

Friday, January 24, 2025, 8:30 a.m.
WSI Board Room (In-Person)
1600 E Century Ave, Bismarck, ND
[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA - (Board Action)**
- A. Pledge of Allegiance
 - B. Conflict of Interest Disclosure
 - C. Introduction of New Staff
- II. ACCEPTANCE OF MINUTES (November 22, 2024 & January 3, 2025) – (Board Action)**
- III. INVESTMENTS (60 minutes)**
- A. Quarterly Performance Update *(Board Action)* – Mr. Anderson
 - B. Internal Investment Initiative Update *(Information)* – Mr. Anderson
- (Break)
- IV. GOVERNANCE (90 minutes)**
- A. 2025 Legislative Session Update *(Board Action)* – Ms. Smith
 - 1. RIO Budget Bill (HB 1022) Update
 - 2. Incentive Comp Plan Bill (HB 1348) Update
 - 3. Legacy Fund Disclosure Website (HB 1319)
 - 4. Divestment from Chinese Companies (HB 1330)
 - B. Investment Committee Update *(Information)* – Treasurer Beadle, Mr. Anderson
 - 1. WSI Investment Policy Statement *(Board Action)* – Mr. Chin
 - C. Governance & Policy Review Committee Vacancy Appointment *(Board Action)* – Dr. Lech, Ms. Smith
 - D. Governance & Policy Review Committee Update *(Information)* – Dr. Lech, Mr. Anderson
 - 1. Introduction & First Reading of New & Amended Policies *(Board Action)*
 - E. Executive Review & Compensation Committee Update – Dr. Lech, Ms. Seiler
 - 1. SIB Self-Assessment Survey *(Board Action)* – Ms. Seiler
 - F. Executive Search Committee Update *(Information)* – Dr. Lech, Ms. Seiler
- V. QUARTERLY MONITORING REPORTS (30 minutes) – (Board Action)**
- A. Quarterly Investment Ends – Mr. Posch
 - B. Quarterly Outreach Report – Ms. Mudder
- VI. OTHER**
- A. Board Resolution for Mr. Ryan Skor *(Board Action)*
 - B. Next Meetings:
 - SIB GPR Committee – February 6, 2025, at 10:00 a.m.
 - Investment Committee – February 14, 2025, at 9:00 a.m.
 - Audit Committee – February 19, 2025, at 2:30 p.m.
 - TFFR Board – February 20, 2025, at 1:00 p.m. *(tentative)*
 - SIB Meeting – February 21, 2025, at 8:30 a.m. *(tentative)*
- VII. ADJOURNMENT**

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
NOVEMBER 22, 2024, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Rep. Glenn Bosch, LBSFAB
Joseph Heringer, Commissioner of Unv. & School Lands
Pete Jahner, Investment Professional
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Dr. Prodosh Simlai, Investment Professional
Susan Sisk, Director of OMB
Art Thompson, Director of WSI

MEMBERS ABSENT: Sen. Jerry Klein, LBSFAB
Joe Morrissette, PERS Board

STAFF PRESENT: Scott M. Anderson, CIO
Eric Chin, Deputy CIO/Head of AFM
Derek Dukart, Sr. Investment Analyst
Jennifer Ferderer, Fiscal/Investment Admin.
Chirag Gandhi, Portfolio Mgr.
Brian Hermanson, Investment Accountant
Rachel Kmetz, Fiscal/Investment Operations Mgr.
Missy Kopp, Executive Assistant
George Moss, Portfolio Mgr.
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Executive Director
Matt Posch, Portfolio Mgr.
Emmalee Riegler, Procurement/Records Coord.
Chad Roberts, DED/CRO
Ryan Skor, CFO/COO
Mike Schmitcke, Sr. Investment Accountant
Sara Seiler, Supervisor of Internal Audit
Dottie Thorsen, Internal Auditor
Nitin Vaidya, Chief Risk Officer
Tami Volkert, Compliance Spec.
Susan Walcker, Sr. Financial Accountant
Jason Yu, Risk Officer
Lance Zietlow, Portfolio Mgr.

GUESTS: Mary Kae Kelsch, Attorney General's Office
Michelle Strinden, Lt. Gov. Elect
Members of the Public

CALL TO ORDER:

Lt. Gov. Miller, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, November 22, 2024. The meeting was held in the Workforce Safety and Insurance Board Room, 1600 E Century Ave., Bismarck, ND.

The following members were present representing a quorum: Treasurer Beadle, Rep. Bosch, Commissioner Heringer, Mr. Jahner, Dr. Lech, Mr. Mickelson, Mr. Miller, Lt. Gov. Miller, Dr. Simlai, Ms. Sisk, and Mr. Thompson.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the November 22, 2024, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, MS. SISK, REP. BOSCH, MR. THOMPSON, DR. SIMLAI, MR. MICKELSON, DR. LECH, MR. JAHNER, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. MORRISSETTE

MOTION CARRIED

MINUTES:

The Board considered the minutes of the October 25, 2024, SIB meeting.

IT WAS MOVED BY REP. BOSCH AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE OCTOBER 25, 2024, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MR. THOMPSON, TREASURER BEADLE, DR. LECH, MR. JAHNER, MS. SISK, REP. BOSCH, MR. MILLER, DR. SIMLAI, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN AND MR. MORRISSETTE

MOTION CARRIED

EDUCATION:

Portfolio Construction/Asset Allocation:

Mr. Anderson provided board education on portfolio construction and asset allocation.

Mr. Miller left the meeting at 9:45 a.m.

INVESTMENTS:

Quarterly Performance Update:

Ms. Neill, Verus, provided the quarterly performance update for the period ending September 30, 2024. Ms. Neill reviewed the economy and its effect on performance. A summary of performance was provided for PERS, TFFR, WSI, and the Legacy Fund. Staff provided an update on the transition process from the previous performance consultant to Verus. The SIB had used the previous consultant for over 30 years. Transferring data from the old consultant's proprietary software system to Verus has been very time consuming and has required immense staff time to work with the consultant to verify that performance calculations were accurate. Staff has adjusted internal processes and believe that performance will be provided in a more timely manner going forward. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY INVESTMENT PERFORMANCE UPDATE.

AYES: REP. BOSCH, COMMISSIONER HERINGER, DR. SIMLAI, MS. SISK, MR. MICKELSON, TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, DR. LECH, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN, MR. MILLER, AND MR. MORRISSETTE

MOTION CARRIED

Internal Investment Initiative Update:

Mr. Anderson provided an update on the progress of the internal investment initiative. The hiring process for the internal team is progressing. Mr. Anderson reviewed the timeline and tasks that have been completed. Board discussion followed.

The Board recessed at 10:26 a.m. and reconvened at 10:47 a.m.

Ms. Sisk left the meeting at 11:00 a.m.

Mr. Miller rejoined the meeting at 11:00 a.m.

GOVERNANCE:

Legacy & Budget Stabilization Fund Advisory Board (LBSFAB) Update:

Rep. Bosch provided an update from the November 12, 2024, meeting of the LBSFAB. The board discussed points charged from investment program advisors, the in-state investment program, and the internal investment program timeline. The board discussed the cost benefit analysis that will be required during legislative session for all bills related to the Legacy Fund. The board discussed hiring an additional manager for the in-state program. Ms. Murtha highlighted the handout that Ms. Mudder created to illustrate the benefits of the in-state investment program. Board discussion followed.

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the November 8, 2024, IC meeting. The IC received an update on the internal investment program, including strategies for risk management, trading agreements, and compliance improvements. The Committee received information from Legislative Counsel on the requirement for cost-benefit analyses on legislation related to the Legacy Fund and contracted with RVK to provide this service. Updates were provided on investment services contracts to ensure effective oversight. Board discussion followed.

Governance and Policy Review (GPR) Committee Update:

Dr. Lech provided an update from the November 13, 2024, GPR meeting. The Committee discussed the potential legislation regarding procurement in collaboration with OMB and exploring data transparency for investment information. Recent discussions aim to broaden the transparency initiative to consider its impact on other entities including the Land Department. Board discussion followed.

Audit Committee Update:

Treasurer Beadle provided an update from the November 18, 2024, Audit Committee meeting. The Committee received a presentation from UHY, our external auditor, on the annual financial report audit. RIO received a clean, unmodified opinion. An RFP for internal audit co-sourcing was reviewed and approved, and the committee approved the first-quarter audit and monitoring reports. Treasurer Beadle provided a reminder to Board members about the role of the Internal Audit program and the SIB Audit Committee. He emphasized the Committee's role in governance and accountability, encouraging board members and the public to raise concerns via the committee or the anonymous fraud hotline. He reminded the Board that RIO and the SIB consistently have excellent reports from a transparency standpoint by many independent third-party consultants. If a Board member has a concern, they should bring them forward so that they can be addressed.

Dr. Lech emphasized the training that Board members receive on fiduciary duties and the responsibility of each member to express concerns to the board so they can be discussed. Or those concerns can be brought to the Audit Committee. There is no individual authority only a collective authority. Board discussion followed.

Annual Strategic Communications Update:

Ms. Mudder provided an update on the strategic communications plan that was first presented to the Board in November 2023. Several objectives in the strategic plan have been completed, but additional resources and time are needed for others, especially as the TFFR pension administration system launch has demanded significant focus. Upcoming efforts include enhancing member and employer education, improving website usability for public access, and developing an internal intranet for better staff information organization. The team is also creating content from the recent Investment Seminar and planning an asset allocation presentation for client funds to support their decision-making and educational needs. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY REP. BOSCH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ANNUAL STRATEGIC COMMUNICATIONS PLAN UPDATE.

AYES: TREASURER BEADLE, MR. JAHNER, REP. BOSCH, MR. THOMPSON, COMMISSIONER HERINGER, DR. SIMLAI, DR. LECH, MR. MILLER, MR. MICKELSON, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN, MR. MORRISSETTE, AND MS. SISK

MOTION CARRIED

QUARTERLY MONITORING REPORTS:

Quarterly Audit Activities Report:

Ms. Thorsen provided an update on Internal Audit activities for the quarter ended September 30, 2024. The internal audit team completed several key activities, including executive limitations fieldwork, an intern exit interview, and onboarding education for board members. The Weaver Internal Audit Maturity Development Project was finalized and presented to the Audit Committee. They also advanced the RFP approved in November and participated in various testing phases for the TFFR Pioneer Project. Other activities included administrative meetings and cybersecurity education sessions during the quarter. Board discussion followed.

Quarterly Budget/Fiscal Conditions:

Mr. Skor provided the quarterly budget/fiscal conditions for the quarter ended September 30, 2024. The report included budget appropriation status, an expenditure summary, and the status of the pension administration system project. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. An overview of the Gallup Engagement Survey for RIO staff was provided. RIO consistently scores above the mean scores of all state agencies and works to improve engagement each year. Ms. Murtha provided a staffing update. RIO is in the hiring process for multiple investment positions. Ms. Murtha announced her resignation as the executive director (ED). Her last day will be January 3, 2025. Ms. Murtha shared the transition plan which includes appointing an Executive Search Committee and scheduling a special SIB meeting to elect a new board chair and appoint an Interim ED.

Lt. Gov. Miller appointed Dr. Lech, Treasurer Beadle, and Mr. Jahner to the Executive Search Committee.

Board discussion followed.

BOARD RESOLUTIONS:

ND State Investment Board Resolution In Appreciation of Executive Director Jan Murtha

WHEREAS, Jan Murtha has served as the Executive Director of the ND Retirement & Investment Office with exceptional dedication, professionalism, and leadership; and

WHEREAS, under Jan’s guidance and vision, RIO has achieved significant growth including enhancements to program scope, technology-enabled processes, and communications strategy; and

WHEREAS, Jan has fostered a culture of innovation, collaboration, and integrity, leaving a lasting legacy that will continue to inspire agency staff, board members, and stakeholders; and

WHEREAS, the State Investment Board recognizes and deeply appreciates Jan’s tireless commitment as a fiduciary of the investment program, her strategic foresight and unwavering support of RIO’s mission and values, and the integrity and stability she brought to the board, agency and its programs;

NOW THEREFORE, BE IT RESOLVED that the SIB extends gratitude to Jan on behalf of the entire organization, and expresses its heartfelt thanks for her outstanding service, and extraordinary contributions to the State of North Dakota during her tenure;

BE IT FURTHER RESOLVED that the SIB extends its best wishes to Jan for continued success and happiness in her future endeavors;

BE IT FINALLY RESOLVED that this resolution be entered into the official records of the SIB as a permanent tribute to Jan Murtha’s remarkable leadership and service.

ADOPTED this 22nd day of November 2024, by the State Investment Board.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE BOARD RESOLUTION.

AYES: MR. MILLER, MR. MICKELSON, DR. LECH, MR. JAHNER, MR. THOMPSON, DR. SIMLAI, COMMISSIONER HERINGER, TREASURER BEADLE, REP. BOSCH, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN, MR. MORRISSETTE, AND MS. SISK

MOTION PASSED

ND State Investment Board Resolution In Appreciation of Lt. Governor Tammy Miller

WHEREAS, Lt. Governor Miller has served as Chair of the State Investment Board since 2023; and

WHEREAS, Lt. Governor Miller has diligently carried out her duties and responsibilities as a member of the SIB and fiduciary of the SIB Program; and

WHEREAS, Lt. Governor Miller has been a valued and dedicated member of the SIB in helping maintain the integrity and stability of the SIB Program.

NOW THEREFORE, BE IT RESOLVED that Lt. Governor Miller be duly recognized by the SIB for her unselfish dedication to the State of North Dakota through her service on the State Investment Board.

DATED this 22nd day of November 2024, by the State Investment Board.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE APPROVE THE BOARD RESOLUTION.

AYES: REP. BOSCH, COMMISSIONER HERINGER, DR. LECH, MR. MILLER, TREASURER BEADLE, DR. SIMLAI, MR. MICKELSON, MR. JAHNER, AND MR. THOMPSON

NAYS: NONE

ABSENT: SEN. KLEIN, MR. MORRISSETTE, AND MS. SISK

MOTION PASSED

ND State Investment Board Resolution In Appreciation of Susan Sisk

WHEREAS, Director Sisk has served as a member of the State Investment Board since 2023; and

WHEREAS, Director Sisk has diligently carried out her duties and responsibilities as a member of the SIB and fiduciary of the SIB Program; and

WHEREAS, Director Sisk has been a valued and dedicated member of the SIB in helping maintain the integrity and stability of the SIB Program.

NOW THEREFORE, BE IT RESOLVED that Director Sisk be duly recognized by the SIB for her unselfish dedication to the State of North Dakota through her service on the State Investment Board.

DATED this 22nd day of November 2024, by the State Investment Board.

Mr. Miller left the meeting at 11:53 a.m.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. THOMPSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE BOARD RESOLUTION.

AYES: DR. SIMLAI, REP. BOSCH, TREASURER BEADLE, COMMISSIONER HERINGER, MR. THOMPSON, DR. LECH, MR. JAHNER, MR. MICKELSON, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN, MR. MILLER, MR. MORRISSETTE, AND MS. SISK

MOTION PASSED

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY AUDIT ACTIVITES, QUARTERLY BUDGET/FISCAL CONDITIONS, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

AYES: MR. THOMPSON, MR. JAHNER, MR. MICKELSON, DR. SIMLAI, REP. BOSCH, COMMISSIONER HERINGER, DR. LECH, TREASURER BEADLE, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: SEN. KLEIN, MR. MILLER, MR. MORRISSETTE, AND MS. SISK

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 12:02 p.m.

Prepared by: Missy Kopp, Assistant to the Board

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JANUARY 3, 2025, SPECIAL BOARD MEETING (VIRTUAL)**

MEMBERS PRESENT: Kelly Armstrong, Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Rep. Glenn Bosch, LBSFAB
Joseph Heringer, Commissioner of Unv. & School Lands
Pete Jahner, Investment Professional
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Joe Morrissette, Director of OMB
Dr. Prodosh Simlai, Investment Professional
Gerald Buck, PERS Board,
Art Thompson, Director of WSI

MEMBERS ABSENT: Sen. Jerry Klein, LBSFAB

STAFF PRESENT: Scott M. Anderson, CIO
Eric Chin, Deputy CIO/Head of AFM
Rachel Kmetz, Fiscal/Investment Operations Mgr.
Missy Kopp, Executive Assistant
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Executive Director
Emmalee Riegler, Procurement/Records Coord.
Chad Roberts, DED/CRO
Ryan Skor, CFO/COO
Sara Seiler, Supervisor of Internal Audit

GUESTS: Mary Kae Kelsch, Attorney General's Office
Hope Wedul, HRMS
Members of the Public

CALL TO ORDER:

Dr. Rob Lech, Vice Chair, called the State Investment Board (SIB) special meeting to order at 11:00 a.m. on Friday, January 3, 2025. The meeting was held virtually.

The following members were present representing a quorum: Gov. Armstrong, Treasurer Beadle, Mr. Buck, Rep. Bosch, Commissioner Heringer, Mr. Jahner, Dr. Lech, Mr. Mickelson, Mr. Miller, Mr. Morrissette, Dr. Simlai, and Mr. Thompson.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the January 3, 2025, meeting.

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

AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, MR. BUCK, REP. BOSCH, MR. THOMPSON, DR. SIMLAI, MR. MICKELSON, DR. LECH, MR. MORRISSETTE, MR. JAHNER, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: SEN. KLEIN

MOTION CARRIED

GOVERNANCE:

Election of Chair:

Treasurer Beadle nominated Gov. Armstrong for Board Chair.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. THOMPSON AND CARRIED BY A ROLL CALL VOTE TO CLOSE NOMINATIONS AND CAST A UNANIMOUS BALLOT FOR GOV. ARMSTRONG AS BOARD CHAIR.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MR. MORRISSETTE, MR. THOMPSON, TREASURER BEADLE, DR. LECH, MR. JAHNER, MR. BUCK, REP. BOSCH, MR. MILLER, AND DR. SIMLAI

NAYS: NONE

ABSENT: SEN. KLEIN

MOTION CARRIED.

Executive Search Committee Report and Recommendations:

Dr. Lech reviewed the actions taken by the Committee to find an Interim Executive Director (ED). The Committee recommended Ms. Jodi Smith as the finalist for Interim ED. Dr. Lech outlined Ms. Smith's experience and recommended her salary be kept at the current ED salary. The Board assigned Ms. Seiler as the agency contact to extend the offer on behalf of the Board. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO OFFER MS. JODI SMITH THE INTERIM ED POSITION AT THE CURRENT ED SALARY.

AYES: REP. BOSCH, COMMISSIONER HERINGER, DR. SIMLAI, MR. BUCK, MR. MORRISSETTE, MR. MICKELSON, MR. MILLER, TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, DR. LECH, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: SEN. KLEIN

MOTION CARRIED

Dr. Lech reviewed the Committee's recommendation for the permanent ED and CFO/COO position which will be vacant after Mr. Skor resigned. The Committee recommends issuing an RFP for a search firm to recruit for the ED and CFO/COO positions. Ms. Murtha explained that the use of the search firm for the CFO/COO position would be to provide a list of candidates to RIO staff who will complete that hiring process.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE USE OF AN EXECUTIVE SEARCH FIRM FOR BOTH THE PERMANENT ED AND CFO/COO POSITIONS AND TO DELEGATE AUTHORITY TO THE EXECUTIVE SEARCH COMMITTEE TO ISSUE THE RFP, SELECT THE FIRM, AND DESIGNATE FINALIST CANDIDATES FOR THE ED POSITION.

AYES: TREASURER BEADLE, MR. JAHNER, REP. BOSCH, MR. THOMPSON, COMMISSIONER HERINGER, MR. MORRISSETTE, DR. SIMLAI, DR. LECH, MR. MILLER, MR. BUCK, MR. MICKELSON, AND GOV. ARMSTRONG.

NAYS: NONE

ABSENT: SEN. KLEIN

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Gov. Armstrong adjourned the meeting at 11:22 a.m.

Prepared by: Missy Kopp, Assistant to the Board

INVESTMENT PERFORMANCE

Scott M Anderson, CFA – Chief Investment Officer

January 24, 2025

NORTH
Dakota
Be Legendary.

Retirement & Investment

THE MARKET

NORTH
Dakota
Be Legendary.

Retirement & Investment

PERFORMANCE – BENCHMARK INDICES

Summary of Returns November 30, 2024					
Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 1000	28.1%	34.3%	15.6%	13.2%	18.0%
Russell 2000	21.6%	36.3%	9.9%	9.0%	22.9%
S&P 500	28.1%	33.8%	15.7%	13.3%	17.8%
MSCI ACWI IMI Net	19.6%	25.8%	11.0%	9.1%	14.4%
MSCI World ex US	7.6%	13.4%	6.3%	5.2%	14.5%
MSCI Emerging Markets	7.7%	11.8%	3.2%	3.2%	15.9%
Bloomberg Aggregate	2.9%	6.9%	0.0%	1.5%	4.8%
Bloomberg Gov/Credit	2.9%	6.7%	0.1%	1.7%	5.1%
Bloomberg US High Yield	8.7%	12.7%	4.7%	5.1%	5.2%
NCREIF Property Index (09/30/2024)	-0.5%	-3.5%	3.3%	5.9%	4.1%

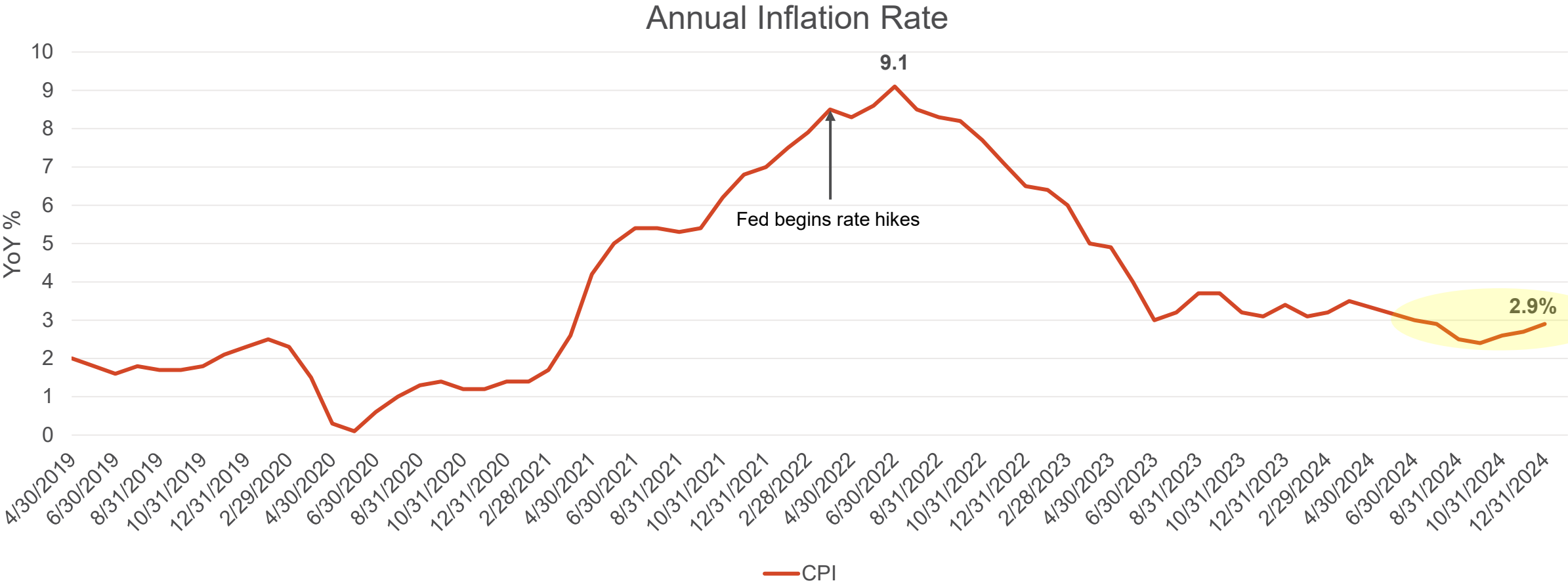
Source: Bloomberg

PERFORMANCE – BENCHMARK INDICES

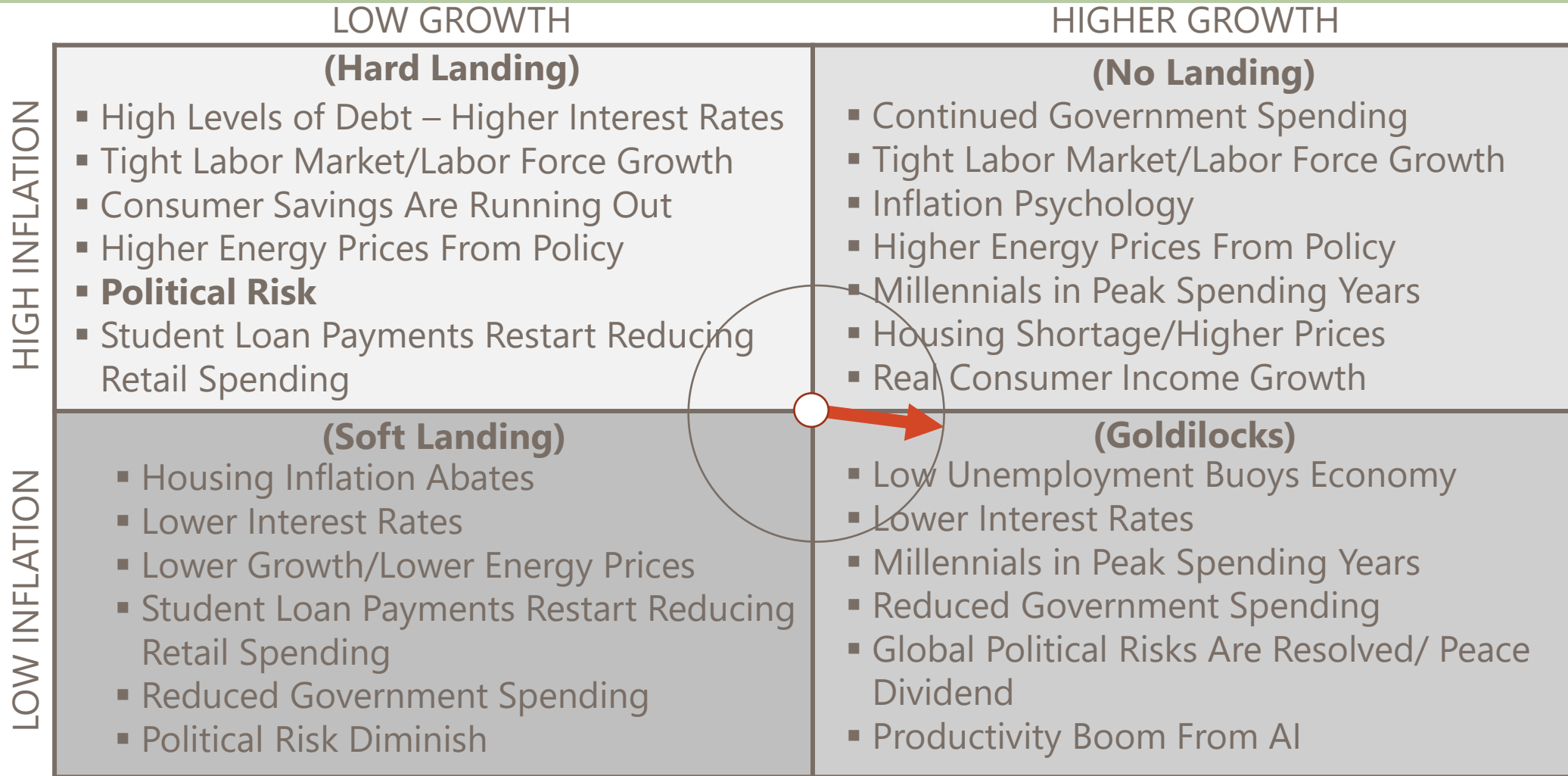
Summary of Returns January 17, 2025					
Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 1000	2.3%	28.3%	14.1%	13.3%	18.0%
Russell 2000	2.1%	20.5%	7.4%	8.3%	22.9%
S&P 500	2.0%	28.2%	14.3%	13.5%	17.8%
MSCI ACWI IMI Net	1.6%	21.0%	9.5%	9.4%	14.4%
MSCI World ex US	1.2%	9.6%	5.1%	5.6%	14.4%
MSCI Emerging Markets	-0.4%	14.3%	1.0%	3.6%	15.8%
Bloomberg Aggregate	0.0%	2.5%	-0.4%	1.2%	4.8%
Bloomberg Gov/Credit	0.0%	2.4%	-0.3%	1.3%	5.1%
Bloomberg US High Yield	0.8%	9.9%	4.2%	5.3%	5.2%
NCREIF Property Index (09/30/2024)	-0.5%	-3.5%	3.3%	5.9%	4.1%

Source: Bloomberg

INFLATION PAST 5 YEARS



COMPETING NARRATIVES



GOOD NEWS ¹

BLOOMBERG AGG YIELD¹: 4.94%



**BEST GUESS FOR
FUTURE BOND
RETURN!**

1. Fixed income benchmark; yields are the best estimate of future bond returns.

PERFORMANCE

NORTH
Dakota
Be Legendary.

