

ND TFFR Board Meeting - Thursday, March 26, 2026, 1:00 p.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. Roll Call & Conflict of Interest Disclosure
- II. ACCEPTANCE OF MINUTES (January 22, 2026) (*Board Action*)**
- III. GOVERNANCE (45 minutes)**
 - A. TFFR GPR Committee Update (*Information*) – Mr. Mickelson, Ms. Smith
 - B. Audit Committee Update (*Information*) – Treasurer Beadle, Ms. Seiler
 - C. Delinquent Accounts Update (*Information*) – Ms. Smith
 - D. Pension Administration System Update (*Information*) – Mr. Kauffeld
 - E. Actuarial Audit RFP (*Board Action*) – Ms. Smith

(Break)

- IV. REPORTS (45 minutes) (*Board Action*)**
 - A. Quarterly Performance Update – Mr. Anderson
 - B. Annual Retiree Reemployment Report – Mr. Kauffeld
 - C. Quarterly Internal Audit Report – Ms. Seiler
- V. CONSENT AGENDA – Disability Applications & QDROs¹ (*Board Action*)**
- VI. OTHER BUSINESS**
 - A. Next Meetings:
 - 1. TFFR GPR Committee – Monday, April 13, 2026, at 2:30 p.m.
 - 2. TFFR Board Meeting – Thursday, April 23, 2026, at 1:00 p.m.
- VII. ADJOURNMENT**

¹ Possible Executive Session to discuss confidential member information under N.D.C.C. 15-39.1-30 & 44-04-19.2.

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT BOARD MINUTES OF THE JANUARY 22, 2026, BOARD MEETING

MEMBERS PRESENT

Dr. Rob Lech, President
Alexis Rasset, Vice President
Thomas Beadle, State Treasurer
Mike Burton, Trustee
Scott Evanoff, Trustee
Cody Mickelson, Trustee

MEMBERS ABSENT

Levi Bachmeier, State Superintendent, DPI

GUESTS

Kirsten Tuntland, Assistant Attorney General
Dana Woolfrey, GRS
Members of the Public

STAFF PRESENT

Eric Chin, Deputy CIO
Deneen Gathman, Retirement Accountant
Chase Kauffeld, CRO
Missy Kopp, Executive Assistant
Denise Leingang-Sargeant, Retirement Spec.
Sarah Mudder, Communications/Outreach Dir.
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director
Rachelle Smith, Retirement Admin. Assistant
Dottie Thorsen, Internal Auditor
Tami Volkert, Compliance Spec.
Denise Weeks, Retirement Program Mngr.

CALL TO ORDER

Dr. Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:07 p.m. on Thursday, January 22, 2026. The meeting was held in the WSI Boardroom, 1600 E Century Ave., Bismarck, ND.

The following members were present representing a quorum: Treasurer Beadle, Mr. Burton, Mr. Evanoff, Dr. Lech, Mr. Mickelson, and Ms. Rasset.

AGENDA

The Board considered the agenda for the January 22, 2026, TFFR meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. RASSET AND CARRIED BY A VOICE VOTE TO ACCEPT THE JANUARY 22, 2026, AGENDA AS PRESENTED.

AYES: TREASURER BEADLE, MR. BURTON, MR. MICKELSON, MS. RASSET, MR. EVANOFF, AND PRES. LECH

NAYS: NONE

ABSENT: SUPT. BACHMEIER

MOTION CARRIED

MINUTES

The Board considered the minutes of the November 20, 2025, TFFR meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE NOVEMBER 20, 2025, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MR. EVANOFF, TREASURER BEADLE, MR. BURTON, MS. RASSET, AND PRE. LECH
NAYS: NONE
ABSENT: SUPT. BACHMEIER
MOTION CARRIED

EDUCATION

RIO Internal Audit

Ms. Seiler provided an overview of the Internal Audit function and the role of the Audit Committee. The Audit Committee, established in 1992, is a subcommittee of the State Investment Board that oversees internal and external audit activities, approves the annual audit plan, and serves as a communication link between the board, management, and auditors.

Internal audit operates independently, reporting functionally to the Audit Committee and administratively to the Executive Director. The function is risk-based, focusing on evaluating controls, improving processes, and providing advisory support on new initiatives. Audits follow a structured lifecycle including planning, fieldwork, reporting, and follow-up, with collaboration between audit and management.

The agency follows Institute of Internal Auditors (IIA) standards and is working toward full alignment with updated 2025 standards. The audit framework includes multiple “lines of defense,” incorporating staff, management functions, internal audit, and external auditors/consultants.

Staff also highlighted the availability of a fraud hotline for anonymous reporting, noting it has not been used to date. Overall, the internal audit function supports governance, risk management, and operational effectiveness across the agency.

GOVERNANCE

2025 GASB Report

Ms. Woolfrey, GRS, provided a brief overview of the GASB 67/68 accounting report, noting it is used for financial statement reporting and not a board decision-making tool.

Key points:

- The report presents total pension liability, plan fiduciary net position (assets), and net pension liability (unfunded liability) using fair value, which can be more volatile than funding reports.
- Because the plan is not underfunded, accounting and funding measures largely align, using the same 7.15% discount rate.
- Strong investment performance in FY2025 resulted in a decrease in net pension liability year over year.
- The report includes sensitivity analysis showing how liabilities would change with different discount rates.
- Pension expense is recognized by participating employers and allocated based on payroll share.
- Overall, the report fulfills required accounting disclosures and reflects improved financial position driven by strong investment returns.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. RASSET AND CARRIED BY A VOICE VOTE TO ACCEPT THE 2025 GASB REPORT.

AYES: TREASURER BEADLE, MS. RASSET, MR. EVANOFF, MR. BURTON, MR. MICKELSON, AND PRES. LECH
NAYS: NONE
ABSENT: SUPT. BACKMEIER
MOTION CARRIED

TFFR Investment Policy Statement (IPS)

Mr. Anderson reviewed the updated IPS for TFFR which reflects the new asset allocation approved at the September TFFR and SIB board meetings. The updates align with the policy with the new strategy designed to improve long-term pension outcomes.

Most changes were formatting and consistency updates to align with other IPS documents, with no major changes to underlying objectives or responsibilities. Key updates include:

- Incorporation of the new asset allocation and addition of rebalancing bands for clearer guidance.
- Introduction of a corridor benchmark approach to better account for private market investments and improve performance measurement and rebalancing decisions.
- Clarified derivative language, emphasizing use for risk management, hedging, and cost-efficient exposure replication, not speculation.
- Reinforcement of fiduciary duty and exclusive benefit rules, including prohibition on social investing.

Overall, the revised IPS improves clarity, consistency, and governance while maintaining the fund's existing investment objectives and policies.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE UPDATED IPS.

AYES: MS. RASSET, MR. BURTON, MR. MICKELSON, MR. EVANOFF, TREASURER BEADLE, AND PRES. LECH
NAYS: NONE
ABSENT: SUPT. BACHMEIER
MOTION CARRIED

Delinquent Accounts Update

Ms. Smith reported significant progress in bringing delinquent accounts into compliance. Carrington, Fort Totten, James River, North Border, and Starkweather are now compliant following outreach efforts.

Two accounts remain out of compliance:

- Fordville Lankin: Staff will issue a formal notice requiring compliance, with a potential recommendation to the Department of Public Instruction (DPI) to withhold foundation aid payments if not resolved by March 1.
- Fort Ransom: The district has been out of compliance for approximately three years and has since closed, with students reassigned elsewhere. Staff are working with DPI to determine next steps due to unique contractual and legal considerations. An update on Fort Ransom will be provided at the March board meeting.

Administrative Rules

Ms. Smith reviewed the proposed updates to administrative rules, primarily reflecting the transition from paper forms to online processes under the new system. Most changes are technical and focused on updating language accordingly.

A key substantive update relates to delinquent accounts enforcement. The proposed rule would allow the agency to:

- Issue written notice to noncompliant employers with a deadline to cure deficiencies.
- If unresolved, proceed with a formal recommendation to withhold foundation aid payments, typically after a defined notice period.
- Maintain flexibility to account for extenuating circumstances before taking enforcement action.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MS. RASSET AND CARRIED BY A ROLL CALL VOTE TO AUTHORIZE STAFF TO PROCEED WITH THE PROPOSED ADMINISTRATIVE RULE AMENDMENTS AND THE NEW RULE ADDRESSING DELINQUENT EMPLOYER REPORTING, AS PRESENTED, AND TO INITIATE THE FORMAL RULEMAKING PROCESS INCLUDING PUBLIC NOTICE AND HEARING REQUIREMENTS.

