

Senate Bill 2022
North Dakota Retirement and Investment Office (RIO)
Testimony before Senate Appropriations – Human Resources Division
Senator Dick Dever, Chair

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I. RIO Statutory Authority and Responsibilities

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

II. State Investment Board (SIB)

The State Investment Board is responsible for oversight of nearly \$19 billion of investments for 28 different client funds including TFFR and PERS within the over \$7 billion Pension Pool and WSI in the nearly \$3 billion Insurance Pool in addition to more than \$8.5 billion in the Legacy Fund. Funding for administration of the SIB Investment Program comes directly from investment clients’ invested assets (both statutory and contracted).

SIB members include the Lt. Governor, State Treasurer, State Insurance Commissioner, State Land Commissioner, Workforce Safety & Insurance designee, three PERS board members, and three TFFR board members as voting members; and the Legacy and Budget Stabilization Fund Advisory Board Chair serves as a non-voting member.

Investment guidelines and asset allocations are established by the governing bodies of the individual funds, with assistance from consultants and/or RIO staff, and subject to review and approval by the SIB prior to implementation. The SIB selects investment managers to manage different types of portfolios within each asset class with the goal of maximizing return within the clients’ acceptable risk levels.

	Fair Value (as of 11/30/22)
PENSION POOL PARTICIPANTS	
Teachers' Fund for Retirement	\$3,020,572,488
Public Employees Retirement System	3,784,833,438
Bismarck City Employee Pension Fund	121,362,655
Bismarck City Police Pension Fund	49,535,582
City of Grand Forks Pension Fund	72,377,252
Grand Forks Park District Pension Fund	8,539,500
Subtotal Pension Pool Participants	\$7,057,220,915
INSURANCE POOL PARTICIPANTS	
Workforce Safety & Insurance Fund	\$2,024,412,186
State Fire and Tornado Fund	19,634,332
State Bonding Fund	3,583,709
Petroleum Tank Release Fund	5,883,077
Insurance Regulatory Trust Fund	1,187,663
State Risk Management Fund	3,613,522
State Risk Management Workers Comp	2,542,778
Cultural Endowment Fund	538,719
Budget Stabilization Fund	716,784,865
ND Assoc. of Counties (NDACo) Fund	6,886,387
City of Bismarck Deferred Sick Leave	751,278
PERS Group Insurance	57,989,586
State Board of Medicine	3,127,522
City of Fargo FargoDome Permanent Fund	41,125,558
Lewis & Clark Interpretive Center Endowment	804,710
Attorney General Settlement Fund	2,348,881
Veterans' Cemetery Trust Fund	432,423
ND University System Capital Building Fund	1,605,124
Arts Across the Prairie Maintenance Fund	1,002,029
Subtotal Insurance Pool Participants	\$2,894,254,350
INDIVIDUAL INVESTMENT ACCOUNTS	
Legacy Fund	8,583,989,914
Retiree Health Insurance Credit Fund	156,903,188
Job Service of North Dakota Pension Fund	84,568,987
TOTAL	\$18,776,937,353

(Amounts are unaudited)

Similar client funds are pooled together when possible to receive lower fees and better terms from investment managers and achieve efficiencies in staff monitoring.

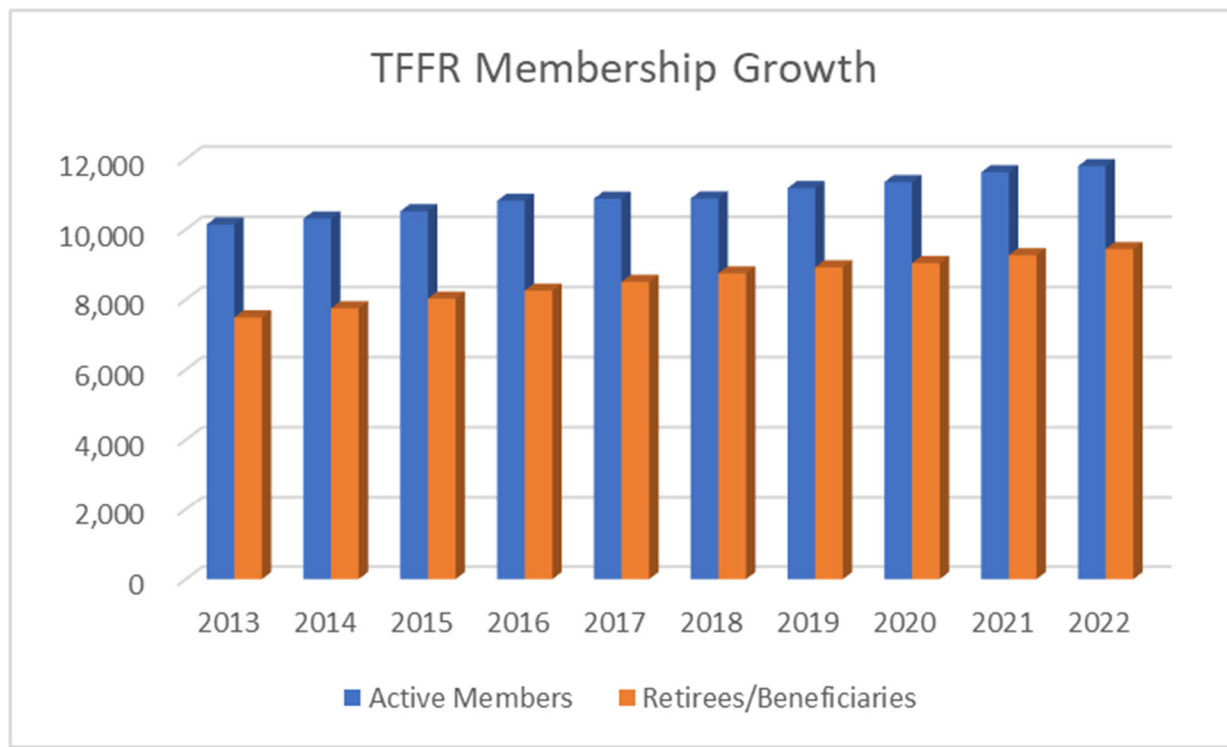
Over the past two decades, the average assets under management (AUM) of the investment program have nearly quadrupled in size. Amounts have grown from an average of roughly \$4 billion during the 2003-2005 biennium to an average of over \$19 billion during the current 2021-2023 biennium.



III. Teachers' Fund For Retirement (TFFR)

TFFR is a qualified defined benefit public pension plan. The program is managed by a seven-member board of trustees which consists of the State Treasurer, State Superintendent, two active teachers, two retired teachers and one school administrator all appointed by the Governor.

The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions and investment earnings. During the past decade, active membership has increased 16.4% from 10,138 to over 11,800 participants, while retirees and beneficiaries have increased 26.0% from 7,489 to over 9,400.



The mission of TFFR, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members, North Dakota k-12 educators, in a manner consistent with its fiduciary obligations and approved resource allocation.

The TFFR Board reaffirmed its commitment to evolving governance to respond to program growth by establishing a Governance and Policy Review committee that is tasked with reviewing program policies and public policy affecting statutes and administrative rules to make recommendations to the full Board for making policy or requesting changes from the Legislature.

The TFFR program is currently in Phase 3 of 3 of a multi-year large IT Pension Administration Modernization Project (TFFR “Pioneer” Project) that will provide a better ROI for the agency and improve the member and employer experience with TFFR while aligning with state-wide initiatives to better utilize technology enabled processes.

TFFR plan is designed to provide lifetime normal retirement benefits, disability benefits, and death benefits for ND public school educators and certain state teachers. It provides ND educators with a financial foundation for the future that includes a secure and stable retirement. This is possible due to TFFR’s plan design, professional plan management, strong investment performance, and outstanding customer service.

The TFFR plan is an important feature in the recruitment and retention of high-quality teachers and administrators in North Dakota, and not lose these quality individuals to out of state programs.

IV. RIO Organizational Chart

(See attached)

RIO currently has 25 full-time FTEs across the two programs and four divisions along with two temporary positions and an intern. The four divisions include Investment, Retirement Services, Fiscal Services, and Internal Audit. The two temporary positions are directly attributable to additional workforce needs during the development and implementation of a large IT project for the TFFR program. The hiring of an intern position reflects an intent to consciously develop a robust internship program at RIO that will provide an opportunity to college and graduate students studying in North Dakota to participate in investment, accounting, benefit services, and public policy processes within the public sector.

V. Audit Findings

RIO has received no financial audit findings in the past 20+ years.

VI. 2021-23 Accomplishments and Challenges

RIO accomplishments during the 2021-2023 biennium have included:

1. Creating and beginning implementation of a new agency strategic plan identifying core priorities and transformational initiatives.
2. Reorganizing agency to achieve greater economies of scale and support new strategic plan.
3. Developing and implementing intra-agency communication and training plan to support organizational culture as a core agency priority.
4. Posting, filling, and onboarding over ten new employees in the last fiscal year including two interns and three part time employees for an agency with twenty-five approved FTE.
5. Assisting governing boards with the creation of three new standing committees to create governance that supports program growth: a Governance & Policy Review committee of the SIB; an Investment Committee of the SIB; and a Governance & Policy Review committee of the TFFR Board (previously and ad hoc committee, standing committee status pending second reading).
6. Continuing to implement an in-state investment initiative with the creation of the ND Growth Fund, increasing funding of the BND match loan program, and supporting a Legacy Fund Asset Allocation Study project commissioned by the Legacy and Budget Stabilization Advisory Board.
7. Completing two out of three phases of the TFFR Pension Administration System Modernization Project (TFFR “Pioneer” Project), with the third and final phase underway.

