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

Investment Committee
Friday, November 13, 2026 - 10:30 a.m.
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AGENDA

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

II. **ACCEPTANCE OF MINUTES (September 11, 2026)** ***(Committee Action)***

III. **COMPLIANCE AND EXCEPTION REPORT (10 minutes)** ***(Committee Action)***

IV. **STRATEGY REVIEW (90 minutes)**
   A. Public Markets Update *(Information Only)* – Mr. Chin, Mr. Posch
   B. Capital Development Pacing & Manager Performance *(Information Only)* – Mr. Ziettlow
   C. Stress Test Framework & Long-Term Risk Objectives *(Information Only)* – Mr. Hambrick
   D. Long-Term Funding Status *(Information Only)* – Mr. Anderson
   E. Investment Policies *(Committee Action)* – Ms. Smith

V. **MANAGER UPDATES (10 minutes)** ***(Information Only)***
   A. Public Markets – Mr. Posch
   B. Private Markets – Mr. Collins

VI. **DISCUSSION**

VII. **ADJOURNMENT**

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STATE INVESTMENT BOARD INVESTMENT COMMITTEE MEETING MINUTES OF THE SEPTEMBER 11, 2026, MEETING

MEMBERS PRESENT

Thomas Beadle, State Treasurer, Chair
Prodosh Simlai, Investment Professional, Vice Chair
Pete Jahner, Investment Professional
Rick Thoreson, Investment Professional
Todd Van Orman, Investment Professional

GUESTS

Allyson Hicks, Attorney General's Office
Members of the Public

STAFF PRESENT

Scott Anderson, Chief Investment Officer
Eric Chin, Deputy Chief Investment Officer
Jac Collins, Senior Investment Analyst
Cory Cox, Investment Analyst
Derek Dukart, Senior Investment Analyst
Timothy Forsythe, Deputy Chief Financial Officer
Chirag Gandhi, Portfolio Manager
Ross Hambrick, Portfolio Manager
Erik Jodock, Investment Analyst
Missy Kopp, Executive Assistant
Robbie Morey, Investment Operations Analyst
George Moss, Portfolio Manager
Chuck Napp, Senior Investment Operations Manager
Adam Otteson, Chief Financial/Operating Officer
Matthew Posch, Portfolio Manager
Sam Suchy, Investment Analyst
Alexander Weissman, Investment Analyst
Rhi Wenzel, Multimedia Specialist
Lance Ziettlow, Portfolio Manager

CALL TO ORDER

Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 10:33 a.m. on Friday September 11, 2026. The meeting was held virtually.

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

AGENDA

The agenda was considered for the September 11, 2026, meeting.

IT WAS MOVED BY MR. JAHNER AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 11, 2026, MEETING AS DISTRIBUTED.

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

MINUTES

The minutes were considered for the August 14, 2026, meeting.

IT WAS MOVED BY MR. THORESEON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE AUGUST 14, 2026, MEETING AS DISTRIBUTED.

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

COMPLIANCE AND EXCEPTION REPORT

Mr. Anderson introduced a new Compliance and Exception Report developed under the SIB's governance framework. The report uses a color-coded system to identify investment compliance and risk measures as exceptional, as expected, caution, or alert. It will be presented at each Investment Committee meeting and included in quarterly performance reports to the Board. Current measures were generally within established limits. Staff explained that items identified as caution or alert would receive additional explanation and discussion to determine whether further action is warranted.

Mr. Posch reviewed a temporary investment guideline waiver for Barings, a fixed-income manager for the Budget Stabilization Fund. A bond representing approximately 0.26% of the manager's portfolio was downgraded below the permitted credit rating. Staff recommended allowing the manager to retain the bond until its May 15, 2027, maturity, noting the limited financial impact. The waiver had received temporary approval and was presented to the Committee for consideration and recommendation to the Board for approval.

IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. JAHNER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE GUIDELINE WAIVER REQUEST.

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

STRATEGY REVIEW

Public Markets

Mr. Posch and Mr. Cox presented an update on public equity and fixed-income investments, representing approximately $23 billion in assets under management. Equity markets experienced strong returns, with emerging markets and small-cap stocks benefiting from increased investment in artificial intelligence infrastructure. Staff reviewed individual manager performance and the ongoing implementation of the Equity 2.0 initiative, noting generally favorable results while identifying DFA's underperformance and Two Sigma's governance concerns as areas requiring continued monitoring.

The fixed-income review highlighted strong performance across most managers, with PineBridge

identified for closer monitoring due to underperformance. Staff also discussed the termination of Western Asset Management and the transfer of those assets to the internal fixed-income team. A comprehensive review of fixed-income strategies, referred to as Fixed Income 2.0, is underway, with potential changes anticipated in early 2027.

Staff concluded with an update on investment guideline compliance monitoring conducted by Weaver, including the previously discussed Barings waiver and a resolved Wellington guideline exception.

Capital Development Pacing

Mr. Ziettlow presented an update on private markets commitment pacing for the Legacy Fund and pension pool, using Hamilton Lane modeling to project capital commitments, distributions, and progress toward target allocations. He emphasized the importance of diversification, manager quality, and adjusting commitment levels in response to market conditions and cash flows.

For the Legacy Fund, projected annual commitments are approximately $250 million for private equity, $160 million for private credit, and $140 million for real assets. For the pension pool, staff is targeting $150–$200 million annually for private equity, approximately $80 million for private credit, $100 million for real estate, and $75 million for infrastructure. These commitments are intended to move portfolios toward their target allocations over the next five to ten years.

The Committee discussed the impact of slower private market distributions, Legacy Fund cash flows, and the transition from fund-of-funds investments toward direct manager relationships. Staff indicated that pacing assumptions will be reviewed regularly and adjusted as market conditions and liquidity needs change.

INVESTMENT COMMITTEE SCHEDULE

A revised schedule for the remainder of the FY was provided to the Committee.

IT WAS MOVED BY MR. JAHNER AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE REVISED INVESTMENT COMMITTEE SCHEDULE FOR FY 2027.

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

ADJOURNMENT

With no further business to come before the committee, Treasurer Beadle adjourned the meeting at 11:59 a.m.

Prepared by: Missy Kopp, Assistant to the Board

Compliance and Exception Report

Scott M. Anderson, CFA – Chief Investment Officer

Compliance and Exceptions Report - October 31, 2026

Compliance and exceptions report

A. Investment guideline breaches — internal and external managers[1]	✓ 1 Waiver
B. Asset allocation outside policy corridor	✓
C. Risk limit and tracking error exceptions	✓
D. Execution errors and operational incidents	✓
E. Liquidity coverage below threshold	✓
F. Manager watch list changes	✓
G. Delegated authority and compliance matters referred to the Committee	✓

1. There is one minor temporary waiver that has been signed that would be voted upon to recommended to approve by the board.

▲ Exceptional

✓ As Expected

▼ Caution

■ Alert

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Public Markets Update

Equity Manager Assessment

FY2026 annual manager assessment

DOMESTIC EQUITY

7 managers · 1 yellow overall

MANAGER	PERFORMANCE	EVENT RISK	OVERALL
ALL CAP			
Arrowstreet US	✓	✓	✓
Two Sigma	▲	▼	▼
LARGE CAP			
LA Capital	✓	✓	✓
T. Rowe Price	✓	✓	✓
WorldQuant	▲	✓	✓
SMALL CAP			
Northern Trust	✓	✓	✓
Wellington	✓	✓	✓

INTERNATIONAL EQUITY

9 managers · 1 red overall

MANAGER	PERFORMANCE	EVENT RISK	OVERALL
ALL CAP			
Arrowstreet International	▲	✓	✓
CC&L Q International Equity	✓	✓	✓
Principal	✓	✓	✓
LARGE CAP			
RS World ex US Equity	✓	✓	✓
State Street MSCI World ex USA	✓	✓	✓
SMALL CAP			
State Street MSCI World ex-USA Small Cap	✓	✓	✓
EMERGING MARKETS			
Dimensional DFA EM Core	■	✓	■
State Street EM ex China	✓	✓	✓
State Street MSCI China	✓	✓	✓

STATUS SCALE

- ▲ **BLUE · EXCEPTIONAL** — Materially exceeds approved expectation
- ✓ **GREEN · AS EXPECTED** — Meets approved expectation
- ▼ **YELLOW · CAUTION** — Below expectation · monitor and assess
- ■ **RED · ALERT** — Material shortfall or breach · escalate promptly

Fixed Income Manager Assessment

FY2026 annual manager assessment

INVESTMENT GRADE FIXED INCOME

5 managers · all green overall

MANAGER	PERFORMANCE	EVENT RISK	OVERALL
Allspring	▲	✓	✓
PGIM	✓	✓	✓
PIMCO Core Plus Constrained	▲	✓	✓
PIMCO DiSCO II	▲	✓	✓
State Street	✓	✓	✓

SHORT DURATION FIXED INCOME

2 managers · all green overall

MANAGER	PERFORMANCE	EVENT RISK	OVERALL
Barings Active Short Duration	▲	✓	✓
JP Morgan Short Duration	▲	✓	✓

HIGH YIELD FIXED INCOME

2 managers · 1 yellow overall

MANAGER	PERFORMANCE	EVENT RISK	OVERALL
Nomura	✓	✓	✓
PineBridge	▼	✓	▼

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Investment Guideline Monitoring

Weaver monitors investment guidelines for all external managers using the Northern Trust Radar System using custodian holdings and transaction data. These are reviewed daily and Weaver works with ND RIO, Northern Trust, and the managers to identify potential breaches of the SMA or investment guidelines by the Investment Manager.

Potential breaches are raised to the ND RIO Investment team to review and obtain manager explanations or mitigation actions.

All issues are tracked by Weaver until resolution

Q3-Q4 Monitoring Results*
External Managers

Exceptions Reviewed Since 07/01/2026	**692**
Warnings	81
Alerts	611
Open or Resolved Breaches Q3-Q4	1

Breach Details

There were no new breaches identified since our last report in September 2026. The Barings open breach included in the previous update has since been resolved.