Retirement & Investment

PERS PERFORMANCE

Preliminary Estimates

AS OF November 30, 2024 PERS \$4.6 Billion	Year to Date	1 Year	3 year	5 Year¹	10 Year	Risk (5 Year)
Total Fund Return - Net	10.6%	13.9%	3.9%	7.8%	7.4%	9.9%
Policy Benchmark Return	10.9%	14.8%	4.0%	7.5%	6.9%	10.2%
Total Relative Return¹	-0.7%	-0.9%	-0.1%	0.3%	0.5%	

1. Corridor benchmark applied only in year-to-date numbers

TFFR PERFORMANCE

Preliminary Estimates

AS OF November 30, 2024
TFFR \$3.4 Billion

	Year to Date	1 Year	3 year	5 Year ¹	10 Year	Risk (5 Year)
Total Fund Return - Net	9.7%	12.8%	3.5%	7.5%	7.2%	9.5%
Policy Benchmark Return	9.9%	13.4%	3.5%	7.2%	6.7%	9.9%
Total Relative Return¹	-0.2%	-0.6%	0.0%	0.3%	0.5%	

1. Corridor benchmark applied only in year-to-date numbers

PERFORMANCE – LEGACY

Preliminary Estimates

AS OF November 30, 2024 Legacy \$11.8 Billion	Year to Date	1 Year	3 year	5 Year¹	10 Year	Risk (5 Year)
Total Fund Return - Net	11.5%	16.1%	3.8%	6.9%	6.7%	10.6%
Policy Benchmark Return	11.2%	15.7%	3.2%	6.2%	6.0%	10.5%
Total Relative Return¹	0.3%	0.4%	0.6%	0.7%	0.7%	

1. Corridor benchmark applied only in year-to-date numbers

PERFORMANCE – WSI

Preliminary Estimates

AS OF November 30, 2024
WSI \$2.2 Billion

Year to Date	1 Year	3 year	5 Year ¹	10 Year	Risk (5 Year)	
Total Fund Return - Net	6.4%	10.5%	0.7%	3.4%	4.7%	7.5%
Policy Benchmark Return	5.7%	8.8%	0.8%	2.8%	3.6%	7.0%
Total Relative Return¹	0.7%	1.7%	-0.1%	0.6%	1.1%	

1. Corridor benchmark applied only in year-to-date numbers

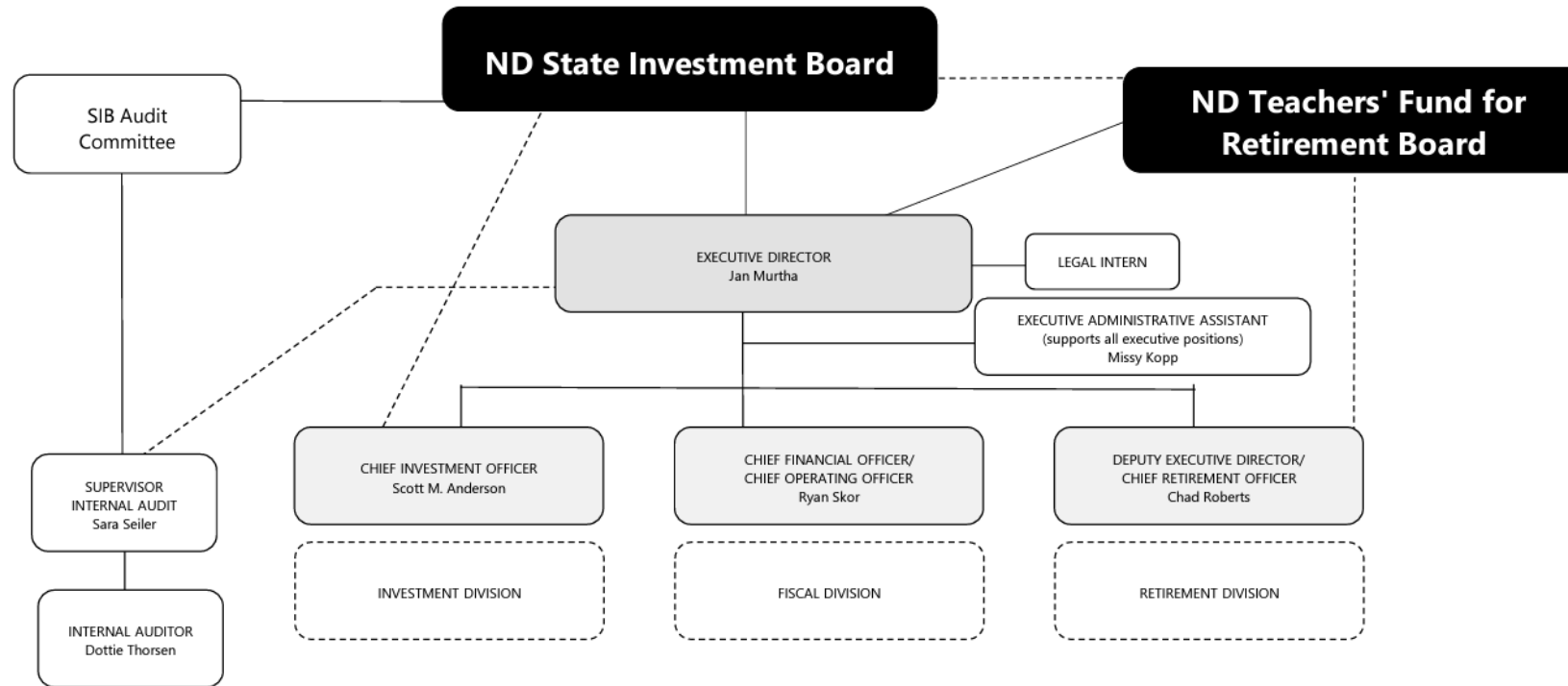
PATHWAY TO STRATEGY

Scott M Anderson, CFA

January 24, 2025

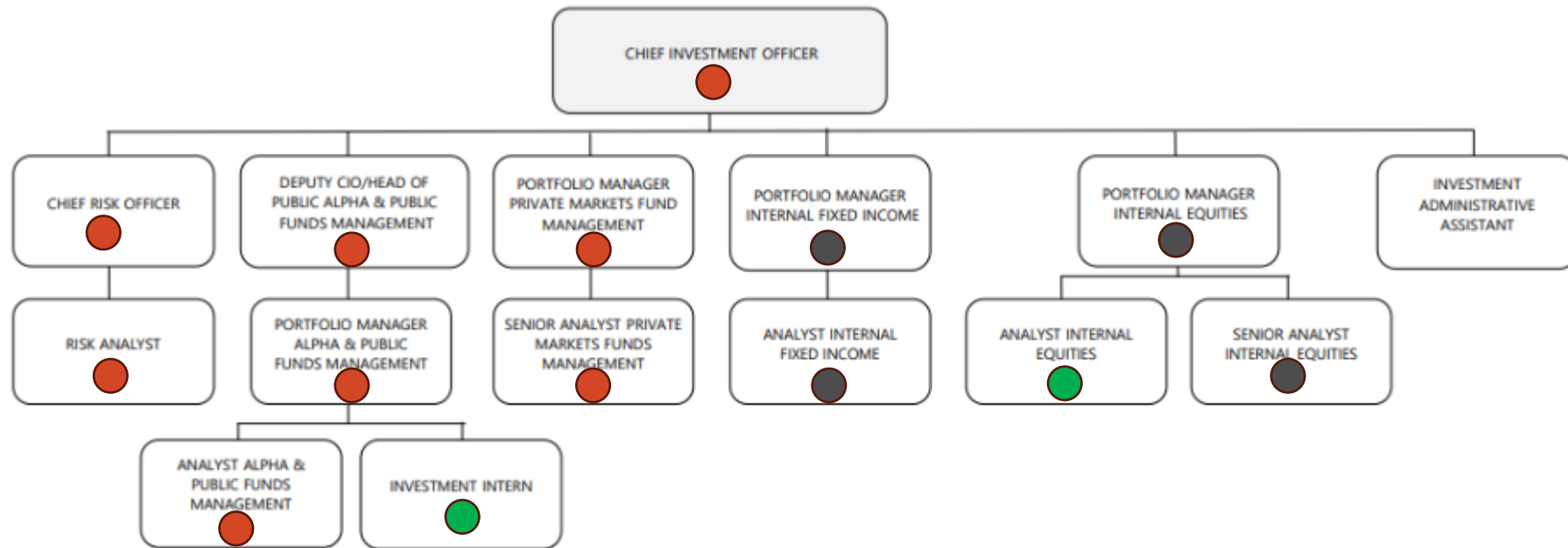
THE RIO ORGANIZATION STRUCTURE

RETIREMENT AND INVESTMENT OFFICE ORGANIZATIONAL CHART



THE INVESTMENT TEAM 1.0 AND 2.0¹

RETIREMENT AND INVESTMENT OFFICE ORGANIZATIONAL CHART - INVESTMENT



- Team Before Internal 1.0
- Hired Internal 1.0
- Posting Internal 1.0 and Intern

1. The average #of Investment professionals for an organization with an internal program and about \$20 billion of AUM (CEM benchmarking) – 40 vs 19; SD has 28

CRITICAL PATHS OF SUCCESS

Key Milestones	Start Date	End Date	%	Status
1. Planning	08/09/24	12/18/24	100%	Completed
2. Technical Infrastructure	08/19/24	12/16/25	100%	Completed
3. Aladdin Risk	08/29/24	02/03/25	60%	On Track
4. BPR	08/30/24	12/20/24	100%	Completed
5. Compliance	09/11/24	02/10/25	40%	On Track
6. Data Interfaces	09/09/24	02/03/25	75%	On Track
7. Market Data	09/02/24	02/03/25	98%	On Track
8. System Configuration	09/16/24	01/31/25	15%	On Track
9. Training	10/07/24	01/31/25	10%	On Track
10. UAT Start		02/10/25	0%	Not Started

Critical Path Activities

- Broker and FCM contracts
- Outsources trading
- SWIFT, NYFIX, Traiana Connectivity
- Training and Testing
- Index strategy guideline approval



Roll-out
scheduled in
March

INTERNAL INVESTMENT MANAGEMENT INITIATIVE

NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
<ul style="list-style-type: none"> Begin Incentive And Unclassified Role Project Board Approves Benchmark Memo Coordinate Hurdle Rate Discussions With Incentive Comp And Unclassified Role Project Establish Executive Steering Committee For IT Project. Approve Alternative It Procurement Issue It Rfp 	<ul style="list-style-type: none"> Identify Investment Role Titles And Benchmark Consultant Reviews Incentive Comp Prototype Complete Daily Allocation Process Design 	<ul style="list-style-type: none"> Refine Incentive Comp Plan 1.0, Receive And Score MS/PMS RFP Responses Select OMS/PMS Vendors For Call Back 	<ul style="list-style-type: none"> Issue Compliance Process RFP Issue Performance Consultant RFP Approve Incentive Comp 1.0 And Role Comp OMS/PMS Vendor Demonstrations Select OMS/PMS Vendor For Negotiation Complete Daily Allocation Process 	<ul style="list-style-type: none"> Select Performance RFP Consultant Finalists Select Compliance Process Finalists Refine And Recruit Roles Recruit New Investment Roles New Role Long List Screening OMS/PMS Vendor Negotiation <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> Launch Data Warehouse Project Begin To Develop Data Warehouse Strategy Complete Daily Data Quality Process </div>	<ul style="list-style-type: none"> Begin Internal Direct Overlay And Rebalance Strategy Hire A Securities Lawyer And Begin FCM And ISDA Negotiations. Interview And Hire Performance Consultant Interview And Hire Compliance Consultant New Role Long List Screening Begin Compliance Process Design Sign OMS/PMS Contract Begin OMS/PMS Incremental Implementation Hire Ops Roles 	<ul style="list-style-type: none"> Approve Internal Direct Overlay And Rebalance Strategy Select And Call Back Candidates Interview Second Round Candidates** Implement Direct Overlay And Rebalance OMS/PMS Requirements <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> Develop Large It Project Data Architecture Select Data Warehouse Solution </div> <ul style="list-style-type: none"> Begin Compliance Process Design Complete Daily Reconciliation Design 	<ul style="list-style-type: none"> Select And Call Back Final Round Candidates** Interview Final Round Candidates** Complete First FCM Agreement, Continue ISDA And Master Confirm Agreements Finalize Compliance Process Design <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> Begin Design Custodian Feed To Data Warehouse </div>
<p>**Equity Portfolio Manager and Senior Analyst Overlays</p>							

NEAR TERM TIMELINE OF ACTIVITIES - CONTINUED

JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB
<ul style="list-style-type: none"> ✓ Hire Initial Internal Direct Team** ✓ Continue Recruitment ✓ Onboard Initial Internal Direct Team ▪ Incorporate Compliance Into OMS Implementation ▪ Finalize OMS Integration With Custodian ▪ Roll-out PMS Daily Reconciliation 	<ul style="list-style-type: none"> ▪ Pilot Internal Direct Cash Overlay And Rebalance ▪ Test OMS And Integration With Custodian/External Traders On Internal Direct Overlay And Rebalance Pilot ✓ Hire Initial Internal Direct Team ✓ Continue Recruitment ▪ Continue Data Warehouse Project ▪ Begin Data Exchange Project 	<ul style="list-style-type: none"> ✓ Develop Legislative Strategy ✓ Begin Legislative Outreach ✓ Begin To Develop Index Strategy ▪ Scale Up Overlay And Rebalance Strategy ✓ Continue Recruitment ▪ Continue Data Warehouse Project ▪ Begin Data Exchange RFP 	<ul style="list-style-type: none"> ✓ Develop Tools And Data For Indexing ✓ Continue Legislative Outreach ▪ Complete Second FCM Agreement, Continue ISDA And Master Confirm Agreements ✓ Continue Recruitment ▪ Continue Data Warehouse Project ▪ Select Data Exchange Vendor 	<ul style="list-style-type: none"> ✓ Develop Tools And Data For Indexing ✓ Continue Legislative Outreach ✓ Continue Recruitment ▪ Continue Data Warehouse Project ▪ Negotiate Data Exchange Contract ✓ Update Compliance for Internal Indexing 	<ul style="list-style-type: none"> ▪ Approve Indexing Policy ✓ Continue Legislative Outreach ✓ Continue Recruitment ▪ Continue Data Warehouse Project ▪ Launch Data Exchange Project ▪ Incorporate Indexing Into OMS Implementation Including Compliance 	<ul style="list-style-type: none"> ✓ Continue Legislative Outreach ✓ Continue Recruitment ▪ Continue Data Warehouse Project ▪ Continue Data Exchange Project ▪ Test OMS For Indexing With Custodian On A Small Pilot 	

2025-2027 Legislative Session RIO Bill Tracker

Bill #	Topic	Description	Sponsor	Hearing Date	Committee	Status	Staff Recommendation
HB 1015	Budget bill	OMB Budget bill	Appropriations Committee	01/22, 10:15 AM	House Appro - Govn't Ops	Introduced, referred to Appro	Monitor
HB 1022	Budget bill	RIO's Budget bill	Appropriations Committee	01/28, 8:30 AM	House Appro - Govn't Ops	Introduced, referred to Appro	Support
HB 1026	Investment	Moving State Bonding Fund from Insurance to OMB	Legislative Management	n/a	House IBL	Introduced, referred to IBL	Neutral
HB 1027	Investment	Moving Fire & Tornado Fund from Insurance to OMB	Legislative Management	n/a	House IBL	Introduced, referred to IBL	Neutral
HB 1117	Retirement	TFFR Required Minimum Distribution	TFFR via Gov't Vets Affairs	n/a	House GVA	Passed House 87-0 01/21	Support
HB 1163	Investment	Relating to a legacy fund school construction assistance loan fund; to amend and reenact section 21-10-11, relating to the legacy and budget stabilization fund advisory board; and to provide a continuing appropriation.	Representatives Jonas, Longmuir, Murphy, Richter, Schreiber-Beck, Warrey	01/15, 11:00 AM	House Educ	Introduced, referred to Educ	Neutral
HB 1176	Investments	Relating to legacy fund definitions, the legacy earnings fund, and estimated property tax and budget hearing notices; to provide an appropriation; to provide a transfer; to provide an effective date; to provide an expiration date; and to declare an emergency.	Rep. Nathe, Sen. Bekkedahl, Rep. Hagert, Rep. Headland, Sen. Hogue, Rep. Lefor, Rep. Porter, Sen. Rummel, Rep. Stemen, Rep. Swiontek, Rep. Vigasaa, Sen. Weber	01/14, 9:00 AM	House Fin & Tax	Introduced, referred to Finance and Taxation.	Neutral
HB 1184	Investment	Relating to digital asset and precious metal investments.	Rep. Toman, Christy, Heilman, Hendrix, D. Johnston, S. Olson, Porter and Senators Barta, Cory, Meyer, Paulson	01/14, 9:00 AM	House IBL	Introduced, referred to IBL	Neutral
HB 1285	Retirement	Transfer of \$49.2M from the General Fund to the TFFR to provide a one-time supplemental payment to recipients.	Rep. Schatz, Rep. Jonas, Rep. Mitskog, Rep. Schreiber-Beck, Rep. Monson	n/a	House GVA	Introduced, referred to House GVA	Neutral
HB 1309	Investments	Relating to state contracts with certain companies that boycott energy, mining, and production agriculture.	Rep. Heilman, Sen. Enget, Rep. Marschall, Rep. Novak, Rep. M. Ruby, Sen. Walen	n/a	House IBL	Introduced, referred to House IBL	Oppose
HB 1319	Investments	Relating to a Legacy Fund disclosure website	Rep. Satrom, Sen. Conley, Rep. Ostlie	n/a	House Fin & Tax	Introduced referred to Finance and Taxation	Oppose
HB 1330	Investments	Relating to divestment from legacy fund investments in Chinese companies.	Rep. Satrom, Sen. Conley, Rep. Grueneich, Sen. Lemm, Rep. Ostlie	n/a	House IBL	Introduced, referred to IBL	Oppose
HB 1348	Investments	Repeal RIO's removal of the fiscal and investment FTE's from OMB's classified system	Rep. Ostlie, Rep. Beltz, Sen. Conley, Sen. Cory, Rep. Satrom, Sen. Weber	n/a	House GVA	Introduced, first reading, referred to GVA	Oppose

HB 1435	Investments	Legacy fund definition and legacy earnings fund	Rep. Kempenich and Warrey, Sen. Bekkadah, Kessel and Meyer	n/a	House Fin & Tax	Introduced, first reading, (emergency), referred Finance and Taxation Committee	Neutral
HB 1453	Investments	Relating to prohibiting natural asset companies; and to provide a penalty.	Rep Hauck, Fisher, Hagert, Morton, Novak, Dressler and Sen Gerhardt, Kessel, Luick, Thomas	n/a	House Agriculture	Introduced, first reading, referred to Agriculture	Neutral
HCR 3001	Investment	Encouraging the Treasurer and SIB to invest a portion of General Fund/Budget Stabilization/ Legacy in digital assets and precious metals.	Reps. Toman, Heilman, Hendrix, D. Johnston, S. Olson, Porter, and Sens. Barta, Paulson	01/14, 9:00 AM	House IBL	Introduced, referred to IBL	Neutral
SB 2072	Procurement	Red tape reduction relating to the contracts limiting liability to the state (the issue being we can't accept many low-cost, web-based application's terms and conditions due to state law).	Senate State and Local Govn't at request of OMB.	n/a	Senate State & Local Gov	Passed Senate, 46 yeas and 0 nays. House rec'd from Senate.	Support
SB 2097	Investments	Creation of a Rural Community Endowment Fund and including under 21-10.	Sens. Mathern & Wanzek, Rep. Brandenburg	n/a	Senate AgVA	Introduced, referred to AgVA	Neutral
SB 2134	Retirement	Calls for a change in language to allow the Superintendent and Treasurer to appoint a designee to the TFFR Board	Senator Roers	n/a	Senate State & Local Gov	Passed Senate, 47 yeas 0 nays, 01/21	Support
SB 2151	Investments	Relating to a county and township bridge fund and a legacy earnings tax relief fund.	Sen. Thomas, Rep. Brandenburg, Rep. Monson, Sen. Myrdal, Sen. Wanzek, Sen. Weber	01/22, 8:30 AM	Senate Appro-Gov'n't Ops	Introduced, referred to Appro	Neutral
SB 2332	Investments	Creates an biennial transfer of \$25M from the legacy earnings fund to the emergency services fund	Sen, Boshee, Rep, Vandenberg, Rep. Mitskog, Rep. Nelson	n/a	State and Local	Introduced, Referred to SLG	Neutral

HOUSE BILL NO. 1022

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the retirement and
2 investment office.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
5 as may be necessary, are appropriated from special funds, to the retirement and investment
6 office for the purpose of defraying the expenses of the retirement and investment office, for the
7 biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	Adjustments or <u>Enhancements</u>	<u>Appropriation</u>
10 Salaries and wages	\$8,552,467	\$0	\$8,552,467
11 Operating expenses	2,731,037	0	2,731,037
12 Contingencies	<u>200,000</u>	<u>0</u>	<u>200,000</u>
13 Total special funds	\$11,483,504	\$0	\$11,483,504
14 Full-time equivalent positions	34.00	0.00	34.00

NDRIO BUDGET: Burgum vs Armstrong

House Bill 1022

2025-27 Biennium Base Level	Burgum Budget				Armstrong Budget				Armstrong Budget Compared to Burgum Budget Increase (Decrease)			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2025-27 Ongoing Funding Changes	34.00	\$0	\$11,483,504	\$11,483,504	34.00	\$0	\$11,483,504	\$11,483,504	0.00	\$0	\$0	\$0
Salary Increase			\$586,608	\$586,608			\$471,836	\$471,836			(\$114,772)	(\$114,772)
Health Insurance Increase			\$210,185	\$210,185			\$204,180	\$204,180			(\$6,005)	(\$6,005)
Funding to replace the 2023-25 vacant FTE pool			\$238,129	\$238,129			\$238,129	\$238,129				0
Funding to replace the 2023-25 new FTE pool			\$1,547,947	\$1,547,947			\$1,547,947	\$1,547,947				0
Funding for FTE positions partially funded in 2023-25			\$1,236,914	\$1,236,914			\$1,236,914	\$1,236,914				0
Transfers \$70,450 from operating to salaries – Base												0
FTE fiscal services position	1.00		\$226,771	\$226,771					(1.00)		(\$226,771)	(\$226,771)
Information technology rate increases			\$61,562	\$61,562			\$61,562	\$61,562				0
Information technology software hosting fees			\$751,334	\$751,334			\$751,334	\$751,334				0
Investment conference hosting expenses			\$20,000	\$20,000			\$20,000	\$20,000				0
Total ongoing funding changes	1.00	\$0	\$4,879,450	\$4,879,450	0.00	\$0	\$4,531,902	\$4,531,902	(1.00)	\$0	(\$347,548)	(\$347,548)
One-time Funding Items												
Information technology software support			\$250,000	\$250,000			\$250,000	\$250,000				\$0
Total one-time funding changes	0.00	\$0	\$250,000	\$250,000	0.00	\$0	\$250,000	\$250,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	1.00	\$0	\$5,129,450	\$5,129,450	0.00	\$0	\$4,781,902	\$4,781,902	(1.00)	\$0	(\$347,548)	(\$347,548)
2025-27 Total Funding	35.00	\$0	\$16,612,954	\$16,612,954	34.00	\$0	\$16,265,406	\$16,265,406	(1.00)	\$0	(\$347,548)	(\$347,548)

BE Legendary.

NDRIO BUDGET: Request Summary

				Optional Package #1	Optional Package #2	Optional Package #3	Optional Package #4	Optional Package #5	
	Base Budget	Adjustments to Base	Adjusted Base	2nd Half New Investment Positions	Cost to Continue IT Hosting/ Support	Cost to Continue HR	Incremental Agency Evolution/ Retirement Ed	Internal Investment 2.0	Total Agency Request
Salaries and Wages	\$ 8,552,467	\$1,856,526	\$ 10,408,993	\$1,236,914	-	\$142,302	\$418,092	\$2,978,180	\$15,184,481
Operating Expenses	\$2,731,037	(\$208,822)	\$2,522,215	-	\$1,201,268	-	\$90,450	\$212,200	\$4,026,133
Contingencies	\$200,000	(\$200,000)	-	-	-	-	\$200,000	-	\$200,000
Total Special Funds	\$ 11,483,504	\$1,447,704	\$ 12,931,208	\$1,236,914	\$1,201,268	\$142,302	\$708,542	\$3,190,380	\$ 19,410,614
FTE	34.00	-	34.00	-	-	-	2.00	8.00	44.00

Adjustment to base include adding back funding from Vacancy Pool of \$238,129, new FTE Pool of \$1,547,947, as well as changes made to meet the 3% reduction request from the Governor’s recommendation. Within the changes to meet the 3% reduction, RIO also moved \$70,450 from operating expenses to salaries and wages.

HOUSE BILL NO. 1319

Introduced by

Representatives Satrom, Ostlie

Senator Conley

1 A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota
2 Century Code, relating to a legacy fund disclosure website.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1.** A new section to chapter 21-10 of the North Dakota Century Code is created
5 and enacted as follows:

6 **Legacy fund disclosure website**

7 1. The state investment board shall maintain a publicly accessible website containing
8 information regarding all legacy fund investments.

9 2. The website must list all companies, funds, derivatives, and other financial
10 mechanisms in which the legacy fund is invested. For each investment, the website
11 must list the:

12 a. Name of the company, fund, derivative, or other financial mechanism;

13 b. Country of incorporation or, if there is not a country of incorporation, the county of
14 the principle manager of the fund, derivative, or other financial mechanism; and

15 c. Amount of legacy fund money invested in the company, fund, derivative, or other
16 financial mechanism.

HOUSE BILL NO. 1330

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

1 A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota
2 Century Code, relating to divestment from legacy fund investments in Chinese companies.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1.** A new section to chapter 21-10 of the North Dakota Century Code is created
5 and enacted as follows:

6 **Prohibition against Chinese investment.**

7 1. As used in this section:

- 8 a. "China" means the government of the People's Republic of China, the Chinese
9 Communist Party, the Chinese military, or any instrumentality thereof.
- 10 b. "Chinese company" means a company publicly known to be majority-owned by,
11 controlled by, or subject to the jurisdiction or direction of China.
- 12 c. "Company" means a sole proprietorship, an organization, an association, a
13 corporation, a partnership, a joint venture, a limited partnership, a limited liability
14 partnership, a limited liability company, or any other entity or business
15 association, including all wholly owned subsidiaries, majority-owned subsidiaries,
16 and parent companies, or an affiliate of such entity or business associate which
17 exists for the purpose of making a profit.
- 18 d. "Direct holdings" means all securities of a company which are held directly by the
19 legacy fund or in an account or fund in which the legacy fund owns all shares or
20 interests. The term does not include indirect holdings in actively managed
21 investment funds, including a private equity fund, or holdings in exchange-traded
22 funds.
- 23 e. "Indirect holdings" means all securities of a company which are held in a
24 commingled fund or other collective investment, such as a mutual fund, in which

- 1 the legacy fund owns shares or interests, together with other investors not
2 subject to this chapter.
- 3 f. "Majority-owned" means to have ownership of more than fifty percent of the
4 outstanding equity interests of a company.
- 5 2. The legacy fund investments may not consist of direct holdings in a Chinese company.
- 6 3. The state investment board shall:
- 7 a. Initiate a review of all direct holdings of legacy fund investments to determine
8 which direct holdings, if any, include securities of a Chinese company;
- 9 b. Develop a divestment plan for all direct holdings in Chinese companies, which
10 must divest at least twenty percent of the total value of Chinese investments held
11 as of August 1, 2025, per year; and
- 12 c. Complete divestment from direct holdings in Chinese companies under the
13 divestment plan pursuant to subdivision b no later than August 1, 2030.

HOUSE BILL NO. 1348

Introduced by

Representatives Ostlie, Beltz, Satrom

Senators Conley, Cory, Weber

1 A BILL for an Act to amend and reenact section 54-44.3-20 of the North Dakota Century Code,
2 relating to exemptions from the employee classification system; and to repeal section
3 54-52.5-04 of the North Dakota Century Code, relating to an incentive compensation plan for
4 the state retirement and investment office.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 54-44.3-20 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **54-44.3-20. Categories of positions in the state service.**

9 All positions in the state service are included in the classified service, except:

- 10 1. Each official elected by popular vote and each person appointed to fill vacancies in an
11 elective office, one principal assistant, and one private secretary.
- 12 2. Members of boards and commissions required by law.
- 13 3. Administrative heads of departments required by law, other than the superintendent of
14 the life skills and transition center, the superintendent of North Dakota vision services -
15 school for the blind, the superintendent of the school for the deaf, and the state
16 librarian.
- 17 4. Officers and employees of the legislative branch of government.
- 18 5. Members of the judicial branch of government of the state of North Dakota and their
19 employees and jurors.
- 20 6. Persons temporarily employed in a professional or scientific capacity as consultants or
21 to conduct a temporary and special inquiry, investigation, or examination for the
22 legislative branch of government or a department of the state government.
- 23 7. Positions deemed to be inappropriate to the classified service due to the special
24 nature of the position as determined by the division and approved by the board.

