

State Investment Board Meeting - Friday, March 20, 2026, 8:30 a.m.

WSI Board Room (In-Person) - 1600 E Century Ave, Bismarck, ND

[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA (*Board Action*)**
 - A. Pledge of Allegiance
 - B. Roll Call & Conflict of Interest Disclosure
- II. ACCEPTANCE OF MINUTES (January 16, 2026) (*Board Action*)**
- III. INVESTMENTS (30 minutes)**
 - A. Quarterly Performance Update (*Board Action*) – Verus
- IV. GOVERNANCE (60 minutes)**
 - A. Governance & Policy Review Committee Update – Dr. Lech, Ms. Smith
 1. Introduction & First Reading of Governance Policy System (*Board Action*) – Ms. Smith, Mr. Funston
 - B. Investment Committee Update (*Information*) – Treasurer Beadle, Mr. Anderson
 1. Trade Error & Rebalancing Error Policies (*Board Action*) – Mr. Otteson
 2. Long Gov Credit Benchmark (*Board Action*) – Mr. Anderson
 3. Investment Policy Statements (*Board Action*) – Mr. Chin
 - C. Audit Committee Update (*Information*) – Treasurer Beadle, Ms. Seiler
 - D. Securities Litigation Committee Update (*Information*) – Commissioner Heringer, Ms. Smith
 - E. Strategic Plan Review (*Information*) – Ms. Smith
 - F. Executive Review & Compensation Committee Update (*Information*) – Dr. Lech, Ms. Smith
- V. QUARTERLY MONITORING REPORTS (10 minutes) (*Board Action*)**
 - A. Quarterly Audit Activities Report – Ms. Seiler
- VI. OTHER**
 - A. Next Meetings:
 - SIB GPR Committee – April 7, 2026, at 10:00 a.m.
 - SIB ERCC – April 9, 2026, at 10:00 a.m.
 - Investment Committee – April 10, 2026, at 9:00 a.m.
- VII. ADJOURNMENT**

NORTH DAKOTA STATE INVESTMENT BOARD

MINUTES OF THE JANUARY 16, 2026, BOARD MEETING

MEMBERS PRESENT

Kelly Armstrong, Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Rep. Glenn Bosch, LBSFAB
Gerald Buck, PERS Board
Joe Heringer, Commissioner Unv. & School Lands
Pete Jahner, Investment Professional
Sen. Jerry Klein, LBSFAB
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Dr. Prodosh Simlai, Investment Professional
Art Thompson, Director of WSI

MEMBERS ABSENT

Joe Morrissette, Director of OMB

GUESTS

Marc Gesell, Verus
Eileen Neill, Verus
Kirsten Tuntland, Assistant Attorney General
Members of the Public

STAFF PRESENT

Scott M. Anderson, CIO
Eric Chin, Deputy CIO
Jac Collins, Sr. Investment Analyst
Cory Cox, Investment Analyst
Derek Dukart, Sr. Investment Analyst
Jennifer Ferderer, Fiscal/Investment Admin
Tim Forsythe, Deputy CFOO
Chirag Gandhi, Portfolio Mgr.
Deneen Gathman, Retirement Accountant
Ross Hambrick, Portfolio Mgr.
Erik Jodock, Investment Analyst
Missy Kopp, Executive Assistant
Robbie Morey, Investment Operations Analyst
George Moss, Portfolio Mgr.
Sarah Mudder, Communications/Outreach Dir.
Chuck Napp, Sr. Investment Operations Manager
Adam Otteson, CFOO
Daphne Pfeigler, Investment Accountant
Emmalee Riegler, Procurement/Records Coord.
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director
Susan Walcker, Sr. Financial Manager
Alex Weissman, Investment Analyst
Lance Zietlow, Portfolio Mgr.

CALL TO ORDER

Gov. Armstrong, Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, January 16, 2026. The meeting was held in the WSI Boardroom, 1600 E Century Ave., Bismarck, ND.

The following members were present representing a quorum: Commissioner Heringer, Treasurer Beadle, Mr. Miller, Mr. Buck, Mr. Thompson, Dr. Simlai, Mr. Mickelson, Sen. Klein, Dr. Lech, Mr. Jahner, and Gov. Armstrong

AGENDA

The Board considered the agenda for the January 16, 2026, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY REP. BOSCH AND CARRIED BY A VOICE VOTE TO ACCEPT THE JANUARY 16, 2026, AGENDA AS PRESENTED.

AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, MR. BUCK, REP. BOSCH, MR. THOMPSON, DR. SIMLAI, MR. MICKELSON, SEN. KLEIN, DR. LECH, MR. JAHNER, AND GOV. ARMSTRONG
NAYS: NONE
ABSENT: MR. MORRISSETTE
MOTION CARRIED

MINUTES

The Board considered the minutes of the November 21, 2025, SIB meeting.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE NOVEMBER 21, 2025, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, COMMISSIONER HERINGER, MR. THOMPSON, DR. SIMLAI, TREASURER BEADLE, MR. BUCK, DR. LECH, MR. JAHNER, SEN. KLEIN, REP. BOSCH, MR. MILLER, AND GOV. ARMSTRONG
NAYS: NONE
ABSENT: MR. MORRISSETTE
MOTION CARRIED

INVESTMENTS

[Quarterly Performance Update](#)

Ms. Neill and Mr. Gesell, Verus, provided an update on investment performance for the quarter ending September 30, 2025. Mr. Gesell presented a summary of market conditions for the quarter. Ms. Neill reviewed the performance for the Pension Consolidated Trust. Assets continued to grow with only modest negative net cash flow, which remains more favorable than many peer pension systems. Asset allocations remained close to target levels. Performance has been favorable, with asymmetric results showing greater magnitude of outperformance than underperformance. Five-year risk-adjusted returns have improved, reflecting stronger returns alongside declining volatility. Relative to peer funds, the trust ranked around median for the quarter but in the top decile over the past year, and above median over five- and ten-year periods.

The Legacy Fund also showed strong growth driven by both positive cash flow and a more growth-oriented asset allocation adopted in recent years. Value-added relative to benchmark has been positive roughly three-quarters of the time over the past decade. Relative to peers, the fund ranked top decile over the past year, largely due to its higher allocation to public equities. As private market allocations increase over time, performance is expected to align more closely with peer portfolio structures.

For the Insurance Trust, assets have grown steadily despite modest negative net cash flow. The portfolio remains conservatively positioned with significant allocations to fixed income and short-term investments, resulting in lower overall risk and return expectations. While risk-adjusted returns are modest due to the conservative structure, excess returns relative to benchmark have been achieved consistently with limited active risk. Overall performance is in line with expectations for the fund's objectives and benchmarks. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY REP. BOSCH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY PERFORMANCE UPDATE.

**AYES: REP. BOSCH, SEN. KLEIN, COMMISSIONER HERINGER, DR. SIMLAI, MR. BUCK,
MR. MICKELSON, MR. MILLER, TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, DR. LECH, AND
GOV. ARMSTRONG**

NAYS: NONE

ABSENT: MR. MORRISSETTE

MOTION CARRIED

REPORTS

Investment Ends

Mr. Posch provided the Investment Ends Report for the quarter ending December 31, 2026. There was continued progress on portfolio implementation and operational initiatives. Staff finalized contracts with several external managers as part of the Equity 2.0 project.

Staffing efforts continued with the posting of a Quantitative Risk and Funds Management Investment Analyst position to support the quantitative risk portfolio manager. The position has closed and interviews are expected to begin soon.

Within private markets, the team completed due diligence on both a private equity manager and a real estate manager, each of which received Investment Committee approval. The team also conducted extensive market outreach, holding approximately 85 introductory meetings and calls with prospective managers.

For internal management, both the equity and fixed income teams continued enhancing passive strategies to seek incremental active return. Internally managed assets now total approximately \$610 million, and the team recently added a new staff member to support internal management operations.

Outreach Report

Ms. Mudder reviewed the Quarterly Outreach report for the quarter ending December 31, 2025. There was increased engagement and outreach activity during the quarter. Attendance at the agency's investment seminar increased significantly, with 111 registrations compared to approximately 70 the prior year. The event will again be hosted at the Gateway to Science facility, with the next seminar scheduled for October 22, 2026, the day before the SIB meeting.

Digital engagement with key stakeholders also remained strong. Through the agency's GovDelivery communications platform, client fund engagement reached 78% and state legislator engagement reached 76%, both exceeding the median government engagement rate of 61%.

Staff also highlighted the procurement of a new AI-based video production tool to enhance educational and training materials. The tool will be used to develop training videos, including potential updates to board training content and continued expansion of online instructional materials that have been popular with TFFR members and other stakeholders.

Budget Update

Mr. Otteson presented an updated budget report format developed with the Office of Management and Budget to improve clarity. For the current biennium, salary expenditures are approximately \$300,000 under budget, primarily due to staffing vacancies at the beginning of the biennium. The agency started with eight open

positions and has since filled five, reducing the savings rate from about 10% year-to-date to roughly 5% in the second quarter.

The new and vacant positions pool has not yet been utilized, and the operating budget is approximately \$274,000 under budget to date. Much of this variance is temporary and reflects delays in consultant invoices that have not yet been processed. No contingency funding has been used.

Under continued authority, most expenditures relate to investment fees. Year-to-date expenses are approximately 23% higher than the prior year, largely due to increased carried interest payments, which reflect strong investment performance and the timing of performance-based fee distributions from external fund managers.

Executive Limitations/Staff Relations

Ms. Smith reported on staffing, operations, and strategic initiatives. Recruitment is ongoing for two positions. One administrative position remains open while leadership evaluates the best use of that FTE.

Progress continues on the agency's strategic goals, including leadership recruitment, compliance policy development, and IT modernization efforts. Work is also underway on succession planning and a comprehensive business continuity plan. Operational metrics show improvement in financial statement preparation, reduced from 83 days previously to about 30 days for the most recent cycle. However, performance reports still take about 100 days to produce, reflecting operational strain caused by staffing shortages and legacy systems.

The RFP for the Legacy Fund transparency website has been issued and there has been significant interest. The procurement process continues and staff expect to have a more detailed update at the next board meeting.

Two recent Attorney General opinions were included in the board packet, as well as a new request for an Attorney General opinion regarding whether the agency has legal authority to provide incentive compensation without a specific line-item appropriation. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. JAHNER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY INVESTMENT ENDS, OUTREACH, BUDGET, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

AYES: TREASURER BEADLE, MR. JAHNER, REP. BOSCH, MR. THOMPSON, COMMISSIONER HERINGER, DR. SIMLAI, DR. LECH, MR. MILLER, MR. BUCK, SEN. KLEIN, MR. MICKELSON, AND GOV. ARMSTRONG

NAYS: NONE

ABSENT: MR. MORRISSETTE

MOTION CARRIED

GOVERNANCE

Governance & Policy Review (GPR) Committee Update

Dr. Lech provided an update from the January 13, 2026, GPR Committee meeting. The committee reviewed the draft governance manual rewrite prepared by Funston. Initial feedback indicated the

revised document is more user-friendly, streamlined, and easier to navigate, with clearer delegation matrices and reduced redundancies. The new structure provides a high-level overview with the ability to drill down into more detailed sections.

Recommended changes include standardizing committee appointments, with the board appointing committee members and the Board Chair appointing committee chairs and vice chairs. Each committee will review its own charter first, after which revisions will move to the GPR Committee and then to the full board for approval.

Board members were encouraged to review sections as they are released and provide feedback throughout the process, rather than waiting until the final draft. Early input will help ensure the governance manual becomes a strong, foundational document guiding future decisions and agency operations.

Investment Committee Update

Treasurer Beadle provided an update from the December 17, 2025, and January 6, 2026, Investment Committee meetings. In December, the committee reviewed investment strategy, including asset allocation, portfolio construction, and the evolution of the agency's investment processes as internal management capabilities expand. The committee also reviewed progress of the internal direct equity team and approved implementation of an enhanced index strategy.

The committee approved several investment actions, including commitments to a European private markets manager focused on healthcare and technology, an increased allocation to an existing private fund manager from \$60 million to \$75 million, and the addition of a developed international markets manager as part of the restructuring of international equity exposures to address concentration risk. The committee also reviewed quarterly agency contract activity.

At the January meeting, the committee reviewed quarterly performance results, which showed strong one-year returns across the major funds. Staff also reported a minor rebalancing spreadsheet error that was corrected quickly and resulted in a small positive return; procedures are being updated to prevent similar issues.

The committee approved updated investment policy statements for all client funds, with final approval pending from the SIB. Staff also provided an update on the RFP for investment performance and benchmarking consulting services, with new contracts expected to begin July 1.

Investment Policy Statements

Mr. Chin reviewed six updated Investment Policy Statements (IPS) for Board approval: ND Public Employees Retirement System (PERS), ND Teachers' Fund for Retirement (TFFR), City of Grand Forks Pension Plan, Park District of Grand Forks, City of Bismarck Police Pension Plan, and City of Bismarck Employee Pension Plan. The updated IPS documents reflect the new asset allocations as presented by NEPC and RIO, which have been approved by the SIB and the respective client boards. The Investment Committee has reviewed the updated IPS and recommends approval by the State Investment Board.

A new template was developed to promote consistency across the IPS documents, so most of the changes focused on improving consistency, clarity and formatting. The substantive updates include the incorporation of updated asset allocations, clarified language on the use of derivatives, and new guidance on client withdrawals.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY REP. BOSCH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE UPDATED INVESTMENT POLICY STATEMENTS FOR THE ND PERS, TFFR, CITY OF GRAND FORKS PENSION PLAN, PARK DISTRICT OF THE CITY OF GRAND FORKS, CITY OF BISMARCK POLICE PENSION PLAN AND THE CITY OF BISMARCK EMPLOYEE PENSION PLAN.

AYES: MR. MILLER, SEN. KLEIN, MR. MICKELSON, DR. LECH, MR. JAHNER, MR. BUCK, MR. THOMPSON, DR. SIMLAI, COMMISSIONER HERINGER, TREASURER BEADLE, REP. BOSCH, AND GOV. ARMSTRONG.

NAYS: NONE

ABSENT: MR. MORRISSETTE

MOTION CARRIED

Executive Review & Compensation Committee (ERCC) Update

Dr. Lech provided an update from the January 14, 2026, ERCC meeting. The committee discussed two main items. First, the board self-assessment. While the committee recognizes its importance, members agreed that conducting a self-assessment this year would be duplicative given the recent comprehensive governance audit and feedback process. Board policy only requires an assessment periodically, not annually, so the committee plans to defer the board self-assessment for this year unless directed otherwise by the board.

Second, the committee reviewed its draft charter as part of the broader governance manual update. Proposed changes include shifting responsibility for the board self-assessment to the Governance and Policy Review (GPR) Committee, while ERCC would focus on evaluating the Executive Director. The committee would also take on expanded responsibilities for succession and continuity planning and broaden compensation benchmarking to review compensation across the agency, not just at the executive level.

Incentive Compensation FY25 Payout Approval

The board discussed the FY2025 incentive compensation payout of approximately \$1.26 million for 12 eligible employees. Leadership emphasized that the program was authorized by statute in 2023, implemented through public meetings and board approvals, and tied to risk-adjusted returns above benchmark performance. For FY2025, the agency generated roughly \$191 million in excess returns across the four primary funds (PERS, TFFR, Legacy Fund, and WSI), placing several funds among the top-performing public pension systems nationally.

Gov. Armstrong noted he has reservations about the long-term structure of the program but supported honoring commitments made to employees under the existing policy. He emphasized that staff performance significantly contributed to investment gains and broader benefits to the state, including increased Legacy Fund earnings supporting tax relief and infrastructure investments.

Staff explained that the incentive program reflects the collective work of the investment, fiscal, and operations teams and aligns with the agency's strategy of bringing investment activities in-house to reduce external manager fees. The board also discussed compensation competitiveness, noting that compensation levels remain below many peer public pension systems.

Board members highlighted the strong performance results, including improvements in pension funding progress, and emphasized the importance of competitive compensation to recruit and retain qualified investment professionals. Members also noted that while future adjustments to the incentive program may be

appropriate, honoring the current commitment was important to maintain credibility and support continued investment performance.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE TOTAL INCENTIVE COMPENSATION PAYMENT OF \$1,258,488 FOR FISCAL YEAR 2025.

**AYES: SEN. KLEIN, MR. BUCK, REP. BOSCH, COMMISSIONER HERINGER, DR. LECH, TREASURER BEADLE, DR. SIMLAI, MR. MICKELSON, MR. JAHNER, MR. THOMPSON, AND GOV. ARMSTRONG
NAYS: MR. MILLER
ABSENT: MR. MORRISSETTE
MOTION CARRIED**

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE A SPECIAL WAIVER FOR THE EMPLOYEE WHO DELAYED RETIREMENT TO SUPPORT THE LEADERSHIP TRANSITION OF THE CHIEF RISK OFFICER ROLE.

**AYES: DR. SIMLAI, REP. BOSCH, MR. BUCK, TREASURER BEADLE, COMMISSIONER HERINGER, SEN. KLEIN, MR. THOMPSON, DR. LECH, MR. JAHNER, MR. MICKELSON, AND GOV. ARMSTRONG
NAYS: MR. MILLER
ABSENT: MR. MORRISSETTE
MOTION CARRIED**

[Incentive Compensation FY26 Plan Approval](#)

Ms. Smith discussed the need for the Board to discuss the incentive compensation plan for the current fiscal year. Staff asked the Board to provide direction if the policy should be amended. The Board discussed what the plan needs to accomplish and what revisions should be made. It was stated that while the current plan remains in place for the first part of FY2026, the structure should change going forward to better support recruitment and retention through base pay rather than relying heavily on bonuses. The importance of being transparent with staff and avoiding mid-year changes without notice was emphasized

Board members agreed that compensation must remain competitive to attract and retain qualified staff, especially as the agency continues expanding internal investment management. Staff will develop a revised incentive compensation proposal for review by the ERCC.

ADJOURNMENT

With no further business to come before the SIB, Gov. Armstrong adjourned the meeting at 11:13 a.m.

Prepared by: Missy Kopp, Assistant to the Board



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



PERIOD ENDING: DECEMBER 31, 2025

Investment Performance Summary

North Dakota State Investment Board

Executive Summary

Capital Markets

- In public equity markets, international developed equities and emerging market equities led during Q4 (up 4.9% and 4.7% respectively), while domestic equities lagged (up 2.4%). Domestic equities also lagged over full year 2025, although most of the performance difference was due to foreign currency volatility. Chinese equities were down again in Q4 after a rebound earlier in the year. It is unclear whether the country can mitigate deep structural problems, including property market weakness, population decline, and massive excess industrial capacity. Expectations for U.S. domestic earnings growth remained high in Q4. Information technology stocks fueled the largest upside surprise in the quarter. Business investment in artificial intelligence may have reached \$1.5 trillion in 2025.
- In public fixed income markets, riskier sectors delivered robust returns during Q4 and during the full year, while higher-quality exposures produced only slightly positive returns during Q4. Slightly lower long-term bond yields boosted the returns of duration assets, while stable spreads and mild credit default activity allowed investors to capture credit spreads of riskier assets such as high yield and bank loans. The Federal Reserve cut rates once in October and again in December, bringing the target range to 3.50%-3.75%. Market inflation fears appeared to have eased during the quarter, as the 10-year TIPS breakeven rate fell from 2.36% to 2.25%.

Consolidated Pension Trust

- The Funds return of 2.2% matched the Corridor Target in the fourth quarter and was behind by 20 basis points for the fiscal year to date (6.5% vs. 6.7% for the Target). However, the Funds were ahead of the Corridor Target by 60 basis points for the one-year period ended 12/31/2025. The Funds also matched or outperformed the Corridor Target for all relevant longer-term measurement periods.
- Importantly, Fund returns exceed the discount rate assumption in all longer-term measurement periods.
- Risk-adjusted Fund returns are strong and exceed the Corridor Target risk-adjusted return (i.e., Sharpe Ratio) for the 5-year period ended 12/31/2025.
- Compared to peers, the Funds have earned higher returns at a lower level of risk for the 5-year period ended 12/31/2025.
- Public Equities and Investment Grade Fixed Income exceeded their respective benchmarks for both the fourth quarter and longer-term measurement periods. Private Equities also exceeded its benchmark for the quarter but was 20 basis points behind for the one-year period. Real Assets lagged its benchmark return for the quarter (-1.2% vs. 0.6%).

Executive Summary (continued)

Legacy Fund

- The Legacy Fund return exceeded the Corridor Target for the quarter ended 12/31/2025, 2.6% vs. 2.4%. The Fund also exceeds the Corridor Target return for all longer-term measurement periods.
- Risk-adjusted Fund returns are strong and exceed the Corridor Target risk-adjusted return (i.e., Sharpe Ratio) for the 5-year period ended 12/31/2025.
- The Public Equities return exceeded the benchmark for both the fourth quarter (3.7% vs. 3.2% for the benchmark) and longer-term measurement periods. The Global Fixed Income return also exceeded the benchmark for both the fourth quarter (1.3% vs. 1.2% for the benchmark) and longer-term measurement periods. Private Equities and Real Assets both lagged their respective benchmarks for the quarter, but Real Assets is ahead of benchmark for the 1-year period ended 12/31/2025.

Consolidated Insurance Trust

- The Trust return of 1.4% for the quarter ended 12/31/2025 matched the Corridor Target return. The Trust is ahead of the Corridor Target return for all longer-term periods of interest.
- The returns of almost all Public Markets asset classes exceeded their respective benchmarks for the fourth quarter and relevant longer-term measurement periods. The exception was Short Term Fixed Income, which only matched the return of its benchmark. Real Assets lagged its benchmark return for the quarter (-0.1% vs. 0.4%).

Equity environment

- International developed equity (MSCI EAFE +4.9%) and emerging market equities (MSCI EM +4.7%) led during Q4, while domestic equities lagged S&P 500 (+2.7%). Domestic equities also lagged over full year 2025, although most of the performance difference was due to foreign currency volatility.
- Fourth quarter YoY earnings growth of the S&P 500 is expected to be +8.3%, according to FactSet, as of January 9th. Information technology stocks fueled the largest upside surprise and were the largest contributor to calendar year 2026 upward earnings adjustments. Earnings growth expectations for calendar year 2026 are +14.9%, and then +14.9% again in 2027. These forecasts are higher than they were before April's tariff announcements.
- Business investment in artificial intelligence including software, services, and infrastructure, may have summed to \$1.5 trillion in

2025, according to Reuters. Total spending may surpass \$2 trillion in 2026.

- Chinese equities had begun to rebound during 2025, after substantial underperformance. However, this market began to suffer in Q4, down -7.5% (MSCI China) while emerging market ex-China gained +10.0% (MSCI EM ex-China). It is unclear whether the country can mitigate deep structural problems, including property market weakness, population decline, and deflationary trends exacerbated by massive excess industrial capacity.
- Market-priced volatility ended Q4 at a very low level of 14%, but exhibited spikes throughout as the U.S. government shutdown shook markets on multiple days, along with tariff surprises.

	QTD TOTAL RETURN (UNHEDGED)	QTD TOTAL RETURN (HEDGED)	1-YR TOTAL RETURN (UNHEDGED)	1-YR TOTAL RETURN (HEDGED)
U.S. Large Cap (S&P 500)	2.7%		17.9%	
U.S. Small Cap (Russell 2000)	2.2%		12.8%	
U.S. Equity (Russell 3000)	2.4%		17.1%	
U.S. Large Value (Russell 1000 Value)	3.8%		15.9%	
U.S. Large Growth (Russell 1000 Growth)	1.1%		18.6%	
Global Equity (MSCI ACWI)	3.3%	3.7%	22.3%	20.3%
International Large (MSCI EAFE)	4.9%	6.7%	31.2%	23.1%
Eurozone (EURO STOXX 50)	5.0%	5.6%	37.5%	23.4%
U.K. (FTSE 100)	6.8%	6.8%	35.1%	25.6%
Japan (TOPIX)	2.8%	9.7%	27.7%	31.7%
Canada (S&P/TSX)	7.1%	6.1%	34.5%	30.4%
Emerging Markets (MSCI Emerging Markets)	4.7%	5.7%	33.6%	31.5%

Source: Standard & Poor's, FTSE, MSCI, STOXX, JPX, as of 12/31/25 – performance quoted from perspective of U.S. dollar investor

Fixed income environment

- Riskier fixed income delivered stronger returns during Q4 and also during the full year, while higher-quality exposures produced slightly positive returns during Q4 and mid single digit returns over the year. Slightly lower long-term bond yields boosted the returns of duration assets, while stable spreads and mild credit default activity allowed investors to capture credit spreads of riskier assets such as high yield and bank loans.
- The 10-year U.S. Treasury yield ended Q4 unchanged at 4.16%, fluctuating in a tight range as investors tried to work out the balance of labor market weakness, inflation pressures, the trajectory of the economy, and how those dynamics will affect the Fed's rate path. Additionally, the government shutdown caused extended delays in the release of key economic data which has further clouded the picture.
- The Federal Reserve cut rates once in October and again in December, bringing the target range to 3.50%-3.75%. The FOMC appears to have shifted into an easing and liquidity-

supporting stance with these cuts and public comments, which came alongside the announcement that the Fed balance sheet runoff would end, and T-bill purchases would resume.

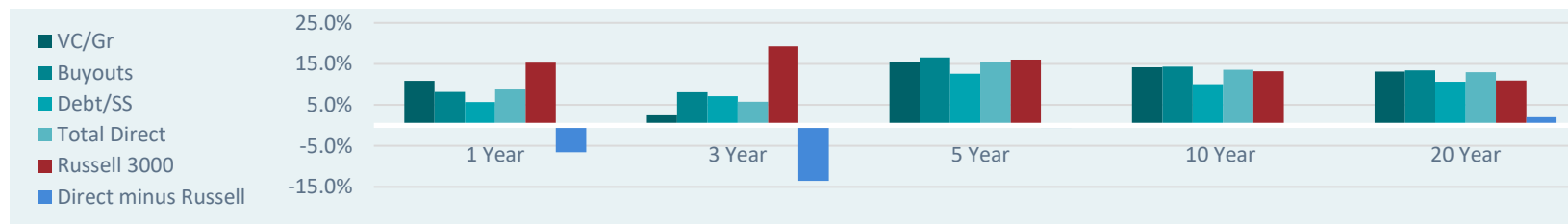
- Market inflation fears appear to have eased during the quarter, as the 10-year TIPS Breakeven Rate fell from 2.36% to 2.25%.
- The U.S. yield curve showed further normalization, exhibiting the steepest shape since early 2022. The 10-year Treasury minus 2-year Treasury yield was 0.71% as of December 31st, as short-term rates fell with Fed rate cuts and longer-term yields were stable.
- High yield bond default activity rose slightly to 1.9% YoY, below the 15-year average of 2.5%. Loan default rates fell to 2.9% YoY, slightly above the 15-year average of 2.4%. Following the First Brands and Tricolor defaults in late 2025 which created a market-wide credit scare, recent evidence seems to suggest that these were isolated incidents of fraud rather than indicative of broader underlying systemic issues.

	QTD Total Return	1 Year Total Return
Core Fixed Income (Bloomberg U.S. Aggregate)	1.1%	7.3%
Core Plus Fixed Income (Bloomberg U.S. Universal)	1.2%	7.6%
U.S. Treasuries (Bloomberg U.S. Treasury)	0.9%	6.3%
U.S. Treasuries: Long (Bloomberg U.S. Treasury 20+)	-0.5%	4.6%
U.S. High Yield (Bloomberg U.S. Corporate HY)	1.3%	8.6%
Bank Loans (Morningstar LSTA Leveraged Loan)	1.2%	5.9%
Emerging Market Debt Local (JPM GBI-EM Global Diversified)	3.3%	19.3%
Emerging Market Debt Hard (JPM EMBI Global Diversified)	3.3%	14.3%
Mortgage-Backed Securities (Bloomberg MBS)	1.7%	8.6%

Source: Standard & Poor's, J.P. Morgan, Bloomberg, as of 12/31/25

Private equity vs. traditional assets performance

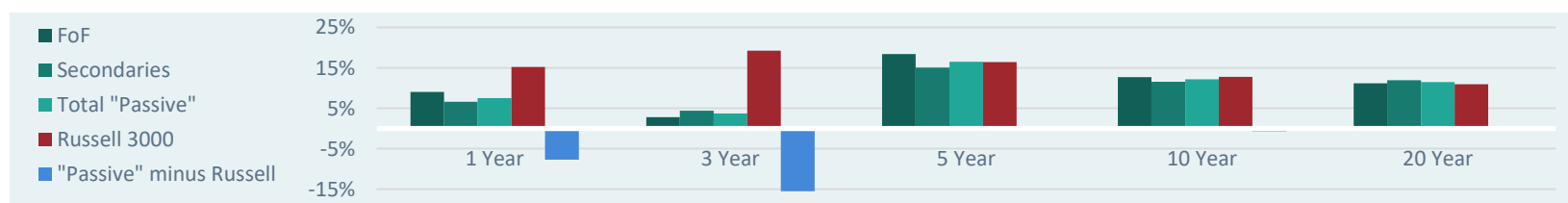
DIRECT PRIVATE EQUITY FUND INVESTMENTS



	1 Year	3 Year	5 Year	10 Year	20 Year
VC/Gr	10.9%	2.5%	15.4%	14.2%	13.1%
Buyouts	8.2%	8.1%	16.6%	14.3%	13.4%
Debt/SS	5.7%	7.1%	12.6%	10.0%	10.6%
Total Direct	8.7%	5.7%	15.5%	13.5%	12.9%
Russell 3000	15.3%	19.3%	16.1%	13.2%	10.9%
Direct minus Russell	-6.6%	-13.5%	-0.6%	0.3%	2.0%

Direct P.E Fund Investments outperformed public equities in longer time periods

"PASSIVE" STRATEGIES



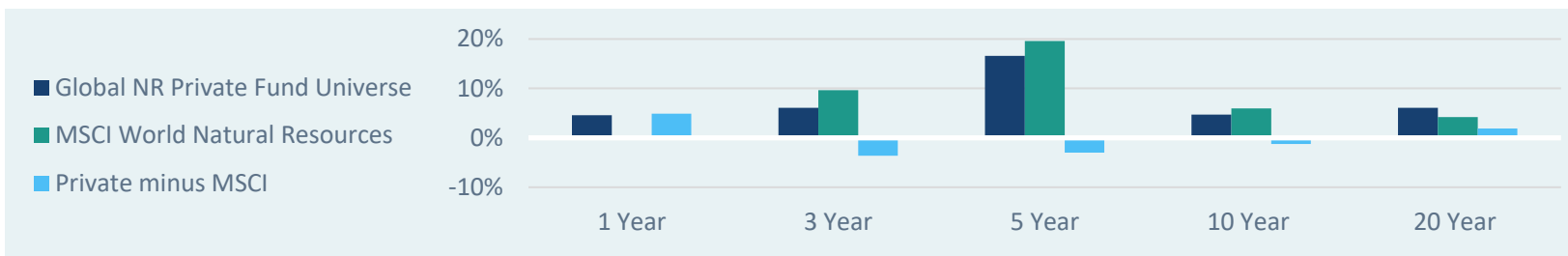
	1 Year	3 Year	5 Year	10 Year	20 Year
FoF	9%	3%	18%	13%	11%
Secondaries	7%	4%	15%	12%	12%
Total "Passive"	7.6%	3.7%	16.5%	12.1%	11.5%
Russell 3000	15.2%	19.2%	16.4%	12.8%	11.0%
"Passive" minus Russell	-7.7%	-15.5%	0.1%	-0.7%	0.5%

"Passive" strategies vs. public equities has been mixed

Sources: FTSE PME: U.S. Direct Private Equity and "Passive" returns are as of June 30, 2025. Public Market Equivalent returns resulted from "Total Passive" and Total Direct's identical cash flows invested into and distributed from respective traditional asset comparable.

Private vs. liquid real assets performance

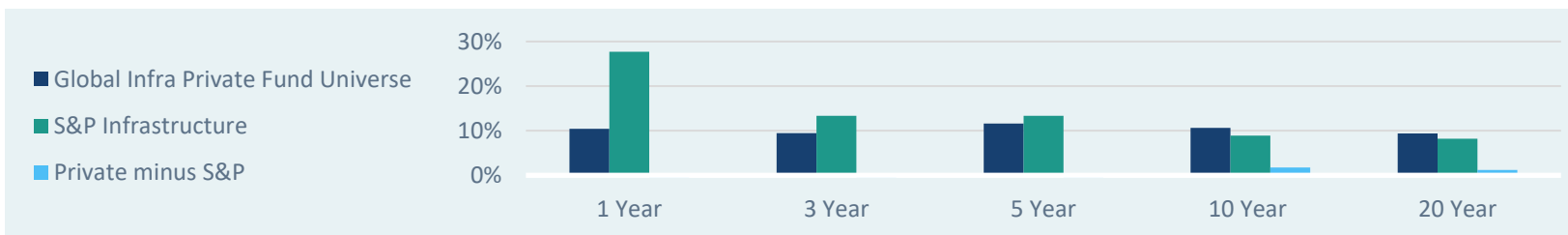
GLOBAL NATURAL RESOURCES FUNDS



	1 Year	3 Year	5 Year	10 Year	20 Year
Global NR Private Fund Universe	4.6%	6.1%	16.6%	4.7%	6.1%
MSCI World Natural Resources	-0.3%	9.7%	19.6%	6.0%	4.2%
Private minus MSCI	4.9%	-3.6%	-3.0%	-1.2%	1.9%

N.R. funds vs MSCI World Natural Resources has been mixed

GLOBAL INFRASTRUCTURE FUNDS



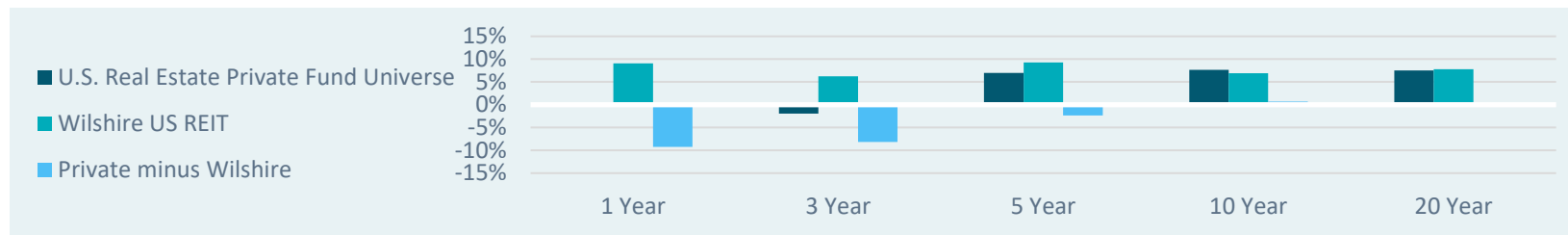
	1 Year	3 Year	5 Year	10 Year	20 Year
Global Infra Private Fund Universe	10.5%	9.5%	11.6%	10.7%	9.4%
S&P Infrastructure	27.7%	13.3%	13.3%	8.9%	8.2%
Private minus S&P	-17.3%	-3.9%	-1.7%	1.8%	1.2%

Infra. funds outperformed S&P Infra across longer periods

Sources: FTSE PME: Global Natural Resources (vintage 1999 and later, inception of MSCI World Natural Resources benchmark) and Global Infrastructure (vintage 2002 and later, inception of S&P Infrastructure benchmark) universes as of June 30, 2025. Public Market Equivalent returns resulted from identical cash flows invested into and distributed from respective liquid real assets universes.

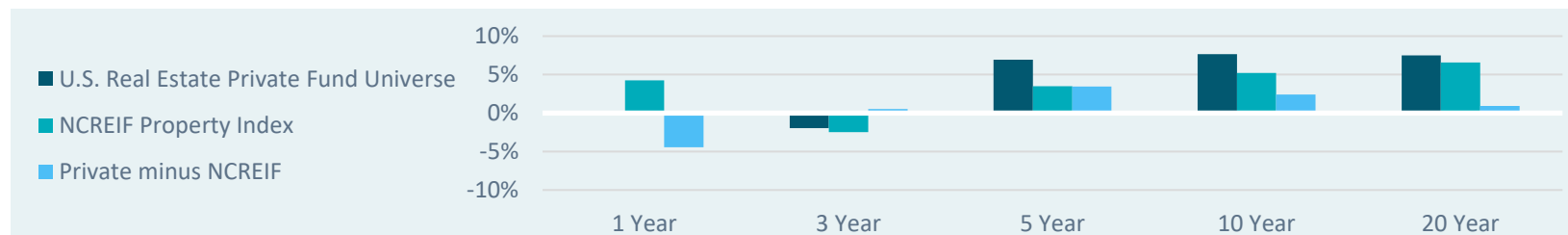
Private vs. liquid and core real estate performance

U.S. PRIVATE REAL ESTATE FUNDS VS. LIQUID UNIVERSE



U.S. Private R.E. funds underperformed the Wilshire U.S. REIT across most time periods

U.S. PRIVATE REAL ESTATE FUNDS VS. CORE FUNDS



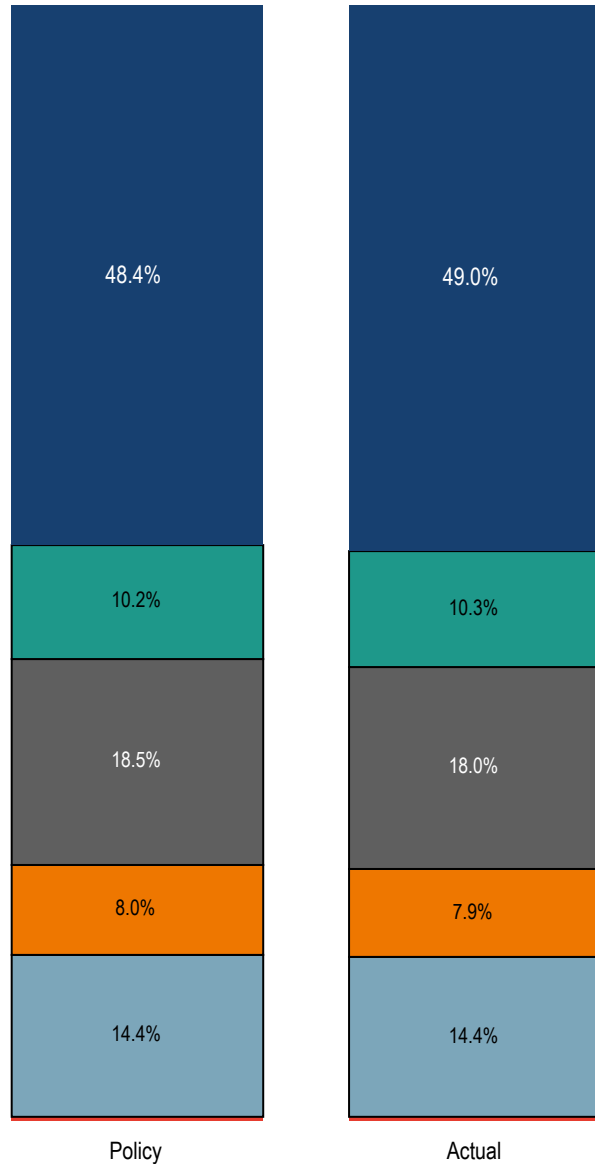
U.S. Private R.E. Funds outperformed the NCREIF Property Index across most time periods

	1 Year	3 Year	5 Year	10 Year	20 Year
U.S. Real Estate Private Fund Universe	-0.2%	-2.0%	6.9%	7.6%	7.5%
Wilshire US REIT	9.0%	6.2%	9.3%	6.9%	7.8%
Private minus Wilshire	-9.2%	-8.2%	-2.3%	0.7%	-0.3%

Sources: FTSE PME: U.S. Real Estate universes as of June 30, 2025. Public Market Equivalent returns resulted from identical cash flows invested into and distributed from respective liquid real estate universes.

