

SIB Mission Statement and Fast Facts

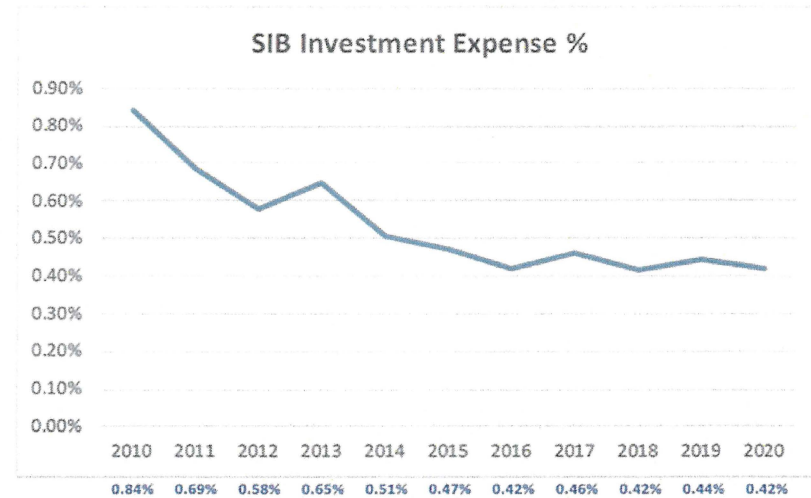
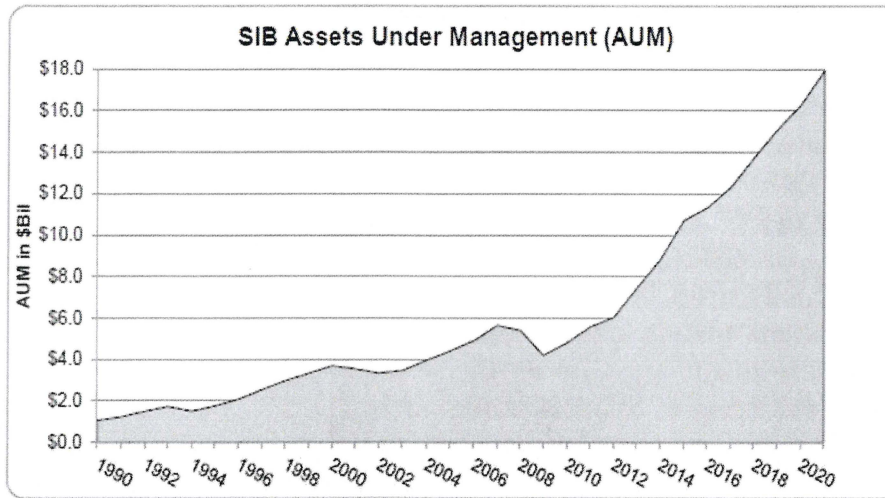
As of November 30, 2020

Mission Statement: The Retirement and Investment Office (RIO) serves the State Investment Board (SIB) and exists in order that:

- 1) SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost effective investment manner and under the Prudent Investor Rule (as defined in NDCC 21-10-07 "Legal Investments").
- 2) Potential SIB clients have access to information regarding the services provided by the SIB.
- 3) SIB clients receive satisfactory services from our Board & RIO staff including TFFR, PERS, WSI and Legacy & Budget Stabilization Funds.

Top Ten SIB Fast Facts:

- SIB client assets under management have more than tripled from \$5 billion in 2010 to \$18 billion in 2020, while rising over 34% since Jan. 1, 2019.
- SIB investment fees have significantly declined from 0.84% in 2010 to less than 0.45% in 2020.
- The SIB's keen focus on fees is saving our clients over \$20 million per year in lower costs which increases client net investment income.
- The SIB's prudent use of active investment management has generated over \$300 million of incremental income for our clients in the last 5-years.
- SIB client investment performance compares favorably with our peers including U.S. public pension plans and larger sovereign wealth funds.
- The SIB pension investment pool, which includes TFFR and PERS, returns are ranked in the top 25% of U.S. public funds in the last 10-years.
- North Dakota Legacy Fund returns are comparable to other Sovereign Wealth Funds since 2015 and favorable in more recent periods (see below).
- Actual net investment returns for 99% of our SIB clients have exceeded approved performance benchmarks for the 5-years ended Sep. 30, 2020.
- The SIB regularly accepts new investment clients such as the Office of the Attorney General and Veterans' Cemetery Trust Fund in recent years.
- SIB client satisfaction scores range from 3.4 to 3.7 in recent years (on 4.0 scale with 4 = Excellent, 3 = Above Average, 2 = Average and 1 = Poor).