AYES: MR. EVANOFF, MR. MICKELSON, MS. RASSET, TREASURER BEADLE, MR. BURTON, AND PRES. LECH

NAYS: NONE

ABSENT: SUPT. BACKMEIER

MOTION CARRIED

REPORTS

Quarterly Performance Update

Mr. Anderson provided the performance update as of the period ending September 30, 2025. There was strong investment performance supported by favorable market conditions. Equity markets delivered high returns, while fixed income also exceeded expectations. Real estate remained weaker but may present future opportunities. Overall market conditions reflect elevated valuations and some downside risk.

The TFFR fund grew to approximately \$3.7 billion and continues to outperform its benchmark across all time periods. The 10-year return of about 8.5% exceeds both the benchmark and the 7.15% discount rate, contributing to improved funding status. Notably, the fund has achieved these results with lower risk than the benchmark, reflecting effective portfolio management and implementation.

Quarterly TFFR Ends Report

Ms. Smith presented the TFFR Ends Report for the quarter ending December 31, 2025. Progress has been made on several initiatives driven by board feedback from the strategic planning session. The member handbook has been updated, with work underway on an updated employer guide. A new partnership with MABU will focus on targeted outreach to early-career teachers, with a more structured communication and education strategy expected by March.

System usage continues to improve following implementation of the new platform. Members are increasingly using self-service tools, as reflected in rising online activity and reduced reliance on staff support. Monthly employer online office hours have also improved engagement and contributed to a decline in support requests.

Overall, trends indicate that training, communication efforts, and system adoption are improving efficiency, though ongoing education will be needed as users and employers continue to turn over.

Executive Limitations/Staff Relations Report

Ms. Smith provided the Executive Limitations/Staff Relations report for the quarter ending December 31, 2025. Recruitment efforts are ongoing for key roles, including an internal auditor and investment analyst, while the remaining open position is under review. The agency has experienced significant turnover over the past 16 months but is now nearing full staffing.

Progress continues on strategic initiatives, including succession planning for key leadership roles, development of a business continuity plan, and implementation of process improvements. A major milestone was achieved with the timely closing of financial statements for the first time in three years, with efforts now focused on reducing delays in performance reporting.

Technology and operational improvements remain a priority, including planning for a future accounting system replacement and continued optimization of the pension system. Staff also plan to conduct disaster recovery testing, including a live system switch during payroll, to ensure operational resilience. The agency has made ongoing improvements in efficiency and governance despite resource constraints.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. RASSET AND CARRIED BY A VOICE VOTE TO APPROVE THE QUARTERLY PERFORMANCE, TFFR ENDS, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

**AYES: MR. BURTON, MS. RASSET, MR. EVANOFF, TREASURER BEADLE, MR. MICKELSON, AND PRES. LECH
NAYS: NONE
ABSENT: SUPT. BACHMEIER
MOTION CARRIED**

OTHER

SIB Manual Rewrite Update

Ms. Smith reported continued progress on the governance manual rewrite, with a draft expected for State Investment Board review in March. The update includes revised committee charters and expanded responsibilities.

Notable changes include adding enterprise risk oversight to the Audit Committee, shifting the Executive Review and Compensation Committee toward independent evaluations and broader compensation review, and considering creation of a Budget and Finance Committee to oversee agency expenditures.

The board will also consider TFFR representation on certain committees. Staff noted the scope of the rewrite and the value of external input in strengthening governance practices.

ADJOURNMENT

With no further business to come before the TFFR Board, Pres. Lech adjourned the meeting at 3:03 p.m.

Prepared by: Missy Kopp, Assistant to the Board

MEMORANDUM

TO: TFFR Board

FROM: Jodi Smith, Executive Director

DATE: March 26, 2026

RE: Governance and Policy Review Update

Staff and the State Investment Board (SIB) Governance and Policy Review (GPR) Committee continue to make progress on the comprehensive rewrite of the SIB Governance Manual. As reflected in the February 5, 2026, TFFR GPR materials, the draft manual remains under development, with the SIB having a first reading at the March 20, 2026, board meeting. The rewrite includes substantial revision to committee charters and broader efforts to modernize and streamline the governance framework.

Several proposed charter changes may affect TFFR governance participation. First, the Audit Committee charter would retain TFFR representation, but its responsibilities would expand beyond review of audits to include formal oversight of operational risk. This would include monitoring emerging risks such as delays in financial reporting, staffing or systems failures, cybersecurity preparedness, and other process breakdowns affecting agency operations. During committee discussion, staff noted that these types of operational indicators should be surfaced earlier to the Board, including matters such as delayed financial statements and delinquent school reporting, so risks can be identified before they become more significant.

Second, the Executive Review and Compensation Committee (ERCC) would continue to oversee the Executive Director performance review but would also assume broader responsibility for compensation analysis across the agency rather than focusing only on executive leadership. The February materials noted that this change has implications for TFFR governance participation because the Executive Director reports to both the SIB and the TFFR Board. During committee discussion, staff also explained that the proposal would include periodic compensation studies and could make recommendations related to compensation for RIO employees who support TFFR functions.

Third, the draft contemplates discontinuing the Securities Litigation Committee and creating a new Budget and Finance Committee. Under the draft charter, the Budget and Finance Committee would monitor expenditures against appropriations, review potential budget flexibility authorized by legislators, and oversee expenditures related to both the SIB and TFFR, including pension system

administration. Staff explained to the committee that this proposal is tied to broader efforts to obtain more flexibility in agency budgeting and staffing as assets and operational complexity continue to grow. Staff also noted that proposed qualifications for Budget and Finance Committee service would require members to be financially literate and statutorily aware, with at least one member having public budgeting or appropriations experience.

The principal question raised before the TFFR GPR Committee was whether the TFFR Board should recommend designated representation on both the ERCC and the proposed Budget and Finance Committee. Committee discussion did not produce support for requesting permanent TFFR-designated seats at this time. Members noted that TFFR already has representation on the Audit Committee and currently has participation on ERCC, even if not through a designated seat. Committee members also expressed concern that permanently assigning TFFR seats could unnecessarily limit flexibility in committee appointments and narrow opportunities for other board members to serve where their skills may be most useful.

In lieu of recommending designated seats, the committee discussion reflected interest in asking whether charter language could be added to recognize the committee's responsibility for matters affecting the TFFR budget and pension administration. Committee members indicated that such language may provide sufficient assurance that TFFR interests are considered, while preserving flexibility in committee assignments.

Staff also noted that the governance manual would remain a living document and that representation questions could be revisited in future years if needed.

Board Action Requested: Information only.

MEMORANDUM

TO: TFFR Board
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: March 26, 2026
RE: Audit Committee Update

The Audit Committee met on March 2, 2026. The meeting was called to order by Chair Treasurer Beadle, with quorum present. The committee reviewed the and approved the agenda and meeting minutes from November 18, 2025. The committee approved the internal audit second quarter activities and the current audit activities reports.

Audit and Risk Committee Charter

As part of the ongoing SIB Governance Manual rewrite facilitated by Funston Advisory Services, the committee reviewed a proposed Audit and Risk Committee Charter. The revised charter expands the committee's oversight responsibilities beyond traditional audit functions to include enterprise risk management and performance risk oversight, while maintaining oversight of internal and external audit, financial reporting, and compliance.

Internal Audit Second Quarter Activities

Internal Audit presented the FY2025–2026 second quarter activity report. Activities included ongoing advisory work related to fiscal modernization initiatives, participation in governance assessment and manual rewrite efforts, and assistance provided to the external auditors during the June 30, 2025, financial statement audit and GASB 68 census data audit.

The Executive Limitations audit covering the period January 1, 2024, through December 31, 2025, has been completed and is currently under management review, with the final report expected to be presented at a future Audit Committee meeting.

Internal Audit also continues to support risk management efforts through coordination with the Investments, Fiscal, and Retirement divisions to update the organizational risk assessment. The results of the risk assessment were used to form the risk-based audit plan that was approved by the Audit Committee.

Investment Fee Audit

Internal Audit, with co-sourced support from Weaver, initiated an audit of investment management and performance fees in January 2026. The audit evaluates the design and effectiveness of controls related to fee

calculations, contract compliance, benchmarking, and oversight of investment management expenses. Initial walkthroughs and documentation review have been completed and testing is underway. The audit remains on schedule, with completion anticipated in April 2026.

