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

Governance and Policy Review Committee Meeting
Friday, October 24, 2025, 10:00 a.m.
RIO Conference Room
1600 E Century Ave, Bismarck, ND
[Click here to join the meeting]

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA ***(Committee Action)***

II. ACCEPTANCE OF MINUTES (SEPTEMBER 9, 2025) ***(Committee Action)***

III. GOVERNANCE ASSESSMENT DISCUSSION (60 minutes) (Information)

IV. OTHER

Next Meeting: November 12, 2025, at 10:00 a.m.

V. ADJOURNMENT

STATE INVESTMENT BOARD
GOVERNANCE & POLICY REVIEW COMMITTEE MEETING
MINUTES OF THE SEPTEMBER 9, 2025, MEETING (VIRTUAL)

MEMBERS PRESENT:	Dr. Rob Lech, TFFR Board, Chair Thomas Beadle, State Treasurer, Vice Chair Joe Morrissette, OMB Director
STAFF PRESENT:	Scott Anderson, CIO Eric Chin, Deputy CIO Jennifer Ferderer, Fiscal Operations Admin Sara Seiler, Supervisor of Internal Audit Jodi Smith, Interim Executive Director
GUESTS:	Steve Case, Funston Advisory Michael Gold, Funston Advisory Randall Miller, Funston Advisory Evan Norton, Funston Advisory

CALL TO ORDER:

Dr. Lech called the State Investment Board (SIB) Governance and Policy Review (GPR) Committee meeting to order at 10:01 a.m. on Tuesday, September 9, 2025. The meeting was held virtually.

AGENDA:

The agenda was considered for the September 9, 2025, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 9, 2025, MEETING AS DISTRIBUTED.

AYES: TREASURER BEADLE, MR. MORRISSETTE, AND DR. LECH
NAYS: NONE
MOTION CARRIED

ACCEPTANCE OF MINUTES:

The Committee considered the minutes of the July 16, 2025, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MORRISETTE AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 16, 2025, MINUTES AS DISTRIBUTED.

AYES: TREASURER BEADLE, MR. MORRISSETTE, AND DR. LECH
NAYS: NONE
MOTION CARRIED

GOVERNANCE ASSESSMENT:

Mr. Miller from Funston presented the workplan and schedule, noting the governance assessment will include document reviews, surveys, stakeholder interviews, and benchmarking, with draft and final reports scheduled for delivery in December 2025. The project's purpose is to evaluate the SIB's current governance model, compare it against best practices, and provide recommendations for improvement. A central goal is to revise the Governance Policy Manual into plain language while clarifying the roles and responsibilities of the board and staff.

Preliminary observations showed that while governance is functioning, it is supported by outdated and overly complex policies. The Governance Manual was described as inconsistent and in need of a complete overhaul. Delegations, committee roles, and reporting structures lack clarity, and risk oversight could be strengthened with better intelligence and exception-based reporting. Trustee education and onboarding were noted as repetitive and insufficiently customized, and both executive evaluations and committee effectiveness were identified as areas for improvement.

The self-assessment survey, with 14 responses, supported these findings. Members generally agreed that governance is effective but pointed to gaps in policy clarity, stakeholder alignment, fiduciary duty, reporting quality, and committee communication. Committee discussion followed.

OTHER:

With no further business to come before the GPR Committee, Dr. Lech adjourned the meeting at 11:10 a.m.

Prepared by:

Jennifer Ferderer, Assistant to the Board

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

Governance Model Review

Current vs. Future State

October 24, 2025

Not intended as legal or investment advice.

Funston Advisory Services LLC

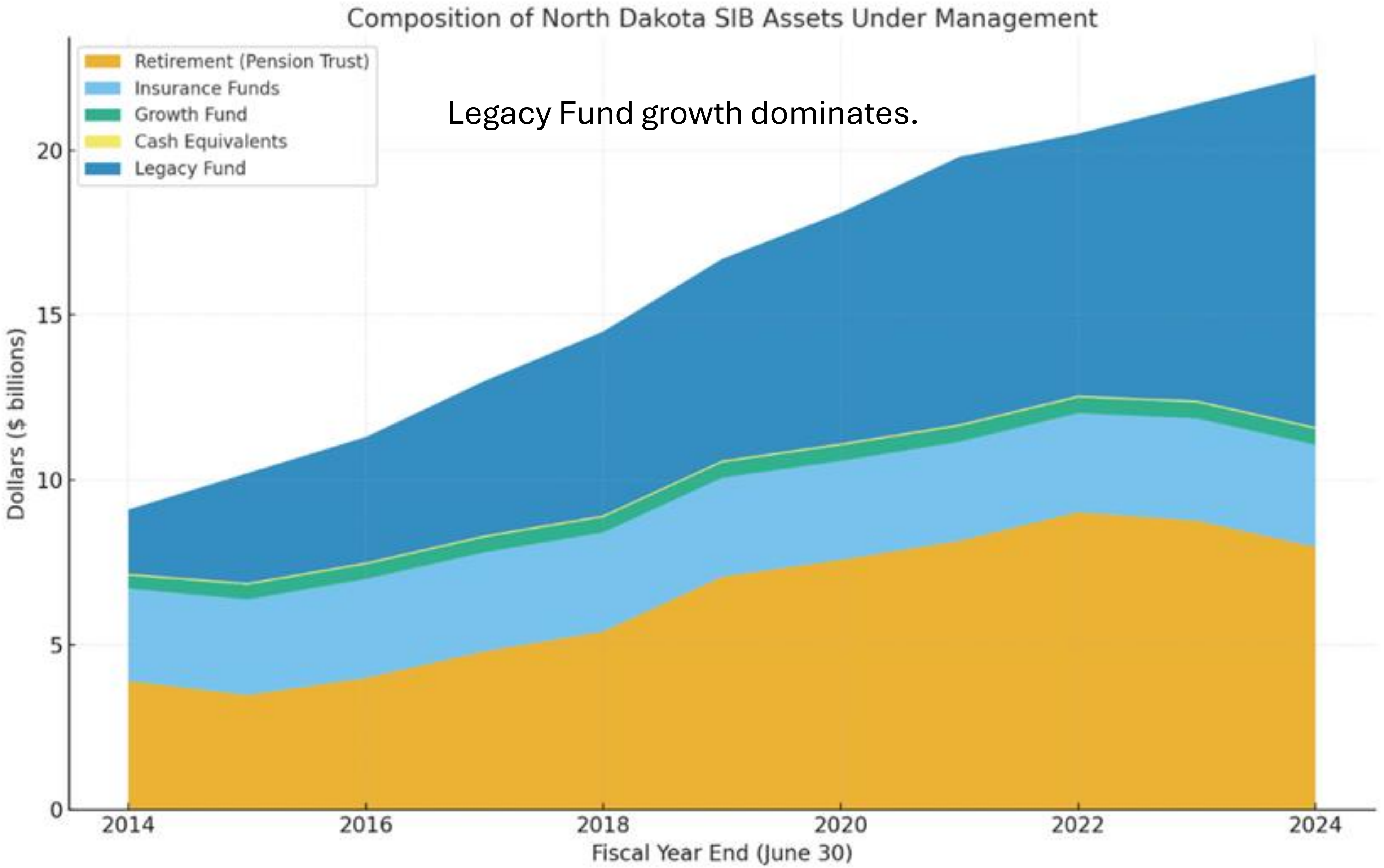
Overview

- SIB's Asset Growth (Current and Projected)
- Beneficiaries and Duties
- Governance Models Review
- Current vs. Future State
- What will it take to get there?
- Is there the will to do it?
- Next Steps

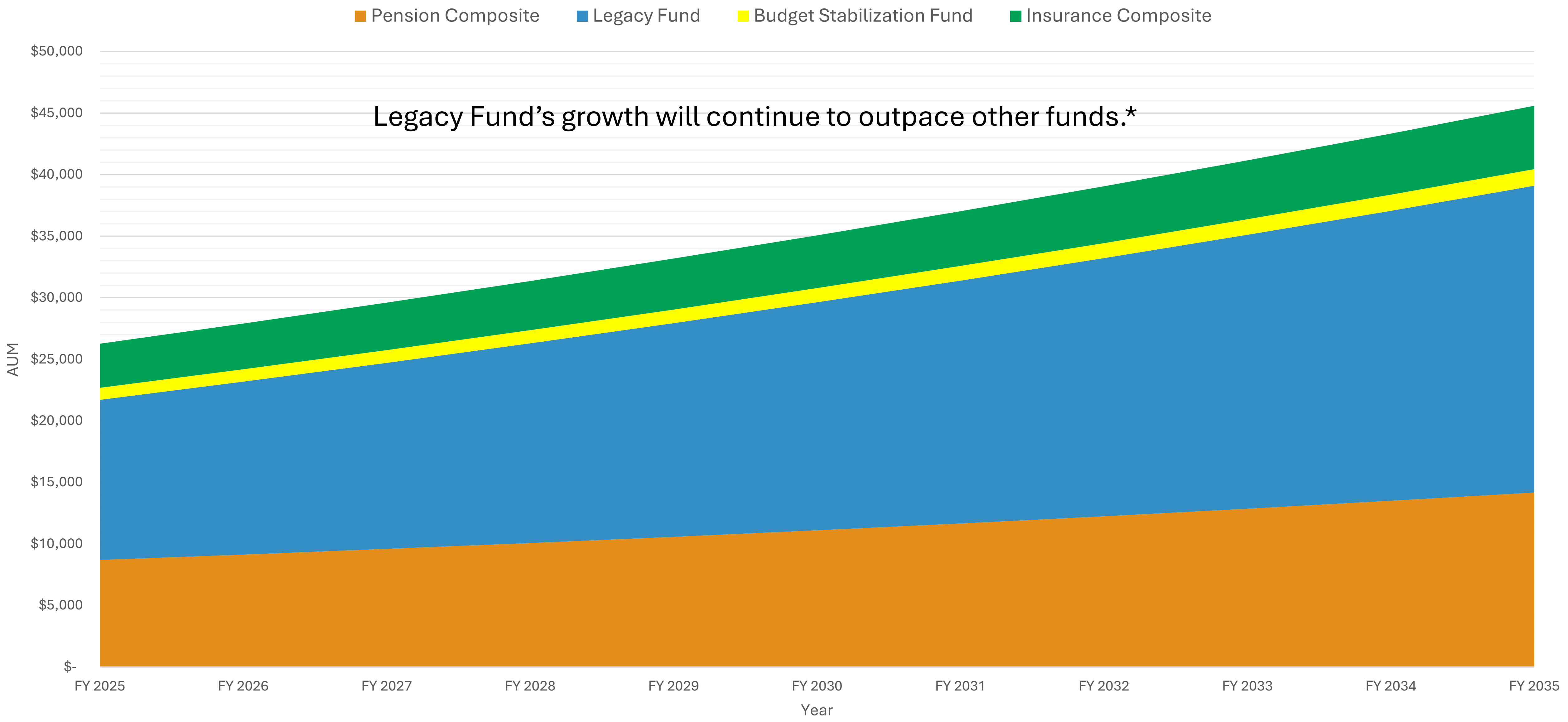
Shift Happens Fast!