Total Fund
Asset Allocation vs Policy

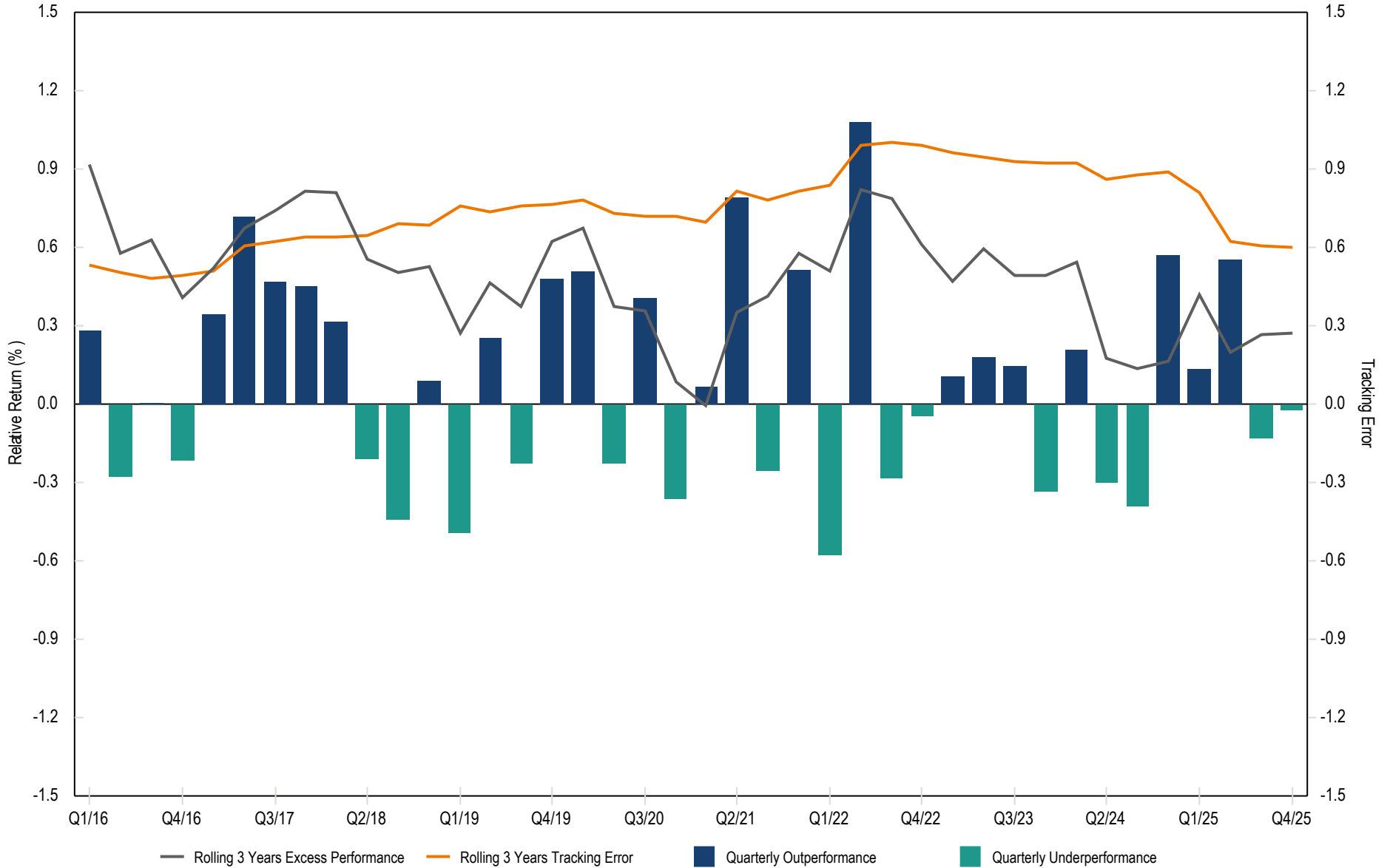
NDSIB - Consolidated Pension Trust
Period Ending: December 31, 2025



	Current Balance (\$)	Current Allocation (%)	Policy Allocation (%)	Differences (\$)
Global Public Equity	4,538,248,036	49.0	48.4	52,284,559
Private Equity	957,896,137	10.3	10.2	14,623,275
Investment Grade Fixed Income	1,666,654,218	18.0	18.5	-44,220,132
Below Investment Grade	732,210,924	7.9	8.0	-11,776,330
Diversified Real Assets	1,338,029,393	14.4	14.4	74,719
Cash and Equivalents	27,444,917	0.3	0.4	-10,986,090
Total	9,260,483,624	100.0	100.0	

Residual Holdings value of \$2,237,242 and Sanctioned Residual Holdings value of \$3,285,093 included in Global Public Equity value for styling purposes. Policy Asset Allocation based upon 11/30/2025 data.

Rolling Annualized Excess Performance and Tracking Error

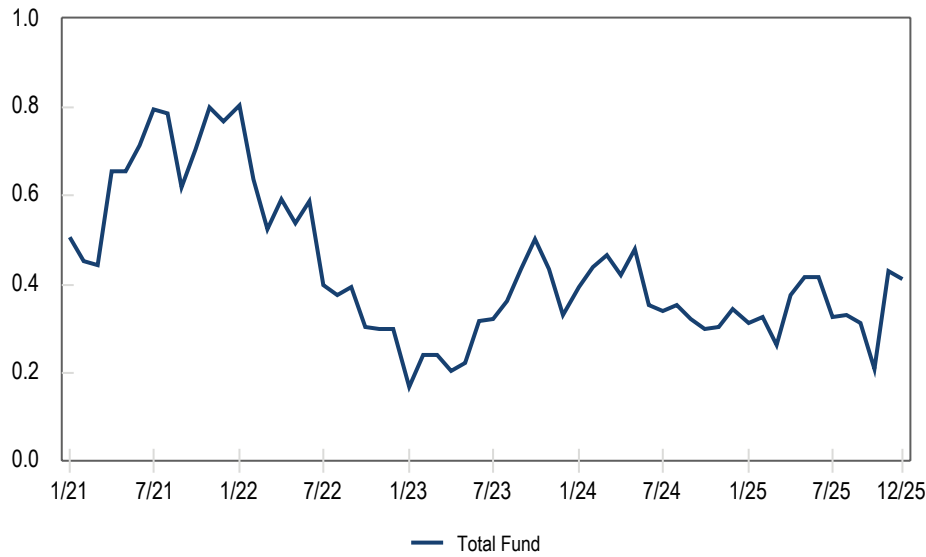


Analytic is using the Corridor Target Index

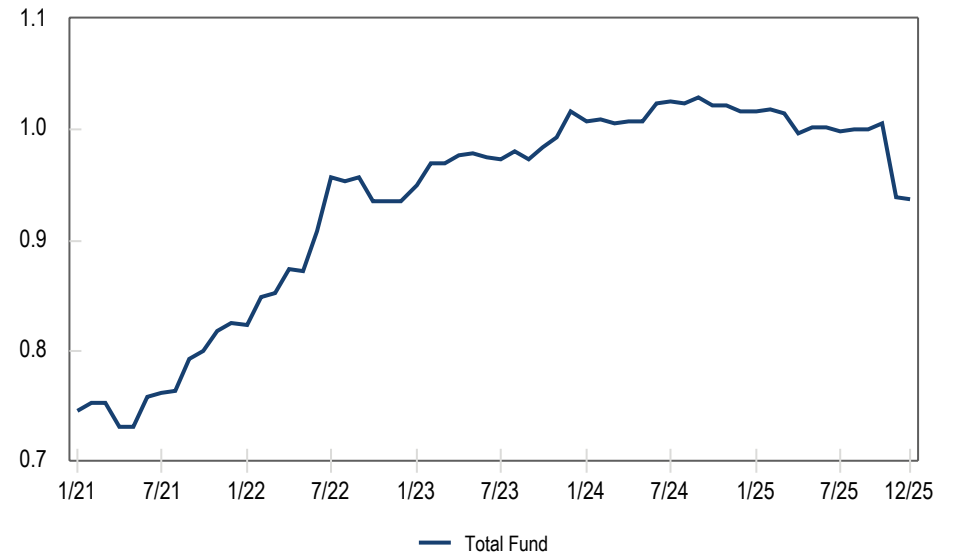
Total Fund
Risk Analysis - 5 Years (Net of Fees)

NDSIB - Consolidated Pension Trust
Period Ending: December 31, 2025

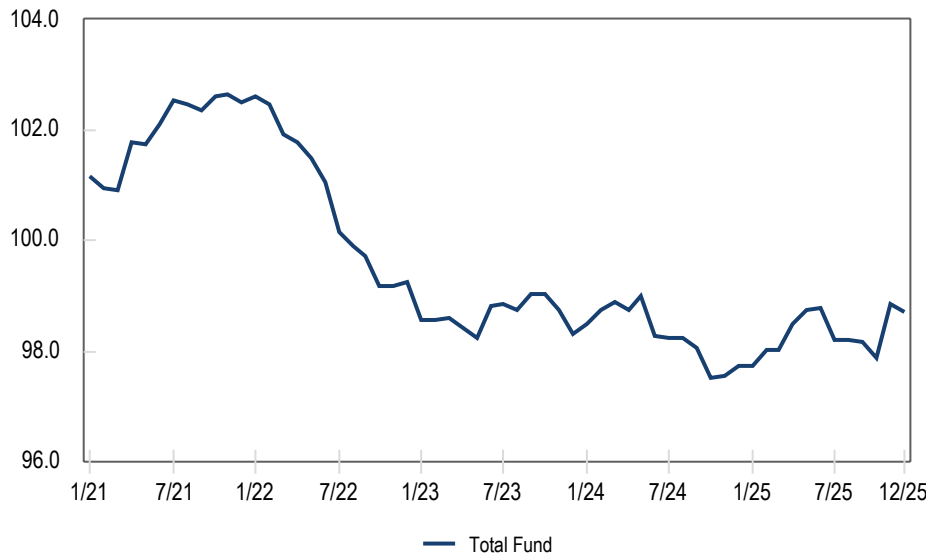
Rolling 5 Years Information Ratio



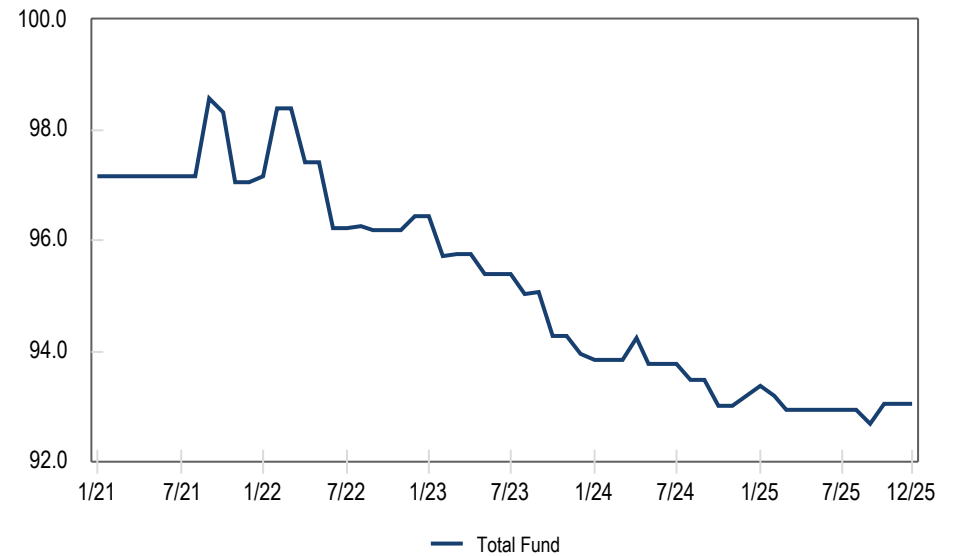
Rolling 5 Years Tracking Error



Rolling 5 Years Up Capture



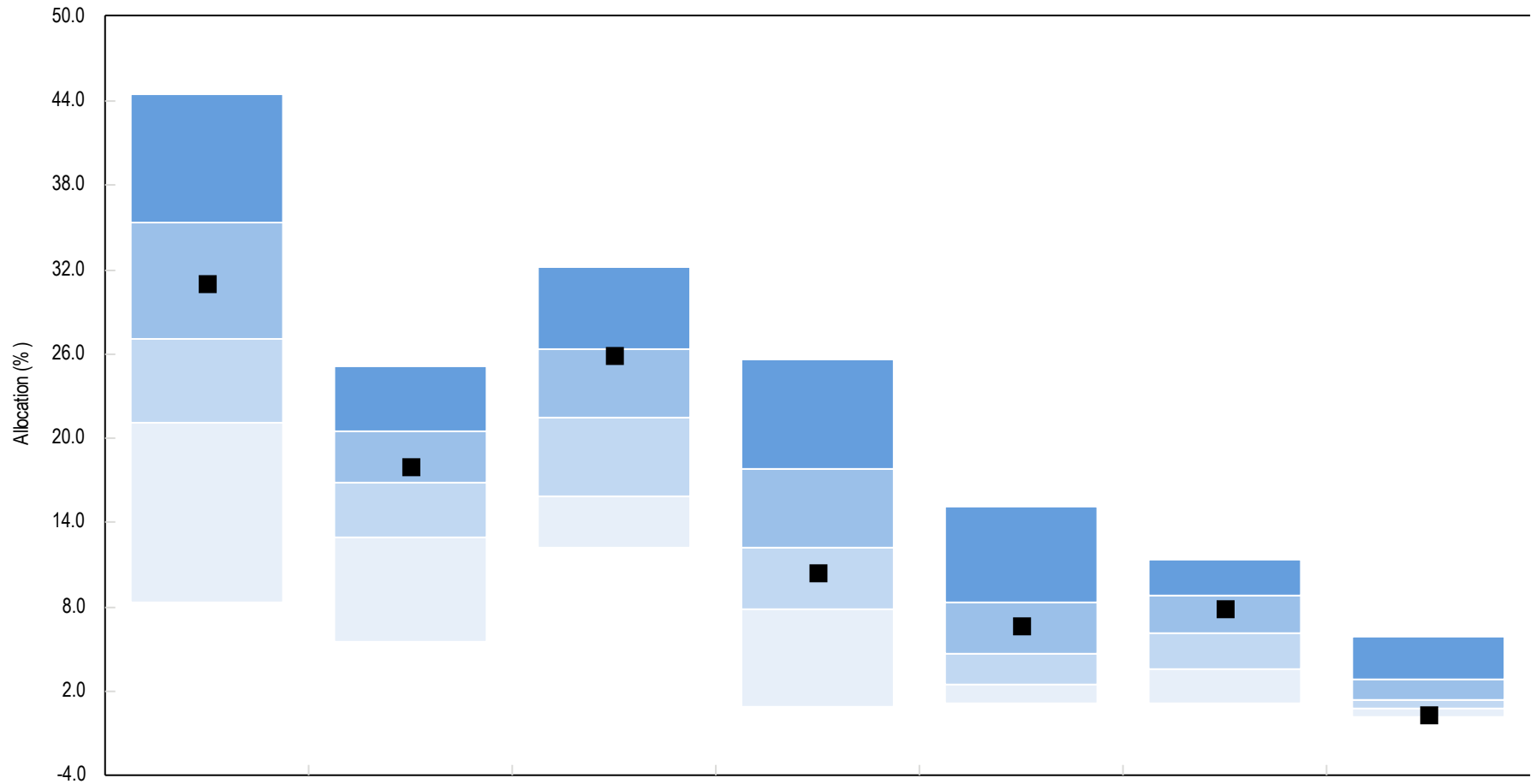
Rolling 5 Years Down Capture



Analytic is using the Corridor Target Index

Total Fund
Peer Universe Comparison: Asset Allocation

NDSIB - Consolidated Pension Trust
Period Ending: December 31, 2025



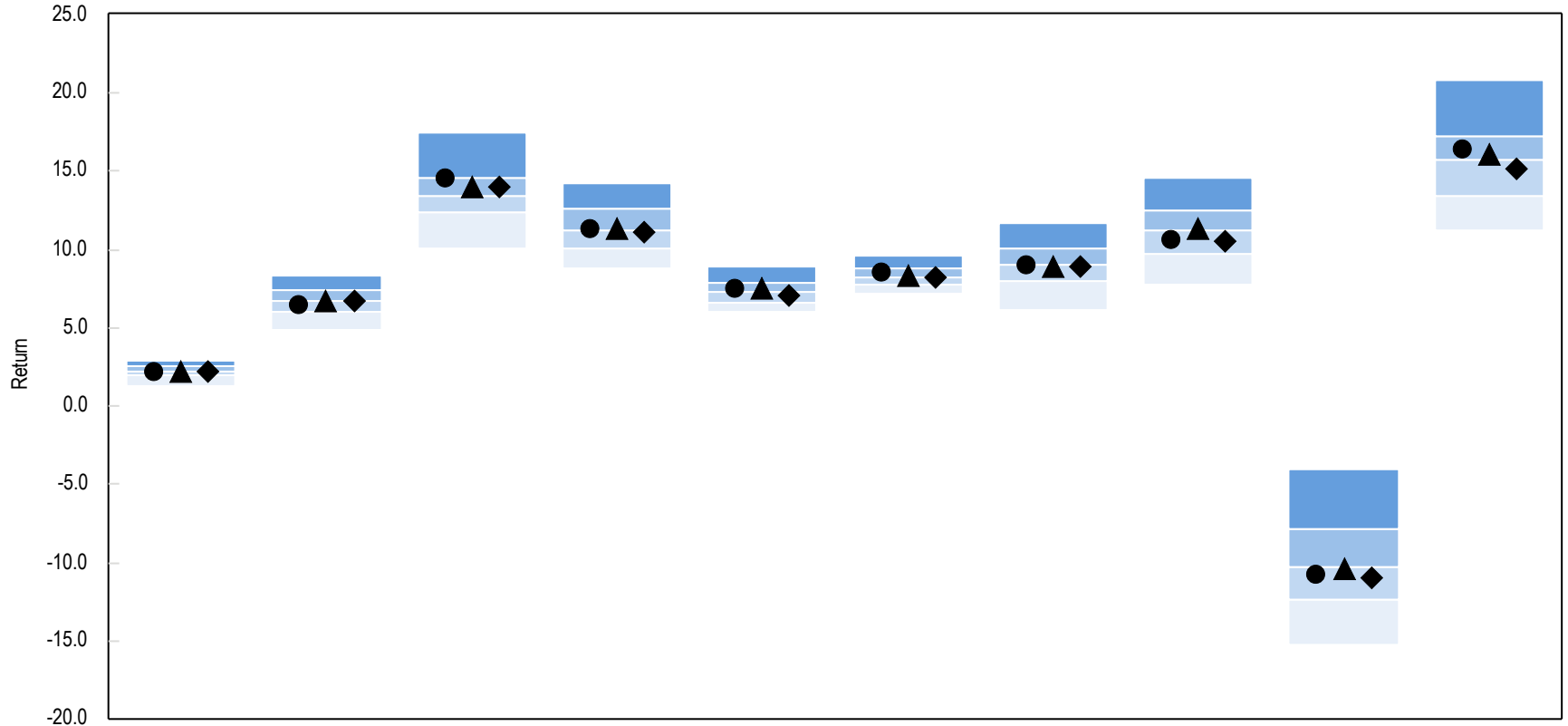
	US Equity 31.0 (36)	Global ex-US Equity 18.0 (39)	US Fixed 25.9 (28)	Private Equity 10.3 (64)	Real Assets/Commod 6.6 (36)	Real Estate - Private 7.9 (32)	Cash & Equivalents 0.3 (90)
■ Total Fund							
5th Percentile	44.5	25.1	32.2	25.7	15.2	11.4	5.9
1st Quartile	35.4	20.5	26.4	17.8	8.3	8.9	2.8
Median	27.1	16.8	21.5	12.2	4.6	6.1	1.4
3rd Quartile	21.1	13.0	15.9	7.9	2.5	3.6	0.7
95th Percentile	8.3	5.6	12.2	0.9	1.1	1.2	0.2
Population	109	110	113	102	72	94	109

Residual Holdings, Sanctioned Residual Holdings, and Transition Account included in US Equity for styling purposes. InvMetrics Public DB > \$1B is the Plan Sponsor Peer Group.

Total Fund
Peer Universe Comparison: Cumulative Perf (Net of Fees)

NDSIB - Consolidated Pension Trust
Period Ending: December 31, 2025

Total Fund vs. InvMetrics Public DB > \$1B



	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2024	2023	2022	2021
● Total Fund	2.2 (48)	6.5 (61)	14.6 (24)	11.4 (48)	7.5 (37)	8.6 (32)	9.0 (51)	10.7 (62)	-10.7 (59)	16.4 (40)
▲ Policy Index	2.2 (50)	6.7 (51)	14.0 (38)	11.4 (48)	7.5 (37)	8.4 (42)	8.9 (54)	11.3 (50)	-10.4 (55)	16.1 (44)
◆ Corridor Target Index	2.2 (46)	6.7 (53)	14.0 (38)	11.1 (53)	7.1 (58)	8.2 (58)	8.9 (54)	10.5 (66)	-10.9 (60)	15.2 (55)
5th Percentile	2.9	8.4	17.4	14.2	9.0	9.6	11.7	14.6	-4.0	20.8
1st Quartile	2.6	7.4	14.6	12.6	7.9	8.8	10.1	12.5	-7.9	17.3
Median	2.2	6.7	13.4	11.3	7.3	8.3	9.0	11.3	-10.3	15.7
3rd Quartile	1.9	6.1	12.4	10.1	6.6	7.8	8.0	9.7	-12.3	13.5
95th Percentile	1.2	4.9	10.1	8.8	6.0	7.2	6.1	7.8	-15.3	11.3
Population	110	110	110	110	107	103	187	196	187	217

Total Fund
Asset Allocation & Performance (Net of Fees)

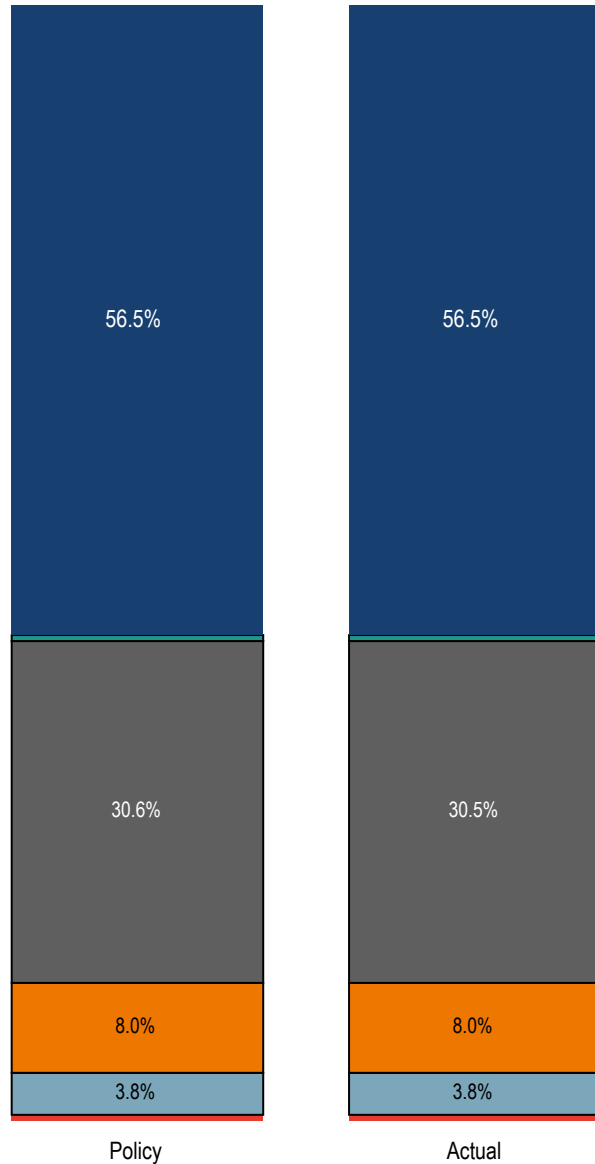
NDSIB - Consolidated Pension Trust
Period Ending: December 31, 2025

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	9,260,483,624	100.0	2.2	6.5	14.6	14.6	11.4	7.5	9.6	8.6
<i>Policy Index</i>			2.2	6.7	14.0	14.0	11.4	7.5	9.5	8.4
<i>Corridor Target Index</i>			2.2	6.7	14.0	14.0	11.1	7.1	9.2	8.2
Total Equity	5,490,621,838	59.3	3.6	10.0	21.1	21.1	18.0	11.2	13.8	11.6
<i>Total Equity Blend</i>			3.1	9.6	19.8	19.8	-	-	-	-
Public Equity	4,532,725,701	48.9	3.7	11.9	23.9	23.9	20.6	11.4	14.2	-
<i>MSCI AC World IMI Index (Net)</i>			3.2	11.1	22.1	22.1	20.0	10.7	13.6	-
Domestic Equity	2,866,629,381	31.0	2.8	11.1	17.9	17.9	22.1	13.3	16.8	14.4
<i>Russell 3000 Index</i>			2.4	10.8	17.1	17.1	22.2	13.1	16.6	14.3
International Equity	1,666,096,320	18.0	5.1	13.2	35.5	35.5	18.6	7.9	11.5	9.4
<i>MSCI AC World ex USA IMI (Net)</i>			4.8	11.9	32.0	32.0	17.1	7.8	10.1	8.4
Private Equity	957,896,137	10.3	3.3	2.2	9.4	9.4	7.2	14.2	12.9	10.2
<i>Private Equity Benchmark</i>			2.6	2.6	9.6	9.6	-	-	-	-
Total Income	2,398,865,142	25.9	1.1	3.2	7.7	7.7	6.5	2.0	4.0	4.3
<i>Total Income Blend</i>			1.2	3.4	7.7	7.7	-	-	-	-
Investment Grade Fixed Income	1,666,654,218	18.0	1.2	3.5	8.1	8.1	5.7	0.2	2.8	3.0
<i>Bimbg. U.S. Aggregate Index</i>			1.1	3.2	7.3	7.3	4.7	-0.4	2.0	2.0
Below Investment Grade	732,210,924	7.9	1.0	2.6	6.8	6.8	8.6	6.8	7.0	7.4
<i>Bimbg. U.S. High Yield - 2% Issuer Cap</i>			1.3	3.9	8.6	8.6	10.1	4.5	6.2	6.5
Total Real Assets	1,338,029,393	14.4	-1.2	-0.9	2.8	2.8	-2.0	3.3	3.7	4.4
<i>Total Real Assets Blend</i>			0.6	1.6	3.7	3.7	-	-	-	-
Other Real Assets	608,562,019	6.6	3.4	3.7	11.1	11.1	9.9	8.8	8.1	-
<i>Other Real Assets Blend</i>			0.8	1.9	4.2	4.2	-	-	-	-
Cash & Equivalents	27,444,917	0.3	1.5	4.6	7.4	7.4	6.0	3.9	3.2	2.6
<i>90 Day U.S. Treasury Bill</i>			1.0	2.1	4.2	4.2	4.8	3.2	2.7	2.2

Residual Holdings value of \$2,237,242 and Sanctioned Residual Holdings value of \$3,285,093 included in Total Fund value.

Total Fund
Asset Allocation vs Policy

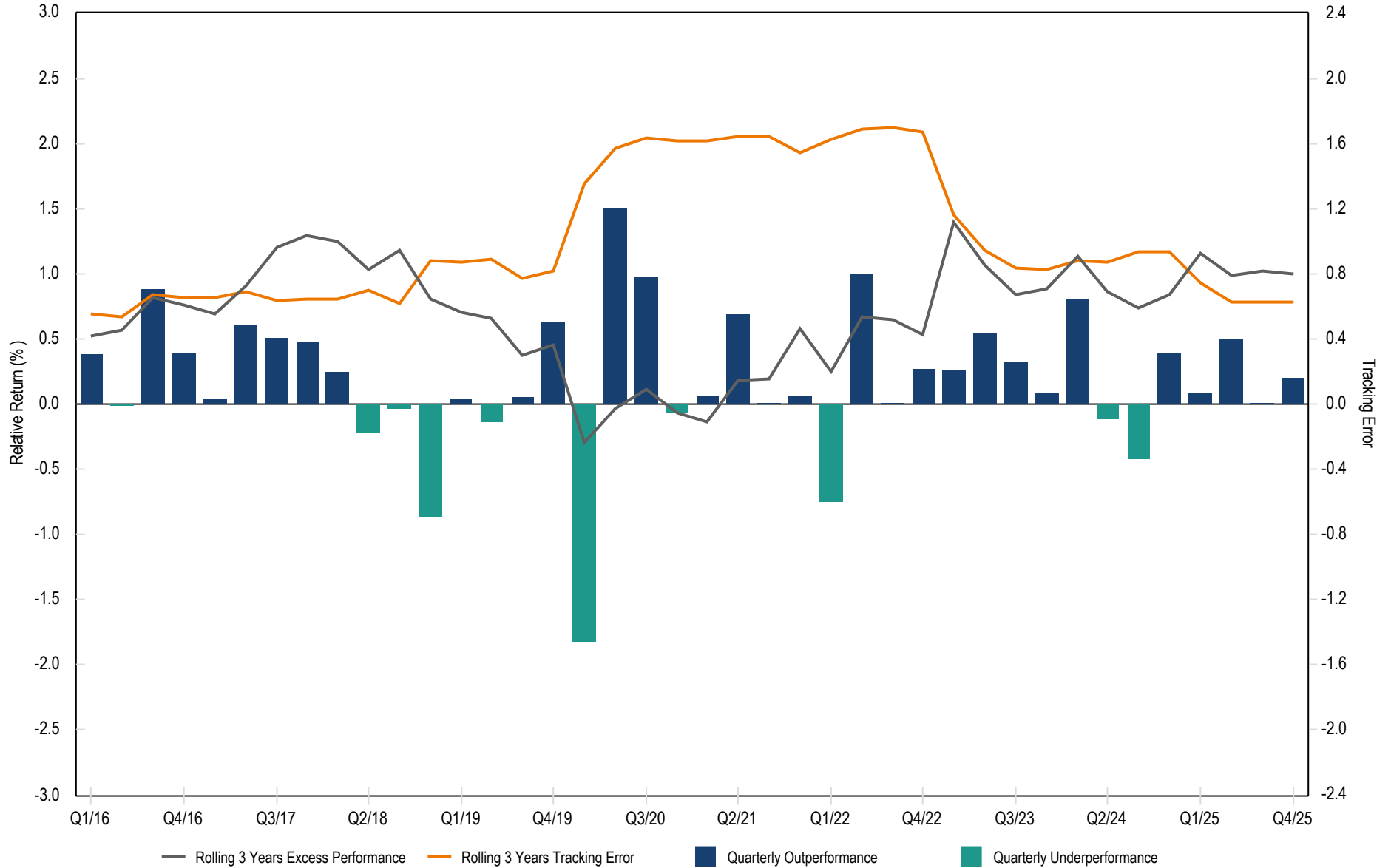
NDSIB - Legacy Fund
Period Ending: December 31, 2025



	Current Balance (\$)	Current Allocation (%)	Policy Allocation (%)	Differences (\$)
Global Public Equity	7,693,322,786	56.5	56.5	1,509,479
Private Equity	71,240,957	0.5	0.5	67,086
Global Fixed Income	4,156,643,835	30.5	30.6	-1,516,063
Diversified Real Assets	1,090,288,381	8.0	8.0	-46,331
In-State Investments	514,735,976	3.8	3.8	52,267
Cash and Equivalents	82,538,800	0.6	0.6	-66,439
Total	13,608,770,734	100.0	100.0	

Residual Holdings value of \$898,853 included in Global Public Equity value for styling purposes.

Rolling Annualized Excess Performance and Tracking Error

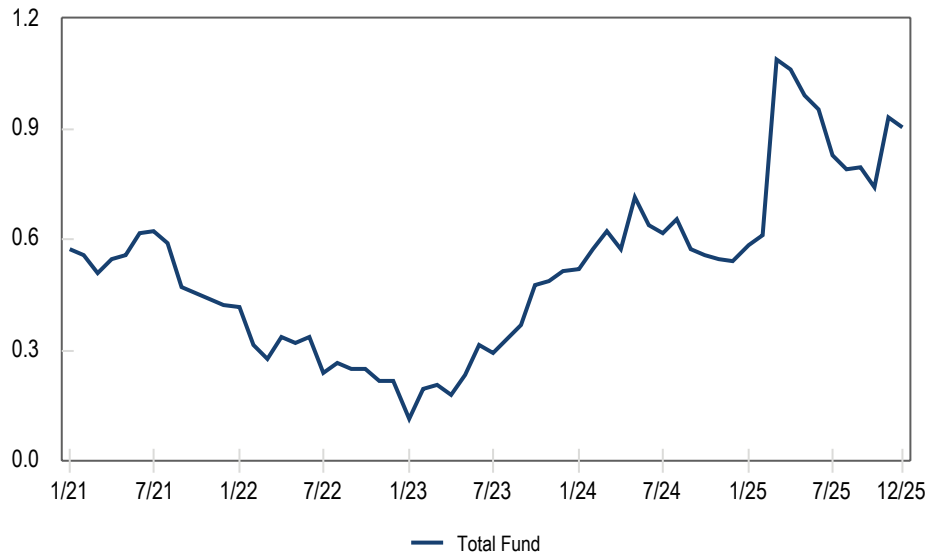


Analytic is using the Corridor Target Index

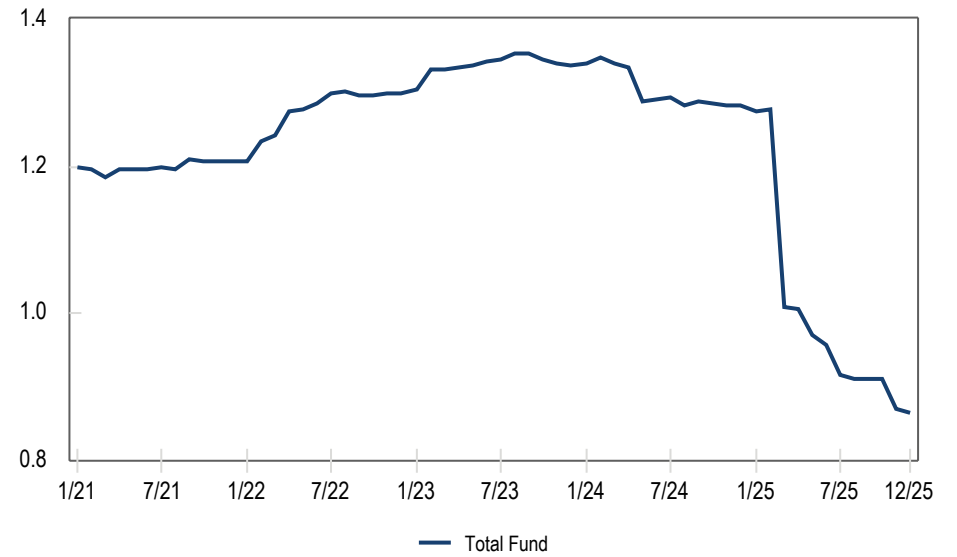
Total Fund
Risk Analysis - 5 Years (Net of Fees)

NDSIB - Legacy Fund
Period Ending: December 31, 2025

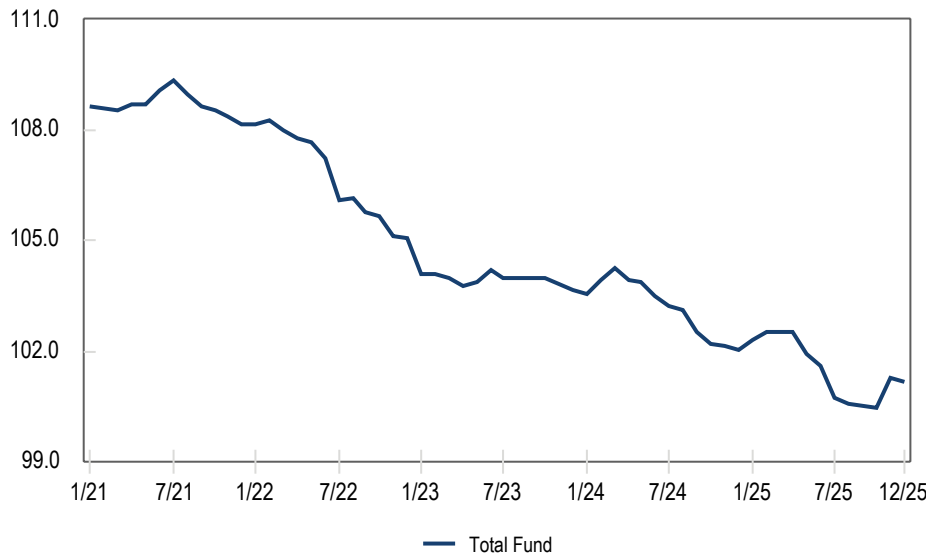
Rolling 5 Years Information Ratio



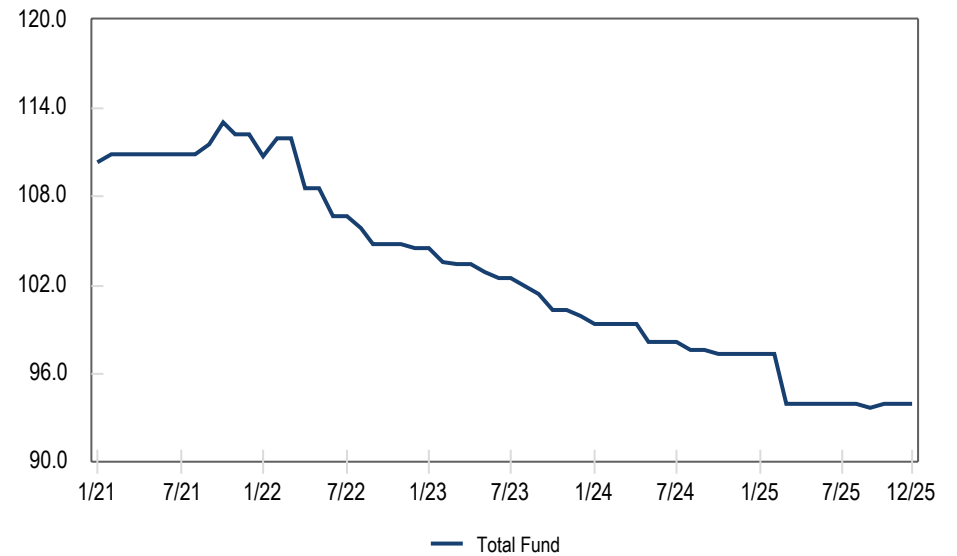
Rolling 5 Years Tracking Error



Rolling 5 Years Up Capture



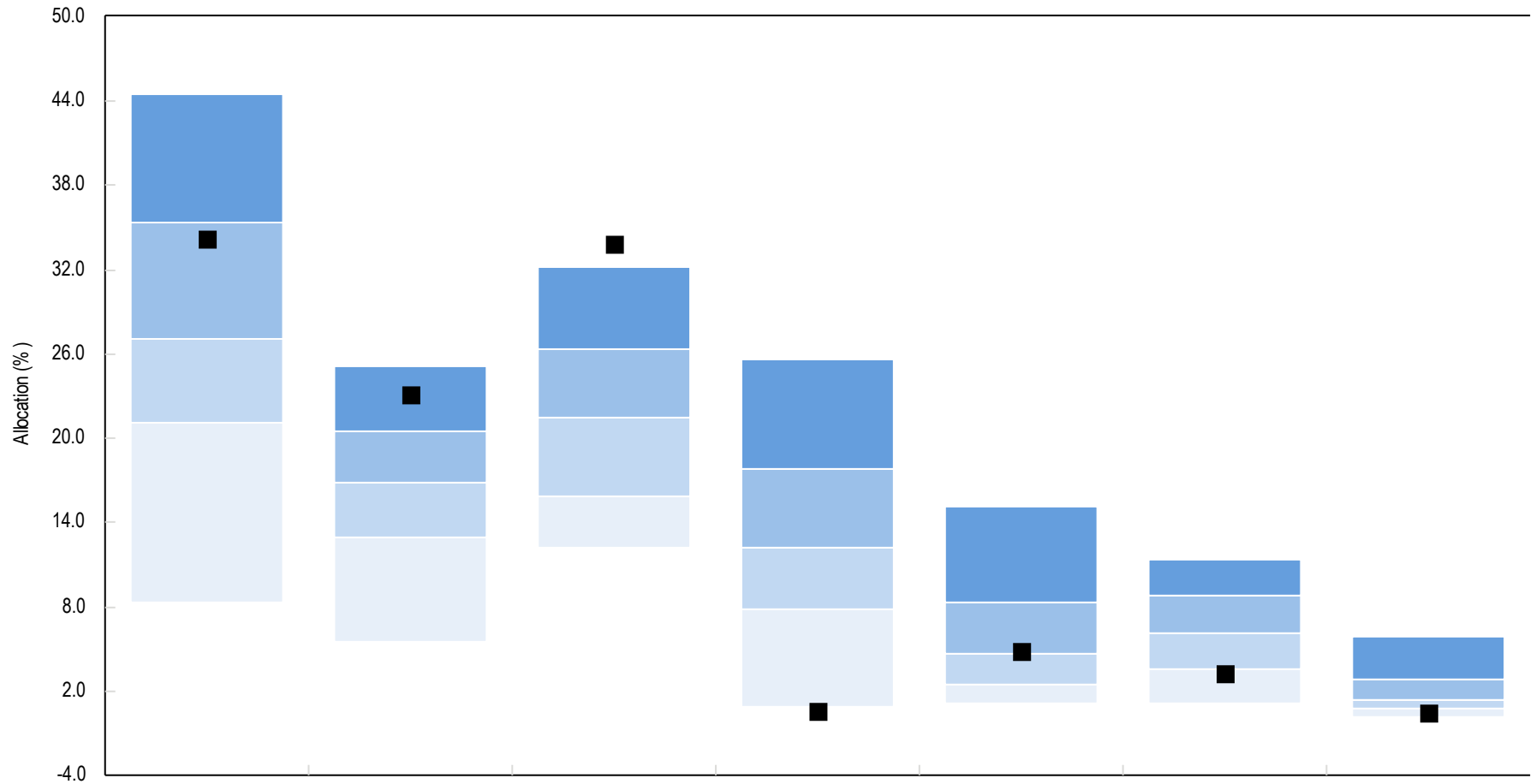
Rolling 5 Years Down Capture



Analytic is using the Corridor Target Index

Total Fund
Peer Universe Comparison: Asset Allocation

NDSIB - Legacy Fund
Period Ending: December 31, 2025



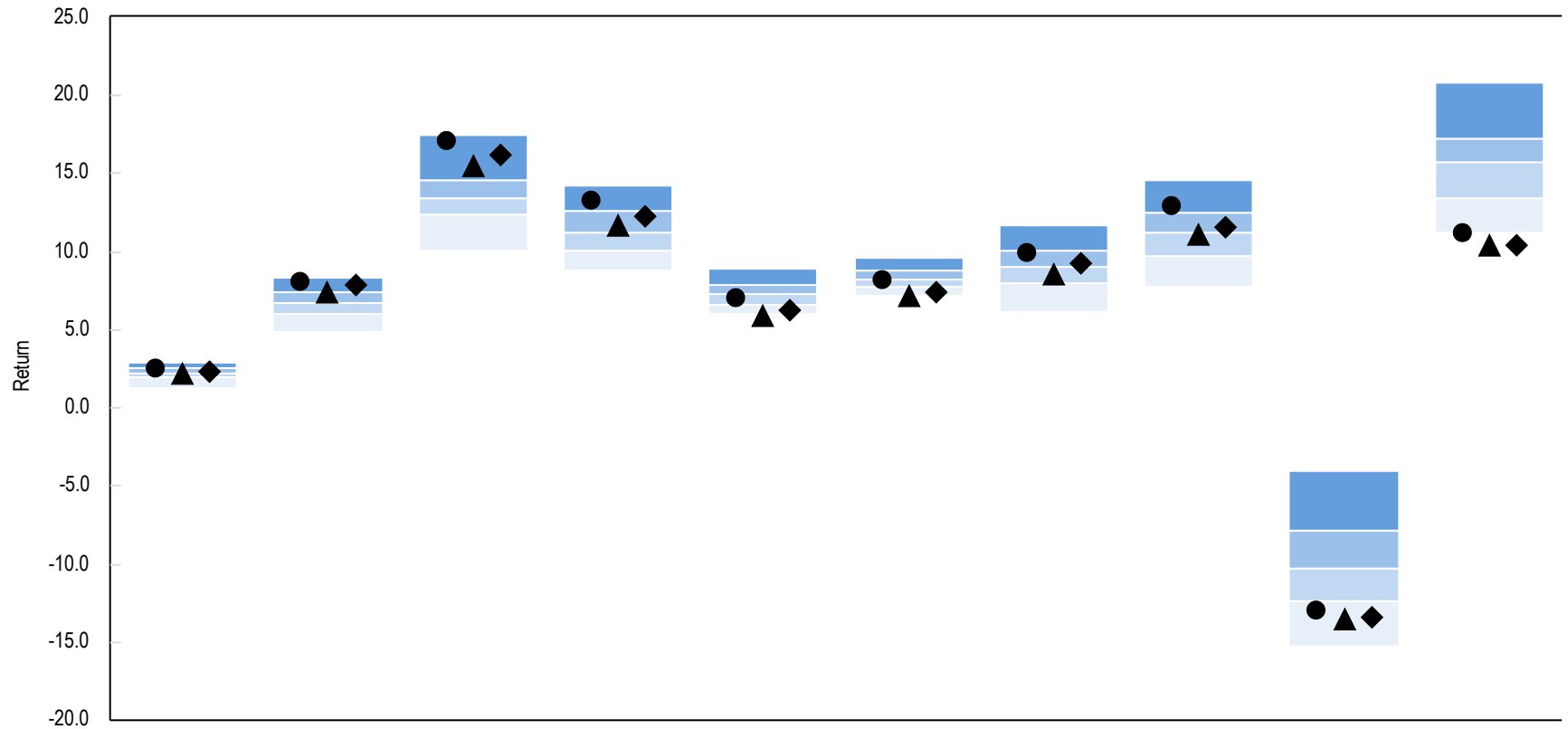
	US Equity	Global ex-US Equity	US Fixed	Private Equity	Real Assets/Commod	Real Estate - Private	Cash & Equivalents
■ Total Fund	34.2 (26)	23.1 (11)	33.8 (5)	0.5 (100)	4.8 (50)	3.2 (81)	0.4 (86)
5th Percentile	44.5	25.1	32.2	25.7	15.2	11.4	5.9
1st Quartile	35.4	20.5	26.4	17.8	8.3	8.9	2.8
Median	27.1	16.8	21.5	12.2	4.6	6.1	1.4
3rd Quartile	21.1	13.0	15.9	7.9	2.5	3.6	0.7
95th Percentile	8.3	5.6	12.2	0.9	1.1	1.2	0.2
Population	109	110	113	102	72	94	109

In-State Equity included in US equity & In-State Fixed Income included in US Fixed for styling purposes. InvMetrics Public DB > \$1B is the Plan Sponsor Peer Group.