VII. 2023-25 Goals and Plans

Goals for RIO during the 2023-2025 biennium include:

TFFR Investment and Funding Goals

1. Improve the Plan’s funding status to protect and sustain current and future benefits.

2. Minimize the employee and employer contributions needed to fund the Plan over the long term.
3. Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.

TFFR Service Goals

1. Create and implement an enhanced Outreach and Communication Plan for our members, employers, and other stakeholder groups related to the program in general and the TFFR "Pioneer" Project specifically.
2. Administer an accurate, efficient, and responsive pension benefits program.
3. Deliver high quality, friendly service to members and employers.

SIB Strategic Investment Plan

1. Reaffirm our organizational commitment to the importance of continuing board education and strong board governance to create and maintain an innovative and agile investment program. The SIB has moved forward with the creation of two new standing committees within the last year to support this goal: a Governance and Policy Review committee and an Investment committee.
2. Enhance understanding of our core goals and beliefs while enhancing overall transparency.
 - a. Remain steadfast in our commitment to the prudent use of active investment management.
 - b. Expand awareness to downside risk management which is essential to achieving our long-term investment goals.
 - c. Given actual and projected growth of SIB client assets and the heightened public awareness of the Legacy Fund, align our investment platforms to promote greater clarity and efficiency in reporting and implementing client investment policies.
3. Expand RIO's influence and ability to create positive and sustainable change by building deeper relationships with existing clients, organizations, and legislative leaders.
 - a. Enhance community outreach to build upon public awareness and confidence.
 - b. Develop concise presentations which highlight our overall risk, return and cost control framework including our progress towards attaining our long-term goals.
 - c. Continue to implement an in-state investment initiative and provide education and outreach efforts consistent with the roll-out of that initiative.
4. Encourage employee participation in staff meetings, offer team members more opportunities to impact RIO's change initiatives and improve the office environment for staff and clients.
5. Enhance our internal control environment by improving use of proven risk management solutions relating to fraud risk assessments, investment risk management and overall enterprise risk management.
 - a. A robust risk management framework serves as a foundation to support a sound internal control environment and lessen downside risks.
 - b. Broaden stakeholder awareness of the challenges faced in estimating Legacy Fund earnings for future budget planning.
 - c. Evaluate and expand the efficient use of technology in our investment program activities including risk management, compliance monitoring, client satisfaction surveys, website design and communications.

RIO Strategic Plan

1. Continue to develop our organization culture as a recruitment and retention tool to develop a growth mindset and encourage employee engagement.
2. Create, develop, and maintain a robust internship program across both programs.
3. Continue to identify additional process areas where efficiencies can be gained through technology enabled processes and implement such processes.

VIII. Comparison between base and request budgets

Line Item Description	2021-23 Base Budget	2023-25 Executive Recommendation	2023-25 Total Agency Request
Salaries and Wages	\$ 6,785,839	\$ 8,744,148	\$ 10,696,123
Operating Expenses	1,323,528	2,570,347	2,869,937
Contingencies	100,000	100,000	200,000
Total Special Funds	\$ 8,209,367	\$ 11,414,495	\$ 13,766,060
		-	-
FTE	25.0	25.0	34.0

During the current 2021-23 biennium, RIO has a base budget of \$8.2 million. The vast majority of which consists of salaries and benefits for the 25 FTE and temporary team members.

The 2023-25 executive recommendation leaves the FTE count at 25 but includes cost to continue salary amounts for investment positions that were appropriated during the November 2021 special session and only funded for a portion of the current biennium. It also includes the executive compensation recommendation. The majority of the increase in the operating line is related to the continuation of our pension administration system modernization project and the related IT costs.

The 2023-25 total agency request includes added funding for an additional administrative support FTE as well as a fiscal operations FTE to support the investment team as it is currently structured. It also includes 7 FTE related to our strategic internal investment request package to make up the total 34 FTE.

IX. Budget Summary

The Retirement and Investment Office (RIO) serves two important program boards: the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR) Board. As such, its agency budget is separated into two separate programs, both of which are regarded as special funds.

Investment Program (SIB)

Funding for administration of the SIB Investment Program comes directly from investment clients' invested assets (both statutory and contracted).

Salary and benefits represent funding for 13.85 FTEs, which provide all the accounting, financial and administrative support, and investment performance services for the funds under management.

Operating funds needed to administer the SIB investment program include building rent, staff and board travel and education, and NDIT data processing.

Retirement Program (TFFR)

Funding for administration of the TFFR Pension Plan comes from member and employer contributions and investment earnings.

Salary and benefits represent funding for 11.15 FTEs responsible for administering the TFFR retirement program, down from 11.70 previously due to agency restructuring and NDIT unification.

The operating funds required to administer the TFFR retirement program include NDIT data processing, IT contracts, building rent, staff and board travel and professional development.

Carry-over funding for the Pension Administration System Modernization Project (TFFR "Pioneer" Project) is included and the anticipated implementation date is 4th quarter 2024. New costs associated with the TFFR "Pioneer" Project are included in a decision package including one-time costs due to the increased workload and agency partner assistance (such as Procurement and NDIT unification costs) required to implement and some new ongoing cost associated with the software solution.

Historically contingency funds were requested in case of unexpected budget shortfall, generally related to turnover of executive staff and the need to perform an executive search. No contingency funds are included in the base budget request for 2023-25, though a contingency funding request is included as a decision package request.

Due to restructuring/reorganization of the agency in the last biennium some FTE were reclassified and the corresponding salaries and equity adjustments for other team members increased the salary line in the base budget.

ND RETIREMENT AND INVESTMENT OFFICE
BUDGETED EXPENDITURE REPORT
AS OF DECEMBER 31, 2022

	BIENNIUM TO - DATE INVESTMENT	BIENNIUM TO - DATE RETIREMENT	BIENNIUM TO - DATE TOTAL
<u>BUDGETED EXPENDITURES</u>			
1. SALARIES & BENEFITS			
SALARIES	1,682,575	1,112,627	2,795,202
OVERTIME/TEMPORARY	35,410	72,274	107,684
TERMINATION SALARY & BENEFITS	4,149	3,569	7,718
FRINGE BENEFITS	509,726	425,308	935,034
TOTAL SALARY & BENEFITS	2,231,861	1,613,778	3,845,639
2. OPERATING EXPENDITURES			
TRAVEL	28,171	24,679	52,850
IT - SOFTWARE/SUPPLIES	103	82	185
PROFESSIONAL SUPPLIES & MATERIALS	641	1,680	2,321
MISCELLANEOUS SUPPLIES	1,072	541	1,613
OFFICE SUPPLIES	846	1,370	2,216
POSTAGE SERVICES	3,886	28,140	32,027
PRINTING	410	8,008	8,417
IT EQUIPMENT UNDER \$5000	419	385	805
OFFICE EQUIP. & FURNITURE UNDER \$5000	524	986	1,509
INSURANCE	1,234	1,198	2,432
BUILDING/LAND RENT & LEASES	69,454	84,998	154,451
REPAIR SERVICE	311	343	654
IT DATA PROCESSING	109,161	384,689	493,850
IT COMMUNICATIONS	7,173	7,299	14,472
IT - CONTRACTUAL SERVICES	3,060	205,173	208,233
DUES & PROF. DEVELOPMENT	7,754	20,818	28,571
OPERATING FEES & SERVICES	23,163	19,284	42,447
PROFESSIONAL SERVICES	1,840	341,841	343,681
TOTAL OPERATING EXPENDITURES	259,221	1,131,514	1,390,736
3. CAPITAL ASSETS	0	1,434,489	1,434,489
4. CONTINGENCY	85,832	0	85,832
TOTAL BUDGETED EXPENDITURES	2,576,914	4,179,781	6,756,695

2023-2025 Budget Request:

Line Item Description	Base Budget	Cost to Continue/Other Adjustments	Executive Recommendation Pay Package	Adjusted Base	Workforce Initiative #1	Pioneer Project #2	Internal Investment #3	Total Agency Request
Salaries and Wages	\$ 6,785,839	890,933	549,864	\$ 8,226,636	578,491	486,000	1,404,996	\$ 10,696,123
Operating Expenses	1,323,528	(37,000)	-	1,286,528	200,250	1,116,319	266,840	2,869,937
Contingencies	100,000	(100,000)	-	-	200,000	-	-	200,000
Total Special Funds	\$ 8,209,367	753,933	549,864	\$ 9,513,164	978,741	1,602,319	1,671,836	\$ 13,766,060
				-				-
FTE	25.0	-	-	25.0	2.0	-	7.0	34.0

Request package #1 - Workforce Initiative

As an addition to our base budget request, we are requesting specific funding in a few key areas to ensure we are able to continue performing our statutory responsibilities at a very high level. We consider these requests to be a vital part of our organizational culture and workforce initiative.

