

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
NOVEMBER 21, 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
Art Thompson, Director of WSI

MEMBERS ABSENT:

Dr. Prodosh Simlai, Investment Professional

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.
Erik Jodock, Investment Analyst
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.
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
Mark Morgan, SEI
Evan Norton, Funston Advisory Services
Kirsten Tuntland, Assistant Attorney General
Jonathan Waite, SEI
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, November 21, 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, Mr. Buck, Mr. Thompson, Mr. Mickelson, Sen. Klein, Dr. Lech, Mr. Morrisette, Mr. Jahner, and Gov. Armstrong

AGENDA:

The Board considered the agenda for the November 21, 2025, SIB meeting. Agenda item III. E was moved to the beginning of the agenda.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO ACCEPT THE NOVEMBER 21, 2025, AGENDA AS PRESENTED.

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

NAYS: NONE

ABSENT: REP. BOSCH AND DR. SIMLAI

MOTION CARRIED

MINUTES:

The Board considered the minutes of the October 24, 2025, SIB meeting.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE OCTOBER 24, 2025, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: REP. BOSCH AND DR. SIMLAI

MOTION CARRIED

GOVERNANCE:

Governance & Policy Review (GPR) Committee Update:

Dr. Lech provided an update on the GPR Committee's work and noted that Mr. Funston was present to offer an overall review of the governance audit and related recommendations. The discussion acknowledged significant changes over the past decade, including substantial growth in assets under management, which have increased organizational complexity and informed the need for a comprehensive governance review.

Mr. Funston outlined a proposed timeline to complete the governance review work by May, allowing the board sufficient time—prior to a targeted July 1 decision point—to review, digest, and evaluate proposed changes. He recommended an incremental approach to delivering the work, providing sections of the governance framework in stages (e.g., purpose and mission, followed by subsequent components), rather than presenting a single comprehensive document at the end. Board members expressed support for receiving governance materials incrementally for review and discussion. The incremental approach was also viewed as beneficial for early stakeholder communication and, if necessary, preparing for potential legislative changes in a thoughtful and transparent manner. Mr. Funston confirmed his willingness to work closely with the Governance and Policy Review Committee and the full board throughout the process, provide interim deliverables, and address questions either during meetings or through follow-up communication.

Some changes to the report were discussed and will be completed by Funston and sent to staff.

IT WAS MOVED BY MR. THOMPSON AND SECONDED BY MR. MILLER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE GOVERNANCE ASSESSMENT REPORT WITH THE DISCUSSED CHANGES AND TO MOVE FORWARD WITH PHASE 2.

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

NAYS: NONE

ABSENT: REP. BOSCH AND DR. SIMLAI

MOTION CARRIED

Rep. Bosch joined the meeting at 9:36 a.m.

Investment Committee Update:

Treasurer Beadle provided an update from the November 14, 2025, Investment Committee (IC) meeting. The committee reviewed a private real estate manager in executive session and discussed a potential investment in a North America-focused real estate infrastructure fund. Staff also finalized a \$60 million commitment to the BVP Forge II private equity fund, split between the pension and legacy portfolios. Private markets allocations remain below the long-term 7% target as part of a phased implementation approach.

The committee reviewed proposed asset allocation adjustments developed by NEPC and SEI, noting modest improvements to expected returns with minimal impact on risk, including glide path adjustments for mature pension funds. The Investment Committee recommended these asset allocation changes for full board approval. Updates to the Investment Policy Statement and progress on the performance consultant search were also reviewed, with related action items to follow on the board agenda.

Pension Asset Allocation:

Mr. Goldthorpe and Mr. Nankof, NEPC, reviewed the continuous asset allocation process used to rotate through the organization's 31 client funds. For several pension plans with similar characteristics and discount rates, staff identified an opportunity to harmonize asset allocations to improve efficiency and consistency. Asset allocation recommendations were presented for PERS, TFFR, Bismarck Employee, Bismarck Police, Grand Forks Employee and Grand Forks Parks plans.

The asset allocation process included review and discussion by the Investment Committee, followed by engagement with each client fund's investment committee and board prior to advancing recommendations. For more mature and closed plans, including Grand Forks and Grand Forks Parks, a glide path approach was incorporated to gradually reduce portfolio risk as funded status improves, increasing allocations to fixed income to better match liabilities over time.

