

ND TFFR Board Meeting – Wednesday, October 28, 2026, 1:00 p.m.
WSI Board Room (In Person) - 1600 E Century Ave, Bismarck ND
The open portions of this meeting are livestreamed. [Join the meeting now](#)

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 (July 29, 2026) *(Board Action)*

III. EDUCATION (30 minutes) *(Information)*

- A. Experience Study – GRS

IV. GOVERNANCE (120 minutes)

- A. Actuarial Valuation Report FY26 *(Board Action)* – GRS
- B. Actuarial Audit RFP *(Board Action)*¹ – Mr. Kauffeld
- C. Delinquent Accounts Update *(Information)* – Ms. Smith
- D. Fort Ransom Delinquency *(Board Action)* – Mr. Kauffeld
- E. GPR Committee Update *(Board Action)* – Mr. Mickelson, Ms. Smith
 - 1. Introduction & First Reading TFFR GPS
- F. REA Discussion *(Board Action)* – Mr. Kauffeld
- G. Strategic Planning Report *(Information)* – Ms. Smith
- H. Legislative Update *(Information)* – Ms. Smith
- I. Pension Administration System Update *(Information)* – Mr. Kauffeld
- J. SIB Budget & Finance Committee Appointment *(Board Action)* – Ms. Smith

(Break)

V. REPORTS (60 minutes) *(Board Action)*

- A. Annual Investment Report – Mr. Anderson
- B. Annual Internal Audit Report – Ms. Seiler
- C. Annual Budget & Expense Report – Mr. Otteson

VI. CONSENT AGENDA – QDRO & Disability Applications² *(Board Action)*

VII. OTHER BUSINESS

- A. Next Meetings:
 - 1. TFFR GPR Committee Meeting - November 10, 2026, at 3:00 p.m.
 - 2. TFFR Board Meeting (Tentative) - November 18, 2026, at 3:30 p.m.

VIII. ADJOURNMENT

¹ Executive Session pursuant to N.D.C.C. 44-04-19.2 and 44-04-18.4(6)(b) and 54-44.4-10(2) to discuss exempt proposal procurement information during a competitive bidding process.

² 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 APRIL 23, 2026, BOARD MEETING

MEMBERS PRESENT

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

MEMBER ABSENT

Levi Bachmeier, State Superintendent, DPI
Alexis Rasset, Vice President

GUESTS

Kirsten Tuntland, Assistant Attorney General
Paul Wood, GRS
Members of the Public

STAFF PRESENT

Scott Anderson, CIO
Deneen Gathman, Retirement Accountant
Chase Kauffeld, CRO
Missy Kopp, Executive Assistant
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, Bus. Partner Officer
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 1:00 p.m. on Wednesday, July 29, 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, and Mr. Mickelson.

AGENDA

The Board considered the agenda for the July 29, 2026, TFFR meeting.

IT WAS MOVED BY MR. EVANOFF AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 29, 2026, AGENDA AS PRESENTED.

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

NAYS: NONE

ABSENT: SUPT. BACHMEIER AND MS. RASSET

MOTION CARRIED

MINUTES

The Board considered the minutes of the April 23, 2026, TFFR meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO APPROVE THE APRIL 23, 2026, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: SUPT. BACHMEIER AND MS. RASSET
MOTION CARRIED

GOVERNANCE

Election of Officers and Committee Appointment

Staff recommended maintaining the current FY2027 officer and committee appointments to provide continuity while the TFFR Governance Manual is being revised into a new Governance Policy System. Committee structure and appointments may be reconsidered following completion of the governance review.

Mr. Mickelson nominated the recommended slate of officers and committee appointments. With no additional nominations, nominations ceased.

- TFFR Board President – Rob Lech
- TFFR Board Vice President – Alexis Rasset
- TFFR Representatives to the SIB – Rob Lech and Cody Mickelson
- TFFR Representative to SIB Audit Committee – Treasurer Beadle
- TFFR alternate to SIB – Scott Evanoff
- Governance & Policy Review Committee – Cody Mickelson, Rob Lech, and Mike Burton

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. EVANOFF AND CARRIED BY A VOICE VOTE TO ELECT THE SLATE OF NOMINEES FOR BOARD PRESIDENT, VICE PRESIDENT, SIB REPRESENTATIVES, AUDIT COMMITTEE REPRESENTATIVE, SIB ALTERNATE, AND GPR COMMITTEE MEMBERS.

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

Annual Board & Committee Schedule

The proposed TFFR Board and TFFR GPR Committee schedule for FY 2027 was provided to the Board.

IT WAS MOVED BY MR. EVANOFF AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE FY2027 TFFR BOARD AND COMMITTEE SCHEDULE

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

Code of Conduct Affirmation

Board members were provided with the Annual Code of Conduct Affirmation and conflict of interest form and asked to complete and return them to staff as soon as possible.

Actuarial Audit RFP Timeline Update

Mr. Kauffeld provided an update on the actuarial audit RFP process. Solicitation began in mid-July, with proposals due August 18, 2026, and finalist presentations anticipated for August 2, 2026. The selected firm is expected to begin work in January 2027.

Delinquent Accounts Update

Ms. Smith reported the significant improvement in delinquent employer reporting, with all employer reports completed except for Fort Ransom, which has outstanding legal issues. Ms. Smith and the Board recognized staff for the progress and noted that recently established procedures and ongoing communication has been effective.

Staff has received legal guidance regarding Fort Ransom and requested additional information from the employer. The matter may return to the Board for further action at a future meeting.

Service Credit Purchase Plan 5571

Ms. Smith reported on an under-collection of \$123.00 on a service credit purchase agreement resulting from a system error and through no fault of the member. Because the cost of pursuing collection would exceed the amount owed, staff recommended that the Board decline collection and document the determination in the member's file.

The Board discussed establishing future authority or thresholds for administratively addressing small under-collections and noted that this issue could be addressed during a future review of the administrative code.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE FOR THE BOARD TO USE ITS ERROR-CORRECTION AUTHORITY UNDER NDCC 15-39.1-31 AND 15-39.1-32 AND FIND THAT THE UNDER-COLLECTION OF \$123.00 ON INSTALLMENT AGREEMENT 5571 RESULTED FROM SYSTEM DEFECTS AND THROUGH NO FAULT OF THE MEMBER, AND THAT THE COST OF COLLECTION WOULD EXCEED THE AMOUNT AT ISSUE; DECLINE TO PURSUE COLLECTION; AND DIRECT THE ED TO DOCUMENT THIS DETERMINATION IN THE MEMBER'S FILE AND THE FUND'S ERROR CORRECTION LOG.

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

NAYS: NONE

ABSENT: SUPT. BACKMEIER AND MS. RASSET

MOTION CARRIED

GPR Committee Update

The Governance Policy Review Committee reported on its July meeting and the initial phase of the TFFR governance review with Funston. The discovery process reviewed governing statutes and administrative rules and mapped approximately 70 key decisions, identifying eight potential conflicts between the current manual and law and ten areas where delegation of authority could be clarified. A central issue is that the TFFR Board is responsible for the retirement program while RIO administers the program under the governance of the SIB.

Funston recommended moving from implicit and scattered delegations to a formal Delegation of Authority Register and establishing a service-level agreement with measurable standards and a quarterly scorecard to strengthen the Board's oversight of service delivery. The governance rewrite will also address statutory citations, policy and rule alignment, and clearer distinctions between investment policy and implementation.

The Committee will continue reviewing these recommendations as the new TFFR Governance Policy System is developed.

CEM Presentation

Chris Doll of CEM Benchmarking presented the results of TFFR's first pension administration benchmarking study, comparing administrative costs and member services with similar public pension plans. TFFR demonstrated strong cost-effectiveness, with an administrative cost of \$161 per member and costs

approximately \$298 below the peer average after adjusting for plan size. TFFR also scored above the peer median for member services, with strengths in pension estimates, timely benefit payments, service credit purchases, member counseling, and digital services.

Areas identified for improvement included contact center monitoring, member feedback, and targeted communications. CEM also reviewed industry trends involving digital services, automation, system modernization, and cybersecurity. The Board expressed appreciation for staff's strong performance while raising concerns about the long-term sustainability of maintaining high service levels with staffing significantly below peer averages. The results will help inform the Board's upcoming strategic planning discussions and establish benchmarks for future improvements.

Contractual Continuing Authority

Ms. Smith reviewed TFFR's statutory continuing appropriation authority and recommended using it to fund CEM Benchmarking and Funston consulting services. She explained that the authority has historically been used for expenses such as actuarial, legal, medical consulting, and external audit services. The proposed expenditures would be paid from TFFR funds and would not require additional legislative appropriations. The Board discussed ongoing authorization for annual CEM benchmarking to support year-over-year performance comparisons, while additional Funston consulting services would be brought forward for separate consideration. Staff emphasized that expenditures would be reported through the regular quarterly budget reports to ensure transparency.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE USE OF THE CONTINUING APPROPRIATION AUTHORITY PROVIDED IN NDCC 15-39.1-05.2(4) TO PAY CONSULTANT FEES, AS NECESSARY AND IN ACCORDANCE WITH THE APPROVED CONTACTS, FOR THE COMPLETION OF THE CEM ADMINISTRATION BENCHMARKING ENGAGEMENT AND THE FUNSTON GOVERNANCE REVIEW AND GOVERNANCE MANUAL REWRITE, WITH EXPENDITURES REPORTED TO THE BOARD THROUGH THE REGULAR BUDGET AND EXPENDITURE REPORT.

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

Board Smart

Staff provided an update on the BoardSmart fiduciary education program, which will replace longer presentations during Board meetings with short, online educational videos. The approximately five-minute modules will be aligned with the Board's annual calendar and provided in advance of relevant decisions to support informed decision-making.

Board members will receive email notifications when materials are available, generally several weeks before meetings, and will have ongoing access to the online resources. Staff encouraged feedback to ensure the materials meet the Board's educational needs.

REPORTS

Quarterly Investment Report

Mr. Anderson presented TFFR investment performance through April 2026, reporting strong returns across multiple periods. The fund earned 10.8% fiscal year-to-date, 17.8% over one year, and 8.7% annualized over ten years, exceeding its 7.15% actuarial assumed return. The portfolio also outperformed its benchmark while maintaining lower volatility and tracking error, demonstrating strong risk-adjusted performance.

Mr. Anderson reviewed market conditions, noting strong equity performance, improving real estate markets, and continued challenges in private equity. In response to Board questions, he cautioned that current returns may not be sustainable and identified geopolitical uncertainty, inflation, interest rates, and potential market corrections as risks. Staff continue to emphasize diversification, disciplined investing, and risk management.

Annual Retirement Trends Report

Mr. Kauffeld presented the FY 2025 Retirement Trends Report, highlighting a 2.8% increase in membership and the continued shift toward Tier 2 members, who now represent 71% of membership. The number of members eligible for unreduced retirement is 535, with 36% of those members over age 65. Projections indicate that annual retirements will decline in the late 2020s before increasing steadily through 2045, potentially reaching nearly three times current projected levels.

The report also highlighted the plan's maturing membership, with approximately 1.2 active contributing members for every retiree receiving benefits. The Board discussed potential implications for teacher recruitment and retention, workforce shortages, and the plan's long-term financial outlook. Staff noted that the financial impacts of these demographic trends will be evaluated through the annual actuarial valuation.

Annual Strategic Communications Plan Update

Ms. Mudder provided an update on the 2025-27 Strategic Communications Plan, outlining progress toward the five goals established by the Board in July 2025. Accomplishments included leadership transition communications, stakeholder outreach, accessibility improvements, and ongoing member and employer education initiatives.

Ms. Mudder highlighted three priorities for the coming year: modernizing communications platforms through API integrations and automation, developing and launching a new TFFR member enrollment campaign, and strengthening crisis communications preparedness. The addition of a multimedia specialist is expected to provide greater capacity for these initiatives. Following a recent email security incident, developing a formal crisis communications plan was identified as a priority, including response protocols, messaging templates, and coordinated communication procedures.

Quarterly Internal Audit Report

Ms. Seiler reviewed the Internal Audit activities for the quarter ending March 30, 2026. The investment fee audit was completed with three recommendations to strengthen fee validation and sampling procedures, all which management accepted. The executive limitations audit was also completed with no findings or recommendations.

Additional updates included the agency's annual risk assessment, ongoing follow-up on TFFR file maintenance recommendations, and a review of NeoSpin user access following implementation. The NeoSpin review resulted in recommendations to strengthen access controls and establish formal authorization procedures for granting or removing system access, which management accepted.

Ms. Seiler also highlighted changes resulting from the SIB governance restructuring, including the expanded responsibilities of the Audit, Risk and Compliance Committee and the discontinuation of certain audit and evaluation activities.

TFFR Year-End Report

Mr. Kauffeld reviewed the TFFR Ends Report for FY 2026. The fund was 73.4% funded, with approximately \$3.6 billion in fiduciary net position, increasing to approximately \$3.9 billion in more recent reporting. Unaudited FY2026 data highlighted retirement benefit payments by county and average payments per recipient.

Since the launch of the Pension Administration System in February 2025, there have been more than 11,000 member portal users with approximately 2,500 new enrollments during FY 2026. There were approximately 4,000 combined member and employer contact tickets.

The Board discussed the significant support provided to smaller school districts and the impact of high contact volumes on limited staff resources. Opportunities for additional employer training and improved self-service resources were identified for consideration during the upcoming strategic planning session.

Executive Limitations/Staff Relations Report

Ms. Smith provided the Executive Limitations/Staff Relations Report. The agency's only vacant position, a multimedia specialist, was expected to be filled the following week. Ongoing initiatives include the TFFR governance review, CEM benchmarking, and pension administration system enhancements.

Ms. Smith emphasized staffing limitations as a significant operational risk, despite the agency's strong cost-efficiency and service performance. The proposed 2027-29 biennial budget includes two additional TFFR positions to support employer services and compliance, along with funding for system enhancements and multifactor authentication. She also discussed employer reporting and compliance concerns, including plans to resume employer audits after several years.

The Board discussed the ongoing costs of maintaining and enhancing the NeoSpin pension administration system, including an estimated \$50,000 modification to comply with new IRS reporting requirements. Annual system support and enhancement costs are projected to approach \$900,000. Staff continues to evaluate opportunities to reduce long-term costs while maintaining system functionality and service levels.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. RASSET AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE QUARTERLY INVESTMENT, ANNUAL RETIREMENT TRENDS, ANNUAL STRATEGIC COMMUNICATIONS PLAN, QUARTERLY INTERNAL AUDIT, TFFR YEAR-END, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

ABSENT: SUPT. BACHMEIER AND MS. RASSET

MOTION CARRIED

CONSENT AGENDA

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE DISABILITY APPLICATION 2026-8D.

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

NAYS: NONE

ABSENT: SUPT. BACHMEIER AND MS. RASSET

MOTION CARRIED

ADJOURNMENT

With no further business to come before the TFFR Board, Pres. Lech adjourned the meeting at 3:21 p.m.

Prepared by: Missy Kopp, Assistant to the Board

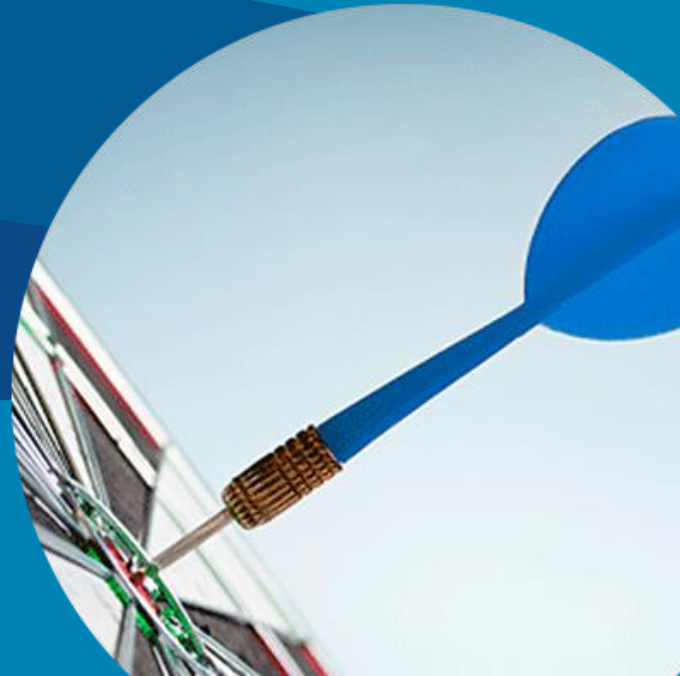


Actuarial Educational Topics

October 28, 2026

Dana Woolfrey, FSA

Krysti Kiesel, ASA



Today

- Lump sum impacts
- Closed funding period of Board funding policy
- Actuarial funding approach

Asked to Assess Impact of

- \$100 million cash infusion
- \$50 million cash infusion
- \$25 million ongoing additional contribution per year

	Baseline	\$100 million one-time cash injection	\$50 million one-time cash injection	\$25 million/year ongoing contribution
Unfunded actuarial accrued liability (UAAL)	\$1,265	\$1,165	\$1,215	\$1,240
Funded ratio	75.9%	77.8%	76.9%	76.4%
Year of Full Funding	2042	2041	2042	2039
Actuarially Determined Employer Contribution				
2027	12.11%	11.23%	11.67%	11.89%
2032	11.72%	10.30%	11.01%	9.92%
2037	10.67%	7.80%	9.24%	4.96%

Results Projected at July 1, 2027

Projected Off Actuarial Value of Assets

Assumes Cash Injection at July 1, 2027, Ongoing \$ Contributions Start July 1, 2027

\$ in millions

Board funding policy

- No set it and forget it funding policies
- Board funding policy objective is to fully fund the plan by 2043
 - 2026 Valuation shows 12.16% employer contribution needed
 - Measuring stick only
 - Essentially a **closed amortization** of unfunded liability
 - 17 years this year, 16 next year
- Closed nature is a good thing *for now*
 - Strong policy
- But likely a concern in the next 5 years
 - Volatile

Statutory (Actual) Funding Policy

- Member 11.75% of pay
- Employer 12.75% of pay
- Until 100% funded then both revert to 7.75%
- Pros and cons of fixed contribution rates:
 - Pro: Contribution stability
 - *At least in theory*
 - Con: No guarantee of plan sustainability

Illustrative Scenario

- 7.15% return in FY 2027, 2028
- -5.00% return in FY 2029
- 7.15% thereafter

Val Year	Board ADC	Actual	Shortfall
2026	12.16%	12.75%	-0.59%
2027	11.28%	12.75%	-1.47%
2028	10.37%	12.75%	-2.38%
2029	10.43%	12.75%	-2.32%
2030	11.09%	12.75%	-1.66%
2031	12.29%	12.75%	-0.46%
2032	13.58%	12.75%	0.83%
2033	15.02%	12.75%	2.27%
2034	15.42%	12.75%	2.67%
2035	15.92%	12.75%	3.17%

- Policy is clamoring for increased contributions...But full funding is projected in 2047

Board Funding Policy – GRS Recommendation

- Move to layered amortization at July 1, 2028 valuation
 - Unfunded liability at July 1, 2028 amortized over 15 years (no change from current policy)
 - Create *new* 15 year bases of gains and losses starting on July 1, 2029

UAAL as of January 1, 2020	\$70,801,862
Total Prior Remaining Amortization Bases as of January 1, 2020	<u>\$71,281,882</u>
2020 Amortization Base as of January 1, 2020	<u>(\$480,020)</u>
2020 Payment (15 years, level dollar amortization)	<u>(\$49,256)</u>

		As of January 1, 2020		
Base Year	Initial Base	Remaining Base	Years Remaining	Amortization Payment
2020	\$ (480,020)	\$ (480,020)	15	\$ (49,256)
2019	(782,681)	(751,535)	14	(80,312)

Illustrative Only, Not Based on TFFR results

2016	(3,480,039)	(2,867,432)	11	(357,376)
2015	(648,707)	(501,056)	10	(66,672)
2014	65,015,026	46,657,892	9	6,692,855
Total		\$ 70,801,862		\$ 9,495,475

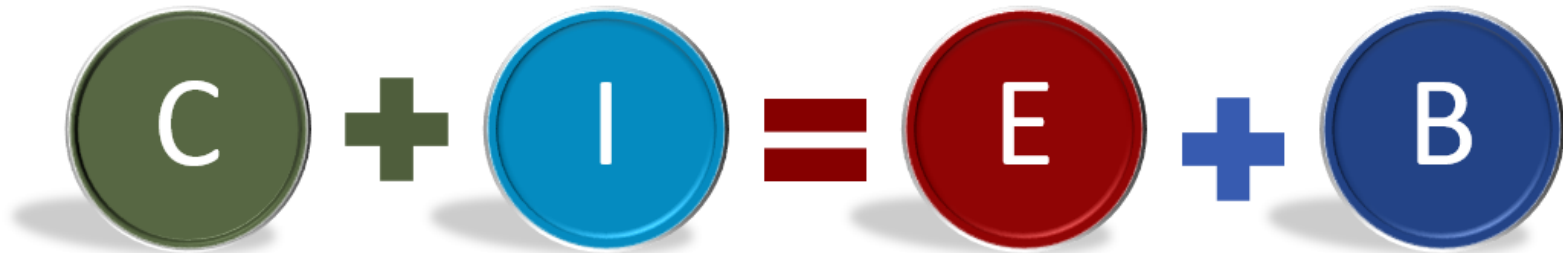
Illustrative Scenario – Alternate Layered Policy

- 7.15% return in FY 2027, 2028
- -5.00% return in FY 2029
- 7.15% thereafter

Val Year	Alternate Layered Policy	Actual	Shortfall
2026	12.16%	12.75%	-0.59%
2027	11.28%	12.75%	-1.47%
2028	10.37%	12.75%	-2.38%
2029	10.43%	12.75%	-2.32%
2030	11.02%	12.75%	-1.73%
2031	12.02%	12.75%	-0.73%
2032	13.02%	12.75%	0.27%
2033	14.01%	12.75%	1.26%
2034	14.18%	12.75%	1.43%
2035	14.38%	12.75%	1.63%

- Layered Policy still calling for increased contributions, but with a level of urgency more commensurate with the situation
- No change to projected full funding in 2047, only a change in messaging

Fundamental Pension Funding Equation



Contributions

- Funding Policy



Investment Income

- Investment Strategy



Expenses

- Administrative Policy



Benefits

- Plan Design



“Money In = Money Out”

TFFR is a fixed rate plan with fixed benefits. Where does adverse investment experience go?

Consideration – Actuarial Funding for Actual Funding

- Get a form of actuarial funding written into statute
 - Make actuarial contribution a trigger, not just a measuring stick
 - Texas and Wyoming have both done this recently

Actuarial Funding Example Policy

- If actuarial contribution (currently 12.16%) is greater than statutory contribution (currently 12.75%), raise contribution to meet actuarial
 - But increase not more than 0.25% or 0.50% in a single year
 - Cannot decrease until 100% funded
 - Can include a lag for budgeting
 - Asset smoothing and increase cap ensure not too onerous

Illustrative Scenario – Alternate Layered Policy with Actuarial Funding Response

- 7.15% return in FY 2027, 2028
- -5.00% return in FY 2029
- 7.15% thereafter
- 1 year lag, 0.50% cap on increase

Val Year	Alternate Layered Policy	Actual	Shortfall
2026	12.16%	12.75%	-0.59%
2027	11.28%	12.75%	-1.47%
2028	10.37%	12.75%	-2.38%
2029	10.43%	12.75%	-2.32%
2030	11.02%	12.75%	-1.73%
2031	12.02%	12.75%	-0.73%
2032	13.02%	12.75%	0.27%
2033	14.01%	13.02%	0.99%
2034	14.16%	13.52%	0.64%
2035	14.28%	14.02%	0.26%

- Employer contribution responds, works to always be within 15 years of full funding
- Full funding date of 2045

Summary

- Example had moderate adverse experience
 - With more extreme experience, reaction also becomes more extreme, more onerous
 - But also more important
 - Fixed rate plan can become unsustainable
- **Strong recommendation to update Board policy before 2028 valuation (15 years to 2043 objective)**
 - Don't wait for extreme result
- If interested in statutory actuarial funding, can prepare further analysis
 - Level of interest from the Board?
 - Appetite from the legislature?

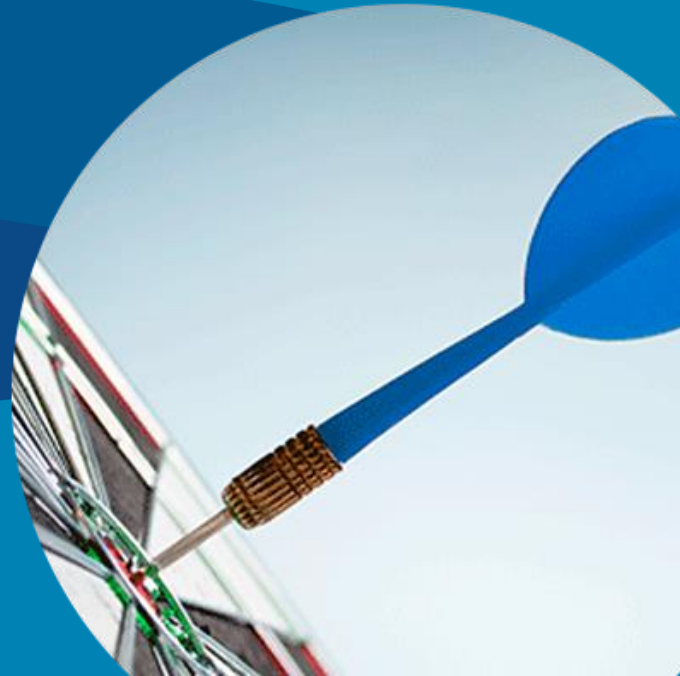


North Dakota Teachers Fund for Retirement Actuarial Valuation as of July 1, 2026

October 28, 2026

Dana Woolfrey, FSA

Krysti Kiesel, ASA



Today

- FY 2026 Experience and Key July 1, 2026 Results
- Looking Forward – Plan Outlook

Stability of Recent Results

- Right where we expected to be this year
- Projected year of full funding
 - 2043 in 2024 Valuation
 - 2042 in 2025 Valuation
 - 2042 in 2026 Valuation
 - On track to meet TFFR Board Funding Objectives

Key Factors in FY 2026 Experience

- **Asset experience**

- Fair value return 14.4%
- Actuarial (smoothed) value return 7.1%
- Compares to 7.15% assumption
- Net cash flow
 - FY 2025: -2.0%
 - FY 2026: -1.8%

- **Administrative expense experience**

- Admin expense increased from 0.49% to 0.65% of payroll
- BUT, if increase is temporary (PAS updates) reason to think projections may improve slightly

Key Census Information

	July 1, 2026	July 1, 2025
a. Actives		
i. Total Active Count	11,953	12,012
ii. Total Annual Compensation	\$ 878,597,381	\$ 849,841,395
iii. Average Projected Compensation	73,504	70,749
iv. Average Age	41.8	41.6
v. Average Service	11.9	11.6
b. Terminated Members Still Entitled to Benefits	4,539	4,262
c. Retirees and Beneficiaries		
i. Total Annuitant Count	9,727	9,664
ii. Total Monthly Benefits	\$ 23,181,422	\$ 22,630,622
iii. Average Monthly Benefit	2,383	2,342
d. Total Members Included in Valuation	26,219	25,663

Key Results – Static

\$ in billions

- Slight improvement, as expected, for AVA
- More significant improvement on FVA (tailwind)

	7/1/2026	7/1/2025
Actuarial Accrued Liability	\$ 5.08	\$ 4.93
Actuarial Value of Assets (AVA)	<u>3.80</u>	<u>3.62</u>
Unfunded Liability (AVA-basis)	1.29	1.31
Funded Ratio (AVA-basis)	74.7%	73.4%
Actuarial Accrued Liability	\$ 5.08	\$ 4.93
Fair Value of Assets (FVA)	<u>4.09</u>	<u>3.65</u>
Unfunded Liability (FVA-basis)	0.99	1.28
Funded Ratio (FVA-basis)	80.5%	74.1%

Key results – Forward Looking

% of pay

- Increase in admin expense slightly reduced margin between actuarial and statutory funding

	7/1/2026	7/1/2025
Actuarially Determined Contribution (ADC)	23.91%	23.85%
Employee Contribution Rate	<u>11.75%</u>	<u>11.75%</u>
Net Employer ADC	12.16%	12.10%
Actual Employer Contribution Rate	12.75%	12.75%
Contribution Shortfall/(Surplus)	-0.59%	-0.65%
Funding Period	16 years	17 years

LOOKING FORWARD

If All Goes As Planned

Long-term unchanged from last year

Exhibit D.1
Deterministic Projection of the Unfunded Liability
\$ in Millions

As of July 1, (a)	Payroll For Next FY (b)	Contribution as % of Payroll (c)	Normal Cost and Admin as % of Payroll (d)	Net Amortization [c - d] * b (e)	UAAL BOY (f)	Interest (g)	Net Principal Contribution e - g (h)	Funding Period (i)
2026	\$925	24.50%	12.70%	\$109	\$1,286	\$88	\$21	16
2027	955	24.50%	12.70%	113	1,265	86	26	15
2028	986	24.50%	12.70%	116	1,239	84	32	14
2029	1,018	24.50%	12.70%	120	1,207	82	38	13
2030	1,051	24.50%	12.70%	124	1,169	79	45	12
2031	1,085	24.50%	12.70%	128	1,124	76	52	11
2032	1,120	24.50%	12.70%	132	1,072	72	60	10
2033	1,156	24.50%	12.70%	136	1,012	68	69	9
2034	1,194	24.50%	12.70%	141	943	62	78	8
2035	1,233	24.50%	12.70%	145	865	57	89	7
2036	1,273	24.50%	12.70%	150	776	50	100	6
2037	1,314	24.50%	12.70%	155	676	43	112	5
2038	1,357	24.50%	12.70%	160	564	35	125	4
2039	1,401	24.50%	12.70%	165	439	26	140	3
2040	1,447	24.50%	12.70%	171	299	15	155	2
2041	1,494	24.50%	12.70%	176	144	4	172	1
2042	1,542	15.50%	12.70%	43	(28)	(4)	47	-

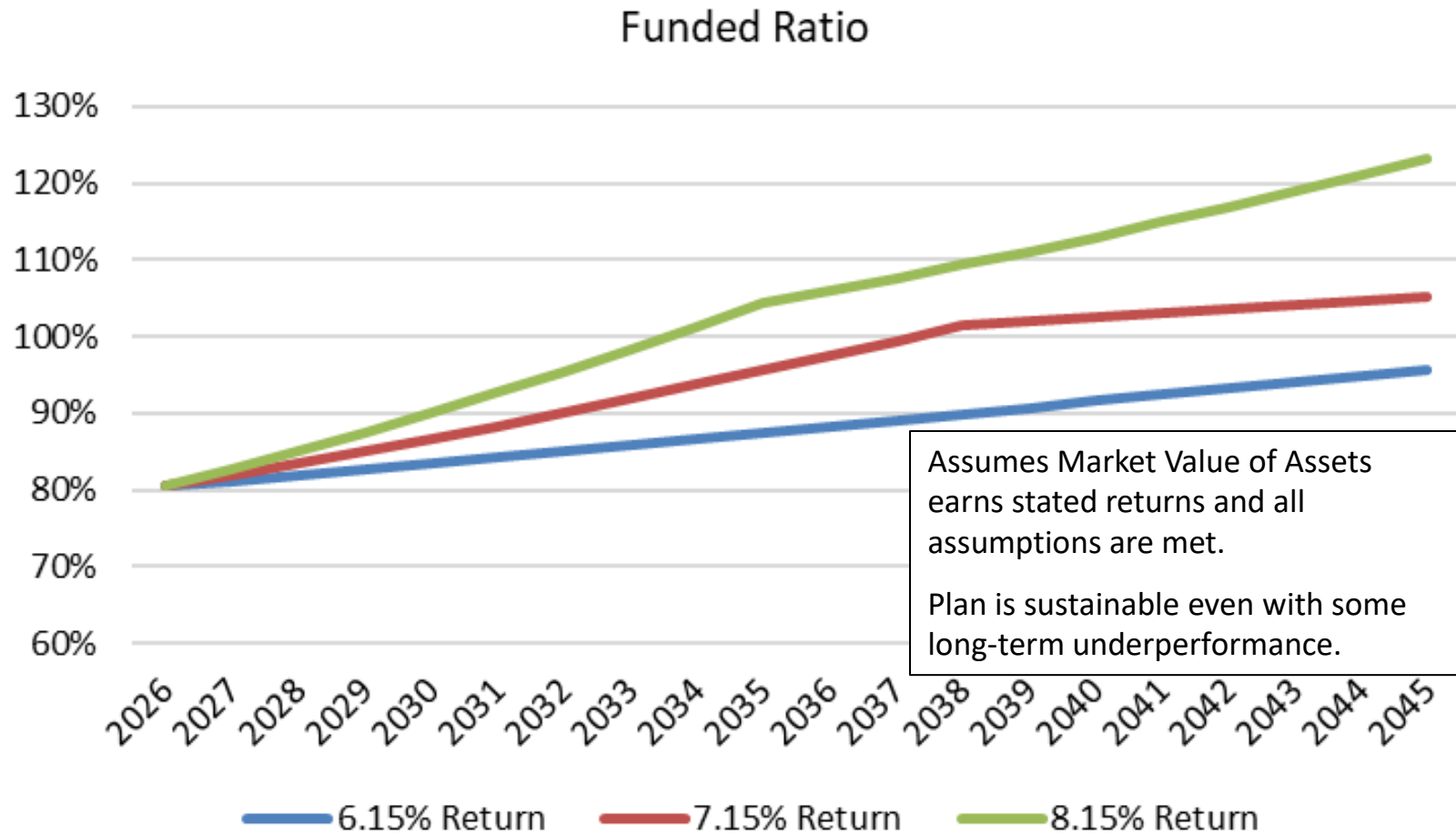
Assumes
Actuarial Value
of Assets earns
7.15% and all
assumptions
are met.

Short Term Sensitivity Analysis

FY 2027 Return	24%	16%	7.15%	0%	-7.15%	-16%	-24%
Employer ADC	10.08%	10.65%	11.28%	11.80%	12.31%	12.94%	13.51%

- With market value gains during FY 2026 and asset smoothing, low probability of breaching 12.75% at 2027 valuation

Long Term Projections



Summary

- NDTFFR statutory contributions still meeting Board funding policy objectives
 - Full funding expected in 16 years
- Slim margins, but some tailwinds
 - Deferred investment gains
 - Admin costs
 - Projections may improve if recent increases are attributable to temporary projects
- In addition to the usual primary risk (investment return), we'll be keeping close eye on active population (counts and payroll growth) to make sure reliance on future payroll remains reasonable

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation report issued on October 13, 2026. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.

North Dakota Teachers' Fund for Retirement

ACTUARIAL VALUATION REPORT AS OF
July 1, 2026

DRAFT





October 7, 2026

Board of Trustees

North Dakota Teachers' Fund for Retirement

3442 East Century Avenue
Bismarck, ND 58507-7100

Re: Actuarial Valuation of the North Dakota Teachers' Fund for Retirement as of July 1, 2026

Dear Trustees:

We are pleased to provide our formal annual Actuarial Valuation Report as of July 1, 2026, for the North Dakota Teachers' Fund for Retirement ("NDTFFR"). This report was prepared at the request of the Board and is intended for use by NDTFFR and those designated or approved by the Board. This report may be provided to parties other than NDTFFR only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the funding progress of NDTFFR, to determine the actuarially determined employer contribution rate for the Plan Year commencing July 1, 2026, analyze changes in this rate and determine the sufficiency of statutory contribution rates. In addition, the report provides various summaries of the data. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different. Accounting information for purposes of complying with Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68 is provided in separate reports.

Financing Objectives

The current member and employer contribution rates of 11.75% and 12.75%, respectively, are in accordance with those established in Section 15-39.1-09 of the North Dakota Century Code. These rates are expected to remain in effect until NDTFFR is 100% funded on an actuarial basis. The member and employer rates will revert to the 7.75% rate established in 1997 once NDTFFR is 100% funded on an actuarial basis.

Per Board objectives, the combined member and employer contributions are intended to be sufficient to pay the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) over a period of 17 years beginning July 1, 2026.

Progress Toward Realization of Financing Objectives

Based on the current valuation, the contribution rates are expected to fully fund NDTFFR in 2042, and as such, **the current Member and Employer contribution rates are expected to be sufficient to meet the Board financing objectives.**

The net employer Actuarially Determined Contribution (ADC) as a percentage of pay for the year beginning July 1, 2026 is 12.16%. The expected employer contribution is 12.75% of pay which creates a contribution surplus of 0.59% of pay. The ADC based on the prior valuation was 12.10%. The ADC increased due to administrative expenses being larger than expected.

The funded ratio (ratio of the actuarial value of assets to the actuarial accrued liability) on an actuarial value of assets basis increased from 73.43% to 74.70% and increased on a fair value basis from 74.05% to 80.51%.

Benefit Provisions

All of the benefit provisions reflected in this valuation are those which were in effect on July 1, 2026. There have been no material changes to the benefit provisions since the prior report. The benefit provisions are summarized in Section F of this Report.

Assumptions and Methods

The assumptions and methods used in this valuation are those that were adopted by the Board in April 2025, first effective in the July 1, 2025 valuation. The assumptions and methods are detailed in Section I of this Report. The Board has sole authority to determine the actuarial assumptions used for NDTFFR. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards of Practice and are expected to have no significant bias.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on NDTFFR's funded status); and changes in plan provisions or applicable law. The actuarial calculations presented in this report are intended to provide information for rational decision making.

Data

The findings in this report are based on data and other information through July 1, 2026. The valuation was based upon information furnished by the North Dakota Teachers' Fund for Retirement staff, concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by North Dakota Teachers' Fund for Retirement staff.

Other Disclosures

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed. This report was prepared using our proprietary valuation model which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Certification

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Teachers' Fund for Retirement as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The signing actuaries are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

Gabriel, Roeder, Smith & Company will be pleased to review this valuation and Report with the Board of Trustees and to answer any questions pertaining to the valuation.

Respectfully submitted,

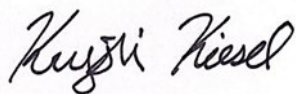
Gabriel, Roeder, Smith & Company



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SECTION A

EXECUTIVE SUMMARY

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Comments of the Actuarial Valuation

Purpose

Valuations are prepared annually, as of July 1 of each year. The purposes of the valuation are to measure the funding progress of NDTFFR, to determine the actuarially determined employer contribution rate for the Plan Year commencing July 1, 2026, analyze changes in this rate and determine the sufficiency of statutory contribution rates.

In addition, the report provides summaries of the member data, financial data, plan provisions, and actuarial assumptions and methods.

Financing Objectives

The North Dakota Teachers' Fund for Retirement is supported by member contributions, employer contributions and net earnings on the investment of the fund. Contribution rates are set by statute, and are currently 11.75% and 12.75%, respectively, for the members and employers. Per Board objectives, the combined member and employer contributions are intended to be sufficient to pay the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) over a period of 17 years beginning July 1, 2026. If the contributions made are equal to the ADC, and if all actuarial assumptions are met, there will not be an unfunded accrued liability at the end of the 17-year period. Accordingly, the Actuarially Determined Contribution under the Board funding policy can be considered a "Reasonable Actuarially Determined Contribution" as required by the Actuarial Standards of Practice.

Based on the current valuation, the contribution rates are expected to fully fund NDTFFR in 2042, and as such, **the current Member and Employer contribution rates are expected to be sufficient to meet the Board financing objectives.**

Assumption Changes

There were no changes to the assumptions since the prior valuation. The assumptions are summarized in Section I of the report.

Benefit Provisions

There were no material changes to benefit provisions since the prior valuation. The benefit provisions are summarized in Section F of the report.

Experience During the Year

Demographic experience

The plan experienced a liability gain of \$6.1 million during fiscal year 2026. Details on the liability gain can be found on page 12.

Salary increases less than expected created liability gains of \$10.2 million. These liability gains increased the funded ratio and decreased the unfunded liability as of July 1, 2026.



Active counts decreased from 12,012 to 11,953 and total payroll increased by 3.4% which is more than the expected 3.25% payroll growth. The increase in payroll puts downward pressure on the amortization of the unfunded liability as a percentage of pay.

Asset experience

On a fair value basis, NDTFFR assets had an investment return of approximately 14.4 percent (net of investment expenses). On an actuarial value of asset basis, NDTFFR assets had an investment return of approximately 7.1 percent, which compares to the assumed rate of return of 7.15 percent. As of July 1, 2026, the amount of outstanding asset gains not yet recognized in the actuarial value of assets was \$295.4 million, up from \$30.6 million in deferred gains the prior year. The net asset gains currently being deferred will be phased into the actuarial value of assets over the next four years and will put favorable pressure on the results in coming years.

The plan experienced an actuarial asset loss of \$2.1 million during fiscal year ending 2026. This loss was due to the actuarial value of assets earning a return less than the assumed 7.15%.

Financial Position and Summary of Results

Primary Results

The funded ratio (ratio of the actuarial value of assets to the actuarial accrued liability) on an actuarial value of assets basis increased from July 1, 2025 to July 1, 2026 from 73.43% to 74.70%.

The net employer Actuarially Determined Contribution (ADC) as a percentage of pay for the year beginning July 1, 2026 increased from 12.10% as of the prior valuation to 12.16%. The expected employer contribution is 12.75% of pay which creates a contribution surplus of 0.59% of pay. The ADC increased due an increase in administrative expenses.

