

AUDIT COMMITTEE MEETING

Tuesday, November 18, 2025 – 2:30 PM
WSI Board Room
1600 E Century Ave, Bismarck, ND 58503
[Click here to join the meeting](#)

AGENDA

- I. **CALL TO ORDER AND ACCEPTENCE OF AGENDA – (Committee Action)**
- II. **APPROVAL OF MINUTES (September 3, 2025) - (Committee Action)**
- III. **GOVERNANCE (60 minutes)**
 - A. Presentation of June 30, 2025, Financial Report of RIO and GASB 68 Schedule Audit Update *(Committee Action)* – Thomas Rey & Ivana Ritz, UHY, LLP
 - B. 2025-26 Internal Audit Workplan *(Committee Action)* – Ms. Seiler
- IV. **REPORTS (60 minutes)**
 - A. Internal Audit Reports *(Committee Action)*
 - 1. External Investment Oversight Audit – Bruce Mills (Weaver), Ms. Seiler
 - 2. Weaver Internal Audit Fiscal Advisory Update – Bruce Mills (Weaver), Ms. Seiler
 - 3. TFFR File Maintenance Audit – Ms. Seiler, Ms. Thorsen
 - B. 2025-26 First Quarter Activities *(Committee Action)* – Ms. Seiler
 - C. Current Audit Activities *(Committee Action)* – Ms. Seiler
- V. **OTHER**

Next SIB Audit Committee Meeting:
Wednesday, February 18, 2026 @ 2:30 PM
RIO Conference Room
1600 E Century Ave Suite 3, Bismarck, ND 58503
- VI. **ADJOURNMENT**

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
SEPTEMBER 3, 2025, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Todd Van Orman, External Representative

STAFF PRESENT: Jennifer Ferderer, Fiscal Operations Admin
Sarah Mudder, Communications & Outreach Dir
Chad Roberts, CRO/Dep Exec Dir
Sara Seiler, Suprv. of Internal Audit
Dottie Thorsen, Internal Auditor

GUESTS: Bruce Mills, Weaver
Members of the Public

CALL TO ORDER:

Treasurer Beadle called the State Investment Board (SIB) Audit Committee special meeting to order at 3:33 p.m. on Wednesday, September 3, 2025. The meeting was held in The RIO Conference Room, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were present representing a quorum, Treasurer Beadle, Mr. Mickelson, Mr. Miller, and Mr. Van Orman.

AGENDA:

The agenda was considered for the September 3, 2025, meeting.

IT WAS MOVED BY MR. MILLER AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 3, 2025, MEETING AS DISTRIBUTED.

**AYES: MR. MILLER, MR. VAN ORMAN, MR. MICKELSON, AND TREASURER BEADLE
NAYS: NONE
MOTION CARRIED**

MINUTES:

The minutes were considered for the May 14, 2025, and June 19, 2025, meetings.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE MAY 14, 2025, AND JUNE 19, 2025, MEETINGS AS DISTRIBUTED.

**AYES: MR. MILLER, MR. MICKELSON, MR. VAN ORMAN, AND TREASURER BEADLE
NAYS: NONE
MOTION CARRIED**

GOVERNANCE

Election of Chair and Vice Chair:

Mr. Mickelson nominated Treasurer Beadle for Committee Chair and Mr. Van Orman seconded the nomination. Mr. Van Orman nominated Mr. Mickelson for Committee Vice Chair and Mr. Miller seconded the nomination.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPOINT TREASURER BEADLE AS CHAIR AND MR. MICKELSON AS VICE CHAIR OF THE AUDIT COMMITTEE.

AYES: MR. VAN ORMAN, MR. MILLER, MR. MICKELSON, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

Liaison Appointment:

Treasurer Beadle appointed Ms. Seiler as the Audit Committee Liaison to the SIB.

Internal Audit (IA) Workplan:

Ms. Seiler reviewed the proposed IA workplan for 2025-26. The plan lists out projects and approximate hours required. Committee discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. MILLER AND CARRIED BY A VOICE VOTE TO APPROVE THE 2025-26 IA WORKPLAN.

AYES: MR. MICKELSON, MR. VAN ORMAN, MR. MILLER, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

REPORTS

Current Activities:

Mr. Mills from Weaver reported that the External Investment Oversight Audit is nearly complete, with process walkthroughs finished, the audit scope confirmed, and 90% of control testing done. Final steps include completing the remaining tests, validating observations, and issuing the report. Advisory projects are also progressing: the transition to Northern Trust's Allocation Engine is on track, automation of general ledger postings will begin in October, cash management practices are being refined, performance disclosures are under review for completion in September, and month-end reconciliation improvements continue through weekly coordination meetings.

Mr. Roberts informed the committee of a fraud incident involving three TFFR member accounts. Attackers used stolen login credentials from unrelated breaches to access accounts and redirect deposits. Two monthly payments were misdirected, but one was successfully recovered. All affected accounts were secured, law enforcement was involved, and Risk Management was notified. RIO is working with NDIT, the vendor, and legal counsel on system improvements to prevent similar incidents.

Year End Audit Activities:

Internal Audit summarized activities from July 2024 to June 2025. Key work included conducting exit interviews, administering surveys for leadership reviews, supporting the Executive Search Committee, assisting external auditors, and advancing the Internal Audit Maturity Development Project with Weaver. Internal Audit also issued RFPs for co-sourcing, supported the TFFR Pioneer Project launch, completed file maintenance audit fieldwork, and began a governance assessment. Administrative tasks such as record retention and professional training were also carried out.

2024-25 Audit Committee Report to SIB:

Ms. Seiler reviewed the Annual Audit Committee Report to the SIB. The Committee held four regular and two special meetings during the fiscal year. Activities included approving and monitoring the internal audit workplan, overseeing the Executive Search process, supporting governance and compliance projects, and reviewing progress on the co-sourced External Investment Oversight Audit. The committee also monitored the Pioneer Project launch, received clean financial audit results from external auditors, and continued professional development and exit review activities. The report affirmed that oversight responsibilities were met for the year.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE REPORTS AS PRESENTED.

AYES: MR. VAN ORMAN, MR. MICKELSON, MR. MILLER, AND TREASURER BEADLE

NAYS: NONE

MOTION CARRIED

ADJOURNMENT

With no further business to come before the Audit Committee, Treasurer Beadle adjourned the meeting at 4:29 p.m.

Prepared by: Jennifer Ferderer, Assistant to the Board

North Dakota Retirement and Investment Office



Year End Financial Statement Audit Presentation – June 30, 2025

November 18, 2025



Agenda



FINANCIAL
HIGHLIGHTS



JUNE 30, 2025
AUDIT RESULTS



REQUIRED
COMMUNICATIONS

Financial Highlights

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

	2025	2024	Total % Change
Assets			
Investments	\$ 25,546.0	\$ 22,295.6	14.6%
Securities Lending Collateral	267.9	212.1	26.3%
Receivables	124.1	101.2	22.7%
Cash & Other	34.7	36.9	-6.0%
Total Assets	<u>25,972.7</u>	<u>22,645.8</u>	14.7%
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>2.6</u>	<u>4.0</u>	-35.1%
Liabilities			
Obligations under Securities Lending	267.9	212.1	26.3%
Accounts Payable & Accrued Expenses	<u>53.9</u>	<u>74.6</u>	-27.7%
Total Liabilities	<u>321.8</u>	<u>286.7</u>	12.2%
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>2.0</u>	<u>3.2</u>	-37.8%
Total Net Position	<u>\$ 25,651.5</u>	<u>\$ 22,359.9</u>	14.7%

Financial Highlights, cont'd.

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

	<u>2025</u>	<u>2024</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 214.9	\$ 209.0	2.8%
Net Investment Income	2,640.6	1,888.1	39.9%
Net Securities Lending Income	1.9	1.4	39.1%
Purchase of Units	1,202.8	1,487.6	-19.1%
Total Additions	<u>4,060.2</u>	<u>3,586.1</u>	13.2%
Deductions			
Payments to TFFR members	283.9	277.7	2.3%
Administrative Expenses	10.3	7.4	39.5%
Redemption of Units	474.3	496.9	-4.6%
Total Deductions	<u>768.5</u>	<u>782.0</u>	-1.7%
Total Change in Net Position	<u>3,291.60</u>	<u>2,804.1</u>	17.4%
Total Net Position End of Year	<u>\$ 25,651.5</u>	<u>\$ 22,359.9</u>	14.7%

TFFR Net Pension Liability

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2025 and 2024 (expressed in thousands), were as follows:

	June 30, 2025	June 30, 2024
Total pension liability	\$ 4,927,219	\$ 4,758,417
Plan fiduciary net position	(3,648,749)	(3,351,008)
Net pension liability (NPL)	<u>\$ 1,278,470</u>	<u>\$ 1,407,409</u>
Plan fiduciary net position as a percentage of the total pension liability	74.05%	70.42%

2025 Audit Results



Independent Auditors' Report - Unmodified "clean" opinions that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).



Limited procedures were performed, and no opinion was rendered on management's discussion and analysis and required supplemental information.



Limited procedures were performed, and an opinion was rendered on the supplemental schedules.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

No material weaknesses or significant deficiencies were identified.

No significant deficiencies were identified



Letter to the Board providing required communications with those charged with governance.

Required Governing Body Communications



Auditor's responsibility under U.S. Generally Accepted Auditing Standards



Significant accounting policies

No new accounting policies adopted in 2025 nor any other transactions lacking authoritative guidance.



Management judgments and accounting estimates

Valuation of alternative investments
Actuarial assumptions and methods –
Teachers' Fund for Retirement



Financial statement disclosures

Other Communications



MANAGEMENT WAS VERY
COOPERATIVE AND
PROFESSIONAL DURING
THE AUDIT PROCESS



NO DISAGREEMENTS WITH
MANAGEMENT



MANAGEMENT DID NOT
CONSULT WITH OTHER
ACCOUNTANTS ON THE
APPLICATION OF GAAP OR
GAAS



NO MAJOR ISSUES WERE
DISCUSSED WITH
MANAGEMENT PRIOR TO
RETENTION



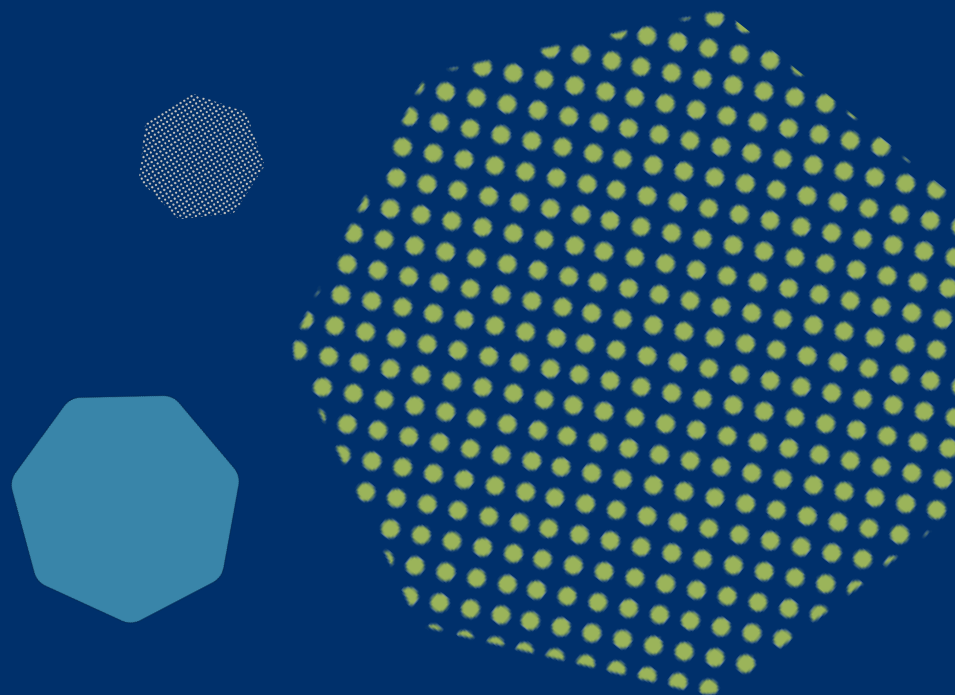
MANAGEMENT
REPRESENTATIONS



Thomas Rey, CPA
Partner

410.423.4820

trey@uhy-us.com





FINANCIAL STATEMENTS
June 30, 2025 and 2024

1600 East Century Avenue, Suite 3
PO Box 7100
Bismarck, ND 58507-7100

(701) 328-9885 | (800) 952-2970 | rio@nd.gov

North Dakota Retirement and Investment Office

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INDEPENDENT AUDITOR'S REPORT

Governor Kelly Armstrong
The Legislative Assembly
Jodi Smith, Executive Director
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

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 comprises the statement of net position - fiduciary funds as of June 30, 2025 and 2024, and the related statement of changes in net position - fiduciary funds for the year 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, 2025 and 2024, 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, 2025 and 2024, and the respective changes in financial position, for the year 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 fund of the individual funds of RIO as of June 30, 2025 and 2024, 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, 2025 and 2024, and the changes in its financial position for the years 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 Opinion

We conducted our audit 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 Auditor's 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.

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.

Auditor's 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 auditor's 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 the 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 auditing standards generally accepted in the United States of America, 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.

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 nonmajor 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. Such information is 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated November 12, 2025, 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 of the effectiveness of RIO's internal control over financial reporting or on compliance. That report is an integral part of an audit performance in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, sans-serif font to the right.

Columbia, Maryland
November 12, 2025



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor Kelly Armstrong
The Legislative Assembly
Jodi Smith, Executive Director
State Investment Board
Teachers' Fund for Retirement
North Dakota Retirement and Investment Office

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, and have issued our report thereon dated November 12, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control. Accordingly, we do not express an opinion on the effectiveness of RIO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, sans-serif font to the right.

Columbia, Maryland
November 12, 2025

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2025 and 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025 and 2024. 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 30 investment clients (noting that TFFR is one of the 30 investment clients) in two investment pools and three individual investment accounts.

Financial Highlights

Total net position increased in fiscal year 2025 from the previous fiscal year in the fiduciary funds by \$3.3 billion (14.7%). Fiscal year 2024 net position also had increased \$2.8 billion (14.3%) from fiscal year 2023. The increase in FY2025 is primarily due to investment returns and significant deposits into the Legacy Fund. Approximately 65% of the FY2025 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 \$717.5 million and \$836.7 million in FY2025 and FY2024, respectively. Meanwhile, net investment income for the Legacy Fund exceeded \$1.4 billion in FY2025 and \$1 billion in FY2024.

Total additions to the fiduciary funds were \$4.0 billion in FY2025 and \$3.6 billion in FY2024. A large portion of this change was driven by an increase in net investment income and a decrease in purchase of units. Net investment income was \$2.6 billion in FY2025 following an increase of \$1.9 billion in FY2024. Changes in purchases of units each year are highly dependent on Legacy Fund deposits and thus on oil and gas production. There was a decrease in purchase of units in the investment program in FY2025 and increase in FY2024 due to fluctuations in oil prices and production. Total fiduciary fund purchases of units decreased \$284.8 million (19.1%) in FY2025 and increased \$410.2 million (38.1%) in FY2024.

Deductions in the fiduciary funds decreased in FY2025 by \$13.5 million (2%) and decreased in FY2024 by \$306.9 million (28.2%). 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 was amended by voters in November 2024, the constitution now provides for a distribution to the Legacy Earnings Fund as provided by law. NDCC §54-27-32 provides that the distribution is to be made to July 1st, the day after the end of the biennium. A transfer of \$686.9 million was made on July 1, 2025.

Payments to TFFR members in the form of benefits and refunds increased by \$6.2 million (2.3%) and \$15.4 million (5.9%) in FY2025 and FY2024, 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, 2025 and 2024, the TFFR pension plan had a Net Pension Liability (NPL) of \$1.28 billion and of \$1.41 billion, and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 74.0% and 70.4%, respectively.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2025 and 2024

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, 2025 and 2024, were \$25.97 billion and \$22.65 billion, respectively, and were comprised mainly of investments. Total assets increased by \$3.3 billion (14.7%) in fiscal year 2025 primarily due to on-going deposits to the Legacy Fund and strong financial markets in FY2025. The increase of \$3.0 billion (15.0%) in fiscal year 2024 primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as stronger financial markets in FY2024.

Total liabilities as of June 30, 2025 and 2024, were \$321.8 million and \$286.7 million. Both year-end liabilities were comprised mainly of the securities lending collateral payable.

RIO's fiduciary fund total net position was \$25.7 billion and \$22.4 billion at the close of fiscal years 2025 and 2024, respectively.

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

	<u>2025</u>	<u>2024</u>	<u>Total % Change</u>
Assets			
Investments	\$ 25,546.0	\$ 22,295.6	14.6%
Securities Lending Collateral	267.9	212.1	26.3%
Receivables	124.1	101.2	22.7%
Cash & Other	34.7	36.9	-6.0%
Total Assets	<u>25,972.7</u>	<u>22,645.8</u>	14.7%
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>2.6</u>	<u>4.0</u>	-35.1%
Liabilities			
Obligations under Securities Lending	267.9	212.1	26.3%
Accounts Payable & Accrued Expenses	53.9	74.6	-27.7%
Total Liabilities	<u>321.8</u>	<u>286.7</u>	12.2%
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>2.0</u>	<u>3.2</u>	-37.8%
Total Net Position	<u><u>\$ 25,651.5</u></u>	<u><u>\$ 22,359.9</u></u>	14.7%

	<u>2024</u>	<u>2023</u>	<u>Total % Change</u>
Assets			
Investments	\$ 22,295.6	\$ 19,449.9	14.6%
Sec Lending Collateral	212.1	119.0	78.2%
Receivables	101.2	94.1	7.5%
Cash & Other	36.9	27.4	34.6%
Total Assets	<u>22,645.8</u>	<u>19,690.4</u>	15.0%
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>4.0</u>	<u>3.1</u>	27.2%
Liabilities			
Obligations under Securities Lending	212.1	119.0	78.2%
Accounts Payable & Accrued Expenses	74.6	17.0	339.1%
Total Liabilities	<u>286.7</u>	<u>136.0</u>	110.9%
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>3.2</u>	<u>1.8</u>	81.8%
Total Net Position	<u><u>\$ 22,359.9</u></u>	<u><u>\$ 19,555.7</u></u>	14.3%

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

	<u>2025</u>	<u>2024</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 214.9	\$ 209.0	2.8%
Net Investment Income	2,640.6	1,888.1	39.9%
Net Securities Lending Income	1.9	1.4	39.1%
Purchase of Units	1,202.8	1,487.6	-19.1%
Total Additions	<u>4,060.2</u>	<u>3,586.1</u>	13.2%
Deductions			
Payments to TFFR members	283.9	277.7	2.3%
Administrative Expenses	10.3	7.4	39.5%
Redemption of Units	474.3	496.9	-4.6%
Total Deductions	<u>768.5</u>	<u>782.0</u>	-1.7%
Total Change in Net Position	<u>3,291.60</u>	<u>2,804.1</u>	17.4%
Total Net Position End of Year	<u>\$ 25,651.5</u>	<u>\$ 22,359.9</u>	14.7%
	<u>2024</u>	<u>2023</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 209.0	\$ 197.7	5.7%
Net Investment Income	1,888.1	1,311.3	44.0%
Net Securities Lending Income	1.4	1.0	34.8%
Purchase of Units	1,487.6	1,077.4	38.1%
Total Additions	<u>3,586.1</u>	<u>2,587.4</u>	38.6%
Deductions			
Payments to TFFR members	277.7	262.3	5.9%
Administrative Expenses	7.4	6.0	24.0%
Redemption of Units	496.9	820.6	-39.4%
Total Deductions	<u>782.0</u>	<u>1,088.9</u>	-28.2%
Total Change in Net Position	<u>2,804.1</u>	<u>1,498.5</u>	87.1%
Total Net Position End of Year	<u>\$ 22,359.9</u>	<u>\$ 19,555.7</u>	14.3%

North Dakota Retirement and Investment Office

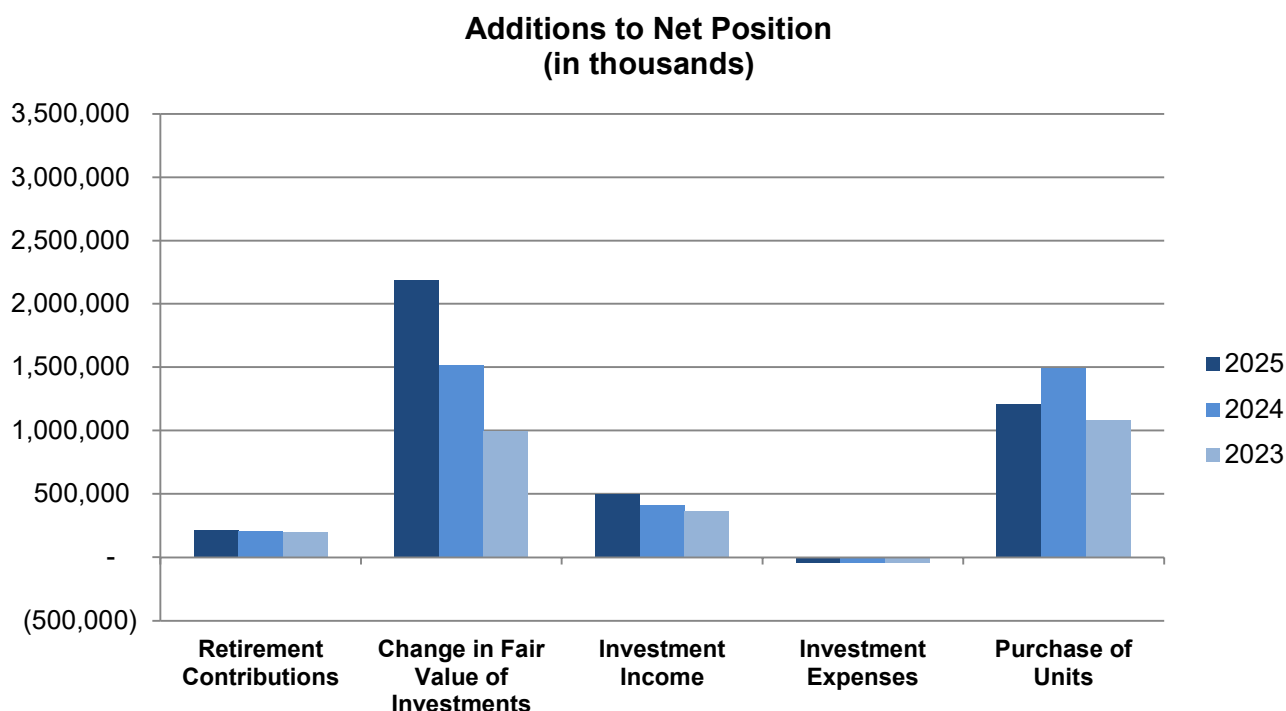
Management's Discussion and Analysis

June 30, 2025 and 2024

Statement of Changes in Net Position - Additions

Contributions collected by the pension trust fund increased by \$5.9 million (2.8%) in FY2025 and \$11.3 million (5.7%) in FY2024 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 \$753 million (39.9%) in FY2025 and increased by \$577 million (44.0%) in FY2024.