- Shifts ranging from political, geo-political, technological, demographic, energy to medical and AI are accelerating – creating a wave chain of colliding tsunamis.
- SIB is experiencing extraordinary growth rates (current and projected).
- Are SIB's governance and infrastructure (people, processes, systems) keeping pace?
- SIB recognized the need to adapt and commissioned this review.

2.5x Times Growth in Ten Years

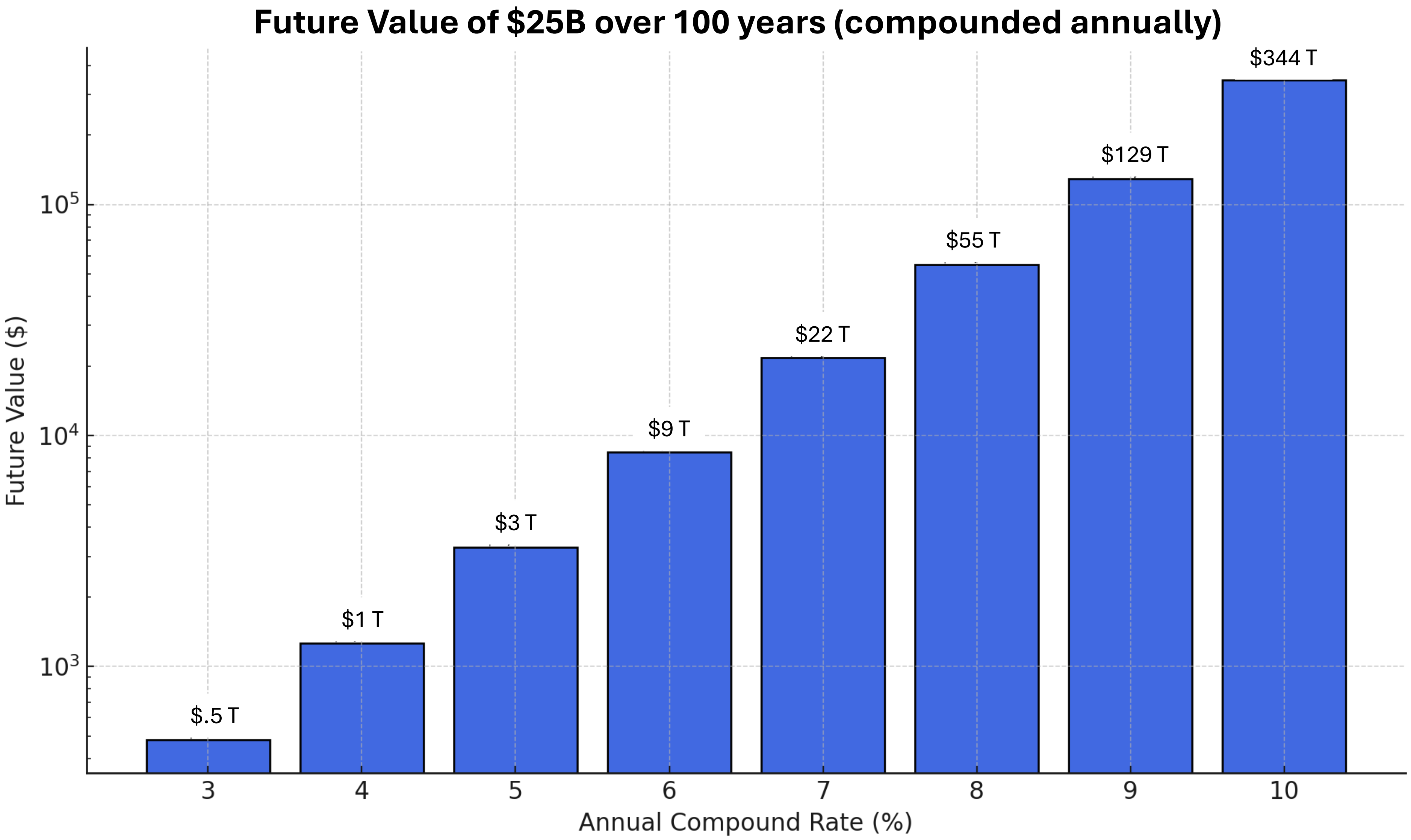


Projected Growth of Funds (millions)