Due to funding progress based on the funding policy, the effective amortization period, or time until full funding, decreased from 17 years to 16 years.

Fair Value Results

Due to the deferred investment gains in the smoothed assets used, the results using the fair value of assets are slightly more favorable. The funded ratio on a fair value basis as of July 1, 2026 is 80.51%.

Summary of Actuarial Valuation Results

	July 1, 2026	July 1, 2025
1. Statutory Contributions (% of payroll):		
a. Member Contribution Rate	11.75%	11.75%
b. Employer Contribution Rate	12.75%	12.75%
c. Actuarially Determined Contribution Rate	12.16%	12.10%
d. Margin Available [Contribution Shortfall/(Surplus)]	(0.59)%	(0.65)%
e. Effective Funding Period	16 years	17 years
2. Funded Status		
a. Actuarial Accrued Liability	\$ 5,083,635,546	\$ 4,927,217,613
b. Actuarial Value of Assets (AVA)	3,797,704,976	3,618,106,006
c. Unfunded Liability (AVA-basis)	1,285,930,570	1,309,111,607
d. Funded Ratio (AVA-basis)	74.7%	73.4%
e. Return on AVA	7.1%	8.4%
f. Fair Value of Assets (FVA)	\$ 4,093,080,128	\$ 3,648,749,437
g. Unfunded Liability (FVA-basis)	990,555,418	1,278,468,176
h. Funded Ratio (FVA-basis)	80.5%	74.1%
i. Return on FVA	14.4%	11.2%
j. Ratio of Actuarial Value of Assets to Fair Value of Assets	92.8%	99.2%
3. Summary of Census Data		
a. Actives		
i. Total Active Count	11,953	12,012
ii. Total Annual Compensation	\$ 878,597,381	\$ 849,841,395
iii. Average Projected Compensation	73,504	70,749
iv. Average Age	41.8	41.6
v. Average Service	11.9	11.6
b. Members with Refunds Due	2,114	1,954
c. Deferred Vested Member Counts	2,425	2,308
d. Retiree Counts	8,618	8,567
e. Beneficiary and Alternate Payee Counts	980	971
f. Disability Counts	129	126
g. Total Members Included in Valuation	26,219	25,938

The funded ratio may not be appropriate for assessing the need for future contributions. The funded ratio is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.



SECTION B

VALUATION RESULTS

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Actuarial Valuation Results

Exhibit B.1 Actuarial Accrued Liability

	July 1, 2026	July 1, 2025
1. Active Members		
a. Retirement Benefits	\$ 1,959,404,794	\$ 1,869,821,479
b. Withdrawal Benefits	(6,944,828)	(3,517,001)
c. Disability Benefits	28,951,284	27,498,942
d. Death Benefits	19,285,107	18,625,894
e. Total	\$ 2,000,696,357	\$ 1,912,429,314
2. Members with Deferred Benefits	\$ 254,965,828	\$ 221,618,223
3. Members with Refunds Due	\$ 31,926,504	\$ 27,804,304
4. Members Receiving Benefits	\$ 2,796,046,857	\$ 2,765,365,772
5. Total	\$ 5,083,635,546	\$ 4,927,217,613
6. Actuarial Value of Assets	\$ 3,797,704,976	\$ 3,618,106,006
7. Unfunded Actuarial Accrued Liability	\$ 1,285,930,570	\$ 1,309,111,607

Actuarial Valuation Results

Exhibit B.2 Normal Cost for Fiscal Year Ending July 1, 2027

	July 1, 2026	July 1, 2025
1. Dollar Normal Cost		
a. Retirement Benefits	\$ 86,118,203	\$ 83,425,920
b. Withdrawal Benefits	22,225,607	21,309,807
c. Disability Benefits	1,842,743	1,778,617
d. Death Benefits	1,243,231	1,214,528
e. Total	\$ 111,429,784	\$ 107,728,872
2. Normal Cost as a Percentage of Pay	12.05%	12.04%
3. Projected Payroll	\$ 924,505,461	\$ 894,661,679

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Actuarial Valuation Results

Exhibit B.3 Present Value of Projected Benefits

	July 1, 2026	July 1, 2025
1. Active Members		
a. Retirement Benefits	\$ 2,891,004,606	\$ 2,774,040,354
b. Withdrawal Benefits	258,680,401	251,653,371
c. Disability Benefits	49,594,018	47,499,290
d. Death Benefits	32,395,556	31,502,484
e. Total	\$ 3,231,674,581	\$ 3,104,695,499
2. Members with Deferred Benefits	\$ 254,965,828	\$ 221,618,223
3. Members with Refunds Due	\$ 31,926,504	\$ 27,804,304
4. Members Receiving Benefits		
a. Healthy Retirees	\$ 2,634,000,348	\$ 2,607,120,040
b. Disabled Retirees	22,246,649	20,061,538
c. Beneficiaries	139,799,860	138,184,194
d. Total	\$ 2,796,046,857	\$ 2,765,365,772
5. Total	\$ 6,314,613,770	\$ 6,119,483,798

Actuarial Valuation Results

Exhibit B.4 Development of the Actuarially Determined Contribution

	July 1, 2026		July 1, 2025	
	Dollar	Percent of Pay	Dollar	Percent of Pay
1. Total Normal Cost	\$ 111,429,783	12.05%	\$ 107,728,872	12.04%
2. Amortization of Unfunded Actuarial Liability	103,598,828	11.21%	101,269,084	11.32%
3. Assumed Administrative Expenses	6,006,259	0.65%	4,405,802	0.49%
4. Total Actuarially Determined Contribution (ADC)	\$ 221,034,870	23.91%	\$ 213,403,758	23.85%
5. Estimated Member Contribution	108,629,392	11.75%	105,122,747	11.75%
6. Actuarially Determined Employer Contribution	\$ 112,405,478	12.16%	\$ 108,281,011	12.10%
7. Estimated Employer Contribution	117,874,446	12.75%	114,069,364	12.75%
8. Contribution Shortfall/(Surplus)	\$ (5,468,968)	(0.59)%	\$ (5,788,353)	(0.65)%
9. Effective Funding Period	16 years		17 years	
10. Total Payroll supplied by the System, annualized	\$ 878,597,381		\$ 849,841,395	
11. Annual Projected Payroll for Upcoming Year	\$ 924,505,461		\$ 894,661,679	

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Actuarial Valuation Results

Exhibit B.5 Plan Experience for Fiscal Year 2026

Liabilities	
1. Actuarial Accrued Liability at July 1, 2025	\$ 4,927,217,613
2. Normal Cost during Fiscal Year 2026	107,728,872
3. Benefit Payments during Fiscal Year 2026	291,079,078
4. Interest on Items 1-3 to End of Year	345,854,446
5. Change in Actuarial Accrued Liability Due to Assumption Changes	0
6. Change in Actuarial Accrued Liability Due to Provision Changes	0
7. Expected Actuarial Accrued Liability at July 1, 2026	5,089,721,853
8. Actual Actuarial Accrued Liability at July 1, 2026	5,083,635,546
9. Liability (Gain)/Loss	(6,086,307)
Assets	
10. Actuarial Value of Assets at July 1, 2025	\$ 3,618,106,006
11. Benefit Payments and Administrative Expenses during Fiscal Year 2026	296,653,303
12. Contributions during Fiscal Year 2026	222,298,422
13. Interest on Items 10-12 to End of Year	256,082,281
14. Expected Actuarial Value of Assets at July 1, 2026	3,799,833,406
15. Actual Actuarial Value of Assets at July 1, 2026	3,797,704,976
16. Total Asset (Gain)/Loss	2,128,430
Total	
17. Total (Gain)/Loss [9. + 16.]	\$ (3,957,877)

Actuarial Valuation Results

Exhibit B.6 Plan Experience for Fiscal Year 2026 (Gain)/Loss by Source

1. Liability (Gain)/Loss	
a. Salary (Gain)/Loss	\$ (10,192,361)
b. New Members and Rehire (Gain)/Loss	3,366,886
c. Withdrawal (Gain)/Loss	(3,114,607)
d. Retirement (Gain)/Loss	2,281,176
e. Annuitant Mortality (Gain)/Loss	3,468,482
f. Other Demographic (Gain)/Loss	(1,895,883)
g. Total	<u>(6,086,307)</u>
2. Asset (Gain)/Loss	\$ 2,128,430
3. Total (Gain)/Loss	\$ (3,957,877)

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Actuarial Valuation Results

Exhibit B.7 Reconciliation of Actuarially Determined Contribution

	July 1, 2026	July 1, 2025
1. Actuarially Determined Contribution at Prior Valuation	12.10%	12.46%
2. Increases/(Decreases) Due to:		
a. Effect of Change in Covered Payroll and Normal Cost	0.01%	0.13%
b. Effect of Contributions (more)/less than ADC	(0.07)%	(0.02)%
c. Effect of Gains and Losses on AAL and Administrative Expenses	0.10%	(0.25)%
d. Effect of Investment (Gain)/Loss	0.02%	(0.33)%
e. Effect of Legislative Changes	0.00%	0.00%
f. Effect of Change in Actuarial Assumptions	0.00%	0.11%
g. Effect of Change in Valuation System	0.00%	0.00%
h. Net Effect of Other Changes	0.00%	0.00%
i. Total Change	0.06%	(0.36)%
3. Actuarially Determined Contribution at Current Valuation	12.16%	12.10%
4. Statutory Employer Contribution Rate	12.75%	12.75%
5. Contribution Rate Shortfall/(Surplus)	(0.59)%	(0.65)%

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SECTION C

PLAN ASSETS

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Statement of Fiduciary Net Position

Exhibit C.1 Statement of Plan Net Assets

	June 30, 2026	June 30, 2025
1. Cash and Cash Equivalents	\$ 35,956,822	\$ 33,551,061
2. Investments:		
a. Equities	\$ 2,374,216,674	\$ 2,041,571,056
b. Debt	1,024,045,436	942,304,828
c. Real Assets	577,195,900	551,735,421
d. Invested Cash	39,829,798	33,257,703
e. Total Investments at Fair Value	\$ 4,015,287,808	\$ 3,568,869,008
3. Accounts Receivable	\$ 48,222,673	\$ 53,466,750
4. Total Assets [1. + 2.e. + 3.]	\$ 4,099,467,303	\$ 3,655,886,819
5. Accounts Payable	\$ 6,387,175	\$ 7,137,382
6. Net Assets at Fair Value [4. - 5.]	\$ 4,093,080,128	\$ 3,648,749,437

Statement of Changes in Fiduciary Net Position

Exhibit C.2 Statement of Changes in Plan Net Assets

	Year Ended June 30, 2026	Year Ended June 30, 2025
1. Fair Value of Assets at the Beginning of Year	\$ 3,648,749,437	\$ 3,351,007,841
2. Contributions		
a. Employer Contributions	\$ 114,538,831	\$ 110,989,217
b. Employee Contributions	105,539,025	102,186,364
c. Other Contributions	2,220,566	1,707,602
d. Less Administrative Expense	(5,574,225)	(4,086,995)
e. Net Contribution Income	\$ 216,724,197	\$ 210,796,188
3. Investment Income		
a. Interest, Dividends, and Other Income	\$ 67,575,136	\$ 60,597,602
b. Net Appreciation in Fair Value of Investments	457,665,099	316,150,319
c. Less Investment expense	(6,554,663)	(5,905,682)
d. Net investment income	\$ 518,685,572	\$ 370,842,239
4. Benefit payments		
a. Refunds	\$ 15,804,209	\$ 14,025,843
b. Regular Benefits	275,026,792	269,614,981
c. Partial Lump Sum	248,077	256,007
d. Net Benefit Payments	\$ 291,079,078	\$ 283,896,831
5. Change in Net Assets [2.e. + 3.d. - 4.d.]	\$ 444,330,691	\$ 297,741,596
6. Fair Value of Assets at the End of Year [1. + 5.]	\$ 4,093,080,128	\$ 3,648,749,437

Development of the Actuarial Value of Assets

Exhibit C.3 Development of the Actuarial Value of Assets

				Year Ending June 30, 2026
1. Actuarial Value of Assets, Beginning of Year	\$			3,618,106,006
2. Fair Value of Assets, Beginning of Year	\$			3,648,749,437
3. Fair Value of Assets, End of Year	\$			4,093,080,128
4. Net Cash Flow				
a. Contributions	\$			222,298,422
b. Benefit Payments				(275,274,869)
c. Refunds				(15,804,209)
d. Administrative Expenses				(5,574,225)
e. Net Cash Flow	\$			(74,354,881)
5. Expected Return on Fair Value of Assets [2. * 7.15% + 4.e. * (1+7.15%)^0.5-1]	\$			258,273,286
6. Actual Return	\$			518,685,572
7. Excess return [6. - 5.]	\$			260,412,286
8. Recognition of Gains/(Losses)				
	Year Ended June 30,	Gain/(Loss)	Percent Deferred	Amount Deferred
a. 2026	\$	260,412,286	80%	\$ 208,329,829
b. 2025		130,497,705	60%	78,298,623
c. 2024		21,546,383	40%	8,618,553
d. 2023		640,737	20%	128,147
e. 2022		(434,694,288)	0%	0
f. Total Recognition				\$ 295,375,152
9. Actuarial Value of Assets, End of Year				
a. Preliminary Actuarial Value of Assets [3. - 8.f.]	\$			3,797,704,976
b. Lower Corridor Limit [80% * 3.]				3,274,464,102
c. Upper Corridor Limit [120% * 3.]				4,911,696,154
d. Actuarial Value of Assets, End of Year				3,797,704,976
10. Estimated Rate of Return				7.1%
11. Ratio of Actuarial to Fair Value of Assets				92.8%

History of Investment Returns

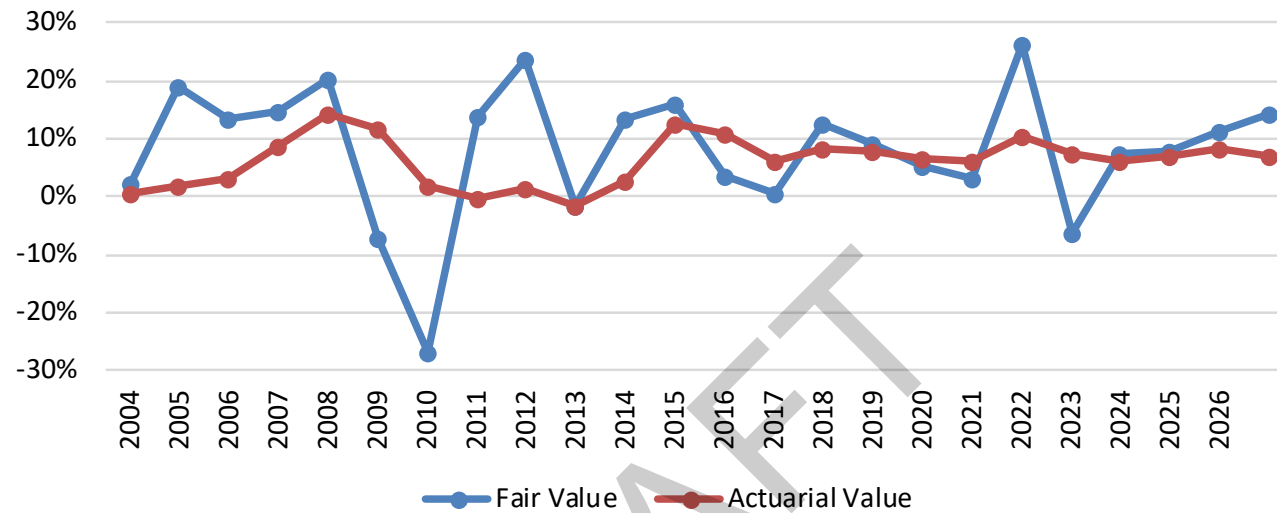
Exhibit C.4
History of Investment Returns

Year Ended June 30	Fair Value	Actuarial Value
1994	1.2%	7.0%
1995	13.6%	9.1%
1996	15.6%	11.3%
1997	18.5%	12.6%
1998	13.2%	12.6%
1999	11.5%	13.5%
2000	11.6%	13.3%
2001	(7.6)%	8.6%
2002	(8.6)%	3.0%
2003	2.1%	0.6%
2004	18.9%	1.9%
2005	13.3%	3.3%
2006	14.6%	8.5%
2007	20.4%	14.4%
2008	(7.0)%	11.6%
2009	(27.0)%	1.7%
2010	13.9%	(0.5)%
2011	23.5%	1.4%
2012	(1.4)%	(1.4)%
2013	13.4%	2.7%
2014	16.1%	12.6%
2015	3.5%	10.7%
2016	0.4%	6.2%
2017	12.6%	8.2%
2018	9.0%	7.9%
2019	5.4%	6.4%
2020	3.3%	6.2%
2021	26.1%	10.3%
2022	(6.1)%	7.4%
2023	7.3%	6.3%
2024	7.9%	6.9%
2025	11.2%	8.4%
2026	14.4%	7.1%
Average Returns:	Fair Value	Actuarial Value
Last 5 Years	6.7%	7.2%
Last 10 Years	8.8%	7.5%
Last 15 Years	7.9%	7.0%
Last 20 Years	6.6%	6.6%
Last 30 Years	7.2%	7.0%

Investment returns prior to year ended June 30, 2023 were calculated by the prior actuary.

History of Investment Returns

Exhibit C.5
Fair Value and Actuarial Value Rates of Return



SECTION D

PROJECTIONS AND RISK ANALYSIS

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Deterministic Projection

Exhibit D.1
Deterministic Projection of the Unfunded Liability
\$ in Millions

As of July 1, (a)	Payroll For Next FY (b)	Contribution as % of Payroll (c)	Normal Cost and Admin as % of Payroll (d)	Net Amortization [c - d] * b (e)	UAAL BOY (f)	Interest (g)	Net Principal Contribution e - g (h)	Funding Period (i)
2026	\$925	24.50%	12.70%	\$109	\$1,286	\$88	\$21	16
2027	955	24.50%	12.70%	113	1,265	86	26	15
2028	986	24.50%	12.70%	116	1,239	84	32	14
2029	1,018	24.50%	12.70%	120	1,207	82	38	13
2030	1,051	24.50%	12.70%	124	1,169	79	45	12
2031	1,085	24.50%	12.70%	128	1,124	76	52	11
2032	1,120	24.50%	12.70%	132	1,072	72	60	10
2033	1,156	24.50%	12.70%	136	1,012	68	69	9
2034	1,194	24.50%	12.70%	141	943	62	78	8
2035	1,233	24.50%	12.70%	145	865	57	89	7
2036	1,273	24.50%	12.70%	150	776	50	100	6
2037	1,314	24.50%	12.70%	155	676	43	112	5
2038	1,357	24.50%	12.70%	160	564	35	125	4
2039	1,401	24.50%	12.70%	165	439	26	140	3
2040	1,447	24.50%	12.70%	171	299	15	155	2
2041	1,494	24.50%	12.70%	176	144	4	172	1
2042	1,542	15.50%	12.70%	43	(28)	(4)	47	-
2043	1,592	15.50%	12.70%	45	(75)	(7)	52	-
2044	1,644	15.50%	12.70%	46	(127)	(11)	57	-
2045	1,698	15.50%	12.70%	48	(183)	(15)	62	-
2046	1,753	15.50%	12.70%	49	(246)	(19)	68	-

If all assumptions are met each year, in particular, the 7.15% assumed investment return, then the unfunded liability as of July 1, 2026 is expected to be paid off by July 1, 2042. This shows the projected payoff pattern of the unfunded liability assuming all assumptions are met, including 7.15% investment return on the smoothed value of assets.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

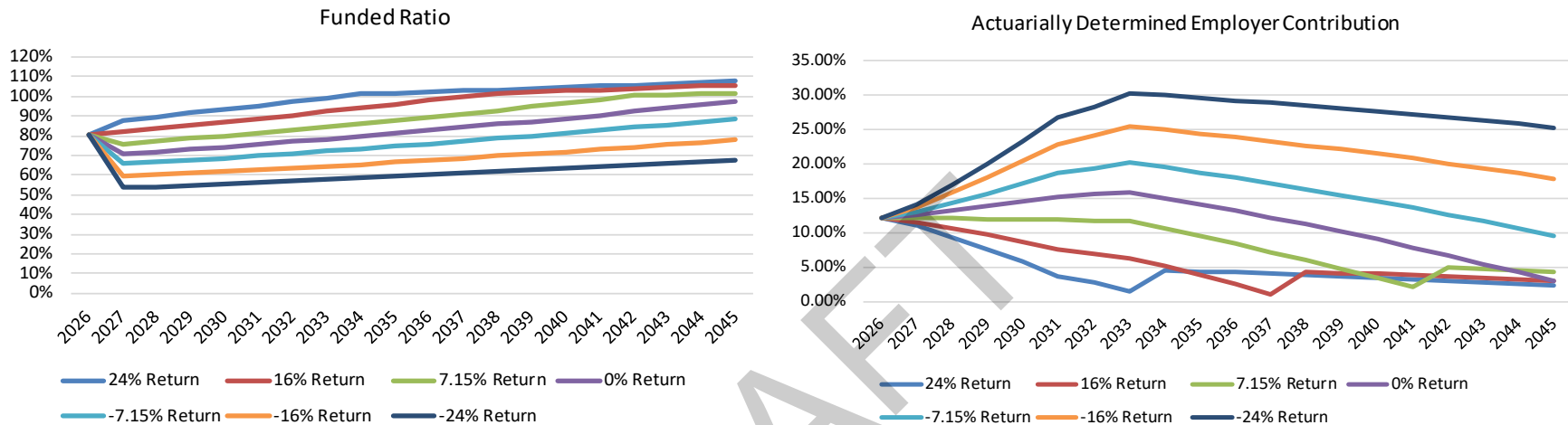
1. Investment risk – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
6. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The computed contribution rate shown on Exhibit B.4 may be considered as a minimum contribution rate that complies with the Board's funding policy. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

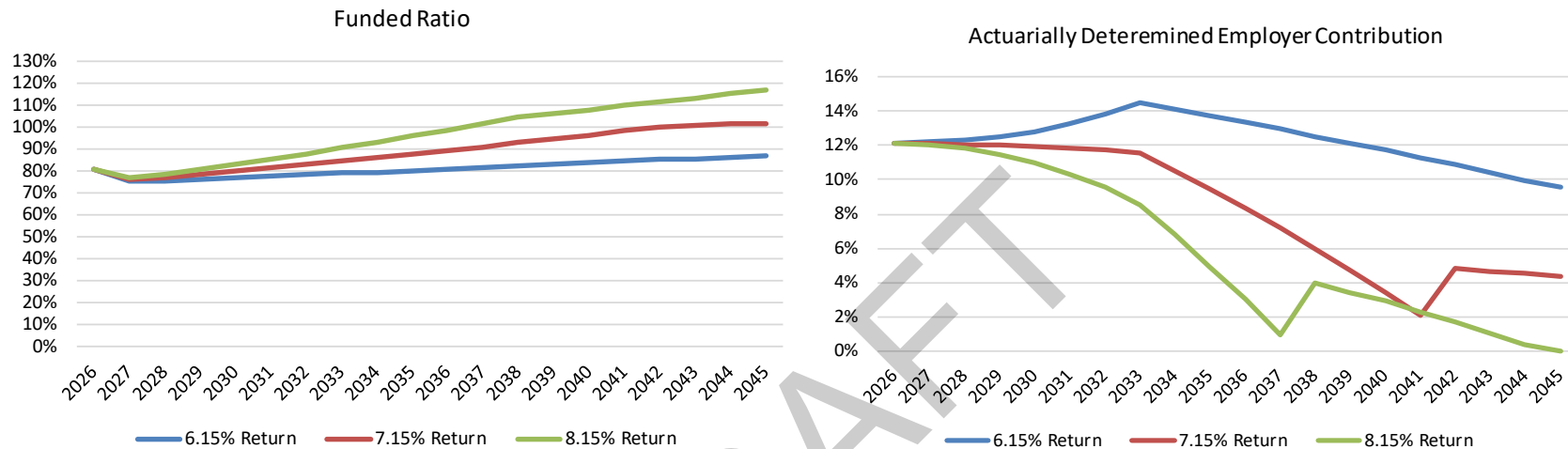
Risks Measures – Plan Maturity Measures

The following exhibits are intended to give the user a sense of the impact of short and long-term investment risk on NDTFFR funded status and actuarial contributions. The first set of projections assume the fair value earns the shown assumed return in fiscal year 2026 with investment returns of 7.15% in fiscal year 2027 and thereafter. For the purposes of showing the Actuarially Determined Employer contribution below, when the remaining amortization period reaches 10 years, it is assumed to operate as 10-year open.



Risks Measures – Plan Maturity Measures

The second set of projections show the effects of long-term over or underperformance as compared to the 7.15% assumed investment return. Again, for the purposes of showing the Actuarially Determined Employer contribution below, when the remaining amortization period reaches 10 years, it is assumed to operate as 10-year open.



Risks Measures – Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	<u>July 1, 2026</u>	<u>July 1, 2025</u>	<u>July 1, 2024</u>
Ratio of the fair value of assets to total payroll	4.7	4.3	4.0
Ratio of actuarial accrued liability to payroll	5.8	5.8	5.7
Ratio of actives to retirees and beneficiaries	1.2	1.2	1.2
Ratio of net cash flows to fair value of assets	-2%	-2%	-2%
Duration of the actuarial accrued liability	12.2	12.3	12.1

Ratio of Fair Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the fair value of assets is 4.0 times the payroll, a return on assets 5% different than assumed would equal 20% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

Ratio of Actuarial Accrued Liability to Payroll

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time. The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 5.5 times the payroll, a change in liability 2% other than assumed would equal 11% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

Ratio of Net Cash Flow to Fair Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

Risks Measures – Plan Maturity Measures

Duration of Actuarial Accrued Liability

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

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Risks Measures – Low Default Risk Obligation Measure

Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDROM). The rationale that the ASB cited for the calculation and disclosure of the LDROM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

“The ASB believes that the calculation and disclosure of this measure provides **appropriate, useful information for the intended user regarding the funded status of a pension plan**. The calculation and disclosure of this additional measure is **not intended to suggest that this is the “right” liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.**”

Comparing the Accrued Liabilities and the LDROM

One of the fundamental financial objectives of the North Dakota Teachers’ Fund for Retirement (TFFR) is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of TFFR is set equal to the **expected return** on the Fund’s diversified portfolio of assets (referred to sometimes as the investment return assumption). For TFFR, the investment return assumption is 7.15%.

The LDROM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa. The LDROM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the intermediate rate from the FTSE Pension Discount Curve and Liability Index published by the Society of Actuaries. This rate is 5.60% as of June 30, 2026. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation.

The difference between the two measures (Valuation and LDROM) is one illustration of the savings the sponsor anticipates by taking on risk in a diversified portfolio.

Valuation Accrued Liabilities	LDROM
\$5,083,635,546	\$6,102,339,180

SECTION E

HISTORICAL EXHIBITS

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Schedule of Funding Progress

Exhibit E.1 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2017	\$ 2,379,811,205	\$ 3,734,016,828	\$ 1,354,205,623	63.7%	\$ 650,052,674	208.3%
7/1/2018	2,526,058,269	3,863,515,726	1,337,457,457	65.4%	653,456,893	204.7%
7/1/2019	2,635,557,447	3,993,424,160	1,357,866,713	66.0%	680,481,816	199.5%
7/1/2020	2,745,012,472	4,181,035,763	1,436,023,291	65.7%	711,039,756	202.0%
7/1/2021	2,973,668,612	4,336,060,141	1,362,391,529	68.6%	749,414,372	181.8%
7/1/2022	3,132,980,715	4,479,973,211	1,346,992,496	69.9%	766,139,460	175.8%
7/1/2023	3,259,558,143	4,577,220,667	1,317,662,524	71.2%	777,724,718	169.4%
7/1/2024	3,408,483,045	4,758,417,607	1,349,934,562	71.6%	831,008,910	162.4%
7/1/2025	3,618,106,006	4,927,217,613	1,309,111,607	73.4%	849,841,395	154.0%
7/1/2026	3,797,704,976	5,083,635,546	1,285,930,570	74.7%	878,597,381	146.4%

Results prior to July 1, 2023 were calculated by the prior actuary.



History of Cash Flows

Exhibit E.2
History of Cash Flows

Year Ended June 30	Contributions	Disbursements or Expenditures				Net Cash Flow	Fair Value of Assets	Net Cash Flow as a Percent of Fair Value
		Benefit Payments	Refunds	Administrative Expenses	Total Disbursements			
2017	\$ 168,157,111	\$ (191,104,694)	\$ (5,411,850)	\$ (2,173,431)	\$ (198,689,975)	\$ (30,532,864)	\$ 2,360,491,075	(1.3)%
2018	168,928,460	(202,417,031)	(5,561,668)	(2,128,794)	(210,107,493)	(41,179,033)	2,530,657,411	(1.6)%
2019	173,949,975	(215,328,174)	(5,900,392)	(2,251,083)	(223,479,649)	(49,529,649)	2,616,171,056	(1.9)%
2020	181,101,767	(224,361,530)	(6,489,704)	(2,095,405)	(232,946,639)	(51,844,872)	2,650,532,301	(2.0)%
2021	191,506,645	(235,205,084)	(5,923,187)	(2,678,375)	(243,806,646)	(52,300,001)	3,282,404,830	(1.6)%
2022	194,835,791	(244,705,096)	(7,142,359)	(2,592,340)	(254,439,795)	(59,604,004)	3,023,920,243	(2.0)%
2023	197,689,825	(254,361,928)	(7,920,125)	(2,891,047)	(265,173,100)	(67,483,275)	3,173,908,455	(2.1)%
2024	208,981,973	(265,434,894)	(12,225,640)	(3,312,773)	(280,973,307)	(71,991,334)	3,351,007,841	(2.1)%
2025	214,883,183	(269,870,988)	(14,025,843)	(4,086,995)	(287,983,826)	(73,100,643)	3,648,749,437	(2.0)%
2026	222,298,422	(275,274,869)	(15,804,209)	(5,574,225)	(296,653,303)	(74,354,881)	4,093,080,128	(1.8)%

Results prior to July 1, 2023 were calculated by the prior actuary



Development of the Fund

Exhibit E.3
Development of the Fund

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return	Administrative Expenses	Benefit Payments	Fair Value of Assets	Actuarial Value of Assets	Actuarial Value as a Percent of Fair Value
2017	\$ 86,058,868	\$ 79,309,153	\$ 2,789,090	\$ 266,688,651	\$ 2,173,431	\$ 196,516,544	\$ 2,360,491,075	\$ 2,379,811,205	100.8%
2018	86,675,715	79,877,611	2,375,134	211,345,369	2,128,794	207,978,699	2,530,657,411	2,526,058,269	99.8%
2019	89,444,880	82,429,595	2,075,500	135,043,319	2,251,083	221,228,566	2,616,171,056	2,635,557,447	100.7%
2020	93,032,453	85,735,134	2,334,180	86,206,117	2,095,405	230,851,234	2,650,532,301	2,745,012,472	103.6%
2021	98,264,202	90,557,210	2,685,233	684,172,530	2,678,375	241,128,271	3,282,404,830	2,973,668,612	90.6%
2022	100,331,347	92,462,223	2,042,221	(198,880,583)	2,592,340	251,847,455	3,023,920,243	3,132,980,715	103.6%
2023	102,307,888	94,283,739	1,098,198	217,471,487	2,891,047	262,282,053	3,173,908,455	3,259,558,143	102.7%
2024	108,087,909	99,610,414	1,283,650	249,090,720	3,312,773	277,660,534	3,351,007,841	3,408,483,045	101.7%
2025	110,989,217	102,186,364	1,707,602	370,842,239	4,086,995	283,896,831	3,648,749,437	3,618,106,006	99.2%
2026	114,538,831	105,539,025	2,220,566	518,685,572	5,574,225	291,079,078	4,093,080,128	3,797,704,976	92.8%

Results prior to July 1, 2023 were calculated by the prior actuary.



History of Employer Contributions

Exhibit E.4
History of Employer Contributions

Year Ended June 30	Actuarially Determined Employer Contribution (ADC)		Actual Employer Contributions		Percent Contributed
	Amount	Percentage of Payroll	Amount	Percentage of Payroll	
2017	\$ 89,231,211	13.22%	\$ 86,059,000	12.75%	96.44%
2018	88,307,239	12.99%	86,675,715	12.75%	98.15%
2019	90,777,781	12.94%	89,444,881	12.75%	98.53%
2020	93,688,429	12.84%	93,032,453	12.75%	99.30%
2021	101,655,277	13.19%	98,264,202	12.75%	96.66%
2022	97,341,070	12.37%	100,331,347	12.75%	103.07%
2023	97,252,421	12.12%	102,307,888	12.75%	105.20%
2024	105,990,323	12.50%	108,087,909	12.75%	101.98%
2025	108,466,983	12.46%	110,989,217	12.75%	102.33%
2026	108,411,023	12.10%	114,538,831	12.75%	105.65%

Results prior to July 1, 2023 were calculated by the prior actuary.

Solvency Test

Exhibit E.5 Solvency Test

Valuation Date	Aggregated Accrued Liabilities (\$ in millions)				Portion of Accrued Liabilities Covered by		
	Active Members Contributions	Retirees Beneficiaries and Vested Terminations	Members (Employer Financed Portion)	Actuarial Value of Assets (\$ in millions)	Reported Assets		
					(5)/(2)	[(5)-(2)]/(3)	[(5)-(2)-(3)]/
					Max 100%	Max 100%	(4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
7/1/2017	\$ 839.1	\$ 2,092.9	\$ 802.0	\$ 2,379.8	100.0%	73.6%	0.0%
7/1/2018	881.4	2,222.0	760.1	2,526.1	100.0%	74.0%	0.0%
7/1/2019	941.5	2,314.0	737.9	2,635.6	100.0%	73.2%	0.0%
7/1/2020	1,010.5	2,397.6	772.9	2,745.0	100.0%	72.3%	0.0%
7/1/2021	1,063.2	2,515.2	757.7	2,973.7	100.0%	76.0%	0.0%
7/1/2022	1,124.0	2,606.5	749.5	3,133.0	100.0%	77.1%	0.0%
7/1/2023	1,170.4	2,710.2	696.7	3,259.6	100.0%	77.1%	0.0%
7/1/2024	1,251.1	2,749.1	758.2	3,408.5	100.0%	78.5%	0.0%
7/1/2025	1,357.9	2,765.4	804.0	3,618.1	100.0%	81.7%	0.0%
7/1/2026	1,446.3	2,796.0	841.3	3,797.7	100.0%	84.1%	0.0%

Results prior to July 1, 2023 were calculated by the prior actuary.



History of Liability Changes Due to Demographic Experience

Exhibit E.6

History of Liability Changes Due to Demographic Experience

Valuation Date	July 1, 2026	July 1, 2025	July 1, 2024	July 1, 2023	July 1, 2022	July 1, 2021
1. Salary (Gain)/Loss	\$ (10,192,361)	\$ (37,330,728)	\$ 19,380,468	\$ (27,485,400)	\$ (26,223,700)	\$ (1,067,168)
2. New Members and Rehire (Gain)/Loss	3,366,886	6,135,215	8,973,615	7,460,924	6,137,116	6,123,323
3. Withdrawal (Gain)/Loss	(3,114,607)	(3,049,906)	(5,161,087)	(5,254,382)	1,859,343	1,844,017
4. Retirement (Gain)/Loss	2,281,176	1,479,869	3,503,211	6,660,564	4,117,006	6,174,806
5. Annuitant Mortality (Gain)/Loss	3,468,482	(2,132,228)	4,308,042	(10,997,287)	(5,489,934)	(5,879,360)
6. Other Demographic (Gain)/Loss	(1,895,883)	(3,189,173)	1,432,063	(25,835,772)	10,426,238	512,915
7. Total	\$ (6,086,307)	\$ (38,086,951)	\$ 32,436,312	\$ (55,451,354)	\$ (9,173,931)	\$ 7,708,533

Results prior to July 1, 2023 were calculated by the prior actuary.

Other demographic gains in 2023 include changes in the AAL due to change in actuaries.



SECTION F

SUMMARY BENEFIT PROVISIONS

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Summary of Benefit Provisions

Effective Date

July 1, 1971

Plan Year

July 1 through June 30

Administration

The North Dakota Teachers' Fund for Retirement (NDTFFR) is administered by a Board of Trustees. A separate State Investment Board is responsible for the investment of the trust assets, although NDTFFR's Board establishes the asset allocation policy. The Retirement and Investment Office is the administrative agency for NDTFFR.

Membership

All certified teachers of any public school in the State participate in NDTFFR. This includes teachers, supervisors, principals, administrators, etc. Non-certified employees such as teacher's aides, janitors, secretaries, drivers, etc. are not allowed to participate in NDTFFR. Eligible employees become members at their date of employment.

Tier 1 members include all active, inactive, or retired members who had TFFR service credit on July 1, 2008.

Tier 1 members who were vested (3 years of service credit) and least age 55 or had the Rule of 65 or greater (age + service) as of June 30, 2013 were grandfathered under retirement eligibility provisions effective prior to July 1, 2013. Non-grandfather Tier 1 members and all Tier 2 members will use unreduced and reduced retirement provisions effective July 1, 2013.

Tier 2 members include all new members and returning refunded members who are employed on or after July 1, 2008.

Credited Service

A member employed full time who received compensation for at least 700 hours in a fiscal year earns one year of service. A member who receives compensation for less than 700 hours of service earns a fractional credit equal to the number of compensated hours worked in a fiscal year divided by 700 hours. A member may not earn more than one year of service in a fiscal year. A member may purchase additional service credited under the conditions outlined in Section 15-39.1-24 of the North Dakota Century Code.

Salary

A member's total earnings are used for salary purposes, including overtime, etc., and including nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick and vacation leave.



Summary of Benefit Provisions

Member Contribution Rates

All active members contribute 11.75% of their salary per year. The Employer may “pick up” the member’s contribution under the provisions of Internal Revenue Code Section 414(h). The member contribution rate was increased from 7.75% to 9.75% effective July 1, 2012, and was increased to the current 11.75% effective July 1, 2014. The member contribution rate will remain in effect at 11.75% until TFFR is 100% funded on an actuarial basis, at which time the member contribution rate will revert to 7.75%.

Employer Contribution Rates

The district or other employer that employs a member contributes a percentage of the member’s salary. This percentage consists of a base percentage of 7.75%, plus additions as shown below.

Effective Date	Addition to 7.75% Base	Employer Contribution
	Rate	Rate
July 1, 2008	0.50%	8.25%
July 1, 2010	1.00%	8.75%
July 1, 2012	3.00%	10.75%
July 1, 2014	5.00%	12.75%

However, the additions are subject to a “sunset” provision, such that the contribution rate will revert to 7.75% once the funded ratio reaches 100%, measured using the actuarial value of assets. The contribution rate will not automatically increase if the funded ratio later falls below 100%.

Final Average Monthly Salary (FAS)

Tier 1: The average of the member’s highest three annual fiscal year salaries reported to TFFR divided by 12.

Tier 2: The average of the member’s highest five annual fiscal year salaries reported to TFFR divided by 12.

Normal Retirement

Eligibility

Tier 1 Grandfathered: Sum of age and credited service equals 85 or more or age 65 with 3 or more years of credited service.

Tier 1 Non-Grandfathered: Sum of age and credited service equals 90 or more, with a minimum age of 60, or age 65 with 3 or more years of credited service.

Tier 2: Sum of age and credited service equals 90 or more, with a minimum age of 60, or age 65 with 5 or more years of credited service.

Annual Benefit

2.00% of FAS times credited service.



Summary of Benefit Provisions

Early Retirement

Eligibility

Tier 1 Grandfathered & Tier 1 Non-Grandfathered: Age 55 with 3 or more years of credited service.

Tier 2: Age 55 with 5 or more years of credited service.

Annual Benefit

2.00% of FAS times credited service, multiplied by a factor that will reduce the benefit by 6% for Tier 1 Grandfathered, 8% for Tier 1 Non-Grandfathered and Tier 2, for each year the member retires prior to eligibility for Normal Retirement.

Deferred Vested Retirement

Eligibility:

A Tier 1 member who terminates with 3 or more years of service credit and a Tier 2 member who terminates employment with 5 or more years of service credit and does not withdraw contributions.

Annual Benefit:

Accrued regular retirement amount based on credited service and FAS at the time of termination. Early Retirement reductions will apply if a member chooses to receive their benefit prior to Normal Retirement Age. Members may choose a Refund in lieu of all other benefits.

Pre-Retirement Death Benefit

Eligibility:

Death prior to retirement.

Annual Benefit:

Upon the death of a non-vested member, a refund of the member's contributions and interest is paid. Upon the death of a vested member, the beneficiary may elect; the refund benefit, or a life annuity of the normal retirement benefit based on FAS and service as of the date of death with no reduction for the member's age at death.

Disability Retirement

Eligibility:

A member is eligible once they have completed 5 or more years of credited service. Prior to July 1, 2013, a member needed to complete one or more years of credited service.

Annual Benefit:

Computed in the same manner as the regular retirement amount base on FAC and credited service at time of disability retirement. Prior to July 1, 2013, there was a minimum of 20 years of service applied.



Summary of Benefit Provisions

Refund of Contributions

Eligibility:

Termination of a member prior to accruing 3 years of credited service for Tier 1 members, or 5 years of credited service for Tier 2 members.

Annual Benefit:

A lump sum payment of the member's employee contributions plus interest credited on these contributions. Interest is credited at 6% per year prior to benefit commencement.

Normal Form of Payment

Single Life annuity.

