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

State Investment Board Meeting – Wednesday, August 26, 2026, 8:30 a.m.
WSI Board Room (In-Person) – 1600 E Century Ave, Bismarck, ND
The open portions of this meeting are livestreamed. Join the meeting now

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 (July 29, 2026) *(Board Action)*

III. INVESTMENTS (45 minutes)
   A. Strategy and Performance Review *(Board Action)* – Mr. Anderson

(Break)

IV. GOVERNANCE (60 minutes)
   A. Investment Committee Update *(Board Action)* – Treasurer Beadle, Mr. Anderson
      1. WSI Asset Allocation– Mr. Anderson
      2. WSI Investment Policy Statement – Mr. Chin
      3. Water Resources Investment Policy Statement – Mr. Chin
      4. Governance Policy Review – Mr. Anderson
   B. Budget & Finance Committee Update *(Board Action)* – Mr. Otteson
      1. 2027-29 Draft Budget Approval – Rep. Bosch, Mr. Otteson
   C. Executive Review & Compensation Committee Update *(Board Action)* – Dr. Lech, Ms. Smith
      1. Executive Director Third Party Annual Review – Dr. Lech
      2. Executive Director Annual Goals – Dr. Lech
   D. Governance & Policy Review Committee Update *(Board Action)* – Commissioner Heringer, Ms. Smith
      1. Introduction & First Reading Governance Policy System Amendments – Ms. Smith
   E. Audit, Risk, & Compliance Committee Update *(Information)* – Treasurer Beadle, Ms. Seiler

V. REPORTS (15 minutes)
   A. Internal Audit FY26 Year End Activities Report *(Board Action)* – Ms. Seiler

VI. OTHER
   A. Next Meetings:
      - Investment Committee – September 11, 2026, at 10:30 a.m.
      - State Investment Board – September 30, 2026, at 8:30 a.m.

VII. ADJOURNMENT

Accessibility Notice: The Retirement & Investment Office (RIO) is committed to providing equitable access to its meetings and materials. Meeting packets may include draft documents that are still under development and may not be fully accessible. If you need these materials in an alternative format or require a reasonable accommodation to participate in this meeting, contact RIO and include the meeting name and document with your request.

NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE JULY 29, 2026, BOARD MEETING

MEMBERS PRESENT
Kelly Armstrong, Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer
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
Joe Morrissette, Director of OMB
Dr. Prodosh Simlai, Investment Professional

MEMBERS ABSENT
Adam Miller, PERS Board
Art Thompson, Director of WSI

GUESTS
Rick Funston, Funston Advisory
Marc Gesell, Cerity
Alyson Hicks, Assistant Attorney General
Evan Norton, Funston Advisory
Aaron Weber, Governor's Office
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
Temi Osinaike, Internal Auditor
Adam Otteson, CFOO
Daphne Pfleiger, Investment Accountant
Emmalee Riegler, Procurement/Records Coord.
Sara Seiler, Supervisor of Internal Audit
Jodi Smith, Executive Director
Dottie Thorsen, Internal Auditor
Susan Walcker, Sr. Financial Manager
Alex Weissman, Investment Analyst
Lance Ziettlow, Portfolio Mgr.

CALL TO ORDER

Governor Kelly Armstrong, Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Wednesday, July 29, 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. Buck, Rep. Bosch, Dr. Simlai, Mr. Mickelson, Sen. Klein, Dr. Lech, Mr. Morrissette, Mr. Jahner, and Gov. Armstrong

AGENDA

The Board considered the agenda for the July 29, 2026, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 29, 2026, AGENDA AS PRESENTED.

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

MINUTES

The Board considered the minutes of the June 23, 2026, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE JUNE 23, 2026, SIB MINUTES AS DISTRIBUTED.

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

INVESTMENTS

Board Benchmark Education

Mr. Gesell, Cerity, provided board education on investment benchmark selection and the criteria used to evaluate benchmark quality. Mr. Gesell reviewed the role benchmarks play in defining intended risk and return exposures and evaluating investment performance, as well as industry criteria for determining whether benchmarks are appropriate, measurable, transparent, and aligned with investment strategy.

The review found that most SIB benchmarks continue to meet established criteria, while private equity, private credit, infrastructure, and certain North Dakota-specific programs present inherent benchmarking challenges. Staff discussed SIB's tiered approach to private equity benchmarking and other methods used by institutional investors, noting that no private-market benchmark is without limitations. Future consideration may be given to emerging private credit universe benchmarks as they become more established.

Annual Benchmark Memo

Following the benchmark education session, the Board reviewed the annual benchmark assessment. Staff concluded that the current benchmark structure remains appropriate and recommended no changes for the coming year. Public market benchmarks continue to be widely accepted, transparent, and representative of the intended risk and return characteristics of their respective asset classes, while also aligning with benchmarks commonly used by peer institutional investors.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY REP. BOSCH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE ANNUAL BENCHMARK MEMO.

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

ABSENT: MR. MILLER AND MR. THOMPSON
MOTION CARRIED

REPORTS

Securities Litigation Update

Ms. Smith provided an update on current securities litigation for the SIB. Pending matters include the Daimler, Danske Bank, Volkswagen, Nissan, and Philips cases, with no significant developments reported. Staff noted changes in outside counsel for the Daimler matter and reported approximately $240,000 in additional recoveries through the agency's securities claims filing service.

The Board also reviewed the Securities Monitoring and Litigation Policy, which remains part of the Investment Policy following the governance transition. Staff summarized factors considered when determining whether the agency should actively participate in litigation, including potential losses, merits and likelihood of recovery, available evidence, costs, and staff capacity. Staff recommended the Board enter into executive session to discuss a securities litigation matter.

IT WAS MOVED BY REP. BOSCH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-17.1(4), 44-04-19.1, AND 44-04-19.2 FOR ATTORNEY CONSULTATION TO DISCUSS PENDING SECURITIES LITIGATION AND TO RECEIVE ATTORNEY ADVICE AND GUIDANCE ON THE LEGAL RISK, STRENGTHS, AND WEAKNESSES OF AN ACTION OF THE SIB, IF HELD IN PUBLIC, WOULD HAVE AN ADVERSE FISCAL EFFECT ON THE SIB.

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

The executive session started at 8:58 a.m. and ended at 9:52 a.m. The session was attended by board members, RIO staff, A.A.G. Alyson Hicks, Aaron Weber, Elise Grace, Laura Stein, Darren Robbins, and Brian Cochran of Robbins, Geller, Redmond, & Dowd. All staff and the Robbins, Geller, Redmond, & Dowd attorneys left the session at 9:24 a.m. leaving the board, A.A.G. Hicks, and Ms. Smith to continue the discussion.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO DIRECT STAFF AND LEGAL COUNSEL TO PROCEED AS DISCUSSED IN EXECUTIVE SESSION ON THE SECURITIES LITIGATION CASE.

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

Governance Modernization Update

Mr. Funston, Funston Advisory Services provided an update on the governance modernization initiative, reviewing progress since the initial governance assessment. The Board has implemented several recommendations, including adoption of the Governance Policy System (GPS), clarification of roles and delegated authorities, development of a multi-year decision register and calendar, and plans for just-in-time fiduciary education tied to upcoming Board decisions.

Funston noted that while significant governance improvements have been made, RIO continues to face operational constraints related to staffing, budget, and organizational autonomy that may create increasing operational and performance risk as assets under management grow. Ongoing work includes further quantifying those impacts, developing exception-based investment reporting, enhancing meeting minutes to document the rationale behind key decisions, and coordinating governance improvements between the SIB and TFFR Board.

Transparency Scorecard

Mr. Funston reported on the results of the SIB Transparency Scorecard, which assessed the Board against objective standards for public transparency. SIB received an overall score of 85%, ranking in the 92nd percentile among 18 standalone state investment boards. The assessment found the SIB at or above appropriate-practice standards across most governance areas, with particular strengths in actuarial and funding disclosure, public records, open meetings, and governance.

The primary opportunity for improvement was investment-fee transparency, which received a 60% score, followed by stakeholder communication and risk and stress-test disclosure. Recommended actions include expanding disclosure of private-market and embedded fees, formalizing stakeholder communications, and publishing additional risk and stress-testing information already used internally. Staff have identified 18 unmet or partially met items across seven domains, assigned responsibility for addressing them, and will report future progress to the Board.

Mr. Funston discussed the development of an Enterprise Performance Risk Management (EPRM) framework designed to connect organizational risk directly to performance. The framework will assess inherent and residual risk, identify where additional mitigation or assurance is needed, and ultimately provide the Board with a one-page dashboard showing key risks, controls, and management actions. An initial qualitative prototype is expected to be presented to the Audit, Risk, and Compliance Committee, with greater quantification incorporated over time.

The initial assessment has identified 32 key processes across investments, benefits, and operations and will integrate existing internal audit and risk-assessment work. Funston noted that the framework is intended to align risk management, audit planning, and the agency's strategic plan while distinguishing risks within RIO's control from those dependent on external parties or legislative action. Further work will focus on quantifying operational risk and potential performance drag and developing recommendations for improvement.

Board members expressed appreciation for the significant work undertaken by staff to implement the governance changes and emphasized the importance of ensuring the agency has sufficient internal capacity to effectively manage its growing responsibilities.

Board Smart Fiduciary Education Program

Ms. Smith provided an update on the implementation of Board Smart Fiduciary Education program. The use of this program will shift required fiduciary education from longer presentations during Board meetings to shorter, just-in-time educational materials delivered in advance of relevant decisions. Education will be aligned with the Board's calendar and decision matrix to help members understand key issues and prepare for upcoming decisions.

Board Smart materials will also be made available to TFFR, the PERS Investment Committee, Legacy and Budget Stabilization Fund Advisory Board, and SIB committee members, including external committee members, to provide consistent fiduciary and investment education across the boards and committees.

The Board recessed at 2:19 p.m. and reconvened at 2:33 p.m.

GOVERNANCE

Election of Board Officers

Ms. Smith discussed the annual election of Board officers. Staff recommended retaining the current officers, with the Governor serving as Chair and Dr. Robert Lech, who also chairs the TFFR Board, serving as Vice Chair.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ELECT GOV. ARMSTRONG AS BOARD CHAIR AND DR. LECH AS BOARD VICE CHAIR FOR THE 2026-27 FISCAL YEAR AND CONTINUING UNTIL SUCCESSORS ARE ELECTED AT THE FIRST REGULARY SCHEDULED MEETING FOLLOWING JULY 1, 2027.

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

Committee Appointments

Ms. Smith reviewed the standing committee structure under the new Governance Policy System, noting the elimination of the Securities Litigation Committee and establishment of a new Budget and Finance Committee. Committee assignments were developed based on members' expertise, interests, and Board roles. The Governor also introduced new external members, John Mongeon, who will bring audit and financial reporting expertise to the Audit, Risk and Compliance Committee, and Rick Thoreson, who will bring extensive investment and portfolio management experience to the Investment Committee.

Pursuant to the Chair's authority under the Governance Policy System, the Governor appointed the members of the Board's standing committees for fiscal year 2027.

<u>Budget & Finance Committee</u>

1. Representative Glen Bosch (Chair)
2. Senator Jerry Klein (Vice-Chair)
3. Joe Morrissette, Director, Office of Management & Budget

* TFFR will appoint a non-voting member
* Budget Analyst Assigned to RIO by the Office of Management & Budget will be a non-voting member

<u>Audit, Risk & Compliance Committee</u>

1. Treasurer Thomas Beadle (Chair), Legacy and Budget Stabilization Fund Advisory Board Representative & TFFR Representative
2. Art Thompson (Vice-Chair) Director, Workforce Safety & Insurance
3. Adam Miller, PERS Trustee
4. John Mongeon (outside/industry expert)
5. Lisa Corbin (outside/industry expert)

<u>Executive Review & Compensation Committee</u>

1. Dr. Rob Lech (Chair), TFFR Trustee
2. Gerald Buck (Vice-Chair), PERS Trustee
3. Art Thompson, Director, Workforce Safety & Insurance

<u>Governance & Policy Review Committee</u>

1. Joe Herringer (Chair), Land Commissioner
2. Dr. Rob Lech (Vice-Chair), TFFR Trustee

3. Cody Mickelson, TFFR Trustee

Investment Committee

1. Treasurer Thomas Beadle (Chair)
2. Dr. Prodosh Simlai (Vice Chair), SIB Institutional Investment Professional Representative
3. Pete Jahner, SIB Institutional Investment Professional Representative
4. Todd Van Orman (outside/industry expert)
5. Rick Thoreson (outside/industry expert)

Annual Affirmation of Code of Conduct and Fiduciary Obligations

Board members were asked to complete their annual affirmations regarding the Code of Conduct and fiduciary obligations. The affirmations are intended to identify potential conflicts of interest and reinforce members' responsibilities regarding information obtained through their service on the Board.

Investment Committee Update

Treasurer Beadle provided an update from the July 10, 2026, Investment Committee meeting. The Committee meeting focused primarily on the annual benchmark review discussed earlier in the meeting. The Committee also received private and public market manager updates, including newly finalized private equity and international equity investments associated with ongoing portfolio implementation and the Global Equity 2.0 strategy.

The Committee also reviewed a temporary guideline waiver for Wellington resulting from benchmark reconstitution, which temporarily caused the portfolio to fall outside established exposure limits. Staff monitored the deviation and worked with the manager to return the portfolio to compliance within the approved timeframe. The temporary waiver was brought to the Board for approval.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. JAHNER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE WELLINGTON TEMPORARY GUIDELINE WAIVER REQUEST.