Management Responses to Prior Audit Recommendations

Management provided responses to recommendations from the TFFR File Maintenance Review. Retirement Services will conduct a targeted review of 25 death-related member files from FY2023–2024 to confirm required documentation is properly maintained and develop written procedures to supplement NeoSpin process flows for key transactions such as retirements, purchases, and refunds. Completion of these actions is expected by June 30, 2026.

Management also provided an updated timeline related to the Model 2 Partial Review. Corrective actions associated with that review remain in progress and are expected to be completed by June 30, 2026.

Current Audit Activities

Internal Audit reported that recruitment for the additional Internal Auditor position authorized during the 2025 Legislative Session has been successful, with a candidate accepting the position pending completion of a background check. The anticipated start date is in March, which will increase audit capacity and support expanded audit coverage.

Additional current activities include a review of NeoSpin user access and role assignments to ensure appropriate segregation of duties, continued participation in the Governance Manual rewrite process, development of a formal Internal Audit strategic plan aligned with Institute of Internal Auditors standards, and coordination with external auditors for planning of the upcoming fiscal year 2026 financial statement audit.

The following link contains the committee materials that were presented for your reference:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Audit/Board/Materials/sibauditmat20260302.pdf>

Board Action Requested: Information only

MEMORANDUM

TO: TFFR Board
FROM: Jodi Smith, Executive Director
DATE: March 26, 2026
RE: Delinquent Accounts Update

As of March 20, 2026, multiple employers responsible for reporting teacher salaries and submitting employer and employee contributions to the Teachers' Fund for Retirement (TFFR) are delinquent in one or more reporting periods.

The following school districts currently have outstanding delinquent reports:

School District Name	Due Aug	Due Sep	Due Oct	Due Nov	Due Dec	Due Jan	Due Feb	Due Mar
Fort Ransom	X	X	X	X	X	X	X	X

Failure to report earnings and submit required contributions adversely affects member retirement accounts due to delayed service crediting and lost investment earnings.

RIO staff continue outreach efforts to bring these employers into compliance, including direct communication with business managers and district leadership. Enforcement actions and coordination with the Attorney General's Office and the Department of Public Instruction remain available if compliance does not improve.

Board Action Requested: Information only.

MEMORANDUM

TO: TFFR Board of Trustees
FROM: Chase Kauffeld, Chief Retirement Officer
DATE: March 26, 2026
RE: Pension Administration System Implementation Update

This memo provides the Board with an update on the implementation of NeoSpin, a Sagitec pension administration product, for the Teachers' Fund for Retirement (TFFR) including transition outcomes, current operational status, and a flagged concern regarding post-warranty vendor support capacity.

CURRENT STATUS

NeoSpin went live on February 2025. The implementation was followed by a 12-month warranty period during which Sagitec provided intensive support to address system defects, stabilize operations, and ensure a successful transition. During the warranty period, RIO staff submitted between 30 to 50 Problem Incident Reports (PIRs) per month. These PIRs primarily involved process breaks, technical defects and data fixes that required vendor intervention to resolve. The warranty period concluded in February 2026.

The new system has improved several core operational areas, including employer reporting timeliness, member portal functionality, and document management. Staff have adapted to the new platform and are leveraging its enhanced capabilities to better serve TFFR members and participating employers.

While the new system has delivered these meaningful improvements, some unresolved issues have contributed to increased member contact volume. Specifically, members have difficulty updating addresses, direct deposit information, and beneficiary designations through the member portal. These issues have resulted in higher-than-normal call volumes and impacting TFFR's ability to provide the level of service members have come to expect and TFFR is used to providing.

TRANSITION FROM WARRANTY TO SUPPORT PHASE

RIO has entered the post-warranty phase of the contract. As this transition occurs, vendor support has decreased significantly under the structure previously negotiated in the contract:

- Warranty Phase: 16,640 annual hours (8 FTEs)
- Support Phase: 1,200 annual hours (~0.5 FTE)

As of the end of the warranty period, 31 defect PIRs remained outstanding. Sagitec has committed to resolving these defects without depleting RIO's post-warranty support hours. An additional 30 enhancement requests have been catalogued and will be addressed separately as the budget permits. Given the volume and nature of PIRs during the warranty period, staff are concerned that the reduced support level may be insufficient to

maintain system stability and service quality. The reduction in vendor support may limit TFFR's ability to respond quickly to emerging issues.

CONCLUSION

The implementation of NeoSpin represents a significant operational upgrade and positions TFFR for improved member service and long-term system sustainability. While the transition has been successful overall, the Board should be aware of the risk posed by reduced vendor support capacity in the post-warranty phase. Staff will continue to manage this transition carefully and will keep the Board informed of any developments that require Board attention or action.

Board Action Requested: Information only.

MEMORANDUM

TO: TFFR
FROM: Jodi Smith, Executive Director
DATE: March 26, 2026
RE: Actuarial Audit Procurement

The Teachers' Fund for Retirement (TFFR) Board last completed an actuarial audit of FY2021 data, at which time Segal served as the consulting actuary and GRS performed the actuarial audit. Beginning in FY2023, GRS became the TFFR consulting actuary.

Government Finance Officers Association guidance recommends that an actuarial audit be conducted at least every five years, with the objective of having two different actuaries review the plan within that period. Based on that guidance, the next actuarial audit should be conducted on FY2026 data. In addition, the TFFR Governance Manual, Section K, *Service Providers*, states: "The Board also hires an independent actuary to periodically perform an actuarial audit of the plan's consulting actuary. The Board utilizes an RFP process to select and approve the plan's actuarial auditor."

If the Board wishes to proceed with an actuarial audit of FY2026 data, staff believe the following timeline is realistic:

- **March 2026** – Board directs staff to proceed
- **May 2026** – RFP is posted
- **June 2026** – Proposals are evaluated
- **July 2026** – Finalists are presented to the Board and Board considers an award recommendation
- **August/September 2026** – Staff issues the Intent to Award and negotiates the contract
- **November/December 2026** – Contract begins and audit commences

Board Action Requested:

Approval to initiate procurement for actuarial audit services for review of FY2026 data and to return to the TFFR Board with a recommended finalist for consideration. Staff further recommend inclusion of one TFFR Board member on the RFP evaluation team.



Investment Performance December 31, 2025

Performance Benchmark Indices - December 31, 2025

Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 3000	17.1%	17.1%	13.1%	14.3%	18.5%
Russell 1000	17.4%	17.4%	13.6%	14.6%	18.3%
Russell 2000	12.8%	12.8%	6.1%	9.6%	23.5%
S&P 500	17.9%	17.9%	14.4%	14.8%	18.1%
MSCI ACWI IMI Net	22.1%	22.1%	10.7%	11.4%	14.5%
MSCI World ex US	31.9%	31.9%	9.5%	8.5%	14.5%
MSCI Emerging Markets	33.6%	33.6%	4.2%	8.4%	15.8%
Bloomberg Aggregate	7.3%	7.3%	-0.4%	2.0%	4.8%
Bloomberg Gov/Credit	6.9%	6.9%	-0.6%	2.2%	5.0%
Bloomberg US High Yield	8.6%	8.6%	4.5%	6.5%	5.1%
NCREIF Property Index	4.9%	4.9%	3.8%	4.8%	3.9%

Source: Bloomberg

Performance Benchmark Indices - March 19, 2026

Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 3000	-2.8	19.3	11.4	13.9	18.3
Russell 1000	-2.9	19.2	11.9	14.2	18.2
Russell 2000	0.1	22.5	3.2	9.9	23.4
S&P 500	-3.0	19.5	12.7	14.4	18.0
MSCI ACWI IMI Net	-0.3	21.9	9.6	11.4	14.3
MSCI World ex US	2.0	22.0	8.7	8.9	14.4
MSCI Emerging Markets	8.3	35.4	4.9	8.8	15.8
Bloomberg Aggregate	0.0	4.9	0.4	1.8	4.8
Bloomberg Gov/Credit	-0.1	4.4	0.3	1.9	5.0
Bloomberg US High Yield	-0.2	7.1	4.5	6.1	4.9
NCREIF Property Index (12/31/2025) <small>Source: Bloomberg</small>	4.9	4.9	3.8	4.8	3.9

Market Summary

Interest Rates

Fed Funds: 3.5–3.75%
2Y: ~3.6%
10Y: ~4.2%
10Y Real: ~1.8%
Curve re-steepening

Equities

S&P 500 Fwd P/E: ~21–22x
2026 EPS growth: ~15%
Mag7 EPS growth: ~22–23%
S&P 493 growth: ~11–12%
Earnings driving returns

