

Friday, November 21, 2025, 8:30 a.m.
WSI Board Room (In-Person)
1600 E Century Ave, Bismarck, ND
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AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA (Board Action)**
 - A. Pledge of Allegiance
 - B. Roll Call & Conflict of Interest Disclosure
 - C. Introduction of New Staff

- II. ACCEPTANCE OF MINUTES (October 24, 2025) (Board Action)**

- III. GOVERNANCE (90 minutes)**
 - A. Investment Committee Update (Information) – Treasurer Beadle, Mr. Anderson
 - 1. Pension Asset Allocation (Board Action) – Mr. Anderson, Mr. Nankof, Mr. Goldthorpe
 - 2. Job Service Asset Allocation (Board Action) – Mr. Morgan, SEI
 - 3. Job Service IPS (Board Action) – Mr. Chin
 - B. Performance Consultant Search (Board Action) – Ms. Smith, Mr. Otteson

- (Break)

- C. Executive Review & Compensation Committee Update (Information) – Dr. Lech, Ms. Smith, Mr. Otteson
 - 1. Incentive Compensation Approval (Board Action) – Ms. Smith
 - D. Audit Committee Update (Board Action) - Treasurer Beadle, Ms. Seiler
 - E. Governance & Policy Review Committee Update (Information) – Dr. Lech, Ms. Smith, Mr. Funston

- IV. QUARTERLY MONITORING REPORTS (45 minutes) (Board Action)**
 - A. Quarterly Audit Activities Report – Ms. Seiler
 - B. Quarterly Outreach Report – Ms. Mudder

- V. OTHER**
 - A. Next Meetings:
 - SIB Special Meeting – December 9, 2025, at 2:00 p.m.
 - Investment Committee – December 17, 2025, at 2:00 p.m.

- VI. ADJOURNMENT**

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
OCTOBER 24, 2025, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT:

Kelly Armstrong, Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Rep. Glenn Bosch, LBSFAB
Gerald Buck, PERS Board
Joseph Heringer, Commissioner of Univ. & School Lands
Pete Jahner, Investment Professional
Sen. Jerry Klein, LBSFAB
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Joe Morrisette, Director of OMB
Dr. Prodosh Simlai, Investment Professional
Art Thompson, Director of WSI

STAFF PRESENT:

Scott M. Anderson, CIO
Eric Chin, Deputy CIO
Jac Collins, Sr. Investment Analyst
Cory Cox, Investment Analyst
Derek Dukart, Sr. Investment Analyst
Tim Forsythe, Deputy CFOO
Chirag Gandhi, Portfolio Mgr.
Ross Hambrick, Portfolio Mgr.
Missy Kopp, Executive Assistant
Robbie Morey, Investment Operations Analyst
George Moss, Portfolio Mgr.
Sarah Mudder, Communications/Outreach Dir.
Chuck Napp, Sr. Investment Operations Manager
Adam Otteson, CFOO
Daphne Pfeiffer, Investment Accountant
Emmalee Riegler, Procurement/Records Coord.
Chad Roberts, DED/CRO
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director
Susan Walcker, Sr. Financial Manager
Alex Weissman, Investment Analyst
Lance Zietlow, Portfolio Mgr.

GUESTS:

Rick Funston, Funston Advisory Services
Evan Norton, Funston Advisory Services
Kirsten Tuntland, Assistant Attorney General
Members of the Public

CALL TO ORDER:

Gov. Armstrong, Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, October 24, 2025. The meeting was held in the WSI Boardroom, 1600 E Century Ave., Bismarck, ND.

The following members were present representing a quorum: Commissioner Heringer, Treasurer Beadle, Mr. Miller, Rep. Bosch, Mr. Buck, Mr. Thompson, Dr. Simlai, Mr. Mickelson, Sen. Klein, Dr. Lech, Mr. Morrisette, Mr. Jahner, and Gov. Armstrong

AGENDA:

The Board considered the agenda for the October 24, 2025, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE OCTOBER 24, 2025, AGENDA AS PRESENTED.

AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, MR. BUCK, REP. BOSCH, MR. THOMPSON, DR. SIMLAI, MR. MICKELSON, SEN. KLEIN, DR. LECH, MR. MORRISSETTE, MR. JAHNER, AND GOV. ARMSTRONG
NAYS: NONE
MOTION CARRIED

MINUTES:

The Board considered the minutes of the September 26, 2025, SIB meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. JAHNER AND CARRIED BY A VOICE VOTE TO APPROVE THE SEPTEMBER 26, 2025, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MR. MORRISSETTE, MR. THOMPSON, TREASURER BEADLE, MR. BUCK, DR. LECH, MR. JAHNER, SEN. KLEIN, REP. BOSCH, MR. MILLER, DR. SIMLAI, AND GOV. ARMSTRONG
NAYS: NONE
MOTION CARRIED

INVESTMENTS:

Quarterly & Annual Performance Update:

Mr. Anderson provided the investment performance review through June 30, 2025. An overview of the markets during the quarter was provided. PERS had ten-year returns of 7.8%, exceeding the 7.3% benchmark, ranking in the top quartile based on tracking error levels. Five-year and three-year returns of 9.4% and 9.6%, respectively, also surpassed benchmarks, while the one-year return of 12% significantly exceeded the 6.5% discount rate assumption. Year-to-date performance was 7.8%. For TFFR, the 10-year return of 7.6% exceeded the 7.25% discount rate, with consistent positive excess returns across all measured timeframes.

The WSI portfolio achieved a 10-year return of 4.5%, a three-year return of 5.8%, and a one-year return of 8.7% all exceeding expectations while maintaining risk levels within policy guidelines.

The Legacy Fund also delivered favorable outcomes, with a 10-year return of 7.1% compared to a 5.2% expected return, and a one-year return of 12.7%. Increased private equity exposure and rebalancing toward target allocations have strengthened the portfolio's position for long-term growth.

The Budget Stabilization Fund, invested primarily in short-term fixed income, produced steady gains with a 10-year return of 2.4% versus 1.8%, a one-year return of 6.6% versus 5.9%, and a year-to-date return of 3.0% versus 2.9%.

IT WAS MOVED BY DR. LECH AND SECONDED BY REP. BOSCH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY/ANNUAL INVESTMENT PERFORMANCE UPDATE.

AYES: REP. BOSCH, SEN. KLEIN, COMMISSIONER HERINGER, DR. SIMLAI, MR. BUCK, MR. MORRISSETTE, MR. MICKELSON, MR. MILLER, TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, DR. LECH, AND GOV. ARMSTRONG
NAYS: NONE

MOTION CARRIED

GOVERNANCE:

Investment Committee Update:

Treasurer Beadle provided an update from the October 10, 2025, Investment Committee meeting. The Committee reviewed revenue and IT initiatives and received a quarterly risk overview indicating that systemic and macro risks remain moderate. Volatility has stabilized since a brief April spike, and staff demonstrated significant enhancements to daily and quarterly risk monitoring tools and analytics. The Committee also received an update on IT improvements to internal risk measurement, stress testing, and exposure tracking systems.

In executive session, members approved updated investment guidelines for a public markets manager currently in contract negotiations and approved implementation of an internal enhanced equity model. The new model integrates multiple quantitative factors to support internal trading decisions, reduce costs, and enhance returns while maintaining liquidity.

Executive Review & Compensation Committee (ERCC) Update:

Dr. Lech provided an update from the October 15, 2025, ERCC meeting. The Committee reviewed the current year's incentive compensation program. The Committee discussed updating the job titles to reflect current positions, while maintaining existing percentage targets.

Members reviewed considerations related to eligibility and the impact of midyear promotions on bonus calculations. Staff noted the need to clarify and simplify administrative procedures and anticipate recommending future policy refinements based on implementation experience.

The Committee also discussed the appropriate benchmark for incentive calculations, comparing the fixed policy index with the corridor target index. It was noted that the corridor index more accurately reflects the actual portfolio allocation and investment performance. Board discussion followed.

IT WAS MOVED BY DR. LECH AND SECONDED BY SEN. KLEIN AND CARRIED BY A ROLL CALL VOTE TO APPROVE UPDATED ELIGIBLE POSITION TITLES AND THE ADOPTION OF THE CORRIDOR TARGET INDEX AS THE MEASURE FOR THE VALUE-ADDED PERFORMANCE UNDER THE INCENTIVE COMPENSATION PLAN.

AYES: TREASURER BEADLE, MR. JAHNER, REP. BOSCH, MR. THOMPSON, COMMISSIONER HERINGER, MR. MORRISSETTE, DR. SIMLAI, DR. LECH, MR. MILLER, MR. BUCK, SEN. KLEIN, MR. MICKELSON, AND GOV. ARMSTRONG

NAYS: NONE

MOTION CARRIED

REPORTS:

Investment Ends:

Mr. Posch provided the Investment Ends report for the quarter ending on September 30, 2025. The public markets team continued implementing previously approved equity allocation changes, with two new manager contracts nearing completion. Regular due diligence meetings were held with existing managers, and two new private equity managers were approved. Updated guidelines were also adopted for the Ares Credit Fund. The team conducted approximately 113 introductory meetings with prospective managers. Following the retirement of the Chief Risk Officer, risk oversight responsibilities transitioned to Mr. Ross, who has begun integrating into systems and processes.

The internal management pilot program concluded, with approximately 14% of total assets now managed internally. The team is developing an enhanced index strategy for further optimization. A new public markets investment analyst position was also filled at quarter end.

Quarterly Budget/Fiscal Conditions Report:

Mr. Otteson provided a budget update for the first quarter. Total expenditures were approximately \$1.5 million. On the salary line, 11% of the budget was spent, leaving 87.5% unspent, reflecting several positions that were filled partway through the quarter. One newly authorized position is currently being recruited.

Operating expenses totaled approximately \$300,000, below the budgeted pace. Continued authority expenditures were \$1.35 million, primarily for manager fees, with an additional \$6 million paid in early October. These amounts are expected to increase in subsequent quarters. Other expenditures included custodian fees, travel for due diligence, and internal trading platform costs. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Smith provided a staffing update. Key hires include the Communications intern, Portfolio Manager, Accountant, Sr. Investment Operations Manager, Deputy CFOO, and the CFOO. For the new Internal Auditor position, staff are conducting interviews, and the Chief Retirement Officer position has been posted with interviews expected to start soon.

Significant executive turnover has occurred in the past 12 months, resulting in a cultural shift and some operational “strain” as new executives are onboarded and trained. Succession planning is underway to ensure cross-training for key roles and mitigate risks from retirements or unexpected departures.

The board was also updated on ongoing strategic initiatives, including business process mapping, AI implementation for efficiency improvements, and governance reviews.

Finally, the transparency website project is scheduled to be launched before the next legislative session, with initial manual updates and future automated integration planned alongside new accounting and investment systems.

IT WAS MOVED BY REP. BOSCH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT ENDS, QUARTERLY BUDGET/FISCAL CONDITIONS, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

AYES: MR. MORRISSETTE, MR. MILLER, SEN. KLEIN, MR. MICKELSON, DR. LECH, MR. JAHNER, MR. BUCK, MR. THOMPSON, DR. SIMLAI, COMMISSIONER HERINGER, TREASURER BEADLE, REP. BOSCH, AND GOV. ARMSTRONG

NAYS: NONE

MOTION CARRIED

GOVERNANCE ASSESSMENT:

Ms. Smith introduced Rick Funston from Funston Advisory Services (FAS). FAS started working on the governance assessment in August 2025 and have been working with staff and the Board to learn about the program so they can provide recommendations. A final recommendation to the Board is expected in December 2025.

Mr. Funston provided an update and education on the ongoing governance assessment. Mr. Funston emphasized the high-complexity, low-autonomy challenges facing the SIB and its administrative arm, the Retirement and Investment Office (RIO). While managing approximately \$26 billion in assets across 29 funds, SIB/RIO operates under the most restrictive administrative environment in the nation compared to peers,

limiting its ability to hire staff, retain expertise, or modernize infrastructure without legislative approval, even though expenditures are funded from the investment funds themselves. Chronic understaffing, high turnover, reliance on manual processes, and outdated systems have led to operational inefficiencies, delayed reporting, and a performance drag estimated at \$140 million in 2024-2025 alone.

The importance of building capacity not only within the Board but also with the Legislature was discussed, noting that early education and engagement are critical to successfully implementing governance changes. There is a need for clarity in delegated authority, timely succession planning, and enhanced operational infrastructure to reduce fiduciary risk and improve organizational resilience. Board members expressed concern about the impact of these limitations on investment performance and fiduciary obligations, reinforcing the urgency for statutory and operational reforms. The update underscores that modernizing systems, increasing staffing capacity, and improving governance processes are essential for sustaining long-term performance, managing complexity, and safeguarding public trust.

ADJOURNMENT:

With no further business to come before the SIB, Gov. Armstrong adjourned the meeting at 11:44 a.m.

Prepared by: Missy Kopp, Assistant to the Board

MEMORANDUM

TO: SIB
FROM: Scott M. Anderson, CFA – Chief Investment Officer
DATE: October 15, 2025
RE: Investment Committee Update

CALL TO ORDER, REVIEW OF AGENDA, AND APPROVAL OF MINUTES

The Investment Committee of the Board of Trustees met virtually on November 14, 2025, with Treasurer Thomas Beadle presiding. A quorum was confirmed. The Committee reviewed and approved the agenda and the minutes of the October 10, 2025, meeting. No conflicts of interest were disclosed.

ASSET ALLOCATION RECOMMENDATIONS (Open Session)

Presenters: Mr. Goldthorpe (NEPC), Mr. Anderson (CIO), Mr. Chin (Deputy Chief Investment Officer), Mr. Hambrick (Portfolio Manager)

Staff and consultants presented asset-liability study results and recommended updated asset allocations for PERS, TFFR, Bismarck, Grand Forks, and Job Service plans. The asset allocations were previously approved by client boards. The recommendations reflect plan-specific risk tolerance, liquidity needs, and long-term return expectations. The proposed mixes for PERS, TFFR, and Bismarck improve expected returns while maintaining similar volatility. For Grand Forks and Bismarck plans, glide paths were introduced to reduce risk as funding improves. The Committee voted to recommend the proposed allocations to the full Board.

The PERs, TFFR and Bismarck plan's asset allocation is:

	Recommended Policy
Cash	0.0%
Total Cash	0.0%
Global Equity	40.0%
Private Equity	15.0%
Total Equity	55.0%
US Aggregate Bond	16.0%
US High Yield Corporate Bond	2.5%
Private Debt - Direct Lending	7.5%
Total Fixed Income	26.0%
Real Estate - Core	8.3%
Real Estate - Non-Core	2.7%
Private Real Assets - Natural Resources	1.0%
Private Real Assets - Infrastructure	7.0%
Total Real Assets	19.0%
10-Year Expected Return (Geo)	7.0%
30-Year Expected Return (Geo)	8.0%
Asset Volatility	13.8%

Grand Forks glide path:

	Current Policy	Actual June 30	70-79% Funding	80-84% Funding	85-89% Funding	90-94% Funding	95-99% Funding	100% or better Funding
Cash	1.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Cash	1.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Global Equity	55.0%	53.5%	34.7%	34.1%	29.1%	24.0%	16.5%	10.0%
Private Equity	5.0%	7.3%	5.0%	4.4%	2.9%	1.5%	0.7%	0.0%
Total Equity	60.0%	60.8%	39.7%	38.5%	32.0%	25.5%	17.3%	10.0%
US Aggregate Bond	17.0%	17.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US High Yield Corporate Bond	3.5%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Intermediate Duration Fixed Income	0.0%	0.0%	0.0%	0.0%	10.0%	20.0%	30.0%	39.0%
Long Duration Fixed Income	0.0%	0.0%	42.5%	50.0%	50.0%	50.0%	50.0%	50.0%
Private Debt - Direct Lending	3.5%	3.5%	2.8%	2.1%	1.4%	0.7%	0.4%	0.0%
Total Fixed Income	24.0%	24.9%	45.3%	52.1%	61.4%	70.7%	80.4%	89.0%
Real Estate - Core	5.3%	3.2%	3.2%	1.9%	1.3%	0.6%	0.3%	0.0%
Real Estate - Non-Core	1.7%	2.6%	2.6%	1.6%	1.0%	0.5%	0.3%	0.0%
Private Real Assets - Natural Resources	1.0%	1.1%	1.1%	0.7%	0.4%	0.2%	0.1%	0.0%
Private Real Assets - Infrastructure	7.0%	7.1%	7.1%	4.3%	2.8%	1.4%	0.7%	0.0%
Total Real Assets	15.0%	14.0%	14.0%	8.4%	5.6%	2.8%	1.4%	0.0%
10-Year Expected Return (Geo)	6.6%	6.7%	6.5%	6.4%	6.2%	6.1%	5.9%	5.7%
30-Year Expected Return (Geo)	7.6%	7.7%	7.6%	7.4%	7.2%	7.0%	6.7%	6.5%
Asset Volatility	13.3%	13.7%	11.5%	11.2%	10.4%	9.8%	9.3%	9.0%
Sharpe Ratio (10 years)	0.20	0.20	0.22	0.22	0.22	0.22	0.21	0.20
Sharpe Ratio (30 years)	0.31	0.31	0.35	0.35	0.36	0.36	0.35	0.33
Interest Rate Hedge Ratio	8%	9%	46%	57%	66%	74%	84%	93%
Liquidity Profile								
Tier 1 (Daily Liquidity)	56.0%	53.8%	38%	35%	30%	25%	18%	11%
Tier 2 (Semi-liquid)	20.5%	21.4%	43%	50%	60%	70%	80%	89%
Tier 3 (Illiquid)	23.5%	24.8%	20%	15%	10%	5%	2%	0%

Grand Forks Parks glide path:

	Current Policy	Actual June 30	70-79% Funding	80-84% Funding	85-89% Funding	90-94% Funding	95-99% Funding	100% or Better Funding
Cash	0.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Cash	0.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Global Equity	47.0%	43.9%	24.3%	25.2%	21.2%	17.1%	13.1%	10.0%
Private Equity	7.5%	11.0%	11.0%	8.8%	6.6%	4.4%	2.2%	0.0%
Total Equity	54.5%	54.9%	35.3%	34.0%	27.8%	21.5%	15.3%	10.0%
US Aggregate Bond	18.0%	18.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US High Yield Corporate Bond	3.8%	7.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private Debt - Direct Lending	3.8%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Intermediate Duration Fixed Income	0.0%	0.0%	0.0%	0.0%	10.0%	20.0%	30.0%	39.0%
Long Duration Fixed Income	0.0%	0.0%	45.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Total Fixed Income	25.5%	26.2%	45.1%	50.1%	60.1%	70.0%	80.0%	89.0%
Real Estate - Core	7.6%	4.4%	4.4%	3.5%	2.6%	1.8%	0.9%	0.0%
Real Estate - Non-Core	2.5%	3.7%	3.7%	3.0%	2.2%	1.5%	0.7%	0.0%
Private Real Assets - Natural Resources	1.0%	0.8%	0.8%	0.6%	0.5%	0.3%	0.2%	0.0%
Private Real Assets - Infrastructure	9.0%	9.7%	9.7%	7.8%	5.8%	3.9%	1.9%	0.0%
Total Real Assets	20.0%	18.6%	18.6%	14.9%	11.2%	7.4%	3.7%	0.0%
10-Year Expected Return (Geo)	6.7%	6.8%	6.6%	6.5%	6.3%	6.1%	5.9%	5.7%
30-Year Expected Return (Geo)	7.7%	7.7%	7.6%	7.5%	7.3%	7.0%	6.8%	6.5%
Asset Volatility	13.1%	13.5%	11.5%	11.3%	10.4%	9.7%	9.3%	9.0%
Sharpe Ratio (10 years)	0.21	0.21	0.23	0.22	0.23	0.22	0.21	0.20
Sharpe Ratio (30 years)	0.32	0.31	0.36	0.35	0.36	0.36	0.35	0.33
Interest Rate Hedge Ratio	8%	9%	42%	50%	57%	65%	73%	81%
Liquidity Profile								
Tier 1 (Daily Liquidity)	65.0%	62.7%	70%	76%	82%	88%	94%	97%
Tier 2 (Semi-liquid)	3.8%	7.6%	0%	0%	0%	0%	0%	0%
Tier 3 (Illiquid)	31.3%	29.7%	30%	24%	18%	12%	6%	3%

Should the board approve the asset allocations, an investment policy will be provided to each client board for approval and then upon approval, be brought back to the SIB for approval.

BENCHMARKING AND PERFORMANCE GOVERNANCE (Open Session)

Presenters: Jodi Smith (Executive Director), Eileen Neill (Verus), Adam Otteson (Chief Financial Officer)

Verus reviewed the rationale for restating private equity benchmarks to align with the end of fiscal year closing requirements. The presentation was for information only and would be discussed at the upcoming November board meeting.

The Committee also discussed consolidating benchmarking and performance measurement under a single consultant to improve efficiency and data consistency. Staff recommended initiating a procurement for a combined provider. The Committee approved the recommendation for Board approval.

PRIVATE MARKETS MANAGER RECOMMENDATION (Closed Session)

Presenters: Mr. Zietlow (Portfolio Manager); Mr. Collins (Sr. Analyst)

Staff presented a recommendation for an investment with a manager for the private market real estate portfolio. The name of the manager and the amount of capital being deployed will be disclosed upon completion of contract negotiation with the manager. The Committee voted unanimously to approve the recommendation, subject to final legal review and documentation.

JOB SERVICE ASSET ALLOCATION AND IPS UPDATE (Closed Session)

Presenters: E. Chin, Deputy CIO; SEI

Staff presented an updated asset allocation and Investment Policy Statement (IPS) for the Job Service plan. The plan remains well-funded with no required contributions. The proposed allocation reduces equity exposure and enhances liquidity while maintaining return expectations. The Committee voted to recommend both the asset allocation and IPS to the full Board for approval.

Mix B is the asset allocation for Job Service:

Job Service: Modeled Portfolios

Asset Class	Current	Portfolio A	Portfolio B	Portfolio C
US Low Beta Equities	2.0	2.0	-	-
Global Low Beta Equities	18.0	18.0	13.0	-
U.S. High Yield	3.0	3.0	-	-
Emerging Markets Debt	3.0	3.0	-	-
Total Return Enhancement	26.0	26.0	13.0	-
Diversified Short Term Fixed Income	5.0	-	-	-
Short Term Corporate Fixed Income	15.0	10.0	12.0	14.0
Limited Duration Fixed Income	16.0	16.0	19.0	21.0
Core Fixed Income	38.0	48.0	56.0	65.0
Total Risk Management	74.0	74.0	87.0	100.0
Portfolio Metrics(%) - Net of Fees				
Expected Return (Short Term)	5.3	5.4	5.0	4.4
Expected Return (Equilibrium)	6.4	6.6	6.2	5.7
Standard Deviation	5.7	5.9	5.3	5.2
Poor Scenario (Short Term)	-3.6	-3.8	-3.3	-3.8
Poor Scenario (Equilibrium)	-2.5	-2.7	-2.1	-2.5

Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

PRIVATE MARKETS MANAGER Update (Open Session)

Presenters: Mr. Zietlow (Portfolio Manager); Mr. Collins (Sr. Analyst)

Staff disclosed a \$60 million (Pension Pool \$20 million/Legacy Fund: \$40 million) commitment to BVP Forge II, L.P., a growth buyout fund focused on technology companies. The investment aligns with the private markets pacing plan and offers attractive risk-adjusted return potential.

Discussion and Adjournment

The meeting concluded with no additional discussion.

Board Action Requested: Information only.

MEMORANDUM

TO: State Investment Board
FROM: Scott M. Anderson, Chief Investment Officer
DATE: November 21, 2025
RE: Pension Asset Allocations Developed with NEPC

Background:

Staff are providing the PERs, TFFR, Bismarck plans, Grand Forks and Grand Forks Park asset allocation to the SIB for review and are seeking approval of all the asset allocations from the SIB. The PERs, TFFR, the City of Bismarck Employees, the City of Bismarck Police, Grand Forks and Grand Forks Parks governance bodies all approved their respective proposed allocations.

The proposed asset allocations were developed with a separate liquidity and asset liability analysis to ensure suitability for each individual client.

The proposed allocations for PERs, TFFR, and the Bismarck plans are the same as the funds all have similar discount rates. The Grand Forks and Grand Forks Parks were determined to need an allocation termination glide path suitable for a plan that is late in its life and has a large net outflow for benefits. Both Grand Forks and Grand Forks Parks have a proposed asset allocation different from the PERs, TFFR, and City of Bismarck allocations.

Staff are also developing an investment policy statement (IPS) for each of the client funds should the SIB approve the asset allocations. If approved by the SIB, staff will provide an IPS to client governance bodies for approval. Once the IPS is approved by the client fund, the IPS will be brought to the SIB Investment Committee for recommendation for approval to the SIB. Once reviewed and recommended for approval by the Investment Committee, the investment policy statements would be brought to the SIB for approval.

Board Action Requested:

Approve the Public Employee retirement System, Teachers Fund for Retirement, Bismarck Employees, Bismarck Police, Grand Forks, and Grand Forks Parks asset allocations as provided in the NEPC presentation.



ASSET-LIABILITY ANALYSIS AND ASSET ALLOCATION RECOMMENDATION

NORTH DAKOTA STATE
INVESTMENT BOARD

NOVEMBER 21, 2025



PROPRIETARY & CONFIDENTIAL

PLAN AND ASSET ALLOCATION PROFILES



PROPRIETARY & CONFIDENTIAL

OVERVIEW

- Today's discussion covers the Asset-Liability analysis for the six North Dakota State Pension Plans.
- The plans' liability structure, funded status and discount rate (i.e., long-term return assumption) vary and are reviewed later in the deck; these factors were considered in the final recommendation
- Return expectations across the plans range from 6.50% to 7.25%; based on the NEPC March 31, 2025 capital market assumptions, it seems reasonable to expect that the long-term (30-year) return expectations could meet or exceed the current assumptions
- In addition to the Current policy, we have presented the recommended policies for each of the six plans in this deck

WORK PLAN / ROADMAP

North Dakota State Investment Board 2025 Pension Asset/Liability Project Plan

Step/Milestone	Estimated Timing
Collect all data relative to plan liabilities and structure	December 2024
Review of NEPC capital market assumptions, current policy expectations and plan objectives (with NDRIO Staff)	January 2025
Review, discuss, and consider revisions to portfolio/plan objectives (with NDRIO Staff)	February 2025
Discuss and identify potential alternatives to the current policy	May 2025
Scenario modeling for Current and Alternative Policies	May 2025
Review modeling results (with NDRIO Staff)	June 2025
Detailed modeling for each of the six plans	July-August 2025
Numerous Discussions with Individual Plan Investment Committees	September-October 2025
Study Presented to Board and Decision Finalized	November Board Meeting

PENSION PLANS: CURRENT STATE

Plan	PERS	TFFR	Bismarck Police	Bismarck Employees	Grand Forks Employees	Grand Forks Parks
Plan Year	7/1 - 6/30	7/1 - 6/30	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31	1/1 - 12/31
Actuary	GRS	GRS	VIA	VIA	Deloitte	Gallagher
Participants (Total)	<u>60,098</u>	<u>25,663</u>	<u>253</u>	<u>887</u>	<u>377</u>	<u>51</u>
Actives	25,799	11,945	135	497	28	15
Terminated Vesteds	18,667	4,025	24	90	21	7
Retirees & Beneficiaries	15,632	9,693	94	300	328	29
Payroll	1,544,827,229	879,276,401	9,780,723	32,259,505	1,856,650	618,445
Actuarial Accrued Liability	6,218,968,568	4,758,417,607	62,582,471	144,050,754	103,046,911	11,000,405
Market Value of Assets	4,265,287,349	3,351,007,841	52,210,532	124,700,636	80,547,761	8,670,232
Actuarial Value of Assets	4,247,191,213	3,408,483,045	52,210,532	124,700,636	82,913,131	8,670,232
Unfunded Actuarial Liability	1,971,777,355	1,349,934,562	10,371,939	19,350,118	20,133,780	2,330,173
Funded Status (AVA)	68.3%	71.6%	83.4%	86.6%	80.5%	78.8%
Discount Rate	6.50%	7.25%	7.25%	7.25%	7.00%	7.00%
Payroll Growth Rate	3.50%	3.25%	3.25%	3.25%	2.50%	2.00%
Normal Cost Rate	12.2%	12.3%	12.4%	11.4%	17.9%	6.3%
Remaining Amortization Period	30	19	15	15	11	7
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing	None	None	5-Year Smoothing	None
COLA	None	Ad-hoc, but none assumed	Ad-hoc, but none assumed	Ad-hoc, but none assumed	None	None
Open/Closed	Partially Open	Open	Open	Open	Closed in 1996	Closed in 2010
Funding Policy	ER: Fixed Rate EE: Fixed Rate In 2026, Non-Public Safety funding policy changes to dynamic model of normal cost plus closed 30-yr amortization of unfunded liabilities ending 2056	ER: Fixed Rate EE: Fixed Rate Contribution sufficiency measured against normal cost plus closed 30-yr amortization of unfunded liabilities ending 2043 (19 yrs left as of '24)	ER: Fixed Rate EE: Fixed Rate Contribution sufficiency measured against normal cost plus closed 30-yr amortization of unfunded liabilities ending 2038 (15 yrs left as of '24)	ER: Fixed Rate EE: Fixed Rate Contribution sufficiency measured against normal cost plus closed 30-yr amortization of unfunded liabilities ending 2038 (15 yrs left as of '24)	ER: Normal cost plus amortization of unfunded liabilities based on closed 30-yr amortization of unfunded liabilities ending 2034 (11 yrs left as of '24) EE: Fixed Rate	ER: Normal cost plus amortization of unfunded liabilities based on closed 14-yr amortization of unfunded liabilities ending 2030 (7 yrs left as of '24) EE: Fixed Rate

CORE ASSET CLASS RETURN ASSUMPTIONS

	Asset Class	3/31/2025 10-Year Return	3/31/2024 10-Year Return	Delta
	Cash	3.9%	4.1%	-0.2%
	U.S. Inflation	2.6%	2.6%	-
Equity	U.S. Large-Cap Equity	6.4%	4.1%	+2.3%
	Non-U.S. Developed Equity	5.1%	4.3%	+0.8%
	Emerging Market Equity	7.7%	8.3%	-0.6%
	Global Equity*	6.5%	5.1%	+1.4%
	Private Equity*	8.8%	8.8%	-
Fixed Income	U.S. Treasury Bond	4.4%	4.4%	-
	U.S. Municipal Bond	4.0%	3.7%	+0.3%
	U.S. Aggregate Bond*	4.8%	4.8%	-
	U.S. TIPS	4.5%	4.7%	-0.2%
	U.S. High Yield Corporate Bond	6.5%	6.1%	+0.4%
	Private Debt*	8.3%	8.3%	-
Real Assets	Commodity Futures	4.4%	4.3%	+0.1%
	REIT	5.3%	6.1%	-0.8%
	Gold	4.5%	4.8%	-0.3%
	Real Estate - Core	5.6%	5.8%	-0.2%
	Private Real Assets - Infrastructure	5.8%	6.7%	-0.9%
Multi-Asset	60% S&P 500 & 40% U.S. Aggregate	6.1%	4.7%	+1.4%
	60% MSCI ACWI & 40% U.S. Agg.	6.1%	5.3%	+0.8%
	Hedge Fund*	6.5%	6.1%	+0.4%

*Calculated as a blend of other asset classes. NEPC's capital market assumptions reflect proprietary forecasts for expected returns, volatility, and correlations. Return expectations may differ from an investor's realized returns after accounting for fees, taxes, or other aspects that can influence actual returns. Return forecasts and methodology are reviewed on an ongoing basis and are subject to change over time.

NDRIO ASSET ALLOCATION

LONG-TERM (30-YEAR) RETURN EXPECTATIONS ABOVE 7.25%

	Bismarck Employees	Bismarck Police	TFFR	PERS	Grand Forks Employees	Grand Forks Parks
Cash	0.0%	0.0%	1.0%	0.0%	1.0%	0.0%
Total Cash	0.0%	0.0%	1.0%	0.0%	1.0%	0.0%
Global Equity	42.0%	46.0%	45.0%	51.0%	55.0%	47.0%
Private Equity	4.0%	5.0%	10.0%	7.0%	5.0%	7.5%
Total Equity	46.0%	51.0%	55.0%	58.0%	60.0%	54.5%
US Aggregate Bond	27.0%	22.0%	18.0%	16.0%	17.0%	18.0%
US High Yield Corporate Bond	3.5%	3.5%	4.0%	3.5%	3.5%	3.8%
Private Debt - Direct Lending	3.5%	3.5%	4.0%	3.5%	3.5%	3.8%
Total Fixed Income	34.0%	29.0%	26.0%	23.0%	24.0%	25.5%
Real Estate - Core	8.6%	9.0%	6.8%	8.3%	5.3%	7.5%
Real Estate - Non-Core	3.4%	3.0%	2.3%	2.7%	1.8%	2.5%
Private Real Assets - Natural Resources	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Private Real Assets - Infrastructure	7.0%	7.0%	8.0%	7.0%	7.0%	9.0%
Total Real Assets	20.0%	20.0%	18.0%	19.0%	15.0%	20.0%

Expected Return 10 yrs (Geometric)	6.5%	6.6%	6.8%	6.7%	6.6%	6.7%
Expected Return 30 yrs (Geometric)	7.5%	7.5%	7.7%	7.7%	7.6%	7.7%
Standard Deviation	11.6%	12.4%	13.2%	13.6%	13.4%	13.1%
Sharpe Ratio (10 years)	0.22	0.21	0.22	0.20	0.20	0.21
Sharpe Ratio (30 years)	0.34	0.32	0.32	0.31	0.31	0.32

ASSET-LIABILITY ANALYSIS



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PURPOSE OF ASSET-LIABILITY STUDY

- **Review the current/projected financial status of the plan over long-term horizon**
- **Determine appropriateness of current asset allocation with consideration of:**
 - Expected progress of liabilities and cash flows/liquidity needs
 - Path of funded status
- **Test sensitivity of plan (Assets and Liabilities) to various range of outcomes**
 - Market performance across range of economic environments
 - Contribution volatility
 - Range of liquidity environments
- **Consider appropriate asset mixes and expected return on assets**
 - Assess return target against tradeoff of volatility/range of outcomes
 - Analyze inclusion/exclusion of various asset classes/strategies

FIRST PRINCIPLES

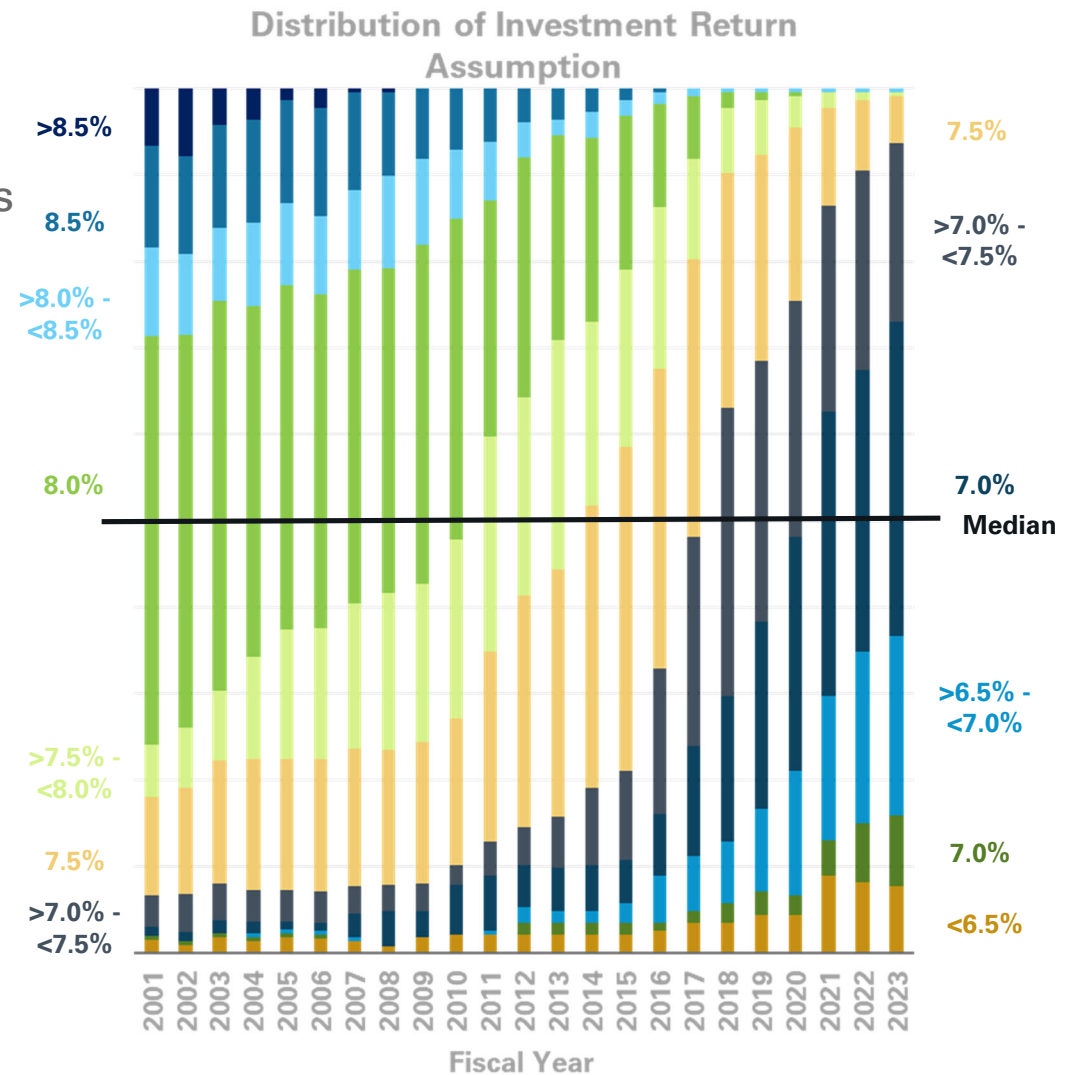
- All the complexities of pension plans boil down to the classic equation:

$$B + E = C + I$$

- Benefits (B), Expenses (E), Contributions (C), and Investment Earnings (I)
- The funding of pension benefits is made possible through the combination of member and employer contributions and returns on investment
- The long-term expected return on assets drives the selection of an appropriate discount rate for public pension liabilities
- Expected return on assets is based on assumptions – actual experience will likely depart from those assumptions
- Long-term nature of pension obligations positions well-funded pension plans to take advantage of long-term investment opportunities
- It is critical and healthy for pension trustees to regularly review fundamental characteristics of the pension plan:
 - Risk tolerance
 - Viability of long-term investment return
- Risk is multi-dimensional and should be considered from different perspectives – Risk is not just volatility!
 - Volatility, potential for drawdowns, illiquidity, exposure to economic factors, etc.
- Return expectations are generally lower than historical returns, forcing many investors to reconsider both return expectations and appropriate levels of risk

EXPECTED RETURN

- **Expected return and liability discount rate are closely linked for public pension plans**
 - Corporate DB: stringent regulations
 - Going-concern of government entities has historically provided comfort in public plans taking longer term approach
 - Expected returns are forward-looking
- **Historical market environment has led to downward trend in EROAs for public pensions**
 - Median 2023 EROA = 7.0%
- **Low expected returns put pressure on assumptions and outcomes but...**
 - Market re-pricing and higher inflation may push return expectations higher looking forward



Source: Public Plans Data, NEPC

CONCLUSION AND RECOMMENDATION



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CONCLUSIONS AND NEXT STEPS

RECOMMENDED POLICY FOR PERS

	Recommended Policy	PERS
Cash	0.0%	0.0%
Total Cash	0.0%	0.0%
Global Equity	40.0%	51.0%
Private Equity	15.0%	7.0%
Total Equity	55.0%	58.0%
US Aggregate Bond	16.0%	16.0%
US High Yield Corporate Bond	2.5%	3.5%
Private Debt - Direct Lending	7.5%	3.5%
Total Fixed Income	26.0%	23.0%
Real Estate - Core	8.3%	8.3%
Real Estate - Non-Core	2.7%	2.7%
Private Real Assets - Natural Resources	1.0%	1.0%
Private Real Assets - Infrastructure	7.0%	7.0%
Total Real Assets	19.0%	19.0%
10-Year Expected Return (Geo)	7.0%	6.7%
30-Year Expected Return (Geo)	8.0%	7.7%
Asset Volatility	13.8%	13.6%

- Recommended Policy offers meaningfully better long-term returns than the current policy
- Volatility for Recommended Policy is like the current policy for PERS
- Recommended Policy offers improved (combination of lower risk and higher return) plan financials over the long-term relative to the current policy

CONCLUSIONS AND NEXT STEPS

RECOMMENDED POLICY FOR TFFR

	Recommended Policy	TFFR
Cash	0.0%	1.0%
Total Cash	0.0%	1.0%
Global Equity	40%	45.0%
Private Equity	15%	10.0%
Total Equity	55%	55.0%
US Aggregate Bond	16.0%	18.0%
US High Yield Corporate Bond	2.5%	4.0%
Private Debt - Direct Lending	7.5%	4.0%
Total Fixed Income	26.0%	26.0%
Real Estate - Core	8.3%	6.8%
Real Estate - Non-Core	2.7%	2.3%
Private Real Assets - Natural Resources	1.0%	1.0%
Private Real Assets - Infrastructure	7.0%	8.0%
Total Real Assets	19.0%	18.0%
10-Year Expected Return (Geo)	7.0%	6.8%
30-Year Expected Return (Geo)	8.0%	7.7%
Asset Volatility	13.8%	13.2%

- Recommended Policy offers meaningfully better long-term returns than the current policy
- Volatility for Recommended Policy is like the current policy for TFFR
- Recommended Policy offers improved (combination of lower risk and higher return) plan financials over the long-term relative to the current policy

CONCLUSIONS AND NEXT STEPS

RECOMMENDED POLICY FOR BISMARCK EMPLOYEES AND BISMARCK POLICE

	Recommended Policy	Bismarck Employees	Bismarck Police
Cash	0.0%	0.0%	0.0%
Total Cash	0.0%	0.0%	0.0%
Global Equity	40.0%	42.0%	46.0%
Private Equity	15.0%	4.0%	5.0%
Total Equity	55.0%	46.0%	51.0%
US Aggregate Bond	16.0%	27.0%	22.0%
US High Yield Corporate Bond	2.5%	3.5%	3.5%
Private Debt - Direct Lending	7.5%	3.5%	3.5%
Total Fixed Income	26.0%	34.0%	29.0%
Real Estate - Core	8.3%	8.6%	9.0%
Real Estate - Non-Core	2.7%	3.4%	3.0%
Private Real Assets - Natural Resources	1.0%	1.0%	1.0%
Private Real Assets - Infrastructure	7.0%	7.0%	7.0%
Total Real Assets	19.0%	20.0%	20.0%
10-Year Expected Return (Geo)	7.0%	6.5%	6.6%
30-Year Expected Return (Geo)	8.0%	7.5%	7.5%
Asset Volatility	13.8%	11.6%	12.4%

- Recommended Policy offers meaningfully better long-term returns than the current policy
- Volatility for Recommended Policy is higher than the current policy for Bismarck Employees and Bismarck Police
- Recommended Policy offers improved (combination of lower risk and higher return) plan financials over the long-term relative to the current policy

CONCLUSIONS AND NEXT STEPS

RECOMMENDED MIX FOR GRAND FORKS EMPLOYEES

	Current Policy	Actual 6/30/25	Recommended Mix (Initial Allocation)
Cash	1.0%	0.3%	1.0%
Total Cash	1.0%	0.3%	1.0%
Global Equity	55.0%	53.5%	34.7%
Private Equity	5.0%	7.3%	5.0%
Total Equity	60.0%	60.8%	39.7%
US Aggregate Bond	17.0%	17.7%	0.0%
US High Yield Corporate Bond	3.5%	3.7%	0.0%
Intermediate Duration Fixed Income	0.0%	0.0%	0.0%
Long Duration Fixed Income	0.0%	0.0%	42.5%
Private Debt - Direct Lending	3.5%	3.5%	2.8%
Total Fixed Income	24.0%	24.9%	45.3%
Real Estate - Core	5.3%	3.2%	3.2%
Real Estate - Non-Core	1.7%	2.6%	2.6%
Private Real Assets - Natural Resources	1.0%	1.1%	1.1%
Private Real Assets - Infrastructure	7.0%	7.1%	7.1%
Total Real Assets	15.0%	14.0%	14.0%
10-Year Expected Return (Geo)	6.6%	6.7%	6.5%
30-Year Expected Return (Geo)	7.6%	7.7%	7.6%
Asset Volatility	13.4%	13.7%	11.5%

- The recommended mix offers a slightly higher long-term return than the current policy
- Volatility for the recommended mix is significantly less than that of the current policy
- The recommended mix offers reduced risk to support the liquidity needs, closed status and shorter time horizon of the plan
- NDRIO worked with NEPC to develop a glide path presented on the next slide which is designed to reduce the risk of the asset allocation as the plan matures and its funding level improves

GLIDE PATH ASSET ALLOCATION PROFILES

GRAND FORKS EMPLOYEES

	Current Policy	Actual June 30	70-79% Funding	80-84% Funding	85-89% Funding	90-94% Funding	95-99% Funding	100% or better Funding
Cash	1.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Cash	1.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Global Equity	55.0%	53.5%	34.7%	34.1%	29.1%	24.0%	16.5%	10.0%
Private Equity	5.0%	7.3%	5.0%	4.4%	2.9%	1.5%	0.7%	0.0%
Total Equity	60.0%	60.8%	39.7%	38.5%	32.0%	25.5%	17.3%	10.0%
US Aggregate Bond	17.0%	17.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US High Yield Corporate Bond	3.5%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Intermediate Duration Fixed Income	0.0%	0.0%	0.0%	0.0%	10.0%	20.0%	30.0%	39.0%
Long Duration Fixed Income	0.0%	0.0%	42.5%	50.0%	50.0%	50.0%	50.0%	50.0%
Private Debt - Direct Lending	3.5%	3.5%	2.8%	2.1%	1.4%	0.7%	0.4%	0.0%
Total Fixed Income	24.0%	24.9%	45.3%	52.1%	61.4%	70.7%	80.4%	89.0%
Real Estate - Core	5.3%	3.2%	3.2%	1.9%	1.3%	0.6%	0.3%	0.0%
Real Estate - Non-Core	1.7%	2.6%	2.6%	1.6%	1.0%	0.5%	0.3%	0.0%
Private Real Assets - Natural Resources	1.0%	1.1%	1.1%	0.7%	0.4%	0.2%	0.1%	0.0%
Private Real Assets - Infrastructure	7.0%	7.1%	7.1%	4.3%	2.8%	1.4%	0.7%	0.0%
Total Real Assets	15.0%	14.0%	14.0%	8.4%	5.6%	2.8%	1.4%	0.0%

10-Year Expected Return (Geo)	6.6%	6.7%	6.5%	6.4%	6.2%	6.1%	5.9%	5.7%
30-Year Expected Return (Geo)	7.6%	7.7%	7.6%	7.4%	7.2%	7.0%	6.7%	6.5%
Asset Volatility	13.3%	13.7%	11.5%	11.2%	10.4%	9.8%	9.3%	9.0%
Sharpe Ratio (10 years)	0.20	0.20	0.22	0.22	0.22	0.22	0.21	0.20
Sharpe Ratio (30 years)	0.31	0.31	0.35	0.35	0.36	0.36	0.35	0.33
Interest Rate Hedge Ratio	8%	9%	46%	57%	66%	74%	84%	93%

Liquidity Profile

Tier 1 (Daily Liquidity)	56.0%	53.8%	38%	35%	30%	25%	18%	11%
Tier 2 (Semi-liquid)	20.5%	21.4%	43%	50%	60%	70%	80%	89%
Tier 3 (Illiquid)	23.5%	24.8%	20%	15%	10%	5%	2%	0%

Note: Funding level noted in top row above is determined on a "termination Basis" with a discount rate based on a high-quality investment-grade yield curve.