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

Enterprise Risk Management Framework

Ms. Smith provided an update on development of the Enterprise Risk Management framework required under the new Governance Policy System. The framework will support exception-based reporting by identifying and escalating, emerging, or elevated risks to the Audit, Risk and Compliance Committee and ultimately the full Board, while routine matters operating within acceptable risk levels will not require Board reporting. Staff will continue developing the framework with the goal of bringing it forward for Board consideration in August or September.

Benchmark Consultant Update

Ms. Smith reviewed the transition of performance and benchmark consulting services to Callan. With Cerity Partners' work establishing the FY2027 benchmarks complete, Cerity proposed a mutual early termination of its remaining benchmark consulting obligations. Callan agreed to assume benchmark consulting services effective August 1, 2026, and provide the Board with a memorandum regarding incentive compensation for FY2026 performance. The transition will increase the Callan contract by approximately $20,000 for the remainder of the fiscal year.

The Board was provided with two options for the benchmark consultant contract. Option 1 was the early termination of the Cerity contract effective July 31, 2026, with simultaneous execution of an addendum to the Callen contract for benchmark consulting to begin on August 1, 2026. The second option was to continue with the current contract with Cerity. Staff recommended Option 1.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO DIRECT STAFF TO ENTER INTO MUTUALLY AGREED EARLY TERMINATION OF THE BENCHMARKING CONTRACT WITH CERITY PARTNERS EFFECTIVE JULY 31, 2026, AND TO SIMULTANEOUSLY EXECUTE AN ADDENDUM TO THE CALLEN CONTRACT FOR BENCHMARK CONSULTING SERVICES BEGINNING ON AUGUST 1, 2026.

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

Second Reading & Final Adoption of FY 2027 Incentive Compensation Policy

The Board conducted the second reading of the FY2027 Incentive Compensation Plan. Staff reviewed changes intended to better support recruitment and retention by establishing a total compensation framework combining base pay and incentive compensation, rather than treating incentive compensation as a stand-alone bonus program. Changes include extending eligibility from three to six months of service, increasing the performance threshold from 50 to 75 basis points, reducing maximum incentive opportunities for certain positions, and paying awards over three years at 50%, 25%, and 25%. The plan also adds a total-fund payment gate and formalizes vesting and clawback provisions.

Additional revisions since the first reading clarify the definition of internally managed investments and expand performance measurement from the four largest funds to a total-fund composite, excluding two funds. Staff noted that legal counsel had reviewed the definition and advised that the composite approach is consistent with the statutory requirement that incentive compensation be based on internally managed investment performance. The Board packet also included the Attorney General's opinion confirming authority to pay incentive compensation through continuing appropriation.

Gov. Armstrong emphasized that the revised structure better reflects the program's purpose of recruiting and retaining highly qualified staff and recognized the importance of maintaining organizational capacity following significant leadership turnover. Staff also noted that maximum incentive payments would be small relative to the investment performance required to generate them, with approximately $1.8 million in maximum awards compared with more than $200 million in excess investment earnings. The proposed plan also includes the base-pay adjustments identified in the Board memorandum.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE SECOND READING AND FINAL ADOPTION OF THE FY 2027 INCENTIVE COMPENSATION POLICY.

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

ADJOURNMENT

With no further business to come before the SIB, Gov. Armstrong adjourned the meeting at 10:59 a.m.

Prepared by: Missy Kopp, Assistant to the Board

NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE JULY 29, 2026, BOARD MEETING

MEMBERS PRESENT
Kelly Armstrong, Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer
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
Joe Morrissette, Director of OMB
Dr. Prodosh Simlai, Investment Professional

MEMBERS ABSENT
Adam Miller, PERS Board
Art Thompson, Director of WSI

GUESTS
Rick Funston, Funston Advisory
Marc Gesell, Cerity
Alyson Hicks, Assistant Attorney General
Evan Norton, Funston Advisory
Aaron Weber, Governor's Office
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STAFF PRESENT
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Susan Walcker, Sr. Financial Manager
Alex Weissman, Investment Analyst
Lance Ziettlow, Portfolio Mgr.

CALL TO ORDER

Governor Kelly Armstrong, Chair, called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Wednesday, July 29, 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. Buck, Rep. Bosch, Dr. Simlai, Mr. Mickelson, Sen. Klein, Dr. Lech, Mr. Morrissette, Mr. Jahner, and Gov. Armstrong

AGENDA

The Board considered the agenda for the July 29, 2026, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 29, 2026, AGENDA AS PRESENTED.

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

MINUTES

The Board considered the minutes of the June 23, 2026, SIB meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE JUNE 23, 2026, SIB MINUTES AS DISTRIBUTED.

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

INVESTMENTS

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IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY REP. BOSCH AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE ANNUAL BENCHMARK MEMO.

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

ABSENT: MR. MILLER AND MR. THOMPSON
MOTION CARRIED

REPORTS

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

The executive session started at 8:58 a.m. and ended at 9:52 a.m. The session was attended by board members, RIO staff, A.A.G. Alyson Hicks, Aaron Weber, Elise Grace, Laura Stein, Darren Robbins, and Brian Cochran of Robbins, Geller, Redmond, & Dowd. All staff and the Robbins, Geller, Redmond, & Dowd attorneys left the session at 9:24 a.m. leaving the board, A.A.G. Hicks, and Ms. Smith to continue the discussion.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO DIRECT STAFF AND LEGAL COUNSEL TO PROCEED AS DISCUSSED IN EXECUTIVE SESSION ON THE SECURITIES LITIGATION CASE.

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

Governance Modernization Update

Mr. Funston, Funston Advisory Services provided an update on the governance modernization initiative, reviewing progress since the initial governance assessment. The Board has implemented several recommendations, including adoption of the Governance Policy System (GPS), clarification of roles and delegated authorities, development of a multi-year decision register and calendar, and plans for just-in-time fiduciary education tied to upcoming Board decisions.

Funston noted that while significant governance improvements have been made, RIO continues to face operational constraints related to staffing, budget, and organizational autonomy that may create increasing operational and performance risk as assets under management grow. Ongoing work includes further quantifying those impacts, developing exception-based investment reporting, enhancing meeting minutes to document the rationale behind key decisions, and coordinating governance improvements between the SIB and TFFR Board.

Transparency Scorecard

Mr. Funston reported on the results of the SIB Transparency Scorecard, which assessed the Board against objective standards for public transparency. SIB received an overall score of 85%, ranking in the 92nd percentile among 18 standalone state investment boards. The assessment found the SIB at or above appropriate-practice standards across most governance areas, with particular strengths in actuarial and funding disclosure, public records, open meetings, and governance.

The primary opportunity for improvement was investment-fee transparency, which received a 60% score, followed by stakeholder communication and risk and stress-test disclosure. Recommended actions include expanding disclosure of private-market and embedded fees, formalizing stakeholder communications, and publishing additional risk and stress-testing information already used internally. Staff have identified 18 unmet or partially met items across seven domains, assigned responsibility for addressing them, and will report future progress to the Board.

Mr. Funston discussed the development of an Enterprise Performance Risk Management (EPRM) framework designed to connect organizational risk directly to performance. The framework will assess inherent and residual risk, identify where additional mitigation or assurance is needed, and ultimately provide the Board with a one-page dashboard showing key risks, controls, and management actions. An initial qualitative prototype is expected to be presented to the Audit and Risk Committee, with greater quantification incorporated over time.

The initial assessment has identified 32 key processes across investments, benefits, and operations and will integrate existing internal audit and risk-assessment work. Funston noted that the framework is intended to align risk management, audit planning, and the agency's strategic plan while distinguishing risks within RIO's control from those dependent on external parties or legislative action. Further work will focus on quantifying operational risk and potential performance drag and developing recommendations for improvement.

Board members expressed appreciation for the significant work undertaken by staff to implement the governance changes and emphasized the importance of ensuring the agency has sufficient internal capacity to effectively manage its growing responsibilities.

Board Smart Fiduciary Education Program

Ms. Smith provided an update on the implementation of Board Smart Fiduciary Education program. The use of this program will shift required fiduciary education from longer presentations during Board meetings to shorter, just-in-time educational materials delivered in advance of relevant decisions. Education will be aligned with the Board's calendar and decision matrix to help members understand key issues and prepare for upcoming decisions.

Board Smart materials will also be made available to TFFR, the PERS Investment Committee, Legacy and Budget Stabilization Fund Advisory Board, and SIB committee members, including external committee members, to provide consistent fiduciary and investment education across the boards and committees.

The Board recessed at 2:19 p.m. and reconvened at 2:33 p.m.

GOVERNANCE

Election of Board Officers

Ms. Smith discussed the annual election of Board officers. Staff recommended retaining the current officers, with the Governor serving as Chair and Dr. Robert Lech, who also chairs the TFFR Board, serving as Vice Chair.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ELECT GOV. ARMSTRONG AS BOARD CHAIR AND DR. LECH AS BOARD VICE CHAIR FOR THE 2026-27 FISCAL YEAR AND CONTINUING UNTIL SUCCESSORS ARE ELECTED AT THE FIRST REGULARY SCHEDULED MEETING FOLLOWING JULY 1, 2027.

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

Committee Appointments

Ms. Smith reviewed the standing committee structure under the new Governance Policy System, noting the elimination of the Securities Litigation Committee and establishment of a new Budget and Finance Committee. Committee assignments were developed based on members' expertise, interests, and Board roles. The Governor also introduced new external members, John Mongeon, who will bring audit and financial reporting expertise to the Audit, Risk and Compliance Committee, and Rick Thoreson, who will bring extensive investment and portfolio management experience to the Investment Committee.

Pursuant to the Chair's authority under the Governance Policy System, the Governor appointed the members of the Board's standing committees for fiscal year 2027.

<u>Budget & Finance Committee</u>

1. Representative Glen Bosch (Chair)
2. Senator Jerry Klein (Vice-Chair)
3. Joe Morrissette, Director, Office of Management & Budget

* TFFR will appoint a non-voting member

* Budget Analyst Assigned to RIO by the Office of Management & Budget will be a non-voting member

<u>Audit, Risk & Compliance Committee</u>

1. Treasurer Thomas Beadle (Chair), Legacy and Budget Stabilization Fund Advisory Board Representative & TFFR Representative
2. Art Thompson (Vice-Chair) Director, Workforce Safety & Insurance
3. Adam Miller, PERS Trustee
4. John Mongeon (outside/industry expert)
5. Lisa Corbin (outside/industry expert)

<u>Executive Review & Compensation Committee</u>

1. Dr. Rob Lech (Chair), TFFR Trustee
2. Gerald Buck (Vice-Chair), PERS Trustee
3. Art Thompson, Director, Workforce Safety & Insurance

<u>Governance & Policy Review Committee</u>

1. Joe Herringer (Chair), Land Commissioner
2. Dr. Rob Lech (Vice-Chair), TFFR Trustee

3. Cody Mickelson, TFFR Trustee

Investment Committee

1. Treasurer Thomas Beadle (Chair)
2. Dr. Prodosh Simlai (Vice Chair), SIB Institutional Investment Professional Representative
3. Pete Jahner, SIB Institutional Investment Professional Representative
4. Todd Van Orman (outside/industry expert)
5. Rick Thoreson (outside/industry expert)

Annual Affirmation of Code of Conduct and Fiduciary Obligations

Board members were asked to complete their annual affirmations regarding the Code of Conduct and fiduciary obligations. The affirmations are intended to identify potential conflicts of interest and reinforce members' responsibilities regarding information obtained through their service on the Board.

Investment Committee Update

Treasurer Beadle provided an update from the July 10, 2026, Investment Committee meeting. The Committee meeting focused primarily on the annual benchmark review discussed earlier in the meeting. The Committee also received private and public market manager updates, including newly finalized private equity and international equity investments associated with ongoing portfolio implementation and the Global Equity 2.0 strategy.

The Committee also reviewed a temporary guideline waiver for Wellington resulting from benchmark reconstitution, which temporarily caused the portfolio to fall outside established exposure limits. Staff monitored the deviation and worked with the manager to return the portfolio to compliance within the approved timeframe. The temporary waiver was brought to the Board for approval.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. JAHNER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE WELLINGTON TEMPORARY GUIDELINE WAIVER REQUEST.

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

Enterprise Risk Management Framework

Ms. Smith provided an update on development of the Enterprise Risk Management framework required under the new Governance Policy System. The framework will support exception-based reporting by identifying and escalating, emerging, or elevated risks to the Audit, Risk and Compliance Committee and ultimately the full Board, while routine matters operating within acceptable risk levels will not require Board reporting. Staff will continue developing the framework with the goal of bringing it forward for Board consideration in August or September.

Benchmark Consultant Update

Ms. Smith reviewed the transition of performance and benchmark consulting services to Callan. With Cerity Partners' work establishing the FY2027 benchmarks complete, Cerity proposed a mutual early termination of its remaining benchmark consulting obligations. Callan agreed to assume benchmark consulting services effective August 1, 2026, and provide the Board with a memorandum regarding incentive compensation for FY2026 performance. The transition will increase the Callan contract by approximately $20,000 for the remainder of the fiscal year.