Private Markets

Private credit: ~\$1.7–2.0T
PE dry powder: ~\$1.3T
Deal activity improving
Real estate stabilizing
Manager selection critical

Inflation & Growth

CPI: ~2.4%
Core PCE: ~2.9–3.0%
GDP: ~1.4% (Q4)
2026 GDP est: ~1.8–2.0%
Unemployment: ~4.4%
Slowing but not breaking

Credit

IG spreads: ~90–95 bps
HY spreads: ~320 bps
Defaults contained
Income attractive
Spread upside limited

Geopolitics

Iran: Strait of Hormuz oil disruption risk
Venezuela: Sanctions easing → export recovery
Trade fragmentation → supply chains
Regional conflicts → commodity volatility
Increased market uncertainty

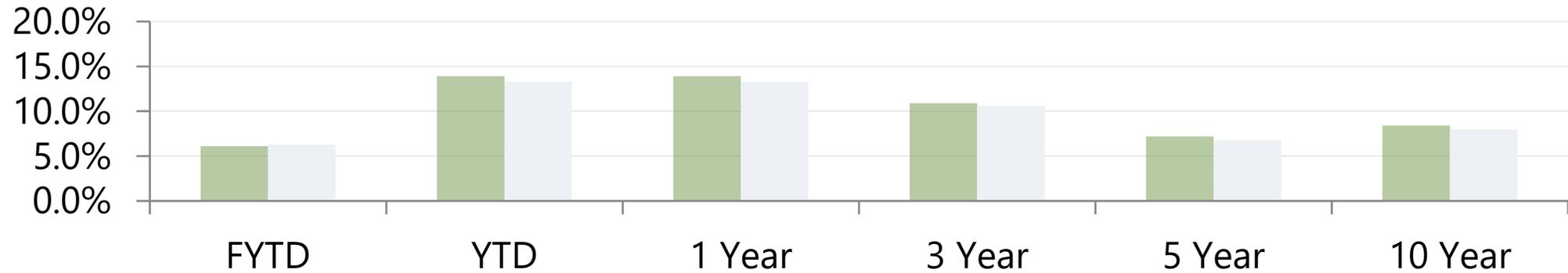
inflation persistence • structurally higher rates • geopolitical shocks • elevated valuations and concentration

TFFR Asset Allocation

December 31, 2025

Asset Class	Current Balance (\$)	Current Allocation (%)	Policy Allocation (%)	Policy Allocation (\$)	Difference (\$)
Domestic Equity All Cap	58,623,611	1.6%	1.6%	58,627,015	-3,404
Domestic Equity Large Cap	955,681,671	25.4%	24.5%	922,097,721	33,583,949
Domestic Equity Small Cap	32,776,194	0.9%	1.1%	42,279,098	-9,502,903
International Equity	607,647,991	16.2%	16.2%	607,353,329	294,662
Investment Grade Fixed Income	718,274,457	19.1%	19.2%	719,721,774	-1,447,318
Below Investment Grade	323,897,850	8.6%	8.5%	319,893,047	4,004,803
Real Estate	287,127,909	7.6%	7.6%	287,122,049	5,860
Timber	25,913,806	0.7%	0.7%	25,931,180	-17,374
Infrastructure	238,425,042	6.3%	6.3%	238,416,528	8,513
Private Equity	499,129,596	13.3%	13.3%	499,118,839	10,757
Cash and Equivalents	10,643,874	0.3%	1.0%	37,581,420	-26,937,546
Total	3,758,142,000	100.0%	100.0%	3,758,142,000	

TFFR Performance



December 31, 2025

TFFR	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	6.1	13.9	13.9	10.9	7.2	8.4	9.1
Policy Benchmark Return	6.3	13.3	13.3	10.6	6.8	8.0	9.5
Total Relative return	-0.2	0.6	0.6	0.3	0.4	0.4	

TFFR Performance Detail

December 31, 2025

TFFR	Market Value	% of Portfolio	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %
Total Fund	3,758,142,000	100.0	6.1	13.9	13.9	10.9	7.2	8.4
Corridor Target Index			6.3	13.3	13.3	10.6	6.8	8.0
Total Equity	2,148,927,567	57.2	9.4	20.2	20.2	17.1	11.0	11.5
Total Equity Benchmark			9.2	19.1	19.1	-	-	-
Total Income	1,042,172,307	27.7	3.2	7.8	7.8	6.6	1.9	4.3
Total Income Benchmark			3.4	7.7	7.7	-	-	-
Total Real Assets	551,466,756	14.7	-0.8	3.1	3.1	-1.5	3.6	4.5
Total Real Assets Benchmark			1.6	3.7	3.7	-	-	-
Cash and Equivalents	10,643,874	0.3	5.0	7.8	7.8	6.1	4.0	2.6
90 Day U.S. Treasury Bill			2.1	4.2	4.2	4.8	3.2	2.2

Return To Teach Review

Fiscal Year 2025 | North Dakota Teachers' Fund for Retirement

RETURN TO TEACH PROGRAM OVERVIEW

General Rule

- Available to all TFFR retirees
- **Hour limits:** 700 (9-mo), 800 (10-mo), 900 (11-mo), 1,000 (12-mo)
- 30-day waiting period
- Employer and employee contributions required
- Monthly benefit continues
- **Exempt:** Extracurricular, in-staff subbing, professional development (no hours counted, no contributions)

Critical Shortage Area

- ESPB-designated shortage areas only
- Hour limits do not pertain
- One-year waiting period
- Employer and employee contributions required
- Monthly benefit continues; additional contributions added to account but benefit does not recalculate

Suspend and Recalculate

- Retiree suspends retirement benefit and returns to full-time TFFR-covered employment
- Full employee and employer contributions resume
- Upon re-retirement, benefit recalculated with additional service credit and updated FAS
- Designed for members seeking extended re-employment with enhanced benefit

Return to Teach Participation - Trend

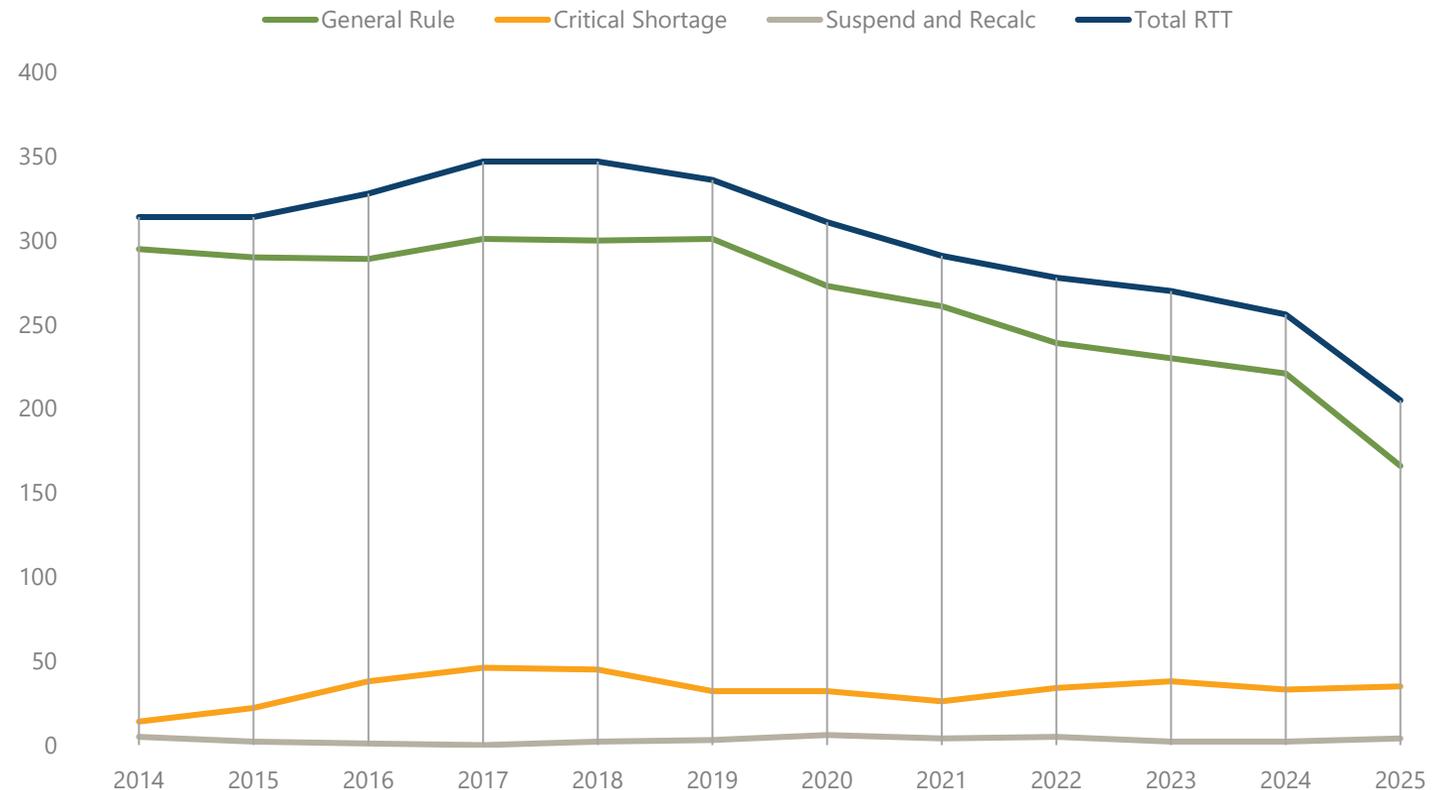
General Rule participation declined

sharply—down 48 participants (22%) from FY2024, primarily due to a reporting change that exempts extracurricular work from hour limits and RTT counts.