Optional Forms of Payment

Optional benefit forms are available and equal to the Actuarial Equivalent of the Life Annuity. Actuarial equivalence is based on tables adopted by the Board of Trustees.

- Single Life Annuity
- 100% Joint and Survivor Annuity
- 50% Joint and Survivor Annuity
- Ten-Year Term Certain and Life Annuity
- Twenty-Year Term Certain and Life Annuity
- Partial Lump Sum Option

Cost of Living Increase

From time to time, TFFR has been amended to grant certain post-retirement benefit increases. However, TFFR has no automatic cost-of-living increase features.

Note: The summary of plan provisions is designed to outline principal plan benefits, it is not a complete statement of all plan provisions. If NDTFFR should find the plan summary not in accordance with the actual plan provisions, the actuary should immediately be alerted so the proper provisions are valued.



SECTION G

SUMMARY PLAN CHANGES

DRAFT

Summary of Plan Changes

1991 Legislative Sessions:

1. Benefit multiplier increased from 1.275% to 1.39% for all future retirees.
2. Provide a post retirement benefit increases for all annuitants receiving a monthly benefit on June 30, 1991. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:
 - a. \$3 per year of service for retirements before 1980
 - b. \$2 per year of service for retirements between 1980 and 1983
 - c. \$1 per year of service for retirements from 1984 through June 30, 1991

Minimum increase is \$5 per month. Maximum increase is \$75 per month.

1993 Legislative Session:

1. Benefit multiplier increased from 1.39% to 1.55% for all future retirees.
2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1993. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:
 - a. \$3 per year of service for retirements before 1980
 - b. \$2.50 per year of service for retirements between 1980 and 1983
 - c. \$1 per year of service for retirements from 1984 through June 30, 1993

Minimum increase is \$5 per month. Maximum increase is \$100 per month.

3. Minimum retirement benefit increased to \$10 times years of service up to 25, plus \$15 times years of service greater than 25. (Previously was \$6 up to 25 years of service plus \$7.50 over 25 years of service.)
4. Disability benefit changed to 1.55% of FAC times years of service using a minimum of 20 years of service.

1995 Legislative Session:

There were no material changes made during the 1995 legislative session.

1997 Legislative Session:

1. Benefit multiplier increased from 1.55% to 1.75% for all future retirees.
2. Member contribution rate and employer contribution rate increased from 6.75% to 7.75%.
3. A \$30.00/month benefit improvement was granted to all retirees and beneficiaries.



Summary of Plan Changes

1999 Legislative Session:

1. Active members will now be fully vested after three years (rather than five years) of service.
2. Early retirement benefits will be reduced 6% per year from the earlier of (i) age 65, or (ii) the date as of which age plus service equals 85 (rather than from age 65 in all cases).
3. An ad hoc COLA was provided for all retirees and beneficiaries. This increase is equal to an additional \$2.00 per month for each year of service plus \$1.00 per month for each year since the member's retirement.
4. The formula multiplier was increased from 1.75% to 1.88% effective July 1, 1999.

2001 Legislative Session:

1. An ad hoc COLA was provided for all retirees and beneficiaries. The ad hoc COLA increase is equal to an additional \$2.00 per month for each year of service plus \$1.00 per month for each year since the member's retirement. Retirees and beneficiaries will also receive two additional increases equal to 0.75% times the monthly benefit, payable July 1, 2001 and July 1, 2002. The two 0.75% increases are conditional. If the actuarial margin is a shortfall, i.e., is negative, by 60 basis points or more, or if the margin has been negative by 30 or more basis points for two years, the Board could elect to suspend the increase.
2. The formula multiplier was increased from 1.88% to 2.00% effective July 1, 2001.

2003 Legislative Session:

1. Partial lump-sum option adopted, equal to twelve times the monthly life annuity benefit. Not available if level-income option is elected. Not available for reduced retirement or disability retirement.
2. Five-year certain and life option replaced with 20-year certain and life. This does not impact retirees who retired under the five-years certain and life option.
3. Employer service purchase authorized.
4. Active members of the Department of Public Instruction are permitted to make a one-time irrevocable election to transfer to the State Public Employees Retirement System in FY 2004. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be based on the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance if larger.

2005 Legislative Session:

There were no material changes made during the 2005 legislative sessions.

2007 Legislative Session:

1. For active members hired on or after July 1, 2008 (called Tier 2 members):
 - a. Members will be eligible for an unreduced retirement benefit when they reach age 65 with at least five years of service (rather than three years of service); or if earlier, when the sum of the member's age and service is at least 90 (rather than 85).
 - b. Members will be eligible for a reduced (early) retirement benefit when they reach age 55 with five years of service, rather than three years of service.
 - c. Members will be fully vested after five years of service (rather than three year of service).
 - d. The Final Average Compensation for Tier 2 members is the average of the member's highest five plan year salaries, rather than the average of the three highest salaries.



Summary of Plan Changes

2. The employer contribution rate increases from 7.75% to 8.25% effective July 1, 2008, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.25%.)
3. Employer contributions are required on the salary of reemployed retirees.
4. Active members of the Department of Career and Technical Education are permitted to make a one-time irrevocable election to transfer to the State Public Employees Retirement System in FY 2008. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance, if larger.

2009 Legislative Session:

1. An individual who retired before January 1, 2009, and is receiving monthly benefits is entitled to receive a supplemental payment from the fund. The supplemental payment is equal to an amount determined by taking twenty dollars multiplied by the member's number of years of service credit plus fifteen dollars multiplied by the number of years since the member's retirement as of January 1, 2009. The supplemental payment may not exceed the greater of 10% of the member's annual annuity or \$750.00. TFFR will make the supplemental payment in December 2009.
2. The employer contribution rate increases from 8.25% to 8.75% effective July 1, 2010, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.75%.)

2011 Legislative Session:

1. The employer contribution rate increases from 8.75% to 10.75% effective July 1, 2012, and increases thereafter to 12.75% effective July 1, 2014. The member contribution rate increases from 7.75% to 9.75% effective July 1, 2012, and increases thereafter to 11.75% effective July 1, 2014. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets.
2. For current Tier 1 members who, as of June 30, 2013, are vested (at least 3 years of service), and at least age 55, OR the sum of the member's age and service is at least 65, are considered a Tier 1 Grandfathered member. Current Tier 1 members, who will not meet this criteria as of June 30, 2013, are considered a Tier 1 Non-grandfathered member.
3. Eligibility for normal/ unreduced retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, unreduced retirement benefits start when the member reaches age 65 and is vested (3 years for Tier 1 Non-grandfathered, 5 years for Tier 2); or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.
4. Early retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, the normal retirement benefit will be reduced by 8% per year from the earlier of age 65 OR the age at which the sum of the member's age and service is at least 90, with a minimum age of 60.
5. Effective after June 30, 2013, all members may retire on disability after a period of at least five years of service (rather one year of service). The amount of the benefit is based on a 2% multiplier and actual service (rather than a minimum of twenty years of service in the current calculation).



Summary of Plan Changes

6. Effective July 1, 2012, re-employed retirees are required to pay member contributions.
7. Effective August 1, 2011, beneficiary and death benefit provisions were updated, and the 60-month death payment benefit was removed.

2013 Legislative Session:

1. Employer and member contribution rates will be reset to 7.75% once the Fund reaches a 100% funded ratio (rather than the 90% funded ratio enacted with the 2011 Legislation), measured using the actuarial value of assets.
2. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

2015 Legislative Session:

1. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

2017 Legislative Session:

There were no material changes made during the 2017 legislative sessions.

2019 Legislative Session:

There were no material changes made during the 2019 legislative sessions.

2021 Legislative Session:

There were no material changes made during the 2021 legislative sessions.

2023 Legislative Session:

1. House Bill 1219 expanded return to work options in critical shortage areas and eliminated the level income optional form of payment. The required payment to regain service credit for a teacher who has previously withdrawn from the fund and is returning to teach will be calculated on an actuarial equivalent basis.
2. House Bill 1150 enacted an exception to membership in the teachers' fund for retirement for retired military personnel.

2025 Legislative Session:

There were no material changes made during the 2025 legislative sessions.



SECTION H

SUMMARY PARTICIPANT DATA

DRAFT

Summary of Participant Data

Exhibit H.1 Summary of Census Data

	July 1, 2026	July 1, 2025	Change from Prior Year
1. Active Members			
a. Total Counts	11,953	12,012	(0.49)%
i. Males	2,823	2,881	(2.01)%
ii. Females	9,130	9,131	(0.01)%
b. Annual Compensation	\$ 878,597,381	\$ 849,841,395	3.38%
c. Average Annual Compensation	\$ 73,504	\$ 70,749	3.89%
d. Average Age	41.8	41.6	0.2
e. Average Service	11.9	11.6	0.3
f. Total contributions with interest	\$ 1,446,250,377	\$ 1,357,879,478	6.51%
g. Average contributions with interest	\$ 120,995	\$ 113,044	7.03%
2. Deferred Vested Members			
a. Counts	2,425	2,308	5.07%
b. Average Age	48.5	48.5	(0.0)
c. Annual Deferred Benefits	\$ 28,054,554	\$ 25,039,175	12.04%
d. Average Benefit	\$ 11,569	\$ 10,849	6.64%
3. Retired Members			
a. Counts	8,618	8,567	0.60%
b. Average Age	74.7	74.2	0.5
c. Annual Benefits	\$ 257,637,787	\$ 251,615,618	2.39%
d. Average Benefit	\$ 29,895	\$ 29,370	1.79%
4. Disability			
a. Counts	129	126	2.38%
b. Average Age	67.4	67.5	(0.1)
c. Annual Benefits	\$ 2,266,752	\$ 2,069,037	9.56%
d. Average Benefit	\$ 17,572	\$ 16,421	7.01%
5. Beneficiaries and QDROs			
a. Counts	980	971	0.93%
b. Average Age	77.2	76.3	0.9
c. Annual Benefits	\$ 18,321,342	\$ 17,882,804	2.45%
d. Average Benefit	\$ 18,695	\$ 18,417	1.51%
6. Members Due Refund			
a. Counts	2,114	1,954	8.19%
b. Refunds Due	\$ 31,926,504	\$ 27,804,304	14.83%
7. Total Members Included in Valuation	26,219	25,938	1.08%

Summary of Participant Data

Active Membership

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 11,953 active members with an average age of 41.8 and average years of service of 11.9 years. The 12,012 active members in the prior valuation had an average age of 41.6 and average years of service of 11.6 years.

Exhibit H.2 Active Statistics

	<u>July 1, 2026</u>	<u>July 1, 2025</u>
Plan Eligibility		
Tier 1 Grandfathered	253	361
Tier 1 Non-grandfathered	2,695	2,772
Tier 2	9,005	8,879
Total	<u>11,953</u>	<u>12,012</u>
Benefit Eligibility		
Non-Vested	3,207	3,400
Vested	7,165	7,102
Early Retirement	1,244	1,084
Normal Retirement	337	426
Total	<u>11,953</u>	<u>12,012</u>

Summary of Participant Data

Exhibit H.3
Active Member Counts and Average Salary by Age and Service as of July 1, 2026

Attained Age	Years of Credited Service												Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 25	22 \$22,449	204 \$49,724	101 \$54,515	7 \$56,209	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	334 \$49,512
25-29	15 \$21,775	183 \$51,998	272 \$56,134	341 \$56,962	330 \$58,383	426 \$60,902	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	1,567 \$57,272
30-34	7 \$51,534	82 \$52,289	105 \$58,973	122 \$59,734	144 \$60,383	906 \$64,904	281 \$68,617	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	1,647 \$63,696
35-39	7 \$23,368	88 \$51,755	78 \$61,473	102 \$63,381	77 \$66,625	412 \$66,937	828 \$73,811	174 \$77,889	1 \$82,145	0 \$0	0 \$0	0 \$0	1,767 \$69,856
40-44	5 \$32,967	83 \$56,132	80 \$63,373	80 \$64,150	80 \$64,979	290 \$69,910	419 \$76,406	660 \$82,673	132 \$86,185	0 \$0	0 \$0	0 \$0	1,829 \$75,698
45-49	9 \$26,842	51 \$58,284	53 \$60,840	83 \$64,395	69 \$66,590	225 \$72,430	255 \$79,264	300 \$86,910	483 \$90,028	96 \$93,349	1 \$84,229	0 \$0	1,625 \$80,916
50-54	4 \$23,463	36 \$64,387	36 \$66,191	42 \$67,111	30 \$66,579	136 \$72,931	165 \$81,290	169 \$88,345	229 \$91,541	400 \$96,915	60 \$97,109	0 \$0	1,307 \$86,785
55-59	4 \$29,994	18 \$62,646	32 \$67,746	26 \$64,807	25 \$77,248	115 \$75,041	114 \$80,141	115 \$86,227	130 \$89,847	260 \$93,715	293 \$95,020	42 \$89,591	1,174 \$87,192
60-64	0 \$0	21 \$75,387	11 \$65,371	14 \$86,450	8 \$68,523	71 \$79,292	74 \$83,034	57 \$81,210	79 \$84,379	84 \$85,229	47 \$95,569	75 \$91,551	541 \$84,376
65 & Over	0 \$0	5 \$65,704	8 \$61,926	6 \$86,393	6 \$63,521	24 \$73,991	29 \$72,176	22 \$75,714	17 \$81,579	13 \$82,482	4 \$87,823	28 \$90,082	162 \$77,720
Total	73 \$26,919	771 \$53,813	776 \$59,048	823 \$61,092	769 \$62,084	2,605 \$67,121	2,165 \$75,478	1,497 \$83,721	1,071 \$89,298	853 \$94,168	405 \$95,295	145 \$90,699	11,953 \$73,504



Summary of Participant Data

Inactive Membership Not in Payment Status

In this year's valuation there were 2,425 members with a vested right to a deferred or immediate vested benefit. In addition, there were 2,114 members entitled to a return of employee contributions. Compared to 2,308 members entitle to a vested benefit and 1,954 members due refunds of employee contributions last year.

Exhibit H.4 Summary of Inactive Vested Members as of July 1, 2026

Age	Number of Members	Average Monthly Benefit
Under 30	28	\$ 494
30-34	216	592
35-39	342	739
40-44	413	869
45-49	349	957
50-54	321	1,197
55-59	380	1,413
60-64	280	980
65 & Over	96	576

Summary of Participant Data

Members in Payment Status

As of July 1, 2026, 8,747 retired and disabled participants and 980 beneficiaries were receiving total monthly benefits of \$23,185,490. For comparison, in the previous valuation, there were 8,693 retired participants and 971 beneficiaries receiving monthly benefits of \$22,630,622. As of July 1, 2026, the average monthly benefit for retirees and beneficiaries is \$2,384 compared to \$2,342 in the previous valuation. The average age for retirees and beneficiaries is 74.9 in the current valuation compared with 74.2 in the prior valuation.

Exhibit H.5
Summary of Members in Pay Status as of July 1, 2026

Age	Service Retirees		Disabled Retirees		Beneficiaries/QDROs	
	Number of Members	Annual Benefit	Number of Members	Annual Benefit	Number of Members	Annual Benefit
Under 55	1	\$ 44,518	20	\$ 393,256	55	\$ 636,449
55-59	192	10,008,371	13	402,072	36	592,100
60-64	791	37,001,518	19	339,559	35	720,212
65-69	1,515	53,538,240	22	360,266	69	1,345,478
70-74	2,071	65,152,088	20	313,550	140	3,158,408
75-79	2,024	52,686,653	19	285,418	200	4,061,096
80-84	1,101	23,510,407	10	121,274	182	3,541,380
85-89	584	10,681,066	4	35,805	155	2,636,491
90 & Over	339	5,113,945	2	15,552	108	1,629,727

Summary of Participant Data

Exhibit H.6
Schedule of Retired Members by Type as of July 1, 2026

Monthly Benefit	# of Retirees	Type of Retirement		
		Service Retirees	Disabled Retirees	Beneficiaries/ QDROs
Under \$200	255	213	0	42
\$200 - \$399	410	340	0	70
\$400 - \$599	428	346	10	72
\$600 - \$799	375	283	13	79
\$800 - \$999	380	282	16	82
\$1,000 - \$1,199	430	322	19	89
\$1,200 - \$1,399	424	334	17	73
\$1,400 - \$1,599	468	394	12	62
\$1,600 - \$1,799	555	469	10	76
\$1,800 - \$1,999	588	520	8	60
\$2,000 - \$2,199	571	517	7	47
\$2,200 - \$2,399	557	514	4	39
\$2,400 - \$2,599	463	425	2	36
\$2,600 - \$2,799	432	393	3	36
\$2,800 - \$2,999	455	432	2	21
\$3,000 - \$3,199	391	372	2	17
\$3,200 - \$3,399	378	361	1	16
\$3,400 - \$3,599	317	299	0	18
\$3,600 - \$3,799	290	276	1	13
\$3,800 - \$3,999	245	238	0	7
\$4,000 & over	1,315	1,288	2	25
Total	9,727	8,618	129	980

Summary of Participant Data

Exhibit H.7
Schedule of Annuitants by Type of Benefit as of July 1, 2026

Type of Benefits/Form of Payment	Number	Annual Benefits Amount	Average Monthly
Service Retirees			
Straight Life	3,815	\$ 101,203,222	\$ 2,211
100% J&S	3,733	122,865,477	2,743
50% J&S	680	22,708,768	2,783
5 Years C&L	8	122,346	1,274
10 Years C&L	168	4,073,701	2,021
20 Years C&L	209	6,348,928	2,531
Level	5	266,533	4,442
Subtotal	8,618	\$ 257,588,975	\$ 2,491
Disability			
Straight Life	94	\$ 1,624,138	\$ 1,440
100% J&S	21	377,259	1,497
50% J&S	9	157,544	1,459
5 Years C&L	1	6,254	521
10 Years C&L	2	73,643	3,068
20 Years C&L	2	27,913	1,163
Level	0	0	0
Subtotal	129	\$ 2,266,752	\$ 1,464
Beneficiaries			
Straight Life	911	\$ 17,609,444	\$ 1,611
10 Years C&L	3	55,741	1,548
20 Years C&L	25	245,286	818
QDRO Alternate Payee	41	410,869	835
Subtotal	980	\$ 18,321,342	\$ 1,558
Total	9,727	\$ 278,177,068	\$ 2,383

Summary of Participant Data

Exhibit H.8 Summary of Changes in Participant Status During Fiscal Year 2026

	Active Participants	Vested Terminated	Non-Vested Terminated	Retirees	Disability	QDROs	Beneficiaries	Total
A. Number as of July 1, 2025	12,012	2,308	1,954	8,567	126	39	932	25,938
1. Age Retirements	(173)	(50)	(1)	224				0
2. Disability	(5)	(4)			9			0
3. Deceased	(3)	(1)	(1)	(173)	(6)		(42)	(226)
4. New Beneficiary						2	60	62
5. Terminated - Vested	(336)	336						0
6. Terminated - Nonvested	(296)		296					0
7. Cashouts	(129)	(94)	(89)					(312)
8. Benefits Expired							(11)	(11)
9. Rehired as Active	129	(70)	(59)					0
10. New Members	757		14					771
11. Data Corrections	(3)							(3)
B. Number as of July 1, 2026	11,953	2,425	2,114	8,618	129	41	939	26,219



Summary of Participant Data

Exhibit H.9
Historical Member Population

As of July 1	Active Members	Inactive Vested Members	Inactive Non-Vested Members	Retired Participants and	Ratio of Non-actives to Actives*
2017	10,874	1,600	878	8,501	0.93
2018	10,881	1,623	971	8,743	0.95
2019	11,175	1,657	1,035	8,918	0.95
2020	11,347	1,715	1,132	9,036	0.95
2021	11,627	1,754	1,213	9,262	0.95
2022	11,802	1,827	1,423	9,438	0.95
2023	11,766	2,010	1,711	9,615	0.99
2024	11,945	2,147	1,878	9,693	0.99
2025	12,012	2,308	1,954	9,664	1.00
2026	11,953	2,425	2,114	9,727	1.02

*Excludes inactive non-vested members

Exhibit H.10
Historical Active Member Data Statistics

As of July 1	Active Members		Total Payroll Supplied by System, Annualized		Average Salary		Average Age	Average Service
	Number	Percent Change	Amount in Millions	Percent Change	Amount	Percent Change		
2004	9,826	(0.9)%	376.5	2.3%	38,321	3.3%	44.9	14.7
2005	9,801	(0.3)%	386.6	2.7%	39,447	2.9%	44.9	14.7
2006	9,585	(2.2)%	390.1	0.9%	40,703	3.2%	44.8	14.6
2007	9,599	0.1%	401.3	2.9%	41,810	2.7%	44.7	14.5
2008	9,561	(0.4)%	417.7	4.1%	43,684	4.5%	44.6	14.4
2009	9,707	1.5%	440.0	5.3%	45,327	3.8%	44.5	14.3
2010	9,907	2.1%	465.0	5.7%	46,937	3.6%	44.2	14.0
2011	10,004	1.0%	488.8	5.1%	48,857	4.1%	43.9	13.8
2012	10,014	0.1%	505.3	3.4%	50,458	3.3%	43.7	13.7
2013	10,138	1.2%	526.7	4.2%	51,953	3.0%	43.2	13.2
2014	10,305	1.6%	557.2	5.8%	54,073	4.1%	42.9	12.8
2015	10,514	2.0%	589.8	5.8%	56,095	3.7%	42.5	12.4
2016	10,813	2.8%	627.0	6.3%	57,986	3.4%	42.3	12.1
2017	10,874	0.6%	650.1	3.7%	59,780	3.1%	42.1	11.9
2018	10,881	0.1%	653.5	0.5%	60,055	0.5%	41.9	11.8
2019	11,175	2.7%	680.5	4.1%	60,893	1.4%	41.8	11.7
2020	11,347	1.5%	711.0	4.5%	62,663	2.9%	41.8	11.7
2021	11,627	2.5%	749.4	5.4%	64,455	2.9%	41.1	11.4
2022	11,802	1.5%	766.1	2.2%	64,916	0.7%	41.3	11.3
2023	11,766	(0.3)%	777.7	1.5%	66,099	1.8%	41.2	11.3
2024	11,945	1.5%	831.0	6.9%	69,570	5.3%	41.3	11.3
2025	12,012	0.6%	849.8	2.3%	70,749	1.7%	41.6	11.6
2026	11,953	(0.5)%	878.6	3.4%	73,504	3.9%	41.8	11.9



Summary of Participant Data

Exhibit H.11 Historical Service Retirees Data Statistics

As of July 1	Service Retirees		Average Annual Amount		Average Age
	Number	Percent Change	Amount	Percent Change	
2017	7,664	3.1%	\$ 24,352	3.2%	71.5
2018	7,877	2.8%	25,187	3.4%	71.7
2019	8,019	1.8%	25,887	2.8%	72.0
2020	8,091	0.9%	26,531	2.5%	72.3
2021	8,290	2.5%	27,250	2.7%	72.5
2022	8,424	1.6%	27,907	2.4%	72.9
2023	8,567	1.7%	28,539	2.3%	73.1
2024	8,603	0.4%	29,030	1.7%	73.6
2025	8,567	(0.4)%	29,370	1.2%	74.2
2026	8,618	0.6%	29,895	1.8%	74.7

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SECTION I

SUMMARY OF ACTUARIAL COST METHODS AND ASSUMPTIONS

Summary of Actuarial Cost Methods and Assumptions

I. Valuation Date

The valuation date is July 1st of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate including administrative expenses, and (ii) a rate that will amortize the unfunded actuarial liability.

1. The valuation is prepared on the projected benefit basis. The present value of each participant's expected benefit payable at retirement or termination is determined, based on age, service, sex, compensation, and the interest rate assumed to be earned in the future (7.15%). The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level percent of pay funding approach, and consist of a normal cost contribution and an unfunded accrued liability contribution, plus a component to cover administrative expenses.
3. The normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using the individual entry age actuarial cost method having the following characteristics of (i) the annual normal costs for each active member, payable from the date of entry into the system to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement, and (ii) each annual normal cost is constant percentage of the member's year-by-year projected covered pay.
4. The unfunded accrued liability contributions are determined by subtracting the actuarial value of assets from the actuarial accrued liability and amortizing the result over a 30-year closed period that began July 1, 2013 as a level percentage of pay. It is assumed that payments are made throughout the year.

Summary of Actuarial Cost Methods and Assumptions

III. Actuarial Value of Assets

The actuarial value of assets is determined by recognizing fair value gains and losses over a five-year period. Gain and loss bases to be spread over the five-year period are determined by comparing expected returns based on the fair value of assets and cash flows during the year to actual investment returns. The actuarial value of assets must be between 80 and 120% of fair value.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 7.15% per annum, compounded annually. Inflation is assumed to be 2.40%.
2. Salary increase rate: Individual salary increases are composed of a price inflation component, a productivity increase component, and a step-rate/promotional component that varies by service. The table below combines the various components of salary increases.

Attained Service	Percentage Increase in Salary			
	Price Inflation	Productivity Increase Rate	Step-Rate Promotional	Total
0	2.40 %	1.00 %	11.00 %	14.40 %
1	2.40 %	1.00 %	3.00 %	6.40
2	2.40 %	1.00 %	2.75 %	6.15
3-4	2.40 %	1.00 %	2.50 %	5.90
5-6	2.40 %	1.00 %	2.00 %	5.40
7-8	2.40 %	1.00 %	1.75 %	5.15
9-11	2.40 %	1.00 %	1.50 %	4.90
12-13	2.40 %	1.00 %	1.25 %	4.65
14-15	2.40 %	1.00 %	1.00 %	4.40
16-18	2.40 %	1.00 %	0.75 %	4.15
19-22	2.40 %	1.00 %	0.75 %	4.15
23-29	2.40 %	1.00 %	0.25 %	3.65
30+	2.40 %	1.00 %	0.00 %	3.40

3. Payroll Growth Rate: 3.25% per annum. This assumption does not include any allowances for future increase in the number of members.

Summary of Actuarial Cost Methods and Assumptions

4. Administrative expenses are assumed to be equal to the prior year's amount, increased with inflation.

B. Demographic Assumptions

1. Rates of Mortality for Healthy and Disabled Lives: Mortality rates are based on the sex-distinct employee and annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. Future mortality improvements are reflected by applying the ultimate rates of the MP-2020 Projection Scale on a generational basis to the adjusted base tables from the base year shown below.
 - i) Non-Annuitant – Pub-2010, Amount-Weighted, Teachers, Employee mortality table
 - (i) Healthy Annuitant – 104% Pub-2010, Amount-Weighted, Teachers, Healthy Retiree mortality table and 95% of the Pub-2010 Contingent Survivor Table.
 - (ii) Disabled Annuitant – Pub-2010, Amount-Weighted, General, Disabled Retiree mortality tables

Sample rates, including projections to 2026, are shown below.

Sample Attained Ages	Probability of Death Pre-Retirement		Sample Attained Ages	Probability of Death Post-Retirement		Sample Attained Ages	Probability of Death Post-Disability	
	Men	Women		Men	Women		Men	Women
20	0.027 %	0.010 %	20	0.028 %	0.011 %	20	0.331 %	0.187 %
25	0.013	0.007	25	0.013	0.008	25	0.224	0.132
30	0.018	0.011	30	0.018	0.012	30	0.285	0.207
35	0.024	0.016	35	0.025	0.017	35	0.368	0.323
40	0.034	0.025	40	0.035	0.026	40	0.519	0.506
45	0.054	0.039	45	0.056	0.040	45	0.810	0.792
50	0.089	0.059	50	0.095	0.068	50	1.291	1.193
55	0.138	0.086	55	0.187	0.161	55	1.701	1.402
60	0.212	0.130	60	0.299	0.240	60	2.014	1.574
65	0.352	0.219	65	0.499	0.376	65	2.465	1.827
70	0.581	0.397	70	0.911	0.656	70	3.195	2.344
75	0.892	0.763	75	1.750	1.259	75	4.301	3.316
80	1.785	1.530	80	3.351	2.455	80	6.156	5.033
85	5.692	4.350	85	6.544	4.871	85	9.404	8.114
90	11.985	9.119	90	12.464	9.483	90	14.690	12.351

Summary of Actuarial Cost Methods and Assumptions

2. Disability rates. Sample disability rates of active members are provided in the table below. These rates apply to both male and female NDTFFR member.

Sample Attained Ages	Probability of Disablement
25	0.0075 %
30	0.0075
35	0.0075
40	0.0224
45	0.0374
50	0.0598
55	0.1047
60	0.2020

3. Termination rates (for causes other than death, disability or retirement): Termination rates are based on years from hire. Termination rates are not applied after a member becomes eligible for a retirement benefit. Rates are shown below:

Probability of Termination		
Years of Service	Male	Female
0	15.00 %	15.00 %
1	13.00	11.00
2	11.00	10.00
3	9.00	8.50
4	6.50	7.00
5	6.25	6.50
6	5.50	5.50
7	4.50	5.00
8	3.50	3.50
9-10	3.00	3.50
11-12	2.00	2.75
13	2.00	2.50
14	1.75	2.25
15-16	1.75	2.00
17-18	1.75	2.00
19-22	1.00	1.75
23-24	1.00	1.25
24+	1.00	0.75

Summary of Actuarial Cost Methods and Assumptions

4. Retirement rates

Probability of Retirement				
Age	Unreduced Retirement*		Reduced Retirement (Unisex)	
	Male	Female	Grandfathered Tier 1	Non-Grandfathered Tier 1 and Tier 2
50-54	20.00 %	18.00 %	2.00 %	1.00 %
55-56	20.00	18.00	2.00	1.00
57	20.00	18.00	3.00	1.00
58	20.00	18.00	3.50	1.00
59	20.00	18.00	4.00	1.00
60	20.00	18.00	5.00	3.00
61	20.00	20.00	9.00	3.00
62	27.50	20.00	10.00	3.00
63	27.50	30.00	11.00	3.00
64	35.00	30.00	12.00	3.00
65	35.00	35.00		
66	35.00	40.00		
67	35.00	40.00		
68-74	30.00	40.00		
75	100.00	100.00		

**If a member reaches eligibility for unreduced retirement before age 65 under the rule of 85 (Grandfathers Tier 1) or the Rule of 90/Age 60 (Non-Grandfathered Tier 1 and Tier 2), 12.5% is added to the rate at the age (and only this age) the member becomes first eligible for an unreduced retirement benefit.*

C. Data Assumptions

Due to the timing of the valuation and collection of data for the following year, members who were terminated at the end of the fiscal year are assumed to be active for valuation purposes as some will continue their positions with the Plan and others will have the position filled by new hires that have not yet been reported.

D. Other Assumptions

1. Percent married: 75% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.



Summary of Actuarial Cost Methods and Assumptions

3. Percent Electing a Deferred Termination Benefit: Terminating members are assumed to elect the most valuable benefit at the time of termination. Termination benefits are assumed to commence at the first age at which unreduced benefits are available.
4. Loading Factor for New Retirees: The liability includes a 3% load for members who retired during the year leading up to the valuation date to reflect that their benefits are not finalized as of the valuation date.
5. Decrement Timing : Retirement is assumed to occur at the beginning of the year and all other decrements are assumed to occur middle of the year.

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SECTION J

GLOSSARY

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Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or Funding Method: A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ADC.

Actuarial Gain or Actuarial Loss: A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.),
- b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB.

Actuarial Value of Assets or Valuation Assets: The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ADC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC): A calculated contribution for a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically, the calculated contribution has a normal cost payment and an amortization payment.

Closed Amortization Period: A specific number of years that is counted down by one each year and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.



Defined Benefit Plan: An employer-sponsored retirement benefit that provides workers, upon attainment of designated age and service thresholds, with a monthly benefit based on the employee's salary and length of service. The value of a benefit from a defined benefit plan is generally not affected by the return on the assets that are invested to fund the benefit.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a fair funded ratio, using the fair value of assets (FVA), rather than the AVA.

Funding Period or Amortization Period: The term "Funding Period" is used in two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ADC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Glossary

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

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Executive Session information will be sent directly to Board members.

MEMORANDUM

TO: TFFR Board

FROM: Jodi Smith, Executive Director

DATE: October 28, 2026

RE: Delinquent Accounts Update

As of October 16, 2026, the following school districts currently have outstanding delinquent reports:

School District Name	Due Sept	Due October
Fort Yates	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

FROM: Chase Kauffeld, Chief Retirement Officer

DATE: October 13, 2026

RE: Fort Ransom Elementary School: Request for Relief from Penalty and Interest

Fort Ransom Elementary School has requested relief from the civil penalty and interest assessed for unreported TFFR contributions. The request is dated September 17, 2026.

Background

Beginning with the 2023-2024 school year, Fort Ransom paid its superintendent, a TFFR retiree who had returned to work under service agreements rather than reporting the position as a covered employment. As a result, the district did not port the salary to TFFR or remit contributions. TFFR became aware of the arrangement on December 4, 2025.

Contributions for the 2023-2024 through 2025-2026 school years total \$28,289.52. Fort Ransom has paid the principal in full. The remaining amounts are a civil penalty of \$250 and interest of \$2,767.93 under NDCC § 15-39.1-23.

Fort Ransom's Request

Fort Ransom requests that the Board waive the \$250 penalty and all \$2,767.93 in interest, a total of \$3,017.93. Fort Ransom states the following grounds:

- When Fort Ransom moved from a regular superintendent contract to a professional service agreement through Rural Educational Associates, LLC, both Fort Ransom and the superintendent understood the arrangement to be an independent contractor relationship. The service agreements stated he would not participate in TFFR.
- The arrangement was approved by the Fort Ransom School Board of Education (and reflected in its minutes) and recorded in Fort Ransom's regular financial records, the compensation was not concealed.
- Fort Ransom did not know additional reporting was required until RIO contacted them in July 2026.

- Declining enrollment, the move to non-operating status, a cooperative agreement with Lisbon Public Schools, and district reorganization extended the need for superintendent services longer than expected.
- Fort Ransom cooperated with the eligibility review and provided the information requested.

Under NDCC § 15-39.1-23, the Board may waive the penalty if the delay was unintentional and excusable, but it may not waive all interest.

Governing Law

NDCC § 15-39.1-23 provides, in pertinent part:

“Except for unintentional reporting errors, an employing body failing to file reports required by the board or failing to pay over for credit to the fund the amounts required to be paid by this chapter is subject to a civil penalty of two hundred fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the report was required to be filed or the payment became due. The board, if satisfied the delay or underpayment was unintentional and excusable, may waive, or if paid, refund all or part of the two hundred fifty-dollar penalty and may reduce the interest rate charge to the investment return rate used in the most recent actuarial valuation, compounded annually, but may not waive the entire amount of the interest. The penalty must be paid to the fund and deposited in the same manner as other receipts under this chapter.”

NDAC § 82-04-01-01 sets the due date:

“Employer and member contributions must be paid to the fund administrative office by the fifteenth day of the month following collection of the member contributions.”

The investment return rate used in the most recent actuarial valuation is 7.15 percent. That is the reduced rate available to the Board.

Penalty and Interest Assessed

Staff calculated interest on these assumptions:

- Salary was earned evenly over the 12 months of each fiscal year.
- Each month's contributions were due on the 15th of the following month.
- Interest runs at 1 percent per month or fraction of a month from each due date through December 4, 2025, the date TFFR became aware of the arrangement. No interest is assessed after that date. Months with due dates after December 4, 2025, carry no interest.
- The reduced rate column applies 7.15 percent, compounded annually, over the same periods.
- One civil penalty of \$250 applies.

Table 1. Penalty and Interest

Fiscal Year	Contributions	Interest at 1% per Month	Interest at 7.15%
2023-2024	\$9,494.62	\$2,136.29	\$1,296.92
2024-2025	\$4,913.88	\$515.96	\$298.53
2025-2026	\$13,881.02	\$115.68	\$58.92
Total Interest		\$2,767.93	\$1,654.37
Civil Penalty		\$250.00	
Total Penalty and Interest		\$3,017.93	

The full amount assessed under the statute is \$3,017.93: the \$250 penalty and \$2,767.93 in interest.

Options for the Board

Any relief requires the Board to first be satisfied that the delay was unintentional and excusable. If the Board makes that finding, it may grant any of the following. If it does not, Option 1 applies.

Table 2. Relief Options

Option	Penalty	Interest	Total Due
1. Deny the request	\$250.00	\$2,767.93	\$3,017.93
2. Waive the penalty only	\$0.00	\$2,767.93	\$2,767.93
3. Reduce the interest rate only	\$250.00	\$1,654.37	\$1,904.37
4. Waive the penalty and reduce the interest rate	\$0.00	\$1,654.37	\$1,654.37

The statute places these limits on the Board:

- The Board may waive all or part of the \$250 penalty. A partial waiver would fall between the amounts in the options above. If the penalty has already been paid, the Board may refund all or part of it.
- The only interest relief the statute allows is a reduction to the investment return rate. The Board may not waive the entire amount of interest. The lowest amount the Board may accept is \$1,654.37, which is Option 4.
- Fort Ransom's request to waive all interest exceeds this limit. The most relief the Board may grant is Option 4.

Board Action Requested

Determine whether the delay was unintentional and excusable. If so, select the relief to grant from the options above.

MEMORANDUM

TO: TFFR Board
FROM: Jodi Smith, Executive Director
DATE: October 28, 2026
RE: First Reading: TFFR Governance Policy System

Purpose

The Draft TFFR Governance Policy System (GPS) is presented for first reading. On October 13, 2026, the Governance and Policy Review Committee (GPRC) recommended the draft to the Board for first reading.

This memo covers the policy changes drafted since the GPRC reviewed, and why each was made. It does not list editorial or formatting changes. It also answers the questions trustees raised at the October 13, 2026, meeting.

The changes follow three principles:

- **Mirror the SIB GPS** wherever TFFR's authority is the same, so the two systems can be run together.
- **State only the authority TFFR actually holds.** Where the SIB, the Attorney General or the Legislature holds a power, the GPS now names that body rather than describing it as a TFFR power.
- **Use existing tools instead of creating new ones.** The strategic plan and the annual CEM benchmarking report are examples.

Policy Changes Since the October 7 Draft

The draft has thirteen policy changes, grouped below by part of the GPS.

Policy area	October 7 draft	October 19 draft	Why
Standard of care <i>(Fiduciary Duties; Travel; AI; Oath; Glossary)</i>	Held trustees to a "prudent expert" standard.	Holds trustees to the prudent investor standard and the duty of prudence. The glossary describes prudent expert as an ERISA standard.	NDCC § 21-10-07 sets the prudent investor rule for the Fund. The prudent expert standard comes from federal ERISA law, which does not govern TFFR. The GPS should not set a standard higher than the law sets, and the Attorney General's Office reviewed this change.
Personal profit prohibition <i>(Conflicts of Interest — Prohibited Conduct)</i>	Marked "proposed."	Trustees may not directly or indirectly profit from any transaction involving the Fund, other than member benefits on the same terms as other members and compensation and expenses allowed by NDCC § 15-39.1-08.	Recommended by the GPRC on October 13. Chapter 15-39.1 has no prohibition like NDCC § 21-10-09, which applies to SIB members. Board policy cannot create a criminal penalty, so a matching statute may be pursued through the Employee Benefits Programs Committee.
Litigation governance	A long TFFR litigation policy covering intake, privilege, settlement authority and counsel.	Replaced with a statement of the Attorney General's Office (AGO) role and duties. Securities litigation stays with the SIB. Any decision for TFFR to act as a party in its own name is reserved to the Board and made in consultation with the AGO. The GPRC receives the litigation register but cannot start, settle or direct litigation.	The AGO appoints and controls the Board's counsel (NDCC § 54-12-08). The earlier text described authority the Board does not exercise on its own. The AGO is still reviewing this section (see question 4 below).

Policy area	October 7 draft	October 19 draft	Why
Authority by Domain	TFFR's five powers mapped across the ten domains of its Decision Register.	Uses the SIB's five governance domains, plus a sixth domain unique to TFFR: Benefits & Funding. New tables show where TFFR differs from the SIB and how the domains map to the Decision Register. Investment recommendations come from RIO staff and the investment consultant.	Lets trustees who also serve on the SIB read both systems the same way. Benefits & Funding is TFFR's core authority and has no SIB equivalent. TFFR has no investment committee, so the investment column names the SIB.
Decision Register	A detailed register with extended narrative.	Consolidated to 57 key Board decisions: 39 on a fixed cycle and 18 event-driven, each with its cadence.	Matches the SIB register format and shows when each delegated decision comes back to the Board.
Service levels <i>(replaces the Benefits Governance Scorecard)</i>	Created a new Benefits Governance Scorecard with metrics and tolerances the Board would adopt.	The Board meets its duty to set service levels (NDCC § 15-39.1-05.2(6), (7)) through its strategic plan and the annual CEM pension administration benchmarking report. Staff report results against targets each year, and the Board shares its expectations with the SIB ahead of the RIO budget.	The Board already has both tools. A separate scorecard would have created new reporting work for a small staff without adding information the Board does not already receive.