Sixty-ninth
Legislative Assembly

- 1 8. Employees of the institutions of higher education under the control of the state board
- 2 of higher education.
- 3 9. Members and employees of occupational and professional boards.
- 4 10. Officers and employees of the North Dakota mill and elevator association.
- 5 11. Positions referred to under law as serving at the pleasure of or at the will of the
- 6 appointing authority.
- 7 12. Licensed teachers engaged in teaching at the North Dakota youth correctional center,
- 8 North Dakota vision services - school for the blind, and the school for the deaf.
- 9 13. Officers of workforce safety and insurance.
- 10 14. Officers and employees of the department of commerce.
- 11 15. Attorneys employed by the insurance commissioner.
- 12 16. Engineers, engineering technicians, and geologists employed by the director of
- 13 mineral resources.
- 14 17. Officers and employees of the Bank of North Dakota.
- 15 ~~18. Investment and fiscal operations positions of the state retirement and investment office~~
- 16 ~~necessary for the management of the investment of funds under the control of the~~
- 17 ~~state investment board.~~
- 18 **SECTION 2. REPEAL.** Section 54-52.5-04 of the North Dakota Century Code is repealed.

2. Incentive Compensation Program Policy

Executive Summary

North Dakota Century Code Chapter 54-52.5 provides that North Dakota RIO may develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB.

In carrying out its responsibilities, the Board has developed and administers an incentive compensation plan that reflects careful consideration of the following:

- To achieve its long-term strategic and investment objectives, RIO must have high-quality investment management staff.
- A reasonable and competitive incentive compensation plan is critical to attracting and retaining high quality staff.
- Staff should be motivated to earn the highest possible returns for RIO at reasonable costs and controlled levels of risk.
- Given that RIO needs to provide competitive pay to attract and retain qualified staff, a significant portion of total pay opportunities should be provided through performance-based incentives, a practice that is universally accepted in the financial marketplace. Under RIO's incentive compensation plan:
 - Investment-related awards should be earned only when net investment performance is above defined benchmarks (i.e., when value is created for client funds).
 - The greatest share of the excess value should accrue to the client funds, not to RIO staff.

The incentive compensation plan is rigorously managed by RIO's Executive Review and Compensation Committee (ERCC) to ensure compliance with all applicable statutes and related rules and guidelines.

Authority

North Dakota Century Code Chapter 54-52.5 provides that North Dakota RIO may develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB. This document specifies the policies and procedures related to the administration of annual incentive compensation.

This incentive compensation plan (the Plan) provides for payment of incentive compensation awards to full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB (Participants) and supersedes all prior incentive compensation plans and/or arrangements for Participants. Participants under this Plan include all unclassified investment services related staff as may be determined by the SIB, ERCC, and Executive Director. The Effective Date of the Plan is July 1, 2024. Each plan year

starts at the beginning of the fiscal year on July 1.

Plan Objectives

As developed and adopted by the Board, this Plan is designed to:

1. Help attract and retain talented investment professionals.
2. Help RIO earn the highest possible investment returns at a reasonable cost and at controlled levels of risk.
3. Reward long-term investment performance.
4. Reflect the RIO client fund above-benchmark, net of all performance.
5. Motivate staff to make good decisions for RIO client funds, including implementation decisions related to asset allocation.
6. Foster a collaborative approach to investing RIO's assets under management.
7. Reward measurable and achievable performance.
8. Be clear and easily communicated in terms of the Plan's objectives, design features and associated incentive compensation opportunities.
9. Be perceived as fair by RIO's employees and potential recruits.

Administration and Management

The SIB reserves the right to modify, terminate, and/or rescind any or all of the compensation schedules, provisions, policies, and procedures contained in this and all supporting documents at any time. This document describes a policy and does not provide a contract, guarantee of payment, guarantee of participation in the Plan in subsequent years, or guarantee of employment among RIO, the Board, and the Participants. Should an error in calculation or in data be discovered before or after the award distribution, RIO reserves the right to make an adjustment and recover any incentive compensation award distributed based on the erroneous data or calculation.

The Executive Director will administer the Plan with oversight by the ERCC. The Executive Director may delegate certain administrative responsibilities to other employees at RIO, including the Chief Investment Officer and the Chief Financial Officer/Chief Operating Officer.

Compensation plan participants may present questions related to the Plan to the Executive Director. The Executive Director will work with the appropriate persons to answer such questions. The Executive Director, ERCC, and SIB will have full discretion to conclusively decide all questions or matters relating to the interpretation of the provisions and administration of this Plan.

The SIB must approve any question or matter whose resolution requires a material modification to the Plan, such as a change to the performance standards or maximum award levels. Any such amendments or changes to the Plan may be proposed by the Executive Director or the ERCC but must be recommended by the ERCC and approved by the SIB.

Eligibility

Positions that are eligible for incentive compensation are full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB as set forth in this plan. Any temporary employment or project positions are not eligible. Plan participation is determined based on employment status and the Executive Director's assessment of the position's impact on RIO's overall investment performance. Participants must have worked in a covered position at least three full consecutive calendar months during the year to be eligible for

incentive compensation under the Plan, and incentive compensation will be paid on a pro-rata basis if not employed the entire fiscal year. The Executive Director will confirm any new positions that will be eligible under the Plan during the next fiscal year.

Employment at RIO in good standing on the day of payment is a pre-requisite for receiving any incentive compensation payment, except in the case of retirement, disability, death or otherwise as provided below. For purposes of this Plan, "employment in good standing" means (a) the Participant's performance is rated above "Developing" in the Participant's most recent performance review, (b) the Participant is not on a performance improvement plan.

Eligibility upon Separation

Generally, a Participant must be employed by RIO as of the date the incentive compensation is paid out in order to be eligible to receive the payment. In the case of disability or death occurring during the fiscal year, any Board-approved incentive compensation amount may be paid to the Participant, the amount to be determined by the Executive Director, subject to approval by the SIB, based on the time worked during the fiscal year and subject to the Participant's termination meeting the qualifications in the next paragraph, if not employed as of the date of payment. These payments will be made at the same time as any other incentive compensation award. No incentive compensation will be awarded if the Participant was employed for less than three consecutive months during the fiscal year in which the disability or death occurred.

If a Participant terminated employment prior to payment of an award, the full amount of the incentive compensation award will be paid to the Participant (or beneficiary in the case of death) only upon the following conditions:

- If the Participant's separation is due to the Participant's disability.
- If the Participant's separation is due to the Participant's death.
- If the Participant's termination is due to reasons other than the Participant's disability or death, and his/her last day of active employment is prior to the payment date then no incentive compensation award will be payable to the Participant.

Plan Concepts/Mechanics

The Plan's terms and conditions are described in this document. A summary of the Plan's overall mechanics is as follows:

- Prior to or near the beginning of each fiscal year, Participants will be assigned a maximum incentive compensation opportunity, which effective as of the Plan year will be expressed as a percentage of his or her base salary at the beginning of the fiscal year (or the Participant's start date if employed after the start of the fiscal year). Maximum incentive compensation opportunities will vary by position based on differing levels of accountability and responsibility.
- Maximum incentive compensation opportunities will be weighted or allocated to specific quantitative and discretionary Plan components. Several Plan components are based on Value Added. Value Added (VA) means the weighted average of outperformance of funds as described within the plan.
- After year-end, depending on performance, awards will be determined for each

stand-alone Plan component.

- Notwithstanding any other provision in this Plan and regardless of any incentive compensation award calculations hereunder, no incentive compensation award shall be made unless and until approved by the SIB, in its sole discretion. The SIB may award, adjust (up or down), modify or deny any incentive compensation amounts calculated pursuant to the Plan. All incentive compensation awards hereunder are discretionary.

Step 1: Set Each Participant's Maximum Incentive Compensation Opportunity

Prior to or near the beginning of each fiscal year, or the Participant's start date if employed after the start of the fiscal year, Participants will be assigned a maximum incentive compensation opportunity, which will be expressed as a percentage of his or her base salary. Unless approved by the Executive Director, maximum incentive compensation opportunities will vary by the position held for most of the year (i.e., position held through June 30 for existing employees) and based on differing levels of accountability and responsibility.

Current maximum incentive compensation opportunities are set forth below.

Maximum Incentive Award	Position Title
100%	Chief Investment Officer Executive Director
90%	Deputy Chief Investment Officer
75%	Portfolio Manager (new FTE's) Chief Risk Officer Senior Investment Officer
60%	Chief Financial Officer/ Chief Operating Officer
50%	Investment Officer Risk Officer Accounting Manager
25%	Sr. Investment Accountant Investment Accountant

Step 2: Calculate the Maximum Incentive Compensation Opportunity for the Plan

The maximum incentive compensation opportunity for the entire Plan will be calculated by aggregating the maximum incentive compensation opportunities for each Participant.

Step 3: Allocate each Participant's Maximum Incentive Compensation Opportunity to Performance Components

Each Participant's maximum incentive compensation opportunity will be weighted or allocated among standalone quantitative and qualitative performance components.

All Roles		
Weight	Performance Component	Allocation Method
80%	Fund VA -3-year rolling	Minimum: (10%) \geq 1 bp Maximum: (100%) 50 bps
20%	Individual Goals	Discretionary

Any proposed changes to incentive compensation weightings will be reviewed and approved by the Executive Director and the ERCC, and approved by the SIB, prior to the beginning of each fiscal year.

Step 4: Calculate the Performance Components

VA Performance Components

The Plan's quantitative components focus on weighted average of the Legacy Fund, PERS pension fund, TFFR fund, and the WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks. Client fund performance is measured on a net of all basis (i.e., net of all direct and indirect costs). Asset Class and Team performance is measured net of direct costs.

The SIB approves an Incentive Compensation Metric (ICM) performance verified by the SIB's independent Benchmark and Hurdle Rate consultant. The Incentive Compensation Metric represents the amount of outperformance of the applicable benchmark necessary to earn the full incentive compensation opportunity. Performance-award scales are derived from the ICM and define the linkage between RIO's actual, relative, net investment performance and a corresponding percentage of the maximum incentive compensation opportunity that is earned.

Prior to or near the beginning of each performance year, any requested changes to the ICM(s) or performance-award scales must be submitted, in writing, by the Executive Director to the ERCC and from the ERCC to the SIB for review and approval, and to the Hurdle Rate and Benchmark Consultant for review and verification. There will be a comprehensive review of the ICM(s) up to every three to five years at the discretion of the SIB.

Under RIO Plan:

The percentage of the maximum *quantitative* incentive compensation opportunity earned:

- Equals 0% when performance is at or below benchmark.
- Equals 10% when net performance exceeds the benchmark by one full basis point.
- Increases pro rata, from 10% to 100%, for net performance that is between one full basis point above the benchmark, and the ICM.
- Equals 100% when net performance equals or exceeds the benchmark by the full ICM¹

Portfolio VA

In the first three years of the Plan, the first year Fund VA will be the one year weighted average Fund VA, the second year of the plan will be the two-year compound Fund VA and the third year will be the three-year compound average of the weighted average of the Legacy Fund, the PERS pension fund, TFFR fund, and WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks. Thereafter, the weighted average Fund VA applied to all participants is a rolling three-year average of the weighted average of the Legacy Fund, the PERS pension fund, TFFR fund, and WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks.

For Participants that join RIO on or after the beginning of the fiscal year, the weighted average Fund VA applied to all participants will be used. The payout will be made pro-rata based on the percentage of plan year time employed that starts with the beginning of the fiscal year on July 1.

For Participants that joined RIO prior to the plan year starting with the beginning of the fiscal year but have been employed for fewer than three years as of the start of the fiscal year, the weighted average Fund VA applied to all participants will be used.

Individual Goals Component

The Individual Goals component is set by the manager of the Participant as part of the performance evaluation process. The final performance evaluation of each Participant is approved by the Executive Director. In addition, such Participants will be evaluated on leadership/behavioral and organizational competence factors. Some factors that may be considered include training and mentoring of staff, contribution to organizational strategic planning, and participation in projects or initiatives to update business and/or analytical processes and tools and the associated technology applications. The Executive Director will determine the amounts awarded for Individual Goals in consultation with managers.

Step 5: Allocate Discretionary Components Among Relevant Participants

Quantitative components are allocated to Participants directly without modification. Discretionary components for Individual Goals components, will be allocated by the Executive Director.

Step 6: Present Final Award Recommendations to the Board of Trustees

The Executive Director's award recommendations will be made to the ERCC. The ERCC will make a recommendation regarding the incentive compensation awards to the SIB for approval. For all Participants, an incentive compensation award is contingent on approval of the award by the SIB, in its sole discretion.

Step 7: Payment of Awards

Incentive compensation awards will be determined and authorized as soon as practical following the close of each fiscal year, with a target of within the first four months of each fiscal year for the previous fiscal year.

RIO shall be entitled to withhold or deduct, as applicable, from the amount of any payment under this Plan or any other compensation due to the Participant, all federal, state, city and other taxes and all other amounts, as applicable.

¹ ICMs are intended to reflect levels of net performance that are considered top quartile, based upon expected levels of risk and return.

Policy Implemented: May 17, 2024.

MEMORANDUM

TO: Investment Committee
FROM: Scott Anderson, Chief Investment Officer
DATE: January 24, 2025
RE: Investment Committee Update

December 13, 2024, and January 10, 2025, Investment Committee Meetings

The Investment Committee was held on the dates of December 13, 2024, and January 10, 2025. At both meetings were called to order and there was an acceptance of the agenda followed by an acceptance of the minutes from previous meetings.

At the December meeting there were two manager recommendations held in closed session pending negotiation. One of the manager recommendations was deferred to a future meeting pending the outcome of the current North Dakota legislative session. The name of the approved manager will be presented once a contract is signed. One of the manager recommendations was for an additional manager for the Legacy Fund in-state investment program. The recommendation was presented by the investment consultancy RVK by Mr. Kevan and Mr. Francis. The other recommendation pertained to the public markets portfolios and was presented by Mr. Chin, Mr. Dukart and Mr. Posch. The manager recommendations were followed by a cash overlay investment guideline discussion for the internal investment program presented by Mr. Anderson, Mr. Gandhi, and Mr. Moss which were approved.

The next presentation was a closed session discussion regarding data vendor negotiations. The investment committee approved moving forward with the negotiations and approved the expected cost of that data. The last presentation was a WSI policy statement change presented by Mr. Chin. The investment committee approved to recommend to the board the investment policy change which would change the stated allocation of domestic equities to a combined category of domestic equities rather than large cap equities and small cap equities to be in conformity with the previously board approved benchmark for domestic equities.

At the January investment committee Mr. Zietlow introduced a new member of the team, Sr. Analyst Mr. Collins. This was followed by a Private Markets Strategy by Mr. Zietlow. There was next a discussion of the current bills affecting the investment program proposed by the legislature for the 2025 session. This was followed by a discussion and an approval to recommend to the GPR and board an investment ethics policy and a change to the governance manual regarding the definition of "manager" to include both internal and external managers. The next presentation was a discussion regarding the international portfolios – their China exposure, how the portfolios are structured, how they might be structured in the future and what the impact of any China bill might be. Next there was a discussion in closed session regarding negotiations with 50 South regarding the investment manager agreement for the in-state investment program. The final discussion was regarding an announced completed transaction to commit \$85 million (\$35 million Pension Pool and \$50 million Legacy Fund) to the PRISA III, LP.

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Investment/Board/Materials/sibinvestmat20241213.pdf>

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Investment/Board/Materials/sibinvestmat20250110.pdf>

BOARD ACTION REQUESTED: Information Only.

WORKFORCE SAFETY & INSURANCE

INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS.

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

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

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

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

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

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

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

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

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

3. INVESTMENT OBJECTIVES.

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

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

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

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

4. STANDARDS OF INVESTMENT PERFORMANCE.

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

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

5. POLICY AND GUIDELINES

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

Global Equity		20%
- U.S. Equity	12%	
- U.S. Large Cap	10%	
- U.S. Small Cap	2%	
- International	8%	
Domestic Fixed Income		62%
Global Real Assets		17%
- Diversified		
o TIPS	8%	
o Infrastructure/Timber	4%	
- Real Estate	5%	
Cash Equivalents		1%

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

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

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

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

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

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

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

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

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

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

6. EVALUATION AND REVIEW.

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

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

Approved by:

**WORKFORCE SAFETY &
INSURANCE**

STATE INVESTMENT BOARD

Art Thompson
Director, WSI

Scott Anderson
Chief Investment Officer, RIO

Date: _____

Date: _____

Recommended by WSI Board
Approved by Governor

~~February-December 1611, 2024~~
~~March 1, 2022~~

IV. C - GPR Committee Appointment

A verbal update will be provided at the meeting.

MEMORANDUM

TO: SIB
FROM: Scott Anderson, Chief Investment Officer
DATE: January 24, 2025
RE: Governance & Policy Review Committee Update

The GPR Committee met on Thursday January 14, 2025, to discuss the following items and provide recommendations:

- The committee reviewed and recommended to approve to the board an Investment Ethics Policy and an added definition to the governance manual regarding the proxy voting policy definition of “manager” as both internal and external manager.
- The committee discussed 2025 legislative session bills that affect the investment program.

Committee materials may be found at [State Investment Board Governance & Policy Review Committee | Retirement Investment Office \(nd.gov\)](#)

COMMITTEE ACTION REQUESTED:

- **Board Discussion followed by Motion to Approve Introduction and First Reading of amendments to the SIB Governance Manual and the Investment Ethics Policy.**

3. Investment Code of Ethics

1. Introduction

Purpose of the Code

This Code of Ethics (Code) is designed to provide comprehensive guidelines for all Covered employees working on behalf of The North Dakota Retirement and Investment Office (NDRIO), helping to ensure action reflects the integrity, responsibility, and accountability required to maintain public trust. This Code establishes the expectations for behavior and decision-making to guide Covered employees in fulfilling their duties ethically. The Code should not be viewed as a complete statement of legal and fiduciary responsibilities and individuals must abide by all applicable federal and relevant state laws.

2. Applicability

All Covered employees working on behalf of NDRIO must read and comply with the Code. While the Code will not cover every possible scenario, Covered employees should also adhere to its principles and spirit. Covered employees include:

- Persons who make or participates in the determination of investment recommendations,
- In connection with their duties, obtains information concerning funds and securities NDRIO, intends to purchase, sell or recommend, or has access to investment positions,
- Consultants, interns, or independent contractors that will have access to non-public investment positions or securities NDRIO intends to purchase, sell or recommend.

Household Members

Any spouse, relative, or domestic partner who shares a residence with a Covered employee, as well as members of the immediate family living in the same household or persons exercise investment discretion by Covered employees, will also be subject to the Code.

Annual Certification

Covered employees will be required to affirm their understanding of this Code, and require the affirmation annually, in writing or electronically. Employees must disclose any conflicts of interest that may arise.

3. General Principles of the Code

Integrity and Professionalism

All employees and contractors of NDRIO are expected to demonstrate the highest levels of integrity and professionalism in all aspects of their work. Integrity involves acting honestly and ethically, avoiding any behavior that might compromise the trust of beneficiaries, stakeholders, and the public. Professionalism encompasses maintaining a commitment to excellence, upholding the organization's values, and respecting the confidentiality of sensitive information. Employees must always conduct themselves with fairness, accountability, and transparency.

Compliance with Laws and Regulations

All Covered Employees are expected to adhere strictly to the following:

- 1) The Covered employee will put the investments and investment program's interest first, ahead of their own interests
- 2) The Covered employee will not take any action that will violate any applicable laws, regulations or written policy
- 3) The Covered employee will adhere to the highest standards of ethical conduct
- 4) The Covered employee will maintain the confidentiality of all information obtained during the course of employment
- 5) The Covered employee will not abuse or misappropriate assets or use them for personal gain
- 6) The Covered employee will not engage in any activities that create a conflict of interest or will disclose when conflicts occur
- 7) The Covered employee will deal fairly with clients, colleagues, and others.

4. Conflicts of Interest

Identifying Conflicts

"Conflict of Interest" is defined as a situation in which any Covered employee has a conflict of interest as that term is defined in North Dakota statute and rules promulgated by the North Dakota Ethics Commission under N.D.A.C. Chapter 115-04-01.

Conflicts of interest and the appearance of impropriety should be avoided by any Covered employee. Any Covered employee must not allow family, social, professional, or other relationships to influence their judgment in discharging their responsibilities and must refrain from financial and business dealings that tend to reflect adversely on their duties. Conflicts of interest may exist in situations involving dual roles, investment opportunities, information sharing, personal and family relationships, among others.

Managing and Mitigating Conflicts

If a conflict of interest unavoidably arises, the covered employee shall immediately disclose the conflict to the Chief Investment Officer (CIO) and Executive Director (ED) or their designee, using the appropriate disclosure forms.

A. Disclosure of Conflicts of Interest

Procedures for Disclosure

To ensure transparency and proper management of conflicts of interest, all Covered employees, and certain contractors of NDRIIO are required to disclose any potential or actual conflicts promptly. Disclosures must be submitted using the approved Conflict of Interest Form (Exhibit A). To enhance the tracking and monitoring of disclosures, NDRIIO may engage a third-party service provider to assist in maintaining an accurate and up-to-date record of all reported conflicts.

B. Gifts and Entertainment

Acceptable Practices

NDRIO has established \$50 nominal value threshold for gifts, in line with state guidelines. Employees may accept gifts of nominal value, up to \$50, as part of customary business interactions, provided that these gifts do not influence or appear to influence their decision-making. Any gift exceeding this limit must be declined. For entertainment, employees may attend normal business-related events such as due diligence meetings, Limited Partner (LP) meetings, Limited Partner Advisory Committee (LPAC) meetings, General Partner (GP) meetings, annual investor meetings, and similar investor-related events. Regarding LPAC meetings, travel and accommodations can be accepted if they are offered to all members of the respective LPAC. However, these meetings, travel, and accommodations must be disclosed on the Gifts and Entertainment Disclosure Form (Exhibit B). These activities may be acceptable without the need for reimbursement, provided they align with professional obligations.

Prohibitions and Limitations

Employees are prohibited from accepting any gifts exceeding the \$50 nominal value limit, in accordance with the state's "no gifts" policy. For entertainment, while normal investor meetings and due diligence activities are permitted, any additional or extracurricular entertainment—such as sporting events or concerts—must be disclosed and fully reimbursed by the employee (Exhibit B).

C. Outside Business Activities

Disclosure Requirements

Covered employees shall not allow a situation to exist with any outside business, employment, or other activities that may impact their ability to fulfill their duties at ND RIO. All outside business activities (OBA) must be disclosed and approved by NDRIO initially and on an annual basis. Employees must submit an OBA form (Exhibit C) detailing any outside employment or volunteer work, including non-profit and charitable activities. In cases where a potential conflict arises, the matter will be escalated to the Chief Investment Officer (CIO) for initial evaluation. The CIO will then provide a recommendation to the Executive Director (ED) for final approval or further action.

5. Trading

Compliance with Personal Trading

Covered employees' personal trading should be executed in a manner consistent with their obligations to integrity, responsibility, and accountability, as required to maintain public trust. Personal trading should not be so excessive as to conflict with the ability to fulfill daily job responsibilities. Covered employees' trades should not be timed to precede orders placed by NDRIO's investment team. Covered employees should not trade in restricted securities, or restricted Private Funds (private

funds held in an NDRIO portfolio). The following will be exempt from the list of restricted securities:

- a. Exchange-traded funds (ETFs) and exchange traded notes (ETNs),
- b. Mutual Funds registered under the Investment Company Act of 1940,
- c. U.S. Government-issues securities,
- d. Municipal debt obligations,
- e. Money Market instruments (e.g., bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term instruments,
- f. Interest in 529 college savings plans.

Disclosure of Accounts with Beneficial Interest

The Code applies to all accounts holding securities over which Covered employees have any beneficial interest. This typically includes accounts held by immediate family members sharing the same household or accounts over which covered employees exercise investment discretion. These accounts must be disclosed for potential review for exceptions to the Code.

Disclosure of Non-Discretionary Accounts

Accounts over which covered employees do not have discretionary authority must be disclosed and identified accordingly. If the discretionary status of these accounts' changes, it must be reported within thirty days.

Monitoring and Reporting

NDRIO may conduct periodic sample reviews of personal trading activities of Covered employees. Additionally, Covered employees will be required to submit routine, quarterly and attestations confirming adherence to Code. (Exhibit D). Any trades that appear to conflict with the policy will be flagged for further review.

A. Insider Trading

Prohibition of Insider Trading

Employees may come into possession of Material Non-Public Information (MNPI) relating to publicly and privately traded securities in the course of their duties for NDRIO. Employees are strictly prohibited from using MNPI for personal gain or to benefit others. NDRIO will enforce a zero-tolerance policy toward insider trading, and any violations will be subject to disciplinary action, including potential termination and legal proceedings. Once employees come into possession of material non-public information (MNPI), any related securities will be added to a Restricted List.

Material Non-Public Information

It is not always easy to determine what may be considered MNPI. The following is illustrative list of what generally is considered material:

- Dividends or earning announcements
- Asset write-downs or write-offs

- Additions to reserves for bad debt or contingent liabilities
- Changes to financial guidance or projections
- Merger, joint announcements, tender offers
- Pending labor disputes
- Bankruptcy or insolvency
- Regulatory approval or rejection of a product
- Regulatory or law enforcement proceedings
- Changes to management
- New product service lines
- Undisclosed orders for large trades before they are executed This is only a partial list of what may be deemed material.

Non-Public Information

Once information has been broadly distributed to the investing public, it no longer is considered non-public. Generally, this must occur through commonly recognized channels such as through a press release or regulatory filing.

Procedures for Handling Material Nonpublic Information

All employees must exercise caution when handling MNPI. If an employee come into possession of MNPI the employee must not act or trade on this information and treat it confidentially. The ED should be informed, and the security should be added to the restricted list. An information barrier is to be created as this employee may discuss the information received and must not participate directly or indirectly in investment decisions regarding the security. The security will be taken off the restricted list once the information becomes public.

B. Personal Trading

Requirements

- 1) Employees will submit an attestation quarterly and annually confirming that no violations of the Code occurred.
- 2) A restricted list will be maintained, and employees' transactions may be monitored against this list to prevent or identify trades in restricted securities.
- 3) Certain securities may be entirely blocked from trading through the Restricted List, while others may be allowed under specific conditions, with the requirement that Covered employees submit an attestation confirming compliance with the Code.
- 4) Covered employees shall not invest in Restricted securities or Restricted Private Funds that are in the investment portfolios of NDRIO (exceptions noted above).
- 5) Covered employees may not participate in initial public offerings (IPO) offered principally due to their employment with NDRIO.
- 6) Any profits realized from violations of the Code will be disgorged to a charitable organization.

Monitoring and Reporting

Personal trading by NDRIO employees will be closely monitored to ensure compliance with the organization's ethical trading policies. All employees engaging in personal trading must complete periodic, quarterly, and annual attestations. Periodic reviews may be conducted to examine the disclosed accounts for any violations of the Code.

C. Restricted List

Maintenance of the Restricted List

NDRIO will maintain a Restricted List to prevent Covered employees from trading in securities where the organization holds MNPI or exercises significant influence over the trading activity. The restricted list will be continuously updated to reflect the organization's involvement in specific securities (e.g. publicly traded securities based on indexes) ensuring that trading restrictions remain current and relevant. Restricted list additions will include securities within accounts internally managed by NDRIO including:

Publicly Traded Equities: Any transaction involving security shares that exceed 10% of the 1-month average share volume,

Corporate Bonds: Any transactions involving principal amounts exceeding 10% of the issuance size.

These items should remain on the list for 24 hours following the completion of the transactions. This list is to be monitored to potentially prevent trades in restricted securities. Securities added due to MNPI or Restricted Private Funds will be added manually with their own specific end dates.

A designated group comprising members from Risk, Compliance, Investment, and Operations departments will be responsible for maintaining and reviewing the Restricted List.

Compliance with the Restricted List

All Covered employees are required to comply with the Restricted List to prevent any insider trading. Trading in securities that appear on the Restricted List is prohibited, and employees must ensure that they are not involved in any transactions related to these securities prior to executing any trade. Compliance with the Restricted List will be attested to on a quarterly basis, and any violations may result in disciplinary action.

D. Front Running

Definition and Prohibition

Front running or executing personal trades before organizational trades to profit from anticipated price movements, is strictly prohibited. Violators will face severe penalties,

including termination.

Monitoring and Enforcement

NDRIO conducts periodic sample reviews of Covered employees personal trading to help prevent front-running activities. Enforcement will include audits, testing and monitoring, and investigation of any suspicious activities.

6. Enforcement and Penalties

Violations of the Code

In accordance with state employment guidelines, all violations must be properly documented. This may include but is not limited to written reprimands, Performance Improvement Plans (PIPs), and other corrective measures based on the severity of the violation. Documentation of all violations and disciplinary actions will be handled according to HR policy. Any profits realized from violations of the Code will need be disgorged to a charitable organization chosen by NDRIO.

Disciplinary Actions

Penalties for violations of the Code may range from a formal warning to termination, depending on the nature of the offense. The NDRIO HR policy outlines specific actions that can lead to these penalties, ensuring consistency in enforcement. Failure to comply with Code may result in disciplinary action, which may include termination.

7. Amendments

Process for Amending the Code

The NDRIO Code of Ethics will be periodically reviewed and amended, if needed, on an annual basis to ensure it remains relevant and reflective of current best practices, regulatory changes, and organizational needs.

Notification of Amendments

Employees will be notified of any amendments to the Code of Ethics through official communication channels, including email notifications. All amendments will take effect immediately upon notification, and employees will be required to acknowledge and comply with the updated provisions.

8. Training

Mandatory Training Sessions

All employees must undergo annual ethics training to reinforce their understanding of the Code of Ethics and related policies. Training will include legal updates and practical applications of ethical principles.

Continuous Education

Employees are encouraged to participate in continuous education programs focused on ethics, compliance, and best practices in financial management. NDRIO will provide resources for ongoing development.

