



Photo Credit: Commerce/Tourism

# 2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED  
JUNE 30, 2023 & 2022

NORTH  
**Dakota** | Retirement & Investment  
Be Legendary.

*An Agency of the State of North Dakota*



# **North Dakota Retirement & Investment Office**

*An Agency of the State of North Dakota*

## **Annual Comprehensive Financial Report**

Prepared by the North Dakota Retirement & Investment Office Staff  
1600 E Century Avenue, Suite 3  
P.O. Box 7100  
Bismarck, ND 58507-7100  
Phone: (701) 328-9885  
[www.rio.nd.gov](http://www.rio.nd.gov)

**For the Fiscal Years Ended June 30, 2023 & 2022**

All printed materials can be made available in alternate formats.  
Contact the administrative office should this be necessary.





# Table of Contents

## Introductory Section

Letter of Transmittal	2
North Dakota Retirement and Investment Office (RIO)	8
North Dakota State Investment Board (SIB)	9
North Dakota Teachers' Fund for Retirement (TFFR)	10
Administrative Organization	11
Consulting and Professional Services	12
Government Finance Officers Association (GFOA)	
Certificate of Achievement	13
Public Pension Coordinating Council (PPCC)	
Recognition Award for Administration	14

## Financial Section

Independent Auditors' Report	16
Management's Discussion and Analysis	19
Basic Financial Statements:	
<i>Fund Financial Statements</i>	
Statements of Net Position – Fiduciary Funds	28
Statements of Changes in Net Position – Fiduciary Funds	29
Notes to the Financial Statements	30
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability (NPL) and Related Ratios – ND Teachers' Fund for Retirement	69
Schedule of Employer Contributions – ND Teachers' Fund for Retirement	70
Schedule of Investment Returns – ND Teachers' Fund for Retirement	71
Schedule of Employer's Share of Net Pension & OPEB Liability – ND Public Employees Retirement System	72
Schedule of Employer Pension and OPEB Contributions ND Public Employees Retirement System	73
Combining and Individual Fund Financial Statements:	
Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds	74
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds	76
Supplementary Information:	
Pension and Investment Trust Funds – Schedule of Administrative Expenses	78
Schedule of Appropriations – Budget Basis – Fiduciary Funds	79
Pension and Investment Trust Funds – Schedule of Consultant Expenses	80
Pension and Investment Trust Funds – Schedule of Investment Expenses	81

## Investment Section

Chief Investment Officer's Letter	84
Investment Performance Summary	88
Schedule of Investment Consultants and Results	90
Largest Holdings	98
Schedule of Investment Fees	100
Schedule of Commissions	102

## Investment Objectives and Policy Guidelines and Actual Asset Allocation (by Fund):

### *Pension Pool Participants*

Teachers' Fund for Retirement	103
Public Employees Retirement System	107
Bismarck City Employee Pension Plan	112
Bismarck City Police Pension Plan	116
City of Grand Forks Pension Plan	120
Grand Forks Park District Pension Plan	124

### *Insurance Pool Participants*

Workforce Safety & Insurance Fund	128
State Fire and Tornado Fund	131
State Bonding Fund	134
Petroleum Tank Release Compensation Fund	137
Insurance Regulatory Trust Fund	140
State Risk Management Fund	143
State Risk Management Workers Comp. Fund	146
ND Cultural Endowment Fund	149
Arts Across the Prairie Maintenance Endowment	152
Budget Stabilization Fund	155
North Dakota Association of Counties	158
City of Bismarck Deferred Sick Leave	161
NDPERS Group Insurance Account	164
City of Fargo FargoDome Permanent Fund	166
ND State Board of Medicine Fund	169
Lewis & Clark Interpretive Center Endowment Fund	173
Attorney General Settlement Fund	176
North Dakota Veterans' Cemetery Trust Fund	179
ND University System Capital Building Fund	182
<i>Individual Investment Accounts</i>	
Legacy Fund	185
Retirement Plan for Employees of Job Service ND	190
Retiree Health Insurance Credit Fund	194

## Actuarial Section

Actuary's Certification Letter	200
Summary of Actuarial Valuation Results	203
Summary of Actuarial Assumptions and Methods	204
Schedule of Active Members	208
Schedule of Retirees and Beneficiaries	208
Analysis of Change in Actuarially Determined Contribution (ADC)	209
Development of Unfunded Actuarial Accrued Liability (UAAL)	209
Solvency Test	210
Schedule of Funding Progress	210
Summary of Plan Provisions	211
Summary of Plan Changes	215

## Statistical Section

Changes in Net Position-Pension Trust Fund	222
Benefit and Refund Deductions by Type	222
Schedule of Contribution Rates	223
Principal Participating Employers	224
Schedule of Participating Employers	225
Schedule of Retirees Residing in ND by County	227
Schedule of Average Benefit Payments	228
Schedule of Retirees by Benefit Amount & Type	230
Schedule of New Retirees by Type	231
Summary of Operations	232



# Introductory Section



December 15, 2023

Members of the  
North Dakota State Investment Board  
North Dakota Teachers' Fund for Retirement Board

Dear Board Members:

We present to you the June 30, 2023, Annual Comprehensive Financial Report (ACFR) for the North Dakota Retirement and Investment Office (RIO). The report is a complete review of the financial, investment, and actuarial conditions of the two programs for which you are responsible. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of RIO.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. RIO's MD&A can be found immediately following the report of the independent auditors in the Financial Section.

RIO is an agency of the State of North Dakota. The agency was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of two important long-standing state programs: the retirement program of the Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB).

Established in 1913, TFFR is one of the oldest retirement plans in the nation. TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code. North Dakota Century Code Chapter 15-39.1 contains the actual language governing the fund. The plan covers North Dakota public school educators. The TFFR plan is funded on an actuarial reserve basis. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves 11,766 members from 206 employer groups and pays benefits to 9,615 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program.

The SIB is responsible for setting policies and procedures guiding the investment of \$19.5 billion in assets for seven pension funds and twenty-one non-pension funds as of June 30, 2023. Their investments are divided into two investment trust funds and three individual investment accounts. Individual investment guidelines for each fund can be found in the Investment Section. These guidelines include goals and objectives, risk tolerance, liquidity constraints, asset allocation and portfolio restrictions specific to each fund's unique circumstances. When creating investment pools to implement the asset allocations for each client fund, the SIB takes all these guidelines into consideration in order to best meet the objectives of each fund and safeguard fund assets. The following table details the participants in each trust fund as of June 30, 2023:



	Fair Value in millions	% Of Pool	FY2023 Return		Fair Value in millions	% Of Pool	FY2023 Return				
PENSION POOL PARTICIPANTS				INSURANCE POOL PARTICIPANTS							
Teachers' Fund for Retirement	\$3,123.50	42.8%	7.48%	Workforce Safety & Insurance Fund	\$2,066.71	69.6%	2.74%				
Public Employees Retirement System	3,912.54	53.6%	7.98%	State Fire and Tornado Fund	18.29	0.6%	6.61%				
Bismarck City Employee Pension Fund	123.34	1.7%	7.43%	State Bonding Fund	3.68	0.1%	1.64%				
Bismarck City Police Pension Fund	50.97	0.7%	8.26%	Petroleum Tank Release Compensation Fund	5.89	0.2%	1.85%				
City of Grand Forks Pension Fund	74.92	1.0%	10.49%	Insurance Regulatory Trust Fund	7.16	0.2%	6.76%				
Grand Forks Park District Pension Fund	8.73	0.1%	7.36%	State Risk Management Fund	4.28	0.1%	6.46%				
Subtotal Pension Pool Participants	\$7,294.01	100.0%		State Risk Management Workers Comp	3.42	0.1%	7.06%				
INDIVIDUAL INVESTMENT ACCOUNTS				Cultural Endow ment Fund	0.55	0.0%	9.50%				
				Budget Stabilization Fund	739.84	24.9%	3.13%				
				ND Assoc. of Counties (NDA Co) Fund	7.22	0.2%	6.28%				
				City of Bismarck Deferred Sick Leave	0.78	0.0%	5.44%				
				PERS Group Insurance	58.78	2.0%	3.15%				
				State Board of Medicine	3.24	0.1%	3.94%				
				City of Fargo FargoDome Permanent Fund	42.65	1.4%	8.87%				
				Lew is & Clark Interpretive Center Endow ment	0.84	0.0%	5.99%				
				Attorney General Settlement Fund	1.82	0.1%	3.13%				
				Veterans' Cemetery Trust Fund	0.45	0.0%	8.00%				
				NDUS Capital Building Fund	1.05	0.0%	3.13%				
				Arts Across the Prairie Maintenance Endow ment	1.07	0.0%	*				
				Subtotal Insurance Pool Participants	2,967.73	100.0%					
				TOTAL ASSETS UNDER MANAGEMENT				\$19,515.06			
				* This category does not have a year of history under SIB Management.							
				Columns may not foot due to rounding.							

The pension investment pool is made up of only qualified pension funds whose monies must be invested exclusively for the benefit of their participants. The insurance investment pool is made up of mainly insurance-type funds, but also includes other funds that do not qualify as pension funds and would like to benefit from the cost savings of being pooled with other funds' assets. All these funds are invested in accordance with the "Prudent Investor Rule."

An important aspect of the prudent investor rule is that individual investments are considered not in isolation but in the context of the trust portfolio as a whole. Some new opportunities may appear risky when viewed alone. However, when part of a diversified mix of investments in stocks, bonds, and other assets, they can increase returns often without increasing the overall portfolio risk and, in some cases, may help decrease the overall portfolio's risk.

The pension investment pool was created in July 1989 with the pooling of selected investments of TFFR and the Public Employees Retirement System (PERS). Assets from the City of Bismarck Employees and Police pension funds were added later that same fiscal year. In April 1994, Job Service of North Dakota made their initial contribution to the pool. Other additions to this pool have occurred as follows:

- The City of Fargo Employees pension plan joined the pension pool in December 2007.
- The City of Grand Forks Employees pension plan joined in May 2009.
- The City of Grand Forks Park District pension plan began participating in the pension pool in December 2009.

The assets for the Job Service plan were removed from the pension pool during fiscal year 2016 after a de-risking strategy was implemented by the PERS Board due to the plan being a closed plan with a diminishing number of participants and remaining life. The assets are now being managed within an individual investment account. Only one other fund (City of Fargo Employees Pension Plan) has been added and subsequently left the pool since its inception.

The insurance investment pool began in December 1993 with the pooling of the assets of the Workforce Safety & Insurance (WSI), Fire and Tornado, Bonding, Insurance Regulatory, and Petroleum Tank Release Compensation funds.

Other additions to this pool have occurred as follows:

- The Risk Management Fund was added in October 1996.
- Two North Dakota Association of Counties (NDACo) funds were added during fiscal year 1999, in January and March.
- The City of Bismarck Deferred Sick Leave and PERS Group Insurance funds were both added in July 1999.
- The City of Fargo FargoDome Permanent Fund was added in October 2002.
- The Risk Management Workers Compensation Fund was added in October 2003.
- The Cultural Endowment Fund was added by the 2005 legislature and funded in July 2005.
- The Budget Stabilization Fund joined the pool in September 2005 upon reaching statutorily designated levels.
- The State Board of Medical Examiners Fund (now called the State Board of Medicine) joined the pool in April 2014.
- The Lewis & Clark Interpretive Center Endowment Fund joined the pool in April 2018 originally owned by ND Parks and Recreation but was transferred to ND State Historical Society in 2022.
- The Attorney General Settlement Fund was added in September 2019.
- The Veterans' Cemetery Trust Fund rejoined the pool in March 2020. The fund had been a previous member of the pool from August 1997 until August 2007.
- The NDUS Capital Building Fund joined the pool in December 2021.
- Arts Across the Prairie Maintenance Endowment joined the pool in November 2022.

Eight funds have left the insurance investment pool after having been included in it at some point during its existence. Of those eight, one was a combination of the two NDACo funds in July 2010. The other departure from the insurance investment pool occurred when the Legacy Fund assets were removed from the insurance investment pool during fiscal year 2015 after being added to SIB management in September 2011. Pooling the assets during implementation allowed for a more efficient realization of the Legacy Fund's target asset allocation. However, after implementation, it was determined that better transparency would result and the investment objectives of this endowment-like fund could be more effectively achieved outside of the insurance pool structure.

The Tobacco Prevention and Control Trust Fund, an individual investment account, was liquidated in June 2021 and completely cleared out in FY2022.

## **MAJOR INITIATIVES & HIGHLIGHTS**

RIO accomplishments during the 2021-2023 biennium have included:

- Creating and implementing a new agency strategic plan identifying core priorities and transformational initiatives.
- Reorganizing the agency to achieve greater economies of scale and support new strategic plan.
- Developing and implementing intra-agency communication and training plan to support organizational culture as a core agency priority.
- Assisting governing boards with the creation and operation of three new standing committees to create governance that supports program growth: a Governance & Policy Review committee of the SIB; an Investment Committee of the SIB; and a Governance & Policy Review committee of the TFFR Board (previously an ad hoc committee); as well as expanding the scope of the Executive Review and Compensation Committee.
- Continuing to implement an in-state investment initiative with the creation of the ND Growth Fund, increasing funding of the BND match loan program, and supporting a Legacy Fund Asset Allocation Study project commissioned by the Legacy and Budget Stabilization Advisory Board.
- Completing two out of three phases of the TFFR Pension Administration System Modernization Project (TFFR "Pioneer" Project), with the third and final phase underway.
- Staffing Changes: Due to retirements and departures of staff in FY2021, as well as the Legislature approving 6 new FTE's for the agency during the November 2021 Special Legislative Session, RIO onboarded several new team members throughout the biennium. New employees included (but were not limited to) three of the four members of RIO's executive team. Scott Anderson, Chief Investment Officer, joined RIO in January 2022; Chad Roberts, Deputy Executive Director/Chief Retirement

Officer, joined RIO in July 2022; Ryan Skor, Chief Financial Officer/Chief Operating Officer, joined RIO in August 2022. Jan Murtha served as Interim executive Director from June 2021 through November 2021; at which time she was appointed to the permanent Executive Director position.

- The Legislature approved an internal investment management initiative and authorized RIO to develop an incentive compensation plan to support the investment program and an additional 7 new FTE's for the 2023-2025 biennium, during the 2023 Legislative Session.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the twenty-fifth consecutive year that RIO has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

TFFR received the 2023 Public Pension Standards Award for Plan Funding and for Plan Administration from the Public Pension Coordinating Council. To receive the funding award, a pension program must certify that it meets the requirements for funding adequacy, either a 100% funded ratio or an actual contribution rate at a level equal to or greater than the actuarially determined contribution. To be recognized for administration, a pension program must certify that it is a comprehensive benefit program with a recent audit and actuarial valuation illustrating the soundness of the program, that it has adopted and follows investment policies, that it adequately communicates with its members, and that its board meets quarterly at a minimum. RIO has been recognized by the PPCC nine times for administration alone.

## FINANCIAL INFORMATION

RIO is subject to very strict operational controls. Well-established internal controls are in place, segregation of duties is maintained, and an internal audit program is in effect. In addition, an annual external financial audit is performed, and the results are reported to the Legislative Audit and Fiscal Review Committee (LAFRC). Although internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives, and the cost of a control should not exceed the benefits to be derived, RIO believes the internal controls that are in place have been designed to reduce risks of material misstatements.

CliftonLarsonAllen LLP conducted the external financial audit under the direction of the North Dakota State Auditor. The auditor's opinion was unmodified for the agency for the year ended June 30, 2023.

The tables below summarize RIO's additions and deductions for the current and prior fiscal years:

Pension Trust Fund (TFFR)	6/30/2023 (in millions)	6/30/2022 (in millions)	Incr/(Decr) \$ (in millions)	Incr/(Decr) %
<b>Additions</b>	\$ 415	\$ (4)	\$ 419	10364.1%
<b>Deductions</b>	265	254	11	4.2%
<b>Net Change</b>	\$ 150	\$ (258)	\$ 408	158.0%

Financial markets in FY2023 recovered substantially from the significant pullback realized in FY2022. Deductions increased because the average benefit increased from the previous year, as did the number of retirees receiving benefits throughout the year.

⚡j Ygŕa YbhiŦi gh: i bXg	* # \$%&' Ŧj b'a Ŧ']c b g L	* # \$%&'& Ŧj b'a Ŧ']c b g L	ŦB YW L~ Ŧj b'a Ŧ']c b g L	⚡W #B YW Lı
5XXŦjcbg	ÁÁ ÁŦŦi G	ÁÁ ÁŦŦ Ġ D	ÁÁ ÁŦŦ JJ	ı FŦĚ Á
8YXi WŦcbg	ÁÁ Ġ	ÁÁ ĤF	ÁÁ ÁĤH	Fı JĚÁ
BYh7\ Ub[ Y	ÁÁ ÁŦŦi ì	ÁÁ ÁŦŦ ì D	ÁÁ ÁŦŦ ċ	Ġ ĚĚÁ

QÁ@Á Ç^•q ^} Á••Á } a•Éääää } •Á [ Á &^æ^âÁÁ^Á Á } ääÇ Á^Á Ç^!^ Á Á@Á ä äÇÁ æ\^Á  
 c@[\* @^Á@Á^æÁ Á^Á Áääää } äÄ [ ^] •Áääää^Á Á^Á [ •ää q Á@Á^ æ: Á } äÄ áÁ^ á^Á  
 Üääää ä } Á } a•ÉÖ^á &q } •Á &^æ^âÁÁ^Á Á@Á } äÁ^ æ: Á } áÁæ } ä^•Á ä •Á Á@ÁÜæq Á  
 Ö^}^!äÁ } äÄÁ@Á } áÁ Á &çÁ^æÁÜG-ÉV@Á ä •Á ä Ä } | çä æ^ Á Á É Á } É

**: I B8 =B; 'GH5 HI G'**

[illegible]

V@Á^Á{ }||^ÁÁÖC ææÄ ÁÖ^Á{ ä^aÁÖ{ }dä~ä }ÄÖÖÖÄæÁ^Á& }æ^Á-ÄæÁ^Á@Á^æÁ^ä }ä\*Á  
R|ÁÆÆGvÁÆGÆÄÄV@Ác]^&c^aÁ{ }||^ÁÁ }dä~ä }ÁÆGÆÄÄÄ-ÄæÄ @Ö&æ^Áæ }dä~ä }Á  
~|}|^Á-ÆGÄÄ-ÄæÄV@ÄÖÖÄæ^aÁ }Ä@Ä|ä|Äææ }Ä æÄFGÄÄV@ÄÖÖÄ&^æ^aÁ^ÄÄ  
äc^d^ }Ä^..^Á }Ä@ÄæC ææÄä^Ä-æ^..Ää äÄä }Äæ|[|Ä^..Ä@ÄÄc]^&c^aÁ @Ö&æ^Áæ^Á@Ä  
æ|[äæ }Ä-Ä@Ä }~}ä^aÄääÄæÄæÄæÄ-ÄæÄÄ

[illegible]

V@Á||, ā\*Áaa^Á`{ { æā^•Á@Áæc æāáæ æā } Á Á@Á/ÖÜÁ|æ ÆÖÁ^æā^āÁā&••ā } Á Á` } āā\*Á Á  
|!| [çā^āÁ Á@Áæc æāá^&ā } Á Á@Á Á^ ] |!| dÄ

	>i`m'z&\$&' fjb'a j'jcbgk	>i`m'z&\$&' fjb'a j'jcbgk
5Wfi UfJU'5VWwi YX'QUVJ]hmf5 5 @ 5Wfi UfJU'jUi Y'cZUggYrg'f5J5k I bZ bXYX'UWfi UfJU'UWVwi YX'jUVJ]hmfI 55 @ :i bXYX'fUhc	ÅÅÅÅÊÏÏÊ ÅÅÊÏ ÊÏ ÅÅÊÏÏÊ ÏÊÏÃ	ÅÅÅÅÊÏÏÊ ÅÅÊÏHÏÊ ÅÅÊÏÏÊ ÎJÏÃ

~~:-B5 B7 -5 @F9DCFH-B; :-CF'D9BG-CBG'~~

0[ç^!]{ ^} Á088[ ^] ç\* Á0æ áæá Á0 æáÁ00000Á0æ{ ^} 0 Á Á Á Á088[ ^] ç\* Á0 æ áÁ0 æ 8æ0Á^ [|ç\* Á Á  
 | ^] • ç Á0æ0æ0 Á0 Á0 ç\* Á Á • ç Á0æ0æ0 Á0 áÁ0[ ^] • Á Á Á0 æ 8æ0Á^ [|ç\* Á Á [| • Á0 æ áÁ0 Á Á [ Á0 ] | Á  
 ç Á0 | ç0 ç Á0 [ ^] • Á Á Á0 ç Á0 Á • ç Á } áá\* Á Á [| • Á0 Á

V@Á|||, ā \* Áæà^Á~{ { æā^•Á@Á[ ] [ ] ^} • Á -Á@Á^á^} • ā } Áææäc Á -Á/OÜËÖZá^caP áÁã&••ā } Á  
ā Á | [ çāháÁ Á @Áç æ &āÚ^&cā } Á -Á@Á^] [ !dÄ



	July 1, 2023 (in millions)	July 1, 2022 (in millions)
<b>Total pension liability (TPL)</b>	\$ 4,577.2	\$ 4,480.0
<b>Plan fiduciary net position (FNP)</b>	3,173.9	3,023.9
<b>Net pension liability (NPL)</b>	1,403.3	1,456.1
<b>Plan FNP as % of TPL</b>	69.3%	67.5%

## INVESTMENT ACTIVITIES

The investment policies and strategies for each of the funds under the SIB can be found in the Investment Section of this report. Each fund's policy is determined by the individual fund's governing body and presented to the SIB for acceptance. Once accepted, the policy is used as a guide to determine participation in the applicable pools. The policies are designed to provide safeguards on assets while optimizing return based on each fund's risk parameters. Additionally, each investment manager is given explicit guidelines identifying the types of investments that are acceptable within each portfolio, based on asset allocation expectations of the individual funds in the pools.

The return information presented in the Investment Section is calculated with the assistance of our consultant, Callan LLC, based on data supplied by our custodian, The Northern Trust Company, and the individual investment managers. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent review.

## PROFESSIONAL SERVICES

Professional consultants are selected by the TFFR Board and the SIB to perform professional services that are essential to the effective and efficient operation of the retirement and investment programs. An opinion from the certified public accountant and the actuary are included in this report. The consultants chosen by the boards are listed in the Introductory Section of this report.

Respectfully yours,



Jan Murtha, J.D., MPAP  
Executive Director



Ryan Skor, CPA, MBA  
Chief Financial and Operating Officer

## **NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE**

### **As of June 30, 2023**

#### **Mission**

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

#### **Vision**

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

#### **Values**

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

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

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

### **Executive Team**



**Jan Murtha, J.D., M.P.A.P.**  
*Executive Director*



**Scott M. Anderson, CFA**  
*Chief Investment Officer*



**Chad Roberts, MAcc**  
*Deputy Executive Director /  
Chief Retirement Officer*



**Ryan Skor, CPA, MBA**  
*Chief Financial Officer /  
Chief Operating Officer*

### **Supervisory Staff**

**Eric Chin**

*Deputy Chief  
Investment Officer*

**Rachel Kmetz**

*Accounting  
Manager*

**Sara Seiler**

*Supervisor of  
Internal Audit*

**Denise Weeks**

*Retirement  
Programs Manager*

## NORTH DAKOTA STATE INVESTMENT BOARD

### Board Members as of June 30, 2023

#### Investment Program

##### *Investment Process*

The ND State Investment Board believes that an investment program must be built and managed like any good business, with a clear statement of mission, overall objectives, roles and responsibilities, and policies and guidelines. Major issues include:

Asset allocation targets:

- Setting appropriate benchmarks.
- Finding the right managers.
- Monitoring the program.
- Searching for appropriate new opportunities.

To ensure rigorous attention to all aspects of the investment program, the SIB follows an established investment process. This process involves three phases:

- Investment policy development/modification
- Implementation/monitoring
- Evaluation



**Tammy Miller**  
*Chair  
Lt. Governor*



**Rob Lech**  
*Vice Chair  
TFFR Trustee*



**Claire Ness**  
*Parliamentarian  
PERS Trustee*



**Thomas Beadle**  
*State Treasurer*



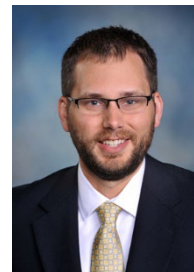
**Jon Godfread**  
*State Insurance  
Commissioner*



**Art Thompson**  
*Workforce Safety &  
Insurance Director*



**Joe Heringer**  
*University and School  
Land Commissioner*



**Adam Miller**  
*PERS Trustee*



**Cody Mickelson**  
*TFFR Trustee*



**Mel Olson**  
*TFFR Trustee*



**Yvonne Smith**  
*PERS Trustee*



**Glenn Bosch**  
*Legacy & Budget  
Stabilization Fund  
Advisory Board*

## NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

### Board of Trustees as of June 30, 2023

#### Retirement Program

##### Our Mission

To administer a comprehensive retirement program that provides North Dakota public educators with a foundation for retirement security.

##### Our Vision

To be a trusted leader in the administration of a financially sound retirement program for North Dakota educators by providing exceptional customer service, professional plan management and organizational effectiveness by adhering to the principles of good governance, transparency and accountability.

##### Our Core Values

**Customer Satisfaction and Commitment to Excellence** which is demonstrated by our trustworthiness, accountability and respectfulness.

**Strong Governance and Operational Effectiveness** through our strategic leadership, fiduciary responsibility, ethical practices and transparency.



**Rob Lech**  
*President*  
*Active Administrator*



**Mike Burton**  
*Vice President*  
*Retired Member*



**Jordan Willgohe**  
*Trustee*  
*Active Teacher*



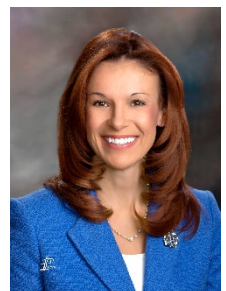
**Mel Olson**  
*Trustee*  
*Retired Member*



**Cody Mickelson**  
*Trustee*  
*Active Teacher*



**Thomas Beadle**  
*State Treasurer*



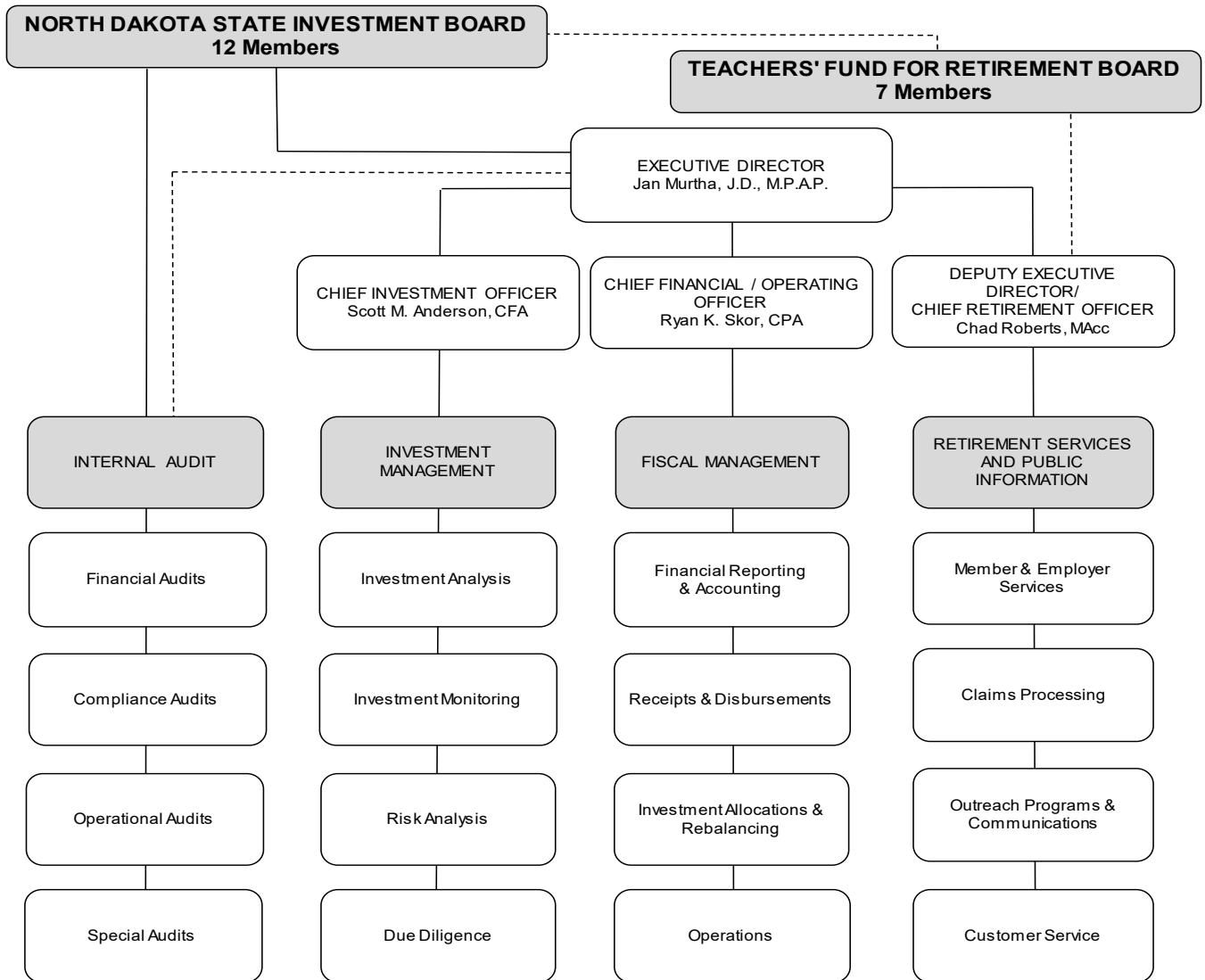
**Kirsten Baesler**  
*State Superintendent*  
*of Public Instruction*



# NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

## ADMINISTRATIVE ORGANIZATION

JUNE 30, 2023



See page 12 for a listing of professionals who provide services to the Retirement and Investment Office and pages 97-99 in the Investment Section for a summary of fees paid to investment professionals.

# **NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE**

## **CONSULTING AND PROFESSIONAL SERVICES**

### **AS OF JUNE 30, 2023**

#### **Actuary**

Gabriel, Roeder, Smith and Company  
Southfield, Michigan

#### **Auditor**

CliftonLarsonAllen LLP  
Baltimore, Maryland

#### **Legal Counsel**

North Dakota Attorney General's Office  
Bismarck, North Dakota

DiCello Levitt LLP  
Chicago, Illinois

Grant & Eisenhofer P.A.  
Wilmington, Delaware

Jackson Walker LLP  
Dallas, Texas

Kessler Topaz Meltzer & Check, LLP  
Radnor, Pennsylvania

#### **Information Technology**

Blackrock Financial Management, Inc.  
New York, New York

Bloomberg LP  
New York, New York

CPAS Systems Inc.  
Toronto, Ontario

eVestment  
Atlanta, Georgia

PBI Research Services  
San Rafael, CA

Sagitec Solutions LLC  
Saint Paul, MN

SS&C Advent Software, Inc.  
San Francisco, California

#### **Master Custodian**

The Northern Trust Company  
Chicago, Illinois

#### **Investment Consultant and Performance Measurement**

Callan, LLC  
San Francisco, California

#### **Investment Consulting (PE Monitoring)**

Adams Street Partners, LLC  
Chicago, Illinois

#### **Investment Consulting (Litigation Monitoring & Filing)**

Financial Recovery Technologies, LLC  
Medford, Massachusetts

#### **Investment Managers**

Adams Street Partners, LLC  
Chicago, Illinois

Allspring Global Investments  
Menomonee Falls, Wisconsin

Ares Management LLC  
New York, New York

Arrowstreet Capital  
Boston, MA

Atlanta Capital Investment Managers  
Atlanta, Georgia

Axiom International Investors  
Greenwich, Connecticut

Bank of North Dakota  
Bismarck, North Dakota

Barings  
Charlotte, North Carolina

Blackrock Private Equity Partners  
New York, New York

Capital Group  
Los Angeles, California

Cerberus Capital Management, LP  
New York, New York

Corsair Capital  
New York, New York

Dimensional Fund Advisors  
Chicago, Illinois

EIG Energy Partners  
Los Angeles, California

50 South Capital  
Chicago, Illinois

Goldman Sachs Asset Management  
New York, New York

Grosvenor Capital Management  
New York, New York

Hearthstone Homebuilding Investors,  
LLC  
Encino, California

I Squared Capital  
New York, New York

INVESCO Realty Advisors  
Dallas, Texas

InvestAmerica L&C, LLC  
Cedar Rapids, Iowa

#### **Investment Managers (cont.)**

J.P. Morgan Invest. Management, Inc.  
New York, New York

Loomis Sayles & Company  
Boston, Massachusetts

Los Angeles Capital Management  
Los Angeles, California

Macquarie Infrastructure Partners  
New York, New York

Manulife Asset Management, LLC  
McLean, Virginia

Matlin Patterson Global Advisers LLC  
New York, New York

Northern Trust Asset Management  
Chicago, Illinois

Parametric Portfolio Associates  
Minneapolis, Minnesota

PIMCO  
Newport Beach, California

Prudential Global Investment Mgmt.  
Newark, New Jersey

Riverbridge Partners, LLC  
Minneapolis, Minnesota

The Rohatyn Group  
New York, New York

SEI Investments Management Co.  
Oaks, Pennsylvania

Sixth Street Advisers, LLC  
Dallas, Texas

State Street Global Advisors  
Boston, Massachusetts

Timberland Investment Resources,  
LLC  
Atlanta, Georgia

The Vanguard Group  
Valley Forge, Pennsylvania

Victory Capital Management Inc.  
San Antonio, Texas

Wellington Trust Company, NA  
Boston, Massachusetts

Western Asset Management Co.  
Pasadena, California

William Blair Investment Management  
Chicago, Illinois



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**North Dakota Retirement and Investment Office**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2023***

Presented to

***North Dakota Teachers' Fund for  
Retirement***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation  
of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems  
(NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'. The signature is fluid and cursive, with the first name 'Alan' being more prominent and the last name 'Winkle' following in a similar style.

Alan H. Winkle  
Program Administrator



# Financial Section



## INDEPENDENT AUDITORS' REPORT

Governor Doug Burgum  
The Legislative Assembly  
Janilyn Murtha, Executive Director  
State Investment Board  
Teachers' Fund for Retirement Board  
North Dakota Retirement and Investment Office

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprise the statement of net position – fiduciary funds as of June 30, 2023 and 2022, and the related statement of changes in net position – fiduciary funds for the years then ended, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements as of and for the years ended June 30, 2023 and 2022, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of RIO as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the respective financial position of each of the individual funds of RIO as of June 30, 2023 and 2022, and the changes in financial position of such funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements of RIO are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2023 and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RIO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Governor Doug Burgum  
The Legislative Assembly  
Janilyn Murtha, Executive Director  
State Investment Board  
Teachers' Fund for Retirement Board  
North Dakota Retirement and Investment Office

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RIO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RIO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in NPL and related ratios – ND Teachers' Fund for Retirement and employer contributions – ND Teachers' Fund for Retirement, investment returns – ND Teachers' Fund for Retirement, employer's share of NPL and NOL – ND Public Employees Retirement System and employer contributions – ND Public Employees Retirement System and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Governor Doug Burgum  
The Legislative Assembly  
Janilyn Murtha, Executive Director  
State Investment Board  
Teachers' Fund for Retirement Board  
North Dakota Retirement and Investment Office

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RIO's basic financial statements and the combining and individual fund financial statements. The schedules of administrative expenses, consultant expenses, investment expenses, and appropriations – budget basis – fiduciary funds (schedules), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Audit Standards*, we have also issued our report dated November 3, 2023, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 3, 2023

## North Dakota Retirement and Investment Office

### Management's Discussion and Analysis

June 30, 2023 and 2022

---

Our discussion and analysis of the ND Retirement and Investment Office's (RIO) financial performance provides an overview of RIO's financial activities for the fiscal years ended June 30, 2023 and 2022. Please read this in conjunction with the basic financial statements, which follow this discussion.

RIO administers two fiduciary funds, a pension trust fund for the ND Teachers' Fund for Retirement (TFFR) and an investment trust fund for the ND State Investment Board (SIB) consisting of 28 investment clients (noting that TFFR is one of the 28 investment clients) in two investment pools and three individual investment accounts.

### Financial Highlights

Total net position increased in fiscal year 2023 from the previous fiscal year in the fiduciary funds by \$1.5 billion (8.3%). Fiscal year 2022 net position had decreased \$1.12 billion (5.8%) from fiscal year 2021. The increase in FY2023 is primarily due to modest investment returns and significant deposits into the Legacy Fund. Approximately 78% of the FY2023 increase is due to the growth of the Legacy Fund. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled \$858.7 million and \$707.3 million in FY2023 and FY2022, respectively. Meanwhile, net investment income for the Legacy Fund exceeded \$683 million in FY2023 and negative \$875 million in FY2022. The decrease in net position in FY2022 was primarily due to low investment returns due to weak financial markets during the year.

Total additions to the fiduciary funds was a positive \$2.6 billion in FY2023 and a negative \$531 million in FY2022. A large portion of this swing was driven by fluctuations in net investment income. Net investment income was \$1.3 billion in FY2023 following net investment income of negative \$1.6 billion in FY2022. Changes in purchases of units each year are highly dependent on Legacy Fund deposits and thus on oil and gas production. There was an increase in purchases of units in the investment program in FY2023 as the price and production of oil remained strong throughout the year. This followed an increase in purchases of units in FY2022 due to a steep increase in oil prices throughout the year. Total fiduciary fund purchases of units increased \$158.7 million (17.3%) in FY2023 and increased \$283.5 million (44.6%) in FY2022.

Deductions in the fiduciary funds increased in FY2023 by \$503.7 million (86%) and decreased in FY2022 by \$927.4 million (61.3%). The vast majority of the changes in deductions are driven by redemptions of units due to the constitutionally mandated earnings transfers from the Legacy Fund to the State's general fund every two years. The State Constitution requires that all earnings accrued after June 30, 2017, be transferred to the general fund at the end of each biennium. A transfer of \$486.6 million was made in June 2023.

Payments to TFFR members in the form of benefits and refunds increased by \$10.4 million (4.1%) and \$10.7 million (4.5%) in FY2023 and FY2022, respectively. These increases represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries on which the benefits of new retirees are based.

As of June 30, 2023 and 2022, the TFFR pension plan had a Net Pension Liability (NPL) of \$1.40 billion and of \$1.46 billion, and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 69.3% and 67.5%, respectively.

## North Dakota Retirement and Investment Office

### Management's Discussion and Analysis

June 30, 2023 and 2022

---

#### Overview of the Financial Statements

This report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and additional supplementary information that presents combining statements for the investment trust funds. The basic financial statements include fund financial statements that focus on individual parts of RIO's activities (fiduciary funds).

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included additional supplementary information, including combining statements that provide details about our investment trust funds, each of which are added together and presented in single columns in the basic financial statements.

#### Fund Financial Statements

The fund financial statements provide detailed information about RIO's activities. Funds are accounting devices that RIO uses to keep track of specific sources of funding and spending for particular purposes.

RIO uses fiduciary funds as RIO is the trustee, or fiduciary, for TFFR (a pension plan) and SIB (investment trust funds). RIO is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of RIO's fiduciary activities are reported in a statement of net position and a statement of changes in net position.

#### Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2023 and 2022, were \$19.69 billion and \$18.22 billion, respectively, and were comprised mainly of investments. Total assets increased by \$1.48 billion (8.1%) in fiscal year 2023 primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as stronger financial markets in FY2023. The decrease of \$1.94 billion (9.6%) in fiscal year 2022 was primarily due to the required distribution from the legacy fund in July of 2021 coupled with weak financial markets.

Total liabilities as of June 30, 2023 and 2022, were \$135.98 million and \$157.5 million. Both year-end liabilities were comprised mainly of the securities lending collateral payable.

RIO's fiduciary fund total net position was \$19.6 billion and \$18.1 billion at the close of fiscal years 2023 and 2022, respectively.

# North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2023 and 2022

## North Dakota Retirement and Investment Office Net Position – Fiduciary Funds (In Millions)

	2023	2022	Total % Change
<b>Assets</b>			
Investments	\$ 19,449.9	\$ 17,948.5	8.4%
Securities Lending Collateral	119.0	147.7	-19.4%
Receivables	94.1	95.3	-1.3%
Cash & Other	27.4	24.4	12.3%
<b>Total Assets</b>	<u>19,690.4</u>	<u>18,215.9</u>	8.1%
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>3.1</u>	<u>1.8</u>	71.2%
<b>Liabilities</b>			
Obligations under Securities Lending	119.0	147.7	-19.4%
Accounts Payable & Accrued Expenses	<u>17.0</u>	<u>9.8</u>	72.5%
<b>Total Liabilities</b>	<u>136.0</u>	<u>157.5</u>	-13.7%
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	<u>1.8</u>	<u>3.0</u>	-40.3%
<b>Total Net Position</b>	<u>\$ 19,555.7</u>	<u>\$ 18,057.2</u>	8.3%
	<b>2022</b>	<b>2021</b>	<b>Total % Change</b>
<b>Assets</b>			
Investments	\$ 17,948.5	\$ 19,948.0	-10.0%
Sec Lending Collateral	147.7	88.9	66.1%
Receivables	95.3	89.4	6.7%
Cash & Other	24.4	26.1	-6.4%
<b>Total Assets</b>	<u>18,215.9</u>	<u>20,152.4</u>	-9.6%
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>1.8</u>	<u>2.7</u>	-32.4%
<b>Liabilities</b>			
Obligations under Securities Lending	147.7	88.9	66.1%
Accounts Payable & Accrued Expenses	<u>9.8</u>	<u>891.6</u>	-98.9%
<b>Total Liabilities</b>	<u>157.5</u>	<u>980.5</u>	-83.9%
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	<u>3.0</u>	<u>0.8</u>	285.3%
<b>Total Net Position</b>	<u>\$ 18,057.2</u>	<u>\$ 19,173.8</u>	-5.8%

## North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2023 and 2022

**North Dakota Retirement and Investment Office**  
**Changes in Net Position – Fiduciary Funds**  
(In Millions)

	<u>2023</u>	<u>2022</u>	<u>Total % Change</u>
<b>Additions</b>			
Contributions	\$ 197.7	\$ 194.8	1.5%
Net Investment Income (Loss)	1,311.3	(1,645.7)	179.7%
Net Securities Lending Income	1.0	0.8	34.5%
Purchase of Units	1,077.4	918.7	17.3%
<b>Total Additions</b>	<u>2,587.4</u>	<u>(531.4)</u>	586.9%
<b>Deductions</b>			
Payments to TFFR members	262.3	251.8	4.1%
Administrative Expenses	6.0	4.6	30.1%
Redemption of Units	820.6	328.7	149.6%
<b>Total Deductions</b>	<u>1,088.9</u>	<u>585.1</u>	86.1%
<b>Total Change in Net Position</b>	<u>\$ 1,498.5</u>	<u>\$ (1,116.5)</u>	234.2%

	<u>2022</u>	<u>2021</u>	<u>Total % Change</u>
<b>Additions</b>			
Contributions	\$ 194.8	\$ 191.5	1.7%
Net Investment Income	(1,645.7)	3,545.0	-146.4%
Net Securities Lending Income	0.8	1.0	-23.2%
Purchase of Units	918.7	635.2	44.6%
<b>Total Additions</b>	<u>(531.4)</u>	<u>4,372.7</u>	-112.2%
<b>Deductions</b>			
Payments to TFFR members	251.8	241.1	4.4%
Administrative Expenses	4.6	4.8	-5.4%
Redemption of Units	328.7	1,266.6	-74.0%
<b>Total Deductions</b>	<u>585.1</u>	<u>1,512.5</u>	-61.3%
<b>Total Change in Net Position</b>	<u>\$ (1,116.5)</u>	<u>\$ 2,860.2</u>	-139.0%

**Statement of Changes in Net Position – Additions**

Contributions collected by the pension trust fund increased by \$2.9 million (1.5%) in FY2023 and \$3.3 million (1.74%) in FY2022 due to both an increase in the number of active members contributing to the fund and an increase in the average salary of active members. Net investment income (including net securities lending income and net of investment expenses) increased by \$2.96 billion (179.7%) in FY2023 and decreased by \$5.2 billion (146.4%) in FY2022. Financial markets in FY2023 recovered substantially from the significant pullback realized in FY2022. Deposits of funds into the investment trust

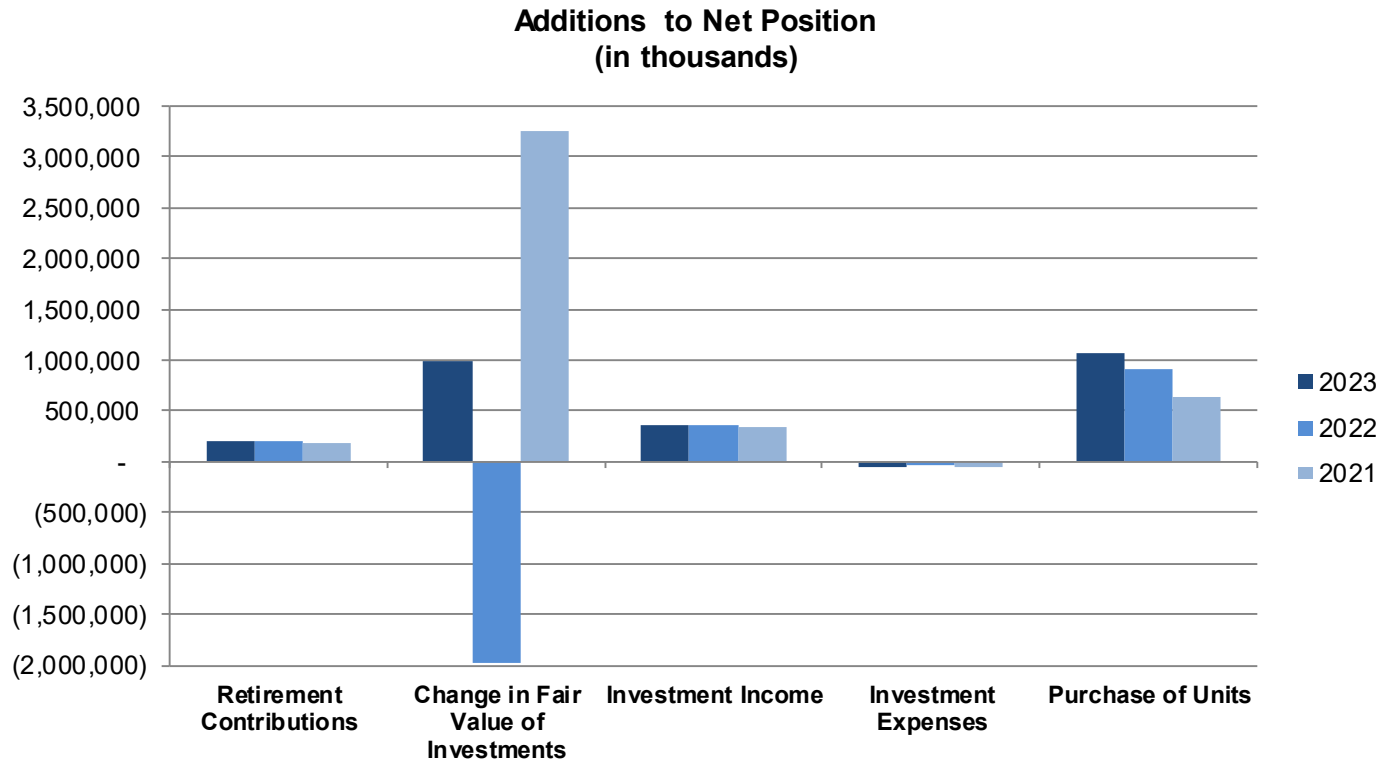


## North Dakota Retirement and Investment Office

### Management's Discussion and Analysis

June 30, 2023 and 2022

fund (purchase of units) increased by \$158.7 million in FY2023 and \$283.5 million in FY2022, mainly due to changes in amounts available for deposits to the Legacy Fund and Budget Stabilization Fund.