The Board was provided with two options for the benchmark consultant contract. Option 1 was the early termination of the Cerity contract effective July 31, 2026, with simultaneous execution of an addendum to the Callen contract for benchmark consulting to begin on August 1, 2026. The second option was to continue with the current contract with Cerity. Staff recommended Option 1.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO DIRECT STAFF TO ENTER INTO MUTUALLY AGREED EARLY TERMINATION OF THE BENCHMARKING CONTRACT WITH CERITY PARTNERS EFFECTIVE JULY 31, 2026, AND TO SIMULTANEOUSLY EXECUTE AN ADDENDUM TO THE CALLEN CONTRACT FOR BENCHMARK CONSULTING SERVICES BEGINNING ON AUGUST 1, 2026.

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

Second Reading & Final Adoption of FY 2027 Incentive Compensation Policy

The Board conducted the second reading of the FY2027 Incentive Compensation Plan. Staff reviewed changes intended to better support recruitment and retention by establishing a total compensation framework combining base pay and incentive compensation, rather than treating incentive compensation as a stand-alone bonus program. Changes include extending eligibility from three to six months of service, increasing the performance threshold from 50 to 75 basis points, reducing maximum incentive opportunities for certain positions, and paying awards over three years at 50%, 25%, and 25%. The plan also adds a total-fund payment gate and formalizes vesting and clawback provisions.

Additional revisions since the first reading clarify the definition of internally managed investments and expand performance measurement from the four largest funds to a total-fund composite, excluding two funds. Staff noted that legal counsel had reviewed the definition and advised that the composite approach is consistent with the statutory requirement that incentive compensation be based on internally managed investment performance. The Board packet also included the Attorney General's opinion confirming authority to pay incentive compensation through continuing appropriation.

Gov. Armstrong emphasized that the revised structure better reflects the program's purpose of recruiting and retaining highly qualified staff and recognized the importance of maintaining organizational capacity following significant leadership turnover. Staff also noted that maximum incentive payments would be small relative to the investment performance required to generate them, with approximately $1.8 million in maximum awards compared with more than $200 million in excess investment earnings. The proposed plan also includes the base-pay adjustments identified in the Board memorandum.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE SECOND READING AND FINAL ADOPTION OF THE FY 2027 INCENTIVE COMPENSATION POLICY.

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

ADJOURNMENT

With no further business to come before the SIB, Gov. Armstrong adjourned the meeting at 10:59 a.m.

Prepared by: Missy Kopp, Assistant to the Board

Investment Performance

Scott M. Anderson, CFA – Chief Investment Officer

Performance Summary- May 31, 2026

Legacy Fund (TE = 0.9%)	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	17.4	8.6	21.2	14.8	7.6	8.7	8.9
Policy Benchmark Return	16.5	7.9	20.0	13.7	6.7	8.0	9.2
Total Relative return	1.0	0.6	1.2	1.1	0.9	0.8	

PERS (TE = 1.0%)	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	15.4	8.0	19.5	13.4	7.8	9.3	8.1
Policy Benchmark Return	14.8	7.3	18.6	12.9	7.2	8.8	8.4
Total Relative return	0.6	0.7	0.9	0.5	0.6	0.5	

TFFR (TE = 0.9%)	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	13.8	7.3	17.8	12.3	7.2	9.0	7.5
Policy Benchmark Return	13.3	6.7	17.1	11.8	6.7	8.4	7.7
Total Relative return	0.5	0.6	0.7	0.5	0.5	0.5	

WSI (TE = 1.1%)	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	8.4	3.5	10.9	8.1	3.4	5.4	6.7
Policy Benchmark Return	7.8	3.1	10.0	7.2	2.8	4.6	6.7
Total Relative return	0.6	0.4	1.0	0.9	0.6	0.9	

Five-Year Performance Detail May 31, 2026

Legacy Fund	10 Yr %	5 Yr Volatility%	5 Yr Tracking Error %	5 Yr Sharpe Ratio	5 Yr Information Ratio
	8.7	8.9	0.9	0.40	1.1

PERS	10 Yr %	5 Yr Volatility%	5 Yr Tracking Error %	5 Yr Sharpe Ratio	5 Yr Information Ratio
	9.3	8.1	1.0	0.47	0.6

TFFR	10 Yr %	5 Yr Volatility%	5 Yr Tracking Error %	5 Yr Sharpe Ratio	5 Yr Information Ratio
	9.0	7.5	0.9	0.45	0.5

WSI	10 Yr %	5 Yr Volatility%	5 Yr Tracking Error %	5 Yr Sharpe Ratio	5 Yr Information Ratio
	5.4	6.7	0.6	0.0	1.1

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As Expected

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Performance Benchmark Indices - May 31, 2026

Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility	
Russell 3000	11.2	29.4	12.9	15.1	18.4	
Russell 1000	10.9	28.8	13.3	15.4	18.3	
Russell 2000	18.2	43.1	6.6	11.2	23.4	
S&P 500	11.3	29.8	14.1	15.6	18.1	
MSCI ACWI IMI Net	12.5	30.6	11.0	12.5	14.4	
MSCI World ex US	9.4	24.0	9.1	9.5	14.5	
MSCI Emerging Markets	25.6	54.3	7.5	10.7	16.1	
Bloomberg Aggregate	0.4	5.1	0.2	1.7	4.8	
Bloomberg Gov/Credit	0.2	4.6	0.1	1.8	5.1	
Bloomberg US High Yield	1.7	7.6	4.4	5.9	4.9	
NCREIF Property Index (12/31/2025)	1.2	4.9	3.8	4.8	3.8	

As Expected

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Source: Bloomberg

Performance Benchmark Indices – August 3, 2026

Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility
Russell 3000	13.8	24.1	12.3	14.9	18.4
Russell 1000	13.4	23.4	12.6	15.1	18.3
Russell 2000	22.4	37.3	7.6	10.9	23.4
S&P 500	13.6	24.1	13.4	15.4	18.1
MSCI ACWI IMI Net	14.5	25.8	10.7	12.3	14.3
MSCI World ex US	13.6	26.6	9.7	9.9	14.2
MSCI Emerging Markets	21.6	37.9	7.9	9.2	16.5
Bloomberg Aggregate	0.0	2.5	-0.3	1.5	4.8
Bloomberg Gov/Credit	-0.1	2.0	-0.5	1.5	5.0
Bloomberg US High Yield	2.3	5.6	4.2	5.5	4.9
NCREIF Property Index (12/31/2025)	1.2	4.9	3.8	4.8	3.8

Source: Bloomberg

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Performance Benchmark Indices – August 24, 2026

Benchmark Indices (% change, annualized)	YTD	1 Yr	5 Yr	10 Yr	10 Yr Volatility	
Russell 3000	13.1%	19.8%	11.9%	14.8%	18.4%	
Russell 1000	12.6%	19.3%	12.2%	15.1%	18.3%	
Russell 2000	21.6%	28.4%	7.5%	10.7%	23.4%	
S&P 500	12.6%	19.7%	12.9%	15.3%	18.1%	
MSCI ACWI IMI Net	14.2%	21.6%	10.6%	12.2%	14.3%	
MSCI World ex US	14.3%	21.4%	9.9%	9.6%	14.2%	
MSCI Emerging Markets	22.3%	36.2%	8.5%	9.1%	16.5%	
Bloomberg Aggregate	-0.1%	2.2%	-0.2%	1.4%	4.8%	
Bloomberg Gov/Credit	-0.3%	1.7%	-0.5%	1.4%	5.0%	
Bloomberg US High Yield	2.5%	5.2%	4.2%	5.4%	4.9%	
NCREIF Property Index (6/30/2025)	2.5%	5.0%	3.4%	4.8%	3.8%	

Source: Bloomberg

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Capital Development Pacing – private markets deployment

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

Planned to Actual	75% or More	50% to 75%	Less than 50%
Adjusted Plan to Actual	75% or More	50% to 75%	Less than 50%
Unfunded Obligations	More than 90%	70% to 90%	Less than 70%
Net Asset Value to Paid In	Greater than 1	75% to 1	Less than 75%
Distributions to Paid In	Greater than .75	.25 to .75	less than .25

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Market Summary

Interest Rates
Fed Funds: 3.50–3.75%
2Y: ~4.2%
10Y: ~4.6%
10Y Real: ~2.4%
- ➢ Curve re-steepening

Equities
S&P 500 Fwd P/E: ~20.4x
2026 EPS growth: ~29.1%
Mag7 Q2 growth: ~31.1%
S&P 493 Q2 growth: ~22.8%
- ➢ Earnings driving returns

Private Markets
Private credit: >$2.0T
PE dry powder: ~$1.3T
Deal activity: Improving selectively
Real estate: Recovery by sector
- ➢ Manager selection critical

Inflation & Growth
CPI: ~3.5%
Core PCE: ~3.3%
GDP: ~1.5% (Q2)
2026 GDP estimate: ~2.3%
Unemployment: ~4.2%
- ➢ Slowing but not breaking

Credit
IG spreads: ~78 bps
HY spreads: ~275 bps
Default environment: Public defaults contained
Income attractiveness
- ➢ Spread upside limited

Geopolitics
Iran: Hormuz disruption
Venezuela: Exports recovering
Trade barriers: Supply-chain rerouting
Regional conflicts: Oil and shipping volatility
- ➢ Increased market uncertainty

inflation persistence • structurally higher rates • geopolitical shocks • elevated valuations and concentration

Legacy Market Stress and Liquidity May 31, 2026

	1 yr Downside Return Estimates		
12 Month	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
23.1%	-7.9%	-12.0%	-16.6%
	Green	Yellow	Red

LCR Levels	
Strong Coverage > 2x	2.00
Adequate > 1.25x	1.25
Red < 1.25x	1.25

			Liquidity Coverage Ratio (Liquidity/Flows)			
Horizon	Tier	Available	Current	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
5 Days	1	$10,652,279,251	23.2	9.8	9.2	8.6
30 Days	2	$2,113,072,784	4.6	1.9	1.8	1.7
>30 Days	3	$2,575,491,158				
	Total	**$15,340,843,193**	**27.8**	**11.7**	**11.1**	**10.3**
Current 12M Net Flows		($460,000,000)				
Stress 12M Net Flows		($981,565,793)				

Assumptions:

- NEPC 30-yr Returns with NEPC Vol and Correlation
- Private Markets are Flat, Public markets are the drawdown, with public markets being the liquidity sources
- Flows: Current = assumes privates are net zero flow, Stress = no distributions, but 100% of capital calls on committed capital.
- 12M MV Change = Change it total market value of funds, inclusive of client flows
- *Stress for Legacy is 50% of expected inflows from normal environment

As Expected

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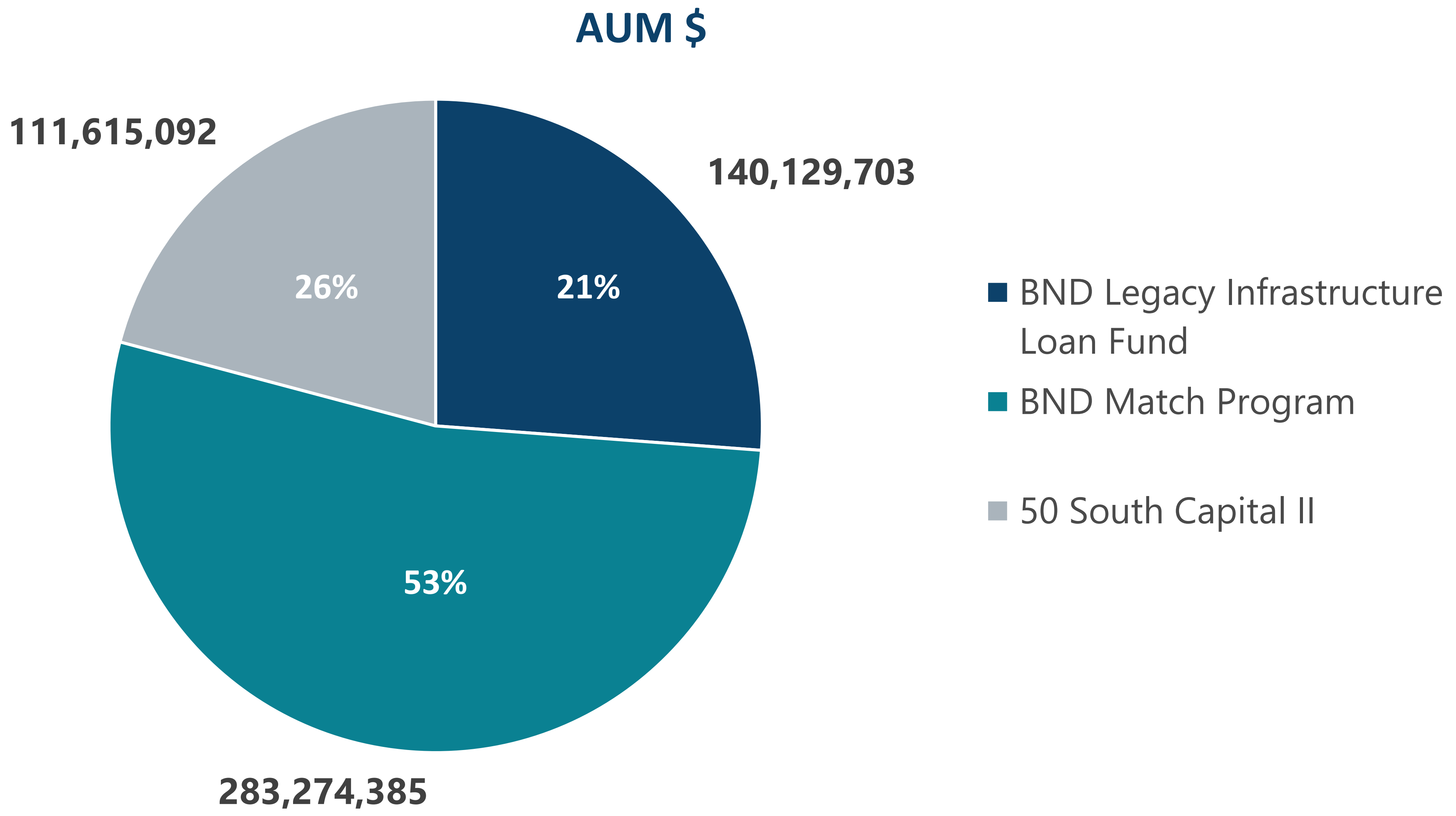
Legacy Fund Asset Allocation