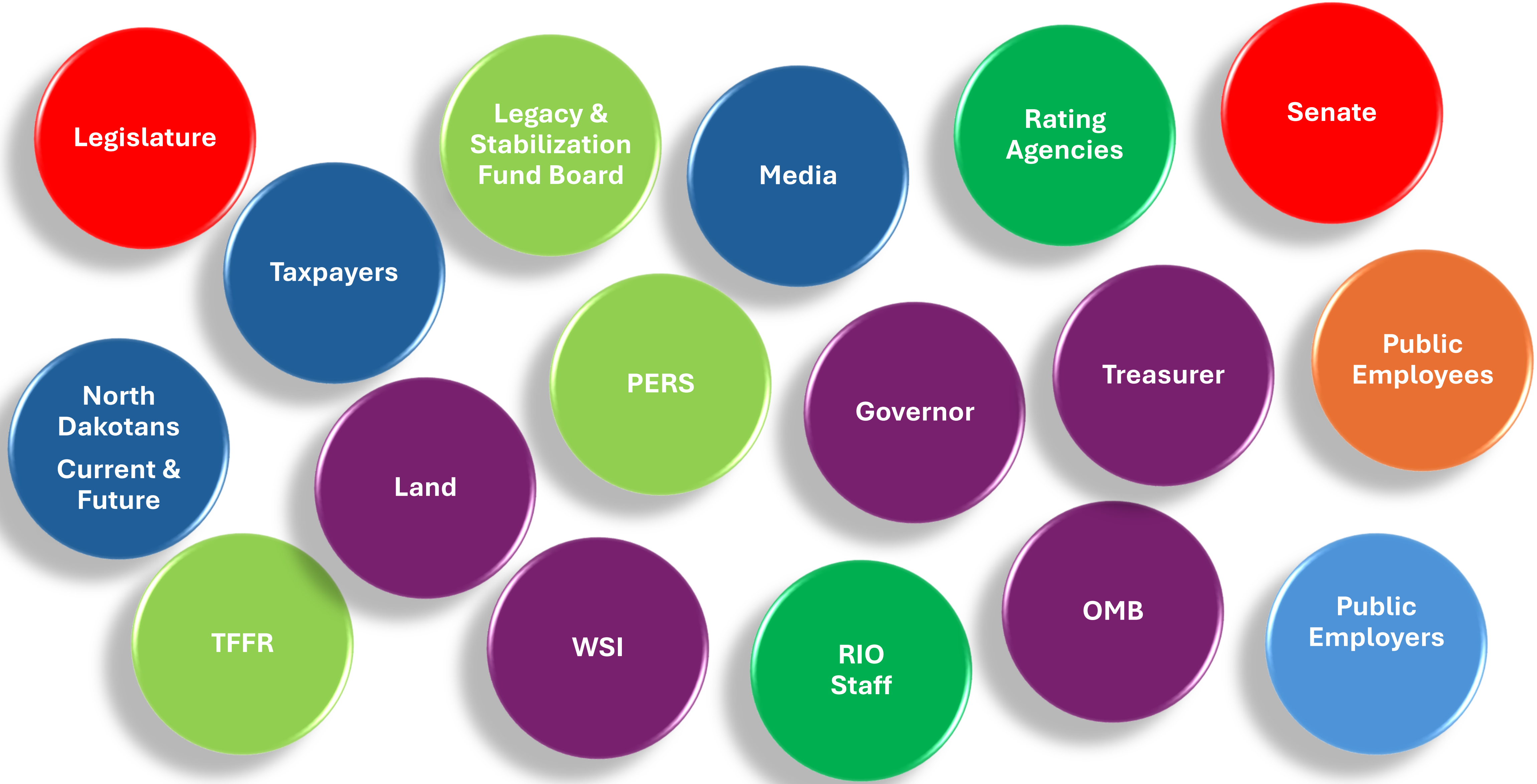
*Provided by RIO

Compounding Effect by 2125



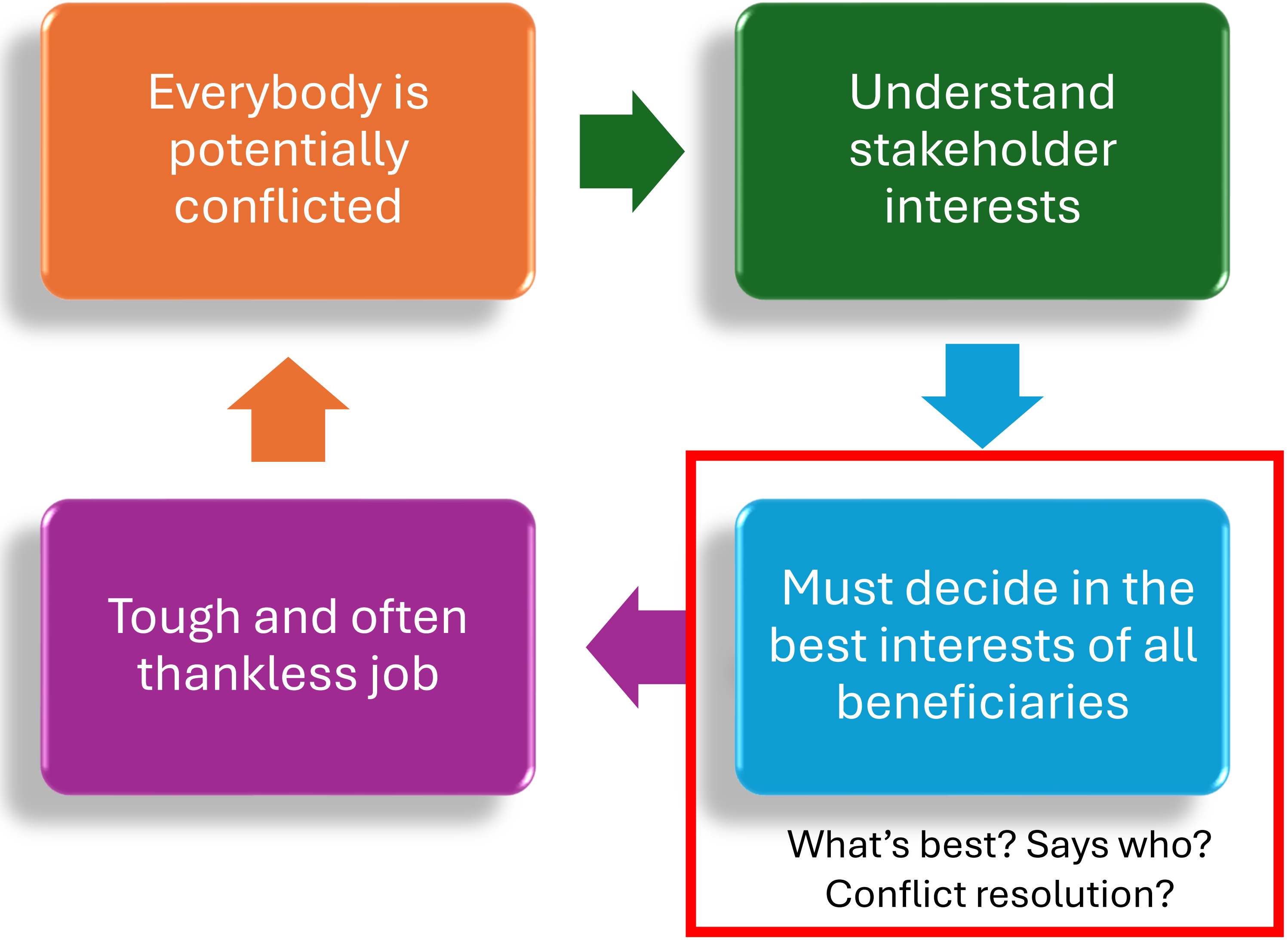
For illustrative purposes only.

Everyone in North Dakota is Affected



Resolving Group Conflicting Interests

North Dakota's legislation puts the key stakeholders in the same room and authorizes the SIB to determine what is in the best interests of the beneficiaries (who may have different priorities)



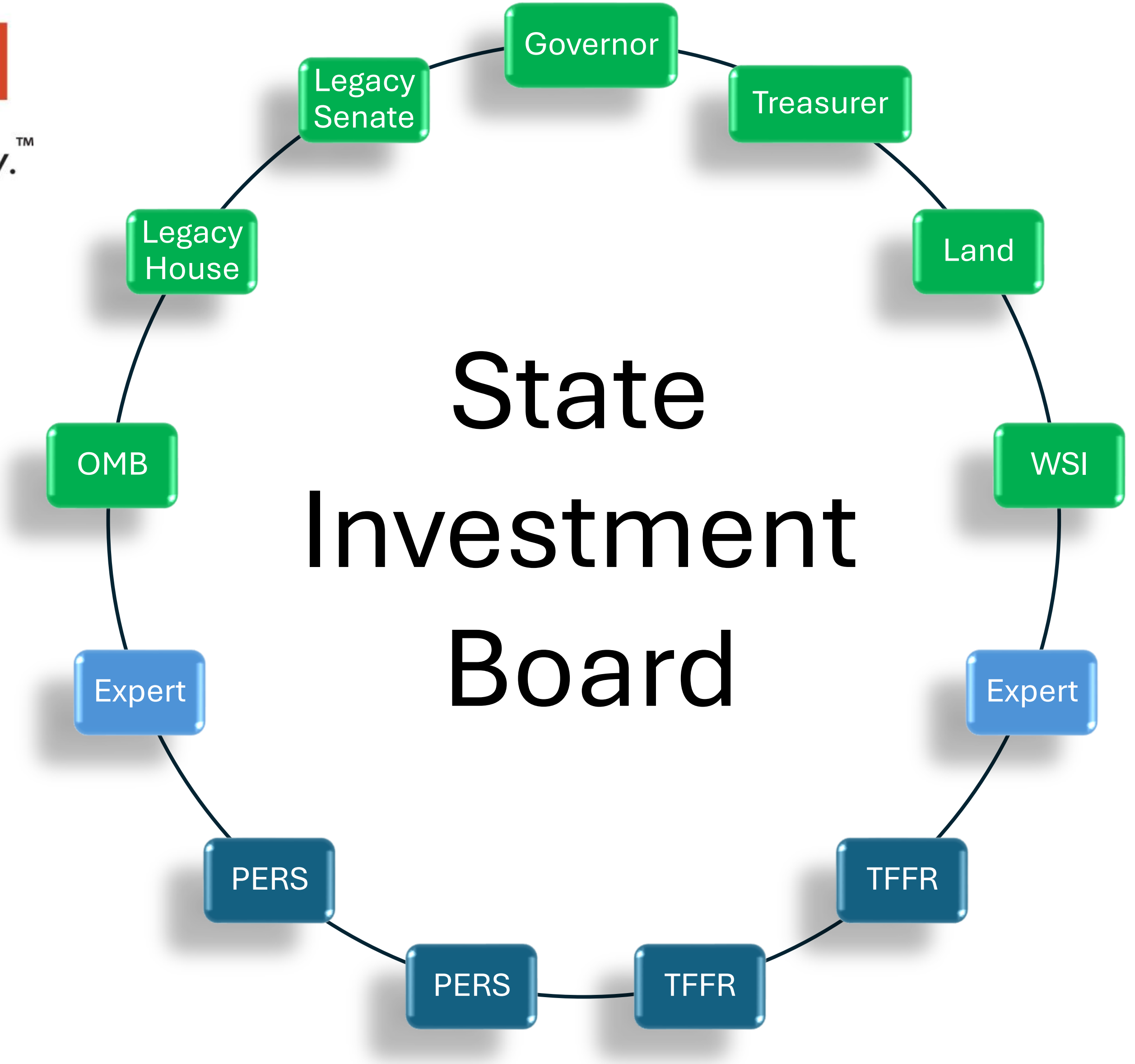
NORTH Dakota

Be Legendary.™

SIB is a creation of the Legislature

- Powers Reserved for the Legislature
- Powers Delegated to the SIB

Trustees - very busy, part-time & primarily lay people



Compared to peers:

- SIB has a higher number of ex officio / legislators
- Lower number of experts

Similar to peers, SIB’s fund expenses are paid from the funds themselves – not the State’s General Fund

Governance Model Review

Purpose

- Independent review
- Report to the Board through the GPRC
- Assess current state of governance
  - Leading
  - Prevailing
  - Lagging
- Recommend future state

Principles

- Tell you what you need to hear
- Fix the problem, not the blame
- No surprises
- One Size Fits One!

Preliminary Summary

- $25 billion AUM is expected to double every ten years ≈ 7% per year
- In 100 years ≈ $22 trillion
- Strong intent to be prudent and do the right thing
- Short-termism threatens long-term returns (Governance risk)
- SIB/RIO has a mandate without authority or means
- Operational risk is increasing (≈ 55 bps in 2024-2025 – slide 20)
- Compounded effects of sub-optimization over 100 years ≈ $ 2-4 trillion
- Modernize or sub-optimize

Governance Model Review

Deliverables (Compared to Peers):

1. Evaluate the SIB Program Manual.
2. Assess the organization’s framework for directing, controlling, and monitoring operations with respect to compliance, effectiveness.
3. Evaluate the reports to the board and committees from staff and consultants.
4. Benchmark the SIB governance model and Program Manual.
5. Develop a governance risk heat map identifying key vulnerabilities and oversight priorities.
6. Develop a recommended future governance review process based upon leading and prevailing peer practices.

Governance Model Review

Process

1. Document review
2. SIB Trustee & RIO Executive survey
3. Discussion document
   - Interviews
   - Peer benchmarking
   - Validation/verification of facts with RIO
4. Today's presentation: Current vs Future compared to peers and Education session.

Progress

- About halfway through review
- Still learning, analyzing and refining
- All observations, conclusions and recommendations are preliminary

Purpose of a Governance Model

- The *operating blueprint* that defines how authority, accountability, and oversight are distributed and exercised by legislators, trustees, staff, and advisors as an aid to collective decision-making in achieving the mission.
- Its purpose is to assure that fiduciary, strategic, and operational decisions are made effectively, ethically, and in alignment with the interests of the beneficiaries.
- It describes the "rules of the road" about how the Legislature, client funds, the SIB and RIO will work together.
- It should be:
    - Simple
    - Practical
    - Easy to use

Governance Models

In common: Board sets and oversees policy, Staff advise, execute, and report.