During the current biennium, RIO went through a thorough reorganization that led to several position changes throughout the agency. The ED/CIO position was split into two positions to reflect the workload more accurately for each position as the investment program continues to grow exponentially. The salary attributable to the previously combined position was assigned to the Chief Investment Officer role, which resulted in a lack of salary budgeted for the Executive Director position. We have been able to pay the ED salary during the current biennium due to roll-up funding resulting from vacancies, but the full salary amount is not covered by the proposed base budget. In addition, the CFO position was restructured into the CFO/COO position, and an accounting manager position was created to support the CFO/COO combined role. We reclassified a vacant position in the Retirement Services division into a retirement accountant position which is now included under the Fiscal division. We also reorganized administrative support services, which had previously been under a separate Administrative Services division and instead assigned each administrative support position to an individual division (i.e. Retirement Services, Fiscal/Investment, and the Executive Administrative Assistant which supports the four executive team members and all the Boards and committees). While the cost of the reorganization of most of these positions could be covered by our base budget request, we are asking for additional salaries and wages to cover additional board member salaries as well as to support our commitment to a robust internship program within the agency.

To support the 6 new FTE granted during the November 2021 special session we are requesting two additional FTE. One additional administrative support FTE and one additional fiscal/operations FTE. Currently, one administrative support FTE supports both the entirety of the Fiscal and Investment Divisions and we recognize that with the growth of the investment team, additional administrative support is needed. The onboarding of the new investment team members during the biennium has created abundant opportunities to enhance our investment operations and, subsequently, increase the investment returns for all client funds. However, these enhancements require administrative and operational support to be fully realized. Adding these two FTE will further enhance the ability of the investment team to be more agile and effective in managing investment strategies and provide significant benefit to all of our client funds.

- Adds Investment Admin to support new team members added in Special Session
- Adds Fiscal/Operations FTE to support new investment team members added in Special Session
- Additional funding for salaries (fully funds reorganization adjustments, a continuing internship program, and additional board member pay)

Request package #2 - Pioneer Project

The second of our additional funding request packages seeks to support the TFFR Pension System Modernization Project (TFFR “Pioneer” Project) for the development and deployment of the modernized pension administration system pursuant to its authority under NDCC 15-39.1-05.2. The project is currently in the development and implementation of the vendor solution phase (the third and final phase). While our project is currently on time with an expected completion date of 4th quarter 2024, the agency must continue to utilize its current system until the new system is ready and program efficiencies can be realized. This package is intended to provide necessary interim support and resources for the agency until the new system is ready to deploy such as: an increase for personnel costs of existing staff as it relates to additional workload and overtime; continuing cost for temporary FTE to support the manual processes needed to make the existing system work until it can be retired; and the funding needed for ongoing hosting and support fees associated with the new software vendor solution.

The implementation project will be completed using existing FTE; however, continued funding for two temporary employees is necessary to sustain operations under the existing pension administration system while the new system is being developed and the time of permanent FTE can be dedicated to that development and launch. The current system is quite antiquated and requires significant manual data entry; these processes will be significantly improved with the new system and therefore the services of the temporary employees will no longer be needed subsequent to the launch of the new system. Overtime costs are needed for current non-exempt staff, and temporary increases for current exempt staff, due to the increased work hours and workload involved in the development and implementation of the system.

For example, between September 8, 2022, and December 15, 2022, each staff member assigned to the new pension administration project participated in as many as 185 hours of meetings and development sessions directly attributable to the project. Those 185 hours attributed to the project account for 33% of the 552 total normal work hours for that period based on 8-hour days and 69 workdays during the period. Because the work the staff does daily could not be deferred, this required a significant additional effort from the assigned staff. As a further example, for the period of January 9, 2023, through May 11, 2023, there are 86 working days for a total of 688 regular work hours. During this time assigned staff will be participating in as many as 225 hours of meetings and development sessions related to the project. This again represents a 33% increase in required time from staff to complete both their normal work duties and the duties they have on the project. This increased tempo and workload will continue through the end of the project which is scheduled for the 4th quarter of the 2024 calendar year.

It is expected that these additional costs, including limited term employee costs will be eliminated upon implementation of the new pension administration system, while the hosting and support fees will be ongoing. As an offset of the increased hosting and support fees, the one-time increase for NDIT charges for unified staff support should also decrease substantially after the implementation of the project. This expectation is due to the conclusion of the NDIT staff in PAS meetings and development sessions, and due to the modernization and automation of processes that NDIT staff presently support daily in the antiquated system being replaced.

The total ask of this package is \$1,602,319. Of which, \$1,552,319 was included in the executive recommendation.

	Total Agency				Executive Recommend	Difference
	Salaries & Benefits	Operating Expenses	Contingency	Total Special Funds		
#2: Pension System Continuation						
Temp Increases & Temp Salaries	270,000	-	-	270,000	220,000	50,000
Overtime for Pension Staff	216,000	-	-	216,000	216,000	-
Postage for educational mailers	-	5,000	-	5,000	5,000	-
Printing for educational mailers	-	1,900	-	1,900	1,900	-
Increased NDIT charges for unified staff	-	132,000	-	132,000	132,000	-
Increased hosting and support fees	-	937,419	-	937,419	937,419	-
New contract to track membership	-	40,000	-	40,000	40,000	-
NOTES:	486,000	1,116,319	-	1,602,319	1,552,319	50,000
- Temp increases and funding for temp positions to finish designing and implementation of new PAS system - Increase in hosting/support costs for new system - \$40K for PBI for death audit solutions						

Request package #3 - Internal Investment

The third and final additional request is predicated on the exponential growth of our investment program. The assets under management by the RIO investment division have grown from about \$4 billion to nearly \$20 billion from the year 2010 to the beginning of the year 2022 and continue to grow from investment returns and contributions to the Legacy Fund, pension plans, and insurance funds. The combination of the growth of AUM, the number of individually managed funds, and the complexity of mandates such as the Legacy Fund have increased the need for staff resources, infrastructure, and new scalable investment processes that can enhance the performance of client funds while reducing the net cost of management of those funds when manager fees are considered.

There is an opportunity to create significant benefits from the scale advantages of the growth of nearly \$20 billion of assets under management. A typical public fund with similar assets under management as RIO has more internal investment management which creates the opportunity of better investment returns while decreasing costs from the advantages of more internal management versus money placed with external managers. Some additional benefits of an internal asset management program include:

- Enhanced liquidity management, better fund rebalancing processes, and the ability to manage risk exposures for improvement of return/risk and lower cost;
- Improved investment capabilities at RIO rather than outsourcing those capabilities;
- Scalable savings that grow with the assets under management or with a larger portion of assets under management
- Additional flexibility and agility to implement new investment strategies or respond to market or international events as the assets are controlled locally;
- Attraction of top talent with a remote hybrid workforce where some senior, more expert investment officers can be located remotely if they choose yet still train more junior talent

that are local. RIO has been able to attract top talent with this approach. Internal investment management will increase the number of professional opportunities with RIO to be the employer of choice.

- Attraction of local talent from universities using internship programs where talent can be trained to be the next generation of leaders, bootstrapping a market for investment talent in North Dakota.

Generally, investment management costs fall within the scope of continuing appropriation authority granted by the legislature in NDCC 21-10-06.2; however, because this proposal involves cost savings achieved by internalizing investment operations through additional permanent FTE and infrastructure it falls within the scope of NDCC 54-52.5-03.

Our proposal includes five investment professionals, one fiscal operations professional, and one administrative staff to manage approximately \$3 billion of assets internally. Implementing this proposal can lower the net costs for RIO investments by \$8 million per year and create opportunities for better liquidity management and rebalancing that may result in up to another \$8 million in savings per year, for a conservative estimate of approximately \$16 million in savings per year that as a special fund agency directly benefits our client funds. The net costs and opportunities grow with assets under management and with the amount of assets managed internally. We have discussed this proposal with many of our client funds and have received positive feedback and support from our clients for this initiative.

Additionally, the market for investment professionals shows they typically receive both a market-based salary and incentive compensation even in the public sector. A well-designed incentive compensation system, based on fair criteria, can stimulate employees to deliver quality work, reach set targets, and maintain motivation and productivity. For investment managers, it provides incentives to make smart and risk-appropriate investment choices that result in an appreciation of invested assets. The incentive system also aligns the risk of the investment manager's compensation with the risk of the underlying assets being managed, thus acting as a control mechanism incentivizing good risk/return choices. Lastly, an incentive system is good for investment plan beneficiaries in that the incentive is paid when there is superior investment performance and not paid when there is not superior investment performance. As a result, a well-designed incentive compensation system results in added net investment performance and reduces the overall cost of compensation by paying only when the benefits exceed the cost. The incentive compensation plan would assume a targeted bonus of 50% of salary and a max of 100% of salary and would only pay out when benefits exceed costs. This proposal is contingent on an incentive compensation plan approved by the legislature and administered by the State Investment Board.

Due to the complexity of this plan, we are only asking for a salary budget for one year of the biennium for these additional staff as we believe it would take significant time to receive the necessary classification approvals and fill the positions.

We estimate the cost of this proposal for the first biennium to be \$1,671,836 or approximately 10% of the cost savings from implementation. This includes one year of salaries and benefits for each of the new positions as well as the necessary operational costs to support them. In addition, we

would ask for specific statutory language changes to facilitate the incentive compensation plan including exemptions from the state's classified system.