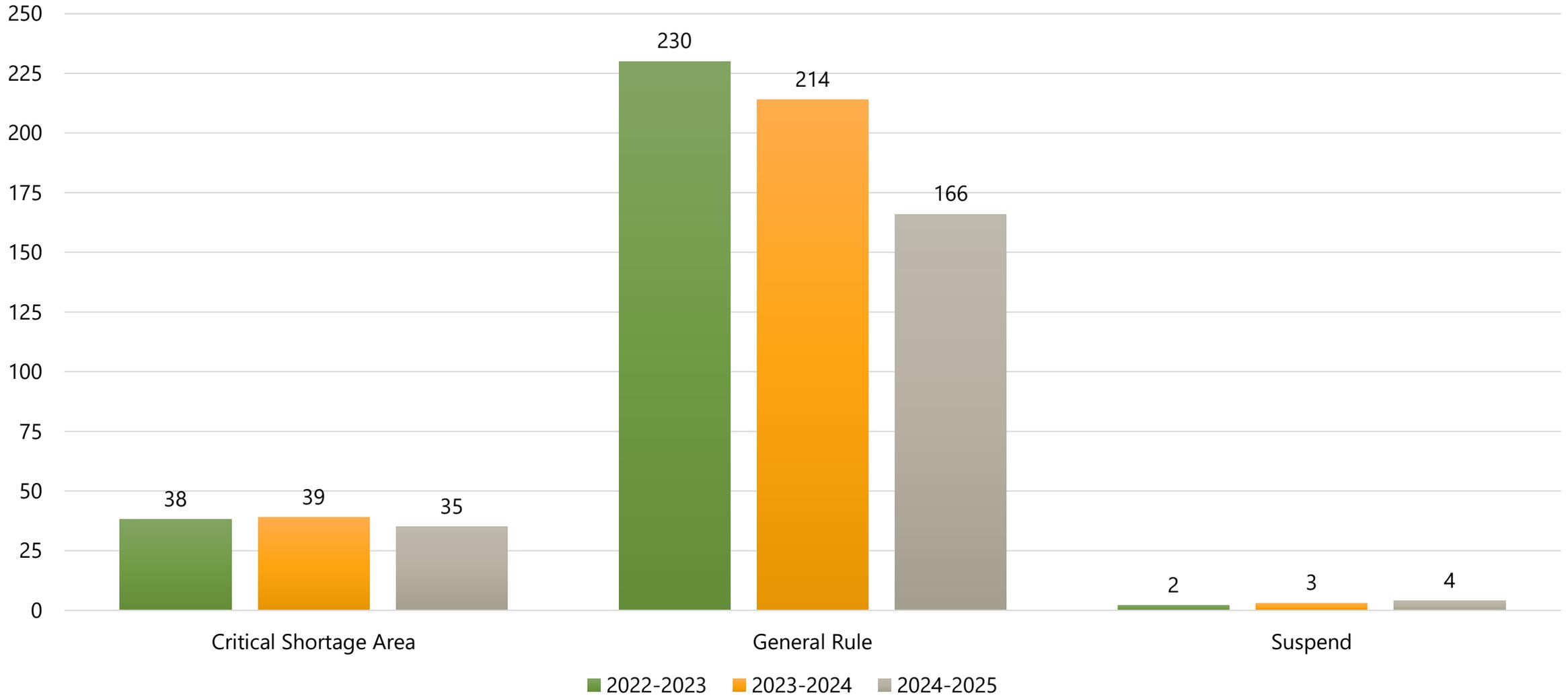
Critical Shortage Area and Suspend & Recalculate programs remain stable

—CSA decreased by 4 participants while Suspend & Recalculate held steady, indicating targeted relief programs are functioning and policy clarification of extracurricular activities being excluded support downward trend.

