

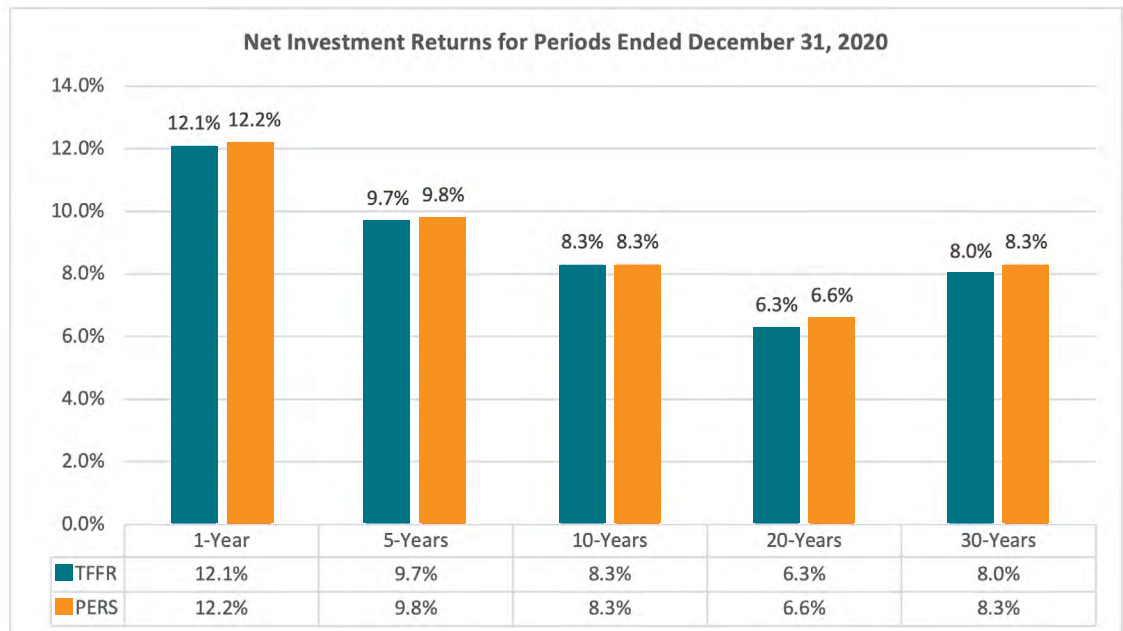


From the Director's Chair

David Hunter
Executive Director/CIO

TFFR and PERS Returns Exceed 12% in 2020 and 9.7% over the last 5 years

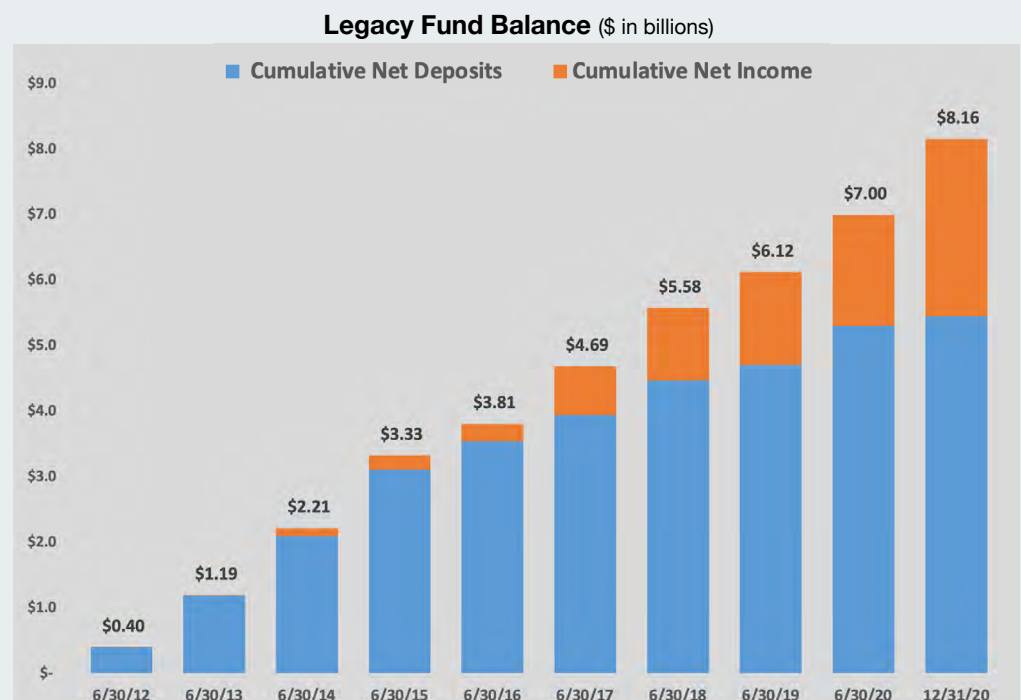
TFFR and PERS returns gained 15% in the second half of 2020 to drive net investment returns to exceed 12% in 2020 after experiencing a significant market decline earlier in the year due to the impact of COVID-19. TFFR and PERS returns exceeded 9.7% per annum in the last 5-years and 8% per annum for the 10 and 30-years ended December 31, 2020.