#3: Internal Investment Plan	Total Agency				Executive Recommend	Difference
	Salaries & Benefits	Operating Expenses	Contingency	Total Special Funds		
Item Description						
7 new FTE (5 investment/1 fiscal/1 admin) (1/2 biennium)	1,173,326	-	-	1,173,326	-	1,173,326
Equity Increases for current Investment Staff	231,670	-	-	231,670	-	231,670
Advertising	-	17,500	-	17,500	-	17,500
Travel	-	53,000	-	53,000	-	53,000
Software/Data Processing/Telephone	-	44,240	-	44,240	-	44,240
Office Furniture/Supplies	-	12,600	-	12,600	-	12,600
Rent for new offices	-	86,500	-	86,500	-	86,500
Prof Development	-	3,000	-	3,000	-	3,000
Pay Study	-	50,000	-	50,000	-	50,000
NOTES:	1,404,996	266,840	-	1,671,836	-	1,671,836
- 5 Investment positions (2 Sr. Portfolio Mgrs/2 Inv. Analysts/1Inv. Funds Mgr) - 1 Admin to assist investment professionals - 1 Investment accountant - Operating costs to support additional team members						

X. Purpose and use of one-time funding in current biennium

Although there was no one-time funding specified in our budget for the 2021-2023 biennium, we did request to carryover unexpended one-time funding appropriated in the prior biennium to continue work on our pension administration system (PAS) modernization project. As this project is in progress and not expected to be completed until 2024, we will be requesting to carryover all remaining one-time funding related to this project into the 2023-2025 biennium.

ND RETIREMENT AND INVESTMENT OFFICE PENSION ADMINISTRATION SYSTEM EXPENDITURE REPORT AS OF DECEMBER 31, 2022						
	2019-2021 Biennium Approved Budget	2019-2021 Biennium Actual	Carryover to 2021-2023 Biennium	2021-2023 Biennium Actual	Total PAS Project to Date	Remaining PAS Budget
TEMPORARY SALARIES	50,000	0	50,000	0	0	50,000
IT - DATA PROCESSING (NDIT PROJECT MGMT)	775,000	34,025	740,975	78,457	112,483	662,517
PROFESSIONAL SERVICES	1,875,000	297,099	1,577,901	444,377	741,476	1,133,524
CAPITAL ASSETS	6,300,000	0	6,300,000	1,434,489	1,434,489	4,865,511
TOTAL PAS PROJECT BUDGET	9,000,000	331,125	8,668,875	1,957,324	2,288,448	6,711,552

XI. Identify and justify need for any one-time funding requested

We are requesting carryover authority for unexpended one-time funding related to our PAS modernization project that is expected to be completed in the 4th quarter of 2024.

In addition, we are requesting one-time funding for temporary salary increases to team members engaged in the development of the new system along with temporary salary dollars for continuation of our temporary employees that are currently supporting TFFR's legacy system while we design and develop the new system. The nature of the building of the new system requires significant institutional knowledge of the plan and current structure such that hiring temporary employees from outside the agency to design the system would not be feasible. This requires current team members to put in extra time and effort into design meetings while still completing their daily duties. Thus, the need for temporary workload increases and overtime.

XII. Agency collections deposited in general or special fund

Not applicable to RIO.

XIII. Need for any other sections requested to be included

As part of our strategic investment plan and our desire to move forward with an internal investment program at RIO, we are requesting to be excluded from the state's classified system. This would require an amendment to NDCC 54-44.3-20 to add "Officers and employees of the state retirement and investment office" to the list of positions excluded from classified service.

Additionally, as discussed in the internal investment request package, we feel an appropriate incentive compensation plan is vital for the success of our investment team. And, as such, we are requesting legislative approval to move forward on designing and implementing a plan that would be annually approved by the SIB.

Finally, we are requesting exemption language be added to our bill similar to last biennium to allow for the carryover of any unexpended funds related to the pension administration system project to allow for the planned implementation of the new system in 2024.

XIV. Any other bills being considered and potential impact on our budget

RIO reviews all submitted bills to monitor for potential impact on the agency. Through the first couple weeks of the session, we have identified several bills that may impact our agency and/or budget including, but not limited to (see attached for complete current list of tracked bills):

- HB 1039/1040 – Closure of the PERS DB Plan
- HB 1088 – SIB Membership Changes
- HB 1150 – Veteran Opt-out from TFFR
- HB 1219 – TFFR Program Changes
- HB 1227 – Legacy Fund/Requiring Cost-Benefit Analysis
- HB 1271 – Retired Teachers Return to Service/TFFR
- HB 1278 – Requiring Contracts to Include Written Support of Fossil Fund and ND Ag Industries
- HB 1368 – Prohibiting Investment and Contracts with Companies that Boycott Israel
- HB 1379 – Legacy Fund Earnings Streams
- HB 1400 – Common Schools Trust Fund Investments
- SB 2239 – Contributions to PERS Main Plan

- SB 2258 – Retired Teachers Benefits if Returning to Teach
- SB 2330 – Legacy Fund Advisory Board/Legacy Fund Earnings Definition

Potential fiscal impacts of these bills are still being determined. Some minor changes may require small amounts of monitoring and compliance and require just a few thousand dollars of temporary salaries. While others may have a more pronounced effect on RIO and require full scale effort on behalf of the investment team requiring upwards of \$10 - \$15 million in extra agency costs. We will continue to monitor these and numerous other bills to determine if any additional budget action would be necessary.

XV. One-page itemized listing of changes we're requesting to the executive recommendation

(See attached)

XVI. Comparison of major requests to those recommended in executive budget

(See section IX above for specific amounts included in executive budget)

The executive budget included portions of our major requests as follows:

- Workforce initiative (#1)
 - Included:
 - Portion of additional salaries for board members/interns
 - Increased travel for board and staff
 - Increased SWCAP
 - Additional hoteling rent & IT equipment
 - Staff development and certifications
 - Additional request:
 - Fully fund reorganized salaries
 - 2 FTE to support investment team (admin & fiscal)
 - Additional staff development/certifications/dues/subscriptions
 - Additional contingency funds for one more executive search
- Pioneer project (#2)
 - Included:
 - Portion of temporary increases and temporary salaries
 - Overtime for pension staff
 - Postage/Printing for educational mailers on new system
 - NDIT hosting, support, and staff charges
 - Contract for membership death tracking
 - Additional request:
 - \$50K of temporary salary dollars
- Internal investment (#3)
 - Included
 - None included in exec recommendation
 - Additional request:
 - 7 FTE (5 investment/1 fiscal/1 admin) for one year of biennium

- Equity increases for current investment staff
- Advertising/travel/professional development costs
- Software and data processing costs
- Office rent/furniture/supplies
- Pay study

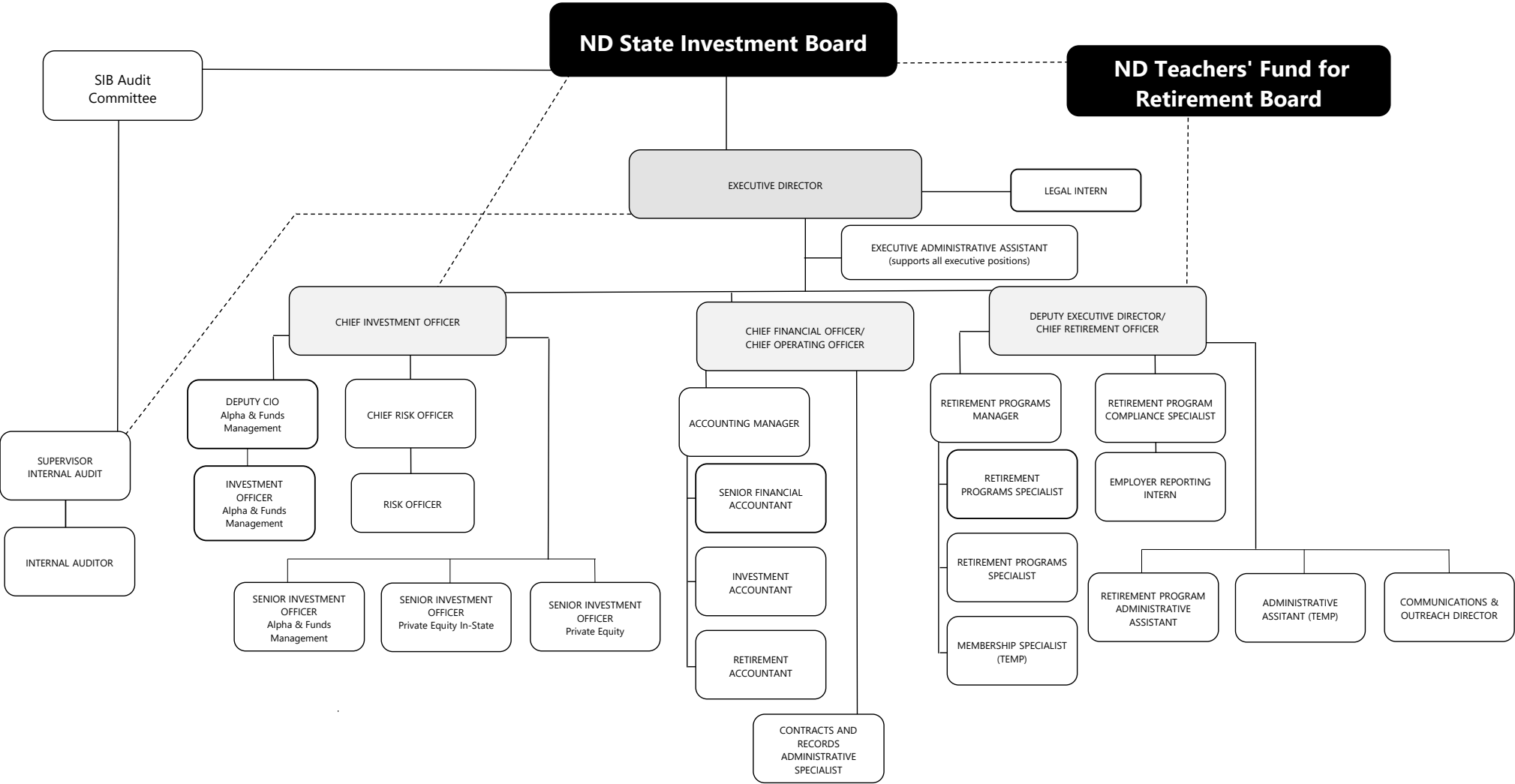
XVII. Federal State Fiscal Recovery Funding

RIO was not appropriated any federal state fiscal recovery funds during the November 2021 special legislative session.