Deposits of funds into the investment trust fund (purchase of units) decreased by \$289.8 million in FY2025 and increased by \$332.7 million in FY2024, 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 \$4.4 million (1.7%) and \$11.1 million (4.4%) in FY2025 and FY2024, 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 \$1.8 million (14.7%) in FY2025 and \$4.3 million (54.4%) in FY2024. In total, payments to TFFR members increased by \$6.2 million (2.3%) in FY2025 and \$15.4 million (5.9%) in FY2024.

Administrative expenses again increased by \$2.9 million in FY2025 after also increasing by \$1.4 million in FY2024. The FY2025 increase is mainly due to costs associated with the Pension Administration System (PAS) modernization project that went live in FY2025. Also, in FY2025 the agency fully implemented phase 1 of the in-house investment program.

North Dakota Retirement and Investment Office

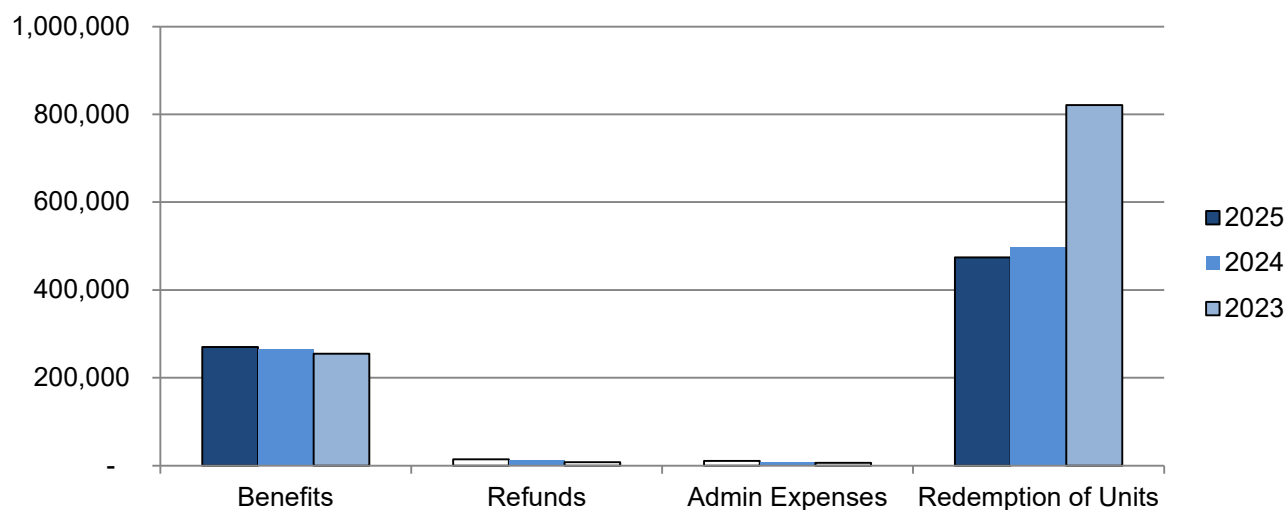
Management's Discussion and Analysis

June 30, 2025 and 2024

The increase in FY2024 was due to a couple of different factors. The first factor for FY2024 was 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 \$9.0 million, with approximately \$5.7 million expended through June 30, 2024. This project went live in FY2025. Also, in FY2024 the agency began to implement an in-house investment program. With this program, the office is gaining resources to assist with handling client fund investments within our office as opposed to using an outside investment managers.

The redemption of units in the investment trust funds decreased by \$22.6 million in FY2025 and by \$323.7 million in FY2024. 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

The economic outlook for the economy is generally positive but there are some risks and uncertainties. A survey of economists predict that GDP will grow 1.8% through the end of 2025 in line with the Federal Reserve's long term growth assumption. Inflation has remained stubbornly above the Federal Reserve's target. The outlook for inflation also continues to improve towards the Federal Reserve's target inflation rate of 2.0%. In addition, rate cuts by the Fed should lead to more borrowing and help to continue a growth in consumer demand. Business investment also continues at a healthy pace enabling higher productivity and GDP growth potential in the future. Growth and moderate inflation are good for both the equity and the fixed income markets which have relatively high valuations currently. Geo-political conflicts continue to be a worry. The Ukraine war has the potential to widen and include other countries, the middle east conflicts are also escalating. The other geo-political concern is the increasing trade tension among major trading partners. Both sets of conflicts have the potential to impact supply chains and inflation ultimately leading to a slower economy and higher inflation. The risks aside, higher growth, lower inflation and rate reductions have the potential to continue a positive market environment.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2025 and 2024

For the fiscal year ended June 30, 2025, 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 11.76%, 12.70% and 7.95%, respectively, all outperforming their corresponding policy benchmarks. Global public equities for pension, insurance, and legacy were up 15.49%, 17.00%, and 16.72%, respectively. Total fixed income for pension, insurance, and legacy were also up 5.55%, 6.98%, and 8.01%, respectively. Real asset performance for pension, insurance, and legacy were up 4.06%, 5.20%, and 6.15%, Private equity in the pension pool and legacy fund returned 10.30% and 17.44% for the fiscal year.

For the fiscal year ended June 30, 2024, 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 7.87%, 10.89% and 6.34%, respectively, with both the legacy and insurance pool outperforming their corresponding policy benchmarks. 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%, 18.17%, and 18.00%, respectively. Total fixed income for pension, insurance, and legacy were also up 5.55%, 4.17%, and 4.57%, respectively. Alternatively, real asset performance was down for FY2024. The pension pool's real asset allocation was down (4.75%), while the Legacy Fund and insurance pool's real asset portfolios were down (3.33%) and (.91%), respectively. Private equity in the pension pool and legacy fund returned 2.99% and 3.03% for the fiscal year.

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.

As reported by the valuation report provided by GRS, TFFR's funding level increased from 71.63% to 73.43% on an actuarial basis from July 1, 2024 to July 1, 2025. Based on the fair value of assets rather than the actuarial value of assets, the funded ratio increased to 74.05% compared to 70.42% last year. The Plan has a net investment gain of \$30.6 million, up from \$57.5 million in deferred losses from the previous year that have not yet been recognized in the actuarial value of assets due to the five-year smoothing. GRS has observed that as the net asset gains 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 experienced an actuarial asset gain of \$38.2 million during fiscal year ending 2025 and this gain was due to the actuarial value of assets earning a return greater 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. Based on the current valuation, the contribution rates are expected to fully fund NDTFFR in 2042, and as such, the current Member and Employer contribution rates are expected to be sufficient to meet the Board financing objectives.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2025 and 2024

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.

North Dakota Retirement and Investment Office
Statement of Net Position – Fiduciary Funds
June 30, 2025 and 2024

	Pension Trust		Investment Trust		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Investments, at fair value						
Global equities	\$ 2,041,571,056	\$ 1,842,466,840	\$ 10,717,837,710	\$ 9,512,487,152	\$ 12,759,408,766	\$ 11,354,953,992
Global fixed income	942,304,828	877,328,837	7,580,944,688	6,871,538,198	8,523,249,516	7,748,867,035
Global real assets	551,735,421	519,442,836	2,209,095,781	2,050,151,692	2,760,831,202	2,569,594,528
In State Investments	-	-	468,022,144	408,303,484	468,022,144	408,303,484
Cash equivalents	33,257,703	43,215,803	1,001,248,211	170,667,778	1,034,505,914	213,883,581
Total investments	3,568,869,008	3,282,454,316	21,977,148,534	19,013,148,304	25,546,017,542	22,295,602,620
Invested securities lending collateral	38,180,469	45,978,717	229,677,672	166,096,162	267,858,141	212,074,879
Receivables:						
Investment income	13,434,315	11,667,607	72,057,507	63,445,669	85,491,822	75,113,276
Contributions	38,429,181	25,997,776	-	-	38,429,181	25,997,776
Miscellaneous	73,466	14,515	66,331	38,637	139,797	53,152
Total receivables	51,936,962	37,679,898	72,123,838	63,484,306	124,060,800	101,164,204
Due from other state agency	460	743	2,717	-	3,177	743
Cash and cash equivalents	26,473,012	30,863,710	1,141,527	1,032,821	27,614,539	31,896,531
Software (net of depreciation)	7,078,049	5,005,816	-	-	7,078,049	5,005,816
Total assets	3,692,537,960	3,401,983,200	22,280,094,288	19,243,761,593	25,972,632,248	22,645,744,793
Deferred outflows of resources						
Related to pensions	1,529,328	2,041,484	1,081,288	1,965,412	2,610,616	4,006,896
Liabilities:						
Accounts payable	192,280	529,280	672,179	373,591	864,459	902,871
Investment expenses payable	2,334,499	1,538,824	12,639,752	8,117,911	14,974,251	9,656,735
Securities lending collateral	38,180,469	45,978,717	229,677,672	166,096,162	267,858,141	212,074,879
Accrued expenses	3,501,086	3,419,488	2,392,335	2,150,014	5,893,421	5,569,502
Miscellaneous payable	-	-	77,554	45,641	77,554	45,641
Due to other state funds	-	-	32,022,977	58,328,500	32,022,977	58,328,500
Due to other state agencies	34,124	38,561	25,073	11,539	59,197	50,100
Total liabilities	44,242,458	51,504,870	277,507,542	235,123,358	321,750,000	286,628,228
Deferred inflows of resources						
Related to pensions	1,075,393	1,511,973	923,264	1,704,875	1,998,657	3,216,848
Fiduciary net position:						
Restricted for pensions	3,648,749,437	3,351,007,841	-	-	3,648,749,437	3,351,007,841
Held in trust for investment pool participants:						
Pension pool	-	-	5,155,354,899	4,611,350,216	5,155,354,899	4,611,350,216
Insurance pool	-	-	3,546,537,369	3,257,008,659	3,546,537,369	3,257,008,659
Held in trust for individual investment accounts	-	-	13,300,852,502	11,140,539,897	13,300,852,502	11,140,539,897
Total fiduciary net position	\$ 3,648,749,437	\$ 3,351,007,841	\$ 22,002,744,770	\$ 19,008,898,772	\$ 25,651,494,207	\$ 22,359,906,613
Each participant unit is valued at \$1.00						
Participant units outstanding			22,002,744,770	19,008,898,772		

The accompanying notes are an integral part of the financial statements.

North Dakota Retirement and Investment Office
Statement of Changes in Net Position – Fiduciary Funds
Years Ending June 30, 2025 and 2024

	Pension Trust		Investment Trust		Total	
	2025	2024	2025	2024	2025	2024
Additions:						
Contributions:						
Employer contributions	\$ 110,989,217	\$ 108,087,909	\$ -	\$ -	\$ 110,989,217	\$ 108,087,909
Member contributions	102,186,364	99,610,414	-	-	102,186,364	99,610,414
Purchased service credit	1,143,232	1,195,665	-	-	1,143,232	1,195,665
Interest, penalties and other	564,370	87,985	-	-	564,370	87,985
Total contributions	214,883,183	208,981,973	-	-	214,883,183	208,981,973
Investment income:						
Net change in fair value of investments	316,150,319	203,124,840	1,869,655,467	1,312,660,066	2,185,805,786	1,515,784,906
Interest, dividends and other income	60,333,140	52,075,126	433,793,910	358,908,756	494,127,050	410,983,882
	376,483,459	255,199,966	2,303,449,377	1,671,568,822	2,679,932,836	1,926,768,788
Less investment expenses	5,905,682	6,293,751	33,429,536	32,363,429	39,335,218	38,657,180
Net investment income	370,577,777	248,906,215	2,270,019,841	1,639,205,393	2,640,597,618	1,888,111,608
Securities lending activity:						
Securities lending income	330,485	265,638	2,003,557	1,441,225	2,334,042	1,706,863
Less securities lending expenses	(66,023)	(53,091)	(400,324)	(288,013)	(466,347)	(341,104)
Net securities lending income	264,462	212,547	1,603,233	1,153,212	1,867,695	1,365,759
Purchase of units (\$1 per unit)	82,475,000	77,550,000	1,120,277,195	1,410,074,169	1,202,752,195	1,487,624,169
Total additions	668,200,422	535,650,735	3,391,900,269	3,050,432,774	4,060,100,691	3,586,083,509
Deductions:						
Benefits paid to participants	269,614,981	264,450,311	-	-	269,614,981	264,450,311
Partial lump-sum distributions	256,007	984,583	-	-	256,007	984,583
Refunds	14,025,843	12,225,640	-	-	14,025,843	12,225,640
Administrative expenses	4,086,995	3,312,773	6,210,313	4,071,447	10,297,308	7,384,220
Redemption of units (\$1 per unit)	82,475,000	77,578,042	391,843,958	419,359,176	474,318,958	496,937,218
Total deductions	370,458,826	358,551,349	398,054,271	423,430,623	768,513,097	781,981,972
Change in fiduciary net position	297,741,596	177,099,386	2,993,845,998	2,627,002,151	3,291,587,594	2,804,101,537
Fiduciary net position:						
Beginning of year	\$ 3,351,007,841	\$ 3,173,908,455	\$ 19,008,898,772	\$ 16,381,896,621	\$ 22,359,906,613	\$ 19,555,805,076
End of Year	\$ 3,648,749,437	\$ 3,351,007,841	\$ 22,002,744,770	\$ 19,008,898,772	\$ 25,651,494,207	\$ 22,359,906,613

The accompanying notes are an integral part of the financial statements.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

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, Arts Across the Prairie Maintenance Endowment fund, Water Projects Stabilization Fund and the ND State Historical Society 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, 2025 and 2024

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, Budget Stabilization Fund and Water Projects 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.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

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.

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
Software	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.

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Notes to the Financial Statements

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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, 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, 2025 were deposited in the Bank of North Dakota. At June 30, 2025 and 2024, the carrying amount of TFFR's deposits was \$26,881,924 and \$30,863,710 respectively, and the bank balance was \$25,877,006 and \$30,897,063, 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.

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Notes to the Financial Statements

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Investment Trust Funds

Certificates of deposit, an infrastructure loan fund, 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 \$457,575,964 and \$428,328,767 at June 30, 2025 and 2024, respectively. In addition, these funds carry cash and cash equivalents totaling \$1,141,529 and \$1,032,822 at June 30, 2025 and 2024, 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.

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, 2025 and 2024, the following tables show the investments by investment type and maturity (expressed in thousands).

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2025	All values in \$000				
	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 509,185	\$ 504	\$ 194,360	\$ 106,785	\$ 207,536
Bank Loans	7,824	-	3,028	4,796	-
Commercial Mortgage-Backed	268,589	-	3,183	5,069	260,337
Commercial Paper	109,006	109,006	-	-	-
Corporate Bonds	3,236,090	320,432	1,867,804	696,313	351,541
Corporate Convertible Bonds	7,511	-	2	-	7,509
Other Fixed Income	1,479,862	1,466,444	13,418	-	-
Government Agencies	81,335	3,934	45,055	14,617	17,729
Government Bonds	787,686	23,228	332,000	99,006	333,452
Gov't Mortgage Backed	1,198,164	828	28,772	37,285	1,131,279
Gov't-issued CMB	10,618	30	4,222	669	5,697
Index Linked Government Bonds	218,449	18,489	96,052	59,333	44,575
Municipal/Provincial Bonds	32,224	831	3,028	10,525	17,840
Non-Government Backed CMOs	112,471	-	-	702	111,769
Real Estate	534,680	534,680	-	-	-
Repurchase Agreements	(9,904)	(9,904)	-	-	-
Sukuk	2,588	1,296	1,292	-	-
Total Debt Securities	<u>\$ 8,586,378</u>	<u>\$ 2,469,798</u>	<u>\$ 2,592,216</u>	<u>\$ 1,035,100</u>	<u>\$ 2,489,264</u>

2024	All values in \$000				
	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 557,514	\$ 904	\$ 186,300	\$ 195,659	\$ 174,651
Bank Loans	1,481	-	1,135	346	-
Collateralized Bonds	859	-	-	859	-
Commercial Mortgage-Backed	327,993	5	4,755	8,667	314,566
Commercial Paper	144,105	144,105	-	-	-
Corporate Bonds	2,830,052	119,107	1,814,575	549,229	347,141
Corporate Convertible Bonds	7,634	-	-	-	7,634
Government Agencies	35,793	4,948	21,300	7,045	2,500
Government Bonds	726,783	8,074	266,955	44,197	407,557
Gov't Mortgage Backed	1,290,878	94	26,670	38,544	1,225,570
Gov't-issued CMB	11,728	21	5,396	1,032	5,279
Index Linked Government Bonds	306,967	43,087	161,471	56,789	45,620
Municipal/Provincial Bonds	20,146	596	3,422	1,967	14,161
Non-Government Backed CMOs	107,561	-	2,649	2,580	102,332
Repurchase Agreements	(8,422)	(8,422)	-	-	-
Short Term Bills and Notes	10,999	10,999	-	-	-
Sukuk	2,530	-	1,282	1,248	-
Funds/Pooled Investments	1,174,639	1,874	696,672	316,660	159,433
Total Debt Securities	<u>\$ 7,549,240</u>	<u>\$ 325,392</u>	<u>\$ 3,192,582</u>	<u>\$ 1,224,822</u>	<u>\$ 2,806,444</u>

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.

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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 \$7.8 million and \$7.3 million and IOs valued at \$21.2 million and \$20.7 million at June 30, 2025 and 2024, 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, 2025 and 2024, (expressed in thousands).