9. Record Retention

The Records Management Division of North Dakota Information Technology Department (NDIT) has developed a Records Retention Program and has implemented a Records Retention Schedule that includes retention/destruction of both paper and electronic records. It is the State of North Dakota's policy to preserve all official records in accordance with applicable statutory and regulatory requirements, and to promote access to information by staff, partners, and the public, as appropriate.

Each agency head or designee and records coordinator are responsible for providing the leadership, planning, overall policy, guidance, training, and general oversight of records management for the Agency. Each Agency is required to follow the established policy, which contains the elements below:

The team members of the Agency are ultimately responsible for creating and preserving records that adequately and properly document the organization, functions, policies, decisions, procedures, and essential transactions of the Agency and are required to:

- Manage records, regardless of format, in accordance with applicable statutes, regulations, and policies.
- Maintain electronic records to ensure they are accessible throughout their entire life cycle.
- Secure records to protect the legal and financial rights of the government and persons affected by government activities
- Dispose of records (electronic or paper) as specified in the approved records retention schedules.
- Assume responsibility for email and other electronic accounts upon the departure of a team member.
- This includes ensuring that a Records Management Program is developed which includes retention and disposal of both paper and electronic records.

In addition, all supervisory level team members who are involuntarily terminated, resign or depart without notice or who die unexpectedly while employed shall have their email and other electronic accounts placed on hold until an individual designated by the agency head has reviewed the accounts to determine what, if any, documents are subject to records retention obligations or are otherwise necessary to preserve in order to meet business needs or legal obligations. Supervisory team members that are placed on administrative leave pending disciplinary action shall have their accounts placed on hold to ensure the contents cannot be changed until a final personnel decision. In the event the agency head leaves for any of the above reasons, their email account must be preserved for 12 months, and their accounts must be reviewed by the agency head's successor or

state archivist.

Records retention schedules for all divisions are available on NDIR's website as per NDCC 54-46-08.

10. Disclosures and Forms

Required Disclosures

The following disclosures and forms are required for all NDRIO employees, contractors, and affiliates to complete:

- Conflicts of Interest Disclosure Form (Exhibit A)
- Gifts and Entertainment Disclosure Form (Exhibit B)
- Outside Business Activities Disclosure Form (Exhibit C)
- Adherence to the Code Attestation Form – Personal Trading (Exhibit D)
- Acknowledgement of Receipt and Review of Code of Ethics (Exhibit E)
- Initial and Annual Account Disclosure Form (Exhibit F)

Submission and Review of Forms

All Covered employees of NDRIO are required to submit relevant disclosure forms in a timely manner as part of their ongoing compliance with the Code of Ethics. These forms include the required disclosures listed above. Once submitted, the forms will undergo a thorough review to ensure compliance with organizational policies and regulatory requirements.

G. Proxy Voting

STATEMENT OF POLICY

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

The objectives of these policies are as follows:

- Exercise the value empowered in proxies.
- Maintain or improve share value for the exclusive benefit of the participants.
- “Managers” shall be defined as external investment management institutions and as investment managers of applicable internal investment portfolios.

PROCEDURES

DISTINCTION OF RESPONSIBILITIES

Master Custodian

The system's master custodian shall be responsible for timely receipt and distribution of proxy ballots to the appropriate investment management institutions.

Managers

The managers shall be responsible for promptly voting all proxies pursuant to the Board's policies, and in keeping with the managers' best judgments.

Staff

Staff, in concert with the master custodian and the managers, shall be responsible for monitoring the receipt and voting of all proxies.

Board

The Board shall administer and enforce its policies. This administration and enforcement required reporting from responsible persons, as discussed in the following.

REPORTING

MEMORANDUM

TO: State Investment Board
FROM: Dr. Rob Lech, Chair and Sara Seiler, Supervisor of Internal Audit
DATE: January 17, 2025
RE: Executive Review and Compensation Committee

The Executive Review and Compensation Committee (ERCC) met on January 15, 2025. During the meeting, the committee elected Dr. Rob Lech as Chair and Treasurer Thomas Beadle as Vice-Chair. With the new Chair and Vice-Chair in place, the committee reviewed its charter by reviewing its purpose and key responsibilities.

The ERCC approved the SIB self- and board assessment, which will be sent out on Friday, January 24, 2025, and will close on Friday, February 7, 2025. The SIB will receive a presentation on the results at its April board meeting.

The ERCC also approved performance surveys for the Chief Investment Officer (CIO) and the Deputy Executive Director/Chief Retirement Officer (DED/CRO). The SIB will also be given the chance to complete a survey about the performance of the CIO, and the TFFR Board on the DED/CRO performance. The performance surveys will be sent out on Monday, March 17, 2025, and close on Monday, March 31, 2025.

The ERCC also discussed reviewing the process for the annual Executive Director evaluation in the upcoming year.

BOARD ACTION REQUESTED: Information Only.



State Investment Board

RETIREMENT & INVESTMENT

2025 State Investment Board Self and Board Assessment

Introduction

State Investment Board (SIB) members are invited to participate in a self and a board assessment valuating responsibilities, meetings and structure, and financial management and investment practices. Following each section, space is provided to explain your rankings or comment.

Any questions regarding the assessment, which is administered by the SIB's Executive Review and Compensation Committee, should be directed to Sara Seiler, the Retirement and Investment Office's supervisor of internal audit, at 701-328-9896 or sseiler@nd.gov.

Survey responses are due by midnight on Friday, February 7, 2025.

Thank you in advance for your participation.

* 1. Full name of State Investment Board member completing the evaluation:



2025 State Investment Board Self and Board Assessment

Section 1: Self Assessment

Board and Committee Member Responsibilities

This section refers to your perspective as an individual board member.

2. I receive the training necessary to fulfill my responsibilities as a SIB member.

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

3. I understand the authority that has been retained by the SIB and what duties have been delegated to the committees of the SIB and RIO staff.

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

4. I make an effort to learn about aspects of the investment program that I do not understand by participating in education provided by RIO's staff.

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

5. I fully understand the policies of the SIB and/or review them as necessary to fulfill my role.

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

Comments for Board and Committee Member Responsibilities



2025 State Investment Board Self and Board Assessment

Board & Committee Meetings and Structure

This section refers to your perspective as an individual board member.

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

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

7. I am prepared for meetings, reviewing the materials in advance so I can make informed decisions.

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

8. If I am unable to attend a SIB meeting, I review the information that was presented.

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

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

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

Comments for Board and Committee Meetings and Structure



2025 State Investment Board Self and Board Assessment

Financial Management and Investment Practices

This section refers to your perspective as an individual board member.

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

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

11. I sufficiently understand all financial, performance, and audit, reports and seek clarification when necessary.

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

Comments for Financial Management and Investment Practices



2025 State Investment Board Self and Board Assessment

Section 2: Board Assessment

Board and Committee Member Responsibilities

This section refers to your perspective of the performance of the Board as a whole.

12. The Board has healthy discussions on a topic before making a decision.

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

13. The Board recognizes the authority it has retained and what has been delegated to RIO's staff.

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

14. The Board reviews policies on a regular basis and updates them as needed. If a new policy is needed, the policy is clearly presented and discussed.

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

Comments for Board and Committee Member Responsibilities



2025 State Investment Board Self and Board Assessment

Board and Committee Meetings and Structure

This section refers to your perspective of the performance of the Board as a whole.

15. Meetings are generally well-run and make good use of time with the right allocation between Board discussions and presentations.

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

16. Standing and ad hoc committees complete tasks and communicate them to the full board in an effective and timely manner.

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

Comments for Board and Committee Meetings and Structure



2025 State Investment Board Self and Board Assessment

Financial Management and Investment Practices

This section refers to your perspective of the performance of the Board as a whole.

17. The Board is regularly informed of economic trends or conditions that can affect investment performance.

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

18. The Board quarterly Ends reports provide adequate information relating to investment, retirement, fiscal, audit, and executive limitation activities of the agency.

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

Comments for Financial Management and Investment Practices



State Investment Board
RETIREMENT & INVESTMENT

2025 State Investment Board Self and Board Assessment
Overall Assessment

* 19. Any final comments, observations, or suggestions?

MEMORANDUM

TO: State Investment Board
FROM: Dr. Rob Lech, Chair and Sara Seiler, Supervisor of Internal Audit
DATE: January 17, 2025
RE: Executive Search Committee

The Executive Search Committee met on January 13, 2025. The Committee approved the request for proposal (RFP) for executive recruitment services. The purpose of the RFP is to hire a firm to assist in recruiting the Executive Director and Chief Financial and Operating Officer positions. The RFP has been issued, and the Committee will meet in February to review the proposals.

BOARD ACTION REQUESTED: Information Only.

Quarterly Report on Ends

Quarter ending December 31, 2024

Investment Program

Portfolio Changes & Investment Consultant

- Wellington US Small Cap R2000
- T. Rowe Price US Structured Research
- PRISA Fund III

Public Markets:

Over the past quarter, the Alpha and Funds Management (AFM) team completed a significant US equity portfolio transition aimed at enhancing the portfolio's risk-adjusted return profile. This restructuring involved the addition of Wellington US Small Cap R2000 and T. Rowe Price US Structured Research to the portfolio, replacing Riverbridge Small Cap Growth, VCM Sycamore Small Cap Value, NTAM Quant Enhanced Large Cap, and Parametric's Large Cap Enhanced Index. These changes align with the team's ongoing efforts to optimize the portfolio composition and improve overall performance.

The team also made progress towards investment management agreements (IMAs) for two additional U.S.-focused strategies. In the international equity space, the AFM team approved a new manager for the portfolio, with the formal announcement pending the completion of IMA negotiations.

Additionally, the AFM team finalized the recruiting search for a new Public Markets Analyst by hiring Cory Cox. Cory will play a crucial role in supporting the management of the public markets portfolio and assisting with future initiatives.

Private Markets:

The Team closed two real estate manager investments (Carlyle Realty Partners X, L.P. and PRISA Fund III, L.P.) that were recommended and approved by the Investment Committee. The Team also worked with RVK on a real asset manager that was recommended and approved by Investment Committee for the In-State program within the Legacy Fund. The real asset manager is still in legal review.

The Private Markets Team conducted approximately 94 introductory, due diligence, and monitoring meetings with prospective and current managers and strategies. The team attended multiple Annual General Meetings and LPAC meetings for existing managers.

The Team posted a new Senior Analyst position and completed the interview process. Mr. Collins started on December 19, 2024.

Risk:

Implementation of the Order and Execution Management System (OEMS) and Portfolio Management System (PMS) platforms with the Aladdin is ongoing. Requirements gathering for

multiple channels, including data, interface, compliance and risk was completed. Implementation is expected to last until mid-to-late March of 2025. An agreement with third party interfaces is being negotiated but could be a cause of delay.

The Risk Team has started to work with our consultants Weaver to transition the compliance framework, including enhancing the existing compliance monitoring process leveraging our custodian Northern Trust and designing new compliance monitoring on Aladdin Enterprise. Ethics and proxy voting policies are also being developed.

The Risk Team has continued to develop concise and impactful portfolio risk reports from the Aladdin system along with automation. In addition to the pool level reports, the team is now also running these reports daily at manager level and has made further progress on enhancing data quality underlying these reports. Data issues remain a challenge but with more timely resolution we expect to have higher quality of reports. Additional reports at client levels as well as attribution reports also remain to be implemented.

Risk and analytics dashboards for the AFM team are also being developed in Aladdin. Additionally, the Risk Team assisted the AFM team in the allocation to different international managers as well as development of guidelines for those managers chosen under Equity 2.0 implementation.

The risk team also assisted the CIO on review of portfolio analyst candidates and selection of a Fixed Income Analyst as well as Public Markets Investment Analyst.

Internal Management:

The onboarding of the Aladdin Order & Execution Management System (OEMS) remains ongoing and on schedule. The Portfolio Manager of Internal Fixed Income has made an offer for the Analyst position, which has been accepted and is pending background checks. The Portfolio Manager of Internal Equity expects to post for the position of Public Markets Analyst by the end of January. This position will report to the Portfolio Manager of Internal Equity, however, the position is expected to work with and learn from the Internal Fixed Income, AFM, and Risk teams.

The Investment Committee has approved the Guidelines for the Internal Cash Overlay strategies. The Internal Investment Management Team expects to bring Guidelines for additional equity and fixed income strategies in the coming months.

Other:

- Staff conducted a search for an asset allocation consultant.
- Staff continues to conduct due diligence on prospect managers/products for future consideration.
- Staff continues to monitor each client's asset allocation monthly and makes rebalancing decisions based on rebalancing policy and cash flow requirements.
- Staff attended meetings with many SIB client boards, sub-committees and/or legislative committees or representatives including TFFR, PERS, and WSI.

MEMORANDUM

TO: State Investment Board

FROM: Sarah Mudder, communications and outreach director

DATE: Jan. 24, 2025

RE: FY2025, Q2 Communications and Outreach Report

MEDIA RESPONSE – Date, Subject, and Publication

- Oct. 1, 2024, North Dakota Legacy Fund, North Dakota Monitor
- Oct. 10, 2024, North Dakota Legacy Fund, KX News
- Oct. 29, 2024, North Dakota Legacy Fund, Jamestown Sun
- Oct. 30, 2024, Asset Allocation Consultant, with Intelligence
- Oct. 30, 2024, In-state Investment Program Manager, with Intelligence
- Nov. 7, 2024, Measure #3, Pensions & Investments
- Nov. 13, 2024, North Dakota Legacy Fund, North Dakota Monitor
- Nov. 13, 2024, Measure #3, The Flag
- Nov. 13, 2024, Incentive Compensation, Jamestown Sun
- Nov. 22, 2024, Murtha resignation, North Dakota Monitor
- Nov. 26, 2024, Murtha resignation, Pensions & Investments
- Nov. 26, 2024, Murtha resignation, NASRA
- Nov. 26, 2024, Murtha resignation, NCTR
- Dec. 10, 2024, Asset Allocation Consultant, FundFire
- Dec. 10, 2024, Asset Allocation Consultant, Pensions & Investments
- Dec. 10, 2024, Asset Allocation Consultant, InForum

MEETINGS – Date and Activity

- Oct. 1, 2024, TFFR Executive Steering Committee Pension Administration System Project
- Oct. 17, 2024, SIB Investment Committee
- Oct. 21, 2024, SIB Governance & Policy Review Committee
- Oct. 25, 2024, SIB Board Meeting
- Oct. 28, 2024, Judicial Executive and Legislative
- Oct. 31, 2024, Employee Benefits Programs Committee
- Nov. 5, 2024, TFFR Executive Steering Committee Pension Administration System Project
- Nov. 7, 2024, SIB Governance & Policy Review Committee
- Nov. 8, 2024, SIB Investment Committee
- Nov. 11, 2024, SIB Client Fund (TFFR)
- Nov. 12, 2024, SIB Client Fund (Legacy Budget Stabilization Fund Advisory Board)
- Nov. 13, 2024, SIB Governance & Policy Review Committee
- Nov. 18, 2024, SIB Audit Committee
- Nov. 21, 2024, TFFR Board Meeting
- Nov. 22, 2024, SIB Board Meeting
- Nov. 26, 2024, SIB Client Fund (PERS)
- Dec. 5, 2024, SIB Executive Search Committee
- Dec. 5, 2024, SIB Securities Litigation Committee
- Dec. 11, 2024, SIB Client Fund (WSI)
- Dec. 13, 2024, SIB Investment Committee
- Dec. 16, 2024, Financial Literacy Commission
- Dec. 17, 2024, SIB Executive Search Committee
- Dec. 18, 2024, RIO Executive Steering Committee Investment Management Software Project
- Dec. 19, 2024, TFFR Executive Steering Committee Pension Administration System Project

OUTREACH – Date, Staff, and Activity

SIB Client Fund

- Dec. 12, 2024, Asset Allocation and Investment Performance, Virtual

TFFR Active Member

- Oct. 2, 2024, Group Benefit Presentation, Dickinson
- Oct. 3, 2024, Group Benefit Presentation, Bismarck
- Oct. 7, 2024, Group Benefit Presentation, West Fargo (two sessions)
- Oct. 8, 2024, Group Benefit Presentation, Devils Lake
- Oct. 10, 2024, Group Benefit Presentation, Grand Forks
- Oct. 30, 2024, Group Benefit Presentation, Virtual

TFFR Business Partner

- Dec. 10, 2024, MyTFFR Office Hours, Virtual
- Dec. 12, 2024, MyTFFR Office Hours, Virtual
- Dec. 17, 2024, MyTFFR Office Hours, Virtual
- Dec. 19, 2024, MyTFFR Office Hours, Virtual
- Dec. 30, 2024, MyTFFR Office Hours, Virtual

Partner Event

- Oct. 3, 2024, Jan Murtha (presenter), Univ of Mary Career Day, Bismarck
- Oct. 5-9, 2024, Jan Murtha (presenter) and Chad Roberts, National Council on Teacher Retirement, Atlanta
- Oct. 12-16, 2024, Denise Weeks (presenter), National Pension Education Association, Greenville, SC
- Oct. 14, 2024, Sarah Mudder (presenter), NDSU Comms Career Day, Fargo
- Oct. 16-17, 2024, Chad Roberts (presenter), Sarah Mudder and Denise Leingang-Sargeant (booth), North Dakota Council on Educational Leaders, Bismarck
- Oct. 24, 2024, Chirag Gandhi (presenter), Beyond 2024: The Future of Fixed Income, New York
- Oct. 24-25, 2024, Chad Roberts (presenter), Denise Weeks and Tami Volkert (booth), North Dakota School Board Association, Bismarck
- Oct. 26, 2024, Jan Murtha (presenter), ND United, Bismarck
- Oct. 27-30, 2024, Rachel Kmetz, Susan Walcker and Robbie Morey, Public Pension Finance Forum, Indianapolis
- Dec. 18, 2024, Scott Anderson (presenter), PineBridge Investments Americas Client Group Year-end Meeting, Virtual

PUBLICATIONS (GovDelivery)

TFFR Business Partners newsletters and updates

- Oct. 22, 2024, newsletter sent to 523 recipients (63% open rate)

TFFR Active Members newsletters and events

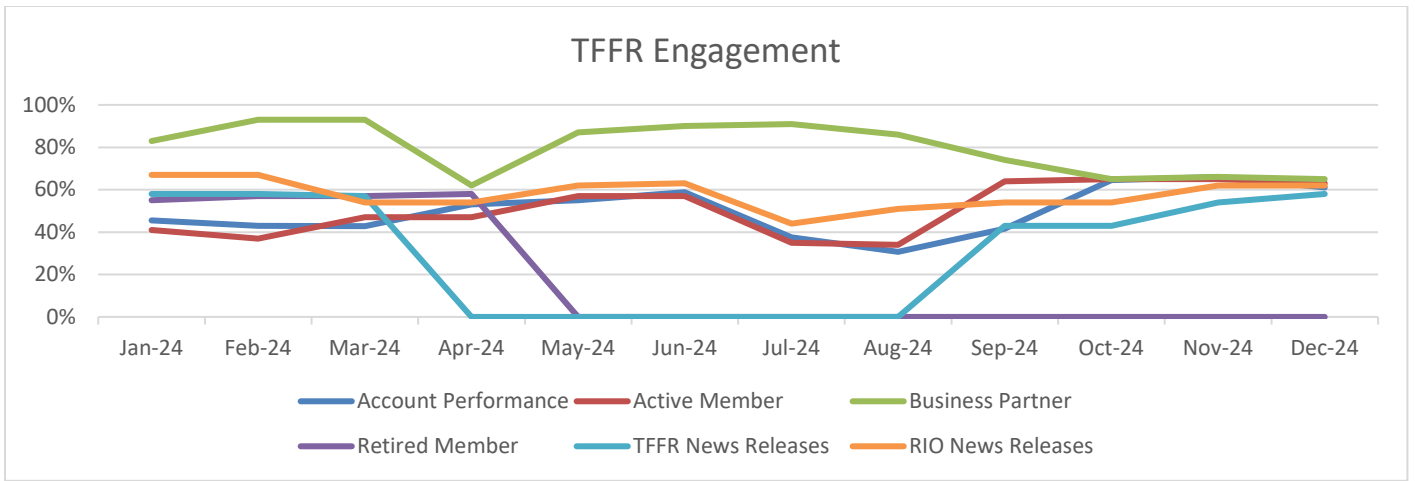
- Oct. 23, 2024, group benefit presentation promo to 11,328 recipients (25% open rate)

TFFR news releases

- Dec. 3, 2024, "NDTFFR earns pension standards award," 997 recipients (43% open rate)

TFFR Engagement Rate Monthly Metrics

From Oct. 1 to Dec. 31, most to least engaged TFFR topics were Business Partner at 65% and Active Members at 63% and TFFR News Releases at 58%. Retired Members have dropped off due to lack of communications. Per GovDelivery, the median engagement rate for education communications in 2023 was 66%. The median engagement rate for government emails overall was 47%.



SIB/Fiscal newsletters and updates

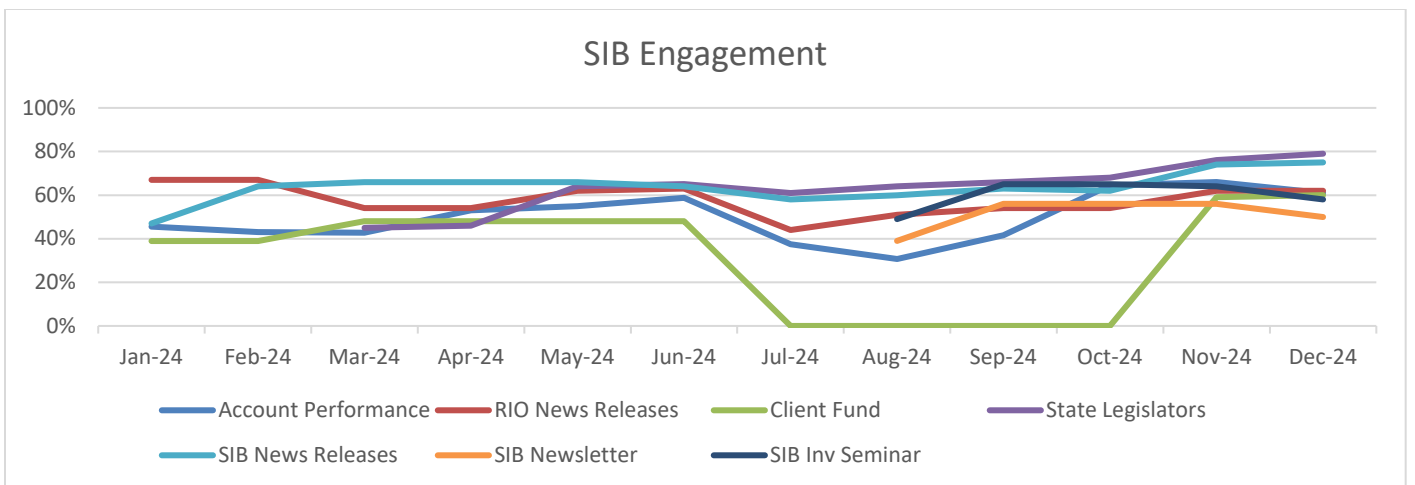
- Nov. 19, 2024, "FY2024 Financial Audit Report releases," 646 recipients (57% Open Rate)

SIB/Fiscal news releases and updates

- Oct. 31, 2024, "ND's Legacy Fund Demonstrates Responsible, Strategic Investment for Long-Term Growth," 810 recipients (43% open rate)
- Nov. 7, 2024, "ND's Legacy Fund is a sovereign wealth fund designed for long-term prosperity," 814 recipients (45% open rate)
- Nov. 14, 2024, "Legacy Fund Report: more than \$450 million in 40 ND businesses and communities," 848 recipients (58% open rate)
- Nov. 22, 2024, "State Investment Board will transition to new leadership for 2025," 1,118 recipients (46% Open Rate)
- Dec. 10, 2024, "State Investment Board selects NEPC to enhance portfolio strategy," 742 recipients (48% Open Rate)

SIB Engagement Rate Monthly Metrics

From Oct. 1 to Dec. 31, most to least engaged SIB topics were State Legislators at 79%, SIB News Releases 75%, Client Fund and Financial Reports both at 60%, and Investment Seminar at 58%. Per GovDelivery, the median engagement rate for Finance & Commerce communications in 2023 was 56%. The median engagement rate for government emails overall was 47%.



SOCIAL MEDIA

LinkedIn

	Page Views	Unique Visitors	New Followers
	1,266	513	235
Most Popular Posts (Engagement Rate)	Impressions	Clicks	Likes
SIB Leadership Change (Murtha resignation)	1,961	188	46
Jac Collins welcome	4,768	445	88
Brian Hermanson welcome	1,458	90	48

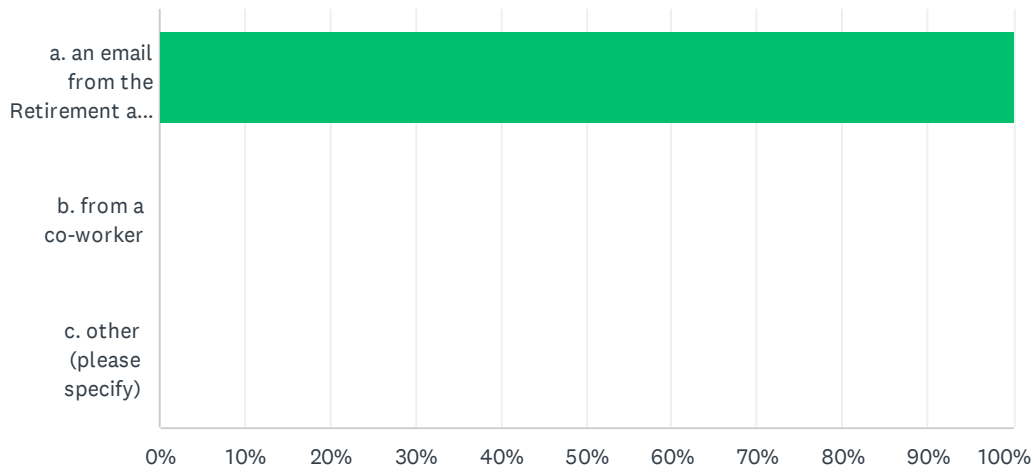
YouTube

	Views	Watch time (hours)	New Subscribers
	756	67.9	4
Top Content	Views	Average Duration	
MyTFFR View Organization Info	215	2:04	
MyTFFR Upload Enrollment	132	7:39	
TFFR Group Benefits Presentation	97	12:47	

BOARD ACTION REQUESTED: Board Acceptance

Q1 How did you learn about the presentation?

Answered: 2 Skipped: 0



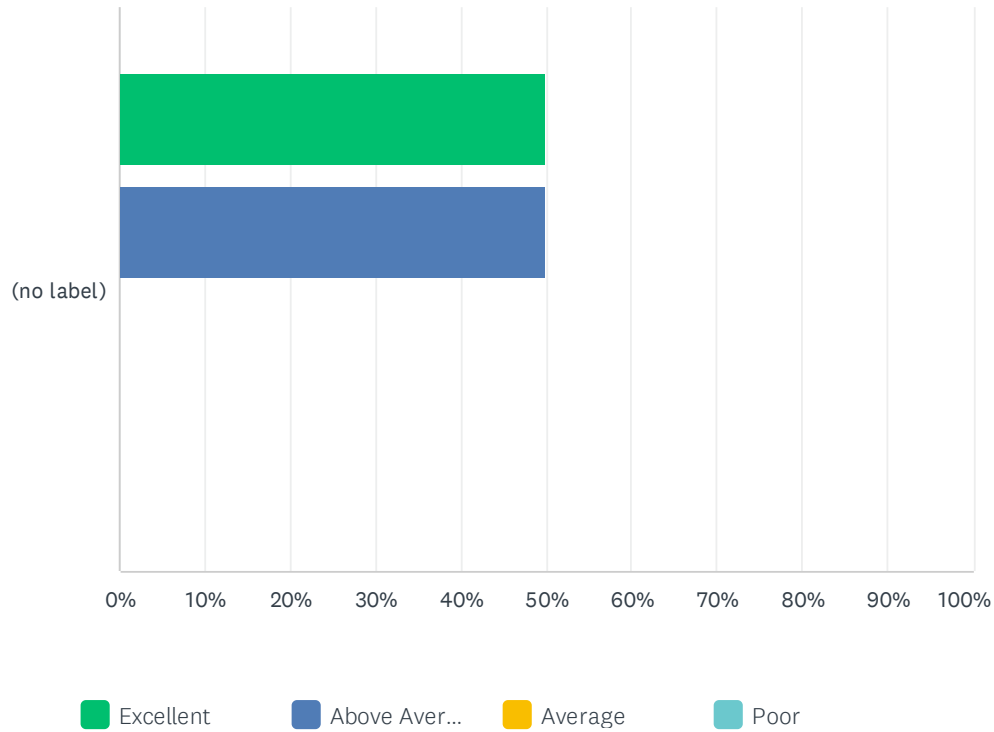
ANSWER CHOICES	RESPONSES
a. an email from the Retirement and Investment Office	100.00% 2
b. from a co-worker	0.00% 0
c. other (please specify)	0.00% 0
TOTAL	2

#	C. OTHER (PLEASE SPECIFY)	DATE
	There are no responses.	

Q2 Please rate the presentation overall, including the material presented and speaker knowledge of the topic.