### Statement of Changes in Net Position – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by \$9.7 million (3.9%) and \$9.5 million (4.0%) in FY2023 and FY2022, respectively. The increases are due to an increase in the total number of retirees in the plan as well as an increased retirement salary on which the benefits are based. Refunds increased by \$778 thousand (10.9%) after increasing by \$1.2 million (20.6%) in FY2022.

Administrative expenses increased by \$1.4 million in FY2023 after decreasing by \$262,000 in FY2022. The FY2023 change is due to a few different factors. The first factor is an increase due to the continuation of the Pension Administration System (PAS) modernization project that began in FY2020. The total budget for this multi-year PAS project is \$9.3 million, with approximately \$3.4 million expended through June 30, 2023. This project will continue through FY2024 and FY2025. The second factor offset was an increase in the agency's portion of the pension expense from the ND Public Employees Retirement System pension plan for the State of ND. This change was caused by a decrease in the ND Public Employees Retirement System discount rate. Finally, an additional 6 full time employees were granted to RIO during a special legislative session which has increased the salary line for the agency.

The decrease in FY2022 was due to two different factors. The first factor was an increase due to the continuation of the Pension Administration System (PAS) modernization project as previously discussed. The second factor which offset the increase was a large decrease in the agencies portion of the pension expense from the ND Public Employees Retirement System Pension plan for the State of ND.

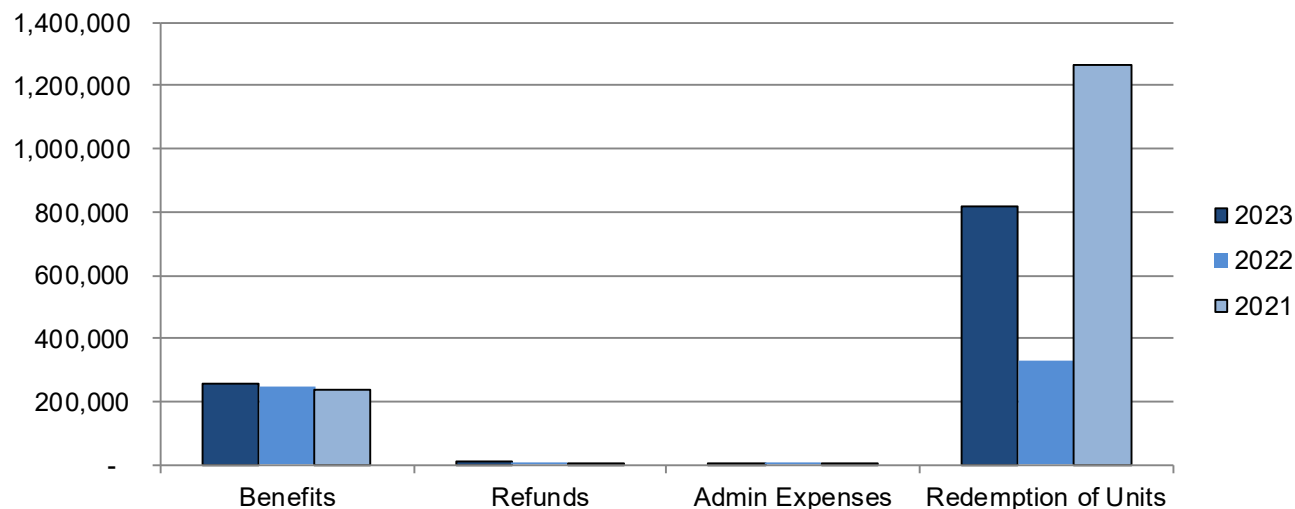
## North Dakota Retirement and Investment Office

### Management's Discussion and Analysis

June 30, 2023 and 2022

The redemption of units in the investment trust funds increased by \$491.9 million after decreasing by \$937.8 million in FY2022. Biennial swings will continue in this line item due to the biennial earnings transfers from the Legacy Fund required under the State Constitution.

#### Deductions from Net Position (in thousands)



#### Conclusion

Inflation continues to moderate from its peak of June 2022 as shelter inflation, a significant driver, is gradually easing and as non-shelter services, which has been a persistent driver of overall inflation, has just begun to moderate. The overall economy has performed exceedingly well this past year with the third quarter 2023 GDP growing at a 4.9% rate that is expected to slow. Interest rates are much higher over the past year impacting several other factors such as anticipated slower government spending, slower trade from a strong dollar, slower home building, slower business investment, and less consumer spending. The equity markets have been on pause and the fixed income markets have adjusted to higher yields. The Fed has also been on pause with regards to interest rate increases, waiting for more evidence that inflation will continue to moderate. Much depends on the moderation of inflation, continued economic growth and importantly, any event risks such as the war in Ukraine or the Mid-East. Although the markets continue to be challenging throughout 2023, the lower valuations of fixed income and moderate economic growth potentially driving earnings and equity prices provides a foundation for higher returns in the future.

For the fiscal year ended June 30, 2023, the pension investment pool (which includes the TFFR pension plan), the Legacy Fund and the insurance investment pool generated net time weighted investment returns of 7.76%, 8.19% and 3.01%, respectively, with both the legacy and insurance pool outperforming their corresponding policy benchmarks. Investment returns for global equities exceeded policy benchmarks in fiscal year 2023 largely due to factors mentioned above. Public equity and fixed income were both up as opposed to the prior year. Global public equities for pension, insurance, and legacy were up 15.49%, 16.72%, and 16.51%, respectively. Total fixed income was also slightly up for pension, insurance, and legacy at 1.56%, 0.30%, and 1.32%, respectively. Alternatively, real asset performance was down for FY2023. The pension pool's real asset allocation was down (5.01%), while the Legacy Fund and insurance pool's real asset portfolios down (1.24%) and (2.48%), respectively. Private equity in the pension pool returned 9.25% for the fiscal year.

## North Dakota Retirement and Investment Office

### Management's Discussion and Analysis

June 30, 2023 and 2022

---

For the fiscal year ended June 30, 2022, the pension investment pool (which includes the TFFR pension plan), the Legacy Fund, and the insurance investment pool experienced net time weighted investment returns of (6.51%), (10.12%), and (8.18%), respectively. Investment returns were below long-term expectations in FY2022 largely due to many uncertain conditions at the end of FY2022. The inflation outlook remained very uncertain from a tight US labor market, a war in Ukraine, and Chinese supply chain concerns from a strict COVID policy. Public equity and fixed income were down significantly as opposed to prior years. Global public equities for pension, insurance, and legacy were down (12.59%), (15.71%), and (16.32%), respectively. Total fixed income was also down for pension, insurance, and legacy at (8.23%), (11.31%), and (9.8%), respectively. Alternatively, real asset and private equity performance was positive for FY2022. The pension pool's real asset allocation was up 18.52%, while the Legacy Fund and insurance pool's real asset portfolios were up 9.29% and 5.92%, respectively, driven by strong returns from infrastructure assets. Private equity in the pension pool returned 11.73% for the fiscal year, largely attributable to their ability to handle market news and smooth returns for investors.

The State Investment Board will continue to evaluate the ever-evolving markets and research investment strategies to prudently manage its investment portfolios.

TFFR's funding objective is to meet long-term pension benefit obligations through contributions and investment income. To address TFFR's funding shortfall, the ND State Legislature took action in 2011 and approved legislation to increase contributions (4% member and 4% employer) and modify certain benefits for non-grandfathered members. Increased contribution rates will be in effect until TFFR reaches 100% funding on an actuarial basis. This comprehensive funding recovery plan, along with solid investment performance in the future, is expected to improve TFFR's funding level over the long term. However, the Board is continuing to closely assess plan risks and monitor funding progress.

TFFR procured a new actuary effective July 1, 2023. The valuation report was provided by Segal for the period ending June 30, 2022 and will be provided by GRS for the period ending June 30, 2023. As reported by the valuation report provided by GRS, TFFR's funding level increased from 69.93% to 71.21% on an actuarial basis from July 1, 2022 to July 1, 2023. Based on the fair value of assets rather than the actuarial value of assets, the funded ratio increased to 69.34% compared to 67.5% last year. The Plan has a net investment loss of \$85.6 million, down from \$109.1 million from the previous year that has not yet been recognized in the actuarial value of assets due to the five-year smoothing. This unrecognized asset loss is primarily due to the investment losses during FY 2022, 2020, and 2019, largely offset by the investment gain during FY 2021. GRS has also observed that as the net asset losses currently being deferred are phased into the actuarial value of assets over the next four years this will put adverse pressure on the results in coming years. GRS also noted that the plan experience an actuarial asset loss of \$30.7 million during fiscal year ending 2023 and this loss was due to the actuarial value of assets earning a return less than the assumed 7.25%.

Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility. The Board will continue to proactively address TFFR funding issues so the plan will be financially strong and sustainable for past, present, and future ND educators. Fund actuary GRS has opined 2043, as such, the current Member and Employer contribution rates are expected to be sufficient to meet the Board financing objectives.

## North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2023 and 2022

---

### **Contacting RIO Financial Management**

This financial report is designed to provide our Boards, our membership, our clients and the general public with a general overview of RIO's finances and to demonstrate RIO's accountability for the money we receive. If you have any questions about this report or need additional information, contact the North Dakota Retirement and Investment Office, PO Box 7100, Bismarck, ND 58507-7100.

**This page is intentionally blank.**

# North Dakota Retirement and Investment Office

## Statement of Net Position – Fiduciary Funds

### June 30, 2023 and 2022

	Pension Trust		Investment Trust		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Investments, at fair value						
Global equities	\$ 1,765,727,972	\$ 1,584,149,652	\$ 7,634,156,673	\$ 6,377,122,880	\$ 9,399,884,645	\$ 7,961,272,532
Global fixed income	785,396,084	787,437,048	6,118,263,992	5,971,871,760	6,903,660,076	6,759,308,808
Global real assets	550,692,368	557,108,366	2,492,901,108	2,524,055,925	3,043,593,476	3,081,164,291
Cash equivalents	11,465,710	32,514,380	91,320,247	114,203,723	102,785,957	146,718,103
Total investments	3,113,282,134	2,961,209,446	16,336,642,020	14,987,254,288	19,449,924,154	17,948,463,734
Invested securities lending collateral	24,099,094	20,080,497	94,904,315	127,624,822	119,003,409	147,705,319
Receivables:						
Investment income	10,215,544	11,279,712	54,917,457	52,010,441	65,133,001	63,290,153
Contributions	28,887,364	31,982,043	-	-	28,887,364	31,982,043
Miscellaneous	10,502	12,783	37,003	26,616	47,505	39,399
Total receivables	39,113,410	43,274,538	54,954,460	52,037,057	94,067,870	95,311,595
Due from other state agency	889	824	641	457	1,530	1,281
Cash and cash equivalents	23,963,066	23,308,382	866,980	426,172	24,830,046	23,734,554
Equipment (net of depreciation)	-	-	-	-	-	-
Software (not in production)	2,580,327	680,999	-	-	2,580,327	680,999
Total assets	3,203,038,920	3,048,554,686	16,487,368,416	15,167,342,796	19,690,407,336	18,215,897,482
Deferred outflow s of resources						
Related to pensions	1,715,386	1,113,188	1,433,652	726,471	3,149,038	1,839,659
Liabilities:						
Accounts payable	624,924	840,496	173,010	245,515	797,934	1,086,011
Investment expenses payable	1,702,692	1,318,222	8,735,757	4,862,595	10,438,449	6,180,817
Securities lending collateral	24,099,094	20,080,497	94,904,315	127,624,822	119,003,409	147,705,319
Accrued expenses	3,432,474	1,981,945	2,220,534	524,250	5,653,008	2,506,195
Miscellaneous payable	-	-	42,921	32,737	42,921	32,737
Due to other state funds	-	-	-	-	-	-
Due to other state agencies	39,647	28,184	6,177	6,698	45,824	34,882
Total liabilities	29,898,831	24,249,344	106,082,714	133,296,617	135,981,545	157,545,961
Deferred inflow s of resources						
Related to pensions	947,020	1,498,287	822,733	1,465,298	1,769,753	2,963,585
Fiduciary net position:						
Restricted for pensions	3,173,908,455	3,023,920,243	-	-	3,173,908,455	3,023,920,243
Held in trust for investment pool participants:						
Pension pool	-	-	4,167,815,538	3,945,900,809	4,167,815,538	3,945,900,809
Insurance pool	-	-	2,966,057,036	2,902,957,219	2,966,057,036	2,902,957,219
Held in trust for individual investment accounts	-	-	9,248,024,047	8,184,449,324	9,248,024,047	8,184,449,324
Total fiduciary net position	\$ 3,173,908,455	\$ 3,023,920,243	\$ 16,381,896,621	\$ 15,033,307,352	\$ 19,555,805,076	\$ 18,057,227,595
Each participant unit is valued at \$1.00						
Participant units outstanding			16,381,896,621	15,033,307,352		

This information is an integral part of the accompanying financial statements.

# North Dakota Retirement and Investment Office

## Statement of Changes in Net Position – Fiduciary Funds

### Year Ended June 30, 2023 and 2022

	Pension Trust		Investment Trust		Total	
	2023	2022	2023	2022	2023	2022
Additions:						
Contributions:						
Employer contributions	\$ 102,307,888	\$ 100,331,347	\$ -	\$ -	\$ 102,307,888	\$ 100,331,347
Member contributions	94,283,739	92,462,223	-	-	94,283,739	92,462,223
Purchased service credit	1,108,690	2,017,055	-	-	1,108,690	2,017,055
Interest, penalties and other	(10,492)	25,166	-	-	(10,492)	25,166
Total contributions	197,689,825	194,835,791	-	-	197,689,825	194,835,791
Investment income:						
Net change in fair value of investments	175,293,526	(248,369,374)	817,632,974	(1,722,081,517)	992,926,500	(1,970,450,891)
Interest, dividends and other income	49,487,353	56,305,952	311,158,011	307,545,995	360,645,364	363,851,947
	224,780,879	(192,063,422)	1,128,790,985	(1,414,535,522)	1,353,571,864	(1,606,598,944)
Less investment expenses	7,468,043	6,924,716	34,820,522	32,154,613	42,288,565	39,079,329
Net investment income	217,312,836	(198,988,138)	1,093,970,463	(1,446,690,135)	1,311,283,299	(1,645,678,273)
Securities lending activity:						
Securities lending income	198,283	134,425	1,070,688	806,990	1,268,971	941,415
Less securities lending expenses	(39,632)	(26,870)	(216,321)	(161,310)	(255,953)	(188,180)
Net securities lending income	158,651	107,555	854,367	645,680	1,013,018	753,235
Purchase of units (\$1 per unit)	-	-	1,077,407,627	918,708,674	1,077,407,627	918,708,674
Total additions	415,161,312	(4,044,792)	2,172,232,457	(527,335,781)	2,587,393,769	(531,380,573)
Deductions:						
Benefits paid to participants	253,704,476	244,069,172	-	-	253,704,476	244,069,172
Partial lump-sum distributions	657,452	635,924	-	-	657,452	635,924
Refunds	7,920,125	7,142,359	-	-	7,920,125	7,142,359
Administrative expenses	2,891,047	2,592,340	3,061,781	1,983,025	5,952,828	4,575,365
Redemption of units (\$1 per unit)	-	-	820,581,407	328,730,469	820,581,407	328,730,469
Total deductions	265,173,100	254,439,795	823,643,188	330,713,494	1,088,816,288	585,153,289
Change in fiduciary net position	149,988,212	(258,484,587)	1,348,589,269	(858,049,275)	1,498,577,481	(1,116,533,862)
Fiduciary net position:						
Beginning of year	\$ 3,023,920,243	\$ 3,282,404,830	\$ 15,033,307,352	\$ 15,891,356,627	\$ 18,057,227,595	\$ 19,173,761,457
End of Year	\$ 3,173,908,455	\$ 3,023,920,243	\$ 16,381,896,621	\$ 15,033,307,352	\$ 19,555,805,076	\$ 18,057,227,595

This information is an integral part of the accompanying financial statements.

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

---

### **Note 1 - Summary of Significant Accounting Policies**

RIO is an agency of the State of North Dakota operating through the legislative authority of North Dakota Century Code (NDCC) Chapter 54-52.5 and is considered part of the State of North Dakota financial reporting entity and included in the State of North Dakota's Annual Comprehensive Financial Report.

For financial reporting purposes, RIO has included all funds, and has considered all potential component units for which RIO is financially accountable, and other organizations for which the nature and significance of their relationship with RIO are such that exclusion would cause RIO's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of RIO to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on RIO.

Based upon these criteria, there are no component units to be included within RIO as a reporting entity and RIO is part of the State of North Dakota as a reporting entity.

### **Fund Financial Statement**

All activities of RIO are accounted for within the pension and investment trust funds and are shown, by fund, in the fiduciary fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of RIO are reported using the economic resources measurement focus and the accrual basis of accounting.

This measurement focus includes all assets and liabilities associated with the operations of the fiduciary funds on the statements of net position. Additions are recorded when earned and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows.

### **Fiduciary Fund**

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of the SIB. The SIB manages two external investment pools and three individual investment accounts. The two external investment pools consist of a pension pool and insurance pool. The SIB manages the investments of the North Dakota Public Employees Retirement System, Bismarck City Employees and Police, City of Grand Forks Employees and City of Grand Forks Park District Employees pension plans in the pension pool. The investments of Workforce Safety & Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, North Dakota Association of Counties Fund, Risk Management, Risk Management Workers Comp, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, ND State Board of Medicine, Lewis and Clark Interpretive Center Endowment Fund, Attorney General Settlement Fund, Veterans' Cemetery Trust Fund, ND University System Capital Building Fund, Budget Stabilization Fund and Arts Across the Prairie Maintenance Endowment fund are managed in the insurance pool. The Legacy Fund, Job Service of North Dakota, and PERS Retiree Health investments are managed by the SIB in individual investment accounts.



## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

RIO has no statutory authority over, nor responsibility for, these investment trust funds other than the investment responsibility provided for by statute or through contracts with the individual agencies. The funds that are required to participate according to statute are: Public Employees Retirement System, Workforce Safety & Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Risk Management, Risk Management Workers Comp, Cultural Endowment Fund, Legacy Fund and Budget Stabilization Fund.

RIO follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

Pension and Investment Trust Funds are accounted for using the accrual basis of accounting. Member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the NDCC.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RIO utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net position.

#### **Budgetary Process**

RIO operates through a biennial appropriation, which represents appropriations recommended by the Governor and presented to the General Assembly (the Assembly) at the beginning of each legislative session. The Assembly enacts RIO's budget through passage of a specific appropriation bill. The State of North Dakota's budget is prepared principally on a modified accrual basis. The Governor has line-item veto power over all legislation, subject to legislative override.

Once passed and signed, the appropriation bill becomes RIO's financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items; however, RIO has specific authority as a special fund to transfer between the contingency line item and other line items. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under NDCC section 54-44.1-11.

RIO does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line-item level. RIO does not formally budget revenues and does not budget by fund. The statement of revenues, expenditures and changes in fund balances - budget and actual is not prepared because revenues are not budgeted.

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

---

### Capital Assets and Depreciation

Capital asset expenditures greater than \$5,000 are capitalized at cost in accordance with Section 54-27-21 of the NDCC. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

	<u>Years</u>
Office equipment	5
Furniture and fixtures	5

### Investments

NDCC Section 21-10-07 states that the SIB shall apply the prudent investor rule when investing funds under its supervision. The prudent investor rule means that in making investments, the 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 in regard to speculation, but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

The pension fund belonging to TFFR and investment trust funds attributable to the City of Bismarck Employee Pension Plan, the City of Bismarck Police Pension Plan, Job Service of North Dakota, City of Grand Forks Employee Pension Plan, City of Grand Forks Park District Pension Plan and the Public Employees Retirement System (PERS) must be invested exclusively for the benefit of their members. All investments are made in accordance with the respective fund's long-term investment objectives and performance goals.

### Pooled Investments

Many funds whose investments are under the supervision of the SIB participate in pooled investments. The agencies transfer money into the investment pools and receive an appropriate percentage ownership of the pooled portfolio based upon fair value. All activities of the investment pools are allocated to the agencies based upon their respective ownership percentages. Each participant unit is valued at \$1.00 per unit.

### Investment Valuation and Income Recognition

Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. International securities are valued based upon quoted foreign market prices and translated into US dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments,

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

the estimated fair value may differ from the values that would have been used had a ready market existed.

The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Unrealized gains and losses are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

### **Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the ND Public Employees Retirement System (NDPERS) defined benefit pension and OPEB plans, and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **Note 2 - Cash and Cash Equivalents**

### **Custodial Credit Risk**

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "[a]ll state funds ... must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

### **Pension Trust Fund**

Deposits held by the Pension Trust Fund at June 30, 2023 were deposited in the Bank of North Dakota. At June 30, 2023 and 2022, the carrying amount of TFFR's deposits was \$23,963,066 and \$23,308,382 respectively, and the bank balance was \$23,995,175 and \$23,347,141, respectively. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

### **Investment Trust Funds**

Certificates of deposit, an insurance pool cash account, a pension pool cash account and a Legacy Fund cash account are recorded as investments and have a cost and carrying value of \$203,316,871 and \$239,796,384 at June 30, 2023 and 2022, respectively. In addition, these funds carry cash and cash equivalents totaling \$866,982 and \$426,172 at June 30, 2023 and 2022, respectively. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

# North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

## Note 3 - Investments

The investment policy of the SIB is governed by NDCC 21-10. The SIB shall apply the prudent investor rule in investing for funds under its supervision. The "prudent investor rule" means that in making investments, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The SIB does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

At June 30, 2023 and 2022, the following tables show the investments by investment type and maturity (expressed in thousands).

2023	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 439,098	\$ 3,843	\$ 127,372	\$ 178,924	\$ 128,959
Collateralized Bonds	1,652	-	-	1,652	-
Commercial Mortgage-Backed	322,945	5	3,839	9,147	309,954
Commercial Paper	106,717	106,717	-	-	-
Corporate Bonds	1,920,369	83,902	1,085,624	350,601	400,242
Corporate Convertible Bonds	11,596	-	7,058	81	4,457
Government Agencies	32,016	6,347	17,763	5,737	2,169
Government Bonds	774,763	6,537	287,578	73,578	407,070
Gov't Mortgage Backed	1,264,892	91	6,455	14,156	1,244,190
Gov't-issued CMB	18,255	55	3,967	9,243	4,990
Index Linked Government Bonds	635,558	8,677	358,588	123,678	144,615
Municipal/Provincial Bonds	22,222	2,171	3,766	3,125	13,160
Non-Government Backed CMOs	106,134	806	4,986	6,040	94,302
Repurchase Agreements	(786)	(786)	-	-	-
Short Term Bills and Notes	14,388	14,388	-	-	-
Sukuk	2,506	-	1,282	1,224	-
Funds/Pooled Investments	1,432,690	-	685,151	596,419	151,120
Total Debt Securities	\$ 7,105,015	\$ 232,753	\$ 2,593,429	\$ 1,373,605	\$ 2,905,228

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

2022	Total Fair Value	One Year or Less	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 469,733	\$ 183	\$ 119,979	\$ 189,285	\$ 160,286
Bank Loans	15,007	17	13,470	1,520	-
Collateralized Bonds	2,446	-	-	2,446	-
Commercial Mortgage-Backed	362,729	176	5,125	12,587	344,841
Commercial Paper	27,977	27,977	-	-	-
Corporate Bonds	2,076,494	62,357	1,124,124	445,072	444,941
Corporate Convertible Bonds	19,220	-	9,084	-	10,136
Government Agencies	35,569	2,379	23,136	6,197	3,857
Government Bonds	735,584	3,232	309,087	70,159	353,106
Gov't Mortgage Backed	688,660	646	6,414	8,504	673,096
Gov't-issued CMB	13,960	1	3,398	9,465	1,096
Index Linked Government Bonds	650,572	25,351	358,250	142,972	123,999
Municipal/Provincial Bonds	26,577	1,709	5,036	3,397	16,435
Non-Government Backed CMOs	144,864	1,368	4,681	19,448	119,367
Repurchase Agreements	37,100	37,100	-	-	-
Short Term Bills and Notes	34,128	34,128	-	-	-
Sukuk	2,530	-	1,300	1,230	-
Funds/Pooled Investments	1,576,573	-	1,015,783	288,608	272,182
Total Debt Securities	\$ 6,919,723	\$ 196,624	\$ 2,998,867	\$ 1,200,890	\$ 2,523,342

In the tables above, the fair values of inflation indexed bonds are reflected in the columns based on their stated maturity dates. The principal balances of these bonds are adjusted every six months based on the inflation index for that period.

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMOs), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held POs valued at \$4.8 million and \$4.9 million and IOs valued at \$18.9 million and \$21.4 million at June 30, 2023 and 2022, respectively. The SIB has no policy regarding IO or PO strips.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following tables present the SIB's ratings as of June 30, 2023 and 2022, (expressed in thousands).

# North Dakota Retirement and Investment Office

## Notes to the Financial Statements

### June 30, 2023 and 2022

2023	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 439,098	\$ 241,736	\$ 60,920	\$ 47,744	\$ 17,512	\$ 1,684	\$ 498	\$ 2,437	\$ 741	\$ -	\$ 607	\$ 65,219
Collateralized Bond	1,652	1,652	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	322,945	246,189	10,782	8,128	8,600	1,037	2,449	1,604	18	-	-	44,138
Commercial Paper	106,717	-	-	57,240	-	-	-	-	-	-	-	49,477
Corporate Bonds	1,920,369	11,430	53,474	503,201	1,089,641	189,402	52,693	11,467	39	25	117	8,880
Corporate Convertible Bonds	11,596	-	-	-	1,426	4,457	-	1,852	-	-	-	3,861
Gov't Agencies	31,455	3,467	3,411	6,306	10,135	3,682	-	-	-	-	-	4,454
Gov't Bonds	54,168	-	2,556	1,881	29,067	13,418	2,395	852	-	-	-	3,999
Gov't Mortgage Backed	1,062,793	-	1,032,051	9,381	17,876	1,888	388	-	-	-	-	1,209
Gov't Issued CMB	15,871	2,239	13,029	-	603	-	-	-	-	-	-	-
Index Linked Government Bonds	117,046	-	-	-	-	-	-	-	-	-	-	117,046
Municipal/Provincial Bonds	22,222	2,764	11,674	5,481	629	723	-	951	-	-	-	-
Non-Gov't Backed CMOs	106,134	28,615	7,466	14,956	6,784	3,335	938	378	361	-	-	43,301
Repurchase Agreements	(786)	-	-	-	-	-	-	-	-	-	-	(786)
Short Term Bills & Notes	4,479	-	4,479	-	-	-	-	-	-	-	-	-
Sukuk	2,506	-	-	-	2,506	-	-	-	-	-	-	-
Funds/Pooled Investments	1,420,254	448,497	263,424	511,166	66,210	18,471	26,042	-	-	-	-	86,444
Total Credit Risk of Debt Securities	\$5,638,519	\$ 986,589	\$1,463,266	\$1,165,484	\$1,250,989	\$ 238,097	\$ 85,403	\$ 19,541	\$ 1,159	\$ 25	\$ 724	\$ 427,242
US Gov't & Agencies **	1,466,496											
Total Debt Securities	<u>\$7,105,015</u>											

2022	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 469,733	\$ 250,460	\$ 65,209	\$ 44,886	\$ 34,041	\$ 3,615	\$ 1,396	\$ 2,589	\$ 1,336	\$ -	\$ 690	\$ 65,511
Bank Loans	15,007	-	-	-	120	3,840	8,268	2,762	-	-	-	17
Collateralized Bond	2,446	2,446	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	362,729	265,816	14,871	10,267	7,395	12,384	4,054	1,727	86	11	-	46,118
Commercial Paper	27,977	-	-	-	-	-	-	-	-	-	-	27,977
Corporate Bonds	2,076,494	10,432	62,912	476,167	1,150,129	254,728	92,050	19,580	248	178	201	9,869
Corporate Convertible Bonds	19,220	-	-	-	2,441	4,583	5,773	2,584	-	-	-	3,839
Gov't Agencies	34,793	3,524	5,031	7,068	11,824	1,708	-	336	-	-	-	5,302
Gov't Bonds	668,660	604,042	5,187	2,496	34,422	14,473	2,120	2,700	-	-	-	3,220
Gov't Mortgage Backed	629,454	-	590,051	10,212	17,357	7,178	4,570	-	-	-	-	86
Gov't Issued CMB	13,865	1,762	11,252	-	851	-	-	-	-	-	-	-
Index Linked Government Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Municipal/Provincial Bonds	26,577	2,440	12,963	6,404	3,486	868	-	416	-	-	-	-
Non-Gov't Backed CMOs	144,864	42,071	9,160	18,205	17,844	7,379	1,606	481	906	35	-	47,177
Repurchase Agreements	37,100	37,100	-	-	-	-	-	-	-	-	-	-
Short Term Bills & Notes	9,626	-	1,809	7,817	-	-	-	-	-	-	-	-
Sukuk	2,530	-	-	-	2,530	-	-	-	-	-	-	-
Funds/Pooled Investments	1,576,573	461,824	271,148	682,937	82,142	17,553	30,030	-	-	-	-	30,939
Total Credit Risk of Debt Securities	6,117,648	\$1,681,917	\$1,049,593	\$1,266,459	\$1,364,582	\$ 328,309	\$ 149,867	\$ 33,175	\$ 2,576	\$ 224	\$ 891	\$ 240,055
US Gov't & Agencies **	802,075											
Total Debt Securities	<u>\$6,919,723</u>											

- \* Ratings are determined in the following order:
1. S&P rating
  2. Moody's rating
  3. Fitch rating
  4. Manager-determined rating (internal rating)
  5. If no ratings available using steps 1-4, then shown as not rated.

\*\* US government agency securities explicitly guaranteed by the US government are categorized here. Credit ratings of US government agency securities that are only implicitly guaranteed by the US

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

government are categorized accordingly in the main body of these tables. Implicitly guaranteed agency securities included in the *Gov't Agencies*, *Gov't Bonds*, *Gov't Mortgage Backed*, *Gov't Issued CMB*, *Index Linked Gov't Bonds*, and *Short Term Bills and Notes* categories are issued by FNMA, FHLB, FHLMC, and SLMA.

#### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2023 and 2022, the SIB's portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the US government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, there is no concentration of credit risk.

#### **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB manages its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB's exposure to foreign currency risk is presented in the following tables as of June 30, 2023 and 2022 (expressed in thousands).



## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

2023

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 12	\$ -	\$ -	\$ -	\$ 12
Australian dollar	9,127	-	6,168	-	15,295
Brazilian real	(30)	-	3,955	-	3,925
British pound sterling	(25,935)	18,162	90,232	-	82,459
Canadian dollar	(1,533)	288	25,969	-	24,724
Chilean peso	(315)	-	-	-	(315)
Chinese yuan renminbi	301	-	-	-	301
Danish krone	(62)	-	20,407	-	20,345
Euro	(24,754)	25,571	111,552	610	112,979
Hong Kong Off-Shore-Chinese yuan renminbi	4,239	-	12,233	-	16,472
Hong Kong dollar	-	-	20,282	-	20,282
Hungarian forint	1	-	-	-	1
Indian rupee	6,644	-	-	-	6,644
Indonesian rupiah	1,174	-	-	-	1,174
Japanese yen	44,521	(40,083)	35,267	-	39,705
Mexican peso	(337)	-	-	-	(337)
New Israeli shekel	(1)	-	-	-	(1)
New Taiwan dollar	370	-	-	-	370
Norwegian krone	87	-	5,532	-	5,619
Peruvian nuevo sol	202	-	-	-	202
Polish zloty	(2)	-	-	-	(2)
Russian ruble	276	-	2,092	-	2,368
Singapore dollar	(3,943)	-	-	-	(3,943)
South Korean won	(338)	-	6,011	-	5,673
Swedish krona	562	-	26,479	-	27,041
Swiss franc	2	-	28,659	-	28,661
Thai baht	4,432	-	-	-	4,432
International commingled funds (various currencies)	-	-	2,690,182	32,629	2,722,811
Total international investment securities	\$ 14,700	\$ 3,938	\$ 3,085,020	\$ 33,239	\$ 3,136,897

Negative amounts represent short positions.

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

2022

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 176	\$ 177	\$ -	\$ -	\$ 353
Australian dollar	(5,078)	-	49,149	-	44,071
Brazilian real	204	524	8,083	-	8,811
British pound sterling	(43,460)	44,164	192,397	-	193,101
Canadian dollar	(283)	301	50,088	-	50,106
Chilean peso	(254)	-	-	-	(254)
Danish krone	(99)	379	52,240	-	52,520
Euro	(5,557)	4,565	360,595	533	360,136
Hong Kong Off-Shore-Chinese yuan renminbi	(4,700)	-	-	-	(4,700)
Hong Kong dollar	1,369	-	43,948	-	45,317
Hungarian forint	(365)	-	2,161	-	1,796
Indonesian rupiah	50	-	1,370	-	1,420
Japanese yen	18,329	(15,315)	169,453	-	172,467
Mexican peso	(682)	1,368	1,451	-	2,137
New Israeli shekel	391	-	2,805	-	3,196
New Taiwan dollar	177	-	8,398	-	8,575
New Zealand dollar	(145)	-	3,309	-	3,164
Norwegian krone	184	-	11,402	-	11,586
Peruvian nuevo sol	(1,016)	793	-	-	(223)
Polish zloty	(439)	-	-	-	(439)
Singapore dollar	142	-	8,667	-	8,809
South African rand	(2)	-	783	-	781
South Korean won	(59)	-	8,298	-	8,239
Swedish krona	175	-	53,615	-	53,790
Swiss franc	525	-	83,962	-	84,487
Thai baht	102	-	2,908	-	3,010
Turkish lira	20	-	1,143	-	1,163
International commingled funds (various currencies)	-	-	1,433,227	33,273	1,466,500
Total international investment securities	\$ (40,295)	\$ 36,956	\$ 2,549,452	\$ 33,806	\$ 2,579,919

Negative amounts represent short positions.

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

#### Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the SIB’s clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of net position. At June 30, 2023 and 2022, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

#### Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB’s counterparty risk. The net change in the futures contracts’ value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the statement of changes in net position and totaled \$64.7 and \$(68.4) million for fiscal years 2023 and 2022, respectively. At June 30, 2023 and 2022, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

<u>Futures</u>	<u>Notional Value</u>	
	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash & Cash Equivalent Derivative Futures		
Long	\$ 139,071	\$ 590,720
Short	(394,403)	(83,089)
Commodity Derivative Futures		
Short	(81,977)	(12,092)
Equity Derivative Futures		
Long	446,414	501,730
Fixed Income Derivative Futures		
Long	755,688	1,050,219
Short	(922,277)	(915,728)
Total Futures	<u>\$ (57,484)</u>	<u>\$ 1,131,760</u>

#### Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB’s counterparty credit risk. The option’s price is usually a small percentage of the underlying asset’s value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the statement of changes in net position and totaled \$3.5 million and \$0.6 million in fiscal years 2023 and 2022, respectively. At June 30, 2023 and 2022, the SIB investment portfolio had the following option balances (expressed in thousands).

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

<u>Options</u>	<u>Fair Value</u>	
	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash & Other Options		
Call	\$ (170)	\$ (1,033)
Put	(1,931)	(2,834)
Equity Options		
Call	438	1,074
Fixed Income Options		
Call	(57)	(325)
Put	(277)	(269)
Total Options	<u>\$ (1,997)</u>	<u>\$ (3,387)</u>

**Swaps**

A swap is a derivative in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. Specifically, the two counterparties agree to exchange one stream of cash flows for another stream. The SIB, through its investment managers, has entered into various swap agreements in an attempt to manage its exposure to interest rate, inflation, credit and total return risk.

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the statement of changes in net position and totaled \$(670) thousand \$(19.5) million for fiscal years 2023 and 2022, respectively. The maximum loss that would be recognized at June 30, 2023 and 2022, if all counterparties failed to perform as contracted is \$2.5 million and \$3 million, respectively. Swap fair values are determined by a third-party pricing source. At June 30, 2023 and 2022, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

**Credit Default Swaps**

Credit risk represents the exposure to fair value losses arising from a credit event such as default, failure to pay, restructuring or bankruptcy. In a credit default swap (CDS) contract, the protection buyer of the CDS makes a series of payments to the protection seller and, in exchange, receives a payoff if the credit instrument experiences a credit event. CDS contracts are also used to establish exposure to a desired credit instrument.

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
Bank of America/Aa2 (2 contracts)	\$ -	\$ (1,105)	2022	\$ -	\$ 2
Bank of America/Aa2 (5 contracts)	(128,400)		2027 - 2028	2,145	
Barclays Capital Inc/A1 (2 contracts)	-	(10,659)	2027	-	(262)
Barclays Capital Inc/A1 (1 contracts)	(4,000)	(100)	2028	(29)	(8)
BNP Paribas Sa Paris/Aa3 (1 contract)	-	130	2027	-	(22)
BNP Paribas Sa Paris/Aa3 (1 contract)	(100)		2027	(4)	
Citibank/Aa3 (24 contracts)	-	(400)	2023	-	(27)
Citibank/A1 (2 contracts)	(400)	2,160	2024 - 2027	(9)	(143)
Citibank/A1 (2 contract)	-		2024 - 2027	-	
Citigroup Global Markets/A1 (15 contracts)	-	(775)	2022 - 2028	-	(24)
Citigroup Global Markets/A1 (11 contracts)	(4,655)		2023 - 2028	61	
Credit Suisse Intl London/A1 (1 contracts)	-		2023	-	
Goldman Sachs/A2 (6 contracts)	-	(2,400)	2023 - 2027	-	(143)
Goldman Sachs/A2 (6 contracts)	(2,400)		2023 - 2027	(52)	
JP Morgan Chase/Aa2 (1 contract)	(400)		2024	(4)	
Morgan Stanley/A1 (2 contracts)	-	(800)	2024 - 2027	-	(58)
Morgan Stanley/A1 (1 contract)	28,000		2028	(432)	
Wells Fargo Bank/Aa2 (13 contracts)	-		2022 - 2028	-	
Wells Fargo Bank/Aa2 (13 contracts)	(924)	18,733	2023 - 2028	(27)	(14)
Total Credit Default Swaps	<u>\$ (113,279)</u>	<u>\$ 4,784</u>		<u>\$ 1,649</u>	<u>\$ (699)</u>

The notional amount may be positive or negative, depending on whether the position is long or short, respectively.

## Interest Rate Swaps

Interest rate risk represents the exposure to fair value losses arising from future changes in prevailing market interest rates. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty, who in turn agrees to make return interest payments that float with some reference rate.

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
Bank of America/Aa2 (5 contracts)	\$ 48,338	\$ -	2024 - 2041	\$ 708	\$ -
Citigroup Global Markets/A1 (58 contracts)	-	175,583	2022 - 2052	-	470
Citigroup Global Markets/A1 (47 contracts)	93,429	-	2025 - 2053	1,093	-
Credit Suisse First Boston/A1 (4 contracts)	-	7,026	2027 - 2029	-	-
JP Morgan Chase/Aa2 (18 contracts)	61,954	-	2024 - 2034	948	-
JP Morgan Chase/Aa2 (14 contracts)	-	13,445	2023 - 2034	-	794
Morgan Stanley/A1 (2 contracts)	-	82,500	2024 - 2025	-	(3,419)
Morgan Stanley/A1 (8 contracts)	64,670	-	2025 - 2033	(632)	-
Wells Fargo Bank/Aa2 (13 contracts)	116,255	-	2025 - 2052	1,942	-
Wells Fargo Bank/Aa2 (23 contracts)	-	369,345	2023 - 2052	-	(414)
Total Interest Rate Swaps	<u>\$ 384,646</u>	<u>\$ 647,899</u>		<u>\$ 4,059</u>	<u>\$ (2,569)</u>

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

# North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

### Inflation Swaps

Inflation risk represents the exposure to fair value losses arising from future changes in prevailing market inflation. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI).

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
Goldman Sachs/A2 (2 contracts)	\$ 18,956	\$ -	2023	\$ (452)	\$ -
JP Morgan Chase/Aa2 (1 contracts)	2,313	-	2023	38	-
Total Inflation Swaps	<u>\$ 21,269</u>	<u>\$ -</u>		<u>\$ (414)</u>	<u>\$ -</u>

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

### Total Return Swaps

A total return swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset (income and capital gains). The underlying asset, or reference asset, is owned by the party receiving the set rate payment.

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
Goldman Sachs/A2 (1 contract)	\$ 6,310	\$ -	2023	\$ (227)	\$ -
JP Morgan Chase/Aa2 (3 contracts)	15,725	-	2023	(289)	-
Total Total Return Swaps	<u>\$ 22,035</u>	<u>\$ -</u>		<u>\$ (516)</u>	<u>\$ -</u>

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

### Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the statements of changes in net position and totaled \$(2.3) million and \$17.9 million for fiscal years 2023 and 2022, respectively. At June 30, 2023 and 2022, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

	Currency	Cost	Purchases	Sales	Fair Value	
					6/30/2023	6/30/2022
AUD	Australian dollar	\$ 9,174	\$ 11,697	\$ (2,523)	\$ 9,126	\$ (5,364)
BRL	Brazilian real	(97)	413	(510)	(118)	(165)
GBP	British pound sterling	(28,584)	15,054	(43,638)	(29,110)	(45,640)
CAD	Canadian dollar	(57)	36	(94)	(58)	(316)
CLP	Chilean peso	(311)	-	(311)	(315)	(253)
CNH	Chinese offshore	(25)	-	(25)	(23)	(9,050)
CNY	Chinese Yuan	318	318	-	301	-
DKK	Danish Krone	(62)	55	(116)	(63)	(601)
EUR	Euro	(70,119)	60,154	(130,274)	(70,774)	(88,167)
HUF	Hungarian Forint	0	-	-	-	555
IDR	Indonesia Rupiah	(116)	244	(360)	(115)	-
INR	Indian Rupee	6,628	6,628	-	6,644	-
JPY	Japanese yen	4,980	5,672	(692)	4,693	(8,206)
MXN	Mexican peso	(339)	2	(341)	(363)	463
ILS	New Israeli shekel	-	-	-	-	(3,315)
NZD	New Zealand dollar	-	-	-	-	653
NOK	Norwegian Krone	-	-	-	-	399
PEN	Peruvian nuevo sol	225	621	(396)	202	(1,016)
PLN	Poland Zloty	-	-	-	-	665
SGD	Singapore Dollar	(3,989)	-	(3,989)	(3,948)	-
ZAR	South African rand	-	-	-	-	(861)
KRW	South Korean won	(348)	1	(348)	(338)	(346)
THB	Thai Baht	4,535	4,535	-	4,432	-
TWD	Taiwan Dollar	376	2,065	(1,689)	370	-
USD	United States dollar	77,812	185,308	(107,496)	77,812	164,414
Total forwards subject to currency risk					\$ (1,645)	\$ 3,849

**Derivative Interest Rate Risk**

Derivative interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The SIB does not have a formal investment policy regarding such derivative investments. At June 30, 2023 and 2022, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).



## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

**2023**

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Futures-interest rate contracts	\$ (421,921)	\$ (537,437)	\$ 371,085	\$ (170,589)	\$ (84,980)	\$ -	\$ -
Futures-commodity contracts	(81,977)	-	(81,977)	-	-	-	-
Total	<u>\$ (503,898)</u>	<u>\$ (537,437)</u>	<u>\$ 289,108</u>	<u>\$ (170,589)</u>	<u>\$ (84,980)</u>	<u>\$ -</u>	<u>\$ -</u>

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Options - interest rate contracts	\$ (450)	\$ (147)	\$ (191)	\$ (112)	\$ -	\$ -	\$ -
Options on futures	(1,985)	78	(858)	(941)	(264)	-	-
Options - Foreign Exchange Contracts	-	-	-	-	-	-	-
Swaps - interest rate contracts	3,543	(448)	(38)	(22)	(2,537)	1,392	5,196
Swaps - credit contracts	1,649	-	3	13	2,070	(437)	-
Total	<u>\$ 2,757</u>	<u>\$ (517)</u>	<u>\$ (1,084)</u>	<u>\$ (1,062)</u>	<u>\$ (731)</u>	<u>\$ 955</u>	<u>\$ 5,196</u>

**2022**

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Futures-interest rate contracts	\$ 642,122	\$ (681,760)	\$ 1,065,168	\$ 151,913	\$ 106,801	\$ -	\$ -
Futures-commodity contracts	(12,092)	-	(12,092.00)	-	-	-	-
Total	<u>\$ 630,030</u>	<u>\$ (681,760)</u>	<u>\$ 1,053,076</u>	<u>\$ 151,913</u>	<u>\$ 106,801</u>	<u>\$ -</u>	<u>\$ -</u>

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Options - interest rate contracts	\$ (466)	\$ (357)	\$ -	\$ -	\$ (109)	\$ -	\$ -
Options on futures	(3,853)	(570)	(2,687)	(295)	(301)	-	-
Options - credit contracts	(142)	(142)	-	-	-	-	-
Swaps - interest rate contracts	(2,569)	-	-	13	(4,471)	(4,701)	6,590
Swaps - credit contracts	(699)	2	3	(52)	(483)	(169)	-
Total	<u>\$ (7,729)</u>	<u>\$ (1,067)</u>	<u>\$ (2,684)</u>	<u>\$ (334)</u>	<u>\$ (5,364)</u>	<u>\$ (4,870)</u>	<u>\$ 6,590</u>

**Fair Value Measurement**

The SIB categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The following tables show the fair value leveling of the SIB's investment portfolio at June 30, 2023 and 2022 (expressed in thousands).

