

House Bill 1184
North Dakota Retirement and Investment Office (RIO)
Testimony before House Industry, Business and Labor
Representative Jonathan Warrey, Chair

Jodi Smith – Interim Executive Director
Scott Anderson, CFA, MBA – Chief Investment Officer

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).

The State Investment Board has the statutory responsibility to administer the investment program for 31 funds including the Legacy Fund, TFFR, PERS, and WSI. It also maintains contractual relationships for the investment management of multiple political subdivisions and governmental funds. Currently SIB is responsible for the investment of the Legacy Fund, seven pension funds and 23 other non-pension funds for a total of 31 separate client funds with an overall fund value of roughly \$23 billion as of October 31, 2024.

II. Neutral Testimony relating to H.B. 1184

House Bill 1184 is well-intentioned in its goal of making North Dakota a leader in technology and innovation investments as well as broadening the asset allocation scope to produce diversification benefits for state investments. However, the Board already has authority to invest in digital assets and precious metals.

The client funds of RIO each have a governing board that make asset allocation and investment policy decisions. The asset allocation determines the amount invested in various asset classes that best meets the return, risk and liquidity needs of the client portfolio mandates. The range of asset classes is not limited but includes those that enable the client fund to meet the client needs. The asset allocation which is approved by the board is codified in an investment policy used to guide RIO’s investment team to implement the mandate.

We recommend two changes: (1) place under Chapter 21-10 State Investment Board and (2) remove reference to “up to ten percent”, leaving capital allocation to the respective governing boards.

WHO WE ARE

The Retirement and Investment Office (RIO) is the state agency responsible for coordinating the activities of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR).

34 Full-Time Team
Member Authority

1 Temporary Team
Member

68 Consultants and
Professional Services

WHAT WE DO



Investment Program

The SIB is responsible for setting the policies and procedures that guide the investment of client funds while RIO is the administrator responsible for investment program management.



Retirement Program

The TFFR program is a qualified defined benefit public pension plan. The TFFR board of trustees has statutory responsibility for the pension program, while RIO is the program administrator.

HOW WE DO IT

Mission: To provide prudent and transparent investment services for our client funds and support North Dakota public school educators with responsible benefit administration.

Vision: To be recognized as a trusted and innovative provider of investment and pension services.

Values:

- *Integrity* - We value honesty and are committed to doing what's best for our customers.

- *Accountability* - We are responsible for our actions and work as a team to produce the desired outcomes.

- *Service* - We care about the people we serve and take time to understand their unique needs.

THE PEOPLE WE SERVE

Citizens

are North Dakota residents who benefit from RIO's management of public funds including the North Dakota Legacy Fund, the state's sovereign wealth fund.

\$22.3 billion total in assets under management



SIB Client Funds

are identified in statute. With the approval of the Industrial Commission, the SIB may provide services to and manage the money of any state agency, institution or political subdivision.

31 participants (15 statutory, 16 contracted)



TFFR Active Members

are licensed to teach in North Dakota and employed by public schools and state institutions.

11,945 total, average age 41.3



TFFR Retired Members

includes retired or disabled members and beneficiaries receiving a monthly benefit.

9,693 total; retired avg. age 73.6



TFFR Employers

are public schools and state institutions that employ licensed North Dakota educators.

204 employer groups

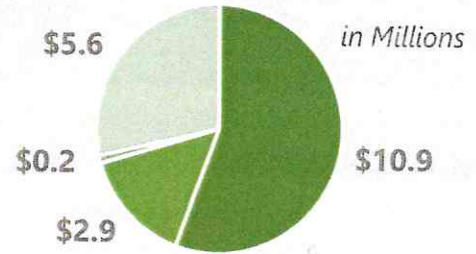


2023-2025 BIENNIAL BUDGET

\$19.6 Million Appropriation

RIO is a special fund agency and receives no general fund dollars.

- Salary
- Operating
- Contingencies
- PAS (one-time)



WHAT WE'RE PROUD OF



Pension Administration System

In Feb. 2025, RIO will release MyTFFR, a pension administration system, making employer reporting more efficient and allowing members to manage a wide range of account transactions online.



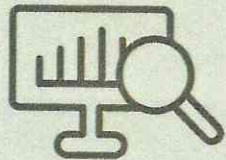
Internal Investment Program

RIO will launch an internal investment management initiative in spring 2025 that will result in significant client cost savings and provide greater control over investments.

HOW WE MEASURE SUCCESS

Actuarial Valuation

Actuarial valuation reports measure TFFR's funding progress. Based on the current valuation, the contribution rates are expected to fully fund TFFR in 2043.

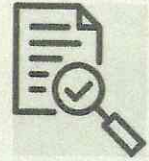
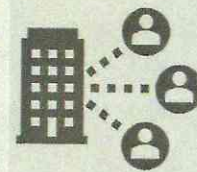


Awards

For the 26th consecutive year, RIO received the Certificate of Achievement for Excellence in Financial Reporting. In addition, the TFFR program earned the 2024 Public Pension Standards Awards for Plan Funding and Plan Administration.

Engagement

RIO's most recent Gallup Q12 engagement mean was 4.5 out of 5. Our team members are "Engaged," highly involved in and enthusiastic about their work and workplace.



Financial Audit

Our FY2024 financial audit contains an unmodified and clean opinion. This independent evaluation of our financial statements, operations, and internal controls helps to ensure transparency and accountability.

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Rev. 01/2025