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

Budget & Finance Committee
Monday, November 9, 2026, 11:00 a.m.
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AGENDA

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

II. ACCEPTANCE OF MINUTES (August 13, 2026) *(Committee Action)*

III. QUARTERLY BUDGET STATUS UPDATE (15 minutes) *(Information Only)* – Mr. Otteson

IV. SIB EXPENSE ALLOCATION POLICY (15 minutes) *(Committee Action)* – Mr. Otteson

V. DISCUSSION

VI. OTHER
- A. Next Meeting:
  February 8, 2027, 11:00 a.m.

VII. ADJOURNMENT

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STATE INVESTMENT BOARD
BUDGET & FINANCE COMMITTEE
MEETING MINUTES OF THE AUGUST 13, 2026, MEETING

MEMBERS PRESENT
Rep. Glenn Bosch, Legacy and Budget Stabilization Fund Advisory Board, Chair
Sen. Jerry Klein, Legacy and Budget Stabilization Fund Advisory Board, Vice Chair
Joe Morrissette, Director of OMB

STAFF PRESENT
Scott Anderson, Chief Investment Officer
Jennifer Ferderer, Fiscal Operations Admin
Timothy Forsythe, Deputy Chief Financial Officer
Chase Kauffeld, Chief Retirement Officer
Missy Kopp, Executive Assistant
Sarah Mudder, Communications & Outreach Director
Chuck Napp, Senior Investment Operations Manager
Adam Otteson, Chief Financial/Operating Officer
Emmalee Riegler, Procurement/Records Coordinator
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director
Susan Walcker, Senior Financial Manager

GUESTS
Scott Evanoff, TFFR Trustee
Rick Funston, Funston Advisory
Evan Norton, Funston Advisory
Becky Ulberg, Budget Analyst, OMB
Members of the Public

CALL TO ORDER
Representative Bosch called the State Investment Board (SIB) Budget & Finance Committee (BFC) meeting to order at 8:00 a.m. on Thursday August 13, 2026. The meeting was held virtually.

The following members were present representing a quorum: Mr. Morrissette, Representative Bosch, and Senator Klein.

AGENDA
The Committee considered the agenda for the August 13, 2026, meeting.

BUDGET AND FINANCE COMMITTEE CHARTER REVIEW
Mr. Otteson reviewed the Budget & Finance Committee Charter and the Committee's role in assisting the SIB with financial stewardship, resource alignment, and long-term organizational sustainability. He discussed the Committee's oversight and advisory responsibilities, including reviewing financial policies and proposed budgets, monitoring financial performance and resource adequacy, and evaluating alignment with statutory and appropriation requirements. The Committee's role is to research, oversee, and make recommendations to the SIB rather than

approve expenditures or direct management spending decisions.

QUARTERLY BUDGET STATUS UPDATE

Mr. Otteson provided the quarterly budget and expense report for the period ending June 30, 2026. Fourth-quarter operating expenditures totaled approximately $1.99 million compared with a budget of approximately $2.05 million, resulting in a favorable variance of approximately $59,000. Biennium-to-date operating expenditures totaled approximately $7.19 million compared with a budget of approximately $8.19 million.

Mr. Otteson also reviewed continuing appropriation expenditures. Fiscal year 2026 expenditures totaled approximately $111.8 million compared with approximately $99.1 million in fiscal year 2025. Final year-end fee reporting remains pending receipt of outstanding private market and limited partnership reports.

2027-2029 PROPOSED BUDGET

Mr. Otteson presented RIO's proposed budget for the 2027–29 biennium. The proposal includes a base budget of approximately $16.5 million and seven optional packages totaling approximately $24.0 million, for a total budget request of approximately $40.5 million and 16 new FTE. The base budget reflects cost-to-continue salary increases and removal of a one-time professional services item. RIO's expenses are funded by client funds rather than the State General Fund.

Mr. Otteson reviewed the seven optional packages included in the proposed budget. The packages address adequate minimum staffing; accounting, data repository, and reporting technology; TFFR staffing and pension system enhancements; salary cost-to-continue and equity adjustments; IT hosting, support, and equipment; application support realignment; and professional services.

The adequate minimum staffing package requests 12 new FTE across investment, fiscal and operations, risk, legal, and internal audit functions. Mr. Otteson discussed the growth in assets under management and organizational capacity needs identified through the agency's governance review as factors supporting the request.

