of the role of Internal Audit and the independent auditor, the risk management process, internal controls, and a certain level of familiarity in financial reporting standards and processes so the Committee may adequately oversee.
- Serve as an open avenue of communication among the SIB, the RIO's management and Internal Audit, the independent auditors, and others.
- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.
- Inquire of management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.
- Perform other activities related to this charter as requested by the SIB.
- Institute and oversee special investigations as needed.

- Review any other reports the RIO issues that relates to the Committee's responsibilities.
- Review and assess the adequacy of the Audit Committee charter annually, requesting the SIB approval for proposed changes.
- Confirm annually the review of all responsibilities outlined in this charter.

DATE OF CREATION OF COMMITTEE AMENDMENTS: December 14, 1993

DATE AUDIT COMMITTEE CHARTER ADOPTED AND APPROVED: June 24, 1994

REVISED: November 22, 1996, February 13, 1997, November 6, 2001, May 19, 2006, May 18, 2007, June 26, 2009, May 19, 2016, January 25, 2019, April 26, 2024, and September 27, 2024.

INTERNAL AUDIT CHARTER NORTH DAKOTA STATE INVESTMENT BOARD

I. Purpose and Mission

- A. The purpose of the internal audit division is to provide an independent, objective assurance and advisory activity designed to add value and improve North Dakota Retirement and Investment Office (RIO's) operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The internal audit function enhances RIO's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve public interest.

RIO's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the State Investment Board (SIB).
- Internal auditors are free from undue influence and committed to making objective assessments.

II. Standards for the Professional Practice of Internal Auditing

- A. The internal audit division will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' Global Internal Audit Standards which incorporate the International Professional Practices Framework, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Definition of Internal Auditing and Mission of Internal Audit, to the best of their ability. The Supervisor of Internal Audit is responsible for conducting a structured internal assessment in accordance with the Standards. Additionally, the Supervisor of Internal Audit will provide regular updates to the Executive Director and the State Investment Board (SIB) Audit Committee on the internal audit division's adherence to the Standards.

III. Authority

- A. The internal audit division is established by the State Investment Board (SIB). The internal audit division's responsibilities are defined by the SIB and the Audit Committee as part of their oversight role.
- B. The Supervisor of Internal Audit will report functionally to the SIB Audit Committee and administratively (i.e., day-to-day operations) to the Executive Director. To establish, maintain, and assure that RIO's internal audit division has sufficient authority to fulfill its duties, the SIB Audit Committee will:

1. Approve the internal audit division charter.
 2. Approve the risk-based internal audit plan which includes the greatest areas of risk.
 3. Provide input to the Executive Director on the internal audit division's resource plan.
 4. Receive communications from the Supervisor of Internal Audit on the internal audit division's performance relative to its plan and other matters.
 5. The SIB Audit Committee Chair will participate in the hiring of the Supervisor of Internal Audit.
 6. The SIB Audit Committee Chair will participate in the annual evaluation of the Supervisor of Internal Audit.
 7. Make appropriate inquiries of management and the Supervisor of Internal Audit to determine whether there is inappropriate scope or resource limitations.
- C. The Supervisor of Internal Audit will have unrestricted access to, and communicate and interact directly with, the State Investment Board and the SIB Audit Committee, including in executive session and between Board meetings, as appropriate.
- D. The SIB authorizes the internal audit division to:
1. Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
 2. Develop and direct a broad, comprehensive program of internal auditing within RIO.

IV. Independence and Objectivity

- A. The Supervisor of Internal Audit will ensure that the internal audit division remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Supervisor of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.
- B. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matter to others.
- C. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
1. Accessing specific operations for which they had responsibility within the previous year.
 2. Performing any operational duties for RIO.
 3. Initiating or approving transactions external to the internal audit division.
 4. Directing the activities of any RIO employee not employed by the internal audit division, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- D. Where the Supervisor of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence and objectivity.

- E. Internal auditors will:
1. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
 2. Exhibit professional objectivity in creating, gathering, and communicating information about the activity or process being examined.
 3. Make balanced assessments of all available and relevant facts and circumstances.
 4. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.
- F. The Supervisor of Internal Audit will annually verify the internal audit division's organizational independence by assessing whether its role, in comparison to that of the first and second lines, is effectively communicated throughout the organization. Additionally, any work previously carried out by internal audit on behalf of business partners will be transitioned back to the first line.
- G. The Supervisor of Internal Audit will disclose to the SIB Audit Committee any interference and related implications and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

V. Confidentiality

- A. Documents and information given to the internal audit division shall be handled in the same prudent and confidential manner as by those employees normally accountable for them. The Supervisor of Internal Audit shall ensure that internal audit staff is instructed in the handling and safeguarding of confidential information. North Dakota's laws state that all government records must be open to the public unless otherwise authorized by a specific law as outlined in North Dakota Century Code §44-04. Internal Audit will follow North Dakota open records laws.