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

2023	Dollars in (000)			
	Fair Value Measures Using			
	Fair Value 6/30/23	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
<b>Short Term Securities</b>				
Commercial Paper	\$ 106,717	\$ -	\$ 106,717	\$ -
Short Term Bills and Notes	14,388	-	14,388	-
<b>Total Short Term Securities</b>	<b>121,105</b>	<b>-</b>	<b>121,105</b>	<b>-</b>
<b>Fixed Income Investments</b>				
Asset Backed Securities	439,098	-	438,500	598
Bank Loans	-	-	-	-
Collateralized Bonds	1,652	-	1,652	-
Commercial Mortgage-Backed	322,945	-	322,945	-
Corporate Bonds	1,918,998	-	1,918,998	-
Corporate Convertible Bonds	11,596	-	11,596	-
Funds - Fixed Income ETF	16,687	16,687	-	-
Government Agencies	32,016	-	32,016	-
Government Bonds	774,763	-	774,763	-
Government Mortgage Backed Securities	1,264,892	-	1,264,823	69
Gov't-issued Commercial Mortgage-Backed	18,255	-	18,255	-
Index Linked Government Bonds	635,558	-	635,558	-
Municipal/Provincial Bonds	22,222	-	22,222	-
Non-Government Backed C.M.O.s	102,353	-	102,353	-
Sukuk	2,506	-	2,506	-
<b>Total Fixed Income Investments</b>	<b>5,563,541</b>	<b>16,687</b>	<b>5,546,187</b>	<b>667</b>
<b>Equity Investments</b>				
Common Stock	3,124,600	3,124,202	-	398
Convertible Equity	290	290	-	-
Funds - Equities ETF	282,983	282,983	-	-
Preferred Stock	-	-	-	-
Stapled Securities	-	-	-	-
<b>Total Equity Investments</b>	<b>3,407,873</b>	<b>3,407,475</b>	<b>-</b>	<b>398</b>
<b>Derivative Investments</b>				
Exchange Cleared Swaps	5,778	-	5,778	-
Options	(1,997)	(1,547)	(450)	-
Swaps	(1,000)	-	(1,000)	-
<b>Total Derivative Investments</b>	<b>2,781</b>	<b>(1,547)</b>	<b>4,328</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>\$ 9,095,300</b>	<b>\$ 3,422,615</b>	<b>\$ 5,671,620</b>	<b>\$ 1,065</b>

# North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

Dollars in (000)				
		Unfunded	Redemption	Redemption
Investments Measured at the Net Asset Value (NAV)		Commitments	Frequency (If	Notice Period
			Currently Eligible)	
Commingled Funds-Debt	\$ 1,416,003	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	3,223,944	-	Daily, monthly	1-15 days
Distressed Debt	211,245	-	Quarterly, Not eligible	60 days
Long/Short	811,402	-	Monthly	15 days
Mezzanine Debt	1	-	Not eligible	Not eligible
Private Credit	623,507	120,700	Not eligible	Not eligible
Private Equity	1,034,930	540,130	Not eligible	Not eligible
Real Assets	2,814,301	455,448	Quarterly, Not eligible	30-90 days
<b>Total Investments Measured at the NAV</b>	<b>\$ 10,135,333</b>	<b>\$ 1,116,278</b>		
<b>Investments at Other Than Fair Value</b>				
Cash and adjustments to cash	\$ 34,099			
Bank Certificates of Deposit	180,767			
Other miscellaneous securities	5,211			
Repurchase Agreements	(786)			
<b>Total Investments at Other Than Fair Value</b>	<b>\$ 219,291</b>			
<b>Total Investments</b>	<b>\$ 19,449,924</b>			

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

2022	Fair Value Measures Using			
	Fair Value 6/30/22	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
<b>Short Term Securities</b>				
Commercial Paper	\$ 27,977	\$ -	\$ 27,977	\$ -
Short Term Bills and Notes	34,128	-	34,128	-
<b>Total Short Term Securities</b>	<b>62,105</b>	<b>-</b>	<b>62,105</b>	<b>-</b>
<b>Fixed Income Investments</b>				
Asset Backed Securities	469,733	-	469,733	-
Bank Loans	15,007	-	15,007	-
Collateralized Bonds	2,446	-	2,446	-
Commercial Mortgage-Backed	362,729	-	362,729	-
Corporate Bonds	2,075,973	-	2,074,660	1,313
Corporate Convertible Bonds	19,220	-	19,220	-
Funds - Fixed Income ETF	16,829	16,829	-	-
Government Agencies	35,569	-	35,569	-
Government Bonds	735,584	-	735,584	-
Government Mortgage Backed Securities	688,660	-	688,660	-
Gov't-issued Commercial Mortgage-Backed	13,960	-	13,960	-
Index Linked Government Bonds	650,572	-	650,572	-
Municipal/Provincial Bonds	26,577	-	26,577	-
Non-Government Backed C.M.O.s	140,879	-	140,879	-
Sukuk	2,530	-	2,530	-
<b>Total Fixed Income Investments</b>	<b>5,256,268</b>	<b>16,829</b>	<b>5,238,126</b>	<b>1,313</b>
<b>Equity Investments</b>				
Common Stock	4,727,266	4,726,869	-	397
Convertible Equity	5,574	5,574	-	-
Funds - Equities ETF	122,419	122,419	-	-
Preferred Stock	5,431	3,130	2,301	-
Rights/Warrants	-	-	-	-
Stapled Securities	1,311	1,311	-	-
<b>Total Equity Investments</b>	<b>4,862,001</b>	<b>4,859,303</b>	<b>2,301</b>	<b>397</b>
<b>Derivative Investments</b>				
Exchange Cleared Swaps	(2,988)	-	(2,988)	-
Options	(3,387)	(2,921)	(466)	-
Swaps	(280)	-	(280)	-
<b>Total Derivative Investments</b>	<b>(6,655)</b>	<b>(2,921)</b>	<b>(3,734)</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>\$ 10,173,719</b>	<b>\$ 4,873,211</b>	<b>\$ 5,298,798</b>	<b>\$ 1,710</b>

## North Dakota Retirement and Investment Office

## Notes to the Financial Statements

June 30, 2023 and 2022

		Dollars in (000)		
		Unfunded	Redemption Frequency	Redemption
		Commitments	(If Currently Eligible)	Notice Period
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Commingled Funds-Debt	\$ 1,559,743	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	1,547,266	-	Daily, monthly	1-15 days
Distressed Debt	211,353	-	Quarterly, Not eligible	60 days
Long/Short	284,678	-	Monthly	15 days
Mezzanine Debt	169	8,499	Not eligible	Not eligible
Private Credit	567,890	130,700	Not eligible	Not eligible
Private Equity	761,808	768,744	Not eligible	Not eligible
Real Assets	2,408,855	662,888	Quarterly, Not eligible	30-90 days
<b>Total Investments Measured at the NAV</b>	<b>\$ 7,341,762</b>	<b>\$ 1,570,831</b>		
<b>Investments at Other Than Fair Value</b>				
Cash and adjustments to cash	\$ 199,035			
Bank Certificates of Deposit	192,033			
Other miscellaneous securities	4,815			
Repurchase Agreements	37,100			
<b>Total Investments at Other Than Fair Value</b>	<b>\$ 432,983</b>			
<b>Total Investments</b>	<b>\$ 17,948,464</b>			

Securities classified in Level 1 are valued using quoted prices in active markets for those securities. Securities classified in Level 2 and Level 3 are valued using methodologies such as various bid evaluations, market averages and other matrix pricing techniques as well as values derived from associated traded securities or last trade data. In instances where inputs used to measure fair value fall into different levels, the fair value is categorized based on the lowest level input that is significant to the valuation.

Investments valued at the net asset value (NAV) per share (or its equivalent) have been classified separately in the tables above and include investments considered to be *alternative investments* as defined by the AICPA. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or NASDAQ). These types of investments can be held within any of the asset classes used by the SIB based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

**Commingled/Mutual Funds** — These types of funds are open-ended funds and may be utilized in equity or fixed income asset classes. They are funds made up of underlying securities that have readily available fair values (publicly traded stocks or bonds). The SIB owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed, generally with daily or monthly liquidity, with a notice period of one to fifteen days. Because they are liquid funds, there are no unfunded commitments for these types of investments.

**Distressed Debt** — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments,

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

mortgages and bank loans. The SIB is including these types of investments in its global fixed income allocations. As of June 30, 2023 and June 30, 2022, all unfunded commitments in the SIB distressed debt portfolios had been released. One of the funds in this category is not eligible for redemptions, while the other fund is eligible for redemptions with quarterly liquidity and 60 days notice.

**Equity Long/Short** — This strategy is a combination of long and short positions, primarily in publicly traded equities. The SIB utilizes this strategy, through a limited partnership structure, within its global equity allocations. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2023 and 2022.

**Mezzanine Debt** — This strategy is a hybrid of debt and equity financing. It is essentially debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The SIB utilizes this strategy, through a limited partnership structure, in its global fixed income allocation. The two funds in this category are not eligible for redemptions, have remaining lives of 1-2 years, and no unfunded commitments as of both June 30, 2023 and 2022.

**Private Credit** — These investments include loans to private companies, privately placed debt of public companies, or loans backed by real assets. Loan repayment can be derived from either cash flows from an operating company or cash flows generated by a physical or esoteric asset. Private debt is typically secured and has various protections/covenants in place. The debt is customized to the borrower's requirement, thus rendering it illiquid. The SIB includes these strategies within its global fixed income allocation through limited partnership-type structures. Private credit issuers may be investment grade but are typically below-investment grade and similar in some respect to the syndicated bank loan and high yield markets. The SIB participates in two senior private credit funds, commonly referred to as direct lenders, which are structured as custom managed accounts and are not eligible for redemptions during their investment lives. Due to the perpetual nature of the funds, the remaining investment lives fluctuate based on timing of new commitments, and the unfunded commitments totaled \$120.7 million and \$130.7 million as of June 30, 2023 and 2022, respectively.

**Private Equity** — Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. The SIB has a dedicated sub-asset class for private equity investments within its global equity allocation in the pension pool and Legacy Fund. The SIB does not have the option to request redemptions from its private equity funds. The General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The SIB has \$540.1 million and \$768.7 million in unfunded private equity commitments as of June 30, 2023 and 2022, respectively.

**Venture Capital** — these include investments in companies in a range of stages of development from start-up/seed stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten.

**Buyouts** — these include investments in funds that seek out and purchase underperforming or undervalued companies in order to improve them and sell them or take them public many years later. These funds are also often involved in management buyouts, which are buyouts conducted

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

by the management of the company being purchased, and they often play key roles in leveraged buyouts, which are buyouts that are funded with borrowed money.

**Real Assets** — These investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments are generally structured as limited partnerships or limited liability companies. Investments in Real Assets include:

**Real Estate** — includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include “value added” strategies, which derive their return from both income and appreciation, “opportunistic”, which derive their return primarily through appreciation, and “alternative” which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The SIB has a dedicated sub-asset class for these types of investments within global real assets. There are currently 11 real estate funds in the portfolio. Five of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. There were no unfunded commitments in the open-ended funds as of June 30, 2023 and 2022. The remaining six funds are closed-ended limited partnerships that are not eligible for redemptions. Those six funds have a combined unfunded commitment of \$158.7 million and \$250.5 million as of June 30, 2023 and 2022, respectively.

**Timberland** — includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the “higher and better use” value of the underlying land. The SIB includes these assets within its global real assets allocations. There are three funds in the portfolio, and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 1-4 years.

**Infrastructure** — includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The SIB includes these assets within its global real assets allocations. The infrastructure investments in the portfolio as of June 30, 2023 and 2022, include both open and closed-ended funds. The three open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days notice. There may be a 3-12 month queue for receiving redemptions. The 17 closed-ended funds have unfunded commitments of \$296.8 million and \$412.4 million at June 30, 2023 and 2022, respectively, and are not eligible for redemptions.

### Securities Lending

State statutes permit and the SIB has authorized the use of securities lending – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Northern Trust is the securities lending agent for the SIB. Securities are loaned versus collateral that may include cash, US government securities and irrevocable letters of credit. US securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-US securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest.

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SIB loans was approximately 74 and 70 days as of June 30, 2023 and 2022, respectively. Cash open collateral is invested in a short-term investment pool, which had an interest sensitivity of 3 and 1 days as of June 30, 2023 and 2022, respectively. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

For securities loaned at fiscal year end, the SIB has no credit risk exposure to borrowers because the amounts the SIB owes the borrowers exceeds the amounts the borrowers owe the SIB.

The following represents the balances relating to the securities lending transactions at June 30, 2023 and 2022 (expressed in thousands).

		<b>Non-Cash</b>	<b>Cash</b>
	<b>Securities</b>	<b>Collateral</b>	<b>Collateral</b>
	<b>Lent</b>	<b>Value</b>	<b>Investment</b>
			<b>Value</b>
<b>2023</b>			
Lent for cash collateral:			
US agency securities	\$ 636	\$ -	\$ 651
US government securities	327	-	336
US corporate fixed income securities	55,426	-	56,543
Global agency securities	210	-	223
Global government securities	555	-	579
Global corporate fixed income securities	1,997	-	2,152
US equities	55,709	-	56,892
Global equities	1,557	-	1,627
Lent for non-cash collateral:			
US agency securities	1,541	1,577	-
US government securities	7,671	7,850	-
US corporate fixed income securities	98,961	101,098	-
US equities	338,691	344,275	-
Global equities	1,414	1,499	-
Global corporate fixed	8,396	9,061	-
Total	<u>\$ 573,091</u>	<u>\$ 465,360</u>	<u>\$ 119,003</u>



## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

2022	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 996	\$ -	\$ 1,037
US government securities	3,867	-	3,977
US corporate fixed income securities	82,501	-	85,182
Global government securities	2,214	-	2,346
Global corporate fixed income securities	8,052	-	8,554
US equities	39,907	-	41,241
Global equities	4,547	-	5,171
Lent for non-cash collateral:			
US agency securities	777	804	-
US government securities	3,751	3,881	-
US corporate fixed income securities	85,783	88,643	-
US equities	53,980	55,731	-
Global equities	7,679	8,310	-
Total	<u>\$ 294,241</u>	<u>\$ 157,369</u>	<u>\$ 147,705</u>

## Note 4 - Capital Assets

	June 30, 2021	Additions	Retirements	June 30, 2022	Additions	Retirements	June 30, 2023
Office equipment	\$16,879	\$ -	\$ -	\$16,879	\$ -	\$ -	\$16,879
Less accumulated depreciation on office equipment	(15,530)	(1,349)	-	(16,879)	-	-	(16,879)
Software	1,213,500	680,999	-	1,894,499	1,899,328	-	3,793,827
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	-	-	(1,213,500)
	<u>\$ 1,349</u>	<u>\$ (1,800)</u>	<u>\$ -</u>	<u>\$ 680,999</u>	<u>\$ 1,899,328</u>	<u>\$ -</u>	<u>\$ 2,580,327</u>

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

**Note 5 - State Agency Transactions****Due To/From Other State Agencies and Other State Funds**

Amounts due from/to other state agencies and other state funds are as follows as of June 30, 2023 and 2022:

	2023	2022
Due To Other State Agencies		
Information Technology Department	\$ 39,202	\$ 33,736
Health Department	30	225.00
Department of Transportation	-	77.76
Office of Attorney General	2,875	505
Office of Management and Budget	3,717	338
Total due to other state agencies	<u>\$ 45,824</u>	<u>\$ 34,882</u>
Due From Other State Agencies		
Public Employees Retirement System	<u>\$ 1,531</u>	<u>\$ 1,281</u>
Total due from other state agencies	<u>\$ 1,531</u>	<u>\$ 1,281</u>

Due to other state agencies balances are a result of a time lag between the dates that services are provided, the payments are made, and the transactions are entered into the accounting system.

**Note 6 - Changes in Noncurrent Liabilities**

Changes in noncurrent liabilities are included in accrued expenses in the statements of changes in net position. The changes for the years ended June 30, 2023 and 2022 are summarized as follows:

	Beginning Balance 7/1/2022	Additions	Reductions	Ending Balance 6/30/2023	Amounts Due Within One Year
Accrued Leave	<u>\$158,988</u>	<u>\$194,600</u>	<u>(\$95,458)</u>	<u>\$258,130</u>	<u>\$143,772</u>
	Beginning Balance 7/1/2021	Additions	Reductions	Ending Balance 6/30/2022	Amounts Due Within One Year
Accrued Leave	<u>\$211,403</u>	<u>\$126,018</u>	<u>(\$178,433)</u>	<u>\$158,988</u>	<u>\$149,765</u>

Pension and Investment Trust Funds liquidate the accrued annual leave.

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

---

### Note 7 - North Dakota Teachers' Fund for Retirement

#### Administration

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

#### Membership

As of June 30, 2023 and 2022, the number of participating employer units was 206 and 207, respectively, consisting of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Public School Districts	171	171
County Superintendents	4	4
Special Education Units	19	19
Vocational Education Units	4	4
Other	8	9
Total	<u>206</u>	<u>207</u>

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

TFFR's membership consisted of the following:

TFFR Membership		
	2023	2022
Retirees and beneficiaries currently receiving benefits	9,615	9,438
Terminated employees - vested	2,010	1,827
Terminated employees - nonvested	1,711	1,423
Total	13,336	12,688
Current employees		
Vested	8,336	8,326
Nonvested	3,430	3,476
Total	11,766	11,802

### Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

### Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

#### ***Tier 1 Grandfathered***

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

#### ***Tier 1 Non-grandfathered***

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

#### ***Tier 2***

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

#### **Death and Disability Benefits**

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

### Investment Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.35% and -6.17% for the years ended June 30, 2023 and 2022, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Realized Gains and Losses

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in Note 1. For the years ended June 30, 2023 and 2022, TFFR had net realized gains of \$37,160,466 and \$127,985,911, respectively.

### Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2023 and 2022 (expressed in thousands), were as follows:

	June 30, 2023	June 30, 2022
Total pension liability	\$ 4,577,220	\$ 4,479,973
Plan fiduciary net position	(3,173,908)	(3,023,920)
Net pension liability (NPL)	<u>\$ 1,403,312</u>	<u>\$ 1,456,053</u>
Plan fiduciary net position as a percentage of the total pension liability	69.3%	67.5%

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2023 and 2022, using the following actuarial assumptions:

Valuation date	July 1, 2023	July 1, 2022
Inflation	2.30%	2.30%
Salary increases	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service	3.80% to 14.80%; varying by service, including inflation and productivity
Cost of living adjustments	None	None
Investment rate of return	7.25% net of investment expenses, including inflation	7.25% net of investment expenses, including inflation

For the July 1, 2023 and 2022, valuations, the post-retirement healthy mortality table was 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. The disabled

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

---

mortality table was the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of July 1, 2023 and 2022 are summarized in the following tables:

2023		Long-Term Expected Real Rate of Return
	Target Allocation	
Global Equity	55.0%	6.2%
Global Fixed Income	26.0%	3.0%
Global Real Assets	18.0%	4.4%
Cash Equivalents	1.0%	0.9%

2022		Long-Term Expected Real Rate of Return
	Target Allocation	
Global Equity	55.0%	6.6%
Global Fixed Income	26.0%	0.4%
Global Real Assets	18.0%	4.6%
Cash Equivalents	1.0%	-1.1%

As part of the most recent asset/liability study, the total fund real rate of return was upwardly adjusted by 0.50% to reflect a longer investment time horizon than is assumed in the investment consultant's expected returns and to account for above benchmark returns achieved through active management. In order to estimate the nominal rate of return, the real rate of return was adjusted upward by 2.30% for expected inflation.

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

---

### Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2023 and 2022 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2023 and 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023 and 2022.

### Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2023 and 2022, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (expressed in thousands):

2023

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employers' net pension liability	\$ 1,953,806	\$ 1,403,312	\$ 946,493

2022

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employers' net pension liability	\$ 2,000,483	\$ 1,456,053	\$ 1,004,517

### Note 8 - ND Public Employees Retirement System (NDPERS)

Permanent employees of RIO participate in the pension and other post-employment benefit (OPEB) plans of NDPERS, which is also an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Annual Comprehensive Financial Report. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS pension (Main System) and OPEB plans are cost-sharing multiple-employer defined benefit plans that cover employees/retirees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS pension plan provides for pension, death and disability benefits. NDPERS OPEB plan provides a credit toward the monthly health insurance premium of members receiving retirement benefits from the PERS, HPRS and Judges retirement under Chapter 27-17 of the North Dakota Century Code. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the credit is expanded to also include any eligible health, prescription drug



## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

plan, dental, vision, and long-term care plan premium expense. The cost to administer the pension plan is financed through the contributions and investment earnings of the plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 is replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payment in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's beneficiary.

Eligible members, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

### **Refunds of Member Contributions**

Upon termination, if a member is not vested (is not 65 or does not have three years of service credited for the NDPERS) they will receive the accumulated member contributions plus interest, or may elect to

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

receive this amount at a later date. If a member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contributions and is subsequently reemployed, they have the option of repurchasing their previous service.

### Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. During the 1983-1985 biennium the State of North Dakota implemented the employer pickup provision of the IRS code whereby a portion or all of the required member contributions are made by the employer. RIO, as the employer, is paying 4% of the member contribution. Employer contributions are set by statute.

Contribution rates are established as a percent of covered compensation as follows:

	Member	Employer
Members first enrolled prior to January 1, 2020	7.00%	7.12%
Members first enrolled after January 1, 2020	7.00%	8.26%
Members returning to the DB Plan as a result of Senate Bill 2015	9.00%	7.12%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

### OPEB Benefits

The employer contribution is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020 members first enrolled in the NDPERS main system and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the part a closed plan.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

**Pension & OPEB Liabilities, Pension & OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions & OPEB**

At June 30, 2023 and 2022, RIO reported a liability of \$4,453,741 and \$1,549,271, respectively, for its proportionate share of the net pension and OPEB liability. These amounts are included in the accrued liabilities in the statements of net position. The net pension and OPEB liability were measured as of June 30, 2022 and 2021, and the total pension and OPEB liability used to calculate the net pension and OPEB liability was determined by an actuarial valuation as of that date. RIO's proportion of the net pension liability was based on RIO's share of covered payroll in the pension and OPEB plans relative to the covered payroll of all participating NDPERS Main System and OPEB employers. At June 30, 2022, RIO's pension plan proportion was 0.150263 percent and as of June 30, 2021, was 0.141582 percent. RIO's OPEB plan proportion was 0.105029 percent as of June 30, 2022 and was 0.132262 percent as of June 30, 2021.

RIO recognized pension and OPEB expense of \$401,259 and \$92,941 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2023	2022	2023	2022
Differences between expected and actual experience	\$ 25,563	\$ 29,704	\$ 83,750	\$ 152,633
Changes in assumptions	2,619,766	1,644,715	1,604,425	2,129,514
Net differences between projected and actual earnings on plan investments	175,369	-	-	572,522
Changes in proportion and differences between employer contributions and proportionate share of contributions	139,323	32,684	81,577	108,916
Employer contributions subsequent to the measurement date	189,018	132,556	-	-
Total	<u>\$ 3,149,039</u>	<u>\$ 1,839,659</u>	<u>\$ 1,769,752</u>	<u>\$ 2,963,585</u>

Deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date in the amount of \$189,018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) related to pensions and OPEB will be recognized in pension expense as follows:

Year Ended June 30	
2024	\$ 318,283
2025	380,201
2026	61,259
2027	430,526
2028	-
2029	-
	<u>\$ 1,190,269</u>

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

#### Actuarial assumptions

The total pension and OPEB liabilities in the July 1, 2022 and 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

##### 2022 – Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.5% to 17.75%, including inflation
Investment Rate of Return	5.10%, net of investment expense
Cost-of-living Adjustments	None

##### 2021 – Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.5% to 17.75%, including inflation
Investment Rate of Return	7.00%, net of investment expense
Cost-of-living Adjustments	None

For active members, inactive members and healthy retirees in both 2022 and 2021, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

##### 2022 – OPEB Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	Not applicable.
Investment Rate of Return	5.75%, net of investment expense
Cost of Living Adjustments	None

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

---

### 2021 – OPEB Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	Not applicable.
Investment Rate of Return	6.50%, net of investment expense
Cost of Living Adjustments	None

For active members, inactive members and healthy retirees in both 2022 and 2021, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale. The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocations are summarized in the following table:

### 2022 - Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58%	6.4%
Global Fixed Income	23%	0.3%
Global Real Assets	19%	4.6%

# North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

## 2021 - Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58%	6.7%
Global Fixed Income	23%	0.7%
Global Real Assets	19%	4.8%

## 2022 - OPEB Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	33%	5.6%
Small Cap Domestic Equity	6%	6.5%
International Equity	26%	6.0%
Core-Plus Fixed Income	35%	0.2%

## 2021 - OPEB Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	33%	5.9%
Small Cap Domestic Equity	6%	6.8%
International Equity	26%	6.3%
Core-Plus Fixed Income	35%	0.5%

## Discount rate

For pension plans, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate (SDR) that reflects (1) the long-term expected rate of return on pension plan investments

## North Dakota Retirement and Investment Office

### Notes to the Financial Statements

June 30, 2023 and 2022

---

(during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For 2022, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69% (based on the most recent date available on or before the measurement date of the "20-year Municipal GO Index" from Fidelity); and the resulting Single Discount Rate is 5.10%.

For 2021, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92% (based on the most recent date available on or before the measurement date of the "20-year Municipal GO Index" from Fidelity); and the resulting Single Discount Rate is 7.00%.

The discount rate used to measure the total OPEB liability for 2022 was 5.39% and for 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2022 and 2020 OPEB actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current OPEB members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability for both years.

#### **Sensitivity of the Employer's proportionate share of the net pension and OPEB liability to changes in the discount rate**

The following presents RIO's proportionate share of the net pension and OPEB liability calculated using the current discount rate, as well as what the RIO's proportionate share of the net pension and OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

## North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2023 and 2022

**2023**

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
RIO's net pension liability	\$5,712,233	\$ 4,327,674	\$3,191,000
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
RIO's net OPEB liability	160,917	126,067	96,812

**2022**

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
RIO's net pension liability	\$2,346,875	\$ 1,475,710	\$ 750,328
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
RIO's net OPEB liability	109,100	73,561	43,489

**Sensitivity for Healthcare Cost Trend Rates**

The benefit provided by the North Dakota retiree health insurance credit fund is a fixed dollar subsidy and is not affected by the healthcare cost trend. Therefore, a sensitivity analysis was not performed.

**Pension and OPEB plan fiduciary net position**

Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued NDPERS Annual Comprehensive Financial Report. This report can be accessed on the NDPERS website at <https://www.ndpers.nd.gov/about/financial-actuarial-reports/annual-report-archive>

**Note 9 - Related Parties**

As stated in Note 1, RIO is an agency of the State of North Dakota; as such, other agencies of the state are related parties.



# North Dakota Retirement and Investment Office

## Required Supplementary Information

### Schedule of Changes in Net Pension Liability and Related Ratios North Dakota Teachers' Fund for Retirement Last 10 Fiscal Years (Dollars in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service cost	\$ 96,101	92,336	\$ 87,088	\$ 80,591	\$ 77,756	\$ 78,041	\$ 75,476	\$ 68,239	\$ 60,618	\$ 56,752
Interest	318,879	311,929	300,698	306,791	296,876	287,375	276,412	265,440	249,064	237,821
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(55,451)	(8,505)	8,366	(20,732)	(23,495)	(27,939)	(10,749)	(8,093)	2,209	9,347
Changes of assumptions	-	-	-	51,813	-	-	-	-	171,325	-
Benefit payments, including refunds of member contributions	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)	(162,259)
<b>Net change in total pension liability</b>	<b>97,247</b>	<b>143,913</b>	<b>155,024</b>	<b>187,612</b>	<b>129,909</b>	<b>129,498</b>	<b>144,623</b>	<b>139,617</b>	<b>310,977</b>	<b>141,661</b>
<b>Total pension liability - beginning</b>	<b>4,479,973</b>	<b>4,336,060</b>	<b>4,181,036</b>	<b>3,993,424</b>	<b>3,863,515</b>	<b>3,734,017</b>	<b>3,589,394</b>	<b>3,449,777</b>	<b>3,138,800</b>	<b>2,997,139</b>
<b>Total pension liability - ending (a)</b>	<b>\$4,577,220</b>	<b>4,479,973</b>	<b>\$4,336,060</b>	<b>\$4,181,036</b>	<b>\$3,993,424</b>	<b>\$3,863,515</b>	<b>\$3,734,017</b>	<b>\$3,589,394</b>	<b>\$3,449,777</b>	<b>\$3,138,800</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 102,308	100,331	\$ 98,264	\$ 93,032	\$ 89,445	\$ 86,676	\$ 86,059	\$ 82,840	\$ 78,422	\$ 62,355
Contributions - member	94,284	92,462	90,557	85,735	82,429	79,878	79,309	76,343	72,268	56,555
Contributions - purchased service credit	1,109	2,017	2,559	2,175	1,917	2,181	2,553	2,768	1,601	2,034
Contributions - other	(10)	25	126	159	159	194	236	45	172	48
Net investment income	217,471	(198,881)	684,173	86,206	135,043	211,345	266,688	8,239	73,205	294,246
Benefit payments, including refunds of member contributions	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)	(162,259)
Administrative expenses	(2,891)	(2,592)	(2,678)	(2,095)	(2,251)	(2,129)	(2,173)	(1,852)	(1,923)	(1,586)
<b>Net change in plan fiduciary net position</b>	<b>149,989</b>	<b>(258,485)</b>	<b>631,873</b>	<b>34,361</b>	<b>85,514</b>	<b>170,166</b>	<b>236,156</b>	<b>(17,586)</b>	<b>51,506</b>	<b>251,393</b>
<b>Plan fiduciary net position - beginning *</b>	<b>3,023,920</b>	<b>3,282,405</b>	<b>2,650,532</b>	<b>2,616,171</b>	<b>2,530,657</b>	<b>2,360,491</b>	<b>2,124,335</b>	<b>2,141,921</b>	<b>2,090,415</b>	<b>1,839,584</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$3,173,909</b>	<b>3,023,920</b>	<b>\$3,282,405</b>	<b>\$2,650,532</b>	<b>\$2,616,171</b>	<b>\$2,530,657</b>	<b>\$2,360,491</b>	<b>\$2,124,335</b>	<b>\$2,141,921</b>	<b>\$2,090,977</b>
<b>Plan's net pension liability - ending (a) - (b)</b>	<b>\$ 1,403,311</b>	<b>1,456,053</b>	<b>\$ 1,053,655</b>	<b>\$ 1,530,504</b>	<b>\$ 1,377,253</b>	<b>\$ 1,332,858</b>	<b>\$ 1,373,526</b>	<b>\$ 1,465,059</b>	<b>\$ 1,307,856</b>	<b>\$ 1,047,823</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	69.3%	67.5%	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%
<b>Covered payroll</b>	802,413	786,912	770,700	729,661	701,528	679,809	674,971	649,725	615,105	580,053
<b>Plan's net pension liability as a percentage of covered payroll</b>	174.9%	185.0%	136.7%	209.8%	196.3%	196.1%	203.5%	225.5%	212.6%	180.6%

#### Notes to Schedule:

\* Restated in 2015 due to GASB 68 implementation.

#### Changes of assumptions:

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

# North Dakota Retirement and Investment Office

## Required Supplementary Information

### Schedule of Employer Contributions North Dakota Teachers' Fund for Retirement Last 10 Fiscal Years (Dollars in thousands)

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2023	\$ 97,252	\$ 102,308	\$ (5,056)	\$ 802,413	12.75%
2022	97,341	100,331	(2,990)	786,912	12.75%
2021	101,655	98,264	3,391	770,700	12.75%
2020	93,688	93,032	656	729,661	12.75%
2019	90,778	89,445	1,333	701,528	12.75%
2018	88,307	86,676	1,631	679,809	12.75%
2017	89,231	86,059	3,172	674,971	12.75%
2016	84,724	82,840	1,884	649,725	12.75%
2015	71,168	78,422	(7,254)	615,105	12.75%
2014	59,513	62,355	(2,842)	580,053	10.75%

#### Notes to Schedule

**Valuation Date:** Actuarially determined contributions for each fiscal year are based on the actuarial valuation as of the beginning of the year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.30%; decreased from 2.75% prior to 7/1/2020 and from 3% prior to 7/1/2015.
Salary increases	3.80% - 14.80% including inflation and productivity; 4.25% - 14.5% prior to 7/1/2020; 4.5% - 14.75% prior to 7/1/2015.
Investment rate of return	7.25%, net of investment expenses, including inflation; rate was decreased from 7.75% beginning 7/1/2020 and decreased from 8% beginning 7/1/2015.
Retirement age	In the 2020 and 2015 valuations, rates of retirement were changed to better reflect anticipated future experience.
Mortality	In the 2020 valuation, the PubT-2010 pre-retirement, retiree and contingent survivor tables were adopted and for disabled members, PubNS-2010 tables were adopted; all with generational improvement.  In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

North Dakota Retirement and Investment Office  
Required Supplementary Information

---

**Schedule of Investment Returns  
North Dakota Teachers' Fund for Retirement  
Last 10 Fiscal Years**

**ANNUAL MONEY-WEIGHTED RATE OF RETURN  
NET OF INVESTMENT EXPENSES**

2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
7.35%	-6.17%	26.36%	3.37%	5.46%	9.15%	12.81%	0.39%	3.56%	16.35%

# North Dakota Retirement and Investment Office

## Required Supplementary Information

### Schedule of Employer's Share of Net Pension and OPEB Liability

#### ND Public Employees Retirement System

#### Last 10 Fiscal Years\*

#### (Dollars in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
RIO's proportion of NDPERS net pension liability (asset)	0.150263%	0.141582%	0.140747%	0.151523%	0.153507%	0.156317%	0.152969%	0.145546%	0.121849%
RIO's proportion of NDPERS net OPEB liability (asset)	0.105029%	0.132262%	0.122537%	0.141245%	0.144121%	0.147503%			
RIO's proportionate share of NDPERS net pension liability (asset)	\$ 4,328	\$1,475.71	\$ 4,428	\$ 1,776	\$ 2,591	\$ 2,513	\$ 1,491	\$ 990	\$ 773
RIO's proportionate share of NDPERS net OPEB liability (asset)	126	74	103	113	114	117			
RIO's covered payroll	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377	\$ 1,026
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll	269.64%	80.071%	271.49%	112.12%	165.35%	157.46%	98.94%	71.90%	75.34%
RIO's proportionate share of NDPERS net OPEB liability (asset) as a percentage of its covered payroll	7.85%	3.99%	6.32%	7.16%	7.28%	7.31%			
NDPERS Plan fiduciary net position as a percentage of the total pension liability	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%
NDPERS Plan fiduciary net position as a percentage of the total OPEB liability	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%			

\*Complete data for this schedule is not available prior to 2015 for pension liability and prior to 2018 for OPEB liability.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

North Dakota Retirement and Investment Office  
Required Supplementary Information

**Schedule of Employer Pension and OPEB Contributions**  
**ND Public Employees Retirement System**  
**Last 10 Years\***  
**(Dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
RIO's Statutorily required pension contribution	\$ 174	\$ 119	\$ 131	\$ 116	\$ 113	\$ 112	\$ 114	\$ 107	\$ 98	\$ 73
RIO's Statutorily required OPEB contributions	15	14	21	19	18	18	18			
RIO's pension contributions in relation to the statutory required contribution	174	119	131	116	113	112	114	107	98	73
RIO's OPEB contributions in relation to the statutory required contribution	15	14	21	19	18	18	18			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RIO's Covered payroll	\$ 2,286	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377	\$ 1,026
RIO's pension contributions as a percentage of covered payroll	7.62%	7.40%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
RIO's OPEB contributions as a percentage of covered payroll	0.65%	0.86%	1.14%	1.14%	1.14%	1.14%	1.14%			

\*Complete data for this schedule is not available prior to 2017 for OPEB contributions

# North Dakota Retirement and Investment Office

## Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds

### June 30, 2023 (With Summarized Comparative Totals for 2022)

	Pension Pool Participants					Insurance Pool Participants							
	Public	Bismarck	Bismarck	City of					Petroleum	Insurance			Risk
	Employees	City	City	Grand Forks	City of	Workforce	State		Tank	Regulatory	Cultural		Mgmt
	Retirement	Employee	Police	Employee	Grand Forks	Safety &	Fire &	State	Release	Trust	Endowment	Risk	Workers'
	System	Pension Plan	Pension Plan	Pension Plan	Park District	Insurance	Tornado	Bonding	Comp. Fund	Fund	Fund	Mgmt	Comp
Assets:													
Investments													
Global equities	\$2,309,920,873	\$56,694,946	\$25,974,153	\$44,892,460	\$4,754,913	\$427,118,480	\$6,392,061	\$ -	\$ -	\$2,178,234	\$305,143	\$1,134,484	\$987,592
Global fixed income	843,518,099	4,145,645	14,591,063	17,954,865	2,198,559	1246,237,468	9,958,754	2,024,473	2,932,084	2,525,462	205,470	2,412,420	1,600,677
Global real assets	746,170,848	24,555,852	10,155,312	11,183,611	1,738,188	362,515,676	-	-	-	-	27,678	-	-
Cash equivalents	4,752,310	387,960	154,680	794,932	26,054	20,443,936	1,795,189	1,625,354	2,897,618	2,447,214	16,166	684,257	830,234
Total investments	3,904,362,130	123,096,403	50,875,208	74,825,868	8,717,114	2,056,315,560	18,146,004	3,649,827	5,829,702	7,150,910	554,457	4,231,161	3,418,503
Invested sec lending collateral	27,467,155	739,665	313,063	564,627	94,155	10,889,438	93,534	16,407	23,528	25,891	2,479	22,465	15,121
Investment income receivable	8,178,945	247,758	96,895	98,181	13,626	10,393,886	112,649	26,664	57,380	10,016	308	49,650	4,850
Operating Cash	219,547	-	-	-	-	148,840	2,040	1,238	1,115	962	295	1,260	1,247
Miscellaneous receivable	8,983	-	-	-	-	4,869	45	9	14	6	1	9	6
Due from other state agencies	156	-	-	-	-	84	1	-	-	-	-	-	-
Total assets	3,940,236,916	124,083,826	51,285,166	75,488,676	8,825,495	2,077,752,677	18,384,273	3,694,145	5,911,739	7,187,785	557,540	4,304,545	3,439,727
Deferred outflows of resources													
Related to pensions	365,147	-	-	-	-	219,627	2,344	385	685	220	55	495	448
Liabilities:													
Investment expenses payable	2,278,387	68,907	28,791	39,519	5,090	1,075,535	11,053	1,341	1,959	3,127	366	2,467	1,803
Securities lending collateral	27,467,155	739,665	313,063	564,627	94,155	10,889,438	93,534	16,407	23,528	25,891	2,479	22,465	15,121
Accounts payable	43,883	-	-	-	-	21,787	208	36	59	29	6	36	25
Accrued expenses	582,684	-	-	-	-	364,888	4,398	663	1,261	305	89	931	811
Miscellaneous payable	-	8,382	3,464	4,988	603	-	-	-	-	-	-	-	-
Due to other state funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other state agencies	1,500	-	-	-	-	813	8	1	2	1	-	1	1
Total liabilities	30,373,609	816,954	345,318	609,134	99,848	12,352,461	109,201	18,448	26,809	29,353	2,940	25,900	17,761
Deferred inflows of resources													
Related to pensions	224,825	-	-	-	-	136,438	1,454	235	393	186	33	310	310
Fiduciary net position held in trust for external investment pool participants	\$ 3,910,003,629	\$ 123,266,872	\$ 50,939,848	\$ 74,879,542	\$ 8,725,647	\$ 2,065,483,405	\$ 18,275,962	\$ 3,675,847	\$ 5,885,222	\$ 7,168,466	\$ 554,622	\$ 4,278,830	\$ 3,422,104
Each participant unit is valued at \$1.00													
Participant units outstanding	3,910,003,629	123,266,872	50,939,848	74,879,542	8,725,647	2,065,483,405	18,275,962	3,675,847	5,885,222	7,168,466	554,622	4,278,830	3,422,104

# North Dakota Retirement and Investment Office

## Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds

### June 30, 2023 (With Summarized Comparative Totals for 2022)

Insurance Pool Participants													Individual Investment Accounts		
ND Veterans' Cemetery Trust Fund	ND Ass'n. of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Sick Leave	City of Fargo Fargo Dome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement Fund	ND University System Capital Building Fund	Legacy Fund	Job Service of North Dakota	PERS Retiree Health Credit Fund	Totals	
														2023	2022
\$227,10	\$2,530,071	\$ -	\$ -	\$235,95	\$213,921	\$875,104	\$295,493	\$748,300	\$ -	\$ -	\$4,600,838,519	\$16,756,911	\$109,976,710	\$ 7,634,56,673	\$ 6,377,122,880
167,323	4,477,988	55,676,252	732,412,672	509,793	16,619,424	2,168,259	539,418	317,029	1,794,387	1,038,407	2,993,674,211	66,225,503	55,046,287	6,118,263,992	5,971,871,760
67,863	-	-	-	-	4,241,311	193,171	-	-	-	-	1,332,051,598	-	-	2,492,901,108	2,524,055,925
1339	210,006	2,858,504	2,556,911	37,900	416,716	9,389	7,856	3,204	17,308	9,630	47,673,839	565,354	96,387	91,320,247	114,203,723
453,635	7,218,065	58,534,756	734,969,583	782,888	42,597,372	3,235,923	842,767	1,068,533	181,695	1,048,037	8,974,238,167	83,547,768	165,119,384	16,336,642,020	14,987,254,288
1743	42,409	523,807	6,906,319	4,555	183,941	19,552	5,069	4,058	16,876	9,760	46,918,698	-	-	94,904,316	127,624,822
218	5,023	241,098	4,873,505	1,837	55,868	1,455	340	(7)	7,220	3,610	30,404,994	592	901	54,917,457	52,010,441
-	-	-	53,848	-	-	-	-	4,553	-	-	432,035	-	-	866,980	426,172
-	-	-	1726	-	-	-	-	2	-	-	21,333	-	-	37,003	26,616
-	-	-	30	-	-	-	-	-	-	-	370	-	-	641	457
455,591	7,265,497	59,299,661	746,805,011	789,280	42,837,181	3,256,930	848,176	1,077,139	183,579	1,061,407	9,052,016,597	83,548,360	165,120,285	16,487,368,416	15,167,342,796
-	-	-	52,999	-	-	-	-	51	-	-	791,196	-	-	1,433,652	726,471
254	4,549	25,513	334,488	486	30,679	1,827	518	641	831	498	4,450,231	132,284	234,613	8,735,757	4,862,595
1743	42,409	523,807	6,906,319	4,555	183,941	19,552	5,069	4,058	16,876	9,760	46,918,698	-	-	94,904,316	127,624,822
-	-	-	7,124	-	-	-	-	18	-	-	99,804	-	-	173,010	245,515
-	-	-	84,024	-	-	-	-	124	-	-	1,180,356	-	-	2,220,534	524,250
166	491	3,997	-	250	2,959	250	250	-	250	250	-	5,739	10,882	42,921	32,737
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	288	-	-	-	-	-	-	-	3,562	-	-	6,177	6,698
2,163	47,449	553,317	7,332,243	5,291	217,579	21,629	5,837	4,836	17,957	10,508	52,652,651	138,023	245,495	106,082,714	133,296,617
-	-	-	43,369	-	-	-	-	(42)	-	-	416,222	-	-	822,733	1,465,298
\$ 453,428	\$ 7,218,048	\$ 58,746,344	\$ 739,482,398	\$ 783,989	\$ 42,619,602	\$ 3,235,301	\$ 842,339	\$ 1,072,396	\$ 181,7834	\$ 1,050,899	\$ 8,999,738,920	\$ 83,410,337	\$ 164,874,790	\$ 16,381,896,621	\$ 15,033,307,352
453,428	7,218,048	58,746,344	739,482,398	783,989	42,619,602	3,235,301	842,339	1,072,396	181,7834	1,050,899	8,999,738,920	83,410,337	164,874,790	16,381,896,621	15,033,307,352

# North Dakota Retirement and Investment Office

## Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds

### Year Ended June 30, 2023 (With Summarized Comparative Totals for 2022)

	Pension Pool Participants					Insurance Pool Participants							
	Public Employees Retirement System	Bismarck City Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District Pension Plan	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt Workers' Mgmt	Risk Mgmt Comp
Additions:													
Investment income:													
Net change in fair value of investments	\$ 241,403,575	\$ 6,053,763	\$ 2,917,329	\$ 5,742,561	\$ 399,140	\$ 7,166,800	\$ 523,707	\$ (46,632)	\$ (68,245)	\$ (78,720)	\$ 36,774	\$ 16,177	\$ 96,622
Interest, dividends and other income	58,349,078	2,004,856	774,231	1,103,204	178,982	51,060,791	476,014	117,093	194,384	104,345	11,205	95,197	70,271
	299,752,653	8,058,619	3,691,560	6,845,765	578,122	58,227,591	999,721	70,461	126,139	25,625	47,979	256,874	166,893
Less investment expenses	10,041,324	318,932	134,217	198,133	26,024	3,911,819	35,305	2,866	4,246	6,394	1,379	6,875	5,677
Net investment income	289,711,329	7,739,687	3,557,343	6,647,632	552,098	54,315,772	964,416	67,595	121,893	19,231	46,600	249,999	161,216
Securities lending activity:													
Securities lending income	219,530	5,820	2,419	4,434	944	150,760	1,663	179	267	220	52	347	280
Less Securities lending expenses	(43,883)	(1,165)	(484)	(887)	(188)	(32,349)	(352)	(40)	(60)	(45)	(11)	(75)	(59)
Net securities lending income	175,647	4,655	1,935	3,547	756	118,411	1,311	139	207	175	41	272	221
Purchase of units (\$1 per unit)	-	-	-	3,320,839	290,583	4,000,000	7,149,357	-	-	5,995,594	-	500,000	750,000
Total Additions	289,886,976	7,744,342	3,559,278	9,972,018	843,437	58,434,183	8,115,084	67,734	122,100	6,015,000	46,641	750,271	911,437
Deductions:													
Administrative Expenses	761,904	-	-	-	-	413,267	3,853	1,069	1,302	985	773	1,072	983
Redemption of units (\$1 per unit)	76,910,000	3,000,000	750,000	7,939,727	729,691	47,000,000	8,860,604	-	150,000	5,476,441	12,000	450,000	750,000
Total Deductions	77,671,904	3,000,000	750,000	7,939,727	729,691	47,413,267	8,864,457	1,069	151,302	5,477,426	12,773	451,072	750,983
Change in fiduciary net position	212,215,072	4,744,342	2,809,278	2,032,291	113,746	11,020,916	(749,373)	66,665	(29,202)	537,574	33,868	299,199	160,454
Fiduciary net position:													
Beginning of year	3,697,788,557	118,522,530	48,130,570	72,847,251	8,611,901	2,054,462,489	19,025,335	3,609,182	5,914,424	6,620,892	520,754	3,979,631	3,261,650
End of year	\$ 3,910,003,629	\$ 123,266,872	\$ 50,939,848	\$ 74,879,542	\$ 8,725,647	\$ 2,065,483,405	\$ 18,275,962	\$ 3,675,847	\$ 5,885,222	\$ 7,158,466	\$ 554,622	\$ 4,278,830	\$ 3,422,104



## North Dakota Retirement and Investment Office

Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds  
Year Ended June 30, 2023 (With Summarized Comparative Totals for 2022)

Insurance Pool Participants											Individual Investment Accounts						
ND Veterans' Cemetery Trust Fund	ND Ass'n of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo Fargo Dome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement Fund	ND University System Capital Building Fund		Job Service of North Dakota	PERS Retiree Health Credit Fund			Totals 2023	2022
\$ 24,742	\$ 268,360	\$ 209,735	\$ (170,156)	\$ 22,743	\$ 2,637,840	\$ 52,879	\$ 29,312	\$ 63,852	\$ (5,943)	\$ (3,375)	\$ 539,977,359	\$ (556,475)	\$ 12,315,165	\$ 817,632,974	\$ (1722,081,517)		
8,352	166,512	2,079,724	24,831,533	18,896	821,064	74,634	19,125	10,423	79,745	53,041	160,995,552	3,323,785	4,135,974	311,168,011	307,545,995		
33,094	434,872	2,289,459	23,129,972	41,639	3,458,904	127,513	48,437	74,275	63,802	49,666	700,972,911	2,767,310	16,451,129	1,128,790,985	(1414,535,522)		
1635	14,828	77,602	896,969	2,394	109,475	7,058	2,557	1,431	3,510	2,584	18,242,103	280,428	484,757	34,820,522	32,164,613		
31,459	420,044	2,211,857	22,233,003	39,245	3,349,429	120,455	45,880	72,844	60,292	47,082	682,730,808	2,486,882	16,966,372	1,093,970,463	(1,446,690,135)		
35	643	3,074	44,408	67	3,829	256	72	54	138	93	631,104	-	-	1,070,688	806,990		
(9)	(136)	(613)	(8,876)	(15)	(791)	(56)	(15)	(11)	(28)	(18)	(126,155)	-	-	(216,321)	(161,310)		
26	507	2,461	35,532	52	3,038	200	57	43	110	75	504,949	-	-	854,367	645,680		
-	-	190,611,521	-	-	-	365,625	-	1,000,000	-	7,580	858,723,028	-	4,693,500	1,077,407,627	918,708,674		
31,485	420,551	192,825,839	22,268,535	39,297	3,352,467	486,280	45,937	1,072,887	60,402	54,737	1,541,958,785	2,486,882	20,659,872	2,172,232,457	(527,335,781)		
-	-	-	145,362	-	-	-	-	491	-	-	1,730,720	-	-	3,061,781	1,983,025		
-	-	166,200,000	-	-	750,000	-	-	-	1,196,784	606,064	486,568,637	5,251,459	7,980,000	820,581,407	328,730,469		
-	-	166,200,000	145,362	-	750,000	-	-	491	1,196,784	606,064	488,299,357	5,251,459	7,980,000	823,643,188	330,713,494		
31,485	420,551	26,625,839	22,123,173	39,297	2,602,467	486,280	45,937	1,072,396	(1,136,382)	(551,327)	1,053,659,428	(2,764,577)	12,679,872	1,348,589,269	(858,049,275)		
421,943	6,797,497	32,120,505	717,359,225	744,692	40,017,185	2,749,021	796,402	-	2,954,216	1,602,226	7,946,079,492	86,174,914	152,194,916	16,033,307,352	15,891,356,627		
\$ 453,428	\$ 7,218,048	\$ 58,746,344	\$ 739,482,398	\$ 783,989	\$ 42,619,602	\$ 3,235,301	\$ 842,339	\$ 1,072,396	\$ 1817,834	\$ 1,050,899	\$ 8,999,738,920	\$ 83,410,337	\$ 164,874,790	\$ 16,381,896,621	\$ 16,033,307,352		

## North Dakota Retirement and Investment Office

## Pension and Investment Trust Funds – Schedule of Administrative Expenses

Years Ended June 30, 2023 and 2022

	Pension Trust		Investment Trust	
	2023	2022	2023	2022
Salaries and wages:				
Salaries and wages	\$ 987,936	\$ 715,193	\$ 1,655,919	\$ 1,029,330
Fringe benefits	576,853	266,732	765,024	345,578
Total salaries and wages	1,564,789	981,925	2,420,943	1,374,908
Operating expenses:				
Travel	33,818	11,262	31,330	33,400
Supplies	4,078	2,868	2,280	2,205
Postage and Mailing Services	19,676	23,141	2,676	2,684
Printing	9,086	7,278	1,153	377
Small Office Equipment and Furniture	11,556	411	15,229	229
Insurance	571	627	669	565
Rent/Lease of Building Space	50,507	60,273	44,558	48,998
Repairs	103	343	127	311
Information Technology & Communications	219,140	731,795	677,924	607,010
Professional Development	29,079	14,024	16,859	6,683
Operating Fees and Services	30,970	21,318	78,535	36,827
Professional Fees and Services	82,890	23,456	78,683	82,485
Consultant Services	449,274	433,910	76,326	64,702
Total operating expenses	940,748	1,330,706	1,026,349	886,476
Pension trust portion of investment program expenses	385,510	278,358	(385,510)	(278,358)
Depreciation	-	1,350	-	-
Total administrative expenses	2,891,047	2,592,339	3,061,781	1,983,025
Capital assets purchased	1,899,328	680,999	-	-
Less - nonappropriated items:				
Consultant Services	193,110	235,531	76,326	64,702
Other operating fees paid under continuing appropriation	156,181	112,952	775,741	542,265
Depreciation	-	1,350	-	-
Retainage Payable	170,367	29,876	-	-
Accrual adjustments to employee benefits	231,833	6,799	268,569	33,727
Total nonappropriated items	751,491	386,508	1,120,636	640,694
Total appropriated administrative expenses	\$ 4,038,884	\$ 2,886,830	\$ 1,941,146	\$ 1,342,332

The accompanying notes are an integral part of these statements.