Details	Resolution	Status
Barings [1] Passive guideline breach due to downgrade of a Bond issue to B+	A temporary waiver was granted through maturity date in May 2027.	Resolved

[1] Previously reported to the Trustees

*Updated Nov 1, 2026

Capital Deployment Pacing and Manager Performance

Lance Ziettlow, CFA – Portfolio Manager, Private Markets

Capital Development Pacing – private markets deployment

Measure	How Calculated	Legacy	PERS	TFFR	WSI
Planned to Actual	% committed to % planned to date for year plan	✓	✓	✓	✓
Adjusted Plan to Actual	% committed to % planned to date for year plan	✓	✓	✓	✓
Unfunded Obligations	% of expected capital calls	▼	▼	▼	✓
Net Asset Value to Paid In	Net Asset Value to Paid In	✓	✓	✓	✓
Distributions to Paid In	Net Asset Value to Paid In	▼	✓	✓	✓

	✓ - As Expected	▼ - Caution	■ - Alert
Planned to Actual	75% or More	50% to 75%	Less than 50%
Adjusted Plan to Actual	75% or More	50% to 75%	Less than 50%
Unfunded Obligations	More than 90%	70% to 90%	Less than 70%
Net Asset Value to Paid In	Greater than 1	75% to 1	Less than 75%
Distributions to Paid In	Greater than .75	.25 to .75	less than .25

Manager Performance – Scorecard (as of June 30, 2026)

Key			
	Marker	**Open-End** 1-year and 5-year active return	**Closed-end** Net IRR vs vintage-year quartiles
▲	Exceptional	1-yr and 5-yr both more than +50 bps, and 3-yr not below 0	1st quartile: at or above Q1
✓	As expected	1-yr and 5-yr above 0, 3-yr not below 0, not both above +50 bps	2nd quartile: at or above Q2 and below Q1
▼	Neutral / Caution	5-yr above 0, and 3-yr below 0 or 1-yr not above 0	3rd quartile: at or above Q3 and below Q2
■	Negative / Warning	5-yr not above the benchmark	4th quartile: below Q3
—	Not yet scored	< 3 years of performance	

Manager Performance – Private Equity

Private Equity

FY2026 annual manager assessment · **23 managers · 4 yellow overall**

Fund of Funds

MANAGER	PERFORMANCE
Adams Street 2015	✓
Adams Street 2016	▼
Adams Street 2017	▼
BlackRock Opportunities (2017)	▼
Adams Street 2018	✓
Adams Street 2019	✓
Adams Street 2020	✓
Adams Street 2021	✓
BlackRock Opportunities (2020)	✓
Horsley Bridge 14	—

Direct

MANAGER	PERFORMANCE
Kelso XI	✓
Altor VI	▲
H.I.G. Advantage II	▲
PA GP Solutions	▼
Guidepost IV	—
Peak Rock IV	—
BVP Forge II	—
Chicago Pacific IV	—
H.I.G. Capital VII	—
Warren Equity V	—
Altor VII	—
DMH III	—
Investindustrial LMM IV	—

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✓ **GREEN · AS EXPECTED** — Meets approved expectation

▼ **YELLOW · CAUTION** — Below expectation — monitor and assess

■ **RED · ALERT** — Material shortfall — escalate promptly

— **NOT YET SCORED** — Fewer than 3 years of performance

Manager Performance – Private Credit

Private Credit

FY2026 annual manager assessment · **8 managers · 2 yellow overall**

Open-End/SMA

MANAGER	PERFORMANCE
Ares ND Credit	▼
Cerberus ND Credit	▼
Sixth Street TAO	▲

Closed-End

MANAGER	PERFORMANCE
Cerberus NPL II	–
Castlelake III	–
Fortress Credit VI	–
S3 Real Estate Credit III	–
OrbiMed Royalty V	–

▲ **BLUE · EXCEPTIONAL**
Materially exceeds approved expectation

✓ **GREEN · AS EXPECTED**
Meets approved expectation

▼ **YELLOW · CAUTION**
Below expectation — monitor and assess

■ **RED · ALERT**
Material shortfall — escalate promptly

– **NOT YET SCORED**
Fewer than 3 years of performance

Manager Performance – Real Assets (Real Estate)

Real Estate

FY2026 annual manager assessment · **10 managers · 6 red overall**

Open-End/SMA

MANAGER	PERFORMANCE
J.P. Morgan SSPF	■
JPMCB Strategic Property	■
J.P. Morgan US Income & Growth	■
Invesco Core Real Estate	■
PRISA III	–

Closed-End

MANAGER	PERFORMANCE
Invesco Asia Real Estate III	✓
Invesco US Value-Add V	■
Invesco US Real Estate VI	■
Ares US Real Estate XI	–
Carlyle Realty X	–

▲ **BLUE · EXCEPTIONAL**
Materially exceeds approved expectation

✓ **GREEN · AS EXPECTED**
Meets approved expectation

▼ **YELLOW · CAUTION**
Below expectation — monitor and assess

■ **RED · ALERT**
Material shortfall — escalate promptly

– **NOT YET SCORED**
Fewer than 3 years of performance

Manager Performance – Real Assets (Infrastructure)

Infrastructure

FY2026 annual manager assessment · **9 managers · 1 yellow overall**

Open-End/SMA

MANAGER	PERFORMANCE
Infrastructure Investments	▲

Closed-End

MANAGER	PERFORMANCE
Rohatyn Asian Infrastructure	▼
Grosvenor CIS I	✓
Grosvenor CIS II	✓
ISQ Infrastructure II	✓
Macquarie Infrastructure IV	✓
ISQ Infrastructure III	▲
Macquarie Infrastructure V	▲
Grosvenor CIS III	▲

▲ **BLUE · EXCEPTIONAL** — Materially exceeds approved expectation

✓ **GREEN · AS EXPECTED** — Meets approved expectation

▼ **YELLOW · CAUTION** — Below expectation — monitor and assess

■ **RED · ALERT** — Material shortfall — escalate promptly

— **NOT YET SCORED** — Fewer than 3 years of performance

Manager Performance – Real Assets (Timber)

Timber

FY2026 annual manager assessment · **3 managers · 1 red overall**

MANAGER	PERFORMANCE
Teredo	✓
Springbank	■
Eastern Timberland	▲

▲ **BLUE · EXCEPTIONAL**
Materially exceeds approved expectation

✓ **GREEN · AS EXPECTED**
Meets approved expectation

▼ **YELLOW · CAUTION**
Below expectation — monitor and assess

■ **RED · ALERT**
Material shortfall — escalate promptly

— **NOT YET SCORED**
Fewer than 3 years of performance

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Stress Testing & Scenario Framework – Annual Update

Stress Testing & Scenario Framework

- Purpose: Estimate client losses under severe market conditions and the impact on the Liquidity Coverage Ratio (LCR)

Scenario Group	Proposed Cases	What the Tests Show
Historical events	• Stagflation – 1974 • GFC – 2008 • COVID-19 Sell-off – 2020	Portfolio sensitivity to major past market events
1-in-X Years stress	• 1 in 10, 1 in 20, and 1 in 50	Effects of increasingly severe market moves
Combined stress	• -25% Equity sell-off combined with +200bps Treasury yield rise	Simultaneous stock and bond losses under stressed correlations

Assumptions

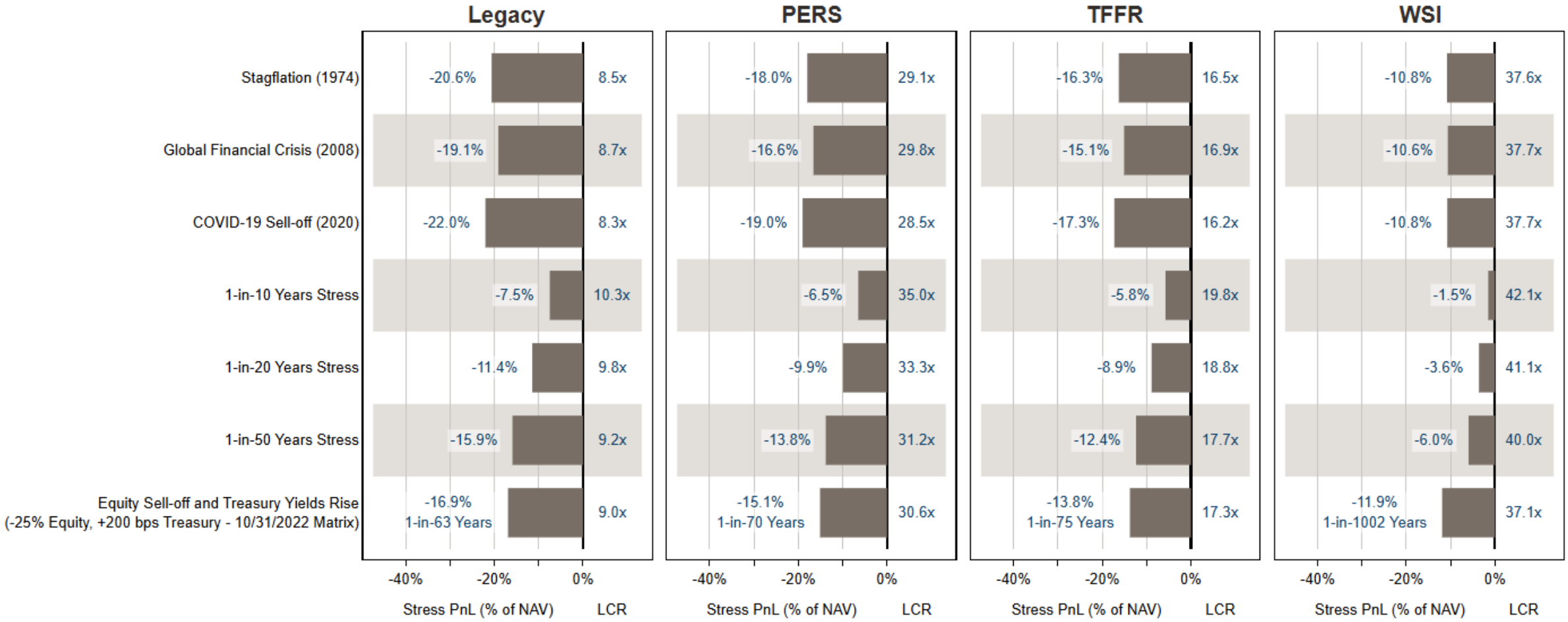
Stress Test and Scenario Assumptions:

- Shocks focus on public markets, given the lag in private market valuations
- Historical and Combined Stress scenarios
  - Analysis contains underlying manager positions, where applicable
  - These are point-in-time estimates that will vary over time, based on manager positioning and risk environment (risk environment set as 10/31/2022 for combined scenario)
- 1-in-X Years Stress scenarios rely on NEPC's Capital Market Assumptions

Liquidity Assumptions:

- Liquidity Coverage Ratio (LCR) = Assets / Net Cash Flow Needs
- Assets = assets available within one month of scenario drawdown
- Net Cash Flows = Stressed net flows
  - Zero Private Market Distributions, 100% contribution pace for Private Markets
  - Legacy Deposits only 50% of budgeted

Client Scenario Results



Key Decisions Motion – Stress Testing

Committee action requested:

- Recommend approval to the SIB of the proposed stress test scenarios for the coming year

Long-term Objectives & Risk Appetite – 5-year Review

Long-term Objectives & Risk Appetite

- Client long-term objectives and risk appetite are captured in the client's Investment Policy Statement (IPS)

- An IPS is approved by both the SIB and the client-fund board



Expected Return and Risk Summary

The next slide presents each client fund's:

- **Long-Term Expected Annualized Return** - based on 30-year assumptions
- **Expected Annual Volatility** - measured by standard deviation
- **Estimated 1-Year Return Range (68%) -** the range within which annual returns are estimated to fall about two-thirds of the time
- **Approved Active Risk Budget**

Return and risk estimates apply NEPC's September 30, 2026 Capital Market Assumptions to each fund's currently approved IPS strategic asset allocation.