VI. Scope of Internal Audit Activities

- A. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments of the State Investment Board, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for RIO. Internal audit assessments include evaluating whether:
1. Risks relating to the achievement of RIO's strategic objectives are appropriately identified and managed.
 2. The actions of RIO's officers, directors, employees, and contractors are in compliance with RIO's policies, procedures, and applicable laws, regulations, and governance standards.
 3. The results of operations or programs are consistent with established goals and objectives.
 4. Operations or programs are being carried out effectively and efficiently.
 5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact RIO.
 6. Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
 7. Resources and assets are acquired economically, used efficiently, and protected adequately.
- B. The Supervisor of Internal Audit shall report periodically to the Executive Director and the SIB Audit Committee regarding:

1. The internal audit division's purpose, authority, and responsibility
 2. The internal audit division's audit work plan and performance relative to its plan.
 3. The internal audit division's status on conformance with the IIA's Code of Ethics and Standards, and any action plans.
 4. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the SIB Audit Committee
 5. Results of audit engagements or other activities.
 6. Resource requirements.
 - a) If external assistance is needed to fulfill an engagement, additional resourcing should be utilized by internal audit to complete the work.
 7. Any responses to risk that may be unacceptable to RIO.
- C. The Supervisor of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and advisory service providers as needed. The internal audit division may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided internal audit division does not assume management responsibility.
- D. Any significant changes to the annual internal audit plan should be disclosed, documented, and approved by the SIB Audit Committee.
- E. Opportunities for improving the efficiency of control processes, governance, and risk management may be identified during engagements. These opportunities will be communicated to the appropriate levels of management.
- F. Advisory Services: RIO's internal audit provides advisory services in an advisory capacity and are generally performed at the specific request of the Executive Director or other senior management. The nature and scope of an advisory engagement are subject to agreement with management. Advisory services may range from formal engagements with defined scopes and objectives to providing informal guidance in response to general inquiries. When performing advisory services, the internal auditor should maintain objectivity and not assume management responsibility.

VII. Responsibilities

- A. The Supervisor of Internal Audit is responsible to:
1. Submit, at least annually, to the Executive Director and the SIB Audit Committee a risk-based internal audit plan for review and approval. The audit plan should focus on reviews that address the greatest risks.
 2. Communicate to the Executive Director and the SIB Audit Committee the impact of resource limitations on the internal audit plan.
 3. Review and adjust the internal audit plan, as necessary, in response to changes in RIO's business, risks, operations, programs, systems, and controls.
 4. Communicate to the Executive Director and the SIB Audit Committee any significant interim changes to the internal audit plan.
 5. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing

- results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
6. Ensure that the appropriate work programs are approved prior to their implementation and any adjustments are approved promptly.
 7. Follow up on engagement findings and corrective actions, and report periodically to the Executive Director and the SIB Audit Committee any corrective actions not effectively implemented.
 8. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
 9. Ensure the internal audit division collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
 10. Ensure trends and emerging issues that could impact RIO are considered and communicated to the Executive Director and the SIB Audit Committee as appropriate.
 11. Ensure emerging trends and successful practices in internal auditing are considered.
 12. Establish and ensure adherence to policies and procedures designed to guide the internal audit division.
 13. Ensure adherence to RIO's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Executive Director and the SIB Audit Committee.
 14. Work towards conformance of the internal audit division with the Standards, with the following qualifications:
 - a) If the internal audit division is prohibited by law or regulation from conformance with certain parts of the Standards, the Supervisor of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - b) If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Supervisor of Internal Audit will ensure that the internal audit division conforms with the Standards to the best to their ability, even if the internal audit division also conforms with the more restrictive requirements of other authoritative bodies.

VIII. Quality Assurance and Improvement Program

- A. The internal audit division will develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit division as referenced in the Internal Audit Manual. This should include workpapers evidencing how work is planned and scoped, the audit period, the sampling methodology, the preparer, the reviewer, the test steps performed, and budgeted hours for each project. The program will include an evaluation of the internal audit division's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit division and identify opportunities for improvement.
- B. The Supervisor of Internal Audit will monitor and document their oversight of the internal audit division's quality assurance and improvement program. The progress made, including internal assessments, will be communicated to the Executive Director and the SIB Audit Committee.

DATE INTERNAL AUDIT CHARTER ADOPTED AND APPROVED: