NORTH Dakota | State Investment Board
Be Legendary. RETIREMENT & INVESTMENT

Investment Committee

Friday August 14, 2026, 10:30 a.m. – Virtual Only

The open portions of this meeting are livestreamed. Join the meeting now.

AGENDA

I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA** – ***(Committee Action)***
   A. Roll Call & Conflict of Interest Disclosure

II. **ACCEPTANCE OF MINUTES (June 12, 2026)** – ***(Committee Action)***

III. **INTRODUCTION** – ***(Information Only)***
   A. Mr. Rick Thoreson, CFA

IV. **COMPLIANCE UPDATE (10 minutes)** – ***(Information Only)*** – *Mr. Barakat*

V. **REVIEW IPS SCORECARD (30 minutes)** – ***(Information Only)*** – *Mr. Funston & Mr. Norton, Funston Advisory Services*

VI. **STRATEGY REVIEW (90 minutes)** – ***(Committee Action)***
   A. WSI Asset Allocation – *Mr. Nankof, NEPC*
   B. Strategy and Performance Review – *Mr. Anderson*
   C. Governance Policy Review – *Mr. Anderson*

VII. **INVESTMENT POLICY STATEMENT UPDATE (10 minutes)** – ***(Committee Action)*** – *Mr. Chin*
   A. Water Resources
   B. Workforce Safety & Insurance

VIII. **DISCUSSION**

IX. **ADJOURNMENT**

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STATE INVESTMENT BOARD INVESTMENT COMMITTEE MEETING MINUTES OF THE JUNE 10, 2026, MEETING

MEMBERS PRESENT
Thomas Beadle, State Treasurer, Chair
Prodosh Simlai, External Representative, Vice Chair
Todd Van Orman, External Representative

MEMBERS ABSENT
Pete Jahner, External Representative

STAFF PRESENT
Scott Anderson, Chief Investment Officer
Cory Cox, Investment Analyst
Derek Dukart, Senior Investment Analyst
Jennifer Ferderer, Fiscal Operations Admin
Timothy Forsythe, Deputy Chief Financial Officer
Chirag Gandhi, Portfolio Manager
Robbie Morey, Investment Operations Analyst
George Moss, Portfolio Manager
Sarah Mudder, Communications & Outreach Director
Chuck Napp, Senior Investment Operations Manager
Daphne Pfleiger, Investment Accountant
Matthew Posch, Portfolio Manager
Jodi Smith, Executive Director
Susan Walcker, Senior Financial Accountant
Alexander Weissman, Investment Analyst
Lance Ziettlow, Portfolio Manager

GUESTS
Marc Gesell, Cerity Partners
Members of the Public

CALL TO ORDER
Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 9:01 a.m. on Friday July 10, 2026. The meeting was held virtually.

The following members were present representing a quorum: Mr. Van Orman, Dr. Simlai, and Treasurer Beadle.

AGENDA

The agenda was considered for the July 10, 2026, meeting.

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JULY 10, 2026, MEETING AS DISTRIBUTED.

AYES: MR. VAN ORMAN, DR. SIMLAI, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. JAHNER
MOTION CARRIED

MINUTES

The minutes were considered for the June 18, 2026, meeting.

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE JUNE 18, 2026, MEETING AS DISTRIBUTED.

AYES: DR. SIMLAI, MR. VAN ORMAN, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. JAHNER
MOTION CARRIED

BENCHMARK MEMO

Mr. Gesell reviewed the purpose and characteristics of effective investment benchmarks, summarized the Board's current benchmark framework, and discussed challenges associated with benchmarking private market investments. Cerity recommended no changes to the Board's current benchmarks but suggested reviewing the Hamilton Lane Private Credit benchmark during the 2026–2027 fiscal year.

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO APPROVE TO RECOMMEND THE BENCHMARKS TO THE FULL BOARD.

AYES: DR. SIMLAI, MR. VAN ORMAN, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. JAHNER
MOTION CARRIED

MANAGER UPDATE

Mr. Ziettlow provided an update on DMH III, a private equity fund targeting lower middle-market companies in the DACH region of Europe, including Austria, Germany, and Switzerland. The total commitment is €60 million ($~68.5 million), with €20 million allocated to the Pension Pool and €40 million allocated to the Legacy Fund.

Mr. Posch provided an update on two international public equity manager fundings completed in June. CC&L International Equity All Cap was funded with approximately $1.070 billion, including $820 million from the Non-Qualified Pool and $250 million from the Pension Pool. RS International Equity Large Cap was funded with approximately $545 million, including $360 million from the Non-Qualified Pool and $185 million from the Pension Pool.

GUIDELINE WAIVERS

Staff presented Wellington's request for a temporary guideline waiver following the annual Russell 2000 reconstitution. Staff explained the request was operational in nature, resulting from index changes rather than investment decisions, and recommended approval of the temporary waiver

IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE TEMPORARY GUIDELINE WAIVER FOR WELLINGTON.

AYES: MR. VAN ORMAN, DR. SIMLAI, AND TREASURER BEADLE
NAYS: NONE
ABSENT: MR. JAHNER
MOTION CARRIED

COMMITTEE SCHEDULE

Ms. Smith reviewed the finalized FY2027 Investment Committee meeting schedule.

ADJOURNMENT

With no further business to come before the committee, Treasurer Beadle adjourned the meeting at 9:46 a.m.

Prepared by:

Jennifer Ferderer, Assistant to the Board

North Dakota Retirement and Investment Office
Weaver Investment Compliance Services

August 14th, 2026

Meet Weaver

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Assurance • Tax • Advisory

Weaver's Asset Management Consulting (AMC) team's investment focus provides insight to identify and mitigate the risks in public and private markets, allowing organizations to thrive in today's competitive environment.

We provide internal audit, compliance program management services and consulting services for investment advisers and asset managers of any size. We serve:

- » Registered Investment Advisers (RIA)
- » Public Pension Funds
- » ETF Providers
- » Institutional Investors
- » Broker Dealers
- » Service Providers
- » Real Estate Funds
- » Private Equity Funds
- » Venture Capital Funds
- » Hedge Funds
- » Fund of Funds
- » Mutual Funds

23
U.S. locations

~$382M
In revenues

1
Cayman Island location

100%
Partner-owned — no private equity ownership

4
India locations

1,600+
Team members

Our Services

Compliance Program Management

- » Compliance Framework
- » Policy development
- » Investment Compliance
- » Monitoring and testing programs
- » Risk assessments
- » Trade surveillance
- » Conflicts of interest
- » Anti-money laundering/BSA compliance
- » Process transformation

Consulting

- » Enterprise risk management
- » Adviser due diligence
- » Third-party risk ESG assessments
- » Fraud detection and prevention
- » Workflow and policy development
- » Business transformation
- » Process efficiency

Internal Audit

- » Mutual funds
- » ETFs
- » Pension funds
- » Private funds
- » Other investment vehicles

Compliance Team - Leads

Michael Barakat
Director, Asset Management Consulting Services

Role on this engagement: Leads day to day execution of the compliance program, including policies, filings, testing, and ongoing regulatory support

- More than 20 years of experience in asset management compliance, including serving as chief compliance officer for public, private, and endowment investment management firms
- Provides regulatory filing support, compliance policy and procedure development, annual compliance reviews, compliance training, and Code of Ethics maintenance for alternative investment firms
- Leads clients through regulatory and internal exams, performs compliance testing and risk assessments, and delivers practical guidance to mitigate regulatory risk while staying ahead of evolving requirements

Bruce Mills
Partner, Asset Management Consulting Services

- More than 35 years of experience building and leading internal audit, compliance, risk, and operations teams within the asset management sector, and leads Weaver's Asset Management Consulting practice
- Provides business process improvement and automation solutions, internal audits, technology assessments, compliance reviews, risk and maturity assessments, third-party risk management, and ESG services for public and private funds, pension funds, ETFs, and RIAs
- Brings deep global asset management expertise across investments, operations, and regulatory requirements, with prior leadership experience at a $1.3 trillion asset manager overseeing compliance monitoring across 33 regulatory jurisdictions

What Sets Our Team Apart

Investment Experience
Seasoned team dedicated to investment managers and investors.

Quality Service
Stable, committed resources delivering timely service at reasonable fees.

Industry Knowledge
Deep SEC, FINRA and other regulatory expertise.

Continuity & Communication
Consistent engagement teams and open, ongoing communication.

Compliance Services

Weaver delivers an integrated compliance program aligned with investment operations

Compliance Program Management

Program foundation, testing, and ongoing oversight

- Compliance Program Structure
- Policies and procedures
  - Working group – P&P
  - SIB policy manual review
- Code of Ethics
  - Personal trading
  - Gifts and Entertainment
  - Outside Business Activities
- Market abuse surveillance including insider trading, front running and other unethical practices
- Information barriers, restricted lists, and restricted securities monitoring
- Conflicts of interest review
- Compliance training, monthly meetings, and ad-hoc consultation and advisory support

Investment Compliance

Guidelines, controls, and trade surveillance

- Monitor compliance with trading and investment restrictions applicable to portfolio accounts
- Customize pre- and post-trade rules and coding in the order management systems for position limits and mandates
- Report trade exceptions, violations, and breaches of guidelines, risk limits, or regulatory requirements
- Trade surveillance to review designed investment alerts and investigate patterns
- Analysis of public markets managers and separately managed accounts against investment guidelines and restrictions
- Collaborate with internal trading, operations, and portfolio management teams and liaise with external providers when necessary

Code of Ethics

Why the Code exists, who it covers, and what it requires of covered employees

The Code sets the standard of conduct for RIO's investment activity, so that decisions reflect the integrity, responsibility, and accountability required to maintain public trust. It guides behavior and decision making rather than replacing the federal and state laws that also apply.

Core principles

- Put the interests of the investment program ahead of personal interests
- Act honestly and professionally, and comply with all applicable laws, regulations, and written policy
- Maintain the confidentiality of information obtained in the course of employment
- Never misappropriate assets or use them for personal gain
- Avoid conflicts of interest, and disclose them promptly when they arise
- Deal fairly with clients, colleagues, and counterparties

Who it applies to

- Employees who make or participate in investment recommendations and decisions
- Anyone with access to investment positions or to securities RIO intends to buy, sell, or recommend
- Consultants, interns, and independent contractors with that same access
- Household members, including spouses, relatives, and domestic partners, and accounts over which covered employees exercise discretion

Attestations, disclosures, and training

- Annual written acknowledgment of receipt and review of the Code
- Quarterly and annual personal trading attestations, with brokerage and beneficial interest accounts disclosed
- Conflicts of interest, gifts and entertainment, and outside business activity disclosure forms at hire and annually
- Annual ethics training covering legal updates and practical application of the Code
- Code reviewed and amended annually, with employees notified and required to acknowledge changes

Code of Ethics: Working with the RIO Team

Weaver facilitates the attestation cycle, training, and ongoing support alongside RIO

Weaver works alongside the RIO team to keep the Code running. RIO retains ownership and decision making; Weaver facilitates the process, drives the attestation cycle, and makes sure the supporting evidence is captured.

Facilitating the attestation cycle

- Coordinate the annual acknowledgment of the Code and confirm every covered person has completed it
- Facilitate quarterly and annual personal trading attestations, including disclosure of brokerage and beneficial interest accounts
- Circulate the conflicts of interest, gifts and entertainment, and outside business activity forms at hire and annually
- Track completion, follow up on outstanding items, and summarize results for RIO leadership
- Maintain the attestation and disclosure records so responses are readily available for audit and examination

Working with the RIO team

- Partner with Investment and Operations through the working group rather than operating separately
- Serve as a resource for day-to-day Code questions, interpretations, and pre-clearance discussions
- Support the designated group maintaining the restricted list and information barriers
- Bring exceptions and potential issues to RIO promptly, with recommended next steps for RIO to decide

Training and ongoing support

- Facilitate annual ethics training with updates and practical, RIO specific scenarios
- Provide onboarding for new covered employees, consultants, and contractors
- Support the annual review of the Code and communicate amendments and re-acknowledgment requirements

Investment Guideline Monitoring

Weaver monitors investment guidelines across internally managed trading and external managers

Internal Trading

Guideline monitoring in Aladdin

- Monitor internally managed trading and portfolios against investment policy guidelines and mandates
- Code and maintain pre-trade and post-trade compliance rules in Aladdin for position limits, ranges, and issuer and sector constraints
- Pre-trade checks at order entry to prevent guideline breaches before execution
- Post-trade and overnight batch testing to catch passive breaches from market movement and cash flows
- Review, research, and clear alerts and exceptions with the trading, operations, and investment teams
- Escalate and document confirmed breaches, remediation, and resolution timelines
- Reporting on exceptions, trends, and rule coverage, with periodic validation that rules reflect current policy
- Conduct investment guideline meeting to discuss aging and ongoing items

External Managers

Guideline monitoring in RADAR on Northern Trust

- Monitor separately managed accounts and managers against their investment guidelines
- Post-trade monitoring using custodian holdings and transaction data from Northern Trust
- Partner with Northern Trust to maintain and update RADAR compliance rules in accordance with applicable investment management agreements, client mandates, and investment guidelines
- Review daily exceptions, obtain manager explanations, and track items through to resolution
- Coordinate with Northern Trust and the managers on rule interpretation, data quality, and pricing or classification issues
- Confirm guideline changes and new mandates are reflected in the rule set as accounts are funded or amended
- Exception and breach reporting across internal and external activity for RIO oversight

Assurance • Tax • Advisory

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NORTH Dakota | Retirement & Investment
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MEMORANDUM

TO: **INVESTMENT FINANCE COMMITTEE**

FROM: **Jodi Smith, Executive Director**

DATE: **August 14, 2026**

RE: **Executive Director Third-Party Annual Review**

The IPS Exception-Based Scorecard is a standing reporting instrument that measures each fund's results against the corridors and tolerances set in its own Investment Policy Statement, and reports by exception rather than by exhaustive review.

It is a governance instrument, not an investment decision tool. It does not select managers, set allocations, or alter policy. It answers one question each period: is the fund performing inside the policy the Board adopted, and where is it not?

What the scorecard contains

Each fund receives a single page carrying four elements.

- **Identification.** Fund, period ending, assets under management, advisor, and the version of the IPS being measured against. Naming the policy version matters: the scorecard is only meaningful if it is clear which policy it is testing.
- **Active risk and return measures.** Information ratio over five and ten years, tracking error, and hit rate, each shown against its IPS corridor target.
- **An exception rating for each measure** on a four-point scale.
- **Narrative only where an exception exists.** Measures inside tolerance are reported and pass without commentary.

How to read it

Rating	Meaning	What it triggers
Exceptional	Materially above policy	Result meaningfully exceeds the IPS corridor. Noted, not acted on.
As Expected	Within policy tolerance	Result sits inside the corridor. Reported without narrative.
Caution	Near policy limit, monitor	Result is approaching a corridor boundary. Staff commentary required.
Alert	Outside policy range, action needed	Result is outside the corridor. Written explanation and corrective plan; escalation to the SIB where thresholds are met.

The scale is deliberately the same four-point construction used in the agency's operational risk reporting. One rating grammar across investment and operational domains means a Committee member reads Alert the same way wherever it appears.

Why exception-based reporting

- **It matches what the Committee is charged to do.** The Committee's charter directs it to be forward-looking and to reduce surprises for the SIB, to oversee risk and return at the total fund, asset class, portfolio, and client fund levels, and to require exception-based reporting highlighting deviations from policy, risk limits, benchmarks, or expectations. The scorecard is the instrument that duty implies.
- **It measures against policy rather than against opinion.** Every threshold comes from the IPS the Board adopted. Discussion moves from whether a result is good to whether it is inside the corridor the Board set — a question with an answer.
- **It conserves Committee attention.** Comprehensive performance packets distribute attention evenly across material that does not need it. Exception reporting concentrates it where a deviation exists.
- **It creates the record.** A trustee's defense rests on demonstrable informed deliberation — materials reviewed, questions asked, decisions recorded. A standing instrument that documents what was

reported, what was flagged, and what was done about it is that record, produced as a by-product of ordinary operation rather than assembled after the fact.

- **It separates monitoring from execution.** The scorecard strengthens oversight of how policy is being executed without drawing the Committee into execution itself. It is the reporting side of the policy-versus-execution distinction, and it improves that separation rather than blurring it.
- **It supports the duty to report outward.** The Committee reports investment performance to each fund's governing authority. A consistent per-fund instrument makes that reporting comparable across funds and repeatable across periods.

Cadence and handling

The scorecard is produced each quarter for the period then ended and delivered with Committee materials. Material exceptions escalate to the SIB between meetings where escalation thresholds are met, rather than waiting for the next scheduled report.

The specimen is marked Board Confidential and for governance use only. Handling follows the Board Access to Confidential Information policy and the confidentiality protections applicable to non-public investment information.

Items for the Committee

Three matters need to be settled before the scorecard becomes a standing report. Consistent with the Committee's charter, these come to the Committee for recommendation to the Board rather than for approval here.

- The metric set and the corridor targets for each fund. The specimen states corridor targets for the information ratios; tracking error budgets and the hit rate target are not yet stated and should be.
- The escalation thresholds — what constitutes a material exception requiring escalation to the SIB, and at what point.
- The rollout sequence to the remaining client funds, and whether each fund's governing authority receives its own page.

North Dakota Workforce Safety & Insurance

STRATEGIC ASSET ALLOCATION STUDY ANALYSIS AND RECOMMENDATION

AUGUST 2026

WSI WORK PLAN / ROADMAP

North Dakota Workforce Safety & Insurance
2026 Asset Allocation Project Plan

Step/Milestone	Estimated Timing
Project Kickoff	February 2026
Review of NEPC capital market assumptions, current policy expectations and enterprise objectives (input from WSI team)	February 2026
Review, discuss, and consider revisions to objectives	March 2026
Build baseline financial model including income statement, balance sheet, surplus and cash flow (input from WSI or third-party)	April 2026
Integrate financial model forecasts with NEPC forecast model (including any assumptions for dynamic modeling of financial statement model)	April 2026
Scenario modeling for Current Asset Allocation Policy	May 2026
Review and select alternative asset mixes	May 2026
Scenario modeling for current and alternative asset mixes assessing the impact on investment income, market value of assets, dividends and surplus	May 2026
Preliminary report reviewed with WSI staff	June 2026
Final report summarizing results of analysis, conclusions from study and recommendation	July 2026
Study Presented to Board and Decision Finalized	August 2026

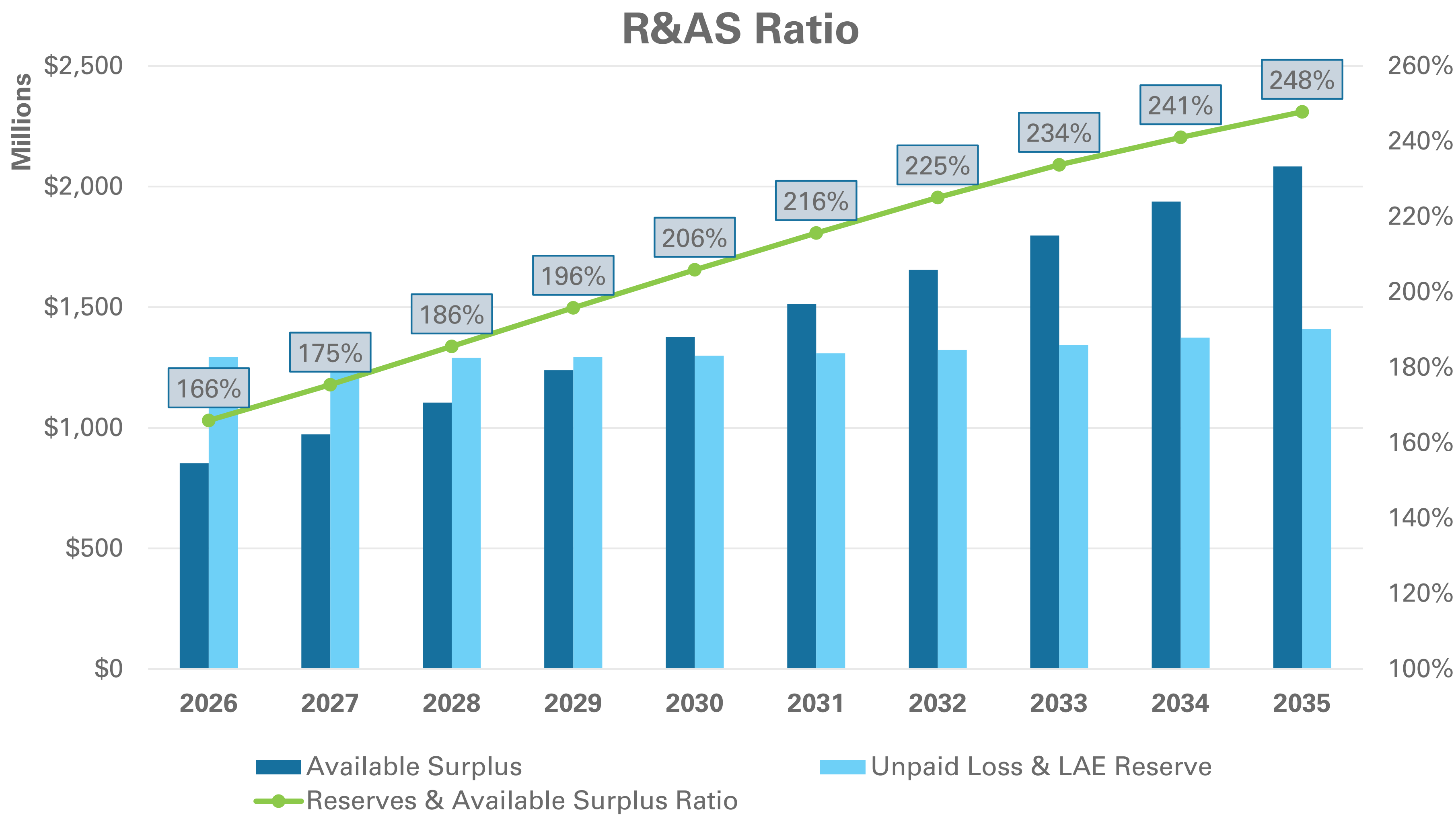
WSI BACKGROUND AND OBJECTIVES

- **WSI has built a healthy surplus relative to required reserves**
- **Surplus in excess of 40% of required reserves is return to policyholders in the form of a dividend (not to exceed 50% net written premium)**
  - WSI has been paying the maximum dividend consistently for many years
- **Investment objectives historically have focused on capital preservation and preserving the ability to pay dividends to policyholders**
- **Current Policy investment allocations are as follows:**

	WSI Current Policy Allocation	Risk Assets as a % of Surplus
Equity	20%	40%
U.S. Fixed Income	62%	N/A
TIPS	8%	N/A
Infrastructure/Timber	4%	8%
Real Estate	5%	10%
Cash	1%	N/A
10-Year Expected Compound Return	5.1%	N/A
30-Year Expected Compound Return	6.1%	N/A
Annual Expected Standard Deviation of Return	6.7%	N/A

RESERVES & AVAILABLE SURPLUS RATIO

DETERMINISTIC PROJECTION – CURRENT POLICY

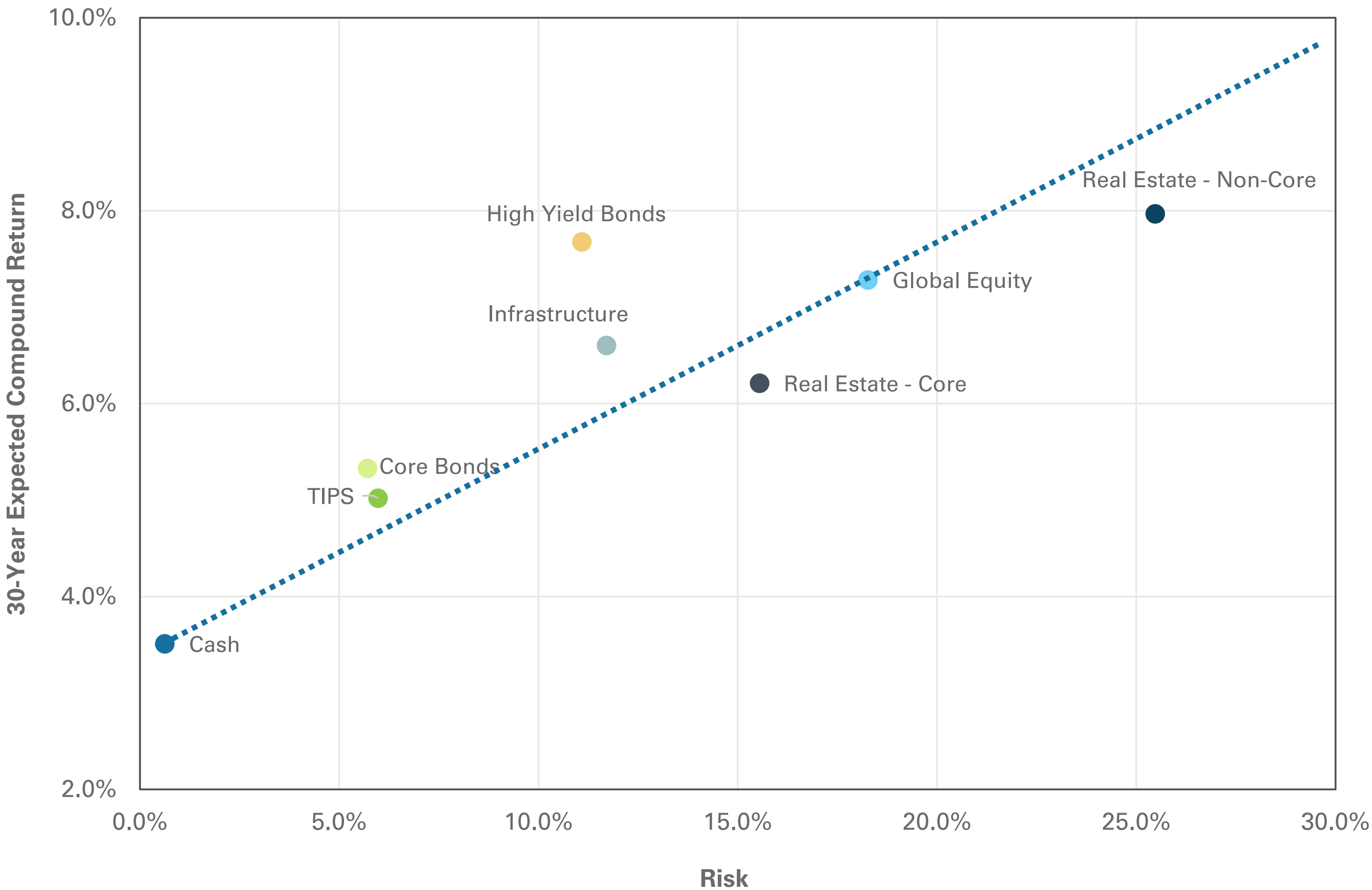


WSI ASSET ALLOCATION MODELS

MARCH 31, 2026 ASSUMPTIONS

	WSI Current Policy	Current Policy ex-TIPS	60% Fixed Income	65% Fixed Income	67.5% Fixed Income (No HY)	70% Fixed Income	75% Fixed Income	80% Fixed Income
Cash	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Cash	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**
Global Equity	20.0%	20.0%	30.0%	25.0%	22.5%	20.0%	15.0%	10.0%
Total Equity	**20.0%**	**20.0%**	**30.0%**	**25.0%**	**22.5%**	**20.0%**	**15.0%**	**10.0%**
US TIPS	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US Aggregate Bond	62.0%	70.0%	57.0%	61.0%	67.5%	65.0%	69.0%	73.0%
US High Yield Corporate Bond	0.0%	0.0%	3.0%	4.0%	0.0%	5.0%	6.0%	7.0%
Total Fixed Income	**70.0%**	**70.0%**	**60.0%**	**65.0%**	**67.5%**	**70.0%**	**75.0%**	**80.0%**
Real Estate - Core	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Real Estate - Non-Core	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Private Real Assets - Infrastructure	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Real Assets	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**
Expected Return 10 yrs (Geo)	**5.3%**	**5.3%**	**5.5%**	**5.5%**	**5.4%**	**5.4%**	**5.4%**	**5.4%**
Expected Return 30 yrs (Geo)	**6.1%**	**6.1%**	**6.4%**	**6.3%**	**6.2%**	**6.2%**	**6.1%**	**6.0%**
Standard Dev	**6.5%**	**6.6%**	**7.9%**	**7.3%**	**6.8%**	**6.8%**	**6.3%**	**5.9%**
Sharpe Ratio (10 years)	**0.22**	**0.22**	**0.20**	**0.22**	**0.22**	**0.23**	**0.24**	**0.25**
Sharpe Ratio (30 years)	**0.40**	**0.40**	**0.37**	**0.39**	**0.39**	**0.40**	**0.42**	**0.43**
Probability of 3.5% over 10 yrs	***81.4%***	***81.3%***	***78.8%***	***80.3%***	***80.7%***	***81.8%***	***83.0%***	***84.0%***

RISK RETURN CHART



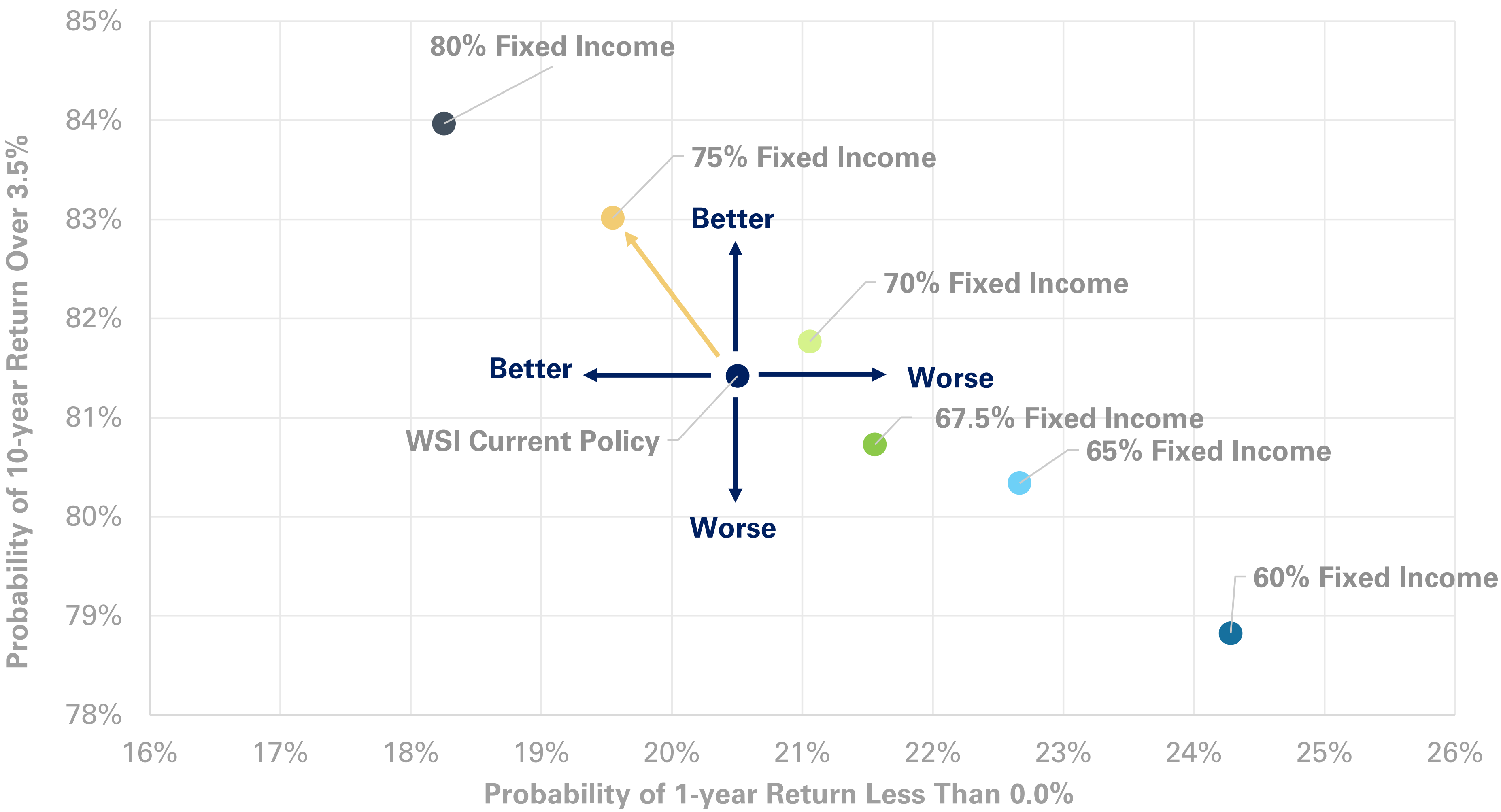
ASSET CORRELATIONS

	Cash	Global Equity	TIPS	Core Bonds	HY Bonds	Real Estate	Infra
Cash	1.0						
Global Equity	0.0	1.0					
TIPS	0.3	-0.1	1.0				
Core Bonds	0.1	0.1	0.9	1.0			
HY Bonds	0.0	0.7	0.0	0.3	1.0		
Real Estate	0.0	0.5	0.0	0.2	0.6	1.0	
Infra	0.0	0.8	-0.1	0.1	0.6	0.4	1.0

Notes:
Sources:

RETURNS

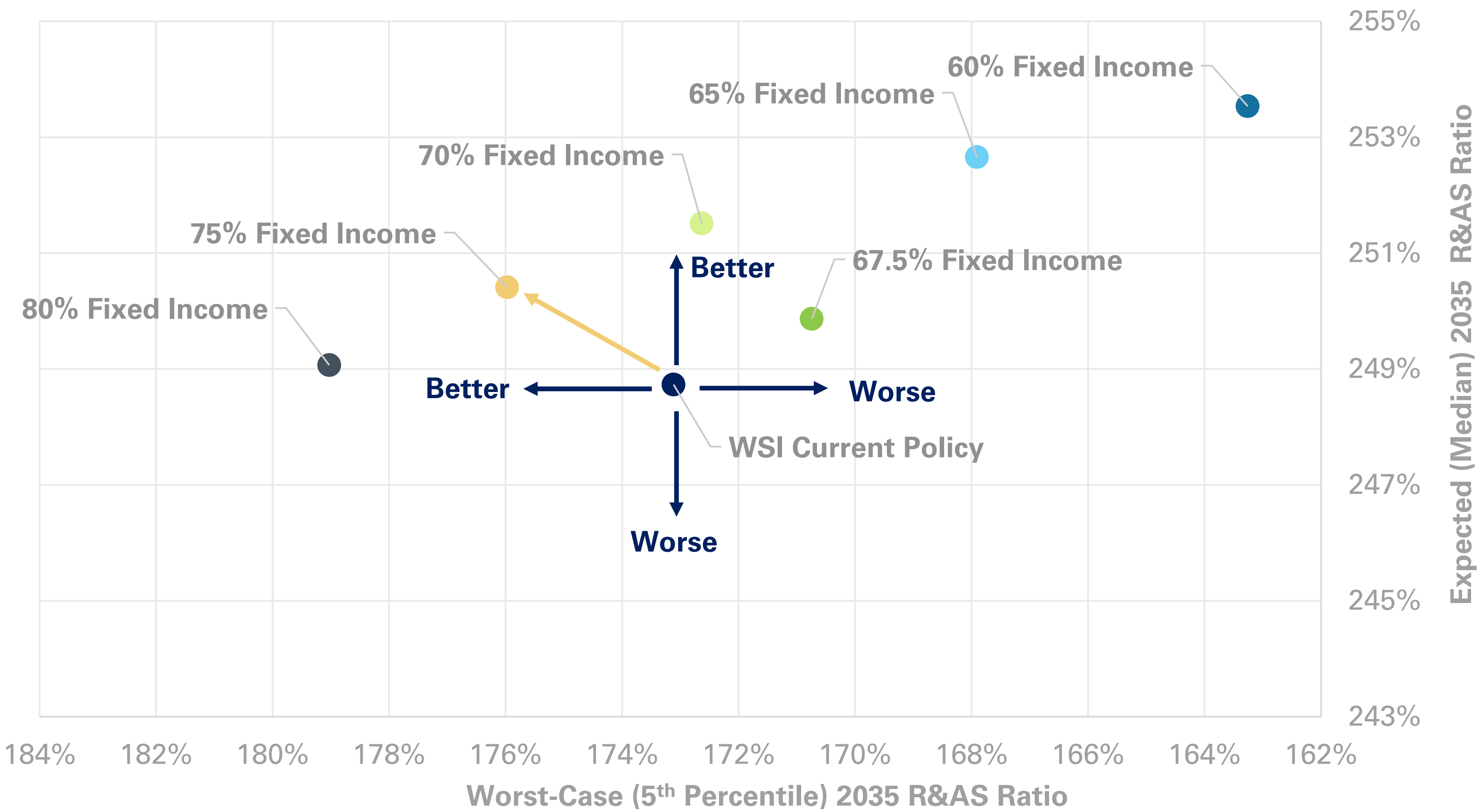
STOCHASTIC ANALYSIS



Note: 67.5% Fixed Income Portfolio has no TIPS or HY

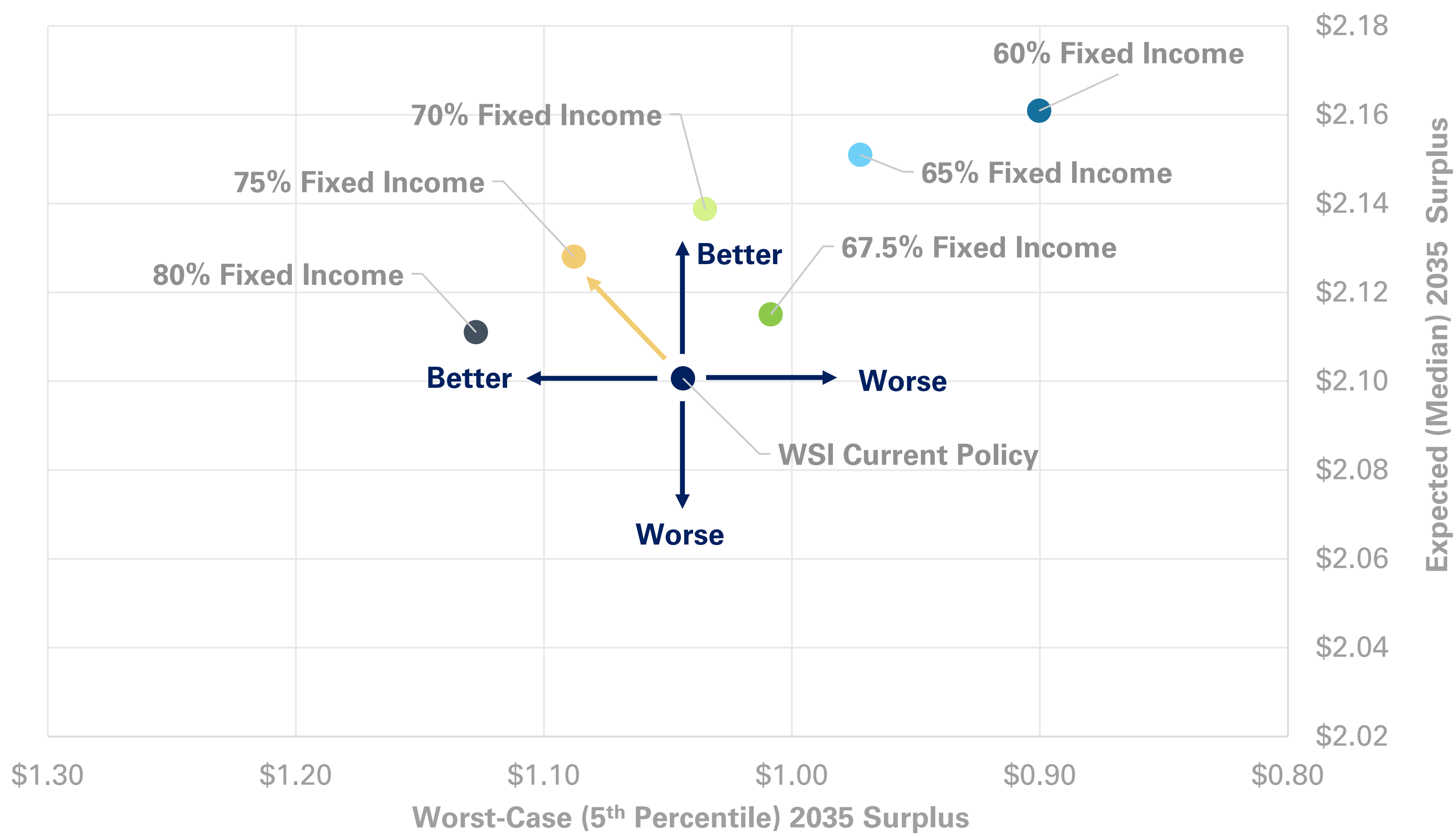
RESERVES & AVAILABLE SURPLUS RATIO

STOCHASTIC ANALYSIS



Note: 67.5% Fixed Income Portfolio has no TIPS or HY

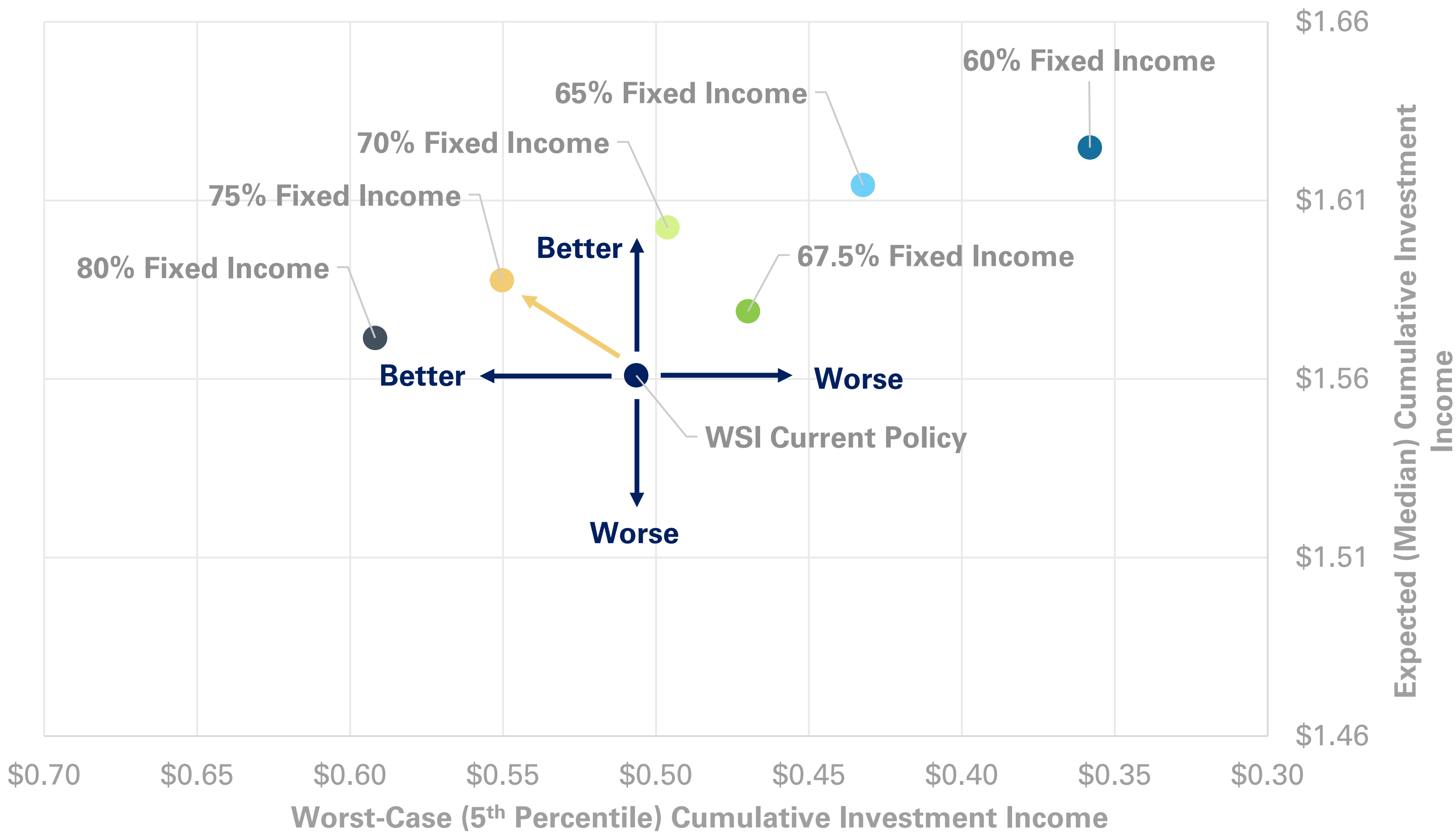
SURPLUS
STOCHASTIC ANALYSIS



$ in Billions

Note: 67.5% Fixed Income Portfolio has no TIPS or HY

INVESTMENT INCOME
STOCHASTIC ANALYSIS



$ in Billions

Note: 67.5% Fixed Income Portfolio has no TIPS or HY

DIVIDEND
STOCHASTIC ANALYSIS

Reserve & Available Surplus Ratio	Dividend?	Action
120% or less	No	Adjust premiums
120—130%	No	None
130—140%	Yes	Dividend may not exceed **40%** of prior year's premium
140% or more	Yes	Dividend may not exceed **50%** of prior year's premium

	WSI Current Policy	60% Fixed Income	65% Fixed Income	67.5% Fixed Income	70% Fixed Income	75% Fixed Income	80% Fixed Income
Probability of Dividend in all 10 years	99.9%	99.5%	99.6%	99.8%	99.8%	99.9%	100.0%

WSI RECOMMENDATION

- **Fixed income markets currently offer yields and returns which are competitive with public equity markets and other return-seeking asset classes**
- **While TIPS do offer some diversification, the liability matching properties are debatable and return expectations fall below investment-grade fixed income in general**
- **High yield bonds and are a large and established market with income and return enhancing properties and better downside protection than equities**
- **It was observed across all financial metrics that the recommended allocation preserved outcomes in the expected case (50th percentile) and protected better on the downside (95th percentile)**

	WSI Current Policy	Recommended Allocation 75% Fixed Income
Equity	20%	15%
U.S. Fixed Income	62%	69%
TIPS	8%	0%
High Yield Fixed Income	0%	6%
Infrastructure/Timber	4%	4%
Real Estate	5%	5%
Cash	1%	1%
10-Year Expected Compound Return	5.3%	5.4%
30-Year Expected Compound Return	6.1%	6.1%
Annual Expected Standard Deviation of Return	6.5%	6.3%

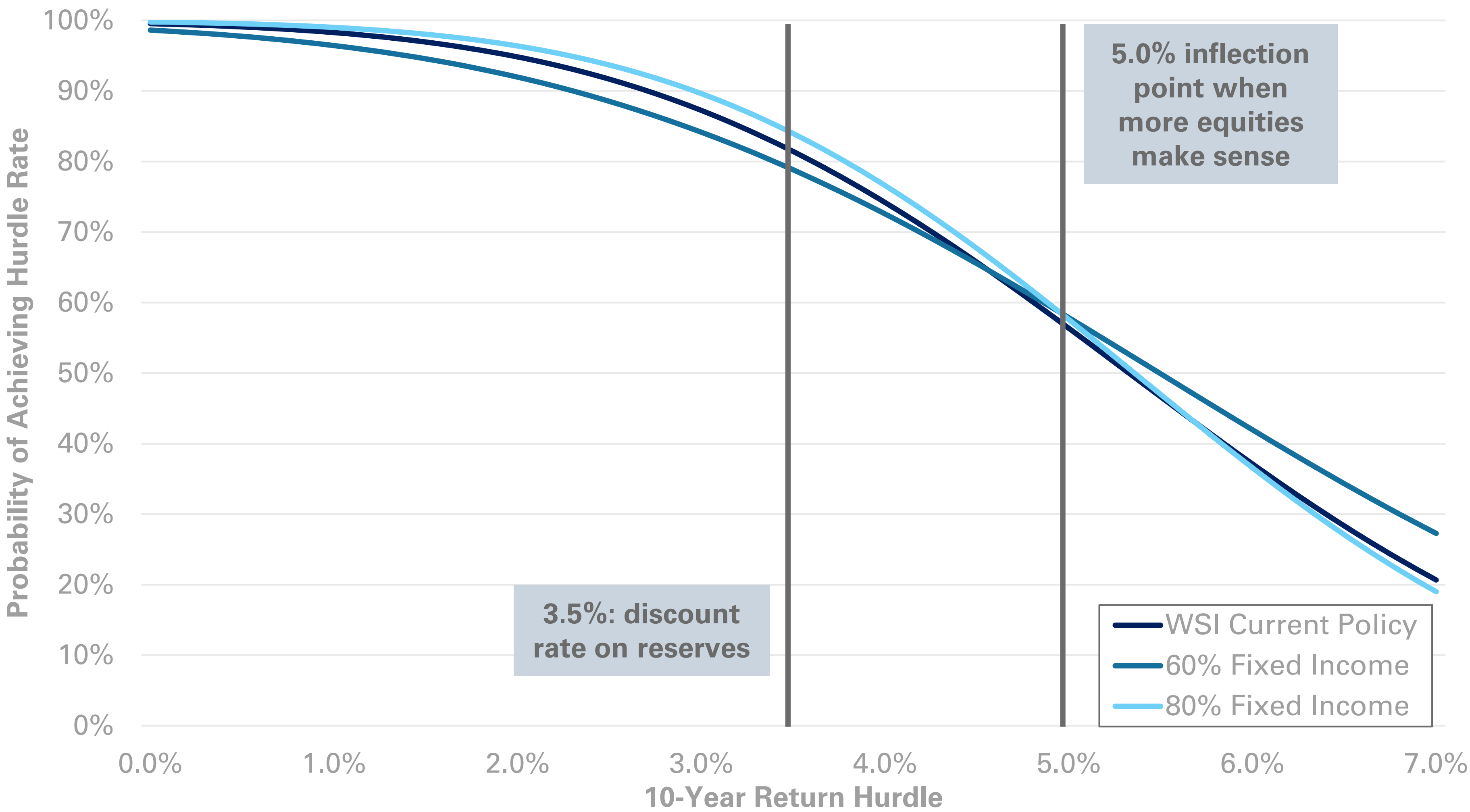
APPENDIX

ASSET CLASS SCORECARD

Asset Class	Capital Preservation	Inflation Protection	Interest Rate Risk	Return Potential	Liquidity	Market Risk
Cash	High	Medium	Low	Low	High	Low
U.S. Fixed Income	High	Low-Medium	Medium	Low	High	Low
TIPS	High	Medium	Medium	Low	Medium-High	Low
High Yield	Medium	Low	Medium	Medium	Medium	Medium
Global Equity	Low	Medium	Low	High	High	High
Private Equity	Low-Medium	Medium	Low	High	Low	Medium
Private Real Assets	Medium	Medium	Low	Medium	Low	Medium
Private Real Estate	Medium	Medium	Low	Medium	Low	Medium

HURDLE RATE

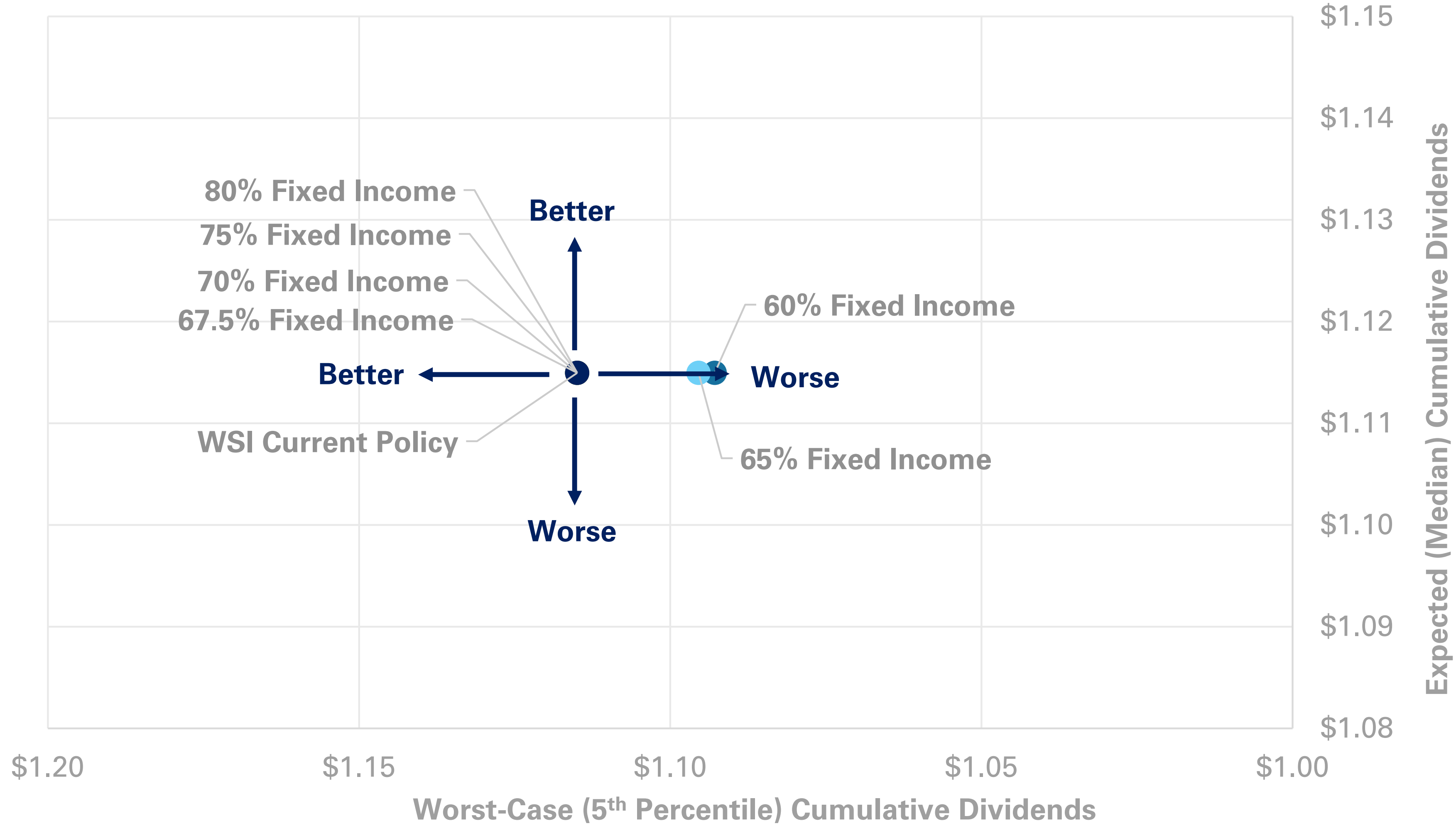
PROBABILITY OF ACHIEVING 10-YEAR RETURN HURDLE



* 10-year time horizon

DIVIDENDS

STOCHASTIC ANALYSIS



$ in Billions

Note: 67.5% Fixed Income Portfolio has no TIPS or HY

HIGH YIELD

RATES & CREDIT: CHARACTERISTICS

RATES	CREDIT
• **Primarily high quality borrowers** – Treasuries, government agencies – Agency mortgage backed securities – Investment Grade Corporates	• **Lower quality borrowers** – High-yield (below BBB) Corporates – Emerging Market Debt – Bank Loans – Private Credit
• **Why Allocate?** – Serves as a *Risk Reducing* allocation – Principal protection and liquid – Stability: exhibits low volatility	• **Why Allocate?** – Serves as a *Return Seeking* allocation – Compensation for assuming credit risk – Inefficient: greater opportunity for skilled management
• **Risk and Return Profile** – Low return expectations in current environment	• **Risk and Return Profile** – Higher volatility and equity sensitivity – Can be illiquid, particularly Private Credit

FOCUS ON TWO MAJOR TYPES OF RISK

Bonds	Rate Sensitivity	Credit Sensitivity	Comments
Government Debt	Higher	Minimal	Low default risk, securities carry full faith and guarantee from government
Agency Mortgage-Backed Securities (MBS)	Higher	Lower	Agency debt is backed by government guarantee, meaning default risk is minimal
Agency Commercial Mortgage-Backed Securities (CMBS)	Higher	Lower	Agency debt is backed by government guarantee, meaning default risk is minimal
Non-Agency RMBS / CMBS	Lower	Higher	Securities carry floating rates which prevent rate shock, but they also carry credit risk, which can be customized via tranching
Investment Grade Corporate	Varies	Varies	Higher in the credit rating spectrum, low-medium credit risk
High Yield Corporate	Lower	Higher	Lower in the credit rating spectrum, typically carries higher credit risk
Emerging Market Debt	Varies	Varies	EMD corporates or sovereigns have higher risk compared to U.S. debt due to added FX volatility

BOND RATING AGENCIES

- **A bond rating agency assesses the financial strength of a company or government agency and its ability to meet debt payment obligations**
- **Bonds receive a graded rating that reflects the risk associated with investing in a bond. The top-rated bonds get AAA or AA rating, meaning they are considered low risk. The A and BBB rated bonds are considered medium credit quality and anything below that is considered low quality**