Total Fund
Peer Universe Comparison: Cumulative Perf (Net of Fees)

NDSIB - Legacy Fund
Period Ending: December 31, 2025

Total Fund vs. InvMetrics Public DB > \$1B



	3 Mo	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2024	2023	2022	2021
● Total Fund	2.6 (28)	8.1 (9)	17.1 (6)	13.3 (12)	7.1 (57)	8.2 (58)	9.9 (28)	12.9 (20)	-12.9 (81)	11.3 (95)
▲ Policy Index	2.2 (48)	7.4 (26)	15.5 (13)	11.7 (43)	5.9 (96)	7.2 (95)	8.5 (64)	11.1 (53)	-13.5 (88)	10.4 (98)
◆ Corridor Target Index	2.4 (39)	7.9 (12)	16.2 (11)	12.3 (29)	6.2 (90)	7.4 (90)	9.2 (44)	11.6 (41)	-13.4 (85)	10.4 (98)
5th Percentile	2.9	8.4	17.4	14.2	9.0	9.6	11.7	14.6	-4.0	20.8
1st Quartile	2.6	7.4	14.6	12.6	7.9	8.8	10.1	12.5	-7.9	17.3
Median	2.2	6.7	13.4	11.3	7.3	8.3	9.0	11.3	-10.3	15.7
3rd Quartile	1.9	6.1	12.4	10.1	6.6	7.8	8.0	9.7	-12.3	13.5
95th Percentile	1.2	4.9	10.1	8.8	6.0	7.2	6.1	7.8	-15.3	11.3
Population	110	110	110	110	107	103	187	196	187	217

Total Fund
Asset Allocation & Performance (Net of Fees)

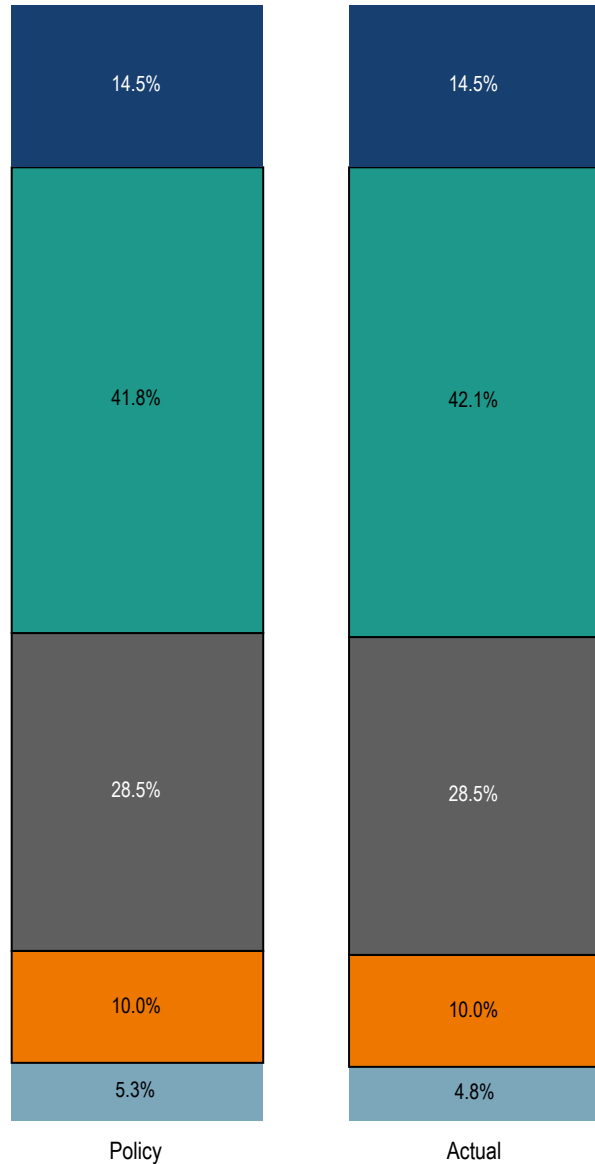
NDSIB - Legacy Fund
Period Ending: December 31, 2025

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	13,608,770,734	100.0	2.6	8.1	17.1	17.1	13.3	7.1	9.3	8.2
<i>Policy Index</i>			2.2	7.4	15.5	15.5	11.7	5.9	8.3	7.2
<i>Corridor Target Index</i>			2.4	7.9	16.2	16.2	12.3	6.2	8.6	7.4
Total Equity	7,763,664,890	57.0	3.7	11.7	24.2	24.2	20.4	11.2	14.0	-
<i>Total Equity Blend</i>			3.4	11.2	23.1	23.1	19.8	10.9	13.7	-
Public Equity	7,692,423,933	56.5	3.7	11.8	24.3	24.3	20.5	-	-	-
<i>MSCI AC World IMI Index (Net)</i>			3.2	11.1	22.1	22.1	20.0	-	-	-
Domestic Equity	4,547,162,525	33.4	2.7	11.0	17.9	17.9	22.1	13.3	15.9	13.5
<i>Russell 3000 Index</i>			2.4	10.8	17.1	17.1	22.2	13.1	16.6	14.3
International Equity	3,145,261,409	23.1	5.1	12.9	34.0	34.0	18.0	8.0	11.1	8.8
<i>MSCI AC World ex USA IMI (Net)</i>			4.8	11.9	32.0	32.0	17.1	7.8	10.1	8.4
Private Equity	71,240,957	0.5	1.9	1.7	13.6	13.6	8.8	7.5	-	-
<i>Private Equity Benchmark</i>			2.7	2.7	15.3	15.3	-	-	-	-
Global Fixed Income	4,156,643,835	30.5	1.3	3.4	8.1	8.1	6.4	1.2	3.6	3.7
<i>Global Fixed Income Blend</i>			1.2	3.4	7.5	7.5	5.2	-0.1	2.2	2.2
Total Real Assets	1,090,288,381	8.0	0.5	1.0	4.9	4.9	1.1	3.3	4.5	-
<i>Total Real Asset Blend</i>			0.7	1.6	3.8	3.8	-	-	-	-
In-State Investments	514,735,976	3.8	0.5	10.9	15.9	15.9	-	-	-	-
<i>In-State Investments</i>			0.5	10.9	15.9	15.9	-	-	-	-
Cash and Equivalents	82,538,800	0.6	2.1	5.4	12.2	12.2	7.5	4.7	3.7	2.9
<i>90 Day U.S. Treasury Bill</i>			1.0	2.1	4.2	4.2	4.8	3.2	2.7	2.2

Residual Holdings value \$898,853 included in Total Fund value.

Total Fund
Asset Allocation vs Policy

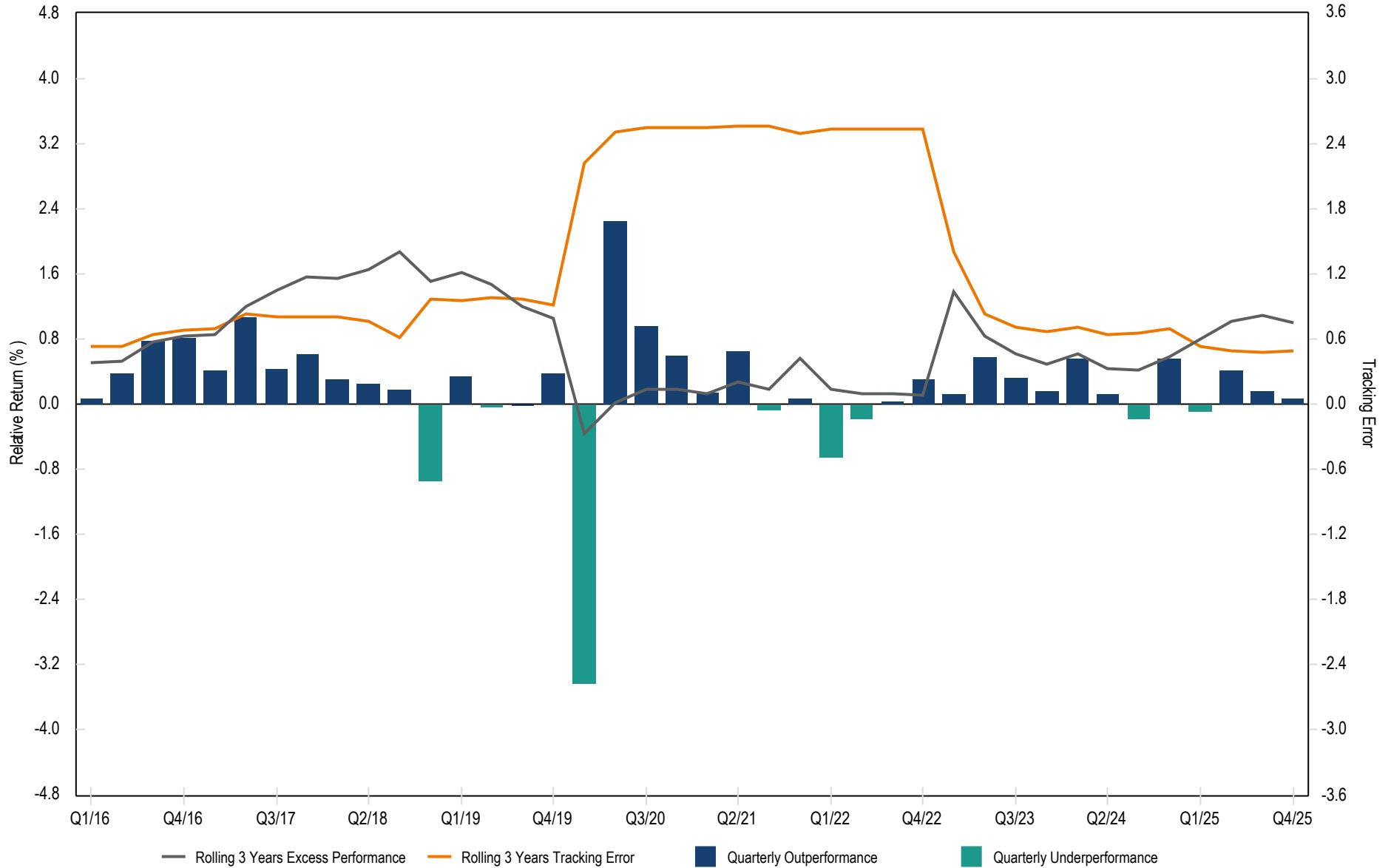
NDSIB - Consolidated Insurance Trust
Period Ending: December 31, 2025



	Current Balance (\$)	Current Allocation (%)	Policy Allocation (%)	Differences (\$)
Global Public Equity	530,493,545	14.5	14.5	2,826,947
Domestic Fixed Income	1,538,596,769	42.1	41.8	13,017,905
Short Term Fixed Income	1,041,526,577	28.5	28.5	1,744,123
Diversified Real Assets	365,330,655	10.0	10.0	-221,287
Cash and Equivalents	174,461,297	4.8	5.3	-17,367,688
Total	3,650,408,843	100.0	100.0	

Residual Holdings value of \$110,158 included in Global Public Equity value for styling purposes. Policy Asset Allocation based upon 11/30/2025 data.

Rolling Annualized Excess Performance and Tracking Error

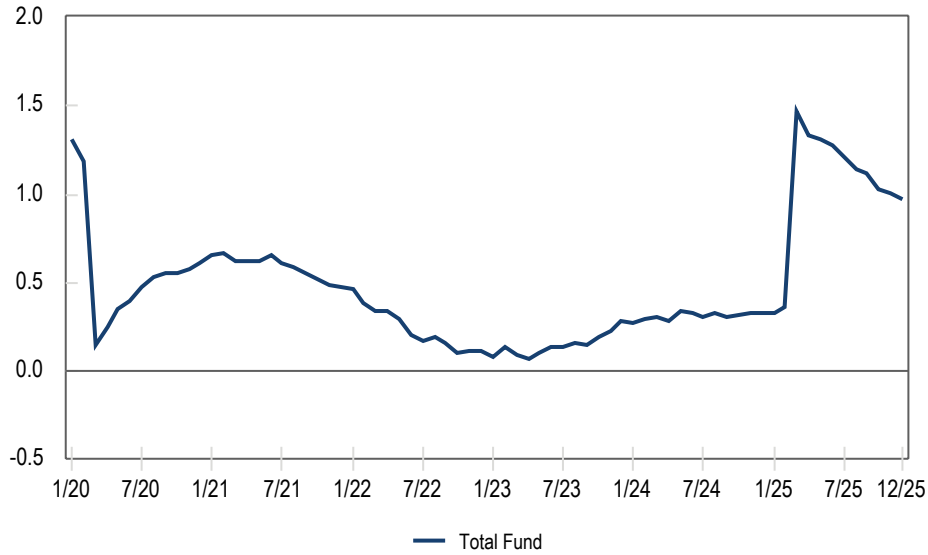


Analytic is using the Corridor Target Index

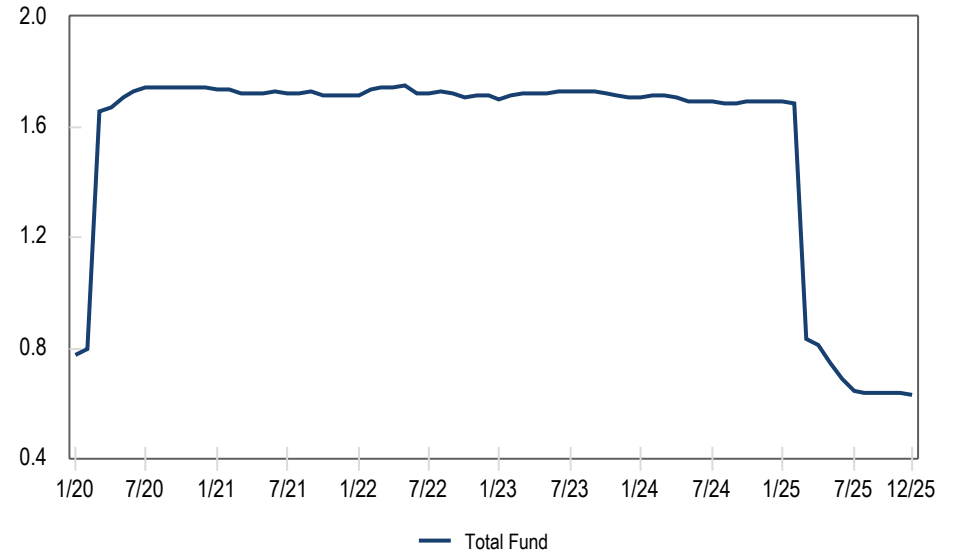
Total Fund
Risk Analysis - 5 Years (Net of Fees)

NDSIB - Consolidated Insurance Trust
Period Ending: December 31, 2025

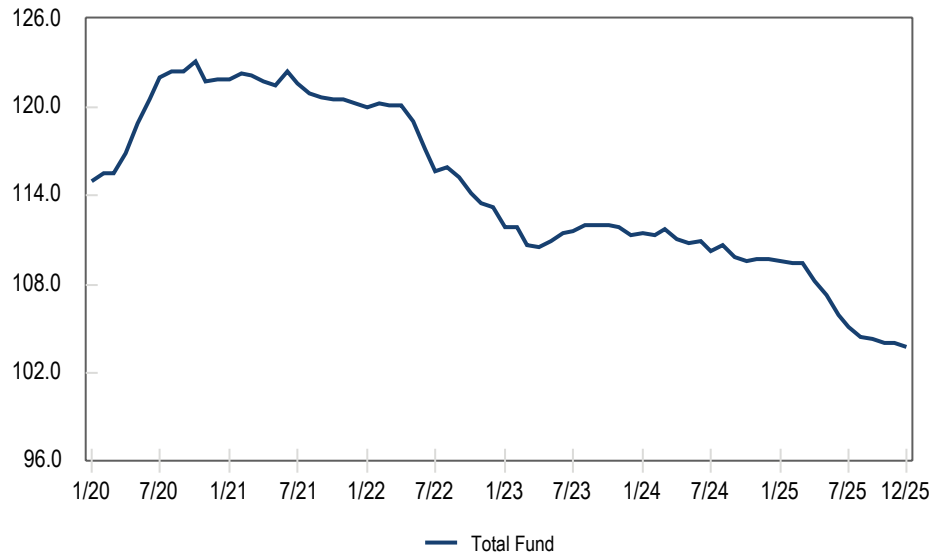
Rolling 5 Years Information Ratio



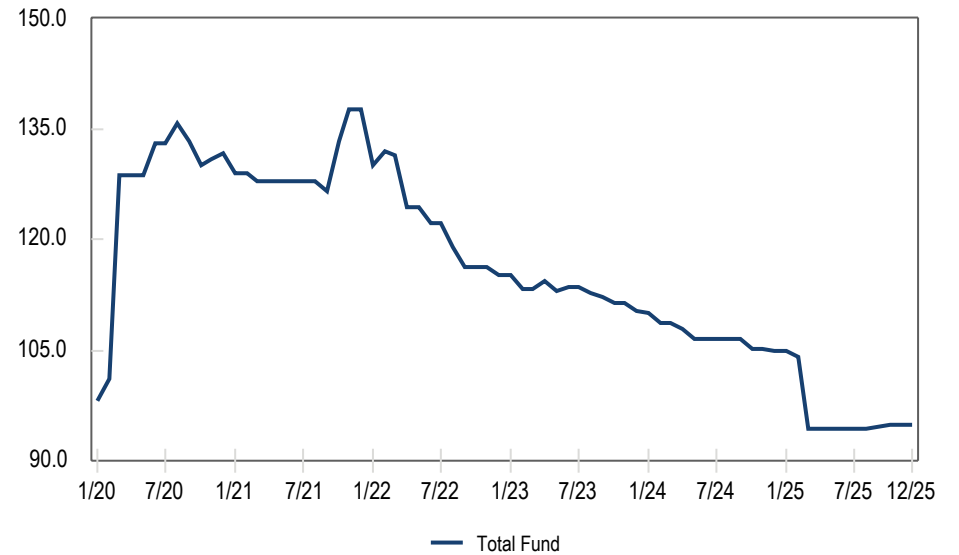
Rolling 5 Years Tracking Error



Rolling 5 Years Up Capture



Rolling 5 Years Down Capture



Analytic is using the Corridor Target Index

Total Fund
Asset Allocation & Performance (Net of Fees)

NDSIB - Consolidated Insurance Trust
Period Ending: December 31, 2025

	Market Value	% of Portfolio	3 Mo	Fiscal YTD	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	3,650,408,843	100.0	1.4	4.1	9.1	9.1	7.4	3.0	5.0	5.0
<i>Policy Index</i>			1.3	3.8	8.4	8.4	6.5	2.4	4.4	4.1
<i>Corridor Target Index</i>			1.4	3.9	8.4	8.4	6.4	2.4	4.4	4.2
Total Equity	530,383,387	14.5	3.7	11.9	24.5	24.5	20.8	11.6	14.4	-
<i>Total Equity Blend</i>			3.3	11.3	22.9	22.9	20.3	11.1	14.1	-
Domestic Equity	316,342,707	8.7	2.6	10.8	17.6	17.6	22.0	13.4	16.0	13.6
<i>Russell 3000 Index</i>			2.4	10.8	17.1	17.1	22.2	13.1	16.6	14.3
International Equity	214,040,680	5.9	5.3	13.6	35.6	35.6	18.6	8.9	11.6	9.2
<i>MSCI AC World ex USA IMI (Net)</i>			4.8	11.9	32.0	32.0	17.1	7.8	10.1	8.4
Domestic Fixed Income	1,538,596,769	42.1	1.3	3.5	8.2	8.2	5.9	0.4	2.9	3.4
<i>Blmbg. U.S. Aggregate Index</i>			1.1	3.2	7.3	7.3	4.7	-0.4	2.0	2.0
Short Term Fixed Income	1,041,526,577	28.5	1.2	2.6	5.7	5.7	6.4	2.9	3.2	2.7
<i>Bloomberg U.S. Gov/Credit 1-3 Year Index</i>			1.2	2.4	5.3	5.3	4.8	2.0	2.5	2.1
Total Real Assets	365,330,655	10.0	-0.1	1.0	4.2	4.2	1.3	2.4	3.3	-
<i>Total Real Assets</i>			0.4	1.9	5.2	5.2	-	-	-	-
Diversified Real Assets	277,208,365	7.6	1.8	3.2	8.5	8.5	6.3	3.4	4.4	4.4
<i>Diversified Real Assets Blend</i>			0.3	2.1	6.0	6.0	3.2	2.4	3.5	3.4
Cash & Equivalents	174,461,297	4.8	1.0	2.1	4.3	4.3	4.8	3.2	2.6	2.1
<i>90 Day U.S. Treasury Bill</i>			1.0	2.1	4.2	4.2	4.8	3.2	2.7	2.2

Residual Holdings value of \$110,158 included in Total Fund value.

Disclosure

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Verus receives universe data from InvMetrics, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.

MEMORANDUM

TO: State Investment Board

FROM: Jodi Smith, Interim Executive Director

DATE: March 20, 2026

RE: SIB Governance Manual Re-Write

The Governance and Policy Review Committee met virtually on March 10, 2026. The meeting was called to order by Chair Dr. Lech, with a quorum present. The Committee reviewed and approved the agenda as distributed and approved the minutes from February 19, 2026, meeting.

Governance Manual Rewrite – Status Update

The Committee received a comprehensive update on the SIB Governance Manual Rewrite initiative, authorized by the Board on March 28, 2025. This effort stems from the governance audit conducted by Funston Advisory Services LLC, which was formally contracted in August 2025.

Project 1 – Governance Audit (Completed)

Funston completed a comprehensive governance assessment that included:

- Review of the SIB Program Manual and governance structure.
- Interviews with Board members, committees, and executive staff.
- Compliance review with applicable statutes and rules.
- Evaluation of reporting practices and decision-making frameworks.
- Benchmarking against peer institutional investors.
- Development of a governance risk heat map.
- Delivery of governance education to the Board.

The Final Governance Model Review Report was approved by the Board on November 21, 2025, and distributed to all Board members on December 9, 2025.

Project 2 – Governance Manual Rewrite (In Progress)

Following Board authorization in November 2025, Funston began Phase 2 of the governance modernization project to revise the Governance Manual. On March 10, 2026, Funston presented the Governance Policy

System (GPS) draft to the Governance and Policy Review Committee (GPRC) for initial review and feedback. The draft was presented in its entirety to allow the Committee to evaluate the proposed governance framework holistically.

Funston emphasized that the primary challenge with the prior manual was navigation and usability. In response, the draft GPS is structured as an interactive, purpose-first governance system, designed to function similarly to a website with hyperlinks, searchable content, and layered “progressive disclosure.” This approach allows users to quickly access high-level governance guidance while providing the ability to drill down into more detailed policies when needed. The revised structure also separates governance policies from investment policies, removing investment policy content from the governance manual so that investment policies and operational materials can reside in a separate manual that can be referenced or linked as appropriate.

The Committee reviewed and discussed the proposed governance framework and delegation model, including:

- A “lines of accountability” structure clarifying the relationship among the Legislature and statutory framework, the Board, committees, the Executive Director, staff, and assurance providers (internal audit, external audit, and external advisors).
- A clear delegation and authority framework reinforcing that the Board serves as the approval authority, while committees research and recommend, oversee implementation, and verify or report outcomes.
- The use of delegation matrices and simplified governance charts to clarify who recommends, approves, delegates, executes, oversees, and verifies decisions—supporting accountability and reducing ambiguity in governance processes.

A copy of the proposed Governance Policy System (GPS) is attached. The second reading of the GPS is scheduled for May 15, 2026, Board meeting. Between the first and second readings, the GPRC will continue refining the document; however, the intent is to limit revisions to clarifications and formatting improvements rather than making substantive policy changes.

Board Action Requested: Board approval of the Introduction and First Reading of the Governance Policy System (GPS).

Approval of first reading acknowledges the Board’s review of the proposed governance framework and authorizes staff and the Governance and Policy Review Committee to continue refining the document prior to the second reading scheduled for the May 15, 2026, Board meeting, with the expectation that any further revisions will be limited to clarifications, formatting, and non-substantive changes.

NORTH DAKOTA

State Investment Board

Governance Policy System

GPS Prudent by Design™

A structured 5-year cycle of fiduciary decisions, policy approvals, governance discipline and public accountability.

1. FIDUCIARY FOUNDATION

2. ROLES

3. AUTHORITY & DELEGATIONS

4. DECISIONS

5. TIMING



[Glossary](#)

Statutory Authority

The State Investment Board operates pursuant to **North Dakota Century Code Chapter 21-10**, which establishes the Board's authority, duties, and fiduciary responsibilities for the investment and oversight of designated public funds.

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The SIB Governance Policy System (GPS)

The Purpose of Governance Policy

Fundamentally, board governance is about disciplined collective decision-making: identifying the key board decisions, assigning clear authority, and providing the insights required for prudent judgment.

Governance policy has two distinct but integrated targets. First, it guides the board in how fiduciary decisions are made and how roles are exercised. Second, it provides executives and staff with clear, navigable delegation so board intent is executed consistently and without ambiguity.

1. The Board — Key Decisions and How Decisions Get Made

Governance policy should define how the board governs, not how staff operate. Trustees should be able to clearly explain how the board reaches decisions and the role each trustee plays. The focus is on fiduciary responsibilities, decision framing and resolution, authority reserved to the board vs. the jurisdiction, and committee roles and reporting. It establishes explicit decision architecture (inputs, constraints, timing), reinforces long-term patient-capital orientation, and prevents drift into operational or advisory activity.

The board has five fundamental powers:

1. Conducting the business of the board and committees;
2. Setting direction and policy;
3. Approving key decisions and prudently delegating authority;
4. Overseeing execution within policy; and
5. Verifying the reliability of information, advice, and reporting.

Governance policy primarily addresses the Board's and trustees' roles in the first three powers, enabling the board to govern through direction and delegation while allowing execution, oversight, and verification to occur without confusion.

Introduction

2. Executive Management & Staff — Clarity of Delegation

For executives and staff, governance policies function as an operational decision system. The purpose is to enable independent execution of board direction without continual interpretation or informal escalation. Staff should be able to determine what authority is delegated, to whom, within what limits, and when escalation is required.

A well-designed policy makes delegation boundaries easy to find and apply, reduces reliance on precedent or institutional memory, and supports consistent decision-making across the organization. Navigability is therefore a core delegation control: it assures staff can execute board-approved authority consistently, within limits, and aligned with board intent. Poor navigability increases discretion and workarounds; strong navigability reinforces discipline and accountability.

The SIB Governance Policy System (GPS) is a navigation tool that is designed to help you quickly find what you are looking for. It works like a website or a map.

1. Fiduciary Foundation

A. Purpose of the SIB

The mission of the North Dakota State Investment Board is to prudently invest entrusted assets to generate long-term value while meeting liquidity, fiduciary, and statutory obligations.

B. Beneficiaries

Current and Future

For purposes of this manual, beneficiaries of the Retirement and Investment Office (RIO) and the SIB include those entities and participants defined by statute, as well as those that have contracted for investment or related services under statutory authority. This includes include all current and future beneficiaries of the funds managed by the SIB, such as public pension and retirement funds, legacy and trust funds, insurance and guarantee funds, and growth and stabilization funds.

In fulfilling its fiduciary duties, the SIB recognizes the principle of intergenerational equity and balances the needs of current beneficiaries with the responsibility to preserve purchasing power, financial sustainability, and flexibility for future beneficiaries, taking into account differing fund purposes, time horizons, and risk tolerances.

Direct Contractual Beneficiaries	Programmatic Beneficiaries	Intergenerational / Sovereign Beneficiaries
Retirees	Public school students	Current citizens
Active members	Health program recipients	Future citizens
Injured workers	Cultural program beneficiaries	Taxpayers
529 account beneficiaries		

Unlike a single-purpose pension fund, NDSIB has multi-client fiduciary complexity:

- Different time horizons
- Different liquidity profiles
- Different political sensitivities
- Different statutory constraints

This can materially affect:

- Asset allocation
- Risk tolerance
- Reporting

Stakeholder Alignment and Relations

Effective stakeholder relations are essential to sustaining trust, legitimacy, and long-term effectiveness in a public fiduciary organization. Because many stakeholders—beneficiaries, policymakers, regulators, participating agencies, and the public—interact with the organization episodically or indirectly, the quality, consistency, and tone of those interactions materially shape confidence in the institution and its governance.

The Executive Director shall assure that all interactions with stakeholders, the public, and other government entities are conducted in a manner that reflects the agency’s core values of integrity, accountability, and service, and that reinforces the organization’s fiduciary purpose and public mandate. Communications shall be accurate, clear, timely, and professional, and shall appropriately distinguish established facts, policy positions, and analytical conclusions from personal opinions or commentary.

By maintaining disciplined, transparent, and respectful stakeholder relations—often without seeking visibility or advocacy—the organization supports informed oversight, reduces reputational and governance risk, and preserves the trust necessary to operate effectively across political cycles and market environments.

See also – External Communications

C. Fiduciary Duties

By virtue of the responsibilities assigned to the SIB by N.D.C.C. Chapter 21-10, the members of the SIB are fiduciaries for multiple statutory funds. Through contractual obligations, fiduciary responsibility extends to contracted additional funds.

A fiduciary is a person who has discretionary authority or management responsibility for assets held in trust to which another has beneficial title or interest. The fiduciary is responsible for knowing the "prudent requirements" for the investment of trust assets. Remedial actions may be assessed against fiduciaries for violations of fiduciary duty.

The Duty of Loyalty

Each Board and Committee member shall discharge their duties solely in the interest of the beneficiaries and participants, placing those interests above any personal, political, or external considerations, avoiding conflicts of interest, and acting with undivided loyalty to the funds entrusted to the Board.

The Duty of Compliance

Members shall comply with all applicable statutes, regulations, Board policies, ethics requirements, duly adopted procedures and plan documents, assuring that all actions remain within the scope of lawful authority and delegated responsibility including, for example, Open Meetings and the Americans with Disabilities Act (ADA).

The Duty of Prudence

A prudent investor is evaluated based on the demonstration of prudence compared to prevailing peer practices.

North Dakota state law provides broad fiduciary guidelines for the SIB members. NDCC § 21-10-07 specifies that the state investment Board shall apply the prudent investor rule in investing for funds under its supervision except that § 21-10-07.1 requires the SIB to give preference to qualified investment firms and financial institutions with a presence in the state for legacy fund investment purposes. "The prudent investor rule" means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not regarding speculation but regarding the permanent disposition of funds, considering probable safety of capital as well as probable income."

Procedural Prudence

Procedural prudence is a term that has evolved to describe the appropriate activities of a person (or persons) who act in a fiduciary role. Court decisions to date indicate that procedural prudence is more important in assessing fiduciary activities than actual portfolio performance. A fiduciary cannot be faulted for making the "wrong" decision provided that proper due diligence was performed.

The key to successfully discharging the SIB's fiduciary duties is the establishment of and adherence to proper due diligence procedures. While not bound by ERISA (Employee Retirement and Income Security Act of 1974), the SIB will use the procedural prudence outlined by ERISA as guidance in developing its procedures:

- a. An investment policy must be established for each fund and must be in writing.
- b. Plan assets must be diversified, unless under the circumstances it would be prudent not to do so.
- c. Investment decisions must be made with the skill and care of a prudent expert.
- d. Investment performance must be monitored.
- e. Investment expenses must be controlled.
- f. Prohibited transactions must be avoided.

The Board demonstrates prudence through process evidence, including:

- Consideration of alternatives and trade-offs.
- Clear delegation limits and escalation triggers.
- Ongoing oversight supported by agreed metrics.
- Independent verification of results.
- Transparent reporting, including exceptions and corrective actions.

Fiduciary Conduct Policies

Conflicts of Interest and Appearance of Impropriety

Conflicts of interest and the appearance of impropriety must be avoided by the State Investment Board (SIB), the Executive Director, and all executives and staff. No individual subject to this policy shall allow family, social, professional, financial, political, or other relationships to influence, or appear to influence, their judgment in discharging their official responsibilities.

The SIB, the Executive Director, and all executives and staff must refrain from financial and business dealings that tend to reflect adversely on the proper discharge of their duties or create the appearance of divided loyalty. They must avoid situations that compromise, or could reasonably be perceived to compromise, their independence, objectivity, or fiduciary obligation to act in the exclusive interest of beneficiaries and the fund.

If a conflict of interest unavoidably arises, the individual shall immediately disclose the conflict in writing.

- The Executive Director shall disclose the conflict to the Chair and the Chief Audit Officer (CAO).
- Executives and staff shall disclose the conflict to the Executive Director (or designee).
- Matters involving the Executive Director or systemic concerns shall be referred to the Audit Committee (or its successor committee responsible for audit, risk, and compliance oversight).

The individual shall comply with any subsequent recommendations or directives issued by the appropriate authority, including recusal, mitigation, or other remedial measures.

Prohibited Conduct

Conflicts of interest to be avoided include, but are not limited to:

- Receiving consideration, compensation, or benefit for advice given to a person concerning any matter over which the individual has direct or indirect control or influence.
- Acting as an agent, representative, or attorney for a person in a transaction involving the SIB.
- Participating in any transaction, decision, or recommendation in which the individual has acquired material non-public information through their official position.
- Using confidential or privileged information obtained through employment or Board service for personal gain or for the benefit of another.

Definition

For purposes of this policy, “Conflict of Interest” means a situation in which a Board member, the Executive Director, an executive, or a staff member has a conflict of interest as that term is defined in North Dakota statute and in rules promulgated by the North Dakota Ethics Commission under N.D.A.C. Chapter 115-04-01.

This policy is intended to be interpreted consistently with all applicable provisions of the North Dakota Century Code and regulations of the North Dakota Ethics Commission.

Affirmation and Disclosure

The Executive Director shall establish and maintain written policies and procedures governing:

- Disclosure of conflicts of interest,
- Annual affirmations of understanding of this policy,
- Ongoing reporting of potential or actual conflicts,
- Documentation and retention of disclosures,
- Procedures for review and determination of appropriate mitigation actions.

The Executive Director, all executives, and all staff shall affirm their understanding of this policy annually, in writing, and shall promptly disclose any actual, potential, or perceived conflicts of interest that may arise.

Board members shall affirm compliance with Disclosures in accordance with Board policy and applicable law.

(Related affirmation forms. To be added)

Disclosure

1. Purpose

This policy is adopted pursuant to NDCC § 21-10-01 et seq. and applicable fiduciary standards under NDCC § 54-52-02.9 to ensure that Trustees act solely in the interest of beneficiaries and maintain independence from actual or perceived conflicts of interest.

2. Definitions

Financial Interest means any direct or indirect ownership, compensation arrangement, employment relationship, or other material economic interest held by a Trustee or an Immediate Family Member.

Immediate Family Member includes a spouse, domestic partner, dependent child, or any person residing in the Trustee's household.

Material Relationship means any relationship that a reasonable person could conclude may influence, or appear to influence, the Trustee's judgment.

Event-Driven Disclosure means disclosure required within ten (10) business days of a material change in circumstances.

2. Meeting Disclosure

At the time of roll call for each Board meeting, each Trustee shall affirm on the record whether they have any actual, potential, or perceived conflict of interest with respect to any item on the meeting agenda.

3. Annual Disclosure Certification

Each Trustee shall complete and sign an annual written disclosure statement affirming compliance with fiduciary duties of loyalty, care, and compliance under NDCC § 54-52-02.9 and applicable law.

The annual disclosure shall:

- Identify all Financial Interests and Material Relationships;
- Affirm the Trustee's understanding of the duty to act solely in the interest of beneficiaries;
- Acknowledge the obligation to update disclosures promptly upon change.

The Governance and Policy Review Committee shall review annual disclosures and report compliance status to the Board.

4. Event-Driven Disclosure

A Trustee shall disclose any new or changed Financial Interest or Material Relationship within ten (10) business days of becoming aware of such interest.

5. Recusal

If a matter presents an actual or potential conflict:

- The Trustee shall disclose the conflict prior to discussion;
- The disclosure shall be recorded in the meeting minutes consistent with NDCC § 44-04-19;
- The Trustee shall abstain from discussion and vote and leave the room during deliberation unless counsel advises otherwise;
- If the Chair is conflicted, the Vice Chair shall assume responsibility for enforcing this procedure.

6. Public Records

Disclosure forms and related materials shall be maintained in accordance with NDCC § 44-04-18 and § 44-04-30. Confidential investment information shall be handled consistent with NDCC § 44-04-22.

External Communications

1. Authority to Speak for the Board

Pursuant to NDCC § 21-10-01 et seq., the Board acts only through official Board action taken in compliance with NDCC § 44-04-19.