The analysis considered liquidity needs, stress testing across market scenarios, and risk-return impacts on funding levels and contribution requirements. It was noted that recent investment performance and asset allocation decisions have contributed to improved funded status for certain plans, accelerating projected timelines to full funding. The board expressed appreciation for the depth of analysis and work performed by staff and consultants.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE PERS, TFFR, BISMARCK EMPLOYEES, BISMARCK POLICE, GRAND FORKS, AND GRAND FORKS PARKS ASSET ALLOCATION.

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

NAYS: NONE
ABSENT: DR. SIMLAI
MOTION CARRIED

Job Service Asset Allocation:

Mr. Morgan, SEI, presented asset allocation recommendations for the Job Service Fund, noting the plan is approximately 120% funded and therefore considered overfunded. Given the surplus, SEI recommended reducing portfolio risk by lowering equity exposure and increasing fixed income.

Two alternative portfolios were reviewed. Portfolio A focused on modest adjustments within fixed income to reduce credit risk and increase duration, taking advantage of higher yields and providing greater protection against declining interest rates. Portfolio B represented the next step in the fund's long-standing glide path, further reducing return-seeking assets and increasing high-quality fixed income to continue de-risking the plan.

Monte Carlo analysis and funded-status projections demonstrated that while Portfolio B reduces expected returns, returns remain well above actuarial and hurdle rates, volatility is meaningfully reduced, and downside risk is improved. Even under adverse scenarios, funded status was projected to remain strong.

SEI recommended Portfolio B, which reduces equity exposure from 26% to 13% and reallocates to higher-quality fixed income, as an appropriate next step to manage risk while maintaining a strong funded position.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE JOB SERVICE ASSET ALLOCATION.

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

Job Service Investment Policy Statement (IPS):

Following approval of the Job Service Fund asset allocation, Mr. Chin presented a redlined and updated IPS reflecting the revised allocation. Updates include revised risk and return metrics consistent with the reduced equity exposure and increased allocation to fixed income, as well as updated CPI-related assumptions.

The IPS was revised to reflect the new asset allocation and includes an additional provision clarifying the timing of withdrawals. Upon approval, the updated IPS will be forwarded to the PERS Investment Subcommittee and the PERS Board for final approval.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE JOB SERVICE IPS.

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

Performance Consultant Search:

Ms. Smith reviewed the Investment Committee's recommendation to authorize a performance consultant search. The committee noted that efforts to modernize benchmarking and performance evaluation began in 2023 in response to expanded internal investment management and alignment with incentive compensation. A prior RFP for a standalone benchmark consultant yielded no respondents, resulting in the selection of Verus through a noncompetitive procurement process, with Verus currently serving as both benchmarking and performance consultant.

Staff explained that industry practice supports either separate or combined benchmarking and performance consulting models. Given the organization's expanded internal investment structure and focus on governance alignment and operational efficiency, staff and the Investment Committee recommended procuring a single integrated consultant to provide both benchmarking and performance services.

The current performance consultant contract expires June 30, with limited extension options, while the benchmarking contract runs through June 30, 2027. Staff outlined a proposed procurement approach to align contract timelines and transition to an integrated consulting model without disrupting existing contractual obligations.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SEN. KLEIN AND CARRIED BY A ROLL CALL VOTE TO AUTHORIZE RIO STAFF TO INITIATE A PROCUREMENT PROCESS FOR A COMBINED PERFORMANCE AND BENCHMARK CONSULTANT.

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

NAYS: NONE

ABSENT: DR. SIMLAI

MOTION CARRIED

Executive Review & Compensation Committee (ERCC) Update:

Dr. Lech provided an update from the November 5, 2025, ERCC meeting. The Committee reviewed incentive compensation calculations, including refinement of the 20% qualitative component of the incentive program. Under the policy, 80% of incentive compensation is based on quantitative performance relative to board-approved benchmarks, and 20% is based on individual goals and qualitative factors. Staff outlined efforts to add more objective indicators to the qualitative portion.

Staff reported that investment performance exceeded the board-approved benchmark by approximately 83 basis points, generating an estimated \$190 million in excess returns, and that the resulting incentive compensation calculations align with board policy and statutory authority. The benchmark used for these calculations was established by the board, and performance and benchmarking consultants serve the board independently of staff.

