NORTH Dakota Be Legendary. | State Investment Board RETIREMENT & INVESTMENT

State Investment Board Budget & Finance Committee

Thursday 13, 2026, 8:00 a.m. – Virtual Only

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AGENDA

I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA** – ***(Committee Action)***
A. Roll Call & Conflict of Interest Disclosure

II. **BUDGET AND FINANCE COMMITTEE CHARTER REVIEW (5 minutes)** – ***(Information Only)*** – *Mr. Otteson*

III. **QUARTERLY BUDGET STATUS UPDATE (10 minutes)** – ***(Information Only)*** – *Mr. Otteson*

IV. **2027-2029 PROPOSED BUDGET (45 minutes)** – ***(Committee Action)*** – *Mr. Otteson*

V. **DISCUSSION**

VI. **ADJOURNMENT**

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MEMORANDUM

TO: **BUDGET & FINANCE COMMITTEE**

FROM: **Adam Otteson, Chief Financial & Operating Officer**

DATE: **August 13, 2026**

RE: **Budget & Finance Committee Charter Review**

Purpose

The Budget & Finance Committee (BFC) is a standing Committee of the SIB. It assists the SIB in fulfilling its fiduciary responsibilities for financial stewardship, resource alignment, and long-term organizational sustainability. The BFC's role is oversight and assurance, not execution.

The BFC assures that the SIB's budget, financial plans, and resource decisions are aligned with Board-approved priorities, statutory constraints, and the long-term ability of the organization to carry out its investment and fiduciary mandate.

The BFC is forward-looking, not transactional. Its success is measured by: fewer budget surprises; clear linkage between strategy and resources; stronger long-term organizational capacity; and providing the Board with a disciplined forum to address resource trade-offs explicitly, rather than implicitly through risk or performance outcomes.

The BFC does not evaluate internal controls, accounting judgments, or audit findings, which remain within the purview of the ARCC. The BFC may rely on ARCC assurance in assessing financial sustainability.

The BFC shall consider the budget and financial plans over a multi-year horizon, including the forward implications of staffing, compensation, technology, and vendor commitments.

The BFC shall coordinate with the ERCC to assure compensation structures and staffing plans are financially sustainable and aligned with approved resource levels.

Recommended Capabilities

Collectively, BFC members should have the following capabilities, and where gaps exist, a targeted continuing education plan shall be established to address them:

- Financial Reporting & Fund Accounting
- Multi-Year Financial Planning & Sustainability
- Financial Controls, Procurement & Contracts
- Resource Alignment to Strategic Priorities

Staff Liaison: The Chief Financial and Operating Officer

Powers and Responsibilities

1. Set: Research / Recommend

Financial Policy (Non-Investment)

The BFC shall review and recommend Board-level financial policies, including budget principles, reserve or contingency policies (if applicable), and cost allocation methodologies. Financial policies shall support long-term stewardship, be internally consistent with governance and delegation policies, and not conflict with investment policy (IC) or audit controls (ARCC).

Budget Recommendation

The BFC shall review management's proposed annual operating budget and biennial or multi-year financial plans (as applicable), assess whether proposed budgets align with Board priorities and policies, support effective execution of the investment program, and are realistic given statutory appropriation constraints, and recommend the budget to the full Board for approval prior to submission to the Legislature as required.

2. Approve: Not authorized

The BFC has authority to research and recommend. It does not approve expenditures, direct management spending decisions, manage staff or vendors, or negotiate contracts. It may request information, analyses, and scenario modeling from management and may recommend engagement of external advisors, subject to Board approval.

3. Oversee

A. Financial Performance & Monitoring

The BFC shall oversee exception-based reporting of actual vs. budgeted expenditures, material variances and their drivers, and trends in cost structure over time. It shall monitor financial sustainability indicators, including staffing and compensation capacity, technology and systems funding, and vendor and external service costs, and escalate material budgetary risks or pressures to the full Board.

B. Resource Adequacy & Organizational Capacity

The BFC shall evaluate whether financial resources are sufficient to support the complexity and scale of assets under management, internal investment management and oversight, and risk management, compliance, audit, and data capabilities. It shall consider benchmarking inputs (e.g., peer systems, AUM-per-FTE, budget per $AUM) as context, not determinative metrics, and advise the Board on resource trade-offs that may affect investment performance, risk exposure, and organizational resilience.

C. Statutory & Appropriation Alignment

The BFC shall oversee alignment of the budget with legislative appropriation authority, continuing appropriation provisions, and applicable fiscal statutes and policies; monitor constraints or risks arising from line-item appropriations, hiring or compensation limitations, and procurement or technology funding restrictions; and coordinate as appropriate with management, legal counsel, and legislative or oversight bodies (through the Board).

4. Verify & Report

The BFC shall report regularly to the full Board on: budget recommendations; financial performance and material variances; resource adequacy risks; and policy recommendations related to financial stewardship.

Committee Action Requested: Information only.