The Chair serves as official spokesperson on governance matters.

The Executive Director serves as official spokesperson on operational and investment matters.

Individual Trustees have no independent authority to represent the Board unless expressly authorized by Board action.

2. Personal Capacity Statements

When speaking in a personal capacity, Trustees shall clearly state:

“The views expressed are my own and do not represent the position of the North Dakota State Investment Board.”

3. Legislative Communications

Board positions presented to legislative bodies must reflect official Board action.

Testimony on behalf of the Board requires coordination with the Chair and Executive Director.

4. Crisis Communications

In the event of a material legal, reputational, or operational matter:

- The Executive Director shall notify the Chair promptly;
- The Chair, Executive Director, and legal counsel shall determine communication strategy;
- No Trustee shall independently issue public statements regarding such matter without authorization.

5. Confidentiality

Trustees shall not disclose non-public investment, personnel, legal, or beneficiary information protected under NDCC § 44-04-22 or other applicable law.

Digital and social media communications are subject to this restriction and applicable public records retention requirements under NDCC § 44-04-30.

Trustee Travel

1. Purpose

Trustee travel shall support the Board's fiduciary obligations under NDCC § 21-10-01 et seq. and NDCC § 54-52-02.9.

2. Fiduciary Purpose Standard

Reimbursable travel must relate to one or more of the following:

- Trustee education aligned with Board-approved curriculum;
- Due diligence on material investments;
- Governance or peer benchmarking;
- Statutory representation responsibilities.

3. Pre-Approval

Routine domestic travel requires prior approval of the Chair.

International or unusually high-cost travel requires Board approval.

4. Reimbursement

Travel reimbursement shall comply with applicable state travel policies and reimbursement rates.

Expense documentation must be submitted within thirty (30) days of travel completion.

5. Post-Travel Reporting

Within thirty (30) days of travel completion, the Trustee shall provide a written summary to the Board describing:

- Key insights gained;
- Relevance to Board priorities;
- Recommended follow-up actions.

6. Transparency

An annual summary of Trustee travel expenditures shall be included in Board materials consistent with NDCC § 44-04-18.

Oath Of Office

1. Statutory Requirement

Each Trustee shall execute the oath of office required under NDCC § 44-04-10 and § 54-06-01 prior to participating in Board deliberations or voting.

2. Fiduciary Acknowledgment

The oath shall acknowledge:

- Duty of loyalty to beneficiaries;
- Duty of care consistent with the prudent investor/prudent expert standard under NDCC § 54-52-02.9;
- Duty of compliance with applicable statutes and Board policies;
- Obligation to avoid conflicts of interest;
- Commitment to continuing fiduciary education.

3. Annual Reaffirmation

At the first meeting of each fiscal year, Trustees shall reaffirm their oath and fiduciary obligations. Reaffirmation shall be recorded in the minutes consistent with NDCC § 44-04-19.

4. Record Retention

Executed oaths shall be maintained in permanent Board records consistent with NDCC § 44-04-30.

5. Non-Compliance

A Trustee who has not executed or reaffirmed the required oath may not vote or participate in official Board action until compliance is achieved.

Use of Artificial Intelligence

1. Purpose

The purpose of this policy is to establish principles, governance standards, and control requirements governing the use of Artificial Intelligence (AI) technologies by the North Dakota State Investment Board (“Board”) and the Retirement and Investment Office (“RIO”) staff.

This policy is adopted pursuant to NDCC § 21-10-01 et seq. and is intended to assure that the use of AI supports the Board’s fiduciary obligations under NDCC § 54-52-02.9, protects confidential information under NDCC § 44-04-22, and complies with applicable open records and open meetings laws.

2. Scope

This policy applies to:

- All Board members;
- The Executive Director;
- All RIO employees;
- Contractors and service providers acting on behalf of the Board where AI tools are used in connection with Board business.

3. Definitions

Artificial Intelligence (AI) means software systems or tools that perform tasks typically requiring human intelligence, including but not limited to machine learning systems, predictive models, generative AI, large language models, natural language processing systems, and automated decision-support tools.

Generative AI means AI systems that generate text, images, code, models, or other content in response to prompts.

Material Decision Context means any matter involving investment decisions, manager selection, asset allocation, procurement, risk management, governance, personnel, benefit determination, or other actions that may materially affect beneficiaries or public funds.

4. Guiding Principles

The Board affirms the following principles governing AI use:

- i. **Fiduciary Primacy**
AI tools may support but shall not replace the exercise of independent fiduciary judgment required under NDCC § 54-52-02.9.
- ii. **Human Accountability**
All material decisions remain the responsibility of identified individuals and the Board acting collectively. AI outputs shall not be treated as authoritative without human review.
- iii. **Confidentiality Protection**
Confidential investment information, proprietary data, and non-public records protected under NDCC § 44-04-22 shall not be entered into publicly available AI systems unless explicitly authorized and protected by appropriate contractual safeguards.
- iv. **Transparency and Documentation**
Where AI tools materially inform analysis or recommendations presented to the Board, staff shall document the role of AI in the analytical process consistent with NDCC § 44-04-18 and § 44-04-30.
- v. **Security and Risk Management**
AI use shall comply with Board-approved cybersecurity, data governance, and enterprise risk management policies.

5. Permissible Uses

Subject to safeguards in this policy, AI may be used for:

- Research support and background analysis;
- Drafting and editing non-final documents;
- Data summarization and pattern identification;
- Scenario modeling and analytical support;
- Administrative efficiency improvements;
- Education and training purposes.

6. Prohibited Uses

The following uses are prohibited unless expressly approved by the Executive Director and consistent with law:

- Entering confidential investment information into public AI platforms without contractual data protection safeguards;
- Delegating final investment decisions to automated AI systems;
- Using AI to generate official Board positions without human validation and approval;
- Circumventing public records retention requirements;
- Creating synthetic communications that misrepresent Board authority or official positions.

7. Investment Decision Support

Where AI tools are used in connection with investment analysis:

- AI outputs shall be considered advisory only;
- Material assumptions must be independently validated;
- Documentation shall identify the extent to which AI informed analysis;
- Final recommendations shall clearly reflect professional judgment and fiduciary review.

The use of AI shall not dilute the prudent investor/prudent expert standard required under NDCC § 54-52-02.9.

8. Governance and Oversight

8.1 Executive Director Responsibilities

The Executive Director shall:

- Approve AI tools used for official business;
- Ensure appropriate vendor due diligence and contractual safeguards;
- Integrate AI risk into enterprise risk management;
- Report material AI-related risks or incidents to the Audit, Risk and Compliance Committee.

8.2 Audit, Risk and Compliance Committee Oversight

The Audit, Risk and Compliance Committee shall:

- Oversee AI-related operational, cybersecurity, and compliance risks;
- Review AI governance practices periodically;
- Ensure alignment with internal audit plans, where appropriate.

9. Vendor and Third-Party AI Use

Contracts with external managers, consultants, or service providers that materially use AI in connection with Board assets shall:

- Disclose such use when more than incidental;
- Provide assurances regarding data confidentiality and cybersecurity;
- Confirm compliance with applicable law and fiduciary standards.

10. Records Retention

AI-generated content used in Board business constitutes a public record where required under NDCC § 44-04-18 and shall be retained in accordance with NDCC § 44-04-30.

Prompt histories or AI interactions that materially inform recommendations to the Board shall be retained as part of the decision-support record.

11. Training

Trustees and staff shall receive periodic education regarding:

- Appropriate AI use;
- Data confidentiality risks;
- Fiduciary implications of AI-supported analysis.

12. Periodic Review

This policy shall be reviewed at least every two (2) years or more frequently if significant technological or regulatory developments warrant revision.

The Board recognizes that AI tools may enhance analytical depth and operational efficiency. However, prudence is measured by the quality of human judgment exercised in oversight, not by the sophistication of tools employed.

Securities Litigation Oversight & Annual Reporting

Oversight of securities litigation affecting the Board's investment portfolios is a fiduciary responsibility of the Board, supported by management.

The Executive Director shall provide the Board, at least annually, with a written report on the status of securities litigation matters affecting the System's portfolios. The report shall enable the Board to fulfill its fiduciary duty of prudence in safeguarding investment assets entrusted to it.

The Executive Director's Annual Securities Litigation Report shall address, at a minimum:

1. *Portfolio Exposure & Case Inventory*

- Summary of all material securities litigation matters in which the System is participating or eligible to participate.
- Identification of cases involving direct litigation, opt-out actions, lead plaintiff roles, group litigation, anti-trust claims, or class action participation.
- Aggregate market value exposure associated with affected holdings.

2. *Participation Decisions*

- Summary of participation decisions made during the reporting period (e.g., passive class participation, opt-out, direct filing, lead plaintiff status).
- Confirmation that such decisions were made consistent with the Board-approved Securities Litigation Policy.

3. *Claims Activity & Recoveries*

- Status of claims filed.
- Settlements received or anticipated.
- Total recoveries during the reporting period and cumulative recoveries to date.
- Estimated costs associated with participation.

4. *Outside Counsel & Legal Coordination*

- Identification of any special assistant attorneys or outside counsel engaged.
- Confirmation of coordination with and concurrence of the Office of the Attorney General, where required.

5. *Risk & Threshold Assessment*

- Application of any Board-approved dollar or risk thresholds used to evaluate opt-out or direct litigation decisions.
- Assessment of litigation risks, costs, and expected benefits.

Fiduciary Foundation

6. *Policy & Process Review*

- Confirmation that monitoring processes remain effective.
- Recommendation of any proposed updates to the Securities Litigation Policy, thresholds, or procedures.

7. *Fiduciary & Governance Considerations*

- Assessment of whether current practices align with fiduciary duties of loyalty and prudence.
- Any emerging trends in securities litigation relevant to the Board's oversight responsibilities.

Governance Clarification

Management retains responsibility for:

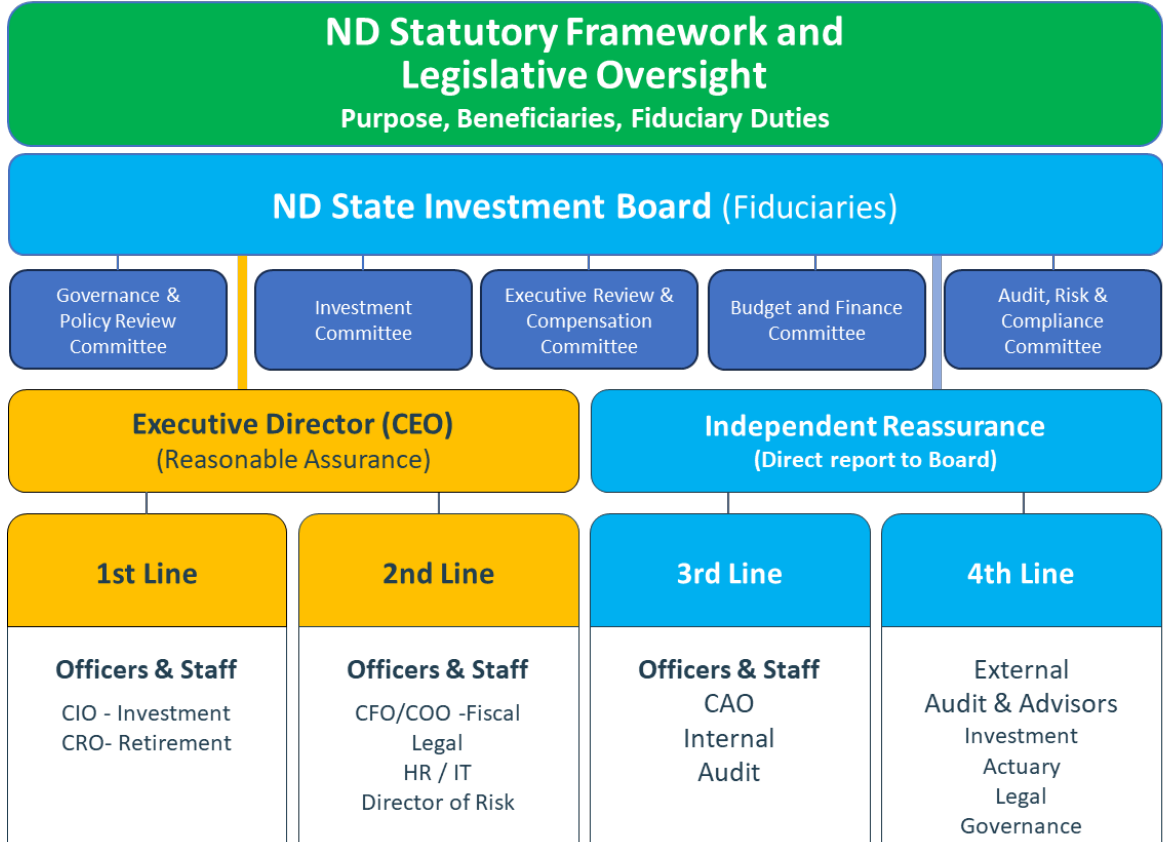
- Ongoing monitoring of securities litigation affecting portfolio holdings.
- Timely filing of claims.
- Engagement and oversight of litigation service providers.
- Escalation of material matters to the Board.

The Board retains responsibility for:

- Approval of the Securities Litigation Policy.
- Approval of any material policy changes.
- Oversight of management's execution of securities litigation responsibilities.

2. Roles

Four 4 Lines of Accountability Model



The Board recognizes the 4 Lines Model as the foundation for reasonable assurance and independent reassurance and accountability:

- 1st and 2nd Lines provide reasonable assurance through execution, controls, and monitoring.
- 3rd and 4th Lines provide independent reassurance through objective review and assurance.

The Board relies on all four lines to support prudent delegation and informed oversight.

The ND Statutory Framework

The Role of the Legislature and Oversight

The North Dakota Legislature establishes the statutory framework within which the State Investment Board, “the Board or SIB” operates. The Legislature’s role is one of policy-setting, fiscal authorization, and accountability oversight—not investment management.

The Legislature defines the rules, resources, and accountability expectations; the SIB governs and oversees investment activity within those statutory boundaries; and management executes. This separation preserves fiduciary integrity while assuring oversight of public capital.

The Legislature:

- **Sets governing law and public purpose**

Enacts and amends statutes that define the SIB’s mandate, powers, fiduciary duties, governance structure, and the funds under its care.

- **Approves budgets and resource authority**

Authorizes the SIB’s operating budget, staffing levels, and major expenditure categories through the biennial appropriations process, establishing fiscal boundaries within which the Board and management must operate.

- **Provides oversight and accountability**

Exercises oversight through interim Committees, hearings, reporting requirements, audits, and confirmation or review processes—focused on legality, stewardship of public resources, and alignment with legislative intent.

- **Does not direct investments or operations**

The Legislature does not select investments, set asset allocation, hire managers, or manage day-to-day operations. Those responsibilities are delegated by statute to the SIB and its Committees, consistent with fiduciary standards.

Reporting Role of the SIB to the Legislature

The SIB has a statutory duty to report to the North Dakota Legislature to support transparency, accountability, and legislative oversight—without compromising the Board’s fiduciary independence.

The SIB’s reporting role includes:

- **Periodic and statutory reports**

Providing required reports on investment performance, financial condition, fund status, and compliance with governing statutes and policies.

- **Budget and appropriation support**

Submitting budget requests, expenditure reports, and staffing information necessary for the Legislature to exercise its appropriation and fiscal oversight responsibilities.

- **Audit, risk, and compliance reporting**

Communicating the results of independent external audits, internal audit activity, and material risk, control, or compliance matters relevant to legislative oversight.

- **Testimony and legislative engagement**

Appearing before legislative Committees to explain results, respond to inquiries, and provide factual, non-advocacy information on the SIB’s activities and governance.

The SIB reports what has been done, how public resources are safeguarded, and whether statutory intent is being met—while the Legislature retains oversight authority and the SIB retains fiduciary and operational independence.

The ND State Investment Board

Purpose

1. SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost-effective manner and under the Prudent Investor Rule.
 - a. This objective will be evaluated based on the following:
 - i. Comparison of client fund's rate of return net of fees and expenses, to that of the client's policy benchmark over a minimum evaluation period of 5 years.
 - ii. Comparison of the client fund's risk, measured by standard deviation of net returns, to that of the client's policy benchmark over a minimum evaluation period of 5 years.
 - iii. Comparison of the risk-adjusted performance of the client fund, net of fees and expenses, to that of the client's policy benchmark over a minimum evaluation period of 5 years.
2. Potential SIB clients have access to information regarding the investment services provided by the SIB.

Board Composition

Members of the SIB are set forth in Chapter 21-10 of the N.D.C.C.

Charge and management of the business

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.

Representation by Designees

When the statutes allow a designee 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.

Administrative Support for TFFR

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

SIB Board Charter

Purpose

The State Investment Board (SIB) serves as the fiduciary governing body responsible for the long-term stewardship, oversight, and protection of assets entrusted to the SIB on behalf of current and future beneficiaries.

Board members collectively assure that investment policies, governance structures, and oversight systems are aligned with statutory mandates, fiduciary duties, and the long-term interests of plan participants, beneficiaries, and the State of North Dakota.

A SIB member is a long-horizon fiduciary steward, governing policy and oversight—not day-to-day management—to protect and grow entrusted assets in a manner consistent with law, purpose, and intergenerational responsibility.

Trustee Duties and Expectations

Each Board member is expected to:

- Prepare for and actively participate in Board and Committee assignments
- Exercise independent judgment while respecting collective Board decisions
- Ask informed, prudent questions focused on risk, assumptions, and long-term implications
- Avoid conflicts of interest and comply with ethics and disclosure requirements (See Disclosure)
- Maintain confidentiality of non-public information
- Support a culture of integrity, respect, and continuous improvement

Committee Service

- Board members may serve on one or more standing Committees.
- Committee service includes deeper research, recommendations and oversight within delegated scopes, while ultimate authority and responsibility remains with the full Board.

Time Commitment

- Regularly scheduled Board meetings
- Committee meetings as assigned
- Periodic education, retreats, and special sessions
- Ongoing preparation and review of materials between meetings

Knowledge, Skills and Competencies

Board members are not expected to be investment professionals but are expected to govern prudently and intelligently. Desired competencies include:

- Understanding of fiduciary responsibility and public trust
- Ability to evaluate long-term risk and reward tradeoffs
- Financial, economic, or organizational literacy
- Strategic thinking and sound judgment
- Willingness to engage in continuing education

Chair and Vice Chair Charter

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.

Chair. The Chair will preside at all meetings of the SIB.

Vice Chair. In the absence of the Chair, the Vice Chair will perform the duties of the Chair.

Chairperson's Role

The chairperson's primary responsibility is to assure the integrity of the Board's process. The chairperson is the only Board member authorized to speak for the Board other than in specifically authorized instances. The duty of the chairperson is to see that the Board operates consistently with state and federal law, administrative rules, and its own policies.

The Board agenda will be the responsibility and be coordinated by the chairperson with the assistance of the Executive Director. Meeting discussion content will only be those issues which, according to Board policy, clearly belong to the Board and not the Executive Director, or in a Board member's opinion, may deal with fiduciary responsibilities. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly, and brief. The chairperson shall appoint a parliamentarian.

The chairperson is empowered to chair Board meetings with all the commonly accepted authority of that position (e.g., ruling, recognizing). The chairperson has no authority to make decisions about policies created by the Board. Therefore, the chairperson has no authority to supervise or direct the Executive Director. The chairperson may represent the

Board to outside parties in announcing Board-stated positions and in stating chairperson decisions and interpretations within the area delegated to the chairperson.

The chairperson is authorized, in consultation with the Executive Director, to grant approval for international travel by SIB members and to keep the Board informed on travel requests.

The Chair may call recess, enforce agenda/time rules, and refer disputes to the Governance Policy Review Committee (GPRC) for follow-up. The Chair assures deliberation remains within fiduciary scope.

The Chair is the initial point of contact for in-meeting conflict of interest (COI) disclosures and may request temporary recusal pending GPRC/legal review. The GPRC will make the final recommendation to the full Board. See Appendix A1 – Disclosures.

The Chair reviews draft minutes for accuracy/completeness before approval.

The Chair supports leadership bench development with the GPRC (encourages continuing education participation; orients new members; identifies future officer candidates).

Roles

The Chair should assure committee outputs reach the Board with clear decision points, cross-committee coordination issues are identified; and follow-ups are assigned.

If the Chair is unable to serve, then the Vice Chair will serve as Acting Chair until the Board elects a replacement at the next meeting (or sooner at a special meeting).

The Board Vice-Chair works with Chair on agenda planning; supports meeting process integrity; participates in governance self-assessment review; attends key briefings as appropriate.

The Vice Chair does not act as spokesperson except in Chair absence or Board authorization.

The Budget and Finance Committee (BFC) and the Audit, Risk and Compliance Committee (ARCC) together provide treasurer-equivalent oversight. They will define handoffs (budget → financial reporting → controls/audit findings).

See Travel Policy

Committee Authority and Role

The Board holds the exclusive authority to approve policies, delegations, and major decisions, and remains ultimately responsible for prudent fiduciary processes, while Committees serve in an advisory and oversight capacity by conducting detailed research, developing recommendations for Board consideration, and overseeing and verifying that Board-approved decisions are implemented and performing as intended without exercising independent approval or execution authority.

Standing Committees act as extensions of the Board's fiduciary authority, performing detailed review, analysis, and oversight within scopes defined by Board-approved charters. Committee authority is collective and advisory unless explicitly delegated by Board action.

Committees:

- Prepare recommendations for full Board consideration
- Monitor delegated activities within assigned domains
- Escalate material risks, exceptions, or policy issues to the full Board
- Verify performance and risk through the use of independent third parties

Committees do not exercise independent governing authority unless expressly delegated by the Board, and all material decisions remain subject to full Board approval.

Oversight of Management and Organization

- Appoint, support, evaluate, compensate, terminate and plan for the succession of the Executive Director—take action regarding the Executive Director consistent with statutory authority.
- Monitor organizational capacity, resources, and internal controls necessary to execute Board-approved policies.
- Assure management operates within delegated authority and established limitations.

Risk, Compliance and Accountability

- Oversee enterprise risks, including Investment, liquidity, operational, legal, and reputational risks
- Assure effective compliance with Statutes and administrative rules and Board policies and ethical standards
- Promote transparency, documentation, and timely escalation of issues.

Stakeholder and Public Accountability

- Act as responsible stewards of public trust.
- Balance independence of fiduciary judgment with accountability to Beneficiaries, Participating entities and Legislative and oversight bodies
- Communicate clearly, professionally, and constructively in public meetings and official settings.

Continuing Education

Institutional Investor Standard of Care

Board members are expected to govern consistent with the standards of a large, long-term institutional investor, informed by peer practices, fiduciary norms, and evolving governance and risk oversight frameworks. This includes:

- Awareness of peer governance and investment practices
- Use of benchmarking and external expertise where appropriate
- Commitment to disciplined, evidence-based decision-making over market cycles

Continuing education supports the Board's ability to meet institutional investor standards and evolving fiduciary expectations. Board members are expected to engage in ongoing fiduciary and governance education to:

- Strengthen approval and oversight capabilities
- Remain informed about evolving investment, risk, and governance practices among peers
- Fulfill fiduciary standards of care

Continuing Education Requirements

Each member shall complete 10 hours annual continuing education (CE) with the curriculum to be based on Board and Committee capability requirements. Credits may be earned through any combination of on-line, or in-person training including conferences and in-house.

Collective Responsibility

Authority rests with the Board acting as a body, not with individual members.

Individual Board members do not direct staff or make unilateral decisions on behalf of the SIB.

Performance and Accountability

- Board performance is evaluated through periodic self-assessment.
- Members are accountable for fulfilling fiduciary duties, adhering to Board standards, and contributing constructively to Board effectiveness.

Recommended Capabilities
Investment Committee
Strategic Asset Allocation & Long-Horizon Policy Setting
Active Risk Budgeting & Portfolio Construction
Public & Private Markets Understanding
Manager Oversight & Performance
Liquidity, Risk & Stress Scenario Awareness.
Audit, Risk and Compliance Committee
Financial Reporting & Audit Oversight
Internal Controls & Assurance
Enterprise & Investment Risk Oversight
Compliance, Ethics & Regulatory Awareness including ADA
Risk Reporting, Dashboards & Escalation
Governance & Policy Review Committee
Fiduciary Duties & Public Governance Law
Board–Management Delegation & Accountability
Governance Frameworks, Policies & Charters
Ethics, Conflicts & Independence
Board Effectiveness & Self-Assessment
Compliance with the Americans with Disabilities Act (ADA)
Executive Review & Compensation Committee
Executive Performance Evaluation
Incentive Design & Risk Alignment
Peer Benchmarking & Market Context
Succession Planning & Leadership Assessment
Independence, Ethics & Compensation Governance.
Budget & Finance Committee
Financial Reporting & Fund Accounting
Multi-Year Financial Planning & Sustainability
Financial Controls, Procurement & Contracts
Resource Alignment to Strategic Priorities

Investment Committee (IC)

Purpose

The Investment Committee (IC) is a standing Committee of the SIB. The IC will:

- Be forward-looking to reduce “surprises” for the SIB
- Provide research and recommendations to the Board on asset allocation and benchmarks.
- Provide oversight of SIB investments within the parameters established by the SIB including an analysis of risk and return at the portfolio, asset class, and client fund levels.
- Review decisions made about deviations from established benchmarks and allocation of investments among internal management (if approved) and external management, including decisions about passive, active and quantitative styles.
- Focus on various policies and procedures of the agency to assure they are consistent with industry standards and that they continue to keep pace with prudent investment theory and practice.
 - (i) propose changes to its Investment Policy including delegation of investment authority to RIO investment staff;
 - (ii) recommend the SIB IC Investment Guidelines (IC Guidelines);
 - (iii) recommend the general strategies for each investment division; and (iv) recommend new investment instruments. All investment guidelines must be consistent with the investment authority provided in N.D.C.C. Chapter 21-10.
- Act as liaison between the RIO Investment Staff and the SIB on issues concerning investment performance and investment risk management.
- Provide consultation and assistance to the SIB, Executive Director and staff concerning total fund allocation changes or rebalance decisions, as needed.

Roles

Recommended Capabilities:

Collectively members of the Committee should possess the following capabilities, and where gaps exist, a targeted continuing education plan shall be established to address them: See Continuing Education - Recommended Capabilities Matrix)

- Strategic Asset Allocation & Long-Horizon Policy Setting
- Active Risk Budgeting & Portfolio Construction
- Public & Private Markets Understanding
- Manager Oversight & Performance
- Liquidity, Risk & Stress Scenario Awareness.

Staff Liaison: Chief Investment Officer

Committee Powers and Responsibilities

1. Set: Research and Recommend

- Changes to the SIB Investment Policy, as necessary including any delegation of authority to RIO investment staff.
- Changes to SIB's strategic asset allocations and fund-level active risk objectives and benchmarks.
- Asset class strategies annually in the context of long-term policy, not annual reinvention.
- New investment strategies (both internal direct and external), portfolios, and the use of new investment instruments.
- Changes and additions to the Portfolio and Committee Guidelines as necessary
- Oversee the hiring of investment advisors and benchmark consultants to the Board.
- Waiver: Review and act on all requests from investment managers, both internal and external for waivers to provisions in their investment guidelines.
- On an emergency basis when it is impractical to timely convene a meeting of the Committee, either the Chair or Vice Chair of the Committee with the concurrence of the Chief Investment Officer or the Executive Director, may approve a waiver. That waiver will be brought to the Committee for ratification at its next regularly scheduled meeting.
- Recommend total fund risk budget
- Recommend active risk allocation strategy

Roles

2. Approve: Not authorized

3. Oversee performance and risk

a. Long-Term Policy & Strategic Asset Allocation

Purpose: Preserve strategic policy continuity and long-horizon return objectives.

- Long-term investment policy and multi-year strategic asset allocation.
- Strategic performance and risk of asset allocation relative to objectives and liabilities.
- Any new investment programs or initiatives across all SIB portfolios.
- Alignment of strategies with the system's risk appetite and long-term return objectives.

b. Total Portfolio Risk & Active Risk Governance

Purpose: Assure risks taken are intentional, measured, and aligned with policy.

- Risk and return at the total fund, asset class, portfolio, and client fund levels.
- Active risk compared to objectives, benchmarks, and approved active risk targets.
- Oversight of the total fund risk appetite and active risk budget, including escalation thresholds requiring IC or Board action.
- Decisions regarding deviations from benchmarks and the allocation of risk across internal, external, passive, active, and quantitative strategies.

c. Performance Measurement & Reporting Framework

Purpose: Assure decision-quality information and consistent evaluation standards.

- Oversight of procedures, methodologies, and frequency of review for:
 - Fund, asset class, and portfolio performance
 - Performance attribution
 - Allocation within asset classes
 - Risk levels
- Review of annual benchmark recommendations from a Board-appointed benchmark consultant.
- Examination of internally and externally managed portfolios, individual investments, and correlations among portfolios to support informed oversight.

Roles

d. Investment Manager & Service Provider Oversight

Purpose: Maintain accountability for delegated investment execution.

- Oversight of investment managers' performance.
- Oversight of staff selection of investment managers.
- Review of allocation decisions among internal and external management mandates.
- Assurance that delegated authority is exercised within Board-approved policy and risk parameters.

e. Implementation, Operations & Transition Oversight

Purpose: Reduce execution risk and assure value is not lost in implementation.

- Review of trading effectiveness for internally managed investment strategies.
- Review of quarterly transition reports, including costs, timing, and impacts.
- Oversight of implementation risks associated with portfolio changes and strategy execution.

f. Exception Management & Escalation

Purpose: Assure timely visibility into deviations and emerging risks.

- Require exception-based reporting highlighting deviations from policy, risk limits, benchmarks, or expectations.
- Timely escalation of material exceptions to the SIB, based on agreed-upon thresholds and criteria.

g. Market Intelligence & Continuous Learning

Purpose: Support informed judgment in a changing environment.

- Participation in periodic round-table discussions on the economic and investment environment.
- Ongoing education to maintain awareness of evolving market risks, opportunities, and structural changes.

4. Verify and report performance and investment policy compliance

Purpose: Assure the Board is timely informed of emerging investment, liquidity, operational, or governance risks that could materially affect long-term objectives or policy continuity.

- Report the investment performance of the funds to each fund's governing authority.
- Review all compliance-related issues including compliance with statutes, administrative rules, internal and external manager investment guidelines or as otherwise requested.
- Review other compliance-, risk- or derivative-related matters that are directed to the attention of the IC by the SIB, external auditors, the Internal Audit group, and RIO investment and fiscal/operations staff.

Audit, Risk and Compliance Committee (ARCC)

The Audit, Risk and Compliance Committee (ARCC) is a standing Committee of the North Dakota State Investment Board established to support the Board's fiduciary oversight of the North Dakota RIO by obtaining independent reassurance and verification and providing enterprise-wide performance risk oversight.

Purpose

The Committee serves as the Board's primary forum for oversight of enterprise risk management, internal and external audit, financial reporting and controls, and compliance with laws, regulations, and ethical standards, including the Americans with Disabilities Act (ADA) and as a communications link among the Board, RIO management, Internal Audit, independent auditors, and other reassurance providers.

ARCC's role is oversight—not execution. The ARCC does not direct investment activity or operational execution, nor does it participate in management's execution of controls, audits, or risk mitigation activities. Where matters intersect with investment operations, ARCC's role is limited to independent oversight, reassurance, and verification, with primary responsibility residing with management and the Investment Committee. Investment operational matters remain Investment Committee-led, with ARCC providing independent oversight.

In fulfilling its mandate, the ARCC:

- Oversees the enterprise risk management (ERM) framework, including the identification, assessment, monitoring, and escalation of material financial, operational, compliance, technology, reputational and accessibility risks, including key performance and risk indicators (KPRIs).
- Provides independent oversight of the Internal Audit function, including approval of the annual risk-based audit plan and assessment of Internal Audit's effectiveness and independence in accordance with The Institute of Internal Auditors' professional standards.
- Oversees the independent external audit, including audit scope, significant accounting judgments, internal control over financial reporting, and the resolution of audit findings.
- Oversees financial reporting and controls, compliance, ethics, whistleblower, and fraud-prevention frameworks, and monitors management's responsiveness to regulatory examinations and audit recommendations.

The ARCC has authority to approve the annual internal audit plan, recommend the selection, evaluation, or termination of independent external auditors, investigate any matter within its scope, and retain independent advisors as necessary. All approvals are limited to authority explicitly delegated by the Board.

Roles

The ARCC reports regularly to the Board on its activities, findings, risks, and recommendations; provides an annual written report describing how its responsibilities were discharged; and escalates significant risk, compliance, ethics, or audit matters to the Board as appropriate.

Recommended Capabilities:

Collectively ARCC members should have capabilities in the following areas and where gaps exist, a targeted continuing education plan shall be established to address them. See Continuing Education - Recommended Capabilities Matrix)

- Financial Reporting & Audit Oversight
- Internal Controls & Assurance
- Enterprise & Investment Risk Oversight
- Compliance, Ethics & Regulatory Awareness including ADA
- Risk Reporting, Dashboards & Escalation

Staff Liaison: Chief Audit Officer (CAO)

- The RIO's Chief Audit Officer is the staff member reporting administratively to the Executive Director and functionally to the ARCC. The CAO is independent of the Executive Director and reports functionally to the ARCC.
- The CAO shall have unrestricted access to the Committee, the Board Chair, and all records, personnel, and physical properties relevant to audit activities.
- The Executive Director will supervise the administrative activities of the Internal Audit function and independent audit activities such as securing contracts, paying fees, maintaining official reports, and other appropriate activities.
- The CAO will report annually to the SIB on the results of the independent audit and at least four times a year to the SIB and TFFR Board on the activities of the ARCC and other pertinent information.

Roles

Powers and Responsibilities

1. Conduct Special Investigations

- Institute and oversee special investigations as needed.

2. Set: Research and Recommend

- Identify improvements to performance and risk management
- Selection, evaluation and termination of independent external auditors
- Make recommendations to the North Dakota State Auditor's Office, when appropriate.

3. *Approve*: Not authorized except to approve the annual internal audit plan.

- All Committee approvals are limited to those explicitly delegated by the Board.
- The ARCC will approve the annual internal audit plan including the use of third parties to support the plan.

4. Oversee Operational Performance and Risk

The ARCC oversees the enterprise risk management framework, including the identification, assessment, monitoring, and reporting of material financial, operational, compliance, technology, and reputational risks. Investment risks are the purview of the Investment committee. The ARCC reviews management's risk assessments, mitigation, strategies, and reporting processes, and escalates material risk exposures to the Board as appropriate.

- Internal and external audit programs including financial and other reporting practices
- Internal controls and operational risks
- Compliance with laws, regulations, and ethics

5. Oversee Internal Audit Services

a. Internal Audit Services

- Consider the effectiveness of the Internal Audit function, within The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
- Review with the Executive Director and CAO the audit charter, activities, staffing, and organizational structure of Internal Audit.
- Review and approve the annual risk-based audit work plan and all major changes to the plan.

Roles

- Escalate to the Board any internal audit issues the ARCC determines significant and appropriate for Board consideration.
- Participate with the Executive Director in the appointment and annual evaluation of CAO. Work with the Executive Director on any changes in staffing, including the addition, termination, or replacement of auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.

b. Independent External Audit

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Internal Audit staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.
- Review the results of the financial statements report with the independent auditors and RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:
 - Any major problems encountered by the independent auditors and the resolution thereof.
 - The effect on the audit of any developments.
 - Any unresolved differences between the independent auditors and the RIO's management.
 - Any other significant comments or recommendations of the independent auditors or the RIO's management.
 - The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices.
 - Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.
 - The effectiveness of the RIO's internal control system, including information technology security and control.
 - Whether the financial statements are complete, consistent with information known to ARCC members and reflect appropriate accounting principles. This will include the following, as applicable:
 - The accuracy and completeness of the information in other § s of the annual report and related regulatory filings.

Roles

- The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.
- Review non-audit services, if any, performed for the RIO by the independent auditors.

c. Oversee Performance Risk Management

- Obtain information and/or training to enhance the ARCC's understanding of organization and its related risk management processes and key performance risk indicators.
- Review the adequacy of the organization's policy on risk management.
- Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures.
- Review management reports on risks and related risk mitigations.
- Hire outside experts and consultants in risk management, as necessary, subject to full Board approval.

d. Verify Compliance

- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.
- Review the process for communicating and monitoring compliance with the code of ethics, code of conduct, and fraud policies.
- Review the findings of any examinations by regulatory agencies, any auditor observations related to compliance, and the responsiveness and timeliness of management's actions to address the findings/recommendations.
- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.

e. Whistleblower

- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.

f. Fraud, abuse, misuse

- Oversee management and Internal Audit regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.

Roles

g. Other

- Perform other activities related to this charter as requested by the SIB.
- Review any other reports the RIO issues that relates to the Committee's responsibilities.

6. Verify and Report

- Report to the SIB about the ARCC's activities, issues, and related recommendations.
- Provide a written report annually to the SIB, describing the ARCC's composition, responsibilities and how they were discharged, and any other information required.
- Significant compliance, ethics, or fraud matters shall be reported promptly to the ARCC Chair and escalated to the Board as appropriate.
- The CAO shall provide an annual attestation to the ARCC confirming that no undue influence has been exerted over the Internal Audit function.

Governance & Policy Review Committee (GPRC)

Purpose

The Governance & Policy Review Committee (GPRC) is a standing Committee of the North Dakota State Investment Board (SIB). The GPRC assists the Board in fulfilling its fiduciary responsibilities by overseeing the integrity, coherence, and effectiveness of the Board's governance framework.

The GPRC's role is governance and policy stewardship, not management execution. The GPRC assures that Board policies remain clear, current, internally consistent, and aligned with fiduciary duties, statutory authority, and long-term objectives.

The GPRC is intentionally policy-centric rather than operational and serves as the Board's institutional memory and governance steward. Its effectiveness is measured by improved clarity, consistency, fewer governance-related surprises, and stronger long-term decision discipline.

The GPRC shall periodically review the Board's governance framework against recognized governance standards and leading practices and recommend enhancements as appropriate.

Authority and Limitations

The following authorities and limitations apply to the GPRC:

- It has authority to review, assess, and recommend.
- It does not have authority to approve policy, except where specifically delegated by the Board.
- It does not direct management operations.
- It may request information, analyses, and assistance from management and external advisors as necessary to fulfill its duties.

Recommended Capabilities:

Collectively members of the Committee should possess the following capabilities, and where gaps exist, a targeted continuing education plan shall be established to address them: See Continuing Education - Recommended Capabilities Matrix)

- Fiduciary Duties & Public Governance Law
- Board–Management Delegation & Accountability
- Governance Frameworks, Policies & Charters
- Ethics, Conflicts & Independence
- Board Effectiveness & Self-Assessment
- Compliance with the Americans with Disabilities Act (ADA)

Roles

Staff Liaison: Executive Director

Powers and Responsibilities

1. Conduct

Annual Self-Assessments

The GPRC shall conduct its own self-assessment and oversee the completion of annual self-assessments for the Board and all Committees and shall report the results to the Board.

2. Set: Research and Recommend

Charter and Delegations Framework

The GPRC shall periodically review this Charter and all Committee charters (no less than every three years) and recommend updates to reflect:

- Statutory or regulatory changes.
- Evolving governance practices.
- Board priorities.
- Clearer decision-making, delegation, and accountability.
- Delegations of Authority.

The GPRC shall review and recommend Board delegations to Committees, the Executive Director, and staff, assuring that delegations:

- Are clearly defined.
- Include appropriate limits and reporting expectations.
- Preserve Board accountability while enabling effective operations.

The GPRC may recommend governance enhancements that strengthen long-term stewardship, informed challenge, constructive Board–management relationships, and disciplined decision-making.

3. Approve: Not authorized

The Committee is not authorized to approve, except where explicitly delegated by the Board.

Roles

4. Oversee

a. Governance Risk and Alignment

The Committee shall:

- Monitor emerging governance, fiduciary, and regulatory risks.
- Oversee alignment of Board policies with statutes, regulations, fiduciary standards, and leading practices.
- Coordinate, as appropriate, with Audit & Risk, Legal Counsel, and external governance advisors.

Material governance issues shall be elevated to the Board with clear recommendations.

b. Board Effectiveness and Development

The GPRC shall oversee processes that support effective Board performance, including:

- Annual Board and Committee self-assessments.
- Trustee orientation and ongoing education expectations.
- Practices related to meeting effectiveness, agenda design, and the quality and timeliness of Board materials.

c. Governance Policy System

The GPRC shall oversee the design and coherence of the Board's governance system, including:

- Governance policies.
- Delegations of authority.
- Committee charters.
- Board bylaws and procedures.

The Committee shall monitor for gaps, overlaps, or ambiguity that could undermine fiduciary oversight.

d. Governance Policy Review Cycle

The GPRC shall establish and oversee a structured review cadence (no less than every three years) assuring reviews are:

- Risk-informed.
- Aligned with statute and leading practice.
- Reflective of Board intent.

Annual review does not imply annual revision.