Answered: 2 Skipped: 0

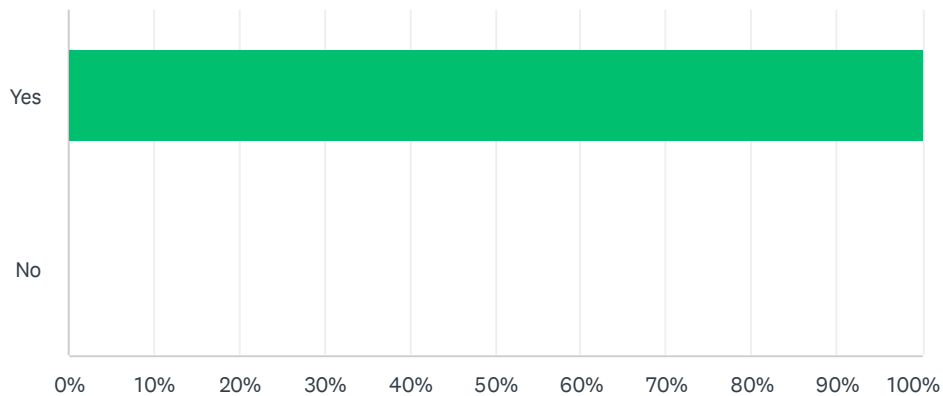
Client Fund Education



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	50.00%	50.00%	0.00%	0.00%	2	3.50
	1	1	0	0		

Q3 Did you learn something beneficial from the presentation?

Answered: 2 Skipped: 0

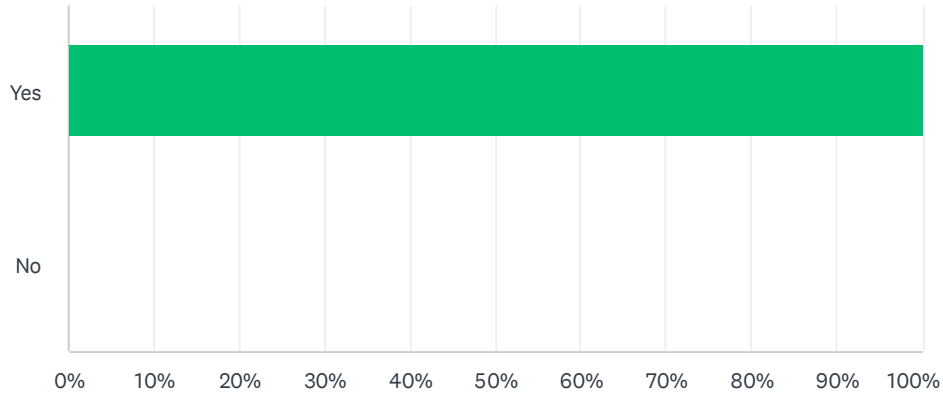


ANSWER CHOICES	RESPONSES
Yes	100.00% 2
No	0.00% 0
Total Respondents: 2	

#	IF YES, WHAT DO YOU LEARN AND WHY IS IT BENEFICIAL?	DATE
1	RIO has very talented, knowledgeable, and trustworthy staff. Our retirement investments are in good hands.	12/16/2024 9:15 AM

Q4 Was the material relevant to your needs?

Answered: 2 Skipped: 0



ANSWER CHOICES	RESPONSES
Yes	100.00% 2
No	0.00% 0
Total Respondents: 2	

#	IF NO, WHAT INFORMATION WOULD YOU HAVE LIKED TO RECEIVE?	DATE
	There are no responses.	

Q5 Do you have suggestions for other presentations? Additional comments may be provided here.

Answered: 0 Skipped: 2

#	RESPONSES	DATE
	There are no responses.	

WHO WE ARE

The Retirement and Investment Office (RIO) is the state agency responsible for coordinating the activities of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR).

34 Full-Time Team Member Authority

1 Temporary Team Member

68 Consultants and Professional Services

WHAT WE DO



Investment Program

The SIB is responsible for setting the policies and procedures that guide the investment of client funds while RIO is the administrator responsible for investment program management.



Retirement Program

The TFFR program is a qualified defined benefit public pension plan. The TFFR board of trustees has statutory responsibility for the pension program, while RIO is the program administrator.

HOW WE DO IT

Mission: To provide prudent and transparent investment services for our client funds and support North Dakota public school educators with responsible benefit administration.

Vision: To be recognized as a trusted and innovative provider of investment and pension services.

Values:

- *Integrity* - We value honesty and are committed to doing what's best for our customers.

- *Accountability* - We are responsible for our actions and work as a team to produce the desired outcomes.

- *Service* - We care about the people we serve and take time to understand their unique needs.

THE PEOPLE WE SERVE

Citizens

are North Dakota residents who benefit from RIO's management of public funds including the North Dakota Legacy Fund, the state's sovereign wealth fund.

\$22.3 billion total in assets under management



SIB Client Funds

are identified in statute. With the approval of the Industrial Commission, the SIB may provide services to and manage the money of any state agency, institution or political subdivision.

31 participants (15 statutory, 16 contracted)



TFFR Active Members

are licensed to teach in North Dakota and employed by public schools and state institutions.

11,945 total, average age 41.3



TFFR Retired Members

includes retired or disabled members and beneficiaries receiving a monthly benefit.

9,693 total; retired avg. age 73.6



TFFR Employers

are public schools and state institutions that employ licensed North Dakota educators.

204 employer groups

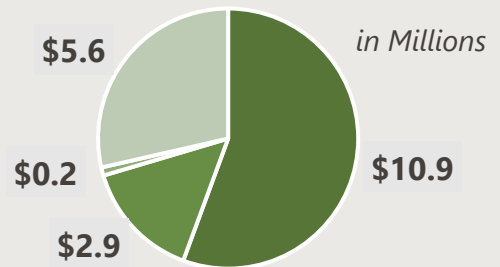


2023-2025 BIENNIAL BUDGET

\$19.6 Million Appropriation

RIO is a special fund agency and receives no general fund dollars.

- Salary
- Operating
- Contingencies
- PAS (one-time)



WHAT WE'RE PROUD OF



Pension Administration System

In Feb. 2025, RIO will release MyTFFR, a pension administration system, making employer reporting more efficient and allowing members to manage a wide range of account transactions online.



Internal Investment Program

RIO will launch an internal investment management initiative in spring 2025 that will result in significant client cost savings and provide greater control over investments.

HOW WE MEASURE SUCCESS

Actuarial Valuation

Actuarial valuation reports measure TFFR's funding progress. Based on the current valuation, the contribution rates are expected to fully fund TFFR in 2043.

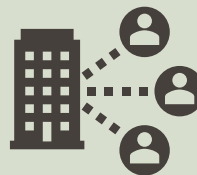


Awards

For the 26th consecutive year, RIO received the Certificate of Achievement for Excellence in Financial Reporting. In addition, the TFFR program earned the 2024 Public Pension Standards Awards for Plan Funding and Plan Administration.

Engagement

RIO's most recent Gallup Q12 engagement mean was 4.5 out of 5. Our team members are "Engaged," highly involved in and enthusiastic about their work and workplace.



Financial Audit

Our FY2024 financial audit contains an unmodified and clean opinion. This independent evaluation of our financial statements, operations, and internal controls helps to ensure transparency and accountability.

LEARN MORE & STAY CONNECTED



[linkedin.com/company/ndrio](https://www.linkedin.com/company/ndrio)



[youtube.com/@ndrio8298](https://www.youtube.com/@ndrio8298)



public.govdelivery.com/accounts/NDRIO/subscriber/new



RIO Publications

Newsletters, and financial and investment reports.
rio.nd.gov/publications

Rev. 01/2025

ND State Investment Board Resolution
In Recognition of
Ryan Skor

WHEREAS, Ryan Skor has served as a valued and dedicated member of the Retirement & Investment Office for more than 2 years; and

WHEREAS, Ryan Skor has diligently carried out his duties and responsibilities as Chief Fiscal Officer and Chief Operating Officer in support of both the TFFR and SIB Programs; and

WHEREAS, Ryan Skor has diligently helped to maintain the fiscal operations, integrity and stability of the TFFR and SIB Programs.

NOW THEREFORE, BE IT RESOLVED that Ryan Skor be duly recognized by this Board for his unselfish dedication to the State of North Dakota through his service to the Retirement & Investment Office.

DATED this 24th day of January 2025

On Behalf of the SIB

Governor Kelly Armstrong, Chair

Votes

Date

House Bill 1022
North Dakota Retirement and Investment Office (RIO)
Testimony before House Appropriations – Government Operations Division
Representative David Monson, Chair

Jodi Smith – Interim Executive Director
Chad Roberts, MAcc – Deputy Executive Director/Chief Retirement Officer
Scott Anderson, CFA, MBA – Chief Investment Officer
Rachel Kmetz – Interim Chief Financial Officer/Chief Operating Officer

I. RIO Statutory Authority and Responsibilities

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

II. Organization of RIO

A. State Investment Board (SIB)

The SIB is responsible for oversight of over \$23 billion of investments for 31 different client funds including TFFR and PERS within the over \$8 billion Pension Pool and WSI in the nearly \$3.5 billion Insurance Pool in addition to roughly \$11.5 billion in the Legacy Fund. Funding for administration of the SIB Investment Program comes directly from investment clients’ invested assets (both statutory and contracted).

SIB members include the Governor, State Treasurer, Director of Office of Management and Budget, State Land Commissioner, Workforce Safety & Insurance designee, two PERS board members, two TFFR board members, two members of the Legacy and Budget Stabilization Fund Advisory Board, and two Institutional Investment Professionals.

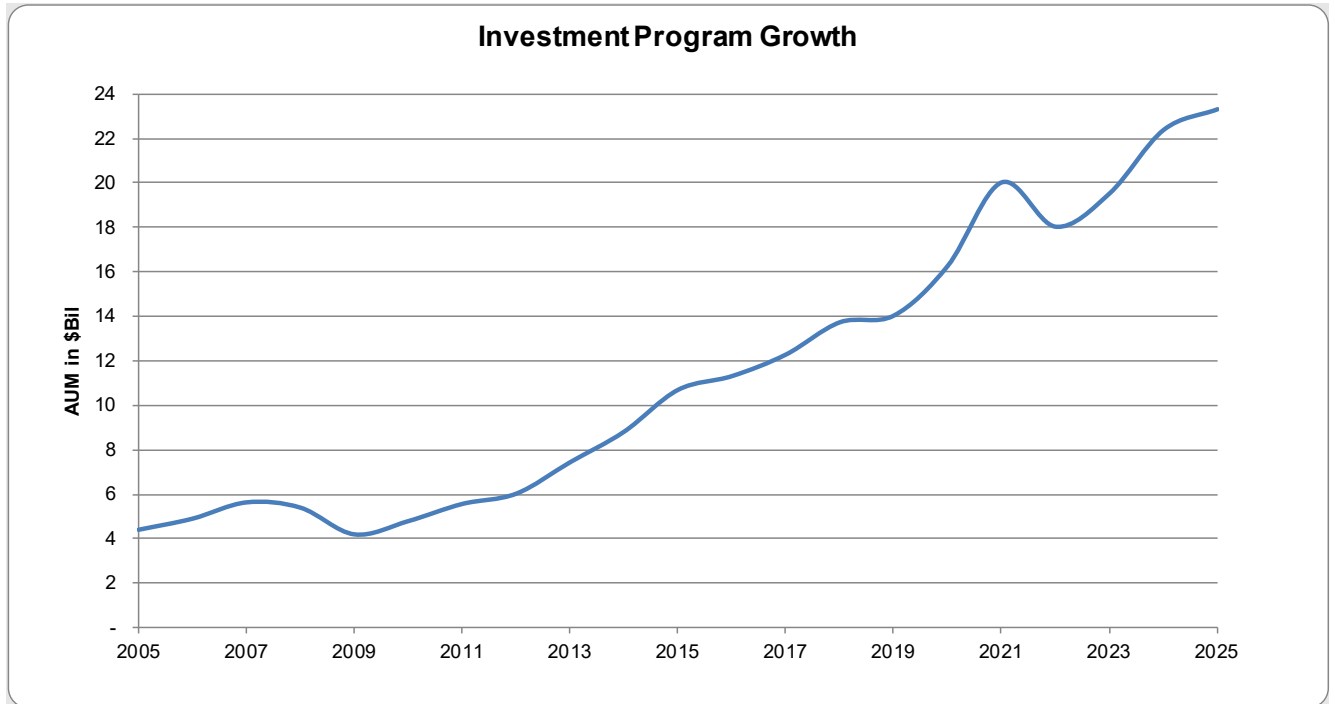
Investment guidelines and asset allocations are established by the governing bodies of the individual funds, with assistance from consultants and/or RIO staff, and subject to review and approval by the SIB prior to implementation.

	Fair Value (as of 10/31/24)
PENSION POOL PARTICIPANTS	
Teachers' Fund for Retirement	\$ 3,352,221,348
Public Employees Retirement System	4,514,724,260
Bismarck City Employee Pension Fund	133,547,238
Bismarck City Police Pension Fund	56,108,250
City of Grand Forks Pension Fund	77,186,135
Grand Forks District Pension Fund	9,025,879
Subtotal Pension Pool participants	\$ 8,142,813,109
INSURANCE POOL PARTICIPANTS	
Workforce Safety & Insurance Fund	\$ 2,165,731,209
State Fire and Tornado Fund	20,213,035
State Bonding Fund	3,941,357
Petroleum Tank Release Fund	6,313,649
Insurance Regulatory Trust Fund	215,148
State Risk Management Fund	4,214,280
State Risk Management Workers Comp	2,273,128
Cultural Endowment Fund	612,869
Budget Stabilization Fund	943,644,620
ND Assoc. of Counties (NDACo) Fund	3,940,015
City of Bismarck Deferred Sick Leave	872,473
PERS Group Insurance	60,303,175
State Board of Medicine	4,987,142
City of Fargo FargoDome Permanent Fund	45,349,032
Lewis & Clark Interpretive Center Endowment	944,261
Attorney General Settlement Fund	651,709
Veteran's Cemetary Trust Fund	512,402
ND University System Capital Building Fund	10,738
Arts Across the Prairie Maintenance Fund	1,257,708
Water Projects Stabilization Fund	147,363,929
OPIOID Settlement Fund	16,354,173
State Historical Endowment Fund	869,578
Subtotal Insurance Pool Participants	\$ 3,430,575,630
INDIVIDUAL INVESTMENT ACCOUNTS	
Legacy Fund	11,498,016,442
Retiree Health Insurance Credit Fund	191,607,457
Job Service of North Dakota Pension Fund	84,056,315
Total	\$ 23,347,068,952

(Amounts are unaudited)

The SIB selects investment managers to manage different types of portfolios within each asset class with the goal of maximizing return within the clients' acceptable risk levels.

Over the past two decades, the average assets under management (AUM) of the investment program has significantly grown in size. Amounts have grown from an average of roughly \$4 billion during the 2003-2005 biennium to an average of over \$23 billion during the current 2023-2025 biennium.



B. Teachers' Fund for Retirement (TFFR)

TFFR is a qualified defined benefit public pension plan. The program is managed by a seven-member board of trustees which consists of the State Treasurer, State Superintendent, two active teachers, two retired teachers and one school administrator all appointed by the Governor.

The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions and investment earnings. During the past decade, active membership has increased 13.6% from 10,514 to 11,945 participants, while retirees and beneficiaries have increased 20.8% from 8,025 to 9,693.



The mission of TFFR, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members, North Dakota k-12 educators, in a manner consistent with its fiduciary obligations and approved resource allocation.

The TFFR Board reaffirmed its commitment to evolving governance to respond to program growth by establishing a Governance and Policy Review committee that is tasked with reviewing program policies and public policy affecting statutes and administrative rules to make recommendations to the full Board for making policy or requesting changes from the Legislature.

The TFFR program is currently in Phase 3 of 3 of a multi-year large IT Pension Administration Modernization Project (TFFR “Pioneer” Project) that will provide a better ROI for the agency and improve the member and employer experience with TFFR while aligning with state-wide initiatives to better utilize technology enabled processes.

TFFR plan is designed to provide lifetime normal retirement benefits, disability benefits, and death benefits for ND public school educators and certain state teachers. It provides ND educators with a financial foundation for the future that includes a secure and stable retirement. This is possible due to TFFR’s plan design, professional plan management, strong investment performance, and outstanding customer service.

The TFFR plan is an important feature in the recruitment and retention of high-quality teachers and administrators in North Dakota, and not lose these quality individuals to out of state programs.

C. RIO Organizational Chart

(See attached)

- III.** RIO currently has 34 full-time FTEs across the two programs and four divisions along with two temporary positions and an intern. The four divisions include Investment, Retirement Services, Fiscal Services, and Internal Audit. The two temporary positions are directly attributable to additional workforce needs during the development and implementation of a large IT project for the TFFR program. The hiring of intern position's reflects an intent to consciously develop a robust internship program at RIO that will provide an opportunity to college and graduate students studying in North Dakota to participate in investment, accounting, benefit services, and public policy processes within the public sector.

IV. Audit Findings

RIO has received no financial audit findings in the past 20+ years.

V. 2023-25 Accomplishments and Challenges

RIO accomplishments during the 2023-2025 biennium have included:

1. Creating and implementing a new agency strategic plan identifying core priorities and transformational initiatives.
2. Reorganizing the agency to achieve greater economies of scale and support new strategic plan.
3. Developing and implementing intra-agency communication and training plan to support organizational culture as a core agency priority.
4. Completion of agency wide compensation study and creation of incentive compensation plan for investment related positions.
5. Procurement of new investment program software solution to facilitate the internal investment initiative.
6. Hosted multiple interns across the agency including the first ever investment focused intern within the investment program.
7. Entered into an internal audit co-sourcing relationship to enhance the internal audit capabilities alongside the agency evolution.
8. Developed and implemented a formal new board member onboarding program to educate new board members as they assume their roles on SIB and TFFR.
9. Enhancement of the agency-wide communications and outreach plan.
10. Assisting governing boards with the creation and operation of three new standing committees to create governance that supports program growth: a Governance & Policy Review committee of the SIB; an Investment Committee of the SIB; and a Governance & Policy Review committee of the TFFR Board (previously an ad hoc committee); as well as expanding the scope of the Executive Review and Compensation Committee.
11. Continuing to implement an in-state investment initiative with the creation of the ND Growth Fund, increasing funding of the BND match loan program, and supporting a

Legacy Fund Asset Allocation Study project commissioned by the Legacy and Budget Stabilization Advisory Board.

12. Completing two out of three phases of the TFFR Pension Administration System Modernization Project (TFFR “Pioneer” Project) and making significant progress through the third and final phase.
13. The Legislature approved an internal investment management initiative and authorized RIO to develop an incentive compensation plan to support the investment program and an additional 7 new FTE’s for the 2023-2025 biennium, during the 2023 Legislative Session.

2025-27 Goals and Plans

Goals for RIO during the 2025-2027 biennium include:

TFFR Investment and Funding Goals

1. Continue to improve the Plan’s funding status to protect and sustain current and future benefits.
2. Minimize the employee and employer contributions needed to fund the Plan over the long term.
3. Avoid substantial volatility in required contribution rates and fluctuations in the Plan’s funding status.

TFFR Service Goals

1. Continue to implement an enhanced Outreach and Communication Plan for our members, employers, and other stakeholder groups related to the program in general.
2. Administer an accurate, efficient, and responsive pension benefits program.
3. Deliver high quality, friendly service to members and employers.

SIB Strategic Investment Plan

1. Reaffirm our organizational commitment to the importance of continuing board education and strong board governance to create and maintain an innovative and agile investment program.
2. Enhance understanding of our core goals and beliefs while enhancing overall transparency.
 - a. Remain steadfast in our commitment to the prudent use of active investment management.
 - b. Expand awareness to downside risk management which is essential to achieving our long-term investment goals.
 - c. Given actual and projected growth of SIB client assets and the heightened public awareness of the Legacy Fund, align our investment platforms to promote greater clarity and efficiency in reporting and implementing client investment policies.
3. Expand RIO’s influence and ability to create positive and sustainable change by building deeper relationships with existing clients, organizations, and legislative leaders.
 - a. Enhance community outreach to build upon public awareness and confidence.
 - b. Develop concise presentations which highlight our overall risk, return and cost control framework including our progress towards attaining our long-term goals.
 - c. Continue to implement an in-state investment initiative and provide education and outreach efforts consistent with the roll-out of that initiative.

4. Encourage employee participation in staff meetings, offer team members more opportunities to impact RIO’s change initiatives and improve the office environment for staff and clients.
5. Enhance our internal control environment by improving use of proven risk management solutions relating to fraud risk assessments, investment risk management and overall enterprise risk management.
 - a. A robust risk management framework serves as a foundation to support a sound internal control environment and lessen downside risks.
 - b. Broaden stakeholder awareness of the challenges faced in estimating Legacy Fund earnings for future budget planning.
 - c. Evaluate and expand the efficient use of technology in our investment program activities including risk management, compliance monitoring, client satisfaction surveys, website design and communications.

RIO Strategic Plan

1. Continue to develop our organization culture as a recruitment and retention tool to develop a growth mindset and encourage employee engagement.
2. Create, develop, and maintain a robust internship program across both programs.
3. Continue to identify additional process areas where efficiencies can be gained through technology enabled processes and implement such processes.

VI. Comparison agency request/recommendation totals, including full-time equivalent (FTE) positions, for the next biennium compared to the current biennium.

Line Item Description	2023-25 Base Budget	2025-27 Executive Recommendation	2025-27 Total Agency Request
Salaries and Wages	\$ 10,338,543	\$ 12,651,746	\$ 15,184,481
Operating Expenses	2,731,037	3,761,208	4,026,133
Contingencies	200,000	200,000	200,000
Total Special Funds	\$ 13,269,580	\$ 16,612,954	\$ 19,410,614
FTE	34	35	44

During the current 2023-25 biennium, RIO has a base budget of \$13.3 million. The majority of which consists of salaries and benefits for the 34 FTE and temporary team members. This amount includes the vacancy and FTE pool appropriation amount of \$1,786,076.

The 2025-27 executive recommendation adds one FTE for internal audit as well as includes cost to continue salary amounts for investment positions that were appropriated during the 23-25 biennium that were only funded for one year of the biennium. It also includes the executive

compensation recommendation. The majority of the increase in the operating line is related to the continuation of our pension administration system modernization project and the related IT costs.

The 2025-27 total agency request includes added funding for an additional communications FTE and an internal audit FTE. The internal audit FTE was included in the executive recommendation. It also includes 8 FTE related to our strategic internal investment request package to make up the total 44 FTE.

VII. New positions approved in 2023-25 biennium by the 2023 Legislative Assembly

A. Nine new positions were added by the 2023 Legislative Assembly

- i. Sr. Investment Accountant - Hired 7/18/23 - \$219,735 (out of \$219,735 in SPA) transferred from OMB pool, anticipate using entire amount +
- ii. Fiscal & Investment Admin Assistant - Hired 9/5/23 - \$154,886 (\$154,886 in SPA) transferred from OMB pool, anticipate using entire amount +
- iii. Portfolio Manager: Internal Equities - Hired 8/1/24 - \$219,581 (\$238,639 in SPA) transferred from OMB pool, anticipate using entire amount +
- iv. Sr. Investment Analyst: Internal Equities - Hired 8/1/24 - \$191,175 (\$208,554 in SPA) transferred from OMB pool, anticipate using entire amount +
- v. Portfolio Manager: Internal Fixed Income - Hired 9/3/24 - \$222,508 (\$238,639 in SPA) transferred from OMB pool, anticipate using entire amount +
- vi. Investment Accountant - Hired 9/16/24 - \$101,250 (\$125,562 in SPA) transferred from OMB pool, anticipate using exact amount
- vii. Analyst: Internal Fixed Income – Accepted Offer. Planned start date is 2/3/25 - \$0 (\$139,560 in SPA) transferred from OMB pool, anticipate using \$68,048.
- viii. Analyst: Internal Equities - Anticipate hiring Q1 '25 - \$0 (\$139,559 in SPA) transferred from OMB pool, anticipate using \$56,520.
- ix. *Investment Administrative Assistant - Anticipate hiring Q1 '25 - \$0 (\$82,813 in SPA) transferred from OMB pool, anticipate using 13,802.*

VIII. Employee turnover and number of vacant positions during the 23-25 biennium

A. Prior to November '24, only vacancies were caused by internal promotions

- i. Sr. Analyst Private Markets was vacant as of 8/1/24 as incumbent was hired into new Portfolio Manager role. Position was advertised for and ultimately hired for in December '24. Total "savings" was \$67,027.32 (\$16,756.83 x 4 months)
- ii. Investment Analyst was vacant as of 8/1/24 as incumbent was hired into new Sr. Analyst Internal Equities role. Position was advertised for and ultimately hired for in January '25. Total "savings" was \$58,594.55 (\$11,718.91 x 5 months)
- iii. Analyst: Internal Fixed Income - Currently Interviewing - no savings realized as no funding will be transferred from the OMB pool until start date.

- iv. Analyst: Internal Equities - Anticipate hiring Q1 '25 - no savings realized as no funding will be transferred from the OMB pool until start date.
 - v. Investment Administrative Assistant - Anticipate hiring Q1 '25 – no savings realized as no funding will be transferred from the OMB pool until start date.
 - vi. Executive Director vacant as of 1/3/25 – Interim Executive Director was hired 1/13/25. No savings will be realized.
 - vii. CFO/COO vacant as of 1/3/25 - no savings realized to date.
- B. Anticipated amounts to be requested and transferred from the OMB pool:
- i. *New FTEs:*
 - 1. Analyst: Internal Fixed Income - a ratable amount depending on start date
 - a. \$139,560 was in SPA for 12 months so the portion of the year the position is not vacant will be requested from pool
 - 2. Analyst: Internal Equities - a ratable amount depending on start date
 - a. \$139,559 was in SPA for 12 months so the portion of the year the position is not vacant will be requested from pool
 - 3. Investment Administrative Assistant - a ratable amount depending on start date
 - a. \$82,813 was in SPA for 12 months so the portion of the year the position is not vacant will be requested from pool
 - ii. *Vacant Pool:*
 - 1. Amount anticipated to be requested from the vacant FTE portion of the OMB pool is yet to be determined and will depend greatly on the upcoming searches and hirings for the ED and CFO/COO positions.

IX. Budget Summary

The Retirement and Investment Office (RIO) serves two important program boards: the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR) Board. As such, its agency budget is separated into two separate programs, both of which are paid for with special funds.

Investment Program (SIB)

Funding for administration of the SIB Investment Program comes directly from investment clients' invested assets (both statutory and contracted).

Salary and benefits represent funding for 22.85 FTEs, which provide all the accounting, financial and administrative support, and investment performance services for the funds under management.

Operating funds needed to administer the SIB investment program include building rent, staff and board travel and education, and NDIT data processing.

Retirement Program (TFFR)

Funding for administration of the TFFR Pension Plan comes from member and employer contributions and investment earnings.

Salary and benefits represent funding for 11.15 FTEs responsible for administering the TFFR retirement program.

The operating funds required to administer the TFFR retirement program include NDIT data processing, IT contracts, building rent, staff and board travel and professional development.

2025-2027 Budget Request									
				#1	#2	#3	#4	#5	
Line Item Description	Base Budget	Adjustments to Base to meet Budget Limit	Adjusted Base	2nd Half of New Positions	Cost to Continue IT Hosting/S support	Cost to Continue HR	Incremental Agency Evolution/ Retirement Education	Internal Investment 2.0	Total Agency Request
Salaries and Wages	\$ 10,338,543	70,450	\$ 10,408,993	1,236,914	-	142,302	418,092	2,978,180	\$ 15,184,481
Operating Expenses	2,731,037	(208,822)	2,522,215	-	1,201,268	-	90,450	212,200	4,026,133
Contingencies	200,000	(200,000)	-	-	-	-	200,000	-	200,000
Total Special Funds	\$ 13,269,580	(338,372)	\$ 12,931,208	1,236,914	1,201,268	142,302	708,542	3,190,380	\$ 19,410,614
FTE	34	-	34	-	-	-	2	8	44

Request package #1 – 2nd Half of New Positions

During the 2023 Legislative Session, NDRIO received approval to move forward with its internal investment initiative. The proposal required five investment professionals, one operations professional and one administrative staff to manage approximately \$3 billion of assets internally. Implementing this proposal can lower the net costs for RIO investments by \$6 million per year and create opportunities for better liquidity management and rebalancing that may result in up to another \$10 million in savings per year. The net costs and opportunities grow with assets under management and with the amount of assets managed internally.

Generally investment management costs fall within the scope of continuing appropriation authority granted by the legislature in NDCC 21-10-06.2; however because this proposal involves cost savings achieved by internalizing investment operations through additional permanent FTE’s and infrastructure it falls within the scope of NDCC 54-52.5-03.

Due to the complexity of this plan RIO only asked for a salary budget for one year of the 2023-2025 biennium for these additional staff as we understood it would take significant time to develop the plan and stand up all the necessary processes and procedures to effectively implement.

Although one year's worth of salaries and benefits for these positions are included in our base budget, in order to continue the plan into the 2025-2027 biennium, appropriation for the salaries and wages for the second year is required.