XVIII. Federal Funding available

RIO does not have, nor does it anticipate having any federal funding available for the 2023-2025 biennium.

RETIREMENT AND INVESTMENT OFFICE



North Dakota Retirement and Investment Office
Changes requested in addition to executive recommendation

	Salaries & Benefits	Operating	Contingency	Total	FTE
Legislative Base Budget	6,785,839	1,323,528	100,000	8,209,367	25.0
Base Budget Changes	143,721	(43,721)	(100,000)	-	-
Executive Recommendations					
Cost to continue salary increases	41,345			41,345	
Increase funding for FTE approved during special session	506,929			506,929	
Salary package increase	549,864			549,864	
Health insurance increase	128,580			128,580	
Increase funding for salary equity increases	151,870			151,870	
Increase funding for ITD rates		6,721		6,721	
Operating expense inflationary increase (part of optional request #1)		167,500		167,500	
Contingency funds for executive search expenses (part of optional request #1)			100,000	100,000	
Funding for pension administration software fees (optional request #2)		977,419		977,419	
One-Time: Pension administration software implementation (part of optional request #2)	436,000	138,900		574,900	
Total included in executive recommendation	8,744,148	2,570,347	100,000	11,414,495	25.0
Additional Agency Requests				-	
Remainder of request package #1 (Workforce Initiative)				-	
Fully fund salaries after completion of reorganization, compensation for additional board members, fund internship program	122,358			122,358	
Addition of 2 FTE to support investment personnel added during special session	374,621			374,621	2.0
Additional staff development/certifications/dues		17,750		17,750	
Additional communications subscriptions/memberships to support strategic communications plan		15,000		15,000	
Contingency funds for one additional executive search			100,000	100,000	
Total additional for request package #1	496,979	32,750	100,000	629,729	2.0
Remainder of request package #2 ("Pioneer" Pension System continuation)					
Additional funding for temporary increases and temporary salaries	50,000			50,000	
Total additional for request package #2	50,000	-	-	50,000	-
Request package #3 (Internal Investment Management)					
7 new FTE (5 investment/1 fiscal/1 admin) (1/2 biennium)	1,173,326			1,173,326	7.0
Equity increases for current investment staff	231,670			231,670	
Advertising		17,500		17,500	
Travel		53,000		53,000	
Software/data processing/telephone		44,240		44,240	
Office furniture/supplies		12,600		12,600	
Rent for new offices		86,500		86,500	
Professional development		3,000		3,000	
Pay study		50,000		50,000	
Total additional for request package #3	1,404,996	266,840	-	1,671,836	7.0
Total Requested Appropriation	10,696,123	2,869,937	200,000	13,766,060	34.0

SECTION 1. AMENDMENT. Section 54-44.3-20 of the North Dakota Century Code is amended and reenacted as follows:

54-44.3-20. Categories of positions in the state service.

All positions in the state service are included in the classified service, except:

1. Each official elected by popular vote and each person appointed to fill vacancies in an elective office, one principal assistant, and one private secretary.
2. Members of boards and commissions required by law.
3. Administrative heads of departments required by law, other than the superintendent of North Dakota vision services - school for the blind, the superintendent of the school for the deaf, and the state librarian.
4. Officers and employees of the legislative branch of government.
5. Members of the judicial branch of government of the state of North Dakota and their employees and jurors.
6. Persons temporarily employed in a professional or scientific capacity as consultants or to conduct a temporary and special inquiry, investigation, or examination for the legislative branch of government or a department of the state government.
7. Positions deemed to be inappropriate to the classified service due to the special nature of the position as determined by the division and approved by the board.
8. Employees of the institutions of higher education under the control of the state board of higher education.
9. Members and employees of occupational and professional boards.
10. Officers and employees of the North Dakota mill and elevator association.
11. Positions referred to under law as serving at the pleasure of or at the will of the appointing authority.
12. Licensed teachers engaged in teaching at the North Dakota youth correctional center, North Dakota vision services - school for the blind, and the school for the deaf.
13. Officers of workforce safety and insurance.
14. Officers and employees of the department of commerce.
15. Attorneys employed by the insurance commissioner.
16. Engineers, engineering technicians, and geologists employed by the director of mineral resources.
17. Officers and employees of the Bank of North Dakota.
18. Officers and employees of the state retirement and investment office.

SECTION 2. AMENDMENT. Section 54-52.5-03 of the North Dakota Century Code is amended and reenacted as follows:

54-52.5-03. State retirement and investment fund – Cost of operation of agency.

A special fund known as the "state retirement and investment fund" is established for the purpose of defraying administrative expenses of the state retirement and investment office. The actual amount of administrative expenses incurred by the state retirement and investment office must be paid from the respective funds listed under section 21-10-06 and are hereby appropriated to the state retirement and investment fund in proportion to the services rendered for each fund as estimated by the state investment board. The amount necessary to pay all administrative expenses of the state retirement and investment office must be paid from the state retirement and investment fund in accordance with the agency's appropriation authority and earnings lawfully available for such purposes. Any interest income earned on the state retirement and investment fund must be credited to the fund.

SECTION 3. AMENDMENT. Section 54-52.5-04 of the North Dakota Century Code is created and enacted as follows:

For the purposes of this section, "incentive compensation program" means a program approved by the state investment board with provisions that promote profitability, productivity, and responsible fund management. Any incentive compensation program approved by the state investment board must include provisions that ensure no payouts are made unless conditions are met that the investment program has added value when compared to pre-determined opportunity cost policy benchmarks.

2023-2025 Legislative Session RIO Bill Tracker

Bill #	Topic	Description	Sponsor	Hearing Date	Committee	Status
HB 1039	Closing DB Plan	Closing DB Plan (eff. 12/31/23)	Legislative Management: Weisz, Bosch, Boschee, Lefor, Mitskog, Vigesaa, Burckhard, Klein, Piepkorn, Schaible, Wanzek	1/13 - 9:15am	House GVA	
HB 1040	Closing DB Plan	Closing DB Plan (eff. 12/31/24)	Legislative Management: Weisz, Bosch, Boschee, Lefor, Mitskog, Vigesaa, Burckhard, Klein, Piepkorn, Schaible, Wanzek	1/13 - 8:30a.m.	House GVA	
HB 1088	SIB	SIB Membership changes	Government and Veterans Affairs: Schauer, Satrom, Bahl, Cory, Hoverson, Johnson, Karls, Louser, McLeod, Rohr, Schneider, Steiner, Vetter	1/12 - 10:15am	House GVA	
HB 1147	Legacy Earnings	Creating a county and township bridge fund from legacy earnings	Rep. Thomas, Rep. Anderson, Rep. Hagert, Rep. Lefor, Rep. Mitskog, Rep. Monson, Sen. Myrdal, Rep. Pyle, Sen. Sorvaag, Rep. Stemen, Sen. Vedaa	1/18 - 10:30am	House Approps	
HB 1150	Veteran Exemption for TFFR	Allows veterans with at least 20 years of military service to opt out of the TFFR in their first year of teaching	Thomas, Bekkedahl, Heinert, Meyer, O'Brien, Pyle, Richter, Ruby, Schaible, Schreiber-Beck, Vedaa	1/16 - 4:00pm	House Education	
HB 1183	PERS retirement for law enforcement	Amends description of participants.	Rep. Porter, Sen. Axtman, Rep. Dockter, Rep. Heinert, Rep. Karls, Rep. Kasper, Sen. Larson, Rep. Louser, Rep. Motschenbacher, Rep. Ostlie, Rep. Ruby, Rep. Schauer	1/20 - 8:30am	House GVA	
HB 1201	Employee recruiting	Prohibiting a state entity from employing an individual under contract with a school district	Reps. Heinert, Hauck, Koppelman, Meier, Porter, M. Ruby, Toman Sens. Larsen, Meyer, Schaible	1/18 - 2:00pm (3rd)	House Education	
HB 1216	ND Development Fund	Commerce Dept. funds to promote economic development.	Rep, Nathe	1/16- 9:00am	House IBL	
HB 1219	TFFR	TFFR Changes	Reps. Kempenich, Conmy, Kreidt Sen. Schaible	1/20 - 9:15am	House GVA	

