

**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

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**NORTH DAKOTA RETIREMENT AND INVESTMENT SUPPORTS TWO SPECIAL FUND PROGRAMS**

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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

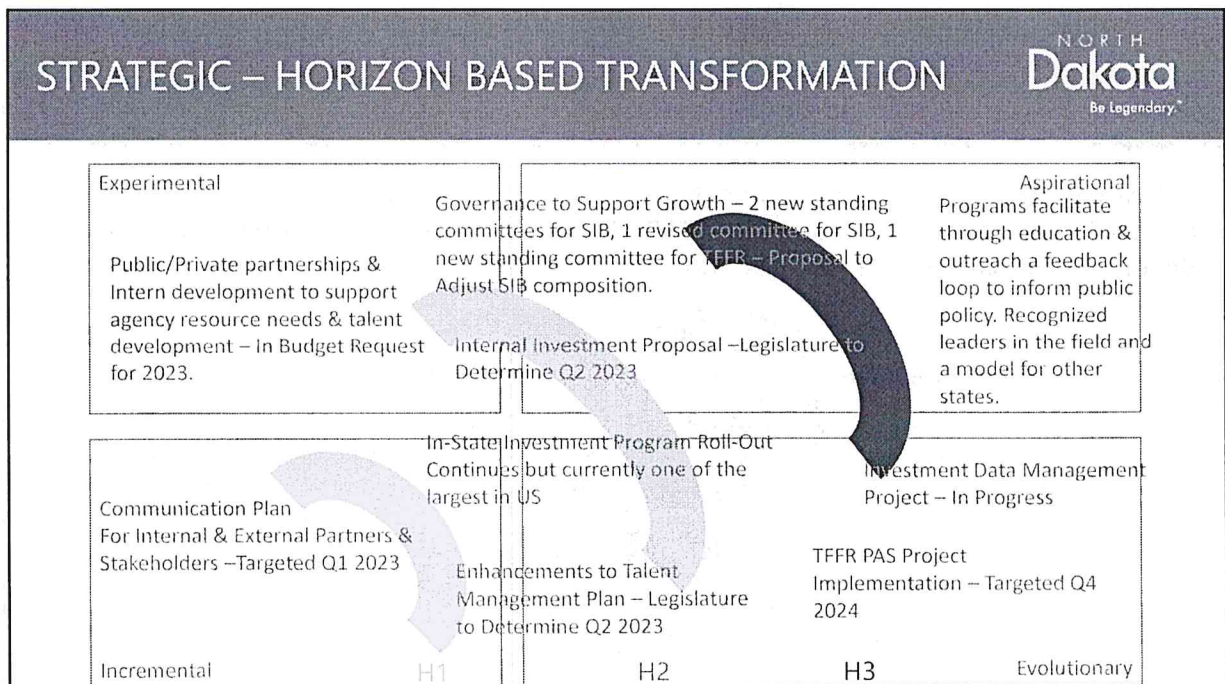
**Teachers’ Fund For Retirement –**  
 ND Teachers’ Retirement Program  
 NDCC Ch. 15-39.1  
 ~\$3.0 Billion in Fund Assets  
 Over 21,000 active and retired members and beneficiaries

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

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## STATE INVESTMENT BOARD – INVESTMENT PROGRAM

- 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

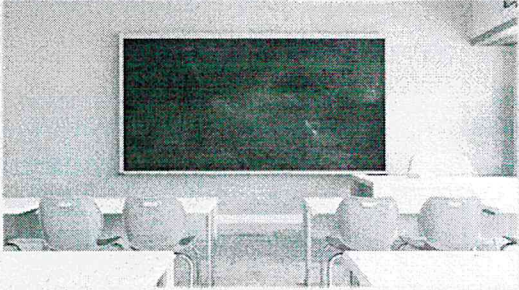
Fund/Pool	AUM (11/30/22)
Pension Pool	\$7.06B
Insurance Pool	\$2.89B
Legacy Fund	\$8.58B
Other Funds	\$0.24B

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## TEACHERS' FUND FOR RETIREMENT

- 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)



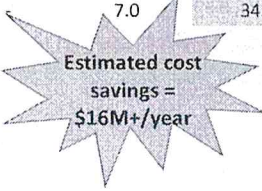
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## BUDGET REQUEST SUMMARY