**North Dakota Retirement and Investment Office**  
**Schedule of Appropriations – Budget Basis – Fiduciary Funds**  
**July 1, 2021 to June 30, 2023 Biennium**

---

	Approved 2021-2023 Appropriation	2021-2023 Appropriation Adjustment	Adjusted 2021-2023 Appropriation	Fiscal 2023 Expenses	Fiscal 2022 Expenses	Unexpended Appropriations
All Fund Types:						
Salaries and wages	\$ 5,053,977	\$ 1,794,743	\$ 6,848,720	\$3,485,332	\$2,316,308	\$ 1,047,080
Operating expenses	1,248,528	2,393,875	3,642,403	1,274,635	897,298	1,470,470
Capital Assets	-	6,300,000	6,300,000	1,214,874	934,913	4,150,214
Contingency	100,000	-	100,000	5,187	80,645	14,168
Total	<u>\$ 6,402,505</u>	<u>\$ 10,488,618</u>	<u>\$ 16,891,123</u>	<u>\$5,980,028</u>	<u>\$4,229,164</u>	<u>\$ 6,681,931</u>

**NOTE:** Only those expenses for which there are appropriations are included in this statement.

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2023	2022
Administrative expenses as reflected in the financial statements	\$5,952,828	\$4,575,365
Plus:		
Capitalized software purchases - appropriated	1,899,328	680,999
Less appropriated accrual expense		
Retainage Payable	(170,367)	(29,876)
Less expenses paid under continuing appropriation:		
Consulting Services*	(269,436)	(300,232)
Other operating fees paid under continuing appropriations*	(931,922)	(655,217)
Depreciation expense	-	(1,350)
Changes in benefit accrual amounts	(500,402)	(40,526)
Total appropriated expenses	<u>\$5,980,029</u>	<u>\$4,229,163</u>

\* North Dakota Century Code 21-10-06.2 and 15-39.1-05.2 provide authorization for the continuing appropriation.

# North Dakota Retirement and Investment Office

## Pension and Investment Trust Funds – Schedule of Consultant Expenses

Years Ended June 30, 2023 and 2022

	Pension Trust		Investment Trust	
	2023	2022	2023	2022
Actuary fees:				
Segal Consulting	\$121,476	\$122,505	\$ -	\$ -
GRS Consulting	30,000	-		
Total Actuary Fees	151,476	122,505	-	-
Auditing/Accounting fees:				
CliftonLarsonAllen LLP	15,750	84,999	15,750	22,460
Total Auditing Fees	15,750	84,999	15,750	22,460
Project management fees:				
Segal Consulting	255,599	185,909	-	-
Disability consulting fees:				
Sanford Health	250	150	-	-
Legal fees:				
K&L Gates LLP	1,351	10,649	(1,351)	13,936
Jackson Walker LLP	12,101	9,204	44,659	15,487
ND Attorney General	12,747	20,494	17,268	12,819
Total legal fees:	26,199	40,347	60,576	42,242
Total consultant expenses	\$449,274	\$433,910	\$ 76,326	\$ 64,702

## North Dakota Retirement and Investment Office

## Pension and Investment Trust Funds – Schedule of Investment Expenses

Years Ended June 30, 2023 and 2022

	Pension Trust		Investment Trust	
	2023	2022	2023	2022
Investment managers' fees:				
Global equity managers	\$ 515,749	\$ 1,082,859	\$ 740,726	\$ 1,482,461
Domestic large cap equity managers	1,796,585	621,946	8,074,428	3,258,391
Domestic small cap equity managers	786,323	925,653	3,979,688	5,993,667
International equity managers	1,041,416	1,068,362	7,211,790	8,552,582
Emerging markets equity managers	385,510	485,198	618,253	810,411
Domestic fixed income managers	1,116,310	1,586,971	13,911,661	14,784,472
Below investment grade fixed income managers	3,396,552	3,376,915	4,768,510	4,759,365
Diversified real assets managers	-	-	11,127,133	17,487,844
Real estate managers	(988,076)	3,001,837	1,439,900	7,053,553
Infrastructure managers	3,430,215	5,365,053	4,501,620	7,152,670
Timber managers	256,928	296,841	314,297	360,769
Private equity managers	3,170,639	4,099,850	5,918,907	6,142,169
Short term fixed income managers	-	-	879,205	867,223
Cash & equivalents managers	29,028	29,166	232,094	172,683
Balanced account managers	-	-	1,041,945	1,173,541
Total investment managers' fees	\$ 14,937,179	\$ 21,940,651	\$ 64,760,157	\$ 80,051,801
Custodian fees	252,016	268,454	1,205,164	1,329,330
Investment consultant fees	106,622	109,610	674,998	460,346
SIB Service Fees	-	-	110,708	81,809
Total investment expenses	\$ 15,295,817	\$ 22,318,715	\$ 66,751,027	\$ 81,923,286

**Reconciliation of investment expenses to financial statements**

	2023	2022	2023	2022
Investment expenses as reflected in the financial statements	\$ 7,468,043	\$ 6,924,716	\$ 34,820,522	\$ 32,154,613
Plus investment management fees included in investment income				
Domestic large cap equity managers	195,757	298,153	974,905	1,728,963
Domestic small cap equity managers	-	-	-	-
International equity managers	105,741	362,238	1,143,953	2,790,698
Emerging markets equity managers	109,165	152,835	174,357	254,438
Domestic fixed income managers	674,004	832,128	9,027,380	8,925,752
Below investment grade fixed income managers	3,010,844	2,980,786	4,508,405	4,296,493
Diversified real assets managers	-	-	9,241,197	15,829,379
Real estate managers	(2,623,992)	1,342,660	(3,770,955)	2,199,487
Infrastructure managers	2,949,837	5,028,508	3,871,352	6,703,285
Timber managers	235,779	296,841	286,557	360,769
Private equity managers	3,170,639	4,099,850	5,918,907	6,142,169
Cash equivalents managers	-	-	213,873	155,167
Balanced account managers	-	-	340,574	382,073
Investment expenses per schedule	\$ 15,295,817	\$ 22,318,715	\$ 66,751,027	\$ 81,923,286

**This page is intentionally blank.**

# Investment Section



December 15, 2023

Members of the  
North Dakota State Investment Board  
North Dakota Teachers' Fund for Retirement Board

Dear Board Members:

This report is a summary of the investment portfolios managed by the State Investment Board (SIB) and market environment for the fiscal year ended June 30, 2023.

### **Introduction**

For the fiscal year ended June 30, 2023, the \$7.3 billion North Dakota pension investment pool portfolio experienced a net total return of 7.76%. The insurance investment pool, valued at \$3.0 billion on June 30, 2023, returned 3.01% (net), during the same time frame. The Legacy Fund valued at \$9.0 billion the last day of the fiscal year returned 8.19% (net) over the same 12 months. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent verification.

The pension and insurance investment pools are pooled investment funds. The pension pool was created in 1989 in an effort to realize cost savings through pooling of pension assets. The insurance pool was created in 1993 for similar reasons. A list of the participants and their ownership in each pool is provided in this section of the report. The pooled funds' strategies are a proportional reflection of the investment objectives of each of the participating funds. The returns experienced by the individual funds were consistent with their respective investment policies and related asset allocations.

The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. The first transfer was received in September 2011. Transfers into the Legacy Fund totaled \$858.7 million during the fiscal year ended June 30, 2023. The ND Constitution also requires that all earnings accrued after June 30, 2017, must be transferred to the state's general fund at the end of each biennium. At the end of fiscal year 2023, \$486.6 million of earnings was transferred to the general fund for the 21-23 biennium.

Investment program details for the participating plans, including investment objectives and a listing of their external investment managers are presented in the Investment Section. The investment program's cost as measured by expense ratio is 52 basis points for the pension pool, 25 basis points for the insurance pool, and 48 basis points for the Legacy Fund and includes investment office administrative expenses, consultant fees, money manager fees and master custodian fees. The costs of the investment program compare favorably to those of other public plans and are lower than the previous year's costs because performance fees were lower. The lower private market returns of the fiscal year result in fewer incentive fees paid.

Allocation of monthly income and expenses to the participants in the pools is based on a time-weighted beginning balance. A "time factor" and "time-weighted amount" are calculated for each plan based on individual plan-related activities. The time-weighted amounts are added up for all plan-related activities to compose the time-weighted beginning balance used to allocate the activity of the pool. Five-year annualized risk for the period ended June 30, 2022, as measured by standard deviation has been 12.05% for the pension pool, 7.03% for the insurance pool and 12.64% for the Legacy Fund. Risk exposure for each participating fund is also limited in accordance with the guidelines presented in the Investment Section.



### **Economic Overview as of June 30, 2023**

The state of the economy defied expectations of a major slowdown in fiscal year 2023, despite the most aggressive Federal Reserve rate hiking cycle since the 1980s. After ten consecutive interest rate hikes, the Fed took its first pause at the June 2023 meeting, holding the federal funds target rate at 5.00% – 5.25%. In conjunction with the U.S. Fed, central banks across the world (except for China and Japan) continued to be in “tightening” mode as they grappled with moderating, but elevated inflation.

Undeterred by higher interest rates and prices, the U.S. economy was surprisingly resilient during the fiscal year. GDP growth was robust, increasing over 2% annualized in each fiscal quarter in 2023. Consumer spending exceeded expectations despite climbing prices. In June 2023, the Conference Board reported a sharp 7% monthly jump in its Consumer Confidence Index, bringing it to its highest level since January 2022. The labor market also remained strong, with the unemployment rate starting and ending the year at a historically low 3.6%. Year-over-year inflation (as measured by the Consumer Price Index) declined dramatically throughout the course of the year, falling from 9.1% in June 2022 to 3.0% in June 2023. Core CPI, which excludes the more volatile food and energy components, proved to be more stubborn and ended the fiscal year 2023 at 4.8%.

FY 2023 was a positive year for diversified asset owners, following a challenging FY 2022. The inflationary environment that characterized the second half of FY 2022 bled into the first fiscal quarter as both stocks and bonds traded lower. However, moderating inflation in the second quarter heralded a new risk-on market environment that led to a robust recovery for public equity markets. Real assets struggled during the year. Commercial real estate continued to be negatively impacted by a floundering Office sector as investor sentiment remained sour on concerns of weakening fundamentals and pending loan maturities. Publicly traded Real Estate Investment Trusts (REITs) fared better than private real estate, but also failed to keep pace with broader equity markets. Commodities also declined in FY 2023, driven by falling energy prices.

Investors successfully weathered several storms in FY 2023; regional bank worries abated after the high profile collapse of Silicon Valley Bank, inflation moderated, and the debt ceiling saga resolved. Investors were generally optimistic; stock indices registered strong gains and risk appetite was evident in bond markets. Meanwhile, the Fed held its goal of 2% inflation and suggested that further hikes were coming. While higher interest rates have a lagged effect, their impact could be seen in some areas. U.S. banks tightened lending standards for loans to small businesses and rising payments for credit card debt, auto loans, commercial mortgage payments, and corporate debt started to show potential to put the brakes on economic growth in FY 2024.

### **Domestic Equity Overview**

After falling 4.5% in the first fiscal quarter, U.S. equity markets, as measured by the Russell 3000 Index, rallied 24.5% in the subsequent three quarters to end the year up 19.0%. In a reversal from FY 2022, growth stocks dramatically outperformed value stocks, fueled by enthusiasm surrounding artificial intelligence (AI). The Russell 3000 Growth Index appreciated 26.6%, while the Russell 3000 Value Index returned 11.2%. The small cap index (Russell 2000 Index) climbed 12.3% during the FY, trailing the S&P 500 large cap index (+19.6%).

### **International Equity Overview**

International developed market equities also performed well in FY 2023 (MSCI EAFE Index: +18.8%), while emerging markets (MSCI EM Index: +1.8%) continued to lag. Across developed markets, gains were broad-based, and growth outpaced value, albeit to a lesser extent than in the U.S. The eurozone entered a technical recession with negative GDP growth in 4Q22 and 1Q23 (calendar). China dragged emerging markets lower after being slow to reopen the economy and subsequently having its recovery sputter prematurely. China also grappled with multiple challenges including deteriorating exports, a high youth unemployment rate, a distressed property market, and languishing domestic demand.

### **Private Equity Overview**

Private equity remained an attractive asset class in the 2023 fiscal year with institutional investors placing significant capital into new programs. According to *Pitchbook*, 3,433 new partnerships were formed, raising \$ 913.9 billion in capital during the 12-month period. This was a larger number of new partnerships, but a lower total dollar amount invested as compared to fiscal year 2022. Due to the nature of private equity performance measurement, benchmark comparisons of fund performance are inherently imprecise.

### **Domestic Fixed Income Overview**

Fixed income assets struggled (Bloomberg Aggregate Index: -0.9%) in the face of rising interest rates in FY 2023. Longer duration exposure was particularly challenged (Bloomberg Long Government Index: -6.8%), while more credit-oriented sectors fared better (Bloomberg Credit Index: +1.4%) amid the risk-on environment. The yield on the 10-year U.S. Treasury rose 83 basis points during the year, and the spread on the 2- and 10-year Treasuries remained heavily inverted with the yield on the two-year treasury at 4.87% vs the 10-year treasury yield at 3.81%.

### **International Fixed Income Overview**

Developed international fixed income underperformed domestic bonds on an unhedged basis in the 2023 fiscal year, with the FTSE Non-U.S. World Government Bond Index declining by 2.6%. The U.S. dollar appreciated during the fiscal year, which supported the FTSE Non-U.S. World Government Hedged Bond Index on a relative basis. The hedged index fell by a more moderate 0.6% during the year, outperforming the US-focused Bloomberg Aggregate Index. European markets outpaced the broad international index. The FTSE Euro Government Bond Index fell 0.6% during the period. Emerging market debt outperformed developed market sovereign bonds. The JP Morgan Emerging Markets Bond Index Plus, which tracks hard currency emerging market fixed and floating-rate debt instruments issued by sovereign entities, appreciated 6.1% over the trailing 12-month period ended June 30, 2023.

### **Real Estate Overview**

After providing a ballast to diversified portfolios in FY 2022, private real estate struggled in FY 2023. The NCREIF Property Index, a measure of the domestic direct private real estate market, declined 6.6% during the year, while the NFI-ODCE, a capitalization-weighted index of core open-end real estate funds, declined 10.7%. The FTSE NAREIT Equity Index, a measure of publicly traded real estate, fared better but still declined 0.1%. Being publicly-traded securities, Real Estate Investment Trusts (REITS) tend to demonstrate higher correlations to public equities over shorter time periods as compared to private real estate.

### **Infrastructure**

By definition, infrastructure assets are essential to the economic health and productivity of society. They include the basic facilities, services, and installations needed for the functioning of a community, such as transit and communications systems; both potable and sewage water lines; and electricity access. They also include such public entities as schools, post offices, and airports. Most of these facilities have traditionally been owned and regulated by municipalities and states. Private infrastructure is challenging to appropriately benchmark given the concentrated nature of the assets. NDSIB uses a custom benchmark to measure performance. From a public market perspective, the FTSE Global Core 50/50 Infrastructure Index is a market capitalization weighted index that represents publicly traded companies that operate and own infrastructure assets on a global basis. The FTSE Global Core 50/50 Infrastructure Index declined 0.6% over the 12-month period ended June 30, 2023.

### **Timber**

The NCREIF Timberland Property Index rose 11.1% in the 2023 fiscal year, with the appreciation component driving returns. Fair values outpaced growth in the index's acreage during the year, leading to an increase in the fair value per acre. The total value of the NCREIF Timberland Property Index's 13.0 million acres was \$26.7 billion at the end of the fourth fiscal quarter. The largest regional component of the index remains the South by a significant margin. The South region represents 8.3 million acres valued at \$16.9 billion. From a performance perspective, the Lake States produced the largest gain, while the Northeast underperformed the other regions.

### **Summary**

The markets rebounded during fiscal year 2023. Both the equity markets and the fixed income markets improved with returns of +16.2% and +2.0% respectively, represented by industry standard benchmarks. Fixed income returns continued to be well below the rate of inflation. As the public markets returns improved, real estate returns as represented by an industry standard index were down -6.6%. The pension pool, insurance pool and Legacy Fund one-year returns for the period ending June 30, 2023, were 7.8%, 3.0%, and 8.2% respectively.

Over the five-year period ending June 30, 2023, the pension pool, insurance pool and Legacy Fund generated net investment returns of 6.9%, 3.0%, and 5.5% respectively. The pension pool underperformed its policy benchmark (using static private market benchmark weights) by 8 basis points, the insurance pool outperformed its benchmark by 21 basis points, and the Legacy Fund outperformed its policy benchmark by 44 basis points. All in all, the SIB is pleased with longer term performance as returns continue to meet or exceed long-term expectations.

The past year has shown significant improvements but uncertainties regarding inflation, economic growth, the effect of debt burden on the economy and global conflict continue to fuel volatility in markets. The State Investment Board and staff continue to be focused on prudently managing the portfolios in our care. The funds are invested with a long-term view in mind, expecting some years to have lower returns and other years to have higher returns. A diligent investment process is used to allocate the funds to balance the risks under an assumed range of return scenarios and to select, size and monitor manager mandates in a sound fiduciary manner.

Sincerely,

A handwritten signature in black ink that reads "Scott Anderson". The signature is fluid and cursive, with the first name "Scott" and last name "Anderson" clearly distinguishable.

SCOTT ANDERSON, CFA  
Chief Investment Officer

## INVESTMENT PERFORMANCE SUMMARY

### JUNE 30, 2023

	Fair Value	Rates of Return (net of fees)									
		For Fiscal Year Ended 6/30					Annualized				
		2023	2022	2021	2020	2019	3 Years	5 Years	10 Years	20 Years	30 Years
Total Assets Under Management	\$19,515,057,155										
<b>BENCHMARKS</b>											
S&P 500		19.59%	-10.62%	40.79%	7.51%	10.42%	14.60%	12.31%	12.86%	10.04%	10.04%
Bloomberg Aggregate		-0.94%	-10.29%	-0.33%	8.74%	7.87%	-3.96%	0.77%	1.52%	3.01%	4.39%
90 Day T-Bills		3.59%	0.17%	0.09%	1.63%	2.31%	1.27%	1.55%	0.98%	1.35%	2.41%
Callan Public Plan Sponsors Database (Median-GROSS of Fees)**		8.95%	-11.08%	42.45%	6.33%	9.25%	7.31%	6.14%	6.87%	6.80%	7.28%

	Fair Value	% of Pool	Rates of Return (net of fees)										
			For Fiscal Year Ended 6/30					Annualized					
			2023	2022	2021	2020	2019	3 Years	5 Years	10 Years	20 Years	30 Years	
PENSION POOL PARTICIPANTS													
Teachers' Fund for Retirement	\$3,123,497,678	42.8%	7.48%	-6.31%	26.54%	3.45%	5.54%	8.41%	6.83%	7.57%	7.33%	7.17%	
Policy Benchmark			8.23%	-6.22%	26.26%	3.19%	6.35%	8.62%	7.06%	7.26%	7.48%	7.44%	
Public Employees Retirement System	3,912,541,075	53.6%	7.98%	-6.66%	27.15%	3.41%	5.52%	8.62%	6.94%	7.63%	7.33%	7.51%	
Policy Benchmark			8.65%	-7.04%	25.84%	3.21%	6.40%	8.32%	6.90%	7.19%	7.29%	7.65%	
Bismarck City Employee Pension Fund	123,344,161	1.7%	7.43%	-5.90%	21.89%	3.75%	5.94%	7.21%	6.26%	6.92%	6.97%	7.25%	
Policy Benchmark			6.75%	-6.75%	20.54%	3.73%	6.33%	6.26%	5.77%	6.23%	6.45%		
Bismarck City Police Pension Fund	50,972,103	0.7%	8.26%	-5.96%	23.97%	3.41%	5.76%	8.07%	6.66%	7.23%	7.13%	7.25%	
Policy Benchmark			7.56%	-6.85%	22.80%	3.28%	6.14%	7.15%	6.17%	6.58%	6.75%		
City of Grand Forks Pension Fund	74,924,049	1.0%	10.49%	-7.63%	27.55%	4.02%	6.17%	9.19%	7.53%	7.91%	*	*	
Policy Benchmark			9.90%	-8.56%	26.91%	3.61%	6.51%	8.45%	7.08%	7.38%			
Grand Forks Park District Pension Fund	8,731,340	0.1%	7.36%	-7.39%	26.46%	3.78%	6.02%	7.93%	6.71%	7.59%	*	*	
Policy Benchmark			7.15%	-6.80%	24.54%	3.56%	6.65%	7.54%	6.56%	7.15%			
Subtotal Pension Pool Participants	\$7,294,010,406	100.0%											

		Rates of Return (net of fees)									
	Fair Value	For Fiscal Year Ended 6/30					Annualized				
INDIVIDUAL INVESTMENT ACCOUNTS		2023	2022	2021	2020	2019	3 Years	5 Years	10 Years	20 Years	30 Years
Legacy Fund	\$9,004,643,161	8.19%	-10.12%	22.68%	4.23%	4.98%	6.06%	5.47%	5.77%	*	*
Policy Benchmark		6.82%	-10.45%	20.65%	4.38%	6.12%	4.89%	5.03%	5.02%		
Retiree Health Insurance Credit Fund	165,120,285	10.67%	-14.95%	25.57%	4.98%	6.51%	5.76%	5.77%	6.73%	6.55%	7.04%
Policy Benchmark		10.16%	-14.36%	24.19%	5.25%	6.89%	5.43%	5.65%	6.76%	6.84%	7.27%
Job Service of North Dakota Pension Func	83,548,360	3.10%	-6.01%	6.46%	2.82%	6.86%	1.05%	2.54%	4.33%	5.75%	*
Policy Benchmark		4.22%	-7.91%	7.97%	5.04%	6.74%	1.20%	3.05%	4.36%	5.33%	

## INVESTMENT PERFORMANCE SUMMARY

### JUNE 30, 2023

INSURANCE POOL PARTICIPANTS	Fair Value	% of Pool	Rates of Return (net of fees)									
			For Fiscal Year Ended 6/30					Annualized				
			2023	2022	2021	2020	2019	3 Years	5 Years	10 Years	20 Years	30 Years
Workforce Safety & Insurance Fund	\$2,066,709,446	69.6%	2.74%	-9.04%	11.57%	6.00%	6.87%	1.40%	3.39%	4.88%	5.36%	6.28%
Policy Benchmark			2.36%	-8.68%	9.19%	6.62%	7.05%	0.68%	3.10%	4.03%	4.88%	
State Fire and Tornado Fund	18,288,653	0.6%	6.61%	-11.36%	15.64%	4.97%	6.41%	3.00%	4.07%	5.32%	5.75%	6.02%
Policy Benchmark			5.63%	-11.26%	13.71%	5.96%	6.76%	2.15%	3.81%	4.55%	5.07%	
State Bonding Fund	3,676,491	0.1%	1.64%	-6.21%	1.64%	4.95%	5.83%	-1.05%	1.48%	1.96%	2.74%	3.99%
Policy Benchmark			1.17%	-5.69%	-0.13%	5.50%	5.35%	-1.60%	1.16%	1.30%	1.91%	
Petroleum Tank Release Compensation f	5,887,082	0.2%	1.85%	-5.56%	1.56%	4.55%	5.47%	-0.77%	1.50%	1.88%	2.55%	*
Policy Benchmark			1.39%	-5.17%	-0.11%	5.15%	5.07%	-1.33%	1.19%	1.27%	1.85%	
Insurance Regulatory Trust Fund	7,160,926	0.2%	6.76%	-8.72%	12.75%	6.11%	5.03%	3.19%	4.13%	4.57%	4.96%	5.53%
Policy Benchmark			5.96%	-8.45%	11.59%	4.38%	5.37%	2.68%	3.55%	3.91%	4.31%	
State Risk Management Fund	4,280,811	0.1%	6.46%	-10.90%	14.48%	5.88%	7.67%	2.78%	4.36%	5.57%	5.86%	*
Policy Benchmark			4.87%	-11.40%	12.56%	7.55%	7.67%	1.51%	3.90%	4.69%	5.15%	
State Risk Management Workers Comp	3,423,353	0.1%	7.06%	-11.17%	17.28%	5.73%	7.56%	3.70%	4.87%	6.18%	*	*
Policy Benchmark			6.08%	-12.00%	15.74%	7.42%	7.75%	2.61%	4.57%	5.43%		
Cultural Endowment Fund	554,765	0.0%	9.50%	-10.96%	24.21%	3.91%	6.02%	6.59%	5.94%	7.43%	*	*
Policy Benchmark			8.73%	-11.76%	23.49%	5.28%	6.91%	5.82%	5.93%	6.95%		
Budget Stabilization Fund	739,843,088	24.9%	3.13%	-5.51%	3.92%	2.35%	4.51%	0.42%	1.61%	1.48%	*	*
Policy Benchmark			0.54%	-3.51%	0.44%	4.17%	4.23%	-0.86%	1.13%	0.91%		
ND Assoc. of Counties (NDACo) Fund	7,223,088	0.2%	6.28%	-12.31%	15.72%	5.67%	7.12%	2.55%	4.07%	4.99%	5.30%	*
Policy Benchmark			5.33%	-11.79%	13.48%	6.63%	7.32%	1.78%	3.83%	4.26%	4.68%	
City of Bismarck Deferred Sick Leave	784,725	0.0%	5.44%	-11.83%	13.80%	5.43%	6.90%	1.90%	3.58%	4.96%	5.59%	*
Policy Benchmark			4.43%	-11.48%	11.44%	6.50%	7.06%	1.00%	3.27%	4.05%	4.79%	
PERS Group Insurance	58,775,854	2.0%	3.15%	-5.08%	3.63%	2.35%	4.20%	0.49%	1.59%	1.00%	1.45%	*
Policy Benchmark			0.68%	-3.26%	0.41%	4.02%	3.97%	-0.74%	1.12%	0.79%	1.26%	
State Board of Medicine	3,237,378	0.1%	3.94%	-10.58%	12.58%	5.54%	4.98%	1.52%	3.00%	*	*	*
Policy Benchmark			3.37%	-10.17%	10.46%	5.64%	5.22%	0.85%	2.66%			
City of Fargo FargoDome Permanent Func	42,653,240	1.4%	8.87%	-12.50%	22.07%	3.78%	5.13%	5.16%	4.88%	6.44%	6.43%	*
Policy Benchmark			7.64%	-12.53%	21.23%	4.74%	6.07%	4.51%	4.86%	5.83%	5.99%	
Lewis & Clark Interpretive Center Endowm	843,107	0.0%	5.99%	-12.93%	15.45%	5.70%	6.99%	2.13%	3.80%	*	*	*
Policy Benchmark			5.20%	-12.11%	13.24%	6.36%	7.15%	1.55%	3.60%			
Attorney General Settlement Fund	1,818,915	0.1%	3.13%	-5.53%	3.92%	*	*	0.41%	*	*	*	*
Policy Benchmark			0.56%	-3.53%	0.44%			-0.86%				
Veterans' Cemetery Trust Fund	453,848	0.0%	8.00%	-11.54%	21.96%	*	*	5.23%	*	*	*	*
Policy Benchmark			7.47%	-11.46%	20.72%			4.73%				
NDUS Capital Building Fund	1,051,647	0.0%	3.13%	*	*	*	*	*	*	*	*	*
Policy Benchmark			0.56%									
Arts Across the Prairie Maintenance Endo	1,068,526	0.0%	*	*	*	*	*	*	*	*	*	*
Policy Benchmark												
Subtotal Insurance Pool Participants	\$2,967,734,943	100.0%										

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values.

\*These categories do not have the specified years of history under SIB management or data is not available.

\*\* Callan median returns are gross of fees due to lack of reporting to the database on a net of fee basis. Please note that all actual fund returns are net of fees.

Note: Asset allocation largely drives investment performance. Each fund has a unique allocation that takes into consideration return objectives, risk tolerance, liquidity constraints and unique circumstances. Such considerations must be taken into account when comparing results.

Columns may not foot due to rounding.

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
PENSION INVESTMENT POOL**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
<b>TOTAL PENSION INVESTMENT POOL</b>			\$ 7,294,010,370	7.76%	8.49%	6.87%
<b>Policy Target <sup>(1)</sup></b>				8.44%	8.41%	6.95%
<b>TOTAL GLOBAL EQUITY</b>			4,210,980,053	15.49%	13.03%	8.84%
<b>Composite Benchmark <sup>(1)</sup></b>				15.45%	13.19%	9.30%
<b>TOTAL PUBLIC EQUITY</b>			3,358,727,006	17.00%	11.61%	7.96%
<b>Composite Benchmark <sup>(1)</sup></b>				16.26%	11.21%	7.91%
<b>TOTAL WORLD EQUITY</b>			275,645	*	*	*
<b>MSCI World Index</b>				18.51%	12.18%	9.07%
Epoch Investment Partners, Inc.	Core	01/2012	-	*	*	*
LSV Asset Management	Core Value	03/2013	-	*	*	*
Equity Transition		10/2023	275,645	*	*	*
<b>TOTAL DOMESTIC EQUITY</b>			2,050,515,000	19.57%	13.76%	11.64%
<b>Composite Benchmark <sup>(1)</sup></b>				18.50%	13.76%	10.37%
<b>TOTAL DOMESTIC LARGE CAP EQUITY</b>			1,747,243,870	20.46%	14.44%	13.25%
<b>Russell 1000 Index</b>				19.36%	14.09%	11.92%
Parametric Portfolio Associates	Enhanced S&P 500	06/2011	287,792,718	19.20%	13.83%	11.93%
Los Angeles Capital Management	Structured Growth	08/2003	57,199,457	25.89%	14.77%	15.57%
Los Angeles Capital Management	Enhanced Russell 1000	08/2000	764,001,689	20.02%	15.11%	12.82%
Northern Trust Asset Management	Collective Russell 1000 Inde	10/2022	351,094,734	*	*	*
Northern Trust Asset Management	Enhanced S&P 500	08/2000	287,155,272	17.88%	15.15%	10.85%
<b>TOTAL DOMESTIC SMALL CAP EQUITY</b>			303,271,130	15.08%	10.42%	5.77%
<b>Russell 2000 Index</b>				12.31%	10.82%	4.21%
Atlanta Capital Investment Managers	High Quality	04/2016	101,082,823	15.91%	13.39%	9.09%
Riverbridge Partners, LLC	Small Cap Growth	10/2020	97,769,305	17.75%	*	*
Northern Trust Asset Management	Collective Russell 2000 Inde	10/2022	11,080,300	*	*	*
Victory Capital Management Inc.	Small Cap Value	10/2020	93,338,702	12.16%	*	*
<b>TOTAL INTERNATIONAL EQUITY</b>			1,307,936,360	13.68%	7.33%	4.19%
<b>Composite Benchmark <sup>(1)</sup></b>				12.40%	7.26%	3.52%
<b>TOTAL INTERNATIONAL All Cap</b>			516,967,598	*	*	*
<b>MSCI ACWI ex-US IMI (Net)</b>				12.47%	7.33%	3.38%
William Blair Investment Management	Growth-oriented	06/2016	196,302,611	16.97%	4.88%	5.62%
Arrowstreet	Growth-oriented	01/2022	314,392,013	17.26%	*	*
State Street Global Advisors	ACWI Index	10/2022	6,272,974	*	*	*
<b>TOTAL INTERNATIONAL Large Cap</b>			491,192,063	*	*	*
<b>MSCI World Ex US</b>				17.41%	9.30%	4.58%
Northern Trust Asset Management	Core	12/2013	86,950,576	17.56%	9.65%	4.92%
State Street Global Advisors	World Index	10/2022	404,241,487	*	*	*
<b>TOTAL INTERNATIONAL Small Cap</b>			79,444,213	*	*	*
<b>MSCI World Ex US Small Cap</b>				9.59%	5.70%	0.24%
Dimensional Fund Advisors	Small Cap Value	11/2007	35,813,759	15.25%	12.69%	2.19%
Wellington Trust Company, NA	Small Cap Growth	03/2002	34,609,134	11.62%	5.73%	-0.36%
State Street Global Advisors	Small Cap Index	10/2022	9,021,320	*	*	*

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
PENSION INVESTMENT POOL (CONTINUED)**

				Annualized Rates of Return Net of Fees		
	Style	Date Initiated	Fair Value	1 Year	3 Years	5 Years
TOTAL EMERGING MARKETS EQUITY			220,332,486	-1.90%	1.04%	0.98%
MSCI Emerging Markets Index				1.75%	2.32%	0.93%
Axiom International Investors	Core	07/2014	149,315,108	-6.07%	-2.66%	-0.37%
State Street Global Advisors	EM Index	06/2023	7,607,485	*	*	*
State Street Global Advisors	EM Index	06/2023	3,260,361	*	*	*
Dimensional Fund Advisors	All Cap Core	06/2023	60,149,533	*	*	*
Dimensional Fund Advisors	Small Cap	10/2005	-	9.15%	11.53%	4.43%
TOTAL PRIVATE EQUITY			852,253,047	9.25%	22.01%	15.25%
Adams St. Partners (1998-2003 Funds)	Diversified Private Equity	01/1998	346,304	1.04%	-1.32%	-0.74%
Adams St. Partners (2000-2004 Non-U.S. Fund)	Diversified Private Equity	01/2000	188,835	53.64%	13.03%	8.33%
Adams St. Partners (2008 Non-U.S. Fund)	Diversified Private Equity	01/2008	4,194,135	12.63%	12.34%	12.33%
Adams St. Partners (2010 Global Funds)	Diversified Private Equity	04/2010	8,696,680	1.02%	20.31%	17.52%
Adams St. Partners (2015 Global Fund)	Diversified Private Equity	10/2015	40,241,981	2.53%	22.28%	20.25%
Adams St. Partners (2016 Global Fund)	Diversified Private Equity	12/2016	39,034,275	9.53%	24.15%	18.84%
Adams St. Partners (2017 Global Fund)	Diversified Private Equity	10/2017	82,254,814	7.03%	26.83%	*
Adams St. Partners (2018 Global Fund)	Diversified Private Equity	10/2018	76,807,527	9.83%	26.57%	*
Adams St. Partners (2019 Global Fund)	Diversified Private Equity	10/2019	67,724,489	5.85%	*	*
Adams St. Partners (2020 Global Fund)	Diversified Private Equity	10/2020	45,634,467	10.53%	*	*
Adams St. Partners (2021 Global Fund)	Diversified Private Equity	10/2021	26,268,859	21.99%	*	*
Adams St. Partners (Direct Co-Investment)	Direct Private Equity	09/2006	1	6.43%	-6.25%	-21.26%
Blackrock Private Equity Partners	Diversified Private Equity	01/2017	233,092,627	10.44%	24.05%	16.48%
Blackrock Private Equity Partners (2020 Series)	Diversified Private Equity	12/2020	98,578,961	15.97%	*	*
Sixth Street Advisers, LLC	Diversified Private Equity	08/2020	101,284,318	11.52%	*	*
Other Miscellaneous PE Funds	Varies	10/1999	27,904,774	-3.17%	-2.89%	-1.53%
TOTAL GLOBAL FIXED INCOME			1,712,600,681	1.56%	-0.74%	2.47%
Composite Benchmark <sup>(1)</sup>				2.03%	22.01%	15.25%
TOTAL INVESTMENT GRADE FIXED INCOME			1,208,876,074	-0.74%	-3.44%	1.32%
Bloomberg Aggregate Index				-0.94%	-3.96%	0.77%
Manulife Asset Management	Securitized	04/2012	111,014,120	1.18%	0.84%	2.41%
PIMCO	Distressed Sr. Debt	10/2012	53,111,784	5.07%	5.05%	4.79%
PIMCO	Core Constrained	03/2012	279,528,666	-0.57%	-3.54%	1.16%
Prudential Global Investment Management	Core	03/2018	286,455,854	-0.06%	-3.48%	1.08%
Western Asset Management Co.	Core	03/2023	176,201,274	*	*	*
Allspring Global Investments	Med Quality Credit	03/2023	49,897,077	*	*	*
State Street Global Advisors	Gov Index	03/2023	198,236,914	*	*	*
State Street Global Advisors	Credit Index	03/2023	54,430,385	*	*	*
TOTAL BELOW INVESTMENT GRADE FIXED INCOME			503,724,607	7.29%	6.67%	5.57%
Bloomberg High Yield Corp 2% Issuer Cap				9.07%	3.12%	3.34%
Ares Management	Private Credit	07/2017	168,050,917	7.65%	10.01%	*
Cerberus Capital Management	Private Credit	11/2017	186,945,285	7.76%	8.63%	*
Goldman Sachs	Mezzanine Debt-2006	04/2006	1	47.56%	18.74%	13.66%
Goldman Sachs	Mezzanine Debt-Fund V	11/2007	796	9.32%	16.90%	22.31%
Loomis Sayles & Company	High Yield Bonds	04/2004	146,423,957	7.42%	1.90%	2.18%
PIMCO	Res. & Comm. Debt	10/2013	2,303,651	-35.44%	-6.41%	-7.07%



**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
PENSION INVESTMENT POOL (CONTINUED)**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
<b>TOTAL GLOBAL REAL ASSETS</b>			1,351,273,541	-5.01%	7.38%	6.20%
<b>Composite Benchmark <sup>(1)</sup></b>				-4.11%	6.77%	5.52%
<b>TOTAL GLOBAL REAL ESTATE</b>			830,169,827	-10.87%	6.65%	5.62%
<b>NCREIF Total Index</b>				-6.60%	6.79%	5.90%
INVESCO Realty Advisors	Core Commingled	08/1997	400,096,432	-10.10%	6.99%	5.70%
INVESCO Realty Advisors	Core Plus LP (Fund IV)	04/2015	1,401,849	-58.61%	-21.85%	-10.69%
INVESCO Realty Advisors	Core Plus LP (Fund V)	02/2019	71,507,618	-5.60%	10.40%	*
INVESCO Realty Advisors	Core Plus LP (Fund VI)	03/2023	42,710,901	*	*	*
INVESCO Realty Advisors	Asian LP (Fund III)	11/2015	16,464,092	-5.38%	-2.09%	4.96%
J.P. Morgan Investment Management, Inc.	Core Commingled	10/1987	297,378,832	-13.54%	5.58%	4.86%
J.P. Morgan Investment Management, Inc.	European LP	09/2009	610,103	7.65%	-0.14%	-5.11%
<b>TOTAL OTHER REAL ASSETS</b>			521,103,714	6.01%	8.58%	7.11%
<b>Composite Benchmark <sup>(1)</sup></b>				-1.05%	6.72%	5.01%
<b>TOTAL TIMBER</b>			83,184,111	-5.29%	2.16%	3.36%
<b>NCREIF Timber Index</b>				11.13%	8.67%	5.80%
Timberland Investment Resources - Teredo	Timberland	06/2001	23,303,731	17.95%	13.56%	9.55%
Timberland Investment Resources - Springbank	Timberland	09/2004	59,880,380	-11.86%	-1.11%	1.53%
<b>TOTAL INFRASTRUCTURE</b>			437,919,603	8.61%	10.41%	8.13%
<b>Benchmark <sup>(3)</sup></b>				-3.04%	6.49%	4.98%
Grosvenor CIS Fund I	Infrastructure	12/2011	10,290,641	28.49%	16.44%	11.07%
Grosvenor CIS Fund II	Infrastructure	03/2015	21,389,377	16.63%	17.33%	14.62%
Grosvenor CIS Fund III	Infrastructure	11/2021	32,506,016	5.19%	*	*
The Rohatyn Group <sup>(2)</sup>	Asian Infrastructure	07/2008	16,164,949	-0.08%	-0.68%	-7.49%
I Squared Capital II	Infrastructure	06/2018	68,325,555	10.04%	14.21%	10.12%
I Squared Capital III	Infrastructure	12/2021	17,785,521	1.78%	*	*
J.P. Morgan Investment Management, Inc.	Infrastructure	05/2007	130,521,295	11.49%	7.78%	6.96%
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund IV)	11/2019	79,628,750	2.67%	12.66%	*
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund V)	06/2020	61,307,499	6.21%	*	*
<b>TOTAL CASH EQUIVALENTS</b>			15,222,248	3.92%	1.40%	1.59%
<b>90 Day T-Bills</b>				3.59%	1.27%	1.55%
Bank of North Dakota	Money Market	09/2016	222,464	3.83%	1.37%	1.57%
Northern Trust Asset Management	STIF	07/1994	14,999,784	3.93%	1.41%	1.58%
<b>TOTAL RESIDUAL HOLDINGS</b>	Residual Holding	10/2022	3,933,847	*	*	*

\* This manager/category has less than the indicated years under management due to addition of asset class or replacement of investment managers during this time period.

(1) Policy Target and composite benchmarks consist of target weights of the underlying index returns within each category.

(2) Management of this fund was transferred from JP Morgan to The Rohatyn Group in May, 2018.

(3) CPI-W through 6/30/18 then 50% CPI-U lagged one quarter and 50% NFI-ODCE Equal Weight Net Index thereafter.