HB 1227	Legacy Fund	Requiring a cost-benefit analysis for a measure or policy affecting the Legacy Fund.	Reps. Kempenich, Bosch, Cory, Mock, Swiontek, Thomas, Vigesaa Sens. Klein, Meyer, Patten	1/18 - 9:00am	House Finance & Tax	
HB 1251	Salaries for school superintendents	Capping salaries for school superintendents	Rep. Ruby, Sen. Cleary, Rep. Heilman, Rep. Heinert, Sen. Hogue, Sen. Krebsbach, Sen. Kreun, Rep. Lefor, Sen. Meyer, Rep. Schreiber-Beck		House Education	
HB 1271	TFFR	Opt-out for retired teachers returning to service from having to contribute to TFFR	Reps. Schatz, Hauck, D. Ruby, Strinden Sen. Myrdal		House Education	
HB 1278	SIB	Requiring contracts with custodians/managers include required written support of fossil fuel and ag industries in state.	Reps. Satrom, Grueneich, Headland, Lefor, S. Olson, Ostlie, Schauer, Steiner Sens. Conley, Wanzek		House GVA	
HB 1283	Financial Industry	Impacting and creating a list of banks that develop stances on ESG	Rep. Novak, Rep. Dyk, Rep. Kempenich, Rep. Lefor, Sen. Myrdal, Sen. Rummel, Rep. Steiner, Rep. Tveit	1/17- 2:30pm	House IBL	
HB 1285	Agency	Prohibiting executive branch agency bill submissions without legislator or legislative committee sponsor.	Reps. Toman, Christensen, Heilman, Henderson, Prichard		House GVA	
HB 1309	PERS	Plan design changes for law enforcement	Rep. Boschee, Sen. Braunberger, Sen. Cleary, Sen. Dever, Rep. Heinert, Rep. Martinson, Rep. Nathe, Sen. Roers, Rep. Ruby, Rep. Schneider		House GVA	
HB 1321	PERS Board	Changing PERS Board makeup	Reps. Kasper, Dockter, Lefor, Louser, D. Ruby, M. Ruby, Steiner, Vigesaa, Weisz Sen. Hogue	1/18 - 2:30pm	House IBL	
HB 1345	Procurement	All coontracts between a state entity and a vendor must include a provision of the vendor supporting the state's agriculture and energy industries	Reps. Satrom, Grueneich, Hagert, Headland, Kiefert, Ostlie, Steiner Sen. Conley, Erbele, Lemm, Wanzek	1/20 - 9:00am	House Agriculture	

HB 1347	Banking	State treasurer and financial institutions engaged in boycotts of energy companies	Reps. Satrom, Grueneich, Ostlie, Schauer, Strinden Sens. Clemens, Conley	1/18 - 2:30pm (4th)	House IBL	
HB 1368	Investments	Prohibiting investments and contracts with companies that boycott Israel.	Reps. K. Anderson, Bellew, M. Ruby, Strinden, Timmons, Tveit Sens. Clemens, Kannianen, Myrdal		House IBL	
HB 1379	Legacy Earnings Streams	Modifies Legacy Fund Earnings streams	Reps. Lefor, Bosch, Dockter, Headland, Nathe, Novak, O'Brien Sens. Bekkedahl, Hogue, Rummel, Sorvaag		House Approps	
HB 1400	Investing Land Assets	Allows Land to use SIB for Investment purposes			House IBL	
SB 2022	Budget bill	RIO's Budget	Senate Appropriations	1/19 - 10:00am	Senate Approps - Human Resources	
SB 2070	Teacher Permitting	Extends the length of time non-certified teachers can be permitted	Senate State and Local Govt - Roers, Barta, Braunberger, Cleary, Estenson, Lee	1/17 - 2:00pm	Senate Education	
SB 2164	PERS Board	Changing how legislative members of PERS Board are appointed	Sen. Dever Reps. Brandenburg, Hatlestad, D. Johnson, Monson, Schauer	1/19 - 9:30am	Senate State & Local	
SB 2165	Energy Commission	Funds to clean sustainable engery fund/ BND	Sen. Patten, Rep. Bosch, Sen. Kannianen, Sen. Kessel, Rep. Novak, Rep. Porter	1/19-10am	Senate Energy and Natural Resources	
SB 2196	Infrastructure Revolving Loan Fund	Resets terms of the infrastructure revolving loan fund.	Sen. Patten, Sen. Beard, Sen. Bekkedahl, Sen. Kannianen, Rep. Olson, Rep. Richter	1/19-10:30am	Senate Energy and Natural Resources	
SB 2220	Legacy Earnings	Adding a Housing Incentive Fund bucket to Legacy stream	Sens. Kreun, Barta, Hogan, Mathern Reps. Ista, O'Brien		Senate Finance & Taxation	
SB 2233	BND	Auditing practices of certain funds under management of BND	Sen. Klein, Sen. Bekkedahl, Sen. Hogue, Rep. Lefor, Rep. Vigesaa		Senate IBL	
SB 2239	PERS Plan	Changing PERS contribution rates and appropriating \$250M to the fund	Sens. Cleary, Dever Rep. Boschee		Senate State & Local	
SB 2258	TFFR	Expands scope of Critical Shortage area qualification for rehired retirees	Sens. Paulson, Beard Reps. Heilman, Hoverson, Louser		Senate Education	
SB 2330	Legacy Fund	Legacy earnings definition and change in Legacy Fund IPS percentages.	Sens. Klein, Hogan, Meyer Reps. Bosch, Kreidt		Senate IBL	



Senate Bill 2022

Senate Appropriations

Human Resources Division

Senator Dever, Chair

January 19, 2023

Jan Murtha, JD, MPAP – Executive Director

Chad Roberts, MAc – Deputy Executive Director/Chief Retirement Officer

Scott M Anderson, CFA, MBA – Chief Investment Officer

Ryan Skor, CPA, MBA – Chief Financial Officer/Chief Operating Officer




Retirement & Investment

Be Legendary.

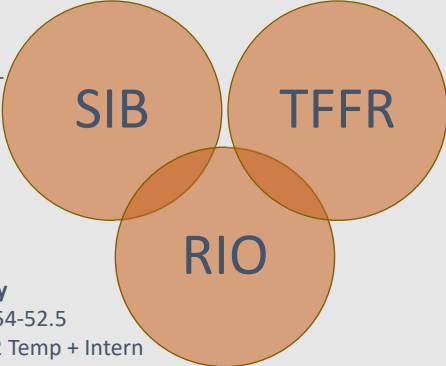
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NORTH DAKOTA RETIREMENT AND INVESTMENT SUPPORTS TWO SPECIAL FUND PROGRAMS



RIO was established in 1989 to coordinate the activities of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR). The SIB is the oversight board for RIO and TFFR Board is responsible for the administration of the TFFR benefits program.

State Investment Board -
Investment Program
NDCC Ch. 21-10
~\$18 Billion in AUM
As of 10/31/22