Legacy Fund Gains Over \$1 billion in Last Half of 2020

The Legacy Fund balance exceeded \$8 billion at year-end 2020 and has earned over \$2.7 billion of net investment income since inception.

Legacy Fund net investment returns exceeded 14.3% in the last half of 2020 and 9.25% per annum for the 5-years ended 12/31/2020. Month-end valuations and investment results are reported on RIO's website.



State Investment Board Update

The SIB is responsible for administrative oversight of \$18 billion of investments for 18 different client boards including TFFR, PERS, Workforce Safety & Insurance (WSI), and the Legacy and Budget Stabilization Advisory Board. SIB leadership and members include Lt. Governor Brent Sanford as Chair, Dr. Rob Lech as Vice Chair (TFFR), Chief Deputy Attorney General Troy Seibel as Parliamentarian (PERS), State Treasurer Thomas Beadle, WSI Director Bryan Klipfel, Insurance Commissioner Jon Godfread, Land Commissioner Jodi Smith, Yvonne Smith (PERS), Adam Miller (PERS), Toni Gumeringer (TFFR), Mel Olson (TFFR) and Legacy and Budget Stabilization Fund Advisory Board Chair Representative Keith Kempenich.

The SIB is required to apply the “prudent investor rule” in investing funds under its supervision.

The “prudent investor rule” means that in making investments the fiduciaries shall exercise the judgment and care, under 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 (as defined by ND Century Code 21-10-07 Legal Investments). The SIB does not make individual investments in securities, as all client portfolios are externally managed by approved investment firms using SIB client board approved investment policies and asset allocations.

Annual Audit Completed

The 2020 financial statements of the North Dakota Retirement and Investment Office received an unqualified audit opinion from the independent audit firm of CliftonLarsonAllen, LLP. There were no exceptions, recommendations, or findings in the report. The final [2020 Annual Audit Report](#) can be viewed from our website.



SIB Raises In-State Investment Targets up to 8% as Recommended by Legacy Fund Advisory Board

During the past 18 months, the SIB has doubled the size of the Legacy Fund In-State Investment Program by increasing its long-standing commitment to the Bank of North Dakota Match Loan Program - from a \$200 million commitment in August 2019 to a \$400 million commitment in November 2020. In 2021, the SIB seeks to further expand its commitment to the Legacy Fund In-State Investment Program by adding a new private capital allocation with a preference to target in-state investments in private equity and private credit. The SIB approved these Legacy and Budget Stabilization Fund Advisory Board recommendations in February and is working towards identifying a new In-State Investment Program management firm in the near future.

SIB Member Update

Former State Treasurer Kelly Schmidt retired in December 2020 after serving on the SIB for 16 years. We sincerely thank former Treasurer Schmidt for her outstanding service to the SIB. Newly elected State Treasurer Thomas Beadle has replaced Ms. Schmidt on the Board.



Former State Treasurer
Kelly Schmidt



Elected State Treasurer
Thomas Beadle

SIB Audit Committee

The Audit Committee is created to fulfill fiduciary oversight responsibility of the North Dakota Retirement and Investment Office (RIO) and to serve as a communication link among the State Investment Board (SIB), RIO's management and Internal Audit staff, independent auditors, and others.

The Audit Committee meets regularly to conduct essential business and contributes to the overall sense of fiscal security that RIO strives to maintain in its role as administrator of the SIB and Teachers' Fund for Retirement (TFFR) programs.

The SIB Audit Committee consists of five members – three from the SIB and two independent participants. Current members include

- Yvonne Smith, representing the Public Employees Retirement System and serves as Chair of the Audit Committee
- Jodi Smith, Land Commissioner
- Dr. Rob Lech, representing TFFR
- Julie Dahle, CIA, CCBIA, Senior Vice President and Chief Audit Officer for Choice Financial Group
- Jon Griffin, MBA, employed as VP of Risk Management at Capital Credit Union in Bismarck

Ms. Julie Dahle and Mr. Jon Griffin serve as expert, independent accounting and audit professionals on the SIB Audit Committee.

Anonymous Fraud Hotline – (866) 912-5978

2020 Annual Financial Report Available

The North Dakota Retirement and Investment Office [Comprehensive Annual Financial Report \(CAFR\)](#) has been published and may be viewed from our website. This report is a complete review of the financial, investment and actuarial conditions of the Teachers' Fund for Retirement and State Investment Board.



State Investment Board (SIB)

Lt. Governor Brent Sanford, Chair
Dr. Rob Lech, TFFR Trustee, Vice Chair
Jon Godfreed, State Insurance Commissioner
Toni Gumeringer, TFFR Trustee
Adam Miller, PERS Trustee
Mel Olson, TFFR Trustee
Thomas Beadle, State Treasurer
Troy Seibel, PERS Trustee
Jodi Smith, Land Commissioner
Yvonne Smith, PERS Trustee
Bryan Klipfel, Director, WSI
Rep. Keith Kempenich, Legacy Fund

RIO Administrative Office

David Hunter, Executive Director/CIO
Janilyn Murtha, Deputy Executive Director/
Chief Retirement Officer
Darren Schulz, Deputy CIO
Connie Flanagan, Chief Financial Officer
Denise Weeks, Editor

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