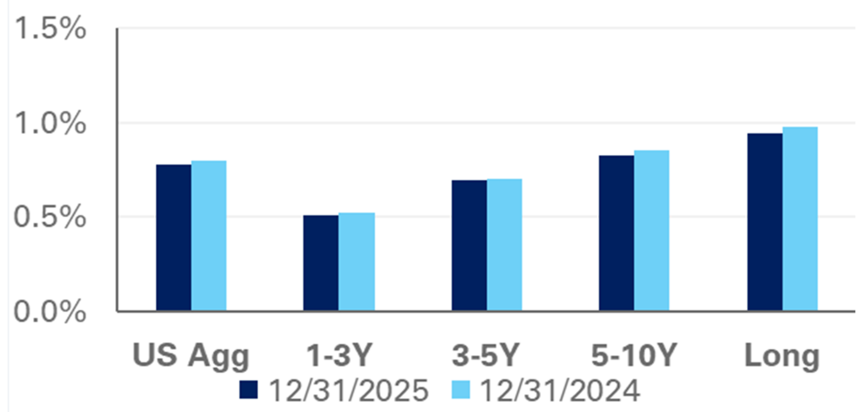
Investment Grade	AAA	High quality; strong capacity to meet financial commitments
Investment Grade	AA	Very strong capacity to meet commitments
Investment Grade	A	Strong capacity to meet commitments, somewhat susceptible to adverse economic conditions
Investment Grade	BBB	Adequate capacity to meet commitments, but more subject to adverse economic conditions
High Yield	BB	Less vulnerable to near-term but faces major ongoing uncertainties to adverse business, financial, and economic conditions
High Yield	B	More vulnerable to adverse business, financial, and economic conditions but has capacity to meet commitments
High Yield	CCC	Currently vulnerable and dependent on favorable business, financial, and economic conditions to meet financial commitments
High Yield	D	Payment default on a financial commitment; also used when a bankruptcy petition has been filed

FIXED INCOME

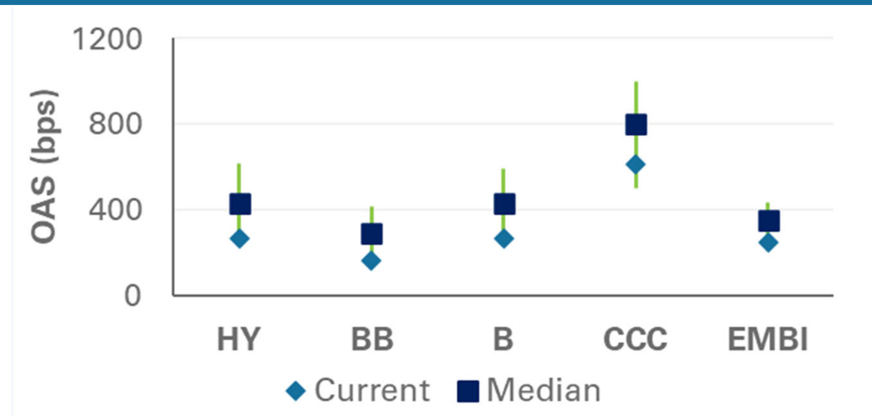
CREDIT SPREADS

- **Credit spreads have tightened further below median levels**
  - Lower spread levels weigh on future return expectations given less overall carry return
- **Credit spread assumptions reflect a reversion towards long term medians**
- **Default and recovery rate assumptions are informed by long-term history**

U.S. Corporate OAS by Maturity



Return-Seeking Option Adjusted Spread



Sources: Bloomberg, JPM, FactSet, NEPC; Spread medians as of 12/31/2000 and range represents 5th to 75th percentile

TIPS

TIPS BACKGROUND

- **In 1997, the U.S. Treasury began issuing Treasury Inflation-Protected Securities (TIPS) to diversify Federal debt offerings and meet investor demand for inflation-indexed bonds**
- **Unlike traditional Treasury bonds, i.e. nominal Treasuries, TIPS have built-in inflation protection**
  - TIPS yield a "risk-free" **real** rate of return
  - Treasuries yield a "risk-free" **nominal** rate of return
- **Basic TIPS characteristics:**
  - Provides explicit exposure to real rates and inflation
  - Principal is adjusted monthly using CPI-U
  - Semiannual coupon paid based on inflation-adjusted principal
  - Issued in maturities of 5, 10, and 30 years
  - **Deflation floor**: bond will return original principal at maturity if inflation-adjusted principal is less

NOMINAL TREASURIES VS. TIPS

Common Characteristics:

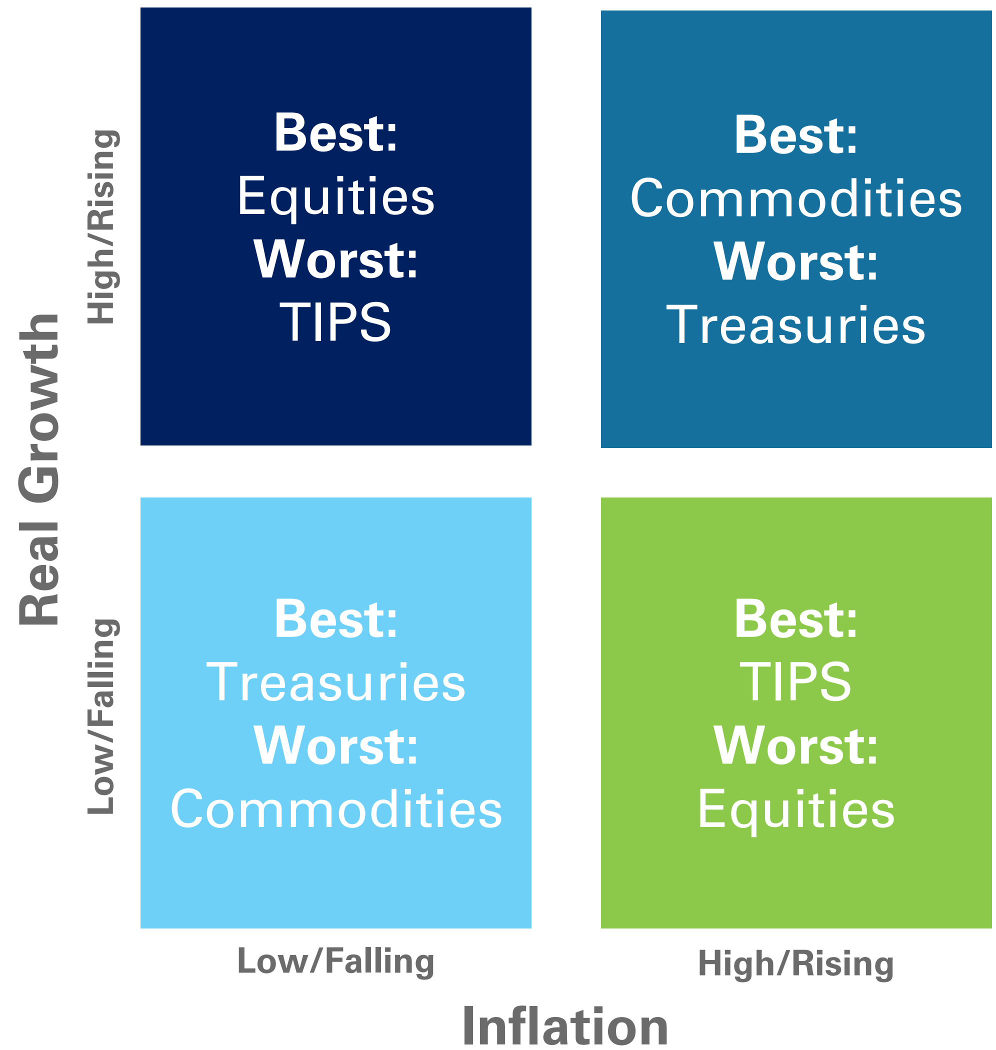
Issued and backed by the U.S. Treasury	Fixed coupon rate at issuance	Taxable at the Federal level, exempt from State and Local

TIPS Differences:

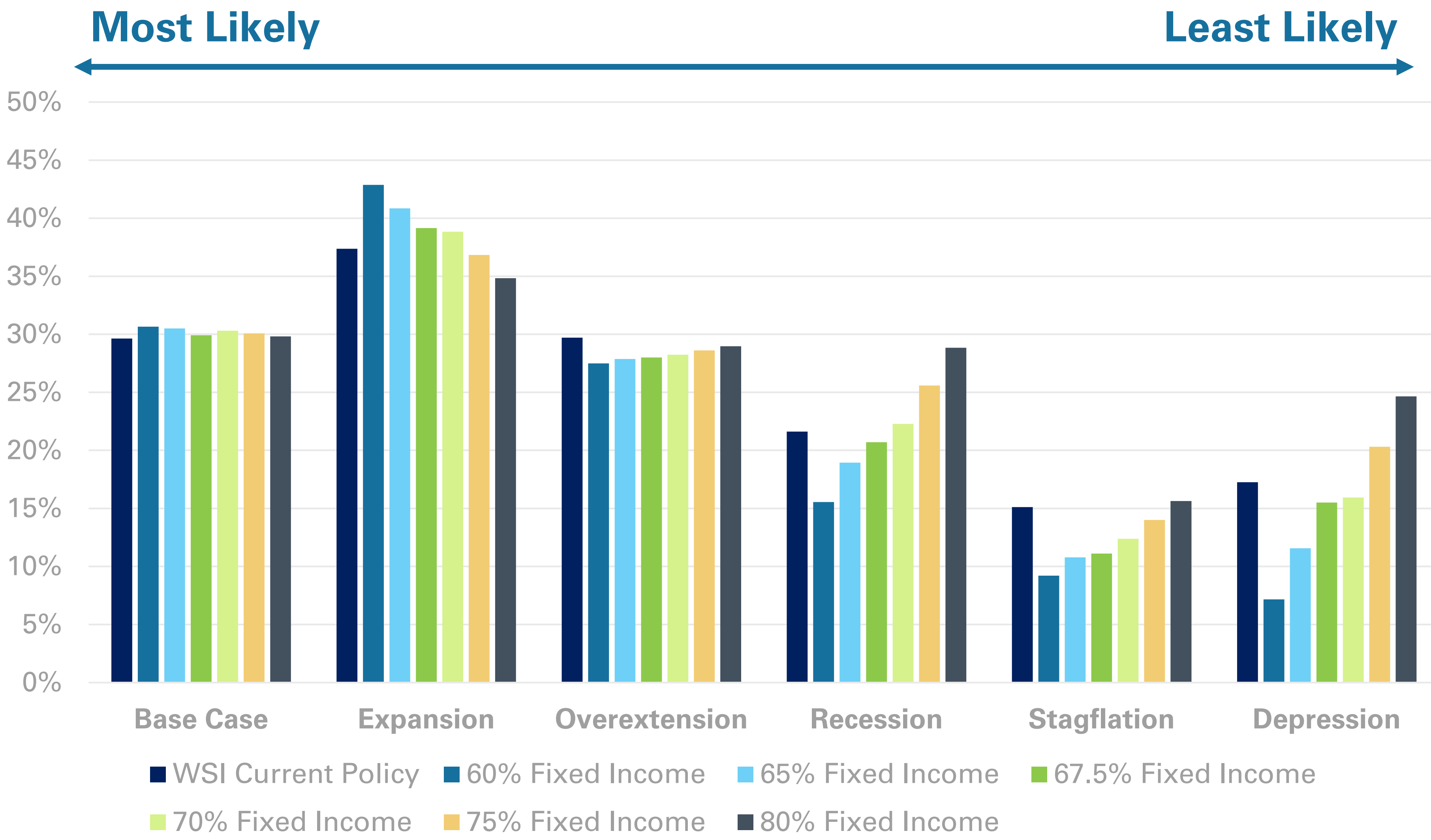
Principal Value	Value at Maturity	Volatility	Duration	Tax Treatment
TIPS value is inflation-adjusted based on CPI-U	TIPS are redeemed at the greater of inflation-adjusted and initial principal value	Value can fluctuate with changes in interest rates and CPI-U, making cash flows less predictable	A lower coupon relative to conventional bonds of the same maturity results in a higher duration	**Phantom Income**: inflation adjustment is paid upon redemption, but is subject to annual tax

PORTFOLIO CONSTRUCTION

- **TIPS can play an important role in a strategic asset allocation strategy given their embedded relationship with inflation and diversification profile**
- **Ensure TIPS allocation supports investment objectives**
  - **Increased real rate exposure:** Long duration TIPS are the ideal implementation option
  - **Increased inflation protection:** Short duration TIPS have the highest correlation to near-term CPI prints
- **TIPS can improve the overall risk/return profile of a fixed income allocation**



MACROECONOMIC SCENARIOS



SCENARIO ANALYSIS: REGIME DEFINITIONS

- **NEPC scenario analysis highlights the impact of shifting economic and market regimes on the portfolio and potential asset allocation mixes**
  - Asset returns are informed by changes in real growth, inflation, and credit spreads experienced across market regimes
  - Scenario returns are sensitive to current market pricing

Expansion

A high growth—low inflation regime with declining interest rates and declining inflation. Equity valuations expand, earnings growth above expectations, and tightening credit spreads,

Stagflation

A low growth—high inflation regime with rising interest rates and rising inflation. Equity valuations contract, negative real earnings growth, and widening credit spreads

Depression

A negative growth—deflation regime with negative interest rates and deflation. All-time low equity valuations, negative earnings growth, and all-time high credit spreads

Recession

A low growth—low inflation regime with declining interest rates and declining inflation. Equity valuations contract, earnings growth below expectations, and widening credit spreads

Overextension

A high growth—high inflation regime with rising interest rates and rising inflation. Equity valuations contract, negative real earnings growth, and tightening credit spreads

SCENARIO ANALYSIS: REGIME RETURNS

Expansion Scenario Returns*

Cash: 2.8%
Treasuries: 6.2%
Long Treasuries: 11.0%
U.S. TIPS: 6.6%
U.S. IG Credit: 8.2%
High Yield Bonds: 6.6%
U.S. Large-Cap Equity: 11.0%
Emerging Market Equity: 16.2%
Commodities: -2.1%

Stagflation Scenario Returns*

Cash: 6.4%
Treasuries: 3.3%
Long Treasuries: 1.3%
U.S. TIPS: 6.2%
U.S. IG Credit: 3.1%
High Yield Bonds: 3.8%
U.S. Large-Cap Equity: -1.3%
Emerging Market Equity: -3.0%
Commodities: 7.5%

Depression Scenario Returns*

Cash: 0.8%
Treasuries: 6.1%
Long Treasuries: 12.2%
U.S. TIPS: 8.2%
U.S. IG Credit: 6.6%
High Yield Bonds: -2.8%
U.S. Large-Cap Equity: -13.8%
Emerging Market Equity: -41.5%
Commodities: -4.5%

Recession Scenario Returns*

Cash: 1.2%
Treasuries: 5.7%
Long Treasuries: 10.7%
U.S. TIPS: 7.2%
U.S. IG Credit: 7.1%
High Yield Bonds: 4.3%
U.S. Large-Cap Equity: -7.3%
Emerging Market Equity: -19.7%
Commodities: -3.3%

Overextension Scenario Returns*

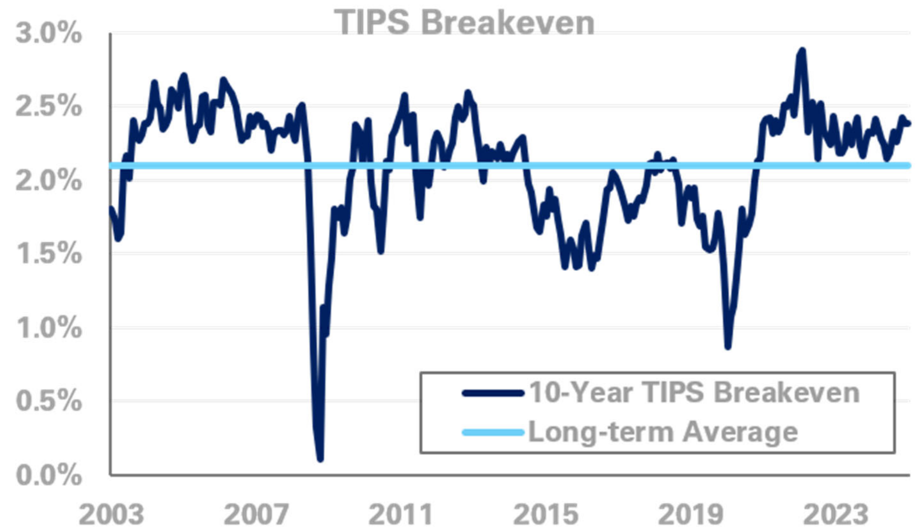
Cash: 5.5%
Treasuries: 4.7%
Long Treasuries: 5.5%
U.S. TIPS: 4.8%
U.S. IG Credit: 5.2%
High Yield Bonds: 4.5%
U.S. Large-Cap Equity: 4.2%
Emerging Market Equity: 5.6%
Commodities: 2.6%

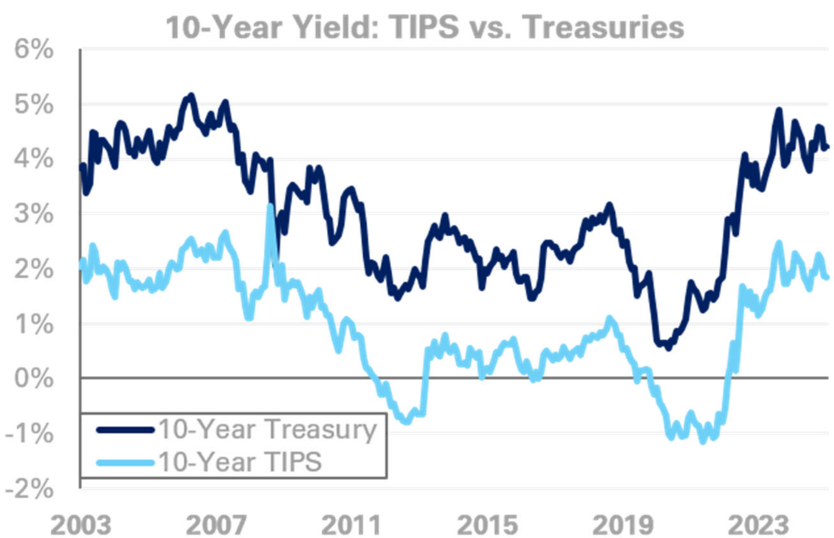
Notes: *Scenario returns are 5-year annualized returns, as of 12/31/2024

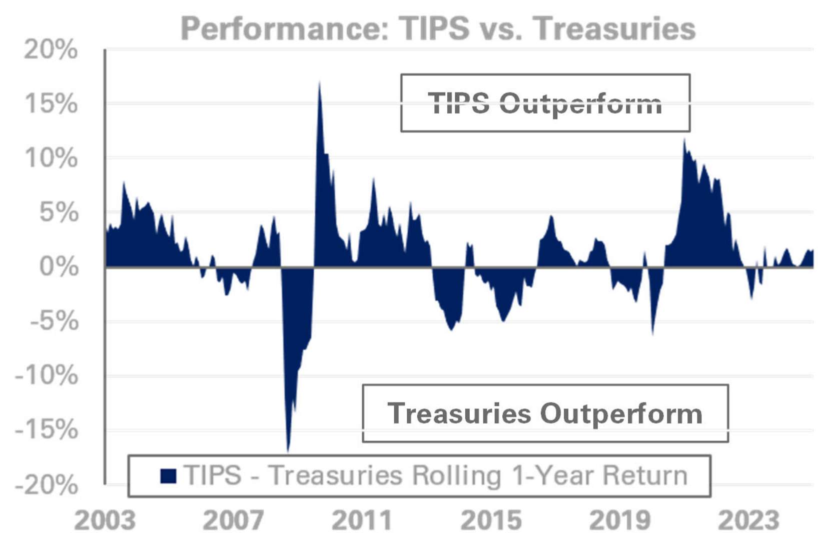
INFLATION EXPECTATIONS

- **TIPS are used to gauge market inflation expectations by comparing to an equivalent Treasury bond**
  - **Breakeven Inflation:** nominal yield – real yield

- **Generally, if realized inflation is higher than the breakeven rate, TIPS will outperform Treasuries and vice versa**
  - This relationship can be compromised during times of unexpected rising yields







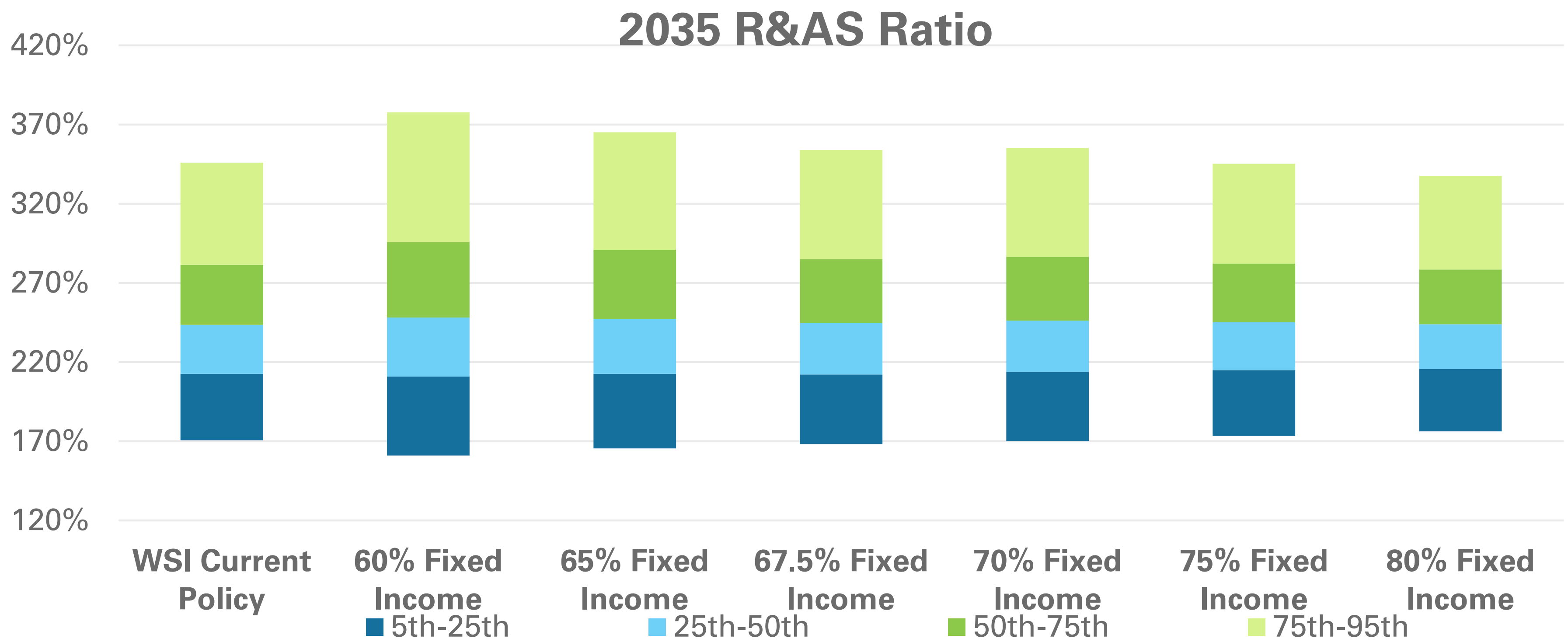
Source: FactSet, NEPC

RISKS

- **As with conventional bonds, TIPS are subject to interest rate risk**
  - If Treasury yields rise because inflation increases, TIPS are protected
  - If Treasury yields rise because real yields increase, TIPS are vulnerable
- **Liquidity concerns**
  - Compared to Treasuries, TIPS are less liquid due to lower supply from issuance and lower demand from fewer participants
  - Bid-ask spreads can expand rapidly during times of economic stress and market dislocations
- **Reinvestment risk**
  - Reinvestment risk arises from need to reinvest coupons at market yields after issuance
  - If interest rates fall after issuance, the investor will earn less yield than initially thought
  - TIPS typically have less reinvestment risk than Treasuries because TIPS pay a lower coupon rate (real yield) and pay an inflation-adjusted principal at maturity

RESERVES & AVAILABLE SURPLUS RATIO

STOCHASTIC ANALYSIS

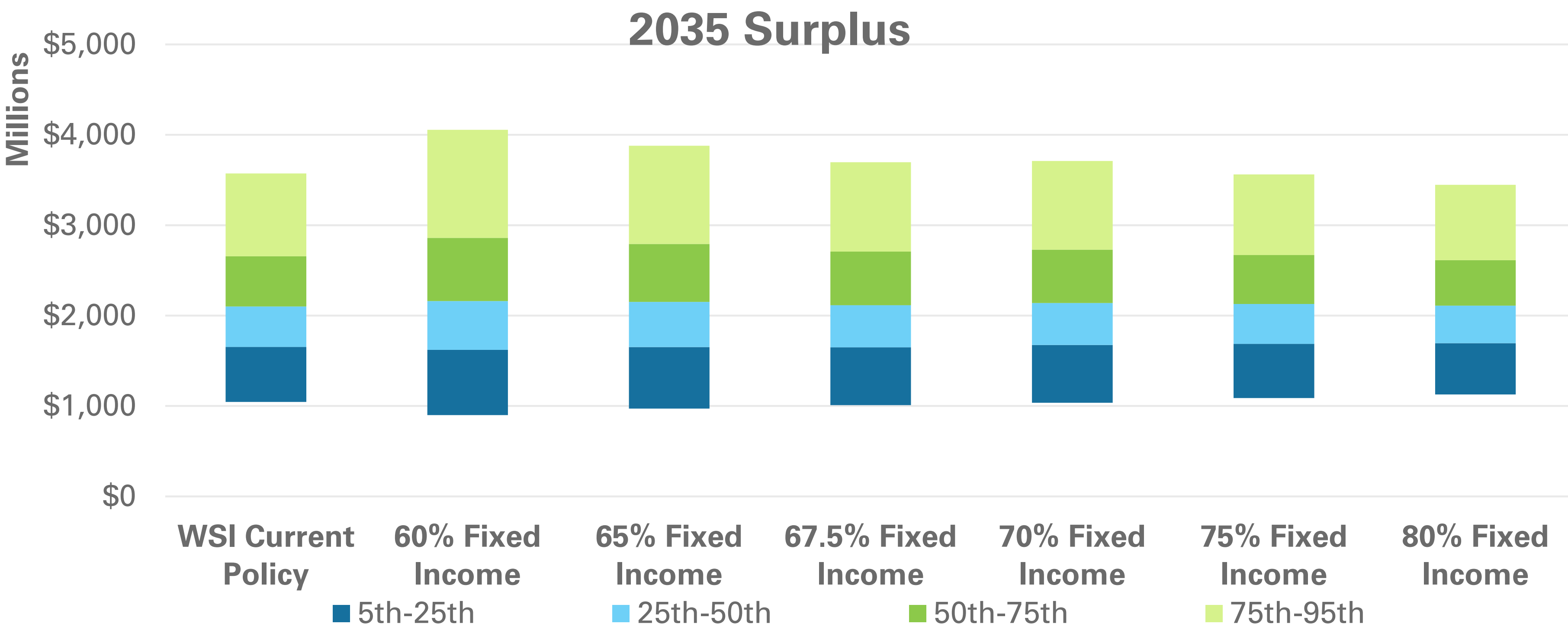


95th	355%	388%	375%	363%	364%	354%	346%
75th	288%	303%	298%	292%	293%	289%	285%
50th	249%	254%	253%	250%	252%	250%	249%
25th	217%	215%	217%	216%	218%	219%	220%
5th	173%	163%	168%	171%	173%	176%	179%

Notes:
Sources:

SURPLUS

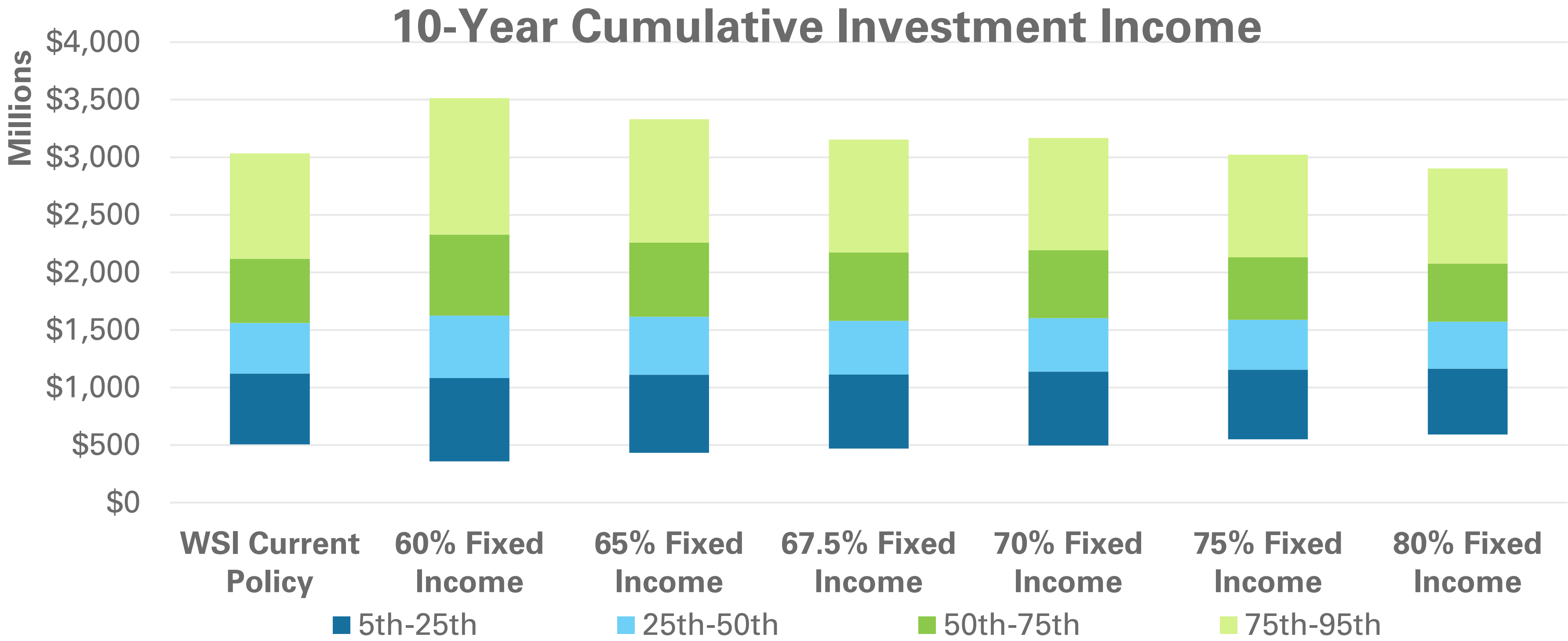
STOCHASTIC ANALYSIS



95th	3,574	4,055	3,878	3,697	3,711	3,563	3,448
75th	2,656	2,860	2,793	2,709	2,729	2,669	2,614
50th	2,101	2,161	2,151	2,115	2,139	2,128	2,111
25th	1,653	1,621	1,651	1,649	1,674	1,687	1,695
5th	1,044	899	970	1,009	1,035	1,088	1,127

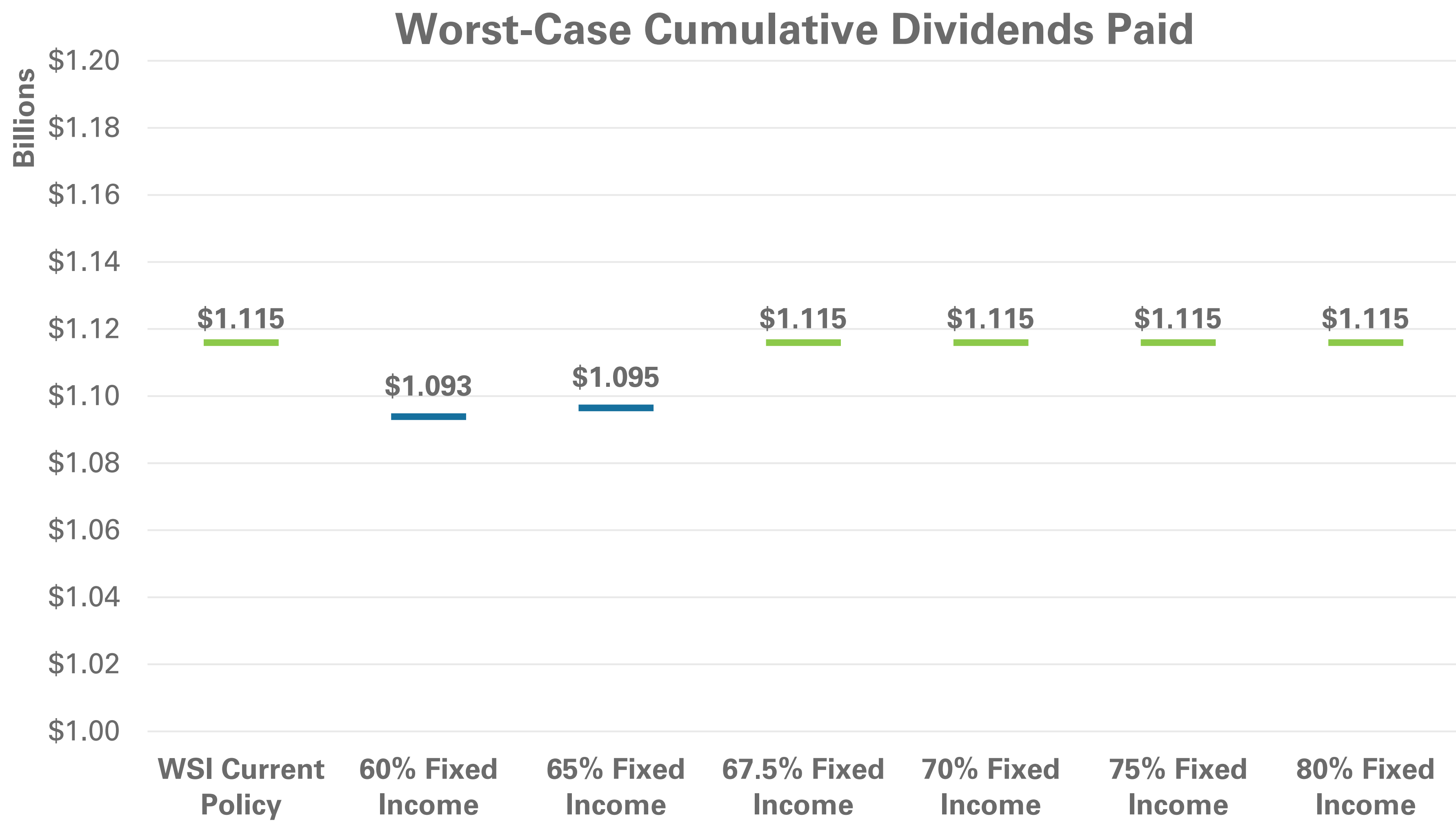
INVESTMENT INCOME

STOCHASTIC ANALYSIS



95th	3,033	3,513	3,330	3,152	3,167	3,023	2,903
75th	2,118	2,329	2,259	2,173	2,193	2,132	2,077
50th	1,561	1,625	1,614	1,579	1,602	1,588	1,571
25th	1,120	1,082	1,111	1,112	1,138	1,154	1,163
5th	506	358	432	470	496	550	592

DIVIDEND
STOCHASTIC ANALYSIS



10-YEAR RETURN ASSUMPTION OVERVIEW

	Asset Class	03/31/2026 10-Yr Return	03/31/2025 10-Yr Return	Delta
	Cash	3.9%	3.9%	-
	U.S. Inflation	2.5%	2.6%	-0.1%
Equity	U.S. Large-Cap Equity	5.3%	6.4%	-1.1%
Equity	Non-U.S. Developed Equity	4.5%	5.1%	-0.6%
Equity	Emerging Market Equity	5.2%	7.7%	-2.5%
Equity	Global Equity*	5.4%	6.5%	-1.1%
Equity	Private Equity*	8.2%	8.8%	-0.6%
Fixed Income	U.S. Treasury Bond	4.5%	4.4%	+0.1%
Fixed Income	U.S. Municipal Bond	4.0%	4.0%	-
Fixed Income	U.S. Aggregate Bond*	4.9%	4.8%	+0.1%
Fixed Income	U.S. TIPS	4.6%	4.5%	+0.1%
Fixed Income	U.S. High Yield Corporate Bond	6.6%	6.5%	+0.1%
Fixed Income	Private Debt*	8.3%	8.3%	-
Real Assets	Commodity Futures	3.8%	4.4%	-0.6%
Real Assets	REIT	5.6%	5.3%	+0.3%
Real Assets	Gold	3.1%	4.5%	-1.4%
Real Assets	Real Estate - Core	5.4%	5.6%	-0.2%
Real Assets	Private Real Assets - Infrastructure	5.1%	5.8%	-0.7%
Multi-Asset	60% S&P 500 & 40% U.S. Aggregate	5.4%	6.1%	-0.7%
Multi-Asset	60% MSCI ACWI & 40% U.S. Agg.	5.5%	6.1%	-0.6%
Multi-Asset	Hedge Fund*	6.2%	6.5%	-0.3%

*Calculated as a blend of other asset classes. NEPC's capital market assumptions reflect proprietary forecasts for expected returns, volatility, and correlations. Return expectations may differ from an investor's realized returns after accounting for fees, taxes, or other aspects that can influence actual returns. Return forecasts and methodology are reviewed on an ongoing basis and are subject to change over time.

30-YEAR RETURN ASSUMPTION OVERVIEW

	Asset Class	03/31/2026 30-Yr Return	03/31/2025 30-Yr Return	Delta
	Cash	3.5%	3.5%	-
	U.S. Inflation	2.6%	2.7%	-0.1%
Equity	U.S. Large-Cap Equity	7.0%	7.4%	-0.4%
Equity	Non-U.S. Developed Equity	6.5%	6.6%	-0.1%
Equity	Emerging Market Equity	8.0%	9.0%	-1.0%
Equity	Global Equity*	7.3%	7.6%	-0.3%
Equity	Private Equity*	9.8%	10.0%	-0.2%
Fixed Income	U.S. Treasury Bond	4.8%	4.7%	+0.1%
Fixed Income	U.S. Municipal Bond	4.2%	4.2%	-
Fixed Income	U.S. Aggregate Bond*	5.3%	5.2%	+0.1%
Fixed Income	U.S. TIPS	5.0%	4.9%	+0.1%
Fixed Income	U.S. High Yield Corporate Bond	7.7%	7.5%	+0.2%
Fixed Income	Private Debt*	9.2%	9.1%	+0.1%
Real Assets	Commodity Futures	4.1%	4.1%	-
Real Assets	REIT	7.2%	7.0%	+0.2%
Real Assets	Gold	4.6%	4.9%	-0.3%
Real Assets	Real Estate - Core	6.2%	6.3%	-0.1%
Real Assets	Private Real Assets - Infrastructure	6.6%	6.8%	-0.2%
Multi-Asset	60% S&P 500 & 40% U.S. Aggregate	6.7%	6.8%	-0.1%
Multi-Asset	60% MSCI ACWI & 40% U.S. Agg.	6.8%	7.0%	-0.2%
Multi-Asset	Hedge Fund*	6.7%	6.8%	-0.1%

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PUBLIC EQUITY ASSUMPTIONS

BUILDING BLOCKS

Illiquidity Premium	The return expected for assets with illiquidity risk
Valuation	Represents P/E multiple contraction or expansion relative to long-term trend
Inflation	Market-specific inflation based on country-level revenue exposure
Real Earnings Growth	Market-specific real growth based on a weighted-average of country revenue exposure and GDP growth
Shareholder Yield	Income distributed to shareholders via dividend distributions and net share repurchases

Asset Class	3/31/26 10-Yr Return	12-Month Change
U.S. Large-Cap Equity	5.3%	-1.1%
U.S. Small/Mid-Cap Equity	4.8%	-1.6%
Non-U.S. Developed Equity	4.5%	-0.6%
Non-U.S. Developed Small-Cap Equity	5.8%	-0.5%
Emerging Market Equity	5.2%	-2.5%
Emerging Market Small-Cap Equity	6.7%	-1.0%
Hedge Fund - Equity	5.6%	-0.5%
Global Equity*	5.4%	-1.1%
Private Equity*	8.2%	-0.6%

*Calculated as a blend of other asset classes. NEPC's capital market assumptions reflect proprietary forecasts for expected returns, volatility, and correlations. Return expectations may differ from an investor's realized returns after accounting for fees, taxes, or other aspects that can influence actual returns. Return forecasts and methodology are reviewed on an ongoing basis and are subject to change over time. Source: NEPC

FIXED INCOME ASSUMPTIONS

BUILDING BLOCKS

Illiquidity Premium	The return expected for assets with illiquidity risk
Government Rates Price Change	Change due to shifts in current yields relative to forecasted rates
Credit Deterioration	The average loss for credit assets due to defaults and recovery rates
Spread Price Change	Valuation change due to changes in credit spreads relative to long-term targets
Credit Spread	Yield premium provided by securities with credit risk
Government Rates	The yield attributed to sovereign bonds that do not have credit risk

Asset Class	3/31/26 10-Yr Return	12-Month Change
U.S. TIPS	4.6%	+0.1%
U.S. Treasury Bond	4.5%	+0.1%
U.S. Corporate Bond	5.7%	+0.1%
U.S. MBS	4.8%	+0.1%
U.S. High Yield Corporate	6.6%	+0.1%
U.S. Leveraged Loan	7.2%	-
EMD External Debt*	6.3%	-0.7%
EMD Local Currency Debt	6.6%	-
Non-U.S. Govt. Bond	3.3%	+0.5%
U.S. Muni Bond (1-10 Year)	3.4%	-0.1%
U.S. High Yield Muni Bond	5.9%	+1.3%
Hedge Fund – Credit	6.9%	-0.1%
U.S. Aggregate Bond*	4.9%	+0.1%
Private Debt*	8.3%	-

*Calculated as a blend of other asset classes. NEPC's capital market assumptions reflect proprietary forecasts for expected returns, volatility, and correlations. Return expectations may differ from an investor's realized returns after accounting for fees, taxes, or other aspects that can influence actual returns. Return forecasts and methodology are reviewed on an ongoing basis and are subject to change over time. Source: NEPC

REAL ASSET ASSUMPTIONS

BUILDING BLOCKS

Illiquidity Premium	The return expected for assets with illiquidity risk
Valuation	The change in price of the asset moving to a terminal value or real average level
Inflation	Based on the inflation path as defined by breakeven-inflation rates and NEPC assumptions
Growth	Market-specific real growth based on a weighted-average of country-level revenue exposure and GDP growth
Real Income	The inflation-adjusted income produced by the asset

Asset Class	3/31/26 10-Yr Return	12-Month Change
Commodity Futures	3.8%	-0.6%
Midstream Energy	3.5%	-1.3%
REIT	5.6%	+0.3%
Global Infrastructure Equity	3.7%	-1.4%
Global Nat Resource Equity	3.2%	-3.0%
Gold	3.1%	-1.4%
Real Estate - Core	5.4%	-0.2%
Real Estate – Non-Core	7.1%	-0.1%
Private Debt - Real Estate	6.3%	-0.1%
Private Real Assets - Natural Resources	6.9%	-1.2%
Private Real Assets - Infrastructure	5.1%	-0.7%