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MEMORANDUM

TO: **BUDGET & FINANCE COMMITTEE**
FROM: **Adam Otteson, Chief Financial and Operating Officer**
DATE: **August 13, 2026**
RE: **Quarterly Budget Report**

The following is the budget and expense report for the quarter ending June 30, 2026.

Budget Status June 2026

Category	Q4 FY26 Budget	Q4 FY26 Actual	Q4 FY26 Variance	Q4 FY26 Variance Percent	Biennium to Date Budget	Biennium to Date Actual	Biennium to Date Variance	Biennium to Date Variance Percent
Salaries **	$1,510,088	$1,458,551	$51,537	3.41%	$6,040,352	$5,571,040	$469,312	7.77%
New and Vacant Pool **	38,746	0	38,746	100.00%	154,983	0	154,983	100.00%
Operating Expenses	473,142	529,495	-56,353	-11.91%	1,892,567	1,621,007	271,560	14.35%
Contingency	25,000	0	25,000	100.00%	100,000	0	100,000	100.00%
Total	**$2,046,975**	**$1,988,046**	**$58,929**	**2.88%**	**$8,187,902**	**$7,192,047**	**$995,855**	**12.16%**

Continuing Authority

	Q4 FY26* Q3 FY 26	Q4 FY26* Q3 FY 25	Q4 FY26* Variance	Q4 FY26* Variance Percent	Fiscal Year to Date* FY 26	Fiscal Year to Date* FY 25	Fiscal Year to Date* Variance	Fiscal Year to Date* Variance Percent
Expenditures	$12,723,820	$6,929,877	$5,793,943	45.54%	$111,843,972	$99,138,638	$12,705,333	11.36%

* Year-end fee reporting is pending receipt of all quarterly reports. Private market and limited partnership reports for Q4 have not been fully received. Fee figures included herein reflect fees paid directly through Q4 and fees netted from managed accounts through Q3. Final figures will be updated upon receipt of all outstanding reports.

** $155,850 was transferred from the New and Vacant FTE pool to the Salaries line to fund a newly hired FTE.

Committee Action Requested: Information only.

2027–29 Biennium

Base Budget and Optional Packages

Base budget of $16,523,473 plus seven optional packages totaling $23,988,865

Total budget request: $40,512,338 • 16 new FTE

North Dakota Retirement and Investment Office

2027–29 Fund Request Limit

$16,523,473
Biennial Base Budget

$16,547,594
25-27 Approved Budget

–$24,121
Adjustments

$16,523,473
2027–29 Fund Request Limit

Base Budget Composition

	Base budget	Adjustments	Request limit
Salaries and benefits	$12,562,461	$225,879	$12,788,340
Operating expenses	$3,985,133	($250,000)	$3,735,133
Total	**$16,547,594**	**($24,121)**	**$16,523,473**

No Base Budget Adjustments

RIO is not subject to recommended base budget adjustments.

All RIO expenses — investment fees and operating costs alike — are paid by the client funds themselves, not the State General Fund. There is no draw on the General Fund.

Adjustments are cost-to-continue salary increases of $225,879, less removal of a $250,000 one-time professional services item — a net reduction of $24,121.

Optional Packages at a Glance

All figures are biennial totals for 2027–29.

Package	Description	New FTE	Request
1	Adequate Minimum Staffing	12	$5,527,840
2	Large IT Project — Accounting, Data Repository and Reporting	0	$15,500,000
3	TFFR Staff and Pension System Enhancements	2	$846,936
4	Salary Cost to Continue and Equity	0	$1,201,079
5	IT Hosting, Support and Equipment	0	$361,866
6	Application Support Realignment (net of NDIT offset)	2	$1,144
7	Professional Services	0	$550,000
	Optional packages subtotal	**16**	**$23,988,865**
	Base budget — 2027–29 fund request	—	$16,523,473
	Total budget request	**16**	**$40,512,338**

OPTIONAL PACKAGE #1

Adequate Minimum Staffing

$5,527,840
Biennial Total

12
New FTE Requested

$4,758,434
Salaries and Benefits

$769,406
Operating Costs

Positions Requested

Function	FTE	Detail
Investment	6	Two senior investment roles at $220,000, two at $150,000, two at $120,000
Fiscal / Operations	3	Two unclassified operational roles at $100,000; one accountant at $87,756
Chief Risk Officer	1	Agency-wide risk function at $240,000
Legal Counsel	1	In-house counsel at $150,000
Internal Audit	1	Classified audit position at $87,756
Total	**12**	Combined annual salary $1,745,512; benefits $633,705

Operating costs include a building rent increase of $139,770, a statewide cost allocation increase of $130,991, and one-time facility costs of $195,000 for conference room build-out and remodel.