Client Fund Review

Client Fund	Long-Term Expected Return	Expected Volatility	Estimated 1-Year Return Range (68%)	Active Risk Budget
Bismarck Employee Pension Fund	7.8%	13.9%	-5.2% - 22.5%	Broad Active Risk
Bismarck Police Pension Fund	7.8%	13.9%	-5.2% - 22.5%	Broad Active Risk
Cultural AAPME Fund	7.0%	13.1%	-5.3% - 20.9%	Broad Active Risk
Cultural Endowment Fund	6.8%	10.9%	-3.6% - 18.3%	Broad Active Risk
Fargo Dome Permanent Fund	6.8%	10.2%	-2.9% - 17.5%	Broad Active Risk
Grand Forks Employees Pension Fund	7.4%	10.7%	-2.8% - 18.7%	Broad Active Risk
Grand Forks Park District Employees Pension Fund	7.2%	9.8%	-2.1% - 17.4%	Broad Active Risk
Legacy Fund	7.7%	13.4%	-4.9% - 21.9%	Broad Active Risk
ND Job Service Employee Pension Fund	5.6%	4.4%	1.3% - 10.2%	Broad Active Risk
PERS Retiree Health Insurance Credit Fund	7.0%	12.5%	-4.7% - 20.2%	Broad Active Risk
Public Employees Retirement System (PERS)	7.8%	13.9%	-5.2% - 22.5%	Broad Active Risk
Teachers' Fund for Retirement (TFFR)	7.8%	13.9%	-5.2% - 22.5%	Broad Active Risk
Veterans' Cemetery Trust Fund	6.8%	10.2%	-2.9% - 17.5%	Broad Active Risk
Bismarck Deferred Sick Leave Fund	6.3%	7.0%	-0.4% - 13.6%	Moderate Active Risk
Board of Medicine Fund	6.5%	7.2%	-0.5% - 13.9%	Moderate Active Risk
Budget Stabilization Fund	4.9%	2.1%	2.9% - 7.0%	Moderate Active Risk
Insurance Regulatory Trust Fund	5.8%	6.2%	-0.2% - 12.2%	Moderate Active Risk
Lewis & Clark Interpretive Center Endowment Fund	6.5%	7.8%	-1.0% - 14.5%	Moderate Active Risk
Risk Management Fund	6.3%	6.9%	-0.4% - 13.4%	Moderate Active Risk
Risk Management Workers Compensation Fund	6.4%	7.8%	-1.1% - 14.5%	Moderate Active Risk
State Fire & Tornado Fund	6.3%	7.5%	-0.9% - 14.1%	Moderate Active Risk
Workforce Safety & Insurance Fund	6.3%	6.2%	0.3% - 12.7%	Moderate Active Risk
Opioid Settlement Fund	4.9%	2.1%	2.9% - 7.0%	Low Active Risk
PERS Group Insurance	4.8%	2.0%	2.9% - 6.8%	Low Active Risk
Petroleum Tank Release Compensation Fund	4.7%	2.9%	1.8% - 7.6%	Low Active Risk
State Bonding Fund	4.8%	3.2%	1.7% - 8.0%	Low Active Risk
State Historical Society Endowment Fund	5.2%	5.3%	0.0% - 10.6%	Low Active Risk
Water Projects Stabilization Fund	3.7%	0.6%	3.0% - 4.3%	Low Active Risk

Long Term Funded Status

Scott M. Anderson, CFA – Chief Investment Officer

Long Term Funded Status - July 1, 2026

	Actuarial Value Basis %		Market Value Basis %	
	25′	26′	25′	26′
PERS	71.9	73.4	74.3	81.3
TFFR	73.4	74.7	74.1	80.5

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MEMORANDUM

TO: **Investment Committee**

FROM: **Jodi Smith, Executive Director, North Dakota Retirement & Investment Office**

DATE: **November 13, 2026**

RE: **Investment Policy Updates – Alignment with the Governance Policy System**

On July1, 2026, the SIB adopted the Governance Policy System (GPS), which sets out who decides what, which committee prepares each decision, and how often each policy is reviewed. The SIB's existing investment policies were written before the GPS and in several places describe roles, committees, and approval steps that the GPS has since replaced. Staff reviewed each investment policy against the GPS and updated them, so the two documents agree.

Under the GPS, the Investment Committee performs the due diligence on the investment policies and recommends them to the SIB for approval (IC Charter, GPS p. 59; Decision Register, GPS p. 80). This memo explains the changes.

1. Why the changes were needed

- **Authority now sits in the GPS.** The GPS assigns authority for manager hiring and termination, contracts, and day-to-day investment decisions to the Executive Director, who has delegated day-to-day investment authority to the Chief Investment Officer (GPS pp. 37–41). The policies still describe the SIB interviewing and selecting managers by majority vote and a separate Delegation Matrix.
- **The Board's role is oversight.** The GPS has the Board approve policies, criteria, and frameworks on a set cycle and oversee their execution through committee reporting, rather than approving individual operational steps.
- **Duplication and outdated content.** Several sections repeated material now in the GPS (the Delegation Matrix and the former By-Laws) or described practices RIO no longer follows.

2. Summary of changes by policy

Policy	What changed	GPS basis
Investment Policy Development – Client Funds	Uses "client funds" throughout; recognizes RIO's role in developing policies for contracted clients; streamlines the required contents of each fund's investment policy; removes outdated descriptions of modeling methods.	IC recommends changes to SIB investment policy (p. 59).
Investment Pools	Simplified; detailed pool-level constraints are set in portfolio guidelines rather than in this policy.	IC recommends changes to Portfolio and Committee Guidelines (p. 59).
Monitoring	Rewritten around the Board's oversight through the IC, performance and risk dashboards, and watch lists. Internal audit oversight is referenced to the Audit, Risk and Compliance Committee.	Decision Register: Performance & Evaluation Measures; Investment & Risk Dashboards; Underperformance Thresholds & Watch Lists (p. 80).
Proxy Voting	States compliance with NDCC 54-06-40 and 21-10-08.1, replacing the reference to federal Department of Labor guidance. Outdated reporting steps removed.	ED is accountable for compliance with law and Board policy (p. 38).
Investment Manager Process (formerly Investment Manager Selection)	Describes the full manager lifecycle: selection, monitoring, and termination. Decisions are made by the Executive Director and CIO under Board policy, with IC oversight. Replaces the prior steps for SIB interviews and majority vote.	ED approves hiring and termination of external managers (p. 38); CIO charter (p. 41); IC oversees staff selection of managers (p. 61); Board approves Manager Hiring and Termination Criteria every five years (p. 80).
Internal Direct Investment Strategies (new)	Adds selection, monitoring, and termination standards for strategies managed by RIO staff.	IC recommends new investment strategies, both internal and external (p. 59).
Portfolio Rebalancing	Updated to current practice; rebalancing occurs within a reasonable timeframe when allocations move outside approved ranges.	Decision Register: Rebalancing Policy (p. 80); IC consults on rebalance decisions (p. 59).

Policy	What changed	GPS basis
Evaluation; Performance Related Manager Review	Removed. Their content is now covered by the Monitoring and Investment Manager Process sections.	Covered by Decision Register items on performance measures and watch lists (p. 80).
BND Match Loan Program	Updated description and citations.	Investment policy under IC review (p. 59).
Accepting New Clients	Streamlined onboarding steps and timing.	Investment policy under IC review (p. 59).
Delegation Matrix (Exhibit)	Removed.	Superseded by the GPS Delegation of Authority and Decision Register (pp. 38, 78–80).
By-Laws	Removed.	Board structure, officers, meetings, quorum, and rules of order are in the GPS (pp. 30–55).

3. Policies going to other committees

Consistent with the GPS Decision Register, the remaining policies in the investment policy document are being reviewed by the committee responsible for them: Securities Monitoring and Litigation (Governance & Policy Review Committee), Incentive Compensation (Executive Review & Compensation Committee), and the Investment Code of Ethics (Audit, Risk & Compliance Committee).

Committee Action Requested: Recommend the Investment Policies for first reading at the December Board meeting.

Attachments: Investment Policies – Redline; Investment Policies – Clean

Investment Policy Development – Client Funds

All client funds under SIB management must have a written investment policy. The investment policy is the cornerstone of any investment program. A sound investment policy ensures that fund assets are managed in a disciplined process, based on long-term fundamental investment principles.

For the larger, more complex client funds, consultants are used to assist in policy and asset allocation development. Their specialized skills are needed to model and analyze the many variables that go into determining a proper asset allocation.

Policy development starts with the specification of investment objectives, constraints, and preferences. Fund trustees must address several factors:

- What is the fund's objective(s)?
- What is the Board's tolerance for risk or threshold for under-performance?
- What are the fund's liquidity needs and cash flow characteristics?
- What are the Board's asset class preferences and constraints?
- What is the actuarial earnings assumption?
- What are the legal or political considerations?
- What is the investment time horizon?

Since the ultimate objective of fund investments is to provide for the payment of future capital needs, claims, or other monetary requirements, it is essential that the investment policy be developed within the context of fund liabilities or spending policy. The development of investment policy, therefore, is always unique to the circumstances of each fund.

Different asset allocation scenarios are modeled to quantify the range of potential future investment outcomes. Investment consultants contribute needed expertise on capital market expectations and identifying the risks associated with a particular asset allocation.

In accordance with NDCC 21-10-02.1, RIO staff works with each fund's governing authority, and consultants as needed, to develop an investment policy, which includes an appropriate asset allocation, for each of the statutory funds. RIO staff also works with contracted clients, as applicable, to develop their investment policies and asset allocations. Pooling of funds is allowed by statute.

Each policy, at a minimum, will include the following information:

1. Plan and fund overview: provides background information regarding the plan, governing chapters of NDCC and client investment objectives

2. Responsibilities and discretion of the SIB: includes governing chapters of NDCC as well as provisions for delegation and oversight
3. Investment performance objectives
4. Asset allocation
    a. Asset allocation percentages and rebalance bands
    b. Benchmark provisions
    c. Rebalancing
5. General restrictions and guidelines
6. Internal controls
7. Evaluation and review requirements
8. Withdrawal requirements

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; November 18, 2022; January 2027

Investment Policy Development – Investment Pools

In accordance with NDCC 21-10-02 and 21-10-06, investment pools may be created for asset allocations, individual asset classes, sub-asset classes, manager portfolios or transactions and unitized for allocation to client funds. Within each asset class, and pool, investment strategies may be implemented through the internal direct investment team, external managers, or a combination thereof.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; November 18, 2022; January 2027

Monitoring

The SIB will ensure that appropriate monitoring mechanisms are in place. The basic mechanisms are:

- Accounting
- Auditing
- Performance Measurement
- Compliance

The primary objective of these functions is to provide useful information to governance bodies and support the effective management of client funds. The monitoring functions provide current information regarding fund size, and performance; the effective execution of processes, policies, and controls; and adherence to mandated funds and portfolio level constraints. Monitoring activities will

be conducted internally by RIO staff and externally by the master custodian, auditors, and investment service providers.

Accounting

The master custodian will provide RIO staff with such accounting details and at such frequency as necessary to fulfill the SIB's reporting requirements.

RIO staff will generate monthly and annual financial statements for each of the client funds managed by the SIB.

RIO staff is responsible for ensuring the proper valuation of all assets. Formal valuation policies must be implemented utilizing industry best practices and GAAP.

Auditing

The North Dakota State Auditor is responsible for the external audit of RIO. The State Auditor may assign this responsibility to an outside firm selected through an RFP process. The SIB Audit, Risk and Compliance Committee may make recommendations to the State Auditor concerning the selection, evaluation, and termination of this firm. This firm conducts a financial and management audit for each fiscal year. The audited financial statements are filed with the Legislative Audit and Fiscal Review Committee.