2025	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 509,185	\$ 254,461	\$ 71,706	\$ 43,216	\$ 7,570	\$ 505	\$ 477	\$ 1,729	\$ -	\$ 281	\$ 569	\$ 128,671
Bank Loans	7,824	-	-	-	-	1,974	288	-	-	-	-	5,562
Commercial Mortgage Backed	268,589	202,085	17,803	4,307	4,942	835	874	797	-	-	-	36,946
Commercial Paper	109,006	-	-	-	-	-	-	-	-	-	-	109,006
Corporate Bonds	3,236,090	15,457	104,275	487,119	1,224,186	649,202	406,165	97,702	137	-	3,860	247,987
Corporate Convertible Bonds	7,511	-	-	-	1,766	5,242	501	2	-	-	-	-
Other Fixed Income	1,479,862	1,677	389,710	2,482	1,194	54	27	27	-	-	-	1,084,691
Gov't Agencies	81,335	4,149	27,934	6,475	22,619	12,352	1,778	1,092	-	-	-	4,936
Gov't Bonds	787,686	-	694,296	13,258	33,099	15,791	2,443	1,017	-	-	-	27,782
Gov't Mortgage Backed	1,198,164	-	1,186,374	5,356	4,943	1,260	-	-	-	-	-	231
Gov't Issued CMB	10,618	316	10,302	-	-	-	-	-	-	-	-	-
Index Linked Government Bonds	218,449	-	198,216	-	1,827	-	-	-	-	-	-	18,406
Municipal/Provincial Bonds	32,224	4,868	15,118	10,613	-	440	-	1,185	-	-	-	-
Non-Gov't Backed CMOs	112,471	29,114	4,496	3,524	2,628	1,256	-	492	134	-	-	70,827
Real Estate	534,680	-	-	-	-	-	-	-	-	-	-	534,680
Repurchase Agreements	(9,904)	-	-	-	-	-	-	-	-	-	-	(9,904)
Sukuk	2,588	-	-	-	2,588	-	-	-	-	-	-	-
Total Credit Risk of Debt Securities	8,586,378	512,127	2,720,230	\$ 576,350	\$ 1,307,362	\$ 688,911	\$ 412,553	\$ 104,043	\$ 271	\$ 281	\$ 4,429	\$ 2,259,821

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June 30, 2025 and 2024

2024	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 557,514	\$ 338,611	\$ 81,761	\$ 53,846	\$ 17,601	\$ 327	\$ 573	\$ 2,069	\$ -	\$ 221	\$ 544	\$ 61,961
Bank Loans	1,481	-	-	-	-	880	429	-	-	-	-	172
Collateralized Bond	859	859	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	327,993	252,230	11,369	11,519	6,281	2,532	2,125	69	-	-	-	41,868
Commercial Paper	144,105	-	-	80,428	-	-	-	-	-	-	-	63,677
Corporate Bonds	2,830,052	8,914	54,695	519,603	1,242,869	558,862	350,101	84,488	184	-	1,141	9,195
Corporate Convertible Bonds	7,634	-	-	-	1,576	6,058	-	-	-	-	-	-
Gov't Agencies	35,793	3,460	3,196	971	18,882	7,703	1,407	174	-	-	-	-
Gov't Bonds	726,783	-	671,147	6,809	31,021	12,332	2,259	764	-	-	-	2,451
Gov't Mortgage Backed	1,290,878	-	1,273,462	5,673	8,602	2,606	380	-	-	-	-	155
Gov't Issued CMB	11,728	373	10,136	-	-	-	-	-	-	-	-	1,219
Index Linked Government Bonds	306,967	73,202	210,286	-	3,044	-	-	-	-	-	-	20,435
Municipal/Provincial Bonds	20,146	2,761	12,316	2,616	-	581	-	1,872	-	-	-	-
Non-Gov't Backed CMOs	107,561	34,354	7,598	3,420	3,913	2,200	445	217	337	-	-	55,077
Repurchase Agreements (8,422)	-	-	-	-	-	-	-	-	-	-	-	(8,422)
Short Term Bills & Notes	10,999	-	10,999	-	-	-	-	-	-	-	-	-
Sukuk	2,530	-	-	-	2,530	-	-	-	-	-	-	-
Funds/Pooled Investments	1,174,639	-	783,775	105,061	84,771	19,515	27,906	-	-	-	-	153,611
Total Credit Risk of Debt Securities	7,549,240	714,764	3,130,740	\$ 789,946	\$ 1,421,090	\$ 613,596	\$ 385,625	\$ 89,653	\$ 521	\$ 221	\$ 1,685	\$ 401,399

- * 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.

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, 2025 and 2024, 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, 2025 and 2024 (expressed in thousands).

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2025				Venture Capital & Partnerships	Total
Currency	Short-Term	Debt	Equity		
Argentine peso	\$ 1	\$ -	\$ -		\$ 1
Australian dollar	(1,110)	673	9,667	-	9,230
Brazilian real	(11,063)	18,096	-	-	7,033
British pound sterling	(15,164)	14,235	65,823	-	64,894
Canadian dollar	(22,707)	20,303	38,073	-	35,669
Chilean peso	(277)	-	-	-	(277)
Chinese yuan renminbi	280	-	-	-	280
Danish krone	(34)	-	-	-	(34)
Euro	(63,982)	64,868	174,240	22,886	198,012
HK offshore Chinese Yuan Renminbi	(3,342)	-	-	-	(3,342)
Hong Kong dollar	-	-	54,217	-	54,217
Hungarian forint	1	-	-	-	1
Indian rupee	2,992	-	-	-	2,992
Indonesian rupiah	1,146	-	-	-	1,146
Japanese yen	(763)	3,994	41,699	-	44,930
Mexican peso	3,916	84	-	-	4,000
New Israeli shekel	(850)	-	-	-	(850)
New Taiwan dollar	(5,216)	-	-	-	(5,216)
New Zealand dollar	1	-	-	-	1
Norwegian krone	42	-	-	-	42
Peruvian nuevo sol	(6,914)	8,421	-	-	1,507
Polish zloty	2,043	-	-	-	2,043
Russian ruble	1,070	-	2,903	-	3,973
Singapore dollar	(5,683)	-	-	-	(5,683)
South African rand	(3,216)	5,895	-	-	2,679
South Korean won	(1,675)	-	13,689	-	12,014
Swedish krona	77	-	-	-	77
Swiss franc	(954)	-	27,238	-	26,284
Thai baht	(895)	-	-	-	(895)
Turkish lira	9,207	-	-	-	9,207
International commingled funds (various currencies)	-	10,807	2,253,653	-	2,264,460
Total international investment securities	\$ (123,069)	\$ 147,376	\$ 2,681,202	\$ 22,886	\$ 2,728,395

Negative amounts represent short positions.

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2024

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 1	\$ -	\$ -	\$ -	\$ 1
Australian dollar	(32)	-	-	-	(32)
Brazilian real	902	3,349	-	-	4,251
British pound sterling	(23,783)	13,907	81,642	-	71,766
Canadian dollar	(13,553)	10,048	28,008	-	24,503
Chilean peso	(273)	-	-	-	(273)
Chinese yuan renminbi	283	-	-	-	283
Danish krone	(47)	-	31,882	-	31,835
Euro	(58,972)	48,440	170,346	-	159,814
Hong Kong Off-Shore-Chinese yuan renminbi	7,698	-	-	-	7,698
Hong Kong dollar	-	-	6,394	-	6,394
Hungarian forint	1	-	-	-	1
Indian rupee	8,417	-	-	-	8,417
Indonesian rupiah	2,382	-	-	-	2,382
Japanese yen	2,976	(3,552)	115,054	-	114,478
Mexican peso	(7,776)	11,933	-	-	4,157
New Taiwan dollar	(4,203)	-	-	-	(4,203)
Norwegian krone	87	-	-	-	87
Polish zloty	(2)	-	-	-	(2)
Russian ruble	605	-	3,059	-	3,664
Singapore dollar	(3,447)	-	-	-	(3,447)
South Korean won	(450)	-	21,961	-	21,511
Swedish krona	7	-	22,545	-	22,552
Swiss franc	2	-	32,958	-	32,960
Thai baht	(242)	-	-	-	(242)
Turkish lira	8,398	-	-	-	8,398
International commingled funds (various currencies)	-	-	4,086,118	33,832	4,119,950
Total international investment securities	<u>\$ (81,021)</u>	<u>\$ 84,125</u>	<u>\$ 4,599,967</u>	<u>\$ 33,832</u>	<u>\$ 4,636,903</u>

Negative amounts represent short positions.

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, 2025 and 2024, 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 \$41.6 and \$76.6 million for fiscal years 2025 and 2024, respectively. At June 30, 2025 and 2024, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

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June 30, 2025 and 2024

<u>Futures</u>	Notional Value	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Cash & Cash Equivalent Derivative Futures		
Long	\$ -	\$ 171,610
Short	-	122,023
Commodity Derivative Futures		
Short	-	(18,719)
Equity Derivative Futures		
Long	-	457,320
Fixed Income Derivative Futures		
Long	499,407	289,982
Short	(32,487)	(305,874)
Total Futures	<u>\$ 466,920</u>	<u>\$ 716,342</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 \$3.9 million and \$4.9 million in fiscal years 2025 and 2024, respectively. At June 30, 2025 and 2024, the SIB investment portfolio had the following option balances (expressed in thousands).

<u>Options</u>	Fair Value	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Cash & Other Options		
Call	\$ (156)	\$ 1,348
Put	72	42
Equity Options		
Call	-	697
Fixed Income Options		
Call	(22)	43
Put	(8)	(94)
Total Options	<u>\$ (114)</u>	<u>\$ 2,036</u>

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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 \$(2.8) million and \$1.5 million for fiscal years 2025 and 2024, respectively. The maximum loss that would be recognized at June 30, 2025 and 2024, if all counterparties failed to perform as contracted is \$4.0 million and \$2.5 million, respectively. Swap fair values are determined by a third-party pricing source. At June 30, 2025 and 2024, 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.

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024
Bank of America/Aa2 (9 contracts)	\$ (43,100)	\$ -	2028 - 2030	\$ 1,059	\$ -
Bank of America/Aa2 (7 contracts)	-	(9,135)	2028 - 2029	-	314
Barclays Capital Inc/A1 (1 contracts)	(2,600)	-	2030	31	-
Barclays Capital Inc/A1 (1 contracts)	-	(3,250)	2029	-	2
BNP Paribas Sa Paris/A1 (10 contract)	(5,184)	-	2027 - 2029	936	-
BNP Paribas Sa Paris/Aa3 (1 contract)	-	(100)	2027	-	(1)
Citibank/Aa3 (1 contract)	(300)	-	2027	(1)	-
Citibank/A1 (2 contracts)	-	(400)	2024 - 2027	-	(1)
Citigroup Global Markets/A2 (1 contracts)	2,009	-	2030	(45)	-
Citigroup Global Markets/A1 (1 contracts)	-	(2,790)	2029	-	179
Deutsche Bank London/A1 (1 Contract)	(229)	-	2026	4	-
Goldman Sachs/A2 (8 contracts)	(3,009)	-	2026 - 2029	139	-
Goldman Sachs/A2 (6 contracts)	-	(1,500)	2027	-	(11)
JP Morgan Chase/Aa2 (7 contract)	(24,160)	-	2029 - 2030	1,045	-
JP Morgan Chase/Aa2 (4 contracts)	-	(13,709)	2024 - 2029	-	854
Morgan Stanley/Aa3 (10 contract)	(30,500)	-	2026 - 2030	664	-
Morgan Stanley/A1 (8 contracts)	-	(11,825)	2026 - 2029	-	220
Wells Fargo Bank/Aa2 (13 contracts)	(19,450)	-	2025 - 2030	473	-
Wells Fargo Bank/Aa2 (11 contracts)	-	1,304	2024 - 2029	-	(251)
Total Credit Default Swaps	<u>\$ (126,523)</u>	<u>\$ (41,405)</u>		<u>\$ 4,305</u>	<u>\$ 1,305</u>

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

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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.

Interest Rate

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024
Bank of America/Aa2 (55 contracts)	\$ 161,725	\$ -	2025 - 2055	\$ 829	\$ -
Bank of America/Aa2 (48 contracts)	-	229,088	2025 - 2054	-	2,914
Citigroup Global Markets/A2 (23 contracts)	45,816	-	2026 - 2054	241	-
Citigroup Global Markets/A1 (43 contracts)	-	106,975	2024 - 2054	-	213
JP Morgan Chase/Aa2 (14 contracts)	33,620	-	2025 - 2054	583	-
JP Morgan Chase/Aa2 (16 contracts)	-	100,071	2024 - 2054	-	547
Morgan Stanley/Aa3 (54 contracts)	89,255	-	2025 - 2055	1,894	-
Morgan Stanley/A1 (61 contracts)	-	141,878	2024 - 2054	-	2,527
Wells Fargo Bank/Aa2 (52 contracts)	112,841	-	2026 - 2055	3,519	-
Wells Fargo Bank/Aa2 (65 contracts)	-	164,383	2024 - 2054	-	3,910
Total Interest Rate Swaps	<u>\$ 443,257</u>	<u>\$ 742,395</u>		<u>\$ 7,066</u>	<u>\$ 10,111</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.

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).

Inflation

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024
Goldman Sachs/A2 (2 contracts)	\$ 18,322	\$ -	2025	\$ 252	\$ -
Goldman Sachs/A2 (2 contracts)	-	19,305	2024	-	(184)
JP Morgan Chase/Aa2 (1 contracts)	2,158	-	2025	29	-
JP Morgan Chase/Aa2 (1 contracts)	-	2,260	2024	-	(17)
Total Inflation Swaps	<u>\$ 20,480</u>	<u>\$ 21,565</u>		<u>\$ 281</u>	<u>\$ (201)</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.

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Total Return

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2025	June 30, 2024		June 30, 2025	June 30, 2024
Bank of America/Aa2 (1 contract)	\$ -	\$ 20,035	2024	\$ -	\$ (932)
Citibank/Aa3 (3 contract)	26,255	-	2025	(1,192)	-
Citibank/A1 (2 contracts)	-	16,910	2024	-	(415)
Goldman Sachs/A2 (1 contract)	-	6,310	2024	-	(355)
JP Morgan Chase/Aa2 (2 contracts)	10,680	-	2025	139	-
JP Morgan Chase/Aa2 (2 contracts)	-	10,140	2024	-	(210)
Total Total Return Swaps	<u>\$ 36,935</u>	<u>\$ 53,395</u>		<u>\$ (1,053)</u>	<u>\$ (1,912)</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 \$(8.9) million and \$4.0 million for fiscal years 2025 and 2024, respectively. At June 30, 2025 and 2024, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

		Fair Value				
	Currency	Cost	Purchases	Sales	6/30/2025	6/30/2024
AUD	Australian dollar	\$ (2,106)	\$ 2,128	\$ (4,235)	(2,140)	\$ (57)
BRL	Brazilian real	(10,068)	13,626	(23,694)	(11,404)	(692)
GBP	British pound sterling	(13,022)	13,094	(26,116)	(13,190)	(12,054)
CAD	Canadian dollar	(14,281)	14,249	(28,530)	(14,351)	(1,828)
CLP	Chilean peso	(276)	-	(276)	(277)	(273)
CNH	Chinese offshore	(3,352)	2,469	(5,822)	(3,342)	(24)
CNY	Chinese Yuan	280	561	(281)	280	283
DKK	Danish Krone	(47)	20	(67)	(48)	(75)
EUR	Euro	(81,051)	83,244	(164,295)	(83,728)	(38,360)
HUF	Hungarian Forint	-	-	-	-	6
IDR	Indonesia Rupiah	1,142	1,500	(358)	1,146	1,011
INR	Indian Rupee	2,984	3,066	(82)	2,992	3,509
JPY	Japanese yen	(963)	7,697	(8,660)	(957)	(978)
MXN	Mexican peso	3,786	3,829	(43)	3,845	(3,871)
ILS	New Israeli shekel	(1,189)	-	(1,189)	(1,229)	-
PEN	Peruvian nuevo sol	(6,761)	181	(6,942)	(6,987)	-
PLN	Poland Zloty	1,971	1,971	-	2,045	-
SGD	Singapore Dollar	(6,286)	5,825	(12,111)	(6,334)	(842)
ZAR	South African rand	(3,178)	-	(3,178)	(3,218)	6
KRW	South Korean won	(1,665)	2,216	(3,881)	(1,675)	(318)
THB	Thai Baht	(879)	160	(1,039)	(901)	(247)
TWD	Taiwan Dollar	(4,358)	2,888	(7,246)	(5,216)	(2,026)
TRY	Turkish Lira	9,314	9,589	(275)	9,421	3,869
USD	United States dollar	131,040	300,415	(169,375)	131,040	53,552
Total forwards subject to currency risk					<u>\$ (4,228)</u>	<u>\$ 591</u>

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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, 2025 and 2024, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

All values in \$000

2025

	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	\$ 466,920	\$ 229,206	\$ 237,714	\$ -	\$ -	\$ -	\$ -
Total	\$ 466,920	\$ 229,206	\$ 237,714	\$ -	\$ -	\$ -	\$ -
	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	\$ (175)	\$ (175)	\$ -	\$ -	\$ -	\$ -	\$ -
Options on futures	(27)	(27)	-	-	-	-	-
Options - Foreign Exchange Contracts	92	-	92	-	-	-	-
Swaps - interest rate contracts	(3)	(3)	-	-	-	-	-
Swaps - credit contracts	6,012	(32)	(1,053)	(89)	(508)	(310)	8,004
Total	4,305	-	5	17	4,283	-	-
	\$ 10,204	\$ (237)	\$ (956)	\$ (72)	\$ 3,775	\$ (310)	\$ 8,004

2024

	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	\$ 277,741	\$ (56,049)	\$ 26,669	\$ 122,023	\$ 185,098	\$ -	\$ -
Futures-commodity contracts	(18,719)	-	(18,719)	-	-	-	-
Total	\$ 259,022	\$ (56,049)	\$ 7,950	\$ 122,023	\$ 185,098	\$ -	\$ -
	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	\$ (46)	\$ (102)	\$ 41	\$ 15	\$ -	\$ -	\$ -
Options on Futures	(157)	(26)	82	(213)	-	-	-
Options - Foreign Exchange Contracts	1,533	5	863	665	-	-	-
Options - Credit Contracts	10	7	3	-	-	-	-
Swaps - Interest Rate Contracts	8,199	(1,611)	(405)	(418)	2,204	1,321	7,108
Swaps - Credit Contracts	1,306	-	30	-	1,276	-	-
Total	\$ 10,845	\$ (1,727)	\$ 614	\$ 49	\$ 3,480	\$ 1,321	\$ 7,108

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.

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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, 2025 and 2024 (expressed in thousands).

2025	Dollars in (000)			
	Fair Value Measures Using			
	Fair Value 6/30/25	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Short Term Securities				
Commercial Paper	\$ 109,006	\$ -	\$ 109,006	\$ -
Total Short Term Securities	109,006	-	109,006	-
Fixed Income Investments				
Asset Backed Securities	509,185	-	509,185	-
Bank Loans	7,824	-	7,824	-
Commercial Mortgage-Backed	268,588	-	268,588	-
Corporate Bonds	2,919,619	-	2,919,619	-
Corporate Convertible Bonds	7,511	-	7,511	-
Funds - Fixed Income ETF	37,652	37,652	-	-
Government Agencies	57,974	-	57,974	-
Government Bonds	787,685	-	787,685	-
Government Mortgage Backed Securities	1,198,163	-	1,198,163	-
Gov't-issued Commercial Mortgage-Backed	10,618	-	10,618	-
Index Linked Government Bonds	218,449	-	218,449	-
Municipal/Provincial Bonds	32,225	-	32,225	-
Non-Government Backed C.M.O.s	111,966	-	110,056	1,910
Sukuk	2,588	-	2,588	-
Total Fixed Income Investments	6,170,047	37,652	6,130,485	1,910
Equity Investments				
Common Stock	3,942,864	3,939,372	-	3,492
Funds - Equities ETF	12,713	12,713	-	-
Preferred Stock	620	601	-	19
Total Equity Investments	3,956,197	3,952,686	-	3,511
Derivative Investments				
Exchange Cleared Swaps	9,717	-	9,717	-
Options	(111)	(27)	(84)	-
Swaps	881	-	881	-
Total Derivative Investments	10,487	(27)	10,514	-
Total Investments by Fair Value Level	\$ 10,245,737	\$ 3,990,311	\$ 6,250,005	\$ 5,421

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		Dollars in (000)			
			Unfunded	Redemption	
			Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the Net Asset Value (NAV)					
Commingled Funds-Debt	\$ 1,782,040	\$ -	-	Daily, monthly	1-15 days
Commingled Funds-Equities	5,832,662	-	-	Daily, monthly	1-15 days
Distressed Debt	253,548	-	-	Quarterly, Not eligible	60 days
Long/Short	436,995	-	-	Monthly	15 days
Mezzanine Debt	1	-	-	Not eligible	Not eligible
Private Credit	626,431	269,143	-	Not eligible	Not eligible
Private Equity	3,060,776	872,053	-	Not eligible	Not eligible
Real Assets	2,586,888	564,734	-	Quarterly, Not eligible	30-90 days
Total Investments Measured at the NAV	\$ 14,579,341	\$ 1,705,930			
Investments at Other Than Fair Value					
Cash and adjustments to cash	\$ 355,710				
Bank Certificates of Deposit	292,519				
Other miscellaneous securities	72,711				
Total Investments at Other Than Fair Value	\$ 720,940				
Total Investments	\$ 25,546,018				

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2024	Dollars in (000)			
	Fair Value Measures Using			
	Fair Value 6/30/24	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Short Term Securities				
Commercial Paper	\$ 144,105	\$ -	\$ 144,105	\$ -
Short Term Bills and Notes	10,999	-	10,999	-
Total Short Term Securities	155,104	-	155,104	-
Fixed Income Investments				
Asset Backed Securities	557,515	-	555,514	2,001
Bank Loans	1,480	-	1,480	-
Collateralized Bonds	859	-	859	-
Commercial Mortgage-Backed	327,994	-	327,994	-
Corporate Bonds	2,830,053	-	2,830,053	-
Corporate Convertible Bonds	7,634	-	7,634	-
Funds - Fixed Income ETF	17,017	17,017	-	-
Government Agencies	35,794	-	35,794	-
Government Bonds	726,782	-	726,782	-
Government Mortgage Backed Securities	1,290,880	-	1,290,880	-
Gov't-issued Commercial Mortgage-Backed	11,729	-	11,729	-
Index Linked Government Bonds	306,967	-	306,967	-
Municipal/Provincial Bonds	20,146	-	20,146	-
Non-Government Backed C.M.O.s	106,968	-	104,955	2,013
Sukuk	2,530	-	2,530	-
Total Fixed Income Investments	6,244,348	17,017	6,223,317	4,014
Equity Investments				
Common Stock	3,227,800	3,227,333	-	467
Funds - Equities ETF	406,558	406,558	-	-
Preferred Stock	40	-	-	40
Total Equity Investments	3,634,398	3,633,891	-	507
Derivative Investments				
Exchange Cleared Swaps	11,382	-	11,382	-
Options	2,037	541	1,496	-
Swaps	(2,079)	-	(2,079)	-
Total Derivative Investments	11,340	541	10,799	-
Total Investments by Fair Value Level	\$ 10,045,190	\$ 3,651,449	\$ 6,389,220	\$ 4,521

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Dollars in (000)				
Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Funds-Debt	\$ 1,157,621	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	4,921,741	-	Daily, monthly	1-15 days
Distressed Debt	230,764	-	Quarterly, Not eligible	60 days
Long/Short	924,093	-	Monthly	15 days
Mezzanine Debt	1	-	Not eligible	Not eligible
Private Credit	551,682	120,700	Not eligible	Not eligible
Private Equity	1,774,040	428,163	Not eligible	Not eligible
Real Assets	2,351,216	456,684	Quarterly, Not eligible	30-90 days
Total Investments Measured at the NAV	\$ 11,911,158	\$ 1,005,547		
Investments at Other Than Fair Value				
Cash and adjustments to cash	\$ 35,988			
Bank Certificates of Deposit	311,051			
Other miscellaneous securities	638			
Repurchase Agreements	(8,422)			
Total Investments at Other Than Fair Value	\$ 339,255			
Total Investments	\$ 22,295,603			

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.