CONCLUSIONS AND NEXT STEPS

RECOMMENDED MIX FOR GRAND FORKS PARKS

	Current Policy	Actual 6/30/25	Recommended Mix (Initial Allocation)
Cash	0.0%	0.3%	1.0%
Total Cash	0.0%	0.3%	1.0%
Global Equity	47.0%	43.9%	24.3%
Private Equity	7.5%	11.0%	11.0%
Total Equity	54.5%	54.9%	35.3%
US Aggregate Bond	18.0%	18.5%	0.0%
US High Yield Corporate Bond	3.8%	7.6%	0.0%
Private Debt - Direct Lending	3.8%	0.1%	0.1%
Intermediate Duration Fixed Income	0.0%	0.0%	0.0%
Long Duration Fixed Income	0.0%	0.0%	45.0%
Total Fixed Income	25.5%	26.2%	45.1%
Real Estate - Core	7.6%	4.4%	4.4%
Real Estate - Non-Core	2.5%	3.7%	3.7%
Private Real Assets - Natural Resources	1.0%	0.8%	0.8%
Private Real Assets - Infrastructure	9.0%	9.7%	9.7%
Total Real Assets	20.0%	18.6%	18.6%
10-Year Expected Return (Geo)	6.7%	6.8%	6.6%
30-Year Expected Return (Geo)	7.7%	7.7%	7.6%
Asset Volatility	13.1%	13.5%	11.5%

- The recommended mix offers a slightly lower long-term return than the current policy
- Volatility for the recommended mix is significantly less than that of the current policy
- The recommended mix offers reduced risk to support the liquidity needs, closed status and shorter time horizon of the plan
- NDRIO worked with NEPC to develop a glide path presented on the next slide which is designed to reduce the risk of the asset allocation as the plan matures and its funding level improves

GLIDE PATH ASSET ALLOCATION PROFILES

GRAND FORKS PARKS

	Current Policy	Actual June 30	70-79% Funding	80-84% Funding	85-89% Funding	90-94% Funding	95-99% Funding	100% or Better Funding
Cash	0.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Cash	0.0%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Global Equity	47.0%	43.9%	24.3%	25.2%	21.2%	17.1%	13.1%	10.0%
Private Equity	7.5%	11.0%	11.0%	8.8%	6.6%	4.4%	2.2%	0.0%
Total Equity	54.5%	54.9%	35.3%	34.0%	27.8%	21.5%	15.3%	10.0%
US Aggregate Bond	18.0%	18.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US High Yield Corporate Bond	3.8%	7.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private Debt - Direct Lending	3.8%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Intermediate Duration Fixed Income	0.0%	0.0%	0.0%	0.0%	10.0%	20.0%	30.0%	39.0%
Long Duration Fixed Income	0.0%	0.0%	45.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Total Fixed Income	25.5%	26.2%	45.1%	50.1%	60.1%	70.0%	80.0%	89.0%
Real Estate - Core	7.6%	4.4%	4.4%	3.5%	2.6%	1.8%	0.9%	0.0%
Real Estate - Non-Core	2.5%	3.7%	3.7%	3.0%	2.2%	1.5%	0.7%	0.0%
Private Real Assets - Natural Resources	1.0%	0.8%	0.8%	0.6%	0.5%	0.3%	0.2%	0.0%
Private Real Assets - Infrastructure	9.0%	9.7%	9.7%	7.8%	5.8%	3.9%	1.9%	0.0%
Total Real Assets	20.0%	18.6%	18.6%	14.9%	11.2%	7.4%	3.7%	0.0%

10-Year Expected Return (Geo)	6.7%	6.8%	6.6%	6.5%	6.3%	6.1%	5.9%	5.7%
30-Year Expected Return (Geo)	7.7%	7.7%	7.6%	7.5%	7.3%	7.0%	6.8%	6.5%
Asset Volatility	13.1%	13.5%	11.5%	11.3%	10.4%	9.7%	9.3%	9.0%
Sharpe Ratio (10 years)	0.21	0.21	0.23	0.22	0.23	0.22	0.21	0.20
Sharpe Ratio (30 years)	0.32	0.31	0.36	0.35	0.36	0.36	0.35	0.33
Interest Rate Hedge Ratio	8%	9%	42%	50%	57%	65%	73%	81%

Liquidity Profile

Tier 1 (Daily Liquidity)	65.0%	62.7%	70%	76%	82%	88%	94%	97%
Tier 2 (Semi-liquid)	3.8%	7.6%	0%	0%	0%	0%	0%	0%
Tier 3 (Illiquid)	31.3%	29.7%	30%	24%	18%	12%	6%	3%



Note: Funding level noted in top row above is determined on a "termination Basis" with a discount rate based on a high-quality investment-grade yield curve.

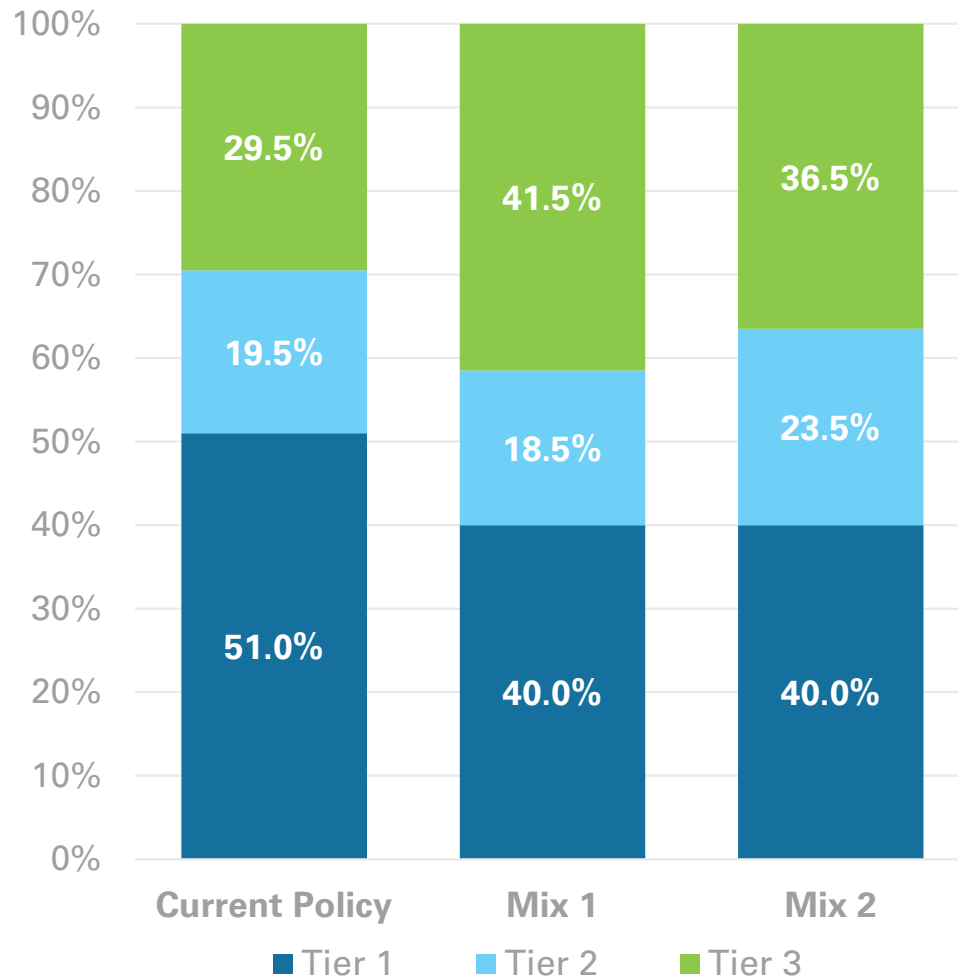
ASSET-LIABILITY ANALYSIS RESULTS



PROPRIETARY & CONFIDENTIAL

LIQUIDITY PROFILE

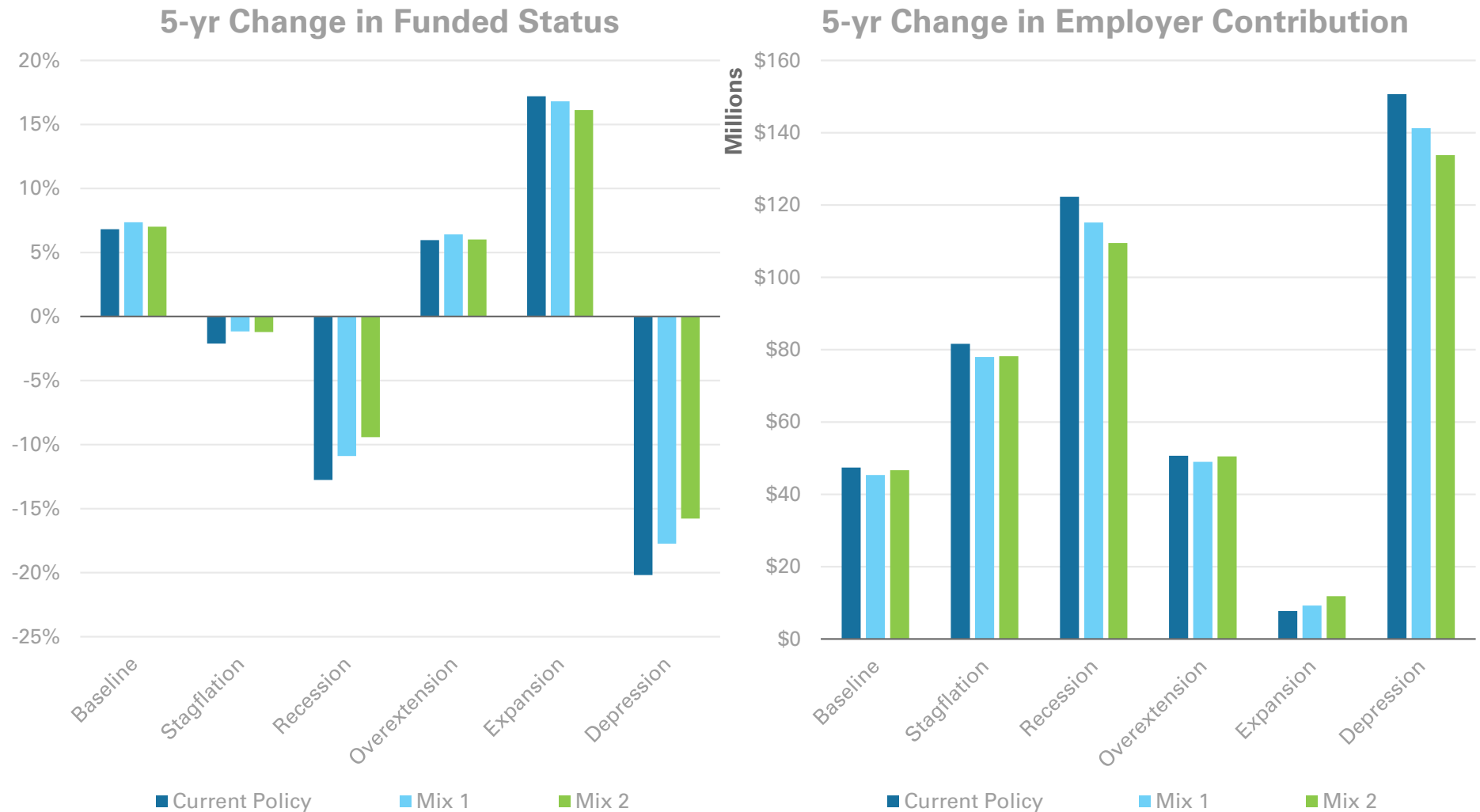
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM



- **Net cash flow is expected to remain negative over next 10 years, averaging -1.3% outflow**
 - Public funds average between -2% and -4% net cash flow
- **Negative cash flow is typical for a mature pension plan**
- **Fixed contribution model provides consistent and predictable cash inflows**
- **NEPC believes the plan can take on the recommended increase in illiquids with no material impact in the plan's ability to meet its obligations**

ECONOMIC SCENARIO ANALYSIS

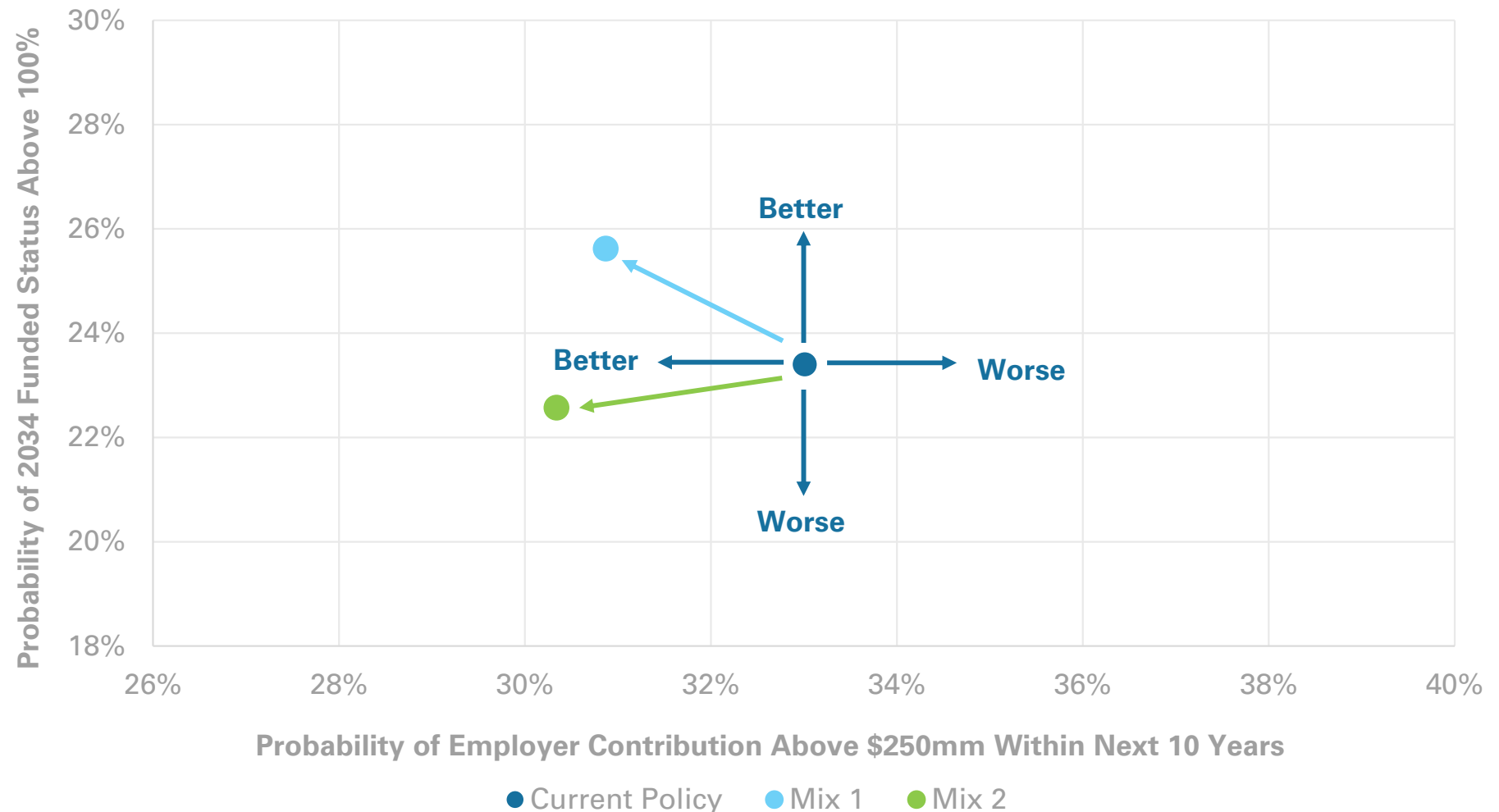
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM



Notes: Scenarios reflect a 5-year market cycle. Change in funded ratio is relative to 68.3% as of July 1, 2024 and change in contribution is relative to \$137.4 million for FY2025

STOCHASTIC ANALYSIS

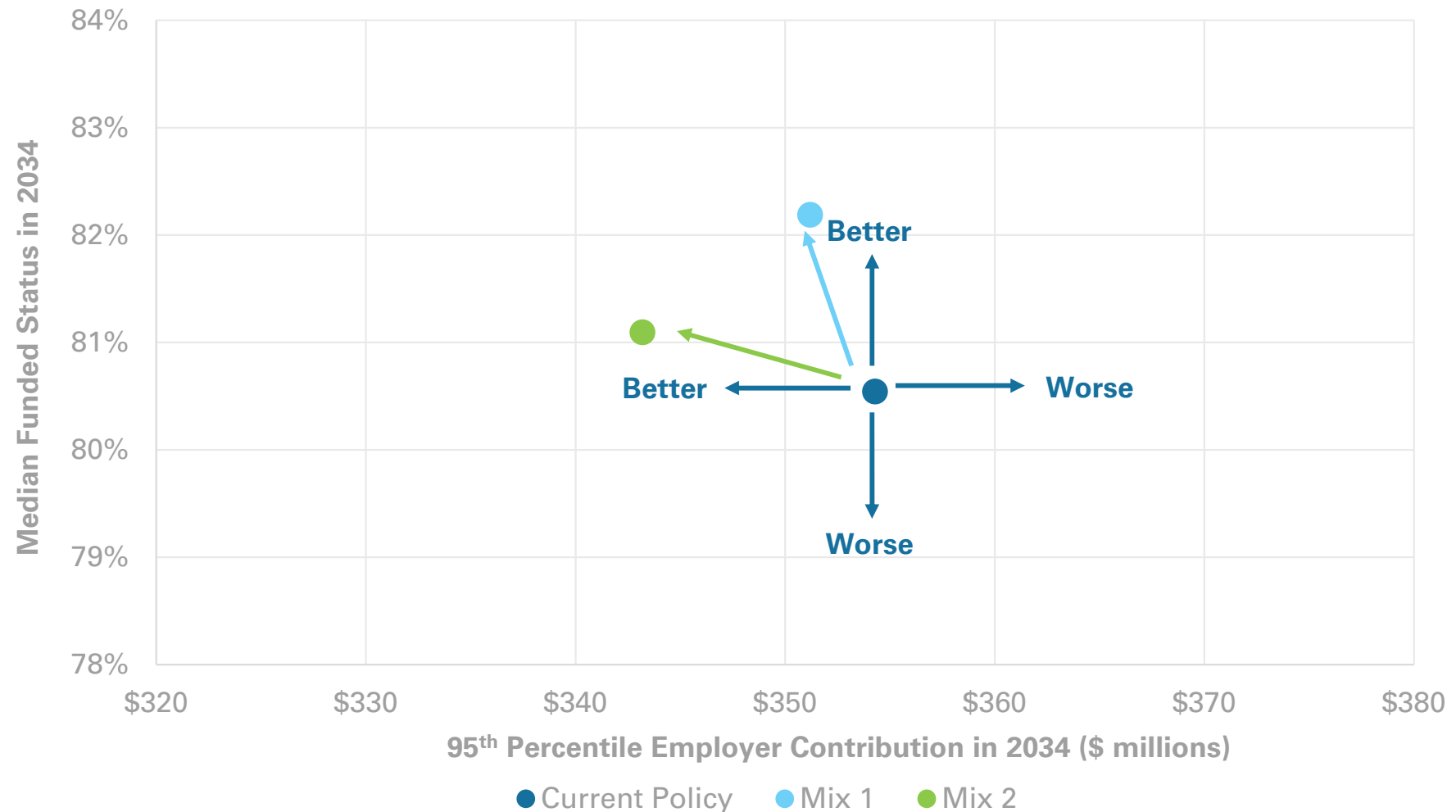
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

STOCHASTIC ANALYSIS

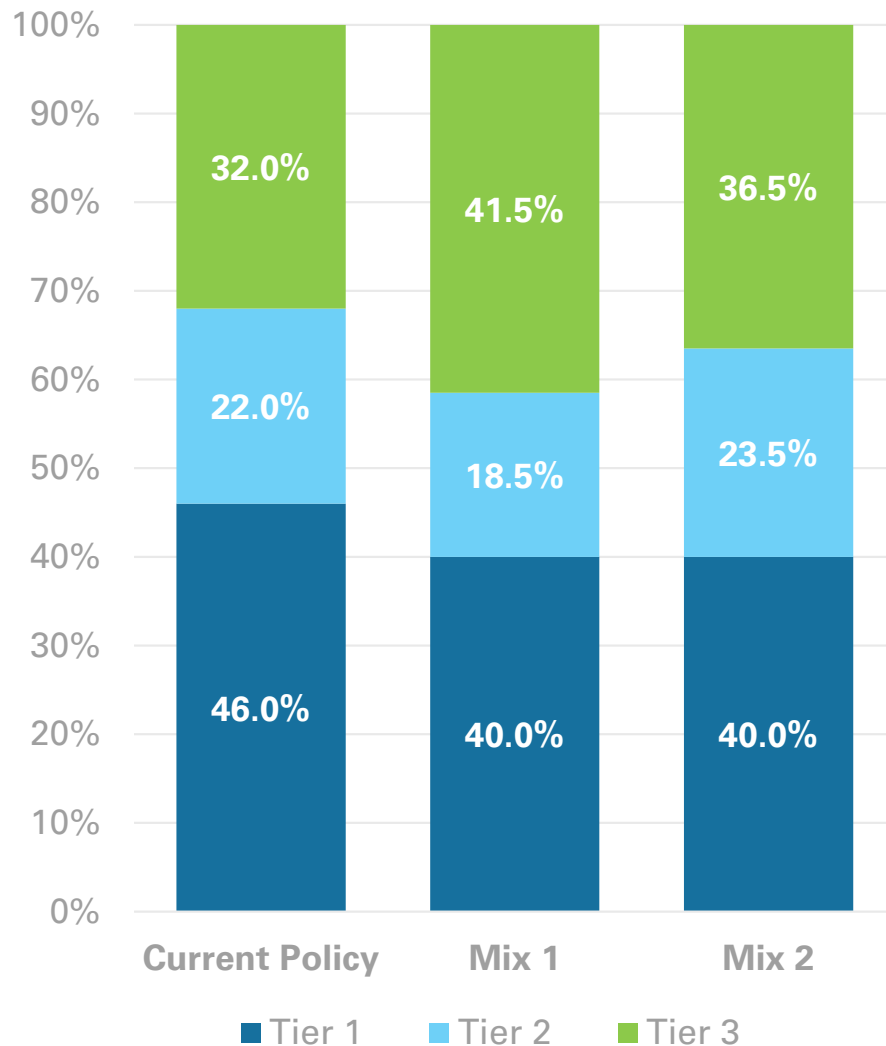
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

LIQUIDITY PROFILE

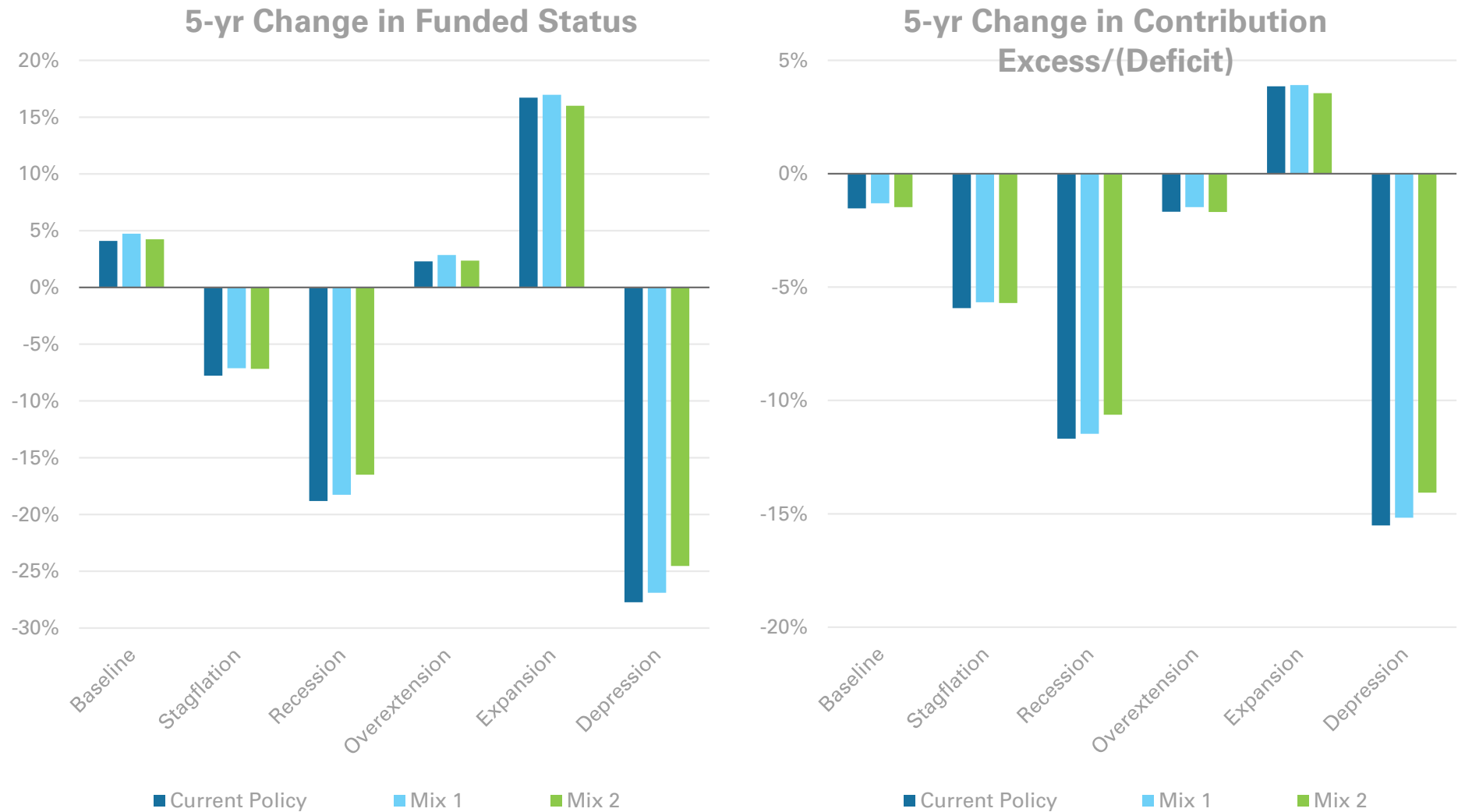
TEACHERS' FUND FOR RETIREMENT



- **Net cash flow is expected to remain negative over next 10 years, averaging -1.5% outflow**
 - Public funds average between -2% and -4% net cash flow
- **Negative cash flow is typical for a mature pension plan**
- **Fixed contribution model provides consistent and predictable cash inflows**
- **NEPC believes the plan can take on the recommended increase in illiquids with no material impact in the plan's ability to meet its obligations**

ECONOMIC SCENARIO ANALYSIS

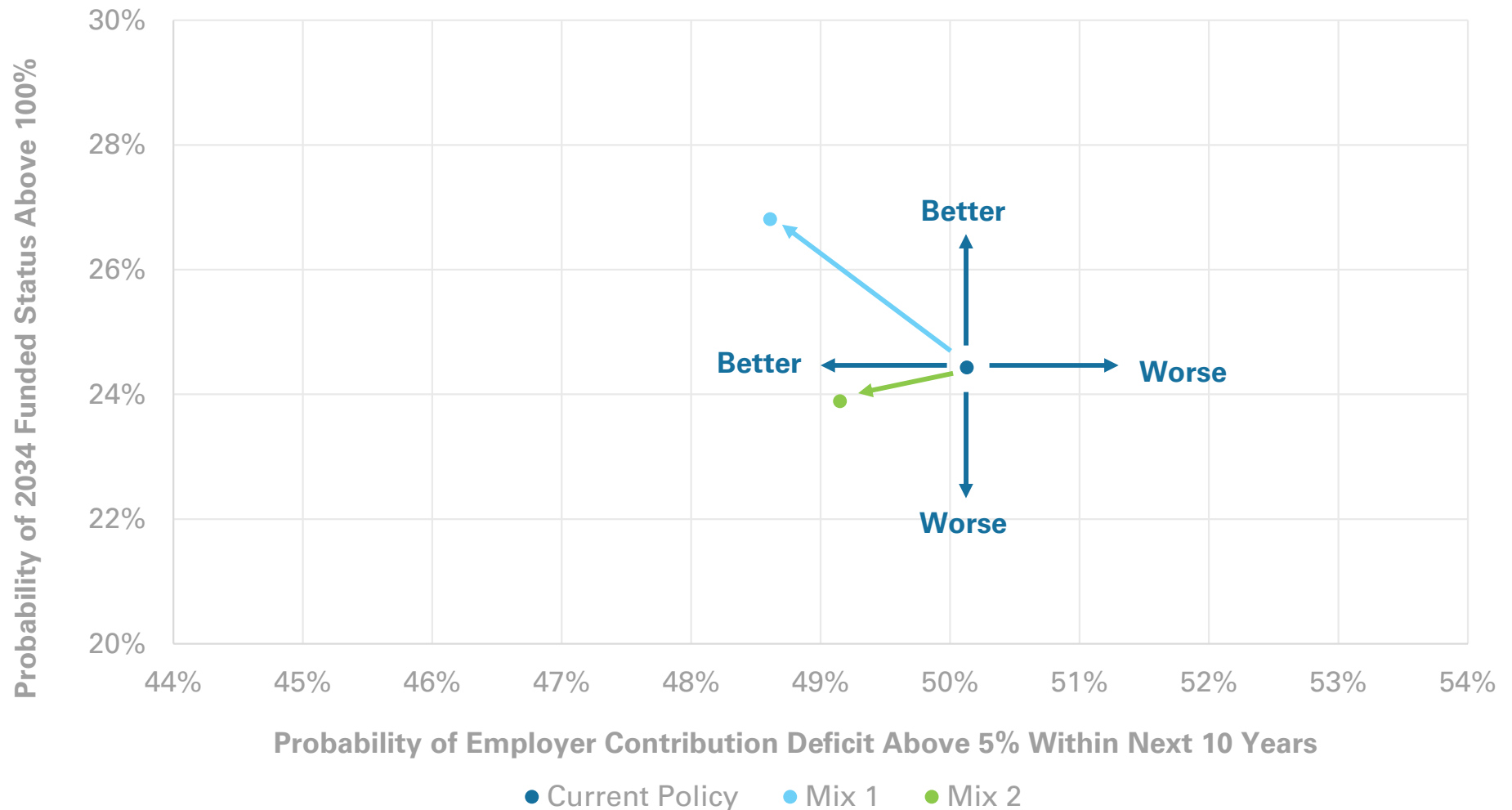
TEACHERS' FUND FOR RETIREMENT



Notes: Scenarios reflect a 5-year market cycle. Change in funded ratio is relative to 71.6% as of July 1, 2024 and change in contribution excess/(deficit) is relative to 0.3% for FY2025

STOCHASTIC ANALYSIS

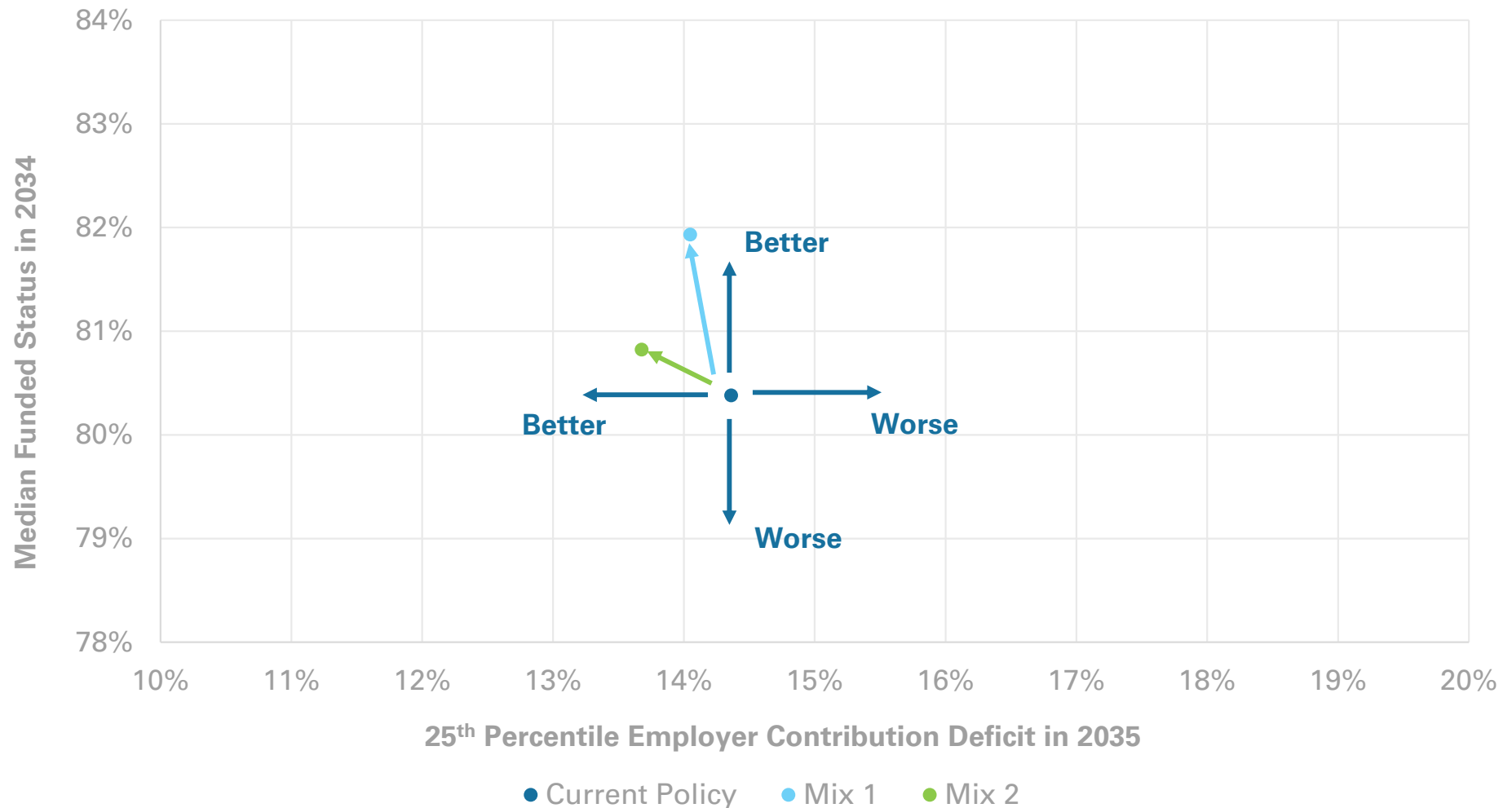
TEACHERS' FUND FOR RETIREMENT



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

STOCHASTIC ANALYSIS

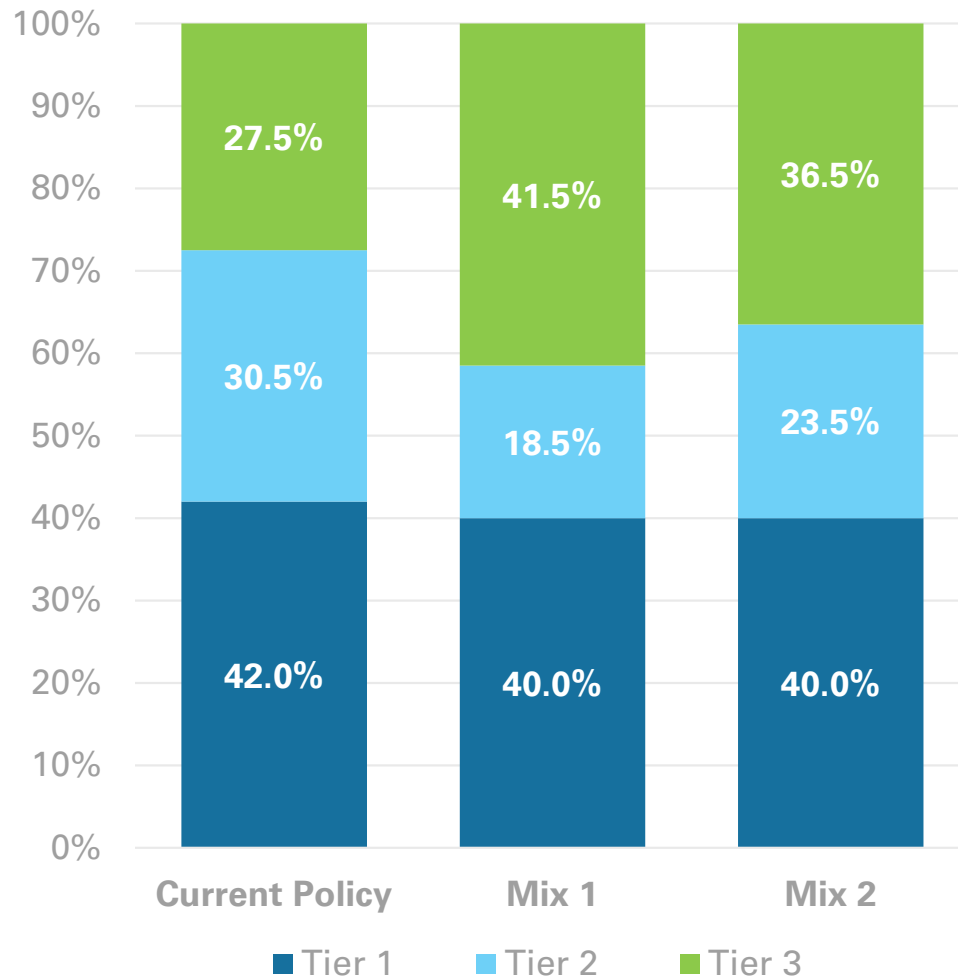
TEACHERS' FUND FOR RETIREMENT



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

LIQUIDITY PROFILE

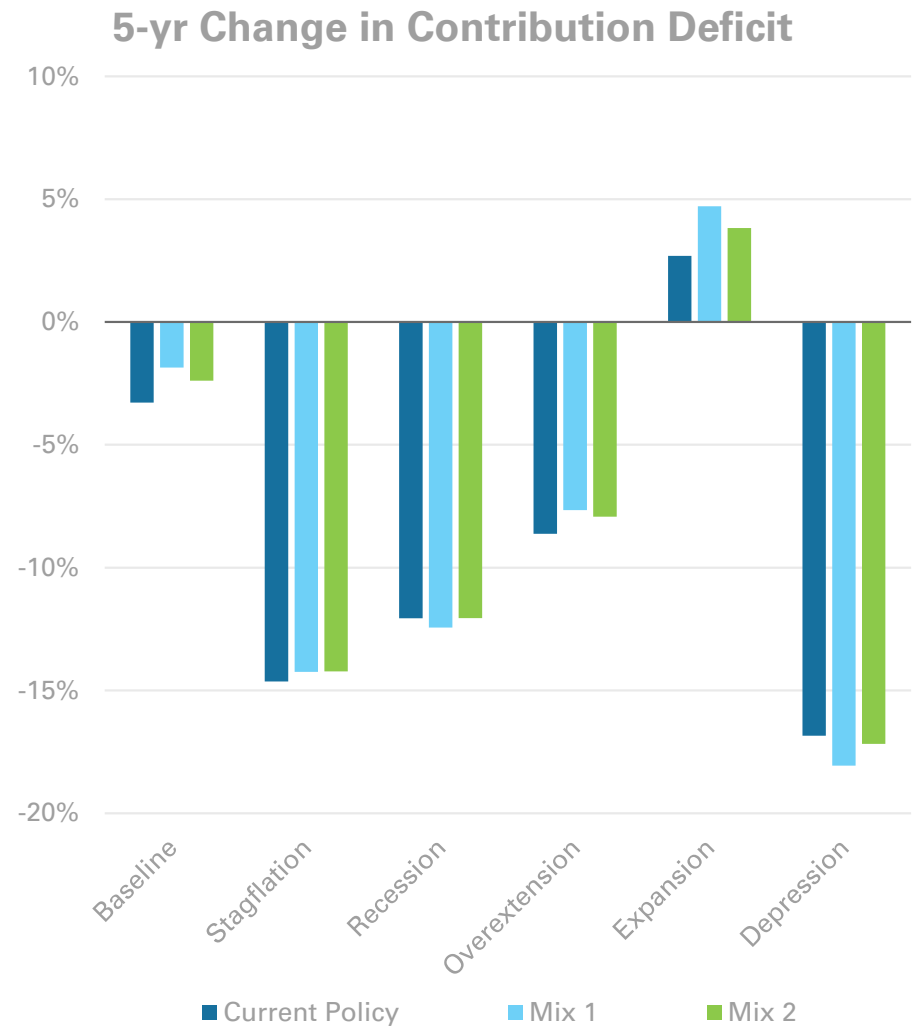
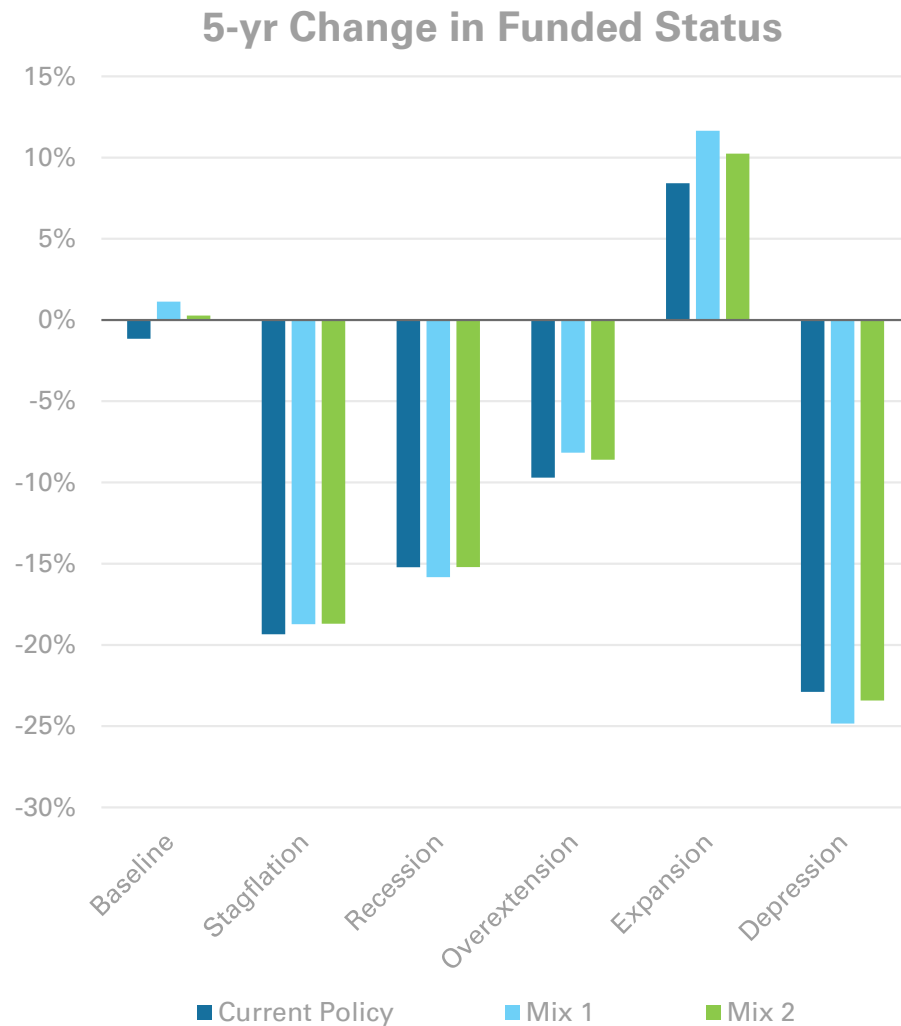
CITY OF BISMARCK EMPLOYEE PENSION FUND



- **Net cash flow is expected to remain negative over next 10 years, averaging -2.7% outflow**
 - Public funds average between -2% and -4% net cash flow
- **Negative cash flow is typical for a mature pension plan**
- **Fixed contribution model provides consistent and predictable cash inflows**
- **NEPC believes the plan can take on the recommended increase in illiquids with no material impact in the plan's ability to meet its obligations**

ECONOMIC SCENARIO ANALYSIS

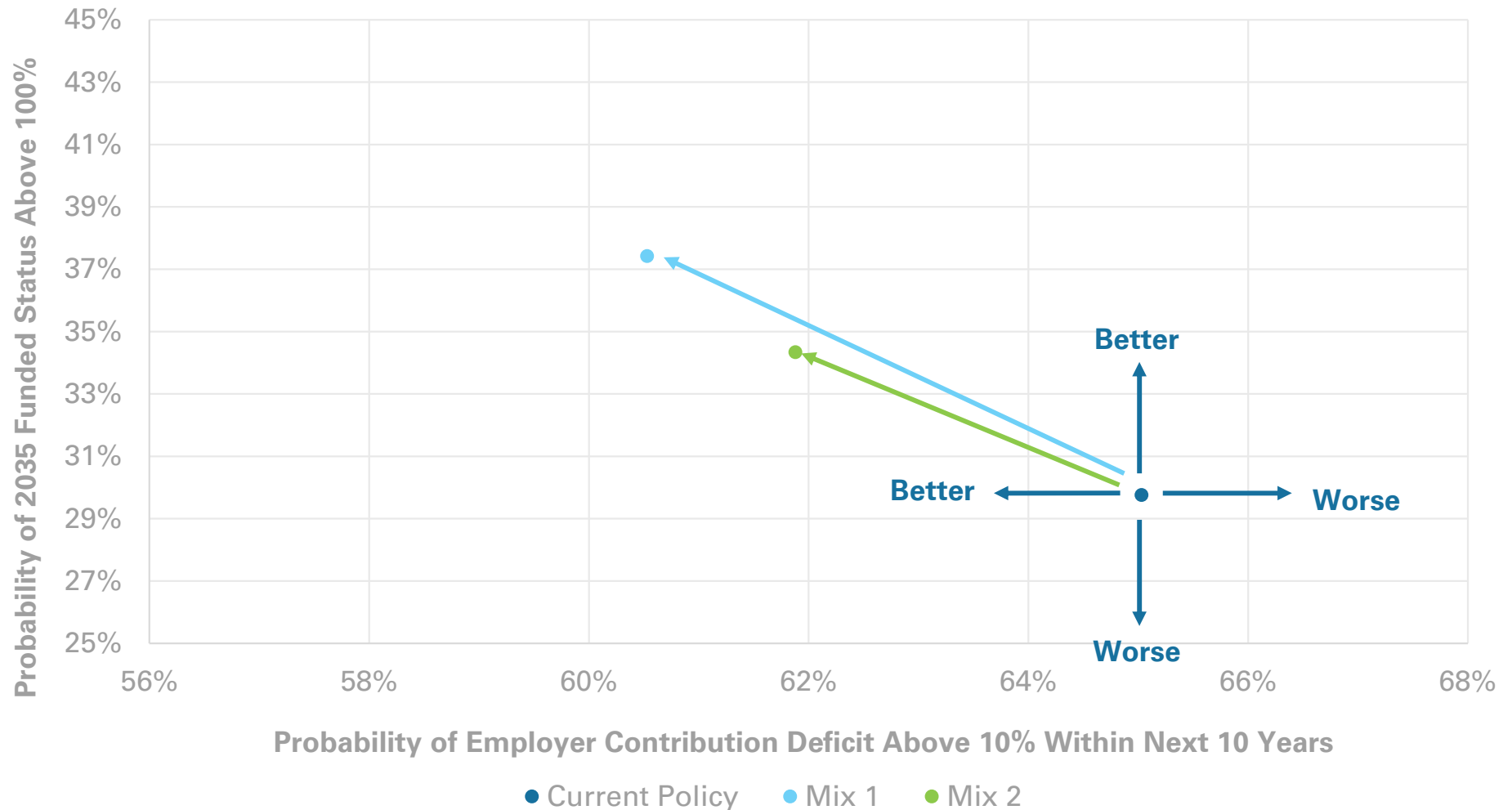
CITY OF BISMARCK EMPLOYEE PENSION FUND



Notes: Scenarios reflect a 5-year market cycle. Change in funded ratio is relative to 87.3% as of January 1, 2025 and change in contribution deficit is relative to -2.0% for 2025.