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GENERAL DISCLOSURES

GENERAL DISCLOSURES

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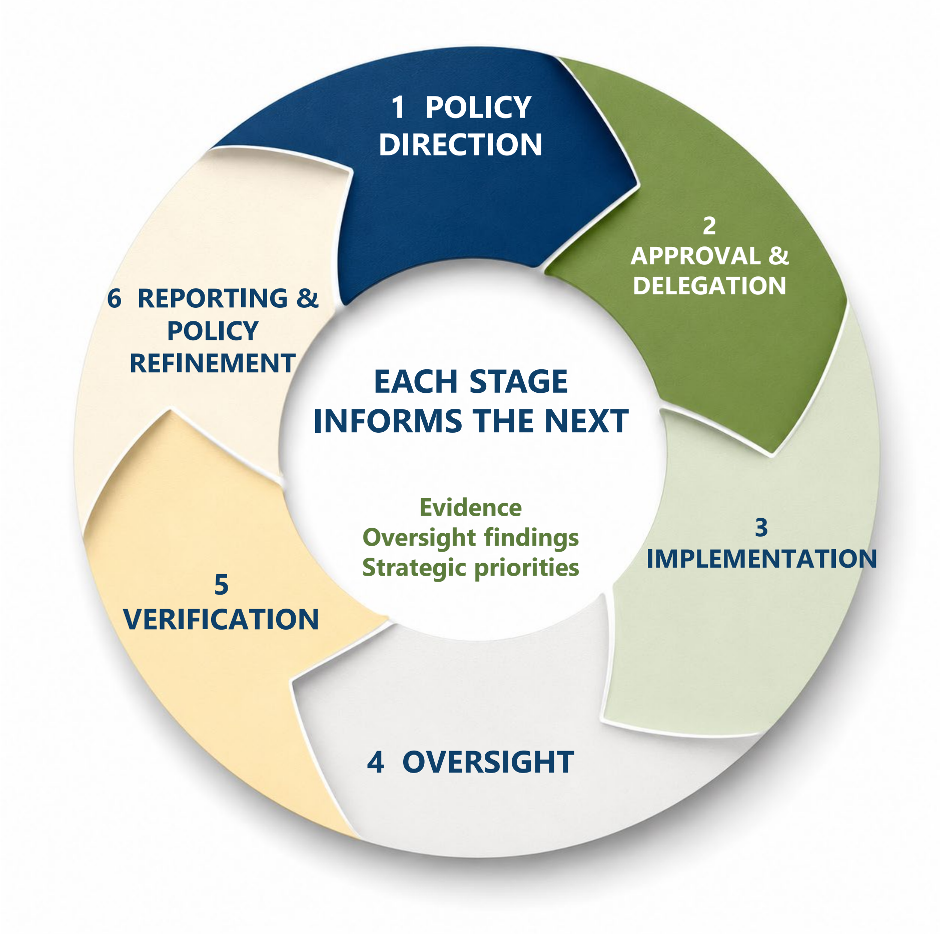
Agenda Item

VI B. Strategy & Performance

to follow.

Investment Key Decisions

Continuous Governance Improvement



Governance evolves based on evidence, oversight findings, and strategic priorities—not ad-hoc decision making.

Fiscal Year 27' Q1 Jun-Sep Investment Governance Tasks

CYCLE	GOVERNANCE TASK	REPORTING / REVIEW	Q1 GOVERNANCE ACTION	EXPECTATION / TRIGGER	TIMING
ONGOING REPORTING & MONITORING					
Quarterly	**Performance Dashboard Total Fund • asset class • client fund**	Receive and review performance results	Escalate exceptions to SIB	Threshold based • Legacy, PERS, TFFR, WSI	All 4 quarters
Quarterly	**Active Risk vs. Benchmark Tracking-error Review**	Receive tracking-error report	Initiate corrective action if limit is exceeded	Compared with IC-approved active risk budget	All 4 quarters
Quarterly	**Capital Deployment Pacing Private Markets**	Receive private-markets pacing report	Confirm deployment is on plan	Annual commitment pacing tracked quarterly	All 4 quarters
Quarterly	**Market Stress & Liquidity Event-response Monitoring**	Receive liquidity status	Authorize response actions if a stress event occurs	Ongoing monitoring • event based	All 4 quarters
REVIEW, RESET & APPROVAL					
Annual	**Performance & Evaluation Measures Annual Review**	Review methodologies and performance attribution	Confirm or adjust evaluation measures	Recommended for IC and SIB approval	Q1 • FY open
Annual	**Underperformance Thresholds & Watch Lists Annual Reset**	Review thresholds and manager status	Approve thresholds; update manager watch list	A breach triggers escalation to SIB	Q1 • FY open
5-Year	**Investment Beliefs Full review & Reaffirmation**	Review and reaffirm foundational beliefs	Recommend affirmed or revised beliefs	IC recommendation • SIB approval	Q1 review Q2 approval
Q1 RECOMMENDATIONS • Performance & Evaluation Measures • Underperformance Thresholds & Watch Lists • Investment Beliefs					
GOVERNANCE PATH • Staff review → Investment Committee recommendation → Board approval					

FIVE-YEAR GOVERNANCE CYCLE • FY27 Q1 decision package

Investment Beliefs

BELIEF	FOUNDATIONAL INVESTMENT PRINCIPLE
01 OBJECTIVE	**Our objective is to deliver high returns per unit of risk, at a prudent level of risk aligned with each client fund mandate and at an efficient cost.**
02 ASSET ALLOCATION	Asset allocation is the primary source of return efficiency (return per unit of risk).
03 MARKET EFFICIENCY	Markets are efficient over the long term, but short-term inefficiencies create opportunities for active return.
04 ACTIVE MANAGEMENT	Active management improves return efficiency, but because active return is scarce, active risk should be allocated in appropriate proportions.
05 IMPLEMENTATION	Effective implementation lowers cost and risk and is therefore an important contributor to return efficiency.
06 DECISION QUALITY	Good investment decisions require the fact-based, reasoned judgment of experienced investment professionals, grounded in knowledge of compensated risks, investment processes, and return expectations within an analyst-driven culture.
FIVE-YEAR REVIEW • Reaffirm or revise beliefs based on evidence, oversight findings, and strategic priorities	
GOVERNANCE PATH • Staff review → Investment Committee recommendation → Board approval	

BOARD DECISION • Reaffirm the Investment Beliefs for the next five-year governance cycle

Performance Evaluation Measures

PERFORMANCE MEASURE	BLUE EXCEPTIONAL	GREEN AS EXPECTED	YELLOW CAUTION	RED ALERT
Total Fund Return YTD • FYTD • 1, 3, 5 & 10 years (compounded average)	5-year: greater than 0.5% above corridor benchmark	5-year: greater than 0.0% and less than 0.5% above corridor benchmark	5-year: between 0.0%–0.5% below corridor benchmark	5-year: greater than 0.5% below corridor benchmark
Fund Active Return After Fees YTD • FYTD • 1, 3, 5 & 10 years	3-year: greater than 0.5%	3-year: greater than 0.0% and less than 0.5%	3-year: between -0.5% to 0.0%	3-year: less than -0.5%
Fund 10-Year Annualized Average Return	Greater than 0.5% above the plan discount rate	Between 0.0%–0.5% above the plan discount rate	Between 0.0%–0.5% below the plan discount rate	Greater than 0.5% below the plan discount rate
Rebalance Ranges - Monthly	—	Within approved rebalance range	—	Outside approved rebalance range
5-Year Volatility	Below 5-year benchmark volatility	Between 0%–10% above 5-year benchmark volatility	Between 10%–15% above 5-year benchmark volatility	Greater than 15% above 5-year benchmark volatility
5-Year Information Ratio	Greater than 0.5	Between 0.0–0.5	Between -0.25–0.0	Less than -0.25
5-Year Sharpe Ratio	Greater than 0.5	Between 0.3–0.5	Between 0.0–0.3	Less than 0.0
FIVE-YEAR REVIEW • Confirmed at the start of a new year				

BLUE • EXCEPTIONAL	GREEN • AS EXPECTED	YELLOW • CAUTION	RED • ALERT
Materially exceeds approved expectation	**Meets approved expectation**	**Below expectation monitor and assess**	**Material shortfall or breach escalate promptly**

BOARD DECISION • Approve the performance evaluation measures and status thresholds

Performance Evaluation Measures – Asset Class

PERFORMANCE MEASURE	BLUE EXCEPTIONAL	GREEN AS EXPECTED	YELLOW CAUTION	RED ALERT
Public Assets Total Return 1 Yr	More than 0.5% above the corridor benchmark	Between than 0.0% above and less than 0.5% above the corridor benchmark	Between -0.5% and 0% below the corridor benchmark	More than -0.5% below the corridor benchmark
Private Assets Total Return 1 Yr	More than 0.5% above the corridor benchmark	Between -0.25% less than and 0.5% above the corridor benchmark	Between -1.0% and -.25% below the corridor benchmark	More than -1.0% below the corridor benchmark
FIVE-YEAR REVIEW • Confirmed at the start of a new year				

BLUE • EXCEPTIONAL	GREEN • AS EXPECTED	YELLOW • CAUTION	RED • ALERT
Materially exceeds approved expectation	**Meets approved expectation**	**Below expectation monitor and assess**	**Material shortfall or breach escalate promptly**

BOARD DECISION • Approve the performance evaluation measures and status thresholds

Tracking Error Thresholds – Active Risk Budget

TRACKING ERROR THRESHOLDS	GREEN AS EXPECTED	YELLOW CAUTION	RED ALERT
Fund Broad Active Risk Capacity	Below 1.5%	1.5% - 2.0%	Above 2.0%
Fund Moderate Active Risk Capacity	Below 1.25%	1.25% - 1.5%	Above 1.5%
Fund Low Active Risk Capacity	Below 0.25%	0.25% - 0.5%	Above 0.5%
FIVE-YEAR REVIEW • Confirmed at the start of a new year			

BROAD ACTIVE RISK	MODERATE ACTIVE RISK	LOW ACTIVE RISK
Legacy TFFR PERS Grand Forks Parks City Of Grand Forks Bismarck Police Bismark Employees ND Job Service Veteran's Cemetery PERS Retiree Health Credit Fargo Dome Cultural Endowment Bismark Sick Leave Fund	WSI State Risk Management State Risk Workers Comp Lewis and Clark Interpretive Center Deferred Sick Leave Fund State Board of Medicine State Fire and Tornado Fund Insurance Regulatory Trust Budget Stabilization Fund	Water Projects Stabilization State Historical Society PERS Group Insurance Petroleum Tank Release Fund Opioid Settlement Fund Attorney General Settlement Fund State Bonding

GREEN • AS EXPECTED	YELLOW • CAUTION	RED • ALERT
Meets approved expectation	**Below expectation monitor and assess**	**Material shortfall or breach escalate promptly**

BOARD DECISION • Approve the performance evaluation measures and status thresholds

Underperformance Thresholds

PERFORMANCE MEASURE	BLUE EXCEPTIONAL	GREEN AS EXPECTED	YELLOW CAUTION	RED ALERT
Public Manger Active Return (adjusted for tracking error – 1% standard)	1 Yr and 5 yr more than 0.5% above the benchmark	1 Yr and 5 yr greater than 0.0% and less than 0.5% above the benchmark	3 yr less than 0% and 5 yr greater than 0% above the benchmark	5 yr less than 0% above the benchmark
Private and High Yield Manager Active Return	Greater than 3 Yr vintage benchmark top quartile	Greater than 3 Yr vintage 2nd quartile	Greater than 3 Yr vintage 3rd quartile	Greater than 3 Yr vintage 4th quartile
Event Risk[1]		None	Moderate	Significant
ANNUAL REVIEW • Confirmed at the start of a new year				

1. Event risk would include compliance violations, key man risk, ownership changes, headline risk, etc.

BLUE • EXCEPTIONAL	GREEN • AS EXPECTED	YELLOW • CAUTION	RED • ALERT
Materially exceeds approved expectation	**Meets approved expectation**	**Below expectation monitor and assess**	**Material shortfall or breach escalate promptly**

Manager Score Card - example

All Cap Domestic Equity

Manager	Performance	Event Risk	Overall
Arrowstreet US	🟢	🟢	🟢
Two Sigma	🟢	🟡	🟡

Large Cap Domestic Equity

Manager	Performance	Event Risk	Overall
LA Capital	🟢	🟢	🟢
T. Rowe Price	🔵	🟢	🟢
WorldQuant	🔵	🟢	🟢

Small Cap Domestic Equity

Manager	Performance	Event Risk	Overall
Northern Trust	🟢	🟢	🟢
Wellington	🔵	🟢	🟢

All Cap International Equity

Manager	Performance	Event Risk	Overall
Arrowstreet International	🔵	🟢	🟢
Principal	🟡	🟢	🟡

Key Decisions Motion

Motion: Recommend the board approve the key decisions – performance measures, tracking error, and investment beliefs

Definitions

GOVERNANCE & RETURN		RISK & THRESHOLDS	
INVESTMENT BELIEFS	Foundational principles that guide how the investment program pursues return, manages risk, allocates capital, and makes decisions.	**REBALANCE RANGE**	Board-approved upper and lower allocation limits around a target. Moving outside the range requires rebalancing or an approved exception.
PERFORMANCE MEASURE	A defined metric used to evaluate results or risk against an approved objective, benchmark, limit, or threshold over a stated period.	**VOLATILITY**	The annualized standard deviation of periodic returns; a measure of the variability of total return and therefore total risk.
TOTAL RETURN	Price appreciation or depreciation plus income and distributions over the stated period. Used for both client funds and asset classes.	**TRACKING ERROR**	The annualized standard deviation of active return; a measure of how much portfolio performance varies relative to its benchmark.
BENCHMARK / CORRIDOR	An approved reference index or portfolio for evaluating performance and risk. A corridor adjusts for non-discretionary private market weights.	**INFORMATION RATIO**	Average active return divided by tracking error; the active return earned per unit of active risk.
ACTIVE RETURN AFTER FEES	Portfolio total return after investment-management fees less benchmark total return for the same period.	**SHARPE RATIO**	Portfolio return above the risk-free rate divided by portfolio volatility; excess return earned per unit of total risk.
10-YEAR COMPOUNDED AVERAGE RETURN	The annualized geometric return earned over 10 years, reflecting compounding; for client funds, evaluated relative to the plan discount rate.	**EVENT / EVENT RISK**	A material occurrence—such as a compliance violation, key-person departure, ownership change, or headline risk—that may require monitoring, escalation, or action.

KEY RELATIONSHIP • Active return = portfolio return − benchmark return

Information ratio = active return ÷ tracking error • Sharpe ratio = excess return ÷ volatility

REFERENCE • Definitions apply throughout the Investment Key Decisions deck

Agenda Item

VII. Investment Policy Statement Update

to follow.