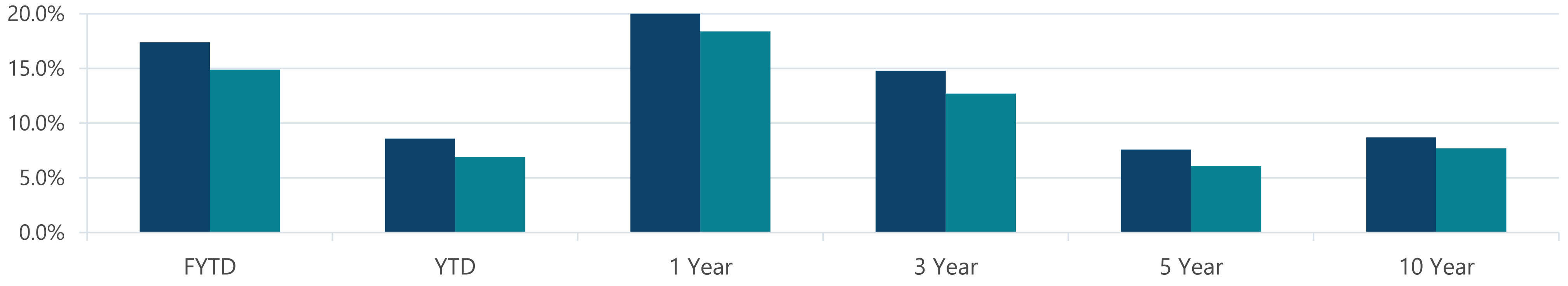
May 31, 2026

	Current Balance ($)	Current Allocation (%)	Policy Allocation (%)	Corridor Allocation (%)	Corridor Allocation ($)	Difference ($)
Domestic Equity All Cap	5,096,069,461	33.9	27.5	33.6	5,057,185,841	38,883,622
International Equity	3,503,494,882	23.3	19.0	22.7	3,417,986,118	85,508,764
Investment Grade Fixed Income	2,818,143,150	18.7	13.5	20.0	3,010,481,808	(192,338,659)
Below Investment Grade	901,200,947	6.0	5.0	6.2	935,983,523	(34,782,576)
Private Credit	821,206,224	5.5	10.0	5.5	825,407,359	(4,201,135)
Private Real Assets	1,139,888,791	7.6	10.0	7.8	1,166,974,608	(27,085,817)
Private Equity	77,518,997	0.5	7.0	0.5	79,819,883	(2,300,886)
In-State Investment Fixed Income	427,918,347	2.8	5.0	2.9	437,939,520	(10,021,173)
In-State Equity	111,615,092	0.7	3.0	0.8	115,752,545	(4,137,453)
Cash and Equivalents	150,475,312	1.0	-	-	-	150,475,312
	15,047,531,203	100.0	100.0	100.0	15,047,531,203	0

Legacy Fund In-State Investment Program



Legacy Fund Performance



May 31, 2026

Legacy Fund	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	17.4	8.6	21.2	14.8	7.6	8.7	8.9
Policy Benchmark Return	16.5	7.9	20.0	13.7	6.7	8.0	9.2
Total Relative return	1.0	0.6	1.2	1.1	0.9	0.8	

Legacy Fund Performance Detail

May 31, 2026

Legacy Fund	Market Value	% of Portfolio	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %
Total Fund	15,047,531,203	100.0	17.4	8.6	21.2	14.8	7.6	8.7
Corridor Target Index			16.5	7.9	20.0	13.7	6.7	8.0
Total Equity	8,677,083,340	57.7	26.8	13.5	32.5	22.8	11.4	
Total Equity Benchmark			25.1	12.5	30.7	22.0	11.0	
Total Income	4,537,601,486	30.2	4.8	1.4	6.8	5.8	1.9	3.4
Total Income Benchmark			4.3	0.9	5.9	4.7	0.6	1.9
Total Real Assets	1,139,888,791	7.6	5.9	4.9	7.3	2.9	3.9	
Total Real Assets Benchmark			3.3	1.6	3.6			
In-State Investments	535,019,180	3.6	16.3	4.9	16.5			
In-State Investments Benchmark			16.3	4.9	16.5			
Cash and Equivalents	157,938,406	1.0	9.1	3.5	11.1	8.0	5.4	3.2
90 Day U.S. Treasury Bill			3.5	1.5	3.9	4.7	3.5	2.3

PERS Market Stress and Liquidity May 31, 2026

	1 yr Downside Return Estimates		
12 Month	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
14.6%	-6.8%	-10.4%	-14.4%
	Green	Yellow	Red

LCR Levels	
Strong Coverage > 2x	2.00
Adequate > 1.25x	1.25
Red < 1.25x	1.25

			Liquidity Coverage Ratio (Liquidity/Flows)			
Horizon	Tier	Available	Current	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
5 Days	1	$3,414,164,951	35.6	17.0	16.1	15.1
30 Days	2	$812,481,795	8.5	4.1	3.9	3.6
>30 Days	3	$1,416,163,238				
	Total	**$5,642,809,984**	**44.0**	**21.1**	**20.0**	**18.7**
Current 12M Net Flows		($96,000,000)				
	Stress 12M Net Flows	($182,241,593)				

Assumptions:

- NEPC 30-yr Returns with NEPC Vol and Correlation
- Private Markets are Flat, Public markets are the drawdown, with public markets being the liquidity sources
- Flows: Current = assumes privates are net zero flow, Stress = no distributions, but 100% of capital calls on committed capital.
- 12M MV Change = Change it total market value of funds, inclusive of client flows
- *Stress for Legacy is 50% of expected inflows from normal environment

As Expected

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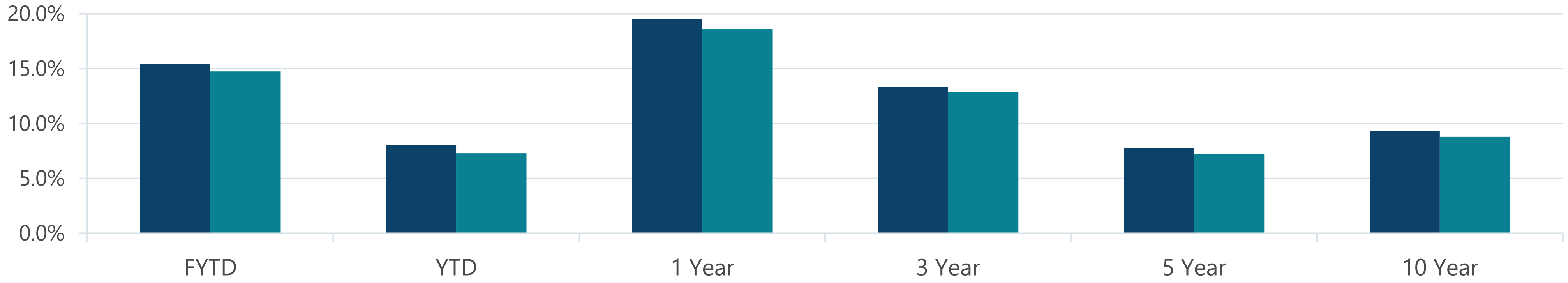
PERS Asset Allocation

May 31, 2026

	Current Balance ($)	Current Allocation (%)	Policy Allocation (%)	Corridor Allocation (%)	Corridor Allocation ($)	Difference ($)
Domestic Equity	1,805,199,521	32.3	24.9	32.0	1,785,272,760	19,926,761
International Equity	1,095,931,835	19.6	15.1	19.4	1,085,704,981	10,226,855
Private Equity	449,361,130	8.0	15.0	8.3	462,486,154	(13,125,024)
Investment Grade Fixed Income	1,130,233,471	20.2	16.0	20.7	1,157,637,794	(27,404,322)
Non-Investment Grade Fixed Income	137,878,379	2.5	2.5	2.5	137,878,379	0
Private Credit	178,888,005	3.2	7.5	3.2	178,888,005	0
Real Estate	428,186,183	7.7	11.0	7.9	438,671,447	(10,485,264)
Other Real Assets	333,093,431	6.0	8.0	6.0	336,878,899	(3,785,468)
Cash and Cash Equivalents	24,646,462	0.4	0.0	0.0	0	24,646,462
	5,583,418,417	100.0	100.0	100.00	5,583,418,417	(0)

PERS Performance



May 31, 2026

PERS	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	15.4	8.0	19.5	13.4	7.8	9.3	8.1
Policy Benchmark Return	14.8	7.3	18.6	12.9	7.2	8.8	8.4
Total Relative return	0.7	0.7	0.9	0.5	0.6	0.5	

PERS Performance Detail

May 31, 2026

PERS	Market Value	% of Portfolio	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %
Total Fund	5,583,418,417	100.0	15.4	8.0	19.5	13.4	7.8	9.3
Corridor Target Index			14.8	7.3	18.6	12.9	7.2	8.8
Total Equity	3,350,492,486	60.0	23.8	12.1	29.8	20.6	11.3	12.8
Total Equity Benchmark			22.5	11.5	28.5	20.1	11.1	12.7
Total Income	1,446,999,855	25.9	4.4	1.2	6.2	6.2	2.4	4.1
Total Income Benchmark			4.2	0.8	5.9			
Total Real Assets	761,279,614	13.6	1.9	3.0	3.2	-0.4	2.9	4.3
Total Real Assets Benchmark			3.2	1.6	3.5	0.1	3.1	3.9
Cash and Equivalents	24,034,091	0.4	8.3	3.7	9.1	6.6	4.6	2.9
90 Day U.S. Treasury Bill			3.5	1.5	3.9	4.7	3.5	2.3

TFFR Market Stress and Liquidity May 31, 2026

	1 yr Downside Return Estimates		
12 Month	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
12.5%	-6.1%	-9.3%	-13.0%
	Green	Yellow	Red

LCR Levels		
Strong Coverage > 2x	2.00	
Adequate > 1.25x	1.25	
Red < 1.25x	1.25	

Assumptions:

- NEPC 30-yr Returns with NEPC Vol and Correlation
- Private Markets are Flat, Public markets are the drawdown, with public markets being the liquidity sources
- Flows: Current = assumes privates are net zero flow, Stress = no distributions, but 100% of capital calls on committed capital.
- 12M MV Change = Change it total market value of funds, inclusive of client flows
- *Stress for Legacy is 50% of expected inflows from normal environment

			Liquidity Coverage Ratio (Liquidity/Flows)			
Horizon	Tier	Available	Current	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
5 Days	1	$2,292,636,766	19.6	10.7	10.1	9.5
30 Days	2	$524,288,760	4.5	2.5	2.3	2.2
>30 Days	3	$1,230,030,965				
	Total	**$4,046,956,490**	**24.1**	**13.2**	**12.5**	**11.7**
Current 12M Net Flows		($117,000,000)				
	Stress 12M Net Flows	($195,379,826)				

As Expected

Caution

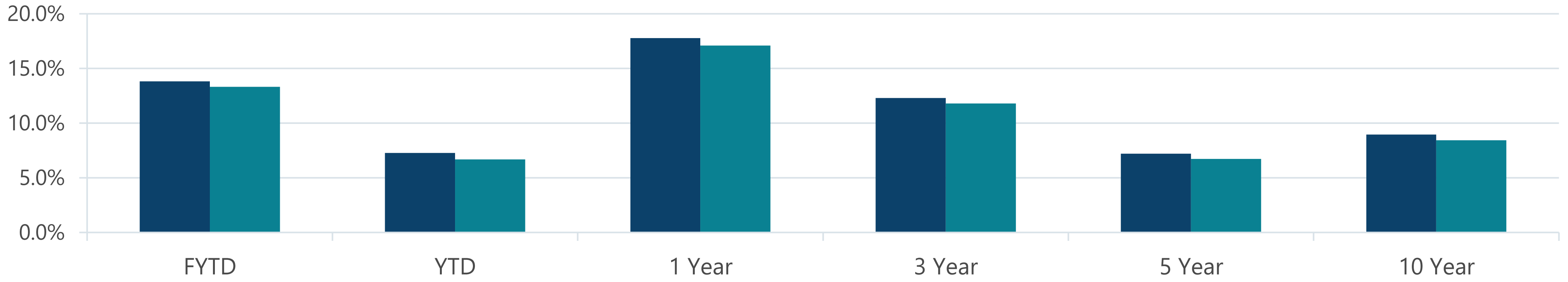
Alert

TFFR Asset Allocation

May 31, 2026

	Current Balance ($)	Current Allocation (%)	Policy Allocation (%)	Corridor Allocation (%)	Corridor Allocation ($)	Difference ($)
Domestic Equity	1,157,411,497	28.9	24.9	28.8	1,152,157,638	5,253,860
International Equity	707,441,253	17.7	15.1	17.5	700,679,086	6,762,167
Private Equity	509,580,055	12.7	15.0	13.1	523,117,057	(13,537,002)
Investment Grade Fixed Income	794,144,311	19.8	16.0	20.4	815,271,196	(21,126,886)
Non-Investment Grade Fixed Income	98,873,232	2.5	2.5	2.5	100,043,755	(1,170,523)
Private Credit	133,039,787	3.3	7.5	3.3	133,039,787	0
Real Estate	293,716,617	7.3	11.0	7.5	300,136,257	(6,419,640)
Other Real Assets	274,862,641	6.9	8.0	6.9	277,305,440	(2,442,799)
Cash and Cash Equivalents	32,680,823	0.8	0.0	0.0	0	32,680,823
	4,001,750,216	100.0	100.0	100.00	4,001,750,216	(0)