RIO has a dedicated internal audit function that reports to the SIB Audit, Risk and Compliance Committee. The internal audit function covers both the investment and retirement divisions of RIO. The SIB Audit, Risk and Compliance Committee has oversight responsibilities as outlined in its charter.

Performance Measurement and Reporting

The SIB will retain reputable performance measurement services to provide comprehensive performance measurement information. Performance results for SIB accounts will be calculated from accounting data provided by the master custodian and compared to relevant benchmarks. Time periods covered by the report may vary but generally will include the most recent quarter, one year, three years, five years, and longer periods (as data is available).

RIO staff will use appropriate sources to compile monthly performance reports for each of the client funds under the SIB that show recent performance and asset mix.

Compliance

RIO management is responsible for developing and implementing compliance procedures utilizing industry best practices. A summary of compliance procedures and results will be presented to the SIB annually.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; February 25, 2011; May 17, 2024; January 2027

Proxy Voting

The Board shall comply with NDCC 54-06-40 and NDCC 21-10-08.1 for all proxy voting on behalf of client funds. It shall be the policy of the SIB to vote all proxies appurtenant to shares held in the various plans administered by the Board, and to vote said shares in a manner that best serves the system's interests. Specifically, all shares are to be voted on with the interest of preserving or enhancing share value. The Board further recognizes that proxy issues are frequently complex, requiring expert guidance; accordingly, it has adopted procedures that employ such experts.

DISTINCTION OF RESPONSIBILITIES

Master Custodian

The system's master custodian shall be responsible for timely receipt and distribution of proxy ballots to the appropriate investment managers.

Managers

The managers shall be responsible for promptly voting all proxies pursuant to the Board's policies, and in keeping with the managers' best judgments, unless RIO determines that it is in the best interest of the client funds for RIO to retain responsibility for voting of such proxies.

Staff

Staff, in concert with the master custodian and the managers, shall be responsible for monitoring the receipt and voting of all proxies.

Board

The Board shall administer and enforce its policies.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; October 26, 2018; November 18, 2022; January 2027.

Investment Manager Process

Investment managers manage assets on behalf of the SIB under defined investment mandates. An investment strategy specifies the investment approach, objectives, benchmark, and risk parameters for managing those assets. Investment managers may be external firms or designated investment teams within RIO. External managers are selected based on the strength and stability of their organizations and their demonstrated capability to implement the proposed mandate and contribute to client fund objectives over an appropriate investment horizon.

The external investment manager lifecycle comprises selection, ongoing monitoring, and termination. The Board has delegated authority for these decisions to the Executive Director, who has delegated their day-to-day exercise to the Chief Investment Officer, subject to Board policy and oversight by the Investment Committee and the Board. Internal direct investment strategies are addressed separately in this policy.

Manager Selection

The SIB engages investment managers with the intention of maintaining long-term relationships, subject to continued suitability. A manager may be engaged for more than one mandate. Managers are selected for defined portfolio roles based on demonstrated expertise and institutional capabilities. Selection and contracting must comply with applicable state and federal requirements. Managers must demonstrate relevant performance history, organizational stability, and sufficient personnel, systems, controls, and financial resources to manage institutional assets and fulfill the mandate.

The selection process follows a documented due diligence framework covering portfolio fit, investment team, investment process and strategy, firm, performance, and contractual terms. Evaluation considers expected returns net of fees and costs, risk exposures, capacity, liquidity, alignment of interests, and conflicts of interest. Operational diligence addresses controls, valuation practices, service providers, compliance, and business continuity, including cybersecurity. The scope and depth of diligence are proportionate to the mandate's complexity and risks. Material findings and the investment rationale are documented before commitment.

Public and private market searches differ in the availability and transparency of information, investment structures, and timing of opportunities. Core evaluation principles remain consistent, while diligence and implementation reflect the mandate's liquidity, valuation, and contractual characteristics. Legal and operational readiness are confirmed before funding.

Manager Monitoring

External strategies form part of portfolios overseen by RIO Portfolio Managers and governed by Board-approved policies. Mandate documentation specifies investment objectives, benchmarks, permitted investments, and applicable risk limits, which may include limits on concentration, liquidity, leverage, credit quality and other relevant risk exposures. For pooled funds, governing documents are evaluated

for consistency with the intended portfolio role and applicable Board policies, recognizing that the SIB may not control the vehicle's investment guidelines.

Manager and strategy monitoring assesses continued adherence to the investment rationale, mandate requirements, and intended portfolio role. Reviews consider performance net of fees and costs relative to objectives and appropriate benchmarks, risk exposures, and changes in personnel, ownership, investment process, operations, or compliance. Designated investment team members are responsible for documented monitoring at a frequency appropriate to each mandate's risks, liquidity, and reporting availability.

Monitoring findings are assessed collectively and reviewed by the Investment Team. Material concerns are escalated promptly to the Chief Investment Officer. Responses may include additional diligence, manager engagement, heightened monitoring, reductions in exposure, or termination of a strategy or manager relationship, subject to contractual rights and liquidity constraints. Decisions are made by delegated authority, and material issues are reported to the Investment Committee and the Board in accordance with established reporting procedures.

Manager Termination

The termination process begins when the Investment Team recommends ending a mandate or manager relationship. Reasons may include performance concerns assessed over an appropriate horizon, organizational or operational weaknesses, compliance issues, fee considerations, portfolio needs, or a more suitable investment solution. The Chief Investment Officer determines termination within the authority delegated by the Board. The decision and rationale are documented, together with a transition plan addressing notice requirements, liquidity restrictions, residual obligations, and the intended use of proceeds. Implementation reflects contractual rights, including limitations on withdrawal from private market investments.

Material changes in manager or strategy status, including selections and terminations, are reported periodically to the Investment Committee and the Board. Matters requiring immediate attention are escalated promptly under established reporting procedures.

Policy Implemented: September 20, 1995
Amended: February 27, 2009; November 18, 2022; May 17, 2024; January 2027

Implementation – Internal Direct Investment Strategies

Investment managers manage assets on behalf of the SIB under defined investment mandates. An investment strategy specifies the approach, objectives, benchmark, and risk parameters for managing those assets. Investment managers may be external firms or designated investment teams within RIO. Internal teams are established within RIO's organizational structure and supported by qualified personnel, appropriate systems, documented operating procedures, and controls that provide appropriate segregation of duties across investment, risk, compliance, and operational functions.

Strategy Selection

Internal investment strategies are selected to complement external manager strategies and support capabilities required at the client fund level. Selection is based on the expected contribution to client fund objectives through cost efficiency, improved net returns, risk management, or a combination of these benefits. Evaluation considers investment rationale, expected costs and benefits, portfolio fit, capacity, liquidity, and operational readiness. New internal strategies are reviewed by the Investment Committee for recommendation to the Board for approval before implementation.

Strategy Monitoring

Internal investment strategies are implemented through portfolios managed by designated Portfolio Managers in accordance with approved investment guidelines. The guidelines define the mandate's objectives, benchmark, permitted instruments, and applicable risk limits which may include limits on exposures, concentration, liquidity, leverage, credit quality, deviations from the benchmark, and other relevant risks. Compliance with the guidelines is subject to ongoing monitoring.

The Chief Investment Officer oversees internal portfolios, which are reviewed by the Investment Committee as part of the Board's regular governance cycle. Reviews evaluate performance, net of costs, relative to objectives and benchmarks, as well as risk exposures, compliance, and operational effectiveness. Material guideline breaches and significant risks are escalated promptly in accordance with established reporting and remediation procedures.

Strategy Termination

Internal investment strategies are considered for termination when they no longer meet the objectives or rationale of their mandates, cannot be supported by adequate resources and controls, or are superseded by an approved replacement strategy. The assessment considers performance over an appropriate evaluation period, continued portfolio relevance, and the costs and risks of transition. Implementation follows an orderly transition plan that addresses liquidity, transaction costs, and ongoing risk control.

Implementation – Portfolio Rebalancing

Portfolio Rebalancing

The need to rebalance a client fund's portfolio may arise from changes to the asset allocation, market activity, or cash flows that cause the current allocation to deviate from the target allocation. Each client fund's Investment Policy Statement establishes target allocations and permissible ranges for each asset class and/or sub-asset class.

RIO staff reviews each client fund's current asset allocation against its targets and permissible ranges at least monthly. When asset allocations remain within permissible ranges, RIO staff determines what rebalancing actions, if any, are appropriate based on portfolio considerations.

If the allocation to any asset class or sub-asset class moves outside its permissible range, RIO staff will take appropriate action to bring the client fund's asset allocation back within permissible ranges in a reasonable timeframe, taking into consideration liquidity, market conditions, transaction costs, and other relevant portfolio considerations.

Policy Implemented: September 20, 1995.

Amended: November 18, 2022; January 2027

Bank of North Dakota Match Loan Program

The SIB has a commitment to the Bank of North Dakota Match Loan Program. The purpose of the program is to encourage and attract financially strong companies to North Dakota. The program is targeted to manufacturing, processing and value-added industries.

The SIB provides capital to the program by purchasing Certificates of Deposit (CDs) from the Bank of North Dakota. The CDs are guaranteed by the state and are issued in accordance with NDCC 21-10-11 and the letter agreement between the SIB and BND.

The Chief Investment Officer and staff will determine the source of funding for the CDs consistent with the applicable IPS.

Policy Implemented: April 24, 1998.
Amended: February 27, 2009; and May 17, 2024; January 2027

Accepting New Clients

NDCC 21-10-06 authorizes the SIB to provide investment services to any state agency, institution, or political subdivision of the state.

When a request is received by staff from a potential new investor requesting investment services from the SIB, the following steps shall be followed.

1. Staff will conduct initial discussions with the potential client regarding types of funds, risk tolerance, size of fund, services to be provided, costs, and other relevant considerations.
2. Staff will recommend that an Asset/Liability study be conducted by the potential client if one has not been completed recently. This discussion will include a description of the asset classes available for investment with the SIB for consideration in their study.
3. If the potential client remains interested in participating in the SIB program, staff will bring the preliminary request to the SIB for acceptance. The SIB will consider the following factors in determining whether to accept a new client:
    a. Internal staff administrative capacity.
    b. Compatibility of potential new client's goals and risk tolerances with the existing SIB program structure.
    c. Other factors the SIB determines appropriate to the decision.
4. If the SIB accepts the preliminary request, staff will provide the necessary template documents to the potential client for review and completion. These documents include a contract for services and the investment policy statement (IPS).
5. Once documentation is completed, staff will request to have the issue included on the Industrial Commission's agenda for their approval. Copies of all documentation will be provided for their review.
6. If approved by the Industrial Commission, final documentation will be presented to the SIB for final acceptance.
7. If accepted, staff will work with the new client to arrange the transfer of funds and implementation of the asset allocation at an appropriate time based on operational and investment considerations.
8. Fees will be charged with the intention of covering all associated costs as described in RIO Fiscal (Investment Fee Allocations Policy)

Policy Implemented: November 20, 2009
Amended: May 17, 2024; January 2027

Deleted text is shown as ~~struck through~~ and new text is shown as underlined. Unmarked text is unchanged.

Investment Policy Development – ~~Trust~~ Client Funds

All client funds under SIB management must have a written investment policy. ~~-~~The investment policy ~~forms~~ is the cornerstone of ~~the management of~~ any investment program. A sound investment policy ensures that fund assets are managed in a disciplined process, based on long-term fundamental investment principles.