CURRENT: Carver (1970-80s)

- Built for nonprofits and health boards
- Pre-information age - too rigid
- Archaic / complex
- What not to do
- Focused exclusively on executive oversight
- Impractical / non-adaptive

FUTURE: Governance Effectiveness Model (GEM - 2020s)

- Built for public retirement and investment boards
- Flexible/ adaptive to change
- Simple
- What to do
- Practical, real-world, data-driven, continuous learning
- Focused on five powers including oversight

SIB's Cornerstone Documents

Cornerstone Documents

1. NDCC Statutory Authority
2. SIB Investment Policy
3. Governance Manual
4. Delegation Matrix

Preliminary Conclusions

- The overall conclusion is that these cornerstone documents are not aligned.
- This is causing confusion and is impairing the ability of SIB and RIO to perform as expected.

Board Governance is Collective Decision-Making

SIB Purpose

Mission:	“The mission of the North Dakota State Investment Board is to prudently manage the funds entrusted to it in the exclusive interest of the funds’ beneficiaries, consistent with constitutional and statutory requirements, sound investment principles, and the highest fiduciary standards.”
Mandate:	Maximize returns with a prudent level of risk (as a prudent institutional investor).
Beneficiaries:	SIB affects everyone in North Dakota – everyone is a beneficiary in some way. High visibility demands transparency and reliability.
Ambition:	To become one of the world’s best long-horizon investors among public retirement systems and sovereign wealth funds.

Mandate Without Authority or Means

Purpose

Heroic efforts but may not be sustainable:

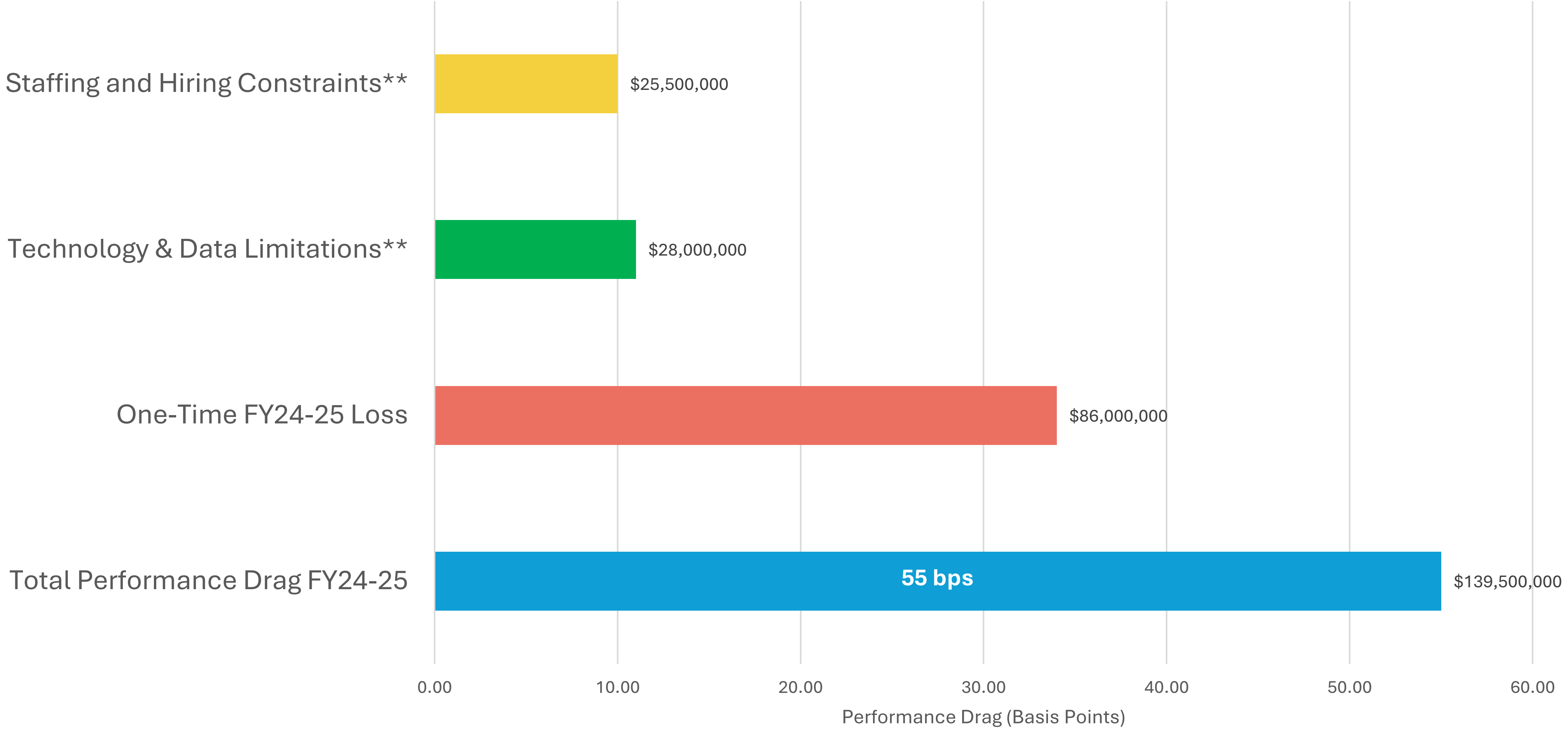
- Legacy Fund has very high visibility.
- Demands transparency and reliability but ability is impaired by lack of fiscal staff.
- The Legislature has been very supportive of SIB.
- ND SIB has been a high performer despite statutory and organizational challenges but this is fragile as assets continue to grow rapidly.
- Because of complexity, there is stakeholder confusion about SIB's purpose and mission.
- Need to achieve the mission despite inevitable short-term pressures.

Mission may be unachievable with current infrastructure due to external factors:

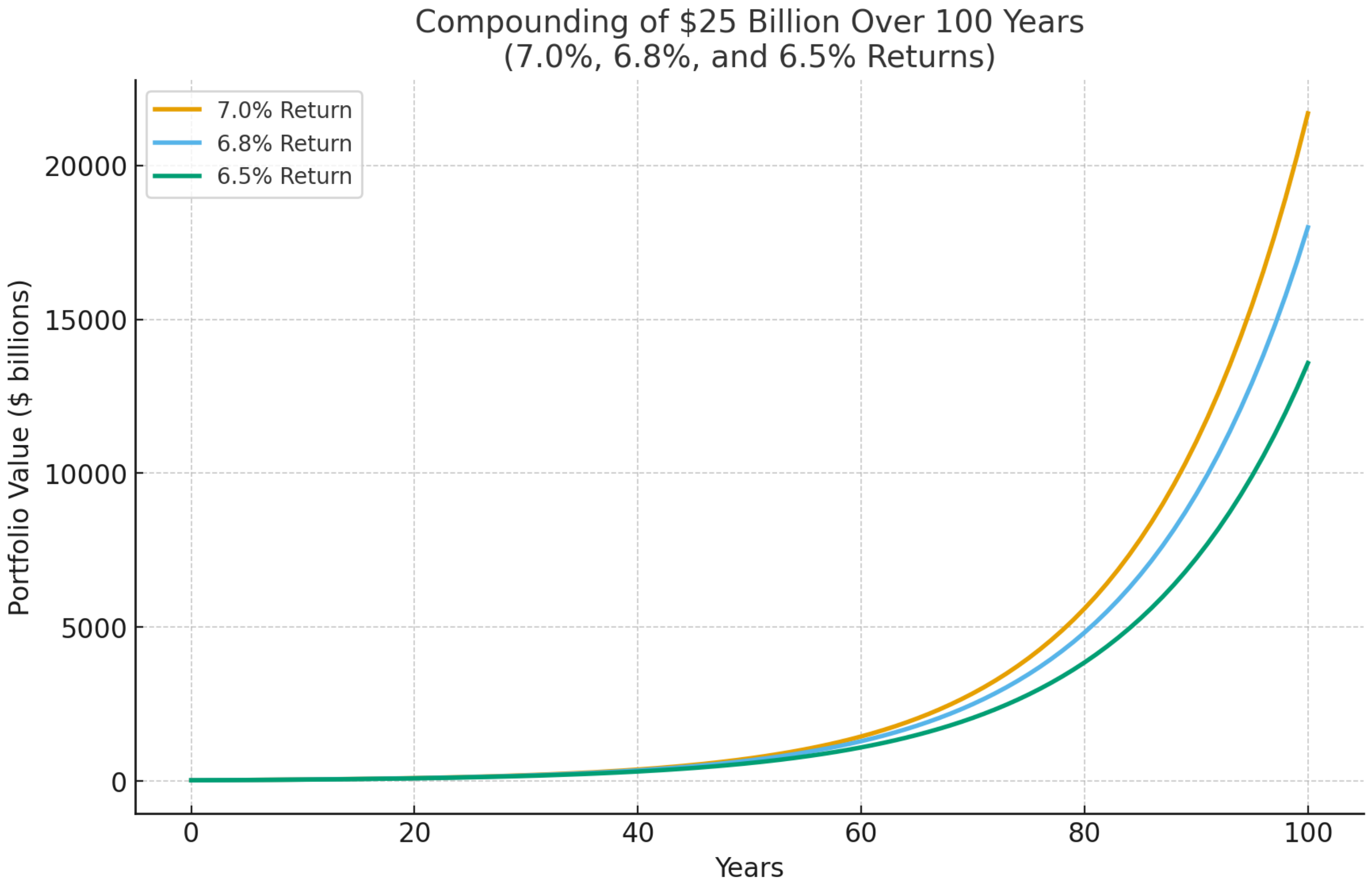
- 100% executive turnover every 3 years for last ten years.
- Front Office:
  - Extremely lean staffing: only 13 FTE for $26B AUM (~$2B per staffer). One investment staff departure = 7.7% loss in capacity (highest among peers). CEM 2021.
- Fiscal- Middle and Back Office:
  - only 2 staff; peers= avg 13. CEM 2021.
  - Manual processing (ABOR and IBOR). Difficult to compare RIO to those with automated systems.
  - Rework requires Front Office and compromises independence.