Retiree Reemployment by Rule 2014-2025

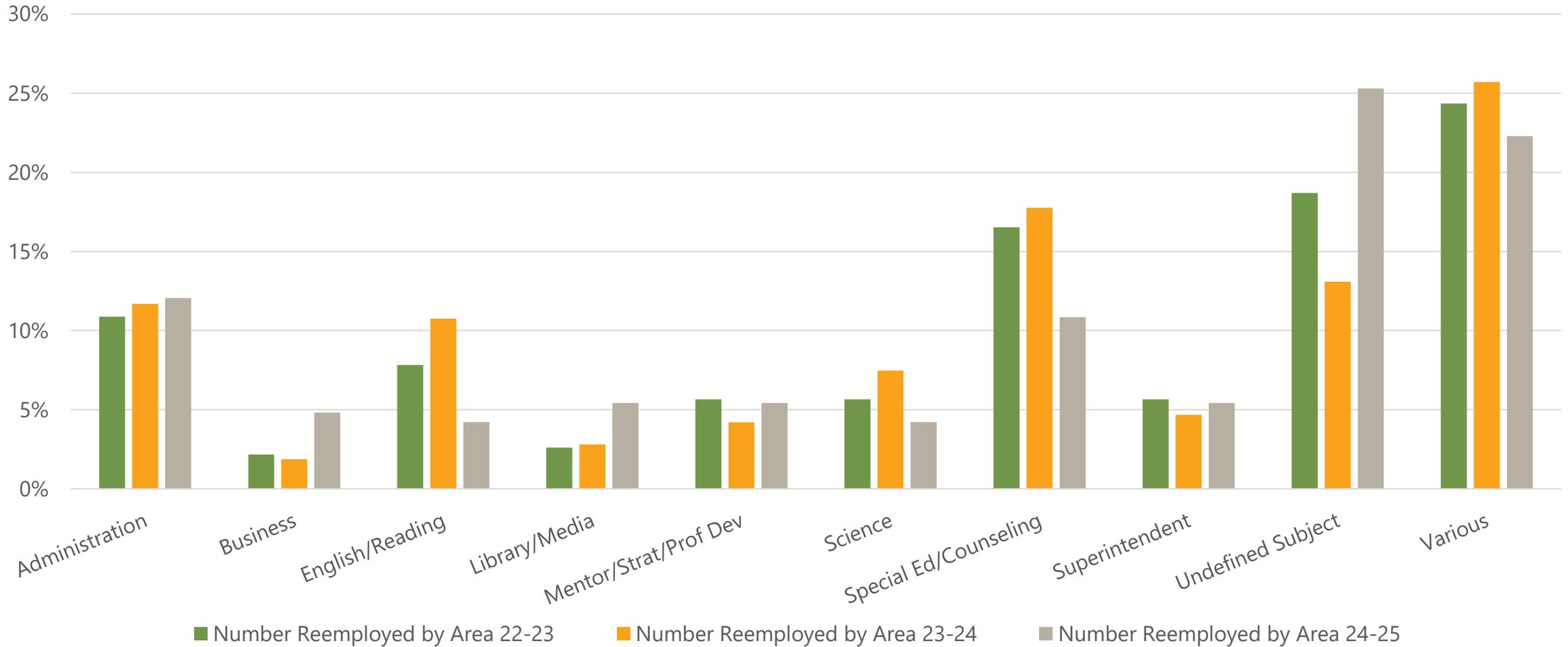


Retirement To Teach Rules



General Rule By Subject

General Rule – Subject Area %



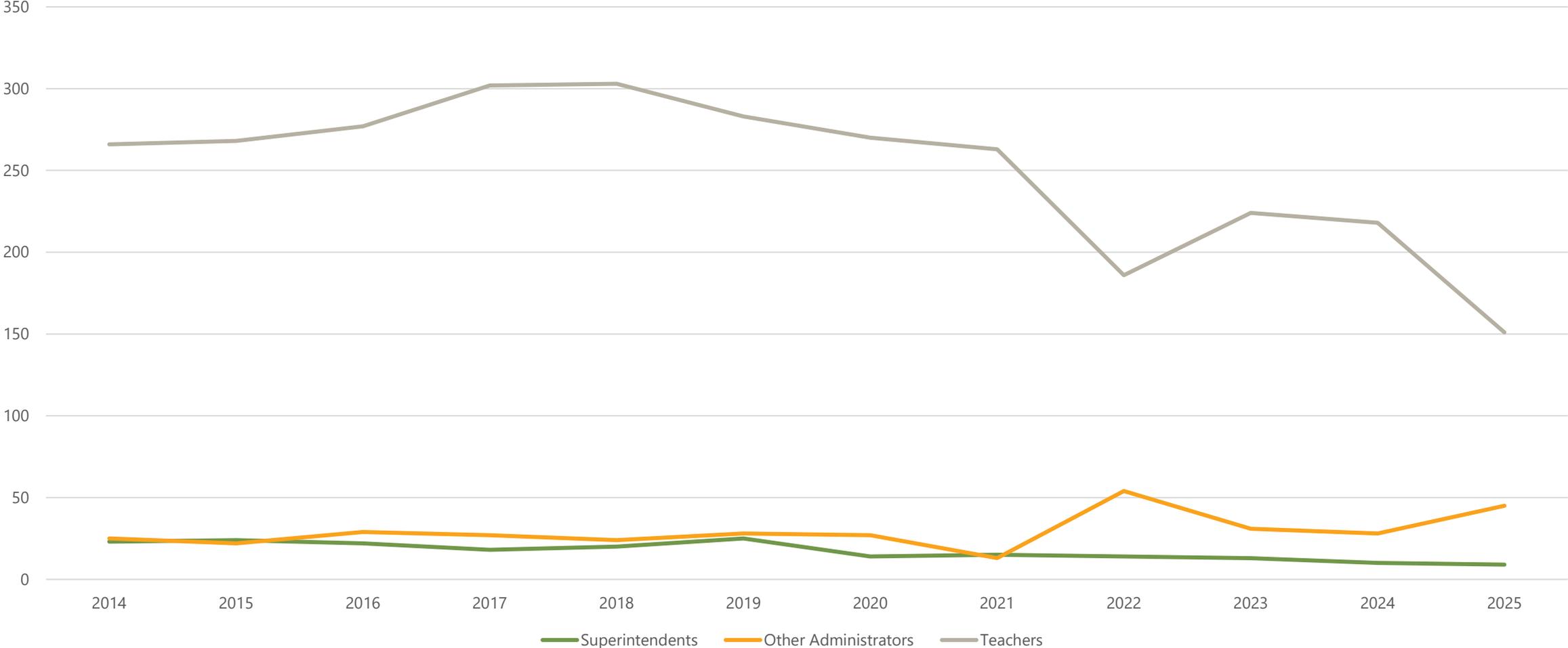
Critical Shortage Area By Subject

CSA Rule – Subject Area %

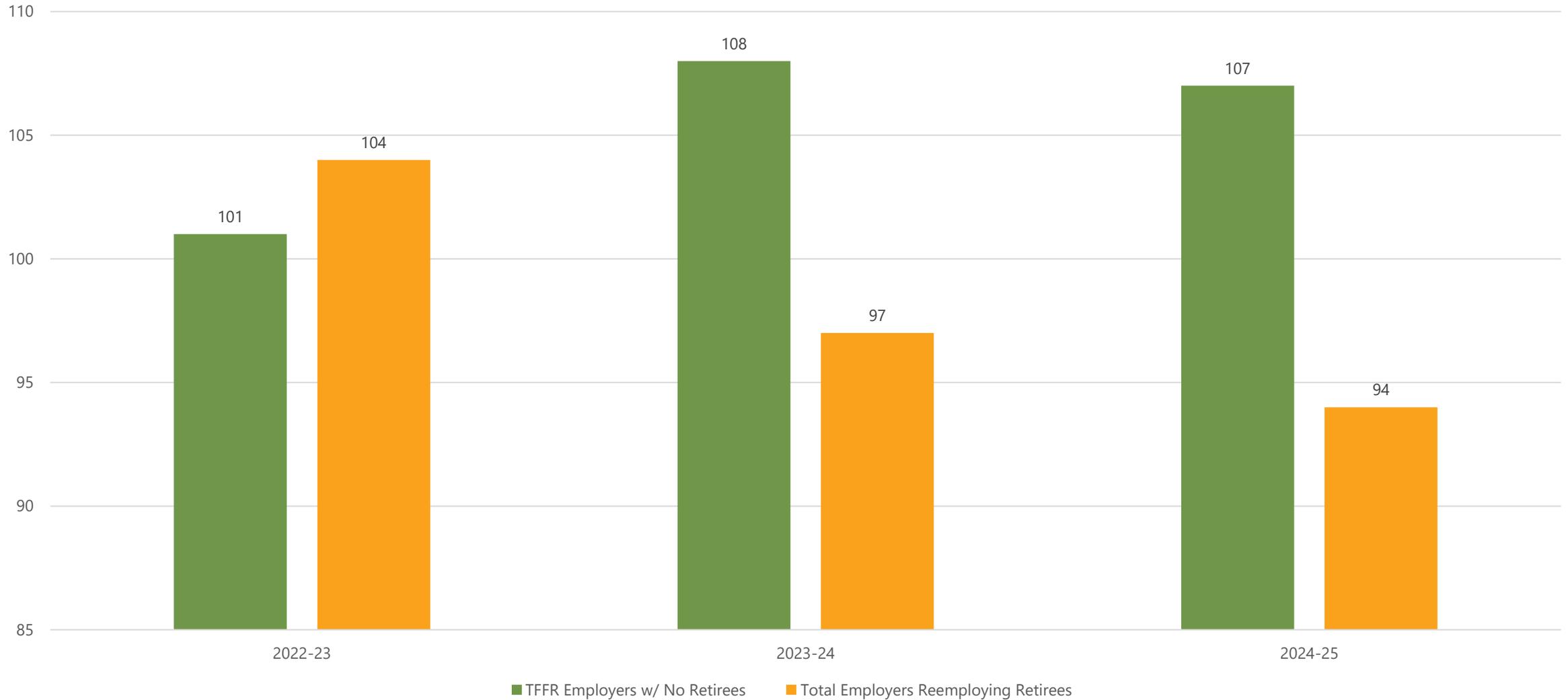


Position Type - Return to Teach

Reemployed Retirees by Position Type

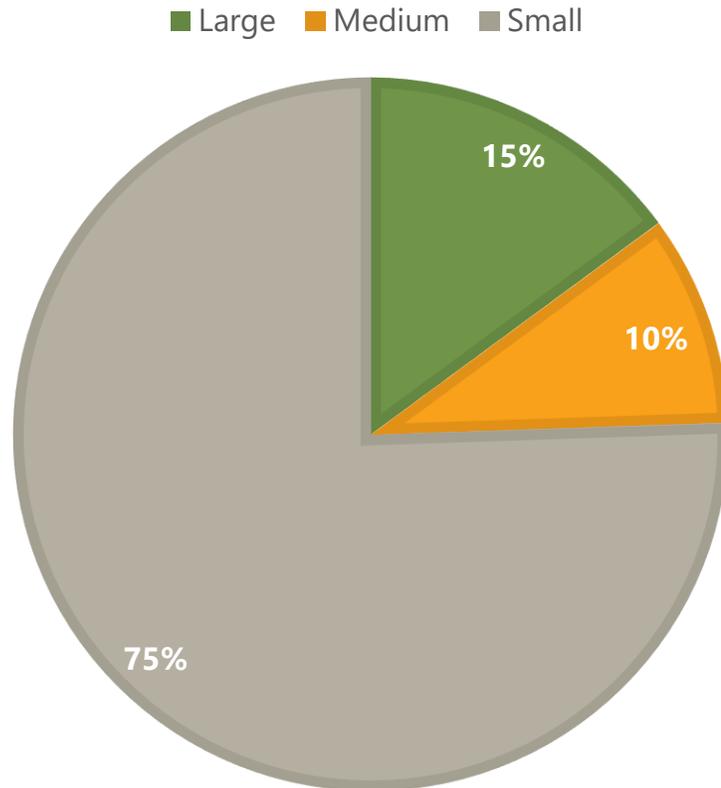


Employer Participation

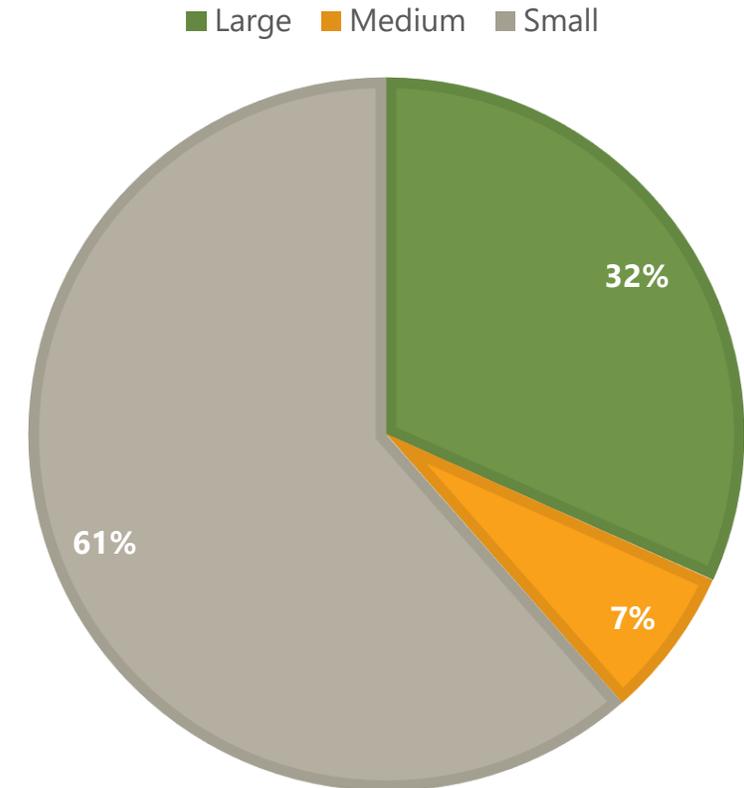