The qualitative component was applied using defined criteria, including years of service and role, with prorated adjustments for partial-year employment. Maximum incentive percentages were applied in accordance with policy, and no employee received the full qualitative allocation. The final incentive compensation recommendations were presented for board review, and questions were invited regarding policy provisions, including the requirement that participants be employed on the payment date.

A recommendation from the ERCC was presented for a special waiver related to incentive compensation eligibility for a former Chief Risk Officer. The individual notified staff of retirement in March due to health concerns but remained in the role through the end of the fiscal year and an additional six months to ensure continuity of investment risk oversight during a period of staff transition.

Staff explained that the current incentive compensation policy requires employees to be actively employed on the payment date, which may create unintended timing and retention risks. The waiver was recommended to recognize the individual's service through the performance period and to avoid gaps in risk management coverage.

Board discussion included questions regarding the calculation of excess returns, the scope of internally managed funds, and statutory requirements governing the incentive compensation program. Given outstanding legal and policy questions, and the absence of counsel, staff recommended tabling the item until the next State Investment Board meeting to allow additional review and responses.

IT WAS MOVED BY MR. MILLER AND SECONDED BY MR. MORRISSETTE AND CARRIED BY A ROLL CALL VOTE TO TABLE THE INCENTIVE COMPENSATION APPROVAL.

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

NAYS: NONE

ABSENT: DR. SIMLAI

MOTION CARRIED

Audit Committee Update:

Treasurer Beadle provided an update from November 18, 2025, Audit Committee meeting. The external auditor, engaged through the State Auditor's Office, issued an unmodified (clean) audit opinion for the financial statement for the fiscal year ended June 30, 2025. The committee reviewed funding and net position results, including an increase in the PERS/TFFR funded status reflecting strong investment performance.

The committee reviewed the FY2025–26 Internal Audit Work Plan, noting it remains a living document due to current staffing constraints while recruitment for a vacant position continues. Several internal audit reports were discussed, including an external investment oversight audit conducted by Weaver. Weaver concluded that controls are generally well designed and operating effectively, with minor improvement items identified. Staff agreed to corrective actions, including completing missing Investment Policy Statement signatures by January 30, 2026 (or no later than June 30, 2026), and enhancing documentation of external manager selection processes.

Additional updates included progress on internal audit advisory services through the co-sourcing arrangement with Weaver, which continues to support operational improvements, and results from the TFFR file maintenance audit, which identified minor historical documentation issues. Staff noted that the new system in place prevents similar errors going forward and that spot checks and corrective updates are underway. The committee also reviewed current quarter audit activities.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SEN. KLEIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE FINANCIAL STATEMENT AUDIT REPORT.

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

REPORTS:

Quarterly Audit Activities Report:

Ms. Seiler reviewed the Audit Activities Report for the quarter ended September 30, 2025, noting that many audits reported earlier to the Audit Committee were in progress during the quarter and have since been

completed. The external investment oversight audit has been finalized and presented, the annual external financial audit process is ongoing, and the GASB 68 census data audit was recently issued, with the actuarial valuation expected by year end.

Staff reported continued work on major initiatives, including process mapping and procurement activities related to replacing the general ledger system ahead of its planned 2029 sunset. The co-sourcing arrangement with Weaver continues to provide internal audit and advisory support during fiscal staffing transitions, and the file maintenance audit has been completed and reported. Implementation of the new system under the Pioneer Project is complete, with limited post-implementation tuning and reporting still underway. Recruitment for an internal audit position remains ongoing.

Quarterly Outreach Report:

Ms. Mudder reviewed the Outreach Report. She highlighted the recent investment seminar, which was well attended, including approximately 21 legislators, representing a substantial increase from the previous year. Plans are underway to host the seminar again at the same location next year. Staff also noted approval of a new video production tool and plans to use it in the coming quarter to enhance board education materials.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY AUDIT ACTIVITIES AND QUARTERLY OUTREACH REPORTS.

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

NAYS: NONE

ABSENT: DR. SIMLAI

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Gov. Armstrong adjourned the meeting at 11:03 a.m.

Prepared by: Missy Kopp, Assistant to the Board