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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, mortgages and bank loans. The SIB is including these types of investments in its global fixed income allocations.

As of June 30, 2025 and June 30, 2024, 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, 2025 and 2024.

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, 2025 and 2024.

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 \$105.7 million and \$216.7 million as of June 30, 2025 and 2024, 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 \$648.2 million and \$432.6 million in unfunded private equity commitments as of June 30, 2025 and 2024, respectively.

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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

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, 2025 and 2024. The remaining six funds are closed-ended limited partnerships that are not eligible for redemptions. Those six funds have a combined unfunded commitment of \$167.5 million and \$132.1 million as of June 30, 2025 and 2024, 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, 2025 and 2024, 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 \$167.5 million and \$240.7 million at June 30, 2025 and 2024, respectively, and are not eligible for redemptions.

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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.

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 58 and 47 days as of June 30, 2025 and 2024, respectively. Cash open collateral is invested in a short-term investment pool, which had an interest sensitivity of 1 and 3 days as of June 30, 2025 and 2024, 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, 2025 and 2024 (expressed in thousands).

		Non-Cash	Cash
	Securities	Collateral	Collateral
2025	Lent	Value	Investment
			Value
Lent for cash collateral:			
US agency securities	\$ 2,070	\$ -	\$ 2,110
US government securities	11	-	11
US corporate fixed income securities	220,593	-	225,467
Global agency securities	824	-	888
Global government securities	208	-	219
Global corporate fixed income securities	337	-	351
US equities	38,063	-	38,812
Lent for non-cash collateral:			
US agency securities	1,394	1,427	-
US government securities	8,557	8,771	-
US corporate fixed income securities	219,682	225,147	-
US equities	123,738	126,552	-
Global equities	5,843	6,253	-
Global corporate fixed	554	616	-
Total	<u>\$ 621,874</u>	<u>\$ 368,766</u>	<u>\$ 267,858</u>

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

2024	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 577	\$ -	\$ 599
US government securities	101	-	103
US corporate fixed income securities	119,421	-	122,659
Global government securities	334	-	366
Global corporate fixed income securities	2,087	-	2,257
US equities	83,847	-	86,091
Lent for non-cash collateral:			
US agency securities	3,382	3,479	-
US government securities	3,876	4,006	-
US corporate fixed income securities	274,905	281,995	-
US equities	185,692	189,355	-
Global equities	1,229	1,324	-
Global corporate fixed	12	13	-
Total	<u>\$ 675,463</u>	<u>\$ 480,172</u>	<u>\$ 212,075</u>

Note 4 - Capital Assets

	June 30, 2023	Additions	Retirements	June 30, 2024	Additions	Retirements	June 30, 2025
Office equipment	\$ 16,879	\$ -	\$ -	\$ 16,879	\$ -	\$ -	\$ 16,879
Less accumulated depreciation on office equipment	(16,879)	-	-	(16,879)	-	-	(16,879)
Software	3,793,827	2,425,489	-	6,219,316	2,577,808	-	8,797,124
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	(505,575)	-	(1,719,075)
	<u>\$ 2,580,327</u>	<u>\$ 2,425,489</u>	<u>\$ -</u>	<u>\$ 5,005,816</u>	<u>\$ 2,072,233</u>	<u>\$ -</u>	<u>\$ 7,078,049</u>

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Notes to the Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024:

	2025	2024
Due To Other State Agencies		
Information Technology Department	\$ 55,724	\$ 46,645
Department of Transportation	15	31
Office of Attorney General	3,401	3,079
Office of Management and Budget	57	345
Total due to other state agencies	<u>\$ 59,197</u>	<u>\$ 50,100</u>
Due From Other State Agencies		
Public Employees Retirement System	\$ -	\$ 743
Surplus Property	3,177	-
Total due from other state agencies	<u>\$ 3,177</u>	<u>\$ 743</u>
Due To Other State Funds		
Budget Stabilization Fund	<u>\$ 32,022,977</u>	<u>\$ 58,328,500</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, 2025 and 2024 are summarized as follows:

	Beginning Balance 7/1/2024	Additions	Reductions	Ending Balance 6/30/2025	Amounts Due Within One Year
Accrued Leave	<u>\$316,230</u>	<u>\$156,537 *</u>	<u>\$0</u>	<u>\$472,767</u>	<u>\$94,131</u>
	Beginning Balance 6/30/2023	Additions	Reductions	Ending Balance 6/30/2024	Amounts Due Within One Year
Accrued Leave	<u>\$258,130</u>	<u>\$58,100 *</u>	<u>\$0</u>	<u>\$316,230</u>	<u>\$154,695</u>

* The change in the compensated absences liability is presented as a net change.

Pension and Investment Trust Funds liquidate the accrued annual leave.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024, the number of participating employer units was 204, consisting of the following:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Public School Districts	167	168
County Superintendents	3	4
Special Education Units	20	20
Vocational Education Units	5	4
Other	9	8
Total	<u>204</u>	<u>204</u>

TFFR's membership consisted of the following:

	<u>2025</u>	<u>2024</u>
Retirees and beneficiaries currently receiving benefits	9,664	9,693
Terminated employees - vested	2,308	2,147
Terminated employees - nonvested	<u>1,954</u>	<u>1,878</u>
Total	<u>13,926</u>	<u>13,718</u>
Current employees		
Vested	8,612	8,453
Nonvested	<u>3,400</u>	<u>3,492</u>
Total	<u>12,012</u>	<u>11,945</u>

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Notes to the Financial Statements

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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 their contributions before reaching the age established by Congress for federal Required Minimum Distributions (RMDs). 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.

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.

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Notes to the Financial Statements

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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 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 11.32% and 8.02% for the years ended June 30, 2025 and 2024, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2025 and 2024 (expressed in thousands), were as follows:

	June 30, 2025	June 30, 2024
Total pension liability	\$ 4,927,219	\$ 4,758,417
Plan fiduciary net position	(3,648,749)	(3,351,008)
Net pension liability (NPL)	<u>\$ 1,278,470</u>	<u>\$ 1,407,409</u>
Plan fiduciary net position as a percentage of the total pension liability	74.05%	70.42%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2025 and 2024, using the following actuarial assumptions:

Valuation date	July 1, 2025	July 1, 2024
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	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service
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, 2025 and 2024, 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 mortality table was the Pub-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.

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Notes to the Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024 are summarized in the following tables:

2025	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	5.4%
Global Fixed Income	26.0%	2.3%
Global Real Assets	18.0%	6.1%
Cash Equivalents	1.0%	1.2%

2024	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	5.8%
Global Fixed Income	26.0%	2.9%
Global Real Assets	18.0%	6.3%
Cash Equivalents	1.0%	1.6%

As part of the most recent asset/liability study, the total fund real rate of return was adjusted downward by 0.2% 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 2.4% for expected inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2025 and 2024. 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, 2025 and 2024 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, 2025 and 2024. 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, 2025 and 2024.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.15% and 7.25% as of June 30, 2025 and 2024, respectively, 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):

2025		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)
Employers' net pension liability	\$ 1,882,776	\$ 1,278,470

2024		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)
Employers' net pension liability	\$ 1,982,327	\$ 1,407,409

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 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 eleven members. The Board consists of a Chairman, who is appointed by the Governor; three members appointed by the Governor; four members of the legislative assembly appointed by the chairman of the legislative management; and three members elected by the active membership of the NDPERS system.

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Notes to the Financial Statements

June 30, 2025 and 2024

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 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.

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Notes to the Financial Statements

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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.

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Notes to the Financial Statements

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

At June 30, 2025 and 2024, RIO reported a liability of \$4,399,786 and \$4,281,321, 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, 2024 and 2023, 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, 2024, RIO's pension plan proportion was 0.228109 percent and as of June 30, 2023, was 0.214521 percent. RIO's OPEB plan proportion was 0.154314 percent as of June 30, 2024 and was 0.144851 percent as of June 30, 2023.

RIO recognized pension and OPEB expense of \$594,185 and \$416,820 for the years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, 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	
	2025	2024	2025	2024
Differences between expected and actual experience	\$ 204,215	\$ 137,381	\$ 1,025	\$ 24,470
Changes in assumptions	1,048,490	2,311,803	1,945,169	3,151,703
Net differences between projected and actual earnings on plan investments	-	118,994	43,997	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,059,589	1,176,734	8,466	40,675
Employer contributions subsequent to the measurement date	298,322	261,984	-	-
Total	<u>\$ 2,610,616</u>	<u>\$ 4,006,896</u>	<u>\$ 1,998,657</u>	<u>\$ 3,216,848</u>

Deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date in the amount of \$298,322 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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	
2026	\$ (94,648)
2027	474,758
2028	(57,333)
2029	(9,140)
2030	-
	<u>\$ 313,637</u>

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

Actuarial assumptions

The total pension and OPEB liabilities in the July 1, 2025 and 2024 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

2024 & 2023 - Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.5% to 17.75%, including inflation
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 2024 and 2023, 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.

2024 & 2023 - 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

For active members, inactive members and healthy retirees in both 2024 and 2023, 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.

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 tables:

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June 30, 2025 and 2024

2024 - Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58%	5.6%
Global Fixed Income	23%	2.9%
Global Real Assets	19%	6.1%

2023 - Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58%	6.9%
Global Fixed Income	23%	2.5%
Global Real Assets	19%	4.3%

2024 - OPEB Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	33%	4.0%
Small Cap Domestic Equity	6%	6.0%
International Equity	26%	7.0%
Core-Plus Fixed Income	35%	3.3%

2023 - OPEB Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	33%	6.1%
Small Cap Domestic Equity	6%	7.1%
International Equity	26%	6.5%
Core-Plus Fixed Income	35%	2.6%

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

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 (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 2024, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.97% (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 6.50%.

For 2023, 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 6.50%.

The discount rate used to measure the total OPEB liability for 2024 and 2023 was 5.75%. 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, 2024 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, 2025 and 2024

2025

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
RIO's net pension liability	\$ 6,029,504	\$ 4,266,450	\$ 2,804,231

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
RIO's net OPEB liability	182,237	133,336	92,149

2024

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
RIO's net pension liability	\$ 5,703,248	\$ 4,136,506	\$ 2,836,772

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
RIO's net OPEB liability	190,322	144,815	106,503

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.

REQUIRED SUPPLEMENTARY INFORMATION

North Dakota Retirement and Investment Office

Required Supplementary Information

For Fiscal Year Ended June 30, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 107,903	\$ 100,869	\$ 96,101	92,336	\$ 87,088	\$ 80,591	\$ 77,756	\$ 78,041	\$ 75,476	\$ 68,239
Interest	338,717	325,552	318,879	311,929	300,698	306,791	296,876	287,375	276,412	265,440
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(38,086)	32,437	(55,450)	(8,505)	8,366	(20,732)	(23,495)	(27,939)	(10,749)	(8,093)
Changes of assumptions	44,164	-	-	-	-	51,813	-	-	-	-
Benefit payments, including refunds of member contributions	(283,897)	(277,661)	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)
Net change in total pension liability	168,801	181,197	97,248	143,913	155,024	187,612	129,909	129,498	144,623	139,617
Total pension liability - beginning	4,758,418	4,577,221	4,479,973	4,336,060	4,181,036	3,993,424	3,863,515	3,734,017	3,589,394	3,449,777
Total pension liability - ending (a)	\$ 4,927,219	\$ 4,758,418	\$ 4,577,221	\$ 4,479,973	\$ 4,336,060	\$ 4,181,036	\$ 3,993,424	\$ 3,863,515	\$ 3,734,017	\$ 3,589,394
Plan fiduciary net position										
Contributions - employer	\$ 110,989	\$ 108,088	\$ 102,308	100,331	\$ 98,264	\$ 93,032	\$ 89,445	\$ 86,676	\$ 86,059	\$ 82,840
Contributions - member	102,186	99,610	94,284	92,462	90,557	85,735	82,429	79,878	79,309	76,343
Contributions - purchased service credit	1,143	1,196	1,109	2,017	2,559	2,175	1,917	2,181	2,553	2,768
Contributions - other	564	88	(10)	25	126	159	159	194	236	45
Net investment income	370,842	249,092	217,471	(198,881)	684,173	86,206	135,043	211,345	266,688	8,239
Benefit payments, including refunds of member contributions	(283,897)	(277,661)	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)
Administrative expenses	(4,087)	(3,313)	(2,891)	(2,592)	(2,678)	(2,095)	(2,251)	(2,129)	(2,173)	(1,852)
Net change in plan fiduciary net position	297,740	177,100	149,989	(258,485)	631,873	34,361	85,514	170,166	236,156	(17,586)
Plan fiduciary net position - beginning *	3,351,009	3,173,909	3,023,920	3,282,405	2,650,532	2,616,171	2,530,657	2,360,491	2,124,335	2,141,921
Plan fiduciary net position - ending (b)	\$ 3,648,749	\$ 3,351,009	\$ 3,173,909	\$ 3,023,920	\$ 3,282,405	\$ 2,650,532	\$ 2,616,171	\$ 2,530,657	\$ 2,360,491	\$ 2,124,335
Plan's net pension liability - ending (a) - (b)	\$ 1,278,470	\$ 1,407,409	\$ 1,403,312	1,456,053	\$ 1,053,655	\$ 1,530,504	\$ 1,377,253	\$ 1,332,858	\$ 1,373,526	\$ 1,465,059
Plan fiduciary net position as a percentage of the total pension liability	74.1%	70.4%	69.3%	67.5%	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%
Covered payroll	870,522	847,923	802,413	786,912	770,700	729,661	701,528	679,809	674,971	649,725
Plan's net pension liability as a percentage of covered payroll	146.9%	166.0%	174.9%	185.0%	136.7%	209.8%	196.3%	196.1%	203.5%	225.5%

Notes to Schedule:

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

For Fiscal Year Ended June 30, 2025

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
2025	\$ 108,815	\$ 110,989	\$ (2,174)	\$ 870,522	12.75%
2024	105,990	108,088	(2,098)	847,923	12.75%
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%

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	19 years as of July 1, 2024
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increases	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service.
Investment rate of return	7.25%
Retirement age	Experience-based tables of rates based on age and gender
Mortality	Post-retirement Non-Disabled: 104% of the Pub T-2010 Retiree Table and 95% of the Pub T-2010 Contingent Survivor Table with generational mortality improvement using Scale MP-2019. Disabled: Pub NS-2010 Retiree Table with generational mortality improvement using Scale MP-2019.

North Dakota Retirement and Investment Office

Required Supplementary Information

For Fiscal Year Ended June 30, 2025

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

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

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
11.32%	8.02%	7.35%	-6.17%	26.36%	3.37%	5.46%	9.15%	12.81%	0.39%

North Dakota Retirement and Investment Office
Required Supplementary Information
For Fiscal Year Ended June 30, 2025

Schedule of Employer's Share of Net Pension and OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*
(Dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
RIO's proportion of NDPERS net pension liability (asset)	0.228109%	0.214521%	0.150263%	0.141582%	0.140747%	0.151523%	0.153507%	0.156317%	0.152969%	0.145546%
RIO's proportion of NDPERS net OPEB liability (asset)	0.154314%	0.144851%	0.105029%	0.132262%	0.122537%	0.141245%	0.144121%	0.147503%		
RIO's proportionate share of NDPERS net pension liability (asset)	\$ 4,266	\$ 4,137	\$ 4,328	\$ 1,476	\$ 4,428	\$ 1,776	\$ 2,591	\$ 2,513	\$ 1,491	\$ 990
RIO's proportionate share of NDPERS net OPEB liability (asset)	133	145	126	74	103	113	114	117		
RIO's covered payroll	\$ 2,977	\$ 2,286	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll	143.31%	180.95%	269.64%	80.087%	271.49%	112.12%	165.35%	157.46%	98.94%	71.90%
RIO's proportionate share of NDPERS net OPEB liability (asset) as a percentage of its covered payroll	4.48%	6.33%	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	68.02%	65.31%	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%
NDPERS Plan fiduciary net position as a percentage of the total OPEB liability	68.35%	62.74%	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%		

*Complete data for this schedule is not available 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
For Fiscal Year Ended June 30, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
RIO's Statutorily required pension contributions	\$ 280	\$ 244	\$ 174	\$ 119	\$ 131	\$ 116	\$ 113	\$ 112	\$ 114	\$ 107
RIO's Statutorily required OPEB contributions	18	18	15	14	21	19	18	18	18	
RIO's pension contributions in relation to the statutory required contribution	280	244	174	119	131	116	113	112	114	107
RIO's OPEB contributions in relation to the statutory required contribution	18	18	15	14	21	19	18	18	18	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RIO's Covered payroll	\$ 3,229	\$ 2,977	\$ 2,286	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507
RIO's pension contributions as a percentage of covered payroll	8.68%	8.19%	7.62%	7.40%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
RIO's OPEB contributions as a percentage of covered payroll	0.56%	0.61%	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, 2025 (with Summarized Comparative Totals for 2024)

	Pension Pool Participants					Insurance Pool Participants				
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund
Assets:										
Investments										
Global equities	\$2,942,630,418	\$66,185,977	\$31,379,188	\$49,718,740	\$5,332,725	\$477,450,728	\$6,497,390	\$ -	\$ -	\$1,027,912
Global fixed income	1,138,499,611	49,042,939	18,223,780	20,272,744	2,527,086	1,409,188,838	10,899,687	2,280,059	3,302,845	1,221,754
Global real assets	740,707,348	24,550,026	10,130,716	11,471,030	1,799,141	361,615,478	-	-	-	-
In State Investments	-	-	-	-	-	-	-	-	-	-
Cash equivalents	33,973,652	220,363	95,850	170,639	24,140	9,175,423	1,835,995	1,770,593	3,166,575	1,124,954
Total investments	4,855,811,029	139,999,305	59,829,534	81,633,153	9,683,092	2,257,430,467	19,233,072	4,050,652	6,469,420	
Invested sec lending collateral	45,423,284	1,610,511	652,916	790,013	155,803	19,026,317	150,001	30,009	43,687	21,169
Investment income receivable	11,716,081	370,478	142,935	144,894	32,055	11,213,003	148,427	31,948	66,047	30,512
Operating Cash	253,949	-	-	-	-	149,478	1,788	1,147	1,737	943
Miscellaneous receivable	15,190	-	-	-	-	7,335	63	14	21	1
Due from other state agencies	622	-	-	-	-	300	3	-	1	-
Total assets	4,913,220,155	141,980,294	60,625,385	82,568,060	9,870,950	2,287,826,900	19,533,354	4,113,770	6,580,913	3,427,245
Deferred outflows of resources										
Related to pensions	287,805	-	-	-	-	182,604	2,012	315	571	247
Liabilities:										
Investment expenses payable	3,302,684	100,438	42,290	53,534	7,585	1,377,655	11,894	1,861	2,744	1,662
Securities lending collateral	45,423,284	1,610,511	652,916	790,013	155,803	19,026,317	150,001	30,009	43,687	21,169
Accounts payable	148,074	-	-	-	-	69,200	601	127	204	7
Accrued expenses	616,435	-	-	-	-	376,169	4,466	687	1,297	254
Miscellaneous payable	-	15,407	6,560	8,768	1,068	-	-	-	-	-
Due to other state funds	-	-	-	-	-	-	-	-	-	-
Due to other state agencies	5,742	-	-	-	-	2,772	24	5	8	-
Total liabilities	49,496,219	1,726,356	701,766	852,315	164,456	20,852,113	166,986	32,689	47,940	23,092
Deferred inflows of resources										
Related to pensions	256,638	-	-	-	-	155,101	1,612	263	439	269
Fiduciary net position held in trust for external investment pool participants	\$ 4,863,755,103	\$ 140,253,938	\$ 59,923,619	\$ 81,715,745	\$ 9,706,494	\$ 2,267,002,290	\$ 19,366,768	\$ 4,081,133	\$ 6,533,105	\$ 3,404,131
Each participant unit is valued at \$1.00										
Participant units outstanding	4,863,755,103	140,253,938	59,923,619	81,715,745	9,706,494	2,267,002,290	19,366,768	4,081,133	6,533,105	3,404,131

North Dakota Retirement and Investment Office
Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
June 30, 2025 (with Summarized Comparative Totals for 2024)