RIO is seriously under-staffed and lacking contemporary systems.
Note: RIO has not yet asked for additional fiscal and operations staff.

Recent Example Performance Drags & Operational Risks (2024-2025)



Effect of Performance Drag



A 0.5% difference in annual returns results in an **$8 trillion** difference after 100 years!

Rate of Return	Terminal Wealth	%
7%	$ 22 trillion	100
6.8%	$ 18 trillion	-18%
6.5%	$ 14 trillion	-36%

Lean is efficient, anorexic is not

Purpose

Decision-Making Efficiency	SIB's decision speed is impaired by lengthy asset allocation processes, lack of timely legal advice, unclear delegations and the time to obtain legislative approvals.
Resource Efficiency	Headcount restraints result in sub-optimal allocation of staff, consultant, and external manager resources to deliver the highest net value-added per dollar spent. SIB lacks essential fiscal staffing and systems support.
Process Efficiency	Workflows, reporting, and governance routines are cumbersome and increase the administrative burden, distracting trustees and staff from focusing on high-impact strategic issues.
Capital Efficiency	Lack of personnel and systems impair the rapid deployment of financial capital to liabilities, benchmarks, and opportunity costs — including ineffective rebalancing, liquidity management, and transaction execution.
Time Horizon Efficiency	There are numerous short-term distractions and political pressures that dilute SIB's long-term compounding potential, which negatively impact strategic priorities and multi-decade fiduciary goals.

What does it all mean?

SIB and client funds have complete discretion over $26 billion in assets but cannot hire a clerk or buy a computer without legislative approval (even though the expenses are paid by the funds themselves and not the State’s General Fund).

Current State

- SIB/RIO lacks essential infrastructure authority and resources for critical areas within its responsibility.
- Very high burn out / turnover / prolonged vacancies.
- Capital markets are among the world’s most competitive for talent.
- Both scale and depth are very limited compared to peer institutions.

Implications

- High and increasing operational and reputational risk.
- ND SIB is efficient but fragile. Risks include key-person dependency, limited oversight bandwidth, and succession vulnerability.
- If internal management expands, additional FTEs are essential to mitigate risk while still saving fees.
- Board should consider aligning staffing with peer norms (~$500M–$1B per FTE including middle and back office) to reduce operational exposure.

ND SIB's Mission – Current State

"Trust, like reputation, is gained in inches per year and lost in feet per second."

For largely legislative factors, SIB is currently sub-optimizing return with an increasing level of risk (operational and reputational).

- Can't scale essential infrastructure with the rate of asset growth (people, processes, systems).
- Lacks authority to achieve mission and fulfill duties:
  - Incurring higher costs
  - Leaving money on the table
  - High compounding effects over long-term (trillions)
- Examples (see following pages)
  - Technology: e.g., Great Plains
  - Private equity opportunities / expirations due to slow legal approvals
  - Staffing

The Threat of Short-termism: A Governance Risk

- **Definition: Focus on immediate results at the expense of sustained value creation.**
  - Distorted Decisions: Chasing quick gains over long-term investment.
  - Missed Compounding: Disrupts time-driven wealth building.
  - Higher Costs & Volatility: Higher expenses, missed opportunities.
  - Loss of Trust: Stakeholders see reactive behavior.
  - Governance Drift: Higher turnover (legislature, board & executive) can lead to policies shifts, undermining continuity.
- **Bottom Line: Short-termism undermines patient capital and weakens the ability to meet long-horizon obligations and/or maximize returns.**

Drivers of Short-termism

Purpose

Market & Performance Pressures

- Quarterly earnings focus → 'beat the quarter' mentality
- Benchmark fixation → short-term index comparisons
- Compensation structures tied to annual performance.

Governance & Political Cycles

- Election cycles push for quick wins.
- Board turnover disrupts continuity.
- Legislative oversight imposes near-term budget control.

Stakeholder Expectations

- Media and public scrutiny drive reactive decisions.
- Beneficiary impatience for immediate results.
- Consultant evaluations hinge on 1–3-year returns.

Structural & Cultural Factors

- Liquidity obsession favors easily tradable assets.
- Risk aversion to short-term underperformance.
- Institutional inertia reinforces short-term metrics.

Governance is a Performance Driver

Purpose

Governance Factor	Measured Impact	Evidence Source
Board Competence and Independence	+0.5–1.0% annual value added	Ambachtsheer, ICPM
Strategic Clarity and Policy Stability	+0.5–0.7%	ICPM, CEM
Internal Management Capability	+0.3–0.6%	CEM Benchmarking
Long-Term Investment Horizon (low turnover)	+1.0% compounded	Ambachtsheer, ICPM
Total Expected Governance Alpha	**1–2% per year**	Aggregate across studies

See Key Studies and Papers at the end of this deck

ND SIB's Mission – Future State

Sustaining fiduciary excellence and achieving patient capital and internalization ambitions will require:

- expanded authority
- modern infrastructure, and
- staffing aligned with peer norms to mitigate short-termism, operational fragility, and leadership churn.

Relationships

"When you are dying of thirst, it's too late to start digging a well." Japanese Proverb

Current State

Everyone in the State is affected

- General Public
- Beneficiaries
- Client funds (Legacy, TFFR, PERS, other boards on request)
- Legislature / Executive Branch
- the SIB/RIO

Majority of ED and CIO time is spent on relationships

Future State

- Relationships are critical
- Need proactive communications about purpose of each of the funds
- Communications are never fixed

Fiduciary Duties

Duties

- **Loyalty**
  - Maximize returns with a prudent level of risk
  - All current and future beneficiaries
- **Prudence (compared to peers)**
  - Diversification
  - Reasonable cost
  - Authority & resources to do the job
- **Compliance**
  - Laws
  - Plan documents
  - Policies

Fiduciary Duties

Current State

- Highest legal standards of loyalty and care.
- Prudent investor standard means taking into consideration peer practices.
- SIB/RIO has responsibility without authority and resources.
- It knows what needs to be done but lacks the fiscal authority (e.g., procurement, headcount, compensation, information systems, legal advice) and resources to build the infrastructure in a timely manner.
- SIB is sub-optimizing returns due to factors beyond its control.
- Operational risk is high and increasing and therefore mission and fiduciary duty is at risk.

Current State: SIB's 5 Powers

Conduct Business	Set Direction	Approve/ Delegate	Oversee Performance / Risk	Verify
Professional and ethical culture, with **strong fiduciary intent focused on beneficiaries.** Trustees understand the importance of patient capital investing. Board relationships are collegial but need constructive challenge and broader engagement. Committee authorities may bypass the full Board Committees should not include voting staff	**Policies are internally inconsistent and incompatible with SIB's actual authorities.** Carver model assigns SIB greater authority than NDCC provides **Set vs. Advise/Veto?** Creates confusion and unrealistic expectations Reality that different funds have different beneficiaries and time horizons won't change	**SIB has the lowest level of authority / autonomy in the nation.** **Can only recommend vs. approve and there are significant delays.** **Can't scale quickly.** Overall delegation of authority is SIB's weakest dimension due to statutory and structural constraints. SIB cannot retain independent counsel without Attorney General approval resulting in operational & contractual delays.	Investment oversight is strong, but **enterprise oversight (operations, compliance, HR, technology, and risk) is underdeveloped. No ERM or Compliance.** **Operational risk is increasing rapidly.** Reports are rich in detail but poor in intelligence and insight. Oversight focuses on short-term performance reporting. No exception-based reporting with drill-down capability.	**Verification and reassurance mechanisms are weak and fragmented despite Internal Audit's best efforts.** Limited availability of independent advisors, inadequate staffing of internal audit. Chronic gaps in manager System and Organization controls (SOC) compliance (66%). No formally required attestations. **No continuous improvement feedback loop is in place.**

Conduct Business

Current State

- Governance manual complex, archaic, outdated and confusing.
- SIB needs to make better use of time – spend more time on policy.
- Spend less time on presentations / more time on dialogue.
- Board needs constructive challenge / broader engagement.
- No development plans despite steep learning curve.
- Board onboarding and education valuable but can feel more like overboarding / waterboarding.
- No mentoring.
- Annual Executive Director evaluation process should be reviewed.

Conduct Business

Future State

- Completely overhaul governance manual -Develop unified, principle-based policy.
- Align agendas with powers: Conduct, Set, Approve, Oversee, Verify.
- Build-in constructive challenge:
  - Provide example questions to be asked - assume materials have been read.
- Streamline onboarding to make it more digestible – allow for individualization – different learning styles.
- Consider mentoring.
- Overhaul Executive Director evaluation.

Role of Committees

Current Committees

- Investment
- Audit
- Executive Review & Compensation Committee
- Governance and Policy Review
- Securities Litigation

Purpose

- Leverage the time of the board
  - Approve (within limits)
  - Research and recommend
  - Oversee
  - Verify
- Deeper dives
- Specialization
- Communication with the Board

Committees

Current State

- Staff are voting members
- Lack of clarity about
  - Committee authorities vs. Board
  - Committee appointments
- Should Securities Litigation be a Standing Committee?

Future State

- Only trustees vote - Staff advise
- Clarify committee mandates / delegations

Set Direction and Policy

Current State

- Client funds and SIB mutually decide Asset allocation / Investment Policy Statements - very time consuming.
- Policies overly detailed and fragmented; Good policy content but poor alignment, flexibility, and integration; impairs agility and clarity.
- Transactional not strategic.

Future State

- Align policies with mission, risk appetite, and long-horizon strategy.
- Establish triennial policy review and horizon scanning process.
- Require Strategic Policy Options:
  - Issues / Stakeholders affected
  - Range of options available
  - Least to most
  - Pros and cons as seen by stakeholders
  - Recommendations in best interests of beneficiaries depending on type of fund.

Approve then Delegate

Current State

SIB has little decision authority and is more advisory.