For the larger, more complex ~~trust~~ client funds, consultants are used to assist in policy and asset allocation development. Their specialized skills are needed to model and analyze the many variables that go into determining a proper asset allocation.

Policy development starts with the specification of investment objectives, constraints, and preferences. ~~-~~Fund trustees must address ~~a number of~~ several factors:

- What is the fund's objective(s)?
- What is the Board's tolerance for risk or threshold for under-performance?
- What are the fund's liquidity needs and cash flow characteristics?
- What are the Board's asset class preferences and constraints?
- What is the actuarial earnings assumption?
- What are the legal or political considerations?
- What is the investment time horizon?

Since the ultimate objective of fund investments is to provide for the payment of future capital needs, claims, or other monetary requirements, it is essential that the investment policy be developed within the context of fund liabilities or spending policy. The development of investment policy, therefore, is always unique to the circumstances of each fund.

~~Complex actuarial models are used to quantify the liabilities of the pension plans and Workforce Safety and Insurance. Internal entities develop cash flow forecasts for the smaller funds based on past claims or anticipated expenditures.~~

Different asset allocation scenarios ~~optimizations~~ ~~alternatives~~ are modeled to ~~are used to~~ quantify the range of potential future investment outcomes. Investment consultants contribute needed expertise on capital market expectations and ~~in~~ identifying the risks associated with a particular asset allocation.

~~For some funds, the risk/return tradeoffs of alternative portfolios are not well represented by expected returns and standard deviation. More important are the expected results for required sponsor and participant contributions and funded ratios over time. Asset/liability modeling is the tool~~

~~that allows the governing Boards to examine and assess the tradeoffs leading to an appropriate investment policy.~~

~~The results of the optimizations are a description of the range of financial results that might realistically be expected to occur. These results provide the basis for determining an asset allocation.~~

In accordance with NDCC 21-10-02.1, RIO staff works with each fund's governing authority, and consultants as needed, to develop an investment policy, which includes an appropriate asset allocation, for each of the statutory funds. RIO staff also works with contracted clients, as applicable, to develop their investment policies and asset allocations. ~~Contracted entities are responsible for their own policy development.~~ Pooling of funds is allowed by statute~~. A pooled allocation will have an investment policy that can be approved by each fund's governing authority~~.

Each policy, a~~t~~ts a minimum, will include the following information:

1. ~~Fund characteristics and constraints~~Plan and fund overview:~~.~~ provides ~~An explanation as to the purpose of the portfolio and its legal structure.~~Includes ~~bb~~Background information regarding the plan, governing chapters of NDCC and client investment objectives
    a. ~~Size of portfolio and the likelihood and amount of future contributions and disbursements~~
    b. ~~Participant demographics when applicable.~~
    c. ~~Fiscal health of fund.~~
    d. ~~Constraints.~~
    e. ~~Unique circumstances.~~
2. Responsibilities and discretion of the SIB~~.~~: includes governing chapters of NDCC as well as provisions for delegation and oversight
3. Investment performance objectives~~.~~
4. Asset allocation
    a. Asset allocation percentages and rebalance bands
    b. ~~-~~ Benchmark provisions
    c. Rebalancing
5. General restrictions and guidelines
6. Internal controls
7. Evaluation and review requirements
8. Withdrawal requirements
9. ~~Standards of investment performance.~~

~~Asset allocation policy and guidelines.~~

~~Evaluation and review.~~

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; November 18, 2022; January 2027~~.~~

Investment Policy Development – Investment Pools

In accordance with NDCC 21-10-02 and 21-10-06, investment pools may be created for asset allocations, individual asset classes, sub-asset classes, manager portfolios or transactions and unitized for allocation to client funds. Within each asset class, and pool, investment strategies may be implemented through the internal direct investment team, external managers, or a combination thereof.

~~Asset Class Implementation~~

~~The SIB may internally manage investment of funds as by the Investment Committee and if there is a policy approval for internal investment management by the Board. Within each asset class there are numerous manager strategies implemented with, an internal direct investment team and external managers that may be employed by the SIB to affect exposure to the various asset classes as well as achieve an excess return to the policy benchmark.~~

~~Investment Pools~~

~~Investment pools may be defined created for asset allocations as well as individual asset classes, sub-asset classes, manager portfolios or transactions and unitized for allocation to client funds.~~

~~SIB investment pool policy statements will define the following:~~

1. ~~Strategic objectives.~~
2. ~~Performance objectives.~~
    a. ~~Appropriate capital market benchmarks.~~
    b. ~~Excess return targets, after payment of investment management fees.~~
    c. ~~Peer-group ranking.~~
    d. ~~Risk characteristics.~~
    e. ~~Termination factors.~~
3. ~~Portfolio constraints.~~
    a. ~~Quality of securities/portfolio (security – BAA/portfolio – AA).~~
    b. ~~Quality held (maximum in company/industry/economic sector).~~
    c. ~~Other specific restrictions if applicable (ADRs, 144A securities, prohibited transactions, etc.).~~
4. ~~Investment structure.~~
    a. ~~Percent of assets per manager cycle.~~
5. ~~Ranges for rebalancing. Control Procedures~~
    a. ~~Duties and responsibilities of the SIB~~

b. ~~Duties and responsibilities of money managers.~~

c. ~~Reporting requirements.~~

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; November 18, 2022; January 2027

Monitoring

The SIB will ensure that appropriate monitoring mechanisms ~~are in place at all times~~ are ~~always~~ in place. ~~-~~The ~~three~~ basic mechanisms are:

- Accounting
- Auditing
- Performance Measurement
- Compliance

The primary objective of these functions is to provide useful information to ~~decision makers (fiduciaries and legislators)~~governance bodies and ~~for~~ support the effective management of ~~the~~ client funds. ~~These~~ The monitoring functions provide current information regarding fund size, and performance; the effective execution of processes, policies, and controls; and adherence to mandated funds and portfolio level constraints. ~~monitoring functions are needed to keep track of assets and manager activity and to control the asset mix.~~ ~~Different aspect~~ The m Monitoring ~~s of these~~ activities will be conducted internally by RIO staff and externally by the master custodian, auditors, and investment ~~consultants~~ service providers.

Accounting

The master custodian will provide RIO staff with such accounting ~~detail~~ details and at such frequency as ~~the staff deems~~ necessary to fulfill the SIB's reporting requirements.

~~From this information,~~ RIO staff will generate monthly and annual financial statements for each of the ~~trust~~ client funds managed by the SIB.

RIO staff is responsible ~~to ensure~~ for ensuring the proper valuation of all assets. Formal valuation policies must be ~~developed and~~ implemented utilizing industry best practices and GAAP ~~accounting requirements~~ principles.

~~Compliance~~

~~RIO management is responsible for developing and implementing compliance procedures utilizing industry best practices. A summary of compliance procedures and results will be presented to the SIB annually.~~

Auditing

The North Dakota State Auditor is responsible for the external audit of RIO. ~~-~~The State Auditor ~~y~~ may assign this responsibility to an outside firm ~~which~~ selected ~~they select by way of the~~ through an RFP process. ~~–~~The SIB Audit, Risk and Compliance Committee may make recommendations to the State Auditor concerning the selection, evaluation, and termination of this firm. ~~-~~This firm conducts ~~an extensive~~ a financial and management audit for each fiscal year. ~~-~~The audited financial statements are filed with the Legislative Audit and Fiscal Review Committee.

RIO has a dedicated internal audit function that reports to the SIB Audit, Risk and Compliance Committee. ~~-~~The internal audit function ~~encompasses~~ covers both the investment and retirement divisions of RIO. The SIB Audit ~~Committee has oversight responsibilities as outlined in the SIB Audit Committee charter~~, Risk and Compliance Committee has oversight responsibilities as outlined in its charter.

Performance Measurement and Reporting

~~The third element of monitoring entails measuring the performance of the individual investment managers and the total fund performance of each of the funds under the SIB.~~ The SIB will retain reputable ~~investment consultants or~~ performance measurement services to provide comprehensive ~~quarterly~~ performance measurement information. ~~This information will include data on the capital markets, other plan sponsors, and other investment managers.~~ Performance results for SIB accounts will be calculated from accounting data provided by the master custodian and compared to relevant ~~capital market~~ and other benchmarks~~, other public funds, manager peer groups, and investment goals specified in the asset class investment policy~~. Time periods covered by the report may vary but generally will include the most recent quarter, ~~last 12 months~~one year, ~~last~~ three years, five years, and longer ~~time~~ periods (as data is available).

RIO staff will use appropriate sources to compile monthly performance reports for each of the client funds under the SIB that show recent performance and asset mix.

Compliance

RIO management is responsible for developing and implementing compliance procedures utilizing industry~~'s~~ best practices. A summary of compliance procedures and results will be presented to the SIB annually.

~~RIO staff will use appropriate sources to compile monthly performance reports for each of the funds under the SIB that show recent performance and asset mix.~~

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; February 25, 2011; May 17, 2024; January 2027~~.~~

Proxy Voting

~~STATEMENT OF POLICY~~

The Board shall comply with NDCC 54-06-40 and NDCC 21-10-08.1 for all proxy voting on behalf of client funds. ~~-~~It shall be the policy of the SIB to vote all proxies appurtenant to shares held in the various plans administered by the Board, and to vote said shares in a manner that best serves the system's interests. Specifically, all shares are to be ~~voted~~voted on with the interest of preserving or enhancing share value. ~~The SIB may permit an investment manager to abstain from voting proxies when, based on the nature of the investment strategy, proxy voting is not considered an integral component of the manager's investment process. The Board endorses the Department of Labor opinion that proxies have economic power which shareholders are obligated to exercise to improve corporate performance.~~ The Board further recognize~~sd~~ that proxy issues are frequently complex, requiring expert guidance; accordingly, it has adopted procedures that employ such experts.

~~The objectives of these policies are as follows:~~

~~Exercise the value empowered in proxies.~~

~~Maintain or improve share value for the exclusive benefit of the participants.~~

~~"Managers" shall be defined as external investment management institutions and as investment managers of applicable internal investment portfolios.~~

~~PROCEDURES~~

DISTINCTION OF RESPONSIBILITIES

Master Custodian

The system's master custodian shall be responsible for timely receipt and distribution of proxy ballots to the appropriate investment ~~management institutions~~ managers.

Managers

The managers shall be responsible for promptly voting all proxies pursuant to the Board's policies, and in keeping with the managers' best judgments, unless RIO determines that it is in the best interest of the client funds for RIO to retain responsibility for voting of such proxies.

~~. The SIB may permit a manager to abstain from voting proxies when, based on the nature of the investment strategy, proxy voting is not considered an integral component of the manager's investment process.~~

Staff

Staff, in concert with the master custodian and the managers, shall be responsible for monitoring the receipt and voting of all proxies.

Board

The Board shall administer and enforce its policies. ~~This administration and enforcement required~~ reporting from responsible persons, as discussed in the following.

~~REPORTING~~

~~Master Custodian~~

~~The master custodian shall report quarterly in writing on all pertinent proxy issues, including (1) receipt of proxy material; (2) nature of issues; (3) due date; (4) names of managers and dates forwarded; and~~

~~(5) deficiency reports covering proxies that should have been received but were not.~~

~~Managers~~

~~Managers shall report quarterly in writing on how proxies have been voted, with explanations given whenever the Board's guidelines have not been followed.~~

~~Staff~~

~~Internal compliance staff shall report annually on the efficiency of the process, the portion of total proxies that have actually been voted, and compliance with Board directives.~~

Policy Implemented: September 20, 1995.