Insurance Pool Participants												
Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Workers' Comp	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 FargoDome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement F
\$349,118	\$1,356,420	\$1,145,299	\$268,397	\$ -	\$ -	\$ -	\$267,350	\$23,332,688	\$1,450,690	\$343,725	\$935,741	\$ -
252,213	3,101,463	1,947,358	192,245	-	56,923,358	963,739,901	616,244	18,475,087	3,572,276	654,384	406,144	228,240
32,371	-	-	80,781	-	-	-	-	4,990,156	317,514	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
21,091	198,788	90,844	10,721	580	2,503,300	10,159,784	39,803	226,320	58,410	11,327	42,051	413
654,793	4,656,671	3,183,501	552,144	580	59,426,658	973,899,685	923,397	47,024,251	5,398,890	1,009,436	1,383,936	2
3,722	42,802	27,326	3,007	-	1,189,184	20,147,422	8,384	460,543	48,918	9,427	6,883	4,950
407	52,089	9,231	333	1	390,862	7,004,630	2,266	45,274	5,316	746	(285)	11,997
330	1,443	1,275	-	-	-	58,017	-	-	-	-	2,662	-
2	15	11	-	-	-	3,235	-	-	-	-	4	-
-	1	-	-	-	-	133	-	-	-	-	-	-
659,254	4,753,021	3,221,344	555,484	581	61,006,704	1,001,113,122	934,047	47,530,068	5,453,124	1,019,609	1,393,200	245,600
45	414	350	-	-	-	38,314	-	-	-	-	29	-
400	3,288	2,242	323	-	25,155	423,007	610	38,924	3,506	723	872	114
3,722	42,802	27,326	3,007	-	1,189,184	20,147,422	8,384	460,543	48,918	9,427	6,883	4,950
19	143	96	-	-	-	30,481	-	-	-	-	40	-
93	968	845	-	-	-	92,490	-	-	-	-	135	-
-	-	-	194	-	6,964	-	250	5,150	619	250	-	89
-	-	-	-	-	-	32,022,977	-	-	-	-	-	-
1	6	4	-	-	-	1,223	-	-	-	-	2	-
4,235	47,207	30,513	3,524	-	1,221,303	52,717,600	9,244	504,617	53,043	10,400	7,932	5,153
38	334	246	-	-	-	52,497	-	-	-	-	(33)	-
\$ 655,026	\$ 4,705,894	\$ 3,190,935	\$ 551,960	\$ 581	\$ 59,785,401	\$ 948,381,339	\$ 924,803	\$ 47,025,451	\$ 5,400,081	\$ 1,009,209	\$ 1,385,330	\$ 240,447
655,026	4,705,894	3,190,935	551,960	581	59,785,401	948,381,339	924,803	47,025,451	5,400,081	1,009,209	1,385,330	240,447

North Dakota Retirement and Investment Office
Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
June 30, 2025 (with Summarized Comparative Totals for 2024)

	Insurance Pool Participants					Individual Investment Accounts		Totals	
	ND University	Water	OPIOID	ND	Legacy	Job	PERS		
	System	Project	Settlement	State		Service	Retiree		
	Capital	Stabilization	Fund	Historical		of North	Health		
	Building Fund	Fund	Fund	Society	Fund	Dakota	Credit Fund	2025	2024
Assets:									
Investments									
Global equities	\$ -	\$ -	\$ -	\$ -	\$6,954,584,764	\$16,847,794	\$136,732,646	\$ 10,717,837,710	\$ 9,512,487,152
Global fixed income	-	-	16,934,844	890,742	3,721,778,839	67,137,033	68,634,974	7,580,944,688	6,871,538,198
Global real assets	-	-	-	-	1,053,401,220	-	-	2,209,095,781	2,050,151,692
In State Investments	-	-	-	-	468,022,144	-	-	468,022,144	408,303,484
Cash equivalents	57	154,800,686	48,496	1,096	780,654,402	595,239	226,619	1,001,248,211	170,667,778
Total investments	57	154,800,686	16,983,340	891,838	12,978,441,369	84,580,066	205,594,239	21,977,148,534	19,013
Invested sec lending collateral	-	-	351,730	-	139,469,664	-	-	229,677,672	166,096,162
Investment income receivable	-	185,741	13,725	3,107	40,431,636	914	3,137	72,057,507	63,445,669
Operating Cash	-	34,942	4,391	-	629,425	-	-	1,141,527	1,032,821
Miscellaneous receivable	-	508	56	-	39,876	-	-	66,331	38,637
Due from other state agencies	-	21	2	-	1,634	-	-	2,717	-
Total assets	57	155,021,898	17,353,244	894,945	13,159,013,604	84,580,980	205,597,376	22,280,094,288	19,243,761,593
Deferred outflows of resources									
Related to pensions	-	(5,575)	(615)	-	574,772	-	-	1,081,288	1,965,412
Liabilities:									
Investment expenses payable	-	7,093	7,234	74	6,797,243	134,763	291,834	12,639,752	8,117,911
Securities lending collateral	-	-	351,730	-	139,469,664	-	-	229,677,672	166,096,162
Accounts payable	-	4,790	528	-	417,869	-	-	672,179	373,591
Accrued expenses	-	4,692	517	-	1,293,287	-	-	2,392,335	2,150,014
Miscellaneous payable	-	-	-	250	-	9,762	22,223	77,554	45,641
Due to other state funds	-	-	-	-	-	-	-	32,022,977	58,328,500
Due to other state agencies	-	192	21	-	15,073	-	-	25,073	11,539
Total liabilities	-	16,767	360,030	324	147,993,136	144,525	314,057	277,507,542	235,123,358
Deferred inflows of resources									
Related to pensions	-	(5,991)	(661)	-	462,512	-	-	923,264	1,704,875
Fiduciary net position held in trust for external investment pool participants	\$ 57	\$ 155,005,547	\$ 16,993,260	\$ 894,621	\$ 13,011,132,728	\$ 84,436,455	\$ 205,283,319	\$ 22,002,744,770	\$ 19,008,898,772
Each participant unit is valued at \$1.00									
Participant units outstanding	57	155,005,547	16,993,260	894,621	13,011,132,728	84,436,455	205,283,319	22,002,744,770	19,008,898,772

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North Dakota Retirement and Investment Office

Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds Year Ended June 30, 2025 (with Summarized Comparative Totals for 2024)

	Pension Pool Participants					Insurance Pool Participants				
	Public Employees Retirement System	Bismarck City Employee 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
Additions:										
Investment income:										
Net change in fair value of investments	\$ 450,678,656	\$ 11,627,992	\$ 5,250,301	\$ 8,069,376	\$ 843,158	\$ 127,482,503	\$ 1,149,764	\$ 76,175	\$ 111,342	\$ 197,766
Interest, dividends and other income	76,701,979	2,701,290	1,064,115	1,301,331	191,085	61,388,258	507,054	156,921	254,585	67,276
	527,380,635	14,329,282	6,314,416	9,370,707	1,034,243	188,870,761	1,656,818	233,096	365,927	265,
Less investment expenses	8,302,354	291,074	122,723	157,990	21,611	3,844,337	34,570	3,573	5,270	2,907
Net investment income	519,078,281	14,038,208	6,191,693	9,212,717	1,012,632	185,026,424	1,622,248	229,523	360,657	262,135
Securities lending activity:										
Securities lending income	392,144	11,798	5,038	6,597	1,409	162,889	1,789	232	338	
Less Securities lending expenses	(78,339)	(2,357)	(1,007)	(1,318)	(282)	(32,520)	(356)	(48)	(68)	
Net securities lending income	313,805	9,441	4,031	5,279	1,127	130,369	1,433	184	270	
Purchase of units (\$1 per unit)	65,000,000	-	-	3,488,007	533,448	6,000,000	4,200,000	-	-	3,050,000
Total Additions	584,392,086	14,047,649	6,195,724	12,706,003	1,547,207	191,156,793	5,823,681	229,707	360,927	3,312,278
Deductions:										
Administrative Expenses	1,421,919	-	-	-	-	689,315	6,256	1,292	1,944	804
Redemption of units (\$1 per unit)	60,150,000	3,500,000	750,000	8,457,338	604,729	56,000,000	2,900,000	-	-	4,700,000
Total Deductions	61,571,919	3,500,000	750,000	8,457,338	604,729	56,689,315	2,906,256	1,292	1,944	4,700,804
Change in fiduciary net position	522,820,167	10,547,649	5,445,724	4,248,665	942,478	134,467,478	2,917,425	228,415	358,983	(1,388,526)
Fiduciary net position:										
Beginning of year	4,340,934,936	129,706,289	54,477,895	77,467,080	8,764,016	2,132,534,812	16,449,343	3,852,718	6,174,122	4,792,657
End of year	\$ 4,863,755,103	\$ 140,253,938	\$ 59,923,619	\$ 81,715,745	\$ 9,706,494	\$ 2,267,002,290	\$ 19,366,768	\$ 4,081,133	\$ 6,533,105	\$ 3,404,131

North Dakota Retirement and Investment Office
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
Year Ended June 30, 2025 (with Summarized Comparative Totals for 2024)

Insurance Pool Participants												
Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Workers' Comp	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 FargoDome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement Fund
\$ 52,627	\$ 279,484	\$ 184,667	\$ 46,213	\$ 268,894	\$ 1,323,237	\$ 22,013,097	\$ 56,386	\$ 3,869,249	\$ 301,150	\$ 70,199	\$ 147,821	\$ 17,737
13,496	122,384	69,509	10,358	81,483	2,855,486	40,111,241	24,727	948,588	144,534	25,927	22,436	27,276
66,123	401,868	254,176	56,571	350,377	4,178,723	62,124,338	81,113	4,817,837	445,684	96,126	170,257	45,013
1,536	8,621	5,904	1,657	1,920	84,919	1,127,394	2,632	112,480	10,716	2,516	2,022	1,340
64,587	393,247	248,272	54,914	348,457	4,093,804	60,996,944	78,481	4,705,357	434,968	93,610	168,235	43,673
67	503	280	31	275	5,015	83,882	88	5,543	405	78	75	56
(15)	(99)	(56)	(6)	(55)	(1,003)	(16,759)	(19)	(1,105)	(82)	(12)	(13)	(11)
52	404	224	25	220	4,012	67,123	69	4,438	323	66	62	45
-	250,000	750,000	-	850,000	191,550,000	-	-	-	750,000	-	-	-
64,639	643,651	998,496	54,939	1,198,677	195,647,816	61,064,067	78,550	4,709,795	1,185,291	93,676	168,297	43,718
917	1,532	1,158	-	-	-	293,486	-	-	-	-	986	-
10,000	350,000	-	-	9,057,397	195,375,000	32,022,977	-	1,500,000	150,000	-	-	857,730
10,917	351,532	1,158	-	9,057,397	195,375,000	32,316,463	-	1,500,000	150,000	-	986	857,730
53,722	292,119	997,338	54,939	(7,858,720)	272,816	28,747,604	78,550	3,209,795	1,035,291	93,676	167,311	(814,012)
601,304	4,413,775	2,193,597	497,021	7,859,301	59,512,585	919,633,735	846,253	43,815,656	4,364,790	915,533	1,218,019	1,054,459
\$ 655,026	\$ 4,705,894	\$ 3,190,935	\$ 551,960	\$ 581	\$ 59,785,401	\$ 948,381,339	\$ 924,803	\$ 47,025,451	\$ 5,400,081	\$ 1,009,209	\$ 1,385,330	\$ 240,447

North Dakota Retirement and Investment Office
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
Year Ended June 30, 2025 (with Summarized Comparative Totals for 2024)

	Insurance Pool Participants				Individual Investment Accounts			Totals	
	ND University System Capital Building Fund	Water Project Stabilization Fund	OPIOID Settlement Fund	ND State Historical Society	Legacy Fund	Job Service of North Dakota	PERS Retiree Health Credit Fund	2025	2024
Additions:									
Investment income:									
Net change in fair value of investments	\$ 10,292	\$ -	\$ 212,329	\$ 13,357	\$ 1,212,935,627	\$ 3,594,719	\$ 18,771,349	\$ 1,869,655,467	\$ 1,312,660,066
Interest, dividends and other income	7,752	6,625,193	616,933	7,905	228,000,053	3,738,864	6,005,871	433,793,910	358,908,756
	18,044	6,625,193	829,262	21,262	1,440,935,680	7,333,583	24,777,220	2,303,449,377	1,671,568,822
Less investment expenses	276	12,381	19,161	1,193	18,318,905	293,708	633,846	33,429,536	32,363,429
Net investment income	17,768	6,612,812	810,101	20,069	1,422,616,775	7,039,875	24,143,374	2,270,019,841	1,639,205,393
Securities lending activity:									
Securities lending income	13	-	1,273	-	1,323,562	-	-	2,003,557	1,441,225
Less Securities lending expenses	(3)	-	(253)	-	(264,504)	-	-	(400,324)	(288,013)
Net securities lending income	10	-	1,020	-	1,059,058	-	-	1,603,233	1,153,212
Purchase of units (\$1 per unit)	-	103,714,148	16,186,333	-	717,465,259	-	6,490,000	1,120,277,195	1,410,074,169
Total Additions	17,778	110,326,960	16,997,454	20,069	2,141,141,092	7,039,875	30,633,374	3,391,900,269	3,050,432,774
Deductions:									
Administrative Expenses	-	39,956	4,194	-	3,746,554	-	-	6,210,313	4,071,447
Redemption of units (\$1 per unit)	703,605	-	-	-	-	5,305,182	9,450,000	391,843,958	419,359,176
Total Deductions	703,605	39,956	4,194	-	3,746,554	5,305,182	9,450,000	398,054,271	423,430,623
Change in fiduciary net position	(685,827)	110,287,004	16,993,260	20,069	2,137,394,538	1,734,693	21,183,374	2,993,845,998	2,627,002,151
Fiduciary net position:									
Beginning of year	685,884	44,718,543	-	874,552	10,873,738,190	82,701,762	184,099,945	19,008,898,772	16,381,896,621
End of year	\$ 57	\$ 155,005,547	\$ 16,993,260	\$ 894,621	\$ 13,011,132,728	\$ 84,436,455	\$ 205,283,319	\$ 22,002,744,770	\$ 19,008,898,772

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Administrative Expenses
Years Ended June 30, 2025 and 2024

	Pension Trust		Investment Trust	
	2025	2024	2025	2024
Salaries and wages:				
Salaries and wages	\$ 1,174,527	\$ 1,121,651	\$ 2,787,762	\$ 2,194,985
Fringe benefits	589,562	578,547	1,161,349	1,026,873
Total salaries and wages	1,764,089	1,700,198	3,949,111	3,221,858
Operating expenses:				
Travel	35,139	46,573	106,234	91,682
Supplies	1,170	967	2,626	1,117
Postage and Mailing Services	36,902	21,188	2,728	2,395
Printing	11,462	8,823	401	366
Small Office Equipment and Furniture	17,953	869	18,994	3,078
Insurance	630	670	907	798
Rent/Lease of Building Space	47,939	53,868	67,744	51,282
Repairs	50	-	96	-
Information Technology & Communications	182,970	255,577	1,621,930	737,421
Professional Development	35,157	30,704	25,487	21,694
Operating Fees and Services	48,326	29,970	204,807	76,995
Professional Fees and Services	125,928	96,151	124,430	179,295
Consultant Services	682,688	566,587	675,835	184,094
Total operating expenses	1,226,314	1,111,947	2,852,219	1,350,217
Pension trust portion of investment program expenses	591,017	500,628	(591,017)	(500,628)
Depreciation	505,575	-	-	-
Total administrative expenses	4,086,995	3,312,773	6,210,313	4,071,447
Capital assets purchased	2,577,807	2,425,489	-	-
Less - nonappropriated items:				
Consultant Services	296,867	243,662	675,833	184,094
Other operating fees paid under continuing appropriation	317,254	162,277	1,840,747	947,905
Depreciation	505,575	-	-	-
Retainage Payable	(401,087)	208,078	-	-
Accrual adjustments to employee benefits	172,122	186,011	280,968	281,678
Total nonappropriated items	890,731	800,028	2,797,548	1,413,677
Total appropriated administrative expenses	\$ 5,774,071	\$ 4,938,234	\$ 3,412,765	\$ 2,657,770

The accompanying notes are an integral part of these statements.

North Dakota Retirement and Investment Office

Pension and Investment Trust Funds – Schedule of Consultant Expenses

Years Ended June 30, 2025 and 2024

	Pension Trust		Investment Trust	
	2025	2024	2025	2024
Actuary fees:				
Segal Consulting	\$ -	\$ 11,813	\$ -	\$ -
GRS Consulting	111,899	94,329	-	-
Total Actuary Fees	111,899	106,142	-	-
Auditing/Accounting fees:				
UHY LLP	81,474	-	42,126	17,182
Weaver	9,833	69,954	46,816	-
Total Auditing/Accounting Fees	91,307	69,954	88,942	17,182
Project Management fees:				
Segal Consulting	359,116	322,923	-	-
Vtech Solution	30,597	-	176,217	-
Voyage Advisors	36,096	-	63,904	-
Total Project Management fees:	425,809	322,923	240,121	-
Disability consulting fees:				
Sanford Health	350	360	-	-
Legal fees:				
K&L Gates LLP	6,699	-	38,580	-
Jackson Walker LLP	37,433	55,223	284,599	141,833
ND Attorney General	9,191	11,985	23,592	25,079
Total legal fees:	53,323	67,208	346,771	166,912
Total consultant expenses	\$ 682,688	\$ 566,587	\$ 675,834	\$ 184,094

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Investment Expenses
Years Ended June 30, 2025 and 2024

	Pension Trust		Investment Trust	
	2025	2024	2025	2024
Investment managers' fees:				
Domestic large cap equity managers	\$ 2,882,644	\$ 1,454,877	\$ 16,241,988	\$ 6,973,760
Domestic small cap equity managers	226,616	722,894	1,567,210	4,276,754
International equity managers	1,013,441	964,640	7,581,940	6,836,991
Emerging markets equity managers	141,548	202,742	286,105	322,244
Domestic fixed income managers	1,335,453	1,580,671	7,954,966	8,415,346
Below investment grade fixed income managers	3,049,442	4,150,870	4,181,996	5,751,698
Diversified real assets managers	-	-	22,704,961	7,190,016
Real estate managers	1,901,527	1,400,470	5,751,202	5,238,196
Infrastructure managers	7,106,620	2,414,478	9,321,349	3,169,064
Timber managers	231,685	312,206	278,716	386,680
In State Equity managers	-	-	1,091,081	1,000,000
High Yield Fixed Income managers	-	-	2,131,677	430,648
Private Credit managers	-	-	16,221,248	14,679,449
Private equity managers	5,197,594	3,791,146	7,044,073	6,352,856
Short term fixed income managers	-	-	1,097,112	1,058,705
Cash & equivalents managers	30,169	22,141	29,834	68,979
Balanced account managers	-	-	1,208,994	1,106,726
Total investment managers' fees	\$ 23,116,739	\$ 17,017,135	\$ 104,694,451	\$ 73,258,112
Custodian fees	282,463	308,552	1,400,037	1,401,696
Investment consultant fees	171,050	134,638	865,172	703,803
SIB Service Fees	-	-	196,914	137,184
Total investment expenses	<u>\$ 23,570,252</u>	<u>\$ 17,460,325</u>	<u>\$ 107,156,573</u>	<u>\$ 75,500,795</u>

Reconciliation of investment expenses to financial statements

	2025	2024	2025	2024
Investment expenses as reflected in the financial statements	\$ 5,905,681	\$ 6,293,751	\$ 33,429,536	\$ 32,363,429
Plus investment management fees included in investment income				
Domestic large cap equity managers	2,055,770	914,283	11,193,090	3,758,525
International equity managers	46,566	56,090	1,225,197	1,114,355
Emerging markets equity managers	120,916	165,458	242,910	263,039
Domestic fixed income managers	441,594	693,268	1,638,040	2,274,451
Below investment grade fixed income managers	2,466,647	3,718,416	3,501,566	5,356,901
Diversified real assets managers	-	-	21,153,265	5,186,470
Real estate managers	597,801	(92,056)	1,343,242	241,277
Infrastructure managers	6,584,535	1,777,850	8,636,560	2,333,985
Timber managers	153,148	142,119	186,129	172,726
In State Equity	-	-	962,912	1,000,000
Private Credit Managers	-	-	16,221,248	14,679,449
Private equity managers	5,197,594	3,791,146	7,044,073	6,352,856
Balanced account managers	-	-	378,805	360,437
Investment expenses per schedule	<u>\$ 23,570,252</u>	<u>\$ 17,460,325</u>	<u>\$ 107,156,573</u>	<u>\$ 75,457,900</u>

North Dakota Retirement and Investment Office
Schedule of Appropriations – Budget Basis – Fiduciary Funds
July 1, 2024 to June 30, 2026 Biennium

	Approved 2023-2025 Appropriation	2023-2025 Appropriation Adjustment	Adjusted 2023-2025 Appropriation	Fiscal 2024 Expenses	Unexpended Appropriations
All Fund Types:					
Salaries and wages	\$ 8,910,047	\$ 1,339,107	\$ 10,249,154	\$ 5,260,110	\$ 4,989,044
Operating expenses	2,869,937	1,407,623	4,277,560	1,665,134	2,612,426
Capital Assets	-	4,150,214	4,150,214	2,142,446	2,007,768
Contingency	200,000	-	200,000	119,145	80,855
Total	<u>\$ 11,979,984</u>	<u>\$ 6,896,944</u>	<u>\$ 18,876,928</u>	<u>\$ 9,186,835</u>	<u>\$ 9,690,093</u>

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2025
Administrative expenses as reflected in the financial statements	\$ 10,297,308
Plus:	
Capitalized software purchases - appropriated	2,577,807
Less appropriated accrual expense	
Retainage Payable	401,087
Less expenses paid under continuing appropriation:	
Consulting Services*	(972,701)
Other operating fees paid under continuing appropriations*	(2,158,001)
Depreciation expense	(505,575)
Changes in benefit accrual amounts	(453,090)
Total appropriated expenses	<u>\$ 9,186,835</u>

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

Summary of North Dakota Retirement and Investment Office Audit

For Fiscal Years ended June 30, 2025 and 2024

Prepared by UHY LLP

November 12, 2025

Purpose of audit: To determine that the financial statement are free from material misstatement.