TFFR Performance



May 31, 2026

TFFR	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	13.8	7.3	17.8	12.3	7.2	9.0	7.5
Policy Benchmark Return	13.3	6.7	17.1	11.8	6.7	8.4	7.7
Total Relative return	0.5	0.6	0.7	0.5	0.5	0.5	

TFFR Performance Detail

May 31, 2026

TFFR	Market Value	% of Portfolio	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %
Total Fund	4,001,750,216	100	13.8	7.3	17.8	12.3	7.2	9.0
Corridor Target Index			13.3	6.7	17.1	11.8	6.7	8.4
Total Equity	2,374,432,805	59.3	21.7	11.2	27.7	19.1	10.8	12.6
Total Equity Benchmark			21.0	11.0	27.1	19.0	11.1	12.8
Total Income	1,026,057,330	25.6	4.5	1.2	6.3	6.2	2.3	4.0
Total Income Benchmark			4.2	0.8	5.9			
Total Real Assets	568,579,258	14.2	2.4	3.2	3.9	0.3	3.4	4.5
Total Real Assets Benchmark			3.2	1.6	3.5	0.2	3.2	3.9
Cash and Equivalents	27,111,153	0.7	9.2	4.0	9.8	6.8	4.8	3.0
90 Day U.S. Treasury Bill			3.5	1.5	3.9	4.7	3.5	2.3

WSI Market Stress and Liquidity May 31, 2026

	1 yr Downside Return Estimates		
12 Month	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
5.0%	-1.8%	-3.8%	-6.2%
	Green	Yellow	Red

LCR Levels		
Strong Coverage > 2x	**2.00**	
Adequate > 1.25x	**1.25**	
Red < 1.25x	**1.25**	

			Liquidity Coverage Ratio (Liquidity/Flows)			
Horizon	Tier	Available	Current	1 in 10 Year Stress	1 in 20 Year Stress	1 in 50 Year Stress
5 Days	1	$2,004,494,256	44.5	39.7	38.8	37.7
30 Days	2	$140,211,046	3.1	3.1	3.0	2.9
>30 Days	3	$242,837,993				
	Total	**$2,387,543,294**	**47.7**	**42.8**	**41.8**	**40.7**
Current 12M Net Flows		($117,000,000)				
	Stress 12M Net Flows	($48,968,843)				

Assumptions:

- NEPC 30-yr Returns with NEPC Vol and Correlation
- Private Markets are Flat, Public markets are the drawdown, with public markets being the liquidity sources
- Flows: Current = assumes privates are net zero flow, Stress = no distributions, but 100% of capital calls on committed capital.
- 12M MV Change = Change it total market value of funds, inclusive of client flows
- *Stress for Legacy is 50% of expected inflows from normal environment

As Expected

Caution

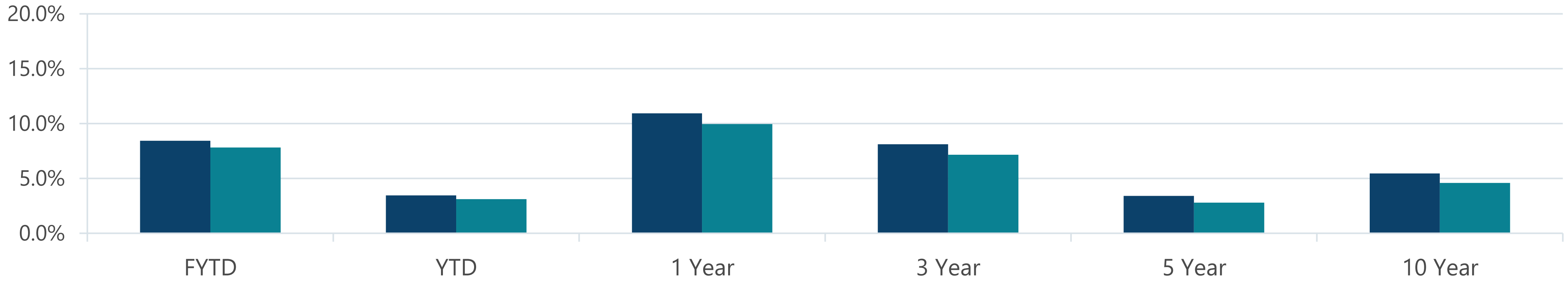
Alert

WSI Asset Allocation

May 31, 2026

	Current Balance ($)	Current Allocation (%)	Policy Allocation (%)	Corridor Allocation (%)	Corridor Allocation ($)	Difference ($)
Domestic Equity	316,275,046	13.1	12.0	12.4	298,446,879	17,828,167
International Equity	200,606,148	8.3	8.0	8.3	198,964,586	1,641,562
Investment Grade Fixed Income	1,498,522,501	62.2	62.0	62.6	1,509,849,533	(11,327,032)
Real Estate	88,286,959	3.7	5.0	3.7	89,274,971	(988,011)
Other Real Assets	287,591,642	11.9	12.0	12.0	289,925,195	(2,333,552)
Cash and Cash Equivalents	19,284,535	0.8	1.0	1.0	24,105,668	(4,821,134)
	2,410,566,831	100.000	100.0	100.0	2,410,566,831	(0.00)

WSI Performance



May 31, 2026

WSI	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %	5 Yr Volatility%
Total Fund Return	8.4	3.5	10.9	8.1	3.4	5.4	6.7
Policy Benchmark Return	7.8	3.1	10.0	7.2	2.8	4.6	6.7
Total Relative return	0.6	0.4	1.0	0.9	0.6	0.9	

WSI Performance Detail

May 31, 2026

WSI	Market Value	% of Portfolio	FYTD %	YTD %	1 Yr %	3 Yr %	5 Yr %	10 Yr %
Total Fund	2,410,566,831	100	8.4	3.5	10.9	8.1	3.4	5.4
Corridor Target Index			7.7	3.1	9.8	7.1	2.8	4.6
Total Equity	516,881,194	21.4	27.6	14.0	33.5	23.3	11.8	
Total Equity Benchmark			25.2	12.5	30.8	22.0	11.1	
Total Real Assets	1,498,476,882	62.2	3.8	0.2	5.6	4.9	0.8	2.9
Total Real Assets Benchmark			3.5	0.4	5.1	3.9	0.2	1.7
Cash and Equivalents	375,878,601	15.6	3.9	2.9	5.4	2.6	2.7	
			3.6	1.7	4.2	2.2	2.5	

NORTH
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MEMORANDUM

TO: **State Investment Board**

FROM: **Thomas Beadle, Treasurer, Chair, IC, Scott Anderson, CFA – Chief Investment Officer**

DATE: **August 26, 2026**

RE: **Investment Committee Update**

The Investment Committee met virtually on August 14, 2026. Mr. Rick Thoreson, CFA, was introduced to the Committee before the scheduled compliance, policy, strategy, performance, governance, and Investment Policy Statement discussions.

Compliance Update

Mr. Mills presented Weaver's integrated investment-compliance program, including the compliance framework, policy and procedure development, the Code of Ethics, market-abuse surveillance, information barriers, conflicts-of-interest review, training, and day-to-day advisory support. Weaver's role is to facilitate the program, testing, attestations, monitoring, and documentation, while RIO retains ownership and decision-making authority.

- The Code of Ethics applies to employees and other covered persons who participate in investment decisions or have access to positions and contemplated trades. It requires annual acknowledgment, quarterly and annual personal-trading attestations, disclosure of brokerage and beneficial-interest accounts, conflict and outside-activity disclosures, and annual ethics training.
- Internal investment-guideline monitoring is performed through pre-trade and post-trade controls in Aladdin; external managers and separately managed accounts are monitored through Northern Trust's RADAR platform using custodian holdings and transaction data.
- Exceptions are reviewed with trading, operations, investment teams, Northern Trust, and external managers as applicable. Confirmed breaches, remediation, resolution timelines, trends, and rule coverage are documented and escalated for RIO oversight.

Review of the IPS Exception-Based Scorecard

Mr. Funston and Mr. Norton of Funston Advisory Services reviewed the proposed quarterly scorecard. The scorecard is a governance and oversight instrument that tests each client fund's results against the corridors and tolerances in its adopted Investment Policy Statement. It reports by exception and does not select managers, set allocations, alter policy, or substitute for investment decision-making.

- Each fund's one-page scorecard identifies the fund, period, assets, advisor, and applicable IPS version; reports five- and ten-year information ratios, tracking error, and hit rate against approved targets; assigns an exception rating; and adds narrative only where an exception exists.
- The four-point scale is Exceptional for results materially above policy, As Expected for results within tolerance, Caution for results near a policy limit that require monitoring and staff commentary, and Alert for results outside policy that require explanation, a corrective plan, and escalation when applicable.
- The quarterly process concentrates Committee attention on material deviations, creates a standing record of informed oversight, and supports comparable reporting to client governing authorities. Material exceptions would be escalated between meetings when escalation thresholds are met.
- Before rollout, the Committee was asked to consider the metric set and fund-specific corridor targets, the thresholds for escalation to the SIB, and the sequence and form of reporting to the remaining client funds.

Strategy Review – WSI Asset Allocation (Committee Action)

Mr. Nankof of NEPC presented the 2026 Workforce Safety & Insurance asset-allocation study and recommendation. WSI maintains a healthy surplus relative to required reserves and has consistently paid the maximum permitted policyholder dividend. The study therefore evaluated preservation of capital and dividend capacity together with expected return, investment income, surplus, reserves, and downside protection.

The recommended allocation increased the ten-year expected compound return from 5.3% to 5.4%, maintained the 30-year expected compound return at 6.1%, and reduced expected annual volatility from 6.5% to 6.3%. Its modeled probability of exceeding a 3.5% ten-year return was approximately 83%, compared with approximately 81% under current policy.

Across the financial metrics, the recommended mix was designed to preserve median outcomes while improving protection in adverse outcomes. The analysis also indicated a 99.9% probability of paying a dividend in each of the next ten years under the recommended allocation.

Strategy and Performance Review

Mr. Anderson presented investment results through May 31, 2026, a market update through August 3, 2026, private-markets capital-development pacing, stress and liquidity measures, asset allocations, and performance detail for the Legacy Fund, PERS, TFFR, and WSI. Each of the four major funds outperformed its policy benchmark over the one-, three-, five-, and ten-year periods shown in the materials.

Governance Policy Review – Investment Key Decisions (Committee Action)

Mr. Anderson reviewed the first-quarter decision package under the new five-year governance cycle. The package is intended to connect policy direction, approval and delegation, implementation, oversight, verification, and reporting and policy refinement, with each stage informing the next through evidence, oversight findings, and strategic priorities.

- The six Investment Beliefs address the objective of high return per unit of risk at prudent client-aligned risk and efficient cost; asset allocation as the primary source of return efficiency; long-term market efficiency and short-term opportunities; disciplined allocation of scarce active risk; implementation as a contributor to return efficiency; and fact-based professional judgment.
- The proposed performance framework assigns Blue/Exceptional, Green/As Expected, Yellow/Caution, or Red/Alert status to total-fund and asset-class returns, active return after fees, ten-year return relative to the discount rate, rebalancing, volatility, information ratio, Sharpe ratio, manager performance, and event risk.
- Tracking-error limits distinguish broad, moderate, and low active-risk capacity.
- The underperformance framework evaluates public-manager active return, private and high-yield manager results by manager performance quartile, and event risks such as compliance violations, key-person departures, ownership changes, and headline risk.
- A motion was made and approved to recommend that the Board approve the performance measures, tracking-error framework, and Investment Beliefs.

Investment Policy Statement Updates – WSI and Water Projects Stabilization Fund (Committee Action)

Mr. Chin presented updated Investment Policy Statements for WSI and the Water Projects Stabilization Fund. Both documents transition to RIO's new template to improve clarity, consistency, organization, and policy language. Most redline changes are formatting and structural enhancements rather than substantive policy revisions.

- The WSI IPS incorporates the proposed 15% global equity, 75% fixed income, 9% real assets, and 1% cash allocation, including 69% investment-grade and 6% high-yield fixed income. It retains a five-year net-return objective relative to the policy benchmark and a risk limit of no more than 115% of benchmark volatility over a minimum five-year period.

- The WSI IPS also formalizes corridor and rebalancing language, permissible derivative use, internal controls, evaluation and reporting, and withdrawal notice provisions. Bringing the allocation and IPS forward together allows implementation within one approval cycle.
- The Water IPS retains the existing 100% cash and cash-equivalents allocation, reflecting low risk tolerance, short-term liquidity needs, principal preservation, and the possibility of substantial drawdowns over the next several years. No asset-allocation change is proposed, and the client has approved the updated document.
- The packet contemplated WSI Board consideration on August 19, 2026, followed by final State Investment Board consideration of the WSI allocation and both updated IPS documents on August 26, 2026.