The Need

- AUM rose from $23.6B (Dec 2024) to $29B (June 2026); projected above $30B by Dec 2026
- 2025 independent governance review: staffing two to three times below peer median
- No in-house legal counsel; no dedicated agency-wide risk function
- Internal audit has no capacity for the expanded investment program

Impact if Not Funded

- Staff cannot keep pace with program growth, raising operational risk
- Board remains without dedicated visibility into agency-wide risk

OPTIONAL PACKAGE #2

Large IT Project — Accounting, Data Repository and Reporting

$15,500,000
Biennial Total

$15,500,000
Accounting System, Data Repository, Analytics and Reporting

2
Active Procurement Evaluations

Sept 2029
Dynamics GP End of Support

The Need

- Dynamics GP loses support after Sept 2029; replacement takes at least a year
- No centralized data repository or purpose-built reporting tools
- Peer state investment programs treat both as standard

The Request

- Integrated stack: accounting system, data repository, and reporting tools
- NDIT project manager assigned; vendor professional services provide technical capacity
- No new FTE requested

Impact if Not Funded

- Accounting system runs unsupported after Sept 2029 — no security patches or updates
- Investment team continues relying on manual, fragmented data processes

OPTIONAL PACKAGE #3

TFFR Staff and Pension System Enhancements

$846,936
Biennial Total

2
New FTE: Employer Services and Compliance

$360,000
Pension Administration System Enhancements

72%
Below Peer Staffing Average (CEM)

The Need

- 2026 CEM study: 5.1 FTE per 10,000 members vs. peer average of 18.5
- Employers not audited in seven years; mis-reporting cleanup diverts member service staff from core duties
- Contact center scored 54 vs. peer median of 61
- Vendor support dropped from 8 FTE under warranty to 0.5 FTE after

The Request

- 2 FTE: Employer Services Specialist and Compliance Officer
- $360,000 for Sagitec support and system enhancements after the 2025 go-live

Impact if Not Funded

- Reporting errors accumulate at the source; employer audits cannot resume
- Cleanup diverts staff from direct service to ~25,000 members, threatening benefit accuracy
- System remains without multi-factor authentication

OPTIONAL PACKAGE #4

Salary Cost to Continue and Equity

$1,201,079

Biennial Total

$1,013,618

Salary Adjustments

$187,461

Fringe Benefits

13

Promotions and Responsibility Increases

The Need

- AUM growth to ~$29B and direct investment expansion have raised role scope and skill
- Roughly 70% of staff have been in their roles less than two years
- A single investment departure removes about 7% of investment capacity

The Request

- $565,000 salary adjustments for promotions and responsibility increases (Package 7 salary study would validate market alignment; otherwise validated by other means)
- $514,604 cost to continue July 2026 equity adjustments No new FTE and no operating or space costs

Impact if Not Funded

- Duties-to-pay gap creates retention risk in specialized roles
- Turnover during technology transition would compound operational risk

OPTIONAL PACKAGE #5

IT Hosting, Support and Equipment

$361,866

Biennial Total

$112,532

Net NDIT Rate Increase After Offset

$195,534

Pension System Contract Escalators

$53,800

20 Computers Due for Replacement

The Need

- NDIT rates up ~$153,488, offset by $40,956 in desktop support fee reductions
- TFFR pension system contract carries built-in escalators now that warranty has ended
- 20 computers at or near end of life

The Request

- Covers net NDIT increase, contract escalators, and 20 computer replacements
- Computer replacement cost exceeds the NDIT fee reduction by $12,844
- No new FTE requested

Impact if Not Funded

- No appropriation authority to pay increases owed under existing contracts
- Potential service impacts, including timely payment of retiree pension benefits
- Deferred replacements extend aging equipment life and raise security exposure

OPTIONAL PACKAGE #6

Application Support Realignment

$1,144

Biennial Total

2

Application Support Positions Realigned

$677,404

Personnel and Operating Costs

$676,260

Offsetting NDIT Chargeback Reduction

The Need

- Two NDIT positions already dedicate most of their time to RIO's specialized applications
- IT support priorities are set outside the agency, competing with other state entities
- Work is not sequenced against RIO's close calendar and project timelines

The Request

- 2 FTE within RIO's structure, with corresponding appropriation adjustments
- Costs allocated 70% to TFFR, 30% to the investment program
- Existing leased space is sufficient; operating covers workstations and equipment

Impact if Not Funded

- Positions stay at NDIT, funded indirectly through chargebacks
- No direct supervisory accountability
- Institutional knowledge of specialized applications at risk if positions turn over or if NDIT reassigns staff

OPTIONAL PACKAGE #7

Professional Services

$550,000
Biennial Total

$250,000
Governance Consulting

$150,000
Comprehensive Salary Study

$150,000
Audit Software and External QA Review

The Need

- Internal audit lacks dedicated software and has never had an external QA review
- Last salary study was performed at a significantly lower asset level and when the investment program was less complex
- Incentive compensation plan requires market-based pay ranges refreshed every two years
- SIB's June 2026 governance policy system requires implementation support

The Request

- $250,000 governance consulting: board education, trustee onboarding, ED evaluation, exception-based reporting
- $150,000 comprehensive salary study
- $100,000 audit software implementation; $50,000 external QA review

Impact if Not Funded

- Internal audit continues without required tools or external validation
- Incentive compensation plan lacks the market data it requires for defined salary ranges
- SIB left without professional support to implement its adopted governance policy system