Sovereign Wealth Fund Returns		Fund Size		Fiscal Year Ended June 30, 2020			Date of Inception	Fiscal YTD Nov. 30, 2020
Fund Name / Fund Size at Nov. 30, 2020		(billions)		1-year	5-years	Inception		
Alaska Permanent Fund (Largest U.S. SWF) Source: https://apfc.org/report-archive/	\$	71.9		2.01%	6.44%	8.60%	7/1/1980	10.78%
North Dakota Legacy Fund Source: https://www.rio.nd.gov/legacy-fund	\$	7.9		4.23%	5.91%	4.76%	9/7/2011	11.06%
Norway Government Pension Fund (#1 Global) Source: https://www.nbim.no/en/the-fund/returns/	\$	1,078.0		3.17%	5.41%	5.79%	1/1/1998	n/a

Note: The Legacy Fund was invested in 100% short-term fixed income prior to August 1, 2013. Since inception returns were 5.19% as of 9/30/2020.

Overview of Prudent Investor Rule

NDCC 21-10-07 Legal Investments - Prudent Investor Rule:

The **state investment board** shall apply the **prudent investor rule** in investing for funds under its supervision. The "**prudent investor rule**" means that in making investments **the fiduciaries** shall exercise the **judgment and care**, under the **circumstances then prevailing**, that an institutional investor of ordinary **prudence, discretion, and intelligence** exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, **considering probable safety of capital as well as probable income**. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

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.

Economically targeted investing is prohibited unless the investment meets the "exclusive benefit rule" and the following four conditions are satisfied:

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

RIO's website was recently updated to improve overall transparency and reporting access for our users and clients noting the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for its CAFR for the fiscal year ended June 30, 2019 (for the 22nd consecutive year). →



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Dakota Retirement and Investment Office

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

SIB Client Net Investment Returns Generally Exceed Policy Benchmarks for the 1, 3, 5 and (9 or) 10 years ended Sep. 30, 2020

The prudent use of active investment management by the SIB has generated \$300 million of incremental income for our clients in the last 5-years.

This is based on SIB client assets averaging \$12 billion per annum the last 5-years and Excess Return of 0.50% per annum the last 5 years after deducting all fees and expenses.

Ex. \$12 billion x 0.50% of Excess Return = \$60 million of Excess Return per year x 5 years = \$300 million

*Legacy Fund Returns:
Legacy was 100% invested in short-term fixed income from 9/7/2011 to 8/1/2013, then transitioned to 50% Equity, 35% Bonds, 15% Real Assets from 8/1/2013 to 1/31/2015.*

SIB Five Largest Clients (AUM as of 9/30/2020)	Qtr. Ended 9/30/2020	1 Yr Ended 9/30/2020	3 Yrs Ended 9/30/2020	5 Yrs Ended 9/30/2020	10 Yrs Ended 9/30/2020
Legacy Fund \$7.4 billion					
Total Fund Return - Net	4.93%	8.27%	6.02%	7.91%	9 Yrs. Ended 5.19%
Policy Benchmark Return	3.95%	7.45%	5.94%	7.26%	4.48%
Excess Return	0.98%	0.82%	0.08%	0.65%	0.71%
PERS \$3.4 billion					
Total Fund Return - Net	4.97%	8.15%	6.39%	8.35%	8.05%
Policy Benchmark Return	4.35%	7.05%	6.25%	7.83%	7.52%
Excess Return	0.62%	1.10%	0.14%	0.52%	0.53%
TFFR \$2.7 billion					
Total Fund Return - Net	4.89%	8.08%	6.38%	8.29%	8.07%
Policy Benchmark Return	4.41%	7.06%	6.24%	7.79%	7.42%
Excess Return	0.48%	1.02%	0.14%	0.50%	0.65%
WSI \$2.2 billion					
Total Fund Return - Net	3.10%	7.46%	6.29%	7.07%	7.00%
Policy Benchmark Return	2.25%	7.30%	5.88%	5.99%	5.60%
Excess Return	0.85%	0.16%	0.41%	1.08%	1.40%
BSF \$738 million					
Total Fund Return - Net	1.63%	3.06%	2.80%	2.22%	2.13%
Policy Benchmark Return	0.23%	3.70%	2.83%	2.06%	1.27%
Excess Return	1.40%	-0.64%	-0.03%	0.16%	0.86%