STOCHASTIC ANALYSIS

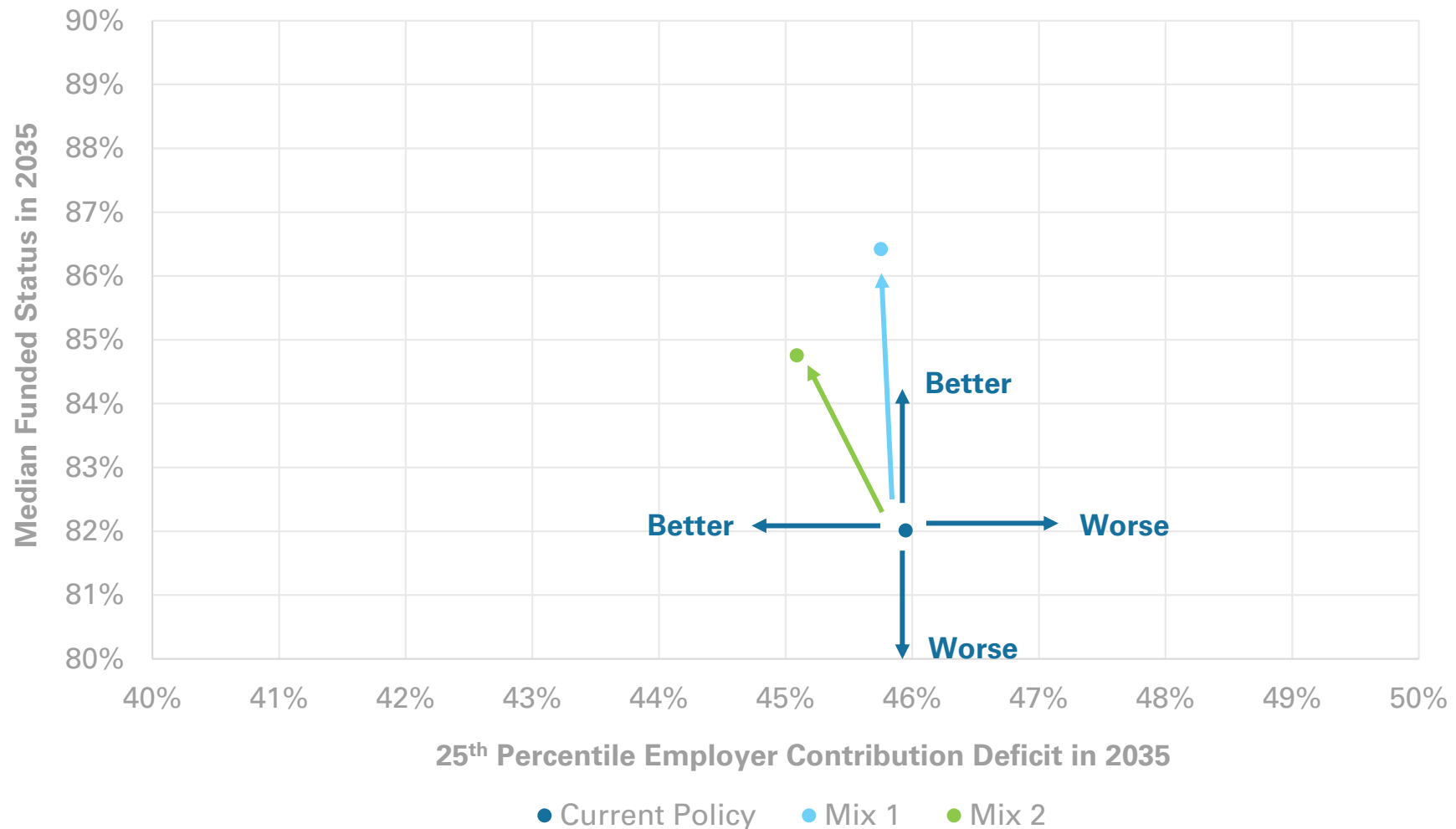
CITY OF BISMARCK EMPLOYEE PENSION FUND



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

STOCHASTIC ANALYSIS

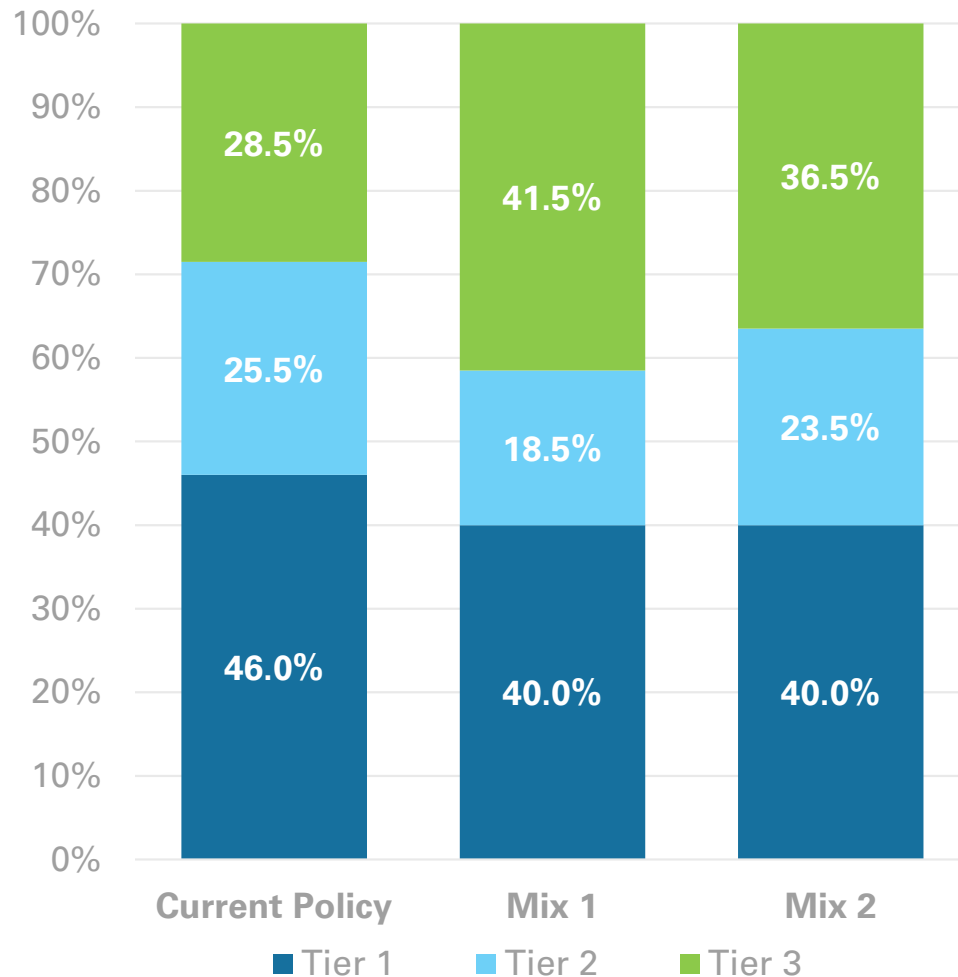
CITY OF BISMARCK EMPLOYEE PENSION FUND



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

LIQUIDITY PROFILE

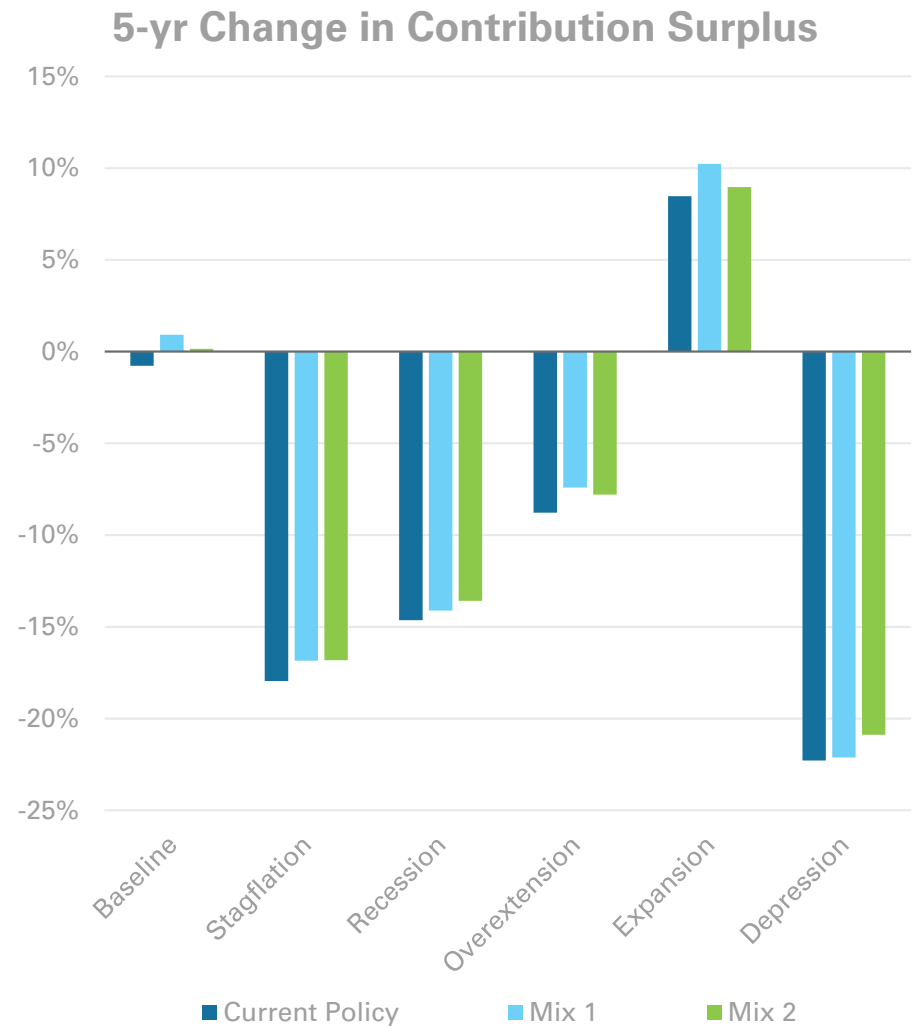
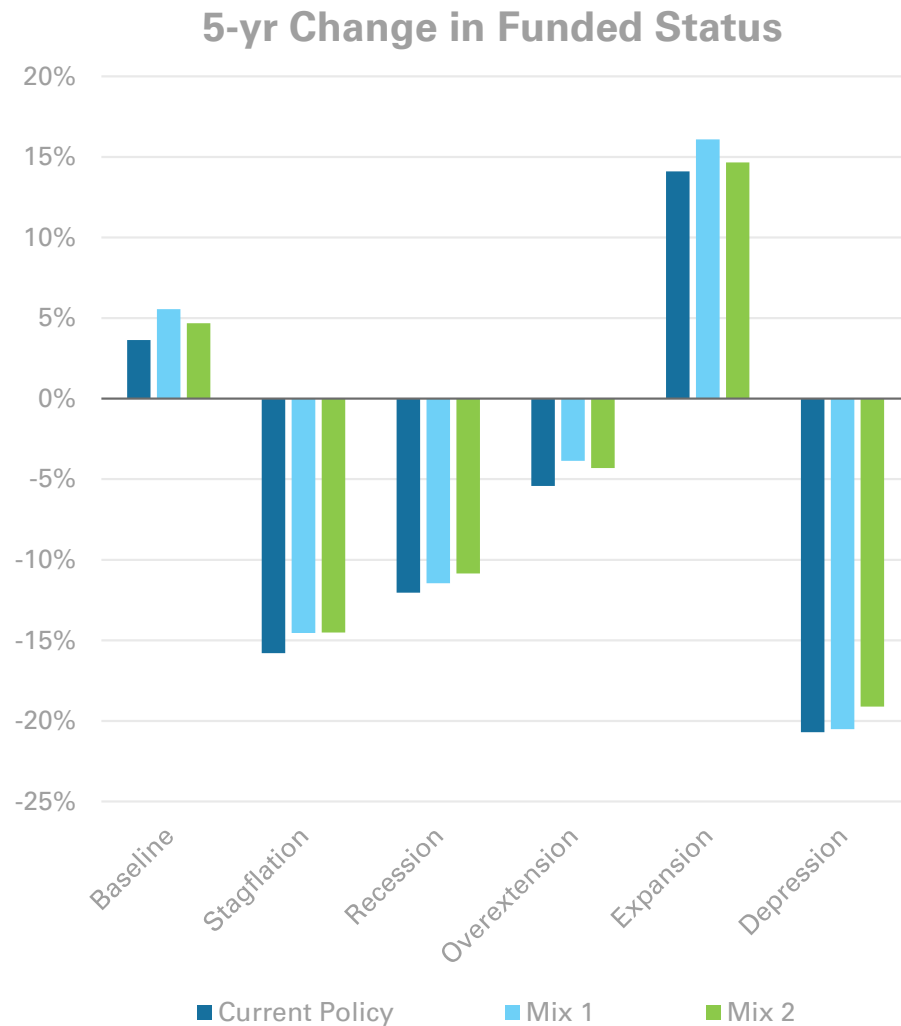
CITY OF BISMARCK POLICE PENSION FUND



- **Net cash flow is expected to remain negative over next 10 years, averaging -1.8% outflow**
 - Public funds average between -2% and -4% net cash flow
- **Negative cash flow is typical for a mature pension plan**
- **Fixed contribution model provides consistent and predictable cash inflows**
- **NEPC believes the plan can take on the recommended increase in illiquids with no material impact in the plan's ability to meet its obligations**

ECONOMIC SCENARIO ANALYSIS

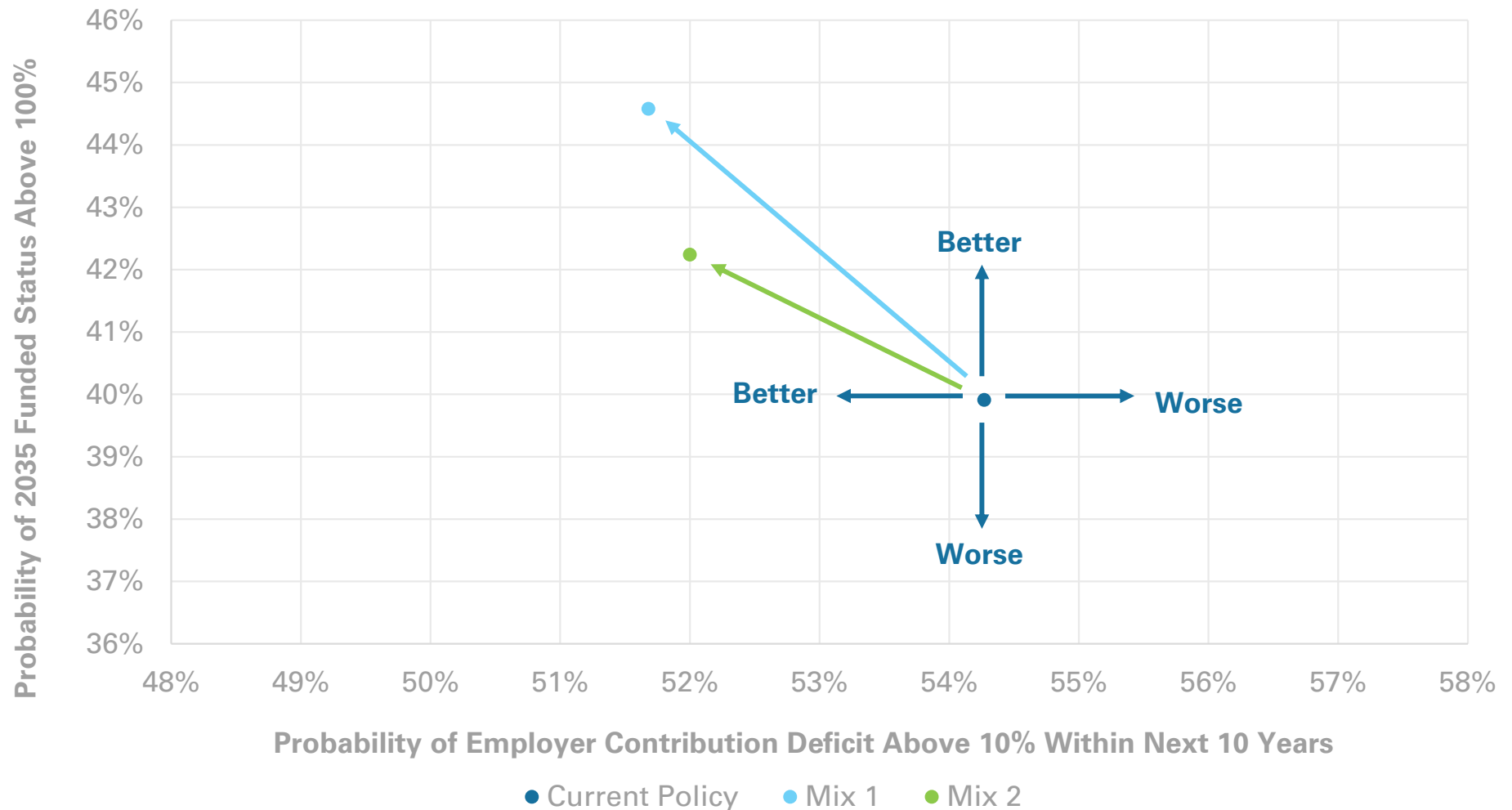
CITY OF BISMARCK POLICE PENSION FUND



Notes: Scenarios reflect a 5-year market cycle. Change in funded ratio is relative to 85.8% as of January 1, 2025 and change in contribution surplus is relative to 2.3% for 2025.

STOCHASTIC ANALYSIS

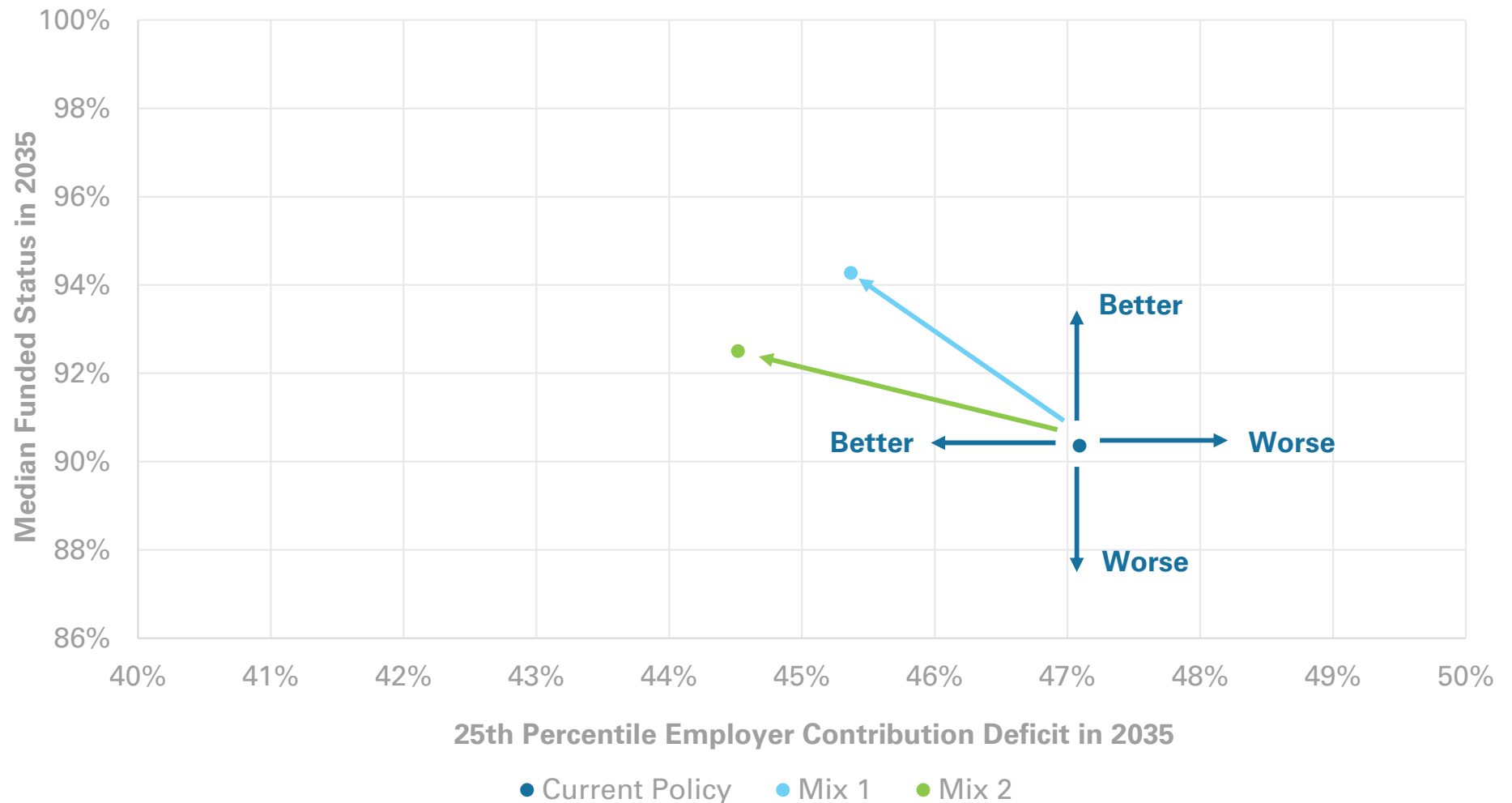
CITY OF BISMARCK POLICE PENSION FUND



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

STOCHASTIC ANALYSIS

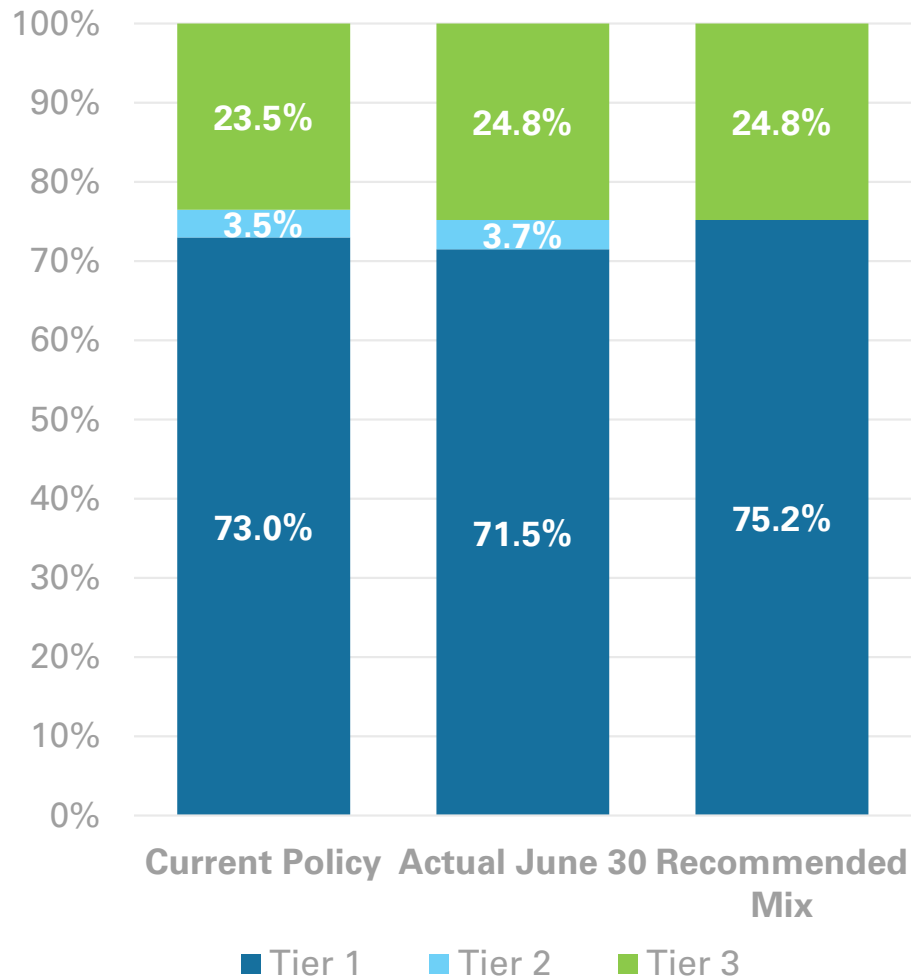
CITY OF BISMARCK POLICE PENSION FUND



Notes: Reflects 10,000 simulations based on mean expected return equal to each allocation's 10-year arithmetic return and with each allocation's annual volatility

LIQUIDITY PROFILE

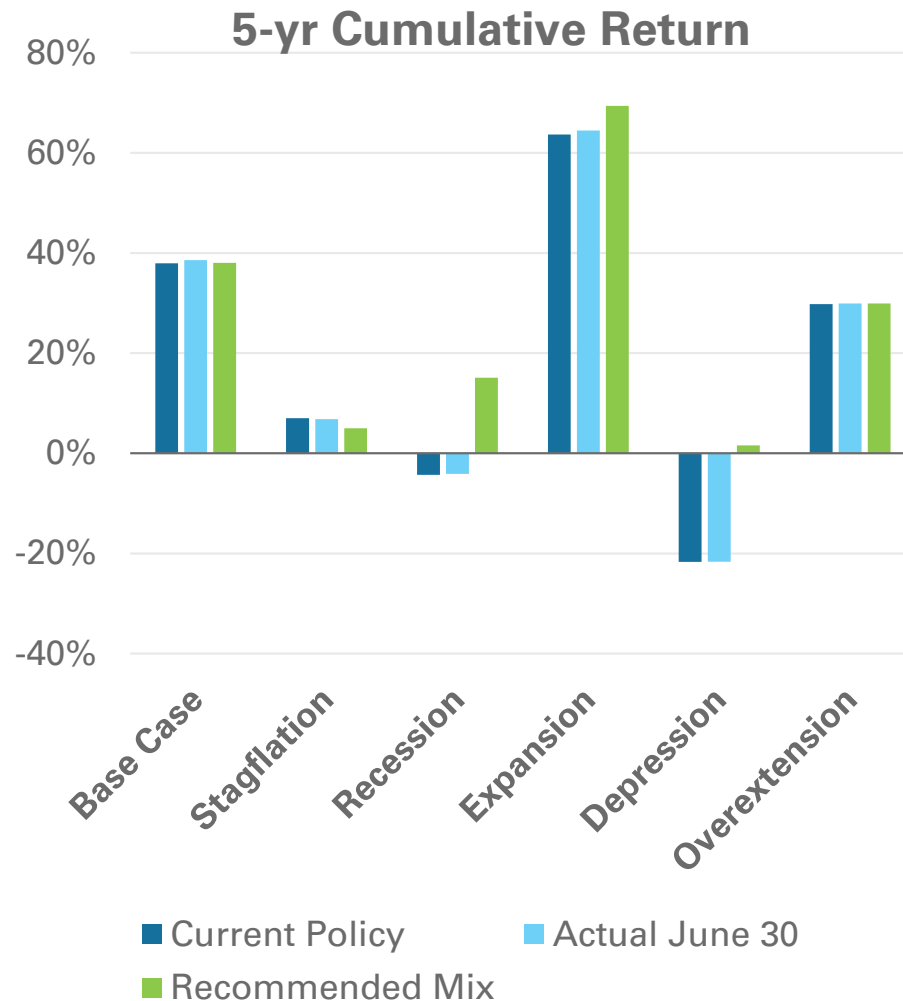
GRAND FORKS EMPLOYEE PENSION FUND



- **Net cash flow is expected to remain negative over next 10 years, averaging -11.9% outflow**
 - Healthy steady-state outflow typically ranges from -2.0% to -4.0% of assets
- **Deeply negative cash flow is typical for a closed pension plan in its wind down phase**
- **Liquidity and downside protection take precedent over growth potential when it comes to asset allocation**
- **Recommended Mix increases liquidity while recognizing actual value of illiquids as of June 30**

SCENARIO ANALYSIS

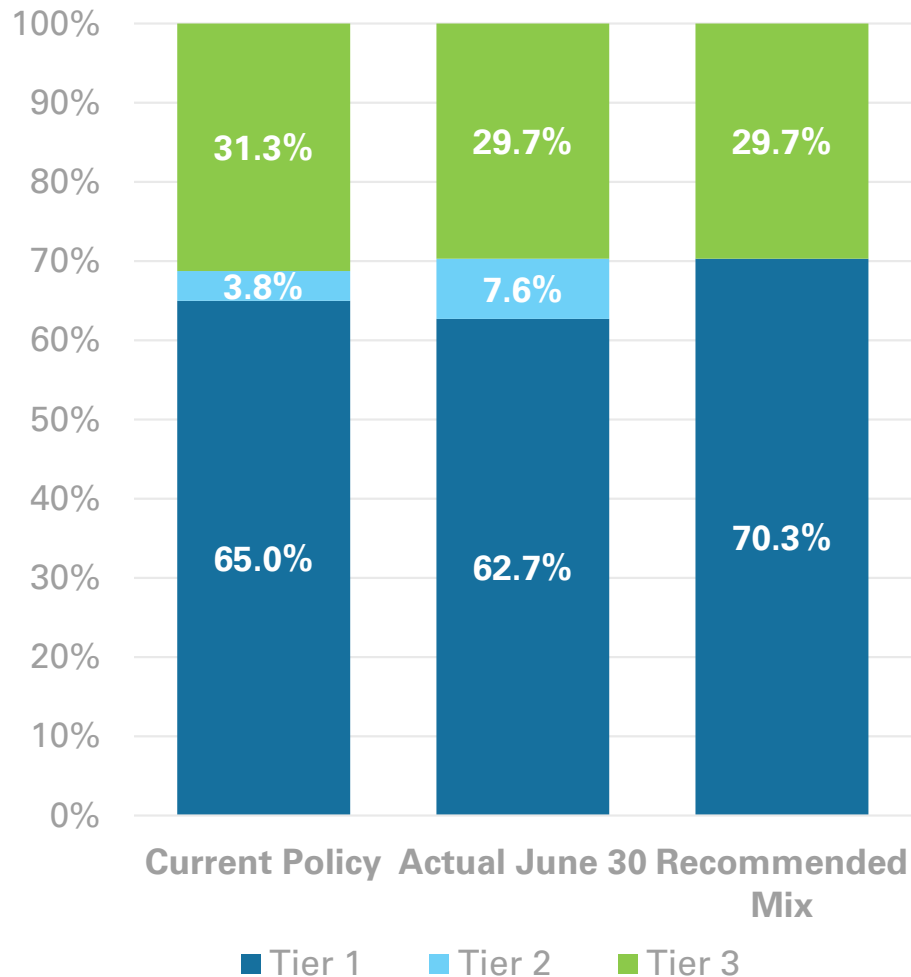
GRAND FORKS EMPLOYEE PENSION FUND



- **Scenario analysis illustrates the potential performance of different portfolios across changing macroeconomic environments**
 - High/low growth
 - High/low inflation
- **Recommended mix provides less downside risk in negative environments and similar or better performance in neutral and positive environments**

LIQUIDITY PROFILE

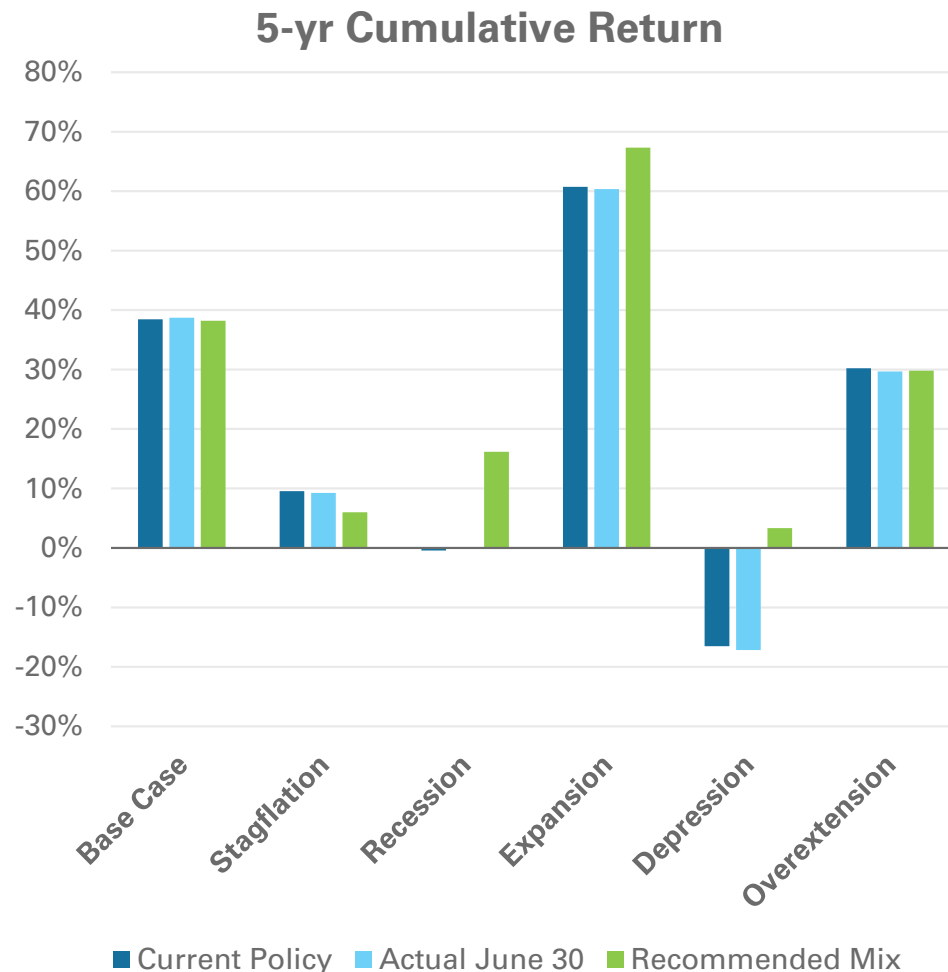
GRAND FORKS PARK DISTRICT PENSION FUND



- **Net cash flow is expected to worsen over the next 10 years, from -3.9 to -9.5 of assets**
 - Healthy steady-state outflow typically ranges from -2.0% to -4.0% of assets for an open and mature plan
- **Deeply negative cash flow is typical for a closed pension plan in its wind down phase**
- **Liquidity and downside protection take precedent over growth potential when it comes to asset allocation**
- **Recommended Mix increases liquidity while recognizing actual value of illiquids as of June 30**

SCENARIO ANALYSIS

GRAND FORKS PARK DISTRICT PENSION FUND



- **Scenario analysis illustrates the potential performance of different portfolios across changing macroeconomic environments**
 - High/low growth
 - High/low inflation
- **Recommended mix provides less downside risk in negative environments and similar or better performance in neutral and positive environments**



RATIONALE FOR PRIVATE MARKETS



PROPRIETARY & CONFIDENTIAL

RELATIVELY ATTRACTIVE MARKET EXPOSURE

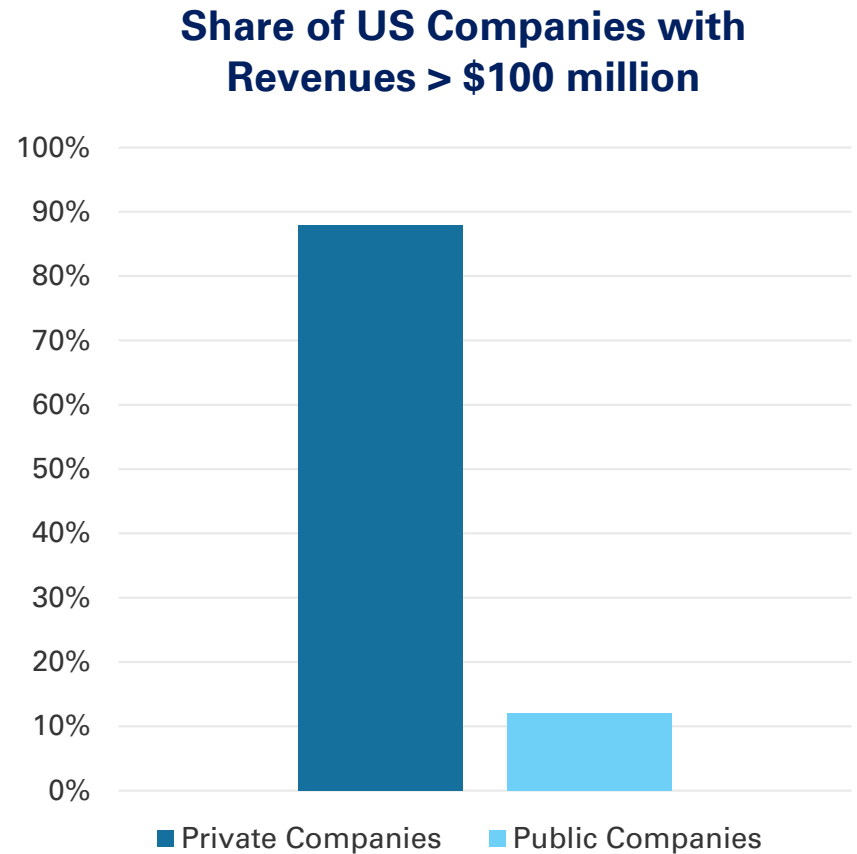
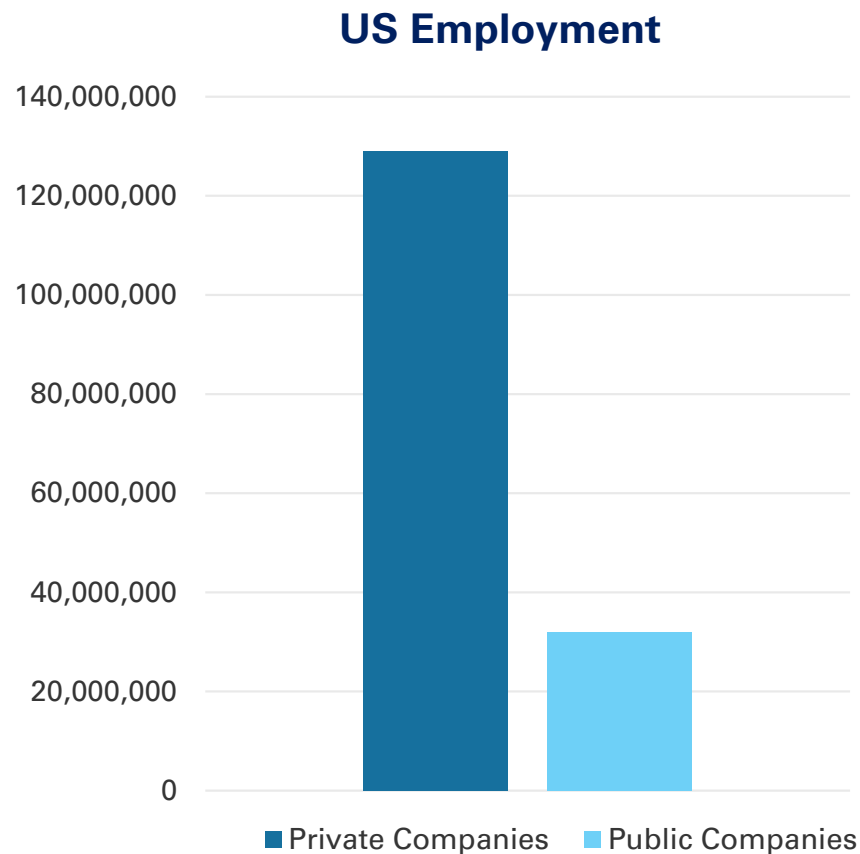
- **Private market investments offers differentiated market exposure and fundamental advantages to add value**
- **1. Differentiated market exposure with attractive expected returns**
- **Private markets combine systematic (beta) and active (alpha) returns**
 - Private assets offer relatively attractive expected returns vs comparable public markets (NEPC assumes 300-400bps of annual excess returns vs public equity)
 - In contrast to public markets, allocators cannot easily separate the beta and alpha components of private market returns
- **Private markets offer an “illiquidity premium” relative to public market assets**
 - Illiquidity premiums compensate investors for long-term capital commitments
- **Smoother private valuations and illiquidity are both an advantage and challenge**
 - Periodic updates in private asset valuations smooth accounting volatility, which is sometimes seen as an advantage by plan sponsors
 - However, smoother valuations complicate rebalancing of the total portfolio and evaluating risk and return relative to marked-to-market public market assets
 - Illiquidity also requires robust management of total fund liquidity

ADVANTAGES IN ADDING VALUE

- **2. Fundamental advantages in adding value (using Private Equity as an illustration)**
- **Governance benefits**
 - Closer integration reduces the principal/agent problem
 - Board control and more frequent CEO touchpoints lead to quicker decision-making and improved ability to see through strategies
- **Financial benefits**
 - Capital structures with higher debt create discipline and tax benefits
 - Incentives are aligned; management has significant equity
- **Operational benefits**
 - Less regulatory burden; focus less on legal compliance
 - Ability to command additional resources to improve operations
 - “Punch above weight” in ability to attract staff
 - Assistance in generating acquisitions, customer introductions, etc.