- Legislative line-item budgeting severely restricts flexibility.
  - SIB has no latitude for budget, legal counsel, or staffing, technology (infrastructure cannot keep pace).
- SIB to Delegation to Committees to RIO (inconsistent)
  - Investment Committee has authorities to approve not just recommend.
  - Manager selection (not delegated) vs. Internal Management (delegated).
  - Opportunistic or emergency actions require full board reapproval.
- Governance bottleneck:
  - Structural and statutory barriers prevent effective delegation, slowing decision-making increasing expenses and lost opportunity costs.

Budget Authority Delegation Spectrum

Line-by-Line	Not-to-Exceed	Block/ Category	Delegated + Reporting	Maximum Delegation	Canada Model	Sovereign Wealth Funds
Maximum control with minimum discretion. Legislature approves expenditures at the most detailed level (individual line items). Virtually no discretion; every change requires legislative action.	Legislature sets caps for broad purposes. Some discretion within limits; cannot exceed without approval.	Appropriations in broad blocks (e.g., personnel, operations, capital). Flexibility within blocks, legislative approval needed to move funds.	High discretion with structured oversight. Legislature sets policy and expects management to operate within guidelines; oversight shifts from pre-approval to post-monitoring. Shared authority with accountability. Enables timely decisions, requires strong transparency and accountability systems.	Full management autonomy under policy. Legislature sets high-level policy and appropriations; intervenes only on exceptions or policy violations. Board has wide discretion, makes all operational and investment decisions, and reports outcomes periodically. Oversight through reporting, audits, governance—not line-item control.	Statutory boards with professionals; arm's-length governance. Independent boards appoint/oversee professional management. Full operational and investment autonomy within fiduciary mandate.	Government sets the law and broad mandate. Day-to-day and strategic investment decisions made entirely by fund boards and professional staff. Legislative/ executive involvement limited to funding rules, withdrawals, and macro policy alignment.

Current State

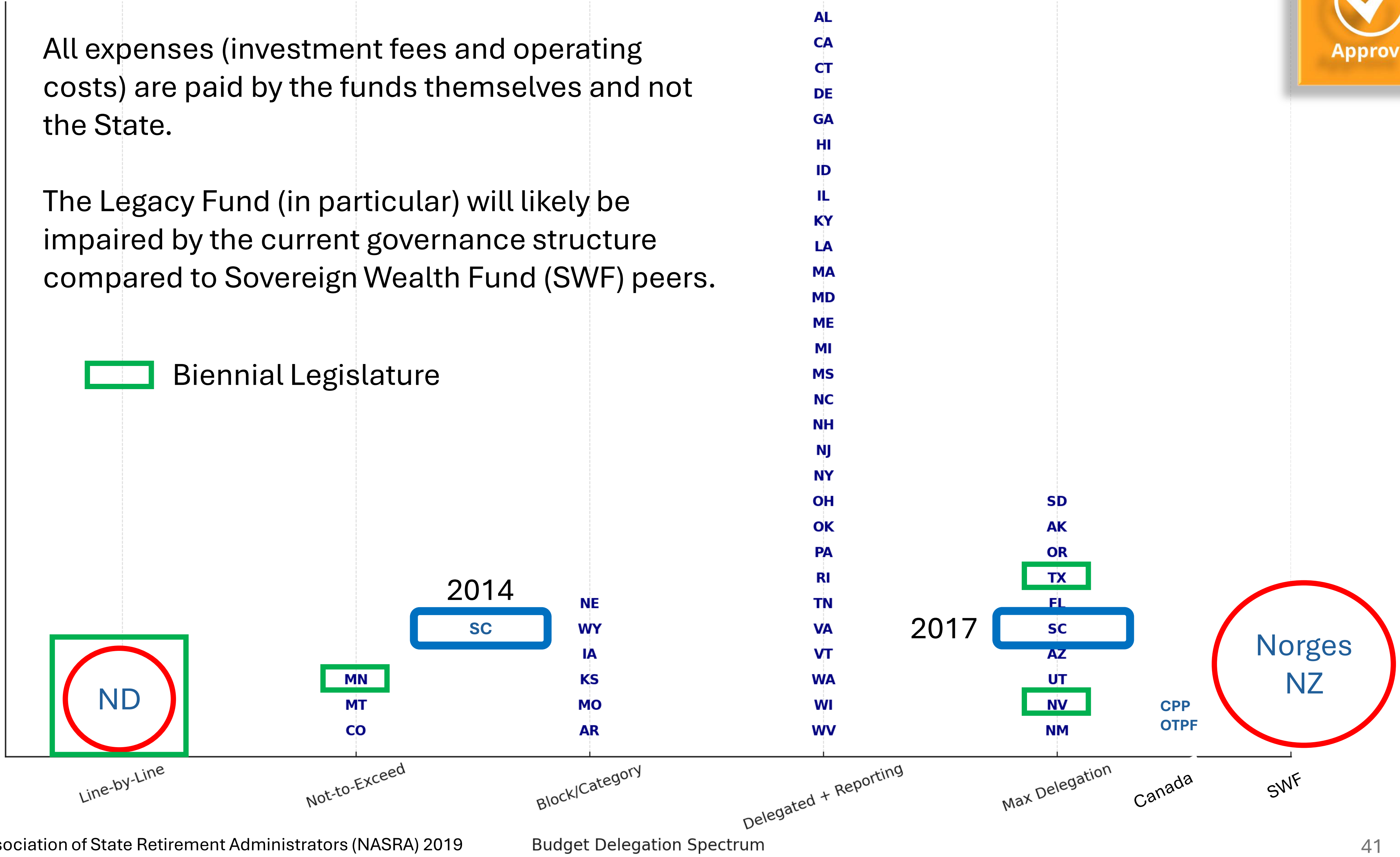
Key Decisions	Decision Makers						
	Governor	Legislature	ND Agency	Client Funds	SIB	Committee	RIO
Purpose / Mission		✓					
Board Composition		✓					
Board Appointments	✓						
Committee Structure					✓		
Asset Allocation				✓	✓		
Invest Policy Statement							
Invest Manager Selection						IC	✓
Internal Investment							✓
Litigation						SL	
Board Policies						GPR	
ED Selection/Eval						ERR	
SIB Operating Budget		✓					
HR			OMB				
IT			NDIT				
Procurement			OMB				
Independent Legal			AG				
External Auditor			SAO				

Budget Authority Continuum (50 States* + SWFs)

Approve

All expenses (investment fees and operating costs) are paid by the funds themselves and not the State.

The Legacy Fund (in particular) will likely be impaired by the current governance structure compared to Sovereign Wealth Fund (SWF) peers.



*National Association of State Retirement Administrators (NASRA) 2019

Where is the Board?

4 Lines Model

Legislature
Not fiduciaries

Source of Funds
Fiduciary Responsibility
Authority & Resources

ND SIB Board & Committees
Fiduciaries

Executive Director RIO
(Reasonable Assurance)

Independent Reassurance

1st Line
Officers and Staff
Investment
$26B AUM
Retirement
85,000 North Dakotans

2nd Line
Officers and Staff
Inhouse
Fiscal -Middle/Back office
Compliance (Outsourced)
No ERM
Sister Agency
Procurement
HR / IT
Legal (AG)

3rd Line
Internal Audit

4th Line
SAO
External Audit
3rd Parties
Investment
Legal
Governance

Approve then Delegate

Future State

- Completely redo and simplify and align Governance Manual, IPS & Delegation Matrix.
- Seek statutory modernization under NDCC §21-10-02:
  - Consider ND Financial Institutions example.
  - Introduce conditional delegation (e.g., preset caps for investment hires/technology spending).
  - Advocate for limited operational autonomy within fiscal accountability frameworks.
  - Develop a migration path with sunset reviews.
- Adopt a Four Lines Model of Assurance and Reassurance.

Oversee Performance and Risk

Current State

- Strong investment oversight and transparent reporting but lack fiscal support.
- Limited risk intelligence and enterprise integration e.g., operational risk
- Overloaded with investment detail, leaving little time for discussion of strategic risk or long-term performance drivers..
- No integrated risk dashboard summarizing financial, operational, and compliance metrics.
- No Enterprise Risk Management (ERM) or Compliance position or process.
- Can't see forest because of the trees
- Presentations not dialogue
- Lack clear link to Investment policy statement / expectations
- Focus on quarterly reports (performance attribution), not long-term risk-adjusted value creation or operational capacity

