

**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