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values and are subject to independent calculation.

Returns are shown after the effect of investment management fees (net of fees).

Columns may not foot due to rounding.



**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
INSURANCE INVESTMENT POOL**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
<b>TOTAL INSURANCE INVESTMENT POOL</b>			\$ 2,967,734,930	3.01%	1.25%	3.01%
<b>Policy Target <sup>(1)</sup></b>				2.09%	0.44%	2.80%
<b>TOTAL GLOBAL EQUITY</b>			464,921,238	16.72%	12.07%	*
<b>Composite Benchmark <sup>(1)</sup></b>				16.35%	11.57%	*
<b>TOTAL DOMESTIC EQUITY</b>			290,105,218	18.92%	14.37%	10.18%
<b>Composite Benchmark <sup>(1)</sup></b>				18.16%	13.57%	*
<b>TOTAL DOMESTIC LARGE CAP EQUITY</b>			243,416,993	20.03%	15.48%	12.18%
<b>Russell 1000 Index</b>				19.36%	14.09%	11.92%
Parametric Portfolio Associates	Enhanced S&P 500	11/2008	39,113,472	19.42%	13.77%	11.80%
Los Angeles Capital Management	Structured Growth	08/2003	7,887,146	25.74%	14.57%	15.59%
Los Angeles Capital Management	Enhanced Russell 1000	04/2004	94,552,343	20.10%	15.27%	12.97%
Northern Trust Asset Management	Quant Enhanced	10/2022	36,221,248	*	*	*
Northern Trust Asset Management	Russell 1000 Index	10/2022	65,642,784	*	*	*
<b>TOTAL DOMESTIC SMALL CAP EQUITY</b>			46,688,225	15.04%	10.49%	3.29%
<b>Russell 2000 Index</b>				12.31%	10.82%	4.21%
Atlanta Capital Investment Managers	High Quality	12/2019	14,910,274	15.92%	13.44%	*
Riverbridge Partners, LLC	Small Cap Growth	10/2020	15,683,330	17.71%	*	*
Northern Trust Asset Management	Russell 2000 Index	10/2022	4,528,846	*	*	*
Victory Capital Management Inc.	Small Cap Value	10/2020	11,565,775	11.68%	*	*
<b>TOTAL INTERNATIONAL EQUITY</b>			174,816,020	15.14%	8.61%	4.03%
<b>MSCI ACWI ex-US IMI (Net) (3)</b>				13.09%	*	*
<b>Total International All Cap</b>			68,623,307	*	*	*
<b>MSCI ACWI ex-US IMI (Net)</b>				12.47%	7.33%	3.38%
William Blair Investment Management	Growth-oriented	06/2016	27,362,053	16.88%	4.72%	5.49%
Arrowstreet	Growth-oriented	01/2022	41,012,700	17.26%	*	*
State Street Global Advisors	Index	10/2022	248,554	*	*	*
<b>Total International Large Cap</b>			65,166,821	13.74%	10.11%	2.16%
<b>MSCI World Ex US</b>				17.41%	9.30%	4.58%
LSV Asset Management	Core	11/2004	3,146	0.03%	5.49%	-0.43%
State Street Global Advisors	World Index		65,163,675	*	*	*
<b>Total International Small Cap</b>			11,975,283	*	*	*
<b>MSCI World Ex US Small Cap</b>				10.11%	-25.19%	0.42%
Dimensional Fund Advisors	Small Cap Value	11/2007	5,217,362	15.25%	12.69%	2.19%
State Street Global Advisors	Small Cap Index	10/2022	2,213,891	*	*	*
Wellington Trust Company, NA	Small Cap Growth	10/2022	4,544,030	*	*	*
<b>Total Emerging Markets</b>			29,050,609	*	*	*
<b>MSCI Emerging Markets</b>				*	*	*
Axiom International Investors	Core	10/2022	16,899,045	*	*	*
Dimensional Fund Advisors	All Cap Core	10/2022	10,059,239	*	*	*
State Street Global Advisors	EM Index	06/2023	1,464,624	*	*	*
State Street Global Advisors	EM Index	06/2023	627,701	*	*	*

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
INSURANCE INVESTMENT POOL (CONTINUED)**

				Annualized Rates of Return			
		Date		Net of Fees			
Style		Initiated	Fair Value	1 Year	3 Years	5 Years	
TOTAL GLOBAL FIXED INCOME			1,299,836,808	0.30%	-2.91%	1.45%	
Bloomberg Aggregate Index				-0.94%	-3.96%	0.77%	
Manulife Asset Management	Securitized	12/2013	81,981,020	1.18%	0.84%	2.41%	
PIMCO	Distressed Sr. Debt	10/2012	49,415,069	5.07%	5.08%	4.81%	
PIMCO	Res. & Comm. Debt	10/2013	1,176,904	-34.92%	-6.33%	-7.02%	
PIMCO	Core Constrained	05/2019	225,811,723	-0.75%	-3.70%	*	
Prudential Global Investment Management	Core-Plus	08/2006	320,213,490	0.50%	-3.28%	1.36%	
State Street Global Advisors	Gov Index	03/2023	153,448,650	*	*	*	
State Street Global Advisors	Credit Index	03/2023	42,654,202	*	*	*	
Allspring Global Investments	Baa Average Bonds	04/2002	104,183,269	3.11%	-1.49%	3.01%	
Western Asset Management Co.	Core Bonds	07/1990	320,955,277	-0.29%	-4.12%	0.79%	
Fixed Transition	Transition	03/2023	(2,796)	*	*	*	
TOTAL GLOBAL REAL ASSETS			369,662,319	-2.48%	3.22%	*	
Composite Benchmark <sup>(1)</sup>				-1.91%	3.51%	*	
TOTAL DIVERSIFIED REAL ASSETS			257,289,912	1.54%	1.86%	2.97%	
Composite Benchmark <sup>(1)</sup>				0.01%	2.15%	0.00%	
Grosvenor CIS Fund I	Infrastructure	12/2011	5,145,322	28.49%	16.44%	11.07%	
J.P. Morgan Investment Management, Inc.	Infrastructure	11/2008	40,049,843	11.49%	7.63%	6.88%	
Timberland Investment Resources	Timberland	10/2008	25,484,559	-4.72%	2.09%	0.84%	
Western Asset Management Co.	TIPS	05/2004	165,179,102	-0.88%	-0.33%	2.13%	
Grosvenor CIS Fund III	Infrastructure	11/2021	6,094,878	5.19%	*	*	
Macquarie V	Infrastructure	08/2021	15,336,208	6.15%	*	*	
TOTAL REAL ESTATE			112,372,407	-10.59%	6.96%	5.37%	
NCREIF Total Index				-6.60%	6.79%	5.90%	
INVESCO Realty Advisors	Core Commingled	10/2012	60,352,815	-10.10%	6.99%	5.71%	
J.P. Morgan Investment Management, Inc.	Core Commingled	11/2005	52,019,592	-11.10%	6.94%	4.99%	
TOTAL CASH EQUIVALENTS			36,981,769	3.61%	1.26%	1.46%	
90 Day T-Bills				3.59%	1.27%	1.55%	
Bank of North Dakota	Money Market	09/2016	13,000,508	3.82%	1.37%	1.57%	
Northern Trust Asset Management	STIF	07/2013	23,981,261	3.39%	1.16%	1.36%	
TOTAL SHORT-TERM FIXED INCOME			796,017,754	3.12%	0.40%	1.61%	
Benchmark <sup>(4)</sup>				0.53%	-0.88%	1.13%	
Barings	Active Short Duration	08/2019	397,555,753	4.59%	0.99%	*	
J.P. Morgan Investment Management, Inc.	Short Term Bonds	09/2011	398,462,001	1.70%	-0.17%	1.78%	
TOTAL RESIDUAL HOLDING		Residual	10/2022	315,043	*	*	*

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
LEGACY FUND**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
<b>TOTAL LEGACY FUND</b>			\$9,004,643,150	8.19%	6.06%	5.47%
<b>Policy Target <sup>(1)</sup></b>				6.82%	4.89%	5.03%
<b>TOTAL GLOBAL EQUITY</b>			4,605,445,691	16.51%	11.54%	*
<b>Composite Benchmark <sup>(1)</sup></b>				15.37%	11.14%	*
<b>TOTAL DOMESTIC EQUITY</b>			2,699,164,301	18.89%	14.14%	9.77%
<b>Composite Benchmark <sup>(1)</sup></b>				18.36%	13.58%	10.07%
<b>TOTAL DOMESTIC LARGE CAP EQUITY</b>			2,303,930,885	20.01%	15.39%	12.06%
<b>Russell 1000 Index</b>				19.36%	14.09%	11.92%
Parametric Portfolio Associates	Enhanced S&P 500	08/2013	392,630,491	19.33%	14.11%	11.97%
Los Angeles Capital Management	Structured Growth	08/2013	78,455,288	25.34%	14.48%	15.28%
Los Angeles Capital Management	Enhanced Russell 1000	08/2013	1,051,156,972	19.74%	15.09%	12.72%
Northern Trust Asset Management	Quant Enhanced	10/2022	386,721,380	*	*	*
Northern Trust Asset Management	Russell 1000 Index	10/2022	394,966,754	*	*	*
<b>TOTAL DOMESTIC SMALL CAP EQUITY</b>			395,233,416	14.42%	10.13%	3.30%
<b>Russell 2000 Index</b>				12.31%	10.82%	4.21%
Atlanta Capital Investment Managers	High Quality	12/2019	130,655,704	15.91%	*	*
Riverbridge Partners, LLC	Small Cap Growth	10/2020	128,822,748	15.92%	*	*
Northern Trust Asset Management	Russell 2000 Index	10/2022	12,365,567	*	*	*
Victory Capital Management Inc.	Small Cap Value	10/2020	123,389,397	12.58%	*	*
<b>TOTAL INTERNATIONAL EQUITY</b>			1,816,294,524	14.01%	7.72%	3.70%
<b>MSCI Acwi ex-US IMI (Net) (2)</b>				13.09%	7.94%	3.80%
<b>TOTAL INTERNATIONAL ALL CAP</b>			696,099,226	*	*	*
<b>MSCI ACWI ex-US IMI (NET)</b>				12.47%	7.33%	3.38%
William Blair Investment Management	Core	08/2013	286,848,807	16.73%	4.65%	5.50%
Arrowstreet	Growth-oriented	01/2022	409,250,419	17.26%	*	*
<b>TOTAL INTERNATIONAL LARGE CAP</b>			678,243,645	*	*	*
<b>MSCI World ex US</b>				17.41%	9.30%	4.58%
LSV Asset Management	Core	08/2013	7,466	-1.56%	5.15%	-0.48%
State Street Global Advisors	World Index	10/2022	678,236,179	*	*	*
<b>TOTAL INTERNATIONAL SMALL CAP</b>			109,010,799	*	*	*
<b>MSCI Worls ex US Small Cap</b>				10.11%	6.03%	0.42%
Dimensional Fund Advisors	Small Cap Value	08/2013	49,580,078	15.25%	12.69%	2.19%
State Street Global Advisors	Small Cap Index	10/2022	22,507,828	*	*	*
Wellington Trust Company, NA	Small Cap Growth	10/2022	36,922,893	*	*	*
<b>TOTAL INTERNATIONAL EMERGING MARKETS</b>			332,896,046	*	*	*
<b>MSCI Emerging Markets</b>				*	*	*
Axiom International Investors	New addition for 2023	10/2022	183,722,953	*	*	*
Dimensional Fund Advisors	All Cap Core	06/2023	96,358,843	*	*	*
State Street Global Advisors	EM Index	06/2023	36,969,962	*	*	*
State Street Global Advisors	EM Index	06/2023	15,844,288	*	*	*
Global Equity Transition Account	Transition	10/2022	44,808	*	*	*

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
LEGACY FUND (CONTINUED)**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
TOTAL PRIVATE EQUITY			89,986,866	4.30%	*	*
50 South Capital Advisors, LLC	Diversified Private Equity	06/2021	22,464,534	-14.24%	*	*
Sixth Street Advisers, LLC	Diversified Private Equity	08/2020	67,522,332	11.52%	*	*
TOTAL GLOBAL FIXED INCOME			3,008,783,850	1.32%	-1.90%	2.08%
Bloomberg Aggregate Index				-0.94%	-3.96%	0.77%
Ares Management	Private Credit	07/2017	118,050,022	7.74%	10.03%	*
Bank of North Dakota - Match Loan CD Program	In-State Investment Prgm	various	181,333,625	3.03%	2.79%	2.95%
Cerberus Capital Management	Private Credit	11/2017	150,461,213	7.89%	8.81%	*
Manulife Asset Management	Securitized	12/2013	161,901,412	1.18%	0.84%	2.41%
PIMCO	Core Constrained	03/2023	536,190,497	*	*	*
PIMCO	Distressed Sr. Debt	12/2013	104,110,927	5.07%	5.03%	4.77%
PIMCO	Res. & Comm. Debt	12/2013	1,126,746	-35.97%	-6.50%	-7.12%
Prudential Global Investment Management	Core-Plus	12/2013	677,708,121	0.45%	-3.40%	1.40%
State Street Global Advisors	Passive Blmbg Gov't/Credit	12/2013	-	*	*	*
State Street Global Advisors	Gov Index	03/2023	108,698,650	*	*	*
State Street Global Advisors	Credit Index	03/2023	82,514,703	*	*	*
Allspring Global Investments	Baa Average Bonds	12/2013	209,142,080	2.97%	-1.58%	2.98%
Western Asset Management Co.	Core Bonds	12/2013	677,545,854	-0.64%	-4.28%	0.80%
TOTAL GLOBAL REAL ASSETS			1,339,822,333	-1.24%	5.58%	5.48%
Composite Benchmark <sup>(1)</sup>				-3.22%	4.20%	4.49%
TOTAL DIVERSIFIED REAL ASSETS			875,808,698	4.16%	5.10%	5.61%
Composite Benchmark <sup>(1)</sup>				-1.52%	2.89%	3.77%
Grosvenor CIS Fund II	Infrastructure	03/2015	53,473,443	16.30%	17.22%	14.55%
Grosvenor CIS Fund III	Infrastructure	11/2021	42,664,146	5.19%	*	*
I Squared Capital II	Infrastructure	06/2018	78,837,174	10.04%	14.21%	10.33%
I Squared Capital III	Infrastructure	12/2021	26,678,283	1.78%	*	*
J.P. Morgan Investment Management, Inc.	Infrastructure	03/2015	107,235,985	11.49%	7.56%	6.82%
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund IV)	11/2019	91,879,327	2.67%	12.66%	*
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund V)	06/2020	91,961,248	6.21%	*	*
Western Asset Management Co.	TIPS	02/2014	383,079,092	-1.00%	-0.30%	2.17%
TOTAL REAL ESTATE			464,013,635	-9.99%	7.21%	5.48%
NCREIF Total Index				-6.60%	6.79%	5.90%
INVESCO Realty Advisors	Core Commingled	08/2013	211,489,999	-10.10%	6.99%	5.70%
INVESCO Realty Advisors	Core Plus LP (Fund VI)	03/2023	42,710,901	*	*	*
J.P. Morgan Investment Management, Inc.	Core Commingled	08/2013	209,812,735	-11.10%	6.94%	4.99%
TOTAL CASH EQUIVALENTS			48,368,152	3.58%	1.24%	1.45%
90 Day T-Bills				3.59%	1.27%	1.55%
Bank of North Dakota	Money Market	09/2016	8,900,549	3.82%	1.37%	0.00%
Northern Trust Asset Management	STIF	07/2013	39,467,603	3.42%	1.17%	0.00%
TOTAL RESIDUAL HOLDING			2,223,124	*	*	*

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS  
FOR PERIODS ENDED JUNE 30, 2023  
OTHER INDIVIDUAL INVESTMENT ACCOUNTS**

				Annualized Rates of Return Net of Fees		
	Style	Date Initiated	Fair Value	1 Year	3 Years	5 Years
<b>NDPERS RETIREE HEALTH INSURANCE CREDIT FUND</b>						
SEI Investments Management	Balanced Account	07/2009	\$ 165,120,285	10.67%	5.76%	5.77%
<b>Policy Target <sup>(1)</sup></b>				<b>10.16%</b>	<b>5.43%</b>	<b>5.65%</b>
<b>JOB SERVICE ND PENSION FUND</b>						
SEI Investments Management	Balanced Account	12/2015	\$ 83,548,361	3.10%	1.05%	2.54%
<b>Policy Target <sup>(1)</sup></b>				<b>4.22%</b>	<b>1.20%</b>	<b>3.05%</b>

\* This manager/category has less than the indicated years under management due to addition of asset class or replacement of investment managers during the period.

(1) Policy targets and composite benchmarks consist of target weights of the underlying index returns within each category.

(2) Management of this fund was transferred from JP Morgan to The Rohatyn Group in May 2018.

(3) CPI-W through 6/30/18 then 50% CPI-U lagged one quarter and 50% NFI-ODCE Equal Weight Net Index thereafter.

(4) Bloomberg Government 1-3 Year Index through 3/31/17 and Bloomberg Government/Credit 1-3 Year Index thereafter.

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent calculation. Returns are shown after the effect of investment management fees (net of fees).

Columns may not foot due to rounding.

**LARGEST HOLDINGS (By Fair Value)**  
**JUNE 30, 2023**

**PENSION INVESTMENT POOL**

<b>Shares</b>	<b>Stocks</b>	<b>Fair Value</b>
285,907	Apple Incorporated	\$ 55,457,381
151,082	Microsoft Corporation	51,449,464
179,102	Alphabet Incorporated (Class A)	21,438,509
149,146	Amazon Company Incorporated	19,442,673
21,376	Broadcom Inc Com	18,542,184
42,052	Nvidia Corporation	17,788,837
49,372	Meta Platforms Incorporated	14,168,777
46,039	VISA Incorporated	10,933,342
205,607	CISCO Systems Incorporated	10,638,106
29,801	Berkshire Hathaway Incorporated	10,162,141
<b>Par</b>	<b>Bonds</b>	<b>Fair Value</b>
21,600,000	FNMA Single Family Mortgages 0% 30 Years Settles August	\$ 19,905,961
20,400,000	FNMA Single Family Mortgages 4.5% 30 Years Settles August	19,622,250
19,800,000	FNMA Single Family Mortgages 4.0% 30 Years Settles July	18,580,289
17,700,000	FNMA Single Family Mortgages 3% 30 Years Settles August	15,598,816
17,810,000	US Treasury Bonds 1.375% Due 11-15-2040	11,916,003
9,000,000	US Treasury Bonds .625% Due 01-15-2026	10,957,593
6,750,000	US Treasury Bonds 2% Due 01-15-2026	10,180,672
12,000,000	US Treasury Bonds 2.5% Due 05-15-2046	9,227,344
7,900,000	FNMA Pass-Throughs 5.5% 30 Years Settles August	7,860,500
7,500,000	FNMA Single Family Mortgages 5% 30 Years Settles September	7,352,344

**INSURANCE INVESTMENT POOL**

<b>Shares</b>	<b>Stocks</b>	<b>Fair Value</b>
32,806	Apple Incorporated	\$ 6,363,380
16,642	Microsoft Corporation	5,667,267
20,786	Alphabet Incorporated (Class A)	2,488,084
16,666	Amazon Company Incorporated	2,172,580
2,297	Broadcom Inc Com	1,992,487
4,593	Nvidia Corporation	1,942,931
5,340	Meta Platforms Incorporated	1,532,473
4,906	VISA Incorporated	1,165,077
4,700	Medpace Holdings Incorporated	1,128,799
3,252	Berkshire Hathaway Incorporated	1,108,932
<b>Par</b>	<b>Bonds</b>	<b>Fair Value</b>
30,759,300	US Tresury Notes 4.625% Due 03-15-2026	\$ 30,792,943
24,334,200	US Tresury Notes 4.125% Due 06-15-2026	24,088,957
19,900,000	US Treasury Inflation Linked Bonds 0.75% Due 02-15-2045	21,171,399
19,515,000	US Tresury Notes 3.625% Due 05-15-2026	19,039,322
20,600,000	FNMA Single Family Mortgages 0% 30 Years Settles August	18,871,680
18,695,000	US Treasury Bonds 4% Due 02-15-2026	18,408,003
19,100,000	FNMA Single Family Mortgages 3% 30 Years Settles August	16,832,621
12,730,000	US Treasury Inflation Linked Bonds 0.625% Due 01-15-2026	15,498,907
19,570,000	US Tresury Notes 2.25% Due 05-15-2041	15,071,958
12,510,000	US Tresury Notes 1.125% Due 01-15-2033	12,205,606

**LARGEST HOLDINGS (By Fair Value)**  
**JUNE 30, 2023**

**LEGACY FUND**

<b>Shares</b>	<b>Stocks</b>	<b>Fair Value</b>
395,975	Apple Incorporated	\$ 76,807,271
212,150	Microsoft Corporation	72,245,561
238,660	Alphabet Incorporated (Class A)	28,567,602
210,115	Amazon Company Incorporated	27,390,591
30,461	Broadcom Inc Com	26,422,785
60,319	Nvidia Corporation	25,516,143
73,991	Meta Platforms Incorporated	21,233,937
69,040	VISA Incorporated	16,395,619
275,760	CISCO Systems Incorporated	14,267,822
51,418	Tesla Incorporated	13,459,690
<b>Par</b>	<b>Bonds</b>	<b>Fair Value</b>
128,400,000	US Treasury Notes 0.5% Due 10-31-2027	\$ 109,591,406
39,000,000	US Treasury Notes Inflation Linked 0.625% Due 01-15-2026	47,482,904
48,190,000	US Treasury Notes 3.875% Due 02-15-2043	46,985,250
40,000,000	US Treasury Notes Inflation Linked 0.75% Due 02-15-2045	42,555,575
42,200,000	US Treasury Notes 4% Due 02-28-2030	42,170,328
33,000,000	FNMA Single Family Mortgages 0% 30 Years Settles August	30,284,098
28,700,000	US Treasury Inflation Linked N/B Due 10-15-2026	29,788,841
30,800,000	FNMA Single Family Mortgages 4.5% 30 Years Settles August	29,625,750
28,000,000	US Treasury Notes Inflation Linked 0.125% Due 01-15-2030	29,613,630
32,790,000	FNMA Single Family Mortgages 3% 30 Years Settles August	28,897,468

The individual investment accounts for PERS Retiree Health Credit Fund and Job Service Pension Fund are invested in various commingled/mutual funds, and therefore have no individual stock or bond holdings.

A complete list of all holdings is available upon request.

**SCHEDULE OF INVESTMENT FEES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
INVESTMENT POOLS**

	Pension Investment Pool			Insurance Investment Pool		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:						
Global equity managers	\$ 153,414,649	\$ 1,256,475	82			
Domestic large cap equity managers	1,540,995,625	4,515,611	29	\$ 211,545,654	\$ 582,550	28
Domestic small cap equity managers	293,674,830	1,967,744	67	43,024,633	284,736	66
Developed international equity managers	970,433,179	2,659,891	27	161,754,687	509,385	31
Emerging markets equity managers	205,361,541	1,003,763	49			
Private equity managers	766,733,399	6,083,768	79			
Investment grade fixed income managers	1,146,420,935	2,419,600	21	1,285,667,395	2,273,192	18
Diversified real asset managers				253,629,817	1,255,627	50
Below investment grade fixed income managers	489,985,905	8,165,062	167			
Real estate managers	871,930,254	(2,491,835)	(29)	121,175,028	560,602	46
Timber managers	87,359,373	571,225	65			
Infrastructure managers	407,081,150	7,931,835	195			
Cash & equivalents managers	38,180,831	46,340	12	42,204,535	50,573	12
Short term fixed income managers				780,813,029	879,205	11
Total investment manager fees	<u>\$ 6,971,571,671</u>	<u>34,129,479</u>	<u>49</u>	<u>\$ 2,899,814,778</u>	<u>6,395,870</u>	<u>22</u>
Custodian fees		586,359	1		249,449	1
Investment consultant fees		241,899	0		84,368	0
SIB Service Fees		44,489	0		23,914	0
Total investment expenses		<u>\$35,002,226</u>	<u>50</u>		<u>\$ 6,753,601</u>	<u>23</u>
<b>Reconciliation of Investment Expenses to Financial Statements</b>						
Investment expenses as reflected in the financial statements		\$ 18,186,673			\$ 5,094,604	
Plus investment management fees included in investment income (net income)						
Domestic large cap equity managers		495,864			84,038	
Developed international equity managers		272,404			103,136	
Emerging markets equity managers		283,522				
Private equity managers		6,083,768				
Investment grade fixed income managers		1,454,986			696,950	
Diversified real assets managers					724,297	
Below investment grade fixed income managers		7,519,249				
Real estate managers		(6,637,765)				
Timber managers		522,336				
Infrastructure managers		6,821,189				
Cash & equivalents managers					50,576	
Investment expenses per schedule		<u>\$35,002,226</u>			<u>\$ 6,753,601</u>	

Total basis points of individual plans participating in the pools vary depending upon their asset allocation.

Columns may not foot due to rounding.



**SCHEDULE OF INVESTMENT FEES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
INDIVIDUAL INVESTMENT ACCOUNTS**

	Legacy Fund			PERS Retiree Health Credit Fund Job Service of ND Pension Fund		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:						
Domestic large cap equity managers	\$ 2,148,467,572	\$ 4,772,852	22			
Domestic small cap equity managers	373,328,989	2,513,531	67			
Developed international equity managers	1,662,195,615	5,083,930	31			
Private equity managers	72,601,684	3,005,778	414			
Investment grade fixed income managers	2,918,623,420	10,335,179	35			
Diversified real asset managers	832,355,049	9,871,506	119			
Real estate managers	488,860,294	2,383,057	49			
Cash & equivalents managers	89,633,206	163,302	18	\$ 644,154	\$ 907	14
Short term fixed income managers						
Balanced account manager - PERS Retiree Health				154,841,951	666,273	43
Balanced account manager - Job Service Pension				82,902,456	375,673	45
Total investment manager fees	<u>\$ 8,586,065,829</u>	<u>38,129,135</u>	<u>44</u>	<u>\$ 238,388,561</u>	<u>1,042,853</u>	<u>44</u>
Custodian fees		600,771	1		20,601	1
Investment consultant fees		455,353	1		-	0
SIB Service Fees		-	0		42,306	2
Total investment expenses		<u>\$39,185,259</u>	<u>46</u>		<u>\$ 1,105,760</u>	<u>46</u>
<b>Reconciliation of Investment Expenses to Financial Statements</b>						
Investment expenses as reflected in the financial statements		\$ 18,242,103			\$ 765,185	
Plus investment management fees included in investment income (net income)						
Domestic large cap equity managers		590,760				
Developed international equity managers		874,154				
Private equity managers		3,005,778				
Investment grade fixed income managers		7,549,448				
Diversified real assets managers		8,516,898				
Real estate managers		242,821				
Cash & equivalents managers		163,297				
Balanced account managers					340,575	
Investment expenses per schedule		<u>\$39,185,259</u>			<u>\$ 1,105,760</u>	

Columns may not foot due to rounding.

**SCHEDULE OF COMMISSIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Brokers	Number of shares traded	Total commissions	Commission s per share
Banque Paribas Paris	93,192,625	\$ 122,810	\$ 0.001
Northern Trust Securities, Inc	34,040,599	63,484	0.002
National Financial Services LLC	31,969,076	155,526	0.005
BNP Paribas	13,245,216	16,493	0.001
UBS	6,934,305	81,241	0.012
Jefferies	6,266,035	67,834	0.011
Piper Jaffray & Co	6,203,868	79,274	0.013
Credit Suisse	5,853,684	28,653	0.005
J.P. Morgan	5,741,616	85,729	0.015
Morgan Stanley	5,651,361	70,242	0.012
Other 60 Brokers *	47,700,597	650,103	0.014
Total commissions	<u>256,798,982</u>	<u>\$ 1,421,389</u>	<u>\$ 0.006</u>

\* A complete listing of investment brokers utilized is available upon request.

Note: This schedule includes only brokerage costs for agency trades of common and preferred stock.

## TEACHERS' FUND FOR RETIREMENT

### Investment Objectives and Policy Guidelines

#### **Plan Characteristics and Fund Constraints**

The North Dakota Teachers' Fund for Retirement (TFFR) is a successor pension benefit plan to the Teachers' Insurance and Retirement Fund (TIRF). TIRF was established in 1913, 24 years after North Dakota became a state, to provide retirement income to all public school and certain state teachers and administrators in the state of North Dakota. TIRF became TFFR in 1971. The plan is administered by a seven-member Board of Trustees comprised of: two active teachers, two retired teachers and one school administrator appointed by the Governor of North Dakota and of two elected officials - the State Treasurer and the State Superintendent of Public Instruction.

The plan is a multi-employer defined benefit public pension plan that provides retirement, disability, and death benefits in accordance with Chapter 15-39.1 of the North Dakota Century Code (NDCC). Monthly retirement benefits are based on the formula: Number of Years of service X 2.0% X Final Average Salary. Adjustments to the basic formula are made depending on the retirement option selected. Funding is provided by monthly employee and employer contributions scheduled to increase as follows:

	7/1/11	7/1/12	7/1/14
Employee	7.75%	9.75%	11.75%
Employer	8.75%	10.75%	12.75%

Employee and employer contributions will be reduced to 7.75% each when TFFR reaches 100% funded level on an actuarial value basis.

The TFFR Board has an actuarial valuation performed annually and an Experience Study and Asset Liability Study performed every five years. The actuarial assumed rate of return on assets was reduced to 7.25% from 7.75% as of July 1, 2020. Key plan and financial statistics are recorded in the most recent valuation report on file at the North Dakota Retirement and Investment Office (RIO).

#### **Fund Goals**

The Plan benefits are financed through both statutory employer and employee contributions and the investment earnings on assets held in the Fund. The TFFR Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- 1) Improve the Plan's funding status to protect and sustain current and future benefits.
- 2) Minimize the employee and employer contributions needed to fund the Plan over the long term.
- 3) Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- 4) Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State/School District's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places a greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important state/local projects.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The TFFR Board is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

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

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

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

### **Risk Tolerance**

The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants.

However, funding the pension promise in an economical manner is critical to the State/School District's ability to continue to provide pension benefits to plan participants. Thus, the Board actively seeks to lower the cost of funding the Plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the Board believes that such an approach, prudently implemented, best serves the long-run interests of the State/School District and, therefore, of plan participants.

### **Investment Objectives**

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- 1) The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- 2) The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
- 3) The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %
<b>Global Equity</b>	<b>55</b>
Public Equity	45
Private Equity	10
<b>Global Fixed Income</b>	<b>26</b>
Investment Grade	18
Non-investment Grade	8
<b>Global Real Assets</b>	<b>18</b>
Global Real Estate	9
Other	9
<b>Cash</b>	<b>1</b>

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

**Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the TFFR Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of the advisory services managing investments for the board.
- A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$1,766,303,517</b>	<b>56.5%</b>	<b>15.05%</b>
Public Equity	1,322,140,133	42.3%	16.90%
Equity Transition Account	246,154	0.0%	N/A
Domestic Equity	808,927,691	25.9%	19.62%
Domestic Large Cap Equity	687,412,722	22.0%	20.49%
Domestic Small Cap Equity	121,514,940	3.9%	15.09%
International Equity	512,966,288	16.4%	13.84%
International All Cap	202,895,604	6.5%	N/A
Developed International Large Cap	192,779,413	6.2%	19.23%
Developed International Small Cap	31,179,675	1.0%	N/A
Emerging Markets Equity	86,111,596	2.8%	-1.87%
Private Equity	444,163,384	14.2%	9.24%
<b>Global Fixed Income</b>	<b>790,640,386</b>	<b>25.3%</b>	<b>1.43%</b>
Investment Grade Fixed Income	554,444,724	17.8%	-0.74%
Non-Investment Grade Fixed Income	236,195,662	7.6%	7.12%
<b>Global Real Assets</b>	<b>553,753,045</b>	<b>17.7%</b>	<b>-4.66%</b>
Global Real Estate	326,765,712	10.5%	-10.87%
Other	226,987,333	7.3%	5.92%
Timber	37,548,797	1.2%	-5.29%
Infrastructure	189,438,536	6.1%	8.61%
<b>Cash Equivalents</b>	<b>9,287,762</b>	<b>0.3%</b>	<b>3.93%</b>
<b>Residual Holdings</b>	<b>3,512,968</b>	<b>0.1%</b>	<b>N/A</b>
<b>Total Fund</b>	<b><u>\$3,123,497,678</u></b>		<b>7.48%</b>
<b>Policy Benchmark</b>			<b>8.23%</b>

*Columns may not foot due to rounding.*

## **PUBLIC EMPLOYEES RETIREMENT SYSTEM**

### **Investment Objectives and Policy Guidelines**

#### **Plan Characteristics and Fund Constraints**

The North Dakota Public Employees Retirement System (NDPERS) and the Highway Patrol Retirement System (HPRS) are pension benefit plans established to provide retirement income to state employees and employees of participating political subdivisions. The plans are administered by a nine member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, one member is the State Health Officer or their designee and two are legislative appointees.

The NDPERS plan is a multi-employer hybrid benefit public pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). Monthly retirement benefits for the Main, State Law Enforcement (BCI) and Public Safety Plans are based on the formula: number of Years of Service times 2.0% times the final average salary. For the Main 2020 Plan the retirement formula is: number of Years of Service times 1.75% times the final average salary. For the NDPERS Judges Plan the retirement formula is: for the first ten years of service of the formula is final average salary times 3.5%, for the second ten years of service the formula is final average salary times 2.80% and for all remaining years of service the formula is final average salary times 1.25%.

The Highway Patrol plan is a single employer plan that provides retirement benefits, disability benefits, and survivor benefits in accordance with Chapter 39-03.1 of the North Dakota Century Code. Monthly retirement benefits are based upon on the formula: first 25 years of credit service times 3.25% and all remaining years of service times 1.75%.

Funding for the NDPERS plan is provided by monthly employee contributions and employer contributions with the amount varying based upon which NDPERS plan the member participates in. For the Main NDPERS plan the employee contribution is 7% and the employer contribution is 7.12%, for the Main 2020 NDPERS plan the employee contribution is 7% and the employer contribution is 8.26%, for the Judges Plan the employee contribution is 8% and employer contribution is 17.52%, for the BCI employee contribution is 6.0% and employer contribution is 9.81%, for the Public Safety Plan with prior service the employee contribution is 5.5% and the employer contribution is 9.81% and for the Public Safety Plan without prior service the employee contribution rate is 5.5% and the employer rate is 7.93%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 13.8% and an employer contribution of 20.2% for 2022, 14.3% employee and 20.7% employer contribution for 2023, and a 14.8% employee and 21.2% employer contribution for 2024.

Each year the Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for all plans is 6.5%.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employee's retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools. The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

### **Delegation of Authority**

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies, it is understood:
  - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
  - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
  - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

### **Investment Goals**

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

- |          |  |
|----------|--|
| Goal # 1 | Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund. |
| Goal # 2 | To obtain an investment return in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their retirement benefit.  |

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following **secondary goals**:

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.



2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

### **Investment Performance Objective**

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Asset Allocation**

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Asset Class	Policy Target %	Rebalancing Range %
<b>Global Equity</b>	<b>58</b>	<b>46-66</b>
Public Equity	51	42-57
Private Equity	7	4-9
<b>Global Fixed Income</b>	<b>23</b>	<b>16-30</b>
Investment Grade	16	11-21
Non-investment Grade	7	5-9
<b>Global Real Assets</b>	<b>19</b>	<b>10-25</b>
Global Real Estate	11	5-15
Other	8	0-10
<b>Global Alternatives</b>		<b>0-10</b>
<b>Cash</b>		<b>0-2</b>

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing re-balancing costs. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

### **Restrictions**

- A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
- C. No transaction may be made which threatens the tax exempt status of the Fund.
- D. No unhedged short sales or speculative margin purchases may be made.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

*Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.*

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

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

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

### **Internal Controls**

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy;
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost;
- Changes/additions to benchmarks utilized to monitor the funds.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$2,312,279,331</b>	<b>59.1%</b>	<b>15.72%</b>
Public Equity	1,920,738,733	49.1%	16.97%
Equity Transition Account	27,064	0.0%	N/A
Domestic Equity	1,171,424,668	29.9%	19.63%
Domestic Large Cap Equity	1,000,275,835	25.6%	20.49%
Domestic Small Cap Equity	171,148,826	4.4%	15.10%
International Equity	749,287,001	19.2%	13.69%
International All Cap	296,369,664	7.6%	N/A
Developed International Large Cap	281,592,941	7.2%	19.05%
Developed International Small Cap	45,544,159	1.2%	N/A
Emerging Markets Equity	125,780,237	3.2%	-1.87%
Private Equity	391,540,598	10.0%	9.24%
<b>Global Fixed Income</b>	<b>845,605,490</b>	<b>21.6%</b>	<b>1.70%</b>
Investment Grade Fixed Income	596,051,695	15.2%	-0.74%
Non-Investment Grade Fixed Income	249,553,795	6.4%	7.36%
<b>Global Real Assets</b>	<b>749,679,926</b>	<b>19.2%</b>	<b>-5.34%</b>
Global Real Estate	476,365,840	12.2%	-10.87%
Other	273,314,086	7.0%	6.10%
Timber	42,065,418	1.1%	-5.29%
Infrastructure	231,248,668	5.9%	8.61%
<b>Cash Equivalents</b>	<b>4,590,092</b>	<b>0.1%</b>	<b>3.79%</b>
<b>Residual Holdings</b>	<b>386,236</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b><u>\$3,912,541,075</u></b>		<b>7.98%</b>
<b>Policy Benchmark</b>			<b>8.65%</b>

Columns may not foot due to rounding.

## **BISMARCK CITY EMPLOYEE PENSION PLAN**

### **Investment Objectives and Policy Guidelines**

#### **Plan Characteristics and Fund Constraints**

The Bismarck, North Dakota City Employee Pension Plan (BCEPP) is the pension benefit plan (Fund) established for the city of Bismarck public employees. The Fund is administered by the Bismarck City Employee Pension Plan Board of Trustees. The Fund is a defined benefit pension plan maintained to provide retirement benefits, and/or death benefits as may be the case, to the participants in accordance with Chapter 9-07 of the city of Bismarck Code of Ordinance (1986 revised). The Fund is administered in accordance with IRS and Treasury Regulations. The Fund was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

#### **Fund Goals**

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The BCEPP Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The BCEPP Board acknowledges the material impact that funding the pension plan has on the City's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The BCEPP Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The BCEPP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCEPP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

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

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

### **Risk Tolerance**

The BCEPP Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants.

However, funding the pension promise in an economical manner is critical to the City's ability to continue to provide pension benefits to plan participants. Thus, the BCEPP Board actively seeks to lower the cost of funding the plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The BCEPP Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the BCEPP Board believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

### **Investment Objectives**

The BCEPP Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

Benefit payments are projected to occur over a long period of time. This allows the BCEPP Board to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the BCEPP Board in determining an acceptable volatility target for the Fund and an optimal asset allocation mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the BCEPP Board approves the appropriate policy mix for the Fund.

Asset Class	Policy Target %
<b>Global Equity</b>	<b>46</b>
Public Equity	42
Private Equity	4
<b>Global Fixed Income</b>	<b>34</b>
Investment Grade	27
Non-investment Grade	7
<b>Global Real Assets</b>	<b>20</b>
Global Real Estate	12
Other	8

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The BCEPP Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target

as is prudent and practicable while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP periodically, but not less than quarterly. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- A list of advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 56,723,076</b>	<b>46.0%</b>	<b>16.66%</b>
Public Equity	49,883,168	40.4%	17.21%
Equity Transition Account	1,813	0.0%	N/A
Domestic Equity	30,263,707	24.5%	19.65%
Domestic Large Cap Equity	25,724,164	20.9%	20.46%
Domestic Small Cap Equity	4,539,544	3.7%	15.08%
International Equity	19,617,648	15.9%	14.69%
International All Cap	7,717,274	6.3%	N/A
Developed International Large Cap	7,332,497	5.9%	19.19%
Developed International Small Cap	1,185,940	1.0%	N/A
Emerging Markets Equity	3,381,937	2.7%	-1.90%
Private Equity	6,839,908	5.5%	9.25%
<b>Global Fixed Income</b>	<b>41,557,510</b>	<b>33.7%</b>	<b>0.94%</b>
Investment Grade Fixed Income	33,001,451	26.8%	-0.74%
Non-Investment Grade Fixed Income	8,556,059	6.9%	7.39%
<b>Global Real Assets</b>	<b>24,667,128</b>	<b>20.0%</b>	<b>-4.43%</b>
Global Real Estate	14,803,358	12.0%	-10.87%
Other	9,863,770	8.0%	5.89%
Timber	1,610,666	1.3%	-5.29%
Infrastructure	8,253,104	6.7%	8.61%
<b>Cash Equivalents</b>	<b>370,573</b>	<b>0.3%</b>	<b>3.92%</b>
<b>Residual Holdings</b>	<b>25,874</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 123,344,161</b>		<b>7.43%</b>
<b>Policy Benchmark</b>			<b>6.75%</b>

Columns may not foot due to rounding.

## **BISMARCK CITY POLICE PENSION PLAN**

### **Investment Objectives and Policy Guidelines**

#### **Plan Characteristics and Fund Constraints**

The Bismarck, North Dakota City Police Pension Plan (BCPPP) is the pension benefit plan (Fund) established for the city of Bismarck police. The Fund is administered by the Bismarck City Police Pension Plan Board of Trustees. The Fund is a defined benefit pension plan maintained to provide retirement benefits, and/or death benefits as may be the case, to the participants in accordance with Chapter 9-08 of the city of Bismarck Code of Ordinance (1986 revised). The Fund is administered in accordance with IRS and Treasury Regulations. The Fund was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

#### **Fund Goals**

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The BCPBP Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The BCPBP Board acknowledges the material impact that funding the pension plan has on the City's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The BCPBP Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The BCPBP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCPBP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

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



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

### **Risk Tolerance**

The BCPPP Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants.

However, funding the pension promise in an economical manner is critical to the City's ability to continue to provide pension benefits to plan participants. Thus, the BCPPP Board actively seeks to lower the cost of funding the plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The BCPPP Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the BCPPP Board believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

### **Investment Objectives**

The BCPPP Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

Benefit payments are projected to occur over a long period of time. This allows the BCPPP Board to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the BCPPP Board in determining an acceptable volatility target for the Fund and an optimal asset allocation mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the BCEPP Board approves the appropriate policy mix for the Fund.

Asset Class	Policy Target %
<b>Global Equity</b>	<b>51</b>
Public Equity	46
Private Equity	5
<b>Global Fixed Income</b>	<b>29</b>
Investment Grade	22
Non-investment Grade	7
<b>Global Real Assets</b>	<b>20</b>
Global Real Estate	12
Other	8

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The BCPPP Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target

as is prudent and practicable while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP periodically, but not less than quarterly. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- A list of advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 25,992,697</b>	<b>51.0%</b>	<b>16.63%</b>
Public Equity	22,513,511	44.2%	17.24%
Equity Transition Account	166	0.0%	N/A
Domestic Equity	13,659,177	26.8%	19.65%
Domestic Large Cap Equity	11,610,325	22.8%	20.46%
Domestic Small Cap Equity	2,048,852	4.0%	15.08%
International Equity	8,854,168	17.4%	14.69%
International All Cap	3,483,090	6.8%	N/A
Developed International Large Cap	3,309,426	6.5%	19.19%
Developed International Small Cap	535,259	1.1%	N/A
Emerging Markets Equity	1,526,393	3.0%	-1.90%
Private Equity	3,479,186	6.8%	9.25%
<b>Global Fixed Income</b>	<b>14,628,232</b>	<b>28.7%</b>	<b>1.22%</b>
Investment Grade Fixed Income	11,097,214	21.8%	-0.74%
Non-Investment Grade Fixed Income	3,531,018	6.9%	7.34%
<b>Global Real Assets</b>	<b>10,195,428</b>	<b>20.0%</b>	<b>-4.53%</b>
Global Real Estate	6,118,528	12.0%	-10.87%
Other	4,076,900	8.0%	5.64%
Timber	719,646	1.4%	-5.29%
Infrastructure	3,357,254	6.6%	8.61%
<b>Cash Equivalents</b>	<b>153,374</b>	<b>0.3%</b>	<b>3.92%</b>
<b>Residual Holdings</b>	<b>2,372</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 50,972,103</b>		<b>8.26%</b>
<b>Policy Benchmark</b>			<b>7.56%</b>

*Columns may not foot due to rounding.*

## **CITY OF GRAND FORKS PENSION PLAN**

### **Investment Objectives and Policy Guidelines**

#### **Plan Characteristics and Fund Constraints**

The City of Grand Forks Pension Fund (the “Fund”) is operated by the Grand Forks City Council pursuant to the authority granted in the Grand Forks City Code Chapter 7.

The City of Grand Forks, North Dakota Pension Plan (the “Plan”) is a cost-sharing multiple employer public employee pension plan. All classified employees who earned at least one hour of service prior to January 1, 1996 are eligible to participate in the Plan. Some participants have elected to cease benefit accruals under the Plan as of June 30, 2008 and to participate in the North Dakota Public Employees Retirement System.

Benefit provisions are established by the City Council. The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual valuation report and approved by the City Council.

#### **Fund Goals**

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The City Council recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan’s funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan’s funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The City Council acknowledges the material impact that funding the pension plan has on the City’s financial performance. These goals affect the Fund’s investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The City Council places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The City Council has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The City Council is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

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

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

### **Risk Tolerance**

The City Council is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants. However, funding the pension promise in an economical manner is critical to the City Council's ability to continue to provide pension benefits to plan participants. Thus, the City Council actively seeks to lower the cost of funding the plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The City Council understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the City Council believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

### **Investment Objectives**

The City Council's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

Benefit payments are projected to occur over a long period of time. This allows the City Council to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the City Council in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the City Council approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %
<b>Global Equity</b>	<b>60</b>
Public Equity	55
Private Equity	5
<b>Global Fixed Income</b>	<b>24</b>
Investment Grade	17
Non-investment Grade	7
<b>Global Real Assets</b>	<b>15</b>
Global Real Estate	7
Other	8
<b>Cash</b>	<b>1</b>

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The City Council does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

### **Restrictions**

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

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
- c. No transaction may be made which threatens the tax-exempt status of the Fund.
- d. No unhedged short sales or speculative margin purchases may be made.
- e. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar time horizon and similar risk.

Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the City Council periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- A list of the advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 44,923,203</b>	<b>60.0%</b>	<b>16.77%</b>
Public Equity	39,640,609	52.9%	17.32%
Equity Transition Account	372	0.0%	N/A
Domestic Equity	24,050,646	32.1%	19.65%
Domestic Large Cap Equity	20,443,017	27.3%	20.46%
Domestic Small Cap Equity	3,607,629	4.8%	15.08%
International Equity	15,589,591	20.8%	14.69%
International All Cap	6,132,694	8.2%	N/A
Developed International Large Cap	5,826,923	7.8%	19.19%
Developed International Small Cap	942,432	1.3%	N/A
Emerging Markets Equity	2,687,542	3.6%	-1.90%
Private Equity	5,282,594	7.1%	9.25%
<b>Global Fixed Income</b>	<b>17,968,873</b>	<b>24.0%</b>	<b>1.58%</b>
Investment Grade Fixed Income	12,727,858	17.0%	-0.74%
Non-Investment Grade Fixed Income	5,241,015	7.0%	7.27%
<b>Global Real Assets</b>	<b>11,231,610</b>	<b>15.0%</b>	<b>-2.47%</b>
Global Real Estate	5,242,942	7.0%	-10.87%
Other	5,988,668	8.0%	5.36%
Timber	1,144,234	1.5%	-5.29%
Infrastructure	4,844,434	6.5%	8.61%
<b>Cash Equivalents</b>	<b>795,060</b>	<b>1.1%</b>	<b>3.92%</b>
<b>Residual Holdings</b>	<b>5,303</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 74,924,049</b>		<b>10.49%</b>
<b>Policy Benchmark</b>			<b>9.90%</b>

*Columns may not foot due to rounding.*

## **PARK DISTRICT OF THE CITY OF GRAND FORKS PENSION PLAN**

### **Investment Objectives and Policy Guidelines**

#### **Plan Characteristics and Fund Constraints**

The Park District of the City of Grand Forks, North Dakota Pension Plan (the "Plan") is a cost-sharing public employee pension plan operated by The Park District of the City of Grand Forks, North Dakota (the "District") which serves as the Plan Administrator ("Administrator") and Plan Sponsor ("Sponsor"). All employees are required to participate in the Plan. Some participants have elected to cease benefit accruals under the Plan as of January 1, 2010 and to participate in the North Dakota Public Employees Retirement System ("NDPERS") pension plan. All future hires after December 31, 2009, will be required to participate in the NDPERS plan. The investment assets of the Plan are held within the Plan Fund ("Fund").

Benefit provisions are established by the Park Board ("Board") of the Sponsor. The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual actuarial valuation report and approved by the Board.

#### **Fund Goals**

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the District's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may



establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

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

### **Risk Tolerance**

The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants. However, funding the pension promise in an economical manner is critical to the Board's ability to continue to provide pension benefits to plan participants. Thus, the Board actively seeks to lower the cost of funding the plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the Board believes that such an approach, prudently implemented, best serves the long-run interests of the District and, therefore, of plan participants.

### **Investment Objectives**

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

Benefit payments are projected to occur over a long period of time. This allows the Board to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %
<b>Global Equity</b>	<b>54.5</b>
Public Equity	47
Domestic Equity	27
Large	22
Small	5
International Equity	20
Developed	10
Emerging	10
Private Equity	7.5

Asset Class (cont.)	Policy Target %
<b>Global Fixed Income</b>	<b>25.5</b>
Investment Grade	18
Non-Investment Grade	7.5
<b>Global Real Assets</b>	<b>20</b>
Global Real Estate	10
Other	10

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

### **Restrictions**

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

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

For the purpose of this document, social investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return of the Fund.

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit

must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- A list of the advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 4,758,266</b>	<b>54.5%</b>	<b>13.48%</b>
Public Equity	3,810,889	43.6%	14.16%
Equity Transition Account	77	0.0%	N/A
Domestic Equity	2,189,146	25.1%	19.46%
Domestic Large Cap Equity	1,777,807	20.4%	20.46%
Domestic Small Cap Equity	411,339	4.7%	15.08%
International Equity	1,621,666	18.6%	7.17%
International All Cap	369,273	4.2%	N/A
Developed International Large Cap	350,862	4.0%	19.19%
Developed International Small Cap	56,748	0.6%	N/A
Emerging Markets Equity	844,783	9.7%	-1.90%
Private Equity	947,377	10.9%	9.25%
<b>Global Fixed Income</b>	<b>2,200,188</b>	<b>25.2%</b>	<b>1.27%</b>
Investment Grade Fixed Income	1,553,130	17.8%	-0.74%
Non-Investment Grade Fixed Income	647,058	7.4%	6.04%
<b>Global Real Assets</b>	<b>1,746,403</b>	<b>20.0%</b>	<b>-2.36%</b>
Global Real Estate	873,445	10.0%	-10.87%
Other	872,958	10.0%	6.79%
Timber	95,350	1.1%	-5.29%
Infrastructure	777,608	8.9%	8.61%
<b>Cash Equivalents</b>	<b>25,388</b>	<b>0.3%</b>	<b>3.92%</b>
<b>Residual Holdings</b>	<b>1,095</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 8,731,340</b>		<b>7.36%</b>
<b>Policy Benchmark</b>			<b>7.15%</b>

*Columns may not foot due to rounding.*

## **WORKFORCE SAFETY & INSURANCE FUND**

### **Investment Objectives and Policy Guidelines**

#### **Introduction**

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

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

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

#### **Responsibilities of the North Dakota State Investment Board (SIB)**

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

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

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

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

#### **Investment Objectives**

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

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

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

### **Standards of Investment Performance**

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

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

### **Policy and Guidelines**

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

Asset Class	Target Allocation
<b>Global Equity</b>	<b>20%</b>
Large Cap Equity	10%
Small Cap Equity	2%
International Equity	8%
<b>Global Fixed Income</b>	<b>62%</b>
Domestic Fixed Income	62%
<b>Global Real Assets</b>	<b>17%</b>
Diversified Real Assets	12%
TIPS	8%
Infrastructure/Timber	4%
Real Estate	5%
<b>Cash Equivalents</b>	<b>1%</b>

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

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Evaluation and Review**

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

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

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 427,668,283</b>	<b>20.7%</b>	<b>16.67%</b>
Domestic Large Cap Equity	224,645,013	10.9%	20.02%
Domestic Small Cap Equity	38,874,917	1.9%	15.03%
International All Cap	64,435,758	3.1%	N/A
Developed International Large Cap	61,190,195	3.0%	13.68%
Developed International Small Cap	11,244,524	0.5%	N/A
Emerging Markets	27,277,876	1.3%	N/A
<b>Global Fixed Income</b>	<b>1,253,107,326</b>	<b>60.6%</b>	<b>0.30%</b>
<b>Global Real Assets</b>	<b>365,106,740</b>	<b>17.7%</b>	<b>-2.52%</b>
Diversified Real Assets	252,979,077	12.2%	1.54%
Real Estate	112,127,657	5.4%	-10.59%
<b>Cash Equivalents</b>	<b>20,531,420</b>	<b>1.0%</b>	<b>3.60%</b>
<b>Residual Holdings</b>	<b>295,677</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b><u>\$2,066,709,446</u></b>		<b>2.74%</b>
<b>Policy Benchmark</b>			<b>2.36%</b>

*Columns may not foot due to rounding.*

## STATE FIRE AND TORNADO FUND

### Investment Objectives and Policy Guidelines

#### **Fund Characteristics and Constraints**

The State Fire and Tornado Fund (the Fund) was established in 1919 to insure the various state industries and political subdivisions against direct physical loss to public buildings, fixtures, and permanent contents due to the perils named in 26.1-22-02 of the North Dakota Century Code (NDCC). All state buildings and universities must be covered by the Fund. School districts and counties may participate at their option. Funding is primarily provided by annual premiums charged to policy holders in accordance with NDCC 26.1-22.

Effective August 1993, the state's boiler inspection program was placed under the direction of the Insurance Department. The costs of this program are appropriated from the Fund. Fees collected for boiler inspections and licensing will be the primary source of funding for the program. The 1995 Legislature added anhydrous ammonia storage facilities to the Fund's inspection responsibilities.

A minimum balance of \$12.0 million must be maintained at all times. If reserves drop below this statutory minimum, additional premiums, as specified under NDCC 26.1-22, would be assessed. This situation must be avoided.

The Fund retains liability for the first \$1 million on each and every loss. Any loss over this amount, up to a maximum of \$100 million, is covered by reinsurance through a commercial reinsurance carrier. Reinsurance coverage is bid by the Insurance Department at least once every two years.

Claims paid from the Fund are highly unpredictable. Weather damage accounts for the majority of claims. Fires generally result in the most extensive damage. Generally, there is a two week lead time to prepare for a claim payment. Large claim payments have a longer lead time and are spread out in multiple payments whenever possible.

Operating expenses are paid from the Fund as incurred. These include Fund administration, boiler inspection program, anhydrous ammonia storage facility inspections, State Fire Marshall's Office, and North Dakota Firefighter's Association.

#### **Fund Mission**

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing additional premiums to policy holders.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

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

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

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

The SIB shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring or terminating a money manager, performance measurement service, or consultant. The SIB will implement changes to this policy as promptly as is prudent.

### **Risk Tolerance**

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

### **Investment Objectives**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
- c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Large Cap Domestic Equity	18.75%
Small Cap Domestic Equity	6.25%
International Equity	10.00%
Fixed Income	55.00%
Cash Equivalents	10.00%

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

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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



**Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

**Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 6,412,064</b>	<b>35.1%</b>	<b>17.96%</b>
Domestic Large Cap Equity	3,434,991	18.8%	20.03%
Domestic Small Cap Equity	1,144,968	6.3%	15.04%
International All Cap	719,185	3.9%	N/A
Developed International Large Cap	682,961	3.7%	13.74%
Developed International Small Cap	125,503	0.7%	N/A
Emerging Markets	304,456	1.7%	N/A
<b>Global Fixed Income</b>	<b>10,077,795</b>	<b>55.1%</b>	<b>-0.06%</b>
<b>Cash Equivalents</b>	<b>1,794,949</b>	<b>9.8%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>3,843</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 18,288,653</b>		<b>6.61%</b>
<b>Policy Benchmark</b>			<b>5.63%</b>

*Columns may not foot due to rounding.*

## STATE BONDING FUND

### Investment Objectives and Policy Guidelines

#### **Fund Characteristics and Constraints**

The State Bonding Fund (the Fund) was established for bonding public employees and public officials in accordance with Chapter 26.1-21 of the North Dakota Century Code (NDCC). Annual collections to the Fund are in the form of fees and restitution. However, the primary funding source for the Fund is investment return.

A minimum balance of \$2.0 million must be maintained at all times. If reserves drop below this statutory minimum, premiums will be assessed against all bond holders in accordance with NDCC 26.1-21-09. Such premiums will continue to be charged until the Fund balance reaches \$3.0 million. This situation must be avoided.

Claims paid from the Fund are on an as-needed basis and are highly unpredictable. A judgment against the guilty party is required prior to the Fund making a claim payment. Generally, there is a 60-90 day lead time to prepare for a claim payment. Appropriations from the Fund are exclusively for administrative costs.

#### **Fund Mission**

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing premiums to policy holders.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

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

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

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

The SIB shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring or terminating a money manager, performance measurement service, or consultant. The SIB will implement changes to this policy as promptly as is prudent.

#### **Risk Tolerance**

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

### **Investment Objectives**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
- c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Fixed Income	55.0%
Cash Equivalents	45.0%

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

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

**Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

**Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Fixed Income	\$ 2,051,530	55.8%	-0.10%
Cash Equivalents	1,624,961	44.2%	3.61%
<b>Total Fund</b>	<b>\$ 3,676,491</b>		<b>1.64%</b>
<b>Policy Benchmark</b>			<b>1.17%</b>

*Columns may not foot due to rounding.*

## **PETROLEUM TANK RELEASE COMPENSATION FUND**

### **Investment Objectives and Policy Guidelines**

#### **Fund Characteristics and Constraints**

The Petroleum Tank Release Compensation Fund (the Fund) was established in 1989 in response to the Environmental Protection Agency's (EPA) requirement that all underground storage tank owners have proof of financial responsibility. Operation of the Fund is in accordance with NDCC 23.1-12. The Fund's "sunset clause" date of June 30, 2011 has been extended and the time horizon for this Fund is uncertain at this time.

Funding is provided by annual premiums collected for aboveground and underground petroleum storage tanks. Registration of tanks with the Fund is mandatory, although certain types of tanks are excluded.

A statutory minimum balance of \$6.0 million must be maintained in the Fund. Also, a minimum balance of \$2.0 million is required by EPA. In the event reserves drop below this minimum, EPA would evaluate the Fund's ability to pay claims and would in all likelihood disapprove the Fund as a financial responsibility mechanism for North Dakota petroleum tank owners.

If a petroleum release occurs or petroleum contamination is discovered, an eligible tank owner is reimbursed 90% of necessary and reasonable costs between \$5,000 and \$155,000 for cleanup of contamination or third-party liability. The Fund reimburses 100% of costs between \$155,000 and \$1,000,000. Operating expenses are paid from the Fund as incurred.

#### **Fund Mission**

The primary mission of the Fund is to maintain the statutory minimum balance in the fund.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

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

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

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

The SIB shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring and terminating a money manager, performance measurement service, or consultant. The SIB will implement changes to this policy as promptly as is prudent.

### **Risk Tolerance**

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

### **Investment Objectives**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
- c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Global Fixed Income	50.0%
Cash Equivalents	50.0%

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

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Fixed Income	\$ 2,989,720	50.8%	-0.05%
Cash Equivalents	2,897,362	49.2%	3.61%
<b>Total Fund</b>	<b>\$ 5,887,082</b>		<b>1.85%</b>
<b>Policy Benchmark</b>			<b>1.39%</b>

*Columns may not foot due to rounding.*

## INSURANCE REGULATORY TRUST FUND

### Investment Objectives and Policy Guidelines

#### **Fund Characteristics and Constraints**

The Insurance Regulatory Trust Fund (the Fund) was established for use by the Insurance Department to defray the expenses incurred in discharging its duties as described in NDCC 26.1.

Funding is provided primarily through the collection of fees and fines as specified in NDCC 26.1-01-07.1. Fees and other collections as well as earnings from investments are funding sources.

There is no statutory minimum balance for this Fund. However, the Insurance Department relies entirely on the Fund to meet all operating expenses. Therefore, sufficient liquidity and risk control must be maintained at all times to ensure the solvency of the Insurance Department.

In accordance with NDCC 26.1-01-07.1, any cash balance in the Fund after all current biennium expenditures are met must be carried forward for the succeeding biennium. However, when the balance at the end of the biennium exceeds \$1.0 million, any excess will be transferred to the general fund in the state treasury. Such transfers are generally made at the end of September or during the first two weeks of October. Operating expenses are paid from the Fund as incurred.

#### **Fund Mission**

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing premiums to policy holders.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

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

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

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

The SIB shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring or terminating money managers, performance measurement services, or consultants. The SIB will implement changes to this policy as promptly as is prudent.

#### **Risk Tolerance**

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.



### **Investment Objectives**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
- c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Large Cap Domestic Equity	15%
Small Cap Domestic Equity	5%
International Equity	10%
Fixed Income	35%
Cash Equivalents	35%

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

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

**Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

**Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 2,176,133</b>	<b>30.4%</b>	<b>17.82%</b>
Domestic Large Cap Equity	1,088,043	15.2%	20.03%
Domestic Small Cap Equity	362,727	5.1%	15.04%
International All Cap	284,738	4.0%	N/A
Developed International Large Cap	270,396	3.8%	13.74%
Developed International Small Cap	49,689	0.7%	N/A
Emerging Markets	120,540	1.7%	N/A
<b>Global Fixed Income</b>	<b>2,538,550</b>	<b>35.5%</b>	<b>-0.29%</b>
<b>Cash Equivalents</b>	<b>2,446,011</b>	<b>34.2%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>232</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 7,160,926</b>		<b>6.76%</b>
<b>Policy Benchmark</b>			<b>5.96%</b>

*Columns may not foot due to rounding.*

## STATE RISK MANAGEMENT FUND

### Investment Objectives and Policy Guidelines

#### **Plan Characteristics and Fund Constraints**

To address the State's loss of sovereign immunity, the 1995 North Dakota Legislature created a new chapter of the North Dakota Century Code (NDCC), 32-12.2. That Chapter established the Risk Management Fund (the Fund) to administer claims against the State and state employees for personal injury, death, or property damage caused by the State or a state employee acting within the scope of the employee's employment. The Fund is directed by the Office of Management and Budget (OMB).

Each entity of the State is required to participate in the Fund. Contributions to the Fund are determined by the Director of OMB based on an actuarial review of the financial status of the Fund. This results in a fluctuation of contributions made to the Fund from one biennium to another.

The amount of money damages the Fund may pay is limited for state court actions to a total of \$250,000 per person and \$1,000,000 per occurrence. These liability caps may not be recognized in Federal Court actions or in actions filed in other states. The Fund's excess carrier provides coverage up to \$10,000,000 for those exposures not covered by the Tort Claims Act.

Significant claims paid from the Fund are usually somewhat predictable and take a period of time to resolve. A person bringing a claim or lawsuit against the State or a state employee must give notice to the OMB Director within 180 days after the alleged injury is discovered or reasonably should have been discovered. If the claim is one for death, the notice must be provided within one year after the alleged injury resulting in the death.

The Risk Management Division's operating expenses including loss control activities are paid from the Fund as incurred.

#### **Responsibilities of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

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

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

#### **Investment Objectives**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- 1) The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- 2) The Fund's risk, measured by the standard deviation of net returns, should not exceed the risk of the policy benchmark by more than 1% over a minimum evaluation period of five years. For example, if the risk of the policy benchmark is 4%, the Fund's risk should not exceed 5% over a five-year period.

- 3) The risk adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

The asset allocation of the Fund is established by the SIB, with input from the OMB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	22.5%
Small Cap Domestic Equity	7.5%
Fixed Income	65.0%
Cash Equivalents	5.0%

While the Fund recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Fund does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases

from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Fund periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of the advisory services managing investments for the board.
- A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 1,135,578</b>	<b>26.5%</b>	<b>18.78%</b>
Domestic Large Cap Equity	851,650	19.9%	20.03%
Domestic Small Cap Equity	283,928	6.6%	15.04%
<b>Global Fixed Income</b>	<b>2,460,743</b>	<b>57.5%</b>	<b>0.13%</b>
<b>Cash Equivalents</b>	<b>684,490</b>	<b>16.0%</b>	<b>3.61%</b>
<b>Total Fund</b>	<b>\$ 4,280,811</b>		<b>6.46%</b>
<b>Policy Benchmark</b>			<b>4.87%</b>

*Columns may not foot due to rounding.*

## STATE RISK MANAGEMENT WORKERS COMPENSATION FUND

### Investment Objectives and Policy Guidelines

#### **Plan Characteristics and Fund Constraints**

The 2001 North Dakota Legislature established a single workers' compensation account for state entities, N.D.C.C. § 65-04-03.1. N.D.C.C. § 65-04-03.1(2) directs that workers' compensation premiums from state entities must be deposited in the Risk Management Workers Compensation Fund (Fund) and the State Investment Board is directed to invest the Fund in accordance with chapter 21-10.

The Risk Management Division of the Office of Management and Budget is responsible for administering the Fund to include promulgating rules, collecting and dispersing funds, and establishing an internal workers' compensation return-to-work program. Each entity of the State is required to participate in the program unless exempted by the director of the Office of Management and Budget. Contributions to the Fund are determined by Workforce Safety & Insurance (WSI) based on an actuarial review of combined payroll, premium, and loss history of agencies to determine experience rates, assessments, and premiums. The actuarial assumed rate of return is 3%.

The Risk Management Workers Compensation Program charges the entity the first \$250 (\$0 if a designated medical provider is used for treatment) of each accepted claim and pays disability and medical benefits of up to \$100,000 dollars per claim. Dollar amounts for claims in excess of \$100,000 are paid for by WSI. In turn the Program pays WSI approximately \$1.7 million per year in premiums.

#### **Responsibilities of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Investment Objectives**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- 1) The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- 2) The Fund's risk, measured by the standard deviation of net returns, should not exceed the risk of the policy benchmark by more than 1% over a minimum evaluation period of five years. For example, if the risk of the policy benchmark is 4%, the Fund's risk should not exceed 5% over a five-year period.
- 3) The risk adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

The asset allocation of the Fund is established by the SIB, with input from the OMB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	27.75%
Small Cap Domestic Equity	9.25%
Fixed Income	60.00%
Cash Equivalents	3.00%

While the Fund recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Fund does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Fund periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of the advisory services managing investments for the board.
- A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 989,254</b>	<b>28.9%</b>	<b>18.76%</b>
Domestic Large Cap Equity	741,964	21.7%	20.03%
Domestic Small Cap Equity	247,290	7.2%	15.04%
<b>Global Fixed Income</b>	<b>1,604,429</b>	<b>46.9%</b>	<b>0.02%</b>
<b>Cash Equivalents</b>	<b>829,670</b>	<b>24.2%</b>	<b>3.61%</b>
<b>Total Fund</b>	<b>\$ 3,423,353</b>		<b>7.06%</b>
<b>Policy Benchmark</b>			<b>6.08%</b>

*Columns may not foot due to rounding.*



## **NORTH DAKOTA CULTURAL ENDOWMENT FUND**

### **Investment Objectives and Policy Guidelines**

#### **Fund Characteristics and Constraints**

The North Dakota Cultural Endowment Fund (Fund) was created by the State Legislature in 1979 and is governed by NDCC 54-54-08.2. The Fund was established “to improve the intrinsic quality of the lives of the state’s citizens now and in the future through programs approved by the council on the arts.” Such programs must:

1. Increase cultural awareness by the state’s citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state’s citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota’s heritage and future.

The goals of the Fund are:

- To create a vehicle through which the North Dakota Council on the Arts can secure private and public funds to enhance existing programs;
- And to provide a stable funding source for the Council.

Sources of funding for the Fund are private donations and periodic General Fund appropriations. The current principal balance that must be maintained in the Fund is \$150,000. Disbursements from the Fund will amount to approximately \$5,000 per year for fellowship grants.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Investment Objectives**

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs. Operating and statutory considerations shape the Funds policies and priorities as outlined below:

Objective #1: Investment income is needed to provide balance in investment return sources. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge. Capital growth will be sought through investment in equities.

Objective #3: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations. Cash equivalent investments will be used to achieve this objective.

Objective #4: The risk of violating the mandated minimum balance requirement of \$150,000 is to be minimized. This will be achieved by an asset allocation consistent with this objective.

### **Standards of Investment Performance**

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

- a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 33.75% S&P 500 domestic stock index, 11.25% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 37% Barclays Capital Aggregate domestic bond index, 5% NCREIF Total real estate index, and 3% 90-day Treasury bills.
- b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.
- c. Over 10 year and longer time periods the Fund should match or exceed the expected 7.26% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 10.44%.

### **Policy and Guidelines**

The asset allocation of the Cultural Endowment Fund is established by the North Dakota Council on the Arts, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Large Cap Domestic Equities	33.75%
Small Cap Domestic Equities	11.25%
International Equities	10.00%
Domestic Fixed Income	37.00%
Real Estate	5.00%
Cash Equivalents	3.00%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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

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

For the purpose of this document, Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

- (1) The cost does not exceed the fair market value at the time of investment.

- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

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

### **Evaluation and Review**

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

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

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 305,275</b>	<b>55.0%</b>	<b>18.28%</b>
Domestic Large Cap Equity	187,308	33.8%	20.03%
Domestic Small Cap Equity	62,449	11.3%	15.04%
International All Cap	21,793	3.9%	N/A
Developed International Large Cap	20,696	3.7%	13.74%
Developed International Small Cap	3,803	0.7%	N/A
Emerging Markets	9,226	1.7%	N/A
<b>Global Fixed Income</b>	<b>205,403</b>	<b>37.0%</b>	<b>-0.13%</b>
<b>Global Real Assets</b>	<b>27,813</b>	<b>5.0%</b>	<b>-10.59%</b>
Real Estate	27,813	5.0%	-10.59%
<b>Cash Equivalents</b>	<b>16,167</b>	<b>2.9%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>107</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 554,765</b>		<b>9.50%</b>
<b>Policy Benchmark</b>			<b>8.73%</b>

*Columns may not foot due to rounding.*

## **ARTS ACROSS THE PRAIRIE MAINTENANCE ENDOWMENT FUND (A SEGMENT OF THE NORTH DAKOTA CULTURAL ENDOWMENT FUND)**

### **Investment Objectives and Policy Guidelines**

#### **Fund Characteristics and Constraints**

The North Dakota Cultural Endowment Fund (Fund) was created by the State Legislature in 1979 and is governed by NDCC 54-54-08.2. The NDCE Fund was established “to improve the intrinsic quality of the lives of the state’s citizens now and in the future through programs approved by the council on the arts.” Such programs must:

1. Increase cultural awareness by the state’s citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state’s citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota’s heritage and future.

Per House Bill No. 1015 passed during the 2021 Legislative Session, \$1,000,000 will be transferred from the strategic investment and improvements fund to the NDCE Fund with the intent that ND Council on the Arts (NDCA) expend up to \$50,000 annually for the maintenance of the public arts projects constructed as part of the *Arts Across the Prairie* placemaking program. It is the intent to continue to spend up to \$50,000 annually until the moneys (principle and income) derived from the strategic investment and improvements fund have been fully expended.

This capital has a different mission and spending profile compared to the original capital in the North Dakota Cultural Endowment Fund. As such, a separate portfolio with a new investment policy statement will be created to invest these monies. The portfolio will be named the “*Arts Across the Prairie Maintenance Endowment Fund*” (AAPME Fund).

#### **Fund Mission**

The AAPME Fund’s mission is to provide up to \$50,000 annually for the maintenance of public arts projects constructed as part of the *Arts Across the Prairie* placemaking program.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

NDCA’s board is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the NDCE Fund, which includes the AAPME Fund. The SIB is charged with implementing these policies and investing the assets of the AAPME Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB’s role in determining investment strategy and security selection is supervisory, not advisory. The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

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

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

### **Investment Performance and Risk Objectives**

NDCA's board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The AAPME Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- 1) The AAPME Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- 2) Risk, as measured by the annual standard deviation of net returns for the AAPME Fund, should not exceed that of the policy portfolio by more than 200 basis points over a minimum evaluation period of five years.

### **Asset Allocation**

After consideration of all the inputs and discussion of its own risk tolerance, NDCA's board has chosen the following asset allocation:

Asset Class	Policy Target
Public Equity	70%
Public Fixed Income	30%
Total	100%

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

### **Fund Specific Requirements**

NDCA may spend up to \$50,000 annually until the AAPME Fund is fully expended. Annually is defined as the State's fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>).

### **Restrictions**

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

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. No transaction shall be made which threatens the tax-exempt status of the AAPME Fund.
- d. All assets will be held in custody by the SIB's master custodian, or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases shall be made.

### **Internal Controls**

The SIB must have a system of internal controls in place to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the AAPME Fund will be evaluated against the vehicle's investment objectives and investment performance standards. Emphasis will be placed on five-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to NDCA's board periodically, but not less than quarterly. These reports will include:

- 1) A list of the advisory services managing investments for the board.
- 2) A list of investments at fair value, compared to previous reporting period, of each fund managed by each advisory service.
- 3) Earnings, percentage earned, and change in fair value of each fund's investments.
- 4) Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.

Annually, a report will be provided to NDCA's board that includes:

- 1) All material legal or legislative proceedings affecting the SIB.
- 2) Confirmation that the AAPME Fund is in compliance with this investment policy statement and/or any exceptions.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 747,589	70.0%	N/A
Domestic Large Cap Equity	385,501	36.1%	N/A
Domestic Small Cap Equity	68,066	6.4%	N/A
International All Cap	115,417	10.8%	N/A
Developed International Large Cap	109,604	10.3%	N/A
Developed International Small Cap	20,141	1.9%	N/A
Emerging Markets	48,860	4.6%	N/A
Global Fixed Income	317,206	29.7%	N/A
Cash Equivalents	3,206	0.3%	N/A
Residual Holdings	525	0.0%	N/A
<b>Total Fund</b>	<b>\$ 1,068,526</b>		<b>N/A</b>
<b>Policy Benchmark</b>			<b>0.00%</b>

*Columns may not foot due to rounding.*

## **NORTH DAKOTA BUDGET STABILIZATION FUND**

### **Investment Objectives and Policy Guidelines**

#### **Fund Characteristics and Constraints**

The Budget Stabilization Fund (Fund) is a special fund created in 1987 under Chapter 54-27.2 of the North Dakota Century Code used to deposit general fund moneys in excess of appropriations. The Fund serves as a “rainy day fund” for the State of North Dakota General Fund. The statutory cap for the 2021-23 biennium is \$751,568,600. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10.

Any interest or other budget stabilization fund earnings must be deposited in the fund. Any amounts provided by law for deposit in the fund and any interest or earnings of the fund which would bring the balance in the fund to an amount greater than that fifteen percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited or retained in the fund but must be deposited instead in the state general fund. In the event of a budget shortfall, additional transfers may be made from the Fund only in accordance with NDCC 54-27.2-03.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory. In accordance with this Investment Policy Statement, the Fund's assets may be invested directly or through collective investment vehicles.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Investment Objectives**

The investment objectives of the Fund reflect the relatively unknown life-span and the moderate risk tolerance of the Fund. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments will be used to achieve this objective.

#### **Standards of Investment Performance**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- b. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy and Guidelines**

The asset allocation of the Fund is established by the SIB, with input from the Legacy and Budget Stabilization Advisory Board. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Short-term Fixed Income	Minimum of 90%
Bank Loans w/floating yield	Maximum of 5%
Absolute Return Strategies	Maximum of 5%

On June 17, 2017, the Advisory Board acknowledged the Bank of North Dakota Match Loan Certificates of Deposit Program (BND CD) was transferred to the Legacy Fund in early-2017.

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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



**Evaluation and Review**

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

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

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short Term Fixed Income	\$ 737,257,285	99.7%	3.12%
Cash Equivalents	2,585,803	0.3%	3.61%
<b>Total Fund</b>	<b>\$ 739,843,088</b>		<b>3.13%</b>
<b>Policy Benchmark</b>			<b>0.54%</b>
<i>Columns may not foot due to rounding.</i>			

## **NORTH DAKOTA ASSOCIATION OF COUNTIES**

### **Investment Objectives and Policy Guidelines**

#### **Introduction**

The North Dakota Association of Counties (NDACo) (Fund) was established to aid in the administration of county government by providing a medium for exchange of information, ideas, and experience of county officials; promote training; facilitate cooperation with all levels of government; and be a legislative advocate for counties. NDACo and the benefits provided there under are funded by dues from member counties and special programs and projects of NDACo.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

NDACo has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of NDACo to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Risk Tolerance**

Funds in excess of those required for operating and claims payment needs will be invested to obtain the maximum total return on investments consistent with safety of principal on funds in excess of those required for operating and claims payment needs. The investment funds may be comprised of fixed income securities and equity securities. Individual investments may be either actively or passively managed.

#### **Investment Objective**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

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

#### **Policy Asset Mix**

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset allocation analysis designed to assist the Fund in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total fund risk.

After consideration of all the inputs and a discussion concerning risk tolerance, the Fund approves the appropriate policy mix for the Fund.

Large Cap Equity	20%
Small Cap Equity	5%
International Equity	10%
Domestic Fixed Income	62%
Cash Equivalents	3%

While the Fund recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Fund does not intend to engage in tactical asset allocations. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

**Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 2,529,747</b>	<b>35.0%</b>	<b>18.15%</b>
Domestic Large Cap Equity	1,445,536	20.0%	20.03%
Domestic Small Cap Equity	361,401	5.0%	15.04%
International All Cap	283,736	3.9%	N/A
Developed International Large Cap	269,445	3.7%	13.74%
Developed International Small Cap	49,514	0.7%	N/A
Emerging Markets	120,115	1.7%	N/A
<b>Global Fixed Income</b>	<b>4,481,721</b>	<b>62.0%</b>	<b>-0.17%</b>
<b>Cash Equivalents</b>	<b>210,270</b>	<b>2.9%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>1,350</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 7,223,088</b>		<b>6.28%</b>
<b>Policy Benchmark</b>			<b>5.33%</b>
<i>Columns may not foot due to rounding.</i>			

## **CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT**

### **Investment Objectives and Policy Guidelines**

#### **Fund Characteristics and Constraints**

The City of Bismarck Deferred Sick Leave Account (the Fund) represents money set aside to cover the City's unfunded liability of employees' accrued sick leave. People who terminate employment with the City shall be compensated for unused sick leave from this Fund. In time, it is expected that the Fund will become depleted.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The City of Bismarck (Client) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of the Client to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish appropriate asset class pools designed to provide specific quality and diversification guidelines, restrictions, and performance objectives consistent with the goals of the funds participating in the pools.

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

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Investment Objectives**

The investment objectives are to obtain a reasonable rate of return on the Fund while maintaining sufficient liquidity to meet known or anticipated financial obligations. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

#### **Standards of Investment Performance**

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

- a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 15% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 65% Barclays Capital Aggregate domestic bond index, and 5% 90-day Treasury Bills.
- b. The annual standard deviation of total returns for the Fund should be consistent with that of the policy portfolio.
- c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.00% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 6.50%.

### **Policy and Guidelines**

The asset allocation of the Fund is established by the City of Bismarck. Asset allocation is based upon the appraisal of projected liquidity requirements and sick leave payment demand, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	15%
Small Cap Domestic Equity	5%
International Equity	10%
Fixed Income	65%
Cash Equivalents	5%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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

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

For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust. Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 235,744</b>	<b>30.0%</b>	<b>17.81%</b>
Domestic Large Cap Equity	117,904	15.0%	20.03%
Domestic Small Cap Equity	39,289	5.0%	15.04%
International All Cap	30,835	3.9%	N/A
Developed International Large Cap	29,282	3.7%	13.74%
Developed International Small Cap	5,381	0.7%	N/A
Emerging Markets	13,053	1.7%	N/A
<b>Global Fixed Income</b>	<b>510,942</b>	<b>65.1%</b>	<b>-0.06%</b>
<b>Cash Equivalents</b>	<b>37,892</b>	<b>4.8%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>147</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 784,725</b>		<b>5.44%</b>
<b>Policy Benchmark</b>			<b>4.43%</b>

*Columns may not foot due to rounding.*

## NDPERS GROUP INSURANCE ACCOUNT

### Investment Objectives and Policy Guidelines

#### **Fund Characteristics and Constraints**

The ND Public Employees Retirement System (PERS) Group Insurance Account (Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

PERS has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of PERS to establish policies on investment goals and asset allocation of the Funds. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Funds in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

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

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

#### **Investment Objectives**

Premiums are collected throughout the month at PERS and will be forwarded to the Fund investment account on approximately the 5<sup>th</sup> of each month. The premiums transferred into the investment account will be transferred back to PERS on approximately the 20<sup>nd</sup> of each month so they may be remitted to the insurance carrier. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

#### **Standards of Investment Performance**

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

- a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.
- b. The Fund annual standard deviation of total returns
- c. should not materially exceed that of the policy portfolio.

#### **Policy and Guidelines**

The asset allocation of the Fund is established by PERS, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Short Term Fixed Income	95%
Cash Equivalents	5%

This cash will be held in an enhanced money market account at the Fund's custodian.



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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Evaluation and Review**

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

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

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short Term Fixed Income	\$ 55,916,996	95.1%	3.12%
Cash Equivalents	2,858,858	4.9%	3.61%
<b>Total Fund</b>	<b>\$ 58,775,854</b>		<b>3.15%</b>
<b>Policy Benchmark</b>			<b>0.68%</b>

*Columns may not foot due to rounding.*

## **CITY OF FARGO FARGODOME PERMANENT FUND**

### **Investment Objectives and Policy Guidelines**

#### **Fund Characteristics and Constraints**

The City of Fargo has set aside excess sales tax collections intended for the administration of the FargoDome in the FargoDome Permanent Fund (Fund). This fund is intended to provide financial resources necessary for the ongoing upkeep of this large City owned facility over a long term time horizon.

#### **Responsibilities of the State Investment Board (SIB)**

The City of Fargo (Client) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of the Client to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Investment Objectives**

The investment objectives are to obtain a reasonable rate of return on the Fund while maintaining sufficient liquidity to meet known or anticipated financial obligations. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

#### **Standards of Investment Performance**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of the net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy and Guidelines**

The asset allocation of the Fund is established by the City of Fargo Finance Committee, with input from RIO staff. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	23%
Small Cap Domestic Equity	12%
International Equity	15%
Fixed Income	39%
Inflation Protected Assets	10%
Cash Equivalents	1%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

**Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust. Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 21,325,453</b>	<b>50.0%</b>	<b>17.57%</b>
Domestic Large Cap Equity	9,809,643	23.0%	20.03%
Domestic Small Cap Equity	5,117,967	12.0%	15.04%
International All Cap	2,511,447	5.9%	N/A
Developed International Large Cap	2,384,948	5.6%	13.74%
Developed International Small Cap	438,266	1.0%	N/A
Emerging Markets	1,063,182	2.5%	N/A
<b>Global Fixed Income</b>	<b>16,635,160</b>	<b>39.0%</b>	<b>-0.09%</b>
<b>Global Real Assets</b>	<b>4,265,471</b>	<b>10.0%</b>	<b>1.24%</b>
Diversified Real Assets	4,265,471	10.0%	1.24%
<b>Cash Equivalents</b>	<b>415,040</b>	<b>1.0%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>12,116</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 42,653,240</b>		<b>8.87%</b>
<b>Policy Benchmark</b>			<b>7.64%</b>

*Columns may not foot due to rounding.*

## ND STATE BOARD OF MEDICINE FUND

### Investment Objectives and Policy Guidelines

#### **Plan Characteristics and Fund Constraints**

The North Dakota State Board of Medicine (the Board) was established in 1890 to protect the citizens of the state by regulating the practice of medicine. The Board licenses physicians, physician assistants, genetic counselors and fluoroscopy technicians and disciplines them if they violate the state's medical practice act. The North Dakota State Board of Medicine is governed by NDCC Chapter 43-17.

The North Dakota State Board of Medicine Fund (the Fund) is an unrestricted operating reserve set aside to provide a margin of safety and stability in the Board's operating activities, and provide flexibility to pursue capital projects as needed.

#### **Fund Goals**

The investment objectives of the Fund reflect a low risk tolerance and short-term liquidity needs. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income, equities and real estate.

Objective #2: Growth of capital is needed to preserve the real purchasing power of Fund assets. Capital growth is sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity will be maintained to meet known or anticipated financial obligations. Cash equivalent investments shall be used to achieve this objective.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

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

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

### **Risk Tolerance**

The Board's risk tolerance with respect to the management of the Fund's asset is low. The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

### **Investment Objectives**

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Policy Asset Mix**

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset allocation analysis designed to assist the Board in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total Fund risk.

After consideration of all the inputs and a discussion concerning risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

US Equity	16%
Global ex US Equity	11%
Fixed Income	67%
Real Estate	6%

While the Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Board does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- A list of the advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 873,989</b>	<b>27.0%</b>	<b>17.93%</b>
Domestic Large Cap Equity	440,209	13.6%	20.03%
Domestic Small Cap Equity	77,717	2.4%	15.04%
International All Cap	139,771	4.3%	N/A
Developed International Large Cap	132,731	4.1%	13.74%
Developed International Small Cap	24,391	0.8%	N/A
Emerging Markets	59,170	1.8%	N/A
<b>Global Fixed Income</b>	<b>2,159,069</b>	<b>66.7%</b>	<b>-0.23%</b>
<b>Global Real Assets</b>	<b>194,264</b>	<b>6.0%</b>	<b>-10.59%</b>
Real Estate	194,264	6.0%	-10.59%
<b>Cash Equivalents</b>	<b>9,386</b>	<b>0.3%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>670</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 3,237,378</b>		<b>3.94%</b>
<b>Policy Benchmark</b>			<b>3.37%</b>

*Columns may not foot due to rounding.*



## LEWIS & CLARK INTERPRETIVE CENTER ENDOWMENT FUND

### Investment Objectives and Policy Guidelines

#### **Fund Characteristics and Constraints**

The Lewis & Clark Interpretive Center Endowment Fund (Fund) was created in 2003 exclusively for the maintenance, repair and upkeep of the ND Lewis & Clark Interpretive Center/Rest Area, for programming and facility improvements. The original principal was endowed to the North Dakota Lewis & Clark Bicentennial Foundation who transferred the funds to the North Dakota Parks and Recreation Department (Parks and Rec) in 2017. In 2022 the Fund was transferred from the North Dakota Parks and Recreation Department to the State Historical Society of North Dakota.

#### **Fund Goals**

It is the intention of the State Historical Society to utilize the earnings of the Fund to supplement its biennial appropriation for the maintenance of the Lewis & Clark Interpretive Center.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

State Historical Society has entered into a contract with the SIB for investment services as allowed under 21-10-06. State Historical Society is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

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

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. SIB investment responsibility includes selecting performance measurement services, consultants, report formats and frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Risk Tolerance**

State Historical Society is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over the long-term.

#### **Investment Objectives**

State Historical Society's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

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

### **Policy Asset Mix**

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist State Historical Society in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total fund risk.

After consideration of all the inputs and discussion of its own collective risk tolerance, State Historical Society approves the appropriate policy asset mix for the Fund.

Global Equity	35%
Global Fixed Income	64%
Cash Equivalents	1%

While State Historical Society recognizes fluctuations in market values will lead to short-term deviations from policy targets, State Historical Society does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment

purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to State Historical Society quarterly and investment performance presentations will be provided to State Historical Society upon request, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- A list of advisory services managing investments for State Historical Society.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 295,244</b>	<b>35.0%</b>	<b>17.75%</b>
Domestic Large Cap Equity	152,245	18.1%	20.03%
Domestic Small Cap Equity	26,885	3.2%	15.04%
International All Cap	45,580	5.4%	N/A
Developed International Large Cap	43,284	5.1%	13.74%
Developed International Small Cap	7,954	0.9%	N/A
Emerging Markets	19,296	2.3%	N/A
<b>Global Fixed Income</b>	<b>539,786</b>	<b>64.0%</b>	<b>-0.25%</b>
<b>Cash Equivalents</b>	<b>7,863</b>	<b>0.9%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>214</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 843,107</b>		<b>5.99%</b>
<b>Policy Benchmark</b>			<b>5.20%</b>

*Columns may not foot due to rounding.*

## ATTORNEY GENERAL SETTLEMENT FUND

### Investment Objectives and Policy Guidelines

#### **Fund Characteristics and Constraints**

The ND Office of the Attorney General (Trustee) has established the AG Settlement Fund to support attorney related compensation needs and educational initiatives.

The AG Settlement Fund (Fund) was established with an initial investment contribution on September 30, 2019, and expects to make semi-annual withdrawals that will likely result in the entire balance being depleted by approximately June 30, 2025. Additional contributions may occur in future years which could extend the expected investment horizon of the Fund and/or potentially alter its investment risk, return and liquidity profile.

#### **Fund Goals**

The investment objectives of the Fund reflect a low risk tolerance and short-term liquidity needs. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality, short-term fixed income and cash.

Objective #2: The need for growth of capital to preserve the real purchasing power of Fund assets is minimal as the investment term is not expected to be more than a few years.

Objective #3: Sufficient liquidity must be maintained as the Fund will be liquidated in semi-annual distributions over the next few years. Short-term fixed income and cash equivalent investments shall be used to achieve this objective.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The ND Office of the Attorney General (Trustee) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Trustee is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

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

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

### **Risk Tolerance**

The Trustee's risk tolerance with respect to the management of the Fund's asset is low. The Trustee is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

### **Investment Objectives**

The Trustee's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over the investment period of approximately three years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 1% of the policy benchmark over a minimum evaluation period of three years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of three years.

### **Policy Asset Mix**

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset allocation analysis designed to assist the Trustee in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total Fund risk.

After consideration of all the inputs and a discussion concerning risk tolerance, the Trustee approves the appropriate policy asset mix for the Fund.

Short-Term Fixed Income & Cash	100%
--------------------------------	------

While the Trustee recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Trustee does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on three (or five) year results, if applicable. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Trustee periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- A list of advisory services managing investments for the Fund.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short Term Fixed Income	\$ 1,801,535	99.0%	3.12%
Cash Equivalents	17,380	1.0%	3.61%
<b>Total Fund</b>	<b>\$ 1,818,915</b>		<b>3.13%</b>
<b>Policy Benchmark</b>			<b>0.56%</b>

*Columns may not foot due to rounding.*

## ND VETERANS' CEMETERY TRUST FUND

### Investment Objectives and Policy Guidelines

#### **Fund Characteristics and Constraints**

The ND Veterans' Cemetery Trust Fund (Fund) was established in 1997 as a permanent fund to be used to support the veterans' cemetery. As spelled out in NDCC 39-04-10.10, the Fund receives a portion of the annual surcharge assessed on the issuance of North Dakota veterans' number plates. The North Dakota State Treasurer has full authority to invest the fund in the same manner as the State Investment Board is authorized to make investments. Upon request of the Adjutant General, the interest in the Fund must be deposited into the Veterans' Cemetery Maintenance Fund for the purpose of funding salaries and maintenance of the veterans' cemetery.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The ND State Treasurer (Client) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of the Client to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the Fund in the manner provided in Section 21-10-07-the prudent institutional investor rule. The 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers, which are also required to employ investment strategies consistent with the investment policy. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

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

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, retaining, and terminating money managers. The SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers. The SIB will implement changes to this policy as promptly as is prudent.

#### **Policy Asset Mix**

After consideration of all the liquidity needs, spending policy and time horizon of the Fund and a discussion of its risk tolerance, the Client approves the following policy asset mix for the Fund:

Global Equities	50%
Global Fixed Income	35%
Global Real Assets	15%

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

#### **Investment Objectives**

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

- a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- b. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
- c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

### **Restrictions**

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

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

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on 5-year and 10-year results. Evaluation should include an



assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy statement for achieving those objectives.

Performance reports will be provided to the Client periodically, but not less than quarterly. Such reports will include asset returns and allocation data. Additionally, not less than annually, reports will include information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including:

- A list of advisory services managing investments for the Fund.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$ 226,881</b>	<b>50.0%</b>	<b>17.74%</b>
Domestic Large Cap Equity	116,980	25.8%	20.03%
Domestic Small Cap Equity	20,623	4.5%	15.04%
International All Cap	35,046	7.7%	N/A
Developed International Large Cap	33,280	7.3%	13.74%
Developed International Small Cap	6,116	1.3%	N/A
Emerging Markets	14,836	3.3%	N/A
<b>Global Fixed Income</b>	<b>157,429</b>	<b>34.7%</b>	<b>-0.25%</b>
<b>Global Real Assets</b>	<b>68,038</b>	<b>15.0%</b>	<b>-4.09%</b>
Diversified Real Assets	45,364	10.0%	-0.88%
Real Estate	22,674	5.0%	-10.59%
<b>Cash Equivalents</b>	<b>1,336</b>	<b>0.3%</b>	<b>3.61%</b>
<b>Residual Holdings</b>	<b>164</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$ 453,848</b>		<b>8.00%</b>
<b>Policy Benchmark</b>			<b>7.47%</b>

*Columns may not foot due to rounding.*

## **ND UNIVERSITY SYSTEM CAPITAL BUILDING INVESTMENT FUND**

### **Investment Objectives and Policy Guidelines**

#### **Plan Characteristics and Constraints**

The North Dakota University System (Trustee) has established the Capital Building Fund to support Capital Building projects on a continuing basis for allocations to the institutions under the control of the state board of higher education as directed by the legislative assembly in the accordance of chapter 15-54.1. Any interest or earnings of the fund must be allocated to the capital building fund pool within the university system capital building fund.