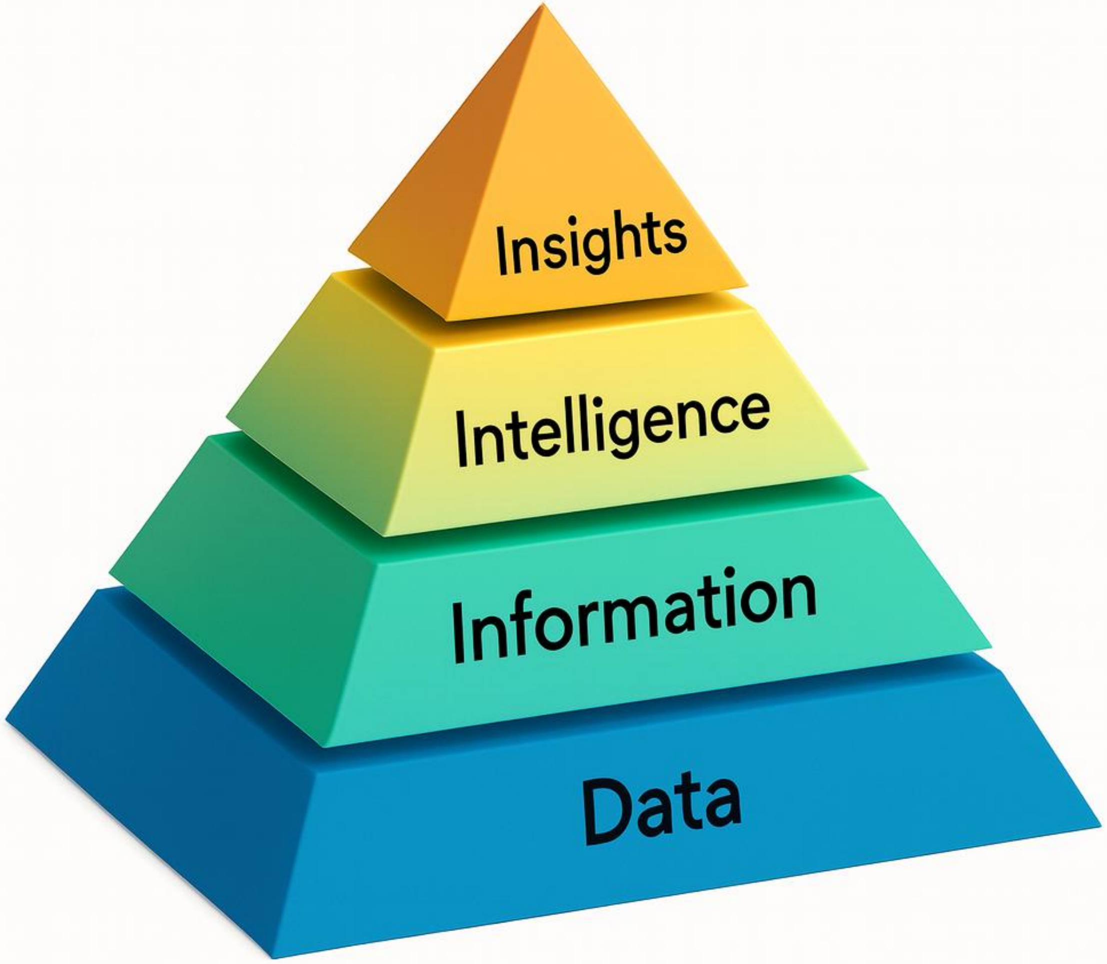
Reading the Sheet Music to the Audience

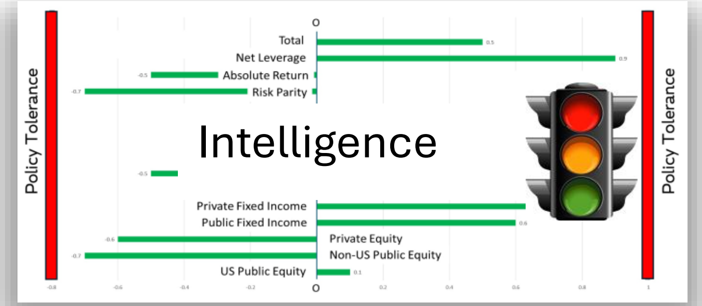
Total Fund

Performance Summary (Net of Fees) — Period Ending: March 31, 2023

	Market Value	% of Portfolio	3 Mo	1 Yr	3 Yrs	5 Yrs	10 Yrs	2022	2021	2020	2019	2018	Inception	Inception Date
Total Fund	**2,528,394,368**	**100.0**	**3.8**	**-6.9**	**9.1**	**6.9**	**6.6**	**-12.8**	**18.6**	**12.7**	**17.9**	**-1.5**	**5.7**	**Dec-99**
Policy Index			*3.5*	*-9.0*	*7.9*	*6.2*	*5.7*	*-14.0*	*16.1*	*13.8*	*16.2*	*-0.3*	*5.2*	
Total Fund ex Liability Beta Portfolio	2,113,199,473	83.6	4.2	-8.4	10.2	7.8	-	-14.6	22.1	14.6	20.4	-1.9	8.2	Jun-17
Alpha Portfolio Policy Index			*3.7*	*-11.0*	*9.9*	*7.4*	-	*-15.5*	*21.0*	*15.4*	*18.8*	*-0.4*	*8.0*	
Total Fund ex Parametric	2,513,284,073	99.4	3.8	-6.8	8.8	6.7	-	-12.4	18.2	12.4	17.3	-1.2	6.7	Jan-15
Policy Index			*3.5*	*-9.0*	*7.9*	*6.2*	-	*-14.0*	*16.1*	*13.8*	*16.2*	*-0.3*	*6.1*	
Total Public Domestic Equity	**277,384,880**	**11.0**												
PIMCO StocksPLUS	277,384,880	11.0	11.6	-30.8	12.5	10.5	-	-46.3	33.6	52.1	50.0	-10.4	11.3	Nov-13
PIMCO Custom Index			*10.0*	*-36.5*	*8.1*	*8.0*	-	*-50.4*	*34.0*	*48.8*	*50.9*	*-11.3*	*9.6*	
Russell 3000			*7.2*	*-8.6*	*18.5*	*10.5*	-	*-19.2*	*25.7*	*20.9*	*31.0*	*-5.2*	*10.7*	
Total Public Int'l Equity	**270,163,807**	**10.7**												
Dodge & Cox Int'l Stock (DODFX)	132,842,726	5.3	6.1	-0.4	17.3	2.9	-	-6.8	11.0	2.1	22.8	-18.0	2.6	Jun-14
MSCI AC World ex USA Value			*5.3*	*-3.3*	*14.5*	*1.9*	-	*-8.0*	*11.1*	*-0.2*	*16.5*	*-13.4*	*2.2*	
MSCI EAFE			*8.6*	*-0.9*	*13.5*	*4.0*	-	*-14.0*	*11.8*	*8.3*	*22.7*	*-13.4*	*3.9*	
WCM International Growth	137,321,080	5.4	10.4	-5.4	13.8	8.8	-	-28.6	17.2	33.1	35.6	-7.4	10.4	May-16
MSCI AC World ex USA Growth			*8.6*	*-6.4*	*9.5*	*3.4*	-	*-23.1*	*5.1*	*22.2*	*27.3*	*-14.4*	*6.3*	
Total Fixed Income	**158,893,129**	**6.3**												
Met West Core Plus Fixed Income	70,847,472	2.8	3.7	-	-	-	-	-	-	-	-	-	1.4	Dec-22
Blmbg. U.S. Aggregate Index			*3.0*	-	-	-	-	-	-	-	-	-	*0.7*	
SSgA Long U.S. Treasury Index	88,045,657	3.5	6.6	-16.0	-11.3	-	-	-29.6	-4.7	17.7	14.8	-	0.5	Nov-18
Bloomberg LT Treasury			*6.2*	*-16.0*	*-11.3*	-	-	*-29.3*	*-4.6*	*17.7*	*14.8*	-	*0.5*	
Total Real Estate 1 Qtr Lagged	**255,160,459**	**10.1**												
StepStone Group Real Estate 1 Qtr Lagged	255,160,459	10.1	-1.8	9.9	13.5	11.4	-	21.3	22.3	2.4	8.4	8.3	10.2	Sep-16
NCREIF-ODCE 1 Qtr Lagged			*-5.0*	*7.5*	*9.9*	*8.7*	-	*22.1*	*14.6*	*1.4*	*5.6*	*8.7*	*8.7*	
Total Commodities	**82,604,300**	**3.3**												
Invesco Balanced Risk Commodity	82,604,300	3.3	-1.7	-6.5	22.8	-	-	8.9	19.7	7.6	5.5	-	8.1	Dec-18
Bloomberg Commodity Index TR USD			*-5.4*	*-12.5*	*20.8*	-	-	*16.1*	*27.1*	*-3.1*	*7.7*	-	*7.3*	
Total Infrastructure	**78,797,787**	**3.1**												
IFM Global Infrastructure (US), L.P.	78,797,787	3.1	2.6	9.6	11.8	10.7	10.3	8.2	17.4	3.1	14.6	17.3	10.5	May-10
NCREIF-ODCE			*-3.2*	*-3.1*	*8.4*	*7.5*	*9.5*	*7.5*	*22.2*	*1.2*	*5.3*	*8.3*	*10.6*	
Total Private Equity 1 Qtr Lagged	**320,439,703**	**12.7**												
Hamilton Lane Private Equity 1 Qtr Lagged	320,439,703	12.7	1.5	-1.4	17.6	15.0	15.3	4.5	49.8	4.4	10.0	17.8	16.6	Oct-08