Employer Size Insights

Participating Employer by Size

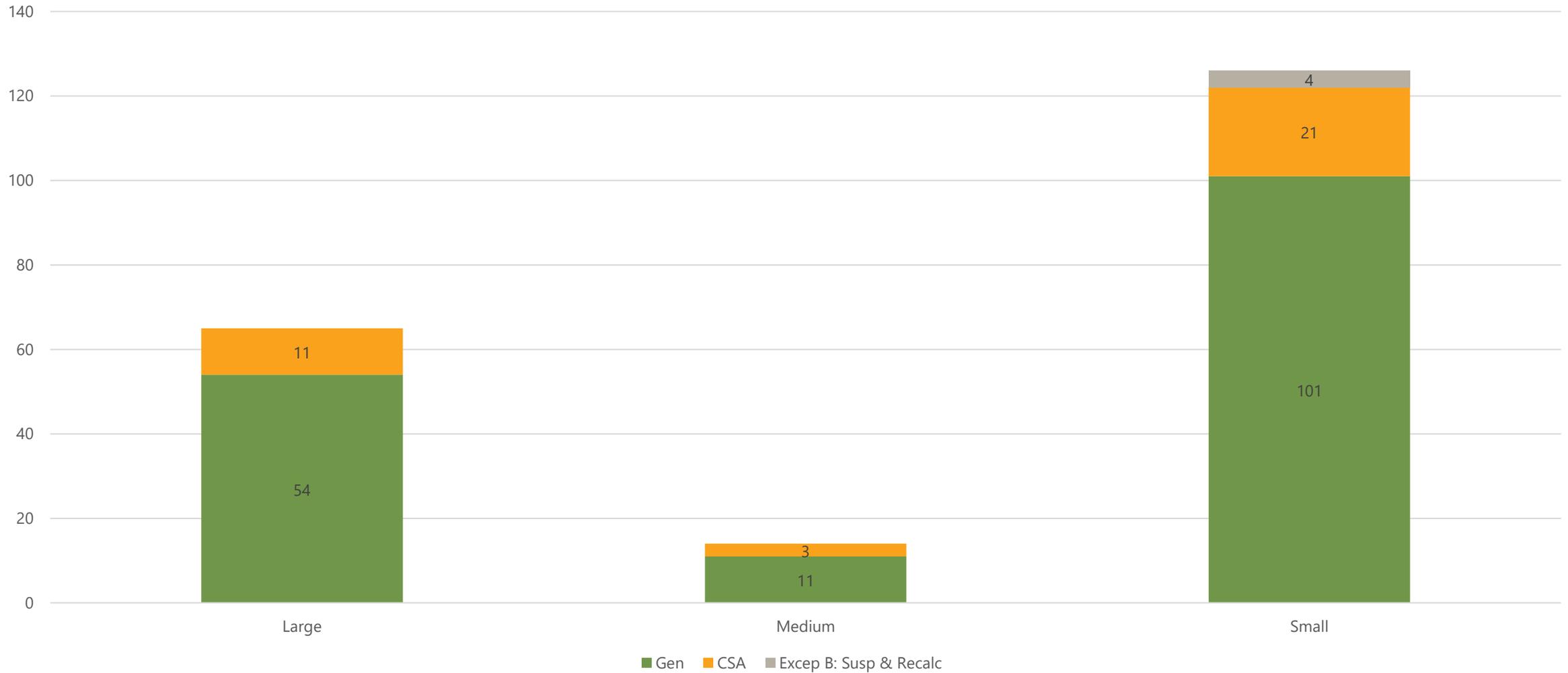


Retiree by Size of Employer



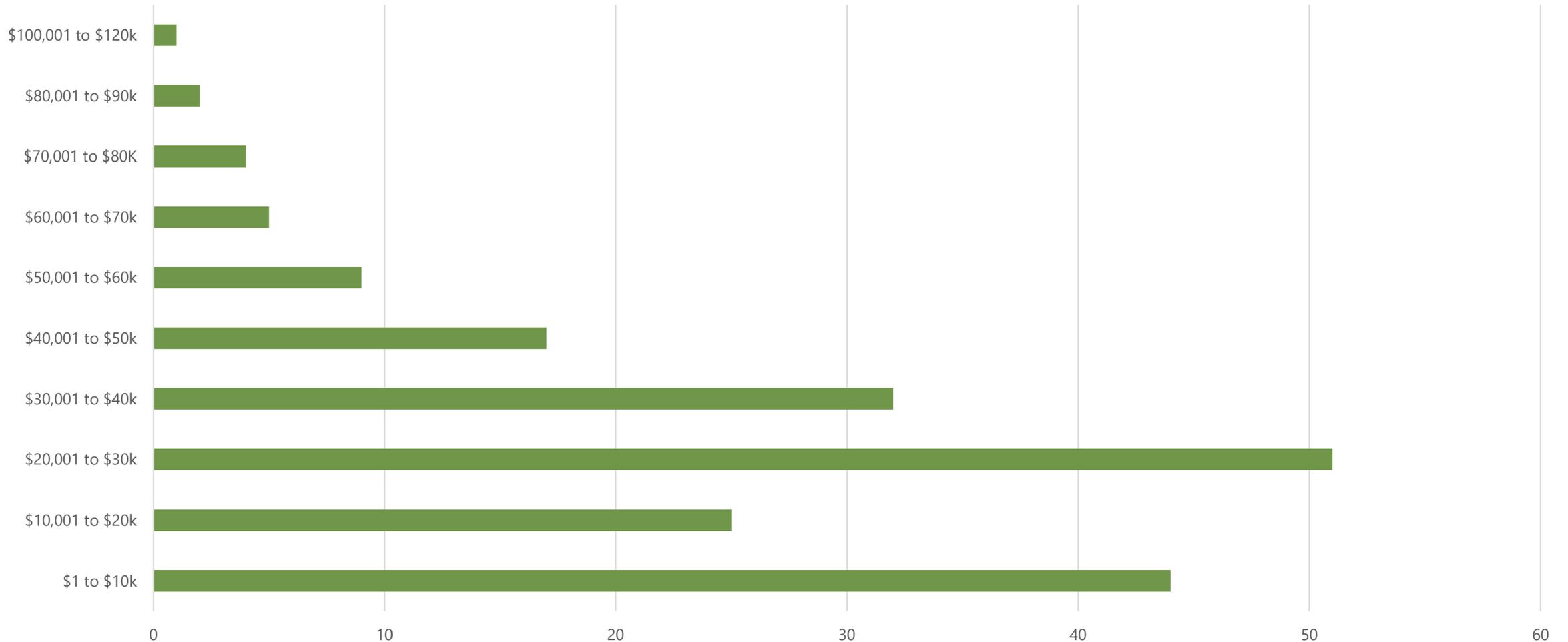
*Small < 50, Medium 50-100, Large >100

Rule Utilization by Employer Size



Salary Ranges for Retirees

Salary Ranges



Conclusions

General Rule Decline The 22% decrease (48 participants) reflects a reporting exemption for extracurricular work, in-staff subbing, and professional development. Teacher participation mirrors this trend.