5. Verify and report to the Board

a. Verification

The GPRC shall verify that governance documents:

- Clearly define roles, authorities, and accountability.
- Distinguish Board oversight from management execution.
- Remain internally consistent and free of conflict or duplication.

b. Reporting

The GPRC shall report regularly to the Board regarding:

- Policy review activities.
- Governance assessments.
- Recommendations for action.

Recommendations shall be decision-ready and include rationale, implications, and alternatives where appropriate.

Executive Review & Compensation Committee (ERCC)

Purpose

The Executive Review and Compensation Committee (ERCC) is a standing Committee of the State Investment Board. The ERCC will assist the SIB in fulfilling its fiduciary oversight responsibilities of “monitoring executive performance (which) is synonymous with monitoring organizational performance against Board policies. The ERCC will also assist the SIB in developing compensation goals and strategies for the agency as a whole that are in alignment with the strategic plan of the agency.”

The primary roles are to:

- Evaluate Executive Director performance annually
- Recommend executive compensation to the Board
- Oversee executive succession and leadership continuity
- Assure compensation philosophy supports long-term mission
- Commission independent compensation benchmarking

Recommended Capabilities:

Collectively ERCC members should possess the following capabilities and where gaps exist, a targeted continuing education plan shall be established to address them: See Continuing Education - Recommended Capabilities Matrix)

- Executive Performance Evaluation
- Incentive Design & Risk Alignment
- Peer Benchmarking & Market Context
- Succession Planning & Leadership Assessment
- Independence, Ethics & Compensation Governance.

Staff Liaison: Chief Legal Counsel (CLO) or third party for matters related to the Executive Director. The Executive Director will be the liaison for all other matters.

Roles

The Chief Legal Officer (CLO) (a recommended new position) or a third party will be responsible for the preparation of all ERCC materials related to the Executive Director's Performance Evaluation and Compensation.

The CLO or 3rd party will prepare an annual summary of the required reports submitted to the SIB by the Executive Director and Chief Investment Officer in connection with its review of policy adherence. The CLO or 3rd party will also assist the ERCC in completing annual surveys of the Executive Director with the SIB, SIB clients, and RIO team members

- Conduct evaluations and surveys
- Evaluate the Executive Director
- Conduct a formal evaluation of the Executive Director annually prior to June 30th of each year.

The ERCC will conduct a formal evaluation of the Executive Director during the first half of every calendar year. This formal evaluation by the ERCC will serve as the basis for an annual compensation recommendation for the Executive Director only to be reviewed and approved by the SIB on or before June 30th each year.

The ERCC shall utilize an independent third-party advisor, as appropriate, to facilitate executive performance evaluations and compensation benchmarking to preserve objectivity and independence. Internal Audit may observe or verify process integrity but shall not lead executive performance assessments.

Powers and Responsibilities:

1. Set: Research / Recommend

Prior to June 30th of each year

- Recommend approval of the annual performance evaluation of the Executive Director;
- Make a compensation recommendation for the Executive Director to the SIB;
- Review and make recommendations regarding RIO's compensation policy to assure RIO can recruit and retain superior talent to satisfy the core mission and strategic plan of the agency;

The ERCC and/or RIO will seek SIB approval prior to formally engaging any third-party assistance in conducting the annual executive review process or Board self-assessment.

2. Approve: Not authorized

The ERCC is established by the SIB and has no power or authority to act on behalf of the full Board unless specifically delegated. The ERCC will abide by the provisions in the governance manual that pertain to the meetings and actions of the Board.

Roles

3. Oversee:

The ERCC shall oversee executive succession and leadership continuity frameworks for key executive roles, including the Executive Director, the Chief Investment Officer and the Chief Financial Officer, to reduce key-person risk and support long-term organizational resilience.

4. Verify / Report

Report the survey results to both the SIB and TFFR Board.

Budget and Finance Committee (BFC)

Purpose

The Budget & Finance Committee (BFC) is a standing Committee of the SIB. It assists the SIB in fulfilling its fiduciary responsibilities for financial stewardship, resource alignment, and long-term organizational sustainability. The BFC's role is oversight and assurance, not execution.

The BFC assures that the SIB's budget, financial plans, and resource decisions are aligned with Board-approved priorities, statutory constraints, and the long-term ability of the organization to carry out its investment and fiduciary mandate.

The BFC is forward-looking, not transactional

Its success is measured by:

- Fewer budget surprises
- Clear linkage between strategy and resources
- Stronger long-term organizational capacity
- It provides the Board with a disciplined forum to address resource trade-offs explicitly, rather than implicitly through risk or performance outcomes

The BFC does not evaluate internal controls, accounting judgments, or audit findings, which remain within the purview of the ARCC. The BFC may rely on ARCC assurance in assessing financial sustainability.

The BFC shall consider the budget and financial plans over a multi-year horizon, including the forward implications of staffing, compensation, technology, and vendor commitments.

The BFC shall coordinate with the ERCC to assure compensation structures and staffing plans are financially sustainable and aligned with approved resource levels.

Recommended Capabilities:

Collectively BFC members should have the following capabilities and where gaps exist, a targeted continuing education plan shall be established to address them: See Continuing Education - Recommended Capabilities Matrix)

- Financial Reporting & Fund Accounting
- Multi-Year Financial Planning & Sustainability
- Financial Controls, Procurement & Contracts
- Resource Alignment to Strategic Priorities

Roles

Staff Liaison: The Chief Financial and Operating Officer

Powers and Responsibilities:

1. Set: Research / Recommend

Financial Policy (Non-Investment)

The BFC shall:

- Review and recommend Board-level financial policies, including:
 - Budget principles
 - Reserve or contingency policies (if applicable)
 - Cost allocation methodologies
- Assure financial policies:
 - Support long-term stewardship
 - Are internally consistent with governance and delegation policies
 - Do not conflict with investment policy (IC) or audit controls (ARCC)

Budget Recommendation

The BFC shall:

- Review management's proposed:
 - Annual operating budget
 - Biennial or multi-year financial plans (as applicable)
- Assess whether proposed budgets:
 - Align with Board priorities and policies
 - Support effective execution of the investment program
 - Are realistic given statutory appropriation constraints
- Recommend the budget to the full Board for approval prior to submission to the Legislature as required

Roles

2. Approve: Not authorized

The BFC:

- Has authority to research and recommend.
- It does not:
 - Approve expenditures
 - Direct management spending decisions
 - Manage staff or vendors
 - Negotiate contracts
- It may request information, analyses, and scenario modeling from management
- It may recommend engagement of external advisors, subject to Board approval

3. Oversee

A. Financial Performance & Monitoring

The BFC shall:

- Oversee reporting on:
 - Exception-based reporting of actual vs. budgeted expenditures
 - Material variances and their drivers
 - Trends in cost structure over time
- Monitor financial sustainability indicators, including:
 - Staffing and compensation capacity
 - Technology and systems funding
 - Vendor and external service costs
- Escalate material budgetary risks or pressures to the full Board

B. Resource Adequacy & Organizational Capacity

The BFC shall:

- Evaluate whether financial resources are sufficient to support:
 - The complexity and scale of assets under management
 - Internal investment management and oversight
 - Risk management, compliance, audit, and data capabilities
- Consider benchmarking inputs (e.g., peer systems, AUM-per-FTE, budget per \$AUM) as context, not determinative metrics

Roles

- Advise the Board on resource trade-offs that may affect:
 - Investment performance
 - Risk exposure
 - Organizational resilience

C. Statutory & Appropriation Alignment

The BFC shall:

- Oversee alignment of the budget with:
 - Legislative appropriation authority
 - Continuing appropriation provisions
 - Applicable fiscal statutes and policies
- Monitor constraints or risks arising from:
 - Line-item appropriations
 - Hiring or compensation limitations
 - Procurement or technology funding restrictions
- Coordinate, as appropriate, with:
 - Management
 - Legal counsel
 - Legislative or oversight bodies (through the Board)

4. Verify & Report

Reporting to the Board

The BFC shall report regularly to the full Board on:

- Budget recommendations
- Financial performance and material variances
- Resource adequacy risks
- Policy recommendations related to financial stewardship

Executive Director Charter

As the Board's single official link to the operating organization, the RIO's total performance will be considered to be synonymous with the Executive Director's performance. It is the responsibility of the Board to establish and maintain a job description for the Executive Director.

Chief Executive Authority: Execution Within Delegated Authority

The Executive Director is responsible for executing Board-approved direction within the scope of delegated authority. Execution responsibilities include:

- Implementing approved strategies, policies, and plans.
- Managing operations, resources, personnel, and risk.
- Maintaining appropriate controls and professional standards.
- Providing timely, insightful reporting to Committees and the Board.

Executive Director Role and Authority

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.

The Executive Director, as chief executive officer, is accountable to the Board acting as a body. The Board only will instruct the Executive Director through these written policies, delegating to the Executive Director the implementation and administration of these policies. The Executive Director is accountable for assuring compliance with laws, bylaws, and policies.

The Executive Director has the authority to:

- Approve expenditures within approved budgets
- Approve Hiring / Termination of Chief Investment Officer
- Approve Hiring / Termination of Chief Retirement Officer
- Approve Hiring / Termination of Chief Financial and Operating Officer
- Approve Hiring / Termination of External Managers
- Approve Material Contract Amendments within budget
- Approve Securities Monitoring and Litigation (see Appendix A6)
- Approves all contracts unless delegated by the Executive Director
- The Chair speaks on behalf of the SIB. The Executive Director is the spokesperson for RIO.

Roles

Communication and Counsel to the Board

With respect to providing information and counsel to the Board, the Executive Director shall:

- A. Provide monitoring data required by the Board in a timely, accurate, and understandable fashion, directly addressing provisions of the Board policies being monitored.
- B. Keep the Board informed of relevant trends, anticipated adverse media coverage, material external and internal changes, and particularly changes in the assumptions upon which any Board policy has previously been established.
- C. Advise the Board chair and GPRC if, in the Executive Director's opinion, the Board is not in compliance particularly in the case of Board behavior which is detrimental to the work relationship between the Board and the Executive Director, and Executive Director and staff.
- D. Provide the Board with varying staff and external points of view on issues and options as prudent for fully informed Board choices.
- E. Present information in a short and simple form.
- F. Provide a mechanism for official Board, officer, or Committee communications.
- G. Deal with the Board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or Committees duly charged by the Board (c) as otherwise delegated in accordance with Board policies.
- H. Report in a timely manner an actual or anticipated noncompliance with any policy of the Board.
- I. Inform the Board chair and the full Board in a timely manner of any changes related to the resignation or hiring of the Chief Retirement Officer, the Chief Investment Officer, Chief Audit Officer, or the Chief Financial Officer/ Chief Operating Officer
- J. Keep the Board informed concerning the delegation of fiduciary authority to any staff member. Every person to whom such fiduciary responsibility authority is delegated is ultimately accountable to the Board as to the exercise and execution of the delegated authority.

1st Line - Investment Services

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The RIO 1st and 2nd Line unit supervisors are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from the receipt of a report disclosing those weaknesses if known or applicable. The unit supervisors are also responsible for seeing that a written report of action planned or completed is sent to the Executive Director. If a plan for action is reported, a second report shall be made promptly upon completion of the plan

Chief Investment Officer Charter

1. Participate on the IC and report to the Board as required.
2. Advise and then implement investment policies approved by the IC and the Board.
3. Provide research and administration for SIB client funds and client projects.
4. Recommend investment policies and procedures appropriate for governing the investment of entrusted funds.
5. Lead the development of asset allocations, investment strategies, manager mandates, manager guidelines, investment implementations and investment policies to be approved by the IC and Board.
6. Negotiate manager contract terms and conditions as delegated by the IC and Board.
7. Evaluate money manager adherence to investment objectives, mandate requirements, and guidelines.
8. Provide performance reports to the IC, the Board and Boards of participating funds as a representative of the IC and the SIB.
9. Select, hire or terminate money managers, consultants, and other outside services needed to effectively manage the investment funds.
10. Develop and maintain appropriate investment accounting policies and investment systems for the funds entrusted to the SIB.
11. Recommend to the IC new investment strategies (both internal direct and external), portfolios, and the use of new investment instruments prior to their implementation.
12. Manage direct investment strategies approved by the IC including the allocation of capital within the strategies, as well as security selection, weighting, and trading.
13. Provide rebalance instructions to the fiscal team that comply with client policy statements.

Roles

Chief Retirement Officer

Purpose

Assure the Teachers' Fund for Retirement (TFFR) program is administered prudently and in accordance with applicable statutes, administrative rules, and policies adopted by the TFFR Board of Trustees. The Chief Retirement Officer (CRO) supports the governance responsibilities of the TFFR Board by implementing Board policies, providing analysis and recommendations on retirement program matters, and ensuring the effective administration of benefits and member services. The CRO operates within the Retirement and Investment Office (RIO) under the direction of the Executive Director, with the position's primary governance connection to the TFFR Board.

Evaluation Criteria

Compliance with applicable state and federal laws governing the retirement program; effective implementation of TFFR Board policies; accuracy and timeliness of benefit administration, member services, and contribution processing; quality and reliability of information provided to the TFFR Board; responsiveness to plan members, stakeholders, and oversight authorities; and the successful coordination of actuarial, legal, and consulting services supporting the retirement program.

Policy Development and Program Administration

The CRO assists the Executive Director and the TFFR Board in developing administrative rules, policies, and procedures necessary to administer the retirement program. The CRO provides analysis and recommendations on retirement program issues, legislative proposals, and operational matters affecting the plan and supports the Board in carrying out its statutory responsibilities.

Retirement Program Operations

RIO staff, under the direction of the CRO, are responsible for the administration of the retirement program including the collection and processing of contributions, maintenance of member records, calculation and payment of retirement and disability benefits, and coordination with actuaries, legal counsel, and other service providers. Staff will provide the TFFR Board with accurate and timely information necessary to support the Board's oversight responsibilities and fiduciary duties.

2nd Line – Enterprise Services

Chief Financial Officer / Chief Operating Officer Charter

Fiscal Services

Purpose

Assure the funds and accounts of SIB clients and TFFR beneficiaries are managed prudently under applicable accounting standards and practices.

Evaluation criteria:

Internal and external audit reports, internal compliance controls, the publishing of timely and accurate performance reports and financial statements, and responsiveness and accuracy of reporting to oversight authorities.

Compensation and Benefits

Compensation and benefits, or employment terms for staff shall comply with applicable state and federal law.

Accounting

The master custodian will provide RIO staff with such accounting detail 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 funds managed by the SIB.

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

3rd Line - Internal Audit Services Charter

Purpose

The purpose of the internal audit division is to provide an independent, objective assurance and advisory activity designed to add value and improve North Dakota RIO's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit division will assist RIO in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Chief Audit Officer (CAO) will report directly to the SIB typically through the ARCC. Administrative matters will be coordinated with the Executive Director.

Functions and units within RIO will be reviewed at appropriate intervals to determine whether they are effectively carrying out their responsibilities of planning, organizing, directing, and controlling in accordance with SIB and management instructions, applicable laws, policies, and procedures, and in a manner consistent with both the RIO objectives and high standards of administrative practice.

The audit staff shall have full, free, and unrestricted access to all RIO activities, records, property, and personnel relative to the subject under review. The audit function will be conducted in a manner consistent with acceptable professional standards and coordinated with others to best achieve the audit objectives and the RIO objectives.

The Internal Audit Services Unit is responsible for developing and directing a broad, comprehensive program of internal auditing within RIO. The Internal Audit Services Unit will report administratively to management and functionally to the ARCC.

The Internal Audit Charter requires a QAIP (Quality Assurance and Improvement Program), including (1) ongoing internal monitoring, (2) annual internal assessments, and (3) external quality assessment (EQA) at least every five years.

4th Line – Independent External Auditors and Advisors

The Fourth Line consists of independent external professionals engaged by the Board to provide objective assurance, expert judgment, and independent validation across critical fiduciary, financial, investment, and governance functions. These parties do not manage or execute operations; their role is to independently assess, test, advise, and opine—strengthening Board oversight, reducing blind spots, and reinforcing accountability.

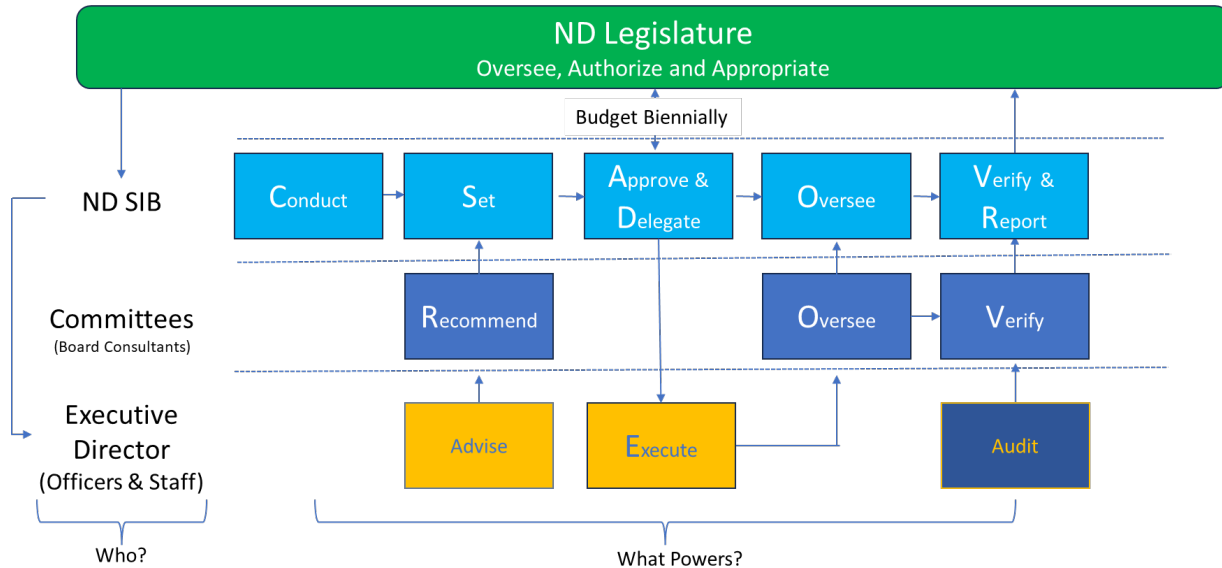
Included roles

- **Investment Consultant** – Provides independent advice on investment policy, asset allocation, risk, benchmarks, manager structure, and performance evaluation; challenges assumptions and validates staff recommendations.
- **Actuary** – Independently evaluates funding status, liabilities, assumptions, and contribution adequacy; assesses long-term sustainability and intergenerational equity.
- **Independent External Auditor** – Performs independent financial statement audits and internal control assessments; provides assurance on financial reporting integrity and compliance.
- **Governance Advisor** – Assesses governance structure, policies, delegation, board effectiveness, and fiduciary practices; benchmarks against leading practices and statutory requirements.
- **Master Custodian** – Independently safeguards assets, settles trades, reconciles holdings, and provides independent books and records supporting valuation, performance, and control assurance.
- **External Legal Counsel** – Provides independent legal advice on fiduciary duties, statutory authority, contracts, litigation, ethics, and regulatory compliance.

Collectively, the Fourth Line enhances the Board’s ability to **verify**, **challenge**, and **validate** information and decisions, reinforcing trust, transparency, and long-term fiduciary integrity.

3. Authority and Delegation

The Powers of the SIB and Prudent Delegation



The ND Legislature created the SIB. The SIB governs and exercises its authority through a prudent delegation architecture which embeds prudence across how authority is informed, delegated, exercised, overseen, independently verified, and reported. The Board may delegate authority to Committees, to the Executive Director, and others, however, delegation of authority does not and cannot delegate fiduciary responsibility.

The Board hires, evaluates, compensates and plans for the succession of the Executive Director. The Executive Director hires officers and staff and advises the SIB – typically through its Committees. Committees may retain independent consultants, perform due diligence and make recommendations to the SIB for its approval.

The Board sets direction and policy and exercises its authority to approve certain key decisions. The budget is subject to biennial approval by the Legislature. Once approved, the Board delegates authority and resources to the Executive Director. The Executive Director executes directions within board approved policy. Committees oversee performance and risk and escalate and report exceptions to the SIB. The SIB reports to the Legislature, the beneficiaries and the general public.

Authority and Delegation

Delegation Principles

The Board delegates authority consistent with the following principles:

- Delegation of authority and resources is intentional, explicit, and documented.
- Authority is delegated with clear purpose, scope, limits, and expectations.
- Execution authority is accompanied by oversight, verification, and reporting requirements.
- The Board retains ultimate accountability and responsibility for prudent processes.
- Only the Board can delegate to the Executive Director.

Governance Process

In exercising delegation, the Board follows a disciplined governance process:

1. Executive Director (Staff) advise the Board and its Committees.
2. Committees (and Board consultants) recommend to the full Board.
3. The Board sets direction aligned to purpose, beneficiaries, and fiduciary duties.
4. The Board approves decisions and delegates authority and resources, defining limits and escalation thresholds.
5. The Executive executes within delegated authority.
6. Committees oversee performance and risk.
7. Independent functions verify outcomes and controls to Committees.
8. The Board reports transparently to stakeholders and beneficiaries.

Role of Committees

Committees act on behalf of the Board in accordance with delegated authority and do not exercise management functions. Committees are accountable to:

- Advise and recommend to the Board based on analysis, expertise, and professional judgment.
- Oversee performance, risk, and compliance within their remit.
- Verify outcomes through metrics, internal audit, compliance, and independent reassurance.
- Escalate material issues, exceptions, and emerging risks to the Board.

Committees recommend but do not approve, unless explicitly authorized by the Board.

Authority and Delegation

Oversight

Oversight is an ongoing fiduciary responsibility of the Board and its Committees and includes:

- Monitoring performance and risk relative to expectations.
- Challenging results and assumptions.
- Focusing on trends, signals, and exceptions.
- Escalating material exceptions.

Verification

Verification provides objective evidence and is performed through independent functions, including:

- Internal audit
- Compliance and risk management reviews
- External audit and independent advisors

Authority and Delegation

SIB Key Decisions and Powers Matrix

ND State Investment Board					
Key Decisions	Conduct Business				
	Research & Recommend	Set/Approve (Authority & Resources)	Delegate	Oversee Execution	Verify & Report
Governance	GPRC	SIB	ED	GPRC	GPRC
Investment	IC	SIB	ED	IC	IC
Leadership & Talent	ERCC	SIB	ERCC	ERCC	ERCC
Stewardship	BFC	SIB→Legislature	ED	BFC	BFC
Accountability	ARCC	SIB	CAO / Ext. Auditor	ARCC	ARCC

The Board's standing Committees shall operate under the terms of a charter approved by the Board and are set forth in this policy as follows:

- Audit, Risk and Compliance Committee (ARCC)
- Executive Review and Compensation Committee (ERCC)
- Governance and Policy Review Committee (GPRC)
- Investment Committee (IC)
- Budget and Finance Committee (BFC)

Note: The chart below describes the approvals reserved for the SIB. The expectation is that Committees will perform the due diligence necessary to support a recommendation to the full board for its approval. The SIB needs to determine a multi-year calendar and then Committees need to organize their work accordingly. Continuing education should be linked to the calendar to be targeted and just-in-time taking into account the very busy schedules of members.

Authority and Delegation

Power to Conduct Business of Board and its Committees

Conduct Dimension	State Investment Board (Board)	Standing Committees (All Committees)
Purpose	Serves as the statutory governing body responsible for investment oversight, policy approval, delegation, and fiduciary accountability for all funds under NDCC §21-10	Support the Board by providing focused research and recommendations, oversee performance and risk, verify and report to the SIB within delegated subject-matter areas. The SIB explicitly acknowledges TFFR-related budget and operational considerations—such as assuring TFFR impacts are reflected in committee scope, reporting, and oversight—so those interests are consistently addressed without restricting committee composition.
Fiduciary Status	Acts as fiduciary with full statutory duties of care, loyalty, and prudence for funds under management.	Committee members act as fiduciaries when exercising delegated responsibilities on behalf of the Board.
Authority	Holds all authority granted by statute; may delegate specific accountability while retaining ultimate responsibility.	Advise, oversee and verify only unless expressly delegated authority by the Board; may not bind the Board or exceed delegated scope.
Limitations	Authority constrained by statute, legislative appropriations, ethics laws, and open meetings requirements. Budget must be approved by the Legislature on a line-by-line basis biennially	Authority limited to Board-approved charters; committees have no independent or implied powers.

Decisions

<p>Composition</p>	<p>Membership defined by NDCC §21-10, including voting and ex officio members.</p> <ul style="list-style-type: none"> a. The governor; b. The state treasurer; c. The commissioner of university and school lands; d. The director of workforce safety and insurance; e. The director of the office of management and budget; f. Two members of the teachers' fund for retirement board or the board's designees who need not be members of the fund as selected by that board; g. Two members of the public employees' retirement system board as selected by that board; h. Two members, each of whom by experience is familiar with institutional investments, appointed by the governor. One initial appointee shall serve a term of three years, one initial appointee shall serve a term of five years, and all subsequent appointees shall serve five-year terms; and i. Two members, one from the senate and one from the house of representatives, or the member's designee, who serve on the legacy and budget stabilization fund advisory board, as selected by that board to represent that board. 	<p>The SIB explicitly acknowledges TFFR-related budget and operational considerations—such as assuring TFFR impacts are reflected in committee scope, reporting, and oversight—so those interests are consistently addressed without restricting committee composition.</p> <p>Three (3) members per Committee, all drawn from Board membership except for the Investment and the Audit Committee which shall have five (5). The Investment Committee shall have two external investment professionals. The two external investment professionals may be either active or retired and have substantial institutional investment experience.</p> <p>Three members of the Audit and Risk Committee will include a representative of the three groups on the SIB: Legacy & Budget Stabilization Fund Advisory Board, a TFFR representative, a member-at-large, and two members selected from outside of the SIB and the RIO.</p> <p>Members of the Budget and Finance Committee should be expected to be financially literate and statutorily aware. It should include at least one member with experience in public budgeting or appropriations.</p> <p>The BFC should also include an external, non-voting member to represent TFFR and an external non-voting member to be a budget analyst assigned to the agency by the OMB.</p>
<p>Vacancies</p>	<p>A vacancy occurs upon: written resignation effective date; removal from officer role (officer vacancy only); removal from Board membership (member vacancy; statutory); death; permanent incapacity; loss of eligibility (e.g., no longer meets statutory/role-based eligibility); disqualifying legal status if applicable; or failure-to-attend (threshold to be defined)</p>	

Decisions

	<p>The ED will notify the Board within 5 business days of known vacancy event; Chair notifies appointing authority within 10 business days (where applicable); a log will be maintained</p> <p>Resignations must be in writing and delivered to the Chair; if the Chair resigns, delivered to Vice Chair; ED receives a copy for records. Effective upon Board acknowledgment unless a later date is specified; if an immediate resignation occurs between meetings, effective upon receipt but acknowledged at the next meeting. Acknowledgment will be entered into minutes; and governance records retained.</p> <p>Board membership removal is governed by statute/appointing authority; the Board's internal authority is limited to officer roles and internal sanctions consistent with law and policy.</p> <p>If misconduct is alleged: the Chair refers to GPRC (or designated committee) for review; legal counsel is consulted; Board action is limited to internal steps (censure, committee removal where permitted, referral to appointing authority, etc.).</p> <p>Holdovers A member may continue to serve until a successor is appointed and qualified. A holdover should not exceed 90 days without written notice to the appointing authority and Board discussion. The ED and/or Chair will notify the appointing authority at least 90 days before expiration.</p> <p>Staggered Appointments Where appointment authority allows, the Board recommends staggered appointments and continuity planning to avoid simultaneous turnover. The Board will maintain a rolling 'continuity risk' view (anticipated departures next 12–24 months) and proactively notify appointing authorities.</p>	
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Decisions

<p>Independence</p>	<p>Not specified at the Board other than 21-10-09. Personal profit prohibited - Penalty. No member, officer, agent, or employee of the state investment board may profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this § is guilty of a class A misdemeanor.</p> <p>See also Board members’ code of conduct. (add link)</p>	<p>External Investment Committee members shall be independent and free from material conflicts of interest. External members may not:</p> <ul style="list-style-type: none"> • Have a current business relationship with investment managers, service providers, or counterparties used by the SIB • Participate in decisions where a real or perceived conflict exists • External members are subject to applicable ethics, disclosure, and recusal requirements. • Independence is reviewed at appointment and periodically thereafter.
<p>Committees</p>	<p>The Board Chair will propose a slate of Committee members (based on the match between recommended capabilities for each Committee and the members’ interests) for Board approval.</p> <p>The Board may also form an investment advisory council.</p>	<p>Investment Audit & Risk Governance Policy Review Executive Review & Compensation Budget & Finance</p>
<p>Ad hoc and Sub-Committees</p>	<p>The Board may form, and delegate authority to ad hoc or sub- committees when it deems appropriate.</p>	<p>Same</p>
<p>Terms</p>	<p>Board member terms are not set by statute.</p> <p>The only board members who have terms are the two members who have institutional investment experience. They have a 5-year term. There are no term limits.</p>	<p>Terms will be one year or termination of the term on the SIB. There are no term limits; Committee members serve at the pleasure of the Board.</p>
<p>Chair/Vice-Chair</p>	<p>21-10-04. Board - Meetings. The State Investment Board shall select one of its members to serve as chair, one to serve as vice chair, and shall meet at the call of the chair or upon written notice signed by two members of the board.</p>	<p>The Board Chair will appoint a Committee Chair, and a Vice Chair. The Board Chair typically acts as the liaison. The Chair will preside at all meetings of the Committee. In the absence of the Chair, the Vice Chair will perform the duties of the Chair. The Board Chair / Vice Chair may serve as ex officio members of all committees.</p>

Decisions

<p>Election of Officers</p>	<p>Nomination: Self-nomination is allowed; no second is required).</p> <p>Voting threshold: A majority of members present and voting; there will be a runoff between top two if no majority.</p> <p>Voting method: Default recorded vote; any member may request secret ballot; the ED will record totals.</p> <p>Documentation: Candidates, vote totals, and outcomes will be recorded in the minutes.</p> <p>Officers may be re-elected</p>	
<p>Quorum</p>	<p>A majority of voting members (7)</p>	<p>A majority of voting members (2-3). The Committee will act only on the affirmative vote of the majority three of the Committee members at a meeting. Should a quorum not be present before a scheduled meeting or during a meeting, the Chair will announce the absence of a quorum and the members will disburse. Meeting minutes will be prepared by the RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.</p>
<p>Voting</p>	<p>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.</p>	<p>Same</p>
<p>Records</p>	<p>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 upon request.</p>	<p>Same</p>
<p>Appointment</p>	<p>Members appointed or seated as provided in statute.</p>	<p>Committee members appointed by the Board Chair at the first SIB meeting in July of each year or when a vacancy arises.</p>
<p>Compensation</p>	<p>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.</p>	<p>Same</p>
<p>Leadership</p>	<p>Board Chair presides over board meetings and sets agendas in coordination with the Executive Director.</p>	<p>Committee Chairs / Vice-Chairs will be designated by the Board Chair .</p>
<p>Staff Support</p>	<p>Executive Director serves as primary liaison; senior staff support Board deliberations.</p>	<p>Executive Director designates senior staff liaisons appropriate to Committee scope.</p>

Decisions

<p>Independent Advisors</p>	<p>The Board may retain independent advisors as required.</p>	<p>Same subject to Board approval</p>
<p>Meetings</p>	<p>Meets as required to fulfill statutory duties (at least quarterly); subject to ND open meetings law.</p> <p>Section 4-5. All meetings of the SIB are open to the public, except as allowed under North Dakota law.</p> <p>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)</p> <p>Board members are expected to attend each meeting, in person or via tele- or videoconference.</p> <p>The Board may invite staff of the RIO, auditors or others to attend meetings, as necessary to provide information and to conduct business will attend meetings.</p> <p>Meetings will be conducted in accordance with NDCC 44-04-17.1. The Board may hold executive sessions as allowed under state law.</p> <p>Meeting materials must be provided in accessible formats Presentations must not rely solely on visual content Recordings and posted materials must be provided in accessible formats.</p>	<p>Same except the Governance and Policy Review Committee and the Executive Review Compensation Committee may meet semi-annually.</p>
<p>Meeting Agendas</p>	<p>Meeting agendas will be prepared by the Executive Director and approved by the Board Chair, unless otherwise directed by the Board and will be provided to the board members along with briefing materials (7) days before the scheduled board meeting.</p>	<p>Same – except agendas will be prepared by the Committee staff liaison.</p>
<p>Meeting Materials</p>	<p>Meeting materials should be distributed at least seven (7) days in advance.</p> <p>Members are encouraged to read the materials in advance as presentations should be based on that assumption. This is intended to reduce the time spent “presenting” materials and increase the time spent on dialogue.</p>	<p>Same</p>

Decisions

	Materials should meet ADA Design Standards	
Consent Agendas (New)	The Board may use consent agendas to approve routine, non-controversial items in a single motion, without discussion— unless a member asks to pull an item for separate consideration. Typically, such matters are informational or procedural, have been reviewed in advance, or require no debate or decision trade-offs.	Same
Rules of Order	Robert's Rules of Order Newly Revised except as superseded by-laws and Board governance policies. (Rosenberg)	Same
Reporting	Receives reports from Committees, staff, auditors, and external advisors. Reports should be exception-based wherever appropriate. Reports to the Legislature as required.	Reports regularly to the full Board; escalates material issues promptly. Reports should be decision-ready, clearly identifying: <ul style="list-style-type: none"> • Issues • Options (least to most) • Implications (pros and cons) • Recommended actions
Decision-Making	Makes final decisions unless authority is explicitly delegated.	Makes recommendations; decisions only where expressly delegated.
Self-Assessment	Conducts an annual Board self-assessment focused on fiduciary effectiveness and governance performance using a standardized, confidential survey and facilitated discussion, timed to inform governance planning and charter reviews, and result in a written summary of strengths, gaps, and prioritized improvement actions reported to the Board. Chair-specific questions should be mapped to duties such as agenda discipline; meeting facilitation; fiduciary focus; boundary enforcement; information flow; culture/behavior management. Confidential peer feedback should be compiled by GPRC and the results shared with Chair.	Same The GPRC conducts annual Committee self-assessments focused on: effectiveness and clarity of delegation. Clarity of roles and decision authority Quality, timeliness, and usefulness of information received Adequacy of time spent on strategic vs. operational matters Effectiveness of risk, performance, and policy oversight Committee composition, expertise (key capabilities), and workload The results should be summarized and shared with the Board, along with any recommended improvements.
Mentor	Each new trustee shall be assigned a mentor by the Chair in consultation with the Executive Director to aid in their onboarding.	NA
Continuing Education	Each trustee participates in ongoing fiduciary, investment, and governance education.	Each Committee member shall complete continuing education aligned with the Committee's responsibilities and required capabilities.

Decisions

	The Board should specify the minimum number of hours of annual continuing education, an individualized curriculum and a method for tracking and reporting progress. The national average is about 10 hours.	
Charter / Governance Review	Approves governance framework and Committee charters; triennially reviews Board governance policies.	The GPRC will review the Committee charter at least triennially and recommend updates to the Board through the GPRC.
Accountability	Accountable to beneficiaries, Legislature, and the public for statutory compliance and long-term stewardship.	Accountable to the Board for researching and recommending policy, oversight of performance and risk within the delegated scope and verification and reporting to the Board.
Annual Workplans	The Board should create a multi-year workplan, cadence and calendar based on the approvals required by it.	Every standing Committee will create an at least annual plan to provide timely recommendations to the SIB according to the agreed upon board calendar.

4. Decisions

Purpose

The Governance Policy System is designed to assure that the State Investment Board exercises its fiduciary authority in a disciplined, transparent, and repeatable manner across multiple years.

At the core of the Governance Policy System are two reinforcing governance tools:

1. **The Decision Registry** – a structured inventory of all recurring and non-recurring Board decisions.
2. **The Governance Cycle** – a calendarized multi-year cadence of Board and Committee activities through which policies are set, decisions are approved, authority is delegated, performance is overseen, and results are verified.

Together, these tools establish a five-year governance cycle that organizes the Board's fiduciary responsibilities into a structured sequence of decisions, oversight activities, and policy refinements.

This approach assures that the Board governs proactively rather than reactively, maintains disciplined oversight of delegated authority, and continuously improves the governance framework over time.

Decisions

The Decision Registry is the central operating instrument of the Governance Policy System.

It is a structured record that identifies, documents, and schedules all key Board decisions required to govern the investment program and the organization.

The Decision Registry serves several governance functions:

- provides clarity regarding which decisions belong to the Board
- establishes decision ownership and delegation
- schedules just in time intelligence and insights (continuing education) in preparation of decisions
- assures that decisions are made with adequate preparation and due diligence
- aligns Board activity with the organization's strategic and fiduciary responsibilities
- enables multi-year governance planning

Each entry in the Decision Registry typically identifies:

- the decision topic
- the timing or cadence of the decision
- the Board authority being exercised
- the committee responsible for due diligence
- the intelligence and insights needed in advance to make a prudent decision
- the information, analysis, and independent advice required
- the expected outcome or approval

Examples of decisions recorded in the registry include:

- approval of investment policies
- asset allocation reviews
- strategic plan approvals
- executive performance evaluations
- budget approvals
- governance policy reviews
- independent audits and risk reviews

Decisions

The Decision Registry assures that every significant Board decision is prepared through an appropriate governance process, including committee due diligence, expert analysis, and independent verification where appropriate.

Decision Register: Key Board Approvals and Cadence (Organized by Committee)

Committee	Policy	Due Diligence/Recommend Policy Improvements	Cadence
Governance & Policy Review	Governance, Authority & Controls	Election of Officers	Y1
		Delegation of Authority	Y3
		Delegation of Authority Matrix	Y3
		Annual Governance Calendar	Y1
		Committee Charters	Y3
		Governance Policies & Code of Conduct	Y3
		Conflict of Interest Determinations	Y1
		Policy Review Schedule	Y3
		Exception Requests to Policy	AN
		Hiring / Termination of Fiduciary Advisors	Y5
		Governance Advisors	Y5
	Extraordinary & Non-Routine	Response to Governance Failure or Breach	AN
		Legal Counsel	AN
		Declaration of Emergency Authority	AN
		Litigation Strategy	AN
		Escalation of an Issue to Legislature	AN
		Settlement or Indemnification	AN

Decisions

Committee	Policy	Due Diligence/Recommend Policy Improvements	Cadence
Investment	Investment Strategy	Investment Beliefs	Y5
		Long-term Objectives & Risk Appetite	Y5
		Asset Allocation Policy	Y4
		Strategic Asset Allocation Targets	Y4
		Use of Leverage / Derivatives / Alternatives	Y5
		Deviation from Investment Policy	Y5
		Hiring / Termination of Custodian & Master Service Providers	Y5
	Portfolio Structure & Risk	Active Risk / Tracking Error Limits	Y5
		Liquidity Framework	Y5
		Concentration Limits	Y5
		Capital Development Pacing	Y1
		Stress Testing & Scenario Framework	Y1
		Rebalancing Policy	Y5
		Response to Market Stress	Y1
		Response to Liquidity Event	Y1
	Benchmarks & Performance	Benchmarks & Reference Portfolios	Y1
		Performance & Evaluation Measures	Y5
		Underperformance Thresholds & Watch Lists	Y1
		Manager Hiring and Termination Criteria	Y5
		Long-Term Funding Status	Y1
		Investment & Risk Dashboards	Y1

Decisions

Committee	Policy	Due Diligence/Recommend Policy Improvements	Cadence
Executive Review & Compensation	Leadership & Talent	Hiring / Termination of the Chief Executive	AN
		Executive Compensation Plan	Y1
		Incentive & Long-Term Incentive Plan (LTIP)	Y1
		Performance Goals for the Chief Executive	Y1
		Succession Plan	Y3
Budget & Finance	Financial & Operational Stewardship	Annual Operating Budget for Legislative Approval	Y2
		Staffing Levels & Key Positions for Legislative Approval	Y2
		Fee & Expense Policy (only applicable if 'off books')	AN
		Cost Allocation Methodology	Y1
		Capital Expenditures (Continuing Authority)	AN
		Variances Beyond Budget (only applicable if 'off books')	Q
Audit, Risk & Compliance	Audit, Risk & Compliance	Hiring / Termination of Chief Audit Executive	AN
		External Auditor Appointment (if permitted)	AN
		Risk Management Framework	Y1
		Internal Audit Plans	Y1
		Internal Audit Findings	Y1
		Corrective Action Plans	Y1
		Certification of Compliance with Statutory Duties	Y1

5. Timing

The Governance Cycle

The Governance Cycle is the structured multi-year timing and cadence through which the Board fulfills its fiduciary responsibilities. The Governance Cycle is designed to span five years, with individual decisions occurring on annual, biennial, or multi-year intervals depending on their importance and statutory or fiduciary requirements.

The cycle organizes governance activities into a continuous decision-making loop, assuring that policies remain current, delegated authority is monitored, and performance outcomes inform future decisions.

Governance Decision Cycle

The Governance Policy System the Board's activities by its powers:

1. Conduct the business of the Board and its Committees

Subject to governing statutes, the Board determines how it will conduct business, make decisions collectively and delegate to committees and the Executive Director. This stage is where agendas and calendars are set, committee assignments are made, self-evaluations are scheduled.