Data – Insights Pyramid





Total Fund

Performance Summary (Net of Fees) Period Ending: March 31, 2023

Information

	Market Value	% of Portfolio	3 Mo	1 Yr	3 Yrs	5 Yrs	10 Yrs	2022	2021	2020	2019	2018	Inception	Inception Date
Total Fund	2,528,394,368	100.0	3.8	-6.9	9.1	6.9	6.6	-12.8	18.6	12.7	17.9	-1.5	5.7	Dec-99
Policy Index			3.5	-9.0	7.9	6.2	5.7	-14.0	16.1	13.8	16.2	-0.3	5.2	
Total Fund ex Liability Beta Portfolio	2,113,199,473	83.6	4.2	-8.4	10.2	7.8	-	-14.6	22.1	14.6	20.4	-1.9	8.2	Jun-17
Alpha Portfolio Policy Index			3.7	-11.0	9.9	7.4	-	-15.5	21.0	15.4	18.8	-0.4	8.0	
Total Fund ex Parametric	2,513,284,073	99.4	3.8	-6.8	8.8	6.7	-	-12.4	18.2	12.4	17.3	-1.2	6.7	Jan-15
Policy Index			3.5	-9.0	7.9	6.2	-	-14.0	16.1	13.8	16.2	-0.3	6.1	
Total Public Domestic Equity	277,384,880	11.0												
PIMCO StocksPLUS	277,384,880	11.0	11.6	-30.8	12.5	10.5	-	-46.3	33.6	52.1	50.0	-10.4	11.3	Nov-13
PIMCO Custom Index											50.9	-11.3	9.6	
Russell 3000											31.0	-5.2	10.7	
Total Public Int'l Equity														
Dodge & Cox Int'l Stock (DODFX)											22.8	-18.0	2.6	Jun-14
MSCI AC World ex USA Value											16.5	-13.4	2.2	
MSCI EAFE											22.7	-13.4	3.9	
WCM International Growth											35.6	-7.4	10.4	May-16
MSCI AC World ex USA Growth											27.3	-14.4	6.3	
Total Fixed Income														
Met West Core Plus Fixed Income											-	-	1.4	Dec-22
Blmbg. U.S. Aggregate Index			3.0	-	-	-	-	-	-	-	-	-	0.7	
SSgA Long U.S. Treasury Index	88,045,657	3.5	6.6	-16.0	-11.3	-	-	-29.6	-4.7	17.7	14.8	-	0.5	Nov-18
Bloomberg LT Treasury			6.2	-16.0	-11.3	-	-	-29.3	-4.6	17.7	14.8	-	0.5	
Total Real Estate 1 Qtr Lagged	255,160,459	10.1												
StepStone Group Real Estate 1 Qtr Lagged	255,160,459	10.1	-1.8	9.9	13.5	11.4	-	21.3	22.3	2.4	8.4	8.3	10.2	Sep-16
NCREIF-ODCE 1 Qtr Lagged			-5.0	7.5	9.9	8.7	-	22.1	14.6	1.4	5.6	8.7	8.7	
Total Commodities	82,604,300	3.3												
Invesco Balanced Risk Commodity	82,604,300	3.3	-1.7	-6.5	22.8	-	-	8.9	19.7	7.6	5.5	-	8.1	Dec-18
Bloomberg Commodity Index TR USD			-5.4	-12.5	20.8	-	-	16.1	27.1	-3.1	7.7	-	7.3	
Total Infrastructure	78,797,787	3.1												
IFM Global Infrastructure (US), L.P.	78,797,787	3.1	2.6	9.6	11.8	10.7	10.3	8.2	17.4	3.1	14.6	17.3	10.5	May-10
NCREIF-ODCE			-3.2	-3.1	8.4	7.5	9.5	7.5	22.2	1.2	5.3	8.3	10.6	
Total Private Equity 1 Qtr Lagged	320,439,703	12.7												
Hamilton Lane Private Equity 1 Qtr Lagged	320,439,703	12.7	1.5	-1.4	17.6	15.0	15.3	4.5	49.8	4.4	10.0	17.8	16.6	Oct-08

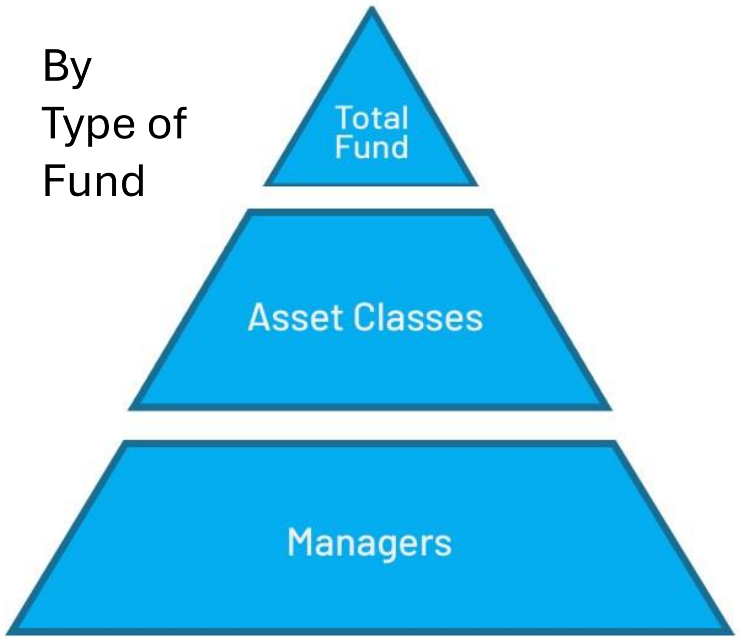
Example Investment Performance Intelligence

(Policy Implications)

Transparency & Line of Sight

Policy Objective	Investment Performance Module
Time Period	Inception · 1 yr. · 3 yr. · 5 yr. · 10 yr. · 20 yr. · 30 yr.
As At	June 30, 2025

By
Type of
Fund



Asset Allocation	Total Plan Performance	Total Portfolio Risk	Risk Adjusted Net Return
Public Domestic Equity	Public Int'l Equity	Fixed Income	Real Estate Q1 Lagged
Commodities	Infrastructure	Priv. Equity Q1 Lagged	Priv. Credit Q1 Lagged
	Risk Parity	Cash	
Public Domestic Equity	Public Int'l Equity	Fixed Income	Real Estate Q1 Lagged
Commodities	Infrastructure	Priv. Equity Q1 Lagged	Priv. Credit Q1 Lagged
	Risk Parity	Cash	Parametric Overlay

Exceptional Expected Concern Alert

Oversee Performance and Risk

Future State

- Expand performance and risk oversight to enterprise-wide – not just Investments.
- Add Enterprise Risk Management (ERM) and Chief Compliance Officer (CCO) positions and processes.
- Provide investment performance reports that directly relate to the IPS.
- Implement integrated performance-risk dashboards (KPI/KRI).
- Adopt exception-based reporting and red/yellow/green alerts.
- Enable “drill down” from overviews to further detail as needed.
- Provide questions the board and committees should always ask.

Verify Reliability

Current State

- Limited availability of external advisors, especially legal.
- External audit is conducted independently under auspices of the State Auditor; professional and objective.
- Extra internal audit staff member added, but overall capacity remains below need compared to peers.
- Interim audit plan in place; full coverage not yet achieved. Plan is being submitted in Nov. 25.
- Repeated non-compliance with investment manager SOC (System and Organization Control) reports.
- No unified assurance map or tracking of issue resolution for closed loop feedback.
- Weak verification and follow-through due to lack of staffing, limits accountability, learning, and continuous improvement.

Verify Reliability

Future State

- For independence reasons, the supervisor of internal audit (SIA) cannot be a member of the executive team; but the SIA should be at the table as an independent advisor.
- Enable SIB/RIO to retain in-house legal counsel and independent counsel as needed.
- Strengthen Internal Audit capacity by expanding staffing, resources, and training to achieve sustainable audit coverage and meet the complexity of investment operations.
- Enhance Investment Manager Oversight by requiring timely, complete, and compliant System and Organization Control (SOC) reports from all external managers; enforce corrective actions for repeat deficiencies.
- Develop an Integrated Assurance Map and Tracking System to map oversight responsibilities, track audit findings, and ensure closed-loop feedback to management and policy.
- Increase accountability and continuous improvement by introducing biennial governance reviews to track and report implementation of governance recommendations and foster learning across the organization.

ND SIB’s Ambition

Become one of the world’s best long-horizon investors among public retirement systems and sovereign wealth funds.

Requires modernizing and empowering SIB/RIO while retaining strong Legislative oversight

Broad Representation	• The legislative and executive branches have 7 seats at the table. • Authority resides within a fiduciary body whose loyalties must be to the beneficiaries.
Oversight Channels Remain Strong	• Legislative members maintain direct visibility and participation. • RIO operates as a state agency — subject to appropriations, open meetings, and audits. • Independent audits and consultant reviews (Verus, external auditors) provide third-party verification of performance and compliance.
Sunset / Performance Review	• Could be modeled after ND Financial Institutions Commission — periodic sunset reviews would reaffirm efficiency, accountability, and fiduciary integrity.
Transparency & Results	• Publicly reported, independently benchmarked results show prudent stewardship.
Proven National Models	• South Carolina RSIC and similar boards delegate authority while retaining oversight through statutory review and fiduciary audits.

Future State – NDSIB 2125?

At a crossroads – similar to Canada in early to mid-90s and South Carolina in 2014.

✓ Made bold moves and it has paid off.

How far is ND willing or able to move along the authority delegation continuum?

Are you willing to do what it will take to be legendary?

Most important Issues In Control of SIB/RIO

- Improve the ways SIB /RIO:
  - Conducts business
  - Sets policy and direction
  - Approves and Delegates
  - Oversees
  - Verifies
- Overhaul Governance manual
- Revise Delegation Matrix

Most important Issues In Control of Legislature

- Delegate authority and resources to match SIB's fiduciary responsibilities.

Next Steps

- Meet with the GPR Committee
- Incorporate Board and Committee feedback
- Conduct further research as needed
- Refine observations, conclusions and recommendations
- Prepare 1st Draft Final Report
- Refine based on feedback from GPRC
- Present Final Report in December 2025

Key Studies & Papers

Study / Paper	Authors / Date	Key Findings / Relevance
Improving Pension Fund Performance (1998)	Keith Ambachtsheer, Ronald Capelle, Tom Scheibelhut Taylor & Francis Online+1	This is one of the foundational papers. The authors examine a cross-section of pension funds and relate **organizational design / governance quality** to performance (net of costs). Taylor & Francis Online
The State of Global Pension Fund Governance Today: Board Competency Still a Problem (2007 working paper)	Ambachtsheer, Capelle & Lum ResearchGate	Based on a survey of 88 senior pension executives, the authors report a positive correlation between governance-quality (as measured via CEO ratings) and fund investment performance. ResearchGate
How Effective Is Pension Fund Governance Today? & Do Pension Funds Invest for the Long Term? (2015)	Keith Ambachtsheer & John McLaughlin CEM Benchmarking+1	A more recent survey of ~81 pension organizations, with governance questions matched to measures of long-horizon investing behavior and performance. Top1000funds.com
Internal Management and Pension Fund Performance	Mike Heale / CEM Benchmarking Investment Magazine	Using the CEM database, this analysis shows that funds with greater internal management (a governance / structural choice) tend to generate higher net value added. Investment Magazine
Value Added from Money Managers in Private Markets? (2012)	Andonov, Eichholtz, Kok epra.com	Using the CEM pension data, the paper examines performance in real estate allocations and shows how structure, cost, and governance characteristics shape realized returns in private asset classes. epra.com