SIB

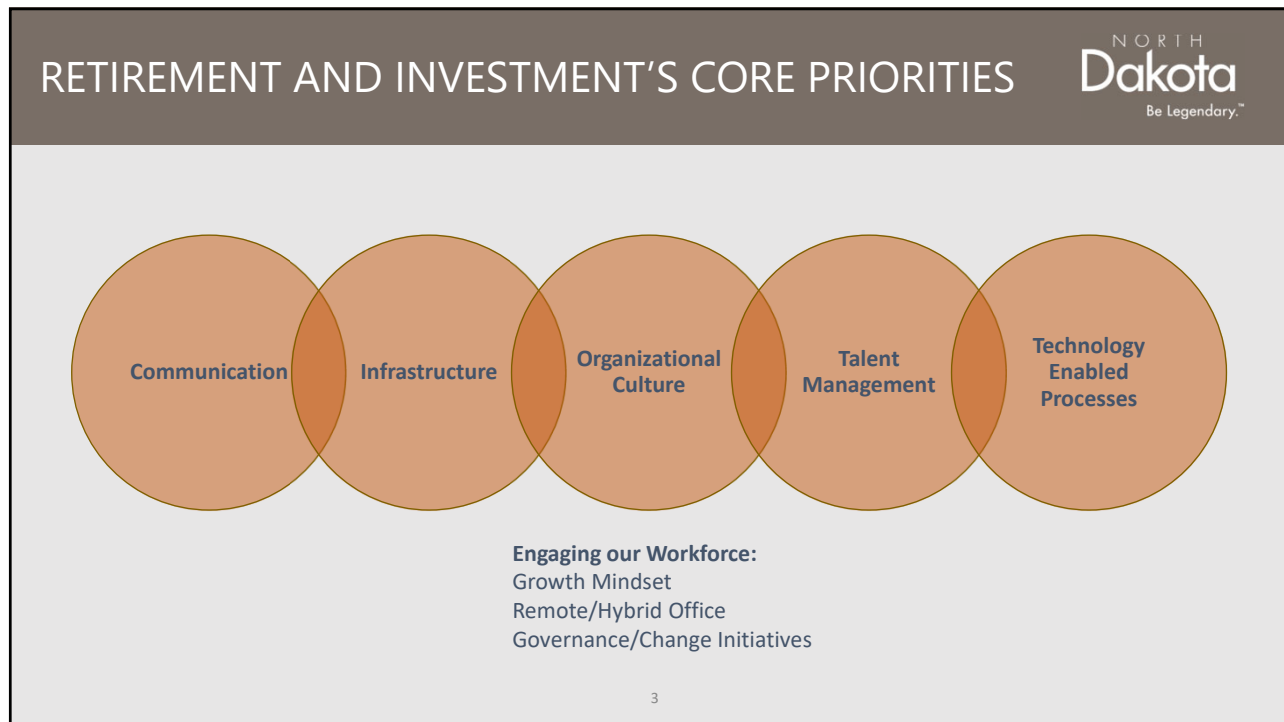
TFFR

RIO

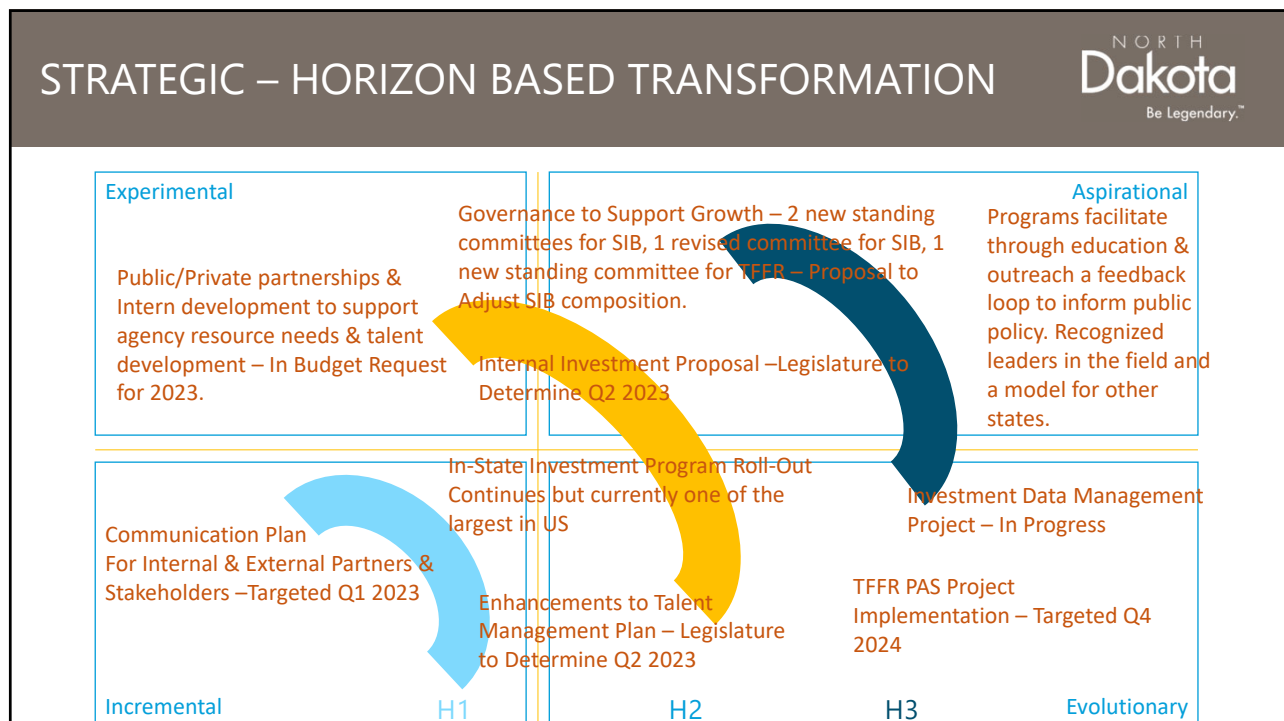
Teachers' Fund For Retirement –
ND Teachers' Retirement Program
NDCC Ch. 15-39.1
~\$3.0 Billion in Fund Assets
Over 21,000 active and retired
members and beneficiaries

RIO Agency
NDCC Ch. 54-52.5
25 FTEs + 2 Temp + Intern

2



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STATE INVESTMENT BOARD – INVESTMENT PROGRAM NORTH Dakota Be Legendary.™

- State Investment Board (SIB) has the statutory responsibility for the administration of the investment program of several funds including:
 - TFFR, PERS, WSI, Legacy Fund
- SIB also maintains contractual relationships for investment management with multiple political subdivisions and governmental funds
- Currently nearly \$19 Billion in Assets Under Management (AUM)
- 28 client funds
- 43 fund managers

Fund/Pool	AUM (11/30/22)
Pension Pool	\$7.06B
Insurance Pool	\$2.89B
Legacy Fund	\$8.58B
Other Funds	\$0.24B

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TEACHERS' FUND FOR RETIREMENT NORTH Dakota Be Legendary.™

- Qualified defined benefit public pension plan for North Dakota public school teachers and administrators providing them with a foundation for retirement security.
- 11,800+ Active Members
 - 16.4% increase over past decade
- 9,400+ Retired Members and Beneficiaries
 - 26.0% increase over past decade
- ~\$3.0B Fund balance
- On-track to be 100% fully funded by 2044
- New Pension Administration System in development (est. Q4 2024)



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BUDGET REQUEST SUMMARY

Line Item	Base Level	Cost to Continue/ Other Adj.	Executive Pay Package	Adjusted Base	Workforce Initiative	Pension System Upgrade	Internal Investment*	Total Request
Salaries & Benefits	\$6,785,839	890,933	549,864	8,226,636	578,491	486,000	1,404,996	\$9,035,591
Operating Expenses	1,323,528	(37,000)		1,286,528	200,250	1,116,319	266,840	3,006,937
Contingencies	100,000	(100,000)		-	200,000	-	-	200,000
Total Special Funds	8,209,367	753,933	549,864	9,513,164	978,741	1,602,319	1,671,836	12,242,528
(Included in Exec. Recom.)					349,012	1,552,319	-	
FTEs	25.0	-	-	25.0	2.0		7.0	34.0

* Amounts represent only 2nd year of biennium.

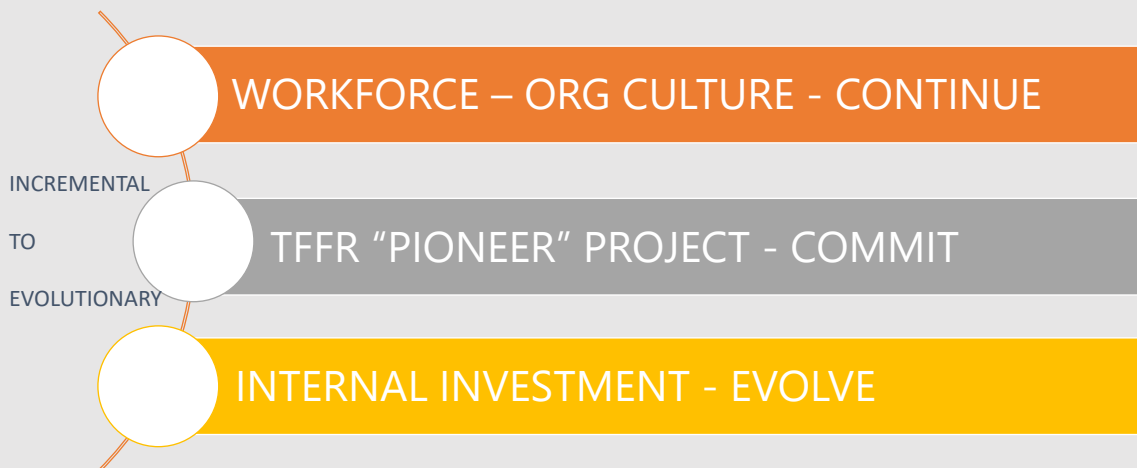
Requires authorization for performance pay within internal investment plan.

Estimated cost savings = \$16M+/year

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RIO AGENCY INITIATIVES



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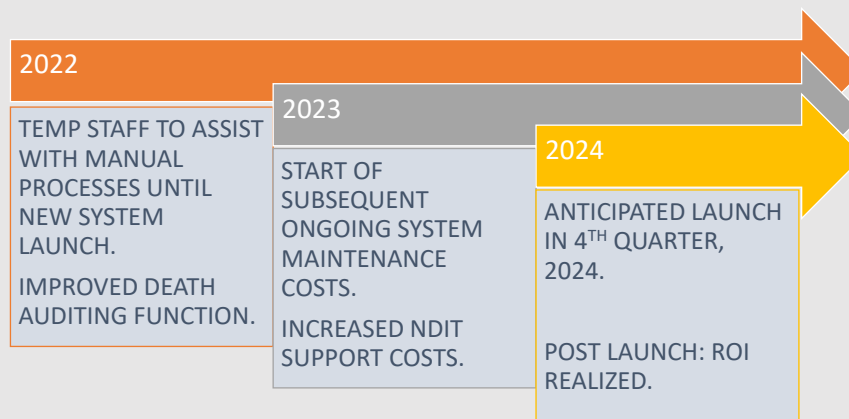
ORGANIZATION CULTURE – WORKFORCE INITIATIVE



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INFRASTRUCTURE/TECHNOLOGY ENABLED PROCESSES- TFFR PIONEER PROJECT INITIATIVE