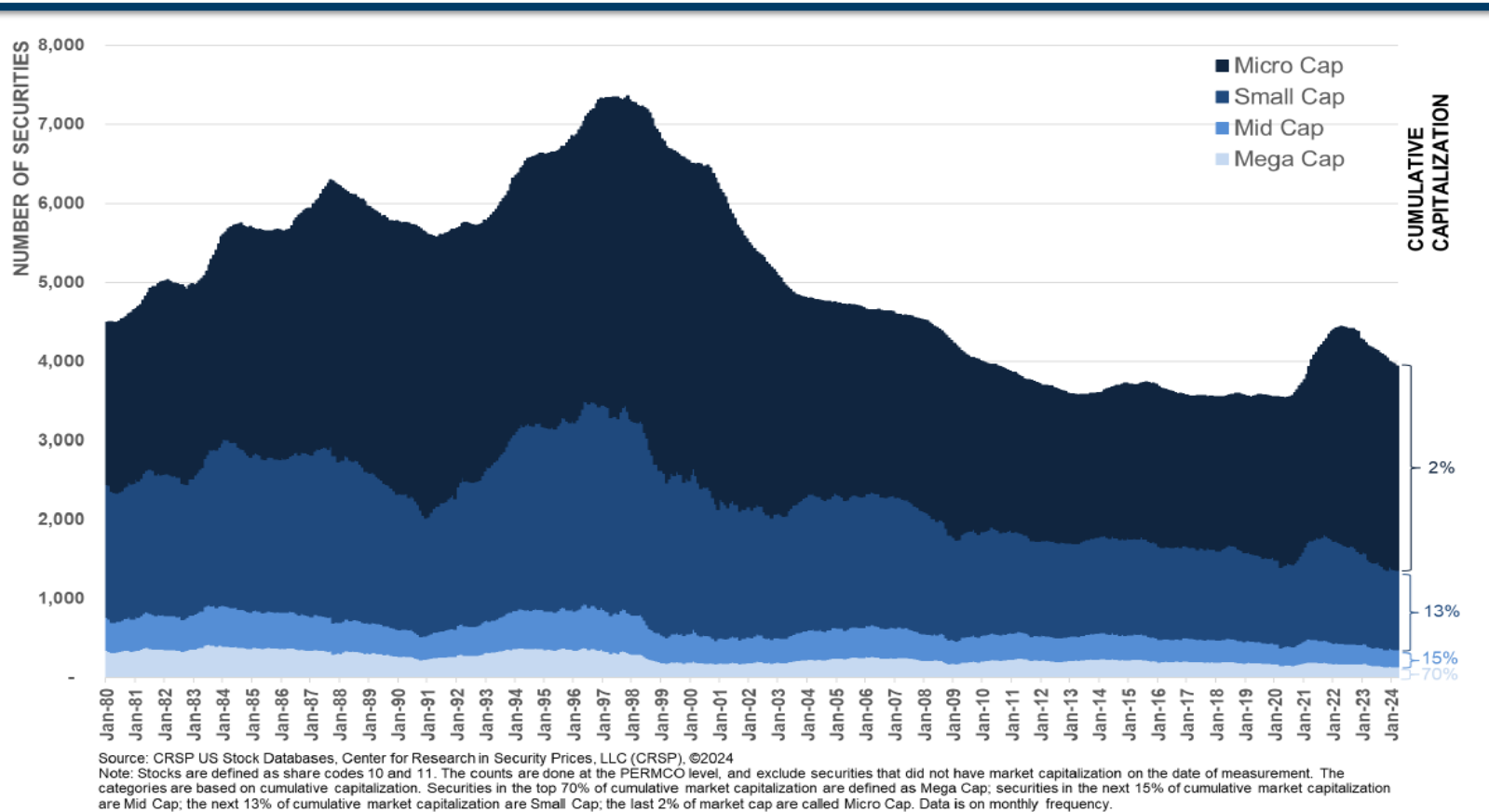
MAJORITY OF U.S. COMPANIES ARE PRIVATE

The universe is sizable as more than 85% of U.S. companies are privately held, representing a large share of employment and production not captured by listed stocks.



REDUCTION IN PUBLIC COMPANIES CONTINUES

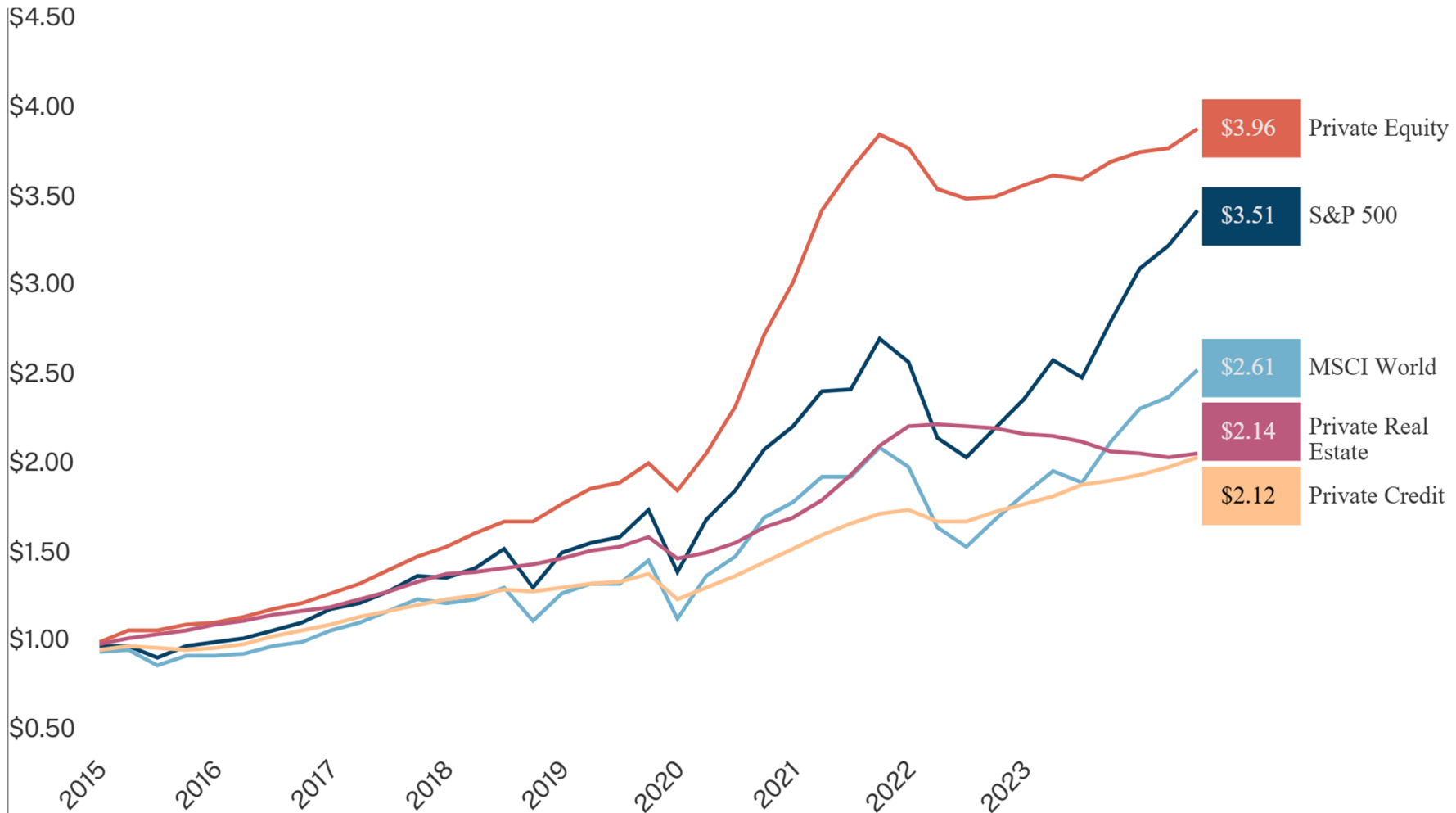
In 1996 there were over 8,000 public companies across all US exchanges.
Today it's around 3,700.



CRSP CENTER FOR RESEARCH IN SECURITY PRICES
An Affiliate of the University of Chicago

Source: Center for Research in Security Prices (CRSP)

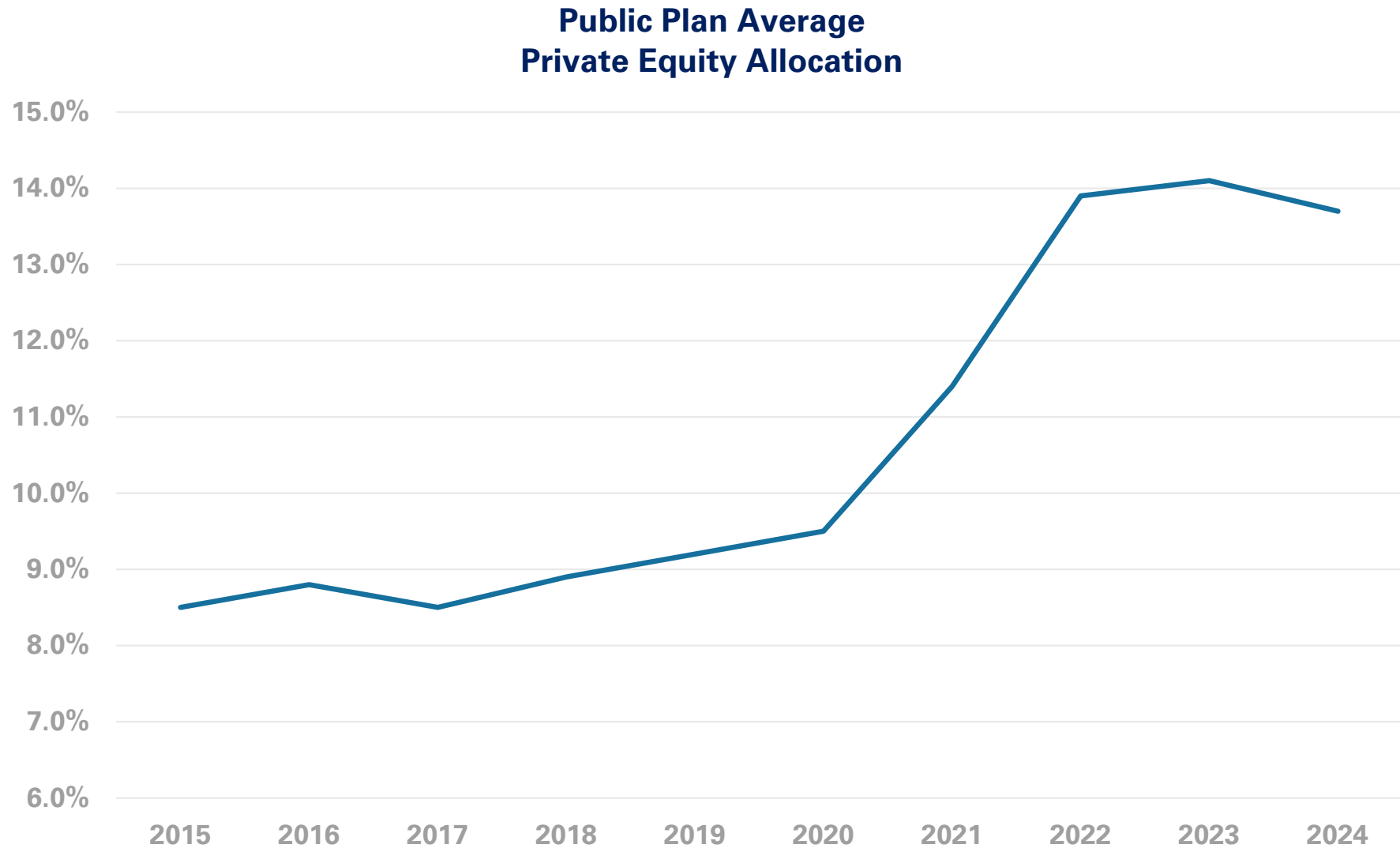
PRIVATE EQUITY HAS GENERATED SIGNIFICANT VALUE



Source: Hamilton Lane Data, Bloomberg (January 2025). Indexed at Q4 2014.

- **For the 10 years ending 12/31/24, Private Equity (Hamilton Lane Private Equity Universe) has generated annualized net-of-fee returns of 5.8% in excess of public equity markets (MSCI ACWI). Using the Cambridge Buyout Index, the spread is 4.5% annually.**

PUBLIC PLAN PRIVATE EQUITY ALLOCATIONS HAVE BEEN STEADILY INCREASING





APPENDIX

PROPRIETARY & CONFIDENTIAL

ASSUMPTIONS AND METHODS

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

- **Deterministic and stochastic return projections are based on NEPC's 3/31/2025 capital market assumptions**
 - Reflects estimated return of 3.91% for the period 7/1/2024—12/31/2024 then NEPC's return expectations thereafter
- **Asset-liability projections follow a roll-forward methodology based on the July 1, 2024 Actuarial Valuation Report**
 - Benefit payment projection provided by GRS
 - Other than those described herein, all assumptions remain unchanged from the valuation
 - No gains or losses are assumed other than those attributed to investment experience
 - Asset-liability output reflects the roll-up of each plan within PERS modeled individually then aggregated
 - Main System, Judges, Public Safety w/ Prior Service, Public Safety w/o Prior Service
 - Main System liability projections reflect closing to new entrants effective 1/1/2025
 - Main System asset projections reflect \$65 million biennial cash infusion beginning in FY 2025
- **Employer contribution based on stated funded policy**
 - Main System:
 - For FY 2025 static contribution rate
 - Beginning FY 2026, employer contribution based on employer normal cost plus 30-year closed level percent of pay amortization
 - Judges and Public Safety plans:
 - Static contribution rate
- **Employee contribution rates assumed to remain level at current rates**

ASSUMPTIONS AND METHODS

TEACHERS' FUND FOR RETIREMENT

- **Deterministic and stochastic return projections are based on NEPC's 3/31/2025 capital market assumptions**
 - Reflects return of 4.12% for the period 7/1/2024—3/31/2025 then NEPC's return expectations thereafter
- **Asset-liability projections follow a roll-forward methodology based on the July 1, 2024 Actuarial Valuation Report**
 - Benefit payment projection provided by GRS
 - Other than those described herein, all assumptions remain unchanged from the valuation
 - No gains or losses are assumed other than those attributed to investment experience
- **Employer contribution based on statutory funding policy**
 - Statutory contribution rate of 12.75% until 100% funded, 7.75% thereafter
 - Actuarially Determined Contribution calculated in order to measure contribution excess/(deficit):
 - Normal cost plus amortization of unfunded liability plus administrative expenses
 - Level percent of payroll 30-year closed amortization of unfunded liability with 19 years remaining as of 7/1/2024 assumed to remain at 10 years once reached and remain open thereafter
- **Employee contribution base on statutory funding policy**
 - Statutory contribution rate of 11.75% until 100% funded, 7.75% thereafter

ASSUMPTIONS AND METHODS

CITY OF BISMARCK POLICE PENSION FUND

- **Deterministic and stochastic return projections are based on NEPC's 3/31/2025 capital market assumptions**
 - Reflects estimated return of 8.68% for the period 1/1/2024—12/31/2024 then NEPC's return expectations thereafter
- **Asset-liability projections follow a roll-forward methodology based on the January 1, 2024 Actuarial Valuation Report**
 - Benefit payment projection provided by VIA
 - Other than those described herein, all assumptions remain unchanged from the valuation
 - No gains or losses are assumed other than those attributed to investment experience
- **Employer contribution based on stated funded policy**
 - Fixed contribution rate: 14.5%
 - Actuarially Determined Contribution:
 - Level percent of payroll 30-year closed amortization of unfunded liability with 15 years remaining as of 1/1/2024
 - Used to estimate contribution sufficiency of fixed contribution
- **Employee contribution rates assumed to remain level at current rates**
 - Fixed contribution rate: 9.4%

ASSUMPTIONS AND METHODS

CITY OF BISMARCK EMPLOYEE PENSION FUND

- **Deterministic and stochastic return projections are based on NEPC's 3/31/2025 capital market assumptions**
 - Reflects estimated return of 7.65% for the period 1/1/2024—12/31/2024 then NEPC's return expectations thereafter
- **Asset-liability projections follow a roll-forward methodology based on the January 1, 2024 Actuarial Valuation Report**
 - Benefit payment projection provided by VIA
 - Other than those described herein, all assumptions remain unchanged from the valuation
 - No gains or losses are assumed other than those attributed to investment experience
- **Employer contribution based on stated funded policy**
 - Fixed contribution rate: 10.4%
 - Actuarially Determined Contribution:
 - Level percent of payroll 30-year closed amortization of unfunded liability with 15 years remaining as of 1/1/2024
 - Used to estimate contribution sufficiency of fixed contribution
- **Employee contribution rates assumed to remain level at current rates**
 - Fixed contribution rate: 5.0%

ASSUMPTIONS AND METHODS

CITY OF GRAND FORKS EMPLOYEE PENSION FUND

- **Deterministic and stochastic return projections are based on NEPC's 3/31/2025 capital market assumptions**
 - Reflects estimated return of 10.9% for the period 1/1/2024—12/31/2024 then NEPC's return expectations thereafter
- **Asset-liability projections follow a roll-forward methodology based on the January 1, 2024 Actuarial Valuation Report**
 - Benefit payment projection provided by Deloitte
 - Active population assumed to fully wind down within the remaining amortization period
 - Other than those described herein, all assumptions remain unchanged from the valuation
 - No gains or losses are assumed other than those attributed to investment experience
- **Employer contribution based on actuarially determined contribution**
 - Employer normal cost share
 - Level dollar 30-year closed amortization of unfunded liability with 10 years remaining as of 1/1/2025
- **Employee contribution rate assumed to remain level as a percent of payroll**

ASSUMPTIONS AND METHODS

CITY OF GRAND FORKS PARKS DISTRICT PENSION FUND

- **Deterministic and stochastic return projections are based on NEPC's 3/31/2025 capital market assumptions**
 - Reflects estimated return of 7.8% for the period 1/1/2024—12/31/2024 then NEPC's return expectations thereafter
- **Asset-liability projections follow a roll-forward methodology based on the January 1, 2024 Actuarial Valuation Report**
 - Benefit payment projection provided by Gallagher
 - Active population assumed to fully wind down within the remaining amortization period
 - Other than those described herein, all assumptions remain unchanged from the valuation
 - No gains or losses are assumed other than those attributed to investment experience
- **Employer contribution based on actuarially determined contribution**
 - Employer normal cost share
 - Level dollar 14-year closed amortization of unfunded liability with 6 years remaining as of 1/1/2025
- **Employee contribution rate assumed to remain level as a percent of payroll**

INFORMATION DISCLAIMER

Past performance is no guarantee of future results.

NEPC, LLC is an investment consulting firm. We provide asset-liability studies for certain clients but we do not provide actuarial services. Any projections of funded ratio or contributions contained in this report should not be used for budgeting purposes. We recommend contacting the plan's actuary to obtain budgeting estimates.

The goal of this report is to provide a basis for substantiating asset allocation recommendations. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

The projection of liabilities in this report uses standard actuarial projection methods and does not rely on actual participant data. Asset and liability information was received from the plan's actuary, and other projection assumptions are stated in the report.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

This report is provided as a management aid for the client's internal use only. This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

MEMORANDUM

TO: State Investment Board
FROM: Eric Chin, Deputy Chief Investment Officer
DATE: November 21, 2025
RE: Updated Job Service Asset Allocation and IPS

Background:

Staff are bringing the updated Job Service asset allocation to the SIB for review and are seeking approval from the SIB.

Staff are also presenting an updated Investment Policy Statement (IPS), which includes the proposed asset allocation changes, and is seeking approval for the IPS as well—assuming the SIB also approves the new asset allocation.

The PERS Board approved the updated asset allocation in May 2025 but has not yet approved the updated IPS.

If the asset allocation and IPS are both approved, staff will then take the updated IPS to the PERS Investment Subcommittee and, if recommended, to the full PERS Board for approval.

Because Job Service is directly managed by SEI rather than RIO, the approval sequence is a little different than usual, but it still fully meets the requirements of North Dakota Century Code 21-10-02.1, which requires both the client board and the SIB to approve the asset allocation and the final IPS.

Board Action Requested:

- A. Approve the updated Job Service asset allocation.
- B. **If** the asset allocation is approved, then approve the updated Job Service IPS

North Dakota State Investment Board
Retirement & Investment

SEI Fiduciary Management

November 14, 2025

Mark Morgan, CFA
Client Portfolio Manager

James Pinto
Advisory Services

Astrid Rau
Client Service Director



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We help make institutions better investors.

A pioneer of OCIO

32 years managing institutional assets
through a variety of market cycles.

322

Global technical and investment
professionals focused on understanding
client needs.

Enhanced access

To a diverse range of investment managers
and vehicles as well as risk and portfolio
management technologies.

Boutique servicing

Enhanced by the scale and resources
of a large firm.

\$541.5 B

Assets under management.

407

OCIO clients with custom investment
solutions built to achieve specific goals.



All data as of September 30, 2025.

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SEI's discretionary investment management model for public plans

Advisory services

- Asset/liability studies
- Investment policy analysis and development
- Capital market assumptions
- Metric reporting
- Co-fiduciary

Investment management

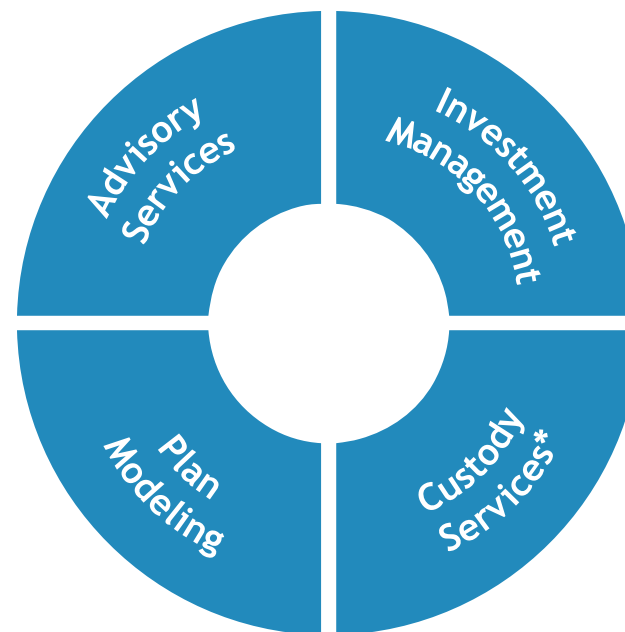
- Diversified portfolios
- New investment strategies
- Manager research and selection
- Manager oversight and replacement
- Dynamic asset management
- Risk management
- Transition management
- Exclusive fiduciary

Custody services

- Daily account access
- Rebalancing

Plan modeling

- Coordination with your actuary
- Customized planning tools



*Optional services. Services provided by SEI Private Trust Company, a limited purpose federal savings association and subsidiary of SEI Investments Company.

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Advice Update



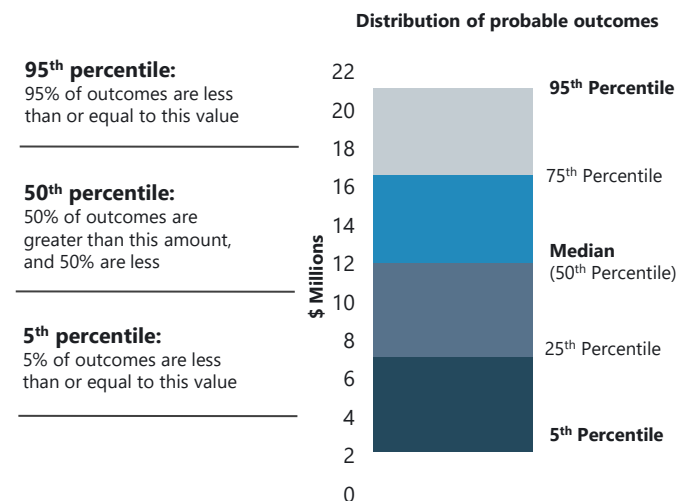
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How we create probability distributions and what they mean

- The probability distribution graphs and/or tables that follow are meant to provide an overview of the range of possible outcomes for a given variable (e.g. returns, expense) for a given asset allocation.
- The probability distributions are generated using SEI's proprietary modeling tool and simulated capital market behavior.
- Capital market behavior is simulated for 1,000 possible scenarios based on expected performance of each asset class and reflecting current economic conditions. Capital market assumptions such as return, standard deviation and covariances are inputs into this process, combining with model parameters to create market scenarios.
- We use these 1,000 capital market scenarios to create 1,000 output scenarios for each variable being considered.
- A 90% confidence interval should be interpreted as 90% of the projected output variables, falling between the 5% and 95% results, based on SEI Capital Market Assumptions.
- This projection is hypothetical in nature, does not reflect actual investment results and is not a guarantee of future results.

About capital market assumptions

- SEI Investments Management Corporation develops forward-looking, long-term capital market assumptions for risk, return and correlations for a variety of global asset classes, currencies, interest rates, and inflation.
- These assumptions are created using a combination of historical analysis, future market environment expectations and by applying our own judgment. In certain cases, alpha and tracking error estimates for a particular asset class are also factored into the assumptions.
- We believe this approach is less biased than using pure historical data, which may be affected by unsustainable trends or permanent material shifts in market conditions.



Retirement Plan of Employees of Job Service North Dakota:

Key characteristics

Plan Overview

- Active members: 1
- Status: Frozen to new entrants
- Demographic profile: Inactively Dominated
- Valuation rate: 3.0%

Liability Overview

- Liability Growth: (4.8%)
- Benefit Payments/Assets: 6.6%

Hurdle Rate: 1.8%

Pension Metrics:

Funded Status

Funded status changes driven by portfolio returns relative to liability returns.

Market Value of Assets:	\$82.8MM
Actuarial Value of Assets	\$84.3MM
AAL:	\$70.3MM

7/1/2024
AAL/MVA surplus/ratio: \$14.0M/119.9%

Actuarial Contribution

Scheduled contribution driven by funded ratio volatility. Contribution will be zero as long as the Plan’s actuarial value of assets exceeds the actuarial present value of projected benefits

Normal Cost: \$0

No Contribution Required



Job Service: Modeled Portfolios

Asset Class	Current	Portfolio A	Portfolio B	Portfolio C
US Low Beta Equities	2.0	2.0	-	-
Global Low Beta Equities	18.0	18.0	13.0	-
U.S. High Yield	3.0	3.0	-	-
Emerging Markets Debt	3.0	3.0	-	-
Total Return Enhancement	26.0	26.0	13.0	-
Diversified Short Term Fixed Income	5.0	-	-	-
Short Term Corporate Fixed Income	15.0	10.0	12.0	14.0
Limited Duration Fixed Income	16.0	16.0	19.0	21.0
Core Fixed Income	38.0	48.0	56.0	65.0
Total Risk Management	74.0	74.0	87.0	100.0
Portfolio Metrics(%) - Net of Fees				
Expected Return (Short Term)	5.3	5.4	5.0	4.4
Expected Return (Equilibrium)	6.4	6.6	6.2	5.7
Standard Deviation	5.7	5.9	5.3	5.2
Poor Scenario (Short Term)	-3.6	-3.8	-3.3	-3.8
Poor Scenario (Equilibrium)	-2.5	-2.7	-2.1	-2.5

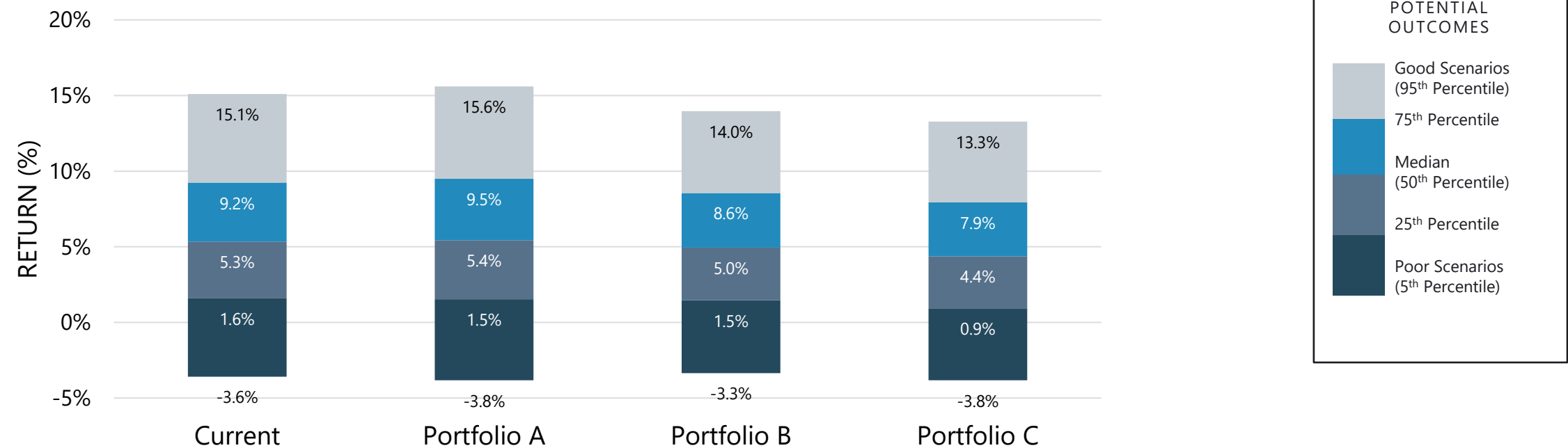
Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.



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Expected Return Distributions

Short-Term

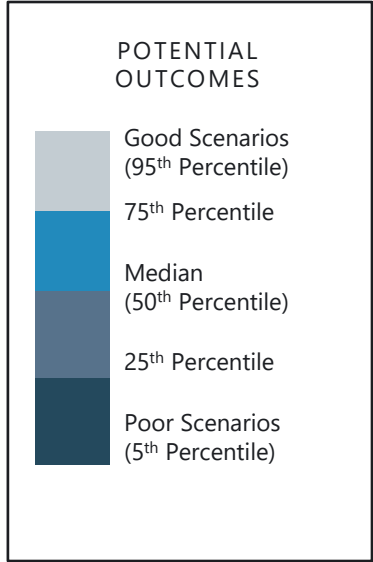
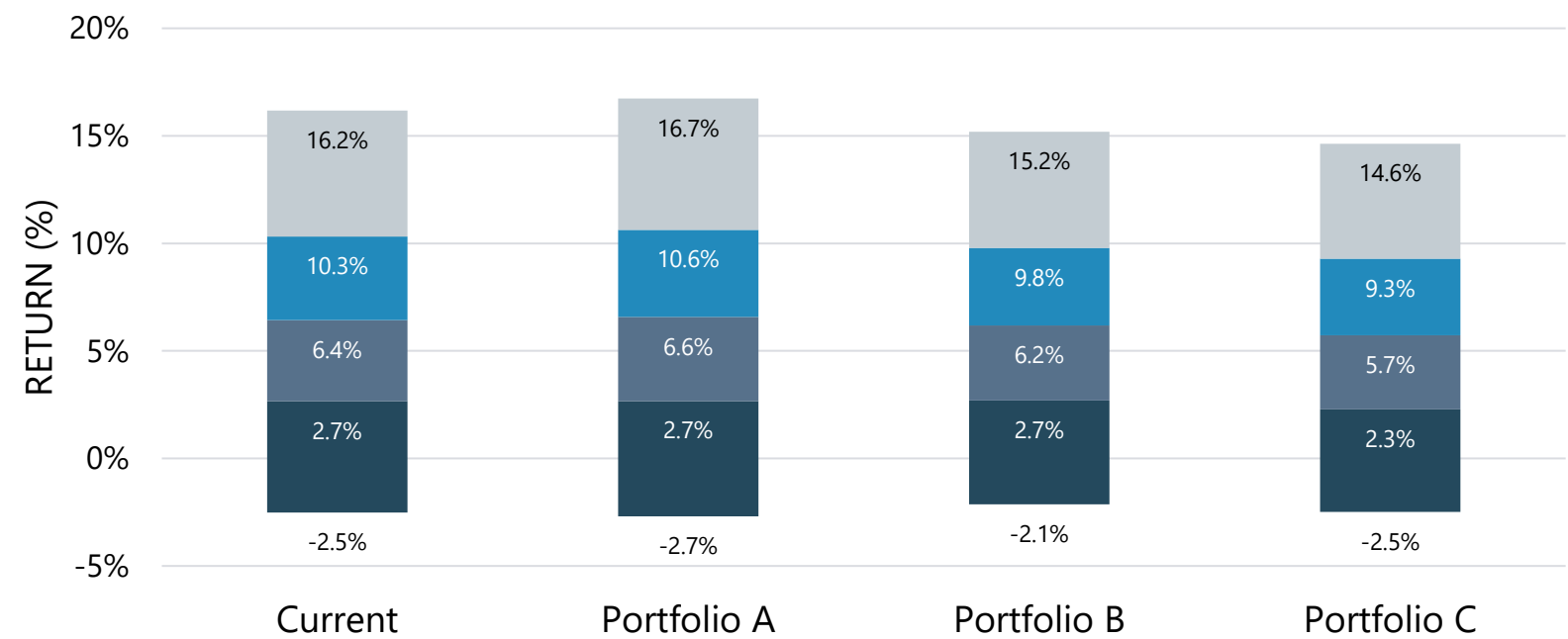


Net of fees.
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Expected Return Distributions Equilibrium

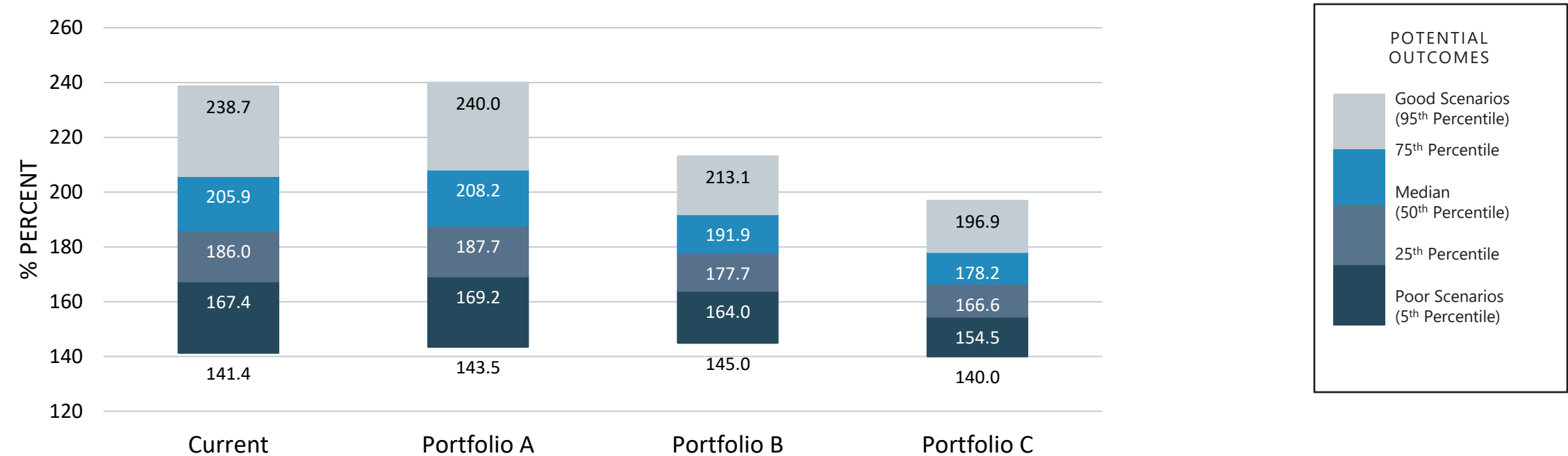


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Funded Ratio Projections – 10 Years

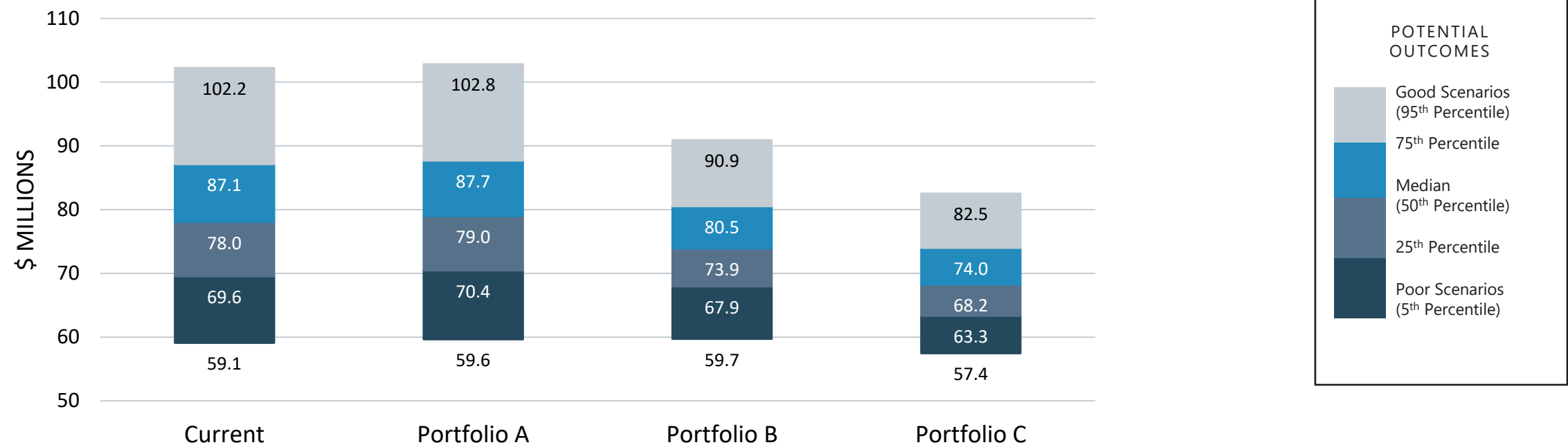


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Market Value Projections – 10 Years



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Portfolio Review



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Important information: asset valuation and portfolio returns

North Dakota St. Inv Bd - Job Service Pension

Inception date 12/31/2015. Historical Total Index can be provided upon request.

The Portfolio Return and fund performance numbers are calculated using Gross Fund Performance, using a true time-weighted performance method (prior to 6/30/2012, the Modified Dietz method of calculation was used). Gross Fund Performance reflects the effective performance of the underlying mutual funds that are selected or recommended by SIMC to implement an institutional client's investment strategy. Gross Fund Performance does not reflect the impact of fund level management fees, fund administration or shareholder servicing fees, all of which, if applicable, are used to offset the account level investment management fees the client pays to SIMC. Gross Fund Performance does reflect certain operational expenses charged by the funds and the reinvestment of dividends and other earnings. The inclusion of the fund level expenses that the client incurs but that are offset against the client's account level investment management fees would reduce the Gross Fund Performance of the mutual funds. For additional information about how performance is calculated, please see your monthly performance report.

Net Portfolio Returns since 6/30/12 reflect the deduction of SIMC's investment management fee and the impact that fee had on the client's portfolio performance. Prior to 6/30/12, Net Portfolio Returns deduct a proxy annual fee for all periods to demonstrate the impact that SIMC's investment management fee had on the portfolio performance. However, this is a hypothetical calculation, as it does not reflect the actual fees paid by the client during the period. Please see your client invoice for actual fees paid.

Total Portfolio Index Composition

The current composition of the "Total Portfolio Index" is as follows. This composition went into effect at the close of business on 2/15/2023.

38.00%	Bloomberg Barclays US Agg Bond Index
18.00%	MSCI World Minimum Volatility Index (Net)
16.00%	ICE BofA ML 1-3 Year Treasury Index
15.00%	Blmbrg Barcl 9-12 Month Short Treas Index
5.00%	ICE BofA 3Mo Deposit Offer Rt Const Mat IX
3.00%	Hist Blnd: Emerging Markets Debt Index
3.00%	Hist Blnd: High Yield Bond Index
2.00%	25% Russell 3000 Val / 75% MSCI US Min Vol



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ND – Job Service Pension

Annualized investment returns : September 30, 2025

	Total Assets (\$)	Actual Alloc (%)	1 Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Inception 12/31/2015
Total Portfolio Return	84,446,860	100.0	0.87	2.21	2.21	6.11	8.39	4.09	-	4.92
<i>Standard Deviation Portfolio</i>							4.73	4.98		
Total Portfolio Index			0.68	1.54	1.54	4.45	6.92	2.76	-	4.09
<i>Standard Deviation Index</i>							4.71	4.92		
Total Equity	16,959,788	20.1	0.85	3.25	3.25	12.40	17.21	12.47	-	9.94
US Equity	1,690,220	2.0	0.43	3.34	3.34	8.61	15.18	11.96	-	9.90
U.S. Managed Volatility Fund	1,690,220	2.0	0.43	3.34	3.34	8.61	15.18	11.96	-	9.90
Global Equity	15,269,568	18.1	0.90	3.24	3.24	12.82	17.43	12.35	-	9.59
Global Managed Volatility Fund	15,269,568	18.1	0.90	3.24	3.24	12.82	17.43	12.35	-	9.59
Total Fixed Income	67,487,071	79.9	0.88	1.95	1.95	4.56	6.26	2.03	-	3.07
Core Fixed Income Fund	32,066,499	37.9	1.14	2.12	2.12	3.16	5.54	-0.17	-	2.51
Bloomberg US Aggregate Bond Index			1.09	2.03	2.03	2.88	4.93	-0.45	-	1.95
Limited Duration Fund	13,502,331	16.0	0.46	1.43	1.43	4.82	5.40	2.40	-	2.55
ICE BofA ML 1-3 Year Treasury Index			0.32	1.12	1.12	3.87	4.35	1.57	-	1.78
Ultra Short Duration Fund	12,661,337	15.0	0.48	1.37	1.37	5.08	5.75	3.19	-	2.77
Blmbrg Barcl 9-12 Month Short Treas Index			0.42	1.20	1.20	4.22	4.72	2.57	-	2.13
Opportunistic Income Fund	4,204,683	5.0	0.64	1.65	1.65	6.68	8.35	5.43	-	4.58
ICE BofA 3Mo Deposit Offer Rt Const Mat IX			0.40	1.15	1.15	4.60	4.92	3.05	-	2.33
High Yield Bond Fund	2,535,025	3.0	0.79	2.82	2.82	8.58	11.30	7.45	-	7.44
Hist Blnd: High Yield Bond Index			0.78	2.40	2.40	7.23	10.98	5.53	-	6.46
Emerging Markets Debt Fund	2,517,197	3.0	2.11	4.94	4.94	10.72	14.57	4.30	-	5.14
Hist Blnd: Emerging Markets Debt Index			1.59	3.78	3.78	7.98	11.81	2.34	-	3.96

Return time periods less than 12 months are cumulative, over 12 months are annualized.