Board Action Requested: Staff requests that the Board

1. Approve the Investment Key Decisions (performance-evaluation measures and status thresholds, tracking-error active-risk framework, underperformance thresholds, and Investment Beliefs);
2. Approve the recommended WSI asset allocation and updated WSI Investment Policy Statement, subject to the WSI Board's approval; and
3. Approve the updated Water Projects Stabilization Fund Investment Policy Statement.

North Dakota Workforce Safety & Insurance

STRATEGIC ASSET ALLOCATION STUDY ANALYSIS AND RECOMMENDATION

AUGUST 2026

WSI WORK PLAN / ROADMAP

North Dakota Workforce Safety & Insurance
2026 Asset Allocation Project Plan

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

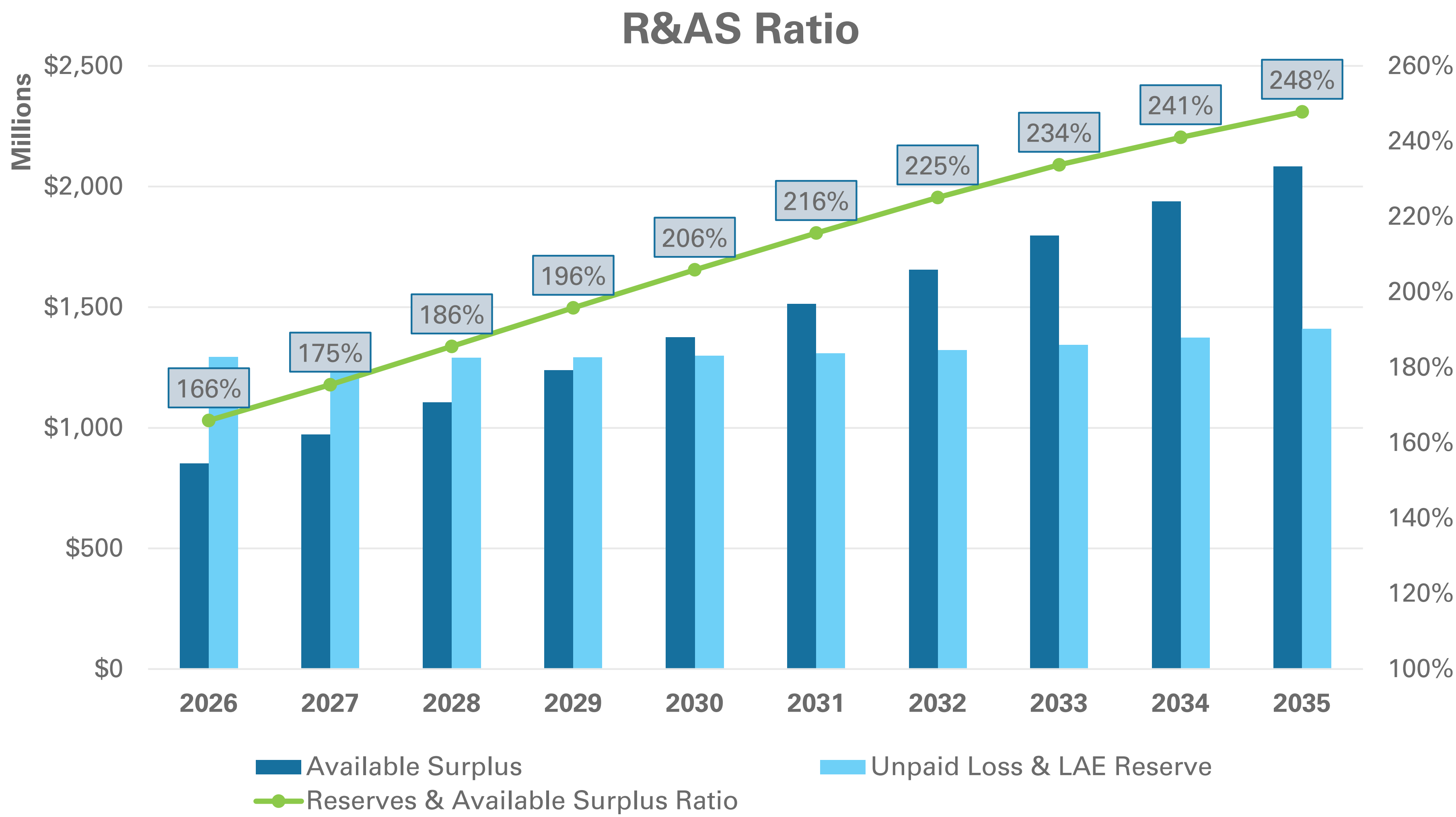
WSI BACKGROUND AND OBJECTIVES

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

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

RESERVES & AVAILABLE SURPLUS RATIO

DETERMINISTIC PROJECTION – CURRENT POLICY

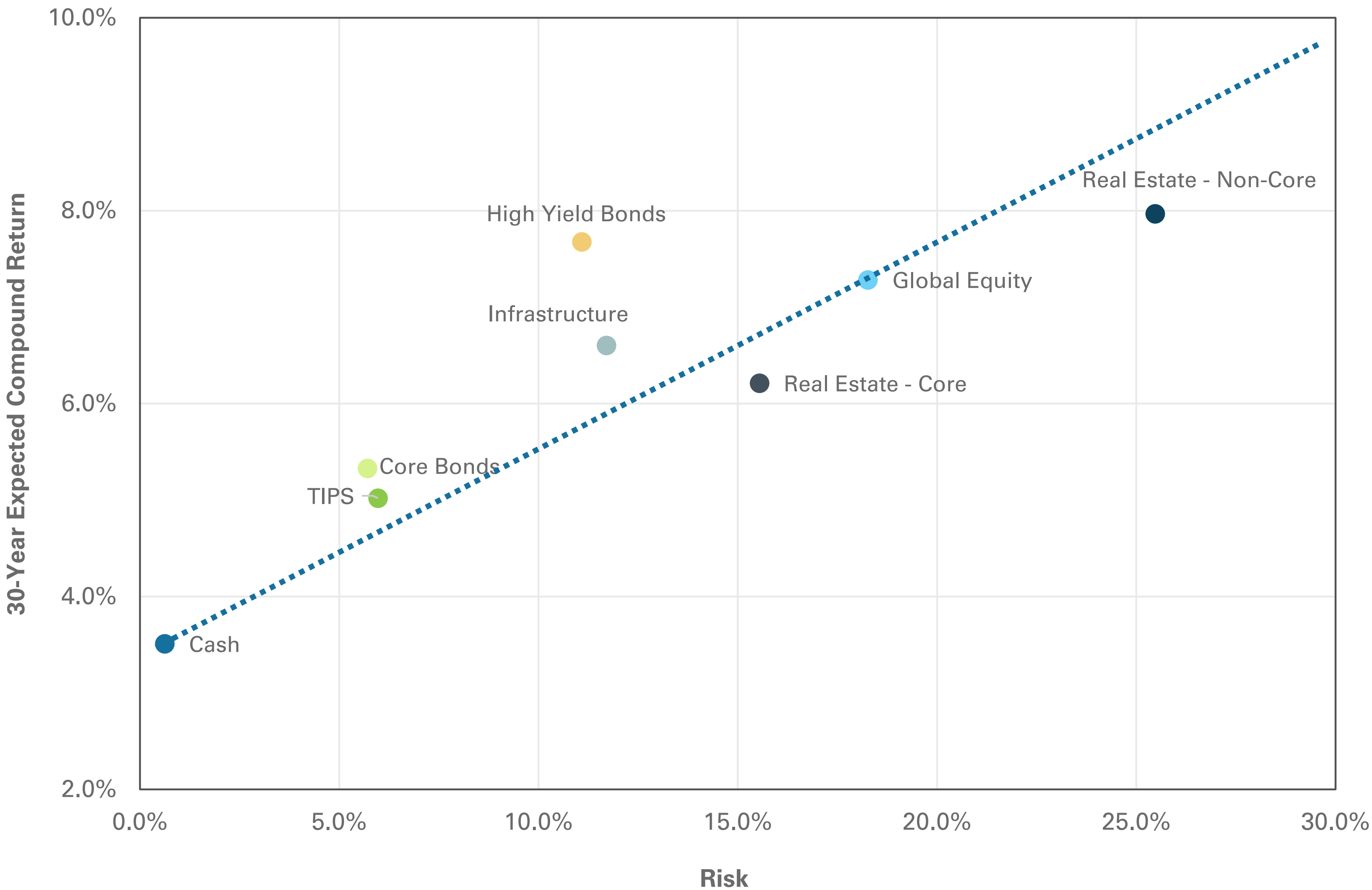


WSI ASSET ALLOCATION MODELS

MARCH 31, 2026 ASSUMPTIONS

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

RISK RETURN CHART



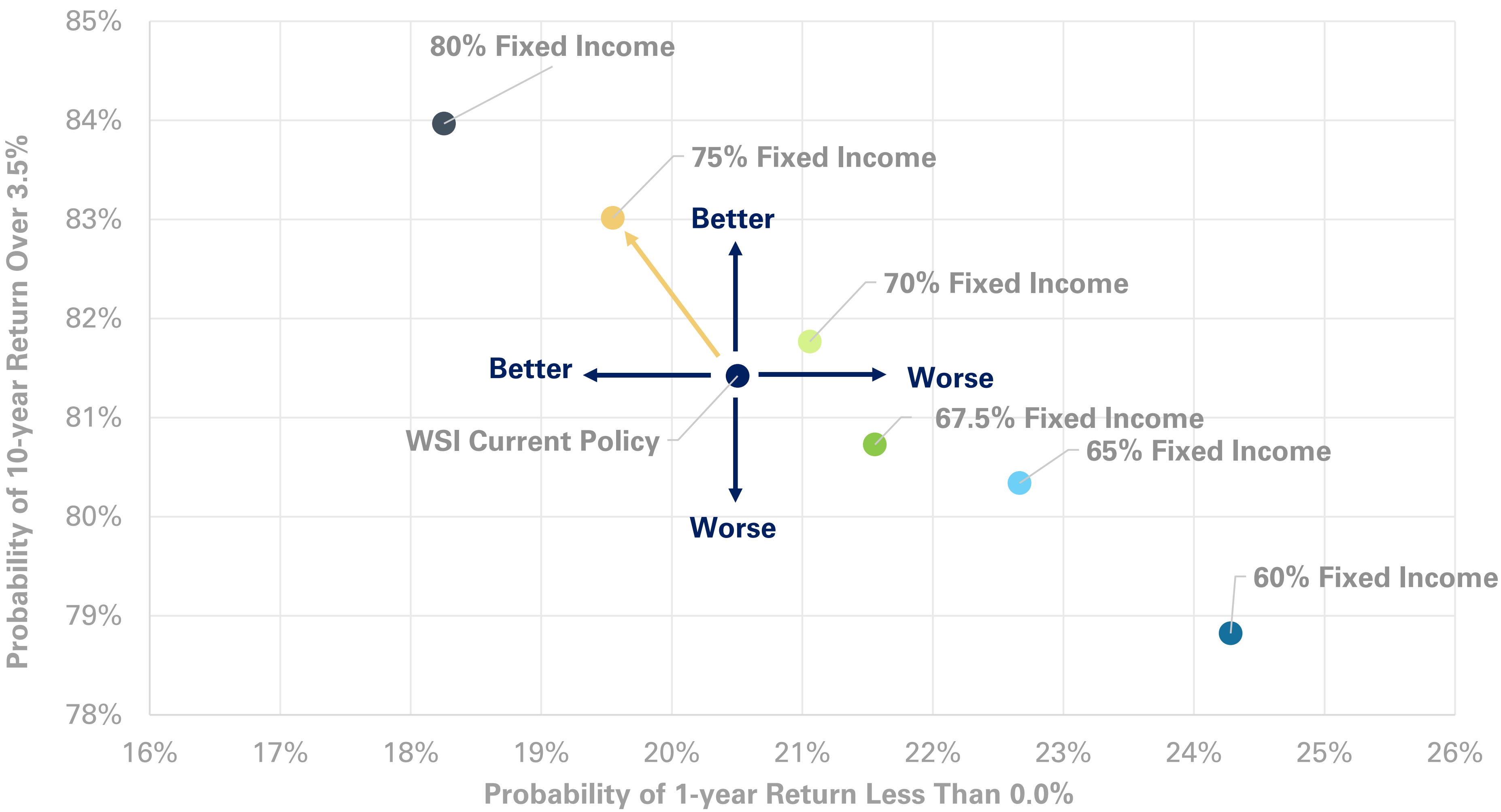
ASSET CORRELATIONS

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

Notes:
Sources:

RETURNS

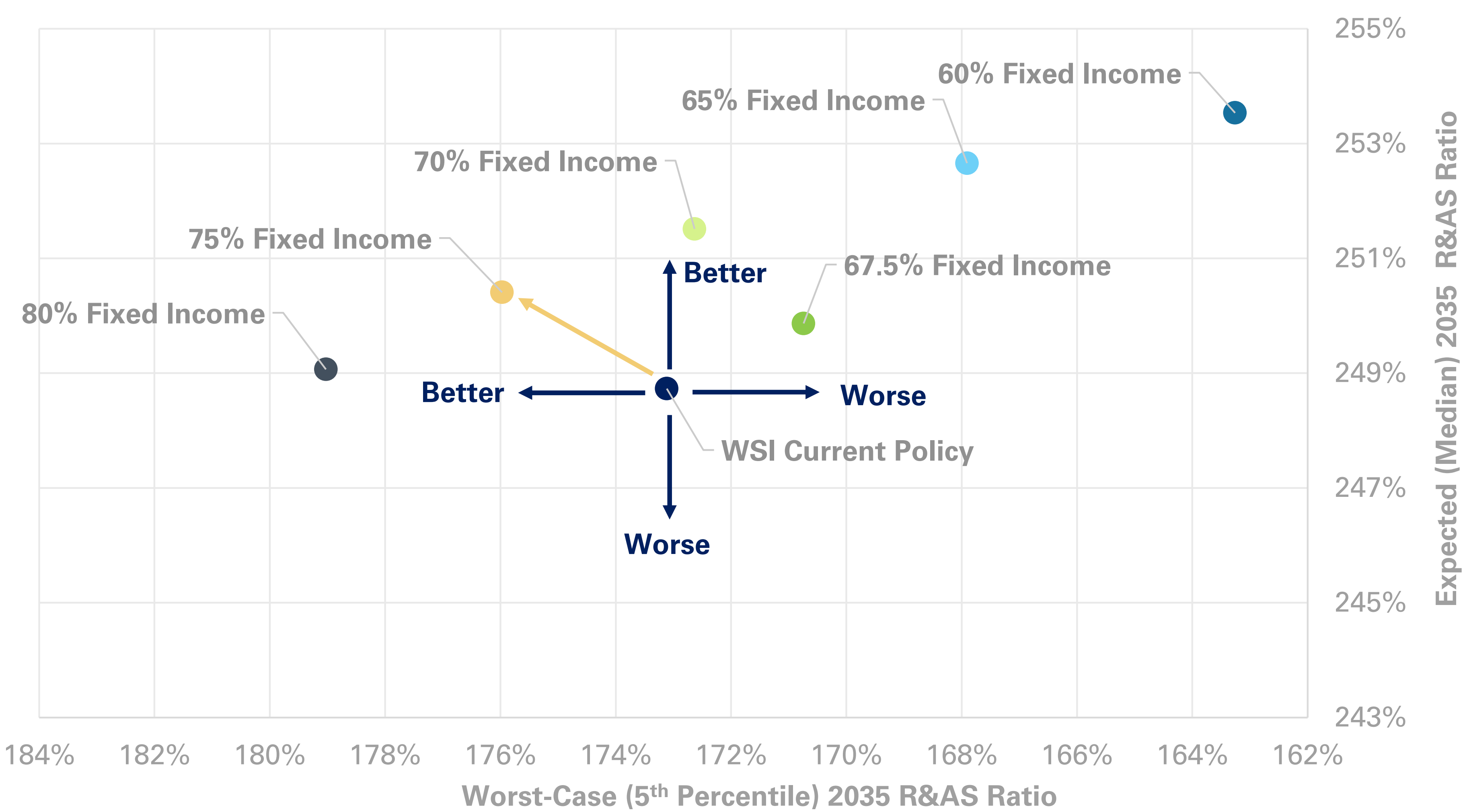
STOCHASTIC ANALYSIS



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

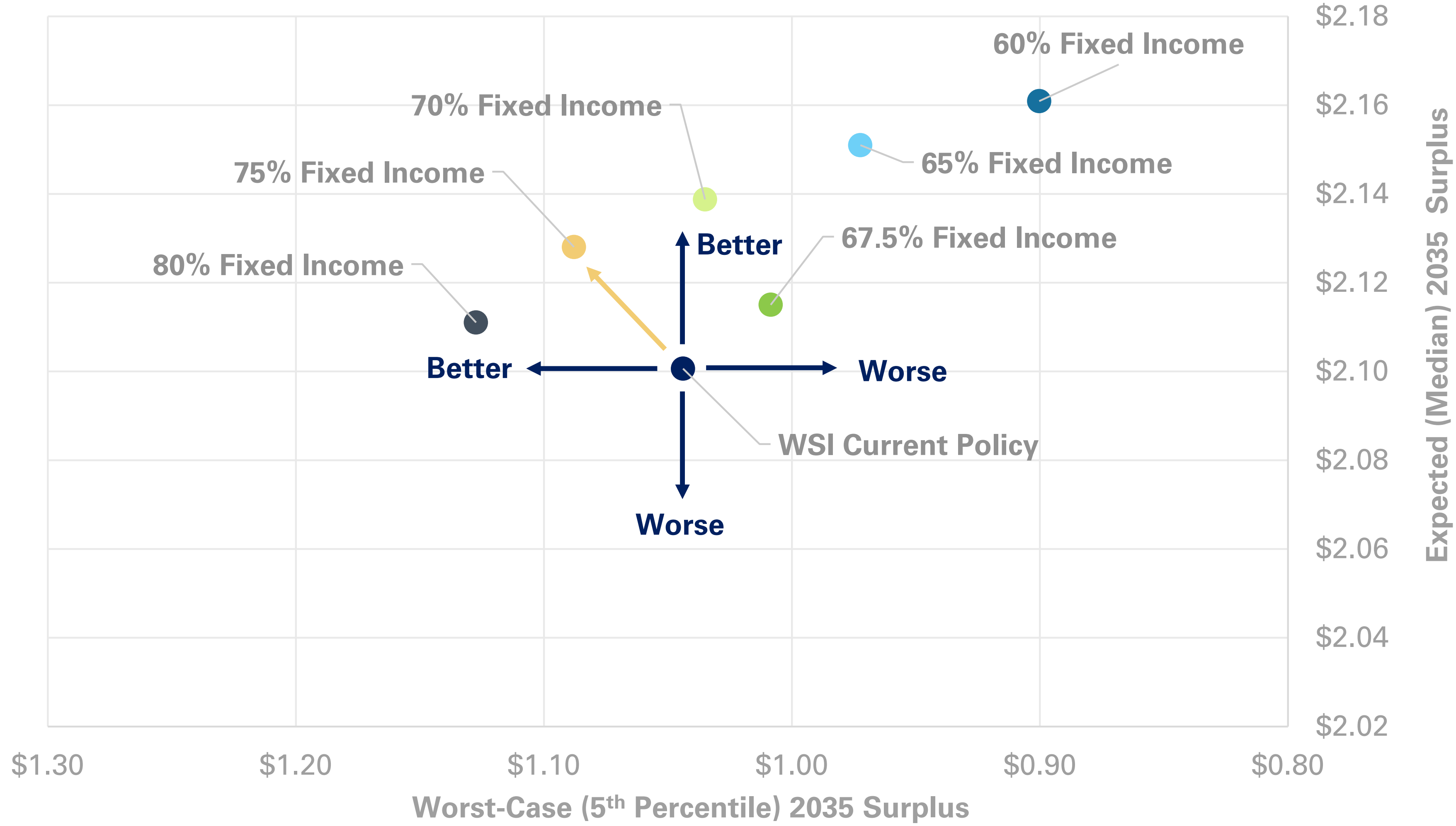
RESERVES & AVAILABLE SURPLUS RATIO

STOCHASTIC ANALYSIS



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

SURPLUS
STOCHASTIC ANALYSIS

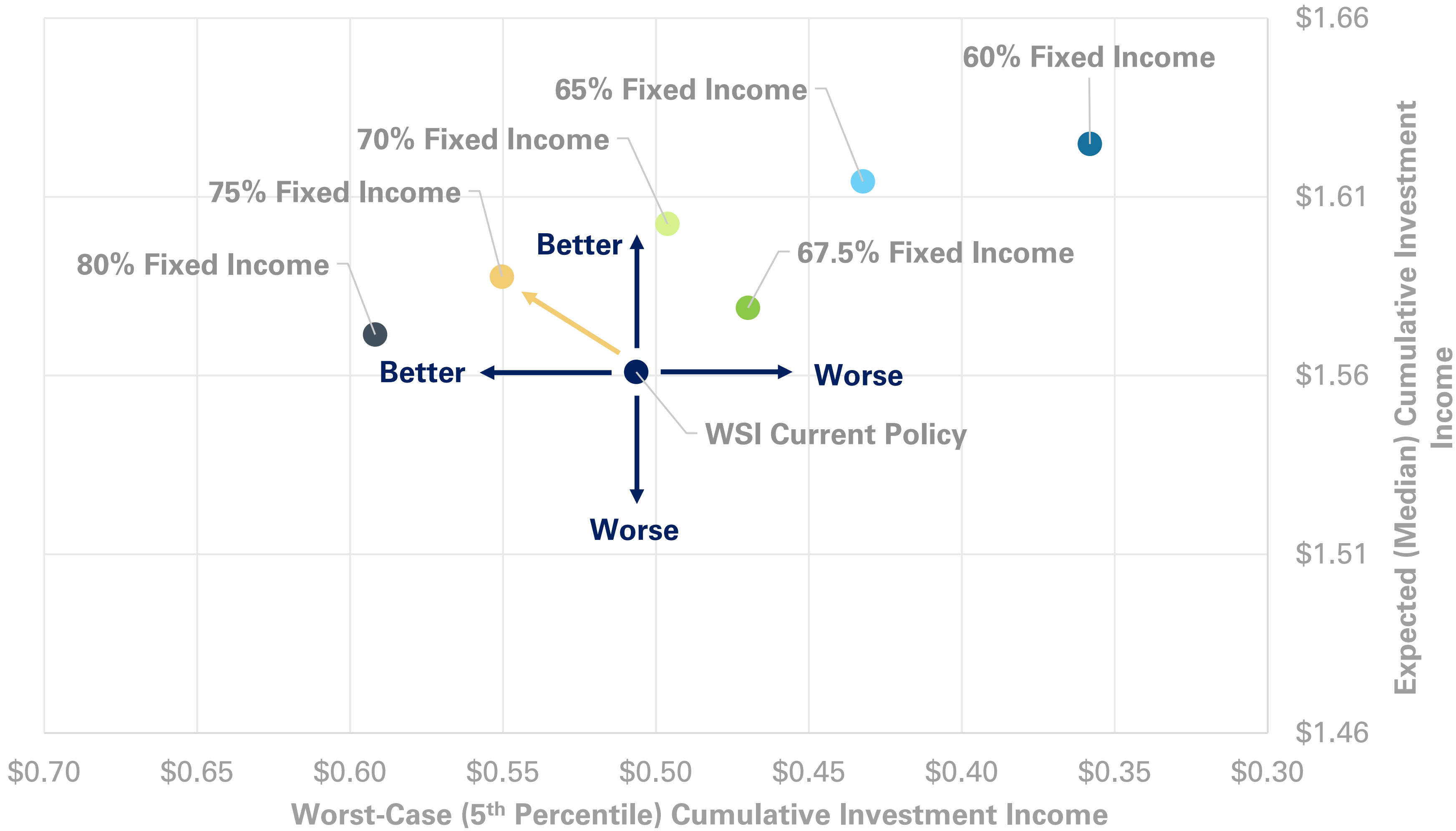


$ in Billions

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

INVESTMENT INCOME

STOCHASTIC ANALYSIS



$ in Billions

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

DIVIDEND
STOCHASTIC ANALYSIS

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

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

WSI RECOMMENDATION

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

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

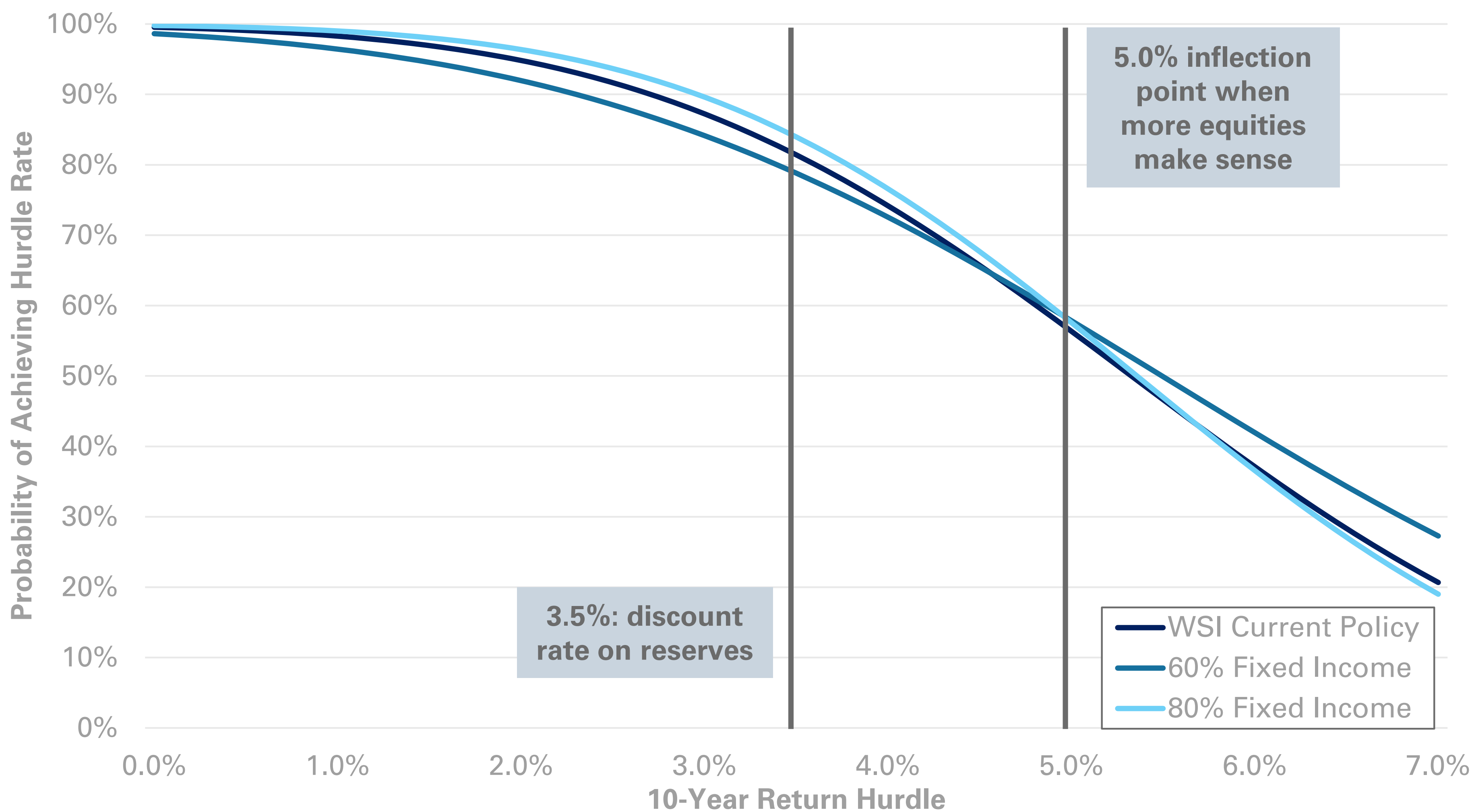
APPENDIX

ASSET CLASS SCORECARD

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

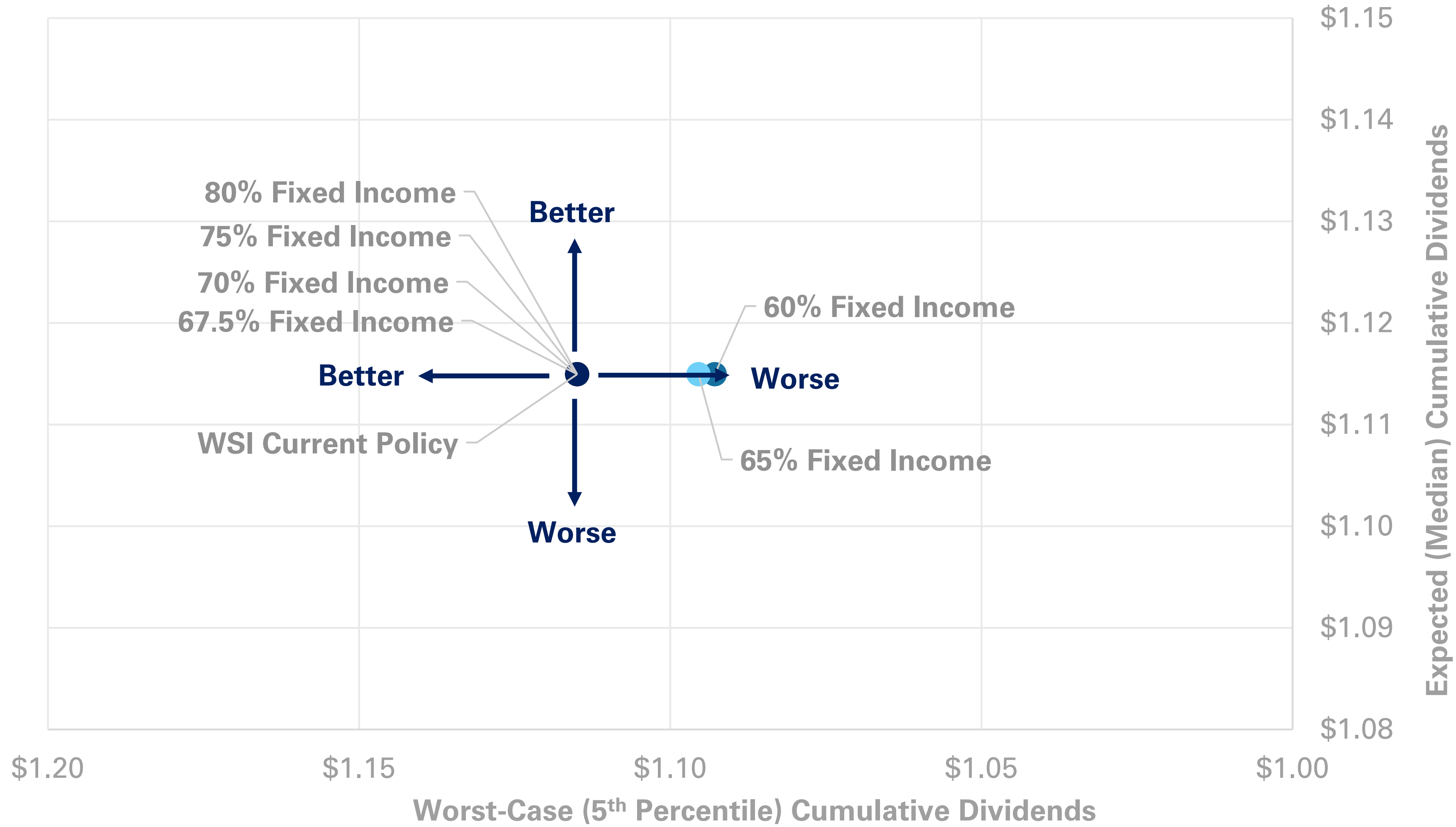
HURDLE RATE

PROBABILITY OF ACHIEVING 10-YEAR RETURN HURDLE



* 10-year time horizon

DIVIDENDS
STOCHASTIC ANALYSIS



$ in Billions

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

HIGH YIELD

RATES & CREDIT: CHARACTERISTICS

RATES

- **Primarily high quality borrowers**
  - Treasuries, government agencies
  - Agency mortgage backed securities
  - Investment Grade Corporates
- **Why Allocate?**
  - Serves as a *Risk Reducing* allocation
  - Principal protection and liquid
  - Stability: exhibits low volatility
- **Risk and Return Profile**
  - Low return expectations in current environment

CREDIT

- **Lower quality borrowers**
  - High-yield (below BBB) Corporates
  - Emerging Market Debt
  - Bank Loans