This phased in proposal seeks to create a foundation to internalize additional investment functions in future biennium’s. This initial proposal seeks to achieve cost savings by moving approximately \$3 billion in AUM to internal management, however, future costs savings may be achieved in future biennium’s with up to 50% of AUM moved to internal management. The net after cost estimated benefits of going to a greater portion of internal investment management and to a more sophisticated investment process is estimated at \$45 million per year as the result of lower fees

(the savings is net after the cost of the additional FTE's and infrastructure) if up to 50% of the assets are managed internally. The decrease would be recognized within continuing appropriation expenses. The change to more internal investment would require more FTEs currently paid out of appropriated expenses.

All RIO client funds under management will benefit from the associated cost savings achieved by implementing some internal investment management of assets. At the present rate of growth for the program the impact of maintaining the current investment management structure results in failure to leverage client assets and achieve benefits from the scale of the program.

The total appropriation increase for this package is \$1,236,914, which is all salary and fringe benefits. Of which the entire amount was included in Governor Burgum's executive recommendation.

Request package #2 – Information and Technology Hosting and Support

During the 2023-25 biennium, RIO is in the final stages of implementing a new pension administration system for the Teachers' Fund For Retirement (TFFR). Knowing that the system would not go live until the second year of the biennium, only one year of hosting fees was requested during the 2023 legislative session. This approved amount is included in our base budget and will carry over to 2025-2027 however, we are asking for the second year's hosting costs in order to run the new system for the entire biennium.

Additionally, as a unified agency, RIO is reliant on significant support from NDIT professionals. Currently, we are utilizing two dedicated NDIT staff to assist in all needed technology processes for the agency. This need will continue into the 2025-2027 biennium as the new pension system will continue its roll out along with significant increases in technology demands from our investment program as it continues its internal investment roll out. Along with other NDIT rate increases, we have been notified this application support agreement rate will be increased significantly as well.

Furthermore, as the visibility of the Legacy Fund and other funds under RIO's purview increase, we are also asking for modest increases in our communications software and equipment budget to assist our Communications and Outreach Director more efficiently and effectively communicate the specifics of RIO's activities to the public, legislators, and all other interested parties.

Our final request within this package is funding to acquire a consultant to review and determine what additional software would be available for the fiscal team. The fiscal team has not acquired any new software in many years and is still operating with Dynamics GP for our financials, which we have been notified is on an end of life track and will no longer be supported or updated by September of 2029.

Resources necessary for this decision package include the needed appropriation authority for the above mentioned activities. No additional FTEs are included in this request as current staff and application support team are in place to administer the activities.

Current resources will be used to administer the activities listed above. Additional funding is being requested to support these current resources as they will be live for the entire 2025-2027 biennium rather than just for part of the current biennium.

The more than 25,000 members in the Teacher Fund for Retirement are served by this project as well as the more than 200 K through 12 employers throughout the state that contribute to the fund and employ members of the fund. This project has modernized an antiquated pension administration system that not only required significant manual operations to maintain but fails to provide a welcoming user experience for both member and employer. In the event this optional package is not funded, the Retirement Investment Office would not be able to continue using the new pension administration system, which would not allow RIO to fulfill its statutory responsibility to successfully administer the TFFR plan and would cause the nearly 10,000 beneficiaries to lose access to the system and their respective benefit payments.

If additional NDIT application support costs are not approved, RIO would lose vital software and application support provided by these personnel. This would cause significant implementation struggles with both the pension administration system as well as the internal investment program. For TFFR, a similar impact to not funding the continued hosting costs would result if we were unable to procure the needed support for the system. Additionally, all RIO client funds under management will benefit from the associated cost savings achieved by implementing some internal investment management of assets. A reduction in application support availability would significantly hinder the effectiveness of this program.

The total appropriation increase for this package is \$1,201,268. Of which the entire amount was included in Governor Burgum’s executive recommendation.

	Total Agency			Total Special Funds
	Salaries & Benefits	Operating Expenses	Contingency	
#2 Information Technology Hosting and Support				
Additional Operating for Communications	-	21,500	-	21,500
Increased NDIT charges for unified staff	-	129,768	-	129,768
Increased hosting and support fees-PAS	-	800,000	-	800,000
Fiscal Operation Software Consultant	-	250,000	-	250,000
		1,201,268		1,201,268

Request package #3 – Agency Cost-to-Continue Salaries/Internship Funding

NDRIO was able to identify significant savings throughout its operating budget in an attempt meet the 3% base budget reduction. However, this 3% reduction is in addition to a cost to continue amount within the salary and benefits appropriations which would equate to an additional 1.2%.

In order to partially fund this reduction, NDRIO reduced the appropriation available for its internship program by \$24,000. This left funding for just two interns during the upcoming biennium. This request is for an additional \$24,000 in appropriation to allow for up to three additional interns (5 total) during the 2025-2027 biennium.

Additionally, NDRIO has historically been able to recognize salary and benefit budget savings through team members who receive health care coverage via family members working with the State of North Dakota and, as such, the cost of their health insurance benefits is currently included as a reduction in the Salaries - Other line in NDRIO's base budget. Beginning this biennium, two of the three will no longer be covered via other means and will have their health insurance premiums be paid through NDRIO. This request includes an additional \$118,302 to offset the cost to continue salary increases throughout the agency.

Resources necessary for this optional request package are limited to the appropriation authority. NDRIO is currently housing an investment intern so all needed infrastructure is in place to transition into a new intern.

Currently, resources are not being required for either of these requests. For the internship funding, NDRIO has elected not to fill one of its available internships due to capacity constraints on the supervisory team and one additional internship was not filled due to an unsuccessful recruitment of candidates.

For the health insurance benefits that currently being paid by different agencies, as RIO begins paying those amounts during this current biennium, the current biennium resources will come from a rollup of vacant and unused salary appropriation.

Dedicated resources are needed to continue to offer internship opportunities across the agency. Reduced funding for the internship program would negatively impact the program and reduce the opportunities available for college students to experience work within state government.

The total appropriation increase for this package is \$142,302, which is all salaries and benefits.

Request package #4 – Incremental Agency Evolution/Retirement Education

As RIO makes significant enhancements to both the retirement and investment sides of the agency, additional resources are needed to efficiently and effectively carryout its strategic plan. As part of the internal investment initiative discussion, it was communicated that the internalizing of assets would increase the burden on RIO's internal audit division. As such, we are requesting an additional internal audit position to assist with the compliance needs brought on by this additional activity.

Additionally, as the significance and visibility of the Legacy Fund and other areas of the agency continue to grow, RIO's strategic plan includes an increase and improvement in communication to all stakeholders. This plan includes the addition of a multi-media specialist to support our current communications and outreach director in their endeavor to efficiently and effectively communicate RIO activity through all appropriate channels.

Another part of RIO's strategic plan includes additional education in both the investment and retirement communities. In September of 2024, RIO hosted its first investment symposium to provide investment education not only to its client funds but also members of the legislature, other

state agencies, and the public at large. On the retirement side, RIO is planning a communication overhaul with all of its TFFR stakeholders to coincide with the roll out of the new pension administration software. This will include significant communication to assess satisfaction rates as well as the needs and asks of all TFFR members.

Finally, we are also requesting contingency dollars be added to our budget in the event RIO would be required to conduct one or more executive searches during the biennium. During previous biennia, the agency has lost its top two managers in both the retirement and investment programs within a short time period. While turnover of these positions is not planned in the short term, prudence requires preparing for what has not been an unusual need.

This request includes the addition of two new FTE. One multimedia specialist and one internal auditor along with all of the related IT, training, and supplies needs to support said positions. With some reconfiguration, current office space is sufficient to house these additional positions within the facility RIO currently occupies. Additionally RIO is requesting funding to support the continuation of the investment symposium through the 2025-2027 biennium as well as the funding needed to effectively survey TFFR stakeholders.

These would be new resources allocated to support new strategic duties necessitated by the enhancements RIO has been making during the 2023-2025 biennium.

All RIO client funds under management will benefit from the associated cost savings achieved by implementing some internal investment management of assets. Compliance and oversight of this new plan will be beyond the capacity of our current internal audit staff and not funding would require the continuation of significant outsourcing to handle these tasks at a potentially higher price point.

The more than 25,000 members in the Teacher Fund for Retirement are also served by this project as well as the more than 200 K through 12 employers throughout the state that contribute to the fund and employ members of the fund. The additional retirement education RIO plans to facilitate will impact not only the current, but future members of TFFR.

The total appropriation increase for this package is \$708,542. Of which \$446,771 and 1 FTE was included in Governor Burgum's executive recommendation.

	Total Agency			Total Special Funds
	Salaries & Benefits	Operating Expenses	Contingency	
#4 Incremental Agency Evolution/Retirement Education				
Additional Communication FTE	184,864	18,800	-	203,664
Additional Internal Auditor FTE	233,228	16,650	-	249,878
Continuation of Investment Conference	-	20,000	-	20,000
Retirement Education Initiative *	-	35,000	-	35,000
Contingency **	-	-	200,000	200,000
	418,092	90,450	200,000	708,542

Notes:
* NDIT/other support for TFFR Membership Survey & materials
** Contingency fee for potential exec searches

Request package #5 – Internal Investment 2.0

As part of the 2023 legislative session, RIO was authorized to begin the first phase of an internal investment program. That first phase was to bring up to 15% of its assets under management in-house and authorized the hiring of 7 additional FTE to facilitate. Due to the complexity of the plan, that initial phase is currently being finalized with the intent to begin internal investment of assets by April of 2025.

Phase 2 of the internal investment plan would advance the program and bring in an additional 15% of assets in-house (30% total). There is an opportunity to continue creating significant benefits from the scale advantages of the growth of over \$23 billion in assets under management. A typical public fund with similar assets under management as RIO has more internal investment management which creates the opportunity of better investment returns while decreasing costs from the advantages of more internal management versus money placed with external managers. Expansion of the plan into phase two would provide RIO with the opportunity to move into more advanced fund management and increase the benefits to each of its client funds.

Generally investment management costs fall within the scope of continuing appropriation authority granted by the legislature in NDCC 21-10-06.2; however because this proposal involves cost savings achieved by internalizing investment operations through additional permanent FTE’s and infrastructure it falls within the scope of NDCC 54-52.5-03.

In order to expand into phase 2 of the internal investment program, RIO would need an additional 5 investment professionals along with 3 additional fiscal operations professionals to prudently manage and account for the absorption of these additional assets into the program. Additionally, RIO would require the operating, data processing, rent, and other necessary expenses related to onboarding and employing additional team members.

This phased in proposal seeks to expand upon the foundation of internalizing investment functions that has begun in the current biennium. This proposal seeks to achieve cost savings by moving approximately another \$3 billion in AUM to internal management. The net after cost estimated benefits of going to a greater portion of internal investment management and to a more

sophisticated investment process is significant as the result of lower fees (the savings is net after the cost of the additional FTE’s and infrastructure). The decrease would be recognized within continuing appropriation expenses. The change to more internal investment would require more FTEs currently paid out of appropriated expenses.

All RIO client funds under management can benefit from the associated cost savings achieved by implementing additional internal investment management of assets. At the present rate of growth for the program the impact of maintaining the current investment management structure results in failure to leverage client assets and achieve benefits from the scale of the program.

The total appropriation increase for this package is \$3,190,380.

	Total Agency			Total Special Funds
	Salaries & Benefits	Operating Expenses	Contingency	
#5 Internal Investment 2.0				
5 Additional Investment Professionals *	2,133,410	149,500	-	2,282,910
3 Additional Fiscal Professionals **	844,770	62,700	-	907,470
	2,978,180	212,200	-	3,190,380

Notes:
 * Additional investment professionals to support the internal investment program averaging \$160,000/year.
 ** 2 additional fiscal professionals averaging \$90,000/year and 1 at \$120,000/year to support the split of the CFO/COO position.

X. Purpose and use of one-time funding in current biennium

For the 23-25 biennium we had a total of 624,900 one-time appropriations.

1. \$486,000 in temporary salaries related to the implementation of the new TFFR pension administration system.
2. \$138,900 in one-time operating expense related to the implementation of the new TFFR pension administration system.

We had also requested to carryover unexpended one-time funding appropriated in a prior biennium to continue work on our pension administration system (PAS) modernization project. We plan to finish this project in FY2024 and do not plan to request any further carryover for this project.

XI. Identify and justify need for any one-time funding requested

Only one-time funding being requested is \$250,000 for a Fiscal IT Solution consultant. Fiscal is currently using a version of GP Dynamics that is scheduled to be decommissioned by 2030. This request is to procure a consultant to analyze the agencies current needs and help determine the best process forward for replacing the current system.

XII. Agency fees charged

RIO charges their client funds for administrative costs for their investments. Administrative fees are based on actual expenses of the agency.

XIII. Federal State Fiscal Recovery Funding

RIO was not appropriated any federal state fiscal recovery funds during the November 2021 special legislative session.

XIV. Need for any other sections requested to be included

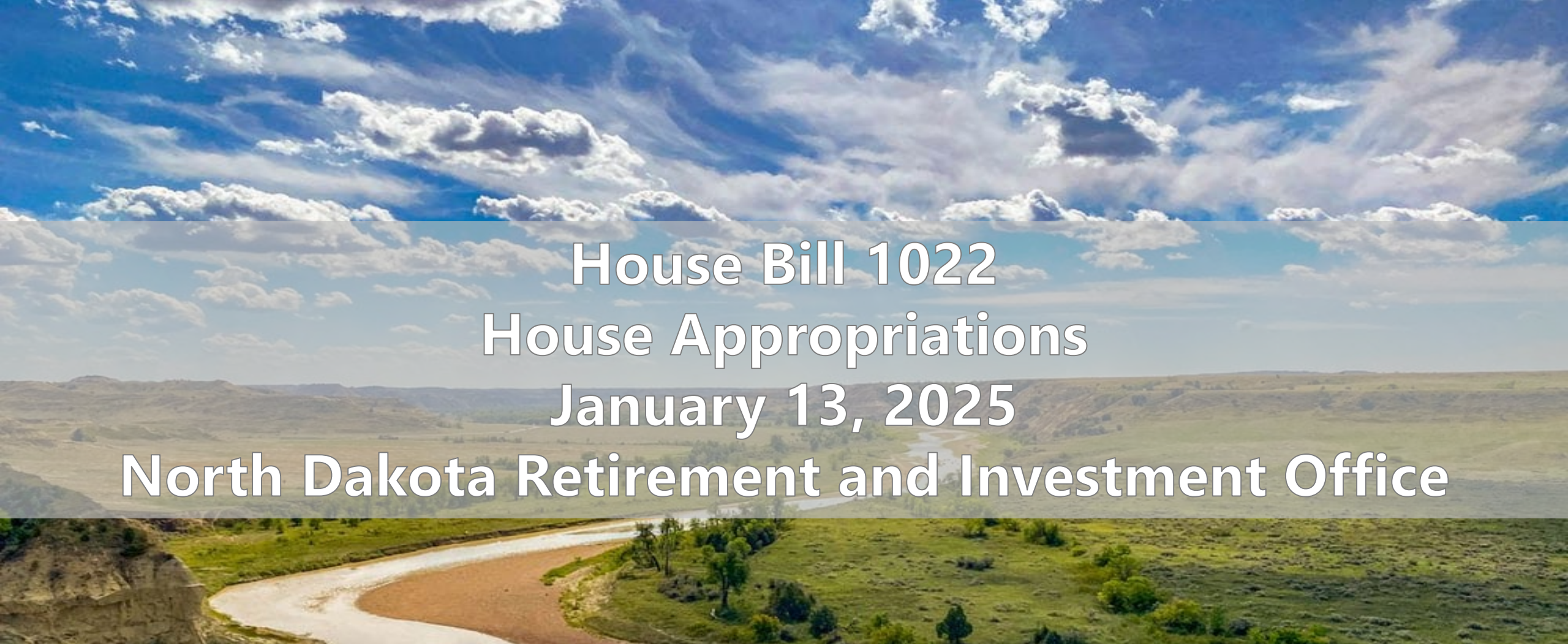
None currently anticipated.

XV. Any other bills being considered and potential impact on our budget

RIO reviews all submitted bills to monitor for potential impact on the agency. We have identified several bills that may impact our agency and/or budget including, but not limited to (see attached for complete current list of tracked bills):

- HB 1026 – Changing Administration of Bonding Fund
- HB 1027 – Changing Administration of Bonding Fund
- HB 1117 – Eligibility for normal retirement benefits
- HB 1176 – Legacy earnings fund and property tax relief
- HB 1183 – Gold and Silver Investments
- HB 1184 – Digital asset and precious metal investments
- SB 2072 – Contracts Limiting liability to the state
- SB 2097 – Rural Community endowment fund
- HCR 3001 – SIB and STO to invest state funds in digital assets and precious metals

Potential fiscal impacts of these bills vary. Some minor changes may require small amounts of monitoring and compliance and require just a few thousand dollars of temporary salaries. While others may have a more pronounced effect. We will continue to monitor these and numerous other bills to determine if any additional budget action would be necessary.



House Bill 1022
House Appropriations
January 13, 2025
North Dakota Retirement and Investment Office

Jodi Smith – Interim Executive Director

Chad Roberts, MAc – Deputy Executive Director/Chief Retirement Officer

Scott M Anderson, CFA, MBA – Chief Investment Officer

Rachel Kmetz – Interim Chief Financial Officer/Chief Operating Officer

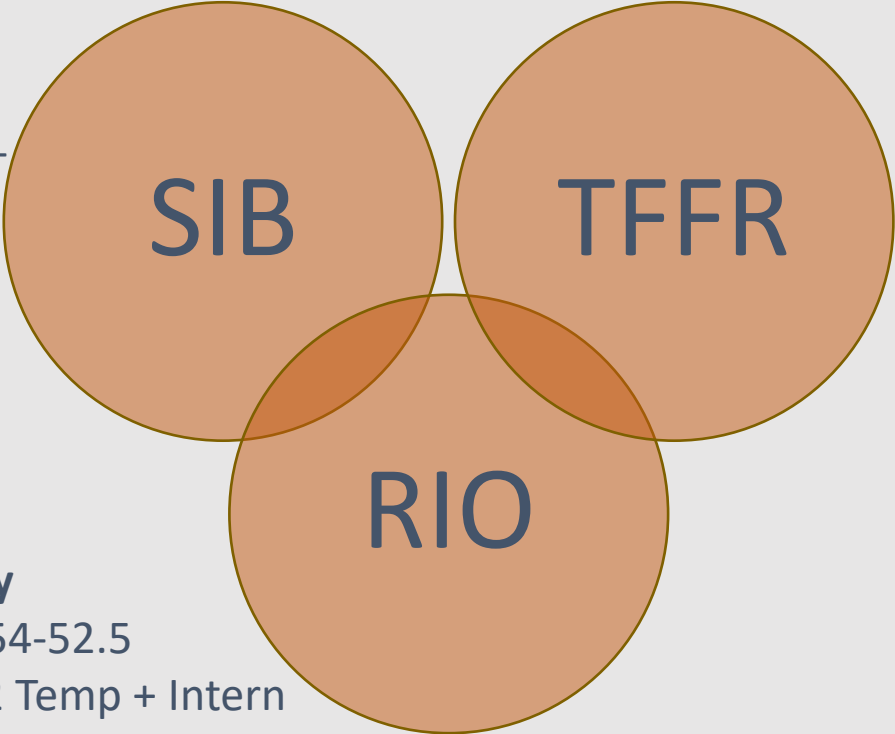
NORTH
Dakota
Be Legendary.

Retirement & Investment

NORTH DAKOTA RETIREMENT AND INVESTMENT SUPPORTS TWO SPECIAL FUND PROGRAMS

RIO was established in 1989 to coordinate the activities of the State Investment Board (SIB) and the Teachers’ Fund for Retirement (TFFR). The SIB is the oversight board for RIO and TFFR Board is responsible for the administration of the TFFR benefits program.

State Investment Board -
Investment Program
NDCC Ch. 21-10
~\$23.3 Billion in AUM
As of 10/31/24



Teachers’ Fund For Retirement –
ND Teachers’ Retirement Program
NDCC Ch. 15-39.1
~\$3.4 Billion in Fund Assets
Over 21,000 active and retired members and beneficiaries

RIO Agency
NDCC Ch. 54-52.5
34 FTEs + 2 Temp + Intern

- State Investment Board (SIB) has the statutory responsibility for the administration of the investment program of several funds including:
 - TFFR, PERS, WSI, Legacy Fund
- SIB also maintains contractual relationships for investment management with multiple political subdivisions and governmental funds
- Currently ~\$23.3 Billion in Assets Under Management (AUM)
- 31 client funds

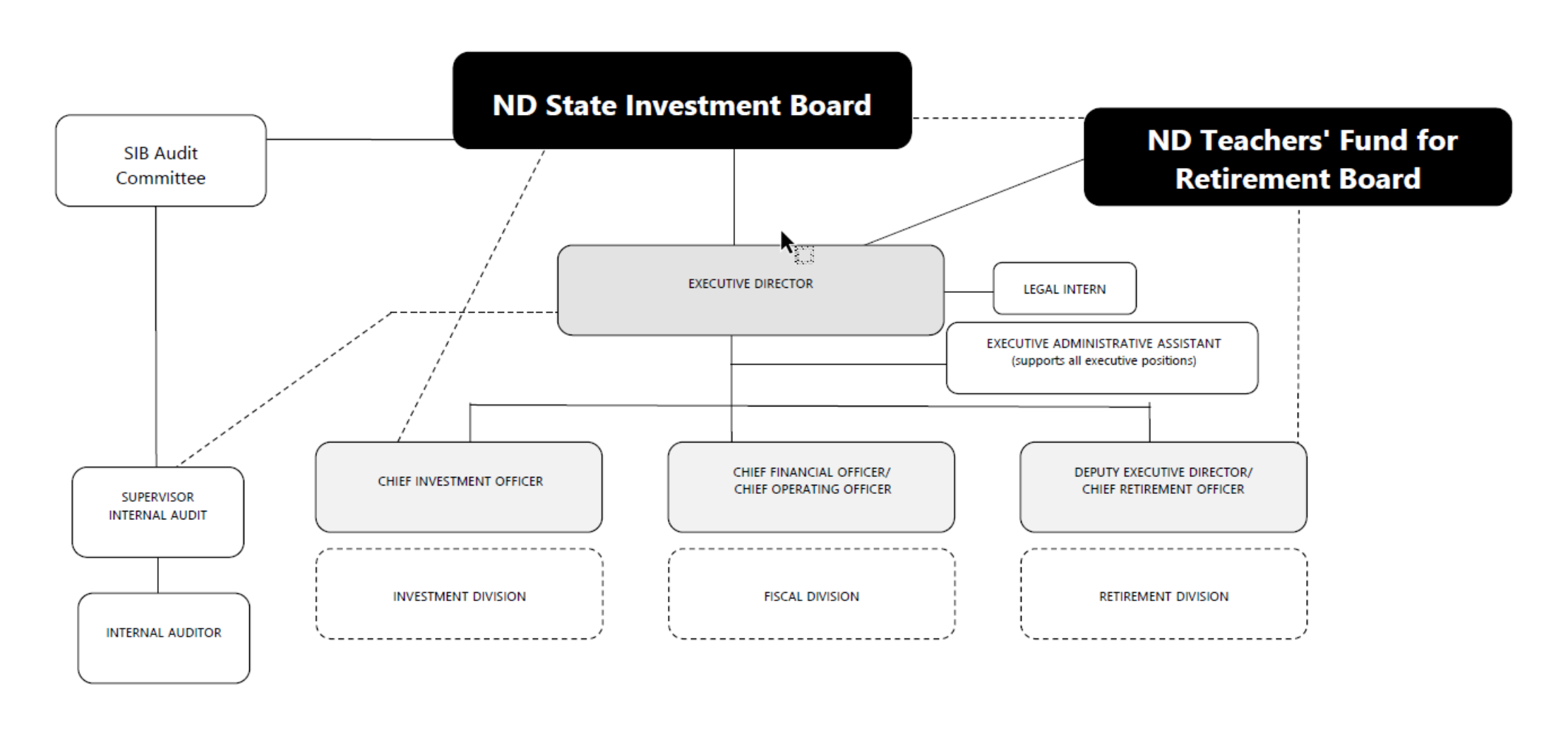
Fund/Pool	AUM (10/31/24)
Pension Pool	\$8.14B
Insurance Pool	\$3.43B
Legacy Fund	\$11.50B
Other Funds	\$0.28B

TEACHERS' FUND FOR RETIREMENT

- Qualified defined benefit public pension plan for North Dakota public school teachers and administrators providing them with a foundation for retirement security.
- **11,900+ Active Members**
 - 13.6% increase over past decade
- **9,600+ Retired Members and Beneficiaries**
 - 20.8% increase over past decade
- **~\$3.3B Fund balance**
- On-track to be 100% fully funded by 2043
- New Pension Administration System in development (est. Q1 2025)



Retirement Investment Office (RIO) Org Chart



2023 – 2025 Accomplishments

- Created and implemented new agency strategic plan
- Procurement of new Investment program software solution
- Continue to implement an in-state investment initiative
- Hosted multiple interns
- Internal Audit co-sourcing relationship
- Developed and implement new board member onboarding program
- Completed 2 of 3 phases of the TFFR Pension Administration system
- Hosted first Investment symposium

New FTE's Appropriated for the 23-25 Biennium

- **9 new positions were added by the 2023 Legislative Assembly**
 - 7 of the 9 positions have been filled
 - Sr. Inv Acct (Hired 7/18/23)
 - Fiscal & Investment Admin Assistant (Hired 9/5/23)
 - Portfolio Manager * (Hired 8/1/24)
 - Sr. Investment Analyst * (Hired 8/1/24)
 - Portfolio Manager Internal Fixed Income * (Hired 9/3/24)
 - Investment Accountant * (Hired 9/16/24)
 - Internal Fixed Income Analyst * (Start date 2/3/25)
 - 2 of the 9 Positions are still vacant
 - Internal Equities Analyst * (anticipate hiring Q1 '25)
 - Investment Administrative Assistant * (anticipate hiring Q2 '25)

* Only funded for one year of the biennium

BUDGET REQUEST SUMMARY

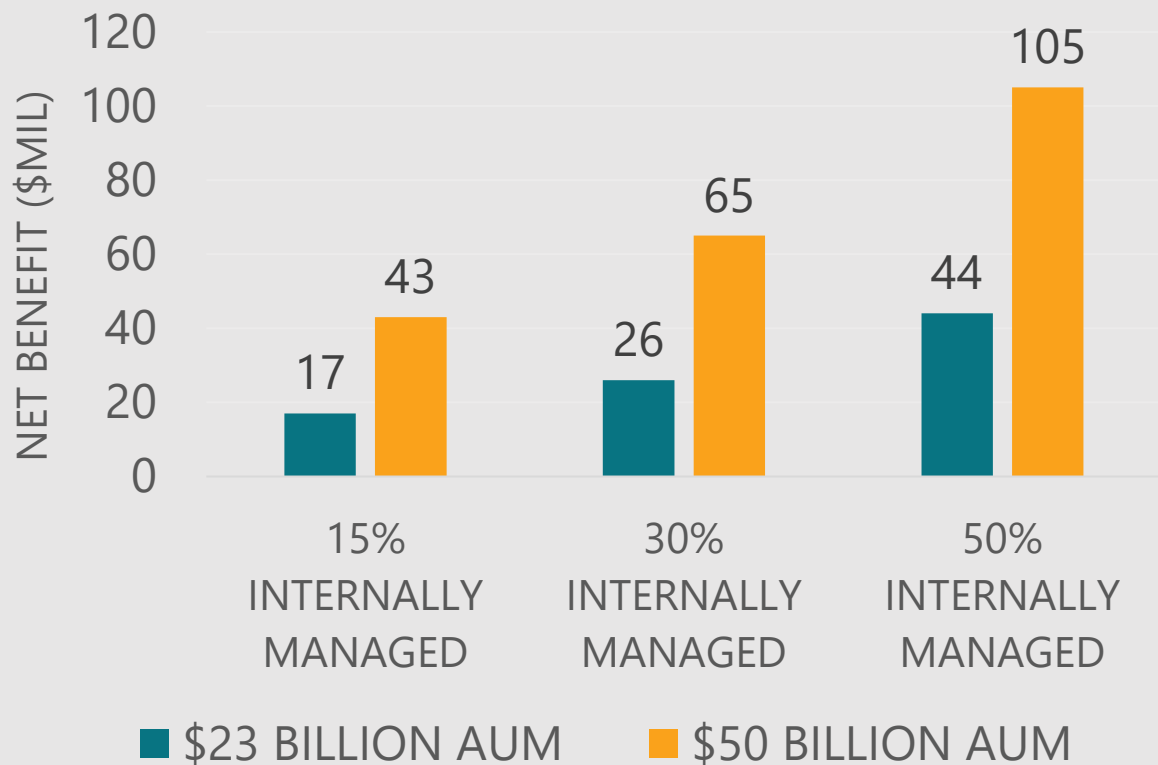
Line Item	Base Level	Adjustments to Meet Budget Limit	Adjusted Base	Requests	Total Agency Request
Salaries & Benefits	\$10,338,543	\$70,450	\$10,408,993	\$4,775,488	\$10,408,993
Operating Expenses	2,731,037	(208,822)	2,522,215	1,503,918	2,522,215
Contingencies	200,000	(200,000)	-	200,000	200,000
Total Special Funds	13,269,580	(338,372)	12,931,208	6,479,406	\$19,410,614
Included in the Exec. Recom.				2,900,375	
FTEs	34.0	-	34	10	44.0

Optional Requests

Line Item	2 nd Half of New Positions	Cost to Continue IT Hosting/Support	Cost to Continue HR	Incremental Agency Evolution/Retirement Education	Internal Investment 2.0	Total Optional Request
Salaries & Benefits	\$1,236,914	-	142,302	418,092	2,978,180	\$4,775,488
Operating Expenses	-	1,201,268	-	90,450	212,200	2,522,215
Contingencies	-	-	-	200,000	-	200,000
Total Special Funds	\$1,236,914	\$1,201,268	\$142,302	\$708,542	\$3,190,380	\$6,479,406
Included in Exec Recom.	1,236,914	1,201,268		462,193 & 1 FTE		
FTEs	-	-	-	2	8	10

- LOWER COST THAN WITH EXTERNAL MANAGERS
- APPLIED WHERE THERE IS A COST/BENEFIT
- ENABLES ENHANCED LIQUIDITY MANAGEMENT, REBALANCING AND EXPOSURE MANAGEMENT

THE BENEFIT SCALES WITH THE SIZE OF THE COMMITMENT



ESTIMATED ANNUAL SAVINGS PER YEAR (\$23 BILLION AUM)

PLAN	15% OF ASSETS	30% OF ASSETS	50% OF ASSETS
	\$(MIL)	\$(MIL)	\$(MIL)
PENSION	\$6	\$9	\$16
INSURANCE	\$3	\$4	\$6
LEGACY	\$8	\$13	\$22
	\$17	\$26	\$44

MINIMAL REQUIREMENTS WHEN COMPARED TO THE BENEFITS^{1,2,3}

5 INVESTMENT PROFESSIONALS¹:
2 X SENIOR PORTFOLIO MANAGERS
3 X INVESTMENT ANALYSTS

+

3 X INVESTMENT OPS

THE STRATEGY AND STRUCTURE WOULD EVOLVE
WITH THE SIZE OF THE PROGRAM

- 1. The cost of staff is estimated to be approximately 15% of the total net cost savings.**
- 2. Positive Client Fund feedback.**
- 3. Supports greater control over investment strategies.**



Questions?