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ND – Job Service Pension

Calendar year investment returns : September 30, 2025

	Total Assets (\$)	Actual Alloc (%)	YTD	Year 2024	Year 2023	Year 2022	Year 2021	Year 2020	Year 2019	Year 2018
Total Portfolio Return	84,446,860	100.0	7.54	6.20	7.51	-6.75	3.98	4.31	9.69	0.88
Total Portfolio Index			6.40	4.76	6.16	-7.51	2.67	4.43	9.34	1.26
Total Equity	16,959,788	20.1	14.13	15.69	8.70	-2.91	19.79	-2.26	21.86	-3.29
US Equity	1,690,220	2.0	10.29	16.17	4.95	-0.26	20.58	-1.71	24.16	-3.46
U.S. Managed Volatility Fund	1,690,220	2.0	10.29	16.17	4.95	-0.26	20.58	-1.71	24.16	-3.46
Global Equity	15,269,568	18.1	14.56	15.62	9.11	-3.20	19.12	-2.51	20.86	-4.23
Global Managed Volatility Fund	15,269,568	18.1	14.56	15.62	9.11	-3.20	19.12	-2.51	20.86	-4.23
Total Fixed Income	67,487,071	79.9	5.94	3.90	7.19	-7.74	0.21	5.59	6.88	0.87
Core Fixed Income Fund	32,066,499	37.9	6.51	1.63	6.61	-14.04	-1.28	9.59	9.69	0.17
Bloomberg US Aggregate Bond Index			6.13	1.25	5.53	-13.01	-1.54	7.51	8.72	0.01
Limited Duration Fund	13,502,331	16.0	4.70	4.94	5.48	-3.42	0.15	4.15	4.00	1.93
ICE BofA ML 1-3 Year Treasury Index			3.93	4.10	4.25	-3.65	-0.55	3.10	3.55	1.58
Ultra Short Duration Fund	12,661,337	15.0	4.00	5.84	6.46	-0.81	0.34	2.14	3.55	1.91
Blmbrg Barcl 9-12 Month Short Treas Index			3.31	5.05	5.02	-0.40	0.00	1.69	2.88	1.91
Opportunistic Income Fund	4,204,683	5.0	4.93	8.59	10.10	-0.94	2.89	2.85	6.05	2.04
ICE BofA 3Mo Deposit Offer Rt Const Mat IX			3.34	5.50	5.10	1.20	0.17	1.08	2.60	2.08
High Yield Bond Fund	2,535,025	3.0	7.21	10.22	14.05	-11.16	10.46	6.28	14.28	-1.75
Hist Blnd: High Yield Bond Index			7.06	8.22	13.46	-11.21	5.35	6.07	14.41	-2.25
Emerging Markets Debt Fund	2,517,197	3.0	15.75	3.54	15.12	-14.21	-4.58	5.03	15.97	-7.74
Hist Blnd: Emerging Markets Debt Index			13.05	2.01	11.94	-14.74	-5.30	4.03	14.29	-5.15

Return time periods less than 12 months are cumulative, over 12 months are annualized.



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Institutional Investment Strategies

North Dakota St Inv Bd - Job Service Pension

For period ending: 09/30/2025

Total Equity

Global Managed Volatility Fund

LSV Asset Management

Acadian Asset Management LLC

U.S. Managed Volatility Fund

Acadian Asset Management LLC

LSV Asset Management

Total Fixed Income

Core Fixed Income Fund

Metropolitan West Asset Management LLC

Allspring Global Investments

MetLife Investment Management, LLC

Jennison Associates LLC

Emerging Markets Debt Fund

Grantham Mayo van Otterloo

Marathon Asset Management, L.P.

Artisan Partners Limited Partnership

Invesco Advisers, Inc.

Colchester Global Investors Limited

High Yield Bond Fund

Brigade Capital Management, LP

Benefit Street Partners LLC

Ares Capital Management II LLC

J.P. Morgan Investment Management Inc.

SEI Investments Management Corporation

Limited Duration Fund

MetLife Investment Management, LLC

Metropolitan West Asset Management LLC

Opportunistic Income Fund

Manulife Investment Management (US) LLC

Ares Capital Management II LLC

Wellington Management Company LLP

Ultra Short Duration Fund

Wellington Management Company LLP

MetLife Investment Management, LLC

Source: APX and SEI Data Warehouse. Manager and fund allocations are subject to change. Note that SEI Investments Company has a minority ownership interest in LSV Asset Management as of the date of this report.



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SEI's representative institutional investment strategies

Domestic equity

Large Cap Equity Strategy

Acadian Asset Management LLC
Copeland Capital Management, LLC
Cullen Capital Management LLC
Fred Alger Management
LSV Asset Management
PineStone Asset Management Inc.

U.S. Small Cap II Equity Strategy

Copeland Capital Management LLC
The Informed Momentum Company
Easterly Investment Partners LLC
Leeward Investments LLC
Los Angeles Capital Management LLC

SEI Extended Markets Index Strategy

SSGA Funds Management, Inc.

U.S. Equity Factor Allocation Strategy

SEI Investments Management Corporation

U.S. Large Cap Disciplined Equity Strategy

Acadian Asset Management LLC
Brandywine Global Investment Management LLC
Copeland Capital Management, LLC
Mackenzie Investments
PineStone Asset Management Inc.

U.S. Small Cap Equity Strategy

Axiom International Investors, LLC
The Informed Momentum Company
Los Angeles Capital Management
LSV Asset Management LP
Martingale Asset Management, LP

Large Cap Index Strategy

SSGA Funds Management, Inc.

S&P 500 Index Strategy

SSGA Funds Management, Inc.

U.S. Small/Mid Cap Equity Strategy

Axiom International Investors
Copeland Capital Management, LLC
Geneva Capital Management, LLC
Jackson Creek Investment Advisors LLC
LSV Asset Management*

Real Estate Strategy

CenterSquare Investment Management

U.S. Managed Volatility Strategy

Acadian Asset Management
LSV Asset Management*

Global equity

World Equity ex-U.S. Strategy

Acadian Asset Management
Brickwood Asset Management
Lazard Asset Management
Macquarie Investment Management
Pzena Investment Management

Global Managed Volatility Strategy

Acadian Asset Management
LSV Asset Management*

Emerging Markets Equity Strategy

Aikya Investment Management
JOHCM (USA) Inc.
Robeco Asset Management

Screened World Equity ex-U.S. Strategy

Acadian Asset Management
Brickwood Asset Management
Lazard Asset Management LLC

World Select Equity Strategy

Brickwood Asset Management
Lazard Asset Management LLC
LSV Asset Management
PineStone Asset Management Inc.
Poplar Forest Capital, LLC
Rhicon Currency Management Pte LTD
Towle & Co



Sub-Adviser Diversification as of July 2, 2025. The strategies above are not an exhaustive list, but represent those that are typically utilized by SEI Institutional clients. Certain strategies are currently available only in registered mutual fund products. References to specific SEI funds are designed to illustrate SEI's manager selection process, which is implemented by SEI Investments Management Corporation (SIMC). The managers may be offered exclusively through mutual funds. References to specific securities do not constitute an offer or recommendation to buy, sell or hold such securities. *As of December 31, 2023, SEI Investments Company has a 38.6% minority ownership interest in LSV Asset Management.

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SEI's representative institutional investment strategies (continued)

Fixed income

Cash Management Strategies

Money Market Funds
Custom Separate Accounts

Opportunistic Income Strategy

Ares Management
Manulife Investment Management
Wellington Management Company

Ultra Short Duration Bond Strategy

MetLife Investment Management, LLC
Wellington Management Company

Short Gov't Bond Strategy

Wellington Management Company

Limited Duration Bond Strategy

MetLife Investment Management, LLC
Metropolitan West Asset Management LLC

High Yield Bond Strategy

Ares Management
Benefit Street Partners
Brigade Capital Management
J.P. Morgan Asset Management
T. Rowe Price Associates

Emerging Markets Debt Strategy

Artisan Partners
Colchester Global Investors
Grantham Mayo van Otterloo
Invesco Advisers, Inc.
Marathon Asset Management, LP

Core Fixed Income Plus Strategy

U.S. Core Fixed Income Strategy
High Yield Strategy
Emerging Debt Strategy

U.S. Core Fixed Income Strategy

Allspring Global Investments
Jennison Associates
MetLife Investment Management, LLC
Metropolitan West Asset Management

Intermediate Duration Credit Strategy

Income Research & Management
Legal & General Inv. Mgmt. America
MetLife Investment Management, LLC

Long Duration Credit Strategy

Income Research & Management
Jennison Associates
Legal & General Inv. Mgmt. America
MetLife Investment Management, LLC
Metropolitan West Asset Management

Long Duration Bond Strategy

Income Research & Management
Jennison Associates
Legal & General Inv. Mgmt. America
Metropolitan West Asset Management

Alternative investments

Alternative Investments

Equity Long/Short Strategies
Event Driven Strategies
Global Macro Strategies
Relative Value Strategies
Venture Capital Strategies
Buyout Strategies
Private Debt Strategies
Private Real Assets Strategies
Private Real Estate Strategies
Structured Credit Strategies
Energy Debt Strategies

Other

Dynamic Asset Allocation Strategy

State Street Global Advisors

Multi-Asset Real Return Strategy

AllianceBernstein L.P.
Columbia Management Investments
Credit Suisse
Franklin Advisers, Inc.



Sub-Adviser Diversification as of July 2, 2025. The strategies above are not an exhaustive list, but represent those that are typically utilized by SEI Institutional clients. Certain strategies are currently available only in registered mutual fund products. References to specific SEI funds are designed to illustrate SEI's manager selection process, which is implemented by SEI Investments Management Corporation (SIMC). The managers may be offered exclusively through mutual funds. References to specific securities do not constitute an offer or recommendation to buy, sell or hold such securities.

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2025 Manager changes

Funds	Manager Addition and Rationale	Manager Termination and Rationale
Global Managed Volatility Fund		<u>Allspring Global Investments (May 2025)</u> Allspring announced its intention to discontinue its Alternative Equity strategies and close its Alternative Equity team. In advance of the closure of Allspring's Alternative Equity team, the SIIT Global Managed Volatility Fund will re-allocate assets previously managed by Allspring to the existing sub-advisors within the Fund.
U.S. Managed Volatility Fund	<u>Acadian Asset Management (May 2025)</u> Acadian believes that, over the long-term, a portfolio that is constructed to manage volatility while exploiting additional mis-pricings in the market, can provide superior risk adjusted returns. Acadian's investment philosophy is centered on the belief that financial assets are often mispriced due to investors incorrectly processing information, having incomplete information, or both. We believe Acadian's investment process and portfolio optimization has been tested across global markets and multiple market cycles. Acadian will take over assets previously managed by Allspring Global Investments (Allspring) as the company decided to discontinue its Alternative Equity strategies, which had been used in the SIIT U.S. Managed Volatility Fund.	<u>Allspring Global Investments (May 2025)</u> Allspring announced its intention to discontinue its Alternative Equity strategies and close its Alternative Equity team. The SIIT U.S. Managed Volatility Fund re-allocated the assets previously managed by Allspring to Acadian Asset Management LLC.



Global Markets Review & Outlook

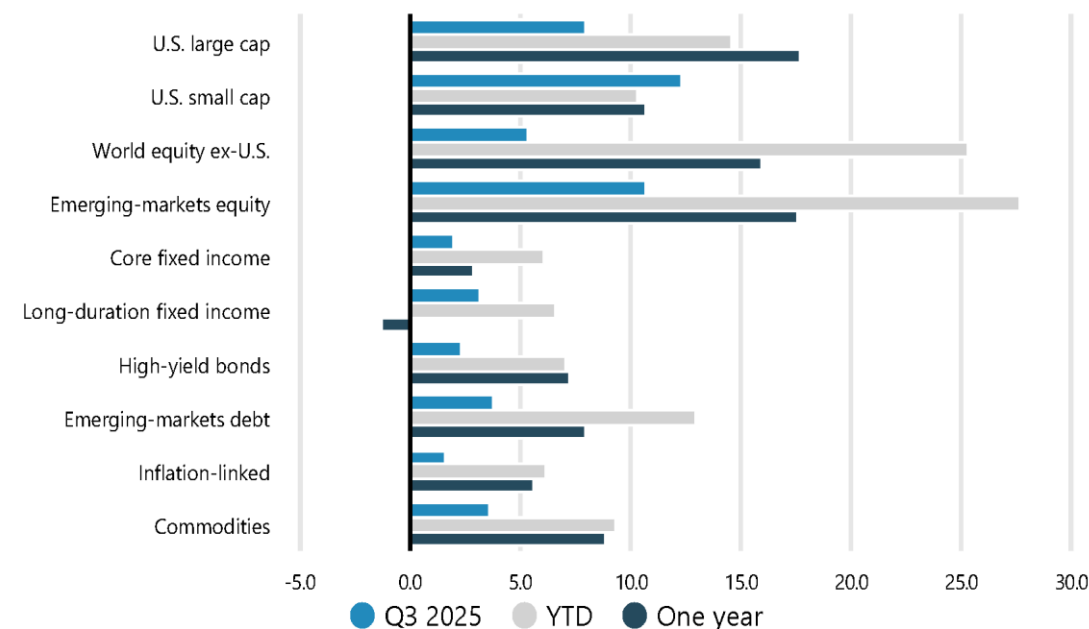


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Market performance overview

- After a plodding start in July and despite signs of softening labor markets in many regions, nearly all markets were up in the last two months of the quarter on hopes of additional central bank rate cuts and looser fiscal policies.
- Smaller companies and emerging markets assumed leadership within equity markets, although artificial intelligence remained a dominant theme, especially within US large caps.
- Bond markets were volatile to start the quarter but still managed to perform well overall, especially in September as yields fell (bond yields and prices tend to move inversely) on labor market concerns and expectations of further central bank easing.
- Credit markets turned in another strong quarter as expanding investor risk appetite pushed spreads down to historically low levels in many sectors.
- Commodities rebounded from a negative second quarter. Energy-related goods led at the start of the quarter before giving way to precious metals and certain industrial metals, as well as coffee and livestock.

Financial markets review



Commodities = Bloomberg Commodity Index (USD), Inflation-Linked = Bloomberg 1-5 Year US TIPS Index (USD), Emerging Markets Debt = 50/50 JPM EMBI Global Div & JPM GBI EM Global Div, High Yield Bonds = ICE BofA US High Yield Constrained Index (USD), Long Duration Fixed Income = Bloomberg Long US Government/Credit Index (USD), Core Fixed Income = Bloomberg US Aggregate Bond Index (USD), Emerging Markets Equity = MSCI EFM (Emerging+Frontier Markets) Index (Net) (USD), World Equity x US = MSCI World ex-USA Index (Net) (USD), U.S. Small Cap = Russell 2000 Index (USD), U.S. Large Cap = Russell 1000 Index (USD). Sources: SEI, index providers. Past performance is no guarantee of future results. As of 9/30/2025.

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Current market environment

Point of View

Summary

- Not surprisingly, diversification within equity markets remains our key call for the remainder of 2025. Diversification by geography, by our preferred factors, by sector, by single names, and by theme will help investors reduce their exposure to what we see as heightened market fragility. Active management also appears attractive here, particularly in U.S. large caps given the acute market concentration.
- Credit has reflected the elevated valuations in equity markets, as evidenced by low spread level. We remain interested in attractive risk-adjusted yields which can be found in securitized sectors, particularly collateralized loan obligations (CLOs). While yield curves have moved dramatically, we believe conditions remain in place for a further widening between short- and long-term yields. Overall interest-rate sensitivity is broadly neutral and focused on the belly (intermediate section) of the curve.
- Regarding the U.S. government shutdown to start the fourth quarter, the market impact will clearly be dependent on the length of this latest budget fight while the more immediate effects will include the suspension of government statistics releases, including the monthly employment report. The lack of data combined with the potential for a large number of furloughed federal workers could solidify two more rate cuts in 2025. While predicting politics is at times harder than predicting the market, our expectations are that this will be resolved in a reasonable amount of time with a relatively modest market and economic impact.

Macro/Cross-asset

- Inflation risks remain biased to the upside. Service prices are showing surprising strength, and tariffs are still making their way through the system.
- U.S. growth data points are surprising to the upside. While employment has been severely downgraded, there is still no global recession forecasted.

Equity

- Diversity in equity markets remains a focus, particularly among geographies and market capitalizations.
- Strategic exposures to value, quality, and momentum remain intact, with an emphasis on value.
- Active management should benefit/help investors avoid historically high concentration risk in the U.S.

Fixed Income

- We remain positioned for a continued steepening in the U.S. and European yield curves.
- Duration positioning remains broadly neutral.
- We remain defensively positioned in credit, favoring securitized versus corporate debt, and CLOs look particularly attractive on a risk-adjusted yield basis.



Source: SEI, Data as of 9/30/25.

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Capital Market Assumptions



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SEI Capital Market Assumptions - Short Term - June 2024

	Compound Return	Risk	Arithmetic Return
Core Fixed Income	5.20%	6.62%	5.42%
U.S. High Yield	7.03%	12.75%	7.84%
Emerging Markets Debt	7.56%	15.52%	8.77%
US Small Cap Equity	8.71%	23.44%	11.46%
Short Term Corporate Fixed Income	3.85%	4.07%	3.93%
Diversified Short Term Fixed Income	5.14%	5.72%	5.30%
US Low Beta Equities	7.99%	15.20%	9.15%
Global Low Beta Equities	8.45%	14.05%	9.44%
S&P 500 Index	6.81%	19.00%	8.61%
Limited Duration Fixed Income	4.07%	2.62%	4.10%

Inflation: 2.30%

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SEI Capital Market Assumptions - Short Term - June 2024

Correlations	Core Fixed Income	U.S. High Yield	Emerging Markets Debt	US Small Cap Equity	Short Term Corporate Fixed Income	Diversified Short Term Fixed Income	US Low Beta Equities	Global Low Beta Equities	S&P 500 Index	Limited Duration Fixed Income
Core Fixed Income	1.00									
U.S. High Yield	0.45	1.00								
Emerging Markets Debt	0.45	0.75	1.00							
US Small Cap Equity	0.15	0.65	0.60	1.00						
Short Term Corporate Fixed Income	0.65	0.60	0.40	0.25	1.00					
Diversified Short Term Fixed Income	0.35	0.80	0.50	0.45	0.89	1.00				
US Low Beta Equities	0.25	0.65	0.65	0.90	0.25	0.45	1.00			
Global Low Beta Equities	0.24	0.61	0.61	0.86	0.22	0.43	0.95	1.00		
S&P 500 Index	0.25	0.65	0.65	0.90	0.25	0.45	1.00	0.95	1.00	
Limited Duration Fixed Income	0.92	0.55	0.45	0.10	0.65	0.45	0.30	0.28	0.30	1.00

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SEI Capital Market Assumptions - Equilibrium - June 2024

	Compound Return	Risk	Arithmetic Return
Core Fixed Income	6.54%	6.62%	6.76%
U.S. High Yield	7.82%	12.75%	8.63%
Emerging Markets Debt	8.75%	15.52%	9.95%
US Small Cap Equity	10.15%	23.44%	12.90%
Short Term Corporate Fixed Income	4.90%	4.07%	4.98%
Diversified Short Term Fixed Income	5.52%	5.72%	5.68%
US Low Beta Equities	8.50%	15.20%	9.66%
Global Low Beta Equities	8.83%	14.05%	9.82%
S&P 500 Index	8.00%	19.00%	9.81%
Limited Duration Fixed Income	5.65%	2.62%	5.68%

Inflation: 2.50%

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SEI Capital Market Assumptions - Equilibrium - June 2024

Correlations	Core Fixed Income	U.S. High Yield	Emerging Markets Debt	US Small Cap Equity	Short Term Corporate Fixed Income	Diversified Short Term Fixed Income	US Low Beta Equities	Global Low Beta Equities	S&P 500 Index	Limited Duration Fixed Income
Core Fixed Income	1.00									
U.S. High Yield	0.45	1.00								
Emerging Markets Debt	0.45	0.75	1.00							
US Small Cap Equity	0.15	0.65	0.60	1.00						
Short Term Corporate Fixed Income	0.65	0.60	0.40	0.25	1.00					
Diversified Short Term Fixed Income	0.35	0.80	0.50	0.45	0.89	1.00				
US Low Beta Equities	0.25	0.65	0.65	0.90	0.25	0.45	1.00			
Global Low Beta Equities	0.24	0.61	0.61	0.86	0.22	0.43	0.95	1.00		
S&P 500 Index	0.25	0.65	0.65	0.90	0.25	0.45	1.00	0.95	1.00	
Limited Duration Fixed Income	0.92	0.55	0.45	0.10	0.65	0.45	0.30	0.28	0.30	1.00

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Annual performance is calculated based on monthly return streams, geometrically linked as of the end of the specified month end.

Performance results do not reflect the effect of certain account level advisory fees. The inclusion of such fees would reduce account level performance, particularly when compounded over a period of years. The following hypothetical illustration shows the compound effect fees have on investment return: For an account charged 1% with a stated annual return of 10%, the net total return before taxes would be reduced from 10% to 9%. A ten year investment of \$100,000 at 10% would grow to \$259,374, and at 9%, to \$236,736 before taxes. For a complete description of all fees and expenses, please refer to SIMC’s Form ADV Part 2A, the investment management agreement between SIMC and each client, and quarterly client invoices.

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SIMC develops forward-looking, long-term capital market assumptions for risk, return, and correlations for a variety of global asset classes, interest rates, and inflation. These assumptions are created using a combination of historical analysis, current market environment assessment and by applying our own judgment. In certain cases, alpha and tracking error estimates for a particular asset class are also factored into the assumptions. We believe this approach is less biased than using pure historical data, which is often biased by a particular time period or event.

The asset class assumptions are aggregated into a diversified portfolio, so that each portfolio can then be simulated through time using a monte-carlo simulation approach. This approach enables us to develop scenarios across a wide variety of market environments so that we can educate our clients with regard to the potential impact of market variability over time. Ultimately, the value of these assumptions is not in their accuracy as point estimates, but in their ability to capture relevant relationships and changes in those relationships as a function of economic and market influences.

The projections or other scenarios in this presentation are purely hypothetical and do not represent all possible outcomes. They do not reflect actual investment results and are not guarantees of future results. All opinions and estimates provided herein, including forecast of returns, reflect our judgment on the date of this report and are subject to change without notice. These opinions and analyses involve a number of assumptions which may not prove valid. The performance numbers are not necessarily indicative of the results you would obtain as a client of SIMC.

We believe our approach enables our clients to make more informed decisions related to the selection of their investment strategies.

For more information on how SIMC develops capital market assumptions, please refer to the SEI paper entitled "Executive Summary: Developing Capital Market Assumptions for Asset Allocation Modeling." For more information on how SIMC develops capital market assumptions or the actual assumptions utilized, please contact your SEI representative.



Thank you.



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RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 3.0%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

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

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

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

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

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

Such procedures must provide for:

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

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

4. INVESTMENT GOALS

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price index (CPI), by **2.0** or more percentage points per year (based on current actuarial assumptions of **3.0% return and 3.0% inflation**), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

5. INVESTMENT PERFORMANCE OBJECTIVE

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives, and Policies.

- a) The annual standard deviation of total returns for the Fund should not materially exceed **5.3%**.
- b) Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study and the standard deviation of returns should not materially exceed **5.3%**
- c) The standard deviation of portfolio returns compared to the policy benchmark or tracking error should not materially exceed **1.0%**.

6. ASSET ALLOCATION

The NDPERS Board as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by SEI Consultants in 2025. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.

In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following asset allocation options were deemed appropriate for the Fund:

Global Low Beta Equities - 13%
 Core Fixed Income - 56%
 Limited Duration Fixed Income - 19%
 Short Term Corporate Fixed Income - 12%

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

7. RESTRICTIONS

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

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

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

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

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

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

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

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

8. INTERNAL CONTROLS

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

9. EVALUATION

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

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

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

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

10. WITHDRAWALS

The Client may redeem capital with three (3) business days' (T+3) notice. Staff will make reasonable efforts to accommodate withdrawal requests on a shorter timeline when feasible; however, settlement is normally on a T+3 basis.

Rebecca Fricke
Plan Administrator and Trustee
Retirement Plan for Employees of
Job Service North Dakota

Scott Anderson
Chief Investment Officer
North Dakota Retirement and Investment Office

Date:_____

Date:_____

Approved by the PERS Board:

Approved by the SIB:

MEMORANDUM

TO: SIB
FROM: Jodi Smith, Executive Director
DATE: November 21, 2025
RE: Performance and Benchmarking Procurement

Background

In August 2023, the Investment Committee discussed the need to modernize RIO's benchmarking and performance evaluation framework to align with legislative changes supporting an unclassified workforce and incentive compensation plan. These statutory updates required objective, independent benchmarks and industry-based performance hurdle rates to ensure compensation metrics are tied to transparent and defensible market standards.

RIO Staff developed and issued a Request for Proposal (RFP) for an Independent Benchmark and Hurdle Rate Consultant through State Procurement. The intent was to identify a qualified partner who could:

- Propose appropriate performance benchmarks for each investment mandate, and
- Define "best" and "median" industry performance standards for use in incentive compensation and performance attribution.

Despite clear need and alignment with best practices, no vendors responded to the RFP. Consequently, staff utilized the internal investment procurement process to identify two qualified firms active in this specialized area through NDCC 54-44.4-02(j) which allows for a noncompetitive procurement process. Following this process, the benchmarking consultant contract was awarded to Verus in September 2023. This decision established Verus as the independent benchmarking advisor responsible for setting and maintaining policy benchmarks for each investment mandate.

During the January 2024 Investment Committee meeting, members discussed the importance of establishing an independent performance consultant to ensure accurate, objective, and transparent measurement of fund and manager-level performance. The goal was to strengthen RIO's ability to evaluate value-added results, risk-adjusted returns, and compliance with benchmarks as the agency continued to expand internal investment management activities.

In March 2024, the Investment Committee approved an RFP for an Independent Performance Measurement Consultant. The RFP sought a provider with expertise in:

- Independent validation of total funds and mandate-level performance;
- Integration with Verus's benchmark data; and

- Transparent performance attribution and reporting to support incentive compensation and Board oversight.

After a competitive process, the State Investment Board approved the selection of a new performance consultant in May 2024. The contract was awarded to Verus in June 2024, completing a key step in RIO's modernization of its performance governance and reporting framework.

RIO currently engages:

- Verus – Benchmarking Consultant (awarded September 2023)
- Verus - Performance Consultant (awarded June 2024)

While these roles are distinct, they are interdependent. As RIO's internal management program expands, the question has arisen: Should these functions remain separate to preserve independence, or be combined to improve efficiency and consistency?

Consideration	Separate Consultants	Combined Consultant
Independence / Checks & Balances	Strong segregation of duties; performance is independently verified.	Reduced independence; potential or perceived conflict of interest.
Data Consistency	Possible timing gaps or reconciliation issues.	Fully integrated data and consistent application of benchmarks and performance attribution.
Operational Efficiency	Requires coordination between firms and additional staff time.	Streamlined reporting and reduced administrative burden.
Transparency & Accountability	Dual perspectives support cross-validation and an audit trail for oversight.	Single source of truth with clearer accountability.
Cost and Administration	Increased administrative effort and vendor management.	Potential cost savings and simplified contract management.
Governance & Oversight	Stronger fiduciary checks; easier to demonstrate independence.	Requires internal controls to ensure objectivity.

Best Practice Insight

Across the public fund and endowment community, both models are used:

- Separate models are favored by larger systems emphasizing independence and auditability.
- Combined models are increasingly adopted by systems emphasizing efficiency, technology integration, and clear ownership of results.

Recommendation for RIO

Given RIO's evolving internal investment structure, expanded in-house management, and goals for governance alignment and operational efficiency, staff recommend re-procuring a single, integrated consultant for benchmarking and performance measurement. This recommendation is based on both operational realities and a reassessment of perceived independence risks.

While concerns about independence are valid in theory, they may be overstated in practice. Unless the benchmarks are constructed entirely by the consultant (which is unlikely), there is limited

opportunity for manipulation. Benchmarks are typically derived from third-party data sources and codified in policy, leaving little room for subjective influence. Moreover, consultants are not incentivized to alter results, as compensation is fixed by contract and not tied to performance outcomes.

A more pressing concern is the operational complexity introduced by maintaining two separate consultants. This includes:

- Increased data validation and reconciliation efforts;
- Greater communication overhead and potential time lags;
- Additional internal coordination and oversight requirements;
- Higher administrative burden and vendor management costs.

In contrast, a combined consultant model offers potential benefits such as:

- Streamlined reporting and reduced handoffs;
- Improved data consistency and integration;
- Potential cost savings through consolidated fees and simplified contract management.

To ensure that efficiency gains do not come at the expense of fiduciary rigor, staff recommend that the RFP for a combined consultant include:

- Clear independence safeguards and validation procedures;
- Defined roles and deliverables that separate benchmark creation from performance verification;
- Annual third-party audit or validation of performance results.

This balanced approach supports RIO's modernization goals while maintaining the transparency, accountability, and governance standards expected by the Board and Investment Committee.

Committee Recommendation: That State Investment Board approve authorizing the Retirement and Investment Office to initiate a procurement process for a combined Performance and Benchmark Consultant.”

MEMORANDUM

TO: SIB
FROM: Jodi Smith, Executive Director
DATE: November 21, 2025
RE: Executive Review and Compensation Committee

The ERCC met on Wednesday, November 5, 2025. The committee members present included Dr. Rob Lech (Chair), Gerald Buck (Vice Chair), and Senator Jerry Klein.

The Executive Review and Compensation Committee (ERCC) met to review and approve the Fiscal Year 2025 (FY 2025) incentive compensation recommendations and discuss future policy considerations under the Retirement and Investment Office (RIO) Incentive Compensation Program.

This program was authorized under NDCC § 54-52.5 and formally adopted by the State Investment Board (SIB) on May 17, 2024, with an effective date of July 1, 2024.

Discussion Summary

The committee reviewed the recommended distribution of incentive compensation for the fiscal year ending June 30, 2025.

The recommended total payout was \$1,258,488, representing just under 0.6% of the \$191 million in excess returns generated through staff efforts during the fiscal year.

The committee noted that, given the scale of value added, this represents a modest and reasonable payout consistent with the program's intent to reward measurable performance outcomes while maintaining fiscal discipline.

In addition, the committee considered a special waiver recommendation for a retiring employee who announced his retirement in March 2025 for health reasons but remained through October 10, 2025, to ensure a smooth and successful transition of the Chief Risk Officer role.

Committee Actions

The ERCC carried the following motions:

Motion 1:

To recommend to the State Investment Board approval of a total incentive compensation payment of \$1,258,488 for Fiscal Year 2025.

Motion 2:

To recommend to the State Investment Board approval of a special waiver for the employee who delayed retirement to support the leadership transition of the Chief Risk Officer role.

Board Action Requested: Information Only

MEMORANDUM

TO: SIB
FROM: Jodi Smith, Executive Director
DATE: November 21, 2025
RE: Incentive Compensation Payment Recommendation

The Incentive Compensation Program was authorized by [NDCC § 54-52.5](#) and formally adopted by the State Investment Board (SIB) on May 17, 2024, with an effective date of July 1, 2024.

Performance results for the fiscal year ending June 30, 2025, demonstrate substantial outperformance relative to policy benchmarks for the key funds relevant to the Incentive Compensation Metric (ICM) earning **\$191 million in excess returns**.

The quantitative component (80% weighting) is based on the weighted average net investment performance of the Legacy Fund, Public Employees Retirement System (PERS), Teachers' Fund for Retirement (TFFR), and Workforce Safety & Insurance (WSI) portfolios relative to their SIB-approved policy benchmarks. At the October 24, 2025, SIB meeting, the Board approved the use of a corridor benchmark framework for determining performance.

Fund	Total Fund Fiscal YTD Net Return (1 Year)	Corridor Index Fiscal YTD Return (1 Year)	Excess Performance (Net of Fees)
Legacy Fund	12.70%	12.07%	+0.63% (63 bps)
PERS	12.00%	10.94%	+1.06% (106 bps)
TFFR	11.42%	10.26%	+1.16% (116 bps)
WSI	8.71%	7.79%	+0.92% (92 bps)
		Weighted Excess Return	+0.83% (83 bps)

Exceeding the Incentive Compensation Metric (ICM) Threshold: The policy achieves 100% payout when net performance equals or exceeds the benchmark by the full ICM. Given that the full ICM targets a high level of performance (intended to reflect top quartile performance and referenced policy mechanics use 50 bps to achieve 100%), the actual outperformance of 63 bps to 116 bps for the core funds managed by RIO surpasses this maximum threshold.

Because all four funds exceeded their risk-adjusted benchmark performance, the statutory requirement for payout based on risk-based outperformance is met.

Individual Goals Component (20% Weight): The Individual Goals component is established by the Participant's manager as part of the annual performance evaluation process. The final performance evaluation for each Participant is subject to approval by the Executive Director.

In addition to the achievement of individual objectives, Participants will be evaluated on demonstrated leadership, behavioral, and organizational competencies. Factors considered in this evaluation may include, but are not limited to:

- Training, mentoring, and development of staff.
- Contributions to organizational strategic planning.
- Active participation in projects or initiatives aimed at enhancing business, analytical, or technology processes and tools.

The Executive Director determines the amounts awarded under the Individual Goals Component, in consultation with the respective managers.

During the October 15, 2025, Executive Review and Compensation Committee meeting, concerns were raised regarding the ambiguity of the 20% Individual Goals Component, which is labeled as “discretionary.” In response, the Executive Director developed a methodology to determine this qualitative portion. For fiscal year 2025, it was calculated based on employee annual performance reviews, years of service, culture and teamwork, and applicable investment performance. Staff were assigned between 60% and 85% of the 20% qualitative component based on this evaluation.

Annual Employee Performance Rating	5 points for Achieves or Excels
Years of Service	Up to 5 points
Culture and Teamwork	Up to 5 points
Individual Team Performance	Up to 5 points

Based on the above matrix, the following team members are eligible for the following:

Title	Compensation Base (\$)	Max Incentive	Quantitative	Qualitative	Year Start Date	% of Year	Incentive Bonus (\$)
CIO	312,000	100%	100%	70%	7/1/2024	100%	293,280
Dep.CIO	197,600	90%	100%	80%	7/1/2024	100%	170,726
Sr Analyst	123,810	50%	100%	70%	12/16/2024	54%	31,407
Analyst	119,048	50%	100%	70%	1/21/2025	44%	24,680
Sr Analyst	136,694	50%	100%	70%	7/1/2024	100%	64,246
Portfolio Manager	205,000	75%	100%	65%	9/3/2024	82%	117,916
Operations Analyst	85,831	25%	100%	85%	7/1/2024	100%	20,814
Portfolio Manager	182,000	75%	100%	75%	7/1/2024	100%	129,675
Manager	182,000	75%	100%	85%	7/1/2024	100%	132,405
CRO	182,000	75%	100%	70%	7/1/2024	100%	128,310
Analyst	75,000	50%	100%	60%	2/3/2025	41%	13,989
Portfolio Manager	182,000	75%	100%	80%	7/1/2024	100%	131,040
							<u>1,258,488</u>

For context, this payout represents just under **0.66% of the \$191 million in excess returns** earned through staff efforts during Fiscal Year 2025. Given the level of excess returns this is a modest and reasonable payout.

Generally, a Participant must be employed by RIO on the date the incentive compensation is paid to be eligible to receive the payment.

In the event of a disability or death occurring during the fiscal year, any Board-approved incentive compensation amount may be paid to the Participant (or, in the case of a death, to the Participant's beneficiary). The amount shall be determined by the Executive Director, subject to SIB approval, and based on:

- The portion of the fiscal year worked.
- The Participant's termination date (the qualifications outlined below, if the individual is not employed as of the payment date).

Such payments will be made at the same time as other incentive compensation awards. No incentive compensation will be awarded if the Participant was employed for less than three consecutive months during the fiscal year in which the disability or death occurred.

If a Participant's employment terminates prior to the payment date of an award, the full amount of the incentive compensation award will be paid to the Participant (or, in the case of death, to the beneficiary) only if one of the following conditions applies:

- The termination is due to the Participant's disability.
- The termination is due to the Participant's death.

If the Participant's termination occurs for any reason other than disability or death and the last day of active employment precedes the payment date, no incentive compensation award will be payable to the Participant.

Special Waiver Request

The Incentive Compensation Program requires employees to be actively employed as of the date of payment. One team member remained with RIO for an additional seven months beyond their planned retirement to assist with the transition and onboarding of their successor. This individual retired in October 2025.

A special waiver is requested to authorize payment of the incentive compensation this individual would have earned had the award been paid within the first four months following fiscal year-end, consistent with the terms and intent of the plan.

Board Action:

Motion 1:

The State Investment Board approval of a total incentive compensation payment of \$1,258,488 for Fiscal Year 2025.

Motion 2:

The State Investment Board approval of a special waiver for the employee who delayed retirement to support the leadership transition of the Chief Risk Officer role.

MEMORANDUM

TO: State Investment Board
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: November 18, 2025
RE: Audit Committee Update

This SIB Audit Committee met on Tuesday, November 18, 2025. The committee reviewed and approved of the first quarter audit activities and gave an update on current audit activities. The following reports were reviewed and approved by the committee.

Financial Statement Audit

The June 30, 2025 audit of the North Dakota Retirement and Investment Office resulted in an unmodified (clean) opinion, with auditors concluding that the financial statements fairly presented, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles. Total fiduciary net position increased 14.7% to \$25.65 billion, driven largely by strong investment performance and continued deposits into the Legacy Fund. Net investment income rose to \$2.64 billion, and contributions to the TFFR pension trust also increased modestly. The Legacy Fund remained the most significant driver of overall growth, with transfers and market performance accounting for most of the asset increases. TFFR's funding level continued to improve, with the actuarial funded ratio rising to 73.43%, supported by investment gains and steady contribution inflows.

Auditors reported no material weaknesses, no significant deficiencies, no disagreements with management, and no compliance issues. No new accounting policies were adopted, disclosures were described as neutral and clear, and auditors noted smooth cooperation with management throughout the engagement. Overall, RIO's financial reporting, controls, and governance oversight were assessed as stable and appropriate, with no concerns raised requiring board action.

External Investment Oversight Audit

Weaver completed its internal audit of ND RIO's external investment oversight program, evaluating governance structures, policies and procedures, investment committee reporting, manager selection, due diligence, and monitoring practices for the period January 1, 2024, through March 31, 2025. Overall, the audit concluded that RIO's controls are generally designed and operating effectively, with strong practices identified in areas such as governance committee structures, benchmark reviews, performance, reporting, Investment Committee reporting, and the quality of materials supporting external manager recommendations.

The audit identified two moderate risk findings requiring strengthened controls. First, key governance documents, particularly Investment Policy Statements (IPS), committee charters, and elements of the SIB Program Manual, lack a formal and timely review cycle, with some IPS documents missing or last updated 5–8 years ago. Second, the external manager's lifecycle (selection, due diligence, monitoring,

and termination) requires more detailed procedures, consistent documentation, and a standardized checklist and scorecard structure to ensure completeness and transparency. Management agreed with all recommendations and has established implementation plans extending through mid-2026, including developing formal review schedules, enhancing procedure documents, implementing standardized checklists, updating the SIB Program Manual, and improving documentation and oversight processes within the Investments team.

Fiscal Advisory (co-source Weaver)

Internal Audit continues to oversee the multi-phase Investment Advisory Project aimed at strengthening investment performance reporting, improving operational efficiency, and reinforcing governance and control structures, with current workstreams focusing on the transition to Northern Trust's Allocation Engine, automation of General Ledger posting, refinement of liquidity and internal rebalance practices, validation of disclosures, and enhancements to month-end close and performance reconciliation processes. Internal Audit's recommendations emphasize reinforcing reconciliation protocols during the Allocation Engine transition, prioritizing workflow mapping for GL automation, standardizing liquidity procedures, conducting comprehensive disclosure reviews, strengthening reconciliation controls, and formalizing governance roles and exception pathways. These efforts will continue into early 2026.

TFFR File Maintenance Audit

Internal Audit completed its review of TFFR file maintenance activities for September 2023, assessing whether demographic updates, deaths, refunds, purchases, and retirement transactions were appropriate, authorized, and accurately recorded in CPAS. Controls over user access and segregation of duties were found to be operating effectively, with transaction activity aligned to staff roles and supported by documentation. Testing confirmed that file maintenance processes generally function as intended, and identified issues, such as a misfiled death certificate, an incorrect social security number entry, and several minor documentation gaps that were isolated, immaterial, and promptly corrected by Retirement Services.

Internal Audit issued two recommendations focused on strengthening documentation consistency and enhancing clarity in the updated NeoSpin environment. These include conducting a targeted review of 25 deaths from FY23–24 to ensure certificates are properly retained and developing concise written procedures to supplement NeoSpin process flowcharts for retirements, purchases, and refunds. Overall, the internal control environment for TFFR file maintenance is operating effectively, with limited opportunities for procedural refinement and ongoing data validation.

Internal Audit 2025-2026 Workplan

The 2025–2026 Internal Audit Workplan is built on a risk-based approach that aligns audit coverage with the organization's most significant risks. Key engagements include high level review of Executive Director compliance with Executive Limitation policies; a co-sourced audit of investment and performance fee oversight; evaluations of public equity and derivative investment processes; and advisory support for investment accounting and operations enhancements. Internal Audit will also support the SIB Governance Model Assessment and ensure internal control considerations are incorporated into the Bold & Balanced general ledger replacement project. Internal Audit will conduct targeted audits of NeoSpin user access and post-implementation transaction accuracy.

The workplan also incorporates recurring responsibilities such as semi-annual risk assessments, annual audit planning, external auditor assistance, board and committee reporting, and administrative activities necessary for an effective function. Internal Audit will continue cross-training, records management improvements, and professional development. Throughout the fiscal year, Internal Audit

will monitor emerging risks and resource needs, adjusting the workplan as appropriate in coordination with the Audit Committee to ensure responsive and risk-aligned audit coverage.

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

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Audit/Board/Materials/sibauditmat20251118.pdf>

Board Action Requested: Board acceptance of the Financial Statement Audit Report.



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.