The large IT project package includes $15.5 million for an integrated accounting system, data repository, analytics, and reporting tools. The request addresses the September 2029 end of support for the agency's existing Dynamics GP accounting system and the need for centralized investment data and reporting capabilities.

Mr. Otteson reviewed the remaining optional packages, including two additional TFFR positions and pension administration system enhancements; salary adjustments related to promotions, increased responsibilities, and prior equity adjustments; increased IT and pension system costs and equipment replacement; the realignment of two application support positions from NDIT to RIO; and professional services for governance consulting, a comprehensive salary study, and internal audit resources.

IT WAS MOVED BY SENATOR KLEIN AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A ROLL CALL VOTE TO RECOMMEND THE STATE INVESTMENT BOARD APPROVE RIO'S 2027–29 BIENNIAL BUDGET REQUEST FOR SUBMISSION TO THE OFFICE OF MANAGEMENT AND BUDGET FOR CONSIDERATION AS PART OF THE EXECUTIVE

BUDGET DEVELOPMENT PROCESS AND FURTHER CONSIDERATION BY THE LEGISLATIVE ASSEMBLY AS PART OF THE LEGISLATIVE APPROPRIATION PROCESS.

AYES: SENATOR KLEIN, MR. MORRISSETTE, AND REPRESENTATIVE BOSCH
NAYS: NONE
MOTION CARRIED

ADJOURNMENT

With no further business to come before the committee, Treasurer Beadle adjourned the meeting at 1:30 a.m.

Prepared by: Jennifer Ferderer, Assistant to the Board

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MEMORANDUM

TO: **Budget & Finance Committee**
FROM: **Adam Otteson, Chief Financial and Operating Officer**
DATE: **November 9, 2026**
RE: **Quarterly Budget Status Update**

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

Budget Status September 2026

	Q1 FY 27				Biennium to Date			
Category	Budget	Actual	Variance	Variance Percent	Budget	Actual	Variance	Variance Percent
Salaries **	$1,555,391	$1,563,211	-$7,821	-0.50%	$7,595,743	$7,134,251	$461,491	6.08%
New and Vacant Pool **	39,908	0	39,908	100.00%	194,891	0	194,891	100.00%
Operating Expenses	473,142	367,532	105,610	22.32%	2,365,708	1,988,539	377,169	15.94%
Contingency	25,000	0	25,000	100.00%	125,000	0	125,000	100.00%
Total	**$2,093,440**	**$1,930,743**	**$162,697**	**7.77%**	**$10,281,342**	**$9,122,790**	**$1,158,552**	**11.27%**

Continuing Authority

	Q1 FY 27*				FY to Date *			
	Q1 FY 27	Q1 FY 26	Variance	Variance Percent	FY 27	FY 26	Variance	Variance Percent
Expenditures	$14,744,483	$13,508,652	$1,235,831	8.38%	$14,744,483	$13,508,652	$1,235,831	8.38%

FY 2026 Final Continuing Authority (vs. FY 2025)

	FY 26	FY 25	Variance	Variance Percent
Expenditures	$142,765,269	$133,855,616	$8,909,653	6.24%

*Includes fees paid directly through PeopleSoft (Q1) and fees netted from managed accounts (Q1) per the Northern Trust Income and Expense Summary.

** $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.

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MEMORANDUM

TO: **Budget & Finance Committee**
FROM: **Adam Otteson, Chief Financial and Operating Officer**
DATE: **November 9, 2026**
RE: **Expense Allocation Policy**

On July 1, 2026, the State Investment Board (SIB) adopted the Governance Policy System (GPS), which identifies the key decisions reserved for the Board and assigns the Budget and Finance Committee responsibility for researching and recommending policy in the stewardship domain. The GPS calls for an Expense Allocation Policy, and staff have drafted the attached policy for consideration.

The policy establishes how expenses are charged to the funds overseen by the SIB. Because the Retirement and Investment Office (RIO) administers both the SIB client funds' investment program and the Teachers' Fund for Retirement (TFFR) pension plan, the policy addresses two areas: allocating expenses among SIB client funds, and dividing shared costs between the SIB investment program and TFFR administration.

The policy is grounded in NDCC § 21-10-06.2, which provides that investment costs are paid by the fund incurring the expense, and NDCC § 54-52.5-03, which provides that administrative expenses are paid from the respective funds in proportion to the services rendered for each fund. It also reinforces the SIB's fiduciary obligation to treat each client fund impartially, so that no fund bears a cost properly attributable to another fund.