NORTH
Dakota
Be Legendary.

Retirement & Investment

House Bill 1022 Supplemental Testimony 1/21/25

State Investment Program

Assets under Management (AUM) of the investment program has grown in size from last biennium. Current AUM increased approximately 3.5 billion since the end of FY2023. AUM at FY23 was approximately \$19.5 billion while the current AUM is over \$23 billion AUM.

Teachers' Fund for Retirement (TFFR)

Based on the most recent valuation, the contribution rates are expected to fully fund NDTFFR in 2043, and as such, the current member and employer contribution rates are expected to be sufficient to meet the board financing objectives. The funded ratio on an actuarial value of assets basis on July 1, 2024 was 71.63%. The actuarial accrued liability as of July 1, 2024 was \$4.8 billion, with an actuarial value of assets at \$3.4 billion, leaving an unfunded liability of \$1.3 billion.

Updated Comparison agency request/recommendation for Armstrong Budget

Line Item Description	2023-25 Base Budget	2025-27 Executive Recommendation	2025-27 Total Agency Request
Salaries and Wages	\$ 10,338,543	\$ 12,321,923	\$ 15,184,481
Operating Expenses	2,731,037	3,743,483	4,026,133
Contingencies	200,000	200,000	200,000
Total Special Funds	\$ 13,269,580	\$ 16,265,406	\$ 19,410,614
FTE	34	34	44

- Armstrong removed one FTE recommended in the Burgum budget along with associated operating budget for that FTE.

Other bills being considered and potential impact on our budget added since our testimony on 1/13/25:

- HB 1163 – Legacy Fund School Construction Loan fund
- HB 1319 – Legacy Fund disclosure website
- HB 1330 – Divestment from legacy fund investments in Chinese companies
- HB 1348 – Repeal RIO's removal of the fiscal and investment FTE's from OMB's classified system.
- HB 1435 – Legacy Fund definition and Legacy earnings fund
- HB1453 – Relating to prohibiting natural assets companies and to provide a penalty
- SB 2134 – Allow Superintendent and Treasurer to appoint a designee to the TFFR Board
- SB 2151 – County and township bridge fund and a legacy earnings tax relief fund
- HB 1285 – Transfer of General Fund to TFFR Fund

2025-2027 Budget Request

Line Item Description	Base Budget	Adjustments to Base to meet Budget Limit	Adjusted Base	Optional #1	Optional #2	Optional #3	Optional #4	Optional #5	Total Agency Request
				2nd Half New Positions	Cost to Continue IT Hosting/ Support	Cost to Continue HR	Incremental Agency Evolution/ Retirement Ed	Internal Investment 2.0	
Salaries and Wages	\$ 10,338,543	70,450	\$ 10,408,993	1,236,914	-	142,302	418,092	2,978,180	\$ 15,184,481
Operating Expenses	2,731,037	(208,822)	2,522,215	-	1,201,268	-	90,450	212,200	4,026,133
Contingencies	200,000	(200,000)	-	-	-	-	200,000	-	200,000
Total Special Funds	\$ 13,269,580	(338,372)	\$ 12,931,208	1,236,914	1,201,268	142,302	708,542	3,190,380	\$ 19,410,614
FTE	34	-	34	-	-	-	2	8	44
Included in Exec Recommendation (Armstrong)				1,236,914	1,201,268		220,000		

Optional Packages

#1 2nd Half of internal investment positions appropriated during the 2023 Legislative Assembly. Further information starting on page 9 of our full testimony

	Salary & Benefits	Operating Expenses	Contingency	Special Funds
Additional Operating Comm	-	21,500	-	21,500
Increased NDIT charges	-	129,768	-	129,768
Increased PAS hosting support fees	-	800,000	-	800,000
Fiscal Op Software Consultant	-	250,000	-	250,000
		1,201,268		1,201,268
Further information starting on page 10 of our full testimony.				

	Salary & Benefits	Operating Expenses	Contingency	Special Funds
Additional Comm FTE	184,864	18,800	-	203,664
Additional Internal Auditor FTE	233,228	16,650	-	249,878
Investment Conference Continuation	-	20,000	-	20,000
Retirement Ed Initiative*	-	35,000	-	35,000
Contingency **	-	-	200,000	200,000
	418,092	90,450	200,000	708,542
Notes: * NDIT/other support for TFFR Membership Survey & materials, ** Contingency fee for potential exec searches				
Further information starting on page 12 of our full testimony.				

	Salary & Benefits	Operating Expenses	Contingency	Special Funds
5 Additional Invest FTE*	2,133,410	149,500	-	2,282,910
3 Additional Fiscal FTE**	844,770	62,700	-	907,470
	2,978,180	212,200		3,190,380
Notes: * Additional investment professionals to support the internal investment program averaging \$160,000/year. ** 2 additional fiscal professionals averaging \$90,000/year and 1 at \$120,000/year to support the split of the CFO/COO position.				
Further information starting on page 14 of our full testimony.				

#3 Agency Cost-to-Continue Salaries Internship Funding - Further information starting on Page 11 of our full testimony.

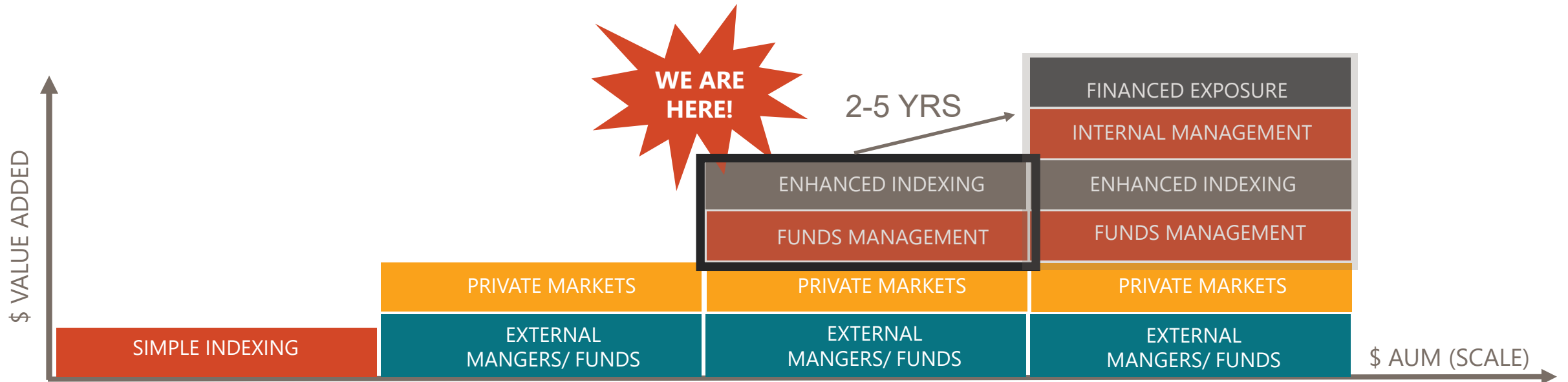
INTERNAL DIRECT INVESTMENT STRATEGY

Scott M Anderson, CFA – Chief Investment Officer
Board Training

NORTH
Dakota
Be Legendary.

Retirement & Investment

ENHANCE CAPABILITY TO INCREASE VALUE ADDED



INITIAL OPPORTUNITY SUMMARY

OPPORTUNITY	
ENHANCED INDEXING STRATEGIES	<ul style="list-style-type: none"> • Enhanced indexing; multi-asset capability; leverages expertise with index information; same active return for a lower active risk and cost than external managers for simple mandates
ENHANCED LIQUIDITY MANAGEMENT	<ul style="list-style-type: none"> • Overlay of cash generates additional return and enables more available cash • Buying and selling of liquidity
ENHANCED REBALANCING	<ul style="list-style-type: none"> • Rebalancing of exposures in shorter time frames • Rebalancing thru internal portfolios rather than managers – reducing transaction costs
EXPOSURE MANAGEMENT	<ul style="list-style-type: none"> • Separate manager active return from manager policy return to optimize cost and active return • Manage exposures to manage risks and generate returns
OPTIMAL IMPLEMENTATION	<ul style="list-style-type: none"> • Choose optimal instrument to implement policy exposures reduces cost, increases revenues, manages risk

TALENT MANAGEMENT 1.0 (PREVIOUSLY APPROVED)

5 INVESTMENT PROFESSIONALS¹:

2 X SENIOR PORTFOLIO MANAGERS

3 X INVESTMENT ANALYSTS

+

2 X INVESTMENT OPS PROFESSIONALS

TALENT MANAGEMENT:

- ADEQUATE CLASSIFICATION OF ROLES
- INCENTIVE COMPENSATION FUNDED ON A CONTINUING BASIS (Ex: OHIO, WISCONSIN, SOUTH DAKOTA, NORTH CAROLINA)

THE STRATEGY AND STRUCTURE WOULD EVOLVE
WITH THE SIZE OF THE PROGRAM

1. The cost of staff is estimated to be approximately 10% of the total net cost savings.
2. Positive Client Fund feedback.
3. Supports greater control over investment strategies.

EXAMPLE OF BENEFIT OF \$100 INVESTED IN THREE TYPES OF SAVINGS 1.0

Illustration

	INTERNAL INVESTMENT	EXTERNAL INVESTMENT	BENEFIT /\$100	# OF \$100	BENEFIT
DOLLARS INVESTED	100	100			
ALLOCATION RETURN	7.0	7.0			
ACTIVE RETURN	0.54	0.54			
COST/FEES ¹	-0.10	-0.28			
TOTAL VALUE	107.44	107.26	0.18	35,000,000⁴	\$ 6,300,000.00
CASH INVESTED	100	100			
RETURN ²	6.0	3.5			
TOTAL VALUE	106.0	103.0	3.0	1,400,000⁴	\$ 4,200,000.00
REBALANCE BENEFIT³	100.03	100	0.03	230,000,000⁴	\$ 6,900,000.00

1. Based on expected fees for equity 2.0. Would have ~15% index when internal program is in place (conservative).
2. Based on Callan Capital Market Assumptions. 0.6% of assets in cash, all of plan assets subject to rebalance benefits. \$355 million as of October 31, 2024.
3. Based on 23' rebalance dollar amounts plus 24' asset allocation affect of .11% per Callan report. Have taken a fraction of expected benefit. (conservative)
4. Based on 15% of the fund being managed internally. The number of \$100s invested in this savings.

ESTIMATED TOTAL COSTS FOR INVESTMENTS (INCLUDES CONTINUING APPROPRIATIONS) 1.0

\$MILLIONS/BP ¹	CURRENT		INTERNAL INVESTMENT 1.0		TOTAL	
	\$ ²	PER \$AUM	\$ ³	PER \$AUM	\$	PER \$AUM ⁴
SALARIES/BENEFITS	1.9	0.9	1.2	0.5	3.1	1.4
OPERATING COSTS	1.0	0.4	2.0	0.9	3.0	1.3
TOTAL	2.9	1.3 BP	3.2	1.4 BP	6.1	2.7 BP
NET SAVINGS					17	8.5 BP

1. ONE BASIS POINT (BP) = 0.01%
2. INCLUDE \$1,000,000 OF CONTINUING APPROPRIATIONS
3. INCLUDE ESTIMATED \$1,500,000 OF CONTINUING APPROPRIATIONS
4. THE 2.5 BP OF TOTAL COST COMPARES TO 51 BP OF FEES TO EXTERNAL MANAGERS

TALENT MANAGEMENT 2.0 (PROPOSED NOTE 5)

5 INVESTMENT PROFESSIONALS¹:
2 X SENIOR PORTFOLIO MANAGERS
3 X INVESTMENT ANALYSTS

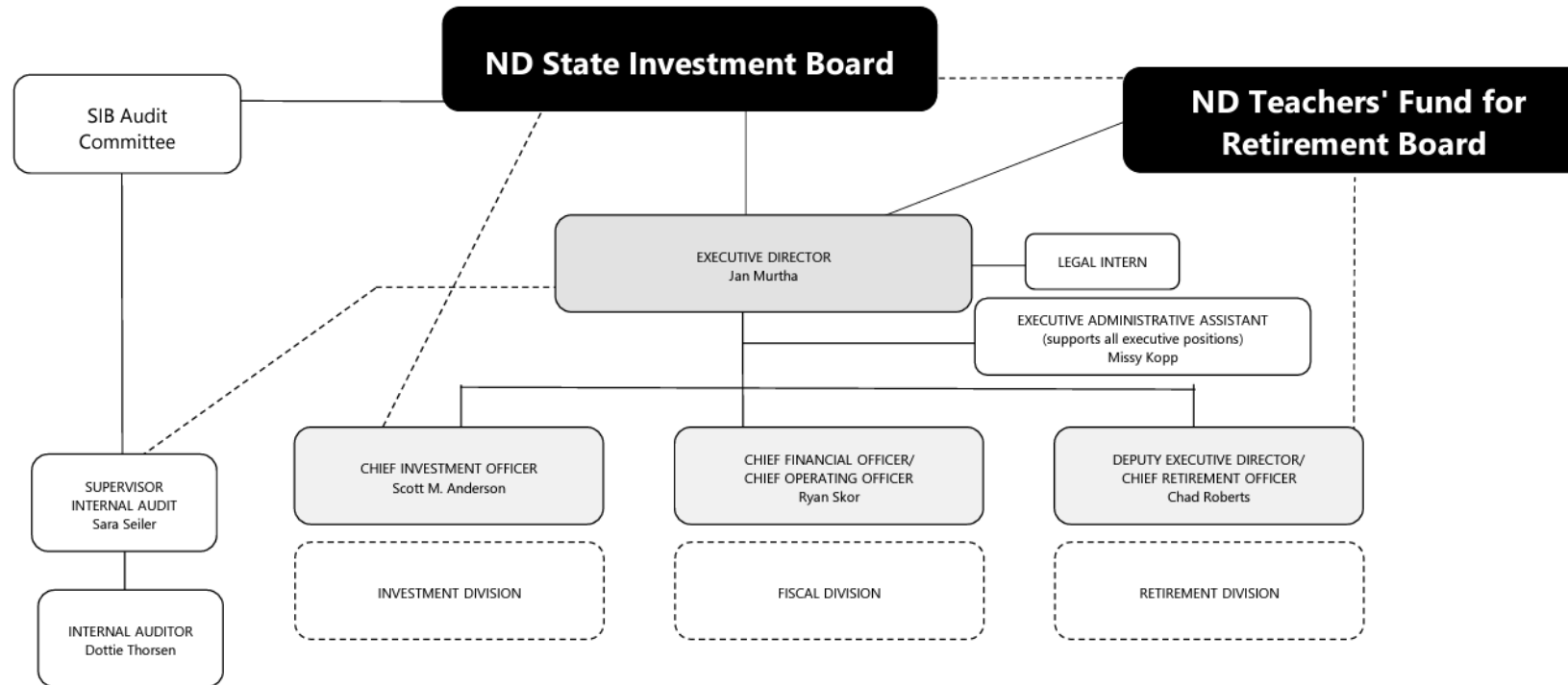
2 X INVESTMENT OPS

THE STRATEGY AND STRUCTURE WOULD EVOLVE
WITH THE SIZE OF THE PROGRAM

- 1. The cost of staff is estimated to be approximately 15% of the total net cost savings.**
- 2. Positive Client Fund feedback.**
- 3. Supports greater control over investment strategies.**

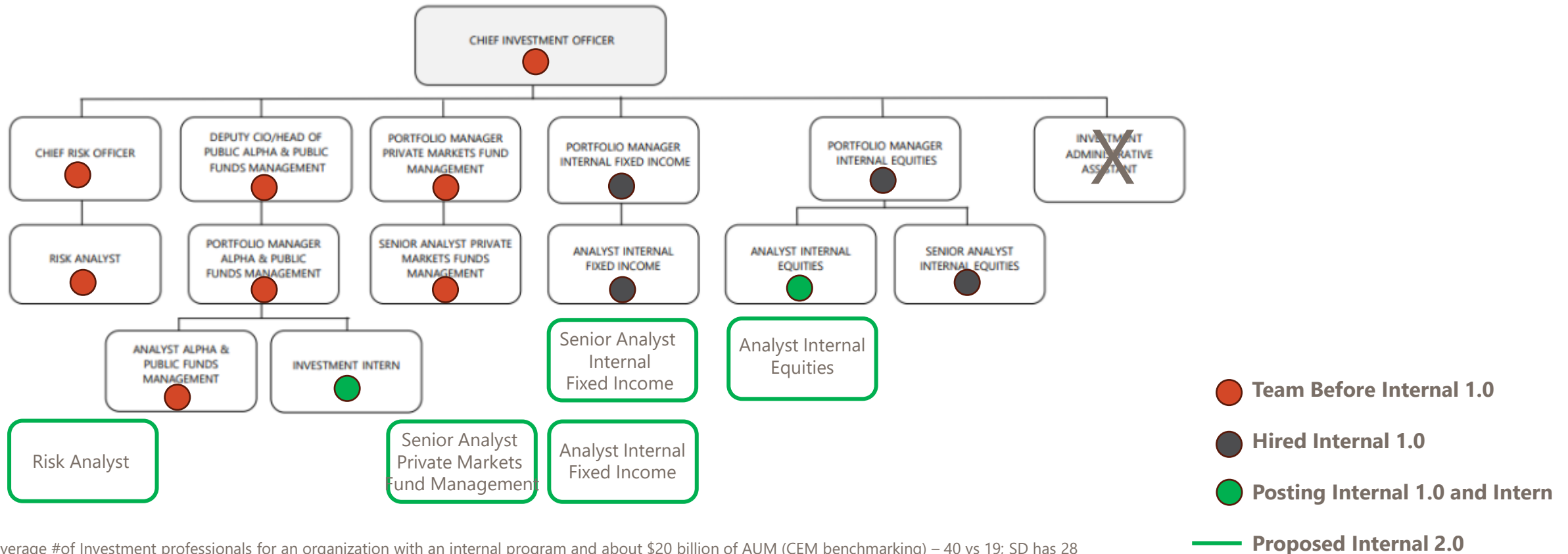
THE RIO ORGANIZATION STRUCTURE

RETIREMENT AND INVESTMENT OFFICE ORGANIZATIONAL CHART



THE INVESTMENT TEAM 1.0 AND 2.0¹

RETIREMENT AND INVESTMENT OFFICE ORGANIZATIONAL CHART - INVESTMENT



1. The average #of Investment professionals for an organization with an internal program and about \$20 billion of AUM (CEM benchmarking) – 40 vs 19; SD has 28

EXAMPLE OF BENEFIT OF \$100 INVESTED IN THREE TYPES OF SAVINGS 2.0

Illustration

	INTERNAL INVESTMENT	EXTERNAL INVESTMENT	BENEFIT /\$100	# OF \$100	BENEFIT
DOLLARS INVESTED	100	100			
ALLOCATION RETURN	7.0	7.0			
ACTIVE RETURN	0.54	0.54			
COST/FEES ¹	-0.08	-0.35			
TOTAL VALUE	107.46	107.21	0.27	35,000,000 ³	\$ 9,750,000
Fund of Fund vs. Direct GP ²			0.06	16,070,000	\$ 1,000,000
					\$ 10,750,000

1. Based on expected fees. Would have ~15% index when internal program is in place (conservative).

2. Not included in the net benefit of the internal direct business case. Reflects savings from investing directly in GPs rather than Fund of Funds, includes new allocations to private credit and private equity in the Legacy Fund.

3. Based on 15% of the fund being managed internally. The number of \$100s invested in this savings.

EXAMPLE OF BENEFIT OF \$100 INVESTED IN THREE TYPES OF SAVINGS 2.0

\$MILLIONS/BP ¹	CURRENT		INTERNAL INVESTMENT 1.0		INTERNAL INVESTMENT 2.0		TOTAL	
	\$ ²	PER \$AUM	\$ ³	PER \$AUM	\$ ³	PER \$AUM	\$	PER \$AUM ⁵
SALARIES/BENEFITS	1.9	1.4	1.2	0.5	1.5	0.7	4.6	2.0
OPERATING COSTS	1.0	0.5	2.0	0.9	.1	0.1	3.1	1.3
TOTAL	2.9	1.9 BP	3.2	1.4 BP	1.6	0.8 BP	7.7	3.3 BP
NET SAVINGS			17	7.4 BP	9	4.0 BP	26	11.0 BP

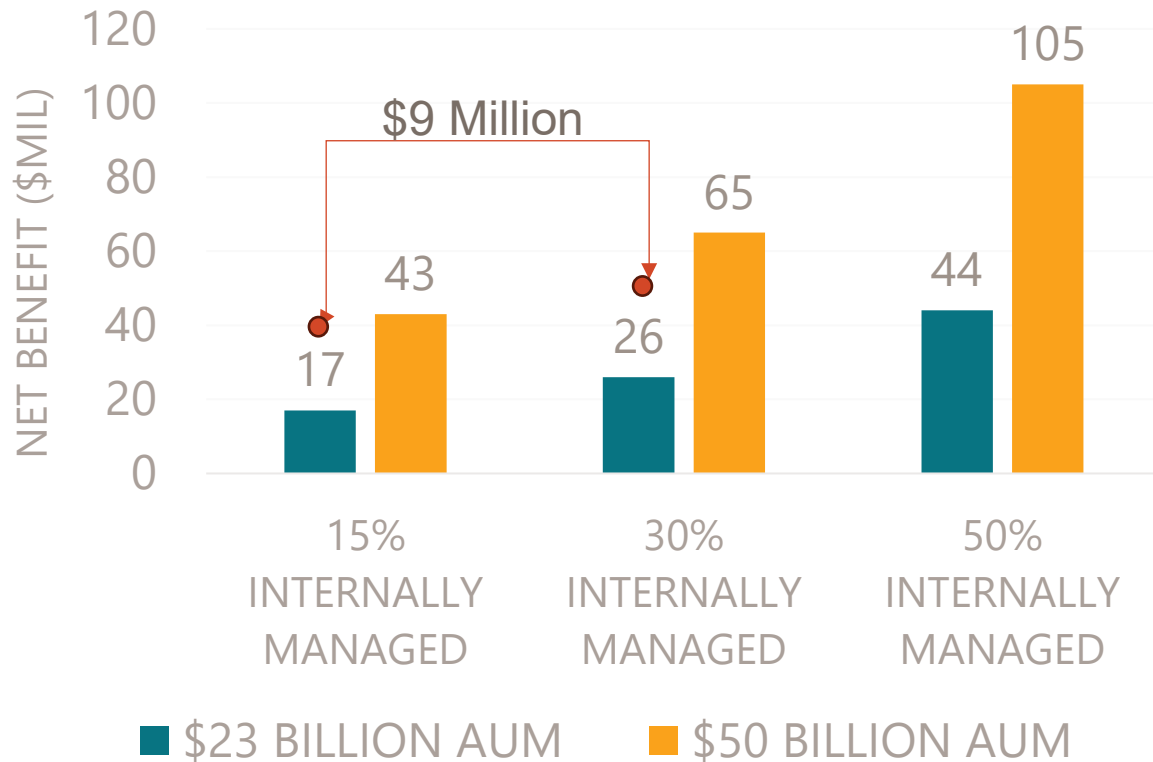
1. ONE BASIS POINT (BP) = 0.01%
2. INCLUDE \$1,000,000 OF CONTINUING APPROPRIATIONS
3. INCLUDE ESTIMATED \$1,500,000 OF CONTINUING APPROPRIATIONS
4. INCLUDE ESTIMATED \$100,000 OF CONTINUING APPROPRIATIONS
5. THE 3.1 BP OF TOTAL COST COMPARES TO 51 BP OF FEES TO EXTERNAL MANAGERS

EXAMPLE OF COST AND BENEFIT ASSOCIATED WITH INCENTIVE COMPENSATION FOR 1.0 AND 2.0

\$ MILLIONS			
PERFORMANCE¹	1 BP	25 BP	50 BP
BENEFIT TO PLAN ^{2,3}	\$28,300,000	\$83,500,000	\$141,000,000
INCENTIVE 1.0	\$205,000	\$1,028,000	\$2,057,000
INCENTIVE 2.0 ⁴	\$34,250	\$171,250	\$342,500
TOTAL INCENTIVE ⁵	\$239,250	\$1,199,250	\$2,399,500
NET BENEFIT	\$28,060,750	\$82,300,750	\$138,600,500

1. Net performance of fund less benchmark after costs.
2. Assumes \$23 Billion of AUM
3. Include \$17 Million of savings 1.0 and \$9 Million savings of 2.0
4. Incremental incentive for Note 5
5. Total incentive with 1.0 and 2.0

THE BENEFIT SCALES WITH THE SIZE OF THE COMMITMENT



ESTIMATED ANNUAL SAVINGS PER YEAR (\$23 BILLION AUM)¹

PLAN	15% OF ASSETS	30% OF ASSETS	50% OF ASSETS
	\$(MIL)	\$(MIL)	\$(MIL)
PENSION	\$6	\$9	\$16
INSURANCE	\$3	\$4	\$6
LEGACY	\$8	\$13	\$22
	\$17	\$26	\$44
	Internal Investment 1.0	Internal Investment 1.0 and 2.0	

1. Do not include the benefit of direct to GP Private Markets strategy

BEFORE INTERNAL 1.0

Category	Weight	Active Return				Fee	\$23 Billion'	\$50 Billion'
		(Net)	TE	IR				
Rebalance Effect (all assets)	100%	-0.02%	0.0%	0.00	0.00%	\$ -	\$ -	
Cash Overlay	0.6%	3.00%	12.0%	0.00	0.00%	\$ -	\$ -	
Cash	0.0%	0.00%	0.0%	0.00	0.00%			
Short Duration FI	5.0%	0.20%	0.8%	0.40	0.17%			
Internal Equity	0.0%	0.20%	0.8%	0.25	0.10%		\$ -	
Internal FI	0.0%	0.20%	0.5%	0.25	0.10%		\$ -	
Investment Grade FI	25.0%	0.40%	1.5%	0.27	0.28%			
Below Investment Grade	5.0%	0.40%	2.0%	0.20	1.00%			
Private Markets	16.0%	0.80%	3.0%	0.27	1.50%			
Domestic Equity	29.0%	0.60%	2.5%	0.24	0.28%			
International Equity 2.0	19.4%	0.60%	2.5%	0.24	0.28%			
Fee Difference Phase I	100.00%	0.47%	0.82%	0.57	0.51%	\$ -	\$ -	
Total Net Value Before						\$ -	\$ -	

INTERNAL 1.0

Category	Weight	Active Return				Fee	\$23 Billion'	\$50 Billion'
		(Net)	TE	IR				
Rebalance Effect (all assets)	100%	-0.02%	0.0%	0.00	0.00%	\$ 7	\$ 15	
Cash Overlay	0.6%	3.00%	12.0%	0.00	0.00%	\$ 4	\$ 9	
Cash	0.0%	0.00%	0.0%	0.00	0.00%			
Short Duration FI	5.0%	0.20%	0.5%	0.40	0.17%			
Internal Equity	7.5%	0.20%	0.8%	0.25	0.10%		\$ 3	
Internal FI	7.5%	0.20%	0.8%	0.25	0.10%		\$ 3	
Investment Grade FI 1.0	17.5%	0.40%	1.5%	0.27	0.35%			
Below Investment Grade	5.0%	0.40%	2.0%	0.20	1.00%			
Private Markets	16.0%	0.80%	3.0%	0.27	1.50%			
Domestic Equity	21.5%	0.60%	2.5%	0.24	0.35%			
International Equity 2.0	19.4%	0.60%	2.5%	0.24	0.35%			
Fee Difference Phase I	100.00%	0.44%	0.69%	0.63	0.48%	\$ 6	\$ 14	
Total Net Value Phase I						\$ 17	43	