Amended: February 27, 2009; October 26, 2018; November 18, 2022; January 2027.

~~External Implementation – Investment Manager Selection~~Investment Manager Process

Investment managers manage assets on behalf of the SIB under defined investment mandates. An investment strategy specifies the investment approach, objectives, benchmark, and risk parameters for managing those assets. Investment managers may be external firms or designated investment teams within RIO. External managers are selected based on the strength and stability of their organizations and their demonstrated capability to implement the proposed mandate and contribute to client ~~plan~~ fund objectives over an appropriate investment horizon.

The external investment manager lifecycle comprises selection, ongoing monitoring, and termination. The Board has delegated authority for these decisions to the Executive Director, who has delegated their day-to-day exercise to the Chief Investment Officer, subject to Board policy and oversight by the Investment Committee and the Board. Internal direct investment strategies are addressed separately in this policy.

Manager Selection

The SIB engages investment managers with the intention of maintaining long-term relationships, subject to continued suitability. A manager may be engaged for more than one ~~strategy~~ mandate. Managers are selected for defined portfolio roles based on demonstrated expertise and institutional capabilities. Selection and contracting must comply with applicable state and federal requirements. Managers must demonstrate relevant performance history, organizational stability, and sufficient personnel, systems, controls, and financial resources to manage institutional assets and fulfill the mandate.

The selection process follows a documented due diligence framework covering portfolio fit, investment team, investment process and strategy, firm, performance, and contractual terms. Evaluation considers expected returns net of fees and costs, risk exposures, capacity, liquidity, alignment of interests, and conflicts of interest. Operational diligence addresses controls, valuation practices, service providers, compliance, and business continuity, including cybersecurity. The scope and depth of diligence are proportionate to the mandate's complexity and risks. Material findings and the investment rationale are documented before commitment.

Public and private market searches differ in the availability and transparency of information, investment structures, and timing of opportunities. Core evaluation principles remain consistent, while diligence and implementation reflect the mandate's liquidity, valuation, and contractual characteristics. Legal and operational readiness are confirmed before funding.

Manager Monitoring

External strategies form part of portfolios overseen by RIO Portfolio Managers and governed by Board-

approved policies.– Mandate documentation specifies investment objectives, benchmarks, permitted investments, and applicable risk limits, ~~on risk exposures~~ which may include limits on , ~~–~~concentration, liquidity, leverage, ~~and~~ ~~–~~credit quality and other relevant risk exposures. For pooled funds, governing documents are evaluated for consistency with the intended portfolio role and applicable Board policies, recognizing that the SIB may not control the vehicle's investment guidelines.

Manager and strategy monitoring assesses continued adherence to the investment rationale, mandate requirements, and intended portfolio role. Reviews consider performance net of fees and costs relative to objectives and appropriate benchmarks, risk exposures, and changes in personnel, ownership, investment process, operations, or compliance. Designated i~~I~~nvestment t~~T~~eam members are responsible for documented monitoring at a frequency appropriate to each mandate's risks, liquidity, and reporting availability.

Monitoring findings are assessed collectively and reviewed by the Investment Team. Material concerns are escalated promptly to the Chief Investment Officer. Responses may include additional diligence, manager engagement, heightened monitoring, reductions in exposure, or termination of a strategy or manager relationship, subject to contractual rights and liquidity constraints. Decisions are made by delegated authority, and material issues are reported to the Investment Committee and the Board in accordance with established reporting procedures.

Manager Termination

The termination process begins when the Investment Team recommends ending a ~~strategy~~ mandate or manager relationship. Reasons may include performance concerns assessed over an appropriate horizon, organizational or operational weaknesses, compliance issues, fee considerations~~s~~, portfolio needs, or a more suitable investment solution. The Chief Investment Officer determines termination within the authority delegated by the Board. The decision and rationale are documented, together with a transition plan addressing notice requirements, liquidity restrictions, ~~transaction costs,~~ residual obligations, and the intended use of proceeds. Implementation reflects contractual rights, including limitations on withdrawal from private market investments.

Material changes in manager or strategy status, including selections and terminations, are reported periodically to the Investment Committee and the Board. Matters requiring immediate attention are escalated promptly under established reporting procedures.

~~The SIB hires investment managers with the intention of maintaining long-standing relationships. Care is taken to select managers for defined roles based on their strengths in designated areas. The hiring process is done in accordance with all applicable state and federal laws.~~

~~The investment management business has rapidly evolved since the 1990's. It is recognized that many viable firms have been formed as the result of spin-offs or start-ups and may not have a traditional long-term investment performance history in accordance with the following guidelines. There has also been a tremendous increase in the types of strategies available to institutional investors resulting in the need for flexibility in the establishment of investment criteria. Subject to the case-by-case acceptance of deviation by the SIB members, money managers must meet the following minimum selection criteria for inclusion in a manager search:~~

- ~~Must be a registered investment adviser, bank, insurance company, or investment company (mutual fund). Should provide ADV Part II (registered investment adviser) prospectus (investment company) or comparable information (bank or insurance company).~~
- ~~Provide at least five years of actual quarterly performance data that is time weighted a representative composite of accounts and meets Global Investment Performance Standards (GIPS).~~
- ~~Provide information that illustrates the key investment personnel have been together for at least five years and the capabilities of the firm can handle the current level of investment activity.~~
- ~~Able to articulate the firm's investment strategies and philosophy in a manner understandable by the Board and provide a statement that the strategy has been followed for at least five years.~~
- ~~Disclose any pending or past litigation or censure.~~
- ~~Be willing to acknowledge their fiduciary status in writing (mutual funds are exempted from this requirement).~~

~~The following steps will be followed in the selection process, subject to modification relative to investment strategy and manager search circumstances:~~

~~Develop a profile of the type of manager needed. This is based on the investment goals and asset allocations. Included in the profile are such things as:~~

1. ~~Quantitative characteristics, such as GIPS-compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics.~~
2. ~~Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision making process, and risk controls.~~
3. ~~Organizational factors such as type and size of firm, ownership structure, client servicing capabilities, ability to obtain and retain clients, and fees.~~

- ~~Staff will provide a written report to the Investment Committee as required on the due diligence process conducted during the selection process. This report will include selection steps followed and process steps excluded.~~

- ~~Consultant and/or staff use the profile to screen their data base for managers that meet SIB criteria.~~
- ~~Consultant and/or staff reduce the group to the top candidates and prepare a summary report. The report will contain pertinent data on each of the candidates.~~
- ~~When appropriate, on-site visits may be made by staff and Board members to the candidates' home offices. Visits by Board members to potential manager sites must have Board approval.~~
- ~~When appropriate the Investment Officer will conduct fact-finding pre-interviews. SIB trustees and RIO staff will receive notice of these pre-interviews.~~

~~Interviews are conducted with each of the finalists in Bismarck. All are required to bring the potential portfolio manager to the interview. Particular attention is paid to gaining an understanding of the investment process and determining the manager's compatibility with the SIB's requirements and objectives.~~

~~The Chief Investment Officer and staff will schedule manager interviews with the SIB. Following these interviews, the Chief Investment Officer and staff will make recommendations to the SIB on manager selection.~~

- ~~The SIB will select the investment manager by majority vote.~~
- ~~Manager(s) selected by the SIB are notified immediately by RIO staff. Unsuccessful candidates are notified by consultant.~~
- ~~Investment management contracts are reviewed and finalized, sent to the Attorney General for review, and executed.~~
- ~~Accounts are set up at the master custodian and on the internal general ledger.~~
- ~~Consultant is notified when to begin the measurement of the investment performance of the manager(s).~~

Policy Implemented: September 20, 1995
Amended: February 27, 2009; November 18, 2022; May 17, 2024; January 2027~~.~~

~~Implementation – Portfolio Rebalancing~~

~~Portfolio Rebalancing~~

~~The need to rebalance the portfolio can arise from a new asset allocation or because market activity has driven the actual distribution of assets away from the desired mix. To minimize transaction costs from rebalancing, RIO develops appropriate ranges around the target mix (which are specified in the policy statement). Rigidly adhered to, such a policy is a valuable risk control tool. By maintaining asset mix within reasonably tight ranges, the SIB avoids making unintentional "bets" in the asset mix and avoids market- timing decisions.~~

~~All funds the SIB oversees have an asset allocation with minimum and maximum limits assigned. RIO's rebalancing policy requires the asset mix to be determined at the end of each month and that appropriate rebalancing takes place.~~

~~**Policy Implemented:** September 20, 1995.~~

~~**Amended:** November 18, 2022.~~

Evaluation

The Board and the Investment Committee will follow an annual evaluation cycle for the investment program to ensure systematic review of investment policies and performance results and the development and implementation of corrective action plans. Evaluation of the program seeks to answer such questions as:

- Are all investment goals being met?
- What has worked and what has not?
- Have changes occurred in the capital markets, plan design, or Board philosophy to warrant changes in investment policy?
- Are money managers meeting our expectations?
- Is continued confidence in the money managers warranted?
- Are accounting practices sound and fair to participating funds?
- Is service delivered in the most cost-effective manner?

The SIB's consultants play a key role in helping to answer some of these questions. The external auditor's report provides insight on accounting practices and cost effectiveness.

Evaluation of Money Managers

Achievement of the SIB's performance goals hinges on the success of the investment strategies and money managers it employs. Evaluation of each money manager must consider the following:

- Has the manager achieved the SIB's performance objectives?
- Has the firm adhered to the investment philosophy for which it was hired?
- Have there been any organizational or personnel changes that may negatively affect future performance?
- Are areas of concern being adequately addressed?
- Can the manager perform well in the future, regardless of whether extraordinary events, long-term performance, and/or short-term performance argue for termination?

These criteria are assessed by quantitative and qualitative means:

- Analyses provided by the investment consultant.
- Annual meetings with each manager in Bismarck, onsite at the managers' offices or virtually to discuss performance, investment philosophy, organizational changes, economic outlook, and areas of concern.

~~Longer periods of time are better than shorter time periods when assessing a manager's performance. Ideally, performance should be assessed over a market cycle. Market cycles have varying lengths but have historically averaged 5-7 years. The SIB will use a minimum five-year period to evaluate manager performance against long- term performance standards. Long-term performance standards will be a market index that the manager has previously agreed to be measured against.~~

~~Shorter-term performance standards will also be established for each money manager. These standards will incorporate a minimum three-year measurement period and measure the manager against a previously agreed-upon peer group or style market index.~~

~~Long-term performance standards, short-term performance standards, extraordinary events, and termination factors will be incorporated in the written asset class investment policies.~~

~~Evaluation of Program Costs~~

~~Costs will be broken out by internal administration, investment consultants, master custodian, and external manager fees. Reports will detail this information by investment pool, managers, and by fund.~~

~~These costs will be compared to other funds on an annual basis and generally include a fee study conducted by an experienced investment consultant every two years. Staff is encouraged to identify other cost- comparison sources which may include the engagement of specialized fee consultants to conduct in-depth fee reviews on a periodic basis, subject to Board review and approval.~~

~~Policy Implemented: September 20, 1995.~~
~~Amended: October 26, 2018; July 22, 2022; and November 18, 2022~~

Implementation – Internal Direct Investment Strategies

Investment managers manage assets on behalf of the SIB ~~(Board)~~ under defined investment mandates. An investment strategy specifies the approach, objectives, benchmark, and risk parameters for managing those assets. Investment managers may be external firms or designated investment teams within RIO. Internal teams are established within RIO's organizational structure and supported by qualified personnel, appropriate systems, documented operating procedures, and controls that provide appropriate segregation of duties across investment, risk, compliance, and operational ~~responsibilities~~ functions.