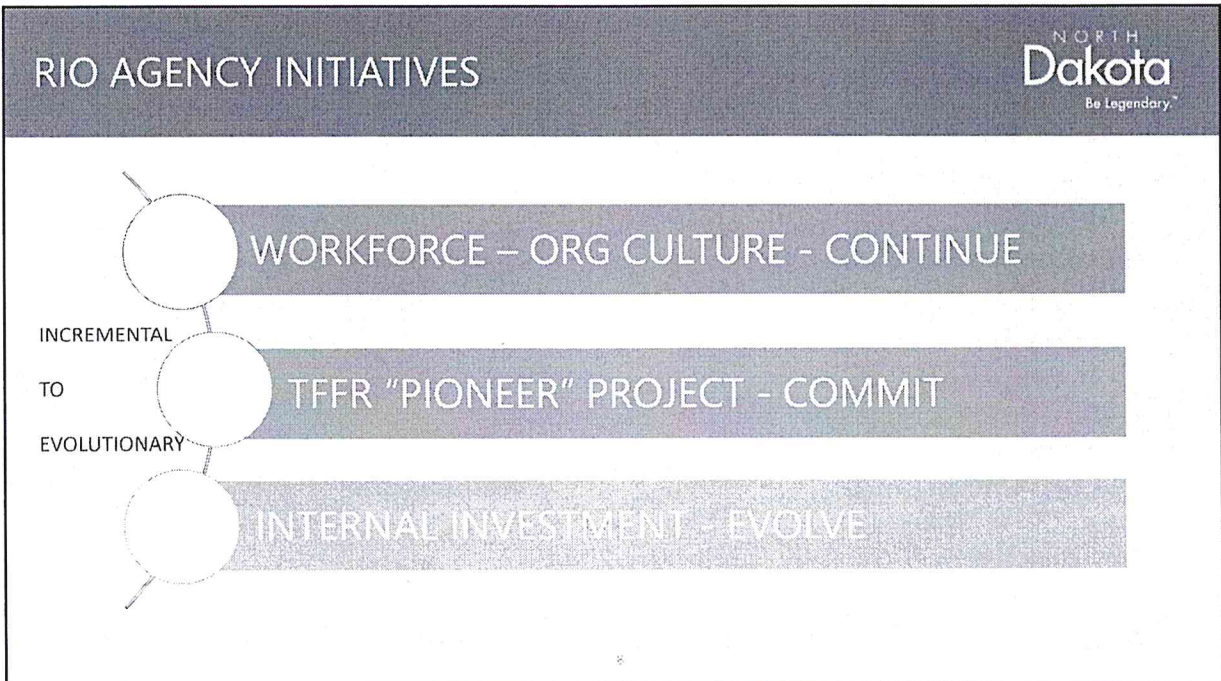


Line Item	Base Level	Cost to Continue/ Other Adj.	Executive Pay Package	Adjusted Base	Workforce Initiative	Pension System Upgrade	Internal Investment*	Total Request
Salaries & Benefits	\$6,785,839	890,933	549,864	8,226,636	578,491	486,000	1,404,996	\$9,035,591
Operating Expenses	1,323,528	(37,000)		1,286,528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

\* Amounts represent only 2<sup>nd</sup> year of biennium.  
Requires authorization for performance pay within internal investment plan.