Policy area	October 7 draft	October 19 draft	Why
Conduct of Board business	A narrative chart covering meetings, minutes, agendas and open-meetings rules.	Restructured to the SIB's conduct dimensions (quorum, voting, meetings, agenda, materials, reports, elections, compensation, legal counsel). Adds accessibility requirements, decision-ready and exception-based reporting, election procedures, and holdover rules.	Mirrors the SIB. Detailed open-meetings and minutes requirements are set by state law and covered in required trustee training, so they no longer need to be restated.
Continuing education	A detailed policy: 10 hours each fiscal year (15 in the first year), a three-year topic rotation, catch-up plans, and January and July reporting.	Simplified to the SIB wording: 10 hours each year, curriculum based on Board and committee capability needs, tracked by RIO staff. SIB service counts toward the 10 hours.	Aligns with the SIB requirement. The reporting timing the Committee asked about will be restored (see question 3 below).
TFFR Board Charter	Long oversight and verification sections.	Adds two short sections, Oversight of Management and Organization and Risk, Compliance and Accountability, matching the SIB charter. Oversight and verification are stated in a few lines.	Mirrors the SIB charter. Verification is performed through internal audit, compliance reviews and external audit, which TFFR receives through its seat on the SIB Audit, Risk and Compliance Committee.
GPRC membership	The President proposed a slate and the Board elected the members.	The President appoints GPRC members at the first meeting of each fiscal year, based on trustees' capabilities and interests.	Mirrors the SIB GPS and matches how the President already appoints the GPRC chair and special committees.

Policy area	October 7 draft	October 19 draft	Why
Alleged trustee misconduct	Addressed by the Board, with referral to the Ethics Commission where appropriate.	The President refers the matter to the GPRC, legal counsel is consulted, and Board action is limited to internal steps (censure, committee removal where permitted, referral to the appointing authority). Ethics Commission referral remains in the Decision Register.	The Board cannot remove a trustee; only the appointing authority can. The new text sets out a fair process and states what the Board can actually do.
Policies removed or moved	Separate sections on Board–Staff Interaction, Succession Planning, the Policy Approval Process, and an Institutional Investor Standard of Care.	Board–staff interaction is governed through the SIB GPS. Succession planning becomes a separate Succession Planning Policy for Board positions, reviewed on a three-year cycle in the Decision Register. The investor-standard content is covered by the duty of prudence.	RIO staff work under the SIB, so a second staff-interaction policy would duplicate it. Keeping succession as a separate policy lets it be updated without amending the GPS.
Use of Artificial Intelligence	Applied to trustees. RIO staff use of AI was governed by the SIB's policy.	Applies to trustees and to the Executive Director, RIO staff, contractors and service providers when AI is used in connection with Board business.	Gives the Board a consistent standard for any AI-supported analysis it relies on.

Responses to GPRC Questions (October 13, 2026)

1. What counts as a gift, and what is the dollar threshold?

North Dakota's gift rules come from the Ethics Commission, whose rules apply to trustees as public officials. The constitutional gift ban (ND Const. art. XIV) bars lobbyists from giving gifts to public officials. Under the Ethics Commission's rules, a lobbyist may pay for food or drink of **\$10 or less** at an informal social or educational event.

In practice:

- A meal or refreshments offered to everyone at a conference or event may generally be accepted.
- A meal or item offered to you individually should be declined, or you should pay for it yourself.

- If you accept something and later learn it was over the limit, report it to the Executive Director. RIO will keep a record of the report.

The GPS already defines conflicts of interest by reference to the Ethics Commission's rules (NDAC § 115-04-01-01). Staff will add a matching reference to the Commission's gift rules in the Prohibited Conduct section so the definition is in one place. Staff will also provide a short education session with examples before the second reading, as the Committee requested.

2. When should a trustee say they are speaking in a personal capacity?

The External Communications policy is unchanged. When speaking in a personal capacity, trustees should use this statement:

"The views expressed are my own and do not represent the position of the Board of Trustees of the North Dakota Teachers' Fund for Retirement."

The draft also states that trustees may respond to general inquiries about the TFFR retirement program. Use this rule of thumb:

- **No statement needed** for general questions about how the plan works, or for describing a position the Board has formally adopted. Those positions are public.
- **Use the statement** when you are asked for a view on a matter the Board has not decided or is still discussing.
- **For articles you write**, such as for the North Dakota Retired Teachers Association, include the statement or share the draft with staff beforehand.

3. When are continuing education hours reported, and is the year a fiscal year?

The 10-hour requirement runs on the **fiscal year (July 1 to June 30)**. Hours count toward the fiscal year in which they are earned.

- Training taken through the BoardSmart e-learning module is recorded automatically.
- Report conferences, webinars and other training to RIO staff as you complete them.
- The Executive Director reports progress to the Board in January and the annual summary in July. The GPRC reviews the annual summary.

The October 19 draft shortened this section to match the SIB, and the fiscal-year and reporting language will be restored before the second reading.

4. Can the TFFR Board start litigation without the Attorney General?

The Board can sue and be sued in its own name (NDCC § 15-39.1-05.2(1)). However, its legal counsel must be appointed by the Attorney General (NDCC § 54-12-08), so the Board cannot retain counsel or bring a claim on its own. Responding to a lawsuit brought against the Board works the same way, through counsel the AGO provides or appoints.

The draft reserves any decision for TFFR to act as a party to the Board, made in consultation with the AGO. Staff has asked the AGO to confirm whether the Board can start litigation against a consultant, member or employer, and will report the answer and any resulting change before the second reading.

Board Action Requested

Accept the first reading of the draft TFFR Governance Policy System, as recommended by the Governance and Policy Review Committee.

Next Steps

1. Staff will make the changes described in this memo: the gift rule reference, the continuing education timing, and any change resulting from the Attorney General's review of the litigation section.
2. Any changes between the first and second readings will be shown in redline.
3. The GPRC will review the red line at its November 10 meeting.
4. The second reading is scheduled for November 18, 2026, with an effective date of January 1, 2027.

Attachment: Draft TFFR Governance Policy System

Teachers' Fund for Retirement (TFFR)

Governance Policy System

DRAFT

October 19, 2026



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Note: The Governance Policy System HTML will include three policy statements that have intentionally been separated from the Governance Policy System at this stage, because the scope of this project is governance.

- TFFR Actuarial Funding Policy Statement (posted as a separate GPS website tab)
- TFFR Investment Policy Statement (posted as a separate GPS website tab)
- TFFR Operations, Business Partner and Member Communications Policies (posted separately)

Introduction: TFFR Governance Policy System

The North Dakota Teachers’ Fund for Retirement Board of Trustees’ living, navigable framework for disciplined collective fiduciary decision-making.

Why the GPS Was Created & What It Is

Fundamentally, board governance is about disciplined collective decision-making: identifying the key board decisions, assigning clear authority, and providing the insights required for prudent judgment. The Governance Policy System (“GPS”) replaces a static policy manual with a living system organized around how the Board actually governs.

The GPS is structured around five integrated parts, each grounded in statute. Together they form a structured cycle of fiduciary decisions, policy approvals, governance discipline, and public accountability:

PART 1 Fiduciary Foundation	The legal and statutory bedrock. Defines purpose, beneficiaries, fiduciary duties, and all conduct policies governing Board members and the standards the Board expects of staff.
PART 2 Roles	Explicit role definitions across all levels — Legislature, Board, Committees, the SIB, Executive Director, and all four lines of accountability.
PART 3 Authorities & Delegation	Who has the power to act, under what conditions, and with what limitations. Maps authority explicitly across all governance domains.
PART 4 Key Decisions	The Decision Register — a complete inventory of key Board approvals and delegations, organized by domain and board power, with the cadence of each.
PART 5 Timing	The Decision Calendar and cadence framework — when decisions are made and what triggers action outside the regular calendar.
Appendix Service Levels	The measurement foundation of the TFFR–SIB–RIO service-level relationship. How the Board sets and monitors the service it expects from the SIB and RIO, and escalates where it falls short.

The Purpose of Governance Policy

Governance policy has two distinct but integrated targets. First, it guides the Board in how fiduciary decisions are made and how roles are exercised. Second, it provides executives and staff with clear, navigable delegation so that Board intent is executed consistently and without ambiguity. The two sections below explain each in turn.

For the Board — Key Decisions and How Decisions Get Made

Governance policy should define how the Board governs, not how staff operate. Trustees should be able to clearly explain how the Board reaches decisions and the role each trustee plays. The focus is on fiduciary responsibilities, decision framing and resolution, authority reserved to the Board versus delegated, and committee roles and reporting. It establishes explicit decision architecture (inputs, constraints, timing), reinforces a long-term, benefit-security orientation, and prevents drift into operational or advisory activity.

The Board has five fundamental powers:

1. Conducting the business of the Board and Committees;
2. Setting direction and policy;
3. Approving key decisions and prudently delegating authority;
4. Overseeing execution within policy;
5. Verifying the reliability of information, advice, and reporting.

Governance policy primarily addresses the Board's and trustees' roles in the first three powers, enabling the Board to govern through direction and delegation while allowing execution, oversight, and verification to occur without confusion.

For Executive Management & Staff — Clarity of Delegation

For executives and staff, governance policies function as an operational decision system. The purpose is to enable independent execution of Board direction without continual interpretation or informal escalation. Staff should be able to determine what authority is delegated, to whom, within what limits, and when escalation is required.

A well-designed policy makes delegation boundaries easy to find and apply, reduces reliance on precedent or institutional memory, and supports consistent decision-making across the organization. Navigability is therefore a core delegation control: it assures staff can execute Board-approved authority consistently, within limits, and aligned with Board intent. Poor navigability increases discretion and workarounds; strong navigability reinforces discipline and accountability.

How TFFR, the SIB, and RIO Fit Together

Three bodies act on the plan. Each holds distinct statutory authority, and none may exercise another's.

TFFR Board of Trustees (TFFR)	Governs the plan. The TFFR board sets the Fund's policy and rules, its actuarial assumptions and funding policy, and its investment policy and long-range asset allocation targets, which the SIB then implements; TFFR resolves disability and benefit-calculation determinations, defines the member service levels delivered through RIO, and oversees benefit payments, the annual audit, and employer compliance — all within statutory limits that fix contribution rates and benefit formulas. See NDCC ch. 15-39.1.
State Investment Board (SIB)	Supervises the investment of TFFR's assets and governs RIO, the agency that administers the benefits program. The SIB is charged with investing TFFR's assets under the investment policy and asset allocation targets established by the TFFR Board with the SIB's concurrence, subject to the prudent investor rule and the requirement that TFFR's assets be invested exclusively for the benefit of its members; and governs the Retirement and Investment Office, through which both boards are administered while each retains its separate legal identity and authority. See NDCC chs. 21-10, 54-52.5.
Retirement and Investment Office (RIO)	Administers the program day to day. Created to coordinate the activities of the SIB and the TFFR Board, RIO is governed by the SIB as its administrative board and delivers the benefits administration and member services the TFFR Board specifies through its service levels, and the investment support functions the SIB specifies, with each board retaining its separate legal identity and authority. See NDCC chs. 15-39.1, 21-10, 54-52.5

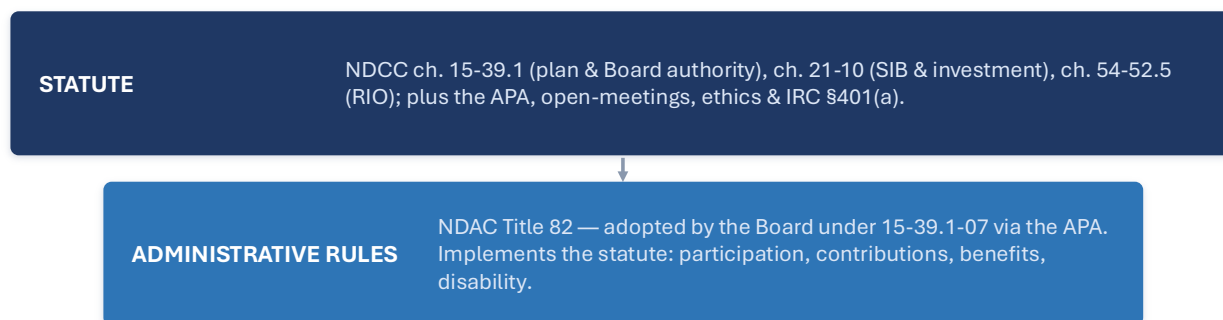
The TFFR Board and the SIB maintain separate legal identities and separate authority; nothing in this system transfers, limits, or enlarges the statutory powers of either board, of the Executive Director, or of RIO (NDCC § 54-52.5-02). TFFR's principal instruments for governing the relationship are its representatives to the SIB and its committees (Part 2, Roles) and the service levels it sets through its strategic plan (Appendices — Service Levels).

How to Navigate & Use the GPS

The GPS works like a website or a map. Use the tabs at the top of the page to move between the five parts of the system. Within each part, content is organized into expandable sections you can open and close as needed.

- **Tabs:** select any of the five parts (Fiduciary Foundation, Roles, Authorities & Delegation, Key Decisions, Timing), or the Appendices, from the navigation bar.
- **Search:** use the search tool to find a policy, term, committee, or decision by keyword; results link directly to the relevant section.
- **Glossary:** open the glossary drawer for definitions of key governance terms used throughout the system.
- **Expandable sections:** select a section heading to reveal its detail. The system is fully keyboard-operable and built to WCAG 2.1 AA accessibility standards.

Fiduciary Foundation



TFFR's fiduciary foundation rests on the legal and statutory bedrock of the North Dakota Century Code. NDCC ch. 15-39.1 contains the primary legal authority and statutory language governing the TFFR plan, supplemented by the Board's administrative rules at NDAC tit. 82; related authority appears in NDCC ch. 21-10 (investment), ch. 54-52.5 (RIO), and ch. 28-32 (rulemaking). TFFR is a defined benefit governmental plan under IRC § 414(d), qualified under IRC § 401(a), with its trust exempt from federal income tax under IRC § 501(a). All GPS Policies are grounded in statute

Purpose & Mission of TFFR

Mission. The mission of the Teachers’ Fund for Retirement is to administer a comprehensive retirement program that provides North Dakota public educators with a foundation for retirement security.

All GPS policies are based on statute and the North Dakota Century Code (NDCC ch. 15-39.1) — the legal bedrock of collective decision-making, not aspirational guidance.

Beneficiaries

— Who We Serve

TFFR’s beneficiaries are its plan members, those receiving a benefit today and those who will receive one in the future, to whom the Board owes its fiduciary duties and whose retirement security the Fund exists to protect.

In fulfilling its fiduciary duties, the Board recognizes the principle of intergenerational equity and balances the needs of current members and annuitants with the responsibility to preserve the plan’s financial sustainability for future members.

Member category	Who it covers
Active members	Licensed to teach in North Dakota and contractually employed in teaching, supervisory, administrative, or extracurricular service. Contributing now; benefit payable in the future.
Annuitants	Receiving a monthly benefit today.
Inactive members	No longer contractually employed in a covered position and not yet receiving a monthly benefit.
Beneficiaries	Persons designated by or entitled through a member, including surviving spouses, other designated beneficiaries, and alternate payees, receiving or entitled to a benefit.

Member categories follow the definitions of “teacher” and “beneficiary” in NDCC § 15-39.1-04(2), (12) and membership in the Fund under NDCC § 15-39.1-09.

Stakeholder Alignment and Relations

Effective stakeholder relations are essential to sustaining trust, legitimacy, and long-term effectiveness in a public fiduciary organization. Because many stakeholders — members, beneficiaries, policymakers, regulators, participating employers, and the public — interact with the organization episodically or indirectly, the quality, consistency, and tone of those interactions materially shape confidence in the Fund and its governance.

The Executive Director shall assure that all interactions with stakeholders, the public, and other government entities are conducted in a manner that reflects the agency’s core values of integrity, accountability, and service, and that reinforces the organization’s fiduciary purpose and public mandate. Communications shall be accurate, clear, timely, and professional, and shall appropriately distinguish established facts, policy positions, and analytical conclusions from personal opinions or commentary.

By maintaining disciplined, transparent, and respectful stakeholder relations — often without seeking visibility or advocacy — the Fund supports informed oversight, reduces reputational and governance risk, and preserves the trust necessary to operate effectively across political cycles and market environments.

See also → On who may speak for the Board: Fiduciary Conduct Policies — External Communications. On the Executive Director’s duty to maintain these relationships: Roles — Executive Director Charter.

Fiduciary Duties

— Core Duties

By virtue of the responsibilities assigned to the Board by NDCC ch. 15-39.1, the trustees of the TFFR Board act as fiduciaries of the Fund.

A fiduciary is a person who has discretionary authority or management responsibility for assets held in trust to which another has beneficial title or interest. The fiduciary is responsible for knowing the “prudent requirements” for the investment of trust assets. Remedial actions may be assessed against fiduciaries for violations of fiduciary duty.

The Duty of Loyalty.

Each Board and Committee member shall discharge their duties solely in the interest of the beneficiaries and participants, placing those interests above any personal, political, or external considerations, avoiding conflicts of interest, and acting with undivided loyalty to the Fund entrusted to the Board.

The Duty of Compliance. Trustees shall comply with all applicable statutes, regulations, Board policies, ethics requirements, duly adopted procedures, and plan documents, assuring that all actions remain within the scope of lawful authority and delegated responsibility including, for example, Open Meetings.

The Duty of Prudence. The obligation to act prudently in exercising power or discretion over the interests that are subject of the fiduciary relationship. A trustee should act in a manner consistent with a reasonably prudent person exercising care, skill, and caution.

Procedural Prudence

Procedural prudence is a term that has evolved to describe the appropriate activities of a person (or persons) who act in a fiduciary role. Court decisions to date indicate that procedural prudence is more important in assessing fiduciary activities than actual portfolio performance. A fiduciary

cannot be faulted for making the “wrong” decision provided that proper due diligence was performed.

The key to successfully discharging the Board’s fiduciary duties is the establishment of and adherence to proper due diligence procedures. While not bound by ERISA (the Employee Retirement Income Security Act of 1974), the Board will use the procedural prudence outlined by ERISA as guidance in developing its procedures:

- An investment policy must be established for the Fund and must be in writing.
- The investment policy must provide for diversification of plan assets, unless under the circumstances it would be prudent not to do so.
- Investment performance must be monitored.
- Investment expenses must be monitored.
- Prohibited transactions must be avoided.

The Board demonstrates prudence through process evidence, including:

- Consideration of alternatives and trade-offs.
- Clear delegation limits and escalation triggers.
- Ongoing oversight supported by agreed metrics.
- Independent verification of results.
- Transparent reporting, including exceptions and corrective actions.

See Also → On the standard of care itself: Fiduciary Duties. On the delegation limits and escalation triggers: Authorities & Delegation — Delegation Principles. On independent verification: Authorities & Delegation — Governance Process — The Flow of Authority.

Conflicts of Interest & Disclosure

- Conduct Policy

Conflicts of interest and the appearance of impropriety must be avoided by TFFR, the Executive Director, and all executives and staff. No individual subject to this policy shall allow family, social, professional, financial, political, or other relationships to influence, or appear to influence, their judgment in discharging their official responsibilities.

The Board, the Executive Director, and all executives and staff must refrain from financial and business dealings that tend to reflect adversely on the proper discharge of their duties or create the appearance of divided loyalty. They must avoid situations that compromise, or could reasonably be perceived to compromise, their independence, objectivity, or fiduciary obligation to act in the exclusive interest of the members, retirees, and beneficiaries of the Fund.

If a conflict of interest unavoidably arises, the individual shall immediately disclose the conflict in writing.

- A Trustee shall disclose the conflict to the President, or to the Vice President where the conflict concerns the President, who shall inform the Board at its next meeting; a copy is provided to the Executive Director for the Board's records.

- The Executive Director discloses conflicts as the SIB Governance Policy System requires (to the SIB Chair and the Director of Audit); where a conflict bears on a matter before this Board, the Board expects the Executive Director also to inform the President.
- Executives and staff shall disclose the conflict to the Executive Director (or designee).
- Matters involving the Executive Director or systemic concerns shall be referred to the SIB Audit, Risk and Compliance

The individual shall comply with any subsequent recommendations or directives issued by the appropriate authority, including recusal, mitigation, or other remedial measures.

Prohibited Conduct

Conflicts of interest to be avoided include, but are not limited to:

- Receiving consideration, compensation, or benefit for advice given to a person concerning any matter over which the individual has direct or indirect control or influence.
- Acting as an agent, representative, or attorney for a person in a transaction involving the Board or the Fund.
- Participating in any transaction, decision, or recommendation in which the individual has acquired material non-public information through their official position.
- Using confidential or privileged information obtained through employment or Board service for personal gain or for the benefit of another.
- Directly or indirectly profiting from any transaction involving the Fund, other than (a) benefits received as a member on the same terms as all similarly situated members, and (b) compensation and expense reimbursement authorized by NDCC § 15-39.1-08 and Board policy.

Definition

For purposes of this policy, a "Conflict of Interest" means a potential conflict of interest or a disqualifying conflict of interest, as those terms are defined in the North Dakota Ethics Commission's rules (NDAC § 115-04-01-01). Those rules apply to Board members as public officials. The Board relies on the SIB Governance Policy System to apply the same standard to the Executive Director, executives, and staff. This policy is intended to be interpreted consistently with the North Dakota Century Code and the Ethics Commission's rules.

Affirmation and Disclosure

The Executive Director disclosure of conflicts of interest; annual affirmations of understanding of this policy; ongoing reporting of potential or actual conflicts; documentation and retention of disclosures; and procedures for review and determination of appropriate mitigation actions. The Board relies on those procedures for matters within this policy.

The Executive Director, all executives, and all staff shall affirm their understanding of this policy annually, in writing, and shall promptly disclose any actual, potential, or perceived conflicts of interest that may arise. Board members shall affirm compliance with disclosures in accordance with Board policy and applicable law.

The TFFR Code of Conduct Annual Affirmation, maintained as a separate document outside this system, is the single instrument by which Trustees make the annual disclosure certification, the annual confidentiality affirmation, and the annual reaffirmation of the oath.

Disclosure

1. Purpose. This policy is adopted pursuant to NDCC ch. 15-39.1 and the fiduciary duties stated in Fiduciary Duties above, to ensure that Trustees act solely in the interest of the members, retirees, and beneficiaries of the Fund and maintain independence from actual or perceived conflicts of interest.

2. Definitions.

- **Financial Interest** means any direct or indirect ownership, compensation arrangement, employment relationship, or other material economic interest held by a Trustee or an Immediate Family Member.
- **Immediate Family Member** includes a spouse, domestic partner, dependent child, or any person residing in the Trustee's household.
- **Material Relationship** means any relationship that a reasonable person could conclude may influence, or appear to influence, the Trustee's judgment.
- **Event-Driven Disclosure** means disclosure required within ten (10) business days of a material change in circumstances.
- **Meeting Disclosure.** At the time of roll call for each Board meeting, each Trustee shall affirm on the record whether they have any actual, potential, or perceived conflict of interest with respect to any item on the meeting agenda.

3. Annual Disclosure Certification. It is Board policy that each Trustee shall complete and sign an annual written disclosure statement affirming compliance with fiduciary duties of loyalty, prudence, and compliance stated in Fiduciary Duties above and applicable law. The annual disclosure shall: identify all Financial Interests and Material Relationships; affirm the Trustee's understanding of the duty to act solely in the interest of members, retirees, and beneficiaries; and acknowledge the obligation to update disclosures promptly upon change. The Governance and Policy Review Committee shall review annual disclosures and report compliance status to the Board.

4. Event-Driven Disclosure. A Trustee shall disclose any new or changed Financial Interest or Material Relationship within ten (10) business days of becoming aware of such interest.

5. Recusal. If a matter presents an actual or potential conflict:

- The Trustee shall disclose the conflict prior to discussion;
- The disclosure shall be recorded in the meeting minutes, consistent with NDCC § 44-04-21(2);
- The Trustee shall abstain from discussion and vote and leave the room during deliberation unless counsel advises otherwise;
- If the President is conflicted, the Vice President shall assume responsibility for enforcing this procedure.

6. Public Records. Disclosure forms and related materials shall be maintained in accordance with NDCC § 44-04-18 and NDCC ch. 54-46. Records relating to the retirement benefits of a member or

beneficiary are confidential and are not public records unless disclosure is specifically authorized by law or TFFR rules (NDCC § 15-39.1-30).

External Communications

1. Authority to Speak for the Board. Pursuant to NDCC ch. 15-39.1, the Board acts only through official Board action taken in compliance with NDCC § 44-04-19. The President serves as official spokesperson on governance matters. The Executive Director (or the Chief Retirement Officer in the Executive Director’s absence or at the Executive Director’s direction) serves as official spokesperson on operational matters and on the retirement program. Individual Trustees have no independent authority to represent the Board unless expressly authorized by Board action.

2. Personal Capacity Statements. When speaking in a personal capacity, Trustees shall clearly state: “The views expressed are my own and do not represent the position of the Board of Trustees of the North Dakota Teachers’ Fund for Retirement.”

3. Legislative Communications. Board positions presented to legislative bodies must reflect official Board action. Testimony on behalf of the Board requires coordination with the President and Executive Director. Proposed changes to the statutes governing the plan are submitted to the Legislative Management’s Employee Benefits Programs Committee (NDCC §§ 15-39.1-05.2(5), 54-35-02.4).

4. Crisis Communications. In the event of a material legal, reputational, or operational matter:

- The Executive Director shall notify the President promptly;
- The President, Executive Director, and legal counsel shall determine communication strategy;
- No Trustee shall independently issue public statements regarding such matter without authorization.

5. Confidentiality. Trustees shall not disclose non-public investment, personnel, legal, or member and beneficiary information protected under NDCC §§ 44-04-18.4, 44-04-18.1, 44-04-19.1, and 15-39.1-30 or other applicable law. Digital and social media communications are subject to this restriction and applicable public records retention requirements under NDCC ch. 54-46.

For additional information on external communications, see also: TFFR Board President and Vice President Charter — President’s Role; Conduct the Business of the Board and Its Committees — Board Communications.

Board Access to Confidential Information

— Conduct Policy

Purpose. This policy is adopted pursuant to NDCC ch. 15-39.1 and the fiduciary duties stated in Fiduciary Duties above to assure that Board members have timely and appropriate access to the information required to fulfill fiduciary duties, while safeguarding confidential, sensitive, and market-moving information protected by law and preserving the integrity of the TFFR-SIB-RIO governance and operating model.

Scope.

This policy applies to:

- All Board and Committee members;
- The Executive Director, executives, and staff responding to information requests;
- All forms of information — written, verbal, digital, and system access — held by the Retirement and Investment Office or its service providers.

This policy governs information requests beyond the materials routinely provided in Board and Committee meeting packets. Materials included in approved meeting packets are, by definition, accessible to Board and Committee members subject to applicable confidentiality protections. Packet materials that contain member or beneficiary records remain confidential and are not public records (NDCC § 15-39.1-30)

Definitions.

- **Confidential Information** means non-public information held by TFFR or RIO, including investment, personnel, legal, contractual, and member and beneficiary information protected under NDCC § 15-39.1-30 or other applicable law.
- **Material Non-Public Information (MNPI)** means information not generally available to the public that a reasonable investor would consider significant in making an investment decision, including pending transactions, manager evaluations in progress, deal pipeline, and material portfolio actions.
- **Fiduciary Purpose** means the exercise of a Board or Committee responsibility to set direction, approve, oversee, verify, or report, consistent with the Board's five fundamental powers.

Guiding Principles.

The Board affirms the following principles governing access to information:

- **Fiduciary Purpose:** Access shall be directly linked to a fiduciary purpose – approve, oversee, verify, or report - and shall support oversight and decision-making, not operational involvement.
- **Need-to-Know Standard:** Information provided shall be limited to what is necessary, proportionate, and relevant to the fiduciary purpose identified.

- **Channel Integrity:** Information requests beyond routine meeting materials shall follow formal governance channels established under this policy. Routine interaction between Committee Chairs and designated staff liaisons in furtherance of approved Committee work plans is not restricted by this policy.
- **Confidentiality and Market Integrity:** Protection of MNPI, attorney-client privileged information, personnel information, member and beneficiary records, and sensitive operational data is paramount and shall not be subordinated to convenience or expediency.

Information Classification and Access Control. The following classifications govern Board access to information held by the RIO:

Classification	Examples	Access Control
Board Materials	Approved Board and committee packets, decision memoranda, performance reports	Full access for Board and Committee members
Confidential	Risk reports, service-provider and manager evaluations, internal audit working papers	Controlled access through the Executive Director
Highly Confidential	Personnel matters, active litigation, contract negotiations, individual member and beneficiary records, including internal audit working papers that contain them	Restricted access through the Executive Director
Market-Sensitive (MNPI)	Active trades, deal pipeline, pre-announcement material portfolio actions	Strictly limited; exceptional approval only by the Executive Director in consultation with the Office of the Attorney General

Access Request Protocol. All requests for information beyond routine meeting materials shall be submitted in writing through the Executive Director, with the Communications and Outreach Director maintaining the request log.

Request Type	Approval Authority
Routine	Communication and Outreach Director
Sensitive	Executive Director
Highly Sensitive	Executive Director, with notification to the President
Exceptional (including MNPI access)	Executive Director and the President, with Office of the Attorney General consultation as required

Written requests for non-public information shall identify:

- The fiduciary purpose linked to a Board or Committee responsibility;
- The defined scope and timeframe of the information sought;
- Confirmation that the request does not duplicate existing Board materials.

The Executive Director shall acknowledge requests promptly and respond within a reasonable period appropriate to the request’s complexity and sensitivity. Denials shall be in writing with stated rationale and may be appealed to the President.

Prohibited Practices. A Board or Committee member shall not:

- Request non-public information directly from staff outside the channels established in this policy;
- Direct staff to perform analysis, research, or work outside approved Board and Committee work plans;
- Access or use information obtained through Board service for personal, political, commercial, or other non-fiduciary purposes;
- Conduct independent or parallel due diligence on investment managers, transactions, or counterparties outside Board-approved processes;
- Share confidential information with persons not authorized to receive it, including spouses, family members, business associates, or media.

Information Handling and Security.

The following handling requirements apply to confidential and highly confidential information:

- Where appropriate, sensitive materials shall be made available for review on-site at RIO offices or through secure electronic means designated by the Executive Director;

- Access restrictions may include view-only access, watermarking, time-limited availability, and prohibition on copying, downloading, or forwarding;
- Sensitive information shall not be transmitted via unsecured channels, including personal email, personal devices, text messaging, or non-approved cloud storage;
- Public records retention requirements under NDCC ch. 54-46 apply to all communications regardless of channel.

MNPI Receipt and Quarantine. A Board or Committee member who inadvertently receives or becomes aware of MNPI shall:

- Notify the Executive Director and Chief Legal Counsel promptly;
- Refrain from trading in any affected security or instrument and from sharing the information with any other person;
- Recuse from any Board or Committee deliberation in which the inadvertent receipt could compromise the integrity of the decision-making process, pending guidance from legal counsel.

Confidentiality and Legal Obligations. A Board or Committee member shall:

- Annually affirm in writing their confidentiality and fiduciary obligations under this policy and applicable law;
- Comply with all restrictions on the use of MNPI and other non-public information;
- Adhere to applicable personal trading, disclosure, and recusal requirements consistent with the Disclosure policy and the Conflicts of Interest policy;
- Comply with continuing obligations following the conclusion of Board or Committee service with respect to information acquired during such service.

Documentation and Audit Trail. The Communications & Outreach Director, under the direction of the Executive Director, shall maintain a log of all formal information requests submitted under this policy, including:

- Date of request, requester, classification, approval authority, and disposition;
- Date of access provided and form of access (on-site, secure portal, transmitted copy);
- Any access restrictions imposed.

The Executive Director shall report on an exception basis to the Board and to the SIB Audit, Risk and Compliance Committee (ARCC), which serves as this Board's audit committee, regarding denied requests, withdrawn requests, and material handling incidents. The Internal Audit function may review the log as part of its risk-based audit plan. Material breaches shall be escalated by the Executive Director to the President and to the ARCC.

Enforcement. Breaches of this policy may result in:

- Formal reprimand by the President, on recommendation of the GPRC;
- Committee reassignment or removal, consistent with applicable law and Board authority;

- Referral to the North Dakota Ethics Commission or other oversight bodies, where appropriate;
- Other actions consistent with governing statutes and the Conflicts of Interest policy.

Periodic Review.

This policy shall be reviewed by the GPRC at least every three (3) years, or sooner upon material changes in:

- Regulatory or statutory requirements;
- The Board's governance structure or delegation framework;
- Technology, cybersecurity, or information-handling standards relevant to access controls.

See also → Disclosure; Conflicts of Interest & Disclosure; External Communications; Use of Artificial Intelligence.

Trustee Travel Policy

- Conduct Policy

1. Purpose. Trustee travel shall support the Board's responsibilities under NDCC ch. 15-39.1 and NDCC § 15-39.1-08.

2. Fiduciary Purpose Standard. Reimbursable travel must relate to one or more of the following:

- Trustee education aligned with Board-approved curriculum;
- Due diligence on material matters before the Board;
- Governance or peer benchmarking;
- Statutory representation responsibilities.

3. Pre-Approval.

- Routine domestic travel requires prior approval of the President.
- International or unusually high-cost travel requires Board approval.

4. Reimbursement. Travel reimbursement shall comply with applicable state travel policies and reimbursement rates. Expense documentation must be submitted within thirty (30) days of travel completion.

See also → Conduct the Business of the Board and Its Committees — Compensation; Education Conferences, Travel, and Reimbursement.

5. Post-Travel Reporting.

Within thirty (30) days of travel completion, the Trustee shall provide a written summary to the Board describing:

- Key insights gained;
- Relevance to Board priorities;
- Recommended follow-up actions.

6. Transparency. An annual summary of Trustee travel expenditures shall be included in Board materials consistent with NDCC § 44-04-18.

Oath of Office

1. Statutory Requirement. Each Trustee shall execute the oath of office required under NDCC § 44-01-05 prior to participating in Board deliberations or voting.

2. Fiduciary Acknowledgment.

The oath shall acknowledge:

- Duty of loyalty to beneficiaries;
- Duty of care consistent with the prudent investor standard the Board has adopted (see Fiduciary Duties);
- Duty of compliance with applicable statutes and Board policies;
- Obligation to avoid conflicts of interest;
- Commitment to continuing fiduciary education.

3. Annual Reaffirmation. At the first meeting of each fiscal year, Trustees shall reaffirm their oath and fiduciary obligations. Reaffirmation shall be recorded in the minutes, consistent with NDCC § 44-04-21(2).

4. Record Retention. Executed oaths shall be maintained in permanent Board records consistent with NDCC ch. 54-46.

5. Non-Compliance. A Trustee who has not executed the oath required by law may not vote or participate in official Board action until the oath is achieved.

Use of Artificial Intelligence

1. Purpose. The purpose of this policy is to establish principles, governance standards, and control requirements governing the use of Artificial Intelligence (AI) technologies in the business of the Board of Trustees of the North Dakota Teachers' Fund for Retirement ("Board"). This policy is adopted under NDCC ch. 15-39.1 and is intended to assure that the use of AI supports the Board's fiduciary obligations, protects confidential information, including records relating to a member's or beneficiary's retirement benefits under NDCC § 15-39.1-30, and complies with applicable open records and open meetings laws.

2. Scope. This policy applies to: all Trustees; the Executive Director, all RIO employees, and contractors and service providers acting on behalf of the Board where AI tools are used in connection with Board business.

3. Definitions.

Artificial Intelligence (AI) means software systems or tools that perform tasks typically requiring human intelligence, including but not limited to machine learning systems, predictive models, generative AI, large language models, natural language processing systems, and automated decision-support tools.

Generative AI means AI systems that generate text, images, code, models, or other content in response to prompts.

Material Decision Context means any matter involving benefit determination, administrative rules, actuarial assumptions, funding policy, investment policy and asset allocation, service levels, procurement, risk management, governance or personnel, or other actions that may materially affect beneficiaries or fund assets.

4. Guiding Principles.

- **Fiduciary Primacy:** AI tools may support but shall not replace the exercise of independent fiduciary judgment required of Trustees (see Fiduciary Duties).
- **Human Accountability:** All material decisions remain the responsibility of identified individuals and the Board acting collectively. AI outputs shall not be treated as authoritative without human review.
- **Confidentiality Protection:** confidential information, proprietary data, and non-public records, in particular records relating to a member's or beneficiary's retirement benefits (NDCC § 15-39.1-30), shall not be entered into a publicly available AI system unless explicitly authorized and protected by appropriate contractual safeguards.
- **Transparency and Documentation:** Where AI tools materially inform analysis or recommendations presented to the Board, staff shall document the role of AI in the analytical process.
- **Security and Risk Management:** AI use shall comply with Board-approved cybersecurity, data governance, and enterprise risk management policies.

5. Permissible Uses. Subject to the safeguards in this policy and any pertinent statute or policy, AI may be used for:

- Research support and background analysis;
- Drafting and editing non-final documents;
- Data summarization and pattern identification;
- Scenario modeling and analytical support;
- Administrative efficiency improvements;
- Education and training purposes.

6. Prohibited Uses.

The following uses are prohibited unless expressly approved by the Executive Director and consistent with law:

- Entering confidential information into public AI platforms without contractual data protection safeguards;
- Delegating a final benefit, eligibility, or disability determination to an AI system;
- Entering records relating to a member's or beneficiary's retirement benefits into a public AI platform;
- Using AI to generate official Board positions without human validation and approval;
- Circumventing public records retention requirements;
- Creating synthetic communications that misrepresent Board authority or official positions.

7. Decision Support. Where AI tools are used in connection with actuarial, funding, investment policy, or benefit analysis presented to the Board: AI outputs shall be considered advisory only; material assumptions must be independently validated; documentation shall identify the extent to which AI informed analysis; and final recommendations shall clearly reflect professional judgment and fiduciary review. The use of AI shall not dilute the prudent investor standard.

8. Governance and Oversight.

8.1 Executive Director Responsibilities. The Executive Director approves AI tools used for official business; ensures appropriate vendor due diligence and contractual safeguards; integrates AI risk into enterprise risk management; and reports material AI-related risks or incidents to the SIB Audit, Risk and Compliance Committee. The Board expects the Executive Director also to report to this Board any such risk or incident bearing on TFFR.

8.2 SIB Audit, Risk and Compliance Committee Oversight. The SIB Audit, Risk and Compliance Committee shall: oversee AI-related operational, cybersecurity, and compliance risks; review AI governance practices periodically; and ensure alignment with internal audit plans, where appropriate.

9. Vendor and Third-Party AI Use. Contracts with consultants or service providers, including the actuary, that materially use AI in connection with Board materials shall: disclose such use when

more than incidental; provide assurances regarding data confidentiality and cybersecurity; and confirm compliance with applicable law and fiduciary standards.

10. Records Retention. AI-generated content used in Board business constitutes a public record where required under NDCC § 44-04-18 and shall be retained in accordance with NDCC ch. 54-46. Prompt histories or AI interactions that materially inform recommendations to the Board shall be retained as part of the decision-support record.

11. Training. Trustees and staff shall receive periodic education regarding: appropriate AI use; data confidentiality risks; and fiduciary implications of AI-supported analysis. See also → Roles — Trustee Duties, Expectations & Continuing Education — Continuing Education.

12. Periodic Review. This policy shall be reviewed at least every two (2) years, or more frequently if significant technological or regulatory developments warrant revision. The Board recognizes that AI tools may enhance analytical depth and operational efficiency. However, prudence is measured by the quality of human judgment exercised in oversight, not by the sophistication of tools employed.

Litigation Governance

Legal Counsel

The North Dakota Attorney General’s Office (AGO) provides legal services to the TFFR Board and staff. Its duties and responsibilities include:

1. Representing the Board and staff in all legal matters, including administrative hearings and litigation.
2. Advising and educating the Board and staff on legal matters related to administering the retirement system, including Board appeals, fiduciary duties, ethics, open records and meetings, and potential litigation.
3. Reviewing and advising on retirement program issues.
4. Researching and interpreting state statutes and federal regulations.
5. Drafting proposed legislation, administrative rules, and other legal documents.
6. Reviewing Board policies, procedures, contracts, and other legal documents.
7. Responding to legal questions from staff, members, business partners, and others.
8. Coordinating with other AGO attorneys and divisions on matters involving the retirement plan.
9. Working with outside legal counsel on Internal Revenue Code requirements and plan qualification issues.

Securities Litigation

Securities litigation involving TFFR’s assets is overseen by the State Investment Board under its Securities Litigation Oversight & Annual Reporting policy. The Board receives, at least annually, the Executive Director’s securities litigation report, or a summary of it, as it pertains to TFFR’s assets, including recoveries credited to the Fund. The appropriate party to any claim depends on the nature

of the claim. Any decision for TFFR to act as a party in its own name is reserved to the Board and is made in consultation with the Attorney General’s Office (NDCC §§ 15-39.1-05.2(1), 54-12-08(1)).

Committees: The GPRC receives the litigation register report and monitors remediation of policy issues it reveals, including corrective actions and recurring causes.

The GPRC may not initiate, settle, appeal, waive privilege, or direct counsel unless expressly delegated.

Roles

Explicit role definitions across all levels — Legislature, Board, Committees, and Executive leadership.

Four Lines of Accountability Model

The Board recognizes the 4 Lines Model as the foundation for reasonable assurance and independent reassurance and accountability:

1st Line — Benefits and Investment Services

Officers & Staff: CIO — Investment, CRO — Retirement. Provide reasonable assurance through execution, controls, and monitoring.

2nd Line — Middle/Back Offices and Enterprise Services

Officers & Staff: CFO/COO — Fiscal, Communications & Outreach Director. Shared Services: Legal (Attorney General’s Office) / HR (ND HRMS) / IT (NDIT). Provide reasonable assurance through controls and monitoring.

3rd Line — Internal Audit Services

Officers & Staff: DA (Director of Audit), Internal Audit. Provides independent reassurance through objective review and assurance.