2. Set Direction and Policy

The Board establishes policy direction and strategic objectives.

This stage defines the Board's expectations regarding:

- organizational mission and strategic priorities
- investment policy and risk appetite
- governance policies and delegation framework
- fiduciary standards and performance objectives

Committees may assist in developing policy proposals, but policy authority remains exclusively with the Board.

Timing

3. Approve and Delegate Authority

Following committee review and due diligence, the Board formally approves policies and strategic decisions. Once approved, the Board delegates authority and resources necessary to implement the decision.

Delegation typically includes:

- authority to the Executive Director and senior staff
- implementation responsibility within the Retirement and Investment Office
- defined reporting requirements and performance expectations

Delegation is always accompanied by clear accountability and monitoring expectations.

4. Oversee execution within policy

The Executive Director and staff implement Board policies and decisions.

This stage includes:

- execution of investment strategies
- operational implementation
- resource deployment
- engagement with external service providers

Committees may monitor implementation progress but do not manage operations.

The Board and its committees oversee performance, practices, and controls associated with delegated authority. Committees perform oversight within their areas of responsibility and report findings to the Board.

Oversight activities typically include:

- performance reports
- risk monitoring reports
- financial condition reviews
- operational updates
- strategic progress reports

5. Verify and Report

Independent assurance mechanisms provide verification of results and governance practices.

Timing

Verification may include:

- internal audit reviews
- external audit reports
- independent investment performance analysis
- governance reviews
- legal and compliance reviews

Committees review independent auditors and advisors reports and present conclusions and recommendations to the Board. Findings from oversight and verification activities are reported to the Board through its committees.

The Board evaluates:

- whether policies remain appropriate
- whether delegated authority has been exercised prudently
- whether governance practices require refinement

Where necessary, the Board updates policies or governance structures, beginning the next cycle of governance decision-making.

Continuous Governance Improvement

The Governance Cycle creates a continuous improvement loop. Each stage of the cycle informs the next stage:

Policy Direction

→ Approval and Delegation

→ Implementation

→ Oversight

→ Verification

→ Reporting and Policy Refinement

This cycle assures that governance evolves based on evidence, oversight findings, and strategic priorities rather than ad-hoc decision making.

Governance Calendar

The Governance Cycle is operationalized through a multi-year governance calendar derived from the Decision Registry.

The calendar:

- schedules Board approvals and oversight activities
- aligns committee work plans with Board decision timing
- assures that decisions occur with sufficient preparation and due diligence
- distributes governance workload evenly across the year

Some decisions occur annually, while others follow multi-year cycles.

Timing

Calendar cadence rationale for each GPS approval item · Source: Approvals Register Legend

<p>5 Year Cycle</p> <p>Structural policy framework item. Reviewed on a 5-year cycle consistent with long-horizon strategic governance practice <i>e.g. Investment beliefs, Asset allocation policy, Strategic asset allocation targets</i></p>	<p>3-4 Year Cycle</p> <p>Core governance or risk framework. Refreshed every 3-4 years to balance stability and responsiveness. <i>e.g. Risk frameworks, Benchmarks, Committee Charters, Manager criteria, Governance policies</i></p>	<p>2 Biennial (2-Year)</p> <p>Authority or structural calibration item. Reviewed biennially, often aligned with ND legislative session. <i>e.g. Delegation of Authority, Operating Budget, Staffing Levels, Fee Policy</i></p>
<p>1 Annual</p> <p>Annual statutory, fiduciary, or operational requirement aligned with audit/funding cycle. <i>e.g. Governance Calendar, Compliance certification, Executive Comp Plan, Succession Plan, Funding status</i></p>	<p>Q Quarterly/Monthly</p> <p>Oversight function requiring quarterly board visibility and monitoring of performance compared to policy. <i>e.g. Corrective Action Plans, Investment & risk dashboards</i></p>	<p>✦ As Needed / Event-Driven</p> <p>Event-driven decision triggered by circumstances rather than calendar schedule. <i>e.g. Deviation from investment policy, Emergency Authority, Litigation, Settlement, CE hiring / termination</i></p>

TRIGGERS The key is not cadence length. The key is discipline around triggers.

Event-driven items activate outside the calendar — emergency authority, litigation, CE hiring, market stress events

- Funding model fundamentally changes
- Liquidity structure permanently shifts
- Regulatory mandate changes
- Internalization model changes materially

Decision Register: Key Board Approvals & 5-Year Decision Cycle

Complete GPS Decision Register — ND SIB Board & Committees

North Dakota State Investment Board								
CONDUCT	SET		APPROVE		DELEGATE	OVERSEE	VERIFY	
Collective Authority, Structure & Process	Policy / Committee / Executives / Advisors		DUE DILIGENCE AND RECOMMEND POLICY IMPROVEMENTS JIT Intel & Insights		Cadence	Execute & Report	Oversee & Exception Reports	Advise & Verify
1. Statutory Authority	Governance Policy Review Committee (GPRC)	Governance, Authority & Controls	Election of Officers	Y	Y	ED	Governance, Authority & Controls	Governance & Legal Advisors
			Delegation of Authority	Y	Y			
			Annual Governance Calendar	Y	Y			
			Delegation of Authority Matrix	Y	Y			
			Committee Charters	Y	Y			
			Governance Policies & Code of Conduct	Y	Y			
			Conflict of Interest Determinations	Y	Y			
			Policy Review Schedule	Y	Y			
			Escation Requests to Policy	Y	Y			
			Hiring / Termination of Fiduciary Advisors	Y	Y			
Response to Governance Failure or Breach	Y	Y						
Legal Counsel	Y	Y						
Governance Advisors	Y	Y						
Declaration of Emergency Authority	Y	Y						
Litigation Strategy	Y	Y						
Escalation of an issue to Legislature	Y	Y						
Settlement or Indemnification	Y	Y						
Investment beliefs	Y	Y						
Lone-term objectives & risk appetite	Y	Y						
Asset allocation policy	Y	Y						
Strategic asset allocation targets	Y	Y						
Use of leverage / derivatives / alternatives	Y	Y						
Deviation from investment policy	Y	Y						
Hiring / Termination of custodian & master service providers	Y	Y						
Active risk / tracking error limits	Y	Y						
Liquidity framework	Y	Y						
Concentration limits	Y	Y						
Capital deployment pacing	Y	Y						
Stress testing & scenario framework	Y	Y						
Rebalancing policy	Y	Y						
Response to market stress	Y	Y						
Response to liquidity event	Y	Y						
Benchmarks & reference portfolios	Y	Y						
Performance evaluation framework	Y	Y						
Risk-adjusted performance measures	Y	Y						
Underperformance thresholds & watch lists	Y	Y						
Manager hiring and termination criteria	Y	Y						
Long-term funding status	Y	Y						
Investment & risk dashboards	Y	Y						
Hiring / Termination of the Chief Executive	Y	Y						
Executive Compensation Plan	Y	Y						
Incentive & Long-Term Incentive Plan (LTIP)	Y	Y						
Performance Goals for the Chief Executive	Y	Y						
Succession Plan	Y	Y						
Annual Operating Budget for Legislative approval	Y	Y						
Staffing Levels & Key Positions for Legislative approval	Y	Y						
Fee & Expense Policy (only applicable if 'off books')	Y	Y						
Cost Allocation Methodology	Y	Y						
Capital Expenditures (Continuing Authority)	Y	Y						
Variances beyond budget (only applicable if 'off books')	Y	Y						
Participate in hiring / termination of Chief Audit Executive	Y	Y						
External Auditor Appointment (if permitted)	Y	Y						
Risk Management Framework	Y	Y						
Internal audit plans	Y	Y						
Internal Audit Findings	Y	Y						
Corrective Action Plans	Y	Y						
Certification of Compliance with Statutory Duties	Y	Y						
Executive Review & Comp Committee (ERC)	Leadership & Talent	Third Party	Leadership & Talent	Governance & Compensation Advisors				
Budget & Finance Committee (BFC)	Financial & Operational Stewardship	CFO	Financial & Operational Stewardship	External Audit				
Audit, Risk & Compliance Committee (ARCC)	Audit, Risk & Compliance	ED/CAO	Audit, Risk & Compliance	Governance, Risk & Compliance Advisors				

See Decision Register Excel File

6. Glossary of Terms (to be appended in the final version)

MEMORANDUM

TO: SIB

FROM: Scott Anderson, CFA – Chief Investment Officer

DATE: March 20, 2026

RE: Investment Committee Update

The Investment Committee met virtually on February 13, 2026, and March 13, 2026. Both meetings were called to order by Treasurer Thomas Beadle with a quorum present; each meeting's agenda was reviewed and approved as distributed and the committee accepted the standing minutes from the prior meeting. Each meeting opened with the customary procedural items and moved promptly into substantive business, with the committee balancing strategic policy discussion, operational preparedness, and confidential private markets matters handled in executive sessions as appropriate.

Agenda summaries: February 13, 2026

Strategy Review — Private Markets Strategy (Information Only) Mr. Collins and Mr. Zietlow presented an overview of the private markets strategy and the continued transition toward a direct-to-general-partner investment program. The presentation reviewed portfolio construction across private equity, private credit, and real assets, the importance of disciplined manager selection, and the expected benefits of reducing fund-of-fund structures, including lower fees, improved alignment, and enhanced portfolio pacing.

Investment Guidelines — Public Markets (Committee Action; Executive Session) Mr. Posch and Mr. Chin presented public market guidelines for approval to the committee. The manager was recently approved and will be disclosed once the investment management agreement is completed. The Committee voted to approve the guidelines as presented.

Investment Policy Statement Updates (Committee Action) Mr. Chin presented updated Investment Policy Statements for the Cultural AAPME Fund, Cultural Endowment Fund, Risk Management Fund, and Risk Management Workers' Compensation Fund. The updates transition the client policies to the RIO IPS template designed to improve clarity and consistency across client portfolios. The Committee recommended for approval to the State Investment Board.

Performance Consultant Contract (Committee Action) Mr. Otteson provided an update on the procurement process for a combined investment performance and benchmarking consultant. The

Committee approved the participation of Treasurer Beadle as an evaluator and scorer for the consultant RFP process.

Governance Manual Charter Review (Information Only) Ms. Smith presented an update on the Governance and Policy Review project, including revisions to the Investment Committee Charter designed to strengthen oversight of investment risk, performance, and policy.

Manager Update — Public Markets (Information Only) Mr. Posch reported that Arrowstreet US All Cap was funded in January with approximately \$790 million allocated across the Legacy Fund, Pension Pool, and Insurance Trust.

Quarterly Reports — Contracts (Information Only) Mr. Anderson presented the fourth quarter contract report summarizing vendor agreements executed during the period.

Agenda summaries: March 13, 2026

Strategy Review — Public Markets (Information Only) Mr. Chin presented an overview of the Funds Management: Direct to Managers Strategy, focusing on the investment philosophy, strategic evolution, and capabilities necessary to advance the platform. The presentation emphasized RIO's objective of maximizing after-cost return per unit of risk at a prudent level of risk, the progression from portfolio harmonization to optimization and advanced funds management, and the infrastructure and resources required to support the next phase of implementation. The Committee also received an update on the strategy's benefits through integrated portfolio construction, manager selection, and exposure management, as well as the need for continued investment in data, operations, technology, and people.

- The Funds Management Team oversees approximately \$18.7 billion, or 67.5%, of RIO's \$27.7 billion program, making it the organization's largest investment vertical by AUM.
- The integration of manager selection and risk/asset allocation supports stronger portfolio construction, rebalancing, and implementation.
- Over the past three years, the platform has evolved from a fragmented architecture to Phase 3.0, focused on new alpha sources, beta and exposure management, and enhanced implementation.
- The strategy reflects a shift toward total-portfolio construction, client-level rebalancing, and more dynamic risk and exposure management.
- Execution will require continued investment in data, technology, operations, and people.

Manager Recommendation — Private Markets (Executive Session; Committee Action) The Committee met in executive session to review a private market manager recommendation by Mr. Collins and Mr. Zietlow. Following the closed session, the Committee approved the staff recommendation to hire a private market manager pending legal review. The Committee directed staff to report back at a future meeting.

Manager Recommendation — Private Markets (Executive Session – information only) In executive session, Mr. Collins and Mr. Zietlow presented an update regarding a potential follow-on commitment to an existing private market manager. They discussed the manager’s performance and new opportunities for investment.

Manager Recommendation — Public Markets (Executive Session; Committee Action) Mr. Cox presented public market manager guidelines for approval to the Committee. The manager was recently approved and will be disclosed once the investment management agreement is completed. The Committee voted to approve the guidelines as presented.

Internal Strategy Approval (Committee Action) Mr. Anderson and Mr. Gandhi presented a new internally managed Long Government Credit Enhanced Index strategy. The recommended benchmark is the Bloomberg U.S. Long Government/Credit Bond Index. The Committee approved the strategy and guidelines. The Committee also recommended for approval to the SIB the Bloomberg U.S. Long Government Credit Bond Index as the benchmark.

Policy Update (Committee Action) Mr. Otteson presented revisions to the Trade Error Policy and a new Rebalancing Error Identification and Resolution Policy, both of which were approved for recommendation to the State Investment Board. The updates clarify procedures for restoring impacted funds, escalating based on materiality thresholds, and reporting requirements.

Investment Policy Statements (Committee Action) Mr. Chin also presented updated Investment Policy Statements for Job Service and Retiree Health and Group Insurance. The updates transition the client policies to the RIO IPS template designed to improve clarity and consistency across client portfolios. The Committee recommended for approval to the State Investment Board.

Manager Update: Private Markets (Information Only)— Mr. Collins and Mr. Zietlow provided an update on recent activity including an \$85 million commitment to PRISA III an open-end U.S. value-add real estate fund.

Manager Update: Public Markets (Information Only) Mr. Cox also reported on the termination of the William Blair mandate and that staff had completed a transition of approximately \$407 million in public equity assets from William Blair to Principal.

Board Action Requested: Information only.

TRADE ERROR POLICY

Authority: NDCC § 21-10

Purpose: The purpose of the Trade Error Policy (Policy) is to establish governance standards for the identification, evaluation, reporting, and resolution of trade errors affecting funds under the fiduciary oversight of the State Investment Board (SIB).

The SIB recognizes that despite prudent processes and internal controls, trade errors may occur in the course of portfolio management and investment operations. This Policy establishes materiality thresholds, oversight expectations, and reporting requirements to ensure protection of client assets, transparency, and accountability.

Definition: A trade error is an unintentional deviation from an approved instruction, investment guideline, or intended execution that results in:

- An incorrect trade, allocation, or settlement.
- An unintended financial impact to a fund, client, or account.

Errors related to portfolio rebalancing are governed under the Rebalancing Error Identification and Resolution Policy.

Fiduciary Standard: Trade errors shall be addressed consistent with:

- The Board's fiduciary obligations
- The Prudent Investor Rule
- Applicable statutes and investment guidelines

Economic Responsibility and Fund Restoration: Trade errors shall be resolved in a manner that is fair, consistent, and aligned with fiduciary obligations under the Prudent Investor Rule.

Management shall attempt to restore the affected fund or account, where appropriate to the position it would have occupied absent the error. Restoration shall be made directly

to the affected funds or account and shall not allocate the impact to other funds or accounts.

Where a trading error results in a financial gain to a fund or account, such gain shall remain with the affected fund or account, provided the transaction was lawful and consistent with applicable statutes and investment authority. Gains shall not be used to offset losses associated with other errors or losses in other funds or accounts.

If a counterparty caused or contributed to the trading error, reasonable efforts shall be made to pursue recovery of losses. Any recovery obtained shall be applied for the benefit of the affected fund or account.

The Executive Director and Chief Financial and Operating Officer shall establish procedures governing the calculation methodology, restitution mechanics, and documentation standards for such restoration.

Oversight and Escalation: The Chief Investment Officer shall report trade errors to the Board in accordance with the following materiality thresholds:

- Errors exceeding 1.0 basis point of total client assets, or recurring more than once per quarter, shall be reported to the Investment Committee.
- Errors exceeding 3.0 basis points of total fund assets, or recurring more than twice per quarter, shall be reported to the full SIB.

Reporting shall include:

- A description of the nature and cause of the error.
- The absolute dollar impact and corresponding basis point impact.
- Corrective action taken, including restitution where applicable.
- Any control enhancements or process improvements implemented.

Such reporting shall occur at the next regularly scheduled Investment Committee meeting and, where required by threshold, at the next subsequent SIB meeting.

Delegation to RIO Management: The Board delegates responsibility to the Executive Director and Chief Investment Officer, who shall implement appropriate procedures to carry out this Policy, for:

- Detection
- Documentation
- Financial impact calculation
- Correction and restitution
- Counterparty recovery efforts
- Internal escalation
- Record retention

Periodic Review: Trade error trends and control effectiveness shall be reviewed annually and reported to the Investment Committee to ensure continued adequacy of internal controls and risk mitigation processes.

Policy Adopted: XXXX, 2026

REBALANCING ERROR IDENTIFICATION AND RESOLUTION POLICY

Authority: NDCC § 21-10

Purpose: The purpose of the Rebalancing Error Identification and Resolution Policy (Policy) is to establish governance standards for identifying, evaluating, and resolving errors arising from portfolio rebalancing activities affecting funds under the oversight of the State Investment Board (SIB). The Policy is intended to ensure appropriate oversight, timely correction of errors, and alignment with fiduciary obligations.

A rebalancing error is an unintentional deviation from approved allocation targets, models, formulas, or approved allocation ranges used to implement portfolio rebalancing that results in an unintended allocation or financial impact to a fund, client, or account.

This Policy applies to errors occurring during rebalancing activities, including allocation adjustments, model-driven changes, or cash movements intended to align portfolios with approved allocation targets or investment guidelines. Errors not arising from rebalancing activities are governed by the Trade Error Policy.

Deviations from approved allocation targets that remain within approved allocation ranges may be acceptable without corrective action if reviewed, documented, and not persistent. A deviation is considered persistent if it remains outside the approved target for more than one review cycle or occurs repeatedly without documented rationale.

Definition: Impact means the financial effect of a rebalancing error on an affected account or client resulting from deviations from approved allocation targets or ranges.

Absolute impact means the total dollar effect of a rebalancing error on the affected account or client, measured without regard to direction, such that deviations above or below target and any resulting gains or losses are treated equally and are not offset or netted against other impacts.

Fiduciary Standard: Trade errors shall be addressed consistent with:

- The Board's fiduciary obligations

- The Prudent Investor Rule
- Applicable statutes and investment guidelines

Economic Responsibility and Fund Restoration: Rebalancing errors shall be resolved in a manner that is fair, consistent, and aligned with fiduciary obligations under the Prudent Investor Rule.

Management shall attempt to restore the affected fund or account, where appropriate to the position it would have occupied absent the error. Restoration shall be made directly to the affected funds or account and shall not allocate the impact to other funds or accounts.

Where a rebalancing error results in a financial gain to a fund or account, such gain shall remain with the affected fund or account, provided the transaction was lawful and consistent with applicable statutes and investment authority. Gains shall not be used to offset losses associated with other errors or losses in other funds or accounts.

If a counterparty caused or contributed to the rebalancing error, reasonable efforts shall be made to pursue recovery of losses. Any recovery obtained shall be applied for the benefit of the affected fund or account.

The Executive Director and Chief Financial and Operating Officer shall establish procedures governing the calculation methodology, restitution mechanics, and documentation standards for such restoration.

Identification and timing: In the event of a rebalancing error, Portfolio Managers will collaborate with the Chief Investment Officer and the Chief Financial and Operating Officer to assess the error within 48 hours of identification.

Deviations from approved allocation targets that remain within approved allocation ranges are subject to review and approval but do not require immediate rebalancing or reevaluation, provided the deviation is reviewed, the rationale for no action is documented, approved in accordance with this policy, and the deviation is not persistent

Required assessment: Within 48 hours of identifying a rebalancing error, the following will be determined and documented:

- Explanation of the error's source, including whether the error resulted from a calculation, formula, model input, or process failure associated with rebalancing activity.
- Estimate of the absolute financial impact of the rebalancing error to the affected account or client, measured without regard to direction and reflecting the gross impact of deviations from approved allocation targets or ranges.
- Evaluation of the occurrence and identification of potential process improvements to reduce the likelihood of recurrence.

All financial impact calculations related to rebalancing errors must be reviewed by the Chief Financial and Operating Officer.

Examples of rebalancing errors: Examples may include, but are not limited to, incorrect rebalancing between funds or asset classes, misallocation of cash resulting from spreadsheet or formula errors, application of incorrect target weights or allocation parameters, inclusion or exclusion of accounts or funds that should not have been part of the rebalancing activity, rebalancing transactions executed in the wrong direction or amount due to rebalancing inputs, and allocation mistakes occurring specifically as part of rebalancing processes.

Persistent deviations outside approved allocation ranges, or repeated failures to document or review allocation drift relative to approved targets, may also constitute rebalancing errors

Correction and documentation: Rebalancing errors are to be corrected promptly upon discovery. The Retirement and Investments Office seeks to resolve rebalancing errors fairly and consistently and, where appropriate, restore impacted funds or accounts to the position they would have been absent the error.

A written memorandum is prepared by the Deputy Chief Financial and Operating Officer upon identification of a rebalancing error and provided to the Chief Investment Officer and Executive Director, within 30 days of identification of the error, detailing the nature of the error, personnel involved, the absolute dollar impact to the affected account or client, and how the error was identified.

A summary memorandum documenting the rebalancing error, analysis, and resolution will be prepared, reviewed internally, and presented to the Chief Investment Officer and Executive Director.

All determinations, including those where no corrective action is required, are reviewed by the responsible Portfolio Manager and approved by the Chief Investment Officer prior to final resolution.

When no corrective action is taken, documentation must reflect that the deviation was reviewed, remained within approved allocation ranges, and that no rebalancing or reevaluation was warranted.

Documentation related to the error and its resolution will be retained in accordance with recordkeeping requirements. If a rebalancing error is caused by a counterparty, reasonable efforts will be made to recover associated losses where appropriate.

Rebalancing errors and their resolution are recorded and retained in a centralized manner sufficient to support review, escalation, and periodic trend assessment.

Policy thresholds and clarification: For purposes of escalation and review thresholds referenced in this policy, rebalancing errors are evaluated based on deviations from approved allocation targets or ranges and the absolute financial impact to the affected account or client, measured without regard to direction.

These thresholds inform escalation and governance review and do not limit the identification, documentation, or remediation of rebalancing errors regardless of size.

Escalation and oversight: All rebalancing errors, including determinations that no corrective action is required, are documented and disclosed to the Chief Investment Officer and Executive Director.

For rebalancing errors involving deviations outside approved allocation ranges, persistent deviations from approved targets, or material absolute impact to an account or client, the Chief Investment Officer escalates the matter, along with an explanation of the circumstances and resolution, to the Investment Committee, with notice to the Executive Director.

For rebalancing errors involving significant absolute impact, repeated occurrences, or

issues warranting broader governance review, the Investment Committee escalates the matter to the SIB, with notice to the Executive Director.

Procedure Adopted: XXXX , 2026

Memorandum

To: Investment Committee
North Dakota State Investment Board

From: Verus

Date: March 3, 2026

RE: Internal U.S. Long Government/Credit Portfolio Benchmark Recommendation

Verus has been asked to provide a recommendation regarding the benchmark for the new internally managed long duration US Government/Credit bond portfolio (“Internal FI Long GC”). Verus recommends the **Bloomberg U.S. Long Government/Credit Bond Index** (FIGI: BBG002F05TV5, Bloomberg ticker: LGC5TRUU Index).

Benchmarks serve important functions in the realm of investment program oversight for fiduciaries. In a performance monitoring and evaluation context, benchmarks provide insight into the effectiveness of active management. If a benchmark is precise, it can help identify the sources of excess return, thereby illuminating the strengths and weaknesses of the portfolio management team. If portfolio returns do not consistently meet or exceed the benchmark, passive alternatives can be utilized.

The qualities that are desirable in benchmarks used to evaluate investment performance include:

- Reflective of asset class or portfolio objectives
- Representative of the opportunity set of the portfolio
- Investable and known *ex ante* (i.e., beforehand)
- Transparent, measurable, and unambiguous
- Available in a timely, cost-efficient manner
- Commonly used by similar investors

The **Bloomberg U.S. Long Government/Credit Bond Index** is a broad-based flagship benchmark that measures the non-securitized component of the **Bloomberg Aggregate Index** with 10 or more years to maturity. The Aggregate is SIB’s asset class benchmark for Investment Grade Fixed Income. As a subset of the Aggregate, the recommended benchmark is fully aligned with the primary objective of the new portfolio (as stated in the proposed investment guidelines): “Provide Investment results that approximate the overall performance of domestic fixed income indices that are used for benchmarking”.

The recommended benchmark includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities. It is market value weighted and rebalanced monthly, making its holdings unambiguous and known ex-ante.

As of the most recent month end, the index comprises 3,599 securities with a total market value of \$5.8T, making it highly representative of the opportunity set for long duration Gov/Cred

portfolio managers. In fact, the proposed portfolio guidelines define the opportunity set in terms of this index. The index is not float-adjusted for central bank holdings but given the enormous size and liquidity of the Treasury market the North Dakota team should have no difficulty tracking the index as closely as the guidelines require (25-50 bps). A float adjusted version of the index exists (ticker: BFALTRUU Index) but is not commonly used for benchmarking. Of the 59 products listed in the eVestment US Long Duration - Gov/Cred Fixed Income Universe, 42 of them (71%) specify the recommended index as the manager preferred benchmark. The remainder typically specify a closely related Bloomberg index (e.g., Long Govt/Corporate) or a custom weighted blend. None specify the float adjusted version or a similar index from a competing provider.

All characteristics of the recommended index are transparent and readily available to any fixed income team with access to the Bloomberg system, including real-time pricing of the index and its constituents.

In summary, the recommended index satisfies all the desired benchmark criteria:

Portfolio	Current Benchmark	Recommended Benchmark	Opportunity Set / Investment Guideline Alignment	Investable and Known Ex-Ante	Transparent/ Measurable/ Unambiguous/ Timely/Cost Efficient	Reflective of Asset Class or Portfolio Risk/Return	Commonly Used by Similar Investors
Internal FI Long GC	None	Bloomberg U.S. Long Government/Credit Bond Index	Yes	Yes	Yes	Yes	Yes

MEMORANDUM

TO: State Investment Board

FROM: Scott Anderson, Chief Investment Officer and Eric Chin, Deputy Chief Investment Officer

DATE: March 20th, 2026

RE: Updated Investment Policy Statements

Background:

Staff is presenting updated Investment Policy Statements (IPS) for the following seven client funds and is requesting approval from the State Investment Board (SIB):

- Retirement Plan for Employees of Job Service North Dakota (Job Service)
- Retiree Health Insurance Credit Fund (RHIC)
- NDPERS Group Insurance Account (Insurance)
- State Risk Management Fund
- State Risk Management Workers' Compensation Fund
- North Dakota Cultural Endowment Fund
- Arts Across the Prairie Maintenance Endowment Fund

Purpose of Updates:

- **Job Service:** The purpose of this update is to incorporate the new asset allocation previously approved by both the NDPERS Board and the State Investment Board (SIB), and to transition the document to RIO's new IPS template.
- **RHIC and Insurance:** The purpose of these updates is to transition the existing IPS documents to RIO's new IPS template. No asset allocation changes are proposed for these funds.
- **State Risk Management Fund and State Risk Management Workers' Compensation Fund:** The purpose of these updates is to transition the IPS documents to RIO's new IPS template and consolidate prior U.S. large-cap and U.S. small-cap equity allocations into a single U.S. equity allocation to better reflect the investable equity universe and align with other RIO client IPS policies.
- **North Dakota Cultural Endowment Fund:** The purpose of this update is to transition the IPS to RIO's new IPS template and consolidate prior U.S. large-cap, U.S. small-cap, and international equity

allocations into a single global equity allocation, which better reflects the investable equity universe and aligns with other RIO client IPS policies.

- Arts Across the Prairie Maintenance Endowment Fund: The purpose of this update is to transition the IPS to RIO's new IPS template. No asset allocation changes are proposed.

RIO developed the new IPS template to enhance clarity, improve consistency across client policies, and modernize policy language and structure. While the redline versions may reflect numerous edits, the majority of changes are attributable to formatting, organization, and structural enhancements associated with the new template rather than substantive policy revisions. For each fund, both a clean version and a redline version of the IPS are included for review.

Next Steps:

These IPS documents have been approved by the respective client boards or authorized representatives and have been recommended for approval by the RIO Investment Committee. Staff is requesting approval from the State Investment Board.

Board Action Requested:

Approve the updated Investment Policy Statements for the seven client funds listed above.

INVESTMENT POLICY STATEMENT

Retirement Plan for Employees of Job Service North Dakota

I. Plan and Fund Overview

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The North Dakota Public Employees Retirement System Board (NDPERS Board) is the Plan Administrator and administers the Plan in accord with North Dakota Century Code (NDCC) § 52-11.

Job Service North Dakota, as the employer, contributes 4.0% of the active participant's salary as a contribution on behalf of the employee, and the active participants pay 3.0% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 3.0%.

Client Investment Objectives

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

1. To maintain a level of surplus sufficient to eliminate the need for future contributions
2. To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price index, by 2.0 or more percentage points per year (based on current actuarial assumptions of 3.0% return and 3.0% inflation), over a complete market cycle
3. As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § 21-10. The NDPERS Board has entered into a contract with the SIB for investment services as allowed under NDCC § 21-10-06.

The NDPERS Board is responsible for establishing policies on investment goals and asset allocation of the fund. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives, and Policies.

- The annual standard deviation of total returns for the Fund should not materially exceed 5.3%.
- Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study and the standard deviation of returns should not materially exceed 5.3%
- The standard deviation of portfolio returns compared to the policy benchmark or tracking error should not materially exceed 1.0%.

IV. Asset Allocation

The NDPERS Board establishes the Fund’s asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Global Low Beta Equities	13%	3%	23%
Core Fixed Income	56%	46%	66%
Limited Duration Fixed Income	19%	9%	29%
Short Term Corporate Fixed Income	12%	2%	22%

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. RIO and its delegated managers adhere to this rebalance policy.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
3. Derivatives use will be monitored to ensure that undue risks are not taken.
4. No investment may jeopardize the tax-exempt status of the Fund.
5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. Social Investment is defined as "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - a. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the SIB's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties. Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against its investment objectives, with emphasis on rolling 5-year results. Reports to the NDPERS Board (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks net of fees.
2. Earnings, percentage earned and change in market value of each mandate.
3. Current portfolio allocations and performance summaries by asset class.
4. All material legal or legislative proceedings affecting the SIB.
5. Compliance with this investment policy statement.
6. A general market overview and market expectations.
7. A review of fund progress and its asset allocation strategy.
8. Provide details of fees and costs (annually).

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may redeem capital with 3 business days' notice. Staff will make reasonable efforts to accommodate withdrawal requests on a shorter timeline when feasible; however, settlement is normally on a T+3 basis.

Rebecca Fricke
Executive Director
North Dakota Public Employees Retirement
System

Date:

Scott M. Anderson,
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

~~RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA~~

~~INVESTMENT POLICY STATEMENT~~

~~1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS~~

~~Retirement Plan for Employees of Job Service North Dakota~~

~~I. Plan and Fund Overview~~

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The North Dakota Public Employees Retirement System Board (NDPERS Board ~~(the Board)~~) is the Plan Administrator and administers the Plan in accord with ~~Chapter 52-11 of the~~ North Dakota Century Code (NDCC) § 52-11.

Job Service North Dakota, as the employer, contributes 4.0% of the active participant's salary as a contribution ~~on~~ behalf of the ~~employee~~ employee, and the active participants pay 3.0% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 3.75%.0%.

~~2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)~~

~~Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:~~

~~Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)~~

~~The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.~~

~~The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.~~

~~The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.~~

~~3. DELEGATION OF AUTHORITY~~

~~Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.~~

~~Such procedures must provide for:~~

- ~~1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a);~~
- ~~2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - ~~a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation;~~
 - ~~b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers;~~
 - ~~c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB;~~~~
- ~~3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1)(d);~~
- ~~4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers;~~

~~All participants in the investment process must seek to act responsibly as custodians of the public trust.~~

~~4. INVESTMENT GOALS~~

~~Client Investment Objectives~~

~~The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.~~

- ~~1. Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;~~
- ~~2. Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index (CPI), by 32.0 or more percentage points per year (based on current actuarial assumptions of 3.750% return and 2.53.0% inflation), over a complete market cycle ; and~~
- ~~3. Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.~~

~~5. INVESTMENT PERFORMANCE OBJECTIVE~~

~~II. Responsibilities and Discretion of the State Investment Board~~

~~The State Investment Board (SIB) is established under NDCC § 21-10. The NDPERS Board has entered into a contract with the SIB for investment services as allowed under NDCC § 21-10-06. The NDPERS Board is responsible for establishing policies on investment goals and asset allocation of the fund. The SIB acts as a fiduciary and must invest,~~

reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives, and Policies.

- The annual standard deviation of total returns for the Fund should not materially exceed 5.73%.
- Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study and the standard deviation of returns should not materially exceed 5.73%
- The standard deviation of portfolio returns compared to the policy benchmark or tracking error should not materially exceed 1.250%.

~~6. ASSET ALLOCATION~~

IV. Asset Allocation

The NDPERS Board ~~as plan Administrator~~ establishes the Fund's asset allocation ~~of the Fund~~, with input from consultants and ~~SIB staff/~~ or the Retirement and Investment Office (RIO). The ~~current asset following~~ allocation ~~is based upon the asset/liability study completed by SEI Consultants in 2017. That study provided an~~

~~appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.~~

~~In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following was established. The asset allocation options were deemed will be reviewed periodically and updated when appropriate for the Fund:~~

~~US Low Beta Equities — 2%
Global Low Beta Equities 18%
U.S. High Yield Bonds — 3%
Emerging Markets Debt — 3%
Core Fixed Income — 38%
Limited Duration Fixed Income — 16% Diversified
Short Term Fixed Income — 5% Short Term
Corporate Fixed Income — 15%~~

~~Rebalancing of the Fund to this target allocation will be done in accordance with the SIB's rebalancing policy, but not less than annually.~~

~~7. RESTRICTIONS~~

	Target Allocation	Minimum Allocation	Maximum Allocation
<u>Global Low Beta Equities</u>	<u>13%</u>	<u>3%</u>	<u>23%</u>
<u>Core Fixed Income</u>	<u>56%</u>	<u>46%</u>	<u>66%</u>
<u>Limited Duration Fixed Income</u>	<u>19%</u>	<u>9%</u>	<u>29%</u>
<u>Short Term Corporate Fixed Income</u>	<u>12%</u>	<u>2%</u>	<u>22%</u>

~~**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. RIO and its delegated managers adhere to this rebalance policy.~~

~~V. General Restrictions and Guidelines~~

~~While the SIB is responsible for establishing specific determines quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that standards for investments, the following restrictions apply:~~

1. ~~Futures and options~~ Derivatives may be used to ~~hedge or manage and~~ replicate ~~underlying index exposure, but not systematic exposures, for speculation.~~ fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
- ~~2.3.~~ Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
4. No investment may jeopardize the tax-exempt status of the Fund.
- ~~3.5.~~ All assets ~~will~~ must be held ~~in custody~~ by the ~~SIB's~~ SIB's master custodian or ~~such other custodians as are acceptable to the SIB~~ an approved sub-custodian.
6. Social Investing is ~~prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).~~
 - a. Social Investment is defined as "~~The~~ the investment or commitment of public ~~pension fund money funds~~ for the purpose of obtaining an effect other than a maximized return ~~to the intended beneficiaries.~~ "at a prudent level of risk to the state." (NDCC § 21-10-08.1)
 - ~~a. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.~~
7. Economically ~~targeted investment~~ Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - ~~b.a.~~ Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, ~~as well as to~~ and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

~~Economically targeted investing is prohibited unless~~ **Exclusive Benefit Rule**

~~b. For the investment~~ meets purpose of this document, the Exclusive Benefit Rule.

~~The Exclusive Benefit Rule~~ is met if the following four conditions are satisfied:

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

8. INTERNAL CONTROLS

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the SIB's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB ~~must have~~shall maintain a system of internal controls designed to prevent ~~losses~~loss of ~~public~~ funds arising from fraud ~~or employee~~, error. ~~The, or mismanagement.~~

~~Key~~ controls ~~deemed most important are the separation of~~ include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases ~~from the,~~ recording ~~of and reconciling~~ investment activity, and custodial safekeeping; of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

~~Other critical controls include maintaining~~ written ~~confirmation of or electronic confirmations of all~~ investment transactions; and ~~established~~establishing formal criteria for broker relationships. ~~The annual and trading counterparties. Annual~~ financial ~~audit must~~audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with ~~the investment policy~~this Investment Policy.

9. EVALUATION

VII. Investment management of the Fund Evaluation and Review

~~The Fund's performance~~ will be evaluated against ~~the Fund's~~its investment objectives ~~and investment performance standards.~~

~~An annual performance report must be provided, with emphasis on rolling 5-year results. Reports to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including~~ (no less than annually) will include:

- ~~1. Changes~~ A list of investment managers and their performance relative to benchmarks net of fees.
- ~~2. Earnings, percentage earned and change in asset class~~ market value of each mandate.
- ~~1.3. Current portfolio structures, tactical approaches and market values;~~ allocations and performance summaries by asset class.
- ~~2.4. All pertinent~~ material legal or legislative proceedings affecting the SIB.
- ~~3.5. Compliance with these~~ this investment ~~goals, objectives and policies~~ policy statement.
- ~~4.6. A general market overview and market expectations.~~
- ~~5.7. A review of fund progress and its asset allocation strategy.~~

~~In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.~~



~~Plan Administrator and Trustee~~

~~Executive Director~~

~~Retirement Plan for Employees of
Job Service North Dakota~~

~~North Dakota Retirement and Investment Office~~

~~Date: 9/13/2022~~

~~Date: 10/12/2022~~

8. Approved by the PERS Board: 9/13/2022 — Approved by the SIB: 9/23/2022 Provide details of fees and costs (annually).

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may redeem capital with 3 business days' notice. Staff will make reasonable efforts to accommodate withdrawal requests on a shorter timeline when feasible; however, settlement is normally on a T+3 basis.

Rebecca Fricke
Executive Director
North Dakota Public Employees Retirement
System

Date:

Scott M. Anderson,
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

INVESTMENT POLICY STATEMENT

NDPERS Retiree Health Insurance Credit Fund

I. Plan and Fund Overview

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with North Dakota Century Code (NDCC) § 54-52.1. The plan is administered by the NDPERS Board of Trustees (NDPERS Board).

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service. Funding for the NDPERS plan is provided by a monthly employer contribution of 1.14 percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 5.75%.

Client Investment Objectives

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

1. Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.
2. To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § 21-10. The NDPERS Board has entered into a contract with the SIB for investment services as allowed under NDCC § 21-10-06. The NDPERS Board is responsible for establishing policies on investment goals and asset allocation of the fund. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.
- The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of 5 years.

IV. Asset Allocation

The NDPERS Board establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Broad US Equity	39%	29%	49%
Global ex-US Equity	26%	16%	36%
Fixed Income	35%	25%	45%

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. RIO and its delegated managers adhere to this rebalance policy.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
3. Derivatives use will be monitored to ensure that undue risks are not taken.
4. No investment may jeopardize the tax-exempt status of the Fund.
5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).

- a. Social Investment is defined as "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - a. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the SIB's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties.

Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against its investment objectives, with emphasis on rolling 5-year results. Reports to the NDPERS Board (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks net of fees.
2. Earnings, percentage earned and change in market value of each mandate.
3. Current portfolio allocations and performance summaries by asset class.
4. All material legal or legislative proceedings affecting the SIB.
5. Compliance with this investment policy statement.
6. A general market overview and market expectations.
7. A review of fund progress and its asset allocation strategy.
8. Provide details of fees and costs (annually).

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may redeem capital with 3 business days' notice. Staff will make reasonable efforts to accommodate withdrawal requests on a shorter timeline when feasible; however, settlement is normally on a T+3 basis.

Rebecca Fricke
Executive Director
North Dakota Public Employees Retirement
System

Date:

Scott M. Anderson,
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

~~NDPERS RETIREE HEALTH INSURANCE CREDIT FUND STATEMENT OF~~

~~INVESTMENT GOALS, OBJECTIVES AND POLICIES~~

~~1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS~~

INVESTMENT POLICY STATEMENT

NDPERS Retiree Health Insurance Credit Fund

I. Plan and Fund Overview

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with ~~Chapter 54-52.1 of the~~ North Dakota Century Code. ~~— (NDCC) § 54-52.1.~~ The plan is administered by ~~a nine member~~ the NDPERS Board of Trustees (the NDPERS Board). ~~The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, one member is the State Health Officer or their designee and two are legislative appointees.~~

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service. Funding for the NDPERS plan is provided by a monthly employer contribution of 1.14 percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 5.75%.