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## ORGANIZATION CULTURE – WORKFORCE INITIATIVE

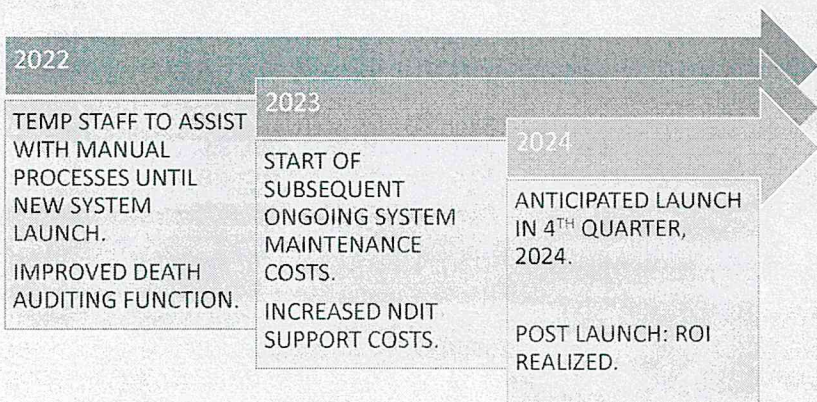


- SALARIES**
  - ED/CIO SPLIT AND OTHER AGENCY RE-ORGANIZATION INCLUDING ACCOUNTING MANAGER, CFO-COO.
  - Support Intern Program.
- SUPPORT**
  - 1 ADDITIONAL ADMIN TO SUPPORT NEW INVESTMENT FTE'S.
  - CURRENTLY HAVE 3 FULL TIME AND 1 TEMP PART-TIME TO SUPPORT 17.
  - 1 ADDITIONAL FISCAL OPERATIONS POSITION TO FACILITATE INVESTMENT OPERATION ENHANCEMENTS.
- TRAINING**
  - COST OF PROFESSIONAL CERTIFICATIONS THAT ARE EITHER REQUIRED OR ENCOURAGED TO PERFORM DUTIES
  - SUPPORT HIGH PERFORMANCE AND GROWTH MINDSET.
- INFLATION**
  - COST OF TRAVEL, TRAINING, AND SUPPORT OF A HYBRID/REMOTE WORKPLACE.
- CONTINGENCY**
  - REQUEST FOR CONTINGENCY FUNDS.

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## INFRASTRUCTURE/TECHNOLOGY ENABLED PROCESSES- TFFR PIONEER PROJECT INITIATIVE





**2022**

TEMP STAFF TO ASSIST WITH MANUAL PROCESSES UNTIL NEW SYSTEM LAUNCH.  
IMPROVED DEATH AUDITING FUNCTION.

**2023**

START OF SUBSEQUENT ONGOING SYSTEM MAINTENANCE COSTS.  
INCREASED NDIT SUPPORT COSTS.

**2024**

ANTICIPATED LAUNCH IN 4<sup>TH</sup> QUARTER, 2024.  
POST LAUNCH: ROI REALIZED.