4th Line — External Audit & Advisors

External Audit & Advisors: Actuary and actuarial auditor, Medical Consultant (retained by this Board); Governance Advisor (retained by RIO on behalf of this Board or the SIB, as needed); Independent External Auditor; Investment Consultant (retained by the SIB); Legal (Attorney General's Office). Provides independent reassurance; the actuary and medical consultant report directly to the Board, as does a governance advisor engaged on its behalf.

The Board relies on all four lines, the first three operating within RIO under the SIB's governance of the agency, to support prudent delegation and informed oversight. 1st and 2nd Lines provide **reasonable assurance** through execution, controls, and monitoring. 3rd and 4th Lines provide **independent reassurance** through objective review and assurance.

The ND Statutory Framework & Legislature

— Framework

The North Dakota Legislature establishes the statutory framework within which the TFFR operates. The Legislature's role is one of policy-setting, fiscal authorization, and accountability oversight — not investment management or pension administration. The Legislature defines the rules, benefit structure, resources, and accountability expectations; the Board governs and oversees the retirement program within those statutory boundaries; and management executes.

The Legislature:

- **Sets governing law and public purpose:** Enacts and amends statutes (primarily NDCC ch. 15-39.1) that define TFFR's mandate, powers, governance structure, membership, benefit provisions and contribution rates, and the Fund under its care.
- **Approves budgets and resource authority:** Authorizes the operating budget of RIO, staffing levels and major expenditure categories, through the biennial appropriations process.
- **Provides oversight and accountability:** Exercises oversight through interim committees, hearings, reporting requirements, audits, and confirmation or review processes.
- **Does not administer the plan or direct investments:** The Legislature does not determine individual benefit eligibility or calculations, administer the plan day-to-day, select investments, or set asset allocation.

Reporting Role of TFFR to the Legislature

TFFR has a statutory duty to report to the North Dakota Legislature to support transparency, accountability, and legislative oversight — without compromising the Board's fiduciary independence. TFFR reports what has been done, how the Fund and member benefits are safeguarded, and whether statutory intent is being met — while the Legislature retains oversight authority and the Board retains its fiduciary independence.

TFFR's reporting role includes:

- **Periodic and statutory reports:** Providing required reports on the actuarial funding status, investment results, financial condition, Fund status, benefit administration, and compliance with governing statutes and policies.

- **Budget and appropriation support:** Supporting, through RIO and the SIB, the budget requests, expenditure reports, and staffing information necessary for the Legislature to exercise its appropriation and fiscal oversight responsibilities for the TFFR program.
- **Actuarial, audit, risk, and compliance reporting:** Communicating actuarial valuations and funding adequacy, the results of independent external audits, internal audit activity, and material risk, control, or compliance matters relevant to legislative oversight.
- **Testimony and legislative engagement:** Appearing before legislative committees to explain results, respond to inquiries, and provide factual, non-advocacy information on TFFR's activities and governance.

TFFR Board Charter

Purpose. TFFR members and beneficiaries receive the benefits promised to them, securely funded and efficiently administered. This objective is evaluated against the funding and service metrics in the Plan Management Policy and the service goals in the Board's strategic plan, measured through the annual CEM pension administration benchmarking report.

The Teachers' Fund for Retirement Board of Trustees is the fiduciary governing body of the Fund, responsible for the long-term security of the retirement, disability, and survivor benefits promised to North Dakota's public-school educators and their beneficiaries. The Board holds the Fund in trust for the exclusive purpose of providing those benefits and defraying the reasonable expenses of administering the plan.

The Board governs through policy, delegation, and oversight. It sets the Fund's actuarial assumptions and funding policy, its investment policy and long-range asset allocation targets, its administrative rules, and the levels of service its members receive.

It does not invest the Fund, which is supervised by the State Investment Board, and it does not administer the plan day to day, which is carried out by the Retirement and Investment Office under the State Investment Board's governance. Authority may be delegated; fiduciary responsibility may not.

A TFFR trustee is a long-horizon fiduciary steward of benefit security, governing policy and oversight rather than execution, in a system where execution rests with other bodies.

Board Composition

The Board comprises seven Trustees under NDCC § 15-39.1-05.1(1):

Subd.	Seats	Trustee	Selection
(a)	2	Actively employed as elementary or secondary teachers in full-time positions not classified as school administrators	Appointed by the Governor from a list of three nominees submitted by North Dakota United (NDU).
(b)	1	Actively employed as a full-time school administrator	Appointed by the Governor from a list of three nominees submitted by the North Dakota Council of Educational Leaders (NDCEL)
(c)	2	Retired members of the Fund	Appointed by the Governor from a list of three nominees submitted by the North Dakota Retired Teachers Association (NDRTA)
(d)	2	State Treasurer; Superintendent of Public Instruction	Serve ex officio by virtue of office. Each may be represented by a designee from the office of state treasurer, or from the Department of Public Instruction, respectively

A trustee appointed under subdivision (a) or (b) who terminates that employment may not continue to serve (NDCC § 15-39.1-05.1(1)).

Charge and management of the business: The authority to set policy for the Fund rests in the Board, subject to law, administrative rules and regulations, and governance policies (NDCC § 15-39.1-05.1(1)). The Board will make such policy as necessary to fulfill this obligation. Investment of the Fund is under the supervision of the State Investment Board and RIO is governed by the SIB; each board retains its separate legal identity and authority.

Representation by Designees: When the statutes allow a designee to represent a trustee, the President will recognize the individual for the record, and the individual will then have the right to vote on matters before the Board.

Terms: Appointed trustees serve terms of five years, and each term begins on July 1 (NDCC § 15-39.1-05.1(2)). A trustee appointed to fill a vacancy completes the term for which the original member was selected (NDCC § 15-39.1-07). The State Treasurer and the Superintendent of Public Instruction serve ex officio while in office.

Committee Composition

The Board may establish standing and special (ad hoc) committees. Its standing committee is the Governance & Policy Review Committee (GPRC).

Three trustees serve on the GPRC. The President appoints the GPRC members at the first meeting of each fiscal year, based on the match between the committee's recommended capabilities and trustees' interests. The President appoints the GPRC chair and the chair and members of each special committee. Membership must not include a quorum of the Board.

See also → On meeting cadence, notice, attendance, and all other conduct of committee business: Conduct the Business of the Board and Its Committees.

Vacancies, Holdovers & Continuity

A vacancy occurs upon: written resignation effective date; removal from an officer role (officer vacancy only); removal from Board membership (member vacancy; statutory); death; permanent incapacity; loss of eligibility; disqualifying legal status, if applicable; or termination of the employment on which an appointment under NDCC § 15-39.1-05.1(1)(a) or (b) was based. The Executive Director will notify the Board within five business days of a known vacancy event; the President notifies the appointing authority within ten business days where applicable; and a log will be maintained.

- **Resignations:** A trustee's resignation from the Board is submitted as the law requires, for an appointed trustee to the Governor (NDCC § 44-02-02), with a copy to the President and the Executive Director for the record. The resignation is reported at the next meeting and entered in the minutes and governance records are retained.
- **Removal:** Board membership removal is governed by statute and the appointing authority; the Board's internal authority is limited to officer roles committee positions.
- **Alleged misconduct:** The President refers the matter to the GPRC (or designated committee) for review; legal counsel is consulted; and Board action is limited to internal steps (censure, committee removal where permitted, referral to the appointing authority, and the like).
- **Holdovers:** A trustee may continue to serve until a successor is appointed and qualified. A holdover should not exceed 90 days without written notice to the appointing authority and Board discussion; the Executive Director or the President notifies the appointing authority, and, for an appointed seat, the nominating organization, at least 90 days before a term expires.
- **Staggered appointments:** Where appointment authority allows, the Board recommends staggered appointments and continuity planning to avoid simultaneous turnover, maintaining a rolling "continuity risk" view of anticipated departures over the next 12–24 months and proactively notifying appointing authorities and the nominating organizations that submit nominee lists.

Trustee Duties, Expectations & Continuing Education

Composition, terms, and vacancies are set out under Roles — TFFR Board Charter; quorum and voting under Conduct the Business of the Board and Its Committees — Quorum.

Trustee Standards

Each Board member is expected to: prepare for and actively participate in Board and Committee assignments; exercise independent judgment while respecting collective Board decisions; ask informed, prudent questions focused on risk, assumptions, and long-term implications; avoid conflicts of interest and comply with ethics and disclosure requirements (see Disclosure); maintain confidentiality of non-public information; and support a culture of integrity, respect, and continuous improvement.

Committee Service

- Trustees may serve on the GPRC, on special committees, and, as the Board’s representatives, on the SIB and its committees.
- Committee service includes deeper research, recommendations, and oversight within delegated scopes, while ultimate authority and responsibility remains with the full Board.

Time Commitment

- Regularly scheduled Board meetings
- Committee meetings as assigned
- Periodic education, retreats, and special sessions
- Ongoing preparation and review of materials between meetings

Knowledge, Skills and Competencies

Board members are not expected to be investment or actuarial professionals but are expected to govern prudently and intelligently. Desired competencies include:

- Understanding of fiduciary responsibility and public trust
- Ability to evaluate long-term risk and reward tradeoffs
- Financial, economic, or organizational literacy
- Strategic thinking and sound judgment
- *Willingness to engage in continuing education.*

Continuing Education

Each member shall complete **10 hours annual continuing education (CE)** with the curriculum to be based on Board and Committee capability requirements. Credits may be earned through any combination of online or in-person training including conferences and in-house sessions. RIO staff will track completion. Service on the State Investment Board or on its committees does not add to this requirement, and continuing education completed in that capacity counts toward this minimum: a trustee who serves on both boards completes ten (10) hours in total, not ten for each.

→ On the competencies expected of trustees and of each committee role: *Trustee Duties, Expectations & Continuing Education — Knowledge, Skills and Competencies*.

Collective Responsibility

Authority rests with the Board acting as a body, not with individual members. Individual trustees do not direct staff or make unilateral decisions on behalf of TFFR. Board performance is evaluated through annual self-assessment. See also → *Governance & Policy Review Committee Charter*.

Committee Authority and Role

The Board holds the exclusive authority to approve policies, delegations, and major decisions, and remains ultimately responsible for prudent fiduciary processes, while committees serve in an advisory and oversight capacity by conducting detailed research, developing recommendations for Board consideration, and overseeing and verifying that Board-approved decisions are implemented and performing as intended, without exercising independent approval or execution authority.

Standing Committees act as extensions of the Board’s fiduciary authority, performing detailed review, analysis, and oversight within scopes defined by a Board-approved charter. Committee authority is collective and advisory unless explicitly delegated by Board action.

Committees:

- Prepare recommendations for full Board consideration.
- Monitor delegated activities within assigned domains.
- Escalate material risks, exceptions, or policy issues to the full Board.
- Verify performance and risk through the use of independent third parties.

Committees do not exercise independent governing authority unless expressly delegated by the Board, and all material decisions remain subject to full Board approval.

See also → On the Board’s own oversight and verification duties: *Authorities & Delegation — Governance Process — The Flow of Authority*. On what the Board has and has not delegated: *Key Decisions — Decision Register (Delegations)*.

Oversight of Management and Organization

- Provide input to the SIB on the Executive Director’s goals and evaluation, consistent with statutory authority.
- Monitor organizational capacity, resources, and internal controls necessary to execute Board-approved policies.
- Assure management operates within delegated authority and established limitations.

Risk, Compliance and Accountability

- Oversee enterprise risks, including funding, operational, legal, and reputational risks.
- Assure effective compliance with Statutes and administrative rules and Board policies and ethical standards.

- Promote transparency, documentation, and timely escalation of issues.

Stakeholder and Public Accountability

- Act as responsible stewards of public trust.
- Balance independence of fiduciary judgment with accountability to members, beneficiaries, participating employers, the Legislative Assembly, and oversight bodies.
- Communicate clearly, professionally, and constructively in public meetings and official settings.

Board President and Vice President Charter

— Leadership

The officers of the Board are a President and a Vice President. The officers will be elected by the Board to a one-year term at the first meeting following July 1 of each year. A vacancy in an office is filled as provided in Vacancy in an Office or Representative Seat.

The President will preside at all meetings of the Board. In the absence of the President, the Vice President will perform the duties of the President.

President's Role

The President's primary responsibility is to assure the integrity of the Board's process. The President is the only Board member authorized to speak for the Board other than in specifically authorized instances. The duty of the President is to see that the Board operates consistently with state and federal law, administrative rules, and its own policies.

The Board agenda will be the responsibility and be coordinated by the President with the assistance of the Executive Director. Meeting discussion content will only be those issues which, according to Board policy, clearly belong to the Board and not the Executive Director, or in a Board member's opinion, may deal with fiduciary responsibilities. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly, and brief.

The President is empowered to chair Board meetings with all the commonly accepted authority of that position (e.g., ruling, recognizing). The President has no authority to make decisions about policies created by the Board. Therefore, the President has no authority to supervise or direct the Executive Director. The President may represent the Board to outside parties in announcing Board-stated positions and in stating the President's decisions and interpretations within the area delegated to the President.

International or unusually high-cost travel requires Board approval. The President may call recess, enforce agenda/time rules, and refer disputes to the Governance & Policy Review Committee (GPRC) for follow-up. The President assures deliberation remains within fiduciary scope.

The President is the initial point of contact for in-meeting conflict of interest (COI) disclosures and may request temporary recusal pending GPRC/legal review. The GPRC will make the final recommendation to the full Board.

The President reviews draft minutes for accuracy/completeness before approval.

The President supports leadership bench development with the GPRC (encourages continuing education participation; orients new members; identifies future officer candidates).

The President should assure committee outputs reach the Board with clear decision points, cross-committee coordination issues are identified, and follow-ups are assigned.

If the President is unable to serve, the Vice President will serve as Acting President until the Board fills the vacancy (see Vacancy in an Office or Representative Seat).

Vice President's Role

The Vice President works with the President on agenda planning; supports meeting process integrity; participates in governance self-assessment review; attends key briefings as appropriate. The Vice President does not act as spokesperson except in the President's absence or with Board authorization.

Election of Board Officers and TFFR Representatives to the SIB

1. Board Officers

The Board elects the following officers each year. Any trustee may serve as an officer:

- Board President
- Board Vice President

2. Election Procedure

The TFFR Board elects its President at the first meeting following July 1 of each year (NDCC § 15-39.1-06). At the same meeting, the Board elects its Vice President, selects its two representatives to the SIB, and may appoint their alternate (NDCC § 21-10-01(1)(f), (2)), and appoints the members of any committees. As with all Board action, four votes are required (NDCC § 15-39.1-05.1(3)). Any trustee may nominate any trustee, self-nomination is permitted, and no second is required. The default voting method is a recorded roll call. Officers and representatives may be re-elected. Unattributed (secret) ballots shall not be allowed because the Board acts in open meeting and its votes are part of the public record (NDCC §§ 44-04-19, 44-04-21(1)).

Where more than two candidates stand and none receives four votes, the candidate with the fewest votes is dropped and the vote retaken until two candidates remain. Where two candidates remain and neither receives four votes, the Board may take up to two further votes before deferring the position to the next regular or special meeting. A deferral leaves no position empty: the incumbent continues to serve, the Vice President acts as President where there is no incumbent, and the sitting SIB representatives and alternate continue to serve. Election by acclamation or unanimous

consent may not be used, because those methods do not produce the four recorded votes the statute requires. The minutes record, for each position, the candidates nominated, the voting method, each trustee's vote, the number of rounds taken, and the outcome.

3. Term

TFFR representatives to the SIB, and their alternate, hold their positions for one year or until their successors are elected. See also → On the term of the offices of President and Vice President: TFFR Board President and Vice President Charter. On the number of terms a trustee may serve in the Board seat: Roles — TFFR Board Charter — Board Composition (Terms).

4. Vacancy in an Office or Representative Seat

A Board officer or TFFR representative to the SIB may resign the position by written notice to the Board and the Executive Director; resignation from a position is not resignation from the Board. A vacancy occurring before the end of a term is filled by the Board at its next regular or special meeting by four affirmative votes, and the successor serves the remainder of the term. Where the office of President is vacant, the Vice President acts as President until the Board elects a successor.

See also → On a vacancy in a trustee's seat on the Board: Vacancies, Holdovers & Continuity.

State Investment Board

The SIB is responsible for oversight, policy making, and administration of the state investment program under NDCC ch. 21-10. TFFR assets, along with other state pension, insurance, and public funds, are invested by the SIB. Membership of the SIB is set by NDCC § 21-10-01 and includes two members selected by the TFFR Board (see TFFR Representatives to SIB, below).

Investment of TFFR assets follows the investment policy statement adopted by the TFFR Board and accepted by the SIB, and the asset allocation approved jointly by the TFFR Board and the SIB, subject to the prudent investor rule (NDCC § 21-10-07).

The SIB is also the governing body of RIO.

SIB and Committee Positions

Each year the Board elects its two representatives to the SIB and their alternate, recommends trustees for appointment to the SIB Audit, Risk and Compliance Committee and the SIB Budget and Finance Committee, and the President appoints members of the Governance & Policy Review Committee (GPRC). Any trustee may be selected; the Board does not select the State Treasurer, who already serves ex officio on the SIB, for one of its two representative seats (NDCC § 21-10-01(1)(b), (f)).

- Two TFFR representatives to SIB
- One Alternate TFFR representative to SIB, who performs the duties of a TFFR representative on the SIB in that representative's absence.
- A TFFR trustee recommended by the Board and appointed by the SIB Chair serves as a voting member of the SIB Audit, Risk and Compliance Committee.*
- A TFFR trustee recommended by the Board and appointed by the SIB Chair serves as a voting member of the SIB Budget and Finance Committee.*
- Three trustees to serve on the TFFR GPRC.

TFFR Representatives to SIB

The TFFR Board selects two trustees to represent TFFR on the SIB. As a matter of Board policy those representatives are drawn from its active and retired member trustees, although the statute permits the Board to select designees who need not be members of the Fund (NDCC § 21-10-01(1)(f)). The Board elects a third trustee, from either category, as its alternate. The TFFR representatives to the SIB have the same authority and responsibilities as do other SIB trustees as provided in NDCC ch. 21-10 and outlined in the SIB Governance Policy System.

TFFR Representatives to SIB Committees

The TFFR Board recommends one trustee for appointment to the SIB Audit, Risk and Compliance Committee (ARCC) and one trustee for appointment to the SIB Budget and Finance Committee (BFC) (see Decision Register (Delegations)). The recommendation is TFFR's to make; the appointment is not. SIB committee members are appointed by the SIB

Chair at the first SIB meeting in July of each year, or as a vacancy arises, on a slate the Chair proposes for SIB approval. Terms are one year, or end earlier if the trustee's service on the SIB ends. *The TFFR representatives on SIB ARCC and BFC have the same authority and responsibilities as do other trustees on the SIB committees.

The representative has no authority to bind or speak for this Board. Each representative reports to the TFFR Board on the committee's activity following each committee meeting, so the Board can discharge its own oversight and coordinate with the SIB.

[TFFR Representative to the SIB Audit, Risk and Compliance Committee](#)

The ARCC serves as this Board's audit committee; TFFR has no audit committee of its own. The representative participates in the committee's oversight of enterprise risk management, internal and external audit, financial reporting and internal controls, and compliance and ethics. This seat is the Board's channel for verifying the audit program and receiving the results of internal and external audits of the plan and of RIO (see TFFR Board Charter — Verification).

[TFFR Representative to the SIB Budget and Finance Committee](#)

The BFC provides oversight of RIO's budget, financial plans, and the alignment of resources with Board-approved priorities: the administrative side of the enterprise through which the TFFR program is delivered. The representative contributes a TFFR perspective to the committee's deliberations on budget, financial, and administrative matters affecting RIO and the funds it serves.

See also → On the election procedure, the term, and a vacancy in a representative seat: Board President and Vice President Charter — Election of Board Officers and TFFR Representatives to the SIB.

Retirement and Investment Office

RIO administers the TFFR program day to day and coordinates the activities of the SIB and the TFFR Board (NDCC ch. 54-52.5). The SIB is RIO's governing body; each board retains its separate legal identity and authority.

Executive Director Charter

Executive role. As the boards' single official link to the operating organization, RIO's total performance is considered synonymous with the Executive Director's performance. It is the responsibility of the State Investment Board to establish and maintain a job description for the Executive Director.

Statutory "Investment Director" and the Executive Director

Under the SIB Governance Policy System, references in NDCC ch. 21-10 to the "investment director" (NDCC §§ 21-10-02(3), 21-10-05) are understood to refer to the Executive Director, who has delegated day-to-day exercise of that investment authority to the Chief Investment Officer while retaining the statutory authority and accountability for it. That allocation is the SIB's; this Board recognizes it.

Chief executive authority: execution within delegated authority. The Executive Director is responsible for executing board-approved direction within the scope of delegated authority. Execution responsibilities include:

- Implementing approved strategies, policies, and plans.
- Managing operations, resources, personnel, and risk.
- Maintaining appropriate controls and professional standards.
- Providing timely, insightful reporting to committees and the Board.

Executive Director Role and Authority. The Executive Director will be retained by the SIB, serve at the SIB's pleasure, be responsible for keeping the records of the SIB and TFFR Board actions, and perform such duties as the SIB prescribes. The Executive Director will make out and give out all notices required to be given by law, procedures, or the rules and regulations of the two Boards.

The Executive Director, as chief executive officer, is accountable to the SIB acting as a body. With respect to the TFFR plan, this Board conveys its expectations to the Executive Director only through its written policies and the levels of service it establishes (NDCC § 15-39.1-05.2(6), (7)), delegating to the Executive Director the implementation and administration of those policies. The Executive Director is accountable for assuring compliance with laws, rules, and policies.

Authority granted by the SIB. The SIB authorizes the Executive Director to:

- Approve expenditures within approved budgets
- Approve Hiring/Termination of Chief Investment Officer, Chief Retirement Officer, Chief Financial and Operating Officer

- Approve Hiring/Termination of External Managers
- Approve all contracts unless delegated by the Executive Director
- Approve material contract amendments within budget
- Approve Securities Monitoring and Litigation

The President speaks on behalf of the Board (see Conduct the Business of the Board and Its Committees — Board Communications). The Executive Director is the spokesperson for RIO.

Communication and Counsel to the Board

With respect to providing information and counsel to the Board, the Executive Director shall:

A. Provide monitoring data required by the Board in a timely, accurate, and understandable fashion, directly addressing provisions of the Board policies being monitored.

B. Keep the Board informed of relevant trends, anticipated adverse media coverage, material external and internal changes, and particularly changes in the assumptions upon which any Board policy has previously been established.

C. Advise the Board President and GPRC if, in the Executive Director's opinion, the Board is not in compliance, particularly in the case of Board behavior which is detrimental to the work relationship between the Board and the Executive Director, and Executive Director and staff.

D. Provide the Board with varying staff and external points of view on issues and options as prudent for fully informed Board choices.

E. Present information in a short and simple form.

F. Provide a mechanism for official Board, officer, or Committee communications.

G. Deal with the Board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or Committees duly charged by the Board, or (c) as otherwise delegated in accordance with Board policies.

H. Report in a timely manner an actual or anticipated noncompliance with any policy of the Board.

I. Inform the Board President and the full Board in a timely manner of any changes related to the resignation or hiring of the Chief Retirement Officer, the Chief Investment Officer, Director of Audit, or the Chief Financial Officer/Chief Operating Officer.

J. Keep the Board informed concerning any delegation to staff of authority this Board has delegated to the Executive Director. The Executive Director remains accountable to this Board for the exercise of that authority, and staff remain accountable through the Executive Director.

K. In the absence of a Chief Risk Officer, the Executive Director serves as the senior accountable officer for the operational risk program and is responsible for reporting operational risk matters to the SIB Audit, Risk and Compliance Committee (ARCC) and the boards.

1st–4th Lines: Staff and Advisor Charters

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The RIO 1st and 2nd Line unit supervisors are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from the receipt of a report disclosing those weaknesses if known or applicable. The unit supervisors are also responsible for seeing that a written report of action planned or completed is sent to the Executive Director. If a plan for action is reported, a second report shall be made promptly upon completion of the plan.

1st Line — Benefits and Investment Services

Chief Investment Officer Charter

The Chief Investment Officer reports to the Executive Director and serves the SIB; in this charter “the Board” means the SIB and “IC” the SIB Investment Committee.

1. Participate on the IC and report to the Board as required.
2. Advise and then implement investment policies approved by the IC and the Board.
3. Provide research and administration for SIB client funds and client projects.
4. Recommend investment policies and procedures appropriate for governing the investment of entrusted funds.
5. Lead the development of asset allocations, investment strategies, manager mandates, manager guidelines, investment implementations, and investment policies to be approved by the IC and Board.
6. Negotiate manager contract terms and conditions as delegated by the Executive Director.
7. Evaluate money manager adherence to investment objectives, mandate requirements, and guidelines.
8. Provide performance reports to the IC, the Board, and Boards of participating funds as a representative of the IC and the SIB.
9. Select, hire, or terminate money managers, custodians, consultants, and other outside services needed to effectively manage the investment funds.
10. Recommend to the IC new investment strategies (both internal direct and external), portfolios, and the use of new investment instruments prior to their implementation.
11. Manage direct investment strategies approved by the IC including the allocation of capital within the strategies, as well as security selection, weighting, and trading.
12. Provide rebalance instructions to the fiscal team that comply with client policy statements.

Chief Retirement Officer Charter

Purpose. Assure the Teachers’ Fund for Retirement (TFFR) program is administered prudently and in accordance with applicable statutes, administrative rules, and policies adopted by the TFFR Board of Trustees. The Chief Retirement Officer (CRO) supports the governance responsibilities of the TFFR Board by implementing Board policies, providing analysis and recommendations on retirement program matters, and ensuring the effective administration of benefits and member services. The CRO operates within the Retirement and Investment Office (RIO) under the direction of the Executive Director, with the position’s primary governance connection to the TFFR Board.

Evaluation criteria. Compliance with applicable state and federal laws governing the retirement program; effective implementation of TFFR Board policies; accuracy and timeliness of benefit administration, member services, and contribution processing; quality and reliability of information provided to the TFFR Board; responsiveness to plan members, stakeholders, and oversight authorities; and the successful coordination of actuarial, legal, and consulting services supporting the retirement program.

Policy Development and Program Administration: The CRO assists the Executive Director and the TFFR Board in developing administrative rules, policies, and procedures necessary to administer the retirement program. The CRO provides analysis and recommendations on retirement program issues, legislative proposals, and operational matters affecting the plan and supports the Board in carrying out its statutory responsibilities.

Retirement Program Operations: RIO staff, under the direction of the CRO, are responsible for the administration of the retirement program including the collection and processing of contributions, maintenance of member records, calculation and payment of retirement and disability benefits, and coordination with actuaries, legal counsel, and other service providers. Staff will provide the TFFR Board with accurate and timely information necessary to support the Board’s oversight responsibilities and fiduciary duties.

Limits on this Board’s authority. The Chief Retirement Officer is hired by, reports to, and is evaluated by the Executive Director. This Board does not hire, evaluate, direct, or assign work to the position; Board feedback on program delivery is directed to the Executive Director.

2nd Line — Middle/Back Offices and Enterprise Services

Fiscal services

Purpose: to assure that the funds and accounts of SIB clients and of TFFR members and beneficiaries are managed prudently under applicable accounting standards and practices.

Evaluation criteria: Internal and external audit reports, internal compliance controls, the publishing of timely and accurate performance reports and financial statements, and responsiveness and accuracy of reporting to oversight authorities.

Compensation and benefits. Compensation, benefits, and employment terms for RIO staff comply with applicable state and federal law.

Accounting. The master custodian will provide RIO staff with such accounting detail and at such frequency as the staff deems necessary to fulfill the SIB's reporting requirements. From this information, RIO staff will generate monthly and annual financial statements for each of the trust funds managed by the SIB, including the TFFR fund. RIO staff are responsible for assuring the proper valuation of all assets, and formal valuation policies must be developed and implemented using industry best practices and GAAP requirements.

See also → On the levels of service the Board sets and monitors: TFFR Board Charter — Oversight. On who speaks for the Board: Conduct the Business of the Board and Its Committees — Board Communications.

3rd Line — Internal Audit Services

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

The Director of Audit (DA) will report directly to the SIB typically through the ARCC. Administrative matters will be coordinated with the Executive Director.

The audit staff shall have full, free, and unrestricted access to all RIO activities, records, property, and personnel relative to the subject under review.

The internal audit division will assist RIO in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Functions and units within RIO will be reviewed at appropriate intervals to determine whether they are effectively carrying out their responsibilities of planning, organizing, directing, and controlling in accordance with SIB and management instructions, applicable laws, policies, and procedures, and in a manner consistent with both the RIO objectives and high standards of administrative practice.

The Internal Audit Services Unit is responsible for developing and directing a broad, comprehensive program of internal auditing within RIO. The Internal Audit Services Unit will report administratively to management and functionally to the ARCC.

The Internal Audit Charter requires a QAIP (Quality Assurance and Improvement Program), including (1) ongoing internal monitoring, (2) annual internal assessments, and (3) external quality assessment (EQA) at least every five years.

4th Line — Independent External Auditors and Advisors

The Fourth Line consists of independent external professionals engaged by this Board, or by the SIB or RIO on the Fund's behalf, to provide objective assurance, expert judgment, and independent validation across critical fiduciary, financial, investment, actuarial, and governance functions. These parties do not manage or execute operations; their role is to independently assess, test, advise, and opine — strengthening Board oversight, reducing blind spots, and reinforcing accountability.

Actuary — Performs the annual actuarial valuation of the Fund, the investigation of actuarial experience conducted once every five years (NDCC § 15-39.1-05.2(3)(c)), and the GASB reporting required of the plan and of participating employers, and recommends the actuarial assumptions and methods the Board adopts (NDCC § 15-39.1-05.2(3)(b), (d)). An independent actuarial audit provides periodic verification of that work. See also → Key Decisions — Decision Register (Delegations).

Medical Consultant — Provides independent medical review supporting disability determinations under the plan.

Investment Consultant (retained by the SIB) — Provides independent advice on investment policy, asset allocation, risk, benchmarks, manager structure, and performance evaluation; challenges assumptions and validates staff recommendations.

Independent External Auditor — Performs independent financial statement audits and internal control assessments; provides assurance on the integrity of financial reporting and compliance, including the annual audit of the Fund (NDCC § 15-39.1-22).

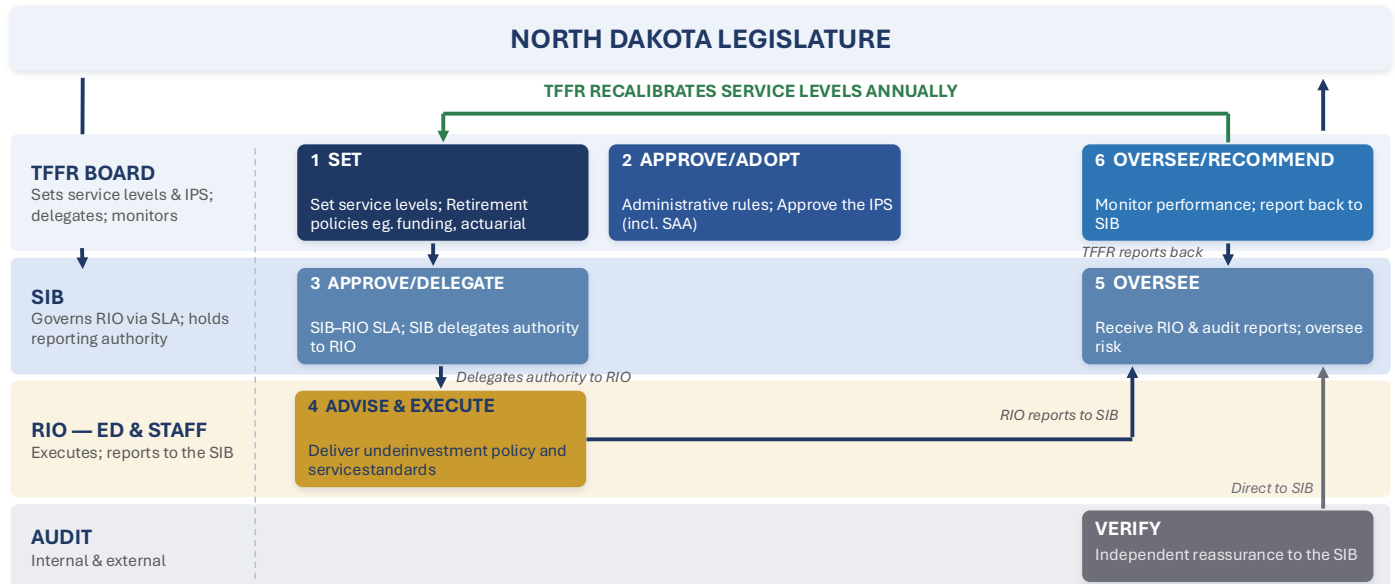
Governance Advisor — Assesses governance structure, policies, delegation, board effectiveness, and fiduciary practices; benchmarks against leading practices and statutory requirements.

Master Custodian (retained by the SIB) — Independently safeguards assets, settles trades, reconciles holdings, and provides independent books and records supporting valuation, performance, and control assurance.

External Legal Counsel — Provides independent legal advice on fiduciary duties, statutory authority, contracts, litigation, ethics, and regulatory compliance.

Collectively the Fourth Line strengthens the Board's ability to verify, challenge, and validate the information and the decisions, reinforcing trust, transparency, and long-term fiduciary integrity.

Authorities & Delegation



Reading the diagram: Each horizontal lane represents a level of authority. The Board governs through five powers: Conduct → Set → Approve & Delegate → Oversee → Verify & Report. Committees research, recommend, oversee, and verify. Staff advise and execute within delegated authority. Internal audit verifies operations and external audit verifies the integrity of financial statements. The Legislature authorizes and appropriates biennially; the Board is accountable to the Legislature and the public and reports to the Legislature.

Powers of the Board — Key Standards

- Key Decisions can only be made by the Board. Each must meet three standards:
- Must be for the exclusive purpose of providing benefits to members and benefit recipients (NDAC § 82-01-01-01(1)(c)(2); NDCC § 21-10-07; IRC § 401(a)(2)), and as Board policy, in the best interests of current and future members and benefit recipients.
- Must be prudent (take into account peer practices).
- Must be compliant (laws, administrative rules, plan documents).

Authority by Domain

The GPS maps authority explicitly across five powers and the five governance domains of the SIB GPS, plus one domain unique to TFFR: Benefits & Funding. The Governance & Policy Review Committee performs the due diligence necessary to support a recommendation to the full Board for its approval. Where the SIB or the Legislature holds a power, the matrix names that body.

Authority matrix — allocation of governance powers across six domains

Domain	Conduct Business	Research & Recommend	Set / Approve	Delegate	Oversee Execution	Verify & Report
Governance	Governance & Policy Review Committee	Governance & Policy Review Committee	TFFR Board	ED	Governance & Policy Review Committee	Governance & Policy Review Committee
Investment	TFFR Board	RIO Staff / Investment Consultant	TFFR Board / SIB (asset allocation approved jointly)	SIB (SIB invests; ED executes)	SIB Investment Committee	SIB Investment Committee
Leadership & Talent	SIB Executive Review & Compensation Committee	SIB Executive Review & Compensation Committee	SIB	SIB Executive Review & Compensation Committee / Budget & Finance Committee	SIB Executive Review & Compensation Committee	SIB Executive Review & Compensation Committee
Stewardship	SIB	SIB Budget & Finance Committee	SIB / Legislature	ED	SIB Budget & Finance Committee	SIB Budget & Finance Committee
Accountability	SIB Audit, Risk & Compliance Committee	SIB Audit, Risk & Compliance Committee	SIB	DA / Ext. Auditor	SIB Audit, Risk & Compliance Committee	SIB Audit, Risk & Compliance Committee
Benefits & Funding <i>TFFR only</i>	TFFR Board	ED / CRO / Actuary	TFFR Board	ED / CRO / Actuary / Medical Consultant	TFFR Board	Actuarial Auditor / Internal Audit

Highlighted cells differ from the SIB matrix. All other cells match the SIB matrix; “SIB” is added before committee names so readers know whose committee it is.

Abbreviations: CRO Chief Retirement Officer · DA Director of Auditing · ED Executive Director · SIB State Investment Board

Where TFFR Differs from the SIB Matrix

- **Governance.** Same structure. The TFFR Board, not the SIB, sets and approves.
- **Investment.** TFFR has no investment committee. The Board adopts its investment policy and approves asset allocation jointly with the SIB, which invests the Fund by statute (NDCC §§ 15-39.1-26, 21-10-02) and oversees through its Investment Committee.
- **Leadership & Talent, Stewardship, and Accountability.** No change. The SIB holds these powers over RIO. TFFR takes part through its representatives on the SIB, the Audit, Risk & Compliance Committee, and the Budget & Finance Committee.
- **Benefits & Funding.** Added because it is TFFR's core authority and has no SIB equivalent: actuarial assumptions and funding policy, benefit and disability determinations, appeals, and employer reporting.

How the Domains Map to the Decision Register

The Decision Register keeps its ten functional domains. This table shows where each one sits in the matrix.

GPS Domain	Decision Register (Delegations) domains it covers
Governance	1. Governance, Board Structure & Meetings; 2. Rulemaking, Legislative & IRC Compliance
Investment	3. Investment of Assets
Leadership & Talent	8. Personnel & Staffing
Stewardship	7. Financial Management & Budget
Accountability	7. Audit; 9. Employer compliance audits
Benefits & Funding	4. Actuarial & Funding; 5. Benefits Administration & Member Determinations; 6. Disability Determinations; 9. Employers & External Parties; 10. Service-Level Governance

Sources. Plan Management Policy: TFFR Program Manual § B (metrics established July 24, 2019; adopted October 24, 2019).

Delegations and reserved powers: Decision Register (Delegations). Service expectations: the Board's strategic plan and the annual CEM pension administration benchmarking report and, once adopted, the TFFR-SIB-RIO Service Level Agreement. Statutory basis: NDCC chs. 15-39.1, 21-10, and 54-52.5; NDAC tit. 82.

Authority Framework

The ND Legislature created TFFR. The Board governs the plan and exercises its authority through a prudent delegation architecture which embeds prudence across how authority is informed, delegated, exercised, overseen, independently verified, and reported. The Board may delegate authority to Committees, to the Executive Director, and others; however, delegation of authority does not and cannot delegate fiduciary responsibility.

The State Investment Board hires, evaluates, compensates, and plans for the succession of the Executive Director. The Executive Director hires officers and staff and advises the Board and its Committees. Committees may, subject to Board approval, retain independent consultants, perform due diligence, and make recommendations to the Board for its approval.

The Board sets direction and policy and exercises its authority to approve certain key decisions. Administration is funded through RIO's biennial legislative appropriation, governed by the SIB; benefits and consultant fees are paid from the Fund by continuing appropriation. The Board delegates authority to the Executive Director, exercised through the SIB's governance of the agency. The Executive Director executes directions within Board-approved policy. Committees oversee performance and risk and escalate and report exceptions to the Board. The Board reports to the Legislature, the members and benefit recipients, and the general public.

Delegation Principles

- Delegation

The Board delegates authority consistent with the following principles:

- Delegation of authority and resources is intentional, explicit, and documented.
- Authority is delegated with clear purpose, scope, limits, and expectations.
- Execution authority is accompanied by oversight, verification, and reporting requirements.
- The Board retains ultimate accountability and responsibility for prudent processes.
- Only the Board can delegate to the Executive Director.
- Only the SIB can delegate to Internal Audit; the Board receives audit reassurance through its representative on the SIB Audit, Risk and Compliance Committee.

Governance Process — The Flow of Authority

- Process Architecture

Governance Process

In exercising delegation, the Board follows a disciplined governance process:

1. The Executive Director and staff advise the Board and its Committees.
2. Committees (and Board consultants) recommend to the full Board.
3. The Board sets direction aligned to purpose, members and benefit recipients, and fiduciary duties.
4. The Board approves decisions and delegates authority and resources, defining limits and escalation thresholds.
5. The Executive Director executes within delegated authority.
6. SIB Committees oversee performance and risk.
7. Independent functions verify outcomes and controls to the SIB Audit, Risk and Compliance Committee and, through the Board's representative, to the Board.
8. The Board reports transparently to stakeholders and beneficiaries.

See also → On the role and authority of committees: Roles — Committee Composition — Committee Authority and Role. On the Board's oversight and verification: Roles — TFFR Board Charter — Oversight; Verification. On when each step falls in the year: Timing.

Role of Committees

→ Roles — TFFR Board Charter — Committee Composition — Committee Authority and Role.

Committees act on behalf of the Board in accordance with delegated authority and do not exercise management functions. Committees are accountable to:

- Advise and recommend to the Board based on analysis, expertise, and professional judgment.
- Oversee performance, risk, and compliance within their remit.
- Verify outcomes through metrics, internal audit, compliance, and independent reassurance.
- Escalate material issues, exceptions, and emerging risks to the Board.

Committees recommend but do not approve, unless explicitly authorized by the Board.

Oversight

- Monitoring performance and risk relative to expectations.
- Challenging results and assumptions.
- Focusing on trends, signals, and exceptions.
- Escalating material exceptions.

Verification

Verification provides objective evidence and is performed through independent functions, including:

- Internal audit
- Compliance and risk management reviews
- External audit and independent advisors

Conduct the Business of the Board and Its Committees

The Board's standing Committee shall operate under the terms of a charter approved by the Board and is set forth in this policy as follows: Governance and Policy Review Committee (GPRC). The SIB Audit, Risk and Compliance Committee serves as the Board's audit committee.