Strategy Selection

Internal investment strategies are selected to complement external manager strategies and support capabilities required at the client ~~plan~~ fund level. Selection is based on the expected contribution to client ~~plan~~ fund objectives through cost efficiency, improved net returns, risk management, or a combination of these benefits. Evaluation considers investment rationale, expected costs and benefits, portfolio fit, capacity, liquidity, and operational readiness. New internal strategies are reviewed by the Investment Committee for recommendation to the Board for approval before implementation.

Strategy Monitoring

Internal investment strategies are implemented through portfolios managed by designated Portfolio Managers in accordance with approved investment guidelines. The guidelines define the mandate's objectives, benchmark, permitted instruments, and applicable risk limits which may include limits on exposures, concentration, liquidity, leverage, credit quality, ~~and~~ deviations from the benchmark, and other relevant risks.~~.~~ Compliance with the guidelines is subject to ongoing monitoring.

The Chief Investment Officer oversees internal portfolios, which are reviewed by the Investment Committee as part of the Board's regular governance cycle. Reviews evaluate performance, net of costs, relative to objectives and benchmarks, ~~net of costs,~~ as well as risk exposures, compliance, and operational effectiveness. Material guideline breaches and significant risks are escalated promptly in accordance with established reporting and remediation procedures.

Strategy Termination

Internal investment strategies are considered for termination when they no longer meet the objectives or rationale of their mandates, cannot be supported by adequate resources and controls, or are superseded by an approved replacement strategy. The assessment considers performance over an appropriate evaluation period, continued portfolio relevance, and the costs and risks of transition. Implementation follows an orderly transition plan that addresses liquidity, transaction costs, and ongoing risk control.

Implementation – Portfolio Rebalancing

Portfolio Rebalancing

~~The need to rebalance the portfolio can arise from a new asset allocation or because market activity has driven the actual distribution of assets away from the desired mix. To minimize transaction costs from rebalancing, RIO develops appropriate ranges around the target mix (which are specified in the policy statement). Rigidly adhered to, such a policy is a valuable risk control tool. By maintaining asset mix within reasonably tight ranges, the SIB avoids making unintentional "bets" in the asset mix and avoids market- timing decisions.~~

~~All funds the SIB oversees have an asset allocation with minimum and maximum limits assigned. RIO's rebalancing policy requires the asset mix to be determined at the end of each month and that appropriate rebalancing takes place.~~ The need to rebalance a client fund's portfolio may arise from changes to the asset allocation, market activity, or cash flows that cause the current allocation to deviate from the target allocation. Each client fund's Investment Policy Statement establishes target allocations and permissible ranges for each asset class and/or sub-asset class.

RIO staff reviews each client fund's current asset allocation against its targets and permissible ranges at least monthly. When asset allocations remain within permissible ranges, RIO staff determines what rebalancing actions, if any, are appropriate based on portfolio considerations.

If the allocation to any asset class or sub-asset class moves outside its permissible range, RIO staff will take appropriate action to bring the client fund's asset allocation back within permissible ranges in a reasonable timeframe, taking into consideration liquidity, market conditions, transaction costs, and other relevant portfolio considerations.

Policy Implemented: September 20, 1995.

Amended: November 18, 2022; January 2027~~.~~

Performance Related Investment Manager Review

The North Dakota SIB recognizes the inherent importance of assessing an investment manager because of performance. Thus, the following process of evaluation includes quantitative *and* qualitative input. This procedure is structured to assist the SIB in recognizing potentially distressed investment managers, initiating a formal review process, and providing guidelines for termination if necessary. Note: The "Manager Review" terminology or concept is not meant to cause the manager to make substantive changes in investment philosophy, style, or strategies. Rather, it is intended to define a period of close scrutiny of the manager's activities, circumstances, and investment results.

Factors which may result in a Manager Review:

- Significant changes in organizational structure.
- Significant changes in investment philosophy.
- Significant deviation in portfolio management from stated philosophy (style drift).
- Substandard investment performance.
- Diminished confidence in manager.

Manager Review Procedures:

- Information is submitted to, or generated by, the Board which initiates consideration of a Manager Review.
- If warranted, the Board takes action to initiate a Manager Review.

Based on the situation and with input from the Chief Investment Officer, the SIB suggests appropriate action to facilitate the Review. Action may include telephone conferencing, local or on-site visits with manager, investigation by consultants, appearance of manager before a select committee of the SIB, or appearance of the manager before the SIB. The Chief Investment Officer and staff will initiate an investigation of situation based on direction from SIB.

The Chief Investment Officer and staff report's findings to SIB at a subsequent meeting.

After considering findings of the Manager Review, SIB may:

- Remove manager from Review status.
- Suggest additional action to facilitate Manager Review.
- Relieve manager of duties.

In the case where continued investigation is warranted, the Chief Investment Officer and staff will report new information and/or recommendations to the SIB as appropriate. It will be considered the responsibility of the Chief Investment Officer to maintain awareness and consideration of the Review until the situation is resolved.

~~It is important to recognize that situations occasionally arise of such a serious nature that a Manager Review process must be immediately initiated. In such cases, the Chief Investment Officer is granted the authority to place an investment manager under Review, including the freezing of assets if necessary, and report on such action at the next meeting of the SIB.~~

~~In every case, the Chief Investment Officer and staff is responsible for documenting the Manager Review process including recognition of:~~

- ~~Reason of Manager Review~~
- ~~Action taken to investigate the situation.~~
- ~~Report on results of investigation.~~
- ~~Report on resultant action taken by SIB.~~
- ~~Notification of investigation and conclusions to manager and consultants.~~

~~A complete record of Manager Review activities and history shall be maintained at the ND RIO.~~

~~Policy Implemented: June 27, 1997.~~
~~Amended: May 17, 2024.~~

Bank of North Dakota Match Loan Program

The SIB has a commitment to the Bank of North Dakota Match Loan Program. The purpose of the program is to encourage and attract financially strong companies to North Dakota. The program is targeted to manufacturing, processing and value-added industries.

The SIB provides capital to the program by purchasing Certificates of Deposit (CDs) from the Bank of North Dakota. The CDs are guaranteed by the state and are issued in accordance with NDCC 21-10-11 and the letter agreement between the SIB and BND.~~The SIB provides capital to the program by purchasing Certificates of Deposit (CD's) from the Bank of North Dakota. The CDs are guaranteed by the state, typically have seven-to-fifteen-year maturities and pay interest pegged to US Treasury notes.~~

The Chief Investment Officer and staff will determine the source of funding for the CDs consistent with the applicable IPS.~~The source of funding for CD's shall be determined by the Chief Investment Officer and staff; that funding to be from the most appropriate source consistent with liquidity and relative yield and return objectives and constraints.~~

Policy Implemented: April 24, 1998.
Amended: February 27, 2009; and May 17, 2024; January 2027~~.~~

Accepting New Clients

NDCC 21-10-06 authorizes the SIB to provide investment services to any state agency, institution, or political subdivision of the state.

When a request is received by staff from a potential new investor requesting investment services from the SIB, the following steps shall be followed.

1. Staff will conduct initial discussions with the potential client regarding ~~type~~ types of ~~fund~~ funds, risk tolerance, size of fund, services to be provided, costs, ~~etc~~ and other relevant considerations.
2. Staff will recommend that an Asset/Liability study be conducted by the potential client if one has not been ~~done~~ completed recently. This discussion will include a description of the asset classes available for investment with the SIB ~~to be included~~ for consideration in their study.
3. If the potential client ~~is still~~ remains interested in participating in the SIB program, staff will bring the preliminary request to the SIB for acceptance. The SIB will consider the following factors in determining whether to accept a new client ~~It shall be the policy of the SIB to take the following into consideration when determining if a new investor request will be accepted:~~.
    a. Internal staff administrative capacity.
    b. Compatibility of ~~new~~ potential new client's ~~investor's~~ goals and risk tolerances with the existing SIB program structure.
    c. ~~Whatever~~ Other factors the SIB determines ~~to be~~ appropriate to the decision.
4. If the SIB ~~chooses to~~ accepts the preliminary request, staff will provide the necessary template documents to the potential client for review and completion. These documents include a contract for services and the investment~~-~~ policy statement (IPS)~~guidelines~~.
5. Once documentation is completed, staff will request to have the issue included on the Industrial Commission's agenda for their approval. Copies of all documentation will be provided for their review.
6. If approved by the Industrial Commission, final documentation will be presented to the SIB for final acceptance.
7. If accepted, staff will work with the new client to arrange the transfer of funds and implementation of the asset allocation at an appropriate time based on operational and investment considerations. ~~If accepted, staff will work with the new client to set up transfer of funds and implementation of asset allocation as directed. All new clients will be brought in as of the last day of a calendar quarter.~~
8. Fees will be charged with the intention of covering all associated costs as described in RIO Fiscal (Investment Fee Allocations Policy)

9. ~~Management procedure "Investment Fee Allocations".~~

Policy Implemented: November 20, 2009
Amended: May 17, 2024; January 2027.

Section V Exhibits

1. Delegation Matrix (Delete this section, covered the gov ernance policy system)

Activity	Recommend	Approve for Recommendation	Approve	Oversight	Implement
Investment Policy	Staff/IC	IC	Board	IC and Board	Staff
Asset Allocation	Staff	IC	Board	IC and Board	Staff
Third Party Performance Assessment	Third Party			IC and Board	
Program Updates/Training				IC and Board	Staff/IC
Benchmarks	Third Party	IC	Board	IC and Board	Staff
IC Proceedings		IC	Board	Board	Staff
Any Authority			Board	Board	Staff/IC
Manager Guidelines	IC/Staff		IC	IC and Board	Staff
Monitor Funds and Portfolios				IC and Board	Staff
New Investment Strategies	Staff		IC	IC and Board	Staff
New Investment Portfolios	Staff		IC	IC and Board	Staff
New Investment Instruments	Staff		IC	IC and Board	Staff
Compliance	Staff		IC	IC and Board	Staff
Waivers	Staff		IC	IC and Board	Staff
Transitions			Staff	IC and Board	Staff
Rebalance			Staff	IC and Board	Staff
Hire/Terminate Managers	Staff		IC	IC and Board	Staff
Hire/Terminate Benchmark, Hurdle Rate Consultants	Staff	IC	Board	IC and Board	Staff
Hire/Terminate Custodians, Staff Consultants	Staff		Staff	IC and Board	Staff
Negotiate Manager Contracts				IC and Board	Staff
Manage Approved Direct Strategies				IC and Board	Staff

Section VIII: By-Laws

CHAPTER 1 - AUTHORITY

Section 1-1. The SIB has the authority to maintain an administrative office under Chapter 54-52.5, North Dakota Century Code.