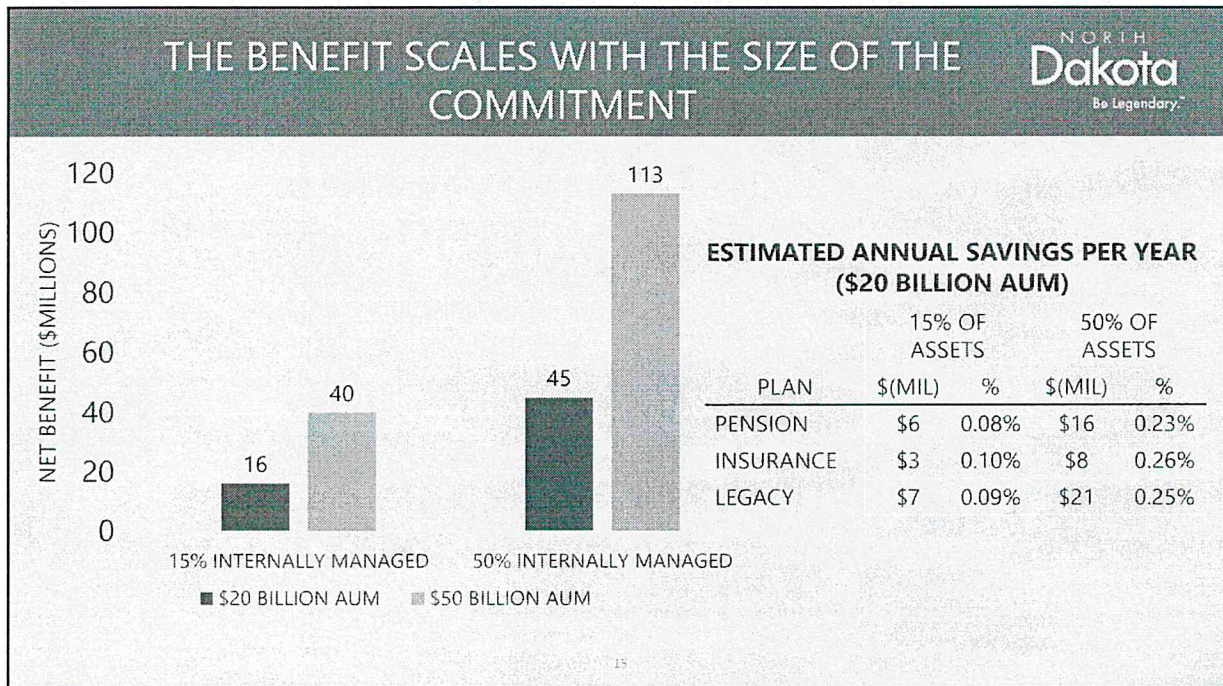
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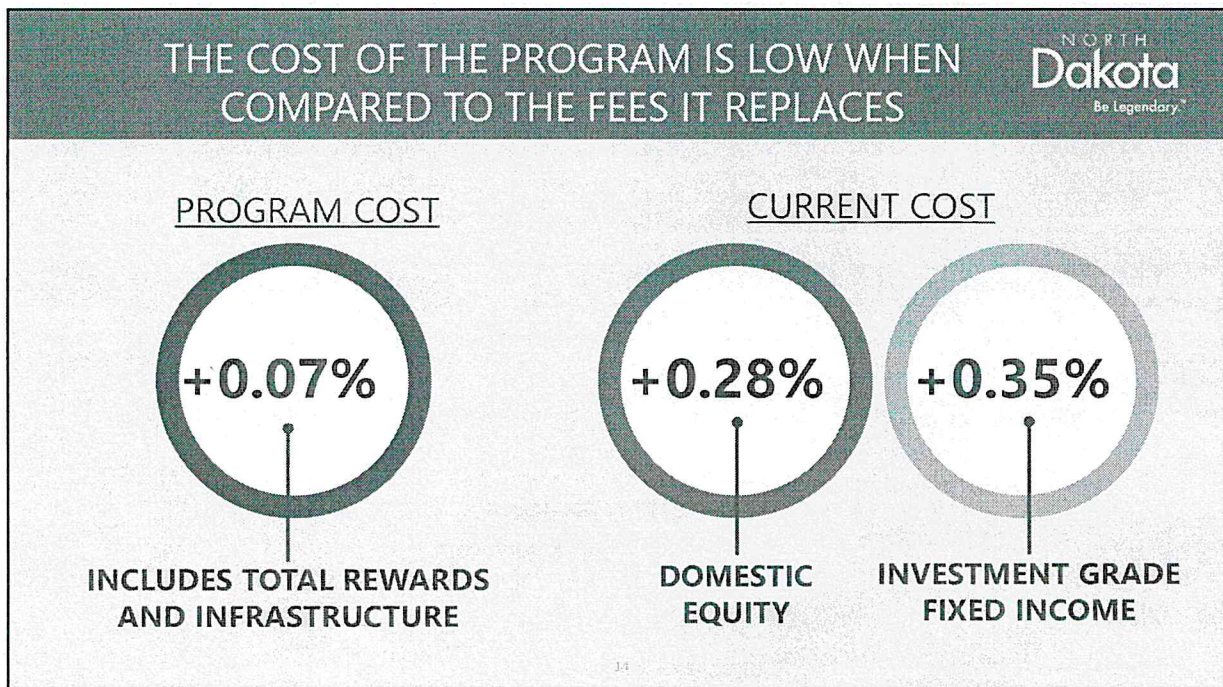
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- ### INTERNAL INVESTMENT/ TALENT MANAGEMENT
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- LOWER COST THAN WITH EXTERNAL MANAGERS
  - APPLIED WHERE THERE IS A COST/BENEFIT
  - ENABLES ENHANCED LIQUIDITY MANAGEMENT, REBALANCING AND EXPOSURE MANAGEMENT
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**MINIMAL REQUIREMENTS WHEN COMPARED TO THE BENEFITS<sup>1,2,3</sup>**

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**5 INVESTMENT PROFESSIONALS<sup>1</sup>:**  
 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)**

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	CURRENT		INTERNAL INVESTMENT		TOTAL	
	\$ <sup>2</sup>	PER \$AUM	\$ <sup>3</sup>	PER \$AUM	\$	PER \$AUM <sup>4</sup>
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
<b>TOTAL</b>	<b>3.5</b>	<b>1.9 BP</b>	<b>2.2</b>	<b>1.2 BP</b>	<b>5.7</b>	<b>3.0 BP</b>
<b>NET SAVINGS</b>					<b>16</b>	<b>8.5 BP</b>


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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