Type of opinion: Unmodified.

Findings and recommendations: None.

Status of prior recommendations: There were no findings on recommendations in our previous year audit.

Explanation of significant audit adjustments and misstatements: None.

Disagreements with management or difficulties encountered during the audit: None.

Other items to highlight in the report: None.

Cost of the audit:

Current year audit: \$130,175 **Prior year audit:** \$123,600



November 12, 2025

State Investment Board
Teachers' Fund for Retirement
North Dakota Retirement and Investment Office
Bismarck, North Dakota

We have audited the financial statements of the North Dakota Retirement and Investment Office (RIO) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 12, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information during the audit committee meeting on June 19, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RIO are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025.

We noted no transactions entered into by RIO during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were significant estimates in the valuation of alternative investments and the calculation of the actuarial information included in the footnotes and required supplementary information.

The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 19% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2025. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these sampled funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

The actuarially calculated information was based on the assumptions and methods adopted by the Board, including an expected investment rate of return of 7.25% per annum compounded annually. The valuation takes into account all of the promised benefits required by the Retirement Code to which members are entitled as of July 1, 2025. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particular sensitive financial statements disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to RIO's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as RIO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the schedules of administrative expenses, consultant expenses, investment expenses, and appropriations - budget basis - fiduciary funds (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 12, 2025.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory, investment, actuarial and statistical sections. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document. You are responsible to provide us the opportunity to review such documents before issuance.

Restriction on Use

This information is intended solely for the information and use of the State Investment Board, the Board of the Teachers' Fund for Retirement and management of RIO and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

UHY LLP

Columbia, Maryland
November 12, 2025

November 12, 2025

UHY LLP
8601 Fulton Drive
Columbia, Maryland 21046

This representation letter is provided in connection with your audits of the financial statements of North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprise the statements of fiduciary net position – fiduciary funds as of June 30, 2025 and 2024, and the related statements of changes in net position – fiduciary funds for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 12, 2025 the following representations made to you during your audit of the financial statements and the schedules as of and for the year ended June 30, 2025.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the Contract No. 117-25-04 and subsequent amendment, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) All significant plan amendments, adopted during the period or subsequent to the date of the financial statements, and their effects on benefits and fiduciary net position have been disclosed in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed on the financial statements in accordance with U.S. GAAP.
- 10) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 11) With respect to actuarial assumptions and valuations:
 - a) Management agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the total pension liability and have no knowledge or belief that would make such methods or assumptions inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to our actuaries with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of our actuaries.
 - b) There were no omissions from the participant data provided to the actuary for the purpose of determining the total pension liability and other actuarially determined amounts in the financial statements.
 - c) Except as disclosed in the financial statements, there have been no changes in the actuarial methods or assumptions used in calculating the amounts recorded or disclosed in the financial statements.
 - d) There have been no changes in plan provisions between the actuarial valuation date and the date of this letter, other than those disclosed in the ACFR.
- 12) We believe the plan and trust established under the plan are qualified under the appropriate section of the Internal Revenue Code, and we intend to continue them as a qualified plans and trusts.
- 13) We are not aware of any present legislative intentions to terminate the plans.
- 14) All material concentrations have been properly disclosed in accordance with U.S. GAAP. We understand that concentrations include the nature and type of investments held, or
- 15) Guarantees, whether written or oral, under which the RIO is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 16) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- d) All actuarial reports prepared during the year
- 17) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 - 18) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - 19) We have no knowledge of any fraud or suspected fraud that affects the entity and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
 - 20) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
 - 21) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
 - 22) There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
 - 23) There are no known related party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.
 - 24) We have disclosed to you the names of the entity's related parties and all the related party relationships and transactions, including any side agreements.
 - 25) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 - 26) We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
 - 27) We have a process to track the status of audit findings and recommendations, if any.
 - 28) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
 - 29) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
 - 30) The entity has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
 - 31) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
 - 32) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

- 33) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 34) The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 35) The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 36) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 37) The values of non-readily marketable investments represent good faith estimates of fair value. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes
- 38) Provisions for uncollectible receivables have been properly identified and recorded.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have obtained the service auditor's report from our service organization, Northern Trust. We have reviewed such report, including the complementary user controls. We have implemented the relevant user controls, and they were in operation for the year ended June 30, 2025.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) As part of your audit, you prepared the draft financial statements, related notes and required supplementary information. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgements and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, and required supplementary information. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.
- 45) We acknowledge our responsibility for presenting the Pension and Investment Trust Funds – Schedule of Administrative Expenses, Schedule of Appropriations – Budget Basis – Fiduciary Funds, Pension and Investment Trust Funds – Schedule of Consultant Expenses, and Pension and Investment Trust Funds – Schedule of Investment Expenses (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from

those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

- 46) We acknowledge our responsibility for the preparation of the other information included in our annual report, which is comprised of the introductory, investment, actuarial and statistical sections (other information). The other information is consistent with the financial statements and does not contain any material misstatements. With regard to the other information that has not been provided to you, the final version of the documents will be provided to you when available, and prior to issuance of the annual report, so that you can complete your required procedures. We agree to correct material inconsistencies that you may identify.

Signature: Jodi Smith

Name: Jodi Smith

Title: Executive Director

Signature: Adam Otteson

Name: Adam Otteson

Title: Chief Financial/Operating Officer

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: November 13, 2025
RE: 2025 – 2026 Internal Audit Workplan

The following information details the proposed workplan for Internal Audit for the 2025 – 2026 fiscal year. This workplan represents what Internal Audit anticipates will be accomplished in the upcoming fiscal year, however, needs and priorities may change and this workplan may require adjustments. Any anticipated changes will be discussed with the SIB Audit Committee as they are identified.

Internal Audit will allocate resources to the following audit and advisory activities during fiscal year 2026:

EXECUTIVE LIMITATION AUDIT:

Internal Audit will perform an annual review of the Executive Director's compliance with the State Investment Board Governance Manual Executive Limitation Policies A–K. This engagement will cover activities occurring during the 2024 and 2025 calendar years. The review will assess whether the Executive Director operated within the boundaries established by the SIB, adhered to required limitations, maintained appropriate documentation, and complied with all reporting, fiduciary, financial, operational, and ethical requirements outlined in the Governance Manual.

Audit Report Recipients: Executive Director, SIB Audit Committee, SIB Executive Review and Compensation Committee

INVESTMENT FEE OVERSIGHT AUDIT (CO-SOURCE):

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

Audit Report Recipients: Executive Director, SIB Audit Committee, Chief Financial and Operating Officer, and Chief Investment Officer

INVESTMENT ACCOUNTING & OPERATIONS ADVISORY (CO-SOURCE):

Internal Audit will provide advisory support to management as RIO updates and enhances controls and processes within trade operations and investment accounting. This engagement will focus on evaluating proposed control changes, offering guidance on risk mitigation, and advising on leading practices related to key operational areas. The advisory scope includes confirmation and settlement processes, trade and position

reconciliations, collateral management, exception handling, security master data maintenance, corporate action processing, cash reporting, and custodian oversight.

Audit Report Recipients: Executive Director, Chief Financial and Operating Officer, and SIB Audit Committee

PUBLIC EQUITY & DERIVATIVE INVESTMENT AUDIT (CO-SOURCE):

Internal Audit will evaluate the design and operating effectiveness of controls and oversight related to the Public Equity investment processes. The review will assess governance, monitoring, and control activities supporting portfolio construction, rebalancing, investment restrictions, compliance requirements, and segregation of duties. This would include any derivative overlays of the portfolio and portfolio restrictions, hedge calculations, exposure monitoring, leverage and collateral management and required reporting.

Audit Report Recipients: Executive Director, SIB Audit Committee, Chief Financial and Operating Officer, and Chief Investment Officer

SIB GOVERNANCE MODEL ASSESSMENT:

Internal Audit will support the organization as the SIB evaluates and implements the governance recommendations resulting from Funston's assessment, expected in December 2025. These recommendations are anticipated to include a full rewrite of the SIB Governance Manual and the adoption of a revised governance model. Internal Audit will monitor the implementation process, assess impacts to existing controls and oversight structures, and provide advisory input as needed to support a smooth transition.

Once the new governance model is adopted, Internal Audit will update its audit universe, risk assessment, and annual audit planning framework to reflect new responsibilities, reporting lines, and control expectations arising from the revised governance structure. IA will also review updated policies, committee charters, and governance processes to identify potential control gaps, ensure alignment with best practices, and prepare for future compliance testing under the new model. As changes take effect, Internal Audit will incorporate governance-related monitoring and assurance activities into its ongoing work to support strong, transparent, and well-documented governance practices across the organization.

Audit Report Recipients: SIB Audit Committee

BOLD AND BALANCED PROJECT:

RIO's current general ledger system is scheduled to sunset in 2029, and staff are actively developing a Request for Proposal (RFP) to procure a new platform. As part of this multi-year initiative, Internal Audit will review the proposed business and technical requirements to ensure appropriate internal control considerations, data integrity needs, security expectations, and workflow dependencies are incorporated into the RFP. Internal Audit may also participate in the evaluation process by independently reviewing or scoring submitted proposals, where appropriate, to provide objective input on control design, system capabilities, and alignment with organizational needs.

Audit Report Recipients: SIB Audit Committee

SIB EXECUTIVE REVIEW AND COMPENSATION COMMITTEE:

Internal Audit may assist the Executive Review & Compensation Committee (ERCC) in administering, compiling, and reporting the results of evaluation surveys. This includes facilitating the committee's requested surveys for the Executive Director, Chief Retirement Officer, and Chief Investment Officer. The Supervisor of Internal Audit will oversee the distribution of surveys, compile, and prepare summary reports for the ERCC's review and consideration. The scope of this work focuses on ensuring a consistent, objective, and well-documented process that supports the ERCC's annual performance evaluation responsibilities.

Audit Report Recipients: Executive Director, Executive Review & Compensation Committee, and SIB Audit Committee

NEOSPIN ACCESS AUDIT:

Internal Audit will evaluate whether RIO staff maintain appropriate security roles and responsibilities within the NeoSpin system. The review will assess whether user access aligns with assigned job duties, and transaction activity corresponds to authorized responsibilities. The audit will also examine the adequacy of procedures governing user provisioning and access changes.

Audit Report Recipients: Executive Director, Chief Retirement Officer, Chief Financial and Operating Officer, SIB Audit Committee

NEOPSIN TESTING:

Following the implementation of the NeoSpin, Internal Audit proposes continuous audits to assess the accuracy and reliability of the new pension administration system. These reviews will include sampling retirements, disabilities, purchases, refunds, and business partner related processes to verify that calculations are correct, workflows function as intended, and the system is processing transactions accurately. The ongoing audits are intended to provide continuous assurance during the stabilization period and identify any system or process issues requiring remediation.

Audit Report Recipients: Executive Director, Chief Retirement Officer, Chief Financial and Operating Officer, SIB Audit Committee

RISK ASSESSMENT & AUDIT PLANNING:

Internal Audit will review the agency-wide risk assessment on a semi-annual basis to identify any emerging risks, operational changes, or control developments that may require updates to the current audit plan. This ongoing monitoring ensures that the audit plan remains aligned with organizational priorities, governance expectations, and evolving risk conditions.

In April–May each year, Internal Audit will dedicate time to preparing the annual audit plan for the upcoming fiscal year. This process will incorporate results from the updated risk assessment, input from leadership and the Audit Committee, and consideration of resource availability to ensure that planned audits provide meaningful coverage and support the organization's strategic objectives.

Audit Report Recipients: Executive Director and SIB Audit Committee

EXTERNAL AUDITOR ASSISTANCE:

Internal audit will assist our external auditor with a variety of tasks related to the annual financial audit. Internal audit is responsible for notifying participating employers that they have been selected to participate in an upcoming GASB 68 Census Data Audit. Internal Audit is also responsible for ensuring any information requested from participating employers is provided timely to our external audit partners.

Internal Audit will allocate resources to the following administrative activities during fiscal year 2025:

ANNUAL LEAVE, SICK LEAVE, AND HOLIDAYS:

The annual audit plan incorporates standard leave assumptions for Internal Audit staff, including anticipated use of annual and sick leave throughout the year. Actual leave usage may vary and will be monitored to ensure appropriate workload distribution and timely completion of planned engagements. In addition, the audit plan recognizes all state-observed holidays during which offices are closed, and no audit work will be performed. These staffing and scheduling considerations have been integrated into the timing of planned engagements to support realistic and achievable work deadlines across the fiscal year.

STAFF MEETINGS, REPORTING, AND EMAIL:

Audit staff engages in numerous activities required to facilitate the day-to-day operations of both the department and the organization. Internal Audit participates in division staff meetings and organization wide staff meetings. Staff members also must manage electronic communication, complete time and general reporting activities, and ensure compliance with published records retention procedures.

SIB AUDIT COMMITTEE, SIB, AND TFFR BOARD MEETINGS

The Supervisor of Internal Audit is required to prepare meeting materials for all SIB Audit Committee meetings. On some occasions, meeting materials are also required for SIB and TFFR meetings as Internal Audit provides quarterly updates to both boards. The Supervisor of Internal Audit attends all SIB Audit Committee, SIB, and TFFR meetings. The staff auditor attends SIB Audit Committee meetings and TFFR Board meetings.

RECORDS RETENTION:

With all the open records requests, it's important to manage RIO's records according to state guidelines and division retention schedules. The Procurement and Records Management Coordinator is the staff member responsible for maintaining RIO's Records Management Program.

IA staff are responsible for the following information:

- Sets-up the retention schedule for audit records (reviewed annually)
- Maintains a Table of Contents of Audit Records (new records added and records are purged)
- Purging records from our Audit Drive (Procurement and Records Management Coordinator will give a deadline to annually purge)
Audit records have been converted to electronic form which has increased the time to manage.
- IA sends an annual summary to the Procurement and Records Management Coordinator on the size of the new records added during the year
and the size of the records purged (established by the retention schedule)
- IA has been working with the Procurement and Records Management Coordinator in restructuring and organizing audit records to make them more accessible and easier for staff to manage and purge.

SUCCESSION PLANING/KNOWLEDGE TRANSFER

Internal audit has been going through a transformational change in the last couple of years. Time is being allocated to spend time on cross training between the internal audit staff members. This is on historical knowledge and procedures being put in place. This is to ensure cohesiveness in the internal audit division.

PROFESSIONAL DEVELOPMENT

Professional development and continuing education opportunities are critical to continued professional success. All staff members of internal audit are members of the Institute of Internal Auditors (IIA). Staff members attend educational opportunities provided by our local IIA chapter when available. The IIA also offers free webinars to all IIA members throughout the year which cover a variety of auditing related topics. RIO is also a member of the Association of Public Pension Fund Auditors (APPFA). When able, internal audit staff will attend training. RIO also does staff training throughout the year such as all staff training days and other required agency training.



North Dakota Retirement & Investment Office (ND RIO)

Internal Audit Report - External Investment Oversight



Sara Seiler
Internal Audit Supervisor
North Dakota Retirement & Investment Office (ND RIO)
1600 East Century Avenue, Suite 3
Bismarck, ND 58507

The enclosed document presents a summary of procedures, findings and recommendations resulting from a recent internal audit conducted by Weaver and Tidwell, L.L.P. ("Weaver") (the "Audit"). The objective of the audit was to evaluate the adequacy of processes and controls in place for the external investment manager program. To accomplish this objective, we obtained an understanding of current business processes through interviews with ND RIO staff, reviewing relevant documentation, and testing business controls and processes. The audit covered the fifteen-year period from January 1, 2024, to March 31, 2025.

Two specific findings were identified in which the control structure for key processes should be improved. Each of these findings have been acknowledged and accepted by ND RIO, who committed to implementing appropriate corrective measures. These have been described in detail in the attached report.

This document is intended solely for the information and use of ND RIO and the State Investment Board (SIB). It is not intended to be, and should not be, used by other parties without the prior written consent of Weaver.

We thank you for the opportunity to partner with ND RIO for the review.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P

Houston, TX
November 13, 2025

North Dakota Retirement & Investment Office (ND RIO)

External Investment Oversight

Final Report

Background

This document presents a summary of the procedures and findings resulting from a recent internal audit conducted by Weaver and Tidwell, L.L.P. ("Weaver") (the "Audit"). The purpose of the Audit was to assess whether ND RIO's processes and controls are effective and appropriate in relation to the governance, selection, and oversight of external investment managers, for the period January 1, 2024, to March 31, 2025.

Procedures performed by Weaver were conducted in accordance with the Institute of Internal Auditors' Global Internal Audit Standards. Weaver obtained an understanding of the current business processes through interviews with ND RIO staff, reviewing reports, spreadsheets and other records provided by ND RIO, and testing of certain significant internal controls.

Scope and Objectives

The objective of the audit was to evaluate the adequacy of processes and controls in place for the external investment manager program. The scope of the audit involved gaining an understanding of the key steps in the external manager program, including interviews with key personnel, review of relevant documentation and identification of potential control gaps or weaknesses at each stage of the process. The following key risks were evaluated:

- Governance & Oversight Framework
- Policies and Procedures
- Key Oversight Committees & Reporting
- External Manager Investment Guidelines
- Performance Reporting
- Annual Benchmark Review
- Manager Selection & Due Diligence
- Review of Legal Agreements
- Manager Monitoring / Ongoing Due Diligence
- Manager Terminations

Please refer to Appendix A for a detailed description of the audit procedures performed and test results.

Conclusion

ND RIO's controls over external investment oversight are generally designed and operating effectively; however, two specific findings were identified in which the control structure for key processes should be improved. Each of these findings have been acknowledged and accepted by ND RIO, who committed to implementing appropriate corrective measures. A summary of these findings is provided below.

Moderate Risk

1. Review and approval of key governance documents is not consistently performed
2. External manager selection and monitoring requires updated procedures and a consistent structure and documentation

Additional information on each finding including recommendations and the corresponding management responses are provided in the following pages.

Effective Practices

There were many well-documented processes and effective practices within the external investment management oversight processes reviewed. We identified that the following controls were operating effectively:

- Governance documents, including the SIB Program Manual, follow a structured update process including review and approval of changes by appropriate oversight committees
- Investment Committee Guidelines established for Public Market External Managers during the audit period received Investment Committee approval
- Key oversight committees, including the Investment Committee and the Governance & Policy Review Committee, have been established and responsibilities detailed within a formal charter
- The Investment Committee receives regular updates of sufficient detail to adequately inform the committee on investment strategy and operations, governance, risk and compliance matters and portfolio performance
- External manager recommendations submitted to IC include sufficient detail to inform and support investment recommendations and committee approvals
- Annual benchmark recommendations developed by the benchmark consultant are comprehensive, supported by Investment Committee recommendation and approved by the board
- Quarterly Performance Reporting presented by Performance Consultant is comprehensive and provide updates on public and private markets and total SIB consolidated performance and reasonable sub account breakout performance
- External manager terminations presented by Investments are reasonable, clearly communicated to and received approval from the Investment Committee

Findings and Recommendations

1. Review and approval of key governance documents is not consistently performed (Moderate Risk)

Key governance documents, including Investment Policy Statements (IPS), key committee charters and policy manuals, are not subject to a formal, periodic review and approval process with many documents not receiving a formal review and approval over multiple years. Specifically,

- a. An executed copy of the IPS could not be located for four of the thirty (13%) the clients of ND RIO, and the last date of review and/or sign off for 50% of the IPS were between 5 and 8 years old. All clients under SIB management must have a written Investment Policy Statement that is recommended by the Investment Committee, approved by the SIB and adopted by the relevant board as evidenced by signature and date of appropriate signatories.
- b. Certain investment related policies within the SIB Program Manual and the Investment Committee and Governance & Policy Review Committee charters have not received a documented review or update since 2022.

Failure to review and approve IPS on a regular, periodic basis increases the risk that investment objectives, risk tolerances, and asset allocations become outdated or misaligned with the client's current financial goals, regulatory requirements, and market conditions. Additionally, without clearly defined governance processes and regular evaluation of oversight responsibilities, the program is exposed to risks of inconsistent practices, diminished transparency, and potential misalignment with fiduciary

obligations and strategic objectives.

Recommendation:

- a. Investment Policies Statements for clients under ND RIO management should be reviewed annually to ensure the documents are up to date and align with client investment objectives and strategy. ND RIO should obtain executed copies of the missing IPS and update IPS that have not been reviewed and approved within the last year to ensure they are up to date and approved by relevant parties.
- b. Management should establish a formal process and annual schedule for the periodic review and approval of key governance documents, including Investment Policies within the SIB Program Manual and key committee charters. The process should define ownership, frequency of review, approval authority and documentation standards.

Management Response:

- a. The need for an annual review of client fund Investment Policy Statements ensures that the statements are signed and dated, are consistent with best practices, incorporate updates for any approved changes of investment implementation, and are appropriately aligned with client investment objectives. The investment team will review all client policy statements annually. In addition, as has been past practice, Investment Policy Statements will be updated for any event such as a change in asset allocation, client objectives, client guidelines and constraints, or change in investment practice. Generally, client funds with a risk allocation complete an asset allocation exercise every three to four years.