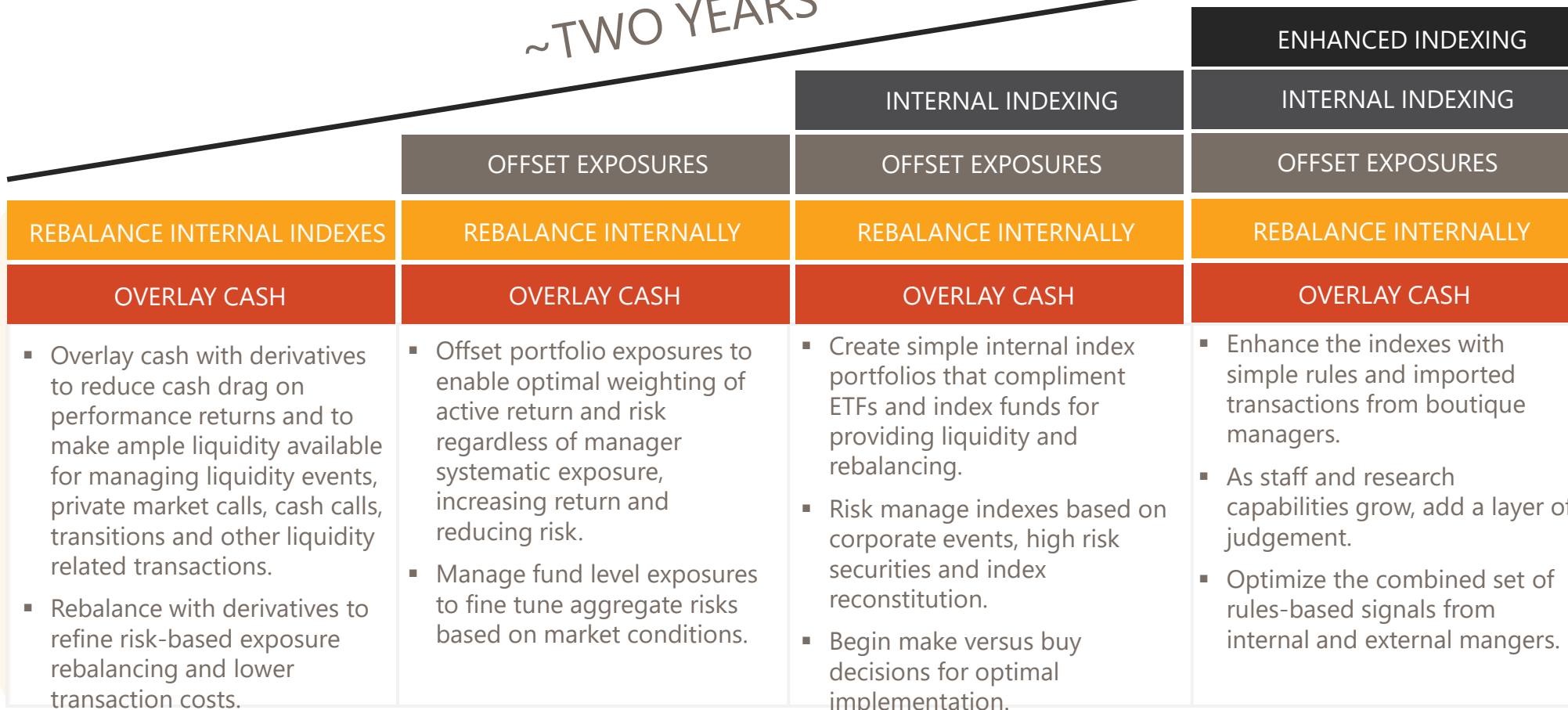
INTERNAL 2.0

Category	Weight	Active Return				Fee	\$23 Billion'	\$50 Billion'
		(Net)	TE	IR				
Rebalance Effect (all assets)	100%	-0.02%	0.0%	0.00	0.00%	\$ 7	\$ 15	
Cash Overlay	0.6%	3.00%	12.0%	0.00	0.00%	\$ 4	\$ 9	
Cash	0.0%	0.00%	0.0%	0.00	0.00%			
Short Duration FI	2.5%	0.20%	0.5%	0.40	0.17%			
Internal Equity	15.0%	0.40%	1.6%	0.25	0.08%		\$ 4	
Internal FI	15.0%	0.40%	1.6%	0.25	0.08%		\$ 4	
Investment Grade FI 1.0	12.5%	0.40%	1.5%	0.27	0.28%			
Below Investment Grade	5.0%	0.40%	2.0%	0.20	1.00%			
Private Markets	16.0%	0.80%	3.0%	0.27	1.50%			
Domestic Equity	14.0%	0.60%	2.5%	0.24	0.28%			
International Equity 2.0	19.4%	0.60%	2.5%	0.24	0.28%			
Fee Difference Phase II	100.50%	0.52%	0.66%	0.79	0.44%	\$ 9	\$ 19	
Total Net Value Phase I & II						\$ 26	\$ 65	

APPENDIX

SEQUENCE OF CAPABILITY

~TWO YEARS



OVERLAY CASH AND REBALANCE

Public Equity

External Managers
Internal Managers
Index Funds

Public Fixed Income

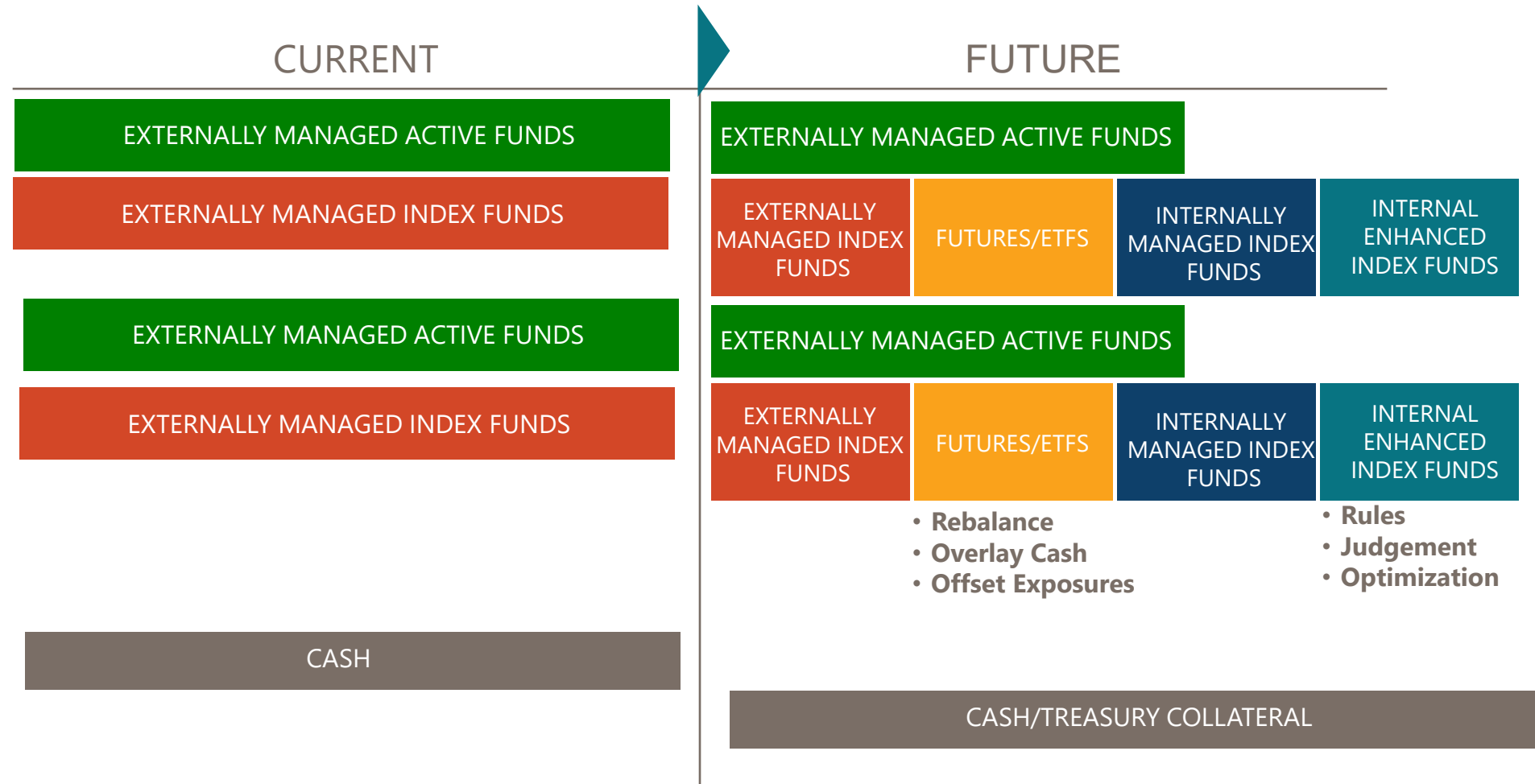
External Managers
Internal Managers
Index Funds

Private Markets

Private Equity
Private Debt
Real Assets

Liquidity Portfolios

Overlay Portfolios



INTEGRATED INDEX FUND MANAGEMENT



← OPTIMIZE AFTER COST RETURN/RISK AND RISK →

- Optimize instrument type and manage liquidity/roll cost
- Identify physical/ETF/Future trade-offs (lending, liquidity spread, liquidity, etc.)
- Overlay cash collateral to enhance returns
- Manage optimal collateral
- Construct index to optimize cost
- Manage security lending and internal borrowing
- Construct to liquidity requirements
- Use as a platform for transitions
- Optimize with ETFs and futures indexes
- Manage cash and optimize liquidity risk
- Apply simple rules regarding what securities not to hold
- Apply simple rules to create signal driven dynamic exposures
- Apply simple rules regarding index constitution, tracking error and corporate events
- Hold manager invested assets and by agreement replicated holdings
- Receive rules from manager by agreement
- Assemble several micro strategies from boutique managers in a long/short overlay

REBALANCE

ILLUSTRATION

RUSSELL 1000 MANAGERS

RUSSELL 1000 FUTURES/ETFs

MANAGER 2

MANAGER 3

MANAGER 4

RUSSELL 1000 WEIGHTS

WEIGHTS BEFORE WEIGHTS AFTER

17%  20%

Low
transaction
cost/Quick
Settlement

10% 10%

4% 4%

23% 23%

54 57%

POLICY BENCHMARK WEIGHT

**Sum of manager weights
by sub-asset class equals
sub-asset class weight**

=

57%

RUSSELL 2000 MANAGERS

RUSSELL 2000 FUTURES/ETFs

MANAGER 2

MANAGER 3

RUSSELL 2000 WEIGHTS

3%  0%

Low
transaction
cost/Quick
Settlement

1% 1%

2% 2%

6% 3%

**Reduce the number of
manager rebalances,
reducing cost**

=

3%

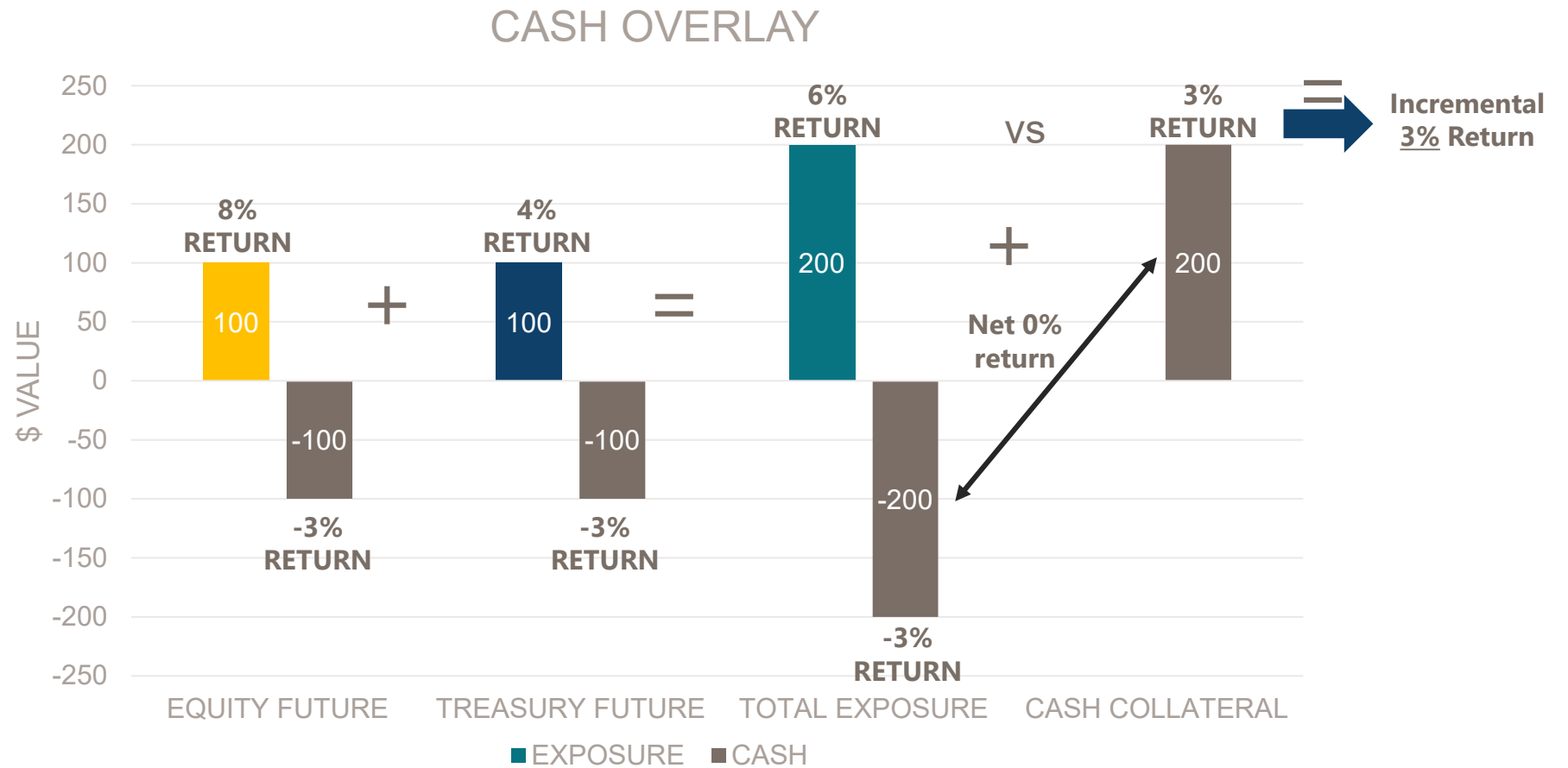
OFFSET EXPOSURES

	WEIGHTS BEFORE	WEIGHTS AFTER	POLICY BENCHMARK WEIGHT
RUSSELL 1000 MANAGERS			
RUSSELL 1000 FUTURES/ETFs	20%	20%	
MANAGER 2	10%	10%	
MANAGER 3	4%	4%	
MANAGER 4	23%	23%	
RUSSELL 1000 WEIGHTS	57%	57%	57.0%
RUSSELL 2000 MANAGERS			
RUSSELL 2000 FUTURES/ETFs	1%	-7%	
MANAGER 2	1%	5%	
MANAGER 3	1%	5%	
RUSSELL 2000 WEIGHTS	3%	3%	3.0%



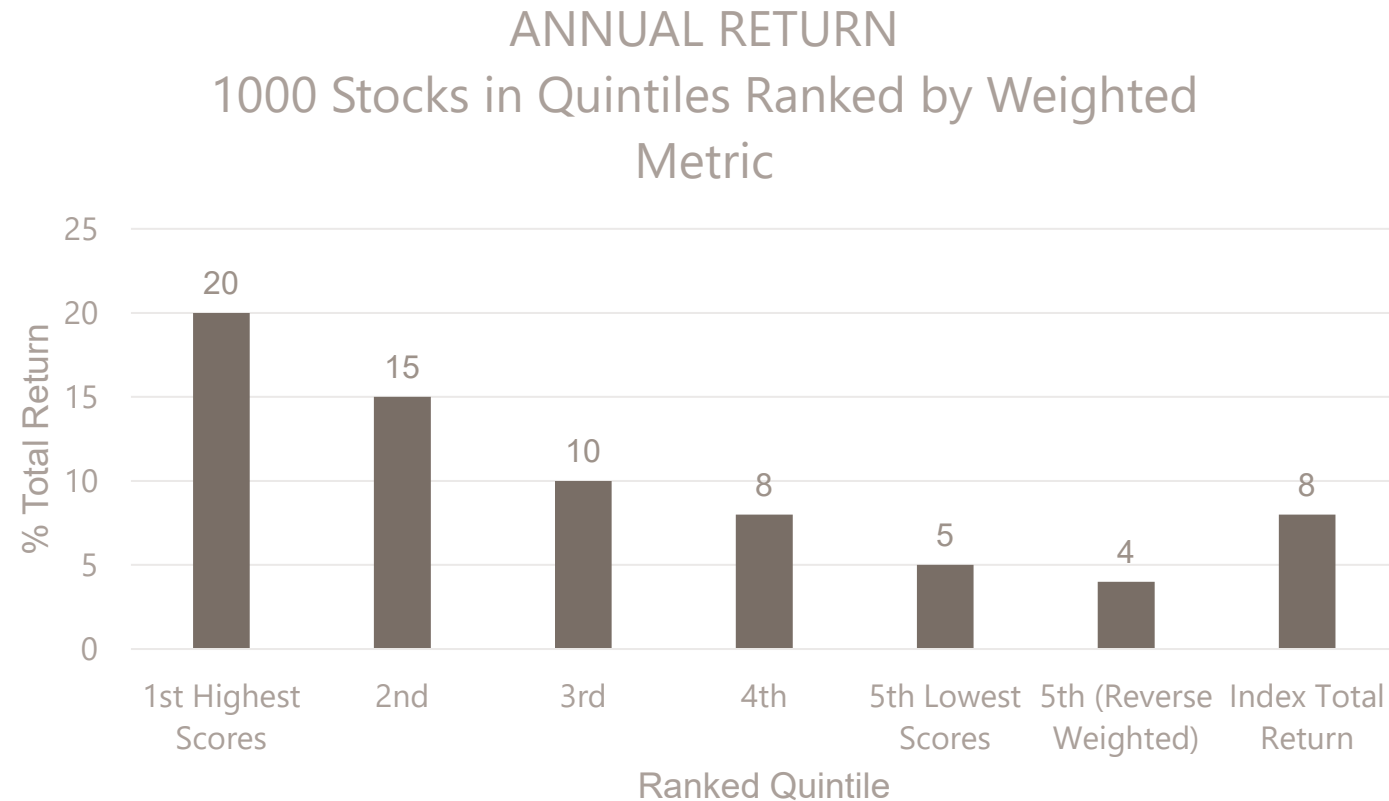
Allocate to the best managers with the best weighting regardless of manager benchmark/asset class universe

OVERLAY CASH WITH FUTURES



RULES BASED STRATEGY ILLUSTRATION

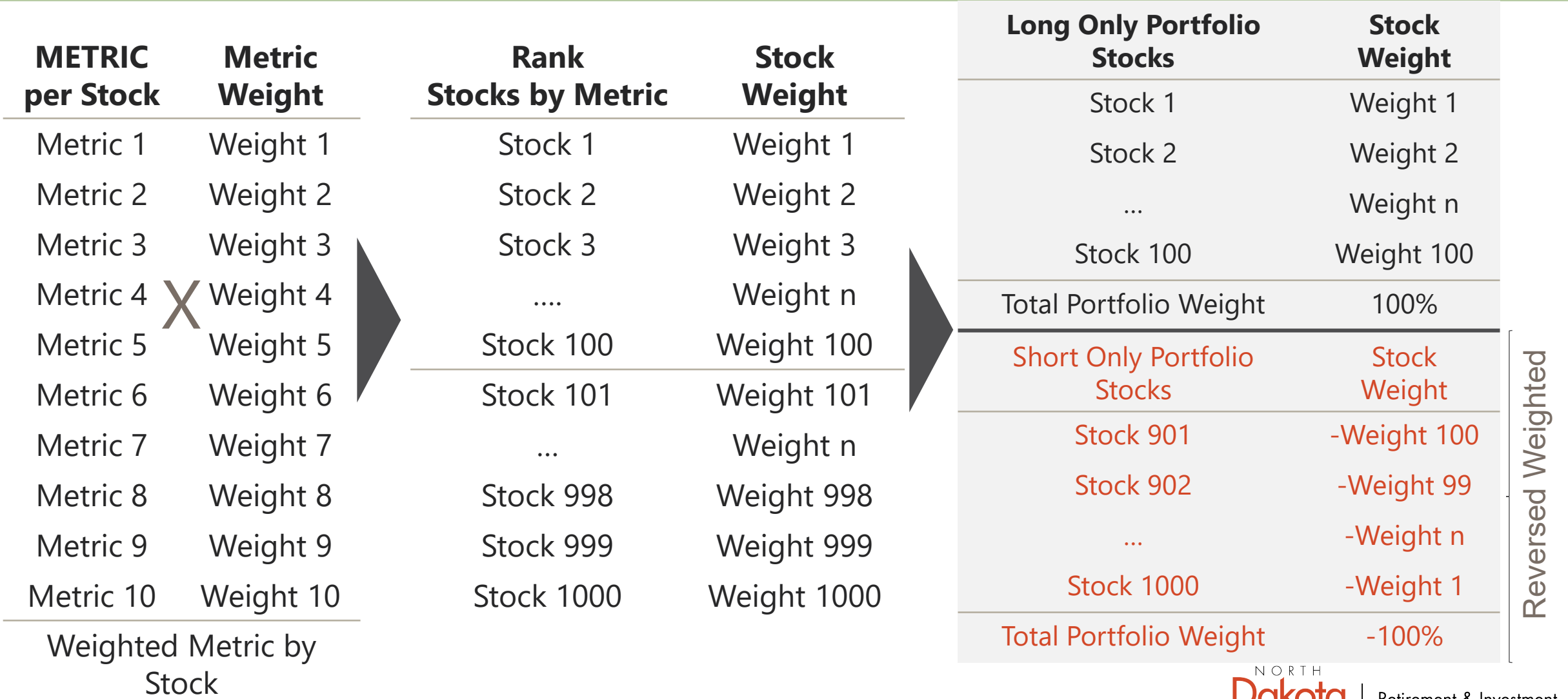
Illustration



STRATEGY	RETURN	NET RETURN
GO LONG 1 st Quintile	20%	12%
GO LONG 1 st Quintile/ Go Short 5 th Quintile ¹	16%	13%

1. Assumes transaction financed at a 3% cost of cash

RULES BASED STRATEGY ILLUSTRATION



House Bill 1117
North Dakota Retirement and Investment Office (RIO)
Testimony before House Government and Veterans Affairs
Representative Austen Schauer, Chair

Chad Roberts, MAc – Deputy Executive Director/Chief Retirement Officer

I. RIO Statutory Authority and Responsibilities

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

The State Investment Board has the statutory responsibility to administer the investment program for 31 funds including the Legacy Fund, TFFR, PERS, and WSI. It also maintains contractual relationships for the investment management of multiple political subdivisions and governmental funds. Currently SIB is responsible for the investment of the Legacy Fund, seven pension funds and 23 other non-pension funds for a total of 31 separate client funds with an overall fund value of roughly \$23 billion as of October 31, 2024.

II. Support Testimony relating to H.B. 1184

The North Dakota Retirement and Investment Office and the TFFR Board of Trustees support House Bill 1117, which proposes amendments to subsection 4 of section 15-39.1-10 of the North Dakota Century Code regarding required minimum distributions (RMDs) for the Teachers' Fund for Retirement (TFFR).

House Bill No. 1117 is a necessary update to ensure compliance with the federal *Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022*, which modified RMD age requirements under the Internal Revenue Code. The proposed amendments align the TFFR statutory language with the new federal provisions, ensuring that North Dakota's retirement plan remains compliant with federal law and avoids potential adverse tax consequences for members.

Under SECURE 2.0, the age at which required minimum distributions must begin has been incrementally increased. This bill ensures that TFFR members who reach the applicable RMD age under the revised federal framework are subject to the correct distribution requirements.

Specifically, the proposed changes:

1. Reflect the updated RMD age thresholds established under SECURE 2.0, replacing outdated references to age 70½ and 72 with the current federally mandated age; and

2. Clarify that distributions must be made in accordance with *Section 401(a)(9)* of the Internal Revenue Code and its accompanying regulations as applicable to governmental plans; and
3. Maintain consistency with federal guidelines, thereby providing certainty and ease of administration for both plan participants and administrators.

Aligning North Dakota law with federal requirements benefits TFFR members by ensuring compliance with tax regulations while allowing for appropriate flexibility in retirement planning. It also streamlines administrative processes and reduces confusion for retirees and beneficiaries. The change in language does not financially impact the plan or participants as it does not alter the amount of benefits paid. For these reasons, I respectfully urge the committee to support House Bill No. 1117. Thank you for your time and consideration.

House Bill 1163
North Dakota Retirement and Investment Office (RIO)
Testimony before House Education
Representative Pat D. Heinert, Chair

Jodi Smith – Interim Executive Director
Scott Anderson, CFA, MBA – Chief Investment Officer

I. RIO Statutory Authority and Responsibilities

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

The State Investment Board has the statutory responsibility to administer the investment program for 31 funds including the Legacy Fund, TFFR, PERS, and WSI. It also maintains contractual relationships for the investment management of multiple political subdivisions and governmental funds. Currently SIB is responsible for the investment of the Legacy Fund, seven pension funds and 23 other non-pension funds for a total of 31 separate client funds with an overall fund value of roughly \$23 billion as of October 31, 2024.

II. Neutral Testimony relating to H.B. 1163

Pursuant to NDCC Section 54-03-35, any bill which potentially affects the Legacy Fund, the advisory board shall request the state Retirement and Investment Office to arrange for the preparation and submission of a cost-benefit analysis. The investment consultancy RVK has been retained to provide business cases for this purpose.

RVK has provided an initial analysis to meet the requirements of the scheduled House Education Committee meeting. RVK’s initial analysis suggests a negative fiscal impact on the Legacy Fund of \$115.48 M in the Biennium that begins 7/1/25, followed by a negative fiscal impact of \$131.14 M in the Biennium that begins 7/1/27. Total negative fiscal impact is an expected opportunity cost to the Legacy Fund of \$246.62 M in the first 2 biennium.

Methods, Assumptions and Notes

The analysis begins by estimating what \$1B invested in the current Legacy Fund is expected to return based on the current asset allocation of the fund and RVK’s current

long-term capital market assumptions. The expected compound return for the current allocation is 6.09%. The analysis compares this output to what \$1 B would earn at 0.5% as proposed in the bill.

Additional Analysis can be completed that provides a more detailed range of potential outcomes by modeling additional variables for pace of deployment into the loan program, reasonable measures and adjustments that the Legacy Fund would have to take to manage uncertainty in the pace of deployment and utilizing stochastic analysis to capture a range of potential return outcomes for the Legacy Fund.

The proposed size of the program is significant relative to the total size of the Legacy Fund (estimated at about 9% of current Legacy Fund assets). As such the program is likely to impose a high degree of disruption on the asset allocation structure and operation of the Legacy Fund, the costs of which are likely significant and difficult to fully estimate.

III. Summary

RVK's initial analysis suggests a negative fiscal impact on the Legacy Fund of \$115.48M in the Biennium that begins 7/1/25, followed by a negative fiscal impact of \$131.14M in the Biennium that begins 7/1/27. Total negative fiscal impact is an expected opportunity cost to the Legacy Fund of \$246.62M in the first 2 biennium. The program is likely to impose a high degree of disruption on the asset allocation structure and operation of the Legacy Fund, the costs of which are likely significant and difficult to fully estimate. Additional Analysis can be completed that provides a more complete analysis but would require additional time and resources.

House Bill 1184
North Dakota Retirement and Investment Office (RIO)
Testimony before House Industry, Business and Labor
Representative Jonathan Warrey, Chair

Jodi Smith – Interim Executive Director
Scott Anderson, CFA, MBA – Chief Investment Officer

I. RIO Statutory Authority and Responsibilities

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

The State Investment Board has the statutory responsibility to administer the investment program for 31 funds including the Legacy Fund, TFFR, PERS, and WSI. It also maintains contractual relationships for the investment management of multiple political subdivisions and governmental funds. Currently SIB is responsible for the investment of the Legacy Fund, seven pension funds and 23 other non-pension funds for a total of 31 separate client funds with an overall fund value of roughly \$23 billion as of October 31, 2024.

II. Neutral Testimony relating to H.B. 1184

House Bill 1184 is well-intentioned in its goal of making North Dakota a leader in technology and innovation investments as well as broadening the asset allocation scope to produce diversification benefits for state investments. However, the Board already has authority to invest in digital assets and precious metals.

The client funds of RIO each have a governing board that make asset allocation and investment policy decisions. The asset allocation determines the amount invested in various asset classes that best meets the return, risk and liquidity needs of the client portfolio mandates. The range of asset classes is not limited but includes those that enable the client fund to meet the client needs. The asset allocation which is approved by the board is codified in an investment policy used to guide RIO’s investment team to implement the mandate.

We recommend two changes: (1) place under Chapter 21-10 State Investment Board and (2) remove reference to “up to ten percent”, leaving capital allocation to the respective governing boards.