The chart below describes the approvals reserved for the Board. The expectation is that Committees will perform the due diligence necessary to support a recommendation to the full Board for its approval. The Board needs to determine a multi-year calendar and then Committees need to organize their work accordingly. Continuing education should be linked to the calendar to be targeted and just-in-time into account the very busy schedule of members.

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
Purpose	Serves as the statutory board of trustees in which the authority to set policy for the Fund rests, responsible for plan policy, rulemaking, actuarial matters, benefit determinations, service levels, and fiduciary accountability under NDCC ch. 15-39.1. Investment of the Fund is supervised by the SIB under an investment policy the Board establishes (NDCC §§ 15-39.1-05.2(2), 15-39.1-26).	Support the Board by providing focused research and recommendations, oversee performance and risk, verify and report to the Board within delegated subject-matter areas.
Fiduciary Status	Acts as fiduciary with full statutory duties of care, loyalty, and prudence to members and beneficiaries. Trustees affirm the Code of Conduct annually and disclose conflicts.	Committee members act as fiduciaries when exercising delegated responsibilities on behalf of the Board.
Authority	Holds all authority granted by statute (NDCC ch. 15-39.1); may delegate specific accountability while retaining ultimate responsibility. → Decision Register (Delegations).	Advise, oversee and verify only unless expressly delegated authority by the Board; may not bind the Board or exceed delegated scope.
Limitations	Authority constrained by statute, administrative rules, ethics laws, open meetings and open records requirements, and member-record confidentiality (NDCC § 15-39.1-30). Benefit design is set by the Legislature. RIO's administrative budget is approved by the Legislature biennially, and the Executive Director is appointed by the SIB.	Authority limited to Board-approved charters; committees have no independent or implied powers.
Quorum	Four of seven trustees. Four votes are required for any action, however many trustees attend (NDCC § 15-39.1-05.1(3)).	A majority of committee members. The Committee will act only on the affirmative vote of the majority of the Committee members at a meeting. Should a quorum not be present the Chair will announce the absence of a quorum and the members will disperse. Approved meeting minutes of the Committee will be submitted to the Board.

Draft – TFFR – Governance Policy System (GPS)

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
Voting	Voting on matters before the Board is by roll call, except on procedural matters, and will be contained in the minutes, which will show the recorded vote of each trustee. Proxy voting is not allowed.	Same as the Board.
Records	A record of proceedings will be kept by the Executive Director on all meetings of the Board. The records of these proceedings are public documents, except as confidential by law, and copies will be distributed upon request.	Same as the Board.
Meetings	Meets as required to fulfill statutory duties (at least quarterly); subject to ND open meetings law. All meetings of the Board are open to the public, except as allowed under North Dakota law, and are noticed as required by NDCC § 44-04-20. Meetings of the Board may be called by the President or two trustees upon reasonable notice in writing to the other trustees (NDCC § 15-39.1-06). Trustees are expected to attend each meeting, in person or via tele- or videoconference. The Board may invite RIO staff, the actuary, auditors, or others to attend meetings, as necessary to provide information and to conduct business. The Board approves an annual meeting schedule, generally on the SIB meeting day. The Board may hold executive sessions as allowed under state law. Meeting materials must be provided in accessible formats. Presentations must not rely solely on visual content. Recordings and posted materials must be provided in accessible formats.	Same except the Governance & Policy Review Committee may meet semi-annually.
Meeting Agendas	Meeting agendas will be prepared by the Executive Director and approved by the Board President, unless otherwise directed by the Board, and will be provided to trustees along with briefing materials seven (7) days before the scheduled Board meeting.	Same — except agendas will be prepared by the Committee staff liaison, in coordination with the Executive Director.
Meeting Materials	Meeting materials should be distributed at least seven (7) days in advance. Trustees are encouraged to read the materials in advance as presentations should be based on that assumption. This is intended to reduce the time spent “presenting” materials and increase the time spent on dialogue. Materials should meet ADA Design Standards.	Same as the Board.
Consent Agendas	The Board may use consent agendas to approve routine, non-controversial items in a single motion, without discussion — unless a trustee asks to pull an item for separate consideration. Typically, such matters (disability applications, QDROs, business partner reviews, and other routine administrative matters) have been reviewed in advance and require no debate or decision trade-offs.	Same as the Board.
Rules of Order	Robert’s Rules of Order Newly Revised except as superseded by state law and Board governance policies.	Same as the Board.

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
Reporting	Receives reports from Committees, staff, the actuary, auditors, external advisors, and TFFR's representatives on the SIB and its committees. Reports should be exception-based wherever appropriate. Reports to the Legislature as required, including statutory proposals to the Employee Benefits Programs Committee.	Reports regularly to the full Board; escalates material issues promptly. Reports should be decision-ready, clearly identifying: Issues; Options (least to most); Implications (pros and cons); Recommended actions.
Decision-Making	Makes final decisions unless authority is explicitly delegated. → Decision Register (Delegations).	Makes recommendations; decisions only where expressly delegated.
Self-Assessment	Conducts an annual Board self-assessment focused on fiduciary effectiveness and governance performance, using a standardized, confidential survey and facilitated discussion, timed to inform governance planning and charter reviews, and resulting in a written summary of strengths, gaps, and prioritized improvement actions reported to the Board. President-specific questions should be mapped to duties such as agenda discipline; meeting facilitation; fiduciary focus; boundary enforcement; information flow; culture/behavior management. Confidential peer feedback should be compiled by the GPRC and the results shared with the President.	The GPRC conducts annual Board and Committee self-assessments focused on: effectiveness and clarity of delegation; clarity of roles and decision authority; quality, timeliness, and usefulness of information received; adequacy of time spent on strategic vs. operational matters; effectiveness of risk, performance, and policy oversight; and committee composition, expertise, and workload. Results are summarized and shared with the Board, along with any recommended improvements. → Governance & Policy Review Committee Charter.
Mentor	Each new trustee shall be assigned a mentor by the President in consultation with the Executive Director to aid in their onboarding.	Not applicable.
Continuing Education	Each trustee participates in ongoing fiduciary, investment, actuarial, and governance education, completing a minimum of ten (10) hours each fiscal year (fifteen (15) in the first full fiscal year). → Roles — Trustee Duties, Expectations & Continuing Education — Continuing Education.	Each Committee member shall complete continuing education aligned with the Committee's responsibilities and required capabilities.
Charter / Governance Review	Approves governance framework and Committee charters; triennially reviews Board governance policies.	The GPRC will review the Committee charter at least triennially and recommend updates to the Board.
Accountability	Accountable to members, beneficiaries, participating employers, the Legislature, and the public for statutory compliance and long-term stewardship.	Accountable to the Board for researching and recommending policy, oversight of performance and risk within the delegated scope and verification and reporting to the Board.
Annual Workplans	The Board should create a multi-year workplan, cadence and calendar based on the approvals required of it. The annual agenda schedule and education plan are adopted at the July meeting.	Every standing Committee will create an at least annual plan to provide timely recommendations to the Board according to the agreed upon Board calendar.

Draft – TFFR – Governance Policy System (GPS)

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
Appointment	Trustees appointed or seated as provided in statute (NDCC § 15-39.1-05.1).	Committee members elected by the Board at the first meeting of each fiscal year or when a vacancy arises.
Compensation	Trustees, except ex officio members, will be paid the amount specified in NDCC § 15-39.1-08 per day of attendance at Board meetings and, by Board policy, committee meetings of two or more hours. Expenses will be paid according to state law and OMB policies.	Same as the Board.
Leadership	Board President presides over Board meetings and sets agendas in coordination with the Executive Director.	Committee Chairs will be designated by the Board President.
Staff Support	Executive Director serves as primary liaison; the Chief Retirement Officer and senior staff support Board deliberations. The Executive Director is appointed by and accountable to the SIB.	Executive Director designates senior staff liaisons appropriate to Committee scope, typically the Chief Retirement Officer.
Independent Advisors	The Board may retain independent advisors as required. Legal counsel is appointed by the Attorney General (NDCC § 54-12-08(1)).	Same subject to Board approval.
Terms	Appointed trustees serve five-year terms beginning July 1; ex officio members serve while in office (NDCC § 15-39.1-05.1).	Terms will be one year or termination of the term on the Board. Committee members serve at the pleasure of the Board.
President / Vice President	The Board elects a President and a Vice President at the first meeting following July 1 of each year (NDCC § 15-39.1-06), and meets at the call of the President or of any two trustees upon reasonable written notice.	The Board President will appoint a Committee Chair. The Chair will preside at all meetings of the Committee.
Election of Officers	Nomination: Any trustee may nominate any trustee; self-nomination is allowed; no second is required. Voting threshold: Four votes (NDCC § 15-39.1-05.1(3)); where no candidate receives four votes, the candidate with the fewest votes is dropped and the vote retaken. Voting method: Recorded roll call; secret ballots and acclamation are not allowed. Documentation: Candidates, each trustee's vote, and outcomes will be recorded in the minutes. Officers may be re-elected.	Not applicable.
Ad hoc and Sub-Committees	The Board may form, and delegate authority to, ad hoc or sub-committees when it deems appropriate.	Same as the Board.
Committees	The Board President appoints Committee members.	Governance & Policy Review; special (ad hoc) committees as the Board determines. TFFR is represented on the SIB Audit, Risk & Compliance Committee, which serves as TFFR's audit committee,

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
		and on the SIB Budget & Finance Committee.
Vacancies	A vacancy occurs upon: written resignation effective date; removal from officer role; removal from Board membership; death; permanent incapacity; loss of eligibility; disqualifying legal status; or termination of the employment on which an appointment was based. The ED will notify the Board within 5 business days; the President notifies the appointing authority within 10 business days. Holdovers: A trustee may continue to serve until a successor is appointed and qualified. A holdover should not exceed 90 days without written notice to the appointing authority. Staggered Appointments: Where appointment authority allows, the Board recommends staggered appointments and continuity planning to avoid simultaneous turnover.	Committee vacancies are filled by the Board at its next regular meeting, and special committee vacancies are filled by the Board President. The Board President may designate a trustee to cover a committee seat until the Board acts.
Independence	Not specified in NDCC ch. 15-39.1, which has no personal-profit prohibition equivalent to NDCC § 21-10-09. Five of seven trustees are plan members or beneficiaries by statutory design; that dual role is managed through the duty of loyalty, disclosure, and recusal. See also the Code of Conduct. A statutory analogue to NDCC § 21-10-09 should be pursued through the Employee Benefits Programs Committee.	Committee members are subject to the same Code of Conduct, disclosure, and recusal requirements.
Executive Sessions	The Board or a committee may conduct business in executive session only as permitted by NDCC § 44-04-19.2. Only the portions of a public meeting that are specifically confidential or exempt from open meetings law may be closed, and the remainder of the meeting must be open. Procedure: convene in open session preceded by proper public notice; announce the topics to be considered in executive session and the legal authority for the executive session; pass a motion to convene executive session; record the session electronically; limit topics to those announced and authorized; pass a motion to close the executive session, discontinue electronic recording, and return to open session; take final action during the open portion of the meeting; and record all substantive votes by roll call.	Executive sessions are presided over by the Board President or, in committee, the Committee Chair.
Trustee Orientation	Each new trustee should attend new trustee orientation session(s) as soon as possible after being appointed to the Board or elected to office. Orientation is developed by the Executive Director and includes, at minimum: introduction to RIO staff and a tour of the RIO office; the Governance Policy System; Board duties and responsibilities; history and overview of the plan; the TFFR–SIB–RIO organizational structure; laws, rules, and Board policies governing the plan; benefit structure, administration, and outreach services; fiduciary responsibilities, conflicts of interest, and ethics; open meetings	A trustee joining a committee receives a briefing from the staff liaison on the committee's charter, workplan, and current agenda.

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
	and open records; Board meeting schedule, protocol, minutes, and materials; the actuarial valuation, experience, and audit reports and funding policy; the annual financial report; the investment program, investment policy statement, asset allocation, and performance; the RIO website; legislative issues; and the list of educational conferences and training sessions.	
Education Conferences, Travel, and Reimbursement	The Executive Director or designee maintains a list of educational conferences, workshops, and training programs appropriate for trustees and provides it to trustees at least annually. Subject to budget availability, trustees may attend at least one out-of-state educational conference each year, and new trustees or trustees with investment or other specialized responsibilities may attend additional training to develop the knowledge and skills the role requires. Travel approval and post-travel reporting follow the Trustee Travel Policy; the Executive Director confirms budget availability and that the program is geared to trustee education. The Executive Director informs the Board annually of the programs attended by trustees. Trustees notify the Chief Retirement Officer of interest in a program; RIO completes the travel authorization form for the trustee's signature and the Executive Director's approval; and RIO makes travel arrangements and pays registration fees unless otherwise agreed. Travel-related expenses are paid in accordance with State of North Dakota travel policies, and reimbursement requires a completed expense form with receipts as required.	Committee-related travel follows the same approval and reimbursement process.
Public Access and Comment	Public participation or comment may be allowed at the Board President's discretion and subject to reasonable time limits, by written request to appear on the agenda, to speak on a specific agenda topic, or to speak on any TFFR-related topic not on a regular agenda, or by submitting a letter or written document for distribution to the Board. A request to appear must reach the Executive Director in writing at least ten business days before the meeting, stating the reason or topic, and the item is placed on the agenda subject to the President's approval. A request to speak on a specific agenda topic, or under Other Business on a TFFR-related topic that is not on the agenda, must reach the Executive Director in writing at least two hours before the meeting, stating the topic. A speaker is allowed five minutes unless the President allows more. A member of the public with a question about the operation of the plan, or about an individual member or business partner matter, is encouraged to contact the Executive Director or the Chief Retirement Officer directly, so that Board time is not taken with matters staff can answer.	Same as the Board.

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
	The Board's published participation guidelines set out the procedure at the meeting itself, including how a speaker is recognized and the conduct expected. → TFFR Board Public Participation Guidelines, posted on the RIO website.	
Confidentiality	Records relating to a member's or beneficiary's retirement benefits are confidential and are not public records (NDCC § 15-39.1-30). Disclosure is permitted only to the persons and for the purposes listed in that section, under rules adopted by the Board.	Same as the Board.
Rulemaking	The Board may adopt such rules as are necessary to fulfill its responsibilities (NDCC § 15-39.1-07), codified at NDAC tit. 82, including rules governing disclosure of confidential member records. Rulemaking follows NDCC ch. 28-32, including Attorney General review and Legislative Management Administrative Rules Committee review.	The GPRC reviews proposed rules for consistency with the Governance Policy System, and adoption is reserved to the Board.
Board Appeals	Any member, beneficiary, business partner, or affected individual may appeal a determination made by the Executive Director or designee regarding TFFR eligibility, benefits, or other plan provisions. A written request for Board review must be filed within thirty days after notice of the determination, and if it is not filed within that period the decision of the agency is final. The request must include the decision being appealed, the reasons the individual believes it should be reversed or modified, and any relevant documentation. The appeal hearing is scheduled as part of a regularly scheduled Board meeting, a summary of the relevant facts and documentation is presented, and the affected individual or designee may attend and speak. The Board decides after reviewing the facts, documentation, and testimony, and communicates its decision in writing to the affected individual within thirty days. An aggrieved individual may initiate a formal administrative action against the Board in accordance with NDAC § 82-10-01-01 and NDCC ch. 28-32. When sitting on appeals the Board acts in a quasi-adjudicative capacity, avoiding ex parte contact with a party and preserving the record.	No committee may hear or decide an appeal or make an individual benefit determination.
Board Communications	The Board President and the Executive Director — or the Chief Retirement Officer in the Executive Director's absence or at the Executive Director's direction — are authorized to represent the Board on retirement program issues and to announce Board	A Committee Chair speaks for the committee only on matters within its charter, and reports committee positions to the Board rather than externally.

Conduct Dimension	TFFR Board of Trustees (Board)	Committees (All Committees)
	positions and decisions, unless otherwise determined by the Board. Trustees may respond to general inquiries about the TFFR retirement program. Specific questions from members, beneficiaries, business partners, and the public should be referred to the Communications and Outreach Director or other RIO staff for more detailed information.	
Strategic Planning	The Board and the Executive Director work collaboratively to develop a long-term strategic plan. The plan may identify and prioritize TFFR program issues and initiatives; assess strengths, weaknesses, opportunities, and threats; focus resources on high-value activities; develop strategies to address priorities; monitor progress and implementation; and inform the SIB, through the Executive Director, of the resources successful execution requires.	The GPRC aligns the Governance Policy System and committee workplans to the strategic plan.
Litigation Governance	→ <i>Fiduciary Conduct Policies — Litigation Governance.</i>	→ <i>Fiduciary Conduct Policies — Litigation Governance.</i>

Governance & Policy Review Committee Charter

Purpose

The Governance & Policy Review Committee (GPRC) is a standing Committee of the Board of Trustees of the North Dakota Teachers’ Fund for Retirement (TFFR). The GPRC assists the Board in fulfilling its fiduciary responsibilities by overseeing the integrity, coherence, and effectiveness of the Board’s governance framework.

The GPRC’s role is governance and policy stewardship, not management execution. The GPRC assures that Board policies remain clear, current, internally consistent, and aligned with fiduciary duties, statutory authority, and long-term objectives.

The GPRC is intentionally policy-centric rather than operational and serves as the Board’s institutional memory and governance steward. Its effectiveness is measured by improved clarity, consistency, fewer governance-related surprises, and stronger long-term decision discipline.

The GPRC shall periodically review the Board’s governance framework against recognized governance standards and leading practices and recommend enhancements as appropriate.

Authority and Limitations

- Has authority to review, assess, and recommend.
- Does not have authority to approve policy, except where specifically delegated by the Board.
- Does not direct management operations, and does not supervise the Executive Director, the Chief Retirement Officer, or Retirement and Investment Office staff.
- May request information, analyses, and assistance from management and external advisors as necessary to fulfill its duties.

Recommended Capabilities

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

- Fiduciary Duties & Public Governance Law
- Board–Management Delegation & Accountability
- Governance Frameworks, Policies & Charters
- Ethics, Conflicts & Independence
- Board Effectiveness & Self-Assessment
- Compliance with the Americans with Disabilities Act (ADA)

Staff Liaison: Executive Director

Powers and Responsibilities

1. Conduct — Annual Self-Assessments

The GPRC shall conduct its own self-assessment and oversee the completion of annual self-assessments for the Board, all Committees, and individual trustees, and shall report the results to the Board.

2. Set: Research and Recommend

a. Charter and Delegations Framework

The GPRC shall periodically review this Charter and all Committee charters (no less than every three years) and recommend updates to reflect: statutory or regulatory changes; evolving governance practices; Board priorities; clearer decision-making, delegation, and accountability; and delegations of authority.

The GPRC shall review and recommend Board delegations to Committees, the Executive Director, and staff, assuring that delegations are clearly defined, include appropriate limits and reporting expectations, and preserve Board accountability and its reserved powers while enabling effective operations.

b. Statutory and Rule Changes

The GPRC shall review and recommend changes to the governance provisions of NDCC ch. 15-39.1 for the Board’s submission to the Legislative Management’s Employee Benefits Programs Committee (NDCC § 15-39.1-05.2(5)), and changes to NDAC tit. 82 for adoption by the Board under NDCC ch. 28-32. Recommendations on benefit design, eligibility, and contribution statute remain with the Board itself and fall outside the GPRC’s scope. The GPRC shall review proposed administrative rules before they are advanced under NDCC ch. 28-32; adoption is reserved to the Board (NDCC § 15-39.1-07).

The GPRC may recommend governance enhancements that strengthen long-term stewardship, informed challenge, constructive Board–management relationships, and disciplined decision-making.

3. Approve: Not authorized

The Committee is not authorized to approve, except where explicitly delegated by the Board.

4. Oversee

a. Governance Risk and Alignment

- Monitor emerging governance, fiduciary, and regulatory risks.
- Oversee alignment of Board policies with statutes, regulations, fiduciary standards, and leading practices.
- Coordinate, as appropriate, with the SIB Audit, Risk and Compliance Committee (through the Board’s representative on that committee), the Attorney General’s Office, and external governance advisors.

Material governance issues shall be elevated to the Board with clear recommendations.

b. Board Effectiveness and Development

The GPRC shall oversee processes that support effective Board performance, including: annual Board and Committee self-assessments; trustee orientation and ongoing education expectations; and practices related to meeting effectiveness, agenda design, and the quality and timeliness of Board materials.

c. Governance Policy System

The GPRC shall oversee the design and coherence of the Board’s governance system, including governance policies, delegations of authority, Committee charters, and Board procedures. The Committee shall monitor for gaps, overlaps, or ambiguity that could undermine fiduciary oversight.

d. Governance Policy Review Cycle

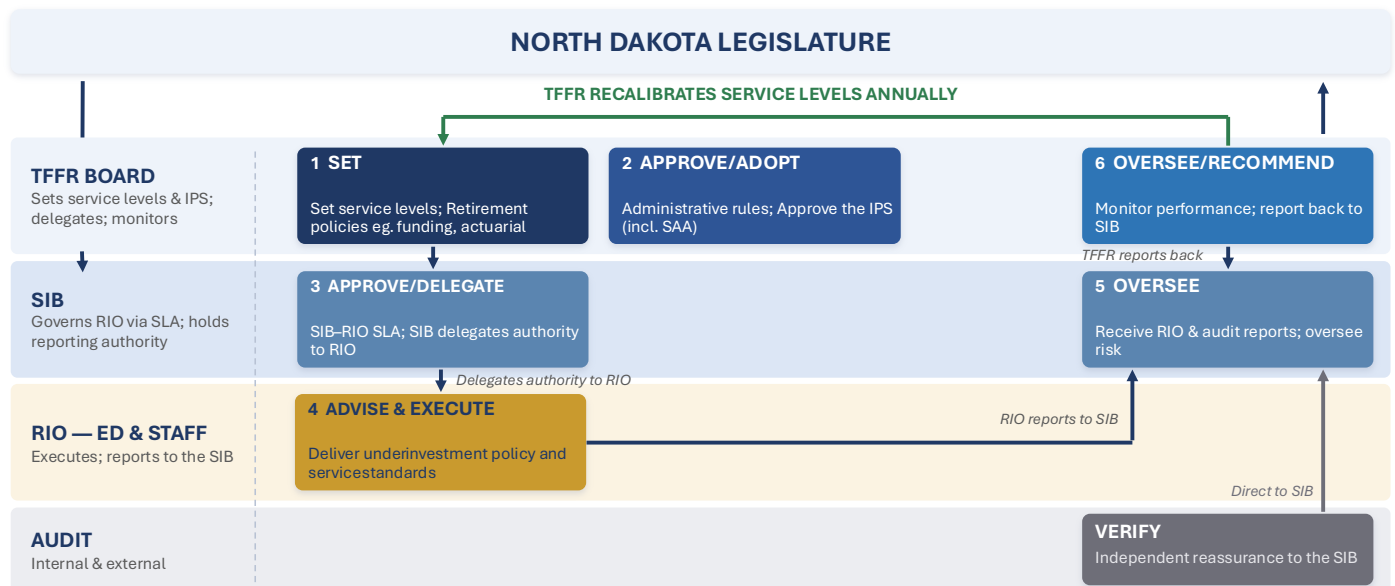
The GPRC shall establish and oversee a structured review cadence (no less than every three years) assuring reviews are risk-informed, aligned with statute and leading practice, and reflective of Board intent. Periodic review does not imply revision.

5. Verify and Report to the Board

a. Verification — The GPRC shall verify that governance documents clearly define roles, authorities, and accountability; distinguish Board oversight from management execution; and remain internally consistent and free of conflict or duplication. The GPRC shall also verify that the Attorney General’s opinion as to legality is obtained before the Board adopts an administrative rule (NDCC § 28-32-14).

b. Reporting — The GPRC shall report regularly to the Board regarding policy review activities, governance assessments, and recommendations for action. Recommendations shall be decision-ready and include rationale, implications, and alternatives where appropriate.

Key Decisions



The Decision Register (Delegations)

- Purpose and Functions
- Decision Architecture

The GPS introduces a **Decision Register** — a catalogued inventory of the key decisions the Board makes, organized by the committee or body that performs the due diligence, by policy area, and by cadence. The register lists 57 key Board decisions: 39 recur on a fixed cycle and 18 are event-driven. The Board makes major governance decisions over a five-year period.

To support each major decision, the GPS introduces Just-in-Time Peer Intelligence Reports and curated board insights — providing relevant context and suggested questions to ask in advance of each significant vote or action.

The Five Powers: Conduct, Set/Approve, Delegate, Oversee, and Verify & Report. Together, they frame every decision in the register. Committees, RIO staff, and the Board’s advisors perform due diligence and recommend; the **Board** approves.

The Governance Policy System is designed to assure that the Board exercises its fiduciary authority in a disciplined, transparent, and repeatable manner across multiple years. At its core are two reinforcing governance tools:

- **The Decision Register (Delegations), a structured** inventory of all recurring and non-recurring decisions.
- **The Governance Cycle - a calendarized** multi-year cadence of Board and Committee activities through which policies are set, decisions are approved, authority is delegated, performance is overseen, and results are verified.

Together, these tools establish a five-year governance cycle that organizes the Board’s fiduciary responsibilities into a structured sequence of decisions, oversight activities, and policy refinements. This approach assures that the Board governs proactively rather than reactively, maintains disciplined oversight of delegated authority, and continuously improves the governance framework over time.

The Decision Register is the central operating instrument of the system. It is a structured record that identifies, documents, and schedules all key Board decisions required to govern the plan and the organization.

The Decision Register (Delegations) serves several governance functions:

- Provides clarity regarding which decisions belong to the Board;
- Establishes decision ownership and delegation;
- Schedules just-in-time intelligence and insights (continuing education) in preparation for decisions;
- Assures that decisions are made with adequate preparation and due diligence;
- Aligns Board activity with the plan’s strategic and fiduciary responsibilities;
- Enables multi-year governance planning.

Each entry in the Decision Register typically identifies:

- The decision topic;
- The timing or cadence of the decision;
- The Board authority being exercised;
- The committee responsible for due diligence;
- The intelligence and insights needed in advance to make a prudent decision;
- The information, analysis, and independent advice required;
- The expected outcome or approval.

The Decision Register assures that every significant Board decision is prepared through an appropriate governance process, including committee due diligence, expert analysis, and independent verification where appropriate.

Complete Decision Register

Decision Register — Key Board approvals and cadence, organized by committee

Policy Area	Due Diligence / Recommend	Cadence
GOVERNANCE & POLICY REVIEW COMMITTEE		
Governance, Authority & Controls	Election of Officers & SIB Representatives	Y1
	Delegation of Authority (Decision Register)	Y3
	Delegation of Authority Matrix	Y3
	Annual Agenda Schedule & Education Plan	Y1
	Committee Charters	Y3
	Governance & Program Policies; Conflict-of-Interest Standards	Y3
	Code of Conduct Affirmation & Conflict-of-Interest Disclosures	Y1
	Policy Review Schedule	Y1
	Board, Committee & Individual Self-Assessment	Y1
Extraordinary & Non-Routine	Response to a Breach of the Conduct Policies; Referral to the Ethics Commission	AN
	Special or Emergency Meeting; Emergency Stabilization	AN
	Litigation Positions & Material Settlements	AN

Draft – TFFR – Governance Policy System (GPS)

Policy Area	Due Diligence / Recommend	Cadence
	Litigation Register	Q
INVESTMENT — RIO staff & investment consultant recommend; approved jointly with the SIB where statute requires		
Investment Strategy	Investment Goals, Objectives & Risk Tolerance	Y4
	Asset Allocation Policy & Changes (joint with SIB)	Y4
	Investment Policy Statement (SIB accepts)	Y3
	Delegation of Investment Management to the SIB	Y3
LEADERSHIP & TALENT — SIB Executive Review & Compensation Committee decides; TFFR Board provides input		
Leadership & Talent	Written Input to the SIB on the Executive Director's Goals & Evaluation	Y1
	Input to the Executive Director on an Interim Chief Retirement Officer	AN
	Succession Planning Policy (Board positions)	Y3
BUDGET & FINANCE — SIB Budget & Finance Committee; TFFR representative reports to the Board		
Financial & Operational Stewardship	Input to the RIO Biennial Budget	Y2
	Payment of Benefits, Consultant Fees & Investment Costs	Q
	RIO Budget, Expenditures & Information Technology (oversight)	Q
AUDIT, RISK & COMPLIANCE — SIB Audit, Risk & Compliance Committee serves as TFFR's audit committee		
Accountability & Transparency	Annual Audit of the Fund	Y1
	Internal Audit Plan & Findings	Y1
	Executive Director's Annual Report on Delegated Authority	Y1
	Annual Financial Report & Report to Members and Employers	Y1
	Independent Reassurance on Reported Service Performance	Q
BENEFITS & FUNDING — TFFR only — full Board; RIO staff, the actuary, and the medical consultant recommend		
Actuarial & Funding	Actuarial Assumptions, Methods & Factors	Y5

Draft – TFFR – Governance Policy System (GPS)

Policy Area	Due Diligence / Recommend	Cadence
	Actuarial Funding Policy	Y3
	Plan Management Policy	Y3
	Annual Actuarial Valuation & GASB Reports	Y1
	Plan Management Policy Risk Score	Y1
	Actuarial-Adequacy Test; Conditional Benefit Adjustment	Y1
	Hiring / Termination of the Consulting Actuary	AN
	Independent Actuarial Audit	Y5
Rulemaking & Legislation	Administrative Rules	AN
	Legislative Priorities & Proposals to the EBPC	Y2
	IRC-Compliance Plan Modifications (with EBPC)	AN
Member Benefits & Appeals	Eligible Retirement Salary Determinations	AN
	Service Purchase Factors	AN
	Waiting-Period Waivers	AN
	Joint-and-Survivor Beneficiary Changes	AN
	QDRO Qualified Status	AN
	Overpayment Releases & Repayment Appeals	AN
	Member Appeals	AN
Disability	Disability Eligibility Determinations	AN
	Suspension or Cessation of Disability Benefits	Q
	Recertification Appeals	AN
Service Levels	Levels of Service to Members	Y1
	Statement of Service Expectations to the SIB	Y1

Policy Area	Due Diligence / Recommend	Cadence
	Service Goals & CEM Measures (Strategic Plan)	Y1
	Service Performance against Strategic Plan Targets	Q
Employers & External Parties	Hiring / Termination of the Medical Consultant	AN
	Employer Penalty & Interest Waivers	AN
	Consultant & Service-Provider Performance Review	Y1
	Employer Reporting Compliance	Q

Cadence Key	Decision Flow
Y1 — Annual Y2 — Biennial Y3 — Every 3 years Y4 — Every 4 years Y5 — Every 5 years Q — Quarterly / Monthly AN — As Needed / Event-Driven	The Governance & Policy Review Committee, RIO staff, and the Board’s advisors perform the due diligence necessary to support a recommendation to the full Board for its approval. Where a SIB committee holds the decision, TFFR’s representative carries the Board’s input and reports back. The Board determines a multi-year calendar and committees organize their work accordingly.

Conditions, legal authority, and limits on discretion for each decision are recorded in the Decision Register (Delegations) — Statutory Detail.

Triggers — Event-Driven Decisions

The key is not cadence length. The key is discipline around triggers.

Event-driven items activate outside the calendar — a statutory change, an actuarial result crossing a statutory threshold, a contested determination, litigation, or a material control failure.

Triggers That Qualify:

Plan and Funding

- Statutory benefit or contribution change
- Actuarial-adequacy test exceeds threshold (NDCC § 15-39.1-10.11)
- Funded ratio reaches 100 percent (NDCC § 15-39.1-09)
- Experience study or assumption change materially alters funding
- Inflation regime permanently shifts
- Regulatory mandate changes
- Funding model fundamentally changes

Systemic financial architecture changes

Administration and Members

- Contested benefit, disability, or overpayment matter
- Material employer non-compliance (NDCC § 15-39.1-23)
- Service-level exception outside tolerance
- Material control failure, audit finding, or security incident

Investment Program and Agency

- Reference SIB trigger.

Triggers That Do NOT Qualify

- Market drawdowns do not qualify as event-driven triggers
- Short-term performance deviations within expected variance
- Routine operational matters within delegated authority
- Benefit calculation errors corrected within delegated authority

Timing

Calendar cadence rationale for each GPS approval item. The key is not cadence length — the key is discipline around triggers.

The Governance Cycle

— Timing Philosophy

The Governance Cycle is the structured multi-year timing and cadence through which the Board fulfills its fiduciary responsibilities. The Governance Cycle is designed to span five years, with individual decisions occurring on annual, biennial, or multi-year intervals depending on their importance and statutory or fiduciary requirements.

The cycle organizes governance activities into a continuous decision-making loop, assuring that policies remain current, delegated authority is monitored, and performance outcomes (investments and benefits delivery) inform future decisions. The Governance Policy System organizes the Board’s activities by its powers:

1. Conduct the business of the Board and its Committees

Subject to governing statutes, the Board determines how it will conduct business, make decisions collectively, and delegate to its committees and the Executive Director. This stage is where agendas

and calendars are set, committee assignments and the Board’s representatives to the State Investment Board are chosen, and self-assessments are scheduled.

2. Set Direction and Policy

The Board establishes policy direction and objectives: the plan’s funding policy and actuarial assumptions, its investment policy and long-range asset allocation targets, its administrative rules, the levels of service its members receive, and the governance policies and delegation framework. Committees may assist in developing policy proposals, but policy authority remains exclusively with the Board.

3. Approve and Delegate Authority

Following committee or Board review and due diligence, the Board formally approves policies and strategic decisions. Once approved, the Board delegates the authority and resources necessary to implement the decision – including authority to the Executive Director and senior staff, implementation responsibility and within the Retirement and Investment Office, and defined reporting requirements and performance expectations. Delegation is always accompanied by clear accountability and monitoring expectations.

4. Oversee execution within policy

The Executive Director and staff implement Board policies and decisions. Committees may monitor implementation progress but do not manage operations. The Board and its committees oversees performance, practices, and controls associated with delegated authority, performing oversight within their areas of responsibility and reporting findings to the Board through performance reports, risk monitoring, financial condition reviews, operational updates, and progress reports.

5. Verify and Report

Independent assurance mechanisms provide verification of results and governance practices — including internal audit reviews, external audit reports, independent actuarial audits, independent investment performance analysis, governance reviews, and legal and compliance reviews. The SIB Audit, Risk and Compliance Committee, which serves as this Board's audit committee, reviews independent auditor and advisor reports and present conclusions and recommendation to the Board. The Board evaluates whether policies remain appropriate, whether delegated authority has been exercised prudently, and whether governance practices require refinement. Where necessary, the Board updates its policies or governance structures, beginning the next cycle of governance decision-making.

Continuous Governance Improvement

The cycle creates a continuous improvement loop in which each stage informs the next: Policy Direction → Approval and Delegation → Implementation → Oversight → Verification → Reporting and Policy Refinement. This cycle assures that governance evolves based on evidence, oversight findings, and strategic priorities rather than ad hoc decision making.

Governance Calendar

The Governance Cycle is operationalized through a multi-year governance calendar derived from the Decision Register. The calendar schedules Board approvals and oversight activities, aligns the Committee work plan with Board decision timing, and assures decisions occur with sufficient preparation and due diligence, and distributes governance workload evenly across the year. Some decisions occur annually, while others follow multi-year cycles.

— Board & Committee Schedule

This is the TFFR Board’s working governance calendar for the full Board and its one standing committee. It is organized on a **fiscal-year basis** (July 1 to June 30) and runs on a recurring **five-year cycle**, so that annual, quarterly, and monthly business repeats each year while structural reviews surface in the year they are due.

Power	Decision	Holder & flow	When	Cadence	Why then
Every year: meetings, monthly and quarterly business					
Conduct	Set meeting schedule, agendas, quorum, voting	LEG → TFFR → ED (agenda)	Every meeting	Y1	Agenda prepared by the Executive Director and approved by the President for each meeting.
Conduct	Trustee compensation and travel	LEG → TFFR (administers)	Every meeting	Q	Compensation and expenses are paid per meeting attended (NDCC § 15-39.1-08).
Oversee	Determine “teacher” status and employer-reporting compliance	LEG → TFFR → STAFF (monitors)	Monthly	Q / AN	Employer reports arrive monthly; contested matters rise to the Board as they occur.
Oversee	Remit contributions; report salary and service; certify IRC § 414(h)(2) pickup; employer service purchase	LEG → EMP • TFFR (enforce)	Monthly	Q	Employers remit by the fifteenth of each month.
Approve	Pay benefits, consultant fees, and administrative and investment costs	LEG → TFFR / SIB	Monthly	Q	Benefit payroll runs monthly; payments are reported to the Board quarterly.
Oversee	RIO’s delivery against the service levels	TFFR ∅ • RIO reports	Quarterly	Q	Staff report progress against the strategic plan’s service targets, with exceptions.
Verify	Accuracy of reported performance (independent reassurance)	TFFR ∅ via ARCC representative	Quarterly	Q / Y1	Independent reassurance that reported service results are reliable.
Oversee	RIO budget, expenditures, financial reporting, and information technology	LEG → SIB • TFFR (oversees)	Quarterly	Q / Y1	Quarterly RIO budget and financial reporting; information technology reviewed annually.
Oversee	Audit oversight for TFFR	SIB ARCC (shared)	Quarterly	Y1	Status of corrective action on audit findings affecting the

Draft – TFFR – Governance Policy System (GPS)

Power	Decision	Holder & flow	When	Cadence	Why then
					plan, through the ARCC representative.
Oversee	Litigation register and reporting	TFFR ☉ • GPRC receives	Quarterly	Q / AN	Routine matters quarterly; material matters immediately.
Approve	Suspend or cease disability benefits; set a trial-return period	LEG → TFFR	Quarterly	Q	Recertification outcomes reported quarterly.
Oversee	Make continued-eligibility recertification decisions	TFFR → ED (by rule)	Quarterly	Q	Recertification decisions made on the recertification schedule, reported quarterly.
Every year: Q1 · Jul–Sep					
Conduct	Elect Board officers; elect SIB representatives and their alternate, and recommend the Board's representatives to the ARCC and the Budget and Finance Committee; seat the GPRC	TFFR ☉	Q1 · Jul–Sep	Y1 / AN	First meeting following July 1 (NDCC § 15-39.1-06); opens the fiscal year.
Conduct	Set meeting schedule, agendas, quorum, voting	LEG → TFFR → ED (agenda)	Q1 · Jul–Sep	Y1	Annual meeting schedule adopted in July, generally on the SIB's meeting day.
Set	Adopt the annual board agenda schedule and education plan	TFFR ☉ (ED prepares)	Q1 · Jul–Sep	Y1	Adopted at the July meeting so education is linked to the year's decisions.
Approve	Confirm the governance policy review schedule	TFFR ☉	Q1 · Jul–Sep	Y1	Confirmed in July for the year's share of the three-year review cycle.
Conduct	Set conflict-of-interest standards for trustees	ETH (floor) • TFFR ☉ • GPRC reviews disclosures	Q1 · Jul–Sep	Y3 / Y1	Annual affirmation and disclosure review at the first meeting of the fiscal year, with the oath reaffirmation.
Set	Adopt and review the succession planning policy; receive the continuity-readiness dashboard	TFFR ☉	Q1 · Jul–Sep	Y1 / Y3	Continuity-readiness dashboard and order of officer succession confirmed with the officer elections.
Verify	Receive the Executive Director's annual report on delegated authority, exceptions to Board policy, and compliance with the plan's statutory duties	TFFR → ED	Q1 · Jul–Sep	Y1	Covers the fiscal year just ended (June 30).
Oversee	Oversee the governance instruments — policies for plan administration, the funding policy and progress, and investment policy and asset allocation	TFFR ☉ • GPRC monitors	Q1 · Jul–Sep	Y1	Start-of-year review of the instruments the Board has adopted.

Draft – TFFR – Governance Policy System (GPS)

Power	Decision	Holder & flow	When	Cadence	Why then
Verify	Internal audit and compliance monitoring	SIB / RIO → STAFF	Q1 · Jul-Sep	Y1	Annual internal audit plan, reported through the ARCC representative.
Every year: Q2 · Oct-Dec					
Verify	Receive and accept the annual actuarial valuation and the GASB reporting required of the plan and of participating employers	TFFR → ACT · TFFR (accepts)	Q2 · Oct-Dec	Y1	The valuation as of July 1 is presented in the fall; GASB Statement No. 67 reporting follows it.
Oversee	Receive actuarial recommendations on rates and statutory changes	TFFR → ACT · TFFR (submits to EBPC)	Q2 · Oct-Dec	Y1 / Y2	Contribution-rate recommendations accompany the valuation.
Oversee	Receive the actuarial-adequacy test report	LEG → TFFR (reports to EBPC)	Q2 · Oct-Dec	Y1	The adequacy test is run on the valuation results.
Approve	Reduce or suspend the conditional annual benefit adjustment	LEG → TFFR	Q2 · Oct-Dec	Y1 / AN	Taken up only if the annual test shows the statutory shortfall.
Verify	Conduct the annual audit of the Fund	LEG → TFFR	Q2 · Oct-Dec	Y1	Audit of the fiscal year ending June 30.
Verify	Publish the annual financial report of the Fund, and report to members and participating employers on funded status, investment results, and administrative performance	TFFR (Board report) · SIB (agency financial report)	Q2 · Oct-Dec	Y1	Published after the audit; reported to members and participating employers.
Every year: Q3 · Jan-Mar					
Verify	Receive the annual Plan Management Policy risk score	TFFR ☉ · ACT / STAFF prepare	Q3 · Jan-Mar	Y1	Risk score updated after each valuation.
Oversee	Oversee the performance of consultants, advisors, and service providers — actuarial, medical, investment, and other retained providers	TFFR ☉ · RIO reports	Q3 · Jan-Mar	Y1	Mid-year review of retained providers, ahead of contract renewals.
Every year: Q4 · Apr-Jun					
Conduct	Board, committee, and individual self-assessment	TFFR ☉ · GPRC oversees	Q4 · Apr-Jun	Y1	Completed in spring so results inform the July governance planning and charter reviews.
Set	Determine appropriate levels of service to members, including benefits counseling and preretirement programs	LEG → TFFR	Q4 · Apr-Jun	Y1	Set for the coming fiscal year, ahead of the SIB's budget and goal-setting.