The investment team had already begun the effort of a global review of Investment Policy Statements and was using the new asset allocation process as a catalyst. A model policy statement is being developed as part of the pension asset allocation study for the pension plans being managed by RIO. The team is anticipating bringing all seven pension allocations for approval by the SIB at the November SIB Board meeting. The model policy statement is being developed and hoped to be brought to each pension client fund in the couple of months following that board meeting. That model policy statement would be used as a template for other client funds but with appropriate modifications for client objectives.

- b. An Investment Policy Review Schedule that includes a schedule for expected asset allocation updates, the SIB Program Manual updates and key committee charter reviews should be developed and updated annually. A procedure or a policy should be developed concerning the process associated with these reviews and updates.

A review of the SIB program manual was undertaken in steps back in 2023 - 2024. The review was brought incrementally to the GPR and then to the board. There was a general understanding that the SIB Program Manual needed to be updated in a more significant way. In September of 2023 there was a GPR presentation regarding governance model types suggesting that there might be a need for a governance structure review project. At the October 2024 GPR meeting, it was agreed that an investment portion of the review should be revisited in 2025 given that the internal investment program would be rolling out and there may be additional policies required to govern that program.

Target Completion Date:

- a. All Investment Policies will be reviewed by the investment team by January 30, 2026. A set of proposed changes or updates would then be identified. A schedule will then be developed for providing those changes or updates to appropriate client fund governance bodies for approval and then the SIB for approval.

The Investment Team will also obtain (or create updated) executed copies of the missing IPS by June 30, 2026 (contingent upon client board schedules/availability).

- b. An Investment Policy Review Schedule will be developed during the first half of 2026. A proposed SIB Program Manual update which likely will include a proposed Investment Committee Charter update will be likely be undertaken during the first half of 2026 as part of the Governance Structure Review project. The timing of completion would depend on the outcomes of that project which was intended to provide this updated review of the SIB Program Manual and policies regarding review of charters, policy statements, and SIB Program Manual policies. Specifically:
 - Completion of internal IPS Review Schedule – June 30, 2026
 - Updates to SIB Program Manual – June 30, 2026After completion of IPS Review Schedule, Investments will provide target dates for any IPS requiring significant updates or changes as part of asset allocation studies.

Responsible Party: Scott Anderson, Chief Investment Officer

2. External manager selection and monitoring process requires updated procedures and a consistent structure and documentation (Moderate Risk)

The internal control framework supporting the external manager selection, monitoring and termination requires enhancement to ensure consistent and accurate execution of internal controls, and effective oversight and accountability. Currently, the program's procedure guidance document lacks the specific detail regarding documentation and records retention to guide critical activities, including specific procedural steps required for the hiring, monitoring, and termination of external investment managers for both public and private assets across Investments and Operations. This resulted in the documentation for manager selection and monitoring due diligence activities not being retained in a structured, easily accessible, method that ensures all required steps, reviews, and required approvals have been completed.

Additionally, the SIB Manual still requires the Board to conduct manager interviews, even though it was indicated the Board has delegated that responsibility to the Investment team.

Failure to properly organize and document the required processes in place by Investments related to manager selection and due diligence increases the risk that key steps could be missed for these critical processes as the investment department continues to grow in size and complexity.

Recommendation:

- a. Management should develop and implement detailed written desk-top procedures to guide the day-to-day activities of the investments team's critical activities, including external manager selection, monitoring, and termination lifecycle, to ensure consistency, transparency, and alignment with investment program objectives and responsibilities.
- b. Management should strengthen the investment manager initial and ongoing due diligence process

by ensuring all required procedures are consistently executed and appropriately documented. To align with industry best practices, management should implement a standardized manager selection due diligence and onboarding checklist that documents the completion of all key due diligence and onboarding activities, and approval points, including but not limited to:

- Acquisition and evaluation of manager selection due diligence criteria such as investment manager details, investment performance, risk management practices, compliance history, operational controls, portfolio fit and alignment with investment strategy, allocation targets and organizational objectives
 - Completion of due diligence meetings
 - Staff investment manager recommendations to Investment Committee and related approvals
 - Outside counsel and ND Attorney General Office review and approval of all legal documentation (e.g. IMA, LPA, subscription documents, side letters) and retention of final executed copies
 - Account set up and onboarding activities
- c. The checklist should follow a structured manager selection workflow specific to the requirements for either public or private markets to ensure that critical activities and relevant approvals are completed prior to progressing to the next step in the checklist. Additionally, the checklist should clearly identify the party responsible for completing each section of the checklist. Documentation supporting the completion of each required step in the checklist should be retained with the checklist as evidence supporting completion of required due diligence activities and all supporting information should be maintained within a centralized storage location.

Additionally, to strengthen oversight, the investments team should implement a standardized framework, such as an investment manager assessment or scorecard, that consolidates and synthesizes the results of ongoing due diligence activities including performance reviews, compliance attestations, operational assessments, and risk monitoring. The framework should be formalized through a documented policy outlining frequency, scope and responsibilities for ongoing reviews and incorporated into a monitoring calendar for scheduled activities. Additionally, defined triggers for enhanced review (e.g. sustained underperformance, compliance breach, loss of key personnel) should be established with associated escalation and remediation plans. This structured approach will promote consistency across evaluations, improve comparability among managers, and provide a transparent record to support decision-making, fiduciary oversight, and regulatory expectations.

- d. Update the SIB Program Manual to specifically reflect what is required of the SIB for new manager selection

Management Response:

Management agrees with this assessment. With the continued growth and evolution of the investment program, audits such as this are valuable in helping ensure that the necessary controls and documentation practices keep pace with the organization's evolving structure and activities. Management views the recommendations as well-reasoned and will seek to implement enhancements that are both effective and appropriately scaled to available resources.

Staff has continually focused on improving and enhancing the manager lifecycle process dating back to 2022 with the implementation of Manager Process 1.0. Since then, the process has evolved with

enhancements designed to strengthen documentation, coordination, and oversight. Notable improvements include formalizing the sign-off process with both internal and external counsel, coordinated through the Procurement and Records Management Specialist, to ensure consistency in legal review and approval; enhancing documentation practices through more systematic use of the Tamale database to record due diligence, monitoring, and manager communications; and improving recordkeeping of manager interactions through the use of AI-assisted meeting summaries and documentation. Collectively, these steps represent a significant advancement in the consistency, traceability, and transparency of the manager oversight process.

Management concurs that additional refinements will further strengthen the process. Specifically, the Investments team will:

- a. Enhance and update the manager lifecycle procedures document (Existing PowerPoint document)
- b. Develop and implement detailed written desk-top procedures to guide the day-to-day activities of the investments team's critical activities (formal procedures word document)
- c. Incorporate standardized checklist documentation to ensure key activities and approvals are consistently completed and retained
- d. Implement an annual manager scorecard process synthesizing performance, risk, and compliance information for presentation to the Investment Committee
- e. Define and document formal triggers for enhanced review in the Investment Recommendation Memos (e.g. sustained underperformance or the loss of key team members)
- f. Update the SIB Program Manual and remove the requirement for new manager meetings with the Board to align with the delegation of manager selection to ND RIO Investments. A governance review is currently underway, and updates to relevant policies and manuals will be aligned with this effort.

Overall, management agrees that the recommended enhancements will further improve efficiency, accountability, and clarity within an already effective manager selection and monitoring framework.

Target Completion Date:

- A phased implementation is planned to address these recommendations. Items a, b, and c, will be implemented by March 31, 2026. Updates to the manager lifecycle process documentation are currently underway and are expected to be presented to the Investment Committee, sometime in Q1 2026, accompanied by the new manager selection and monitoring checklists.
- Item d, will be implemented by June 30, 2026, with the execution of the annual manager scorecard process being implemented for the next annual review cycle.
- Item e, will be implemented by Jan. 31, 2026
- Item f, will be implemented by June 30, 2026 with the planned SIB Program Manual update

Responsible Party: Eric Chin, Deputy Chief Investment Officer

Appendix A: Audit Procedures Performed

The following details the areas of scope and procedures performed when executing the Audit, as well as the results of the testing performed.

Scope Area	Test Procedures Performed	Test Results
Governance		
A.1	<p><u>Test Area 1:</u> Obtain all Investment Policies in effect during the audit period and verify whether the policy's content related to Private and Public markets cover key risks related to the management of the portfolios:</p> <ul style="list-style-type: none"> ○ allocation and thresholds ○ benchmarks related to fund performance ○ manager selection and due diligence ○ types of allowable investments ○ Required Board Reporting <p><u>Test Area 2:</u> Review the Investment Policy and confirm that there is a defined process in place for escalation of infractions.</p> <p><u>Test Area 3:</u> Verify that the Investment Policies are reviewed periodically in accordance with a documented review schedule and changes were recommended by the Investment Committee and submitted to the Board for approval as evidenced as evidenced via resolution and/or meeting minutes.</p>	Exception Identified. Refer to Finding 1
A.2	<p>Obtain all copies of the SIB Governance Manual during the audit period and verify:</p> <ol style="list-style-type: none"> 1. The manual defines the governance process including roles and responsibilities, standing committees, process for policy updates/amendment. 2. The manual defines Investments related roles and responsibilities, including Investment Policy development, Asset Allocation, Benchmarks, External manager Selection and monitoring (including performance monitoring). 3. Any changes to the Policy during the Audit period were submitted to the appropriate committee (e.g., Governance and Policy Review Committee) and the board for review and approval in accordance with documented procedures. 	No exceptions
A.3	<p>Obtain all IC Guidelines presented to the Investment Committee during the audit period and verify:</p> <ol style="list-style-type: none"> 1. The IC Guidelines are reviewed periodically and approved by the Investments Committee. 2. Any changes or additions to the IC Guidelines during the audit period were approved by the Investments Committee. 3. IC Guideline Revisions are reported to the SIB. 	No exceptions
A.4	<p><u>Test Area 1:</u> Obtain all versions of the Investment Committee Charter in effect during the audit period and verify:</p> <ul style="list-style-type: none"> ○ A committee charter has been established that defines the roles and responsibilities of the committee. 	Exception Identified in Test Area 1.

Scope Area	Test Procedures Performed	Test Results
	<ul style="list-style-type: none"> The charter is periodically (e.g. annually) reviewed and approved by the SIB. <p><u>Test Area 2:</u> For a sample of Investment Committee meeting dates, obtain the committee materials, resolutions and minutes and verify:</p> <ul style="list-style-type: none"> Committee materials were sufficient to adequately inform the committee on investment strategy and operations, governance, risk and compliance matters and portfolio performance, including: Investment Policy reviews, strategy presentations (Overall Portfolio level and Private and Public Markets), Investment Performance (Portfolio level and Public and Private Markets sub categories), Investment Risk Reports, Investment Guidelines, New Instruments or Strategies, Quarterly transition reports, etc. Documentation of discussions, approvals and/or decision points are reflected within the meeting minutes. 	Refer to Finding 1
A.5	<p><u>Test Area 1:</u> Obtain all versions of the Governance & Policy Review Committee Charter in effect during the audit period and verify:</p> <ul style="list-style-type: none"> A committee charter has been established that defines the roles and responsibilities of the committee. The charter is periodically (e.g., annually) reviewed and approved by the SIB. <p><u>Test Area 2:</u> For a sample of G&PR meeting dates, obtain the committee materials, resolutions and minutes and verify:</p> <ul style="list-style-type: none"> Committee materials were sufficient to adequately inform the committee on matters relating to the governing of SIB and policies. Documentation of discussions, approvals and/or decision points are reflected within the meeting minutes. 	Exception Identified in Test Area 1. Refer to Finding 1
A.6	<p><u>Test Area 1:</u> Obtain all quarterly performance reports developed by the Performance consultant and presented to the SIB during the audit period verify:</p> <ul style="list-style-type: none"> Reports are comprehensive and provide insights on capital markets, SIB Account Performance and benchmarks. Any variations due to late reporting or accounting differences are clearly highlighted and explained. The board reporting includes the assessment of investment risks associated with Public and Private market asset classes (e.g., PE - committed capital, liquidity, pacing). <p><u>Test Area 2:</u> Obtain all Portfolio Level, Public Market (and Public Market Sub-category), Private Market (and Private Market Sub-category) Strategy, Investment Risk and Performance Reports presented to the Investment Committee during the audit period and verify:</p> <ul style="list-style-type: none"> Reports are comprehensive and provide insights on portfolio and asset class strategies, risks, performance and benchmarks. Any variations due to late reporting or accounting differences are clearly highlighted and explained. 	No exceptions

Scope Area	Test Procedures Performed	Test Results
	<ul style="list-style-type: none"> The board reporting includes the assessment of investment risks associated with Public and Private market asset classes (e.g., PE - committed capital, liquidity, pacing). 	
A.7	<p>Obtain the annual benchmark recommendation for all asset classes completed during the audit period and verify:</p> <ol style="list-style-type: none"> 1. The Benchmark Consultant presented a comprehensive benchmark review analysis and recommendation. 2. The Benchmark recommendation was presented to the Investment Committee. 3. The Investment Committee reviewed the benchmark recommendation and presented its evaluation and recommendation to the Board. 4. The Board approved the recommended benchmarks as evidenced via resolution and/or meeting minutes. 5. Asset Class performance reporting references the correct Benchmark Returns. 	No exceptions
Manager Selection, Due Diligence, and Terminations		
B.1	<p>For a sample of Private Market investments made during the audit period with external Private Managers validate that the selection process followed the documented policies and procedures, including validation that:</p> <ol style="list-style-type: none"> 1. The PE Investment Manager was reviewed against the Private Equity Strategy and aligns with the criteria, investment strategy and allocation targets detailed in the strategy 2. A formal due diligence review process was completed and documented, including collection of required documentation: due diligence meetings, DDQ/PP, Manager Investment Details (presentation, subscription docs, LPA, etc.) Legal review and Investment Staff recommendation to Investment Committee 3. Investment Committee approval is received and documented in Committee Meeting Minutes. Note: initial approval within closed door session. 4. A fully executed subscription document (e.g., LPA) and any side letters are retained. 	Exception Identified. Refer to Finding 2
B.2	<p>For a sample of Public Market investments made during the audit period with external Public Managers validate that the selection process followed the documented policies and procedures, including validation that:</p> <ol style="list-style-type: none"> 1. The Public Investment Manager was reviewed against the Public Markets Strategy and aligns with the criteria, investment strategy and allocation targets detailed in the strategy. 2. A formal due diligence review process was completed and documented, including collection of required documentation: due diligence meetings, DDQ/PP, Manager Investment Details (presentation, subscription docs, LPA, etc.) Legal review and Investment Staff recommendation to Investment Committee. 	Exception Identified. Refer to Finding 2

Scope Area	Test Procedures Performed	Test Results
	<p>3. Investment Committee approval is received and documented in Committee Meeting Minutes. Note: initial approval within closed door session.</p> <p>4. A fully executed subscription document and/or Legal Agreement specific to investment vehicle type (e.g., SEP Acct/IMA) and any side letters are retained.</p>	
B.3	<p>Verify for each of the samples provided under B.1 and B.2 above:</p> <p>1. The contract was reviewed and approved by Legal counsel prior to signing.</p> <p>2. The contracts for Private Market Managers are stored in a secure file with limited access to only necessary personnel.</p> <p>3. The contract file location is included in nightly backups.</p> <p>4. The key investment terms and conditions are highlighted and documented by Investments.</p> <p>5. Fees and expenses (mgmt., performance, claw back provisions) are communicated to Operations and Consultants.</p>	Exception Identified. Refer to Finding 2
B.4	<p>Using our risk-based analytics approach, obtain a sample of managers for Private Markets portfolio and confirm sufficient and standardized ongoing due diligence (ODD) were conducted on a timely basis in accordance with internal policies:</p> <p>1. Quarterly performance monitoring (investment manager reports).</p> <p>2. Quarterly Due Diligence Questionnaire review (including monitoring of changes to key staff and investment style drift within the portfolio).</p> <p>3. Review of meeting materials and notes from Annual and Semi-annual due diligence or LPAC meetings.</p> <p>4. Review of monthly Hamilton Lane reports</p> <p>5. The results of the ODD activities are aggregated and reported to relevant committee.</p>	Exception Identified. Refer to Finding 2
B.5	<p>Using our risk-based analytics approach, obtain a sample of managers for Public Markets portfolio and confirm sufficient and standardized ongoing due diligence (ODD) were conducted on a timely basis in accordance with internal policies:</p> <p>1. Monthly performance monitoring (investment manager reports).</p> <p>2. Monthly Due Diligence Questionnaire review (including monitoring of changes to key staff and investment style drift within the portfolio).</p> <p>3. Review of meeting materials and notes from Annual and Semi-annual due diligence.</p> <p>4. Review of monthly Versus reports.</p> <p>5. The results of the ODD activities are aggregated and reported to relevant committee.</p>	Exception Identified. Refer to Finding 2
B.6	<p>For a sample of Investment Managers that were "terminated", verify:</p> <p>1. Decision to terminate was based on clearly defined criteria.</p> <p>2. The reason for termination recommendation was communicated to and approved by the Investment committee.</p>	No exceptions

Appendix B: Risk Definitions

High Risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the Company's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the Company or beyond a single function or department
- Potential material impact to operations or the Company's finances
- Processes that deviate significantly from regulator guidance and/or industry best practice
- Remediation requires significant involvement from senior Company management
- Regulatory violations that have a monetary impact on the Company's consumers
- Regulatory violations that are systemic

Moderate Risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the Company
- Impact could be felt outside of the Company or across more than one function of the Company
- Noticeable and possibly material impact to the operations or finances of the Company
- Processes that deviate from regulator guidance and/or industry best practice
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior Company management to be updated
- Regulatory violations or exceptions that increase the Company's risk of legal, financial, or reputational risk

Low Risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the Company's strategic priorities
- Impact is limited to a single function within the Company
- Regulatory exceptions that do not have a monetary impact on consumers
- Regulatory concerns that are unlikely to have a financial impact to the Company or members
- Regulatory processes in place that are not considered industry best practice
- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk

North Dakota Retirement and Investment Office

Internal Audit

Advisory Project – Performance and Operations – Project Management

Monthly Management Letter

Date: November 7, 2025

To: Sara Seiler – Internal Audit Supervisor

Scope:

The Investment Advisory Project delivers focused project management support for an ongoing audit initiative aimed at improving investment performance reporting and reinforcing control structures. This effort is designed to evaluate existing processes, pinpoint gaps in controls, and implement enhancements that align with industry best practices. To accomplish these goals, the following key activities have been outlined:

- 1) Optimization of Allocation Engine and Operational Efficiency
- 2) General Ledger Posting Automation
- 3) Internal Rebalances and Liquidity Practices
- 4) Disclaimers and Disclosures
- 5) Month-End Close and Performance Reconciliation
- 6) Policy and Procedures Update

Progress Tracking:

While the initiative will be managed with ongoing attention over a prolonged timeframe, it is designed to conclude once its established goals are achieved. Regular monthly reporting will provide visibility into progress, share key updates, and capture emerging risks, control insights, and required actions. This disciplined framework maintains consistent oversight, fosters transparency, and drives the delivery of impactful, lasting improvements to investment reporting and governance as the effort advances into its next year.

Observations and Recommendations:

The Observations and Recommendations listed below are preliminary and for Internal Audit review and discussion. Structured recommendations for ND RIO Fiscal and Investments will be provided as the projects continue.

1. Optimization of Allocation Engine and Operational Efficiency

Reconciliation between ND RIO and the external vendor is progressing to support the transition to Northern Trust's third-party Allocation Engine. This initiative is designed to reduce reliance on internal resources and enhance operational efficiency. The Allocation Engine has been reviewed and endorsed as the appropriate path forward by Timothy Forsythe, the new Deputy Financial Officer. Cash monitoring processes are actively leveraging

Northern Trust reports (Sherlock) and will continue to be utilized throughout the transition. Reports are prepared for review and launch once General Ledger (GL) mapping is finalized, which is expected by the end of December. Parallel testing will be conducted in January and February 2026 to ensure all GL items are correctly mapped and fully utilized.

Audit Observation (ongoing):

Audit review has noted that reconciliation steps and handoff procedures are still being refined as part of the transition. While progress is evident, certain control elements and supporting documentation require further alignment to ensure a smooth and well-governed process.

1 - Recommendation:

To ensure a controlled and well-documented transition, reconciliation protocols should be reinforced and ownership formally transferred to Northern Trust, with ND RIO maintaining oversight. The goal is to have the Allocation Engine ready for parallel testing by year-end, with testing to begin once General Ledger (GL) mapping is complete in January–February 2026. Recommended actions include:

a) Pre-Launch Readiness Check:

Investment Operations should complete and record reviews and testing of new workflows before activation to confirm readiness and proper control alignment.

b) Post-Conversion:

Schedule and perform reconciliations after implementation to verify accuracy, maintain accountability, and complete formal sign-off. (First review by February 28, 2026)

c) Cash Oversight

Continue using Northern Trust's Sherlock reports for cash monitoring and incorporate these practices into formal documentation as part of the transition

2. General Ledger Posting Automation

Automation of General Ledger (GL) entries within Great Plains was originally planned for October but is now targeted for completion by year-end. GL mapping is expected to be finalized by December 31, 2025, with parallel testing anticipated in January–February 2026. This timeline adjustment supports a controlled transition, improving efficiency and reducing operational risk.