~~2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)~~

~~Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:~~

~~*Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers'*~~

~~fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDGC 21-10-07)~~

~~The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.~~

~~The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.~~

~~The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.~~

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a);
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation;
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers;
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB;
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1)(d);
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

Client Investment Objectives

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

1. **Goal # 1** — Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.
2. **Goal # 2** — To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

5. INVESTMENT PERFORMANCE OBJECTIVE

II. ~~The NDPERS Responsibilities and Discretion of the State Investment Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives~~

~~The State Investment Board (SIB) is established in this section are under NDCC § 21-10. The NDPERS Board has entered into a contract with the SIB for investment services as allowed under NDCC § 21-10-06. The NDPERS Board is responsible for establishing policies on investment goals and asset allocation of the fund. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the fiduciary requirement in federal and state law. Prudent Investor Rule and the policies adopted by each fund's governing body.~~

~~It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.~~

~~The funds rate of return, over the long term should equal that of the policy portfolio which~~Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- ~~The annual~~The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.
- The fund's risk, measured by the standard deviation of total net returns for the Fund, should not materially exceed that 115% of the policy portfolio benchmark over a minimum evaluation period of 5 years.

~~a. Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period by more than 15% as measured by standard deviation.~~

6. ASSET ALLOCATION

~~In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS~~

Board has established the following asset allocation:

IV. Date of Last Asset Allocation Study: December 2020 – Callan Corporation

The NDPERS Board establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Broad US Equity	39%	29%	49%
Global ex-US Equity	26%	16%	36%
Fixed Income	35%	25%	45%
Expected Return		6.1%	
Standard Deviation		11.7%	

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Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

7. RESTRICTIONS

No transaction may be made which threatens **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. RIO and its delegated managers adhere to this rebalance policy.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
 2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
 3. Derivatives use will be monitored to ensure that undue risks are not taken.
 - ~~4.~~ No investment may jeopardize the tax-exempt status of the Fund.
 5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
 6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. Social Investment is defined as "~~The~~the investment or commitment of public ~~pension fund money funds~~ for the purpose of obtaining an effect other than a maximized return ~~to the intended beneficiaries.~~"at a prudent level of risk to the state." (NDCC § 21-10-08.1)
- A. ~~Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time~~

horizon and similar risk.

7. Economically ~~targeted investing~~ Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.

~~b.a.~~ Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, ~~as well as to~~ and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Economically targeted investing is prohibited unless **Exclusive Benefit Rule**

B. — For the investment meets purpose of this document, the Exclusive Benefit Rule:

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Board's SIB's policy favors investments ~~which~~ that will have a positive impact on the economy of North Dakota.

8. — INTERNAL CONTROLS

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB ~~must have~~ shall maintain a system of internal controls designed to prevent ~~losses~~ loss of public funds arising from fraud ~~or employee~~ error. ~~The, or~~ mismanagement.

Key controls ~~deemed most important are the separation of~~ include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for ~~initiating~~ investment purchases ~~from the,~~ recording ~~of and reconciling~~ investment activity, ~~and~~ custodial safekeeping; ~~of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.~~

Other critical controls include maintaining written ~~confirmation of or electronic confirmations of all~~ investment transactions; and ~~established~~ establishing formal criteria for broker relationships. ~~The annual and trading counterparties. Annual~~ financial ~~audit must~~ audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and ~~verification of~~ compliance with ~~the investment policy~~ this Investment Policy.

9. ~~EVALUATION~~

~~VII. Investment management of the Fund Evaluation and Review~~

~~The Fund's performance will be evaluated against the Fund's investment objectives and, with emphasis on rolling 5-year results. Reports to the NDPERS Board (no less than annually) will include:~~

- ~~1. A list of investment managers and their performance standards relative to benchmarks net of fees.~~

~~An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:~~

~~— Changes in asset class portfolio structures, tactical approaches and market values;~~

- ~~2. All pertinent Earnings, percentage earned and change in market value of each mandate.~~

- ~~3. Current portfolio allocations and performance summaries by asset class.~~

- ~~4. All material legal or legislative proceedings affecting the SIB.~~

- ~~5. Compliance with these investment goals, objectives and policies policy statement.~~

- ~~6. A general market overview and market expectations.~~

- ~~7. A Review of fund progress and its asset allocation strategy.~~

~~— A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, GEM or other acceptable~~

source showing the value added versus the cost.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.



Scott Miller
Executive Director



Scott Anderson
Chief Investment Officer

North Dakota Public Employees Retirement System — North Dakota Retirement and Investment Office

Date: ~~December 13, 2022~~ Date: ~~02/08/2023~~

8. _____ Provide details of
fees and costs (annually).

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may redeem capital with 3 business days' notice. Staff will make reasonable efforts to accommodate withdrawal requests on a shorter timeline when feasible; however, settlement is normally on a T+3 basis.

Rebecca Fricke
Executive Director
North Dakota Public Employees Retirement
System

Scott M. Anderson,
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

Date:

INVESTMENT POLICY STATEMENT

NDPERS Group Insurance Account

I. Plan and Fund Overview

The ND Public Employees Retirement System (NDPERS) Group Insurance Account (Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

Client Investment Objectives

Premiums are collected throughout the month at NDPERS and will be forwarded to the Fund investment account on approximately the 5th of each month. The premiums transferred into the investment account will be transferred back to NDPERS on approximately the 20th of each month so they may be remitted to the insurance carrier. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § 21-10. The NDPERS Board has entered into a contract with the SIB for investment services as allowed under NDCC § 21-10-06. The NDPERS Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.
- The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of 5 years.

IV. Asset Allocation

The NDPERS Board establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Short Term Fixed Income	95%	90%	100%
Cash Equivalents	5%	0%	10%

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.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
3. Derivatives use will be monitored to ensure that undue risks are not taken.
4. No investment may jeopardize the tax-exempt status of the Fund.
5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. Social Investment is defined as "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - a. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

1. The cost does not exceed the fair market value at the time of investment.
2. The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

3. Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the Plan.
4. The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the SIB's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties. Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against its investment objectives, with emphasis on rolling 5-year results. Reports to the NDPERS Board (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks net of fees.
2. Earnings, percentage earned and change in market value of each mandate.
3. Current portfolio allocations and performance summaries by asset class.
4. All material legal or legislative proceedings affecting the SIB.
5. Compliance with this investment policy statement.
6. A general market overview and market expectations.
7. A review of fund progress and its asset allocation strategy.
8. Provide details of fees and costs (annually).

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may redeem capital with 3 business days' notice. Staff will make reasonable efforts to accommodate withdrawal requests on a shorter timeline when feasible; however, settlement is normally on a T+3 basis.

Rebecca Fricke
Executive Director
North Dakota Public Employees Retirement
System

Date:

Scott M. Anderson,
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

~~NDPERS GROUP INSURANCE ACCOUNT INVESTMENT OBJECTIVES AND POLICY~~ GUIDELINES STATEMENT

~~1. FUND CHARACTERISTICS AND CONSTRAINTS.~~

NDPERS Group Insurance Account

I. Plan and Fund Overview

The ND Public Employees Retirement System (~~PERS~~NDPERS) Group Insurance Account (Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

~~2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB).~~

~~PERS has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of PERS to establish policies on investment goals and asset allocation of the Funds. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Funds in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.~~

~~At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.~~

~~The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.~~

~~The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.~~

~~The SIB will implement changes to this policy as promptly as is prudent.~~

~~3. INVESTMENT OBJECTIVES.~~

Client Investment Objectives

Premiums are collected throughout the month at ~~PERS~~NDPERS and will be forwarded to the Fund investment account on approximately the 5th of each month. The premiums transferred into the investment account will be transferred back to ~~PERS~~NDPERS on approximately the 20th of each month so they may be remitted to the insurance carrier. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

~~4. STANDARDS OF INVESTMENT PERFORMANCE.~~

~~The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:~~

- ~~a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.~~

II. ~~The Fund annual~~ Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § 21-10. The NDPERS Board has entered into a contract with the SIB for investment services as allowed under NDCC § 21-10-06. The NDPERS Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.

- The fund's risk, measured by the standard deviation of total net returns, should not materially exceed that 115% of the policy portfolio benchmark over a minimum evaluation period of 5 years.

~~5. POLICY AND GUIDELINES.~~

IV. The Asset Allocation

~~The NDPERS Board establishes the Fund's asset allocation of the Fund is established by PERS, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity consultants and income requirements, or the Retirement and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.~~

~~In recognition of these factors, the Investment Office (RIO). The following allocation is deemed was established. The asset allocation will be reviewed periodically and updated when appropriate for the fund: Short Term Fixed Income 95%.~~

~~Cash Equivalents 5%~~

~~This cash will be held in an enhanced money market account at the Fund's custodian.~~

	<u>Target Allocation</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
<u>Short Term Fixed Income</u>	<u>95%</u>	<u>90%</u>	<u>100%</u>
<u>Cash Equivalents</u>	<u>5%</u>	<u>0%</u>	<u>10%</u>

~~**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.~~

V. General Restrictions and Guidelines

~~While the SIB is responsible for establishing specific determines quality, diversification, restrictions, and performance objectives standards for investments, the investment vehicles in which the Fund's assets will be invested, it is understood that following restrictions apply:~~

- ~~1. Futures and options Derivatives may be used to hedge or manage and replicate underlying index exposure, but not systematic exposures, for speculation: fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).~~
- ~~2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.~~
- ~~2.3. Derivatives use will be monitored to ensure that undue risks are not taken by managers.~~

~~3.4.~~ No ~~transaction shall be made which threatens~~ investment may jeopardize the tax-exempt status of the Fund.

~~4.5.~~ All assets ~~with~~ must be held ~~in custody~~ by the SIB's master custodian or ~~such other custodians as are acceptable to the SIB~~ an approved sub-custodian.

~~a. No unhedged short sales or speculative margin purchases shall be made.~~

~~5.6.~~ Social ~~investing~~ Investing is prohibited unless it meets the Exclusive Benefit Rule ~~and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.~~ (NDCC § 21-10-08.1).

~~a. For the purpose of this document,~~ Social ~~investing~~ Investment is defined as "~~The~~ the investment or commitment of public ~~pension fund money~~ funds for the purpose of obtaining an effect other than a maximized return ~~to the intended beneficiaries.~~ at a prudent level of risk to the state." (NDCC § 21-10-08.1)

~~6.7.~~ Economically ~~targeted investing~~ Targeted Investing is prohibited unless ~~the investment~~ it meets the Exclusive Benefit Rule.

~~a. For the purpose of this document~~ economically targeted investment Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, ~~as well as to~~ and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

~~Also, for~~ Exclusive Benefit Rule

~~For~~ the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the ~~Board's~~ SIB's policy favors investments ~~which~~ that will have a positive impact on the economy of North Dakota.

~~6. EVALUATION AND REVIEW.~~

~~All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment management of the Fund Board.~~

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties. Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust, with emphasis on rolling 5-year results. Reports to the NDPERS Board (no less than annually) will include:

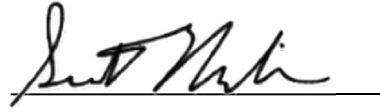
1. Money A list of investment managers will be evaluated by and their performance relative to benchmarks net of fees.
2. Earnings, percentage earned and change in market value of each mandate.
3. Current portfolio allocations and performance summaries by asset class.
4. All material legal or legislative proceedings affecting the SIB quarterly. In-state meetings.
5. Compliance with this investment policy statement.
6. A general market overview and market expectations.
7. A review of fund progress and its asset allocation strategy.
8. Provide details of fees and costs (annually).

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may redeem capital with 3 business days' notice. Staff will be held with the money managers at least annually make reasonable efforts to accommodate withdrawal requests on a shorter timeline when feasible; however, settlement is normally on a T+3 basis.

Approved by:

NDPERS



Scott Miller
Executive Director, NDPERS

STATE INVESTMENT BOARD



Scott Anderson
Chief Investment Officer, RIO

Date: ~~December 13, 2022~~

Date:

2/8/2023

Rebecca Fricke
Executive Director
North Dakota Public Employees Retirement
System

Date:

Scott M. Anderson,
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

INVESTMENT POLICY STATEMENT

State Risk Management Fund

I. Plan and Fund Overview

To address the State's loss of sovereign immunity, the 1995 North Dakota Legislature created a new chapter of the North Dakota Century Code (NDCC) § 32-12.2 that established the Risk Management Fund (the Fund) to administer claims against the State and state employees for personal injury, death, or property damage caused by the State or a state employee acting within the scope of the employee's employment. The Fund is directed by the Office of Management and Budget (OMB).

Each entity of the State is required to participate in the Fund. Contributions to the Fund are determined by the Director of OMB based on an actuarial review of the financial status of the Fund. This results in a fluctuation of contributions made to the Fund from one biennium to another. The actuarial assumed rate of return on assets is 3%.

The amount of money damages the Fund may pay is currently limited for State court actions to a total of \$468,750 per person and \$1,875,000 per occurrence. The statutory caps increase to \$500,000 per person and \$2,000,000 per occurrence effective July 1, 2026.

These liability caps may not be recognized in Federal Court actions or in actions filed in other states. The Fund's excess carrier provides coverage up to \$10,000,000 for those exposures not covered by the Tort Claims Act.

Significant claims paid from the Fund are usually somewhat predictable and take a period of time to resolve. A person bringing a claim or lawsuit against the State or a state employee must give notice to the OMB Director within 180 days after the alleged injury is discovered or reasonably should have been discovered. If the claim is one for "serious injury" as defined in NDCC § 26.1-41-01, notice must be presented within 1 year.

The Risk Management Division's operating expenses including loss control activities are paid from the Fund as incurred.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § Chapter 21-10 and is charged with investing and managing the assets of the funds enumerated in NDCC § 21-10-06, including the funds of this Plan. The SIB acts as a fiduciary and must invest,

reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. INVESTMENT PERFORMANCE OBJECTIVE

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.
- The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of 5 years.

IV. Asset Allocation

The Director of the Office of Management and Budget establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Global Equity	30%	20%	40%
U.S. Public Equity	30%	20%	40%
Global Fixed Income	65%	55%	45%
Investment Grade Fixed Income	65%	55%	45%
Cash and Cash Equivalents	5%	0%	10%

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.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.

3. Derivatives use will be monitored to ensure that undue risks are not taken.
4. No investment may jeopardize the tax-exempt status of the Fund.
5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. Social Investment is defined as "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - a. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Fund's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties. Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against its investment objectives, with emphasis on rolling five-year results. Reports to the Director of the Office of Management and Budget (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks net of fees
2. Earnings, percentage earned, and change in market value of each mandate
3. Current portfolio allocations and performance summaries by asset class
4. All material legal or legislative proceedings affecting the SIB
5. Compliance with these investment goals, objectives and policies.

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may withdraw up to 5% of total fund assets per month with a minimum of 3 business days' notice, subject to standard settlement timelines.
2. **Larger Withdrawals:** Withdrawals greater than 5% and up to 10% require 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be processed as of month-end, unless otherwise approved by the Chief Financial Officer or Deputy Chief Financial Officer.

3. **Extraordinary Withdrawals:** Withdrawals greater than 10% may materially impact the Fund's asset allocation and/or liquidity position. Such withdrawals should be discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

Joe Morrissette
Director
Office of Management and Budget

Scott Anderson
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

Date:

~~STATE RISK MANAGEMENT FUND~~

INVESTMENT POLICY STATEMENT

State Risk Management Fund

I. Plan ~~CHARACTERISTICS~~ and Fund ~~CONSTRAINTS~~ Overview

To address the State's loss of sovereign immunity, the 1995 North Dakota Legislature created a new chapter of the North Dakota Century Code (NDCC), § 32-12.2. ~~That Chapter that~~ established the Risk Management Fund (the Fund) to administer claims against the State and state employees for personal injury, death, or property damage caused by the State or a state employee acting within the scope of the employee's employment. The Fund is directed by the Office of Management and Budget (OMB).

Each entity of the State is required to participate in the Fund. Contributions to the Fund are determined by the Director of OMB based on an actuarial review of the financial status of the Fund. This results in a fluctuation of contributions made to the Fund from one biennium to another. The actuarial assumed rate of return on assets is 3%.

The amount of money damages the Fund may pay is currently limited for State court actions to a total of \$~~250,000~~468,750 per person and \$~~1,000~~875,000 per occurrence. The statutory caps increase to \$500,000 per person and \$2,000,000 per occurrence effective July 1, 2026.

These liability caps may not be recognized in Federal Court actions or in actions filed in other states. The Fund's excess carrier provides coverage up to \$10,000,000 for those exposures not covered by the Tort Claims Act.

Significant claims paid from the Fund are usually somewhat predictable and take a period of time to resolve. A person bringing a claim or lawsuit against the State or a state employee must give notice to the OMB Director within 180 days after the alleged injury is discovered or reasonably should have been discovered. If the claim is one for ~~death, the~~ "serious injury" as defined in NDCC § 26.1-41-01, notice must be ~~provided~~ presented within ~~one~~ 1 year ~~after the alleged injury resulting in the death.~~

The Risk Management Division's operating expenses including loss control activities are paid from the Fund as incurred.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § Chapter 21-10 and is charged with investing and managing the assets of the funds enumerated in NDCC § 21-10-06, including the funds of this Plan. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

~~The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.~~

~~At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.~~

~~Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.~~

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

~~The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.~~

~~At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and~~

~~performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.~~

~~The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating all or part of a fund to professional money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.~~

~~The SIB will implement changes to this policy as promptly as is prudent.~~

~~INVESTMENT OBJECTIVES~~

~~The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.~~

III. INVESTMENT PERFORMANCE OBJECTIVE

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The ~~Fund's~~Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The ~~Fund's~~fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of ~~five~~5 years.
- The ~~Fund's~~fund's risk, measured by the standard deviation of net returns, should not exceed ~~the risk~~15% of the policy benchmark ~~by more than 1%~~ over a minimum evaluation period of ~~five~~5 years. ~~For example, if the risk of the policy benchmark is 4%, the Fund's risk should not exceed 5% over a five-year period.~~

IV. 3) Asset Allocation

~~The risk adjusted performance~~Director of the Office of the Fund, net of feesManagement and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

POLICY ASSET MIX

~~The Budget establishes the Fund's asset allocation of the Fund is established by the SIB, with input from the OMB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, consultants and/or the Retirement and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.~~

~~In recognition of these factors, the Investment Office (RIO). The following allocation is deemed was established. The asset allocation will be reviewed periodically and updated when appropriate for the Fund.~~

While Fund	<u>Target Allocation</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>	the
Large Cap Domestic Global Equity	22.5 30%	20%	40%	<div data-bbox="1154 848 1612 877" data-label="Text"> <p>Inserted Cells</p> </div> <div data-bbox="1154 886 1612 915" data-label="Text"> <p>Inserted Cells</p> </div>
Small Cap Domestic U.S. Public Equity	7.5 30%	20%	40%	
Global Fixed Income	65.0 0%	55%	45%	<div data-bbox="1154 1085 1612 1115" data-label="Text"> <p>Inserted Cells</p> </div> <div data-bbox="1154 1123 1612 1152" data-label="Text"> <p>Inserted Cells</p> </div>
Investment Grade Fixed Income	65 0%	55%	45%	
Cash and Cash Equivalents	5 0%	5.0%	10%	

~~recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Fund does not intend to engage in tactical asset allocation.~~

~~Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.~~

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.

H.V. General Restrictions and Guidelines

While the SIB ~~is responsible for establishing specified~~ determines quality, diversification, and performance standards for investments, the following restrictions, ~~and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that~~ apply:

1. ~~Futures and options~~ Derivatives may be used to ~~hedge or manage and~~ replicate underlying index exposure, ~~but not for speculation, systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).~~
2. ~~Derivative~~ Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
- 2.3. ~~Derivatives~~ use will be monitored to ensure that undue risks are not taken ~~by the money managers.~~
- 3.4. ~~No transaction shall be made which threatens~~ No investment may jeopardize the tax-exempt status of the Fund.
- 4.5. All assets ~~will~~ must be held ~~in custody~~ by the SIB's master custodian or ~~such other custodians as are acceptable to the SIB~~ an approved sub-custodian.
 - a. ~~No funds shall be borrowed.~~
 - b. ~~No unhedged short sales or speculative margin purchases shall be made.~~
6. ~~Social investing~~ Investing is prohibited unless it meets the Exclusive Benefit Rule ~~and it can be substantiated that (NDCC § 21-10-08.1).~~
 - e. ~~Social Investment is defined as "the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.~~
 - a. ~~For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money funds for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries." at a prudent level of risk to the state." (NDCC § 21-10-08.1)~~
- 5.7. h. ~~—~~ Economically ~~targeted investing~~ Targeted Investing is prohibited unless ~~the investment~~ it meets the Exclusive Benefit Rule.

- a. ~~For the purpose of this document economically targeted investment~~Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, ~~as well as to~~ and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

~~Also, for~~ **Exclusive Benefit Rule**

~~For~~ the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the ~~Fund's~~Fund's policy favors investments ~~which~~that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

III.VI. Internal Controls

~~A. The SIB shall maintain a system of internal controls **must be in place by the SIB designed** to prevent **losses** loss of **public** funds arising from fraud ~~or employee~~ error. ~~Such~~ or ~~mismanagemen~~t.~~

~~Key controls **deemed most important are the separation** include the **segregation** of **duties**, which ensures that **no single individual has authority or control over all phases of an investment transaction**. Specifically, the responsibilities for **initiating** investment purchases ~~from the~~, recording ~~of and~~ **reconciling** investment activity, **and** custodial safekeeping, ~~of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances~~.~~

~~Other critical controls include maintaining written **confirmation of** or **electronic confirmations of all** investment transactions, and ~~established~~ **establishing formal** criteria for broker relationships. ~~The~~ **annual** and trading counterparties. **Annual** financial ~~audit must~~ **audits will** include a comprehensive review of the portfolio, accounting procedures for security transactions, and **verification of** compliance with ~~the investment policy~~ **this Investment Policy**.~~

IV.VII. Evaluation and Review

~~Investment management of the Fund. The Fund's performance will be evaluated against the Fund's investment objectives. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.~~

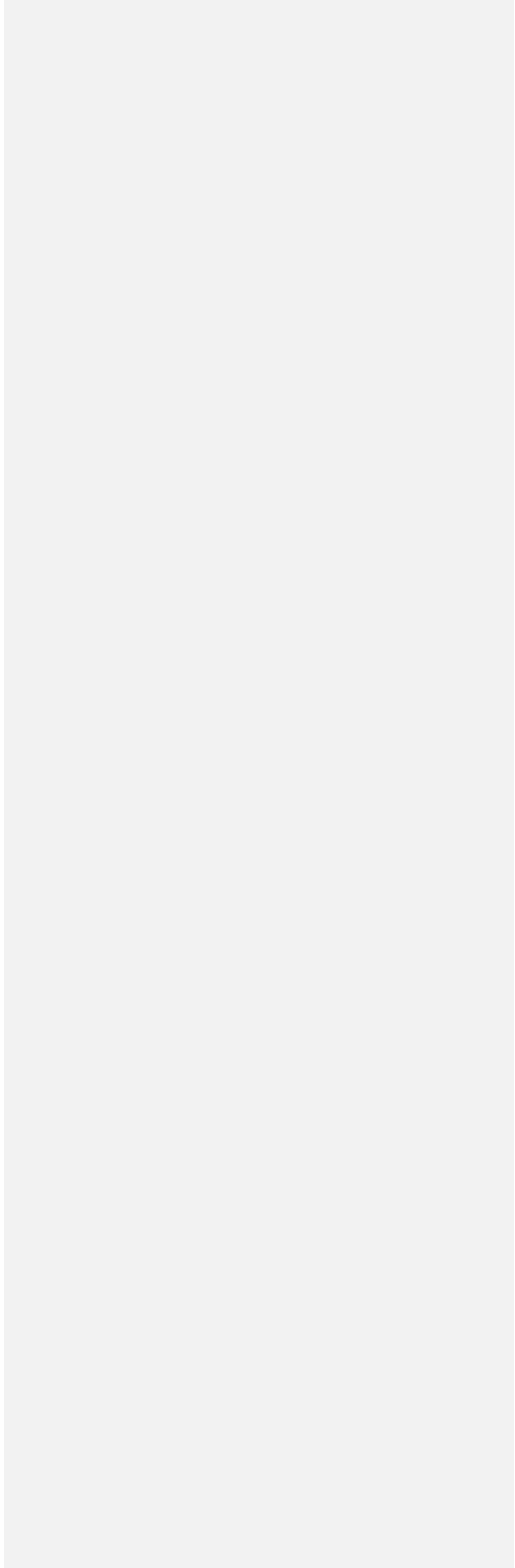
~~Performance reports will be provided, with emphasis on rolling five-year results. Reports to the Fund periodically, but not Director of the Office of Management and Budget (no less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to) will include:~~

- ~~1) A list of the advisory services managing investments for the board.~~
- ~~1. 2) A list investment managers and their performance relative to benchmarks net of investments at market value, compared to previous reporting period, of each fund managed by each advisory service. fees~~
 - ~~2. 3) Earnings, percentage earned, and change in market value of each fund's investments. mandate~~
- ~~4) Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.~~

~~3. 5) Current portfolio allocations and performance summaries by asset class~~

~~3.4. All material legal or legislative proceedings affecting the SIB.~~

~~6) Compliance with ~~this~~these investment ~~policy statement~~.~~



Approved by:

~~4.5 OFFICE OF MANAGEMENT~~ goals, objectives and ~~BUDGET STATE~~
~~INVESTMENT BOARD~~ policies.

=====

~~Pam Sharp~~ _____ ~~David Hunter~~
~~Director~~ _____ ~~Executive Director / CIO~~

Date: _____ Date: _____

Approved by the NDSIB: January 27, 2017/3/15

VIII. Approved by OMB: December 1, 2016 Board: 6/15/2016

_____ / up to 5% of total fund assets per
month with a minimum of 3 business days' notice, subject to standard settlement
timelines.

2. **Larger Withdrawals:** Withdrawals greater than 5% and up to 10% require 15
business days' notice to ensure appropriate liquidity planning and transaction
coordination. These withdrawals will generally be processed as of month-end,
unless otherwise approved by the Chief Financial Officer or Deputy Chief
Financial Officer.

3. **Extraordinary Withdrawals:** Withdrawals greater than 10% may materially
impact the Fund's asset allocation and/or liquidity position. Such withdrawals

should be discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

Joe Morrissette
Director
Office of Management and Budget

Scott Anderson
Chief Investment Officer
North Dakota Retirement and Investment Office

Date:

Date:

INVESTMENT POLICY STATEMENT

State Risk Management Workers' Compensation Fund

I. Plan and Fund Overview

In 2001, the North Dakota Legislature established a single workers' compensation account for state entities, North Dakota Century Code (NDCC). § 65-04-03.1. NDCC § 65-04-03.1(2) directs that workers' compensation premiums from state entities must be deposited in the Risk Management Workers Compensation Fund (the Fund) and the State Investment Board is directed to invest the Fund in accordance with NDCC § 21-10.

The Risk Management Division of the Office of Management and Budget (OMB) is responsible for administering the Fund to include promulgating rules, collecting and dispersing funds, and establishing an internal workers' compensation return-to-work program. Each entity of the State is required to participate in the program unless exempted by the Director of the OMB. Contributions to the Fund are determined by Workforce Safety & Insurance (WSI) based on an actuarial review of combined payroll, premium, and loss history of agencies to determine experience rates, assessments, and premiums. The actuarial assumed rate of return on assets is 3%.

The Risk Management Workers Compensation Program charges the entity the first \$250 (\$0 if a designated medical provider is used for treatment) of each accepted claim and pays disability and medical benefits of up to \$100,000 dollars per claim. Dollar amounts for claims in excess of \$100,000 are paid for by WSI. In turn the Program pays WSI approximately \$1.7 million per year in premiums.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § 21-10 and is charged with investing and managing the assets of the funds enumerated in NDCC § 21-10-06, including the funds of this Plan. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.

- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. INVESTMENT PERFORMANCE OBJECTIVE

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.

IV. Asset Allocation

The Director of the Risk Management Division of the OMB establishes the Fund's asset allocation with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Global Equity	37%	27%	47%
U.S. Public Equity	37%	27%	47%
Global Fixed Income	60%	50%	40%
Investment Grade Fixed Income	60%	50%	40%
Cash and Cash Equivalents	3%	0%	6%

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.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.

3. Derivatives use will be monitored to ensure that undue risks are not taken.
4. No investment may jeopardize the tax-exempt status of the Fund.
5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. Social Investment is defined as "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - b. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Fund's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties. Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against its investment objectives, with emphasis on rolling five-year results. Reports to the Director of the Risk Management Division of the Office of Management and Budget (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks net of fees.
2. Earnings, percentage earned and change in market value of each mandate.
3. Current portfolio allocations and performance summaries by asset class.
4. All material legal or legislative proceedings affecting the SIB.
5. Compliance with these investment goals, objectives and policies.

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may withdraw up to 3% of total fund assets per month with a minimum of 3 business days' notice, subject to standard settlement timelines.
2. **Larger Withdrawals:** Withdrawals greater than 3% and up to 8% require 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be processed as of month-end, unless otherwise approved by the Chief Financial Officer or Deputy Chief Financial Officer.
3. **Extraordinary Withdrawals:** Withdrawals greater than 8% may materially impact the Fund's asset allocation and/or liquidity position. Such withdrawals should be

discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

Tag Anderson
Director of Risk Management
Office of Management and Budget

Scott Anderson
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

Date:

STATE RISK MANAGEMENT WORKERS' COMPENSATION FUND

INVESTMENT POLICY STATEMENT

State Risk Management Workers' Compensation Fund

I. Plan ~~CHARACTERISTICS~~ and Fund ~~CONSTRAINTS~~ Overview

~~The~~In 2001, ~~the~~ North Dakota Legislature established a single workers' compensation account for state entities, ~~N.D.C.C.~~North Dakota Century Code (NDCC) § 65-04-03.1. ~~N.D.C.C.~~NDCC § 65-04-03.1(2) directs that workers' compensation premiums from state entities must be deposited in the Risk Management Workers Compensation Fund (~~the~~ Fund) and the State Investment Board is directed to invest the Fund in accordance with chapter~~NDCC~~ NDCC § 21-10.

The Risk Management Division of the Office of Management and Budget (~~OMB~~) is responsible for administering the Fund to include promulgating rules, collecting and dispersing funds, and establishing an internal workers' compensation return-to-work program. Each entity of the State is required to participate in the program unless exempted by the ~~director~~Director of the ~~Office of Management and Budget~~OMB.

Contributions to the Fund are determined by Workforce Safety & Insurance (WSI) based on an actuarial review of combined payroll, premium, and loss history of agencies to determine experience rates, assessments, and premiums. The actuarial assumed rate of return on assets is 3%.

The Risk Management Workers Compensation Program charges the entity the first \$250 (\$0 if a designated medical provider is used for treatment) of each accepted claim and pays disability and medical benefits of up to \$100,000 dollars per claim. Dollar amounts for claims in excess of \$100,000 are paid for by WSI. In turn the Program pays WSI approximately \$1.7 million per year in premiums.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC § 21-10 and is charged with investing and managing the assets of the funds enumerated in NDCC § 21-10-06, including the funds of this Plan. The SIB acts as a fiduciary and must invest, reinvest, and

manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

~~The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.~~

~~At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.~~

~~Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.~~

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility ~~to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.~~

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~~The SIB will implement changes to this policy as promptly as is prudent.~~

INVESTMENT OBJECTIVES

~~The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.~~

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The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The ~~Fund's~~Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The ~~Fund's~~fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

- The ~~Fund's~~ risk, measured by the standard deviation of net returns, should not exceed ~~the risk~~ 115% of the policy benchmark ~~by more than 1%~~ over a minimum evaluation period of five years. ~~For example, if the risk of the policy benchmark is 4%, the Fund's risk should not exceed 5% over a five year period.~~

IV. ~~a)~~ Asset Allocation

The ~~risk-adjusted performance~~ Director of the Risk Management Division of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

POLICY ASSET MIX

~~The OMB establishes the Fund's asset allocation of the Fund is established by the SIB, with input from the OMB. Asset allocation is based upon the appraisal of projected liquidity consultants and/or the Retirement and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.~~

~~In recognition of these factors, the Investment Office (RIO). The following allocation is deemed was established. The asset allocation will be reviewed periodically and updated when appropriate for the Fund.~~

	<u>Target Allocation</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Large Cap Domestic Global Equity	<u>37%</u>	<u>27.75%</u>	<u>47%</u>
Small Cap Domestic U.S. Public Equity	<u>9.25</u> 37%	<u>27%</u>	<u>47%</u>
Global Fixed Income	<u>60.0%</u>	<u>50%</u>	<u>40%</u>
Investment Grade Fixed Income	<u>60%</u>	<u>50%</u>	<u>40%</u>
Cash and Cash Equivalents	<u>3%</u>	<u>3.0%</u>	<u>6%</u>

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~~While the Fund recognizes fluctuations in market values will lead to short term deviations from policy targets, the Fund does not intend to engage in tactical asset allocation.~~

~~Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.~~

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.~~

H.V. General Restrictions and Guidelines

~~While the SIB is responsible for establishing specified~~determines quality, diversification, and performance standards for investments, the following restrictions,~~and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that~~ apply:

- ~~1. Futures and options~~Derivatives may be used to ~~hedge or manage and~~ replicate ~~underlying index exposure, but not for speculation~~systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
- ~~2. Derivative~~Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
- ~~2.3. Derivatives~~ use will be monitored to ensure that undue risks are not taken ~~by the money managers.~~
- ~~3.4. No transaction shall be made which threatens~~No investment may jeopardize the tax-exempt status of the Fund.

~~4.5.~~ All assets ~~will~~must be held ~~in custody~~ by the SIB's master custodian or ~~such other~~ custodians as are acceptable to the SIB an approved sub-custodian.

~~a. No funds shall be borrowed.~~

~~b. No unhedged short sales or speculative margin purchases shall be made.~~

~~6.~~ Social ~~investing~~Investing is prohibited unless it meets the Exclusive Benefit Rule ~~and it can be substantiated that~~ (NDCC § 21-10-08.1).

~~c. Social Investment is defined as "the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.~~

a. ~~For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money funds for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries." at a prudent level of risk to the state.~~ (NDCC § 21-10-08.1)

~~5.7. h.~~ Economically ~~targeted investing~~Targeted Investing is prohibited unless ~~the investment it~~ meets the Exclusive Benefit Rule.

b. ~~For the purpose of this document economically targeted investment~~Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, ~~as well as to~~ and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

~~Also, for~~ **Exclusive Benefit Rule**

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

1. ~~(1)~~ — The cost does not exceed the fair market value at the time of investment.
2. ~~(2)~~ — The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
3. ~~(3)~~ — Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the ~~plan~~Plan.

4. ~~(4)~~—The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Fund's policy favors investments ~~which~~ that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

III.VI. Internal Controls

~~A~~The SIB shall maintain a system of internal controls ~~must be in place by the SIB designed~~ to prevent ~~losses~~ loss of public funds arising from fraud ~~or employee~~ error. ~~Such or mismanagement.~~

Key controls ~~deemed most important are the separation~~ include the segregation of duties, ~~which ensures that no single individual has authority or control over all phases of an investment transaction.~~ Specifically, the responsibilities for ~~initiating~~ investment purchases ~~from the~~, recording ~~of and reconciling~~ investment activity, ~~and~~ custodial safekeeping, ~~of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.~~

Other critical controls include maintaining written ~~confirmation of or electronic confirmations of all~~ investment transactions, and ~~established~~ establishing formal criteria for broker relationships ~~The annual and trading counterparties. Annual~~ financial ~~audit must audits will~~ include a comprehensive review of the portfolio, accounting procedures for security transactions, and ~~verification of~~ compliance with ~~the investment policy~~ this Investment Policy.

IV.VII. Evaluation and Review

~~Investment management of the Fund~~The Fund's performance will be evaluated against the Fund's investment objectives. ~~Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.~~

~~Performance reports will be provided, with emphasis on rolling five-year results. Reports to the Fund periodically, but not Director of the Risk Management Division of the Office of Management and Budget (no less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to) will include:~~

~~1) A list of the advisory services managing investments for the board.~~

- ~~1. 2) A list investment managers and their performance relative to benchmarks net of investments at market value, compared to previous reporting period, of each fund managed by each advisory service fees.~~
- ~~2. 3) Earnings, percentage earned, and change in market value of each fund's investments mandate.~~

~~4) Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.~~

~~3. 5) Current portfolio allocations and performance summaries by asset class.~~

~~3.4. All material legal or legislative proceedings affecting the SIB.~~

~~4.5. 6) Compliance with this/these investment policy statement goals, objectives and policies.~~

~~Approved by:~~

~~OFFICE OF MANAGEMENT AND BUDGET — STATE INVESTMENT BOARD~~

~~_____~~

~~_____~~

~~Pam Sharp _____ David Hunter
Director _____ Executive Director / CIO~~

~~_____~~

Date: _____ Date: _____

VIII. Withdrawals

Approved by the NDSIB: January 27, 2017 3/15

Approved by OMB: December 1, 2016 Board: 6/15/2016

raw up to 3% of total fund assets per
notice, subject to standard settlement

- 2. **Larger Withdrawals:** Withdrawals greater than 3% and up to 8% require 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be processed as of month-end, unless otherwise approved by the Chief Financial Officer or Deputy Chief Financial Officer.
- 3. **Extraordinary Withdrawals:** Withdrawals greater than 8% may materially impact the Fund's asset allocation and/or liquidity position. Such withdrawals should be discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

Tag Anderson
Director of Risk Management
Office of Management and Budget

Scott Anderson
Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

Date:

INVESTMENT POLICY STATEMENT

North Dakota Cultural Endowment Fund

I. Plan and Fund Overview

The North Dakota Cultural Endowment Fund (Fund) was created by the State Legislature in 1979 and is governed by North Dakota Century Code (NDCC) § 54-54-08.2.

The Fund was established “to improve the intrinsic quality of the lives of the state’s citizens now and in the future through programs approved by the council on the arts.” Such programs must:

1. Increase cultural awareness by the state’s citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state’s citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota’s heritage and future.

Sources of funding for the Fund are private donations and periodic General Fund appropriations. Disbursements from the Fund will amount to approximately \$10,000 per year for individual artist grants.

Client Investment Objectives

The primary mission of the Fund is to provide a stable funding source for the North Dakota Council on the Arts (NDCA) using private and public funds to enhance existing programs. The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC ch. 21-10 and is charged with investing and managing the assets of the funds enumerated in NDCC § 21-10-06, including the funds of this Plan. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund’s governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.
- The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of 5 years.

IV. Asset Allocation

The NDCA Board establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Global Equity	55%	45%	65%
Public Equity	55%	45%	65%
Global Fixed Income	37%	27%	47%
Investment Grade Fixed Income	37%	30%	43%
Global Real Assets	5%	0%	10%
Real Estate	5%	0%	10%
Cash and Cash Equivalents	3%	0%	5%

Corridor Benchmark/Allocations: Long-term target allocations utilizing alternative asset classes can take several years to implement prudently. To ensure portfolio exposures remain aligned with the Fund's strategic objectives during this period, the SIB may employ a corridor methodology. Under this approach, allocations to private market asset classes (such as private equity, private credit, or real assets) that cannot be immediately adjusted—due to the illiquid nature of the assets—will be temporarily reallocated to corresponding public market asset classes that serve as suitable proxies. Both the target and ranges are adjusted based on the corridor methodology.

The proxy allocations are utilized such that the overall portfolio continues to reflect, as closely as practical, the intended risk–return characteristics around the long-term targets, until private market commitments are fully funded and capital is called.

Corridor Guidelines:

- Private real assets will be proxied with half public equity and half public investment grade fixed income

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.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
3. Derivatives use will be monitored to ensure that undue risks are not taken.
4. No investment may jeopardize the tax-exempt status of the Fund.
5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. Social Investment is defined as "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - a. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Board's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties. Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against its investment objectives, with emphasis on rolling 5-year results. Reports to the NDCA Board (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks net of fees
2. Earnings, percentage earned and change in market value of each mandate
3. Current portfolio allocations and performance summaries by asset class
4. All material legal or legislative proceedings affecting the SIB
5. Compliance with this investment policy statement.

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may withdraw up to 3% of total fund assets per month with a minimum of 3 business days' notice, subject to standard settlement timelines.
2. **Larger Withdrawals:** Withdrawals greater than 3% and up to 5% require 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be processed as of month-end, unless otherwise approved by the Chief Financial Officer or Deputy Chief Financial Officer.

3. **Extraordinary Withdrawals:** Withdrawals greater than 5% may materially impact the Fund's asset allocation and/or liquidity position. Such withdrawals should be discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

North Dakota Cultural Endowment Fund

Date:

Scott M. Anderson, Chief Investment Officer

North Dakota Retirement and Investment
Office

Date:

~~NORTH DAKOTA CULTURAL ENDOWMENT FUND~~

INVESTMENT POLICY STATEMENT

~~1. FUND CHARACTERISTICS AND CONSTRAINTS~~

North Dakota Cultural Endowment Fund

I. Plan and Fund Overview

The North Dakota Cultural Endowment Fund (Fund) was created by the State Legislature in 1979 and is governed by North Dakota Century Code (NDCC) § 54-54-08.2.