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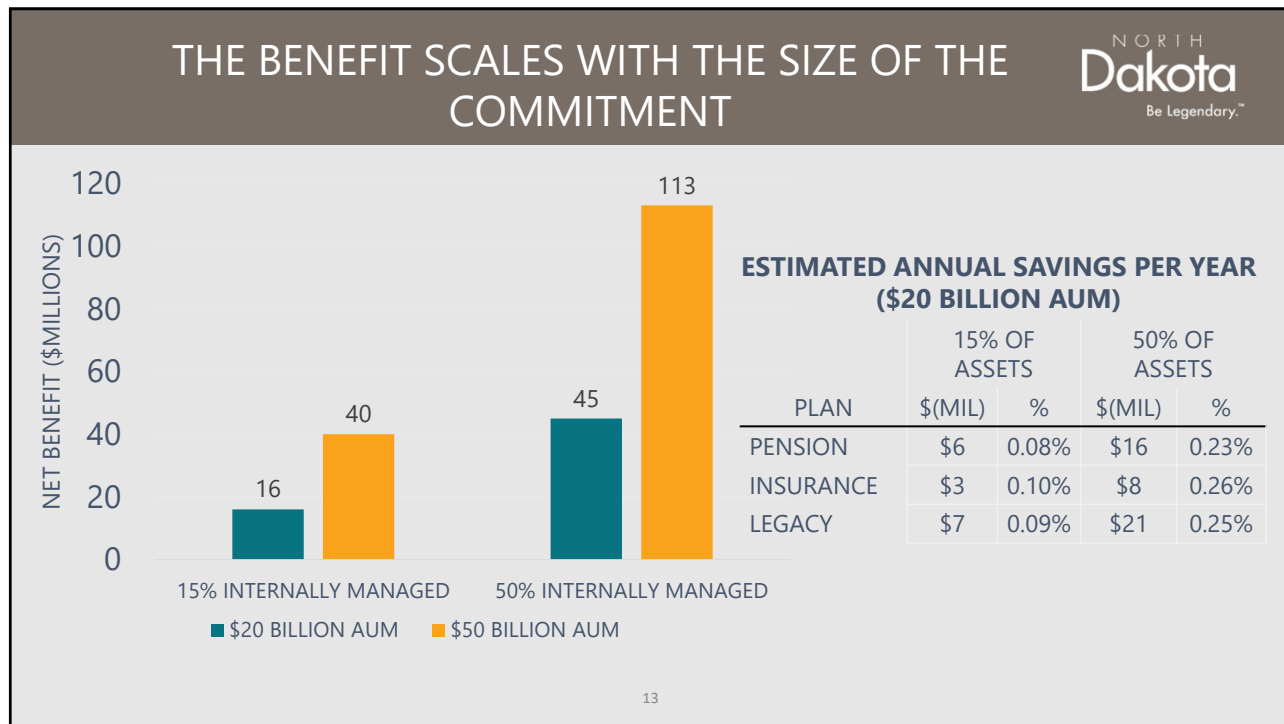
INTERNAL INVESTMENT/ TALENT MANAGEMENT

NORTH Dakota
Be Legendary.™

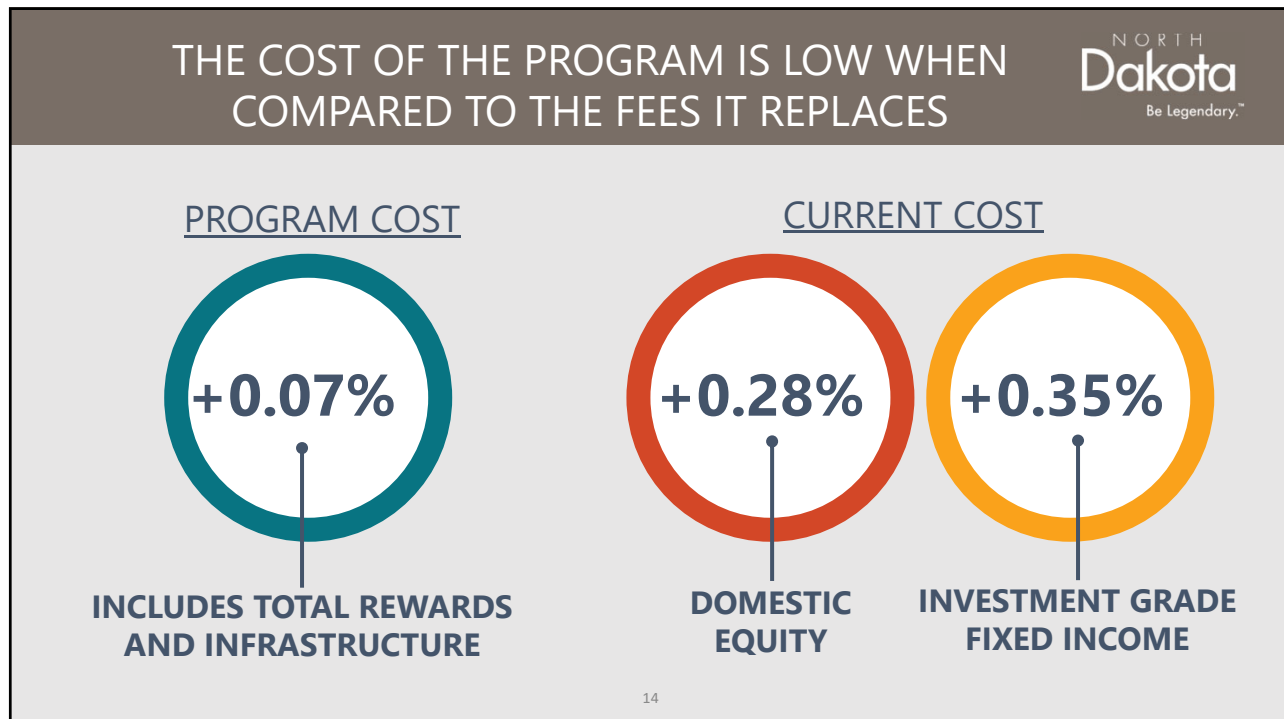
- LOWER COST THAN WITH EXTERNAL MANAGERS
- APPLIED WHERE THERE IS A COST/BENEFIT
- ENABLES ENHANCED LIQUIDITY MANAGEMENT, REBALANCING AND EXPOSURE MANAGEMENT

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MINIMAL REQUIREMENTS WHEN COMPARED TO THE BENEFITS^{1,2,3}



5 INVESTMENT PROFESSIONALS¹:

2 X SENIOR PORTFOLIO MANAGERS
3 X INVESTMENT ANALYSTS
2 X INVESTMENT OPS



TALENT MANAGEMENT:

- ADEQUATE CLASSIFICATION OF ROLES
- INCENTIVE COMPENSATION FUNDED ON A CONTINUING BASIS (Ex: OHIO, WISCONSIN, SOUTH DAKOTA, NORTH CAROLINA)

THE STRATEGY AND STRUCTURE WOULD EVOLVE WITH THE SIZE OF THE PROGRAM

1. The cost of staff is estimated to be approximately 10% of the total net cost savings.
2. Positive Client Fund feedback.
3. Supports greater control over investment strategies.

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ESTIMATED TOTAL COSTS FOR INVESTMENTS (INCLUDES CONTINUING APPROPRIATIONS)



\$MILLIONS/BP ¹	CURRENT		INTERNAL INVESTMENT		TOTAL	
	\$ ²	PER \$AUM	\$ ³	PER \$AUM	\$	PER \$AUM ⁴
SALARIES/BENEFITS	2.6	1.4	1.4	0.7	4	2.1
OPERATING COSTS	0.9	0.5	0.8	0.4	1.7	0.9
TOTAL	3.5	1.9 BP	2.2	1.2 BP	5.7	3.0 BP
NET SAVINGS					16	8.5 BP

1. ONE BASIS POINT (BP) = 0.01%
2. INCLUDE \$750,000 OF CONTINUING APPROPRIATIONS
3. INCLUDE ESTIMATED \$500,000 OF CONTINUING APPROPRIATIONS
4. THE 3 BP OF TOTAL COST COMPARES TO 60 BP OF FEES TO EXTERNAL MANAGERS

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SOME ADDITIONAL BENEFITS



- IMPROVED INVESTMENT CAPABILITIES VERSUS OUTSOURCING THOSE CAPABILITIES
- SCALABLE SAVINGS THAT GROW WITH THE ASSETS UNDER MANAGEMENT
- ADDITIONAL FLEXIBILITY AND AGILITY TO MARKET OR INTERNATIONAL EVENTS AS THE ASSETS ARE CONTROLLED LOCALLY
- ATTRACTION OF TOP TALENT WITH A REMOTE HYBRID WORKFORCE AND THE ABILITY TO MANAGE SOME ASSETS INTERNALLY
- ATTRACTION OF LOCAL TALENT FROM UNIVERSITIES USING INTERNSHIP PROGRAMS - BOOTSTRAPPING A MARKET FOR INVESTMENT TALENT IN NORTH DAKOTA

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EXAMPLE STATES WITH INTERNAL INVESTMENT MANAGEMENT AND INCENTIVE COMPENSATION



ARIZONA
 FLORIDA
 NEW MEXICO
 NORTH CAROLINA
 OHIO
 SOUTH DAKOTA
 TEXAS
 VIRGINIA
 WISCONSIN

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