Draft – TFFR – Governance Policy System (GPS)

Power	Decision	Holder & flow	When	Cadence	Why then
Set	Inform the SIB of expected service levels, goals, and objectives	LEG → TFFR (informs SIB)	Q4 · Apr–Jun	Y1	The annual Statement of Service Expectations, transmitted ahead of the SIB's budget work.
Set	Set service goals and CEM measures, with targets, in the strategic plan	TFFR ∅ (ED recommends)	Q4 · Apr–Jun	Y1	Targets set for the coming fiscal year and shared with the SIB ahead of the RIO budget.
Oversee	Provide the Board's written input to the SIB on the Executive Director's annual performance goals and evaluation	LEG → TFFR (informs SIB)	Q4 · Apr–Jun	Y1	Timed ahead of the SIB's annual goal-setting and evaluation of the Executive Director.
Every second year: aligned with the legislative session					
Set	Set legislative priorities and positions; submit proposals	LEG → TFFR (submits to EBPC)	Biennial · interim year	Y2	Proposals reach the Employee Benefits Programs Committee during the interim before each session.
Oversee	Develop the agency budget	SIB → ED · TFFR (input)	Biennial · interim year	Y2	Retirement-program input to RIO's budget request before each session.
Oversee	Receive actuarial recommendations on rates and statutory changes	TFFR → ACT · TFFR (submits to EBPC)	Biennial · interim year	Y1 / Y2	Statutory changes recommended by the actuary are carried into the legislative proposals.
Verify	Report to the Legislative Assembly; escalate a material matter to the Legislative Assembly or the EBPC	TFFR ∅ (President, with the ED)	Biennial · session year	Y2 / AN	Reporting and testimony during each legislative session; escalation as needed.
Multi-year items: Years 1 to 5 of the five-year cycle					
Approve	Retain an independent actuarial auditor	TFFR ∅	Year 1	Y5	Independent audit of the consulting actuary's most recent experience study and valuation.
Set	Adopt and amend governance and program policies	TFFR ∅	Years 1–3	Y3	One third of the governance and program policies each year, per the confirmed review schedule.
Set	Adopt and amend the GPRC Charter and any committee charter	TFFR ∅	Year 3	Y3	Three-year charter review, recommended by the GPRC.
Set	Adopt and amend the Decision Register (Delegations)	TFFR ∅	Year 3	Y3 / AN	Three-year review of delegations and cadences.
Conduct	Set conflict-of-interest standards for trustees	ETH (floor) · TFFR ∅ · GPRC reviews disclosures	Year 3	Y3 / Y1	Three-year review of the Board's conflict standards.

Draft – TFFR – Governance Policy System (GPS)

Power	Decision	Holder & flow	When	Cadence	Why then
Set	Adopt and amend the Plan Management Policy	TFFR ☉	Year 3	Y3	Three-year review of the Plan Management Policy.
Set	Adopt and modify the Actuarial Funding Policy	TFFR ☉	Year 3	Y3 / Y5	Three-year review; also revisited after each experience study (Year 5).
Set	Adopt the Investment Policy Statement	TFFR → SIB (accepts)	Year 3	Y3 / Y4	Three-year review; also revisited with the allocation review (Year 4).
Approve	Delegate to the SIB the investment-management responsibility not assigned to it in NDCC ch. 21-10	TFFR → SIB	Year 3	Y3	Reviewed with the IPS.
Set	Adopt and review the succession planning policy; receive the continuity-readiness dashboard	TFFR ☉	Year 3	Y1 / Y3	Comprehensive review of the succession planning policy.
Set	Establish investment goals, objectives, and asset-allocation policy	LEG → TFFR	Year 4	Y4	Asset-liability study and allocation review.
Set	Use RIO staff and consultants to develop allocation and investment policy	LEG → TFFR (mandatory)	Year 4	Y4	RIO staff and consultants support the allocation review (NDCC § 21-10-02.1(2)).
Approve	Approve the asset allocation and any change to it	TFFR + SIB	Year 4	Y4	Joint approval with the SIB.
Set	Adopt the Investment Policy Statement	TFFR → SIB (accepts)	Year 4	Y3 / Y4	IPS revisited with the allocation review.
Oversee	Compute the valuation and ADEC; conduct the experience study	TFFR → ACT	Year 5	Y1 / Y5	Investigation of actuarial experience once every five years (NDCC § 15-39.1-05.2(3)(c)).
Set	Adopt actuarial assumptions, methods, tables, and factors	LEG → TFFR	Year 5	Y5	Assumptions adopted after the experience study, through rulemaking where fixed in rule.
Set	Adopt and modify the Actuarial Funding Policy	TFFR ☉	Year 5	Y3 / Y5	Funding policy revisited after the experience study.
Approve	Retain the consulting actuary; RFP cycle	LEG → TFFR	Beyond the cycle	AN	Actuary RFP every six to ten years, at Board discretion.
As needed · event-driven (no fixed quarter)					
Conduct	Convene executive session	LEG → TFFR	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.

Draft – TFFR – Governance Policy System (GPS)

Power	Decision	Holder & flow	When	Cadence	Why then
Conduct	Call a special or emergency meeting; activate emergency stabilization	LEG → TFFR (President or any two trustees)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Respond to a breach of the conduct policies; refer to the Ethics Commission or other oversight bodies, where appropriate	TFFR ☉	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Set	Adopt and amend administrative rules	LEG → TFFR → AGO/STAFF	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Approve IRC-compliance plan modifications	TFFR + EBPC	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Set	Determine eligible retirement salary; bonus and performance-pay eligibility	TFFR ☉	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Approve service purchase and repurchase; set the cost basis	LEG → TFFR → STAFF	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Waive the 120-day refund waiting period	LEG → TFFR	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Approve a beneficiary change under the joint-and-survivor option	LEG → TFFR	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Determine QDRO qualified status; administer the distribution	LEG → TFFR → STAFF (administers)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Release a person from overpayment liability on equity grounds; hear payment appeals	TFFR ☉	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Decide member appeals on eligibility, benefits, and plan provisions	ED → TFFR (review) → district court (APA)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Oversee	Optional benefit form and partial lump sum; spousal-consent handling	LEG → TFFR (factors) → STAFF (administers)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Oversee	Approve repayment arrangements; offset future benefits; pursue estate recovery	TFFR → ED / STAFF (by rule)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Oversee	Approve alternative proof of death	TFFR → ED (by rule)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.

Draft – TFFR – Governance Policy System (GPS)

Power	Decision	Holder & flow	When	Cadence	Why then
Oversee	Correct records; adjust over- and underpayments to the actuarial equivalent	LEG → TFFR → STAFF (by rule)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Determine disability eligibility	LEG → TFFR • ED (interim)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Consider applications in executive session; extend the 36-month filing window	LEG → TFFR	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Decide an appeal from an adverse recertification	TFFR ∅ (on member appeal)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Oversee	Review medical evidence; advise on diagnosis	TFFR → MED	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Conduct	Sue and be sued in the Board's own name	LEG → TFFR	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Retain the medical consultant	TFFR ∅	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Waive an employer penalty or a portion of interest	LEG → TFFR	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Approve	Authorize institutional litigation positions; approve material or reserved settlements	TFFR ∅ (counsel appointed by the AGO)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.
Oversee	Retain a governance advisor	RIO (on behalf of TFFR or the SIB, as needed)	As needed	AN	Arises on the event; see Key Decisions — Triggers — Event-Driven Decisions.

Appendices

Service Levels

State law makes the Board responsible for setting the level of service members receive (NDCC § 15-39.1-05.2(6)) and for informing the State Investment Board of the service it expects the Retirement and Investment Office to deliver (NDCC § 15-39.1-05.2(7)).

The Board meets these duties through its strategic plan and the annual CEM pension administration benchmarking report. The strategic plan sets the Board's service goals and the few CEM measures, with targets, that the Board uses to judge service. Each year, staff report CEM results and strategic plan progress against those targets, identifying any target not met and the reason. The Board shares its service expectations with the SIB annually, ahead of the RIO budget.

If a service expectation cannot be met with available resources, staff report that to the Board.

TFFR Board Public Participation Guidelines

Posted on the RIO website, outside this system; previously included in the manual.

TFFR Code of Conduct Annual Affirmation

Posted on the RIO website, outside this system; previously included in the manual.

Glossary

This glossary defines key terms used in the Governance Policy System. Where a term has the same meaning for TFFR as in the SIB Governance Policy System, the SIB definition is used; other terms are adapted to TFFR or are specific to it.

100-Percent-Funded Contribution Step-Down: The reduction of member and employer contribution rates to 7.75 percent on the July 1 after a valuation shows a funded ratio at or above 100 percent (NDCC § 15-39.1-09).

Active Member: A member licensed to teach in North Dakota and contractually employed in teaching, supervisory, administrative, or extracurricular service, who is contributing to the Fund now and will receive a benefit in the future.

Actuarial Accrued Liability (AAL): The present value of benefits earned by members based on service to date. Represents the amount the system would need today to cover those benefits, assuming future assumptions hold.

Actuarial Assumptions: Estimates of future events (such as investment returns, salary growth, mortality, and retirement rates) used to value pension liabilities and determine required contributions.

Actuarial Discount Rate (ADR): The discount rate used in a plan's actuarial funding valuation to present-value future obligations and set the actuarially determined contribution, generally set equal to the assumed long-term rate of return on assets. Distinguished from the GASB accounting discount rate, which may be a blended single equivalent rate. See Discount Rate.

Actuarial Experience Study (Investigation of Actuarial Experience): A review comparing actual experience with the assumptions, conducted once every five years or at Board direction (NDCC § 15-39.1-05.2(3)(c), (e)), leading to assumption changes the Board adopts.

Actuarial Funding Policy: The Board-adopted Actuarial Funding Policy Statement, which describes how benefits will be financed, including the actuarial cost method, asset smoothing method, and amortization policy.

Actuarial Gain or Loss: The difference between a plan's actual experience and what was assumed for a period. A gain arises when actual experience is more favorable than assumed (e.g., investment returns above the assumed rate); a loss when it is less favorable.

Actuarial Risk: The risk that actual experience deviates significantly from the assumptions used by actuaries in calculating liabilities, costs, and funding requirements.

Actuarial Valuation: An evaluation of a pension plan's financial condition, assessing assets, liabilities, and funding levels.

Actuarial Value of Assets (AVA): A smoothed value of plan assets used to reduce short-term volatility in funding calculations. Typically differs from market value due to asset smoothing methods.

Actuarial-Adequacy Test: The annual comparison of the benchmark and statutory contribution rates under NDCC § 15-39.1-10.11.

Actuarially Determined Employer Contribution (ADEC): The employer contribution the consulting actuary calculates under the Board's Actuarial Funding Policy, compared with the statutory rate in the valuation.

Actuarially Sound: A condition in which contributions are set at a level expected to fund benefits over an appropriate period under the plan's actuarial assumptions and funding method, not merely that current assets equal current liabilities.

Administrative Agencies Practice Act (APA): NDCC ch. 28-32, which governs rulemaking and appeals of agency decisions.

Administrative Rules: The Board's rules, codified at NDAC tit. 82 and adopted under NDCC ch. 28-32 (NDCC § 15-39.1-07).

Agent: One who is authorized to act for or in the place of another.

Amortization Period: The period over which a pension plan's unfunded liability is scheduled to be paid off. For TFFR, the Actuarial Funding Policy uses a closed thirty-year period from 2013, with Board discretion to shorten it.

Annual Comprehensive Financial Report (ACFR): The annual financial report of the Fund.

Annuitant: A member or beneficiary receiving a monthly benefit from the Fund.

Asset Allocation: The decision of selecting appropriate weights between broad asset class categories to produce the desired risk and return profile for a total fund portfolio. For TFFR, the Board sets long-range allocation targets, and the allocation must be approved by both the TFFR Board and the State Investment Board (NDCC § 21-10-02.1(2)).

Asset Class: Investments that share key characteristics. Common examples: equity, fixed income, real estate, and cash.

Asset Liability Study: An approach to examining pension risks that allows the sponsor to set informed policies for funding, benefit design, and asset allocation.

Assumed Rate of Return (ARR): The long-term expected annual rate of return on a pension fund's invested assets. It is an actuarial assumption (an input), not the rate applied to liabilities, and is a key driver of contribution levels and funding projections. In a typical funding valuation the discount rate is set equal to this assumption. Synonymous with the Investment Return Assumption.

Attorney General’s Office (AGO): The office that provides legal counsel to the Board and appoints any special assistant attorney general (NDCC §§ 54-12-01, 54-12-08(1)).

Audit, Risk and Compliance Committee (ARCC): The SIB committee that serves as this Board’s audit committee; TFFR has a representative on it.

Basis Point: 1/100th of a percent. For example, 50 basis points equals one-half of a percent.

Benchmark: A standard against which the performance of a security, mutual fund, or investment manager can be measured.

Benchmark Contribution Rate: The contribution rate used in the actuarial-adequacy test under NDCC § 15-39.1-10.11.

Beneficiary: A person, estate, trust, or organization designated in writing by a participating member to receive benefits provided by the plan, in receipt of benefits, or otherwise provided under NDCC § 15-39.1-17 (NDCC § 15-39.1-04(2)).

Benefit Formula: The calculation used to determine a retiree’s pension, often based on salary, service years, and a multiplier.

Service Levels: The level of service the Board sets for members through its strategic plan and measures through the annual CEM pension administration benchmarking report (NDCC § 15-39.1-05.2(6), (7)).

Board of Trustees (Board): The TFFR Board of Trustees, the seven-member board in which the authority to set policy for the Fund rests (NDCC § 15-39.1-05.1(1)): two ex officio trustees (the State Treasurer and the Superintendent of Public Instruction, or their designees) and five trustees appointed by the Governor from lists submitted by the nominating organizations. The Board governs plan policy; investment is supervised by the State Investment Board and administration is delivered by RIO.

Budget and Finance Committee (BFC): The SIB committee that oversees RIO’s budget and financial plans; TFFR has a representative on it.

Cadence: How often a decision in the Decision Register recurs.

CEM Benchmarking; Service Score: External benchmarking of administrative cost and service against peer pension systems.

Chief Retirement Officer (CRO): The RIO officer who leads administration of the retirement program under the direction of the Executive Director.

Closed Amortization Period: A fixed end-date is established for amortizing liabilities, similar to a mortgage.

Code of Conduct: The Fiduciary Conduct Policies, which trustees affirm annually through the TFFR Code of Conduct Annual Affirmation.

Compliance and Control: Conformity with policies, rules, and regulations and the mechanisms to assure such conformity.

Conditional Annual Benefit Adjustment: The adjustment under NDCC § 15-39.1-10.11, which the Board may reduce or suspend when the actuarial-adequacy test shows the statutory shortfall.

Confidential Information: Non-public information held by TFFR or RIO protected under NDCC §§ 15-39.1-30, 44-04-18.1, 44-04-18.4, and 44-04-19.1 or other applicable law.

Conflicts of Interest: Personal interests that compromise professional duties, requiring disclosure, avoidance, or corrective action to uphold integrity and trust; defined for TFFR by the Ethics Commission's rules (NDAC § 115-04-01-01), incorporated by reference, and by the Code of Conduct.

Consent Agenda: Routine, non-controversial items approved in a single motion, unless a trustee asks for an item to be considered separately.

Continuing Education: The education trustees complete each fiscal year under Roles — Trustee Duties, Expectations & Continuing Education — Continuing Education.

Continuity-Readiness Dashboard: The annual report on trustee terms, officer readiness, critical retirement functions, key providers, and overdue actions.

Contribution Rate: The amount (typically as a percentage of the contribution base) needed to be paid into the pension fund.

Contribution Volatility: The degree to which employer contributions fluctuate year over year, often driven by market returns or assumption changes.

Cost-Sharing Plan: A type of pension plan where multiple employers participate and share assets and liabilities, often used in statewide systems. TFFR is a cost-sharing multiple-employer defined benefit plan.

Credited Service: The total period of employment that counts toward a member's pension benefits.

Custodian Bank (Master Custodian): The institution retained by the SIB that holds the Fund's assets.

Decision Register (Delegations): The inventory of the Board's key decisions, organized by domain and power, recording for each the holder, the authority, the cadence, and the limits on discretion.

Defined Benefit Plan: A plan where the benefit is defined, often based on years of service, average final salary, and a benefit multiplier.

Defined Contribution Plan: A plan where contributions are defined but not the benefit. Worth the amount of contributions plus investment income earned.

Delegation of Authority: Assignment of decision-making with defined limits and reporting, recorded in the Decision Register (Delegations); delegation does not delegate fiduciary responsibility.

Director of Audit: The head of RIO internal audit, who reports functionally to the SIB ARCC.

Disability Recertification: The periodic redetermination of continued disability eligibility under NDAC § 82-07-01-03(5).

Disability Retirement: Benefits provided to a member who is unable to work due to a disabling condition, as determined by the Board (NDCC § 15-39.1-18), subject to recertification.

Discount Rate: The interest rate used to convert a plan's future benefit payments to present value, thereby measuring its liabilities. In most public defined benefit funding valuations it is set equal to the assumed long-term rate of return on assets. For GASB Statements No. 67 and 68 financial reporting it may instead be a single equivalent rate blending the expected return (for benefits projected to be covered by plan assets) with a 20-year municipal bond index rate (for any projected shortfall). See Actuarial Discount Rate (ADR).

Diversification: The practice of spreading investments across various asset classes to reduce risk without a commensurate reduction in expected return.

Early Retirement: Opting to retire before reaching normal retirement age, often with reduced benefits.

Education Standards and Practices Board (ESPB): The state board that licenses teachers and determines critical-shortage areas relevant to retiree return to work.

Employee Benefits Programs Committee (EBPC): The Legislative Management committee to which the Board submits proposed statutory changes (NDCC § 15-39.1-05.2(5)).

Employer Contribution: Funds contributed by the employer to the retirement system on behalf of employees.

Entry Age Normal (EAN) Cost Method: A common funding method used to allocate normal cost and accrued liability over each member's career, promoting stable contributions.

Ethics Commission: The North Dakota Ethics Commission, whose authority covers transparency, corruption, elections, and lobbying (ND Const. art. XIV; NDCC ch. 54-66).

Event-Driven Disclosure: Disclosure required within ten (10) business days of a material change in circumstances.

Ex Officio trustee: The State Treasurer or the Superintendent of Public Instruction, each serving by virtue of office and each permitted to act through a designee (NDCC § 15-39.1-05.1(1)(d)).

Exclusive Benefit Rule: The requirement that Fund assets be held and used solely for providing benefits (IRC § 401(a)(2); NDAC § 82-01-01-01(1)(c)(2)).

Executive Director: The chief executive of RIO, appointed by and accountable to the SIB.

Executive Session: A portion of a meeting closed to the public as permitted by NDCC § 44-04-19.2.

Fiduciary: A person who holds a legal and ethical relationship of trust with one or more other parties, prudently managing money or other assets for a beneficiary.

Fiduciary Duty: The obligation to act for the exclusive purpose of providing benefits (NDAC § 82-01-01-01(1)(c)(2)).

Fiduciary Purpose: The exercise of a Board or committee responsibility to set direction, approve, oversee, verify, or report.

Financial Interest; Material Relationship: The interests and relationships a trustee discloses under the Disclosure policy.

First and Second Lines: The RIO functions that execute and control the program: the 1st Line (benefits and investment services) and the 2nd Line (middle and back offices and enterprise services). They correspond to the SIB's front, middle, and back offices.

First and Second Reading: The two-meeting process by which the Board adopts or amends a governance policy.

Five Powers: Conduct, Set, Approve (and delegate), Oversee, and Verify (and report): the powers through which the Board governs.

Four Lines of Accountability: The assurance model in which the 1st and 2nd Lines (RIO execution and control functions) provide reasonable assurance and the 3rd Line (internal audit) and 4th Line (external auditors and advisors) provide independent reassurance.

Four-Vote Requirement: The rule that four votes are required for any Board action, however many trustees are present (NDCC § 15-39.1-05.1(3)).

Funded Status (Funding Ratio): The ratio of the actuarial value of assets to the actuarial accrued liability. At or above 100 percent, member and employer contribution rates are reduced under NDCC § 15-39.1-09(1).

GASB Statements No. 67 and 68: Governmental Accounting Standards Board statements governing financial reporting and accounting for pension plans (67) and for employers (68).

Governance & Policy Review Committee (GPRC): The Board's standing committee, which stewards the Governance Policy System.

Governance Cycle: The multi-year cycle through which the Board sets, approves, oversees, and verifies, recorded in the Cadence column of the Decision Register.

Governance Policy: A policy in this Governance Policy System, adopted on two readings and reviewed no less than every three years.

Inactive Member: A member no longer contractually employed in a covered position and not yet receiving a monthly benefit.

Independent Actuarial Audit: A periodic review of the consulting actuary's work by a separate actuary, at least every five years.

Investment Consultant: A third-party firm retained by the SIB to provide advice on investment issues; TFFR has contracted with the SIB's consultant for asset-liability studies.

Investment Director: The statutory office named in NDCC § 21-10-02(3); under the SIB Governance Policy System the term refers to the Executive Director.

Investment Guidelines: An outline of policy or conduct expected in the management of an investment portfolio, set under SIB policy.

Investment Management Fees: Compensation that third-party investment managers receive in exchange for managing plan investments.

Investment Policy Statement (IPS): The Board-adopted statement of investment goals, objectives, acceptable risk, and long-range asset allocation targets for the Fund, accepted by the SIB.

Investment Return Assumption: The expected long-term annual rate of return on a pension fund's investments; synonymous with the Assumed Rate of Return (ARR). It is an assumption used in valuing the plan, distinct from the discount rate applied to liabilities. See Assumed Rate of Return (ARR).

Investment Risk: The probability of losing money or not achieving the expected investment outcome.

IRC § 414(h) Pickup: Employer payment of member contributions treated as employer contributions for federal tax purposes.

Litigation Register: The record of threatened and pending matters affecting TFFR, maintained by RIO and reported to the GPRC.

Longevity Risk: The risk that retirees live longer than expected, increasing plan liabilities.

Market Value of Assets (MVA): The current value of the retirement system's investments based on market prices.

Material Non-Public Information (MNPI): Information not generally available to the public that a reasonable investor would consider significant in making an investment decision.

Member; Benefit Recipient: A teacher who participates in the Fund; a member or beneficiary receiving a benefit.

Mentor: An experienced trustee assigned by the President to assist a new trustee.

Mortality Assumptions: Projections of how long members are expected to live, critical for estimating benefit payment periods.

Multiplier: A factor used in benefit formulas to calculate retirement income, often expressed as a percentage.

Nominating Organizations: North Dakota United (NDU), the North Dakota Council of Educational Leaders (NDCLE) and the North Dakota Retired Teachers Association (NDRTA), which submit nominee lists to the Governor (NDCC § 15-39.1-05.1(1)).

Normal Cost: The annual cost of benefits accrued by active members during the current year. Represents the ongoing cost of the plan.

Normal Retirement Age: The age at which a member can retire with full benefits.

Not Within Control: The label in the Decision Register for a decision reserved to or held by another body, which the Board does not control and within which it conducts its business.

Open Amortization Period: A funding method where the amortization period resets annually, extending the time to pay off liabilities.

Operational Risk: Risks from improper monitoring of positions, bad pricing, inadequate software, system failures, or human error.

Optional Forms; Joint-and-Survivor; Partial Lump Sum: Benefit forms a member may elect, priced by actuarial equivalence factors the Board adopts by rule (NDCC § 15-39.1-16; NDAC ch. 82-05-04).

Overfunded Plan: A retirement system with assets exceeding its liabilities.

Overpayment Recovery; Equity and Good Conscience: Recovery of benefits paid in error, which the Board may release on equity and good conscience grounds (NDAC § 82-05-03-07).

Participating Employer: An employer whose teachers are members of the Fund and which reports salary and remits contributions.

Pay-as-You-Go: A funding method where benefits are paid directly from current contributions rather than pre-funded.

Plan Management Policy: The Board's policy setting forward-looking funding and risk measures (TFFR Program Manual § B), and the annual risk score reported after each valuation.

President; Vice President: The Board's presiding officer and alternate, elected annually at the first regular meeting following July 1 by four votes. They correspond to the SIB's Chair and Vice Chair.

Prudent Expert Standard: A higher fiduciary standard, applied under ERISA, that holds fiduciaries to the care, skill, prudence, and diligence of a prudent person acting in a like capacity and familiar with such matters. TFFR trustees are held to the prudent investor standard (see Fiduciary Duties).

Prudent Investor Rule: The standard the SIB applies to the investment of TFFR's assets under its supervision (NDCC §§ 15-39.1-26, 21-10-07): in making investments, fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not regarding speculation but regarding the permanent disposition of funds, considering probable safety of capital as well as probable income.

Prudent Person Rule (Prudent Man Rule): The older common-law trust standard (Harvard College v. Amory, 1830) directing a trustee to manage trust assets as persons of prudence, discretion, and intelligence manage their own affairs, judged investment-by-investment. Largely superseded by the prudent investor and prudent expert standards; it is the source of the 'own affairs' language sometimes mistakenly applied to those later standards.

Qualified Domestic Relations Order (QDRO): A court order dividing a member's benefit with an alternate payee, qualified under the Board's rules (NDCC § 15-39.1-12.2).

Qualified Status: The Fund's status as a qualified governmental plan under IRC § 401(a), which the Board preserves through IRC-compliance modifications (NDCC § 15-39.1-35).

Quorum: Four of the seven trustees (NDCC § 15-39.1-05.1(3)).

Rebalancing: The process of realigning portfolio weightings by periodically buying or selling assets to maintain the desired level of asset allocation or risk, conducted under SIB policy.

Refund; 120-Day Waiting Period: Payment of a member's account on leaving covered employment, after a 120-day waiting period that may be waived on evidence the teacher will not return to North Dakota teaching (NDCC § 15-39.1-20).

Replacement Ratio: The percentage of pre-retirement income replaced by retirement benefits.

Retirement and Investment Office (RIO): The state agency that administers the TFFR program and the investment program, governed by the SIB (NDCC ch. 54-52.5).

Retirement Salary: The salary used to calculate a benefit, as defined in NDCC § 15-39.1-04(10) and Board rules.

Return to Work; Critical-Shortage Area: Reemployment of a retired member, including in a critical-shortage area or discipline determined by the ESPB (NDCC § 15-39.1-19.2).

Risk Tolerance: The level of investment risk the retirement system is willing to accept.

Risk-Sharing Mechanism: Plan design features (like COLA caps or contribution changes) that automatically adjust benefits or contributions in response to funding levels or economic conditions.

Self-Assessment: The annual evaluation of the Board, its committees, and individual trustees overseen by the GPRC.

Sensitivity Analysis: An assessment of how changes in key assumptions (e.g., investment return, longevity) affect liabilities and contribution requirements.

Service Credit: The amount of time a member has contributed to the retirement system, used in calculating benefits.

Service Purchase and Repurchase: Purchase of service credit at a cost determined using actuarial factors the Board adopts by rule.

Smoothing: An actuarial technique that spreads investment gains and losses over several years within the actuarial value of assets to reduce volatility in funding results and contributions.

Social and Economically Targeted Investment (ETI): Investment selected for social or economic objectives; barred for the Fund unless the SIB can demonstrate an equivalent or superior rate of return compared with a similar non-social investment of similar time horizon and risk (NDCC § 21-10-08.1).

Solvency: The ability of a retirement system to meet its obligations to pay benefits.

Special Assistant Attorney General: Specialist counsel appointed by the Attorney General at the Board's request, for example on IRC plan-qualification issues.

Stakeholder: Any party with an interest in the plan, including members, benefit recipients, participating employers, the Legislative Assembly, and taxpayers.

Standard Deviation: A measure of the dispersion of a set of data from its mean. Used by investors as a gauge for the amount of expected volatility.

State Auditor: The state official who selects the external financial auditor for the Fund and RIO.

State Investment Board (SIB): The board that supervises the investment of TFFR's assets and governs RIO (NDCC ch. 21-10).

Statement of Service Expectations: The annual statement through which the Board informs the SIB of the levels of service, goals, and objectives it expects RIO to deliver (NDCC § 15-39.1-05.2(7)).

Teacher: A person defined as a teacher under NDCC § 15-39.1-04(12), whose status determines membership in the Fund.

TFFR–SIB–RIO Service Level Agreement: The proposed agreement recording the service expectations the Board sets and RIO delivers under the SIB's governance.

Tiered Benefits; Normal Retirement Age: Benefit structures that differ by tier (tier one grandfathered, tier one non grandfathered, and tier two members) and the age and service at which a member becomes eligible for an unreduced benefit, as defined in NDCC ch. 15-39.1.

Trigger: An event that brings a decision to the Board outside its scheduled cadence.

Trust Fund: A legally established fund where pension contributions and investment earnings are held and managed.

Underfunded Plan: A retirement system where liabilities exceed assets, indicating a funding shortfall.

Unfunded Actuarial Accrued Liability (UAAL): The difference between the actuarial accrued liability and the actuarial value of assets. Represents the amount still to be funded.

Unfunded Liability: The amount by which future payment obligations exceed the present value of funds available to pay them.

Vested: Having met the service requirement needed to be entitled to a pension benefit, even if employment ends before retirement. Vesting may be immediate or graded.

Volatility: A measure of the change in price of a security, portfolio, benchmark, or asset class.

MEMORANDUM

TO: TFFR Board

FROM: Chase Kauffeld, Chief Retirement Officer

DATE: October 28, 2026

RE: First Reading: Regional Education Association Access to MyTFFR

Background

Regional Education Associations (REAs) help many participating employers, most of them school districts, with TFFR reporting. Some employers are members of an REA through a joint powers agreement that created it. Other employers buy services from an REA without becoming members.

To do this work, REA staff use the employer's MyTFFR account. Employers manage their own MyTFFR users. The employer decides who needs access and what roles each user should have, then submits a Contact Ticket. RIO staff add or remove users as the ticket requests and send each new user a Web Access Registration link. RIO staff do not decide who should have access to an employer's account.

Some employers assign REA staff a district email address. When they do, RIO staff cannot tell that the MyTFFR user works for an REA. Staff have no written direction on whether REA staff may access MyTFFR or what staff may discuss with them.

Legal Framework

TFFR member records are confidential and are not public records under N.D.C.C. § 15-39.1-30. The statute lists who may receive them. Three subsections apply here:

1. Subsection 1 permits disclosure to a person the member has authorized in writing.
2. Subsection 4 permits disclosure to a member's participating employer. It is limited to service credit, age, contributions, and salary, plus other information the Board determines the employer needs to validate compliance with state or federal law.
3. Subsection 12 permits disclosure to any person if the Board determines disclosure is necessary for treatment, operational, or payment purposes.

The statute does not mention REAs. In 2014 the Board made a determination under subsection 12 (Program Manual Section II.D.3). It allows information needed to administer the program to be shared with participating employers or TFFR contractors, attorneys, and consultants. It does not address REAs.

Legal Counsel Review

Legal counsel reviewed the issue at staff's request and drafted the attached policy and member consent form. Counsel recommends that the Board adopt a policy that sets uniform standards for REA access. Counsel also advised that a requirement for employers to identify REA users may be set by Board policy. The requirement could be added to the administrative code during a future rule update.

Proposed Policy

The proposed policy would:

1. Allow an REA to assist a participating employer with TFFR reporting. The employer remains responsible for its reporting (Section 2).
2. Require an employer that engages an REA to notify TFFR in writing. The notice must identify the REA, the authorized REA staff, and whether the employer is a member of the REA. When an employer requests web access for a new user, it must state whether the user is REA staff. The employer must report changes promptly (Section 3).
3. Treat REA staff assisting an employer that is a member of the REA as acting on behalf of the employer under subsection 4. For employers that are not REA members, adopting the policy is the Board's determination under subsection 12 that disclosure to authorized REA staff is necessary for operational purposes. Because MyTFFR access is granted for the whole employer account, REA staff may access the full account. Use and disclosure of the information is limited to what the authorized function requires (Section 4).
4. Allow staff to give REA staff general guidance and require staff to verify authorization before discussing member-specific information (Section 5).
5. Allow an REA to help prepare a penalty or interest waiver request. The employer must approve or submit the request. The REA may not submit it in its own name (Section 6).
6. State that member consent is not required for routine reporting, whether or not the employer is an REA member. Require a signed Member Authorization and Consent form before TFFR discloses information beyond what routine reporting requires (Section 7).
7. Require REA users to protect confidential information and require notice to TFFR of user changes or suspected unauthorized access (Section 8).

Implementation

If the policy is adopted, staff will update the Contact Ticket for web access requests to collect REA information. Staff will also update the Employer Guide, notify employers of the new requirement, and collect written notices from employers that already use an REA.

Process

Under Program Manual Section I.T, a new policy receives an introduction and first reading, then a second reading and adoption at the next meeting. Interested parties and the public may comment before final action. Legal counsel has reviewed the policy as required by that section.

Board Action Requested: Approve introduction and first reading of the proposed Regional Education Association Assistance with TFFR Administration policy.

Attachments:

1. Proposed Policy: Regional Education Association Assistance with TFFR Administration
2. Member Authorization and Consent Form

TFFR BOARD POLICY

Policy Title: Regional Education Association Assistance with TFFR Administration

Policy Number: _____

Effective Date: _____

Adopted: _____

1. PURPOSE

This policy establishes standards governing the relationship between the Teachers' Fund for Retirement ("TFFR") and Regional Education Associations ("REAs") that assist participating employers with TFFR reporting and related administration. It is intended to provide a consistent process for REA access to MyTFFR, TFFR communications with REA personnel, and requests made on behalf of participating employers.

2. REA ASSISTANCE WITH TFFR ADMINISTRATION

An REA may assist a participating employer with TFFR reporting and related administrative functions, whether the employer is a member of the REA or receives services from the REA as a nonmember district. The participating employer remains responsible for the accuracy and timeliness of its TFFR reporting and compliance obligations notwithstanding the employer's use of an REA.

3. EMPLOYER AUTHORIZATION AND VERIFICATION

A participating employer may authorize an REA to perform TFFR reporting or related administrative services on its behalf and may designate specific REA personnel to perform those functions. A participating employer that engages an REA for TFFR reporting or related administrative services must notify TFFR in writing. The notice must identify the REA, state whether the employer is a member or nonmember district of the REA, and identify the individual(s) authorized to perform TFFR services. When an employer requests MyTFFR web access for a new user, the employer must indicate on the request whether the user is REA personnel and, if so, identify the REA and whether the employer is a member or nonmember district of that REA. The employer shall promptly notify TFFR of any change in its REA engagement, member or nonmember status, or the REA personnel authorized to act on its behalf. TFFR shall maintain or be able to obtain sufficient information to verify that authorization.

4. ACCESS TO MYTFFR AND CONFIDENTIAL INFORMATION

An authorized REA representative may access the participating employer's MyTFFR account to the extent necessary to perform the functions authorized by the employer.

For an REA member district, the JPA relationship supports treating authorized REA personnel assisting the district as acting on behalf of the participating employer under N.D.C.C. § 15-39.1-30(4). For a nonmember district, the Board determines under N.D.C.C. § 15-39.1-30(12) that disclosure of confidential information to authorized REA personnel is necessary for operational purposes, including completing necessary documents, to the extent reasonably necessary for the participating employer's routine TFFR reporting and related administration. Access and disclosure shall be limited to information reasonably

necessary for the authorized TFFR function. Because MyTFFR access is granted at the employer account level, access by authorized REA personnel to the participating employer's full MyTFFR account is reasonably necessary for routine employer reporting. This limitation governs how REA personnel may use and disclose information obtained through that access; it does not require TFFR to restrict access to individual member record within an employer account. Authorization to access an employer's MyTFFR account does not provide an unrestricted right to TFFR records.

5. TFFR COMMUNICATIONS WITH REA PERSONNEL

TFFR staff may provide REA personnel with general guidance concerning MyTFFR, reporting requirements, deadlines, and related procedures.

Before discussing member specific confidential information, TFFR staff should verify that the REA representative is authorized for the applicable employer. Staff should not disclose member specific information beyond what the REA representative is authorized to access for the employer's TFFR administration.

6. PENALTY AND INTEREST WAIVER REQUESTS

An REA may assist a participating employer in preparing or communicating a request for waiver or reduction of TFFR penalties or interest under N.D.C.C. § 15-39.1-23. The REA does not independently possess the participating employer's authority to seek such relief. A waiver or reduction request must be approved or submitted by the participating employer or its authorized representative in accordance with TFFR procedures. An REA representative may not submit the request in the REA's own name or otherwise purport to exercise the employer's statutory authority.

7. MEMBER AUTHORIZATION AND CONSENT

TFFR may disclose confidential information to a person to whom a member has given written consent under N.D.C.C. § 15-39.1-30(1). A written Member Authorization Consent form is not required for authorized REA personnel to access information reasonably necessary for routine employer reporting and related administration, whether the participating employer is a member district or a nonmember district of the REA. TFFR shall obtain a written Member Authorization and Consent form under N.D.C.C. § 15-39.1-30(1) before disclosing a member's confidential information to REA personnel when an REA representative seeks information beyond that reasonably necessary for routine employer reporting.

8. CONFIDENTIALITY AND SECURITY

REA personnel authorized under this policy must use TFFR information only for the authorized purpose and must protect confidential information from unauthorized access or disclosure. The participating employer and REA shall promptly notify TFFR of any change in an authorized user's status or any suspected unauthorized access.

9. IMPLEMENTATION

TFFR staff shall maintain procedures consistent with this policy for employer authorization, user verification, MyTFFR access, and staff communications with REA personnel. This policy may be updated as necessary to reflect the purpose and requirements set forth herein.

TEACHERS' FUND FOR RETIREMENT
MEMBER AUTHORIZATION AND CONSENT FORM

Authorization for Disclosure of TFFR Information to Regional Education Association Personnel
(the "Authorization")

Member Name: _____

Member ID: _____

Participating Employer/ School District: _____

Regional Education Association ("REA"): _____

Authorized REA Representative(s): _____

AUTHORIZATION

I authorize the Teachers' Fund for Retirement ("TFFR") to disclose confidential information relating to my TFFR membership, contributions, reporting, and retirement benefits to REA and representative(s) identified above for purposes of assisting my participating employer with TFFR reporting and related administrative functions under Board Policy _____. I also authorize TFFR staff to communicate with the designated REA representative(s) concerning that information to the extent reasonably necessary for those purposes.

SCOPE AND LIMITATIONS

This Authorization applies only to the REA representative(s) named above. A new authorization is required if the participating employer changes REAs or if the REA changes the personnel assisting with my employer's TFFR reporting. This Authorization does not, by itself, grant the named REA representative(s) access to MyTFFR. That access is separately governed by my participating employer and Board Policy _____. This Authorization is limited to information reasonably necessary for my employer's TFFR reporting and related administrative functions and does not authorize disclosure of any other information about me.

PUBLIC RECORDS AND STATE AGENCY NOTICE

This Authorization is submitted to and maintained by the North Dakota Retirement and Investment Office ("RIO"), the state agency that administers TFFR. TFFR records relating to a member's retirement benefits are confidential and are not public records under N.D.C.C. § 15-39.1-30.

This Authorization may be maintained as part of RIO's records and is subject to applicable North Dakota public records and confidentiality laws. Confidential information contained in or associated with this form will be protected as required by law.

This Authorization permits RIO to disclose the member's confidential TFFR information to the REA representative(s) identified in this form for the limited purposes stated above. The REA

representative(s) are not employees of RIO and will be responsible for maintaining the confidentiality of information disclosed under this authorization.

VOLUNTARY NATURE AND REVOCATION

By signing below, I express my intent to enter into this Authorization, and I do so willingly and voluntarily. I may revoke this Authorization at any time by submitting written notice to TFFR. Revocation is effective upon TFFR's receipt and does not affect any disclosure made prior to that date. Declining to sign, or later revoking this Authorization will not impact my TFFR membership or benefits, but may limit the information TFFR staff are able to discuss with the REA representative(s) identified above.