CSA Stability CSA participation remains stable (35-39 participants annually).

Employer Participation Employer participation declined from 104 (FY2023) to 94 (FY2025). Small employers account for 61% of reemployed retirees; large employers reemploy 32% despite representing only 15% of participating districts.

Compensation Patterns 60% of reemployed retirees earn \$1-\$30k annually, consistent with part-time employment under General Rule hour limits.

Data Quality "Undefined Subject" accounts for approximately 30% of participants. Improved classification would strengthen workforce planning analysis.

MEMORANDUM

TO: TFFR Board
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: March 26, 2026
RE: 2025-2026 Second Quarter Audit Activities

Audit Activities

- **External Investment Oversight Audit (co-sourced with Weaver)**

The scope of this audit encompassed an evaluation of the adequacy and effectiveness of processes and controls governing the external investment manager program. Internal Audit gained an understanding of key activities through interviews with personnel, review of relevant documentation, and identification of potential control gaps across the program's lifecycle. The audit focused on assessing the governance and oversight framework, policies and procedures, committee reporting and oversight, investment guidelines, performance reporting, annual benchmark review, manager selection and due diligence, legal agreements, ongoing monitoring and due diligence, and manager termination practices.

Recommendations included having investment policy statements reviewed annually and formal procedures relating to the external manager selection and ongoing due diligence process.

The report was presented at the November 18, 2025 Audit Committee meeting.

- **Investment Fee Audit (co-sourced with Weaver)**

The scope of this audit will evaluate the design and operating effectiveness of controls related to investment management fees and investment performance fees. The review will assess the adequacy of oversight and governance practices supporting fee arrangements, including the processes for benchmarking, monitoring, and validating fee calculations. The audit will examine the accuracy of management and performance fee assessments, the sufficiency of supporting documentation, and the understanding and application of key contract terms. Additionally, the review will evaluate approval workflows, payment processes, and controls related to ongoing monitoring of fee provisions, including the identification, tracking, and exercise of applicable clawback mechanisms. This audit is currently in progress.

- **External Audit Assistance**

Internal Audit assisted the external auditor, UHY, with various tasks related to the June 30, 2025 annual financial audit of the Retirement and Investment Office (RIO) and the GASB 68 census data audit. An unmodified “clean” opinion was issued on the financial statements on November 12, 2025. The GASB 68 census data audit was issued on November 19, 2025.

- **Executive Limitations Audit**

On an annual basis, Internal Audit reviews the Executive Director’s compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies. The Executive Limitations Audit for the period January 1, 2024 through December 31, 2025 has been completed. The draft report is currently being reviewed with management, and the final report will be presented to the SIB Audit Committee at the next scheduled meeting.

- **Bold and the Balanced Project**

Internal audit attended various meetings on the Bold and the Balanced Project including RFP development and other research meetings on different systems. Internal audit met with Voyage on audit functions for the new system.

- **SIB Governance Assessment**

The SIB engaged Funston to conduct a governance assessment. Internal Audit provided feedback on the report and its findings, as well as additional information as requested. At its November meeting, the SIB elected to proceed with a comprehensive governance manual rewrite. Internal Audit continues to review draft revisions and provide ongoing feedback throughout the process.

- **RIO Risk Assessment**

Internal Audit met with the investments, fiscal, and retirement divisions to update the internal audit risk assessment. This process included identifying and evaluating key risks across each division, assessing the likelihood and potential impact of those risks, and considering existing controls and mitigation strategies. Discussions with management focused on changes in operations, regulatory requirements, staffing, systems, and emerging risks to ensure the assessment reflected current conditions.

The results of the risk assessment were used to prioritize audit coverage and allocate resources to areas of highest risk and importance. Based on this analysis, the annual audit plan was developed and presented to the Audit Committee, which approved the plan at its November 18, 2025 meeting.

- **Fiscal Advisory (co-sourced with Weaver)**

Internal Audit continues to partner with Weaver on advisory services supporting the Fiscal Division’s modernization efforts. This work is focused on strengthening investment performance reporting, improving operational workflows, and reinforcing control structures across Investment Operations and Accounting. Key initiatives include optimizing the transition to Northern Trust’s allocation engine, automating general ledger

postings, refining rebalancing and liquidity practices, enhancing disclosure processes, improving month-end close and reconciliation timelines, and supporting the development of updated policies and procedures.

The investment operations, performance, and accounting teams have expanded capacity, with support from the Custodian, to advance these initiatives. Weaver has also been engaged separately to support the Allocation Project in coordination with Investment Operations. This engagement is distinct from Internal Audit's advisory work, and Internal Audit is monitoring progress to inform future-state assurance planning. To preserve independence, Weaver's Internal Audit team is not participating in the allocation engagement.

As the current phase concludes, focus will shift to formalizing Standard Operating Procedures (SOPs), completing workflow documentation, finalizing end to end processes, general ledger mapping, strengthening reconciliation controls, and improving month end close controls. A process to compare books and records maintained by the Custodian and Verus with internal records would enhance consistency across investment, operations, and accounting functions, supporting reciprocal validation as processes move toward full execution.

- **TFFR File Maintenance Review**

Internal Audit completed a review of CPAS file maintenance activity to ensure transactions entered by RIO staff were appropriate, aligned with assigned security roles, and accurately reflected in member records. The audit included testing of system-generated audit tables and transaction logs; verification of staff access permissions; and review of member updates such as deaths, purchases, refunds, retirements, and changes to address, name, bank information, and Member Action Forms. IA also compared sampled member records between CPAS and the new PAS to confirm the accuracy of data migration. The review focused on validating the accuracy and completeness of transactions, confirming adherence to procedures, and ensuring documentation was properly maintained.

The report was presented at the November 18, 2025 Audit Committee meeting.

- **RIO Records Retention**

IA has a retention schedule for the audit files and records. Annually, the schedule is reviewed to determine if changes need to be made. The annual purge of information started in the second quarter to meet the schedule set by NDIT Records Management. Almost all the audit files and records are currently electronic. IA maintains a table of contents for the information that describes the audit and what files are found on the audit drive. The table of contents is annually updated at the same time. The annual purging of audit files was completed November 30, 2025. The report was forwarded to the Procurement and Records Management Specialist.

- **TFFR Manual Updates**

The TFFR Member Handbook and TFFR Employer Guide are in the process of being updated. The Member Handbook and Employer Guide updates reflect the changes due to the new pension administration system. Internal Audit has reviewed the manual revisions multiple times. The Member Handbook manual is complete, and the Employer Guide is in progress.

Administrative Activities

Internal Audit staff remained actively engaged across the organization by attending key standing and governance meetings throughout the period. Participation included monthly RIO staff meetings, monthly manager meetings, division meetings, fiscal/organization meetings, and retirement services meetings. Internal Audit attends TFFR, SIB, and committee meetings as needed.

Internal Auditor Recruitment

During the 2025 Legislative Session, RIO's budget was approved, including authorization for a third FTE within the Internal Audit Division. The Internal Audit Supervisor developed the JDQ and corresponding interview questions to support the recruitment process. The position was initially posted; however, the recruitment did not result in a successful hire. The position was reposted in October 2025, and interviews were conducted at the end of October. As the position remained unfilled, it was reposted again in January 2026.

Professional Development/CE/General Education

Internal Audit staff completed several professional development and training activities during the period. Both staff members completed NDIT's Cyber Awareness Training to maintain required security readiness. The Internal Audit Supervisor also attended three courses through the Investment Training & Consulting Institute: Emerging Issues in Investments, and Auditing Derivatives, further strengthen investment-related oversight and audit capabilities. Additionally, the Internal Auditor completed IIA training on Third Party Risks.

Board Action Requested: Board acceptance.

Confidential information will be sent directly to Board members.