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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

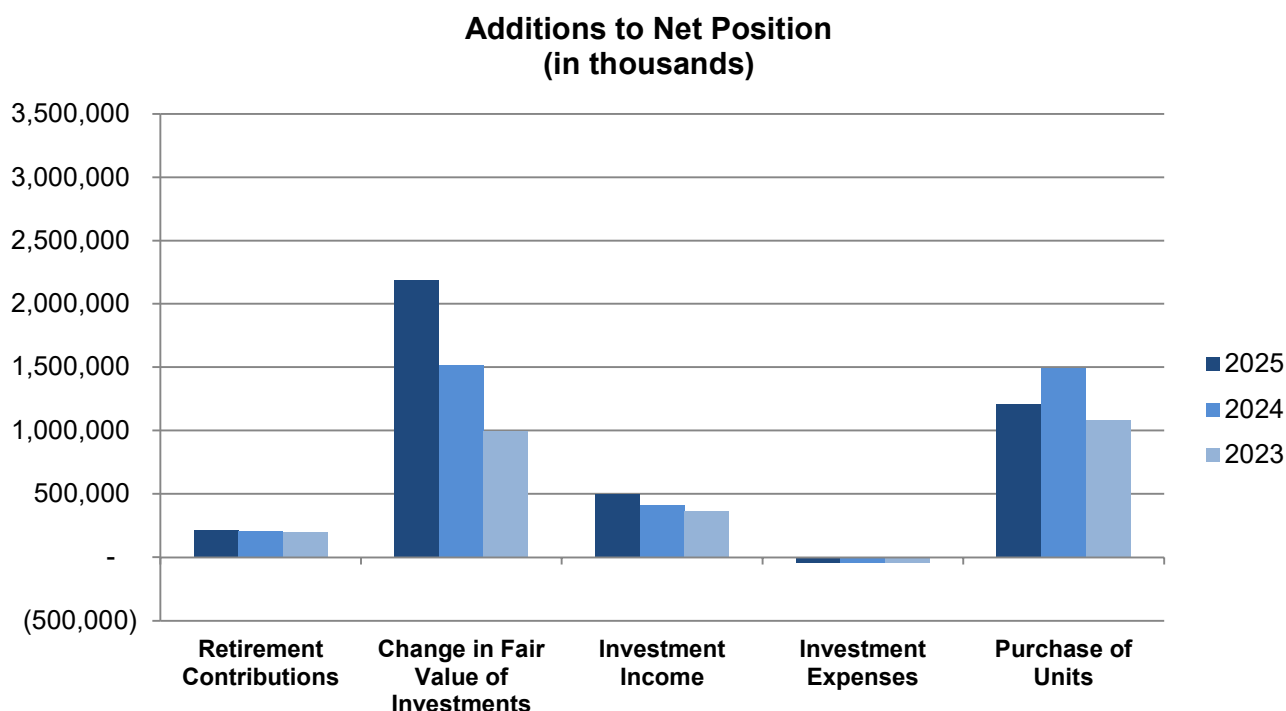
Management's Discussion and Analysis

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

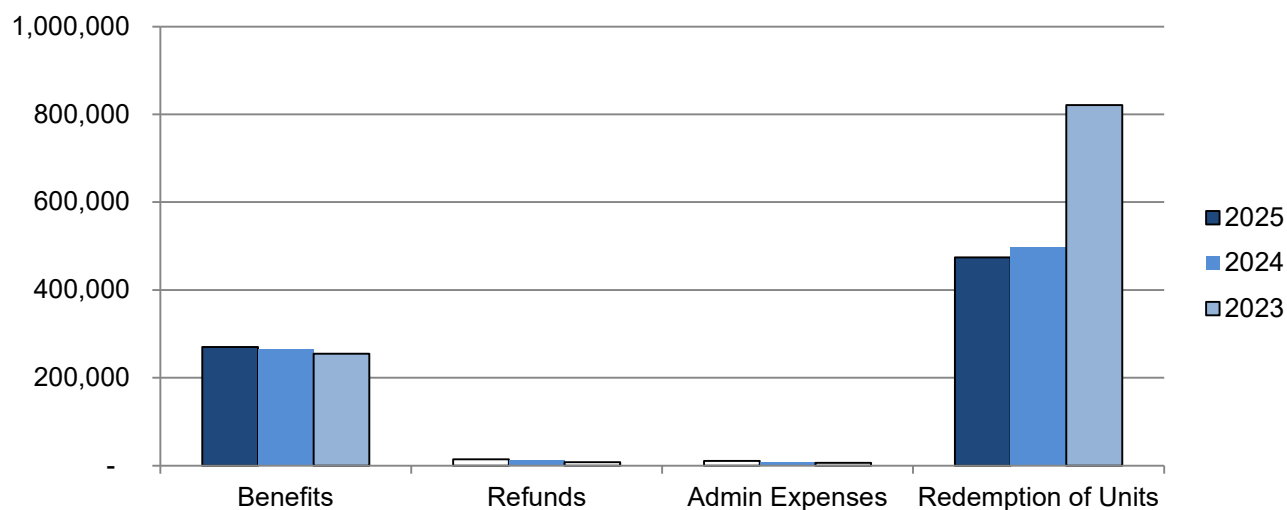
Management's Discussion and Analysis

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 ND TFFR 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.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

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.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

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).

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2025 and 2024

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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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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<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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Notes to the Financial Statements

June 30, 2025 and 2024

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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Notes to the Financial Statements

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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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Notes to the Financial Statements

June 30, 2025 and 2024

		Dollars in (000)			
			Unfunded	Redemption	
			Commitments	Frequency (If Currently	Redemption
				Eligible)	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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Notes to the Financial Statements

June 30, 2025 and 2024

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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Notes to the Financial Statements

June 30, 2025 and 2024

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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Notes to the Financial Statements

June 30, 2025 and 2024

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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Notes to the Financial Statements

June 30, 2025 and 2024

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>

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Notes to the Financial Statements

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		Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
2024				
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

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>
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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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.

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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

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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

June 30, 2025 and 2024

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>

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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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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%

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Notes to the Financial Statements

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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:

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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.

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

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

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
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



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
- Manger 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	<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: ○ allocation and thresholds ○ benchmarks related to fund performance ○ manager selection and due diligence ○ types of allowable investments ○ Required Board Reporting <u>Test Area 2:</u> Review the Investment Policy and confirm that there is a defined process in place for escalation of infractions. <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.	Exception Identified. Refer to Finding 1
A.2	Obtain all copies of the SIB Governance Manual during the audit period and verify: 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	Obtain all IC Guidelines presented to the Investment Committee during the audit period and verify: 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	<u>Test Area 1:</u> Obtain all versions of the Investment Committee Charter in effect during the audit period and verify: ○ 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
	- The charter is periodically (e.g. annually) reviewed and approved by the SIB. <u>Test Area 2:</u> For a sample of Investment Committee meeting dates, obtain the committee materials, resolutions and minutes and verify: - 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	<u>Test Area 1:</u> Obtain all versions of the Governance & Policy Review Committee Charter in effect during the audit period and verify: - 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. <u>Test Area 2:</u> For a sample of G&PR meeting dates, obtain the committee materials, resolutions and minutes and verify: - 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	<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: - 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). <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: - 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
	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	Obtain the annual benchmark recommendation for all asset classes completed during the audit period and verify: 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	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: 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	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: 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
	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 and/or Legal Agreement specific to investment vehicle type (e.g., SEP Acct/IMA) and any side letters are retained.	
B.3	Verify for each of the samples provided under B.1 and B.2 above: 1. The contract was reviewed and approved by Legal counsel prior to signing. 2. The contracts for Private Market Managers are stored in a secure file with limited access to only necessary personnel. 3. The contract file location is included in nightly backups. 4. The key investment terms and conditions are highlighted and documented by Investments. 5. Fees and expenses (mgmt., performance, claw back provisions) are communicated to Operations and Consultants.	Exception Identified. Refer to Finding 2
B.4	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: 1. Quarterly performance monitoring (investment manager reports). 2. Quarterly Due Diligence Questionnaire review (including monitoring of changes to key staff and investment style drift within the portfolio). 3. Review of meeting materials and notes from Annual and Semi-annual due diligence or LPAC meetings. 4. Review of monthly Hamilton Lane reports 5. The results of the ODD activities are aggregated and reported to relevant committee.	Exception Identified. Refer to Finding 2
B.5	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: 1. Monthly performance monitoring (investment manager reports). 2. Monthly Due Diligence Questionnaire review (including monitoring of changes to key staff and investment style drift within the portfolio). 3. Review of meeting materials and notes from Annual and Semi-annual due diligence. 4. Review of monthly Versus reports. 5. The results of the ODD activities are aggregated and reported to relevant committee.	Exception Identified. Refer to Finding 2
B.6	For a sample of Investment Managers that were "terminated", verify: 1. Decision to terminate was based on clearly defined criteria. 2. The reason for termination recommendation was communicated to and approved by the Investment committee.	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

MEMORANDUM

TO: Governance and Policy Review Committee
FROM: Jodi Smith, Executive Director
DATE: November 21, 2025
RE: Governance and Policy Review Committee Update

The GPR met on Thursday, November 6, 2025. The committee members present included:

- Dr. Rob Lech (Chair)
- Thomas Beadle, Treasurer (Vice Chair)
- Joe Morrisette, OMB Director.

The GPR met to review and discuss the DRAFT Governance Model Review. A copy of the DRAFT Governance Model Review was distributed to the SIB on November 14, 2025 (attached).

Overview

As of September 30, 2025, the North Dakota State Investment Board (SIB) oversees approximately \$26 billion in assets under management (AUM) across approximately 30 client funds, including PERS, TFFR, WSI, the Legacy Fund, and the Budget Stabilization Fund. Over the past decade, AUM has more than doubled, and SIB/RIO's investment performance has remained strong despite statutory, staffing, and infrastructure constraints.

However, the report warns that the SIB/RIO's success has become increasingly fragile. The organization operates in a "high-complexity, low-autonomy" environment, with the lowest level of autonomy in the nation among comparable state investment entities. While managing billions on behalf of North Dakotans, SIB/RIO cannot hire staff, retain expertise, or procure systems without legislative approval—even though these costs are paid entirely from investment funds, not the North Dakota General Fund.

Key Challenges

- **Severe resource constraints:** Staffing levels are 50% below peers, with 70% of executives and staff having less than one year of tenure.
- **Operational inefficiencies:** Over 60% of work remains manual due to outdated systems.
- **Increased risk exposure:** Turnover, burnout, and delayed legal support have increased operational and reputational risk.
- **Performance drag:** Estimated \$140 million in lost performance in FY 2024–25—more than 17 times RIO's annual operating budget (excluding investment expenses).

- **Governance confusion:** Stakeholders often misunderstand SIB's mission and structure; the Governance Manual is outdated, and policy frameworks lag behind peer institutions.

Implications

- Statutory limits on staffing, budgeting, and technology impede SIB/RIO's ability to fulfill its fiduciary duties.
- The organization is low-cost but fragile, exposed to increasing operational, reputational, and succession risks.
- The gap between asset growth and internal capacity is widening, threatening long-term performance sustainability.
- The SIB must work with Legislature to modernize statutes, align staffing and infrastructure with peer norms, and strengthen organizational agility.

Fiduciary Standards and Legal Context

Failing to maintain adequate resources to manage entrusted funds constitutes a breach of fiduciary duty under trust law and public pension governance standards.

Strategic Priority

To sustain performance and manage growing complexity, SIB/RIO must gain authority to:

- Invest in people, systems, and data infrastructure;
- Modernize governance policies; and
- Integrate automation and analytics to enhance responsiveness, resilience, and transparency.

The report concludes that SIB/RIO's fiduciary integrity now depends on modernization. Without legislative flexibility and resource alignment, the Board risks continued underperformance, rising risk exposure, and erosion of public trust.

North Dakota State Investment Board Governance Model Review

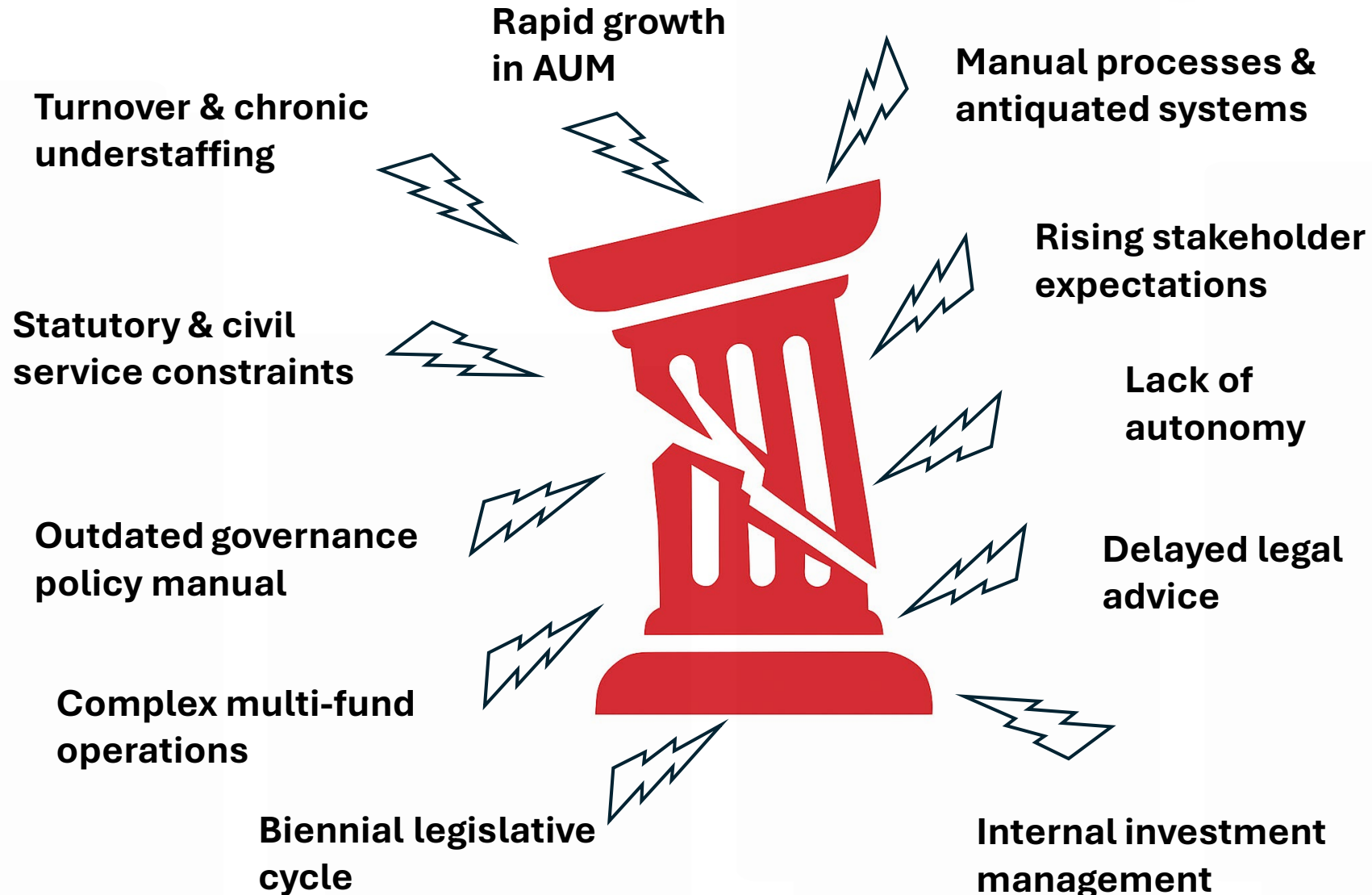
Draft Final Report



Phase 1 - Deliverables

1. Assess the organization's framework (governance model) for directing, controlling, and monitoring operations with respect to compliance and effectiveness.
2. Benchmark the SIB governance model and Program Manual.
3. Evaluate the SIB Program Manual.
4. Evaluate the reports to the Board and committees from staff and consultants.
5. Governance Risk Heat Map — Key Vulnerabilities and Oversight Priorities
6. Recommended Governance Review Process

A Perfect Storm is Brewing



Recommendations

To the SIB

To the Legislature

Conduct Business

1. Develop a unified, streamlined, principle-based policy manual that makes explicit reference to the role of the Legislature.
2. Align Board meeting agendas with the exercise of its five powers: Conduct, Set, Approve, Oversee, and Verify. Consider using consent agendas.
3. Set a multi-year strategic policy agenda for the Board and its committees.
4. Build in constructive challenge by providing a set of standing questions to be asked by the Board or committee in relation to recurring agenda items. For example, questions the Audit Committee should always ask.
5. Establish the expectation that meeting materials will have been read in advance, and present based on that assumption.
6. Reduce the time spent “presenting” materials and increase the time spent on dialogue.
7. Streamline trustee onboarding to make it more digestible. Enable individualization and accommodate different learning styles. Start with the “need-to-know” by Day 1, Day 90, Day 180, and Day 365.
8. Given that the majority of SIB trustees are lay people, establish annual expectations for trustees continuing education.
9. Consider assigning mentors to new trustees.
10. Overhaul the Executive Director evaluation to provide more timely feedback.

Conduct Business - Committees

11. Clarify that only trustees should vote on committees. The role of staff is to advise and execute.
12. Review and clarify all board, committee and RIO charters mandates and delegations.
13. Strengthen the role of committees to alleviate the burden on the Board in terms of research, oversight, and verification.
14. Expand the mandate of the Audit Committee to include enterprise risk and compliance.
15. Disband the Securities Litigation Committee and instead have the Executive Director report to the full board annually.

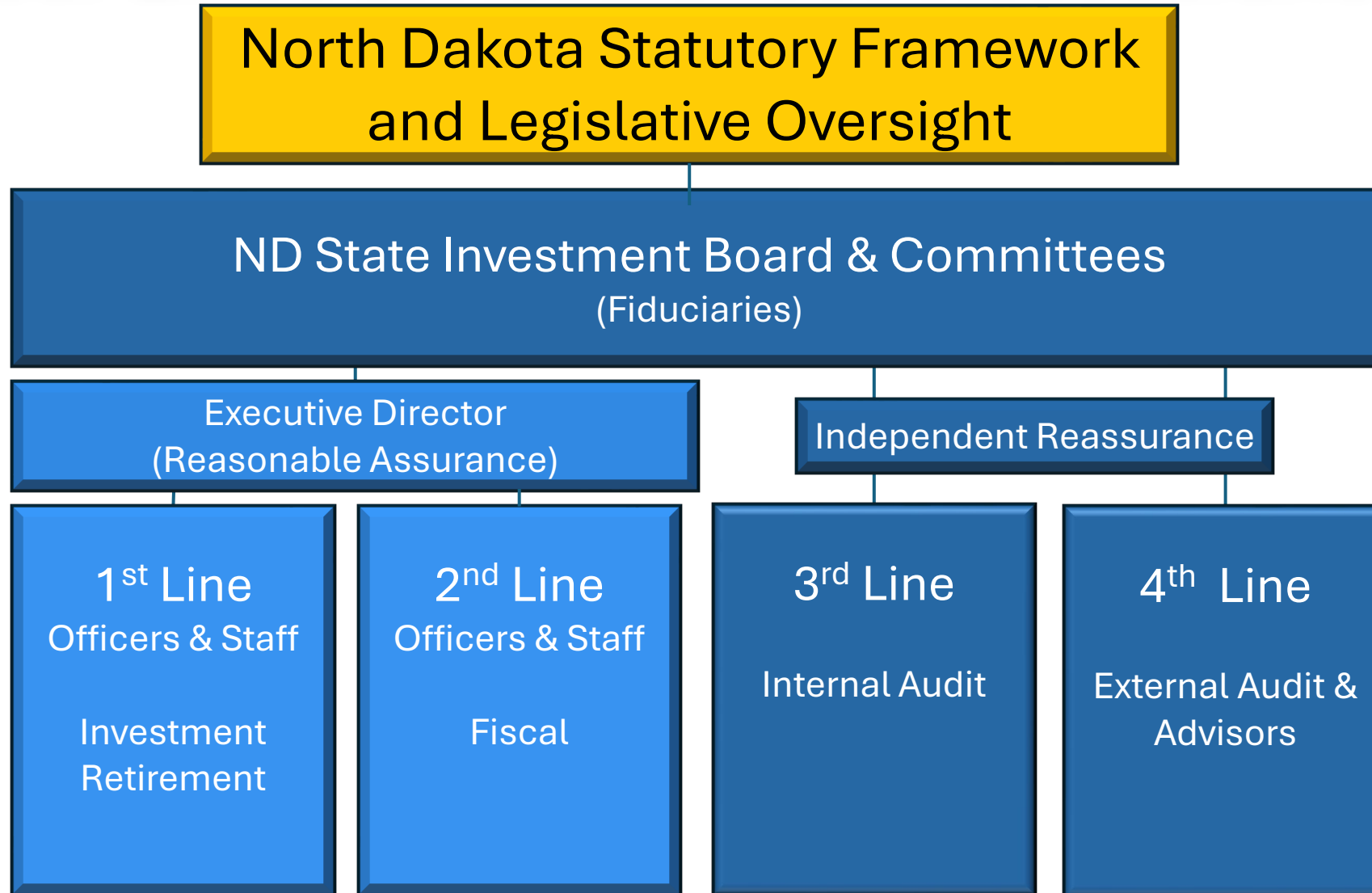
Set Direction and Policy

16. Develop a 3–5-year strategic plan and budget to build sustainable organizational capabilities.
17. Establish policies designed to maintain strategic policy continuity as a patient capital investor and prevent short-termism.
18. Align SIB/RIO's policies with its mission, risk appetite, and long-horizon strategy.
19. Review all governance policies at least triennially.
20. Investment Policy Statements (IPSs) should be regularly reviewed
 - Oversight: Quarterly, not policy adjustment
 - Annual: Confirm continued validity
 - Triennial: Strategic alignment & modernization
21. Require that Strategic Policy Options be presented for all major issues:
 - Issues / Background / Stakeholders affected
 - Range of options available (Least to most)
 - Pros and cons as seen by stakeholders
 - Recommendations in the best interests of beneficiaries depending on type of fund.

Approve then Prudently Delegate

- 22. Revise the Delegation Matrix.
- 23. Adopt a Four Lines Model of Assurance and Reassurance.
- 24. Delegate investment manager selection to the staff subject to appropriate checks and balances.

Four Lines of Assurance / Reassurance



Oversee Performance and Risk

24. Streamline Board and committee material packages and require exception-based reporting.
25. Require root cause analyses for significant exceptions.
26. Require presenters to highlight the policy implications, if any, and recommend whether to stay the course, adjust the course, or change the course and why.
27. Require that investment performance reports relate directly to the Investment Policy Statements (IPSs), help visualize actual performance compared to expected performance and identify policy implications.
28. Enable “drill down” from system-wide overviews to further detail as needed, i.e., the forest and the trees.
29. Expand performance and risk oversight to include enterprise-wide operations, e.g., HR, IT, middle and back office – not just front-office investments.
30. ~~Require accounting mechanisms to assure the appropriate allocation of expenses to the respective funds.~~
31. Obtain CEM benchmarking annually.

Verify Reliability of Information and Advice

- 32. Strengthen Internal Audit capacity by expanding staffing, resources, and training to achieve sustainable audit coverage to meet the complexity of investment operations and provide both assurance and advisory services.
- 33. The Internal Audit Charter should require a QAIP (Quality Assurance and Improvement Program), including (1) ongoing internal monitoring, (2) annual internal assessments, and (3) external quality assessment (EQA) at least every five years.
- 34. Update the IA charter to include a formal list of required report elements (e.g., issue aging, overall assurance opinion).
- 35. ~~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.~~
- 36. Develop an Integrated Assurance Map and Tracking System to map oversight responsibilities, track audit findings, and assure closed-loop feedback on the status of prior findings.
- 37. Increase accountability and continuous improvement by introducing external triennial governance reviews to track and report implementation prior to legislative sunset reviews.

Recommendations that are not related to the Governance Program Manual.

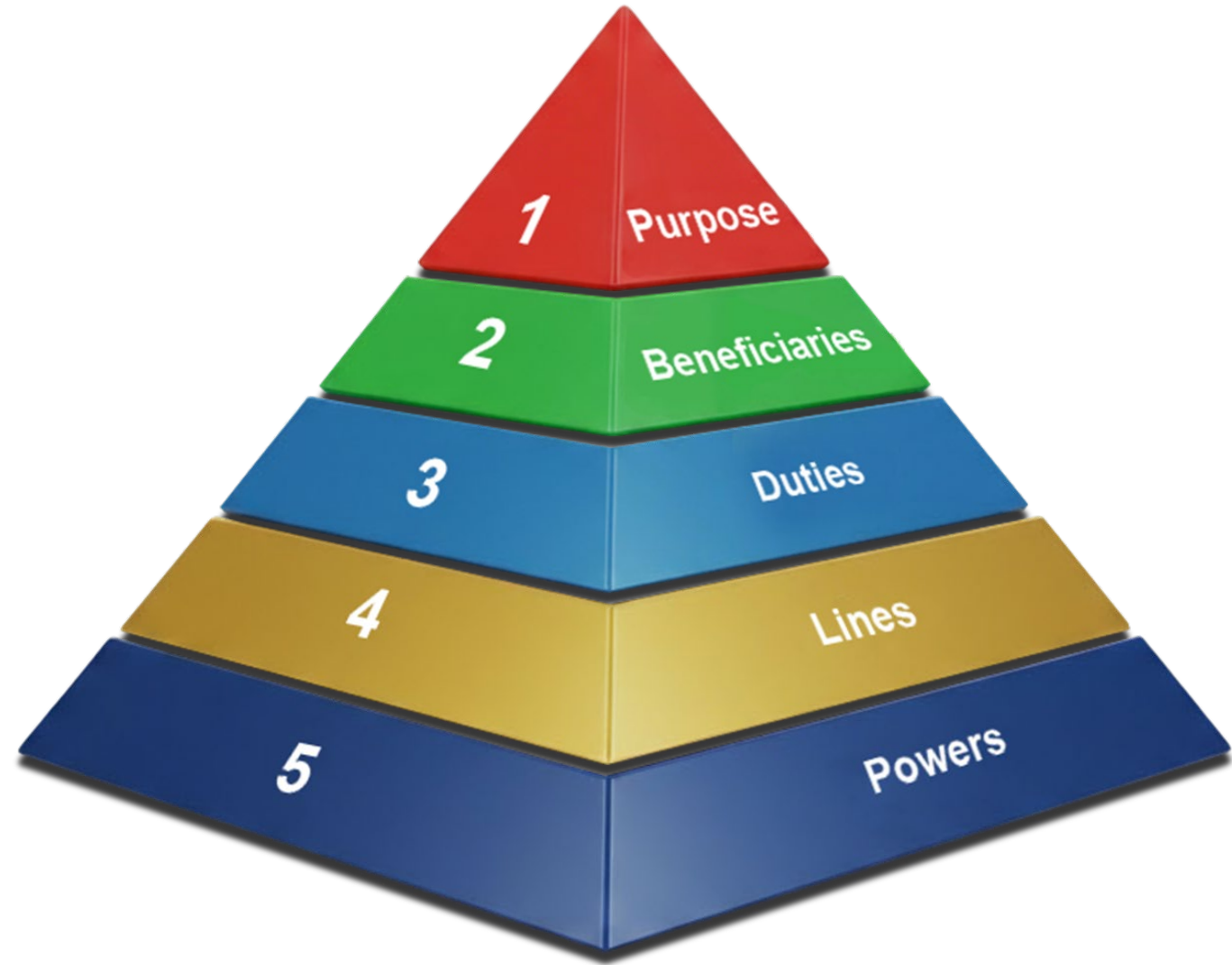
- 38. Obtain timely independent advice including retaining in-house legal counsel and independent counsel as needed.
- 39. Consider adding Enterprise Risk Management (ERM) and Chief Compliance Officer (CCO) positions.
- 40. Develop the business case and seek statutory modernization from the Legislature under NDCC §21-10-02 to enable SIB / RIO to go “off-book” to acquire the staff and infrastructure consistent with peer norms.
- 41. Until the organization has addressed these friction and fragility issues, SIB/RIO should suspend further internalization of investment management.

The Legislature

1. The Legislature should consider delegating budgetary authority to the SIB and RIO to enhance North Dakota's investment governance framework, thereby helping to assure the autonomy and modern infrastructure necessary to manage complexity and align with peer systems.
 - The current line-by-line approval process of the SIB/RIO budget makes North Dakota an outlier among state investment board peers as the only state with line-by-line budgetary approval. Adopting an “off book” approach would bring North Dakota in-line with peers who have budgetary delegations with reporting and legislative oversight.
2. If the Legislature supports SIB/RIO going “off book”, it should:
 - Commission a triennial governance effectiveness review of ND SIB/RIO to precede a sunset review of the continuing appropriation authority.
 - Consider adopting a budgetary ceiling based on the size of assets under management (AUM) to allow flexibility to respond to growth or retraction.

Phase 2 - SIB Manual Framework

Governance
Effectiveness Model



Phase 2 – Manual Rewrite

GEM	Existing Program Manual Reorganized
1. Purpose and Mission	A. By-Laws
	B. Mission
	C. Relating to Public and Government
	• Legislature
	• Stakeholders
2. Beneficiaries	Organizational Beneficiaries (Current & Future)
3. Fiduciary Duties	A. Administration of Fiduciary Authority
	B. Fiduciary Duties
4. Lines of Accountability / Board-Staff Relationships	1st Line Chief Executive Role
	Investment Services
	Retirement: TFFR Program
	2nd Line Fiscal Services
	Communication and Counsel to the Board
	Compensation and Benefits
	3rd Line Internal Audit Services
	4th Line External Audit and Advisors

Phase 2 – Manual Rewrite

GEM	Existing Program Manual Reorganized
5. Powers of the Board	
A. Conduct Business	Board Job Description
	Chairperson's Role
	Standing Committees
	• Investment Committee
	• Securities Litigation Committee
	• Audit Committee
	• Executive Review and Compensation Committee
	• Governance & Policy Review
	Code of Conduct & Conflict of Interest
B. Set	Governance Process
	Annual Board Planning Cycle
C. Approve	
D. Oversee	Governance Policy Monitoring Summary
E. Verify	

Any Further Questions?

Governance Model Review

Draft Final Report

November 10, 2025

Not intended as legal or investment advice.

Submitted By



Funston Advisory Services LLC



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EXECUTIVE SUMMARY

High Demands + Low Autonomy = A Perfect Storm is Brewing

As of September 30, 2025, the North Dakota State Investment Board (SIB) had approximately \$26 billion in assets under management (AUM). These represent the combined assets of twenty-nine (~29) client funds, including the Public Employees Retirement System (PERS), the Teachers' Fund for Retirement (TFFR), the Workforce Safety & Insurance Fund (WSI), the Legacy Fund (North Dakota's sovereign wealth fund), and the Budget Stabilization Fund. Over the past ten years, the AUM has more than doubled. Its success affects every North Dakotan.

The SIB and its administrative and investment arm, the Retirement and Investment Office (RIO) have delivered strong results despite significant statutory and organizational constraints. Their heroic performance reflects dedication, discipline, and prudent management. However, this success is increasingly fragile as assets continue to grow rapidly within an environment of limited autonomy, outdated infrastructure, and rising complexity.

Under the Prudent Investor standard, SIB/RIO must consider peer practices. Compared to peers, North Dakota has the lowest level of autonomy in the Nation despite the complexity and rate of growth of its portfolio. As a result, it lags significantly in autonomy, infrastructure, and staffing.

Despite managing over \$26 billion in assets, SIB/RIO cannot hire staff, retain expertise or purchase equipment or systems without legislative approval—even though such expenses are funded entirely by the investment funds themselves, not the State's General Fund. This statutory limitation impairs its agility and the Board's ability to manage increasing operational and investment risk.

Operational realities include chronic understaffing (50% less than peers), high turnover (70% of all executives and staff have less than 1 year on the job), high reliance on manual processes and spreadsheets (60% could be automated with a new accounting system), lack of timely legal support (months of delay on time sensitive matters), and difficulty producing reliable, real-time information and closing the books timely. As of this report, SIB/RIO still had not been able to close its books from July 2025. Burnout and prolonged vacancies exacerbate these risks, especially as global competition for investment talent intensifies.

As a result, the organization is sub-optimizing returns, incurring increased costs and missing opportunities for reasons largely beyond its control. In 2024-2025, RIO estimates that these performance drags amounted to almost \$140 million. This is more than 17 times RIOs' annual operating budget excluding investment-related expenses.

Trustees report that stakeholders (literally everyone in the State) often express confusion about SIB's mission and structure, reflecting the challenges of managing multiple fund types under one governance framework. The Governance Manual is outdated, and operational systems and processes have not kept pace with the scale or sophistication of investment management at peer institutions, especially pertaining to internal investment management.

Implications

- SIB/RIO's statutorily limited authority to scale people, processes, and systems impedes its ability to achieve its mission and fulfill its fiduciary duties.
- ND SIB is low cost but fragile and is increasingly exposed to operational, reputational, and succession risks, and thus fiduciary risks.
- Without modernization, the gap between assets under management and internal capacity will continue to widen.
- The Board needs to work with the Legislature to align staffing and infrastructure with peer norms to reduce operational risk and strengthen organizational agility and resilience.

Our scope was limited to a review of SIB's policies but not actual practices. However, RIO's leadership has identified numerous operational shortcomings including:

- Failure to identify and escalate increasing operational risk to the SIB and the Legislature due to chronic under-staffing, turnover, manual processes, multiple spreadsheets and antiquated systems.
- Inability to locate the investment policy statements for all funds.
- Increased costs and lost opportunities in 2024-2025 alone that resulted in a combined performance drag of \$140 million. Without intervention, suboptimization is likely to continue.

Fiduciaries are legally and ethically obligated to assure that trust and investment operations are adequately resourced—including qualified staff, sound systems, and independent oversight—because:

- An under-resourced fiduciary organization cannot meet the prudence, care, and loyalty standards of trust law.
- These requirements are embedded in Restatement (Third) of Trusts § 90, UMPERSA § 8, ERISA § 404(a), NDCC § 59-16 and NDCC § 21-10-07.

Failing to resource fiduciary operations adequately is itself a breach of fiduciary duty under both trust law and public pension governance standards.

The Bottom Line

North Dakotans are counting on SIB/RIO to prudently manage the State's growing portfolio for generations to come. To sustain success over a long horizon, the SIB and RIO need the autonomy to budget resources and modernize the infrastructure to manage complexity, capture opportunity, and safeguard public trust. The following report describes our conclusions and recommendations in relation to the six deliverables mandated by the SIB.

Summary Conclusions

ND SIB is a “high-complexity, low-autonomy” governance paradox—an institution with autonomy to manage \$26 billion in increasingly sophisticated, fast-growing assets within the most administratively restrictive operating environment in the Nation when compared to its peers. Contrary to its mission and mandate, SIB/RIO is suboptimizing returns with increasing unrewarded risk, resulting in higher costs and lost opportunities.

Operational risk is the potential for loss resulting from inadequate or failed governance, internal processes, people, systems, or from external events. From a governance perspective, until just recently, it appears the Board has not been made aware of increasing operational risk. The Board lacks the authority to increase resources or move resources where they are most needed. Essentially, the SIB lacks the authority to timely fulfill its fiduciary duties in a rapidly changing environment.

As a strategic priority, with the anticipated growth in assets under management (AUM) and increasing internal management, NDSIB must have the authority to invest in essential people, systems, and delegated authority if it is to maintain control and fulfill its fiduciary duties.

The **rate of and magnitude of change** exacerbates the weaknesses of a complex, under-resourced investment organization. Without adequate agility, each new policy, asset class, or market event adds weight to an already overburdened system. Without resilience, shocks will reverberate through governance, staff, and systems faster than they can recover.

The result is declining responsiveness and performance drag. The remedy is to invest not just in assets, but in organizational infrastructure. It will require governance clarity, data integration, human capital, and process automation. In these ways, agility and resilience will become embedded capabilities, not crisis responses.

The SIB asked for six deliverables from this review. These are shown below, together with our summary conclusions.

Deliverable	Summary Conclusions
1. Evaluate the SIB Program Manual.	• The Program Manual needs a complete overhaul. It ignores the Legislature's critical role, and its archaic language contributes to complexity and confusion.
2. Assess the organization's framework (governance model) for directing, controlling, and monitoring operations with respect to compliance and effectiveness.	• SIB's governance of performance, people, processes, and systems is increasingly fragile and not sustainable. • SIB's oversight is obscured by the volume of data and the lack of an enterprise risk management (ERM) framework to flag increasing operational risks.
3. Evaluate the reports to the board and committees from staff and consultants.	• Reports are voluminous, cumbersome, and lack insight regarding policy implications. Reports obscure the "big picture" with detail.
4. Benchmark the SIB governance model and Program Manual.	• SIB/RIO is an outlier. It has one of the most complex portfolios with the least autonomy to respond. Without autonomy over resources and a clearly written Program Manual that drives accountability, the organization has been limited in its response to high turnover, aging or obsolete systems, and outdated manual processes. • The complexity of the governance model and program manual results in costly delays and lost opportunities.
5. Develop a governance risk heat map identifying key vulnerabilities and oversight priorities.	• Increasing operational risks are likely to result in continued financial losses and thus reputational and fiduciary risk and loss of public trust.
6. Develop a recommended future governance review process based upon leading and prevailing peer practices.	• Build in safeguards and conduct regular reviews to assess and report progress to the SIB and the Legislature.

Table 1: Summary Conclusions

Summary Recommendations

The Governance Program Manual needs to be completely rewritten. North Dakota's current model (the Carver model) —while originally intended to clarify roles—has instead created ambiguity, rigidity, and under-delegation in a system that now manages multi-billion-dollar fiduciary responsibilities. The shift is needed to align governance with the SIB's growing assets, risk profile, and accountability requirements.

Revising the Program Manual, while necessary, will not by itself resolve the underlying autonomy challenge. It will simply make it more transparent that the SIB and RIO operate within significant statutory and administrative constraints.

The current budget review and appropriation process limits SIB/RIO's flexibility to adapt to growth, technology, and talent needs. Over time, the organization appears to have become accustomed to operating within these constraints, focusing on budgetary compliance and efficiency rather than requesting the resources and flexibility needed to effectively meet fiduciary demands.

Going forward, the SIB/RIO should develop and present a well-supported business case to the Legislature. The business case needs to be grounded in fiduciary duty, peer comparisons, and performance risk management. SIB/RIO needs to clearly demonstrate why increased operational autonomy and strategic flexibility are essential to prudently manage a growing and increasingly complex investment portfolio. The solution to complexity is simplicity.

Modernizing SIB/RIO

Modernizing and empowering the SIB and RIO can be achieved while improving the robustness of legislative oversight. The majority of the Board is already comprised of legislative and executive members who participate alongside client fund appointees and investment experts.

Oversight would remain strong, as legislative and executive members retain direct visibility into operations, RIO would continue to function under state agency requirements for appropriations, open meetings, and audits, and independent reviews by third parties to assure transparency and accountability.

Using a structured performance or sunset review process—similar to the North Dakota Financial Institutions Commission—could reaffirm SIB/RIO's efficiency, accountability, and fiduciary integrity over time. With publicly reported, independently benchmarked results, stakeholders can see clear evidence of prudent stewardship. Proven models, such as South Carolina's RSIC, demonstrate that operational delegation can coexist with statutory oversight and fiduciary discipline.

In the meantime, SIB/RIO should address the factors within its control using the framework of the Governance Effectiveness Model (GEM): Conduct Business, Set Direction, Approve then Delegate, Oversee Performance and Risk, Verify Reliability. These are described on the following pages.

Recommendations: Factors within the Control of SIB/RIO

Conduct the Business of the Board and its Committees

1. Develop a unified, streamlined, principle-based policy manual that makes explicit reference to the role of the Legislature.
2. Align Board meeting agendas with the exercise of its five powers: Conduct, Set, Approve, Oversee, and Verify. Consider using consent agendas. See example, [Appendix 1: Example Board Agenda](#).
3. Set a multi-year strategic policy agenda for the Board and its committees.
4. Build in constructive challenge by providing a set of standing questions to be asked by the Board or committee in relation to recurring agenda items. For example, questions the Audit Committee should always ask.
5. Establish the expectation that meeting materials will have been read in advance, and present based on that assumption.
6. Reduce the time spent “presenting” materials and increase the time spent on dialogue.
7. Streamline trustee onboarding to make it more digestible. Enable individualization and accommodate different learning styles. Start with the “need-to-know” by Day 1, Day 90, Day 180, and Day 360.
8. Given that the majority of SIB trustees are lay people, establish annual expectations for trustees continuing education.
9. Consider assigning mentors to new trustees.
10. Overhaul the Executive Director evaluation to provide more timely feedback.

Committees

11. Clarify that only trustees should vote on committees. The role of staff is to advise and execute.
12. Review and clarify all board, committee and RIO charters mandates and delegations.
13. Strengthen the role of committees to alleviate the burden on the Board in terms of research, oversight, and verification.
14. Expand the mandate of the Audit Committee to include enterprise risk and compliance.
15. Disband the Securities Litigation Committee and instead have the Executive Director report to the full board annually.

Set Direction and Policy

16. Develop a 3–5-year strategic plan and budget to build sustainable organizational capabilities.
17. Establish policies designed to maintain strategic policy continuity as a patient capital investor and prevent short-termism.
18. Align SIB/RIO’s policies with its mission, risk appetite, and long-horizon strategy.
19. Review all governance policies at least triennially.
20. Investment Policy Statements (IPSS) should be regularly reviewed
 - a. Oversight: Quarterly, not policy adjustment
 - b. Annual: Confirm continued validity
 - c. Triennial: Strategic alignment & modernization
21. Require that Strategic Policy Options be presented for all major issues:
 - Issues / Background / Stakeholders affected
 - Range of options available (Least to most)
 - Pros and cons as seen by stakeholders
 - Recommendations in the best interests of beneficiaries depending on type of fund.

Approve then Prudently Delegate

22. Revise the Delegation Matrix.
23. Adopt a [Four Lines Model of Assurance and Reassurance](#).
24. Delegate investment manager selection to the staff subject to appropriate checks and balances.

Oversee Performance and Risk

25. Streamline Board and committee material packages and require exception-based reporting.
26. Require root cause analyses for significant exceptions.
27. Require presenters to highlight the policy implications, if any, and recommend whether to stay the course, adjust the course, or change the course and why.
28. Require that investment performance reports relate directly to the Investment Policy Statements (IPSS), help visualize actual performance compared to expected performance and identify policy implications.
29. Enable “drill down” from system-wide overviews to further detail as needed, i.e., the forest and the trees.

30. Expand performance and risk oversight to include enterprise-wide operations, e.g., HR, IT, middle and back office – not just front-office investments.
31. Require accounting mechanisms to assure the appropriate allocation of expenses to the respective funds.
32. Obtain CEM benchmarking annually.

Verify Reliability of Information and Advice

33. Strengthen Internal Audit capacity by expanding staffing, resources, and training to achieve sustainable audit coverage to meet the complexity of investment operations and provide both assurance and advisory services.
34. The Internal Audit Charter should require a QAIP (Quality Assurance and Improvement Program), including (1) ongoing internal monitoring, (2) annual internal assessments, and (3) external quality assessment (EQA) at least every five years.
35. Update the IA charter to include a formal list of required report elements (e.g., issue aging, overall assurance opinion).
36. 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.
37. Develop an Integrated Assurance Map and Tracking System to map oversight responsibilities, track audit findings, and assure closed-loop feedback on the status of prior findings.
38. Increase accountability and continuous improvement by introducing external triennial governance reviews to track and report implementation prior to legislative sunset reviews.

Recommendations that are not related to the Governance Program Manual.

39. Obtain timely independent advice including retaining in-house legal counsel and independent counsel as needed.
40. Consider adding Enterprise Risk Management (ERM) and Chief Compliance Officer (CCO) positions.
41. Develop the business case and seek statutory modernization from the Legislature under NDCC §21-10-02 to enable SIB / RIO to go “off-book” to acquire the staff and infrastructure consistent with peer norms.
42. Until the organization has addressed these friction and fragility issues, SIB/RIO should suspend further internalization of investment management.

Recommendations: Factors within the Control of the Legislature

The Legislature should consider delegating budgetary authority to the SIB and RIO to enhance North Dakota's investment governance framework, thereby helping to assure the autonomy and modern infrastructure necessary to manage complexity and align with peer systems.

The current line-by-line approval process of the SIB/RIO budget makes North Dakota an outlier among state investment board peers as the only state with line-by-line budgetary approval. Adopting an "off book" approach would bring North Dakota in-line with peers who have budgetary delegations with reporting and legislative oversight.

If the Legislature supports SIB/RIO going "off book", it should:

1. Commission a triennial governance effectiveness review of ND SIB/RIO to precede a sunset review of the continuing appropriation authority.
2. Consider adopting a budgetary ceiling based on the size of assets under management (AUM) to allow flexibility to respond to growth or retraction.

North Dakota has recently allowed the Department of Financial Institutions to operate outside the ordinary biennial appropriation process, i.e., off-book. This authorizes the agency to spend dedicated revenues without line-item appropriations.

We understand that the Legislative Council and OMB applied an informal 4-part test before supporting a continuing appropriation bill:

1. Dedicated funding stream: agency is self-supporting (fees, assessments, interest).
2. Limited fiscal risk: no potential draw on the General Fund.
3. Defined oversight mechanism: an appointed board or commission reviews and approves budgets.
4. Documented accountability: annual reporting and external audit obligations are maintained.

SIB/RIO appears to meet these criteria:

1. SIB/RIO have a dedicated funding stream from the funds themselves and not the General Fund.
2. There is no potential draw on the General Fund.
3. The SIB is a fiduciary board with oversight responsibility and, if our recommendation is accepted, there will be a dedicated board committee for financial and budget oversight.
4. There will be documented annual reporting and external audits.

While this structure provides operational flexibility, the statutes delegate budget authority subject to controls such as board approval, restricted uses, mandated audits, and reporting to legislative committees. These safeguards are critical to assuring that off-books programs remain accountable to the public and aligned with legislative intent.

MAIN BODY OF REPORT

Purpose of this Review

After a competitive bid process, Funston Advisory Services LLC (FAS) was retained by the North Dakota State Investment Board (SIB) to conduct an independent review of its governance model. FAS reports to the Board through the Governance Policy Review Committee (GPRC). The GPRC is chaired by Dr. Robert Lech (Vice-Chair of the SIB) and includes the State Treasurer, Thomas Beadle, and Mr. Joseph Morrisette, the Director of the Office of Management and Budget.

The purpose of this review was to assess the current state of SIB's governance model, its effectiveness, its policies and practices, compare it to those of peers, and recommend future state improvements.

Our Review Principles

Our review is guided by four overarching principles:

1. **Tell you what you need to hear.**

We will provide clear, objective feedback grounded in evidence — even when it challenges conventional assumptions and practices — to strengthen fiduciary judgment and accountability.

2. **Fix the problem, not the blame.**

Our focus is on solutions and improvement, not fault-finding. We aim to build trust and capability across the organization and its stakeholders.

3. **No surprises.**

We work collaboratively and transparently, engaging stakeholders throughout the process so our findings and recommendations are well-understood before they are finalized.

4. **One Size Fits One!**

Every client is unique. Our methods, benchmarks, and recommendations are tailored to the organization's specific governance structure, scale, and strategic context.

We will provide our independent opinion, so the SIB is in an informed position to decide what's best for SIB and RIO.