Audit Observation (ongoing):

General Ledger posting is currently a manual process using Excel-based macros, which increases the risk of errors and inefficiencies. The transition aims to demonstrate how Northern Trust can correctly map workflows to eliminate manual entries and enable automated posting within Great Plains.

2 - Recommendation:

a) Workflow Mapping:

Northern Trust is continuing its coordination with fiscal and operations teams to complete end-to-end workflow mapping. This activity should be prioritized in mid-November to allow sufficient time for appropriate staff allocation and to support timely structuring of GL data for consistent posting, reconciliation, and reporting.

b) Pre-Implementation Testing:

Planning for joint testing is progressing, aligned to follow the completion of workflow mapping. This phase is designed to confirm system functionality, assess control alignment, and validate reporting accuracy. Preparation activities, including test scenario development and resource coordination, are expected to begin in late Q4 to support the January–February 2026 testing window.

c) Audit Oversight:

Audit teams continue to engage with integration efforts and control development. While initial expectations targeted completion by year-end, the timeline has evolved to accommodate continued activity into early 2026.

3. Internal Rebalances and Liquidity Practices

Recent internal reviews have focused on refining liquidity protocols and rebalancing practices to better reflect client-specific needs while remaining consistent with Investment Policy Statement (IPS) guidelines. As part of this effort, a working group convened during the week of November 3, 2025, to evaluate IPS-defined withdrawal terms and assess operational feasibility across client segments.

Audit Observation (ongoing):

Progress continues in refining liquidity practices, though interpretation and application of IPS-defined withdrawal terms remain inconsistent. During the week of November 3, 2025, an internal working group reviewed key elements, including withdrawal timing and notice periods. Operational constraints were noted for clients needing access outside the 15th/30th cycle. These topics are still under discussion, and decisions regarding potential adjustments to IPS terms or procedures are yet to be finalized. Control documentation remains in development and does not yet fully reflect current practices or exception handling.

3 - Recommendation:

a) Standardization:

Use insights from the recent working group to refine and align rebalancing and liquidity procedures. This includes evaluating withdrawal timing and notice periods to support operational consistency while accommodating client-specific needs.

b) Documentation:

Update control documentation to reflect current practices and clarify how IPS terms are applied, including treatment of exceptions and any pending decisions related to liquidity timing and notice requirements.

These enhancements should be incorporated into the evolving operating model to strengthen governance, improve transparency

4. Disclaimers and Disclosures

Review of performance disclosures, including public-facing materials such as the corporate website, remains active. Disclosure language was updated in September; however, a broader benchmarking exercise should be conducted again to assess consistency and alignment across all materials. This review should also be repeated periodically to maintain transparency and compliance.

Audit Observation (ongoing)

Initial findings indicate opportunities to improve clarity and consistency in how disclosures are presented. While updates have been made, comprehensive validation across platforms is still needed.

4 - Recommendation:

a) Collaboration:

Operational teams should work closely with Verus and other external partners to complete a full-scope review of all disclosures, ensuring alignment with both internal standards and external reporting expectations.

b) Review and Validation:

Establish a structured validation process that includes benchmarking against peer practices and regulatory guidance. This framework should support both initial review and ongoing updates to maintain consistency and credibility.

c) Oversight:

Disclosure oversight should be integrated into routine operational governance. External validation should be leveraged not only for accuracy but also to support continuous improvement and timely remediation of gaps.

5. Month-End Close and Performance Reconciliation

Efforts continue toward building a system-supported model that integrates automated workflows with third-party providers. While progress is underway, the pace remains measured. The operational target is to complete close within 11 business days and finalize for third party review by third week of each month.

Audit Observation (ongoing)

Current workflows rely on a mix of manual and automated steps, which introduces variability in timing and accuracy. Accountability structures and exception handling protocols are still maturing, and reconciliation processes require further refinement to meet month-end targets consistently.

5 - Recommendation:

a) Role Definition:

Clarify roles across internal teams and third-party providers to support timely execution of the close cycle. GL mapping and allocation engine inputs should be owned and tracked to ensure readiness by the desired times.

b) Control Enhancements:

Strengthen reconciliation controls by embedding exception handling and validation steps into the allocation engine workflow. This will improve accuracy and reduce reliance on manual interventions.

c) Coordination and Tracking:

Continue weekly coordination sessions with internal teams and external partners to monitor progress, resolve issues, and align deliverables. These meetings should also track dependencies tied to system inputs and mapping readiness.

6. Policy and Procedures Updates

With the recent onboarding of Adam Otteson as CFO and Timothy Forsythe as Deputy CFO, ND RIO is positioned to advance the development of structured policies and procedures. While progress is underway, it remains gradual. Clear delineation of responsibilities between fiscal and investment teams, particularly in internal rebalancing, continues to be a priority to improve decision-making, accountability, and operational clarity.

Audit Observation (ongoing)

While progress is underway, role clarity and decision protocols across fiscal and investment teams remain underdeveloped. This has contributed to uneven execution and occasional delays. Escalation pathways are informal, which can slow issue resolution and limit visibility into governance processes.

6 - Recommendation:

a) Role Definition and Investment Input Protocols:

Engage CFO Adam Otteson and Deputy CFO Timothy Forsythe to formalize governance roles and decision authorities related to internal rebalancing. This should include establishing clear boundaries for fiscal and investment team involvement and defining when investment input is required to support strategic alignment and timely execution.

b) Exception Handling Framework:

Establish a formalized exception management process that defines how variances, anomalies, and operational breaks are identified, assessed, and addressed. This process should include escalation pathways based on materiality and impact and be integrated into the broader governance framework to support transparency, timely resolution, and continuous improvement across functions.

North Dakota Retirement & Investment Office

Internal Audit Report: TFFR File Maintenance Review Final Report – November 2025 Fiscal Year 2023/24

The Internal Audit Division of the North Dakota Retirement and Investment Office (RIO) completed a review of the Teachers' Fund for Retirement (TFFR) File Maintenance processes for the month of September 2023. The purpose of the review was to evaluate whether file maintenance transactions were appropriate, authorized, and accurately recorded in the pension administration system.

This report presents the results of our review, including observations, conclusions, and recommendations. Internal Audit appreciates the cooperation and assistance provided by Retirement Services, Fiscal Services, and Information Technology staff during the course of the audit.

Background

The File Maintenance Audit is conducted periodically to ensure transactions initiated within the pension administration system are expected and appropriate based on staff roles and responsibilities. Internal Audit (IA) also validates that member account information, such as demographic changes, deaths, purchases, refunds, and retirements are supported by appropriate documentation.

This review covered the month of September 2023, during which RIO processed transactions related to deaths, refunds, installment purchases, and retirements on CPAS.

Scope and Objectives

The objectives of this audit were to:

- Confirm file maintenance transactions were appropriate and consistent with staff duties and security roles.
- Validate the accuracy and completeness of transactions processed for member accounts.
- Assess whether established procedures were followed and documentation properly maintained.

The audit included review of:

- CPAS system-generated audit tables and transaction logs;
- Staff role assignments and access permissions;
- A sample of member transactions for deaths, purchases, refunds, and retirements; and
- Change of address, name, bank information, and Member Action Form (MAF) updates.

Conclusion

Internal Audit determined that RIO's internal controls over file maintenance were generally designed and operating effectively. Transactions reviewed were appropriate and supported by documentation. Each of these findings have been acknowledged and accepted by ND RIO, who committed to implementing appropriate corrective measures.

However, a limited number of moderate-risk observations were identified relating to missing or misfiled documentation and demographic inconsistencies. Management has acknowledged these issues and implemented or planned corrective measures.

Observations and Recommendations

Phase I – Roles, Responsibilities, and System Access

Observation:

RIO staff maintained appropriate security roles and responsibilities within CPAS. Transaction activity corresponded to assigned job duties, and procedures were in place to protect member information. No exceptions were identified.

Conclusion:

Controls over user access and segregation of duties were effective.

Recommendation:

None.

Phase II – Transaction Accuracy and System Reconciliation

Observation:

Internal Audit verified that transactions on system reports for deaths, installment purchases, refunds, and retirements were reflected accurately on corresponding staff audit tables. All transactions tested were appropriate to the staff member's role.

Two isolated errors were noted:

- One social security number was entered incorrectly or missing.
- One death certificate was scanned to the incorrect FileNet account.

Both issues were corrected by Retirement Services.

Conclusion:

Transaction monitoring controls are effective; errors were immaterial and promptly remediated.

Recommendation:

None.

Phase III – Member Data Maintenance and Document Processing

Observation:

Internal Audit reviewed a sample of member account updates, including address changes, name changes, banking updates, and MAF processing. Internal Audit also reviewed a sample of deaths, refunds, purchases, retirements. Procedures were generally followed; however:

- One address form was not initially scanned to the member's account.

- One member's marital status did not align between CPAS.
- One member did not submit a required beneficiary form with the MAF.
- One salary entry appeared to be reported in the wrong fiscal year.
- One missing death certificate for a single life option.

Management has corrected the specific errors and incorporated additional controls through the new NeoSpin system.

Conclusion:

Data maintenance processes were functioning as intended, though periodic review of converted data and document completeness will help ensure continued accuracy.

Recommendations:

1. Conduct a targeted review of 25 deaths from FY23–24 to verify death certificates are on file and expand if needed.
2. Ensure Retirement Services develop concise written procedures supplementing NeoSpin process flowcharts for key activities (e.g., retirements, purchases, refunds).

Overall, Internal Audit concludes that RIO's internal control environment for file maintenance is operating effectively, with limited opportunities for enhancement in documentation consistency and procedural clarity.

Appendix A – Summary of Procedures Performed

Phase	Focus Area	Testing Coverage	Results
I	Roles & Access	All divisions with system access	Appropriate; no exceptions
II	Data & Reporting Accuracy	Deaths, refunds, purchases, retirements reports	Accurate; minor input/scanning errors corrected
III	Member Data Testing & Maintenance	Deaths, refunds, purchases, retirements, address, name, MAF, bank changes; system transactions	Procedures effective; minor documentation gaps

Appendix B – Risk Rating Definitions

High Risk: Significant control deficiencies that may impact financial integrity or regulatory compliance.

Moderate Risk: Issues that may affect operational effectiveness or documentation integrity.

Low Risk: Minor issues with minimal impact on controls or operations.

RETIREMENT AND INVESTMENT OFFICE
Internal Audit
2025-2026 First Quarter Audit Activities Report
July 1, 2025 – September 30, 2025

The audit objective of Internal Audit (IA) is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Audit coverage is based on July 1, 2025 through June 30, 2026 work plan approved by the SIB Audit Committee at the September 2025 meeting. The audit activities undertaken are consistent with the Internal Audit charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

Audit Activities

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

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

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

- **External Audit Assistance**

Internal Audit assisted the external auditor, UHY, with various tasks related to the June 30, 2025 annual financial audit of the Retirement and Investment Office (RIO) and the GASB 68 census data audit. The Internal Audit Supervisor served as RIO's primary point of contact and coordinated with RIO staff to compile and provide all requested information, reports, and supporting documentation. As part of the engagement, Internal Audit prepared and sent confirmations to clients, employers, and investment managers to support UHY's testing. For the GASB 68 census data review specifically, UHY selected a sample of TFFR employers, and Internal Audit facilitated the process by requesting and obtaining the required employer information to support UHY's procedures.

- **Bold and the Balanced Project**

RIO staff successfully completed Phase 1 of its business process review in preparation for the sunset of the current general ledger system and the future procurement of a new platform. As part of this effort, RIO engaged Voyager Consulting to map out the agency's existing accounting and operational processes. The objective of Phase 1 was to document current workflows and identify opportunities for quick improvements to increase efficiency.

Throughout this phase, the Internal Audit Supervisor supported the project by participating in weekly

meetings with Voyager and RIO staff, providing insight into workflows, control expectations, and operational pain points. Voyager completed detailed process mapping of all major accounting functions, including cash management, deposits, quarterly financial reporting, performance reporting, contributions, withdrawals, and rebalancing. Multiple draft reports and process maps were developed, reviewed, and refined collaboratively to ensure accuracy and alignment with RIO's needs.

With Phase 1 now complete, the project transitioned into Phase 2 in August, focusing on developing a formal RFP for a new general ledger system. Phase 2 will incorporate the redesigned business processes and updated functional requirements identified during Phase 1 to ensure the selected system aligns with RIO's long-term operational, reporting, and internal control objectives.

- **Executive Review and Compensation Committee**

The Internal Audit Supervisor attended the ERCC meeting in August 2025 to discuss proposed updates to the Executive Director evaluation process. This work remains ongoing as the committee continues to assess and refine the evaluation framework.

- **SIB Governance Assessment**

The State Investment Board (SIB) selected Funston to conduct a governance assessment for the organization. As part of this work, the Internal Audit Supervisor assisted in gathering documents and information required for the assessment and reviewed materials received from Funston in September. The governance assessment kick-off meeting was held on August, and the Internal Audit Supervisor participated in the kick-off session as well as in follow-up meetings held throughout September.

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

Internal Audit continues to partner with Weaver on advisory work for the fiscal division, which is focused on strengthening investment performance reporting, improving operational workflows, and reinforcing control structures. Key areas of work include optimizing the transition to Northern Trust's allocation engine, automating general ledger postings, refining rebalancing and liquidity practices, enhancing disclosure processes, improving month-end close and reconciliation timelines, and supporting the development of updated policies and procedures. Progress is ongoing across all workstreams, with several activities advancing toward testing and implementation phases in early 2026.

Weaver's preliminary observations highlight continued improvements but also note areas where process clarity, documentation, and control alignment require further development. Recommendations emphasize strengthening reconciliation protocols, completing workflow and GL mapping, standardizing liquidity and rebalancing procedures, validating disclosures, enhancing month-end controls, and formalizing roles and decision-making responsibilities between fiscal and investment teams. Monthly updates will continue to track progress, identify risks, and support a structured, well-governed transition to modernized financial operations.

- **TFFR File Maintenance Review**

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

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

- **TFFR Pioneer Project**

RIO went live as was scheduled on February 10, 2025 with the new pension administration system. During this timeframe, RIO staff and IA attended many meetings with the software vendor on reports needed by the UHY and GRS in the annual 2024/25 review.

Administrative Activities

Internal Audit staff remained actively engaged across the organization by attending key standing and governance meetings throughout the period. Participation included monthly RIO staff meetings, monthly manager meetings, division meetings, fiscal/organization meetings, and retirement services meetings. IA also attended one Audit Committee meeting, two SIB meetings, a special SIB meeting, two TFFR Board meetings, two Governance & Policy Review Committee meetings, Investment Committee meetings, and TFFR/SIB agenda planning meetings. This level of involvement supports awareness of operational developments, aligns audit planning with emerging risks, and ensures Internal Audit remains informed and connected across all major functional areas.

- **Internal Auditor Recruitment**

During the 2025 Legislative Session, RIO's budget was approved, which included authorization for a third FTE within the Internal Audit Division. The Internal Audit Supervisor developed the JDQ and corresponding interview questions to support the recruitment process. The position was posted, and after the initial posting closed without a successful hire, it was reposted in October 2025. Interviews were conducted at the end of October 2025.

Professional Development/CE/General Education

Internal Audit staff completed several professional development and training activities during the period. Both staff members completed NDIT's Cyber Awareness Training to maintain required security readiness. The Internal Audit Supervisor also attended three courses through the Investment Training & Consulting Institute: Emerging Issues in Investments, Understanding and Investigating Investment Fraud, and Understanding and Auditing Investments to further strengthen investment-related oversight and audit capabilities. Additionally, the Internal Auditor completed IIA training on Enterprise Risk Management, enhancing the division's ability to support RIO's evolving risk management framework. IA also attended pension administration system training on the employer enrollment process.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
FISCAL YEAR 2025-2026**

	1st Quarter Actual Hours	2nd Quarter Actual Hours	3rd Quarter Actual Hours	4th Quarter Actual Hours	2025-2026 Actual Hours
Audit Responsibilities					
Business Process Mapping - Fiscal	35.00				35.00
SIB Governance Assessement	18.00				18.00
Executive Review and Compensation Committee	12.00				12.00
Fiscal Advisory (co-sourcing Weaver)	13.00				13.00
External Investment Advisor Oversight Audit (co-source)	35.00				35.00
TFFR File Maintenance	180.50				180.50
TFFR General Employer Advisory	23.50				23.50
External Auditor Assistance (Financial, GASB, Actuary, etc)	195.75				195.75
Professional Development	22.00				22.00
	534.75	0.00	0.00	0.00	534.75
% of Available Hours Allocated to Primary Audit Responsibilities					
Administrative Responsibilities					
Annual Leave, Sick Leave, and Holidays	163.25				163.25
Staff meetings, Reporting , Performance, Email and Education	204.25				204.25
SIB Audit Committee, SIB, and TFFR Board Meetings	142.25				142.25
	509.75	0.00	0.00	0.00	509.75

Total Hours for 2024-2025:

1,044.50	0.00	0.00	0.00	1,044.50
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Total Budget Hours for 2025-2026	4,160
Budget Hours for D. Thorsen	2,080
Budget Hours for S. Seiler	2,080

MEMORANDUM

TO: SIB Audit Committee
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: November 13, 2025
RE: Current Internal Audit Activities

Internal Audit (IA) typically has multiple audits going on at the same time in different stages. The following is the status of current audits in progress:

Phase 1 – Planning and Notification
Phase 2 – Fieldwork
Phase 3 – Communication with Staff
Phase 4 – Writing Report
Phase 5 – Final Report and Management Response

Internal Audit Activities Completed and In-Progress

- TFFR File Maintenance Audit – Phase 5
- External Investment Oversight Audit – Phase 5
- External Financial Statement Audit – Phase 5
- RIO Risk Assessment – Phase 4
- Records Retention – annual purge November 28, 2025

Audit Activities

During the reporting period, Internal Audit (IA) staff remained fully engaged across RIO operations by attending monthly RIO staff meetings, monthly Fiscal/Organization meetings, monthly Retirement Services meetings, division meetings, and TFFR/SIB agenda planning meetings. IA also attended one SIB meeting, the planning calendar meeting, GPR Committee meetings, ERCC meetings, and TFFR Board meetings. This level of participation ensures the audit function remains informed of emerging risks, operational changes, and governance activities across the agency.

In August 2025, the SIB voted in a special meeting to conduct a Governance Model Assessment, selecting Funston as the consultant. The Supervisor of IA, along with other RIO staff, attended the project kickoff and several follow-up meetings. IA's involvement included gathering documentation, providing process insights, and participating in discussions regarding governance structure, policy alignment, and organizational roles.

The Supervisor of IA also worked extensively with Weaver and RIO's investment staff on the External Investment Oversight audit. IA participated in review sessions, provided requested documentation, and assisted in evaluating processes related to oversight, reporting, and monitoring. The final report is scheduled to be presented to the SIB Audit Committee at the November 2025 meeting.

In addition, the Supervisor of IA served as the primary point of contact for the June 30, 2025, financial statement audit conducted by UHY. Multiple meetings were held throughout the audit to coordinate document requests, respond to auditor inquiries, and ensure timely closure of audit.

Internal Audit participated in the interview process for the new Internal Auditor FTE approved during the legislative session. The Supervisor of IA, Executive Director, and Internal Auditor collaboratively interviewed candidates at the end of October.

As part of the Bold & Balanced project, the Supervisor of IA and fiscal staff met with several pension systems to discuss operational structures, investment operations, and accounting software solutions. These discussions provided valuable benchmarking information for RIO's strategic planning and future system selections.

The IA Division also collaborated with Weaver to facilitate the 2025 RIO Risk Assessment. Weaver and the Supervisor of Internal Audit met with fiscal and investment staff to identify key risks within their respective divisions. Internal Audit met separately with Retirement Services for the retirement related risk assessment. Meetings occurred throughout October and November, and IA contributed to refining risk rankings and documenting themes identified during the assessment.

IA staff also completed quarterly NDIR cybersecurity training and investment-related continuing education.

For the TFFR File Maintenance Audit, the Executive Director/Chief Retirement Officer responded to IA's follow-up questions and provided additional documentation. The Internal Auditor completed the audit report, which will be presented to the Audit Committee in November 2025.

As part of audit support for the GASB audit, IA responded to external auditor inquiries and completed salary reconciliations for multiple school districts.

Retirement Services is in the process of updating the TFFR Member Handbook. IA reviewed both the first and second draft versions for accuracy, clarity, and alignment with statutory and administrative requirements.

IA also participated in meetings related to the availability of the legacy pension administration system after December 2025 to ensure audit needs and data access considerations were addressed.

Upcoming Audit Activities

Internal Audit will be co-sourcing another audit with Weaver on investment fees.

The Internal Auditor will be completing the annual purge of information by the end of November 2025.

Retirement Services will update TFFR Employer Guide. The Internal Auditor will be assisting in the revision and review process.

Internal Audit will continue participating in the Funston Governance Model Assessment, with formal recommendations scheduled to be presented to the SIB in December 2025.

In December, IA will also begin fieldwork for the Executive Limitations audits for calendar years 2024 and 2025.

IA will remain active in the Bold & Balanced project and in the development of the Request for Proposal for future pension administration and accounting systems.

Internal audit will sample in NeoSpin retirements, disabilities, purchases, refunds, and business partner related processes to ensure that calculations are correct, and the system is processing the information correctly.

Finally, the Supervisor of IA will onboard the newly approved Internal Auditor FTE in December 2025.

COMMITTEE ACTION REQUESTED: Committee Acceptance.