The Fund was established “to improve the intrinsic quality of the lives of the state’s citizens now and in the future through programs approved by the council on the arts.” Such programs must:

1. Increase cultural awareness by the state’s citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state’s citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota’s heritage and future.

Sources of funding for the Fund are private donations and periodic General Fund appropriations. ~~The current principal balance that must be maintained in the Fund is \$150,000.~~ Disbursements from the Fund will amount to approximately \$510,000 per year for ~~fellowship~~individual artist grants.

~~2. FUND MISSION~~

Client Investment Objectives

The primary mission of the Fund is to provide a stable funding source for the North Dakota Council on the Arts ([NDCA](#)) using private and public funds to enhance existing programs.

~~3. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)~~

~~The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing policies and asset allocation and investing the assets of the legacy fund in the manner provided in Section 21-10-07 the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.~~

~~Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.~~

~~The SIB may delegate investment responsibility to professional money managers, which are also required to employ investment strategies consistent with the investment policy. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.~~

~~At the discretion of the SIB, the fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pool.~~

~~The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, retaining, and terminating money managers. The SIB~~

~~investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.~~

~~The SIB shall notify the board within 30 days of any substantial or notable changes in money managers; performance measurement services; and consultants, including hiring or terminating a money manager, performance measurement service, or a consultant.~~

~~The SIB will implement necessary changes to this policy in an efficient and prudent manner.~~

~~4. RISK TOLERANCE~~

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

~~5. INVESTMENT OBJECTIVES.~~

II. The Fund's Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC ch. 21-10 and is charged with investing and managing the assets of the funds enumerated in NDCC § 21-10-06, including the funds of this Plan. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.

- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- ~~a. — The Fund's fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five5 years.~~
- ~~b. — The Fund's fund's risk, measured by the standard deviation of net returns, should not exceed 115-percent% of the policy benchmark over a minimum evaluation period of five5 years.~~
- ~~c. — The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.~~

~~6. POLICY ASSET MIX~~

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation: _____

IV. Asset Allocation

The NDCA Board establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

Large Cap Domestic Equity	33.75 <u>%Target</u> <u>Allocation</u>	<u>Minimum</u> <u>Allocation</u>	<u>Maximum</u> <u>Allocation</u>
Small Cap Domestic <u>Global</u> Equity	41.25 <u>55</u> %	<u>45%</u>	<u>65%</u>
International <u>Public</u> Equity	40.00 <u>55</u> %	<u>45%</u>	<u>65%</u>
<u>Global Fixed Income</u>	37.00 <u>-%</u>	<u>27%</u>	<u>47%</u>
<u>Investment Grade Fixed Income</u>	<u>37%</u>	<u>30%</u>	<u>43%</u>
<u>Global Real Assets</u>	<u>5%</u>	<u>0%</u>	<u>10%</u>
Real Estate	5.00 <u>-%</u>	<u>0%</u>	<u>10%</u>
<u>Cash and Cash Equivalents</u>	3.00 <u>-%</u>	<u>0%</u>	<u>5%</u>

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Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

7. RESTRICTIONS

Corridor Benchmark/Allocations: Long-term target allocations utilizing alternative asset classes can take several years to implement prudently. To ensure portfolio exposures remain aligned with the Fund's strategic objectives during this period, the SIB may employ a corridor methodology. Under this approach, allocations to private market asset classes (such as private equity, private credit, or real assets) that cannot be immediately adjusted—due to the illiquid nature of the assets—will be temporarily reallocated to corresponding public market asset classes that serve as suitable proxies. Both the target and ranges are adjusted based on the corridor methodology.

The proxy allocations are utilized such that the overall portfolio continues to reflect, as closely as practical, the intended risk–return characteristics around the long-term targets, until private market commitments are fully funded and capital is called.

Corridor Guidelines:

- Private real assets will be proxied with half public equity and half public investment grade fixed income

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.

V. General Restrictions and Guidelines

While the SIB ~~is responsible for establishing specific~~determines quality, diversification, and performance standards for investments, the following restrictions, ~~and performance objectives for the investment vehicles in which the Fund's assets will be invested,~~ it is understood that apply:

1. ~~_____ a. _____ Futures and options~~Derivatives may be used to ~~hedge or manage and replicate underlying index exposure, but not systematic exposures, for fund rebalancing, and for speculation-~~risk management, which includes overlays (i.e. cash overlay program).
2. ~~_____ b. _____ Derivative~~Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.
- 2-3. ~~Derivatives~~ use will be monitored to ensure that undue risks are not taken ~~by the _____ money managers.~~

~~3.4.~~ ~~c.~~ No ~~transaction may be made that would threaten investment may jeopardize~~ the tax-exempt status of the Fund.

~~d.~~ All assets ~~will~~must be held ~~in custody~~ by the ~~State Investment Board's~~SIB's master custodian or ~~such other custodians as are acceptable to the State Investment Board.~~

~~e.~~ No ~~unhedged short sales or speculative margin purchases shall be made.~~

~~4.5.~~ ~~f.~~ Social investing is ~~prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.~~ approved sub-custodian.

~~6.~~ ~~For the purpose of this document,~~ Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).

a. Social Investment is defined as the consideration of socially responsible criteria in the "the investment or commitment of public fund money funds for the purpose of obtaining an effect other than a maximized return to the Fund at a prudent level of risk to the state." (NDCC § 21-10-08.1)

~~5.7.~~ ~~g.~~ Economically ~~targeted investing~~Targeted Investing is prohibited unless ~~the investment~~it meets the Exclusive Benefit Rule.

a. ~~For the purpose of this document economically targeted investment~~Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, ~~as well as to and~~ create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

~~Also, for~~Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Fund's Board's policy favors investments ~~which~~that will have a positive impact on the economy of North Dakota.

~~8.~~ **INTERNAL CONTROLS**

~~All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.~~

VI. Internal Controls

~~The SIB shall maintain a system of internal controls must be in place by the SIB designed to prevent losses/loss of public funds arising from fraud or employee, error. Such, or mismanagement.~~

~~Key controls deemed most important are include the separation/segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases from the, recording of and reconciling investment activity, and custodial safekeeping, of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.~~

~~Other critical controls include maintaining written confirmation of or electronic confirmations of all investment transactions, and established/establishing formal criteria for investment~~

~~manager selection and monitoring. The annual broker relationships and trading counterparties. Annual financial audit must audits will~~ include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with the investment policy~~this Investment Policy.~~

~~9. EVALUATION AND REVIEW~~

VII. Investment management of the Fund Evaluation and Review

~~The Fund's performance will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed, with emphasis on five rolling 5-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.~~

~~Performance reports will be provided Reports to the TFFR/NDCA Board periodically, but not (no less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:)~~ will include:

- ~~1. A list of the advisory services managing investments for the board.~~
1. ~~2. A list of investment managers and their performance relative to benchmarks net of investments at market value, compared to previous reporting period, of each fees~~ — fund managed by each advisory service.
2. ~~3. Earnings, percentage earned, and change in market value of each fund's investments. mandate~~
3. ~~4. Comparison of the Current portfolio allocations and performance of each fund managed summaries by each advisory service to asset class~~ — other funds under the board's control and to generally accepted market indicators.
4. ~~5. All material legal or legislative proceedings affecting the SIB.~~
5. ~~6. Compliance with this investment policy statement.~~

Approved by:

ND COUNCIL ON THE ARTS

STATE INVESTMENT BOARD

Janine Webb

Darren Schulz, CFA

Executive Director

Interim CIO, RIO

Date:

Date:

VIII. Withdrawals

1. **Routine Withdrawals:** The Client may withdraw up to 3% of total fund assets per month with a minimum of 3 business days' notice, subject to standard settlement timelines.
2. **Larger Withdrawals:** Withdrawals greater than 3% and up to 5% require 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be processed as of month-end, unless otherwise approved by the Chief Financial Officer or Deputy Chief Financial Officer.
3. **Extraordinary Withdrawals:** Withdrawals greater than 5% may materially impact the Fund's asset allocation and/or liquidity position. Such withdrawals should be discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

North Dakota Cultural Endowment Fund

Scott M. Anderson, Chief Investment Officer

North Dakota Retirement and Investment
Office

| Date:

Date:

INVESTMENT POLICY STATEMENT

Arts Across the Prairie Maintenance Endowment Fund

I. Plan and Fund Overview

The North Dakota Cultural Endowment Fund (NDCE Fund) was created by the State Legislature in 1979 and is governed by North Dakota Century Code (NDCC) § 54-54-08.2.

The NDCE Fund was established “to improve the intrinsic quality of the lives of the state’s citizens now and in the future through programs approved by the council on the arts.” Such programs must:

1. Increase cultural awareness by the state’s citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state’s citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota’s heritage and future.

Arts Across the Prairie Maintenance Fund

Pursuant to H.B. 1015 (67th Legislative Assembly, 2021), \$1,000,000 was transferred from the strategic investment and improvements fund to the NDCE Fund to support maintenance of public art projects constructed as part of the Arts Across the Prairie placemaking program. The ND Council on the Arts is expected to expend up to \$50,000 annually for this purpose until the funds are fully expended.

Given its distinct mission and spending profile from the original capital of the North Dakota Cultural Endowment Fund, these assets are managed in a separate portfolio with its own Investment Policy Statement (IPS), known as the Arts Across the Prairie Maintenance Endowment Fund (AAPME Fund). This IPS applies solely to the AAPME Fund.

Client Investment Objectives

Provide up to \$50,000 annually for maintenance of public art projects constructed as part of the Arts Across the Prairie placemaking program.

II. Responsibilities and Discretion of the State Investment Board

The State Investment Board (SIB) is established under NDCC ch. 21-10 and is charged with investing and managing the assets of the funds enumerated in NDCC § 21-10-06, including the funds of this Plan. The SIB acts as a fiduciary and must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers that meet established qualifications. When such delegation occurs, the SIB's role is supervisory rather than advisory, ensuring that each manager operates within approved guidelines and performance expectations.

The SIB may also pool assets of this Fund with other funds having similar objectives and time horizons to enhance diversification, reduce costs, and improve returns. In pooling fund assets, the SIB must ensure compliance with the Prudent Investor Rule and the objectives of all participating funds.

III. Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.

- The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of 5 years.

IV. Asset Allocation

The NDCA Board establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Global Equity	70%	60%	80%
Public Equity	70%	60%	80%
Global Fixed Income	30%	20%	40%
Investment Grade Fixed Income	30%	20%	40%
Cash and Cash Equivalents	0%	0%	2%

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 IPS). 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.

V. General Restrictions and Guidelines

While the SIB determines quality, diversification, and performance standards for investments, the following restrictions apply:

1. Derivatives may be used to manage and replicate systematic exposures, for fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.

3. Derivatives use will be monitored to ensure that undue risks are not taken.
4. No investment may jeopardize the tax-exempt status of the Fund.
5. All assets must be held by the SIB's master custodian or an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. Social Investment is defined as "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - a. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Board's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

The SIB shall maintain a system of internal controls designed to prevent loss of funds arising from fraud, error, or mismanagement.

Key controls include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases, recording and reconciling investment activity, and custodial

safekeeping of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

Other critical controls include maintaining written or electronic confirmations of all investment transactions and establishing formal criteria for broker relationships and trading counterparties. Annual financial audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with this Investment Policy.

VII. Evaluation and Review

The Fund's performance will be evaluated against its investment objectives, with emphasis on rolling 5-year results. Reports to the NDCA Board (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks net of fees
2. Earnings, percentage earned and change in market value of each mandate
3. Current portfolio allocations and performance summaries by asset class
4. All material legal or legislative proceedings affecting the SIB
5. Compliance with this investment policy statement.

VIII. Withdrawals

1. **Standard Withdrawals:** The client may withdraw up to 5% of total fund assets per month with a minimum of 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be processed as of month-end, unless otherwise approved by the Chief Financial Officer or Deputy Chief Financial Officer.
2. **Extraordinary Withdrawals:** Withdrawals greater than 5% may materially impact the Fund's asset allocation and/or liquidity position. Such withdrawals should be discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

Arts Across the Prairie Maintenance
Endowment Fund

Date:

Scott M. Anderson, Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

**ARTS ACROSS THE PRAIRIE MAINTENANCE ENDOWMENT FUND
(A SEGMENT OF THE NORTH DAKOTA CULTURAL ENDOWMENT FUND)**

INVESTMENT POLICY STATEMENT

1. FUND OVERVIEW

Arts Across the Prairie Maintenance Endowment Fund

I. Plan and Fund Overview

The North Dakota Cultural Endowment Fund (NDCE Fund) was created by the State Legislature in 1979 and is governed by ~~NDCC~~North Dakota Century Code (NDCC) § 54-54-08.2.

The NDCE Fund was established "to improve the intrinsic quality of the lives of the state's citizens now and in the future through programs approved by the council on the arts." Such programs must:

1. Increase cultural awareness by the state's citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state's citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota's heritage and future.

~~Per House Bill No~~**Arts Across the Prairie Maintenance Fund**

~~Pursuant to H.B. 1015 passed during the 2021(67th Legislative Session, Assembly, 2021), \$1,000,000 with~~
~~was~~ transferred from the strategic investment and improvements fund to the NDCE Fund ~~with the intent~~
~~that ND Council on the Arts (NDCA) expend up to \$50,000 annually for the~~to support maintenance of the
public ~~arts~~art projects constructed as part of the Arts Across the Prairie placemaking program. ~~The ND~~
~~Council on the Arts is the intent~~expected to ~~continue to spend~~expend up to \$50,000 annually ~~for this purpose~~
until the ~~moneys (principal and income) derived from the strategic investment and improvements fund~~
~~have been~~funds are fully expended.

~~This capital has a different~~Given its distinct mission and spending profile ~~compared to~~from the original
capital ~~in~~of the North Dakota Cultural Endowment Fund. ~~As such, these assets are managed in~~ a separate
portfolio with ~~a new investment policy statement will be created to invest these monies. The portfolio will~~
~~be named~~its own Investment Policy Statement (IPS), known as the "Arts Across the Prairie Maintenance
Endowment Fund"² (AAPME Fund). This IPS applies solely to the AAPME Fund.

2. FUND MISSION

The AAPME Fund's mission is to provide Client Investment Objectives

Provide up to \$50,000 annually for ~~the~~ maintenance of public ~~arts~~ art projects constructed as part of the Arts Across the Prairie placemaking program.

II. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT

BOARD Responsibilities and Discretion of the State Investment Board

~~3.~~ The State Investment Board (SIB):

~~NDCA's board) is charged by law established under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the NDGE Fund, which includes the AAPME Fund. The SIB ch. 21-10 and is charged with implementing these policies and investing and managing the assets of the AAPME Fund in the manner provided funds enumerated in NDCC § 21-10-07,06, including the prudent investor rule. Under funds of this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, Plan. The SIB acts as a fiduciary and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income, must invest, reinvest, and manage such assets in accordance with the Prudent Investor Rule and the policies adopted by each fund's governing body.~~

Pursuant to NDCC § 21-10-02 and NDCC § 21-10-02.1, the SIB shall:

- Implement investment policies and asset allocations established by each fund's governing body.
- Approve investment guidelines, procedures, and permissible securities for the funds under its management.
- Serve as custodian of securities purchased on behalf of such funds or designate a qualified custodian.
- Establish written policies on investment goals, objectives, and asset allocation, including liquidity requirements, diversification, and acceptable levels of risk.
- Develop procedures for the selection, retention, evaluation, and termination of professional money managers, consultants, and custodians.

Delegation and Oversight

The SIB may delegate investment responsibility for all or part of a fund to professional money managers: ~~Where a money manager has been retained that meet established qualifications. When such delegation occurs, the SIB's SIB's role in determining investment strategy and security selection is supervisory, not rather than~~ advisory. ~~The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting, ensuring that each manager operates within approved guidelines and performance measurement services, consultants, report formats, and frequency of meetings with managers expectations.~~

At the discretion ~~The SIB may also pool assets of the SIB, the AAPME Fund's assets may be pooled this Fund with other funds: having similar objectives and time horizons to enhance diversification, reduce costs, and~~

~~improve returns. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule fund assets. the SIB must ensure compliance with the Prudent Investor Rule and the objectives of the funds all participating in the pools funds.~~

~~The SIB will implement changes to this policy as promptly as is prudent.~~

~~4. INVESTMENT PERFORMANCE AND RISK OBJECTIVES~~

III. NDCA's board's Investment Performance Objective

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The AAPME Fund's Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

- The AAPME Fund's fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five5 years.
- Risk, as The fund's risk, measured by the annual standard deviation of net returns for the AAPME Fund, should not exceed that 115% of the policy portfolio by more than 200 basis points benchmark over a minimum evaluation period of five5 years.

5. ASSET ALLOCATION

After consideration of all the inputs and discussion of its own risk tolerance, NDCA's board has chosen the following asset allocation: —

IV. Asset Allocation

The NDCA Board establishes the Fund's asset allocation, with input from consultants and/or the Retirement and Investment Office (RIO). The following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

Asset Class	Policy Target (%) Allocation	Minimum Allocation	Maximum Allocation
Global Equity	70%	60%	80%
Public Equity	70%	60%	80%
Public Global Fixed Income	30%	20%	40%
Total Investment Grade Fixed Income	30%	20%	40%
Cash and Cash Equivalents	0%	0%	2%

Rebalancing of the AAPME Fund to this target allocation will be done in accordance with the SIB's rebalancing policy but not less than annually.

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6. FUND SPECIFIC REQUIREMENTS

NDCA may spend up to \$50,000 annually until the AAPME Fund is fully expended. Annually is defined as the State's fiscal year (July 1st to June 30th).

7. RESTRICTIONS

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 IPS). 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.

V. General Restrictions and Guidelines

While the SIB is responsible for establishing specified ~~quality, diversification, and performance standards for investments, the following restrictions, and performance objectives apply:~~

1. ~~Derivatives may be used to manage and replicate systematic exposures, for the investment vehicles in which the AAPME Fund's assets will be invested, it is understood that:~~ fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).
2. ~~Futures, Derivatives, short selling, and options~~ security margining may be used ~~to hedge or replicate underlying index exposure, but not for speculation in a manner consistent with approved manager guidelines.~~
3. Derivatives use will be monitored to ensure that undue risks are not taken ~~by the money managers.~~
4. No ~~transaction shall be made which threatens investment may jeopardize~~ the tax-exempt status of the AAPME Fund.
5. All assets ~~will~~ must be held ~~in custody~~ by the SIB's ~~SIB's~~ master custodian, or ~~such other custodians~~ an approved sub-custodian.
6. Social Investing is prohibited unless it meets the Exclusive Benefit Rule (NDCC § 21-10-08.1).
 - a. ~~Social Investment is defined as~~ are acceptable "the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return at a prudent level of risk to the state." (NDCC § 21-10-08.1)
7. Economically Targeted Investing is prohibited unless it meets the Exclusive Benefit Rule.
 - a. Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved and create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Exclusive Benefit Rule

For the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

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

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Board's policy favors investments that will have a positive impact on the economy of North Dakota.

All investments shall be made in compliance with applicable laws, regulations, and policies governing the State Investment Board.

VI. Internal Controls

~~1)–The SIB-~~

~~2)–No unhedged short sales or speculative margin purchases shall be made.~~

8. INTERNAL CONTROLS

~~The SIB must have~~ maintain a system of internal controls ~~in place~~ designed to prevent ~~losses~~ loss of ~~public~~ funds arising from fraud ~~or employee~~, error, ~~The~~, or ~~mismanagemen~~t.

~~Key controls deemed most important are the separation of~~ include the segregation of duties, which ensures that no single individual has authority or control over all phases of an investment transaction. Specifically, the responsibilities for initiating investment purchases from the, recording ~~of~~ and reconciling investment activity, and custodial safekeeping; of assets are separated among different staff, functional areas, or service providers to provide independent checks and balances.

~~Other critical controls include maintaining written confirmation or electronic confirmations of all investment transactions and established~~ establishing formal criteria for broker relationships. ~~The annual and trading counterparties. Annual~~ financial ~~audit must~~ audits will include a comprehensive review of the portfolio, accounting procedures for security transactions, and verification of compliance with ~~the investment policy~~ this Investment Policy.

~~9. EVALUATION AND REVIEW~~

~~VII. Investment management of the AAPME Fund~~ Evaluation and Review

~~The Fund's performance will be evaluated against the vehicle's investment objectives and investment performance standards. Emphasis will be placed, with emphasis on five rolling 5-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.~~

~~Performance reports will be provided Reports to NDCA's board periodically, but not the NDCA Board (no less than quarterly. These reports annually) will include:~~

- ~~1) A list of the advisory services managing investments for the board.~~
1. A list of investments at fair value, compared investment managers and their performance relative to previous reporting period, of each fund managed by each advisory service: benchmarks net of fees
2. Earnings, percentage earned; and change in fair market value of each fund's investments: mandate
 - ~~2) Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators:~~

~~Annually, a report will be provided to NDCA's board that includes:~~

3. Current portfolio allocations and performance summaries by asset class
- ~~3.4~~ All material legal or legislative proceedings affecting the SIB:
- ~~4.5~~ Confirmation that the AAPME Fund is in compliance with Compliance with this investment policy statement ~~and/or any exceptions.~~

Kim Konikow

Executive Director, North Dakota Council on the Arts

Date:

Approved by Plan Administrator Board: 9/30/22

Approved by SiB: 10/28/2022

Jan Murtha
Executive Director, RIO

Date: _____

VIII. Withdrawals

1. **Standard Withdrawals:** The client may withdraw up to 5% of total fund assets per month with a minimum of 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be processed as of month-end, unless otherwise approved by the Chief Financial Officer or Deputy Chief Financial Officer.
2. **Extraordinary Withdrawals:** Withdrawals greater than 5% may materially impact the Fund's asset allocation and/or liquidity position. Such withdrawals should be discussed in advance with the Chief Financial Officer or Deputy Chief Financial Officer to determine the appropriate timing and execution plan.

Arts Across the Prairie Maintenance
Endowment Fund

Date:

Scott M. Anderson, Chief Investment Officer
North Dakota Retirement and Investment
Office

Date:

MEMORANDUM

TO: State Investment Board
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: March 10, 2026
RE: Audit Committee Update

The Audit Committee met on March 2, 2026. The meeting was called to order by Chair Treasurer Beadle, with quorum present. The committee reviewed the and approved the agenda and meeting minutes from November 18, 2025. The committee approved the internal audit second quarter activities and the current audit activities reports.

Audit and Risk Committee Charter

As part of the ongoing SIB Governance Manual rewrite facilitated by Funston Advisory Services, the committee reviewed a proposed Audit and Risk Committee Charter. The revised charter expands the committee's oversight responsibilities beyond traditional audit functions to include enterprise risk management and performance risk oversight, while maintaining oversight of internal and external audit, financial reporting, and compliance.

Internal Audit Second Quarter Activities

Internal Audit presented the FY2025–2026 second quarter activity report. Activities included ongoing advisory work related to fiscal modernization initiatives, participation in governance assessment and manual rewrite efforts, and assistance provided to the external auditors during the June 30, 2025, financial statement audit and GASB 68 census data audit.

The Executive Limitations audit covering the period January 1, 2024, through December 31, 2025, has been completed and is currently under management review, with the final report expected to be presented at a future Audit Committee meeting.

Internal Audit also continues to support risk management efforts through coordination with the Investments, Fiscal, and Retirement divisions to update the organizational risk assessment. The results of the risk assessment were used to form the risk-based audit plan that was approved by the Audit Committee.

Investment Fee Audit

Internal Audit, with co-sourced support from Weaver, initiated an audit of investment management and performance fees in January 2026. The audit evaluates the design and effectiveness of controls related to fee

calculations, contract compliance, benchmarking, and oversight of investment management expenses. Initial walkthroughs and documentation review have been completed and testing is underway. The audit remains on schedule, with completion anticipated in April 2026.

Management Responses to Prior Audit Recommendations

Management provided responses to recommendations from the TFFR File Maintenance Review. Retirement Services will conduct a targeted review of 25 death-related member files from FY2023–2024 to confirm required documentation is properly maintained and develop written procedures to supplement NeoSpin process flows for key transactions such as retirements, purchases, and refunds. Completion of these actions is expected by June 30, 2026.

Management also provided an updated timeline related to the Model 2 Partial Review. Corrective actions associated with that review remain in progress and are expected to be completed by June 30, 2026.

Current Audit Activities

Internal Audit reported that recruitment for the additional Internal Auditor position authorized during the 2025 Legislative Session has been successful, with a candidate accepting the position pending completion of a background check. The anticipated start date is in March, which will increase audit capacity and support expanded audit coverage.

Additional current activities include a review of NeoSpin user access and role assignments to ensure appropriate segregation of duties, continued participation in the Governance Manual rewrite process, development of a formal Internal Audit strategic plan aligned with Institute of Internal Auditors standards, and coordination with external auditors for planning of the upcoming fiscal year 2026 financial statement audit.

The following link contains the committee materials that were presented for your reference:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Audit/Board/Materials/sibauditmat20260302.pdf>

Board Action Requested: Information only.

MEMORANDUM

TO: State Investment Board

FROM: Jodi Smith, Interim Executive Director

DATE: March 20, 2026

RE: SIB Securities Litigation Committee Update

The Securities Litigation Committee met virtually on March 17, 2026. The agenda included securities litigation case updates, the securities litigation monitoring report, and an update on the SIB Governance Manual Rewrite. No committee action was requested beyond routine acceptance of the agenda and prior minutes.

Staff provided updates on the committee's active securities litigation matters.

In the **Daimler** matter, which SIB entered in February 2021, the claim is estimated at approximately \$2.757 million. Daimler is a major corporate bribery and compliance case in which the company and certain subsidiaries were found to have made improper payments to foreign officials to win business in multiple countries. The case exposed serious failures in internal controls, books and records, compliance oversight, and management supervision, resulting in significant penalties and reputational damage.

In the **Danske Bank** matter, which SIB entered in June 2019, the claim is estimated at approximately \$1.36 million. Danske Bank is a major anti-money-laundering failure in which approximately €200 billion in suspicious transactions flowed through its Estonian branch between 2007 and 2015. The case exposed significant weaknesses in compliance, internal controls, and board and senior management oversight, resulting in major fines, leadership changes, and lasting reputational damage.

In the **Volkswagen** matter, which SIB entered in July 2016, the claim is estimated at approximately \$1.358 million. Volkswagen is a major corporate misconduct case in which the company installed software designed to cheat emissions tests, making certain diesel vehicles appear compliant while emitting pollutants above legal limits in real-world driving. The case exposed serious failures in ethics, internal controls, and management oversight, resulting in billions in fines and settlements, leadership changes, and significant reputational damage.

In the **Nissan** matter, which SIB entered in June 2020, the claim is estimated at approximately \$525,800. Nissan is a major corporate governance case centered on allegations that former Chairman Carlos Ghosn underreported compensation and misused company assets, alongside broader findings of weak internal

checks and excessive concentration of authority. The case exposed significant failures in oversight, disclosure, and board governance, resulting in leadership upheaval, legal actions, and substantial reputational damage.

In the **Philips** matter, which SIB entered in March 2023, the claim is estimated at approximately \$3.552 million. Philips is a major product safety and compliance case centered on the recall of millions of sleep and respiratory devices due to concerns that sound-abatement foam could degrade and create health risks. The matter exposed significant weaknesses in quality controls, regulatory compliance, and management oversight, resulting in large settlements, regulatory scrutiny, leadership pressure, and substantial reputational damage.

Staff reviewed the latest report from Financial Recovery Technologies (FRT).

- As of February 28, 2026, 21 new claims had been filed in FY2026, and 58 cases comprising 242 claims/registrations were under active monitoring.
- Recoveries received in FY2026 to date totaled \$193,907, with \$34 in fees, for a net recovery of \$193,873.

Staff also clarified that securities litigation recoveries are not recorded in the agency operating budget. Rather, recoveries are credited back to the appropriate fund where the loss occurred, either through the investment manager or directly into the affected Pension, Insurance, or Legacy fund.

Finally, the committee received an update on the SIB Governance Manual Rewrite. As part of the broader governance modernization effort, staff reported that it is recommended the current Securities Litigation Committee charter be disbanded and replaced with an annual written Securities Litigation Report from the Executive Director to the Board. Under this proposed model, management would retain responsibility for ongoing monitoring, claims filing, service provider oversight, and escalation of material matters, while the Board would retain responsibility for approval of policy and oversight of management's execution. The proposed annual report would cover case inventory, participation decisions, claims and recoveries, outside counsel coordination, litigation risk thresholds, process effectiveness, and broader fiduciary considerations.

Committee Action Requested: Information only.

2025 Strategic Plan

Jodi Smith – Executive Director

January 16, 2026

Workforce Changes & Staffing Status

Position Title	Status
Investment Analyst	Interviewing
Administrative Assistant	Posting Pending

2025 Strategic Goals

Industry Leader Initiative – Innovation in operations to excel in education, technology, and talent

Succession & Business Continuity Planning

Alignment thru Continuous Improvement

Strategic Implementation of New Statues

Industry Leader Initiative

Recruitment and Onboarding of ED & CFOO

Executive Director –
Hired 06/2025

Chief Financial Officer –
Hired 09/2025

Chief Retirement Officer –
Hired 01/2026

Status: Complete

Transition from network folders and Teams to SharePoint

Status: Not started

Implementation of investment operations compliance plan

Code of Ethics Policy
Attestations Forms Adopted
Trade Errors Policy Adopted
Rebalancing Policy Adopted

Status: Complete

Succession & Business Continuity Planning

**Create Succession Plans
for the ED, CFOO, and
CIO**

Status: Complete

**Create a business
continuity plan**

Status: In Progress

Alignment thru Continuous Improvement

Identify pockets of innovation across the organization during regular check-ins. Small, compounding changes and innovations add up to outsized results over time.

Business Process Mapping

RFP Development for new accounting system (Bold & the Balanced)

Status: Complete

Identification and Implementation of Quick Wins

Status: Complete

Strategic Planning Sessions with TFFR Team

Realignment of job descriptions

Status: Complete

Alignment thru Continuous Improvement cont.

Identify pockets of innovation across the organization during regular check-ins. Small, compounding changes and innovations add up to outsized results over time.

Strategic Planning with Investment and Fiscal Teams

Status: Complete

Month	NT Close	Actual Close	Target	Financial Stmts	Performance
July	15 Aug	27 Oct (50)	29 Aug	4 Nov (45)	19 Nov (55)
August	16 Sep	7 Nov (37)	30 Sep	20 Nov (36)	18 Dec (56)
September	15 Oct	28 Nov (30)	29 Oct	11 Dec (29)	9 Jan (48)
October	18 Nov	15 Dec (18)	3 Dec	9 Jan (25)	30 Jan (39)
November	15 Dec	23 Dec (6)	30 Dec	20 Jan (13)	13 Feb (31)
December	16 Jan	16 Jan (0)	2 Feb	4 Feb (2)	5 Mar (22)
January	17 Feb	17 Feb (0)	3 Mar	6 Mar (3)	[4]

AI Team Meeting

Scribe - Process documentation

Vyond video

Status: In Progress

Governance Review

Status: In Progress

Strategic Implementation Of New Statutes

HB 1319 – Creation of Legacy Fund Transparency Website

Status: In Progress

RFP posted

Responded to 168 questions

Completed demonstrations

Contract award expected in
April 2026

MEMORANDUM

TO: State Investment Board

FROM: Dr. Robert Lech, ERCC Chair

DATE: March 20, 2026

RE: Executive Review and Compensation Committee Update

The State Investment Board Executive Review and Compensation Committee (ERCC) facilitates annual performance surveys of the Executive Director and the Chief Investment Officer (CIO). These surveys provide Board members with an opportunity to share feedback regarding the performance of the Executive Director and CIO over the past fiscal year.

The ERCC will review the survey results as part of the Executive Director's annual performance evaluation. The Executive Director will utilize the survey results as part of the CIO's annual performance review process.

The survey will be distributed to Board members on Friday, March 20, 2026, and will remain open until Friday, March 27, 2026. The survey will be provided through a SurveyMonkey link sent by Sara Seiler, Supervisor of Internal Audit.

Board Action Requested: Information Only.

2026 Performance Surveys – SIB

Executive Director Performance Survey

As a member of the State Investment Board, you are asked to evaluate the Executive Director's performance this past year.

1. Prior to the meeting, the Executive Director ensures the Board members are provided with an agenda that includes supporting information, identifies any items that need action, and includes staff recommendations when appropriate.
2. The Executive Director is responsive to requests from the SIB Board as a governing body, adapts to the Board's policy direction, and works collaboratively with the Board to support effective governance.
3. The Executive Director keeps the SIB aware of current issues and, when appropriate, provides information between meetings to the board chair or committee chairs.
4. The Executive Director successfully engages with stakeholders (i.e., clients, legislators, constituents, etc.) to promote the SIB and TFFR Boards, RIO agency, and its programs.
5. The Executive Director develops legislative proposals that reflect the Board's position and keeps the Board informed of relevant legislative developments.
6. The Executive Director provides visionary and strategic leadership to the SIB.
7. The Executive Director exhibits a positive and results-oriented style with a predisposition to building consensus and goal achievement through collaboration with by exhibiting courtesy and respect in all interactions.
8. Overall, how satisfied are you with the job being done by the Executive Director? (open-ended question for comment)

Chief Investment Officer Performance Survey

As a member of the State Investment Board, you are asked to evaluate the Chief Investment Officer's (CIO) performance this past year.

9. The CIO effectively communicates investment strategies, performance, and changes allowing the SIB members to adequately perform their roles.
10. The CIO successfully engages with stakeholders (i.e., clients, legislators, constituents, etc.) to promote the investment program and fund performance.
11. The CIO ensures compliance with investment objectives and policies.
12. The CIO advises, monitors, and reports on investment performance comparing it to relevant benchmarks and industry standards.

13. The CIO produces accurate and timely reports concerning investments and the progress of projects.
14. The CIO has a track record of effectively managing risk and protecting investments.
15. The CIO routinely analyzes and monitors investment expenses to ensure the programs are operating efficiently and efficiently based on comparable market standards.
16. The CIO upholds ethical standards in their decisioning and investment practices.
17. Overall, how satisfied are you with the job being done by the CIO? (open-ended question for comment)

MEMORANDUM

TO: State Investment Board
FROM: Sara Seiler, Supervisor of Internal Audit
DATE: March 10, 2026
RE: 2025-2026 Second Quarter Audit Activities

Audit Activities

- **External Investment Oversight Audit (co-sourced with Weaver)**

The scope of this audit encompassed an evaluation of the adequacy and effectiveness of processes and controls governing the external investment manager program. Internal Audit gained an understanding of key activities through interviews with personnel, review of relevant documentation, and identification of potential control gaps across the program's lifecycle. The audit focused on assessing the governance and oversight framework, policies and procedures, committee reporting and oversight, investment guidelines, performance reporting, annual benchmark review, manager selection and due diligence, legal agreements, ongoing monitoring and due diligence, and manager termination practices.

Recommendations included having investment policy statements reviewed annually and formal procedures relating to the external manager selection and ongoing due diligence process.

The report was presented at the November 18, 2025 Audit Committee meeting.

- **Investment Fee Audit (co-sourced with Weaver)**

The scope of this audit will evaluate the design and operating effectiveness of controls related to investment management fees and investment performance fees. The review will assess the adequacy of oversight and governance practices supporting fee arrangements, including the processes for benchmarking, monitoring, and validating fee calculations. The audit will examine the accuracy of management and performance fee assessments, the sufficiency of supporting documentation, and the understanding and application of key contract terms. Additionally, the review will evaluate approval workflows, payment processes, and controls related to ongoing monitoring of fee provisions, including the identification, tracking, and exercise of applicable clawback mechanisms. This audit is currently in progress.

- **External Audit Assistance**

Internal Audit assisted the external auditor, UHY, with various tasks related to the June 30, 2025 annual financial audit of the Retirement and Investment Office (RIO) and the GASB 68 census data audit. An unmodified “clean” opinion was issued on the financial statements on November 12, 2025. The GASB 68 census data audit was issued on November 19, 2025.

- **Executive Limitations Audit**

On an annual basis, Internal Audit reviews the Executive Director’s compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies. The Executive Limitations Audit for the period January 1, 2024 through December 31, 2025 has been completed. The draft report is currently being reviewed with management, and the final report will be presented to the SIB Audit Committee at the next scheduled meeting.

- **Bold and the Balanced Project**

Internal audit attended various meetings on the Bold and the Balanced Project including RFP development and other research meetings on different systems. Internal audit met with Voyage on audit functions for the new system.

- **SIB Governance Assessment**

The SIB engaged Funston to conduct a governance assessment. Internal Audit provided feedback on the report and its findings, as well as additional information as requested. At its November meeting, the SIB elected to proceed with a comprehensive governance manual rewrite. Internal Audit continues to review draft revisions and provide ongoing feedback throughout the process.

- **RIO Risk Assessment**

Internal Audit met with the investments, fiscal, and retirement divisions to update the internal audit risk assessment. This process included identifying and evaluating key risks across each division, assessing the likelihood and potential impact of those risks, and considering existing controls and mitigation strategies. Discussions with management focused on changes in operations, regulatory requirements, staffing, systems, and emerging risks to ensure the assessment reflected current conditions.

The results of the risk assessment were used to prioritize audit coverage and allocate resources to areas of highest risk and importance. Based on this analysis, the annual audit plan was developed and presented to the Audit Committee, which approved the plan at its November 18, 2025 meeting.

- **Fiscal Advisory (co-sourced with Weaver)**

Internal Audit continues to partner with Weaver on advisory services supporting the Fiscal Division’s modernization efforts. This work is focused on strengthening investment performance reporting, improving operational workflows, and reinforcing control structures across Investment Operations and Accounting. Key initiatives include optimizing the transition to Northern Trust’s allocation engine, automating general ledger

postings, refining rebalancing and liquidity practices, enhancing disclosure processes, improving month-end close and reconciliation timelines, and supporting the development of updated policies and procedures.

The investment operations, performance, and accounting teams have expanded capacity, with support from the Custodian, to advance these initiatives. Weaver has also been engaged separately to support the Allocation Project in coordination with Investment Operations. This engagement is distinct from Internal Audit's advisory work, and Internal Audit is monitoring progress to inform future-state assurance planning. To preserve independence, Weaver's Internal Audit team is not participating in the allocation engagement.

As the current phase concludes, focus will shift to formalizing Standard Operating Procedures (SOPs), completing workflow documentation, finalizing end to end processes, general ledger mapping, strengthening reconciliation controls, and improving month end close controls. A process to compare books and records maintained by the Custodian and Verus with internal records would enhance consistency across investment, operations, and accounting functions, supporting reciprocal validation as processes move toward full execution.

- **TFFR File Maintenance Review**

Internal Audit completed a review of CPAS file maintenance activity to ensure transactions entered by RIO staff were appropriate, aligned with assigned security roles, and accurately reflected in member records. The audit included testing of system-generated audit tables and transaction logs; verification of staff access permissions; and review of member updates such as deaths, purchases, refunds, retirements, and changes to address, name, bank information, and Member Action Forms. IA also compared sampled member records between CPAS and the new PAS to confirm the accuracy of data migration. The review focused on validating the accuracy and completeness of transactions, confirming adherence to procedures, and ensuring documentation was properly maintained.

The report was presented at the November 18, 2025 Audit Committee meeting.

- **RIO Records Retention**

IA has a retention schedule for the audit files and records. Annually, the schedule is reviewed to determine if changes need to be made. The annual purge of information started in the second quarter to meet the schedule set by NDIR Records Management. Almost all the audit files and records are currently electronic. IA maintains a table of contents for the information that describes the audit and what files are found on the audit drive. The table of contents is annually updated at the same time. The annual purging of audit files was completed November 30, 2025. The report was forwarded to the Procurement and Records Management Specialist.

- **TFFR Manual Updates**

The TFFR Member Handbook and TFFR Employer Guide are in the process of being updated. The Member Handbook and Employer Guide updates reflect the changes due to the new pension administration system. Internal Audit has reviewed the manual revisions multiple times. The Member Handbook manual is complete, and the Employer Guide is in progress.

Administrative Activities

Internal Audit staff remained actively engaged across the organization by attending key standing and governance meetings throughout the period. Participation included monthly RIO staff meetings, monthly manager meetings, division meetings, fiscal/organization meetings, and retirement services meetings. Internal Audit attends TFFR, SIB, and committee meetings as needed.

Internal Auditor Recruitment

During the 2025 Legislative Session, RIO's budget was approved, including authorization for a third FTE within the Internal Audit Division. The Internal Audit Supervisor developed the JDQ and corresponding interview questions to support the recruitment process. The position was initially posted; however, the recruitment did not result in a successful hire. The position was reposted in October 2025, and interviews were conducted at the end of October. As the position remained unfilled, it was reposted again in January 2026.

Professional Development/CE/General Education

Internal Audit staff completed several professional development and training activities during the period. Both staff members completed NDIT's Cyber Awareness Training to maintain required security readiness. The Internal Audit Supervisor also attended three courses through the Investment Training & Consulting Institute: Emerging Issues in Investments, and Auditing Derivatives, further strengthen investment-related oversight and audit capabilities. Additionally, the Internal Auditor completed IIA training on Third Party Risks.

Board Action Requested: Board acceptance.