The Review Process

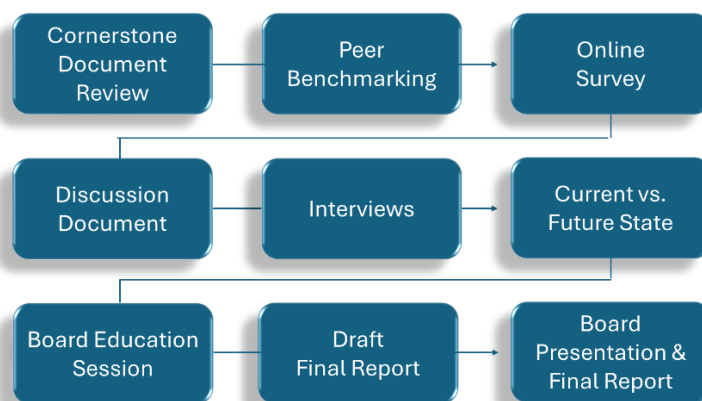


Table 2 Review Process

Under the direction of the GPRC, in September 2025, FAS began by conducting a review of SIB’s cornerstone documents, which included, for example:

- Chapter 21-10 of the North Dakota Century Code (NDCC).
- Chapter 54-52.5 of the NDCC.
- The SIB’s Governance Program Manual
- The Delegation Matrix
- Organization chart
- Staff and consultant reports to the SIB over the past 5 years

We compared SIB’s governance model to the statutory frameworks of all 50 states based on research conducted by the National Association of State Retirement Administrators (NASRA), the governance policy manuals of almost 100 state and local retirement systems using our proprietary National Public Pension Policy Repository (N3PR™), and our proprietary governance peer benchmarking database (InGov™).

While we continued our document review, we conducted an online survey of SIB’s Trustees and RIO Executives to gather their perspectives on the model’s strengths and weaknesses. On September 15, 2025, we prepared and distributed a Discussion Document summarizing the survey results. We used the Discussion Document and the Survey results to prepare for and conduct structured interviews with each trustee and RIO’s senior executives.

Throughout the process, we rapidly reiterated our observations, conclusions, and recommendations, then validated and verified them with the RIO executive and the GPRC. We described the Current vs Future State compared to peers and on October 24, 2025, conducted an education session with the full Board. We received feedback from the Board and the GPRC and have prepared this draft final report.

Our Understanding of the State Investment Board (SIB)

The SIB is a creation of the North Dakota Legislature. Trustees are very busy, part-time and primarily lay people. Compared to peers, SIB has the highest number of ex officio (legislators and executive branch) and the lowest number of investment experts. See [Appendix 3: Investment Board Composition Comparison](#).

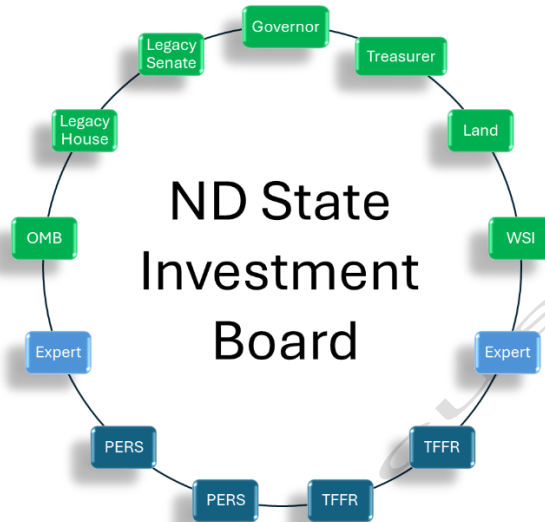


Table 3 Board Composition

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

SIB's Mission and Mandate

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.

The ND SIB is responsible for the investment oversight and management of twenty-nine (~29) client funds. Its core responsibilities include:

1. **Fiduciary Oversight and Policy Governance.** The SIB acts as the fiduciary for a range of client funds, setting investment policies, strategic asset allocations, and risk management parameters for each fund in accordance with their respective objectives and statutory requirements.
2. **Investment Management and Performance.** The SIB oversees investment programs totaling more than \$26 billion in assets. The Board monitors performance versus policy benchmarks and attribution factors such as asset allocation and manager selection across asset classes.
3. **Strategic Asset Allocation.** The Board (together with client funds) defines and periodically reviews the policy mix of global equity, fixed income, real assets, and alternatives to balance growth, income, and liquidity across short-, medium-, and long-horizon funds (e.g., pension vs. sovereign wealth vs. insurance portfolios).
4. **Selection and Oversight of External Managers and Consultants** – SIB employs professional investment consultants to advise on strategy, performance measurement, benchmarks and economic outlooks across funds.
5. **Client Fund Stewardship** – The Board (through RIO) invests on behalf of client entities such as:
 - Pension funds including the Public Employees' Retirement System (PERS), Teachers' Fund for Retirement (TFFR), and other local funds,
 - Legacy Fund (sovereign wealth fund)
 - Insurance and Risk Management Trusts
 - Workforce Safety & Insurance Fund
 - Budget Stabilization Fund

Each of these funds has unique policy objectives, liquidity needs, and time horizons under the SIB's consolidated oversight.

6. **Risk, Compliance, and Reporting.** The SIB is responsible for assuring that investment practices align with statutory requirements, the prudent investor standard, and internal control frameworks. It provides quarterly and annual performance reports detailing returns, benchmark comparisons, and economic context.

In summary, ND SIB's mandate is to prudently invest and manage state and public funds to maximize long-term risk-adjusted returns while fulfilling the fiduciary duties of a prudent investor of each client fund under a unified governance and investment management structure.

The Retirement and Investment Office (RIO)

RIO is a state agency that serves as the administrative and operational arm supporting the SIB. RIO's overarching purpose is to provide professional management, oversight, and fiduciary support for the state's retirement and investment programs. The retirement program supports the financial security of nearly 25,000 teachers and reports to the TFFR Board.

RIO's annual operating budget as of September 2025 was about \$8 million. This does not include investment expenses. RIO's annual budget including staffing expenses (including retirement staff) is less than 3.5 bps of AUM.

RIO is organized into three divisions:

- Investment (Front Office)
- Fiscal (Middle and Back Office)
- Retirement

The Front Office

The Front Office is responsible for executing the investment policies established by the State Investment Board (SIB) and for managing relationships with external investment managers, consultants, and custodians.

The Front Office is where investment decisions are implemented and overseen — it translates board-approved policies into active portfolio management and day-to-day investment operations. The Front Office has lean staffing: only fourteen investment FTEs for \$26B AUM (~\$1B per staffer) less than half the staff of peer fund South Dakota (~\$.5B per staffer). One investment staff departure represents a ~7% loss in capacity (the highest among peers).

Middle and Back Office

Similarly, according to CEM (2021), the Fiscal Division (Middle and Back Office) has only nine (9) staff; while peers average thirteen (13) (but with modern accounting systems). RIO's workload is exacerbated by the manual processing of the accounting book of record (ABOR) and the investment book of record (IBOR).

This not only makes it difficult to compare RIO with peers using automated systems but also results in significant delays in processing investment transactions. As the time of writing, the July 2025 books had still not been closed while the peer standard is thirty (30) days. This delay has the downstream effect of preventing twenty-nine (~29) client funds from closing their books. This also

involves significant rework requiring Front Office involvement and compromises the independence of the reports and records.

Retirement Services

The SIB is the fiduciary investor for North Dakota's public retirement systems and other state funds. The SIB is responsible for investing the assets of North Dakota's public retirement systems — but not for the administration benefits or member services of those systems.

The RIO serves as the administrative and operational arm supporting the SIB's investments. It also provides retirement services for the Teachers' Fund for Retirement (TFFR) but not for PERS. The TFFR Board is the fiduciary board for retirement services administered by RIO.

Thus, RIO fulfills a dual role — acting as the operating arm of the SIB for investment operations and as the retirement plan administrator for TFFR and related services.

Function	Responsible Entity	Description
Investment of Pension and Trust Assets	State Investment Board (SIB)	SIB establishes investment policy, selects managers, monitors performance, and acts as fiduciary for assets belonging to the pension plans, the Legacy Fund, and other state trust funds.
Administration of Retirement Benefits	Retirement and Investment Office (RIO)	RIO administers TFFR benefits directly and provides retirement staff, operations, and oversight support. The RIO Executive Director reports to the TFFR Board for benefit administration while the PERS Board has its own executive director and staff for benefits.
Governance Link	SIB governs / RIO executes	The Executive Director of RIO serves as the Executive Director of the SIB and manages both investment operations and retirement benefit administration under SIB policy but reports to the TFFR Board for retirement services.

Table 4 Role and Function

The Unique Nature of SIB/RIO

The North Dakota SIB/RIO model is unique because it is:

- **Multi-fiduciary/multi-beneficiary.** It serves multiple independent beneficiaries (pension, insurance, sovereign wealth, and growth stabilization) under one board. This means it must exercise caution in exercising its duties of loyalty in relation to each group of beneficiaries: retirees, insurance claimants, injured workers or the citizens of the State.
- **Financially self-sufficient but procedurally constrained by state rules.** The Legislature approves the budget biennially. North Dakota is the only state that requires line-by-line budgetary approval. The duties of being a prudent investor entails not only proper due diligence but also assuring the organization is adequately resourced.
- **Governance-intensive.** Success requires integrated policies, risk management, and systems capable of serving funds and boards with very different purposes and horizons.
- **Dual-reporting.** SIB is responsible for investment programs but not retirement services so the Executive Director reports to the TFFR Board for retirement services.

North Dakota's SIB/RIO are one of the most complex public investment and retirement systems in the United States. Unlike peers that manage primarily pension assets, the SIB governs a diversified investment enterprise — encompassing long-term sovereign wealth and short-term stabilization mandates — under a single fiduciary framework.

SIB/RIO's governance structure, cross-fund fiduciary duties, and state-agency model make it a singular case study in how public institutions can struggle to balance fiduciary independence, political accountability, and intergenerational stewardship.

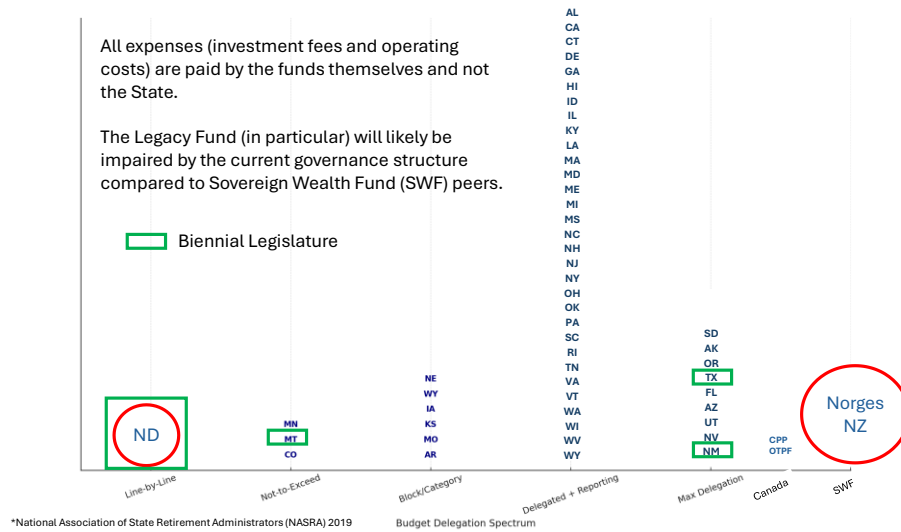


Table 5 Delegation Spectrum

DELIVERABLES

1. Assess the organization's framework (governance model) for directing, controlling, and monitoring operations with respect to compliance and effectiveness.
2. Benchmark the SIB governance model and Program Manual.
3. Evaluate the SIB Program Manual.

We have grouped our response to these deliverables because they each examine the same governance system from different angles. Together, they tell a unified story—an outdated manual and constrained organization have left SIB/RIO structurally misaligned and operationally fragile—and point to one integrated solution: modernize the governance model, build capacity, and restore alignment between fiduciary duty, legislative authority, and operational effectiveness.

Evaluation of SIB's Governance Model and the Program Manual

A governance model is a framework for directing, controlling and monitoring operations. It is the operating blueprint that defines how authority, accountability, and oversight are distributed and exercised by legislators, the board of trustees, staff, and advisors. It should be an aid to collective decision-making in achieving the mission.

The SIB's Governance Program Manual (GPM) should operationalize that model by specifying *how* those authorities are to be exercised, delegated, and monitored. It should establish the policies, protocols, and documentation standards that give effect to the three tiers of governance powers:

1. Powers reserved for the Legislature,
2. Powers delegated to the SIB, and
3. Authority and resources delegated to the Retirement and Investment Office (RIO)

When these three tiers are aligned, it should help to assure:

- Clarity so that each entity operates within its legally defined scope of authority.
- Accountability so decision rights are mapped to responsible roles.
- Consistency so that all policies and delegations flow from a unified governance model.
- Transparency so that the Legislature, the SIB, and RIO can demonstrate adherence to statutory and fiduciary duties and provide beneficiaries and stakeholders with timely, reliable information.

The Governance Program Manual should be the unifying document that institutionalizes the governance model — converting the conceptual “who decides what” framework into actionable, accountable policy, delegation, and reporting mechanisms that guide the day-to-day and long-term functioning of SIB and RIO.

Unfortunately, it currently does not.

Powers Reserved and Delegated

The following pages describe each of the Powers Reserved and Delegated in more detail for each tier.

1. Powers Reserved for the North Dakota Legislature

The powers of the Legislature are defined in statute (e.g., creation of the SIB, budget appropriations, and oversight hearings). It should be reflected in the GPM through references to statutory mandates, appropriation limits, and reporting obligations to legislative bodies. The Legislature is not a fiduciary of the funds.

The North Dakota Legislative Assembly retains several critical powers and oversight functions related to the State Investment Board (SIB) and the Retirement and Investment Office (RIO):

Appropriations and Budget Control

The Legislature approves RIO's biennial budget on a line-by-line basis, determining staffing levels, compensation, and operating expenses. This gives lawmakers granular control over SIB's resources, limiting its flexibility to rapidly adapt to changing markets or governance needs.

Statutory Authority and Investment Mandates

Investment authority derives from state statute (e.g., N.D.C.C. Chapter 21-10). The Legislature defines what funds exist (e.g., PERS, TFFR, Legacy, Insurance, Budget Stabilization, etc.), the purposes of each, and allowable investment types.

Creation and Dissolution of Funds

The Legislature establishes new funds (e.g., Legacy Fund, Budget Stabilization Fund) and defines their inflows, outflows, and spending policies.

Oversight and Reporting Requirements

The SIB and RIO must submit regular reports to legislative committees (typically the Legislative Management's Interim Committee on Investments), assuring transparency and compliance with statutory investment parameters.

Appointment Confirmation and Policy Review

Legislative leaders indirectly influence appointments (through statute-defined representation) and can amend laws governing the composition and powers of the SIB.

The Program Manual omits reference to the Legislature.

Upon review, despite its central importance, we find no references in the Program Manual to the North Dakota Legislature as the top tier in the governance framework. This omission removes the explicit source of statutory and fiscal authority on which all other powers depend. Without this anchor, the SIB's governance model appears self-contained, as though the State Investment Board and the Retirement and Investment Office derive their authority independently rather than by legislative delegation.

This omission blurs the line between fiduciary accountability to beneficiaries and political accountability to the public, creating uncertainty about who ultimately controls budgets, staffing, and oversight. In the end, it is the Legislature that decides the budget and not the SIB.

The SIB's reliance on the Carver Policy Governance Model magnifies this ambiguity. Carver's focus on "Ends" and "Executive Limitations" works well in autonomous nonprofit settings, but in a public investment system—where the Legislature retains constitutional and appropriations powers—it leaves key questions unanswered.

2. Powers Delegated to the State Investment Board (SIB)

The powers delegated to the SIB are derived from legislative authority assigning fiduciary responsibility for investment policy, strategic asset allocation, and oversight of trust funds. The Governance Program Manual should formalize these powers through Board charters, investment policy statements, delegation matrices, and fiduciary standards consistent with being a prudent investor. The SIB is the sole fiduciary body with statutory authority to manage investments for multiple funds and client entities.

The SIB has five powers to fulfill its fiduciary duties:

1. Conduct the Business of the Board and Its Committees

The SIB organizes and manages its own affairs—establishing committees, adopting procedures, and assuring that meetings, agendas, and minutes reflect sound governance and compliance with open meeting laws and fiduciary standards.

2. Set Direction and Policy

The SIB establishes and periodically reviews investment policy statements (IPSs) with each fund, including the Legacy Fund, Pension funds (e.g., TFFR and PERS), Insurance Trust, and Budget Stabilization Fund. The SIB (in conjunction with the client funds) has full fiduciary responsibility to adopt investment policies, determine asset allocation, select and monitor investment managers, and assure prudent diversification across asset classes. The Board defines strategic objectives, investment beliefs, risk tolerance, and fiduciary priorities through the adoption of policies such as the Investment Policy Statement (IPS), the Program Manual, and the Ethics Code. This establishes the framework for all subsequent decisions and actions.

3. Approve Key Decisions and Delegate Authority

The SIB retains decision rights over fundamental matters—such as strategic asset allocation, budget approval, and major contracts—while prudently delegating operational authority and resources for day-to-day management to the Executive Director, Chief Investment Officer, and its committees under clear policy boundaries and reporting expectations.

The Board has delegated internal investment management authority to the staff for 15% of the portfolio. However, the Board, through the Investment Committee, still approves the selection of investment managers. This inconsistency has created delays, added costs and contributed to missed opportunities.

The national trend toward increased delegation has increased over the past ten years. More than 70% of funds with AUM greater than \$50 billion have now delegated such authority to staff. The larger and more complex a fund becomes, the greater the delegation. This is particularly true for those with internal investment management such as SIB. [See Appendix 7. Funds with Delegated Manager Selection.](#)

4. Oversee the Execution of Directives within Policy

The Board monitors performance, risk, and compliance to assure that delegated authorities are exercised consistently with the SIB's established policy intent. Oversight includes reviewing performance reports and management responses to Board directives. Through external consultants (e.g., Verus and NEPC) and staff reporting, the SIB monitors asset class allocation and performance, risk-adjusted returns, compliance with policy benchmarks, and manager performance attribution (as reflected in the quarterly Verus reports across funds).

5. Verify the Reliability of Information and Advice

The SIB assures that decisions are based on accurate, complete, and independent information by engaging qualified experts (e.g., legal, governance), internal and external auditors, actuaries, and investment consultants, and by maintaining robust internal controls and assurance mechanisms. Due to under-resourcing, current controls may be inadequate.

3. Authority and Resources Delegated to the Retirement and Investment Office (RIO)

The SIB, through approved legislative delegations, should prudently delegate operational and administrative authorities and resources to RIO. The Governance Program Manual should delineate these delegations — for example, investment execution, manager oversight, performance reporting, risk management, and compliance functions — with clear limits, escalation paths, and reporting requirements.

RIO serves as the operational and administrative arm of the SIB, responsible for implementing investment policies and managing all support functions:

Execution Authority:

RIO is responsible for executing investment decisions within the limits approved by the SIB, including contracting with investment managers, custodians, consultants, and other service providers.

Internal Operations and Compliance:

RIO is responsible for maintaining accounting, performance measurement, compliance, and risk reporting systems that serve both investment and retirement administration functions.

Resource Limitations:

RIO's authority is constrained by the legislative budgeting process. Despite overseeing a portfolio exceeding \$26 billion, staffing and compensation are subject to legislative appropriation, which constrains recruitment, technology upgrades, and internal investment management capacity.

Consolidation Role:

RIO centrally administers the investments of multiple entities (Legacy Fund, pension plans, insurance funds, etc.), creating economies of scale but also creating operational complexity.

Key Challenges in the Current Delegation Framework

In reality, the current governance and delegation structure creates systemic frictions that limit SIB/RIO's agility, accountability, and resilience and increase costs and risks.

Category	Challenge	Impact
Governance	Line-item legislative control over RIO's budget by a Legislature that only meets biennially.	Restricts SIB/RIO's ability to respond swiftly to market shifts or resource needs.
Operational	As the fiduciary board, SIB bears fiduciary responsibility without full operational control. RIO must execute within legislative constraints that the SIB cannot change easily or quickly.	Blurs accountability; SIB has fiduciary responsibility but limited control over RIO's staffing and systems. This creates friction between fiduciary accountability and administrative dependence.
Complexity	Management of multiple fund types with differing beneficiaries and objectives (pension, sovereign wealth, insurance, stabilization).	Requires sophisticated risk, liquidity, and performance management infrastructure which is lacking.
Resources	Legislative constraints on pay, positions, legal advice, and systems.	Hinders competitive recruitment and retention of front, middle, and back-office staff, and modernizing systems. SIB/RIO does not have timely access to specialized legal counsel.
Autonomy	RIO is administratively linked to state budgeting and HR systems	Reduces flexibility compared to peers. SIB/RIO has the least autonomy of any peer in the Nation.
Coordination	Need for alignment among multiple funds, IPSs, and reporting cycles	Adds administrative burden, complicates rebalancing, and oversight. This is exacerbated by the lack of modern systems and the high reliance on manual processes, particularly as internal management is increasing.

Table 6 Delegation Framework Key Challenges

Our report and recommendations are intended to identify and remedy the problem and not to assign blame. The Legislature has, in fact, consistently supported the SIB and RIO. However, RIO has not escalated its concerns about operational risk, choosing instead to do the best it can with the limited resources available. The environment has changed and will continue to change rapidly and profoundly. What worked in the past is no longer sufficient to address today's challenges and those of the future.

Increasing Operational Risk

A convergence of governance, organizational, operational, and systemic factors is accelerating the risk of an operational failure within the SIB and its operating arm, RIO. The organization's structural fragility has reached a critical inflection point as turnover, complexity, and legacy systems intersect with the rising demands of a complex portfolio, internal investment management and limited institutional capacity.

Without significant modernization of governance, staffing, systems, and delegated authority, SIB/RIO will remain structurally vulnerable. As assets grow and internal management expands, the likelihood of an operational disruption—or a reputational crisis arising from it—increases nonlinearly.

RIO has demonstrated strong commitment and performance despite structural constraints. However, the convergence of turnover, manual systems, increasing complexity, and the demands of internal management have created a fragile equilibrium that is unsustainable.

To protect long-term value and fiduciary credibility, SIB must modernize its governance, people, processes, systems, and governance—not incrementally, but comprehensively. The risk is not failure of judgment—it is failure of capacity in an environment where fiduciary responsibility continues to expand faster than the resources and authorities available to discharge it.

A Perfect Storm is Brewing

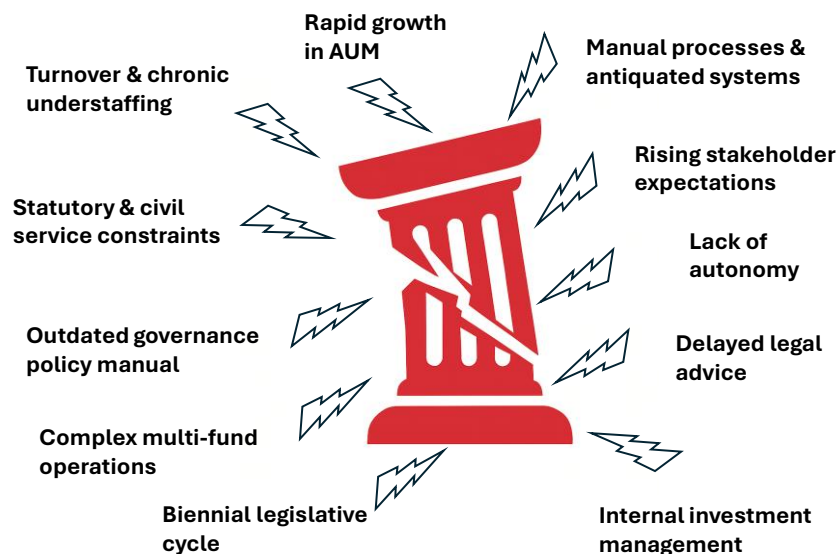


Table 7 Operational Risk

1. Cumulative Overload

Several compounding stressors are increasing organizational fragility:

- **Turnover and Understaffing:** Ongoing executive and staff turnover (70% have been in their job less than a year), lengthy unfilled positions, and chronic understaffing (50% less than peers) due to budgetary constraints have eroded institutional memory, which is the tacit knowledge that anchors policy and operational continuity. This loss is particularly acute in an environment where key processes depend on individual expertise rather than documented, automated systems and creates a critical weakness in loss of institutional knowledge. Without this capacity, operational risks compound, eroding both resilience and the long-term intelligence and insights essential for managing complex investment systems. See [Appendix 6: Staffing Metrics](#).
- **Manual and Antiquated Processes:** The organization continues to rely heavily on manual spreadsheets and legacy systems for data aggregation, reconciliation, and reporting. In such an environment, institutional memory itself becomes the “system of record.” When that memory is lost, the system can fail. This dependency creates cumulative risk across investment accounting, performance reporting, compliance monitoring, and liquidity management. As of October 31, 2025, RIO was unable to close its books for July 2025. This has also prevented twenty-nine (~29) client funds from closing their books.
- **Internal Audit and Oversight Gaps:** Internal Audit remains under-resourced relative to the scope and risk of operations. Weaver’s benchmarking shows a shortfall in expected audit hours and insufficient depth to execute the annual plan. This limits RIO’s ability to independently test controls, assess compliance, and reassure the reliability of investment and operational reporting.
- **Delayed Legal Counsel:** Access to timely and specialized legal advice—particularly in time-sensitive specialized investment, governance and contracting matters—is constrained by reliance on the Attorney General’s office. This introduces delays in policy interpretation, contract execution, and issue resolution, which compounds operational bottlenecks and has resulted in missed opportunities.
- **Multi-Fund Complexity:** SIB manages a uniquely diverse set of mandates—pension, insurance, sovereign wealth, and stabilization funds—each governed by distinct statutes, policies, liquidity needs, and performance objectives. Coordinating across these structures requires precision, speed, and system integration that exceed current staffing and infrastructure capacity. Add to this the complexities of internal management described below and the conditions for operational failure increase exponentially.

Collectively, these conditions create a fragile organization in which small shocks—loss of a key person, an operational error, or a market event—could cascade across functions. The risk is not theoretical; it is structural and accelerating.

2. The Extraordinary Demands of Internal Investment Management

At the same time, RIO's evolving internal management model magnifies these vulnerabilities. RIO has already brought 15% of its portfolio (\$3.5 billion) in-house with the goal of 50%. Moving from an outsourced or consultant-driven model to internal investment management is not a linear efficiency gain—it is a structural transformation that requires building the capabilities of an investment firm inside a government agency in advance and not on the fly.

Internal investment management is demanding because it requires the organization to be simultaneously the asset owner, asset manager, and regulator of itself—within a highly constrained budgetary and governance environment.

a. Accountability and Fiduciary Burden

- Every decision, trade, and policy deviation becomes the direct fiduciary responsibility of SIB and RIO staff.
- The Prudent Investor Standard requires a documented rationale for each action and deviation, subject to public and legislative scrutiny.
- Mistakes or delays, even when minor, can have reputational and political consequences that exceed their financial materiality.

b. Full Integration of Front-, Middle-, and Back-Office Functions

- Internal management requires a complete operational infrastructure—portfolio construction, trading, compliance, risk management, accounting, and performance attribution—integrated across systems and custodians.
- Each link must be both accurate and timely; a single point of failure can disrupt the entire chain.

c. Talent and Resource Constraints

- The skillsets required—portfolio managers, analysts, risk officers, and operations specialists—are scarce and expensive.
- RIO must compete with global markets for this expertise while operating under state pay bands, limited career progression, and slow hiring cycles.
- This creates key-person dependency and magnifies operational risk when staff turnover occurs.
- Until recently, SIB/RIO has not had succession plans for key positions.

d. Data, Technology, and Analytical Demands

- Internal management requires real-time data, integrated analytics, and automated controls.

- Manual reconciliation and spreadsheet-based decision support are incompatible with the speed and precision required for modern investment management.
- Each trade and valuation must flow seamlessly into accounting, performance, and compliance systems—a level of data governance that current tools and staffing cannot provide.

e. Governance, Oversight, and Reporting Complexity

- Internal management multiplies governance workload: policy reviews, investment approvals, compliance certifications, and audit trails.
- The reporting cycle expands—daily exposure reporting, monthly reconciliations, quarterly performance attribution, and multiple committee reviews—each requiring accurate, verifiable data and documentation.

f. Multi-Fund Integration and Liquidity Coordination

- Managing internal portfolios across pension, insurance, and sovereign wealth mandates requires balancing risk, liquidity, and performance objectives across time horizons and legal constraints.
- Tactical rebalancing, cash management, and inter-fund transfers demand robust forecasting, coordination, and system integration.

g. Public Transparency and Political Oversight

- Unlike private asset managers, RIO operates under open records laws and biennial legislative appropriations.
- Every policy, contract, and performance report is a public document. This transparency, while vital, limits flexibility, slows innovation, and creates an environment of risk aversion that is difficult to reconcile with the needs of active portfolio management.
- The Legacy Fund (currently at about \$13 billion AUM) affects every North Dakotan and has very high visibility. People are right to expect transparency and reliability of information but RIO's ability is impaired by lack of fiscal staff, modern systems and timely legal advice.

3. The Governance Implications: A Perfect Storm is Brewing

The combination of increasing operational fragility and expanding internal investment demands forms a self-reinforcing cycle of accelerating risk:

Pressure	Effect	Consequence
Turnover + chronic understaffing	Loss of continuity and control	Increased risk of error and loss of institutional memory, burnout, further turnover
Manual processes and antiquated systems	Delays, inaccurate, unreliable information, risks are obscured	Cumulative errors, rework, downstream impacts on client funds (can't close books timely)
Complex, multi-fund operations	Overload of finite staff and systems	Reduced timeliness and resilience
Under-resourced internal audit and legal	Weak reassurance and delayed mitigation, legal advice	Hidden or compounding compliance risks. Missed opportunities.
Expansion of internal management	Higher data, system, and control requirements	Exposure exceeds current infrastructure capabilities.
Statutory and civil service constraints	Limits on autonomy, pay, and agility	Growing gap between fiduciary duty and capacity
Rising stakeholder expectations	Confusion / Different expectations	Reputational harm, Loss of public trust
Complex governance	Lack of a timely, comprehensive view of RIO – enterprise-wide and enterprise-deep.	Inability to identify and respond to risk and thus being blindsided.

Table 8 Key Risk Pain Points

Increased costs and missed opportunities

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

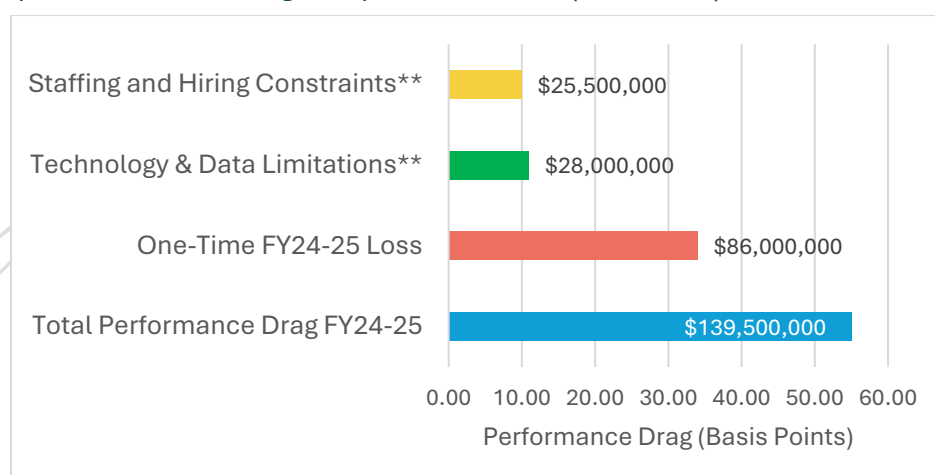


Table 9 Performance Drag

Conclusions

With a base investment of \$26 billion, a 0.5% difference in annual returns results in an \$8 trillion difference in terminal wealth after 100 years! RIO's executives and staff are making heroic efforts but it is not sustainable for a variety of reasons.

The SIB Program Manual (2024):

- Does not identify or explain powers reserved for the Legislature.
- Only makes incidental references to legislative appropriation limits.
- Operates conceptually as a closed two-tier governance system (Board → Executive) rather than a three-tier system (Legislature → Board → Executive).

This structural omission contributes directly to ambiguity in authority, delegation, and accountability. The current governance model—rooted in the Carver “Policy Governance” framework—is misaligned with the structure and statutory realities of a public fiduciary entity like the State Investment Board and the Retirement and Investment Office.

The Carver model provides conceptual clarity between board and management, but when applied in a public fiduciary context, it becomes rigid, incomplete, and counterproductive. It fails to reflect SIB/RIO's dual accountability—to beneficiaries under trust law and for the Legacy Fund, to the Legislature under public law. This exacerbates ambiguity, limits adaptability, and weakens governance coherence.

1. Built for Nonprofits, Not State Fiduciaries

Originally designed in the 1970s–80s for nonprofit and health boards, the Carver model presumes a single board–executive relationship and fails to recognize the sovereign legislative tier that governs public entities. It is too rigid, hierarchical, and incomplete for an organization subject to constitutional oversight, fiduciary duties, and statutory constraints.

2. Ignores Legislative Authority and Multi-Tier Oversight

Carver assumes the board holds full authority to delegate freely. In SIB/RIO's case, budgeting, staffing, and statutory powers remain under legislative control, creating a gap in the delegation chain. The absence of this tier in the model leads to ambiguity between fiduciary and administrative responsibilities and constrains organizational agility.

3. Overemphasis on Executive Limitations

Carver's reliance on “what not to do” statements results in negative, compliance-oriented policies that stifle initiative and create uncertainty about what is affirmatively authorized. This becomes especially problematic where explicit statutory authority is required for every action.

4. Too Abstract, Non-Adaptive, and Outdated

Carver's theoretical focus on Ends and Means provides little operational guidance for modern, data-driven, multi-fund investment organizations. The model lacks mechanisms for integrating fiduciary oversight, audit, legal, and legislative coordination, or for fostering continuous learning and adaptive management in a complex, fast-evolving environment.

5. Compounds Ambiguity Rather than Resolving It

By omitting the Legislature's role as the ultimate source of authority, the Carver model mis-frames statutory controls as managerial interference instead of constitutional governance. This has resulted in under-delegation, administrative bottlenecks, and blurred accountability between fiduciary and political responsibilities.

The Cumulative Effect

Together, these factors have created a three-way ambiguity in North Dakota's investment governance structure:

- The Legislature's role as the creator, approver of budgets, and regulator is not captured in the policy framework.
- The Board's role as fiduciary decision-maker is conceptually strong but practically weak.
- The RIO's role as operating arm is defined mainly through prohibitions rather than positive authority.

Without a fully tiered governance model linking legislative, fiduciary, and operational powers, North Dakota's system functions precariously—relying on informal understandings rather than codified authority. These informal understandings depend greatly on continuity on the Board, the Executive and staff. Something which has been sorely lacking.

Recommendations

Our recommendations are designed to address these shortcomings beginning with restructuring, simplifying and creating a plain language version of the Program Manual. The objective is to transform it from a policy-governance manual to a modern public fiduciary governance framework fully aligned with fiduciary duties. We recommend the Governance Effectives Model (GEM) as an organizing framework

Addressing these challenges would help to:

- Anchor SIB/RIO governance in statutory authority and legislative accountability,
- Replace the rigid Carver structure with a tiered, adaptive public fiduciary model, and
- Strengthen clarity, transparency, and continuity across leadership and board transitions.

4. Evaluate the reports to the Board and committees from staff and consultants.

Report Analysis

Based on NDSIB's board materials and minutes. We've synthesized key types of reports (monthly, quarterly, annual, actuarial, consultant) and assessed them against FAS' evaluation questions.

Below are examples of the reports we reviewed.

Report	Period
Monthly Financial Statements (Legacy Fund)	2021- 2025
Monthly Performance Report (Legacy Fund)	2021-2025
Quarterly Consolidated Performance Reports (Verus)	2020-2025
Annual Actuarial Valuation Reports (GRS, Segal)	2020-2022
Asset-Liability Study	2020
Experience Study	2020
Fee Review (Callan)	2020, 2024
Annual Audit (Financial / GASB)	2024
RIO/SIB Factsheets	N/A
Legacy Fund IPS	2023

Evaluation Criteria

1. Are materials concise, prioritized, and decision-focused?
2. Are data reconciled, consistent, and free of errors?
3. Are materials delivered at least 7 days before meetings, with minimal late changes?
4. Do materials cover past, present, and forward-looking horizons?
5. Is raw data presented clearly and in a digestible form with benchmarks?
6. Is data synthesized into meaningful categories?
7. Does it provide intelligence on important changes?
8. Do materials provide insight into performance drivers, risks, and implications?
9. Do materials explicitly connect to IPSs, funding policy, or strategy?

Summary Conclusions: Reporting

1. Conciseness & Decision-Focus

- Monthly packets (financials + performance) are data-heavy, with limited executive summaries or graphic visualization. See [Appendix 5: Board Packet Quality Assessment](#).
- Verus consolidated quarterly reports include clear attribution, peer benchmarks, and summaries but they are very long (150+ pages).
- Actuarial reports prioritize statutory compliance and detailed modeling, are less decision-focused.

2. Accuracy & Consistency

- Data appear to be reconciled consistently across financial statements, consultant reports, and actuarial materials (cross-checked).
- No significant errors were noted; consistent benchmarking against IPS policy targets.

3. Timeliness of Delivery

- Monthly materials are often received only a few days in advance, creating compression before board/committee meetings.
- Annual actuarial, audit, and consultant reports are delivered ≥ 10 days in advance, with minimal late changes.

4. Past, Present & Forward-Looking Horizons

- Performance reports are strong on past/present (returns, attribution) but weaker on forward-looking risks and strategy.
- Asset-liability and actuarial studies provide forward-looking scenario intelligence.
- IPS and ALM studies explicitly tie to strategy and funding policy.

5. Raw Data vs. Synthesis

- Raw data is well-presented (clear tables, consistent benchmarks).
- Synthesis varies: strong in consultant (Verus, Callan) reports, weaker in staff-prepared monthly packets although there have been some recent improvements.

6. Intelligence on Changes

- Performance reports highlight performance drivers but do not typically call out “exceptions” (underperformance, risks) in decision-focused ways.
- Actuarial and audit reports flag material changes clearly.

7. Connection to IPS, Funding Policy, Strategy

- IPS references are explicit in actuarial valuations and asset-liability studies.
- Four IPSs could not be found.
- Monthly/quarterly investment packets do not always explicitly link performance to IPS compliance or long-horizon strategy.

Recommendations for Reporting Improvement

1. **Adopt Executive Summary Dashboards** – Add 1-2 page decision-focused summaries with key insights, performance risks, and action items. Include Strategic Policy Options as needed. Use visualization to summarize large amounts of tabular data and information.
2. **Require Exception-Based Reporting** – Establish thresholds and use red-yellow-green dashboards to flag for example, deviations from benchmarks, IPS breaches, or material risks or (blue) outstanding performance.
3. **Advance Delivery** – Standardize 7-day minimum distribution; restrict late changes except for material events.
4. **Explicit IPS/Funding Policy References** – Tie all investment (actual vs. expected) performance and actuarial updates explicitly back to policy expectations.
5. **Reduce Volume** – Encourage staff and consultants to provide both long-form and trustee-ready “board book” versions. Reduce time spent on presenting materials and more time on dialogue.

5. Governance Risk Heat Map — Key Vulnerabilities and Oversight Priorities

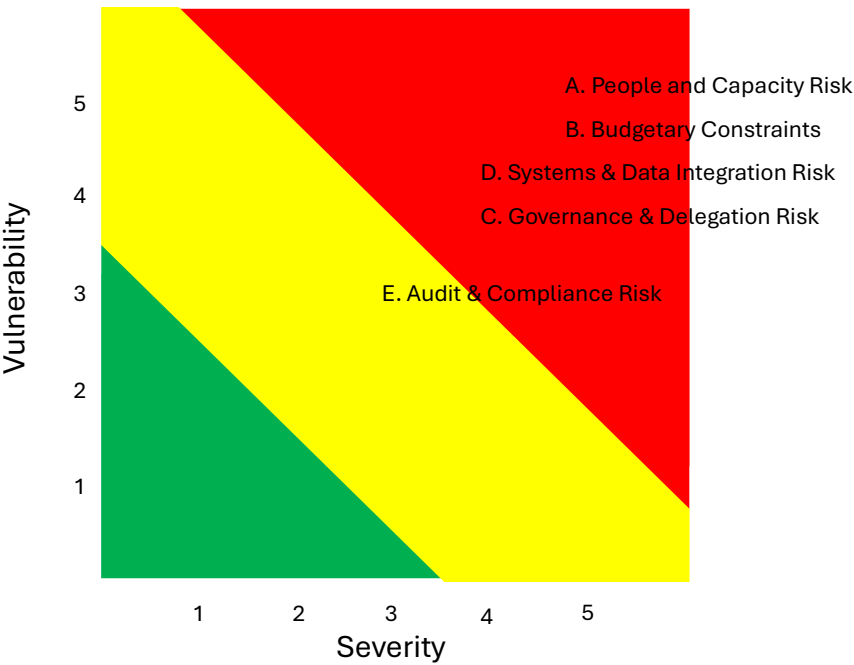


Table 10 Risk Heat Map

Risk Descriptions

Risk Category	Vulnerability	Level	Severity	Oversight Priority (1–5)
A. People & Capacity Risk	Very High AUM/FTE 2–3 times less than peer median; high executive and staff turnover (e.g., ED, CFO/COO, CRO, Head of Retirement). 70% in job less than 1 year.	Very High	Institutional fragility; loss of continuity; loss of institutional memory; burnout; diminished resilience to shocks.	1
B. Budgetary Constraints	Very High Biennial appropriations restrict staffing and system investments; limited incentive authority.	Very High	Talent loss; inability to plan multi-year capacity build-out; antiquated systems, constrained fiduciary agility.	1
C. Governance & Delegation Risk	High Carver-style “executive limitations” model obscures Legislature’s sovereign role and limits operational delegation; multiple client fund policies and authorities add complexity and reduce fiduciary control. SIB’s lack of delegation of investment managers to staff.	High	Ambiguity in accountability; slow decisions; policy inconsistency across funds.	2
D. Systems & Data Integration Risk	High Aladdin OEMS is operational but manual reconciliation persists; incomplete data warehouse integration; reporting dependent on very small internal team.	High	Risk of data inconsistency, rework, and control failures undermining front-office independence and internal management capabilities.	2
E. Audit & Compliance Risk	Medium Two Internal Audit FTEs cover pension and investment; reliance on Weaver co-sourcing; expanding internal management oversight burden.	Medium	Limited audit coverage; failure to resolve compliance breaches, operational risk not escalated timely.	2

Table 11 Risk Descriptions

Risk Interdependency Matrix

Root Cause	Amplifying Effect on Other Risks
Statutory constraint	Multiplies governance and staffing fragility.
Lean staffing	Reduces middle and back-office capabilities, limits internal audit coverage and system integration quality.
Fragmented fund governance	Inhibits consolidated risk overview and fiduciary effectiveness and efficiency.
Manual processes	Heightens compliance and data risk exposure.
Leadership turnover	Erodes institutional memory and strategic continuity.

Table 12 Risk Interdependence

Summary of Operational Risk Landscape

Dimension	Strength	Weakness / Vulnerability	Reference
Cost efficiency	Top-decile (26 bps vs. 52 bps peer median)	Under-resourced relative to scale and complexity.	CEM Benchmarking (2021)
Governance structure	Committee framework well defined	Delegation authority unclear under Carver model.	Governance Manual II.B–E
Technology modernization	Aladdin OEMS live	Integration incomplete; manual data workarounds.	CIO Update Apr 2025
Staffing depth	High productivity	Capacity and succession risks.	SIB Minutes Mar 2025
Audit & risk control	Formal framework established	Staffing well below minimum for scale.	Audit Charter
Strategic alignment	Long-horizon focus emerging	Fragmented governance among client funds.	GPR Committee Update

Table 13 Operational Risks

Governance Priority Criteria

Oversight Priorities	Primary Drivers	Oversight Action
1 Critical (Immediate)	Capacity, Legislative, manual overhaul. Delegation	Legislative engagement; workforce and delegation redesign; policy
2 Necessary (12–18 months)	Systems integration, risk dashboards. Audit coverage	Strengthen internal audit plan, data governance, and exception-based
3 Important (Continuous)	Cost efficiency, Investment oversight	Maintain top-decile efficiency while reinvesting in risk control and analytics.

Table 14 Governance Priorities

6. Recommended Governance Review Process

Purpose

To establish a continuous, structured, and evidence-based governance assessment cycle that assures alignment between fiduciary intent, statutory authority, delegation clarity, and operational capability—consistent with prevailing peer practices.