Member Signature: _____ Date: _____

FOR TFFR USE ONLY

Received by: _____ Date: _____

STRATEGIC PLANNING FOLLOW-UP

Recap and progress update

Where we left off at the TFFR strategic planning session, and what has moved since

A quick reminder of what we covered

National survey comparison	Retirement trends	Member service score	NeoSpin upcoming work
- Funded ratio is 73.4%, up 11 points since 2016 - TFFR trails the typical plan by 3 to 4 points, down from about 5 last year - Combined contribution rate of 24.5% is the highest in the region	535 members are retirement-eligible today 1.2 active members per annuitant, at the national norm of 1.23 - Net cash flow, negative 2.0% of assets in FY2025, is the better gauge	77 of 100, 5 points above the peer median of 72 - Cost per member is \$161 against a peer average of \$459 - Gaps are concentrated: unmeasured items and no targeted campaigns	- Member portal and employer reporting portal redesigns are in scoping with Sagitec - IRIS 1099-R electronic filing is required for tax year 2026 - Xelence 10.0 upgrade and MFA options after June 30, 2027, are under review

Where the four items you identified stand today

1	Phone system Teams Premium is turned on, as outlined by NDIT	Complete
2	New member campaign Launching this month, after a hold while we limited access to new members	Launching this month
3	Next member journey Vested and mid-career members are next; staff will scope the campaign	Vested and mid-career
4	Cash injection scenario GRS has run the one-time and ongoing contribution scenarios	Results received

Teams Premium is on, giving us call reporting we did not have

What is turned on

- Teams Premium, as outlined in NDIT's reply to our questions
- Licensed per staff member
- Reporting starts from the date the license is assigned

What it gives us

- Abandoned calls reported two ways: inside the auto attendant menu, and while waiting for an agent
- Supports the CEM item on tracking undesired call outcomes, worth up to +1.0 points

Still ahead

- Call recording is a separate Numonix license at \$28 per user per month. It is the largest single lever in the CEM review, worth up to +3.5 points
- Extending the time before a call goes to voicemail is an available option
- Scheduled callbacks are supported but untested in Teams Voice

The new member campaign launches this month

HELD

Launch was held while we limited access to new members after a cybersecurity incident

NOW

The campaign launches this month

Why campaigns matter

- The CEM review found two patterns behind nearly every below-peer result: unmeasured items, and no targeted outbound campaigns
- Campaigns and surveys are the actions we can take now with existing tools and NeoSpin data
- Fully implemented, they are estimated to move the total service score from 77 into the mid-80s (+7.0 to +8.6 points)

Next member journey: vested and mid-career members

Vested and mid-career members are next

Staff will scope the campaign.

For reference: the campaigns the CEM review sized

Member group	Campaign in the CEM review	Est. score gain
Retirement-eligible	Retirement eligibility notification campaign. 535 members are retirement-eligible today	up to +2.4
Annuitants	Annuitant communication package	up to +1.5
Active members	Active member targeted campaigns (Day One underway)	up to +1.4
Inactive members	Inactive member campaigns	up to +0.4

\$25 million a year brings full funding forward three years

Projected at July 1, 2027	Baseline	\$100 million one-time	\$50 million one-time	\$25 million per year
Unfunded liability (\$ millions)	\$1,265	\$1,165	\$1,215	\$1,240
Funded ratio	75.9%	77.8%	76.9%	76.4%
Year of full funding	2042	2041	2042	2039
Employer rate needed, 2027	12.11%	11.23%	11.67%	11.89%
Employer rate needed, 2032	11.72%	10.30%	11.01%	9.92%
Employer rate needed, 2037	10.67%	7.80%	9.24%	4.96%

- \$100 million one-time: funded ratio of 77.8% against 75.9%, and full funding a year earlier (2041)
- \$50 million one-time: funded ratio of 76.9%, with no change to the full funding year (2042)
- \$25 million a year: full funding in 2039, and the employer contribution needed falls to 4.96% by 2037 from 10.67%

Source: GRS, Actuarial Educational Topics, October 28, 2026. Projected off the actuarial value of assets. Cash injections and ongoing contributions begin July 1, 2027. Employer rate needed is the actuarially determined employer contribution.

Questions and discussion

TFFR Board of Trustees

MEMORANDUM

TO: TFFR Board

FROM: Jodi Smith, Executive Director

DATE: October 28, 2026

RE: Legislative Update

Staff are tracking two proposals for the 2027 legislative session that could affect TFFR. The first, Bill Draft 27.0119.01000, would directly change TFFR benefits. The second, a proposed annual teacher bonus, is not intended to change TFFR, but its final bill language will determine whether it does.

This memo is for information; no Board action is requested at this time.

1. Bill Draft 27.0119.01000 (Senator Enget)

This bill draft, relating to participation in TFFR and postretirement adjustments, was reviewed by the Legislative Employee Benefits Programs Committee (EBPC) on October 1, 2026. The fiscal note prepared from the actuary's analysis (GRS letter, May 27, 2026) is attached. The draft makes two changes:

	Change 1: New Tier 3	Change 2: \$50 Monthly Increase
Who	2,772 Tier 1 non-grandfathered active members	About 9,700 retirees and beneficiaries as of June 30, 2027
What	Option to return to the Rule of 85, with a 6% early-retirement reduction	\$50 more per month in benefits
Cost	\$143.2M one-time if paid July 1, 2027 (\$170.8M if paid in 2029), plus about 0.31% of pay ongoing	\$53.6M one-time transfer if made July 1, 2027 (\$61.6M if made in 2029)
Funded in the bill?	No	Yes, through a general fund transfer, but the amount is blank in the draft

	Change 1: New Tier 3	Change 2: \$50 Monthly Increase
Effect on funding	Full funding delayed about three years, from 2042 to 2045	None, if the transfer matches the actuarial cost

Source: GRS letter, May 27, 2026. All amounts are GRS estimates except the 2045 full-funding date, which is a staff estimate. Full-funding dates assume all actuarial assumptions are met.

Key concerns for the Board:

- **Tier 3 has no funding source.** Without a one-time payment and an ongoing contribution increase, the statutory contribution rates would no longer cover the actuarially determined contribution. The actuary advises funding the change at the outset, so the cost is not shifted to future members and employers.
- **The \$50 increase depends on Section 10.** The transfer amount must be completed and must match the actuarial cost for the transfer date.
- **Administrative duties.** Section 2 assigns the TFFR Board new duties: offering the election to each eligible member, opening an election period no later than January 1, 2028, notifying each eligible member of the differences between tiers, and setting the effective date of each election. Eligibility is fixed as of August 1, 2027. Elections would be irrevocable once effective.

All amounts are GRS estimates, except the 2045 full-funding date, which is a staff estimate. Full-funding dates assume all actuarial assumptions are met.

2. Proposed Annual Teacher Bonus

On October 5, 2026, legislators, the Governor's office, and the Superintendent of Public Instruction announced a proposal to pay full-time public and private school teachers an annual bonus beginning after the 2027 session. The bonus would be funded with 10% of the biennial distribution from the Common Schools Trust Fund, divided evenly among eligible teachers. The first-year bonus is estimated at about \$3,400 per teacher and would be paid each fall to licensed teachers who taught the full prior school year and are under contract for the current year or retired at the end of the prior year. The bill is expected to be introduced in January; no bill number has been assigned.

Bill sponsors have verbally affirmed that the proposal is not intended to change TFFR. However, the final bill language will need to be monitored, because how the bonus is defined and paid determines whether it falls within TFFR's definition of salary. Staff will review the bill for:

- **Salary definition.** Whether the bonus is treated as salary for retirement purposes. If it is, it would require member and employer contributions and would increase benefits; NDCC § 15-39.1-04(10)(h) allows the Board to determine that other payments are not eligible salary. NDAC

§ 82-02-01-01(6) defines bonuses as ineligible salary, and NDAC § 82-04-02-01 sets the criteria the Board uses. The bill should state the intended treatment expressly.

- **How it is paid.** Whether the state pays teachers directly or through school districts. Payment through district payroll is more likely to be reported to TFFR as salary unless the bill says otherwise.
- **Reemployed retirees.** Whether retired members who return to teach would receive the bonus, and whether it would count toward their return-to-work limits.
- **Private school teachers.** Private school teachers are generally not TFFR members, so any reference to TFFR should not imply coverage for them.

The Superintendent of Public Instruction has projected that the bonus could grow to more than \$10,000 a year as trust fund earnings grow. Even if the bonus is excluded from salary, that growth makes clear statutory language important.

Next Steps

- Staff will continue to monitor both proposals and report to the Board as bills are introduced and amended during the 2027 session.
- For the teacher bonus, staff will review the introduced bill language and, if needed, work with the sponsors on language confirming the intended TFFR treatment.
- Any proposed Board position on either bill will be brought to the Board for action.

Attachment: Bill Draft 27.0119.01000

Introduced by

Senator Enget

1 A BILL for an Act to create and enact two new sections to chapter 15-39.1 of the North Dakota
2 Century Code, relating to participation in the teachers' fund for retirement and postretirement
3 adjustments; to amend and reenact sections 15-39.1-04, 15-39.1-10, 15-39.1-10.3, 15-39.1-11,
4 15-39.1-12, 15-39.1-15, and 15-39.1-33 of the North Dakota Century Code, relating to
5 participation in the teachers' fund for retirement; to provide an appropriation; and to provide for
6 a transfer.

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

8 **SECTION 1. AMENDMENT.** Section 15-39.1-04 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **15-39.1-04. Definitions.**

11 For purposes of this chapter, unless the context or subject matter otherwise requires:

- 12 1. "Actuarial equivalent" means the amount calculated to be of equal actuarial value to
13 the benefit otherwise payable when computed on the basis of actuarial assumptions
14 and methods adopted by the board.
- 15 2. "Beneficiary" means a person, estate, trust, or organization designated in writing by a
16 participating member to receive benefits provided by this plan, in receipt of benefits, or
17 otherwise provided under section 15-39.1-17.
- 18 3. "Board" means the board of trustees of the teachers' fund for retirement.
- 19 4. "Contract" means a written agreement with a school board or other governing body of
20 a school district or special education unit of this state or a letter of appointment by a
21 state institution, state agency, or other employer participating in the fund.
- 22 5. "Fund" means the teachers' fund for retirement.

- 1 6. "Interest" as applied to member assessments is an annual rate of six percent
- 2 compounded monthly and as applied to the repurchase of credit for withdrawn years is
- 3 six percent compounded annually.
- 4 7. "Normal retirement age" means the age at which a member becomes eligible for
- 5 monthly lifetime normal unreduced retirement benefits as provided in subsection 1 of
- 6 section 15-39.1-10.
- 7 8. "Retirement" means cessation of covered employment and acceptance of a benefit
- 8 under former chapter 15-39, or chapter 15-39.1 or 15-39.2.
- 9 9. "Retirement annuity" means the payments made by the fund to a member after
- 10 retirement.
- 11 10. "Salary" means a member's earnings in eligible employment under this chapter for
- 12 teaching, supervisory, administrative, and extracurricular services during a plan year
- 13 reported as salary on the member's federal income tax withholding statements plus
- 14 any salary reduction or salary deferral amounts under 26 U.S.C. 125, 132(f), 401(k),
- 15 403(b), 414(h), or 457, as amended. "Salary" includes amounts paid to members for
- 16 performance of duties, unless amounts are conditioned on or made in anticipation of
- 17 an individual member's retirement or termination. The annual salary of each member
- 18 taken into account in determining benefit accruals and contributions may not exceed
- 19 the annual compensation limits established under 26 U.S.C. 401(a)(17)(B), as
- 20 amended, as adjusted for increases in the cost of living in accordance with 26 U.S.C.
- 21 401(a)(17)(B), as amended. A salary maximum is not applicable to members whose
- 22 participation began before July 1, 1996. "Salary" does not include:
- 23 a. Fringe benefits or side, nonwage, benefits that accompany or are in addition to a
- 24 member's employment, including insurance programs, annuities, transportation
- 25 allowances, housing allowances, meals, lodging, or expense allowances, or other
- 26 benefits provided by a member's employer.
- 27 b. Insurance programs, including medical, dental, vision, disability, life, long-term
- 28 care, workforce safety and insurance, or other insurance premiums or benefits.
- 29 c. Payments for unused sick leave, personal leave, vacation leave, or other unused
- 30 leave.

- 1 d. Early retirement incentive pay, severance pay, or other payments conditioned on
2 or made in anticipation of retirement or termination.
- 3 e. Teacher's aide pay, referee pay, bus driver pay, or janitorial pay.
- 4 f. Amounts received by a member in lieu of previously employer-provided benefits
5 or payments that are made on an individual selection basis.
- 6 g. Signing bonuses as defined under section 15.1-09-33.1.
- 7 h. Other benefits or payments not defined in this section which the board
8 determines to be ineligible teachers' fund for retirement salary.
- 9 11. "State institution" includes North Dakota vision services - school for the blind, the
10 school for the deaf, and the North Dakota youth correctional center.
- 11 12. "Teacher" means:
- 12 a. ~~All persons~~An individual licensed by the education standards and practices board
13 who ~~are~~is contractually employed in teaching, supervisory, administrative, or
14 extracurricular services by a state institution, multidistrict special education unit,
15 area career and technology center, regional education association, school board,
16 or other governing body of a school district of this state, including
17 ~~superintendents~~a superintendent, assistant ~~superintendents~~superintendent,
18 business ~~managers~~manager, principalsprincipal, assistant principalsprincipal, and
19 ~~a special teacher~~teacher. For purposes of this subdivision, "teacher" includes
20 ~~persons~~an individual contractually employed by one of the above employers to
21 provide teaching, supervisory, administrative, or extracurricular services to a
22 separate state institution, state agency, multidistrict special education unit, area
23 career and technology center, regional education association, school board, or
24 other governing body of a school district of this state under a third-party contract.
- 25 b. The superintendent of public instruction, assistant ~~superintendents~~superintendent
26 of public instruction, a county superintendent, an assistant
27 ~~superintendents~~superintendent, supervisorsa supervisor of instruction, the
28 professional staff of the department of career and technical education, the
29 professional staff of the center for distance education, the executive director and
30 professional staff of North Dakota united who are members of the fund on July 1,
31 1995, the professional staff of an interim school district, and the professional staff

1 of the North Dakota high school activities association who are members of the
2 fund on July 1, 1995.

3 c. The executive director and professional staff of the North Dakota council of
4 school administrators who are members of the fund on July 1, 1995, and licensed
5 staff of teachers centers, but only if the ~~person~~individual was previously a
6 member of and has credits in the fund.

7 d. ~~Employees~~An employee of institutions~~an institution~~ under the control and
8 administration of the state board of higher education who ~~are members~~is a
9 member of the fund on July 16, 1989.

10 13. "Tier one grandfathered member" for purposes of sections 15-39.1-10 and 15-39.1-12
11 means a tier one member who, as of June 30, 2013, is vested as a tier one member in
12 accordance with section 15-39.1-11; and

13 a. Is at least fifty-five years of age; or
14 b. Has a combined total of years of service credit in the plan and years of age which
15 equals or exceeds sixty-five.

16 14. "Tier one member" means a teacher who has credit in the system on July 1, 2008, and
17 has not taken a refund ~~pursuant to~~under section 15-39.1-20 after June 30, 2008.

18 15. "Tier one nongrandfathered member" for purposes of sections 15-39.1-10 and
19 15-39.1-12 means a tier one member who does not qualify as a tier one grandfathered
20 member.

21 16. "Tier three member" means a teacher who:

22 a. Is classified as a tier one nongrandfathered member on August 1, 2027;
23 b. Elects, in the manner prescribed by the board, to participate in tier three; and
24 c. Has service credit earned on or after the effective date of the election.

25 17. "Tier two member" means a teacher who is not a tier one or tier three member.

26 **SECTION 2.** A new section to chapter 15-39.1 of the North Dakota Century Code is created
27 and enacted as follows:

28 **Election to participate in tier three - Duties of the board - Service credit combined.**

29 1. The board shall:

30 a. Provide each eligible tier one nongrandfathered member an opportunity to elect
31 to participate in tier three.

- 1 **b.** Establish an election period that begins no later than January 1, 2028.
- 2 **c.** Notify each eligible tier one nongrandfathered member of the right to elect to
- 3 participate in tier three. The notice must include:
- 4 (1) A description of the differences between tier one nongrandfathered and tier
- 5 three classifications;
- 6 (2) An explanation that the election is irrevocable upon its effective date; and
- 7 (3) Any other information the board determines necessary to inform the
- 8 member's decision.
- 9 **2.** A member shall make an election under this section as prescribed by the board.
- 10 **3.** The board shall determine the effective date of an election. An election under this
- 11 section is irrevocable upon its effective date.
- 12 **4.** The board shall combine a member's service credit earned before and after the
- 13 election.
- 14 **5.** This section does not reduce or impair benefits accrued before the effective date of
- 15 the election and does not require a member to elect to participate in tier three.
- 16 **6.** The board may adopt rules to implement and administer the requirements of this
- 17 section.

18 **SECTION 3. AMENDMENT.** Section 15-39.1-10 of the North Dakota Century Code is
19 amended and reenacted as follows:

20 **15-39.1-10. Eligibility for normal retirement benefits.**

- 21 1. The following members who have acquired a vested right to a retirement annuity as-
22 ~~set forth in~~ in accordance with section 15-39.1-11 are eligible to receive monthly
23 lifetime normal unreduced retirement benefits under this section:
- 24 a. All tier one ~~and~~, tier two, and tier three members who have attained the age of
25 sixty-five years.
- 26 b. All tier one grandfathered and tier three members who have a combined total of
27 years of service credit and years of age which equals or exceeds eighty-five.
- 28 c. All tier one nongrandfathered members and tier two members who are at least
29 sixty years of age and who have a combined total of years of service credit and
30 years of age which equals or exceeds ninety.

2. The amount of retirement benefits is two percent of the final average monthly salary of the member multiplied by the number of years of credited service. For the purposes of this subsection, final average monthly salary for a tier:

a. Tier one or tier three member means one thirty-sixth of the total of the member's highest annual salaries earned between July first of a calendar year and June thirtieth of the subsequent calendar year for any three years of service credit under the fund. ~~For purposes of this subsection, final average monthly salary for a tier~~

b. Tier two member means one sixtieth of the total of the member's highest annual salaries earned between July first of a calendar year and June thirtieth of the subsequent calendar year for any five years of service credit under the fund.

3. Notwithstanding any other provision of this section, ~~no~~ a member who retired on July 1, 1993, or after and is eligible to receive benefits under former chapter 15-39, chapter 15-39.1, or section 15-39.2-02, may not receive benefits ~~which are~~ less than:

a. Ten dollars per month per year of teaching to twenty-five years.

b. Fifteen dollars per month per year of teaching over twenty-five years.

4. Payments must be made over a period of time ~~which~~ that does not exceed the life expectancy of the member or the joint life expectancy of the member and the beneficiary. Payment of minimum distributions must be made in accordance with section 401(a)(9) of the Internal Revenue Code [26 U.S.C. 401(a)(9)], as amended, and the regulations issued under that section, as applicable to governmental plans.

SECTION 4. AMENDMENT. Section 15-39.1-10.3 of the North Dakota Century Code is amended and reenacted as follows:

15-39.1-10.3. Multiple plan membership - Eligibility for benefits - Amount of benefits.

1. a. For the purpose of determining vesting of rights and eligibility for benefits under this chapter, a teacher's years of service credit is the total of the years of service credit earned in the fund and the years, with twelve months of compensation equal to a year, of service employment earned in any number of the following alternate plans:

(1) The public employees retirement system, except an "eligible employee" as that term is defined under section 54-52-02.15.

(2) The highway patrol troopers' retirement system.

b. Service credit may not exceed one year of service in any fiscal year in determining vesting and benefit eligibility.

b.c. If a teacher terminates eligible employment under the fund, ~~if that teacher~~ has not received a refund of member contributions, and ~~if that teacher~~ begins eligible employment in a plan described in paragraph 1 or 2 of subdivision a, ~~that the~~ teacher may elect to remain an inactive member of the fund without a refund of contributions. The board shall terminate the inactive status of a teacher under this subdivision if the teacher gains eligible employment under this chapter or if the teacher terminates eligible employment under a plan described in paragraph 1 or 2 of subdivision a.

e.d. Pursuant to rules adopted by the board, a teacher who has service credit in the fund and in any number of the alternate plans described in paragraphs 1 and 2 of subdivision a is entitled to benefits under this chapter.

(1) A tier one or tier three member may elect to have benefits calculated using the benefit formula in subsection 2 of section 15-39.1-10 under ~~either of~~ the following calculation methods:

(a) Using the three highest certified fiscal year salaries of this plan in the computation of final average salary and all service credit earned in this plan; or

(b) Using the three highest certified fiscal year salaries of this plan combined with the alternate plan in the computation of final average salary and service credit not to exceed one year in any fiscal year when combined with the service credit earned in the alternate retirement plan.

(2) A tier two member may elect to have benefits calculated using the benefit formula in subsection 2 of section 15-39.1-10 under ~~either of~~ the following calculation methods:

(a) Using the five highest certified fiscal year salaries of this plan in the computation of final average salary and all service credit earned in this plan; or

1 (b) Using the five highest certified fiscal year salaries of this plan
2 combined with the alternate plan in the computation of final average
3 salary and service credit not to exceed one year in any fiscal year
4 when combined with the service credit earned in the alternate
5 retirement plan.

6 2. a. If a teacher, who is eligible to participate in this fund, is also eligible to participate
7 in an alternate retirement system, the employee is a member of the teachers'
8 fund for retirement for duties covered under this fund, and the employee is also a
9 member of the public employees retirement system or highway patrolmen's
10 retirement system for duties covered by those alternate retirement systems. The
11 employers shall pay the member and employer contributions at the rates
12 currently existing for the applicable system.

13 b. If a teacher described in subdivision a was employed ~~prior to~~before August 1,
14 2003, and has dual member rights, the teacher may elect to begin participation in
15 the alternate plan pursuant to the plan provisions on August 1, 2003, or may
16 continue participation pursuant to the plan provisions in effect on July 31, 2003. A
17 plan participation election is required by five p.m. on October 31, 2003. If an
18 election is not received by the retirement plan, the participation and benefit
19 calculation requirements of this chapter as of July 31, 2003, continue to be in
20 effect for the teacher.

21 3. Under rules adopted by the board, an individual whose service credit was canceled
22 when that individual received a refund of assessments at termination of employment
23 under this chapter may, while that individual participates in a plan described in
24 paragraph 1 or 2 of subdivision a of subsection 1, repurchase that service credit that
25 was canceled.

26 **SECTION 5.** A new section to chapter 15-39.1 of the North Dakota Century Code is created
27 and enacted as follows:

28 **Postretirement adjustments.**

29 An individual who on June 30, 2027, is receiving monthly benefits from the fund on an
30 account paid under this chapter or under former chapter 15-39 is entitled to receive an increase
31 of fifty dollars per month.

SECTION 6. AMENDMENT. Section 15-39.1-11 of the North Dakota Century Code is amended and reenacted as follows:

15-39.1-11. Vesting of rights.

When a tier one ~~or tier three~~ member has earned three years of service credit in this state, that member has a vested right to a retirement annuity but is not entitled to payments under this chapter until the member meets the requirements set forth in section 15-39.1-10 or 15-39.1-12. When a tier two member has earned five years of service credit in this state, that member has a vested right to a retirement annuity but is not entitled to payments under this chapter until the member meets the requirements set forth in section 15-39.1-10 or 15-39.1-12. When a tier one ~~or, tier two, or tier three~~ member has attained normal retirement age, that member has a vested right to a retirement annuity under this chapter.

SECTION 7. AMENDMENT. Section 15-39.1-12 of the North Dakota Century Code is amended and reenacted as follows:

15-39.1-12. Early reduced retirement benefits.

A member who has acquired a vested right to a retirement annuity ~~as set forth in~~ under section 15-39.1-11 and who has attained age fifty-five may retire ~~prior to~~ before the normal retirement age as set forth in section 15-39.1-10 but the member's ~~benefits to which the member is then entitled~~ must be reduced according to the following schedule:

1. All tier one grandfathered ~~and tier three~~ member benefits must be reduced by six percent per annum from the earlier of:
 - a. Age sixty-five; or
 - b. The age at which the sum of the member's current years of service credit and years of age equals eighty-five.
2. All tier one nongrandfathered ~~member~~ and tier two member benefits must be reduced by eight percent per annum from the earlier of:
 - a. Age sixty-five; or
 - b. The later of:
 - (1) Age sixty; or
 - (2) The age at which the sum of the member's current years of service credit and years of age equals ninety.

1 **SECTION 8. AMENDMENT.** Section 15-39.1-15 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **15-39.1-15. Withdrawal from fund - Return to teaching.**

4 A teacher who has withdrawn from the fund as set forth in this chapter, by returning to teach
5 in a public school or state institution of this state, may regain service credit for prior teaching by
6 making the required payment. The required payment is the purchase cost on an actuarial
7 equivalent basis. If the teacher returns to teach in covered employment after June 30, 2008, the
8 teacher becomes a tier two member regardless of whether the teacher repurchases service
9 credit earned while the teacher was a tier one or tier three member.

10 **SECTION 9. AMENDMENT.** Section 15-39.1-33 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **15-39.1-33. Employer service purchases.**

13 A participating employer may purchase additional service credit on behalf of a member
14 under the following conditions:

- 15 1. The member may not be given the option to choose between an employer service
16 purchase and an equivalent amount paid in cash.
- 17 2. The member must meet one of the following conditions at the time the purchase is
18 made:
 - 19 a. The tier one or tier three member's age plus service credit must be equal to or
20 greater than seventy-seven;
 - 21 b. The tier one or tier three member's age must be at least fifty-five and the member
22 must have at least three years of service credit;
 - 23 c. The tier two member's age plus service credit must be equal to or greater than
24 eighty-two; or
 - 25 d. The tier two member's age must be at least fifty-five and the member must have
26 at least five years of service credit.
- 27 3. The board must determine the purchase price on an actuarially equivalent basis.
- 28 4. The purchase must be completed before the member's retirement.
- 29 5. The employer may purchase a maximum of three years of service credit on behalf of
30 the member.

- 1 6. The employer must pay the purchase price for the service credit purchased under this
2 section in a lump sum.

3 **SECTION 10. APPROPRIATION - TRANSFER - GENERAL FUND TO TEACHERS' FUND**
4 **FOR RETIREMENT - POSTRETIREMENT ADJUSTMENTS.** There is appropriated out of any
5 moneys in the general fund in the state treasury, not otherwise appropriated, the sum of
6 _____, or so much of the sum as may be necessary, which the office of management and
7 budget shall transfer to the teachers' fund for retirement for the purpose of postretirement
8 adjustments under section 5 of this Act, during the biennium beginning July 1, 2027, and ending
9 June 30, 2029.

NOTE: This bill draft contains blanks that must be filled in before introduction.

MEMORANDUM

TO: TFFR Board
FROM: Chase Kauffeld, Chief Retirement Officer
DATE: October 28, 2026
RE: Pension Administration System Update

Purpose

This memo reports on a security incident in the MyTFFR Member Self-Service (MSS) portal, the actions taken in response, and related technology initiatives underway at TFFR.

Summary

Between September 23 and 25, 2026, an unauthorized individual accessed four member accounts in the MSS portal and changed direct deposit information. A beneficiary designation on one account was also changed. No benefit payments were issued to a fraudulent account.

The individual held member personal information sufficient to pass the portal's registration identity questions. The source of that information has not been determined. The individual may have viewed member information available in the portal. Sagitec, the vendor for Neospin and the MSS portal, investigated and found no evidence that the portal, its servers, or its hosting infrastructure were compromised.

Response

On September 25, 2026, RIO directed Sagitec to disable online direct deposit changes and new user registration in the MSS portal and notified NDIT. Staff removed portal access for the affected accounts, contacted the affected members, and posted notices on the RIO website and member portal. Staff also implemented a revised direct deposit change procedure and a phone identity verification procedure.

Current Actions

RIO is implementing multi-factor authentication with NDIT for NDLogin accounts that access Neospin. Members can no longer overwrite an existing portal account without contacting TFFR staff and completing identity verification. Staff are being trained on the new procedures.

Fraud Resilience Review

Staff are reviewing processes in Neospin and the MSS portal to make them more resistant to fraud. The review includes an evaluation of ID.me and other identity proofing solutions.

Other Technology Initiatives

IRS Information Returns Intake System (IRIS). The IRS is retiring its Filing Information Returns Electronically (FIRE) system. Beginning with tax year 2026 returns filed in 2027, the IRS has targeted IRIS as the only system for filing information returns now received through FIRE, including Form 1099-R. Staff are preparing TFFR to file its 1099-Rs through IRIS no later than March 31, 2027.

Member user experience. RIO has signed a statement of work for changes to the member-facing user interface to make the system easier for members to use. Implementation is four to six weeks and expected completion by January board meeting.

Employer reporting portal. Staff are reviewing changes to the employer reporting portal to reduce reporting errors and the number of business managers who need to call TFFR for assistance. Anticipated to be completed by end of fiscal year.

Board Action Requested: Information only.

MEMORANDUM

TO: TFFR Board

FROM: Jodi Smith, Executive Director

DATE: October 28, 2026

RE: SIB Budget & Finance Committee Appointment

The State Investment Board (SIB) approved amendments to its Governance Policy System (GPS) on second reading at its October 28, 2026, meeting. One amendment adds a TFFR Board appointee to the SIB Budget and Finance Committee as a voting member. The TFFR Board now needs to make that appointment.

The Budget and Finance Committee charter now includes an appointee from the TFFR Board, and committee size is fixed to four members. The SIB made this change for two reasons:

- **Open meetings.** With more members, a quorum of the full SIB could occur at committee meetings during the legislative session, which would make the meeting an SIB open meeting by accident. A four-member committee prevents that.
- **TFFR's interest.** TFFR has an interest in the budget and finance matters the committee oversees, and the change gives TFFR a direct vote on them.

Board Action

Appoint one TFFR Board member to serve as a voting member of the SIB Budget and Finance Committee.

Agenda item IV. G to follow.

Year End Internal Audit Activities

Fiscal Year 2026

Audit, Risk and Compliance Committee

Purpose

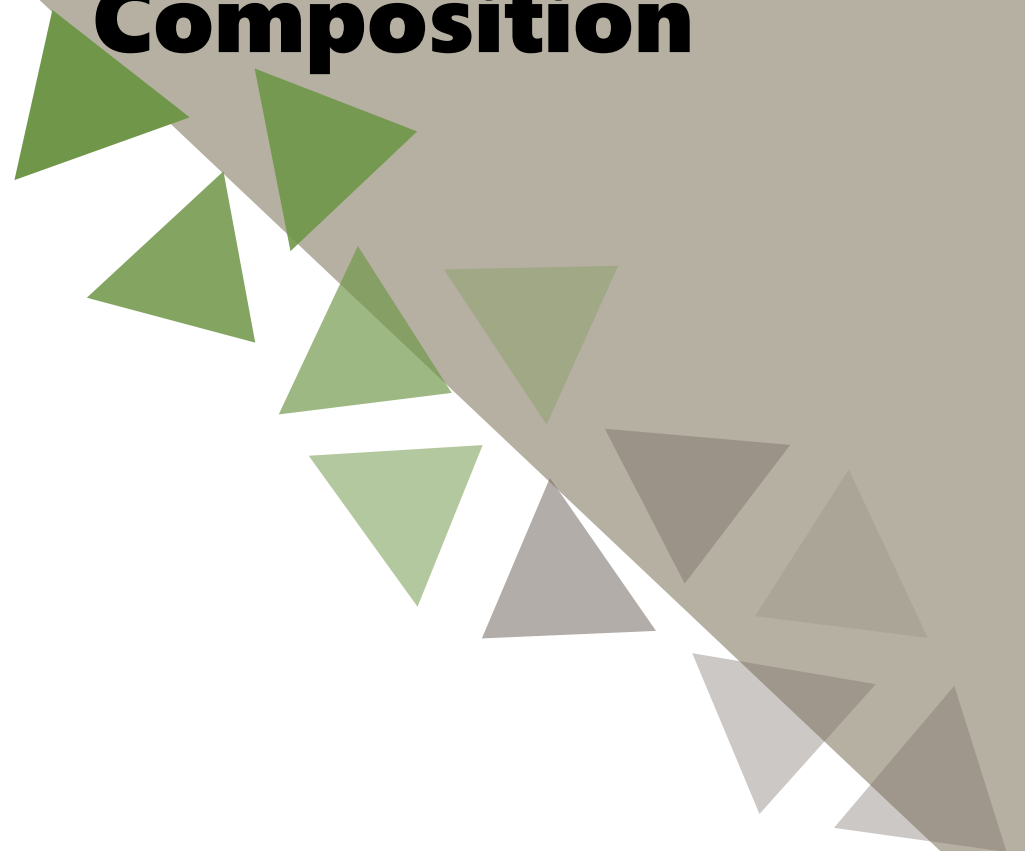
Internal Audit provides independent assurance and advisory services designed to enhance governance, risk management, and internal controls.

Annual summary of Internal Audit accomplishments

Assurance, advisory, governance, and oversight activities

Value delivered throughout FY2025-26

Committee Composition



2025-26 Audit Committee

- Treasurer, Thomas Beadle (Chair)
- Cody Mickelson (Vice Chair)
- Adam Miller
- Lisa Corbin, External Representative
- Todd Van Orman, External Representative

Assurance Activities

Assurance Activities

Completed Audits

- Investment Fee Audit
- Executive Limitations Review
- Neospin User Roles Review
- TFFR File Maintenance Audit
- External Manager Oversight Audit

Objective

Provided independent assurance over governance, investment, retirement, fiscal, and operational processes.

Results

- Controls operating effectively
- Opportunities identified for strengthening processes
- Management agreed with recommendations

External Audit Support

Internal Audit continued to support an efficient and coordinated external audit process.

Financial Statement Audit

- Coordinated annual financial statement audit activities
- Supported timely issuance of audit report

GASB 68 Employer Audit

- Coordinated employer census audit activities
- Reconciled employer information

Audit Coordination

- Coordinated information requests across all of RIO divisions.

Advisory, Governance & Risk

Advisory Services

Governance

- Governance Manual
- Charter Revisions
- Committee Modernization
- Policy & Procedures

Fiscal & Investment Advisory

- General Ledger Automation
- Internal Rebalancing
- Disclaimers & Disclosures
- Month-End Close
- Policy & Procedures

Enterprise Risk

- Risk Assessment
- Risk discussions
- Emerging risks

Accomplishments



Fiscal Year 2026

- ✓ Completed the approved annual audit plan
- ✓ Supported strategic activities through advisory services
- ✓ Strengthened governance and committee oversight.
- ✓ Provided independent assurance over key organizational risks
- ✓ Continued to promote effective risk management and internal controls
- ✓ Coordinated successfully external audit activities
- ✓ Maintained organizational independence



NORTH
Dakota
Be Legendary.

| Retirement & Investment

MEMORANDUM

TO: TFFR
FROM: Adam Otteson, Chief Financial and Operating Officer
DATE: October 28, 2026
RE: Annual Budget and Expense Report

Enclosed are the following annual budget and expense reports for the fiscal year ended June 30, 2026:

- Biennium Appropriation Status Report
- Expenditure Summary Report
- Schedule of Consulting Expenses
- Schedule of Investment Expenses – TFFR Pension Trust

Board Action Requested: Board acceptance.

**RETIREMENT AND INVESTMENT OFFICE
2025–2027 BIENNIUM APPROPRIATION STATUS REPORT
AS OF JUNE 30, 2026**

Line Item	Current Appropriation	Expended to Date	Remaining	% Remaining
Salaries and wages ¹	\$ 12,261,914	\$ 5,571,040	\$ 6,690,874	54.6%
New and vacant FTE pool ²	314,616	–	314,616	100.0%
Operating expenses	3,785,133	1,621,007	2,164,126	57.2%
Contingency	200,000	–	200,000	100.0%
Total	\$ 16,561,663	\$ 7,192,047	\$ 9,369,616	56.6%

Percent of biennium remaining: 50%. Overall, 56.6% of the appropriation remains, so spending is within budget for the first year of the biennium.

Notes

The original 2025–2027 appropriation was \$16,547,594. The current appropriation of \$16,561,663 reflects the adjustments below.

¹ Includes \$155,850 transferred from the New and Vacant FTE pool, plus a \$14,069 General Fund appropriation that was fully expended.

² The pool was reduced from \$470,466 by the \$155,850 transfer to Salaries and wages to fund a newly hired FTE.

Source: PeopleSoft Appropriation Status Report 4310AA, Business Unit 19000, for the month ending June 30, 2026.

**RETIREMENT AND INVESTMENT OFFICE
EXPENDITURE SUMMARY REPORT
FISCAL YEAR ENDED JUNE 30, 2026**

	TFFR	SIB (Investment Program)	Total Agency
Continuing Appropriations			
Investment expenditures ¹	\$ 23,170,823	\$ 114,890,960	\$ 138,061,783
Member claims			
Annuity payments	275,274,869	—	275,274,869
Refund payments	15,804,209	—	15,804,209
Total member claims	291,079,078	—	291,079,078
Other continuing appropriations ²	840,885	3,862,601	4,703,486
Total Continuing Appropriations	315,090,786	118,753,561	433,844,347
Appropriated Expenditures			
Salaries and benefits	1,555,459	4,001,512	5,556,971
Operating expenses	1,151,264	469,743	1,621,007
SIB expenses allocated to TFFR ³	643,872	(643,872)	—
Total Appropriated Expenditures ⁴	3,350,595	3,827,383	7,177,978
Total Expenditures	\$ 318,441,381	\$ 122,580,944	\$ 441,022,325

Column definitions

TFFR – Expenses of the Teachers' Fund for Retirement pension trust, including member benefit payments and TFFR's allocated share of investment program administrative costs.

SIB (Investment Program) – Expenses of the State Investment Board investment program for all other investment clients (pension, insurance and Legacy Fund pools), after the allocation to TFFR.

Total Agency – Combined Retirement and Investment Office total (TFFR + SIB).

Notes

¹ Investment management, custodian, and investment consultant and service fees, including fees netted against investment income. TFFR detail is on the Schedule of Investment Expenses.

² Administrative expenses paid under continuing appropriation (NDCC 15-39.1-05.2, 21-10-06.2 and 54-52.5-03), including consulting fees. The TFFR column includes \$667,365 of SIB continuing-appropriation expenses allocated to TFFR.

³ TFFR's share of SIB appropriated administrative expenses, shown as a transfer between columns; it nets to zero for the agency.

⁴ Excludes \$14,069 of salary expenditures funded by a General Fund appropriation. Including it, appropriated expenditures total \$7,192,047, which agrees to the Biennium Appropriation Status Report.

**RETIREMENT AND INVESTMENT OFFICE
SCHEDULE OF CONSULTING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025**

	TFFR		SIB (Investment Program)	
	FY 2026	FY 2025	FY 2026	FY 2025
Actuary fees				
GRS Consulting	83,196	111,900	—	—
Auditing/accounting fees				
UHY LLP	89,670	81,474	80,505	42,126
Weaver	36,144	9,833	212,462	46,816
Total auditing fees	125,814	91,307	292,967	88,942
Project management fees				
Segal Consulting	—	359,116	—	—
Vtech Solution	4,787	30,596	28,145	176,216
Funston Advisory	36,809	—	385,156	—
Voyage Advisory	94,753	36,096	176,363	63,904
Total project management fees	136,349	425,808	589,664	240,120
Disability consulting fees				
Sanford Health	700	350	—	—
Legal fees				
Nossaman LLP	2,880	—	16,929	—
Purrington Moody Weil LLP	2,503	6,699	14,714	38,580
Jackson Lewis PC	1,464	—	2,625	—
Jackson Walker LLP	60,944	37,433	297,904	284,599
ND Attorney General	18,771	9,191	36,081	23,592
Total legal fees	86,562	53,323	368,253	346,771
Total consultant expenses	\$ 432,621	\$ 682,688	\$ 1,250,884	\$ 675,833

Notes

TFFR amounts include TFFR's allocated share of SIB consulting costs that benefit both programs. Columns use the same definitions as the Expenditure Summary Report.

Source: Supplementary Schedule of Consultant Expenses, FY 2026 RIO unaudited financial statements.

**RETIREMENT AND INVESTMENT OFFICE
SCHEDULE OF INVESTMENT EXPENSES – TFFR PENSION TRUST
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025**

	FY 2026	FY 2025	Change
Investment managers' fees			
Domestic large cap and all cap equity managers	\$ 2,561,725	\$ 2,882,644	\$ (320,919)
Domestic small cap equity managers	246,830	226,616	20,214
International equity managers	1,234,138	1,013,441	220,697
Emerging markets equity managers	220,400	141,549	78,851
Domestic fixed income managers	1,206,586	1,335,453	(128,867)
Below investment grade fixed income managers	450,809	3,049,442	(2,598,633)
Real estate managers	1,174,206	1,901,527	(727,321)
Infrastructure managers	7,191,955	7,106,620	85,335
Timber managers	316,665	231,685	84,980
Private credit managers	2,526,450	–	2,526,450
Private equity managers	5,455,086	5,197,594	257,492
Cash & equivalents managers	16,402	30,169	(13,767)
Total investment managers' fees	22,601,252	23,116,740	(515,488)
Custodian fees	252,024	282,463	(30,439)
Investment consultant and service fees	317,547	171,050	146,497
Total investment expenses	\$ 23,170,823	\$ 23,570,253	\$ (399,430)

Notes

Limited to the TFFR pension trust. Includes management fees paid directly and fees netted against investment income. Manager categories with no fees in either year (diversified real assets, in-state, high yield, short-term fixed income, balanced) and SIB service fees are omitted.

Source: Supplementary Schedule of Investment Expenses, FY 2026 RIO unaudited financial statements.

Fiduciary Net Position Compared to Investment Expenses

	FY 2026	FY 2025	Change	% Change
Fiduciary net position	\$ 4,093,080,128	\$ 3,648,749,437	\$ 444,330,691	12.2%
Total investment expenses	\$ 23,170,823	\$ 23,570,253	\$ (399,430)	(1.7%)
Expenses as % of ending net position	0.57%	0.65%	(0.08) pct. pts	–

TFFR's fiduciary net position increased 12.2% (\$444.3 million) in FY 2026, while total investment expenses decreased 1.7% (\$399,430). As a result, investment expenses as a percentage of net position fell from 0.65% to 0.57%.

Source: Statement of Fiduciary Net Position (Pension Trust – TFFR) and Supplementary Schedule of Investment Expenses, FY 2026 RIO unaudited financial statements.