Section 1-2. The SIB has the authority and responsibility for providing administrative services to the North Dakota TFFR (TFFR) and the North Dakota SIB. This includes organizing, staffing, and maintaining an administrative office.

Section 1-3. The SIB has the authority and responsibility for developing and monitoring the agency budget.

Section 1-4. The SIB has the authority and responsibility to maintain office records, an accounting system, and data processing support services.

Section 1-5. The SIB has the authority to pay all claims and investment expenses filed with TFFR and the SIB.

Policy Implemented: June 23, 1995.

CHAPTER 2 - BOARD

Section 2-1. Members of the SIB are sent forth in Chapter 21-10 of the North Dakota Century Code.

Section 2-1. The SIB will have general charge and management of the business of TFFR and the SIB, subject to law, administrative rules and regulations, and governance policies. The SIB will make such policy as necessary to fulfill this obligation.

Section 2-2. When the statutes allow a Deputy to represent a member of the SIB or an alternate to represent the TFFR or PERS Board, the Chair will recognize the individual for the record, and the individual(s) will then have the right to vote on matters before the SIB.

Section 2-3. The SIB will be responsible for the operation of an administrative office that will provide support services to TFFR and the SIB.

Policy Implemented: June 23, 1995.

Amended: May17, 2024.

CHAPTER 3 - OFFICERS AND DUTIES

Section 3-1. The officers of the SIB are a Chair and Vice Chair, one of which must be an appointed or elected member of the TFFR or PERS Board. The officers will be elected by the SIB to a one-year term at the first regularly scheduled meeting following July 1 of each year. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy.

Section 3-2. **Chair**. The Chair will preside at all meetings of the SIB.

Section 3-3. **Vice Chair**. In the absence of the Chair, the Vice Chair will perform the duties of the Chair.

Section 3-4. **Executive Director**. An Executive Director will be retained by the SIB. The Executive Director will serve at the SIB's pleasure, be responsible for keeping the records of the SIB and TFFR Board actions and perform such duties as the SIB prescribes. The Executive Director will make out and give out all notices required to be given by law, procedures, or rules and regulations of the two Boards.

Policy Implemented**:** June 23, 1995.

CHAPTER 4 - MEETINGS

Section 4-1. Regular meetings of the SIB to conduct business are to be held as often as necessary. The SIB will meet at least once each quarter.

Section 4-2. Meetings of the SIB may be called by the Chair or two members of the SIB upon reasonable notice in writing to the other members of the Board. (NDCC 21-10-04)

Section 4-3. A quorum will be seven (7) members of the SIB.

Section 4-4. Voting on matters before the SIB will be contained in the minutes which will show the recorded vote of each SIB member.

Section 4-5. All meetings of the SIB are open to the public, except as allowed under North Dakota law.

Section 4-6. A record of procedures will be kept by the Executive Director on all meetings of the SIB. The records of these proceedings are public documents, and copies will be distributed to the TFFR, SIB, and PERS Boards and upon request.

Section 4-7. Public participation during meetings of the SIB may be allowed at the discretion of the Chair. Section 4-8. SIB members, except elected and appointed officials, will be paid the amount specified in NDCC 21-10-01 per SIB meeting attended.

Expenses will be paid according to state law and OMB policies.

Policy Implemented: June 23, 1995.
Amended: July 22, 201; and May17, 2024.

CHAPTER 5 - RULES OF ORDER

Section 6-1. All SIB meetings will be conducted in accordance with Robert's Rules of Order Newly Revised except as superseded by these by-laws and Board governance policies.

Policy Implemented: June 23, 1995.

CHAPTER 6 - ADMINISTRATIVE OFFICE

Section 7-1. For the purpose of carrying out the day-to-day business of TFFR and the SIB, an administrative office will be maintained in Bismarck, North Dakota. This office is called the Retirement and Investment Office (RIO).

Section 7-2. The Executive Director will be the administrator of the office.

Policy Implemented: June 23, 1995.

CHAPTER 7 - AMENDMENTS

Section 8-1. These by-laws may be amended by a two-thirds vote of SIB members. All amendments must be mailed to SIB members at least thirty (30) days prior to the meeting at which they are considered.

Section 8-2. All amendments must include an effective date.

~~Policy Implemented: June 23, 1995.~~

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Public Equities Manager Update

Manager Update

Public Equities

- Terminated DFA International Small Cap Value
  - ~$150mm moved to State Street International Small Cap index

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MEMORANDUM

TO: **Investment Committee**

FROM: **Private Markets Investment Staff**

DATE: **November 13, 2026**

RE: **Private Credit Recommendation – Castlelake Asset-Based Private Credit IV, L.P.**

Executive Summary

Investment Staff recommends that the Internal Investment Review Council approve a commitment of up to $100 million to Castlelake Asset-Based Private Credit IV, L.P. ("APC IV" or "the Fund") (Legacy Fund: $60 million and Pension Pool: $40 million). The Fund will be managed by Castlelake ("Castlelake" or "the Firm") an investment advisor registered with the U.S. Securities and Exchange Commission.

Castlelake is a global alternative investment manager focused on asset-based investments in aviation, real assets and specialty finance with approximately $38 billion in assets under management (AUM) as of March 31, 2026. Castlelake is comprised of around 250 experienced professionals, including around 90 investment professionals, across eight offices in North America, Europe, the Middle East and Asia. As of September 16, 2024, Castlelake has entered a strategic partnership with Brookfield ("Brookfield") Asset Management. Brookfield acquired an economic interest in Castlelake. Castlelake and Brookfield will continue to operate their respective businesses independently.

APC IV will target asset-based credit opportunities in North America (~65%) and Western Europe (~35%) primarily by providing unitranche loans that are expected to be secured against distinct portfolios of hard and financial assets. The opportunity set is expected to be driven primarily by the retrenchment of traditional bank capital and the growth of non-bank lender/originators seeking private asset funding models to diversify their funding model and to rely less on the public securitization market.

Investment Staff believe APC IV, L.P. is an attractive investment opportunity due to Castlelake's deep expertise in asset-back lending and the compelling market opportunity driven by retrenchment of traditional banks and volatility in the securitizations markets.

The Investment Review Council met on October 20, 2026 to discuss the APC IV, L.P. investment recommendation. One member was not in attendance and one member who underwrote and presented the

investment proposal abstained from voting. The remaining five members voted in favor of the investment recommendation.

Committee Action Requested: Information only

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MEMORANDUM

TO: **Investment Committee**

FROM: **Private Markets Investment Staff**

DATE: **November 13, 2026**

RE: **Private Equity Recommendation – Horsley Bridge Growth 15, L.P. & Horsley Bridge Venture 16, L.P.**

Executive Summary

The Investment Staff recommends that the Investment Review Council approve a commitment of up to $75 million each to Horsley Bridge Growth 15, L.P ("HB G15" or "Fund 15") and Horsley Bridge Venture 16 ("HB V16" or "Fund 16") for a total commitment of $150 million. The Funds are managed by Horsley Bridge Partners, LLC ("Horsley Bridge", "HBP" or "the Firm"). Horsley Bridge was founded in 1983 by Phil Horsley with the mission of earning superior returns through private equity investments. Horsley Bridge has 42 employees across two offices – San Francisco and London. Since inception, HBP has only ever invested in two strategies: venture capital and growth buyout.

HBP is led by an experienced team of six Managing Directors; five form the Investment Committee and one is responsible for operations. This team has extensive private equity experience and an average tenure of approximately 23 years at Horsley Bridge. Five additional investment professionals directly support the investment process, and operations are managed by 32 additional professionals with an average tenure of approximately 10 years at the Firm.

HB G15 seeks to earn superior returns by building a portfolio of small growth buyout partnerships and making co-investments alongside those managers. These partnerships may make investments across the growth

buyout spectrum, including buyout investments where they take a majority ownership position with board control and growth equity investments where they take a minority stake with control provisions

HB V16 seeks to generate superior returns by building a portfolio of seed and early-stage venture partnerships in leading technology markets globally and making co-investments alongside these managers. Many of HBP's commitments will be to venture managers with which the Firm has longstanding relationships. Horsley Bridge also expects to make commitments to managers that HBP feels are the next generation of emerging technology leaders. HBP generally wants to be the largest or among the largest investors in the managers in which the Firm invests.

Investment Staff believe HB G15 and HB V16 are attractive investment opportunities given the Firm's deep network and experience investing in top-tier venture and growth buyout managers. Typically, HBP has a long-standing relationship and is a significant lead investor in the managers in which the Firm invests. HBP also uses its extensive network to invest new/emerging managers the Firm believes will deliver strong future performance.

The Investment Review Council met on August 17, 2026 to discuss the Horsley Bridge investment recommendation. One member who underwrote and presented the investment proposal abstained from voting. The remaining six members voted in favor of the investment recommendation.

Committee Action Requested: Information only

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MEMORANDUM

TO: **Investment Committee**

FROM: **Private Markets Investment Staff**

DATE: **November 13, 2026**

RE: **Real Estate Recommendation – PRISA, L.P.**

Executive Summary

The Investment Staff recommends the Internal Investment Review Council approve commitment of up to $304.5 million to PRISA, L.P. ("PRISA" or "the Fund") for the Pension Pool ($150 million), Legacy Fund ($150 million) and Insurance Pool ($4.5 million)[1]. PRISA's investment manager is PGIM Real Estate ("PGIM Real Estate" or "the Firm"). Prudential Global Investment Management ("PGIM") is the investment management business of Prudential Financial, Inc (NYSE: PRU). Prudential Financial is among the largest financial institutions in the U.S., with assets under management ("AUM") of approximately $1.6 trillion as of March 31, 2026.

PGIM Real Estate is one of the largest real estate managers in the world with over $218 billion in gross AUM as of December 31, 2025. The Firm strives to deliver exceptional outcomes for investors and borrowers through a range of real estate equity, real estate debt, agriculture, and impact solutions across the risk-return spectrum. PGIM's rigorous risk management, seamless execution and extensive industry insights are backed by over 50 years of investing in commercial real estate, over a 140-year history of real estate financing, and the deep local expertise of professionals in 32 cities globally.

PRISA is an open-ended core real estate fund that maintains a flexible and dynamic investment strategy to take advantage of changing market conditions. The Fund primarily invests in existing income properties in U.S. with strong cash flows that is expected to increase over time. PRISA makes most of its investment in the following sectors: industrial, apartment, office and retail sectors, and alternatives (such as storage, life sciences, manufactured housing, senior housing, single-family rental and other maturing sectors) that Fund

Management believes benefit from evolving real estate demand drivers. The Fund is targeting a total return that exceeds the NFI-ODCE (PRISA's Benchmark). Since inception of NFI-ODCE on December 31, 1977, the Fund had outperformed the NFI-ODCE over all historical time periods diligence by Investment Staff.

Investment Staff believes PRISA, L.P. is an attractive investment opportunity for the following reasons: 1) the continuity in the senior investment professionals & the Firm's deep network in the real estate market, 2) the Firm's success in the alternative real estate sectors and 3) strong historical performance. The Fund's open-end structure will also help the Investment Staff manage the allocations to core and non-core real estate allocations over time.

The Investment Review Council met on July 20, 2026 to discuss the PRISA, L.P. investment recommendation. One member was not in attendance and one member who underwrote and presented the investment proposal abstained from voting. The remaining five members voted in favor of the investment recommendation.

Committee Action Requested: Information only