A. Annual Governance Review Cycle (GEM Framework)

Phase	Timing	Deliverables / Activities	Primary Responsibility
1. Governance Self-Assessment	Q1 each year	Board and Committee surveys using GEM dimensions (Conduct, Set, Approve/Delegate, Oversee and Verify).	Governance & Policy Review Committee (GPRC) with external facilitator.
2. Policy and Delegation Audit	Q2	Review of all SIB and RIO policies and charters for alignment with statutes, legislative authority, and management accountabilities.	Internal Audit + Legal Counsel.
3. Board Effectiveness & Skills Matrix Update	Q2–Q3	Assess board composition, fiduciary competencies, and training needs.	Board Chair & external facilitator.
4. Strategic Governance Effectiveness Workshop	Q3	Review of mission, vision, fiduciary duties, and legislative relationships. Update 3-year governance roadmap.	SIB + Legislative observers + Executive Director with external facilitator.
5. Assurance Statement to Legislature	Q4	Provide annual Assurance Statement summarizing governance, risk, and performance integrity.	SIB Chair+ Executive Director; delivered to Legislature.
6. Independent Peer Benchmarking Review (Biennial)	Every 2 years	External comparison vs. peers. Assess progress on implementation of governance recommendations. Scope covers autonomy, delegation, resourcing, and governance maturity.	Independent Consultant delivered to SIB and Legislature

Table 15 Governance Review Cycle

B. Governance Review Principles (Leading Practice)

1. **Three-Tier Accountability Model**

- Legislature (sovereign authority) → SIB (fiduciary board) → RIO (executive and operational arm).
- Explicit mapping of powers reserved, delegated, and executed.

2. **Board Performance and Self-Evaluation**

- Annual governance self-assessment with independent facilitation every 2 years.
- Benchmark governance maturity using GEM® or similar frameworks.

3. **Policy Hierarchy and Delegation Registry**

- Maintain a master delegation registry linking legislative authority, board policies, and executive procedures.
- Annual validation of decision rights.

4. **Integrated Assurance Framework**

- Combine internal audit, risk management, compliance, and external assurance into a single “Four Lines” reporting model.
- Provide an annual assurance statement to Legislature confirming fiduciary and operational integrity.

5. **Board Education and Succession Planning**

- Annual fiduciary education calendar; leadership succession plan reviewed and approved by the Board.
- Overhaul onboarding and individualize continuing education.

6. **Governance Transparency**

- Publish governance scorecard (public report) on delegation, compliance, and performance risk indicators.
- Align with leading state fiduciary boards’ public disclosure standards.

C. Implementation Roadmap (2025–2027)

Year	Focus Area	Milestone Deliverables
2025	Clarify Governance Framework	Revise Program Manual; adopt GEM Governance Principles; define delegation registry.
2026	Build Assurance Infrastructure	Expand Internal Audit to 4 FTE; formalize integrated risk dashboard; deliver first Assurance Statement to Legislature.
2027	Embed Continuous Improvement	Conduct first biennial peer governance review; publish Board Governance Effectiveness Report.

Table 16 Implementation

Review Recommendations

ND SIB should transition from a compliance-centric, Carver-based model to a governance-integrated, assurance-driven framework (GEM) that:

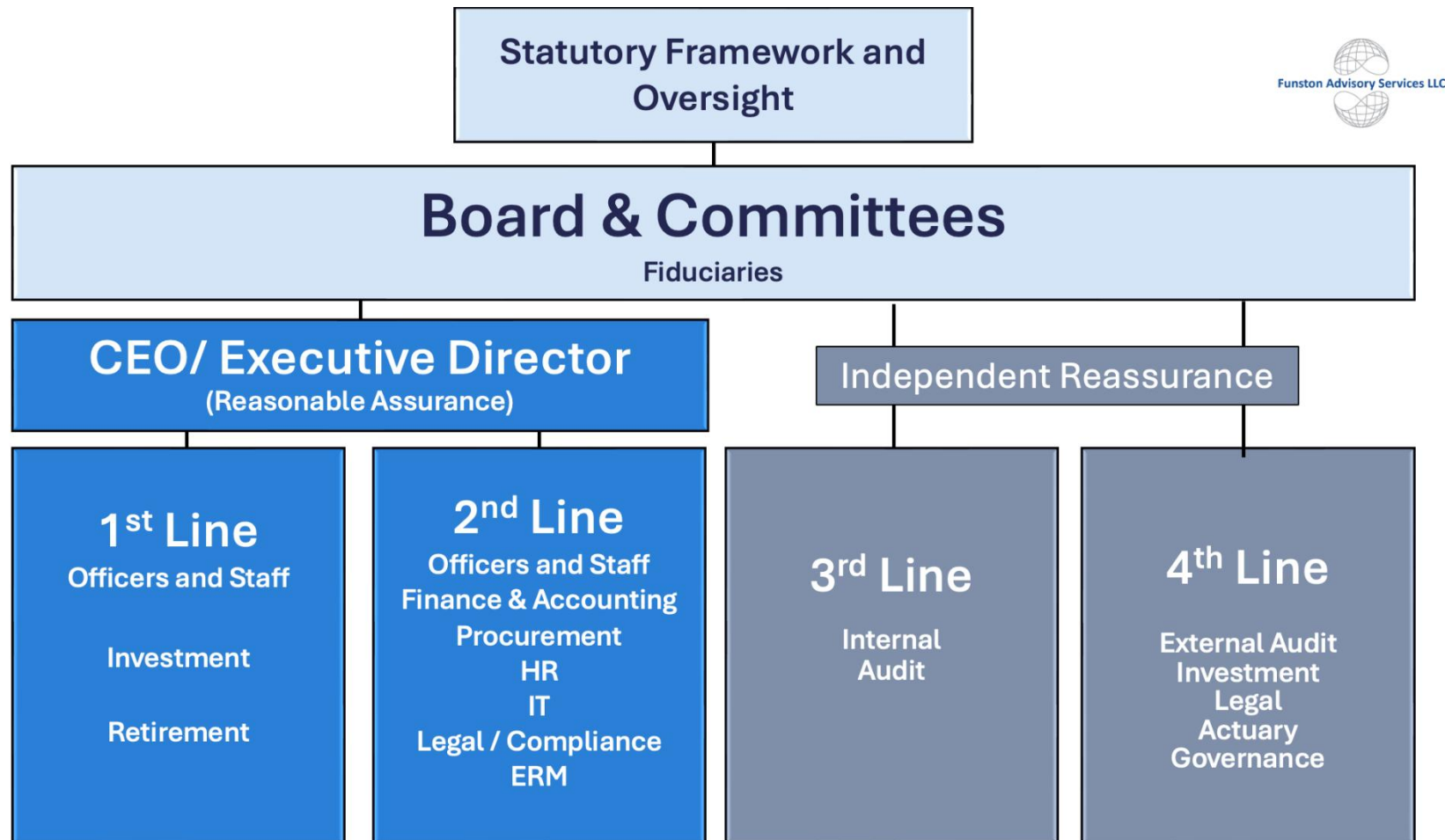
- Clarifies legislative–board–executive accountability;
- Establishes a formal, recurring governance review process;
- Strengthens operational capacity and audit assurance;
- Enables sustainable, scalable fiduciary oversight as AUM and complexity grow.

Appendices

Appendix 1: Example Board Agenda based on Powers Reserved

- a. Conduct Business – Call to order, roll call, adopt minutes, consent agenda
- b. Set Policy – Discuss all matters requiring Board policy decisions while trustees are fresh. Use a structured format for the informed discussion of policy. See Strategic Policy Options below.
- c. Approve key decisions – Review committee and staff recommendations and related due diligence. Delegate accountability authority and resources.
- d. Oversee- Review exception-based reports and determine if there are policy implications or management actions required.
- e. Verify the reliability of information and advice based on reports from internal audit and independent third parties.
- f. Conduct business – Set next meeting and adjourn.

Appendix 2: Four Lines Model of Assurance and Reassurance



Appendix 3: Investment Board Composition Comparisons

Type	DB/DC AUM \$ Bil ¹	Board Seats	Composition				Voting	Non- Voting
			Ex Officio (Legislators/ Executive)	Appointed	Experts	Active/ Retired Members		
Trustee-Only Boards								
State of Wisconsin Investment Board	\$150	9	1	8	8	2	9	
State of Michigan Investment Board	\$127	5	2	3	3		5	
Oregon Investment Council	\$105	6	2	4	4		5	1 ²
New Jersey State Investment Council	\$81	16		16	7	2	16	
South Carolina RSIC.	\$58	17	1	7	7	2	7	1 ²
Illinois State Board of Investment	\$33	9	4	5	2 ³	3 ³	9	
North Dakota State Investment Board	\$26	13	7	5	2			
Nebraska Investment Council	\$25	7	2	5	5		5	2 ⁴
West Virginia Investment Management Board	\$22	13	3	10	10		13	
Montana Board of Investments	\$16	11	2	9	3	2	9	2 ⁵
South Dakota Investment Council	\$16	8	3	5	5		8	
Rhode Island State Investment Commission	\$14	10	3	7	6	1	10	1 ²

^{1/} Based upon Pensions & Investments data for DB and DC assets from February 10, 2025 issue –updated for North Dakota 10/10/2025

^{2/} Non-voting member is the Executive Director of the retirement agency

^{3/} Number of members and experts for ISBI are not specified in statute

^{4/} Non-voting members are the Executive Director of the retirement agency and the State Treasurer

^{5/} Non-voting members are legislative liaisons, a State Representative and a State Senator

^{6/} Mass PRIM has 22 advisory experts who serve on committees and vote



Appendix 4: Complexity vs. Autonomy of State Investment Boards

State / Entity	Governance Model	Funds Managed	Budget & Staffing Control	Delegation of Investment Authority	Relative Autonomy	Complexity of Mandate
North Dakota SIB / RIO	<i>Hybrid fiduciary board + state agency SIB is fiduciary; RIO is administrative agency subject to legislative control</i>	Pensions, Legacy Fund (sovereign wealth), Insurance Trust, Budget Stabilization, Retiree Health	Legislature controls line-by-line budget, staffing, and pay levels	Limited; SIB delegates to ED/CIO, but RIO operates within state personnel and procurement rules	Very Low – constrained by legislative process and state HR systems	Very High – multiple fund types, liquidity horizons, and legal regimes, internal management
Washington SIB (WSIB)	<i>Independent fiduciary board</i>	Pensions, industrial insurance, public trusts	Independent budget; salaries approved by Board, not legislature	Full delegation to CIO and internal investment staff. The Board still approves manager selection.	Very High – operationally independent	High – multiple fund types but integrated under one governance structure
Wisconsin SWIB	<i>Independent public corporation</i>	Pension and state investment fund (cash, agency accounts)	Board-approved budget, exempt from state civil service; self-funded via AUM fees	Full delegation to ED/CIO; internal management of ~50% of assets	High – corporatized governance model	High – dual fund management but uniform fiduciary framework. 50% internal management.
South Dakota Investment Council (SDIC)	<i>Independent council under Treasury oversight</i>	Pension, trust, and reserves	Self-funded, independent pay plan authorized by statute	Full authority delegated to State Investment Officer	High – long-term independence codified in law	Moderate – fewer fund types, simpler liquidity mix
Oregon State Treasury / OPERF	<i>Hybrid Treasury model with a fiduciary board</i>	Pensions, insurance, state funds	Legislative oversight of Treasury, but Investment Council independent on policy	Delegated to OST staff under Council policy	Moderate – shared between Treasurer and Council	High – broad fund scope, internal management, policy independence

Draft Final Report

State / Entity	Governance Model	Funds Managed	Budget & Staffing Control	Delegation of Investment Authority	Relative Autonomy	Complexity of Mandate
Montana Board of Investments	<i>Statutory fiduciary board housed in Dept. of Commerce</i>	Pensions, trust, state funds	Department-approved budget; limited staff flexibility	Moderate delegation; internal management of fixed income	Moderate – partially autonomous	Moderate – mixed internal / external management
Alaska Permanent Fund Corp.	<i>Public corporation</i>	Sovereign wealth only	Self-funded, independent HR and procurement	Full delegation to CEO/CIO; independent board	Very High	Low-Moderate – single fund, SWF only

Appendix 5: Board Packet Quality Assessment Report

Name of Report	Type	Avg. Size (# pages)	Days Before Meeting	Frequency	Exception-Based Reporting (Y/N)	Overall Quality Score
Monthly Financial Statements (Legacy Fund)	Investment / Risk	15–20	5–7	Monthly	N	Medium-High
Monthly Performance Report (Legacy Fund)	Investment	15–25	5–7	Monthly	N	Medium
Quarterly Consolidated Performance Reports (Verus)	Investment / Risk	150–250	7–10	Quarterly	Partial Y (attribution, but not framed as exceptions)	High
Annual Actuarial Valuation Reports (GRS, Segal)	Risk / Funding Policy	150–300	≥10	Annual	N	High
Asset-Liability Study	Strategy / Risk	~50–100	≥10	Every 3–5 years	N	High
Experience Study (2020)	Actuarial	~40–50	≥10	Every 5 years	N	Medium-High
Fee Review (Callan, 2020, 2024)	Operations / Oversight	~40–50	≥10	Every 3–5 years	N	Medium
Annual Audit (Financial / GASB)	Risk / Compliance	~70–120	≥10	Annual	Y (management letter exceptions)	High
RIO/SIB Factsheets	Summary / Stakeholder	2–5	Variable	Annual / Ad hoc	N	Medium
Legacy Fund IPS (2023)	Policy / Strategy	~30–40	≥10	As updated	N	High

^{1/} Board does not delegate manager selection

^{1/} Board does not delegate manager selection

Appendix 6: Staffing Metrics

Metric	NDSIB	Peer Median (U.S. Public Funds)	Commentary
AUM (2025)	~\$26 billion	—	Includes Legacy Fund, PERS, TFFR, WSI, Insurance, and other client funds.
Total Staff (FTE)	~27 (investment only)	90–120	Among the leanest peer funds by staff per AUM.
Investment Division (FTE)	~10–14	45–70	Minimal internal investment staffing; internal management just beginning.
AUM per FTE (Total)	\$650–740 million per FTE	\$250–350 million per FTE	Roughly 2–3x leaner than peer median.
AUM per Investment FTE	~\$2.0–2.5 billion per investment staff	\$800M–\$1.2B	Significantly leaner; indicative of capacity constraint particularly as in-house management scales.
Internal vs. External Management	15% internal (goal to expand)	40–50% internal typical for peers	Large reliance on external managers and higher costs.
Operating Budget (Biennium 2023–2025)	\$18.8M adjusted	—	Includes PAS system modernization, Aladdin rollout, and internal trading pilot.

Appendix 7: Funds with Delegated Manager Selection

DB and DC Assets Under Management	Largest U.S. State Funds (including Investment Boards)	Funds with Delegated Manager Selection			
		2015		2025	
		Number	%	Number	%
> \$100 billion	14	8	57%	10	71%
\$50-100 billion	15	6	40%	11	73%
\$25-50 billion	15	2	13%	5	33%
\$10-25 billion	24	6	25%	10	42%
Total	68	22	32%	36	53%

Citations:

- *CEM FTE Benchmarking Template 2021 – North Dakota* (Cost Effectiveness data)
- *Governance Manual* (2024 update)
- *SIB and committee minutes* (March–April 2025)
- Verus and Weaver reports (2024-2025)

MEMORANDUM

TO: State Investment Board
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: November 18, 2025
RE: First Quarter Audit Activities Report

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.

Board Action Requested: Board acceptance.

MEMORANDUM

TO: State Investment Board

FROM: Sarah Mudder, communications and outreach director

DATE: Nov. 21, 2025

RE: FY2026, Q1 Communications and Outreach Report

MEDIA INQUIRIES – Date, Subject, and Publication

- July 15, 2025, Private markets performance data, With Intelligence
- Aug. 7, 2025, Pension fund private debt allocation, With Intelligence
- Aug. 8, 2025, Manager termination and selection, Fin News
- Aug. 13, 2025, Integrated trading solution, Pensions & Investments
- Aug. 19, 2025, Integrated trading solution, Markets Group
- Aug. 21, 2025, Manager termination and selection, Pensions & Investments
- Sept. 10, 2025, Manager selection, Fin News
- Sept. 11, 2025, Manager selection, Pensions & Investments
- Sept. 29, 2025, Correction, North Dakota's Watchdog Update

MEETINGS – Date and Activity

- July 10, 2025, RIO Executive Steering Committee Investment Management Strategy Meeting
- July 10, 2025, TFFR Board Retreat
- July 11, 2025, SIB Investment Committee Meeting
- July 16, 2025, SIB Governance & Policy Review Committee Meeting
- July 24, 2025, TFFR Board Meeting
- July 25, 2025, SIB Board Meeting
- Aug. 6, 2025, SIB Executive Review & Compensation Committee Meeting
- Aug. 8, 2025, SIB Investment Committee Meeting
- Aug. 14, 2028, SIB Special Board Meeting
- Aug. 28, 2025, RIO Executive Steering Committee Meeting Investment Management Strategy Meeting
- Sept. 3, SIB Audit Committee Meeting
- Sept. 9, SIB Governance & Policy Review Committee Meeting
- Sept. 11, TFFR Governance & Policy Review Committee Meeting
- Sept. 12, SIB Investment Committee Meeting
- Sept. 16, SIB Securities Litigation Committee Meeting
- Sept. 24, Budget Section - Leadership Division
- Sept. 25, Government Finance Committee
- Sept. 25, TFFR Board Meeting
- Sept. 26, SIB Board Meeting

OUTREACH – Date, Activity and Attendance

TFFR Member

- July 8, 2025, Retirement Education Workshop, Fargo, 45 attended
- July 16, 2025, Retirement Education Workshop, Virtual, 81 attended
- Sept. 17, 2025, Group Benefit Presentation, Bismarck, 15 attended
- Sept. 18, 2025, Group Benefit Presentation, Dickinson, 17 attended

- Sept. 299, 2025, Group Benefit Presentation, Jamestown, 22 attended

TFFR Business Partner

- Aug. 6, 2025, MyTFFR Office Hours: Enrollment Training, 91 attended

Partner Event

- July 10, 2025, Scott Anderson (presenter), UW Madison High School Career Day, Madison, WI
- Aug. 5, 2025, Sarah Mudder & Denise Leingang-Sargent (tradeshaw), CTE Professional Development Conference, Bismarck, ND
- Aug. 8-13, 2025, Jodi Smith, NASRA Conference, Seattle, WA
- Sept. 2-4, 2025, Jodi Smith (presenter), Public Funds Forum, Park City, UT
- Sept. 4, 2025, Eric Chin (presenter), 11th Annual Great Plains Institutional Forum, Minneapolis, MN
- Sept. 9-11, 2025, Denise Weeks (presenter), ND Retired Teachers Association, Grand Forks, ND
- Sept. 11-13, 2025, Sarah Mudder, NFPW conference, Golden, CO

PUBLICATIONS – Date, Bulletin and open rate

GovDelivery

TFFR Business Partner newsletters and updates

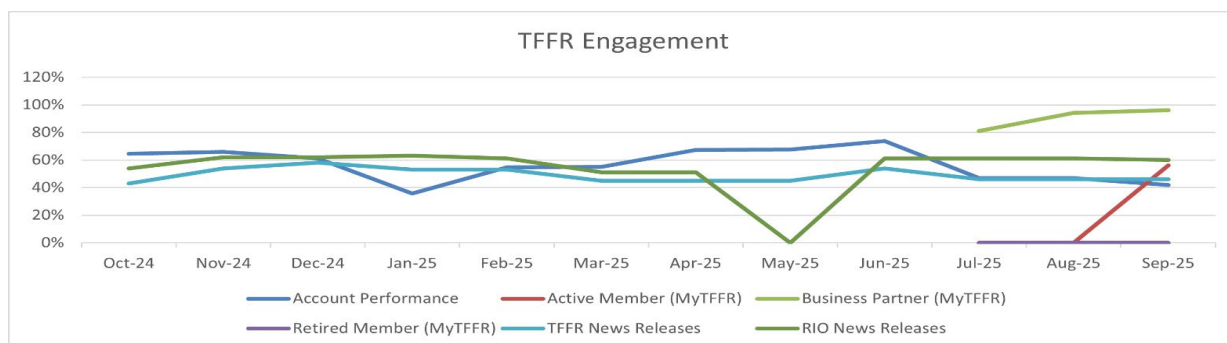
- July 7, 2025, "MyTFFR year-end reporting problems," sent to 598 recipients (57% open rate)
- July 10, 2025, "Reminder to use MyTFFR help resources," sent to 605 recipients (50% open rate)
- July 24, 2025, "MyTFFR Office Hours: Enrollment Training," sent to 604 recipients (57% open rate)
- July 29, 2025, "TFFR Business Partner News: Briefly, July 2025," sent to 603 recipients (57% open rate)
- Aug. 4, 2025, "Struggling with Enrollment? Get....," Aug. 4, 2025, sent to 61 recipients (51% open rate)
- Aug. 4, 2025, "Not sure how to enroll TFFR....," Aug. 4, 2025, sent to 61 recipients (44% open rate)
- Aug. 4, 2025, "Struggling with Enrollment? Get....," Aug. 4, 2025, sent to 484 recipients (62% open rate)
- Aug. 6, 2025, "Last Chance... Enrollment Training," Aug. 6, 2025, 608 recipients (62% open rate)
- Aug. 7, 2025, "MyTFFR Enrollment Resources and FAQs," Aug. 7, 2025, 606 recipients (64% open rate)
- Sept. 24, 2025, "MyTFFR Office Hours: Open Forum....," Sept. 24, 2025, 615 recipients (63% open rate)
- Sept. 30, 2025, "Registration reminder... Office Hours," Sept. 30, 2025, 614 recipients (63% open rate)

TFFR Active Member newsletters and events

- Sept. 9, 2025, "Ready to retire?... registration is open" to 2,015 recipients (45% open rate)
- Sept. 10, 2025, "Ready to retire?... registration is open" to 44 recipients (32% open rate)
- Sept. 12, 2025, "Ready to retire?... registration is open" to 42 recipients (32% open rate)
- Sept. 16, 2025, "Ready to retire?... registration is open" to 40 recipients (43% open rate)
- Sept. 17, 2025, "Ready to retire?... registration is open" to 22 recipients (74% open rate)
- Sept. 21, 2025, "Ready to retire?... registration reminder" to 2,265 recipients (44% open rate)
- Sept. 25, 2025, "TFFR Active Member News, Sept. 2025" to 20,160 recipients (56% open rate)

TFFR Engagement Rate Monthly Metrics

From July 1 to September 30, most to least engaged topics were Business Partner at 96%, Active Members at 56% and TFFR News Releases at 46%. Retired Members dropped off due to lack of communication. Per GovDelivery, the median engagement rate for education communications in 2024 was 65%. The median engagement rate for government emails overall was 61%.



SIB/Fiscal news releases

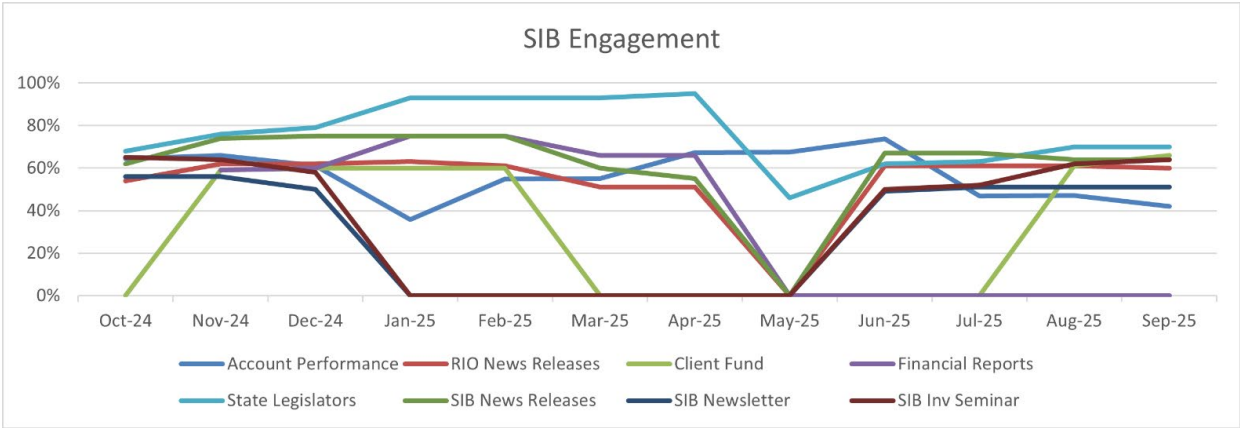
- Aug. 27, 2025, “SIB selects Funston for first governance review,” 903 recipients (46% open rate)
- Sept. 3, 2025, “NDRIO’s investment strategies... 2025 seminar,” 898 recipients (42% open rate)
- Sept. 9, 2025, “RIO earns financial reporting recognition,” 840 recipients (41% open rate)
- Sept. 24, 2025, “RIO welcomes Otteson as CFOO,” 847 recipients (41% open rate)

SIB Business Partners

- Aug. 20, 2025, “Registration Open: Investment Seminar” to 839 recipients (66% open rate)
- Sept. 18, 2025, “Political Strategist Frank Kelly to keynote....) 834 recipients (38% open rate)

SIB Engagement Rate Monthly Metrics

From April 1 to June 30, most to least engaged SIB topics were SIB News Releases 64%, State Legislators at 70% and RIO News Releases at 60%. Client Funds dropped off because of a lack of communication. Per GovDelivery, the median engagement rate for Finance & Commerce communications in 2024 was 53%. The median engagement rate for government emails overall was 61%.



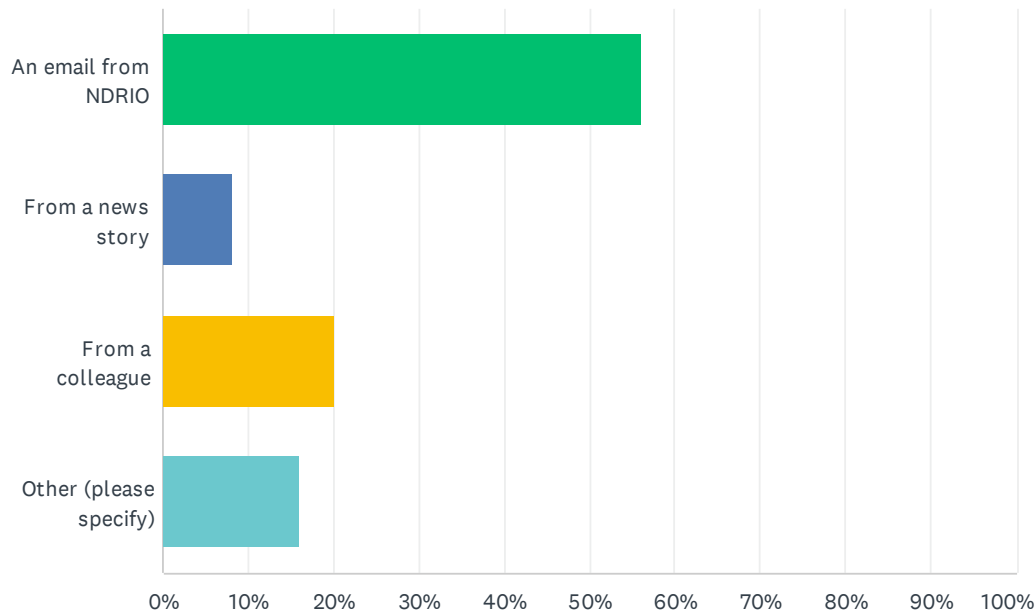
SOCIAL MEDIA

LinkedIn	Page Views	Unique Visitors	New Followers
	1,204	499	94
Most Popular Posts (Engagement Rate)	Impressions	Clicks	Likes
Welcome Jin Xi Chen	4,621	383	80
Welcome Shiv Khare	1,481	109	32
Seeking CFOO	1,737	105	39
YouTube	Views	Watch Hours	New Subscribers
	699	62.6	5
Top Content	Views	Average Duration	
MyTFFR Member Login Instructions	169	2:01	
MyTFFR Retirement Benefit Estimate	57	2:01	
TFFR Program Overview	43	11:34	

BOARD ACTION REQUESTED: Board Acceptance

Q1 How did you learn about the seminar?

Answered: 25 Skipped: 0

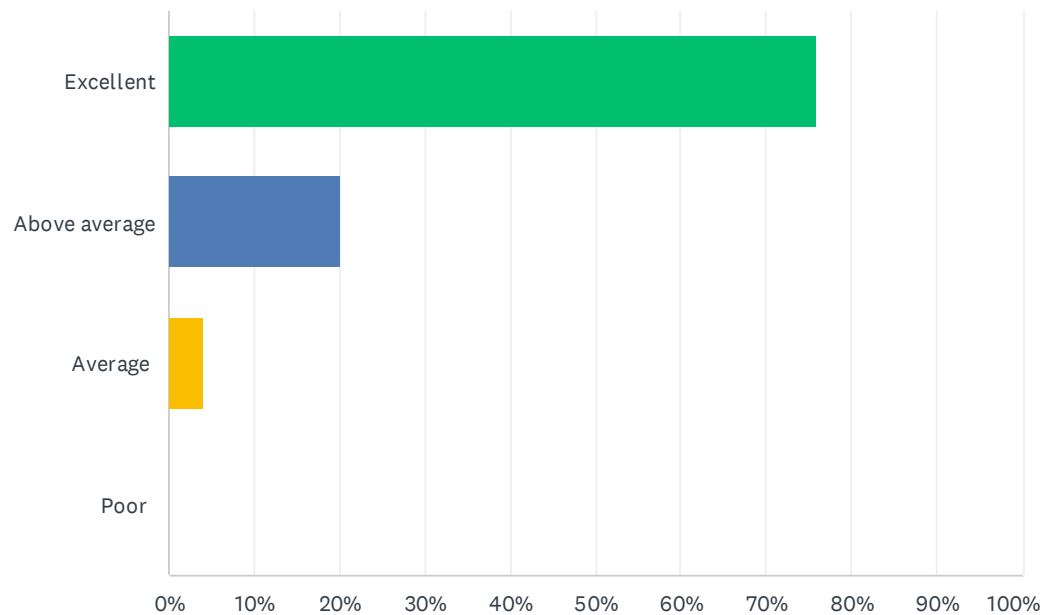


ANSWER CHOICES		RESPONSES	
An email from NDRIIO		56.00%	14
From a news story		8.00%	2
From a colleague		20.00%	5
Other (please specify)		16.00%	4
TOTAL			25

#	OTHER (PLEASE SPECIFY)	DATE
1	Lance Z and Frank	10/30/2025 2:34 PM
2	linkedin	10/27/2025 8:03 AM
3	Frank Mahail at ND Trust Lands shared invitation with me	10/23/2025 4:58 PM
4	Following NDRIIO Linkedin	10/23/2025 4:55 PM

Q2 Rate the Keynote Speaker Presentation, “Everything, everywhere, all at once,” including the material presented and speaker knowledge.

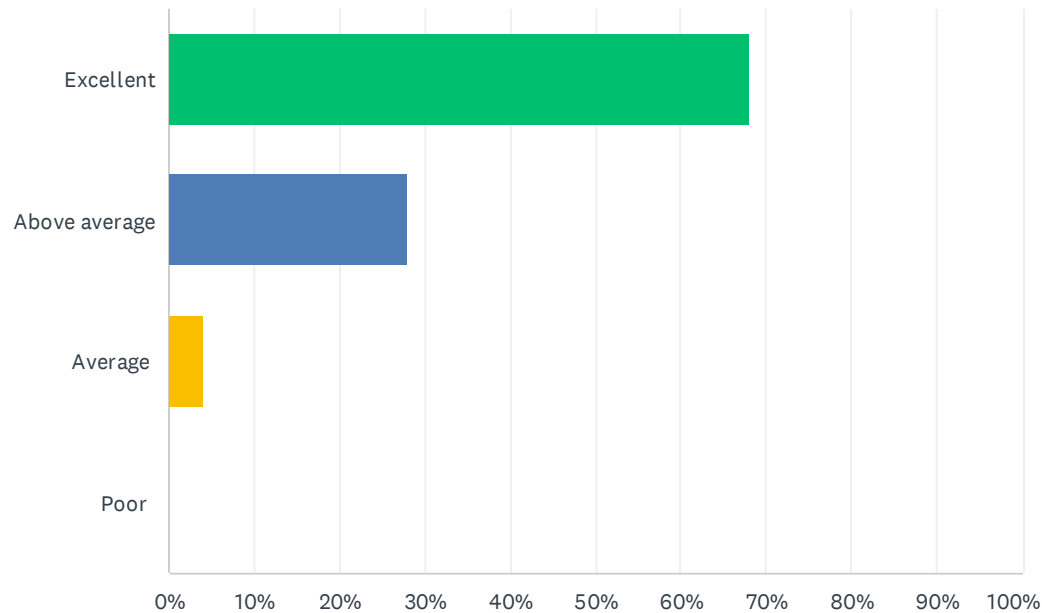
Answered: 25 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	76.00%	19
Above average	20.00%	5
Average	4.00%	1
Poor	0.00%	0
TOTAL		25

Q3 Rate the “Legacy Fund positioning” presentation, including the material presented and speaker knowledge.

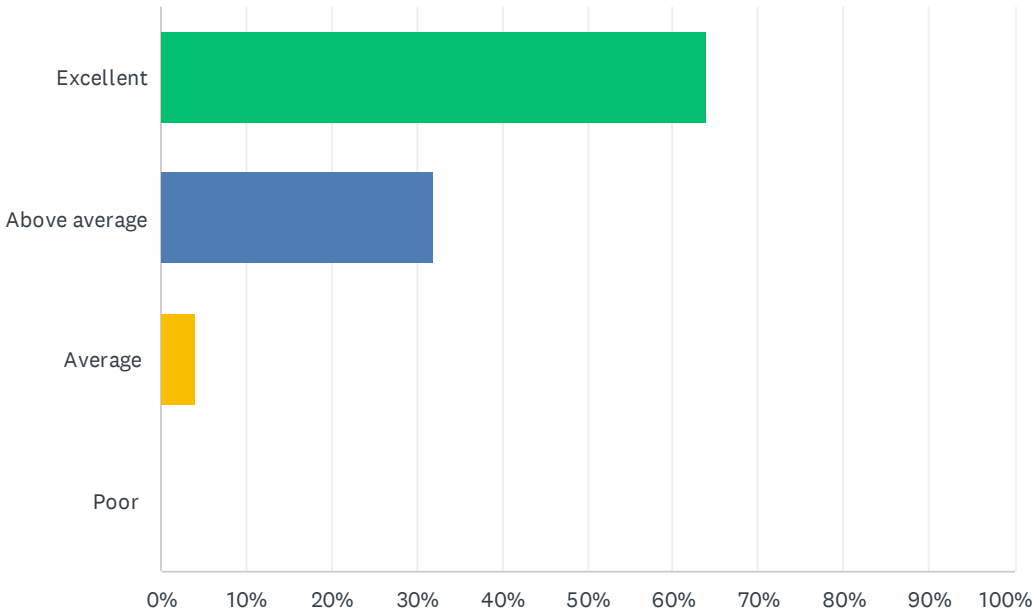
Answered: 25 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	68.00%	17
Above average	28.00%	7
Average	4.00%	1
Poor	0.00%	0
TOTAL		25

Q4 Rate the “State of the SIB” presentation, including the material presented and speaker knowledge.

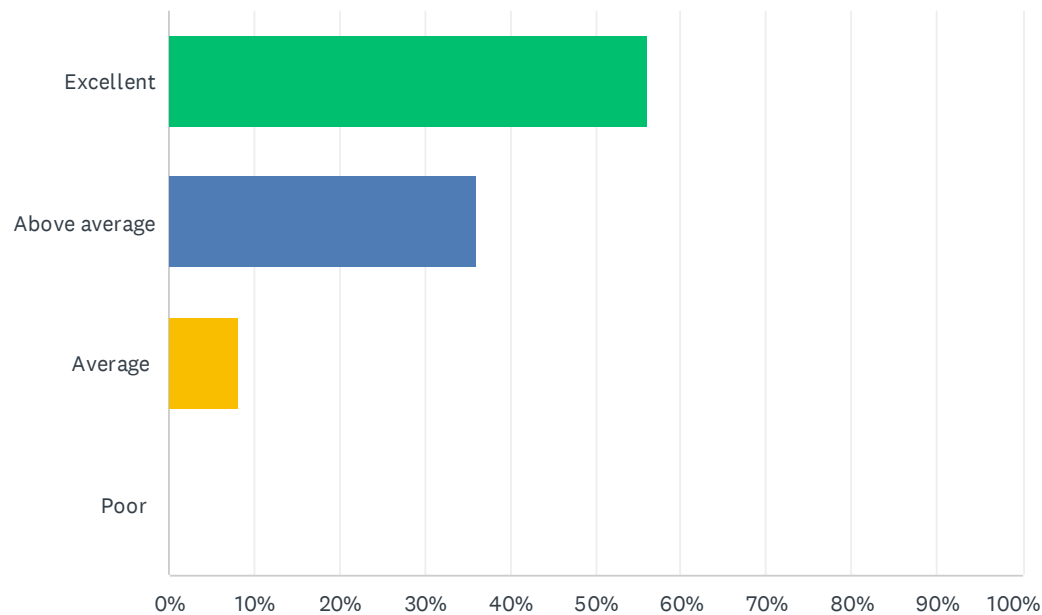
Answered: 25 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	64.00%	16
Above average	32.00%	8
Average	4.00%	1
Poor	0.00%	0
TOTAL		25

Q5 Rate “The in-state investment program’s next chapter” presentation, including the material presented and speaker knowledge.

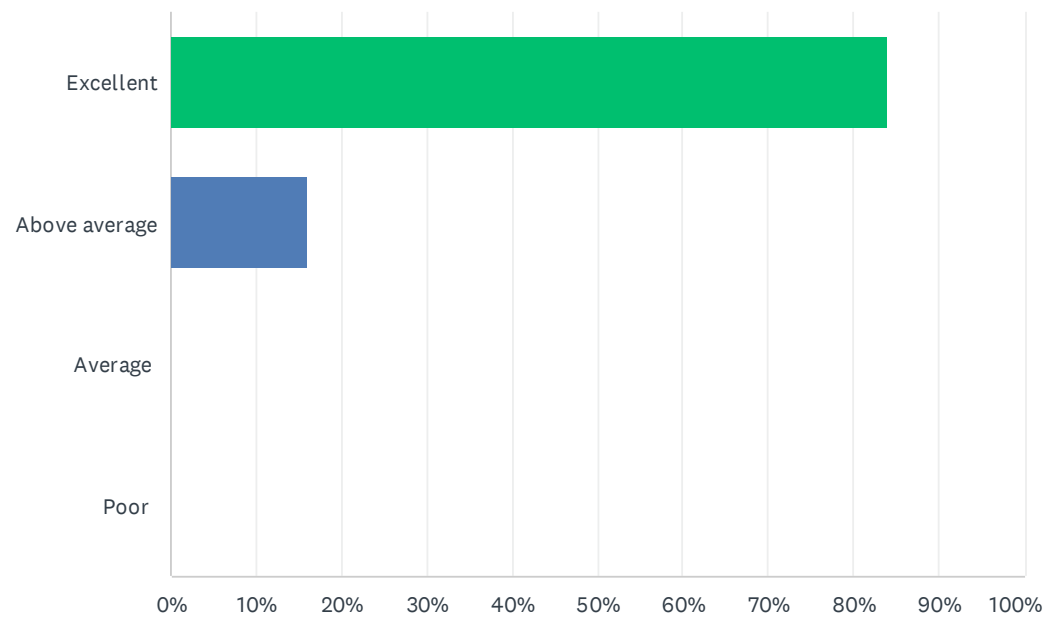
Answered: 25 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	56.00%	14
Above average	36.00%	9
Average	8.00%	2
Poor	0.00%	0
TOTAL		25

Q6 Rate the seminar overall.

Answered: 25 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	84.00%	21
Above average	16.00%	4
Average	0.00%	0
Poor	0.00%	0
TOTAL		25

Q7 Which presentation did you find most beneficial and why?

Answered: 17 Skipped: 8

#	RESPONSES	DATE
1	Loved the keynote. lots of great information.	10/28/2025 4:31 PM
2	Frank Kelly's honest and blunt observations were very insightful. He speaks from his gut and that is good to hear.	10/28/2025 11:16 AM
3	The in-state investment program's next chapter. It allows me to see how the decisions today will impact the future of the SIB portfolios.	10/27/2025 4:37 PM
4	The Keynote presentation was the most informative. It is difficult to put together a seminar that gives enough background and more in depth information. I felt the other panels were providing more background/ground level information rather than a second or third level for those in attendance who are familiar with the programs.	10/27/2025 4:20 PM
5	Hearing from the individual CFAs on what they are doing.	10/27/2025 2:33 PM
6	I thought the international issues discussed by the keynote were the most beneficial, though it was all really good.	10/26/2025 2:25 PM
7	I always enjoy the Geopolitical and Macro speakers that you all can bring in. And, I enjoy learning about fund positioning and why it is positioned that way.	10/24/2025 3:46 PM
8	The keynote speaker was excellent. His overview of world politics and changing dynamics provided a lot of useful information to help shape investment strategies, etc. His ability to tie all this information to our goals with ND's investment funds really put things into perspective. I could have listened to him a lot longer.	10/24/2025 1:13 PM
9	Hearing about the path of NDRIO, all the considerations and progress they've made as an investment staff was fantastic.	10/24/2025 9:48 AM
10	Legacy Fund positioning	10/24/2025 9:10 AM
11	In-state investment panel. The speakers each explained their relevant programs in plain English. It shed light on ND "betting on itself"	10/24/2025 8:54 AM
12	Everything, everywhere, all at once	10/24/2025 8:02 AM
13	Evolution and progress of investment pools particularly having attended last year. So hearing what progress has been made was insightful.	10/23/2025 7:55 PM
14	Keynote	10/23/2025 7:26 PM
15	Learning more about the Legacy Fund positioning and the State of the SIB was most helpful because it is most relevant for ways I can potentially help the investment staff over time.	10/23/2025 5:44 PM
16	It was wonderful to get an overview of the investment programs overall, but Frank Kelly's Keynote was particularly insightful.	10/23/2025 4:59 PM
17	They were all fantastic. For me each was key to understanding status and future of NDRIO and potential to collaborate / partner.	10/23/2025 4:58 PM

Q8 Final thoughts on this event or a topic you would you like NDRIO to address at a future event?

Answered: 15 Skipped: 10

#	RESPONSES	DATE
1	Really enjoyed the event. there was a good amount of time for networking with great access to the broader team.	10/28/2025 4:31 PM
2	Keep the program going. It will get better over time.	10/28/2025 11:16 AM
3	It was a good event. My only suggestion is next year look for a venue that has better audio quality.	10/27/2025 4:59 PM
4	I think this is one of the best events in our industry to grant you access to all of the decision-makers in the RIO office and the state legislator. You can't ask for a better opportunity!!	10/27/2025 4:37 PM
5	Thank you for hosting these events. Much needed!	10/27/2025 4:20 PM
6	The only issue I noted was with sound a bit on the panels. I think having the lapel microphones for everyone would be helpful. Beyond that, all great.	10/26/2025 2:25 PM
7	Always great to learn more about the issues facing North Dakota not only at the SIB level but as a state overall.	10/24/2025 3:46 PM
8	The venue is nice, but it needs to work on the acoustics. In that large of a space, it was difficult at times to hear the speakers, plus there was noise that came up from the surrounding activities. I know this is out of your control, but something to consider when booking a venue for next year's event.	10/24/2025 1:13 PM
9	The event is remarkable, a great way to network, learn and connect with the folks in North Dakota responsible for retirement and investments.	10/24/2025 9:48 AM
10	Some of the business entrepreneurs receiving investments from the In-State program.	10/24/2025 9:10 AM
11	continue to provide information on returns, and how those get spent in earnings (including property tax rebates to primary residence owners) and how the economic impact of the in-state investment program (maybe by jobs retained/grown?).	10/24/2025 8:54 AM
12	Investment strategies for other funds the SIB is responsible for such as the Water Project Stabilization Fund, Teachers' Fund for Retirement, Budget Stabilization Fund, and such. State of the SIB presentation was tough to hear as the microphone wasn't picking up their voices all of the time.	10/24/2025 8:02 AM
13	Greatly enjoyed it. Would attend again.	10/24/2025 12:09 AM
14	Access to staff and content were solid. Venue was stunning. No knock on last year's venue but this year's was top notch. And unless this is recency bias speaking I felt the content was more streamlined and pertinent for external managers this year vs last year.	10/23/2025 7:55 PM
15	Great event, thank you! With some team members living around the country, this was a wonderful opportunity to say hello to everyone on one day.	10/23/2025 5:44 PM