The North Dakota University System Capital Building Fund (Fund) was established with an initial contribution on December 30, 2021, and expects to withdraw as needed within the biennium. Additional contributions may occur in future years and may potentially alter its investment risk, return and liquidity profile.

#### **Fund Goals**

The investment objectives of the Fund reflect a low risk tolerance and short-term liquidity needs. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality, short-term fixed income and cash.

Objective #2: Growth of capital is minimal to preserve the real purchasing power of Fund assets as the investment term is not expected to be more than a few years.

Objective #3: Sufficient liquidity must be maintained as the Fund will be drawn down over the next few years. Short-term fixed income and cash equivalent investments shall be used to achieve this objective.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The ND University System (Trustee) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Trustee is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

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

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

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

### **Risk Tolerance**

The Trustee's risk tolerance with respect to the management of the Fund's asset is low. The Trustee is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

### **Investment Objectives**

The Trustee's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over the investment period of approximately three years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 1% of the policy benchmark over a minimum evaluation period of three years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of three years.

### **Policy Asset Mix**

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset allocation analysis designed to assist the Trustee in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total Fund risk.

After consideration of all the inputs and a discussion concerning risk tolerance, the Trustee approves the appropriate policy asset mix for the Fund.

<i>Asset Class</i>	<i>Policy Target</i>
Short-Term Fixed Income and Cash	100%

While the Trustee recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Trustee does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

### **Restrictions**

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

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

For the purpose of this document, social investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the Fund.

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

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on three (or five) year results, if applicable. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Trustee periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- A list of the advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

### **Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short Term Fixed Income	\$ 1,041,940	99.1%	3.12%
Cash Equivalents	9,707	0.9%	3.61%
<b>Total Fund</b>	<b>\$ 1,051,647</b>		<b>3.13%</b>
<b>Policy Benchmark</b>			<b>0.56%</b>

*Columns may not foot due to rounding.*

## **NORTH DAKOTA LEGACY FUND**

### **Investment Objectives and Policy Guidelines**

#### **Plan Characteristics and Fund Constraints**

The North Dakota Legacy Fund was created in 2010 when the voters of North Dakota approved a constitutional amendment--now Article X, Section 26, of the Constitution of North Dakota--to provide that 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the Legacy Fund. The principal and earnings of the Legacy Fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the Legacy Fund may be spent during a biennium. The Legislative Assembly may transfer funds from any source to the Legacy Fund, and such transfers become part of the principal of the Fund. The State Investment Board (SIB) is responsible for investment of the principal of the Legacy Fund. Interest earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-11 provides that the goal of investment for the Legacy Fund is principal preservation while maximizing total return.

#### **Fund Mission**

The Legacy Fund (Fund) was created, in part, due to the recognition that state revenue from the oil and gas industry will be derived over a finite timeframe. The Legacy Fund defers the recognition of 30 percent of this revenue for the benefit of future generations. The primary mission of the Legacy Fund is to preserve the real inflation-adjusted purchasing power of the money deposited into the Fund while maximizing total return for a prudent level of risk.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

The Legacy and Budget Stabilization Fund Advisory Board (Advisory Board) is charged by law under Section 21-10-11 with the responsibility of recommending policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing policies and asset allocation and investing the assets of the Fund in the manner provided in Section 21-10-07--the prudent institutional investor rule. The 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers, which are also required to employ investment strategies consistent with the investment policy. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pool. The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, retaining, and terminating money managers. The SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB shall notify the Advisory Board within 30 days of any substantial or notable changes in money managers; performance measurement services; and consultants, including hiring or terminating a money manager, performance measurement service, or a consultant. The SIB, after consultation with the Advisory Board, will implement necessary changes to this policy in an efficient and prudent manner.

The Policies governing the investment of the Legacy Fund assets fall into three categories.

- Those applicable to all investment for Legacy Fund assets.
- Those applicable to those assets - referred to here as the Core Legacy Fund (CLF) - that are not invested under the In-State Investment Program.
- Those assets defined under law made within the In-State Investment Program (ISIP).

**A. Policies governing the investment of All Legacy Fund Assets****a. Risk Tolerance**

The Advisory Board's risk tolerance with respect to the primary aspect of the Legacy Fund's mission is low. The Advisory Board is unwilling to undertake investment strategies that might jeopardize the ability of the Legacy Fund to maintain principal value over time. The Board recognizes that the plan will evolve as the Legacy Fund matures and economic conditions and opportunities change.

**b. Investment Objectives**

The Advisory Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Legacy Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- a. The Legacy Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- b. The Legacy Fund's risk, measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.

**c. The Prudent Investor Rule**

All investments and the investment strategy in its totality will adhere to the Prudent Investor Rule.

**B. Asset Allocation Policy (below allocation approved in July 2023; to be implemented during FY24)**

The SIB and the Advisory Board recognize that the most important determinant of long-term return and risk is the asset allocation decision. The asset allocation decision is intended to reflect the return objective and risk tolerance expressed in this Investment Policy Statement. The table below delineates the following key guidelines for the Total Legacy Fund.

- a. The approved asset classes to be utilized.
- b. The policy target allocations for each.
- c. The application of a rebalancing program.

At its discretion, the SIB advised by the Advisory Board may adjust these targets on an interim or a long-term basis to account for (a) extreme market conditions, (b) the specific composition of Legacy Fund assets deployed via the In-State Investment Program (ISIP), a decision by the North Dakota State Legislature to withdraw and spend an amount above that consistent, with capital preservation of the Legacy Fund assets up to but not exceeding 15% of the Fund and (c) the long-term implementation nature of alternative assets (such as private equity and private real assets).

<b>Asset Class</b>	<b>Policy Target</b>	<b>Policy Target Ranges</b>	<b>Additional Guidelines</b>
<b>Broad US Equity</b>	<b>27.5%</b>	<b>18% - 40%</b>	Rebalanced with the total invested in-state equity and real assets; apply corridor treatment
<b>Broad International Equity</b>	<b>19%</b>	<b>14% - 24%</b>	Rebalanced with the total invested in-state and private markets – equity and real assets; apply corridor treatment
<b>Private Equity</b>	<b>7%</b>	<b>0%-12%</b>	Rebalance with public equity; apply corridor treatment
<b>Fixed Income (Total)</b>	<b>28.5%</b>	<b>23%-34%</b>	Rebalanced with the total invested in-state and private markets fixed income and real assets; apply corridor treatment
Core Fixed Income	13.5%	10%-17%	Rebalance with public fixed income; apply corridor treatment
High Yield Fixed Income	5.0%	0%-7%	
Private Credit	10.0%	0%-13%	
<b>Private Real Assets</b>	<b>10%</b>	<b>5%-15%</b>	Rebalance half public equity/half public fixed income; apply corridor treatment
<b>In-state Fixed Income (Total)</b>	<b>5%</b>		Target of \$700 million; rebalance with public fixed income; apply corridor treatment
In-state Infrastructure	1%	0%-2%	Up to \$150 million
Loan			
BND CD Match Program	4%	0%-6%	Minimum of \$400 million
<b>In-State Equity</b>	<b>3%</b>	<b>0%-7%</b>	Long-Term Target of \$600 million; rebalance with public equity; apply corridor treatment

Rebalancing of the fund to these targets will be done in accordance with the SIB's rebalancing policy. Additionally, for rebalancing purposes, portfolio weights of private markets (equity, fixed income and half equity/half fixed income for real assets) can be applied to benchmark weights using the policy target ranges stated in the table above.

**C. Policies specific to the In-State Investment Program**

In 2021, House Bill 1425 (HB 1425) was approved by the North Dakota legislature and signed into law. It establishes a program for the investment of a portion of Legacy Fund assets within the state and empowers the State Investment Board advised by the Legacy and Budget Stabilization Fund Advisory Board ("Advisory Board") to execute that program.

The in-state investment program ("ISIP") provides specific direction that grants the SIB and the Advisory Board substantial latitude in the implementation of the program. Specifically, HB 1425 directs the SIB advised by the Advisory Board to:

- A target allocation of 10% to fixed income investments within the state, of which:
  - Up to 40% must be targeted for infrastructure loans, with the fixed net return to the legacy fund of 1.5%.
  - Up to 60%, with the minimum of \$400 million, must be designated to the Bank of North Dakota's ("BND") certificate of deposit match program with an interest rate fixed at the equivalent yield of the United State treasury bonds having the same term, up to a maximum term of 20 years.
- A target allocation of 10% to equity investments in the state, of which at least 3% may be targeted for investment in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in emerging or expanding companies in the state. Equity investments must:
  - Be managed by qualified investment firms, financial institutions, or equity funds.
  - Have a benchmark investment return equal to the 5-year average net return for the legacy fund, excluding in-state investments.

In addition to the policies covering all Legacy Fund assets noted above in Section 3.A. – risk tolerance, return objectives, and the Prudent Investor Rule – policies specific to the investments made within the ISIP include:

- a) Specific to the assessment of acceptable risk and return targets for the ISIP in total and all ISIB investments, in-state investments should offer credible evidence that they will meet or exceed the forward expected returns of similar investments with similar levels of risk and liquidity present in the Core Legacy Fund.
- b) All proposed investments will be made using third party asset managers. Direct investments by the SIB advised by the Advisory Board are not contemplated.
- c) All investments must be subject to the same level of due diligence that similar investments considered for funding using Core Legacy Fund assets.
- d) The Board at its discretion may choose to direct asset managers retained in the ISIP to utilize either equity, fixed income, convertible debt, debt with warrants or a combination of any of these securities to best meet the risk, return and prudence in the ISIP investments.
- e) The Board will create and maintain an annual investment pacing schedule that – subject to the successful sourcing, due diligence and deal structuring that meets the Board's policy requirements for the ISIP, fluctuations in market values and distributions back to the Legacy Fund – will create the opportunity to commit funds at a rate such that the full amount of the equity capital limit for the ISIP set in statute (currently 10%) is reached within ten years.
- f) The Board will direct asset managers retained in the ISIP to:
  - i. require in the structuring of transactions that the State never becomes a majority equity owner of a business,
  - ii. require that private capital provided by independent third parties always be invested alongside capital provided from Legacy Fund assets,
  - iii. give strong preference for investments that provide the Board the ability to exit from the investment to recycle capital into new ISIP opportunities. The Board, to the extent prudent, will give special consideration to qualified and experienced institutional asset managers domiciled or having operating offices within the state for participation in implementation of the ISIP,
  - iv. capital provided to any one direct investment by an in-state portfolio fund manager should not exceed \$10 million, with two exceptions per fund commitment of up to \$25 million.

### **Restrictions**

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

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. No transaction may be made that would threaten the tax-exempt status of the Legacy Fund.
- d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases may be made.
- f. Social investing is prohibited unless it meets the Exclusive Benefit Rule, and it can be substantiated that the investment provides an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk. For the purpose of this document, social investing is defined as *"The consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the fund."*
- g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document, economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

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

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

### **Internal Controls**

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

### **Evaluation and Review**

Investment management of the Legacy Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on 5-year and 10-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy statement for achieving those objectives.

Performance reports will be provided to the Board periodically, but not less than quarterly. Such reports will include asset returns and allocation data. Additionally, not less than annually, reports will include information regarding all significant and/or material matters and changes pertaining to the investment of the Legacy Fund, including:

- Changes in asset class portfolio structures, tactical approaches, and market values.
- Loss of principal, if any.
- Management costs associated with various types of investments.
- All material legal or legislative proceedings affecting the SIB.



- Compliance with this investment policy statement.
- An evaluation of the national economic climate.
- A forecast of the expected economic opportunities and dangers.
- Management of risk by the SIB.

In addition to the quarterly and annual evaluation and review process, the SIB shall notify the Board within 30 days of any substantial or notable deviation from the normal management of the Legacy Fund, including any anomalies, notable losses, gains, or liquidation of assets affecting the fund.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
<b>Global Equity</b>	<b>\$4,605,445,702</b>	<b>51.1%</b>	<b>16.51%</b>
Large Cap Domestic Equity	2,303,930,895	25.6%	20.01%
Small Cap Domestic Equity	395,233,416	4.4%	14.42%
International All Cap	696,099,226	7.7%	N/A
Developed International Large Cap	678,243,645	7.5%	14.06%
Developed International Small Cap	109,010,799	1.2%	N/A
Emerging Markets	332,896,047	3.7%	N/A
Private Equity	89,986,866	1.0%	4.30%
Global Equity Transition Account	44,808	0.0%	N/A
<b>Global Fixed Income</b>	<b>3,008,783,850</b>	<b>33.4%</b>	<b>1.32%</b>
<b>Global Real Assets</b>	<b>1,339,822,333</b>	<b>14.9%</b>	<b>-1.24%</b>
Real Estate	464,013,635	5.2%	-9.99%
Diversified Real Assets	875,808,698	9.7%	4.16%
<b>Cash Equivalents</b>	<b>48,368,152</b>	<b>0.5%</b>	<b>3.58%</b>
<b>Residual Holdings</b>	<b>2,223,124</b>	<b>0.0%</b>	<b>N/A</b>
<b>Total Fund</b>	<b>\$9,004,643,161</b>		<b>8.19%</b>
<b>Policy Benchmark</b>			<b>6.82%</b>

Columns may not foot due to rounding.

# RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

## Investment Objectives and Policy Guidelines

### **Plan Characteristics and Fund Constraints**

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 3.75%.

### **Responsibilities and Discretion of the State Investment Board (SIB)**

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets, the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

### **Delegation of Authority**

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a).

2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies, it is understood:
  - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
  - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
  - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1)(d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

### **Investment Goals**

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index (CPI), by 3.0 or more percentage points per year (based on current actuarial assumptions of 3.75% return and 2.5% inflation), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

### **Investment Performance Objective**

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a. The annual standard deviation of total returns for the Fund should not materially exceed 5.7%
- b. Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study and the standard deviation of returns should not materially exceed 5.7%
- c. The standard deviation of portfolio returns compared to the policy benchmark or tracking error should not materially exceed 1.25%

### **Asset Allocation**

The NDPERS Board as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by SEI Consultants in 2017. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.

In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following asset allocation options were deemed appropriate for the Fund:

U.S. Low Beta Equities	2%
Global Low Beta Equity	18%
U.S. High Yield Bonds	3%
Emerging Markets Debt	3%
Core Fixed Income	38%
Limited Duration Fixed Income	16%
Diversified Short Term Fixed Income	5%
Short Term Corporate Fixed Income	15%

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

### **Restrictions**

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

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- d. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

### **Internal Controls**

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

### Actual Asset Allocation – June 30, 2023

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Equity	\$ 1,662,491	2.0%	5.92%
Global Equity	15,094,421	18.1%	8.63%
U.S. High Yield Bonds	2,512,664	3.0%	7.78%
Emerging Markets Debt	2,488,822	3.0%	12.15%
Core Fixed Income	31,408,164	37.6%	-0.77%
Limited Duration Fixed Income	13,236,137	15.8%	1.08%
Diversified Short Term Fixed Income	4,143,723	5.0%	6.47%
Short Term Corporate Fixed Income	12,435,994	14.9%	3.22%
Cash Equivalents	565,944	0.7%	3.92%
<b>Total Fund</b>	<b>\$ 83,548,360</b>		<b>3.10%</b>
<b>Policy Benchmark</b>			<b>4.22%</b>
<i>Columns may not foot due to rounding.</i>			

## RETIREE HEALTH INSURANCE CREDIT FUND

### Investment Objectives and Policy Guidelines

#### **Plan Characteristics and Fund Constraints**

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with Chapter 54-52.1 of the North Dakota Century Code. The plan is administered by a nine member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, one member is the State Health Officer or their designee and two are legislative appointees.

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service.

Funding for the NDPERS plan is provided by a monthly employer contribution of 1.14 percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 5.75%.

#### **Responsibilities and Discretion of the State Investment Board (SIB)**

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund 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 in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets, the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

#### **Delegation of Authority**

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies, it is understood:
  - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
  - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
  - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

### **Investment Goals**

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

- Goal #1 Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.
- Goal #2 To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

### **Investment Performance Objective**

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a. The Fund's rate of return, over the long term, should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b. The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio.
- c. Over 5-year and longer periods the Fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period by more than 15% as measured by standard deviation.

### **Asset Allocation**

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of Last Asset Allocation Study: December 2020 – Callan Corporation

Broad US Equity	39%
Global ex-US Equity	26%
Fixed Income	35%
Expected Return	6.1%
Standard Deviation	11.7%

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

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

### **Restrictions**

- A. No transaction may be made which threatens the tax exempt status of the Fund.

Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

- B. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

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

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

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

### **Internal Controls**

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

### **Evaluation**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy;
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.



In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

**Actual Asset Allocation – June 30, 2023**

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	\$ 57,321,827	34.7%	18.95%
Domestic Small Cap Equity	9,615,117	5.8%	9.47%
International Equity	43,039,766	26.1%	13.81%
Core Plus Fixed Income	55,046,287	33.3%	1.33%
Cash Equivalents	97,288	0.1%	3.39%
<b>Total Fund</b>	<b>\$ 165,120,285</b>		<b>10.67%</b>
<b>Policy Benchmark</b>			<b>10.16%</b>
<i>Columns may not foot due to rounding.</i>			

**This page is intentionally blank.**

# Actuarial Section



October 18, 2023

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, 2023**

Dear Trustees:

We are pleased to provide our formal annual Actuarial Valuation Report as of July 1, 2023, 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, 2023, 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 20 years beginning July 1, 2023.

***Progress Toward Realization of Financing Objectives***

Based on the current valuation, the contribution rates are expected to fully fund NDTFFR in 2043, and as such, the current Member and Employer contribution rates are expected to be sufficient to meet the Board financing objectives.

Board of Trustees  
October 18, 2023  
Page 2

The net employer Actuarially Determined Contribution (ADC) as a percentage of pay for the year beginning July 1, 2023 is 12.50%. The expected employer contribution is 12.75% of pay which creates a contribution surplus of 0.25% of pay. The ADC based on the prior valuation was 12.12%. The ADC increased due to investment losses on the actuarial value of assets and total payroll less than expected which increases the amortization of the unfunded liability as a rate of pay.

The funded ratio (ratio of the actuarial value of assets to the actuarial accrued liability) on an actuarial value of assets basis increased from 69.93% to 71.21% and increased on a fair value basis from 67.50% to 69.34%.

### ***Benefit Provisions***

All of the benefit provisions reflected in this valuation are those which were in effect on July 1, 2023. 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 March 2020, first effective in the July 1, 2020 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, 2023. 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.



Board of Trustees  
October 18, 2023  
Page 3

### **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**

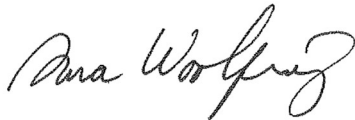
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Teachers' Fund for Retirement as of the 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,

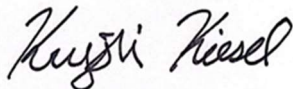
**Gabriel, Roeder, Smith & Company**



Dana Woolfrey, FSA, EA, FCA, MAAA  
Senior Consultant



Paul Wood, ASA, FCA, MAAA  
Senior Consultant and Team Leader



Krysti Kiesel, ASA, MAAA  
Senior Analyst



**SUMMARY OF ACTUARIAL VALUATION RESULTS**

	2023	2022
Demographic Data for Plan Year Beginning July 1:		
• Number of		
- Retirees and Beneficiaries	9,615	9,438
- Inactive, Vested	2,010	1,827
- Inactive, Nonvested (due a refund of employee contributions)	1,711	1,423
- Active Members	11,766	11,802
• Payroll (annualized)	\$777.7 million	\$766.1 million
Statutory Contributions (% of Payroll) for Plan Year Beginning July 1:		
• Employer	12.75%	12.75%
• Member	11.75%	11.75%
• Actuarially determined contribution rate for year beginning July 1	12.50%	12.12%
• Margin/(Deficit)	0.25%	0.63%
Assets:		
• Fair value	\$3,173.9 million	\$3,023.9 million
• Actuarial value	3,259.6 million	3,133.0 million
• Return on fair value (per actuary)	7.3%	-6.1%
• Return on actuarial value	6.3%	7.4%
• Ratio - actuarial value to fair value	102.7%	103.6%
• Net cash flow % relative to fair value	-2.1%	-2.0%
Actuarial Information:		
• Normal cost %, including administrative expenses	12.64%	12.19%
• Normal cost	\$104.0 million	\$98.8 million
• Actuarial accrued liability	\$4,577.2 million	\$4,480.0 million
• Unfunded actuarial accrued liability (UAAL)	\$1,317.7 million	\$1,347.0 million
• Funded ratio	71.2%	69.9%
• Effective amortization period	20 years	19 years
GASB Information:		
• Discount rate	7.25%	7.25%
• Total pension liability	\$4,577.2 million	\$4,480.0 million
• Plan fiduciary net position	\$3,173.9 million	\$3,023.9 million
• Net pension liability	\$1,403.3 million	\$1,456.1 million
• Plan fiduciary net position as % of total pension liability	69.3%	67.5%
Gains/(Losses):		
• Asset experience	\$ 30.7 million	\$ 5.5 million
• Liability experience	(55.5) million	9.2 million
• Administrative Expenses	0.0 million	0.1 million
• Benefit changes	0.0 million	0.0 million
• Assumption/method changes	0.0 million	0.0 million
• Total Gain/(Loss)	<u>(\$ 24.8) million</u>	<u>\$ 14.8 million</u>

## **SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS**

The following actuarial assumptions and methods have been set by the TFFR Board, based upon recommendations made by the Plan's actuary, for both funding and financial reporting purposes. However, the investment return rate used for funding is net of investment expenses and administrative expenses, whereas the rate used for financial reporting is net of investment expenses only (per GASB Statement 67). These actuarial assumptions and methods are based on the results of an experience study dated March 19, 2020.

### **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 (7.25%). 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.

### **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.



**Summary of Actuarial Assumptions and Methods (continued)****ACTUARIAL ASSUMPTIONS****Economic Assumptions**

1. Investment return: 7.25% per annum, compounded annually. Inflation is assumed to be 2.30%.
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	2.30%	1.50%	11.00%	14.80%
1	2.30%	1.50%	3.00%	6.80%
2	2.30%	1.50%	2.75%	6.55%
3-4	2.30%	1.50%	2.50%	6.30%
5-6	2.30%	1.50%	2.00%	5.80%
7-8	2.30%	1.50%	1.75%	5.55%
9-11	2.30%	1.50%	1.50%	5.30%
12-13	2.30%	1.50%	1.25%	5.05%
14-15	2.30%	1.50%	1.00%	4.80%
16-18	2.30%	1.50%	0.75%	4.55%
19-22	2.30%	1.50%	0.75%	4.55%
23-29	2.30%	1.50%	0.25%	4.05%
30+	2.30%	1.50%	0.00%	3.80%

3. Payroll Growth Rate: 3.25% per annum. This assumption does not include any allowances for future increase in the number of members.
4. Administrative expenses are assumed to be equal to the prior year's amount, increased with inflation.

**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 MP-2019 Projection Scale on a generational basis to the adjusted base tables from the base year shown below.
  - a. 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.

**Summary of Actuarial Assumptions and Methods (continued)**

Sample rates, including projections to 2023, are shown below.

Sample Attained	Probability of Death Pre-Retirement		Sample Attained	Probability of Death Post-Retirement		Sample Attained	Probability of Death Post-Disability		
	Ages	Men		Women	Ages		Men	Women	Ages
	20	0.030%	0.011%	20	0.036%	0.014%	20	0.425%	0.243%
	25	0.014%	0.008%	25	0.017%	0.010%	25	0.290%	0.172%
	30	0.019%	0.012%	30	2.500%	0.016%	30	0.380%	0.277%
	35	0.026%	0.018%	35	0.036%	0.023%	35	0.531%	0.452%
	40	0.037%	0.027%	40	0.052%	0.037%	40	0.774%	0.717%
	45	0.059%	0.042%	45	0.080%	0.054%	45	1.153%	1.056%
	50	0.097%	0.064%	50	0.121%	0.082%	50	1.632%	1.437%
	55	0.151%	0.094%	55	0.214%	0.183%	55	1.950%	1.590%
	60	0.232%	0.141%	60	0.338%	0.278%	60	2.282%	1.823%
	65	0.382%	0.237%	65	0.578%	0.450%	65	2.859%	2.189%
	70	0.622%	0.426%	70	1.060%	0.758%	70	3.717%	2.710%
	75	0.945%	0.808%	75	1.943%	1.360%	75	4.776%	3.583%
	80	1.869%	1.602%	80	3.580%	2.606%	80	6.576%	5.341%
	85	5.744%	4.390%	85	6.762%	5.073%	85	9.717%	8.450%
	90	11.743%	8.935%	90	12.587%	9.703%	90	14.835%	12.637%

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

Sample Attained Ages	Probability of Disablement	Sample Attained Ages	Probability of Disablement
25	0.0088%	45	0.0440%
30	0.0088%	50	0.0704%
35	0.0088%	55	0.1232%
40	0.0264%	60	0.2376%

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:

Years from Hire	Male	Female	Years from Hire	Male	Female	Years from Hire	Male	Female
0	15.00%	15.00%	6	4.00%	4.50%	14	1.50%	2.25%
1	13.00%	11.00%	7	3.75%	4.00%	15-16	1.50%	1.75%
2	11.00%	9.50%	8	3.00%	2.75%	17-18	1.50%	1.50%
3	8.00%	7.50%	9-10	2.50%	2.75%	19-22	0.75%	1.25%
4	6.00%	6.00%	11-12	2.00%	2.50%	23-24	0.75%	1.00%
5	5.25%	5.50%	13	2.00%	2.25%	24+	0.75%	0.75%

**Summary of Actuarial Assumptions and Methods (continued)**

## 4. Retirement rates

Age	Unreduced Retirement*		Reduced Retirement
	Male	Female	Unisex
50-54	15.0%	15.0%	2.0%
55-56	15.0%	15.0%	2.0%
57	15.0%	15.0%	3.0%
58	15.0%	15.0%	3.5%
59	15.0%	15.0%	4.0%
60	15.0%	15.0%	5.0%
61	30.0%	25.0%	9.0%
62	30.0%	30.0%	10.0%
63	25.0%	30.0%	11.0%
64	35.0%	40.0%	12.0%
65	30.0%	35.0%	
66	25.0%	30.0%	
67	25.0%	20.0%	
68-74	20.0%	20.0%	
75	100.0%	100.0%	

*\*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.*

**OTHER ASSUMPTIONS**

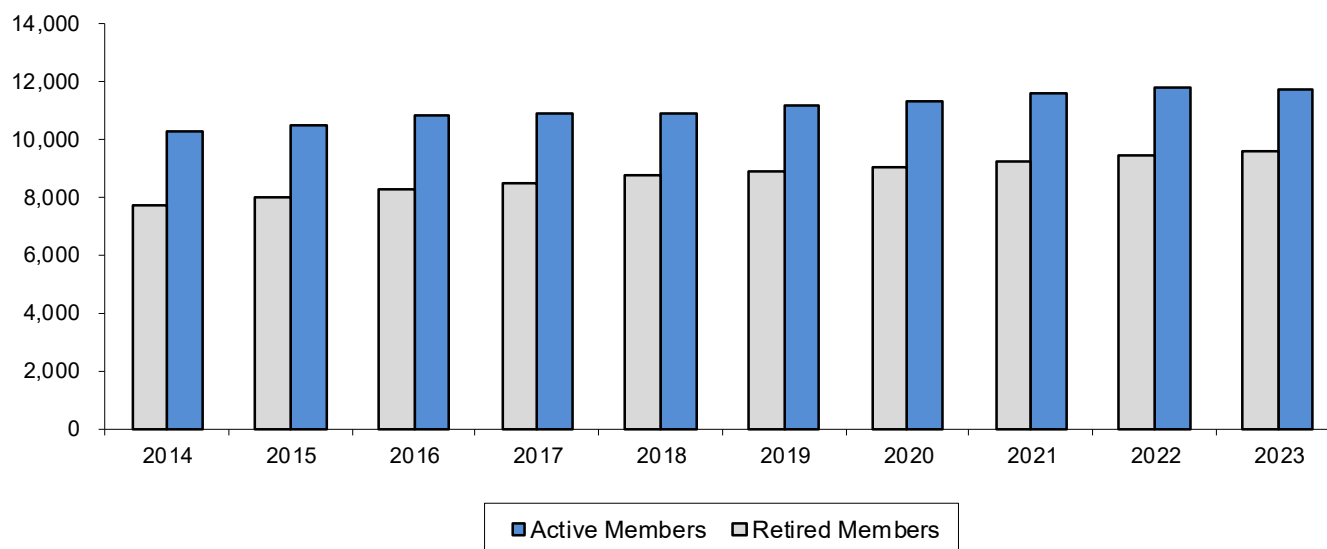
1. Percent married: 75% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent Electing a Deferred Termination Benefit: Terminating members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

**SCHEDULE OF ACTIVE MEMBERS**

Valuation Year	Active Members		Covered Payroll (annualized)		Average Salary		Average Age	Average Service
	Number	Percent Change	Amount in \$ Millions	Percent Change	\$ Amount	Percent Change		
2023	11,766	-0.3%	\$ 777.7	1.5%	\$ 66,099	1.8%	41.2	11.3
2022	11,802	1.5%	766.1	2.2%	64,916	0.7%	41.3	11.3
2021	11,627	2.5%	749.4	5.4%	64,455	2.9%	41.4	11.4
2020	11,347	1.5%	711.0	4.5%	62,663	2.9%	41.8	11.7
2019	11,175	2.7%	680.5	4.1%	60,893	1.4%	41.8	11.7
2018	10,881	0.1%	653.5	0.5%	60,055	0.5%	41.9	11.8
2017	10,874	0.6%	650.1	3.7%	59,780	3.1%	42.1	11.9
2016	10,813	2.8%	627.0	6.3%	57,986	3.4%	42.3	12.1
2015	10,514	2.0%	589.8	5.8%	56,095	3.7%	42.5	12.4
2014	10,305	1.6%	557.2	5.8%	54,073	4.1%	42.9	12.8

**SCHEDULE OF RETIREES AND BENEFICIARIES**

Valuation Year	Number Added During Year	Annual Benefits Added (in mils)	Number Removed During Year	Annual Benefits Removed (in mils)	Number Receiving End of Year	Average Annual Benefit	Annual Pension Benefits (in mils)	Percent Increase In Annual Benefits
2023	424	\$ 14.8	247	\$ 4.8	9,615	\$ 27,264	\$ 254.4	4.0%
2022	417	14.5	241	4.6	9,438	26,688	244.7	4.0%
2021	481	16.2	255	4.6	9,262	26,064	235.2	4.8%
2020	362	11.8	244	4.2	9,036	25,392	224.4	4.2%
2019	400	12.9	225	3.5	8,918	24,804	215.3	6.0%
2018	458	15.3	216	3.3	8,743	24,180	202.4	5.9%
2017	447	14.3	195	2.9	8,501	23,399	191.1	5.8%
2016	427	12.6	203	3.1	8,249	22,692	180.6	7.3%
2015	463	13.7	185	2.5	8,025	22,104	168.3	6.3%
2014	461	14.3	203	2.5	7,747	21,396	158.4	8.5%

**ACTIVE MEMBERS VS RETIRED MEMBERS  
10-YEAR SUMMARY**

### ANALYSIS OF CHANGE IN ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

	7/1/2023	7/1/2022
Prior valuation	12.12 %	12.37 %
Increases/(decreases) due to:		
Effect of change in remaining amortization period	0.00 %	0.00 %
Effect of change in covered payroll and normal cost	0.16 %	(0.08)%
Effect of contributions (more)/less than actuarially determined contribution	(0.04)%	(0.03)%
Effect of gains and losses on accrued liability and administrative expenses	(0.14)%	(0.09)%
Effect of investment (gain)/loss	0.27 %	(0.05)%
Effect of legislative changes	0.00 %	0.00 %
Effect of change in actuarial assumptions	0.00 %	0.00 %
Effect of change in valuation system	0.13 %	0.00 %
Net effect of other changes	0.00 %	0.00 %
Total change	0.38 %	(0.25)%
Current valuation	12.50 %	12.12 %
Statutory employer contribution rate	12.75 %	12.75 %
Margin available [contribution sufficiency/(deficiency)]	0.25 %	0.63 %

### DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	(\$ in millions)	
	7/1/2023	7/1/2022
Active Members		
a. Retirement Benefits	\$ 1,640.1	\$ 1,675.1
b. Withdrawal Benefits	(1.1)	5.1
c. Disability Benefits	26.1	22.4
d. Death Benefits	20.6	19.8
e. Total	\$ 1,685.7	1,722.4
Members with Deferred Benefits	\$ 158.1	\$ 133.5
Members with Refunds Due	\$ 23.3	\$ 17.6
Members Receiving Benefits	\$ 2,710.2	\$ 2,606.5
Total	\$ 4,577.3	\$ 4,480.0
Actuarial Value of Assets	\$ 3,259.6	\$ 3,133.0
Unfunded Actuarial Accrued Liability	\$ 1,317.7	\$ 1,347.0

**SOLVENCY TEST**

Valuation Year	Actuarial Accrued Liability (AAL) (in millions)				Portion of AAL Covered by Valuation Assets			
			Active/Inactive	Actuarial Value of Assets (\$ in millions)			Active/Inactive	
	Active Member Contributions	Retirees and Beneficiaries	Members (Employer Financed)		Active Member Contributions	Retirees and Beneficiaries	Members (Employer Financed)	
2023	\$ 1,170.4	\$ 2,710.2	\$ 696.7	\$ 3,259.6	100.0%	77.1%	0.0%	
2022	1,124.0	2,606.5	749.5	3,313.0	100.0%	77.1%	0.0%	
2021	1,063.2	2,515.2	757.7	2,973.7	100.0%	76.0%	0.0%	
2020	1,010.5	2,397.6	772.9	2,745.0	100.0%	72.3%	0.0%	
2019	941.5	2,314.0	737.9	2,635.6	100.0%	73.2%	0.0%	
2018	881.4	2,222.0	760.1	2,526.1	100.0%	74.0%	0.0%	
2017	839.1	2,092.9	802.0	2,379.8	100.0%	73.6%	0.0%	
2016	792.8	1,976.3	820.3	2,229.3	100.0%	51.4%	0.0%	
2015	737.5	1,874.7	837.6	2,125.0	100.0%	74.0%	0.0%	
2014	698.2	1,661.6	779.0	1,940.5	100.0%	74.8%	0.0%	

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date July 1	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded/ Accrued Liability (UAAL)	Funded Ratio	Total Payroll (annualized)	UAAL as a % of Payroll
2023	\$ 3,259.6	\$ 4,577.2	\$ 1,317.7	71.2%	\$ 777.7	169.4%
2022	3,133.0	4,480.0	1,347.0	69.9%	766.1	175.8%
2021	2,973.7	4,336.1	1,362.4	68.6%	749.4	181.8%
2020	2,745.0	4,181.0	1,436.0	65.7%	711.0	202.0%
2019	2,635.6	3,993.4	1,357.9	66.0%	680.5	199.5%
2018	2,526.1	3,863.5	1,337.5	65.4%	653.5	204.7%
2017	2,379.8	3,734.0	1,354.2	63.7%	650.1	208.3%
2016	2,229.3	3,589.4	1,360.1	62.1%	627.0	216.9%
2015	2,125.0	3,449.8	1,324.8	61.6%	589.8	224.6%
2014	1,940.5	3,138.8	1,198.3	61.8%	557.2	215.1%

Please also refer to the Schedule of Employer Contributions in the required supplementary information to the financial statements on page 70.

## SUMMARY OF PLAN PROVISIONS

**Effective Date:** July 1, 1971.

**Plan Year:** July 1 through June 30

**Administration:** The Teachers' Fund for Retirement (TFFR) is administered by a Board of Trustees. A separate State Investment Board is responsible for the investment of the trust assets, although the TFFR Board establishes the asset allocation policy. The TFFR Board is also responsible for establishing and maintaining a funding policy. The Retirement and Investment Office is the administrative agency for TFFR.

**Type of Plan:** TFFR is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a cost-sharing multiple-employer public employee retirement system.

**Eligibility:** All certified teachers of any public school in North Dakota participate in TFFR. 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 TFFR. Eligible employees become members at their date of employment.

**Member Contributions:** All active members contribute 11.75% of their salary per year. The employer may "pick up" the member's contributions 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 11.75% effective July 1, 2014. The total addition of 4% to the member contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75%.

**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.

**Employer Contributions:** 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, since July 1, 2008, additions as shown below.

Effective Date	Addition to 7.75% Base Rate	Employer Contribution 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, so 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 back below 100%.

### **Summary of Plan Provisions (continued)**

**Service:** Employees receive credit for service while a member. A member may also purchase credit for certain periods, such as time spent teaching at a public school in another state, by paying the actuarially determined cost of the additional service. Special rules and limits govern the purchase of additional service.

**Tiers:** Members who join TFFR by June 30, 2008, are in Tier 1, while members who join later are in Tier 2. If a Tier 1 member terminates, takes a refund, and later rejoins TFFR after June 30, 2008, that member will be in Tier 2. As of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, are considered Grandfathered, and previous plan provisions will not change. Tier 1 members who do not fit these criteria as of June 30, 2013, are considered Non-grandfathered. These members, along with Tier 2, will have new plan provisions, as described below.

**Final Average Compensation (FAC):** The average of the member's highest three (Tier 1 members) or five (Tier 2 members) plan year salaries. Monthly benefits are based on one-twelfth of this amount.

#### **Normal Retirement:**

a. Eligibility:

- Tier 1 members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 85. Effective as of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, normal retirement eligibility will not change (participants are Grandfathered). For those who do not meet this criteria as of June 30, 2013 (Non-grandfathered), members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.
- Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90. Effective July 1, 2013, Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.

b. Monthly Benefit: 2.00% of FAC (monthly) times years of service.

c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's assessments plus interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

#### **Early Retirement:**

- a. Eligibility: Tier 1 members may retire early after reaching age 55 with credit for three years of service, while Tier 2 members may retire early after reaching age 55 with credit for five years of service.



**Summary of Plan Provisions (continued)**

- b. Monthly Benefit: 2.00% of FAC (monthly) times years of service, multiplied by a factor which reduces the benefit 6% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 85 (Tier 1 members) or 90 (Tier 2 members). Effective July 1, 2013, for members who are either Non-grandfathered Tier 1 or Tier 2: 2.00% of FAC (monthly) times years of service, multiplied by a factor that reduces the benefit 8% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 90 with a minimum age of 60.
- c. Payment Form: Same as for Normal Retirement above.

**Disability Retirement:**

- a. Eligibility: A member is eligible provided he/she has credit for at least one year of service. Effective July 1, 2013, a member is eligible provided he/she has credit for at least five years of service.
- b. Monthly Benefit: 2.00% of FAC (monthly) times years of service with a minimum 20 years of service. Effective July 1, 2013, 2.00% of FAC (monthly) times years of service.
- c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's contributions plus interest as of the date of retirement that is in excess of the sum of payments already received will be paid in a lump-sum to the member's beneficiary.
- d. All alternative forms of payment other than level income and the partial lump-sum option are also permitted in the case of disability retirement. For basis recovery only, disability benefits are converted to normal retirement benefits when the member reaches normal retirement age or age 65, whichever is earlier.

**Deferred Termination Benefit:**

- a. Eligibility: A Tier 1 member with at least three years of service, or a Tier 2 member with at least five years of service, who does not withdraw his/her contributions from the fund, is eligible for a deferred termination benefit.
- b. Monthly Benefit: 2.00% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence unreduced at age 65 or when the member's age and service is 85 (Grandfathered Tier 1 members) or 90 with a minimum age of 60 (Non-grandfathered Tier 1 and Tier 2 members). Reduced benefits may commence at or after age 55 if the member is not eligible for an unreduced benefit. Reductions are the same as for Early Retirement.
- c. Payment Form: The form of payment is the same as for Normal Retirement above.
- d. Death Benefit: A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below.

**Withdrawal (Refund) Benefit:**

- a. Eligibility: Tier 1 members leaving covered employment with less than three years of service, and Tier 2 members leaving covered employment with less than five years of service, are eligible. Optionally, vested members may withdraw their contributions plus interest in lieu of the deferred benefits otherwise due.

### **Summary of Plan Provisions (continued)**

- b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus the interest credited on these contributions. Interest is credited at 6% per year prior to benefit commencement (0.5% per month).

#### **Death Benefit:**

- a. Eligibility: Death must have occurred while an active or an inactive, non-retired member.
- b. Benefit: Upon the death of a nonvested member, a refund of the member's contributions and interest is paid. Upon the death of a vested member, the beneficiary may elect (i) the refund benefit above, or (ii) a life annuity of the normal retirement benefit, determined under Option One below, based on FAC and service as of the date of death, but without applying any reduction for the member's age at death. In determining the reduction for Option One, members not eligible for normal retirement benefits use the Fund's option tables for disabled members.

**Optional Forms of Payment:** There are optional forms of payment available on an actuarially equivalent basis, as follows:

- a. Option 1 - A life annuity payable while either the participant or his beneficiary is alive, "popping-up" to the original life annuity if the beneficiary predeceases the member.
- b. Option 2 - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary, and "popping-up" to the original life annuity if the beneficiary predeceases the member.
- c. Option 3a - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 60 payments (five years), the payments will be continued to a beneficiary for the balance of the five-year period. (This option has been replaced by Option 3b. It is not available to employees who retire on or after August 1, 2003. Retirees who elected this option prior to that date are unaffected.)
- d. Option 3b - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 240 payments (twenty years), the payments will be continued to a beneficiary for the balance of the twenty-year period. (This option replaced Option 3a effective August 1, 2003.)
- e. Option 4 - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 120 payments (ten years), the payments will be continued to a beneficiary for the balance of the ten-year period.
- f. Option 5 - A non-level annuity payable to the member, designed to provide a level total income when combined with the member's Social Security benefit. This option is not available to disabled retirees.

In addition, members may elect a partial lump-sum option (PLSO) at retirement. Under this option, a member receives an immediate lump-sum equal to 12 times the monthly life annuity benefit and a reduced annuity. The reduction is determined actuarially. The member can then elect to receive the annuity benefit in one of the other optional forms, except that members who receive a PLSO may not elect Option 5 – the level income option. The PLSO is not available to disabled retirees or retirees who are not eligible for an unreduced retirement benefit.

Actuarial equivalence is based on tables adopted by the Board of Trustees.

**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.

## SUMMARY OF PLAN CHANGES

### **1991 Legislative Session:**

1. Benefit multiplier increased from 1.275% to 1.39% for all future retirees.
2. Provide a post-retirement benefit increase 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 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 (continued)**

#### **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 per month for each year of service plus \$1 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-year 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 North Dakota Public Employees Retirement System in FY2004. 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 session.

## **Summary of Plan Changes (continued)**

### **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 years 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.
2. The employer contribution rate increases from 7.75% to 8.25% effective July 1, 2008, but this rate will reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of asset. (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 North Dakota 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. 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

### **Summary of Plan Changes (continued)**

Grandfathered member. Current Tier 1 members, who do 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 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 the 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 than 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).
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:**

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 session.

### **2019 Legislative Session:**

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

### **2021 Legislative Session:**

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

***Summary of Plan Changes (continued)***

**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 return 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.

**This page is intentionally blank.**



# Statistical Section

This part of the Retirement and Investment Office's (RIO) annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about RIO's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>222</b>
These schedules contain trend information to help the reader understand how RIO's financial performance and well-being have changed over time.	
<b>Demographic Information</b>	<b>224</b>
These schedules offer demographic indicators to help the reader understand the environment within which RIO's financial activities take place.	
<b>Operating Information</b>	<b>232</b>
These schedules contain service data to help the reader understand how the information in RIO's financial report relates to the services RIO provides and the activities it performs.	

*Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant years.*

## CHANGES IN NET POSITION PENSION TRUST FUND

### ADDITIONS

Fiscal Year	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll		Investment and Other Income	Purchased Service Credit	Total Additions
2023	\$ 94,283,739	\$ 102,307,888	12.75		\$217,460,995	\$ 1,108,690	\$ 415,161,312
2022	92,462,223	100,331,347	12.75		(198,855,417)	2,017,055	(4,044,792)
2021	90,557,210	98,264,202	12.75		684,298,642	2,559,121	875,679,175
2020	85,735,134	93,032,453	12.75		86,364,800	2,175,497	267,307,884
2019	82,429,594	89,444,881	12.75		135,202,032	1,916,787	308,993,294
2018	79,877,611	86,675,715	12.75		211,539,397	2,181,106	380,273,829
2017	79,309,153	86,058,868	12.75		266,924,541	2,553,200	434,845,762
2016	76,342,685	82,839,932	12.75		8,283,962	2,768,245	170,234,824
2015	72,268,451	78,422,098	12.75		73,377,280	1,600,739	225,668,568
2014	56,554,767	62,355,146	10.75		294,294,215	2,034,289	415,238,417

### DEDUCTIONS

Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total Deductions	Change in Net Position
2023	\$254,361,928	\$ 7,920,125	\$ 2,891,047	\$265,173,100	\$ 149,988,212
2022	244,705,096	7,142,359	2,592,340	254,439,795	(258,484,587)
2021	235,205,084	5,923,187	2,678,375	243,806,646	631,872,529
2020	224,361,530	6,489,704	2,095,405	232,946,639	34,361,245
2019	215,328,174	5,900,392	2,251,083	223,479,649	85,513,645
2018	202,417,031	5,561,668	2,128,794	210,107,493	98,885,801
2017	191,104,694	5,411,850	2,173,431	198,689,975	181,583,854
2016	180,617,784	5,350,896	1,851,656	187,820,336	(17,585,512)
2015	168,349,762	3,889,671	1,923,392	174,162,825	51,505,743
2014	158,350,355	3,908,921	1,586,045	163,845,321	251,393,096

## BENEFIT AND REFUND DEDUCTIONS BY TYPE

Fiscal Year	Annuity Payments					Refunds			Total Benefit Expenses
	Service Retirements	PLSO Distributions	Disability Retirements	Beneficiaries	Total Annuity Payments	Separation	Death	Total Refunds	
2023	\$236,101,716	\$ 657,452	\$ 1,926,773	\$ 15,675,987	\$ 254,361,928	\$ 7,145,419	\$ 774,706	\$ 7,920,125	\$262,282,053
2022	227,597,400	635,924	1,846,513	14,625,259	244,705,096	5,557,833	1,584,526	7,142,359	251,847,455
2021	218,700,510	993,499	1,984,567	13,526,508	235,205,084	5,021,054	902,133	5,923,187	241,128,271
2020	209,416,623	425,297	2,040,107	12,479,503	224,361,530	5,533,401	956,303	6,489,704	230,851,234
2019	200,474,295	1,237,129	1,948,753	11,667,997	215,328,174	5,252,032	648,360	5,900,392	221,228,566
2018	188,684,763	768,829	1,903,460	11,059,979	202,417,031	4,770,163	791,505	5,561,668	207,978,699
2017	177,795,295	1,075,553	1,892,150	10,341,696	191,104,694	4,631,061	780,789	5,411,850	196,516,544
2016	168,179,310	992,233	1,920,107	9,526,134	180,617,784	4,776,556	635,294	5,350,896	185,968,680
2015	157,134,597	557,332	1,891,043	8,766,790	168,349,762	4,618,157	732,739	3,889,671	172,239,433
2014	147,286,889	820,463	1,960,290	8,282,713	158,350,355	3,090,345	799,326	3,908,921	162,259,276

## **SCHEDULE OF CONTRIBUTION RATES LAST 10 FISCAL YEARS**

<b>Fiscal Year</b>	<b>Member Rate</b>	<b>Employer Rate</b>
2023	11.75%	12.75%
2022	11.75%	12.75%
2021	11.75%	12.75%
2020	11.75%	12.75%
2019	11.75%	12.75%
2018	11.75%	12.75%
2017	11.75%	12.75%
2016	11.75%	12.75%
2015	11.75%	12.75%
2014	9.75%	10.75%

## PRINCIPAL PARTICIPATING EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

Participating Employer	2023			2014		
	Covered Employees	Rank	% of Total System	Covered Employees	Rank	% of Total System
Bismarck Public Schools	1,327	1	11.00%	1,110	2	9.85%
Fargo Public Schools	1,283	2	10.87%	1,144	1	10.15%
West Fargo Schools	1,231	3	9.70%	779	3	6.91%
Grand Forks Schools	853	4	6.52%	776	4	6.89%
Minot Schools	703	5	6.34%	680	5	6.03%
Williston Basin Schools	382	6	3.68%	247	8	2.19%
Mandan Schools	375	7	3.13%	304	6	2.70%
Dickinson Schools	348	8	3.07%	267	7	2.37%
Jamestown Schools	211	9	1.52%	216	9	1.92%
Devils Lake Schools	171	10	1.47%	173	10	1.54%
All Other <sup>1</sup>	5,797		42.70%	5,573		49.45%
Total (206 & 209 employers) <sup>2</sup>	12,681		100.00%	11,269		100.00%

<sup>1</sup> In 2023 "all other" consisted of:

Type	Number	Employees
School Districts	171	5,139
County Superintendents	4	6
Special Education Units	19	418
Vocational Centers	4	75
State Agencies/Institutions	5	128
Other	3	31
Total	206	5,797

<sup>1</sup> In 2014 "all other" consisted of:

Number	Employees
168	5,077
7	7
19	346
5	58
5	75
5	10
209	5,573

<sup>2</sup> This schedule includes all employees who earned service credit during the fiscal year. If an employee worked for more than one employer during the year, that employee is counted multiple times. The total differs from the actuary's total active members as the actuary's total only includes those employees who were active at the end of the fiscal year and only counts each individual one time.

## SCHEDULE OF PARTICIPATING EMPLOYERS AT JUNE 30, 2023

### School Districts

Alexander	Grenora	Montpelier
Anamoose	Griggs County Central	Mott-Regent
Apple Creek Elementary	Halliday	Mt. Pleasant
Ashley	Hankinson	Munich
Bakker Elementary	Harvey	Napoleon
Barnes County North	Hatton	Naughton Rural
Beach	Hazelton – Moffit	Nedrose
Belcourt	Hazen	Nesson
Belfield	Hebron	New England
Beulah	Hettinger	New Rockford-Sheyenne
Billings County School	Hillsboro	New Salem-Almont
Bismarck	Hope - Page	New Town
Bottineau	Horse Creek Elementary	Newburg United
Bowbells	Jamestown	North Border School
Bowman	Kenmare	North Sargent
Burke Central	Kensal	North Star
Carrington	Kidder County School	Northern Cass
Cavalier	Killdeer	Northwood
Center-Stanton	Kindred	Oakes
Central Cass	Kulm	Oberon Elementary
Central Valley	Lakota	Park River Area
Dakota Prairie	LaMoure	Parshall
Devils Lake	Langdon	Pingree – Buchanan
Dickinson	Larimore	Powers Lake
Divide	Leeds	Richardton-Taylor
Drake	Lewis and Clark	Richland
Drayton	Lidgerwood	Rolette
Dunseith	Linton	Roosevelt
Earl Elementary	Lisbon	Rugby
Edgeley	Litchville-Marion	Sargent Central
Edmore	Little Heart Elementary	Sawyer
Eight Mile	Lone Tree Elementary	Scranton
Elgin/New Leipzig	Maddock	Selfridge
Ellendale	Mandan	Solen-Cannonball
Emerado Elementary	Mandaree	South Heart
Enderlin Area School	Manning Elementary	South Prairie Elementary
Fairmount	Manvel Elementary	St. John's
Fargo	Maple Valley	Stanley
Fessenden-Bowdon	Mapleton Elementary	Starkweather
Finley-Sharon	Marmarth Elementary	Sterling
Flasher	Max	Strasburg
Fordville Lankin	Mayville – Portland CG	Surrey
Fort Ransom Elementary	McClusky	Sweet Briar Elementary
Fort Totten	McKenzie County School	TGU
Fort Yates	Medina	Thompson
Gackle-Streeter	Menoken Elementary	Tioga
Garrison	Midkota	Turtle Lake-Mercer
Glen Ullin	Midway	Twin Buttes Elementary
Glenburn	Milnor	Underwood
Goodrich	Minnewauken	United
Grafton	Minot	Valley-Edinburg
Grand Forks	Minto	Valley City
	Mohall-Lansford-Sherwood	Velva

## SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

### School Districts (cont.)

Wahpeton  
Warwick  
Washburn  
West Fargo  
Westhope  
White Shield  
Williston Basin  
Wilton  
Wing  
Wishek  
Wyndmere  
Yellowstone Elementary  
Zeeland

**Total School Districts 171**

### County Superintendents

McKenzie County  
Nelson County  
Slope County  
Ward County

**Total County Super. 4**

### Special Education Units

Burleigh County Special Ed.  
Central Regional Education Assoc.  
E Central Center for Exc. Children  
GST Educational Services  
James River Multidistrict Spec. Ed.  
Lake Region Special Ed.  
Northern Plains Special Ed.  
Oliver – Mercer Special Ed.  
Peace Garden Special Ed.  
Pembina Spec. Ed. Co-Op  
Rural Cass County Special Ed.  
Sheyenne Valley Special Ed.  
Souris Valley Special Ed.  
South Central Prairie Special Ed.  
South Valley Special Ed.  
Southwest Special Ed.  
Upper Valley Special Ed.  
West River Student Services  
Wil-Mac Special Ed.

**Total Special Ed Units 19**

### Vocational Centers

North Valley Career & Tech Center  
Roughrider Area Career & Tech  
SE Region Career & Tech Center  
Sheyenne Valley Area Voc Center

**Total Vocational Centers 4**

### State Agencies & Institutions

ND Center for Distance Education  
ND Dept. of Public Instruction  
ND School for the Blind  
ND School for the Deaf  
ND Youth Correctional Center

**Total State Agencies & Institutions 5**

### Other

Great NW Cooperative  
Roughrider Service Program  
South East Education Co-Op

**Total Other 3**

**Total Employers 206**

## SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY AS OF JUNE 30, 2023

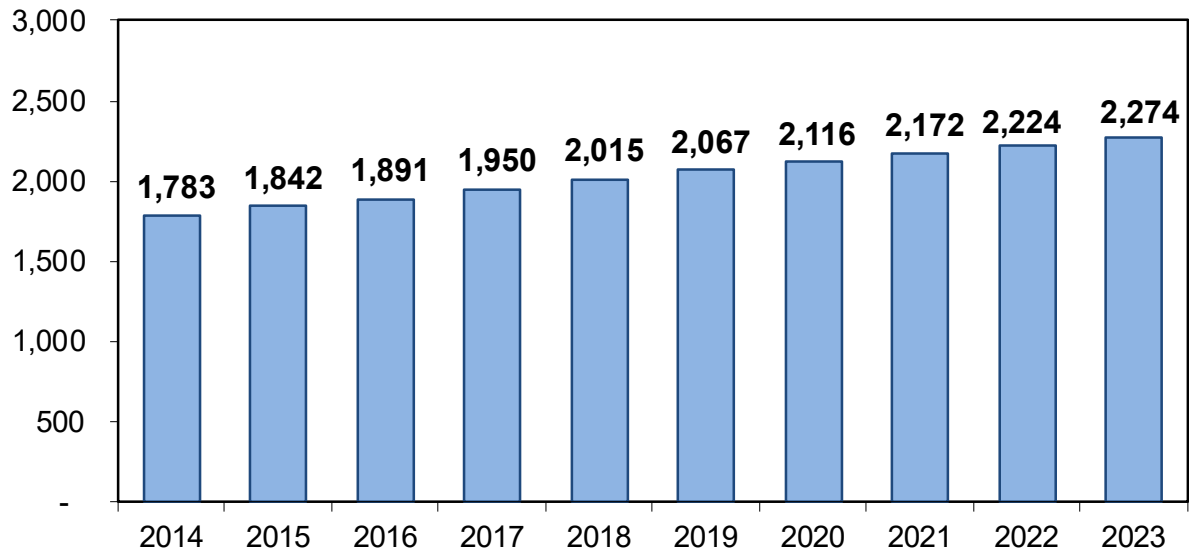
County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	30	\$2,033	Griggs	43	\$2,316	Richland	150	\$2,478
Barnes	180	2,532	Hettinger	37	2,060	Rolette	120	2,336
Benson	49	2,369	Kidder	40	2,090	Sargent	45	1,763
Billings	-	-	LaMoure	67	2,065	Sheridan	12	1,581
Bottineau	132	2,174	Logan	20	2,003	Sioux	8	2,806
Bowman	45	2,073	McHenry	74	2,140	Slope	1	3,774
Burke	42	1,744	McIntosh	39	2,111	Stark	262	2,462
Burleigh	1,015	2,409	McKenzie	62	2,154	Steele	22	2,587
Cass	1,272	2,523	McLean	137	2,150	Stutsman	251	2,325
Cavalier	61	2,004	Mercer	125	2,260	Towner	31	2,290
Dickey	70	2,161	Morton	317	2,338	Traill	120	2,414
Divide	30	1,976	Mountrail	91	2,091	Walsh	180	2,221
Dunn	45	2,312	Nelson	67	2,130	Ward	677	2,510
Eddy	36	2,004	Oliver	14	2,719	Wells	70	2,439
Emmons	56	2,237	Pembina	122	2,416	Williams	186	2,498
Foster	45	2,557	Pierce	70	2,018	Out of State	2,063	1,863
Golden Valley	23	2,189	Ramsey	159	2,471			
Grand Forks	674	2,534	Ransom	58	2,527			
Grant	28	1,681	Renville	42	2,132			
						<b>TOTAL</b>	<b>9,615</b>	<b>\$2,274</b>

**SCHEDULE OF AVERAGE BENEFIT PAYMENTS**

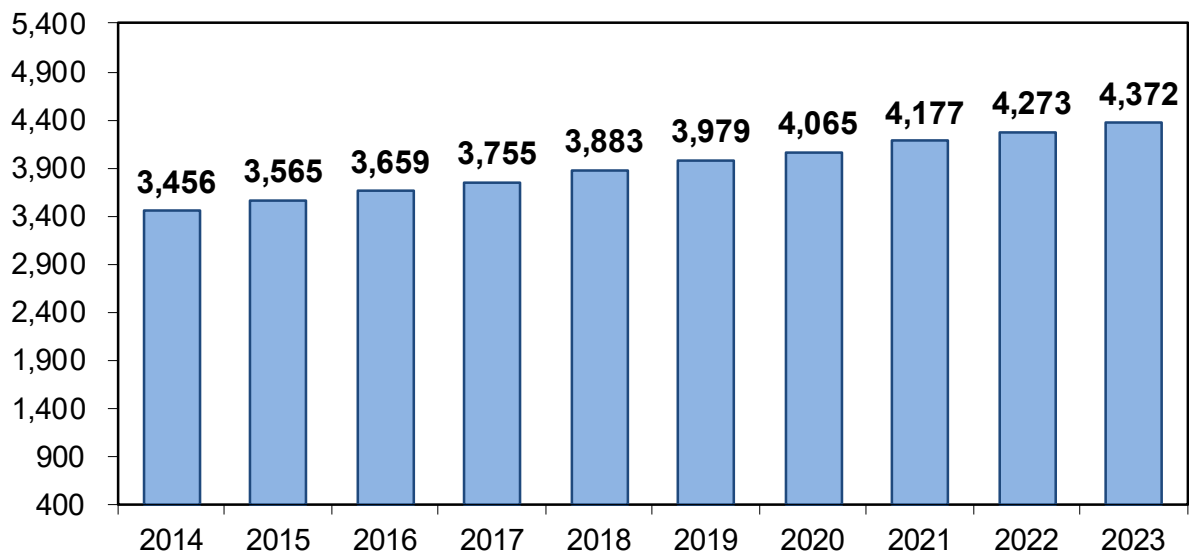
Valuation Year		Years of Service								TOTAL
		< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	
2023	Number of Retirees	150	584	609	649	1,043	1,915	2,894	1,771	9,615
	Average Monthly Benefit	196	414	665	1,110	1,804	2,245	2,744	3,582	2,274
	Average Final Average Salary	2,277	3,143	3,117	3,735	4,350	4,421	4,649	5,131	4,372
	Average Years of Service	2.9	7.2	12.4	17.2	22.7	27.5	32.1	38.6	27.1
2022	Number of Retirees	147	554	601	633	1,027	1,889	2,826	1,761	9,438
	Average Monthly Benefit	197	402	650	1,084	1,755	2,188	2,669	3,512	2,224
	Average Final Average Salary	2,249	3,043	3,036	3,633	4,243	4,311	4,532	5,040	4,273
	Average Years of Service	2.9	7.2	12.4	17.2	22.7	27.5	32.1	38.3	27.1
2021	Number of Retirees	140	535	592	625	999	1,866	2,782	1,723	9,262
	Average Monthly Benefit	200	388	643	1,062	1,713	2,139	2,599	3,428	2,172
	Average Final Average Salary	2,198	2,910	2,989	3,565	4,135	4,218	4,428	4,938	4,177
	Average Years of Service	2.9	7.2	12.4	17.3	22.7	27.5	32.1	38.3	27.2
2020	Number of Retirees	133	502	575	608	970	1,838	2,726	1,684	9,036
	Average Monthly Benefit	203	379	619	1,031	1,657	2,087	2,523	3,322	2,116
	Average Final Average Salary	2,201	2,805	2,882	3,459	4,004	4,110	4,306	4,806	4,065
	Average Years of Service	2.8	7.3	12.4	17.3	22.7	27.5	32.1	38.3	27.2
2019	Number of Retirees	132	474	573	597	965	1,814	2,698	1,665	8,918
	Average Monthly Benefit	205	365	592	1,007	1,616	2,039	2,471	3,226	2,067
	Average Final Average Salary	2,167	2,687	2,757	3,384	3,913	4,032	4,233	4,693	3,979
	Average Years of Service	2.9	7.3	12.4	17.3	22.7	27.5	32.1	38.3	27.3
2018	Number of Retirees	123	444	560	588	952	1,781	2,659	1,636	8,743
	Average Monthly Benefit	211	361	576	981	1,557	1,990	2,407	3,119	2,015
	Average Final Average Salary	2,140	2,600	2,691	3,303	3,773	3,943	4,137	4,566	3,883
	Average Years of Service	2.8	7.3	12.4	17.3	22.7	27.5	32.1	38.2	27.4
2017	Number of Retirees	126	419	549	558	920	1,747	2,596	1,586	8,501
	Average Monthly Benefit	215	352	560	917	1,504	1,925	2,346	2,993	1,950
	Average Final Average Salary	2,139	2,501	2,590	3,070	3,647	3,809	4,034	4,403	3,755
	Average Years of Service	3.0	7.0	12.0	17.0	23.0	28.0	32.0	38.0	27.0
2016	Number of Retirees	118	400	530	540	897	1,692	2,541	1,531	8,249
	Average Monthly Benefit	224	344	547	890	1,435	1,871	2,292	2,868	1,891
	Average Final Average Salary	2,096	2,425	2,523	2,998	3,497	3,716	3,958	4,263	3,659
	Average Years of Service	3.0	7.0	12.0	17.0	23.0	28.0	32.0	38.0	27.0
2015	Number of Retirees	115	373	513	527	869	1,656	2,492	1,480	8,025
	Average Monthly Benefit	229	339	530	857	1,385	1,822	2,232	2,788	1,842
	Average Final Average Salary	2,112	2,352	2,417	2,895	3,372	3,625	3,862	4,169	3,565
	Average Years of Service	2.8	7.3	12.5	17.3	22.7	27.5	32.1	38.1	27.5
2014	Number of Retirees	111	351	498	507	835	1,618	2,400	1,427	7,747
	Average Monthly Benefit	232	333	512	837	1,340	1,770	2,169	2,667	1,783
	Average Final Average Salary	2,072	2,274	2,308	2,826	3,266	3,522	3,754	4,018	3,456
	Average Years of Service	2.8	7.4	12.5	17.3	22.7	27.5	32.1	38.1	27.5



### AVERAGE BENEFIT PAYMENTS



### AVERAGE FINAL AVERAGE SALARY



**SCHEDULE OF RETIREES BY BENEFIT AMOUNT**

Monthly Benefit	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Under \$200	267	267	270	263	260	253	251	241	231	228
200 to 399	441	447	446	454	463	448	460	461	465	462
400 to 599	433	421	413	409	424	434	435	445	449	443
600 to 799	396	395	398	397	399	403	400	387	392	402
800 to 999	376	373	375	378	387	400	401	398	402	408
1,000 to 1,199	456	471	490	496	498	500	497	506	511	522
1,200 to 1,399	454	460	468	476	490	504	513	528	527	532
1,400 to 1,599	491	517	527	544	550	555	567	583	590	587
1,600 to 1,799	584	596	600	607	608	620	622	619	619	615
1,800 to 1,999	601	601	606	602	608	611	605	608	599	599
2,000 to 2,199	572	573	576	574	573	570	566	557	557	537
2,200 to 2,399	561	560	555	549	542	538	531	514	484	462
2,400 to 2,599	470	458	457	443	440	436	421	406	398	377
2,600 to 2,799	439	429	415	403	402	384	372	356	347	320
2,800 to 2,999	442	434	414	403	387	378	356	336	309	301
3,000 to 3,199	387	381	365	358	341	329	314	292	277	228
3,200 to 3,399	370	342	331	310	301	288	272	239	210	178
3,400 to 3,599	303	288	279	254	239	220	197	175	156	141
3,600 to 3,799	275	255	239	215	197	186	162	144	132	101
3,800 to 3,999	226	213	190	166	154	131	115	105	79	62
4,000 & Over	1,071	957	848	735	655	555	444	349	291	242
<b>TOTAL</b>	<b>9,615</b>	<b>9,438</b>	<b>9,262</b>	<b>9,036</b>	<b>8,918</b>	<b>8,743</b>	<b>8,501</b>	<b>8,249</b>	<b>8,025</b>	<b>7,747</b>

**SCHEDULE OF RETIREES BY BENEFIT TYPE**

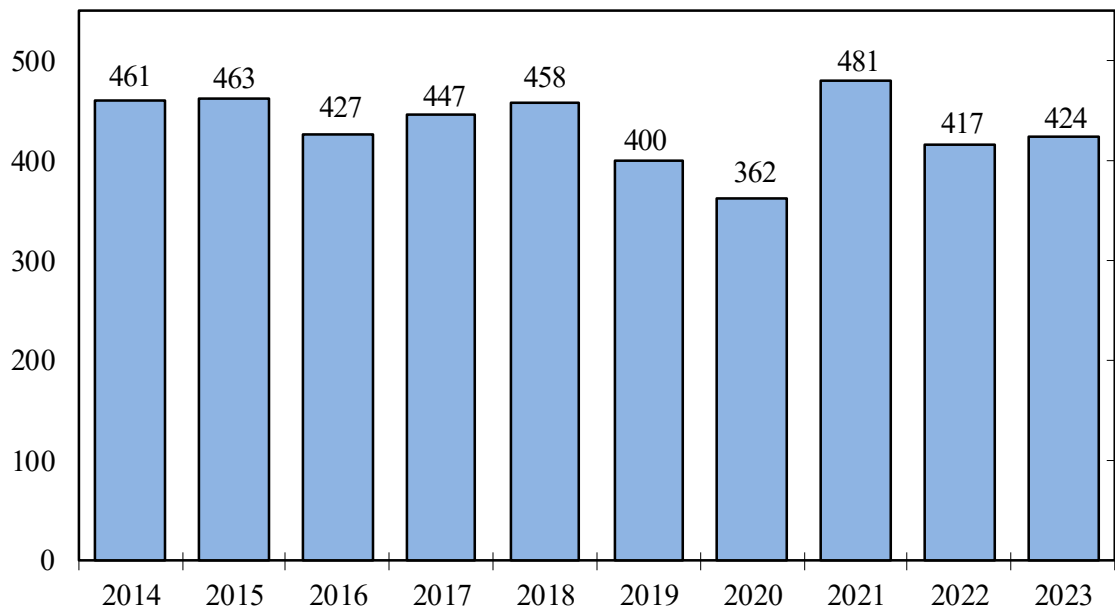
Form of Payment	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Service:</b>										
Straight Life	3,073	3,060	3,017	2,983	2,994	2,988	2,960	2,917	3,096	3,014
100% J&S	3,931	3,810	3,712	3,571	3,483	3,358	3,195	3,035	2,733	2,570
50% J&S	758	744	730	700	689	680	666	644	576	552
5 Years C&L	9	10	12	14	17	18	18	19	19	21
10 Years C&L	158	159	162	164	175	173	172	175	171	175
20 Years C&L	186	172	166	151	143	130	113	100	96	91
Level	452	469	491	508	518	530	540	545	559	568
Subtotal	8,567	8,424	8,290	8,091	8,019	7,877	7,664	7,435	7,250	6,991
<b>Disability:</b>										
Straight Life	93	94	94	96	98	97	102	105	105	105
100% J&S	21	17	21	22	21	20	18	14	12	13
50% J&S	6	7	7	6	5	5	6	7	8	7
5 Years C&L	1	1	1	1	1	1	1	1	1	2
10 Years C&L	0	0	0	0	0	0	0	0	0	0
20 Years C&L	2	2	2	2	2	2	1	1	2	2
Subtotal	123	121	125	127	127	125	128	128	128	129
<b>Beneficiaries:</b>										
Straight Life	845	814	777	759	717	698	667	662	631	612
5 Years Certain Only	-	0	0	0	0	0	-	3	2	2
10 Years Certain Only	11	11	10	9	4	4	4	11	9	9
20 Years Certain Only	38	36	29	20	23	12	12	10	5	4
QDRO Alternate Payee	31	32	31	30	28	27	26			
Subtotal	925	893	847	818	772	741	709	686	647	627
<b>TOTAL</b>	<b>9,615</b>	<b>9,438</b>	<b>9,262</b>	<b>9,036</b>	<b>8,918</b>	<b>8,743</b>	<b>8,501</b>	<b>8,249</b>	<b>8,025</b>	<b>7,747</b>

\* Prior to 2017, QDRO Alternate Payees were included within the other listed beneficiary options.

## SCHEDULE OF NEW RETIREES BY TYPE

Valuation Year	Retirement	Disability	Beneficiary	Total
2023	342	7	75	424
2022	325	1	91	417
2021	403	5	73	481
2020	282	3	77	362
2019	326	4	70	400
2018	398	3	57	458
2017	391	4	52	447
2016	354	5	68	427
2015	415	5	43	463
2014	407	7	47	461

## TOTAL NEW RETIREES



# SUMMARY OF OPERATIONS FOR FISCAL YEARS ENDED JUNE 30 PENSION INVESTMENT POOL

	2023	2022	2021	2020	2019
<b>Public Employees Retirement System</b>					
Net position beginning of year	\$ 3,697,788,557	\$ 4,021,875,086	\$ 3,209,215,627	\$ 3,151,659,466	\$ 3,023,532,073
Net change in fair value of investments	241,403,575	(323,796,192)	811,750,964	44,741,951	103,282,337
Interest, dividends and other income	58,349,078	70,542,585	64,016,475	67,495,427	68,783,166
Expenses	(10,803,228)	(9,661,916)	(11,255,030)	(8,697,618)	(8,255,626)
Net securities lending income	175,647	133,994	222,050	166,401	217,516
Net change in net position resulting from unit transactions	(76,910,000)	(61,305,000)	(52,075,000)	(46,150,000)	(35,900,000)
Net position end of year	<u>\$ 3,910,003,629</u>	<u>\$ 3,697,788,557</u>	<u>\$ 4,021,875,086</u>	<u>\$ 3,209,215,627</u>	<u>\$ 3,151,659,466</u>
<b>City of Bismarck Employees Pension Plan</b>					
Net position beginning of year	\$ 118,522,530	\$ 128,345,082	\$ 106,845,584	\$ 104,464,584	\$ 99,136,094
Net change in fair value of investments	6,053,763	(9,403,637)	21,344,943	1,826,538	3,701,861
Interest, dividends and other income	2,004,856	2,377,750	2,243,633	2,335,114	2,384,963
Expenses	(318,932)	(300,443)	(345,797)	(286,083)	(265,103)
Net securities lending income	4,655	3,778	6,719	5,431	6,769
Net change in net position resulting from unit transactions	(3,000,000)	(2,500,000)	(1,750,000)	(1,500,000)	(500,000)
Net position end of year	<u>\$ 123,266,872</u>	<u>\$ 118,522,530</u>	<u>\$ 128,345,082</u>	<u>\$ 106,845,584</u>	<u>\$ 104,464,584</u>
<b>City of Bismarck Police Pension Plan</b>					
Net position beginning of year	\$ 48,130,570	\$ 51,889,634	\$ 42,509,258	\$ 41,841,987	\$ 40,089,884
Net change in fair value of investments	2,917,329	(3,823,204)	9,398,347	637,666	1,426,526
Interest, dividends and other income	774,231	935,524	870,634	893,700	929,699
Expenses	(134,217)	(122,917)	(141,287)	(116,264)	(106,866)
Net securities lending income	1,935	1,533	2,682	2,169	2,744
Net change in net position resulting from unit transactions	(750,000)	(750,000)	(750,000)	(750,000)	(500,000)
Net position end of year	<u>\$ 50,939,848</u>	<u>\$ 48,130,570</u>	<u>\$ 51,889,634</u>	<u>\$ 42,509,258</u>	<u>\$ 41,841,987</u>
<b>City of Grand Forks Pension Plan</b>					
Net position beginning of year	\$ 72,847,251	\$ 81,713,528	\$ 67,401,110	\$ 68,399,889	\$ 63,623,648
Net change in fair value of investments	5,742,561	(6,972,005)	16,531,382	1,027,301	2,413,739
Interest, dividends and other income	1,103,204	1,390,817	1,285,751	1,368,354	1,463,331
Expenses	(198,133)	(178,403)	(215,357)	(169,943)	(160,844)
Net securities lending income	3,547	2,856	4,428	3,815	4,958
Net change in net position resulting from unit transactions	(4,618,888)	(3,109,542)	(3,293,786)	(3,228,306)	1,055,057
Net position end of year	<u>\$ 74,879,542</u>	<u>\$ 72,847,251</u>	<u>\$ 81,713,528</u>	<u>\$ 67,401,110</u>	<u>\$ 68,399,889</u>
<b>Grand Forks Park District Pension Plan</b>					
Net position beginning of year	\$ 8,611,901	\$ 9,366,312	\$ 7,398,893	\$ 7,173,670	\$ 6,773,249
Net change in fair value of investments	399,140	(884,269)	1,804,671	107,635	258,536
Interest, dividends and other income	178,982	220,803	182,972	178,522	167,316
Expenses	(26,024)	(24,857)	(28,509)	(22,064)	(20,402)
Net securities lending income	756	421	504	428	508
Net change in net position resulting from unit transactions	(439,108)	(66,509)	7,781	(39,298)	(5,537)
Net position end of year	<u>\$ 8,725,647</u>	<u>\$ 8,611,901</u>	<u>\$ 9,366,312</u>	<u>\$ 7,398,893</u>	<u>\$ 7,173,670</u>

## SUMMARY OF OPERATIONS FOR FISCAL YEARS ENDED JUNE 30 INSURANCE INVESTMENT POOL

	2023	2022	2021	2020	2019
<b>Workforce Safety &amp; Insurance Fund</b>					
Net position beginning of year	\$ 2,054,462,489	\$ 2,309,697,425	\$ 2,124,783,107	\$ 2,064,717,584	\$ 1,922,758,322
Net change in fair value of investments	7,166,800	(248,699,445)	202,419,817	77,621,108	86,250,882
Interest, dividends and other income	51,060,791	48,570,716	45,087,703	47,479,431	50,611,227
Expenses	(4,325,086)	(4,173,079)	(5,164,378)	(4,137,639)	(4,018,848)
Net securities lending income	118,411	66,872	71,176	102,623	116,001
Net change in net position resulting from unit transactions	(43,000,000)	(51,000,000)	(57,500,000)	(61,000,000)	9,000,000
Net position end of year	<u>\$ 2,065,483,405</u>	<u>\$ 2,054,462,489</u>	<u>\$ 2,309,697,425</u>	<u>\$ 2,124,783,107</u>	<u>\$ 2,064,717,584</u>
<b>State Fire &amp; Tornado Fund</b>					
Net position beginning of year	\$ 19,025,335	\$ 22,799,801	\$ 22,812,681	\$ 22,755,052	\$ 23,063,239
Net change in fair value of investments	523,707	(2,854,462)	3,090,719	624,250	871,338
Interest, dividends and other income	476,014	426,106	396,853	444,343	531,919
Expenses	(39,158)	(37,183)	(51,462)	(39,601)	(38,158)
Net securities lending income	1,311	760	968	1,450	1,714
Net change in net position resulting from unit transactions	(1,711,247)	(1,309,687)	(3,449,958)	(972,813)	(1,675,000)
Net position end of year	<u>\$ 18,275,962</u>	<u>\$ 19,025,335</u>	<u>\$ 22,799,801</u>	<u>\$ 22,812,681</u>	<u>\$ 22,755,052</u>
<b>State Bonding Fund</b>					
Net position beginning of year	\$ 3,609,182	\$ 3,849,935	\$ 3,787,104	\$ 3,609,859	\$ 3,411,247
Net change in fair value of investments	(46,632)	(288,730)	21,948	114,953	121,242
Interest, dividends and other income	117,093	51,932	45,069	66,240	80,844
Expenses	(3,935)	(4,003)	(4,212)	(4,023)	(3,563)
Net securities lending income	139	48	26	75	89
Net change in net position resulting from unit transactions	-	-	-	-	-
Net position end of year	<u>\$ 3,675,847</u>	<u>\$ 3,609,182</u>	<u>\$ 3,849,935</u>	<u>\$ 3,787,104</u>	<u>\$ 3,609,859</u>
<b>Petroleum Tank Release Compensation Fund</b>					
Net position beginning of year	\$ 5,914,424	\$ 6,264,567	\$ 6,164,315	\$ 5,993,299	\$ 6,166,588
Net change in fair value of investments	(68,245)	(425,612)	36,887	170,176	191,339
Interest, dividends and other income	194,384	80,952	69,214	106,406	140,430
Expenses	(5,548)	(5,557)	(5,885)	(5,680)	(5,201)
Net securities lending income	207	74	36	114	143
Net change in net position resulting from unit transactions	(150,000)	-	-	(100,000)	(500,000)
Net position end of year	<u>\$ 5,885,222</u>	<u>\$ 5,914,424</u>	<u>\$ 6,264,567</u>	<u>\$ 6,164,315</u>	<u>\$ 5,993,299</u>
<b>Insurance Regulatory Trust Fund</b>					
Net position beginning of year	\$ 6,620,892	\$ 7,132,980	\$ 5,713,800	\$ 6,219,113	\$ 5,638,435
Net change in fair value of investments	(78,720)	(412,257)	332,380	225,107	174,407
Interest, dividends and other income	104,345	53,618	40,881	60,326	81,816
Expenses	(7,379)	(5,236)	(7,162)	(4,573)	(4,869)
Net securities lending income	175	120	112	189	224
Net change in net position resulting from unit transactions	519,153	(148,333)	1,052,969	(786,362)	329,100
Net position end of year	<u>\$ 7,158,466</u>	<u>\$ 6,620,892</u>	<u>\$ 7,132,980</u>	<u>\$ 5,713,800</u>	<u>\$ 6,219,113</u>

**SUMMARY OF OPERATIONS  
FOR FISCAL YEARS ENDED JUNE 30  
INSURANCE INVESTMENT POOL (Continued)**

	2023	2022	2021	2020	2019
<b>Cultural Endowment Fund</b>					
Net position beginning of year	\$ 520,754	\$ 612,060	\$ 493,367	\$ 475,438	\$ 449,190
Net change in fair value of investments	36,774	(72,271)	111,108	9,624	16,907
Interest, dividends and other income	11,205	11,009	9,979	9,929	10,871
Expenses	(2,152)	(2,068)	(2,424)	(1,666)	(1,570)
Net securities lending income	41	24	30	42	40
Net change in net position resulting from unit transactions	(12,000)	(28,000)	-	-	-
Net position end of year	<u>\$ 554,622</u>	<u>\$ 520,754</u>	<u>\$ 612,060</u>	<u>\$ 493,367</u>	<u>\$ 475,438</u>
<b>Risk Management Fund</b>					
Net position beginning of year	\$ 3,979,631	\$ 4,386,340	\$ 4,559,669	\$ 4,909,610	\$ 4,956,766
Net change in fair value of investments	161,677	(537,354)	512,933	172,210	253,740
Interest, dividends and other income	95,197	87,650	73,266	85,016	106,435
Expenses	(7,947)	(7,103)	(9,656)	(7,478)	(7,629)
Net securities lending income	272	98	128	311	298
Net change in net position resulting from unit transactions	50,000	50,000	(750,000)	(600,000)	(400,000)
Net position end of year	<u>\$ 4,278,830</u>	<u>\$ 3,979,631</u>	<u>\$ 4,386,340</u>	<u>\$ 4,559,669</u>	<u>\$ 4,909,610</u>
<b>Risk Management Workers Comp Fund</b>					
Net position beginning of year	\$ 3,261,650	\$ 4,307,007	\$ 5,114,419	\$ 5,188,120	\$ 5,357,456
Net change in fair value of investments	96,622	(413,820)	626,878	190,845	285,789
Interest, dividends and other income	70,271	74,634	75,948	93,400	102,266
Expenses	(6,660)	(6,259)	(10,393)	(8,332)	(7,707)
Net securities lending income	221	88	155	386	316
Net change in net position resulting from unit transactions	-	(700,000)	(1,500,000)	(350,000)	(550,000)
Net position end of year	<u>\$ 3,422,104</u>	<u>\$ 3,261,650</u>	<u>\$ 4,307,007</u>	<u>\$ 5,114,419</u>	<u>\$ 5,188,120</u>
<b>ND Veterans' Cemetery Trust Fund</b>					
Net position beginning of year	\$ 421,943	\$ 380,597	\$ 312,537	\$ -	\$ -
Net change in fair value of investments	24,742	(64,213)	63,161	31,431	-
Interest, dividends and other income	8,352	8,106	6,348	1,484	-
Expenses	(1,635)	(1,569)	(1,476)	(383)	-
Net securities lending income	26	22	22	5	-
Net change in net position resulting from unit transactions	-	99,000	5	280,000	-
Net position end of year	<u>\$ 453,428</u>	<u>\$ 421,943</u>	<u>\$ 380,597</u>	<u>\$ 312,537</u>	<u>\$ -</u>
<b>ND Association of Counties Fund</b>					
Net position beginning of year	\$ 6,797,497	\$ 7,740,373	\$ 6,689,541	\$ 6,331,288	\$ 5,909,536
Net change in fair value of investments	268,360	(1,077,670)	934,566	235,639	286,310
Interest, dividends and other income	166,512	147,667	133,195	134,353	145,905
Expenses	(14,828)	(13,148)	(17,242)	(12,175)	(10,924)
Net securities lending income	507	275	313	436	461
Net change in net position resulting from unit transactions	-	-	-	-	-
Net position end of year	<u>\$ 7,218,048</u>	<u>\$ 6,797,497</u>	<u>\$ 7,740,373</u>	<u>\$ 6,689,541</u>	<u>\$ 6,331,288</u>

**SUMMARY OF OPERATIONS  
FOR FISCAL YEARS ENDED JUNE 30  
INSURANCE INVESTMENT POOL (Continued)**

	2023	2022	2021	2020	2019
<b>PERS Group Insurance Fund</b>					
Net position beginning of year	\$ 32,120,505	\$ 34,546,957	\$ 31,479,612	\$ 31,053,242	\$ 31,600,069
Net change in fair value of investments	209,735	(2,420,582)	472,325	(218,883)	603,923
Interest, dividends and other income	2,079,724	765,365	843,264	946,534	917,321
Expenses	(77,602)	(42,310)	(45,970)	(30,879)	(43,655)
Net securities lending income	2,461	1,075	481	698	1,584
Net change in net position resulting from unit transactions	24,411,521	(730,000)	1,797,245	(271,100)	(2,026,000)
Net position end of year	<u>\$ 58,746,344</u>	<u>\$ 32,120,505</u>	<u>\$ 34,546,957</u>	<u>\$ 31,479,612</u>	<u>\$ 31,053,242</u>
<b>Budget Stabilization Fund</b>					
Net position beginning of year	\$ 717,359,225	\$ 749,374,748	\$ 726,903,611	\$ 118,647,704	\$ 113,551,329
Net change in fair value of investments	(1,701,561)	(58,320,756)	10,641,810	(4,511,372)	2,511,852
Interest, dividends and other income	24,831,533	17,633,373	18,793,591	17,188,196	2,762,013
Expenses	(1,042,331)	(999,529)	(1,030,772)	(874,191)	(183,828)
Net securities lending income	35,532	25,140	10,753	11,162	6,338
Net change in net position resulting from unit transactions	-	9,646,249	(5,944,245)	596,442,112	-
Net position end of year	<u>\$ 739,482,398</u>	<u>\$ 717,359,225</u>	<u>\$ 749,374,748</u>	<u>\$ 726,903,611</u>	<u>\$ 118,647,704</u>
<b>City of Bismarck Deferred Sick Leave Fund</b>					
Net position beginning of year	\$ 744,692	\$ 844,666	\$ 770,148	\$ 779,146	\$ 729,656
Net change in fair value of investments	22,743	(114,900)	92,267	27,520	33,901
Interest, dividends and other income	18,896	17,212	14,904	15,694	17,687
Expenses	(2,394)	(2,312)	(2,683)	(2,258)	(2,152)
Net securities lending income	52	26	30	46	54
Net change in net position resulting from unit transactions	-	-	(30,000)	(50,000)	-
Net position end of year	<u>\$ 783,989</u>	<u>\$ 744,692</u>	<u>\$ 844,666</u>	<u>\$ 770,148</u>	<u>\$ 779,146</u>
<b>City of Fargo FargoDome Permanent Fund</b>					
Net position beginning of year	\$ 40,017,135	\$ 49,709,366	\$ 43,523,123	\$ 44,828,578	\$ 44,624,198
Net change in fair value of investments	2,637,840	(6,685,193)	8,520,648	673,479	1,219,139
Interest, dividends and other income	821,064	895,252	847,933	908,396	1,034,503
Expenses	(109,475)	(104,325)	(134,854)	(90,931)	(88,641)
Net securities lending income	3,038	2,035	2,516	3,601	4,379
Net change in net position resulting from unit transactions	(750,000)	(3,800,000)	(3,050,000)	(2,800,000)	(1,965,000)
Net position end of year	<u>\$ 42,619,602</u>	<u>\$ 40,017,135</u>	<u>\$ 49,709,366</u>	<u>\$ 43,523,123</u>	<u>\$ 44,828,578</u>
<b>ND State Board of Medicine</b>					
Net position beginning of year	\$ 2,749,021	\$ 2,779,396	\$ 2,469,292	\$ 2,361,353	\$ 2,250,449
Net change in fair value of investments	52,879	(383,821)	263,359	57,481	60,744
Interest, dividends and other income	74,634	59,680	53,710	55,665	54,930
Expenses	(7,058)	(6,339)	(7,067)	(5,331)	(4,935)
Net securities lending income	200	105	102	124	165
Net change in net position resulting from unit transactions	365,625	300,000	-	-	-
Net position end of year	<u>\$ 3,235,301</u>	<u>\$ 2,749,021</u>	<u>\$ 2,779,396</u>	<u>\$ 2,469,292</u>	<u>\$ 2,361,353</u>

**SUMMARY OF OPERATIONS  
FOR FISCAL YEARS ENDED JUNE 30  
INSURANCE INVESTMENT POOL (Continued)**

	2023	2022	2021	2020	2019
<b>Lewis &amp; Clark Interpretive Center Endowment</b>					
Net position beginning of year	\$ 796,402	\$ 914,536	\$ 793,124	\$ 751,297	\$ 702,897
Net change in fair value of investments	29,312	(132,758)	108,123	27,707	32,619
Interest, dividends and other income	19,125	17,079	16,218	16,467	17,960
Expenses	(2,557)	(2,488)	(2,967)	(2,398)	(2,240)
Net securities lending income	57	33	38	51	61
Net change in net position resulting from unit transactions	-	-	-	-	-
Net position end of year	<u>\$ 842,339</u>	<u>\$ 796,402</u>	<u>\$ 914,536</u>	<u>\$ 793,124</u>	<u>\$ 751,297</u>
<b>Arts Across the Prairie Maintenance Endowment</b>					
Net position beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fair value of investments	63,852	-	-	-	-
Interest, dividends and other income	10,423	-	-	-	-
Expenses	(1,922)	-	-	-	-
Net securities lending income	43	-	-	-	-
Net change in net position resulting from unit transactions	1,000,000	-	-	-	-
Net position end of year	<u>\$ 1,072,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Attorney General Settlement Fund</b>					
Net position beginning of year	\$ 2,954,216	\$ 924,536	\$ 1,056,388	\$ -	\$ -
Net change in fair value of investments	(15,943)	(266,261)	15,221	(10,306)	-
Interest, dividends and other income	79,745	69,492	25,331	23,305	-
Expenses	(3,510)	(4,950)	(2,184)	(1,952)	-
Net securities lending income	110	99	16	16	-
Net change in net position resulting from unit transactions	(1,196,784)	2,231,300	(170,236)	1,045,325	-
Net position end of year	<u>\$ 1,817,834</u>	<u>\$ 2,954,216</u>	<u>\$ 924,536</u>	<u>\$ 1,056,388</u>	<u>\$ -</u>
<b>ND University System Capital Building Fund</b>					
Net position beginning of year	\$ 1,602,226	\$ -	\$ -	\$ -	\$ -
Net change in fair value of investments	(3,375)	(196,129)	-	-	-
Interest, dividends and other income	53,041	32,740	-	-	-
Expenses	(2,584)	(2,539)	-	-	-
Net securities lending income	75	53	-	-	-
Net change in net position resulting from unit transactions	(598,484)	1,768,101	-	-	-
Net position end of year	<u>\$ 1,050,899</u>	<u>\$ 1,602,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



# SUMMARY OF OPERATIONS FOR FISCAL YEARS ENDED JUNE 30 INDIVIDUAL INVESTMENT ACCOUNTS

	2023	2022	2021	2020	2019
<b>Legacy Fund</b>					
Net position beginning of year	\$ 7,946,079,492	\$ 8,115,202,181	\$ 6,995,309,070	\$ 6,122,227,871	\$ 5,576,084,018
Net change in fair value of investments	539,977,359	(1,016,618,213)	1,490,459,152	150,636,769	174,927,813
Interest, dividends and other income	160,995,552	157,328,175	142,241,067	140,318,920	147,634,462
Expenses	(19,972,823)	(17,583,459)	(22,156,353)	(14,954,726)	(14,340,987)
Net securities lending income	504,949	406,151	478,659	491,195	616,838
Net change in net position resulting from unit transactions	372,154,391	707,344,657	(491,129,414)	596,589,041	237,305,727
Net position end of year	<u>\$ 8,999,738,920</u>	<u>\$ 7,946,079,492</u>	<u>\$ 8,115,202,181</u>	<u>\$ 6,995,309,070</u>	<u>\$ 6,122,227,871</u>
<b>Job Service North Dakota</b>					
Net position beginning of year	\$ 86,174,914	\$ 96,591,274	\$ 95,249,099	\$ 97,195,676	\$ 95,611,108
Net change in fair value of investments	(556,475)	(7,105,726)	4,541,813	149,250	3,497,989
Interest, dividends and other income	3,323,785	1,862,254	1,805,626	2,792,754	3,043,292
Expenses	(280,428)	(308,015)	(322,167)	(320,937)	(311,651)
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	(5,251,459)	(4,864,873)	(4,683,097)	(4,567,644)	(4,645,062)
Net position end of year	<u>\$ 83,410,337</u>	<u>\$ 86,174,914</u>	<u>\$ 96,591,274</u>	<u>\$ 95,249,099</u>	<u>\$ 97,195,676</u>
<b>Tobacco Prevention and Control Fund</b>					
Net position beginning of year	\$ -	\$ 158	\$ 7,586,495	\$ 9,291,844	\$ 54,357,675
Net change in fair value of investments	-	-	8,071	282,644	1,117,230
Interest, dividends and other income	-	-	51	16,454	113,765
Expenses	-	-	(3,704)	(4,447)	(16,826)
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	-	(158)	(7,590,755)	(2,000,000)	(46,280,000)
Net position end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158</u>	<u>\$ 7,586,495</u>	<u>\$ 9,291,844</u>
<b>PERS Retiree Health Insurance Credit Fund</b>					
Net position beginning of year	\$ 152,194,918	\$ 180,108,082	\$ 144,126,212	\$ 135,852,378	\$ 126,505,792
Net change in fair value of investments	12,315,155	(30,112,037)	34,154,175	3,791,934	5,197,140
Interest, dividends and other income	4,135,974	3,885,504	2,864,088	3,527,296	3,371,362
Expenses	(484,757)	(537,631)	(495,393)	(417,596)	(391,416)
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	(3,286,500)	(1,149,000)	(541,000)	1,372,200	1,169,500
Net position end of year	<u>\$ 164,874,790</u>	<u>\$ 152,194,918</u>	<u>\$ 180,108,082</u>	<u>\$ 144,126,212</u>	<u>\$ 135,852,378</u>