Key provisions of the draft policy include:

Two-step allocation. Shared costs are first divided between TFFR administration and the SIB investment program using an objective, documented measure such as square footage or staff time. The SIB program's costs are then allocated among the client funds.

Direct and shared expenses. Direct expenses are charged in full to the fund that incurred them. Shared expenses are allocated to the benefiting funds based on each fund's share of assets under management at market value at the beginning of the quarter.

Contract funds. Funds served under written contract are treated the same as statutorily assigned funds, subject to any minimum fees in the contract. Contract fees collected are netted against the administrative fees charged to statutorily assigned funds.

Oversight and reporting. The Budget and Finance Committee will review the policy annually and recommend any changes to the SIB.

Committee Action Requested: Recommend approval of the new Expense Allocation Policy to the State Investment Board for a first reading.

EXPENSE ALLOCATION

Authority: NDCC § 21-10-06; NDCC § 21-10-06.2; NDCC § 54-52.5-03.

Purpose: This policy sets how expenses are charged to the funds overseen by the State Investment Board (SIB), so that each fund pays for the services it receives and allocations are applied consistently. The Retirement and Investment Office (RIO) administers both the SIB client funds' investment program and the Teachers' Fund for Retirement (TFFR) pension plan. The policy therefore covers two things: allocating expenses among client funds, and splitting shared costs between the SIB investment program and TFFR administration.

NDCC § 21-10-06.2 provides that investment costs are paid by the fund incurring the expense.

NDCC § 54-52.5-03 provides that administrative expenses are paid from the respective funds in proportion to the services rendered for each fund, as estimated by the SIB.

Definitions:

Direct expense means an expense identifiable to one or more specific client funds from the invoice, contract, or other supporting record.

Shared expense means an expense that benefits more than one client fund and is not identifiable to specific client funds.

Benefiting fund means a client fund that received, or was entitled to receive, a benefit from the goods or services purchased, or whose activity caused the expense to be incurred.

Fiduciary Standard: Expenses shall be allocated consistent with:

- The SIB's fiduciary obligation to each client fund separately
- Impartial treatment of client funds, so that no fund is favored over another in the allocation of expenses
- The Prudent Investor Rule (NDCC § 21-10-07)
- Applicable statutes and investment guidelines

No client fund shall bear a cost properly attributable to another client fund.

Allocation Methods:

RIO allocates expenses in two steps.

Step 1: Divide shared costs between RIO's two divisions. Expenses shared by TFFR pension plan administration and the SIB investment program are divided between the two divisions using an objective measure, such as square footage or documented staff time. The measure used for each type of expense is documented and applied consistently.

Step 2: Allocate the SIB program's costs among client funds. The SIB program's share from Step 1, together with all other RIO administrative expenses not charged to TFFR pension plan administration, is allocated among the SIB client funds as follows.

- **Direct expenses** are charged in full to the fund that incurred them. If a direct expense is identifiable to more than one fund, it is divided as shown in the supporting record or, if the record does not show a division, it is allocated in the same manner as a shared expense.
- **Shared expenses** are charged to the benefiting funds, based on each fund's share of assets under management at market value at the beginning of the quarter.

A fund that is not a benefiting fund for a shared expense is excluded from that allocation.

Contract Funds: Funds not statutorily assigned to the SIB are charged for investment services under written contract pursuant to NDCC § 21-10-06(3). Contract funds are treated in the same manner as statutorily assigned funds in determining benefiting funds and allocating shared expenses, subject to any minimum fees set in the written contract. Contract fees collected are netted against the administrative fees charged to the statutorily assigned funds.

Roles and Responsibilities:

- The Budget and Finance Committee reviews this Policy annually and recommends any changes to the SIB.
- The Executive Director, through the Chief Financial and Operating Officer, applies the approved methods and maintains the supporting documentation. Staff may not change an allocation method without SIB approval.

Reporting and Verification:

- The Executive Director reports expenses allocated to each client fund to the Budget and Finance Committee at least annually, including any expense that could not be allocated under the approved methods and how it was resolved.

Records: Documentation supporting each allocation is retained in accordance with the state records retention schedule under NDCC ch. 54-46.

Policy Adopted: January 2027