  - Private Credit
- **Why Allocate?**
  - Serves as a *Return Seeking* allocation
  - Compensation for assuming credit risk
  - Inefficient: greater opportunity for skilled management
- **Risk and Return Profile**
  - Higher volatility and equity sensitivity
  - Can be illiquid, particularly Private Credit

FOCUS ON TWO MAJOR TYPES OF RISK

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

BOND RATING AGENCIES

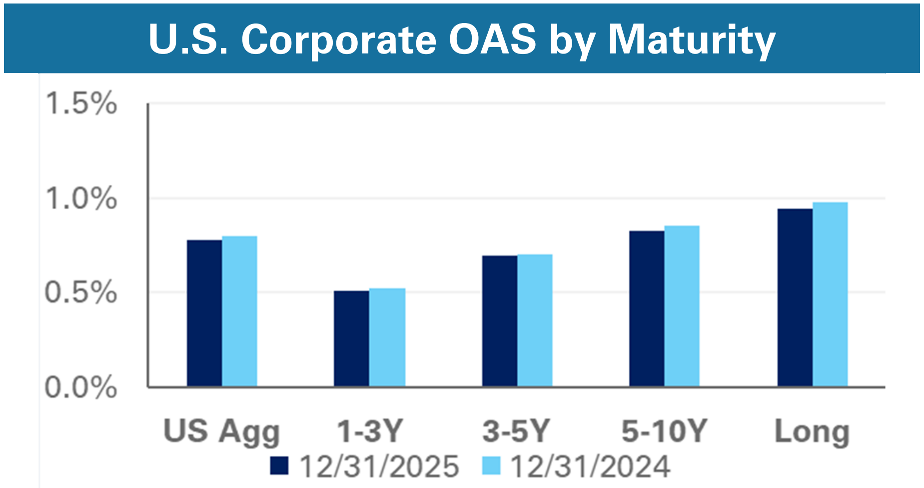
- **A bond rating agency assesses the financial strength of a company or government agency and its ability to meet debt payment obligations**
- **Bonds receive a graded rating that reflects the risk associated with investing in a bond. The top-rated bonds get AAA or AA rating, meaning they are considered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

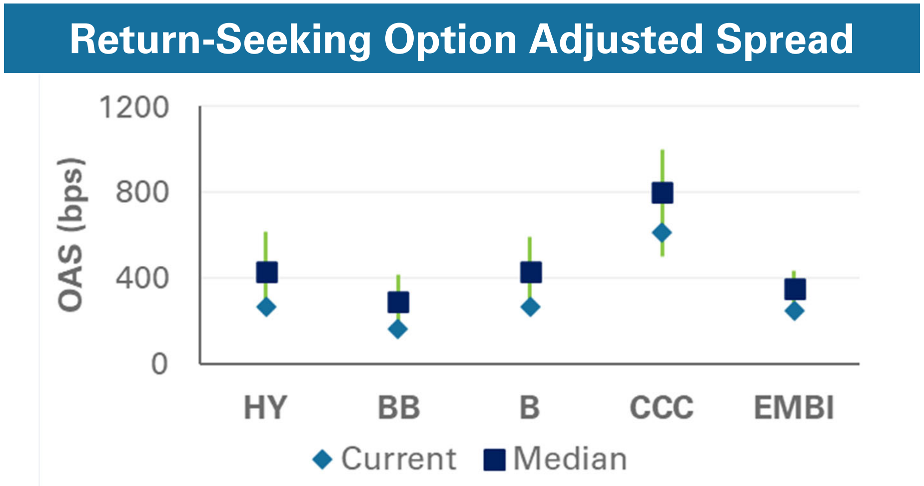
Investment Grade	AAA	High quality; strong capacity to meet financial commitments
	AA	Very strong capacity to meet commitments
	A	Strong capacity to meet commitments, somewhat susceptible to adverse economic conditions
	BBB	Adequate capacity to meet commitments, but more subject to adverse economic conditions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

FIXED INCOME

CREDIT SPREADS

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





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

TIPS

TIPS BACKGROUND

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

NOMINAL TREASURIES VS. TIPS

Common Characteristics:

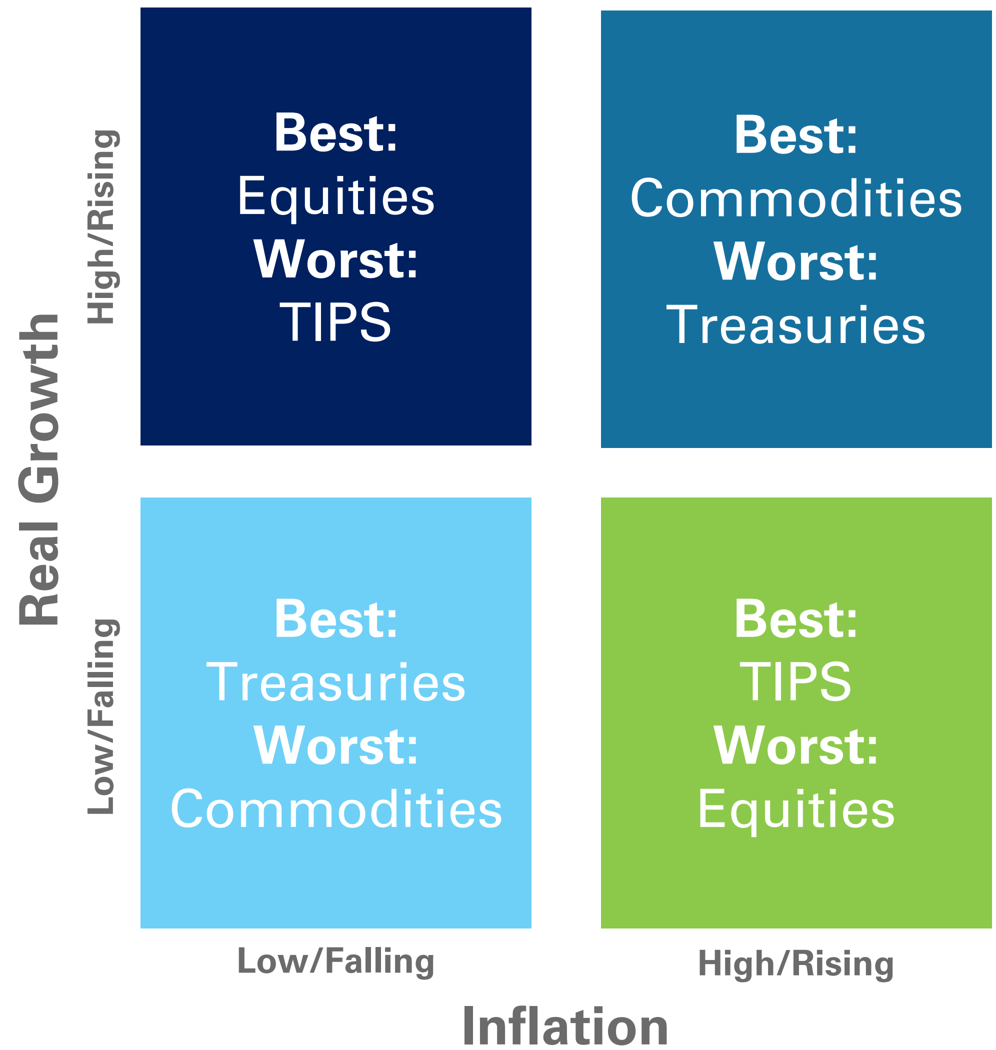
- Issued and backed by the U.S. Treasury
- Fixed coupon rate at issuance
- Taxable at the Federal level, exempt from State and Local

TIPS Differences:

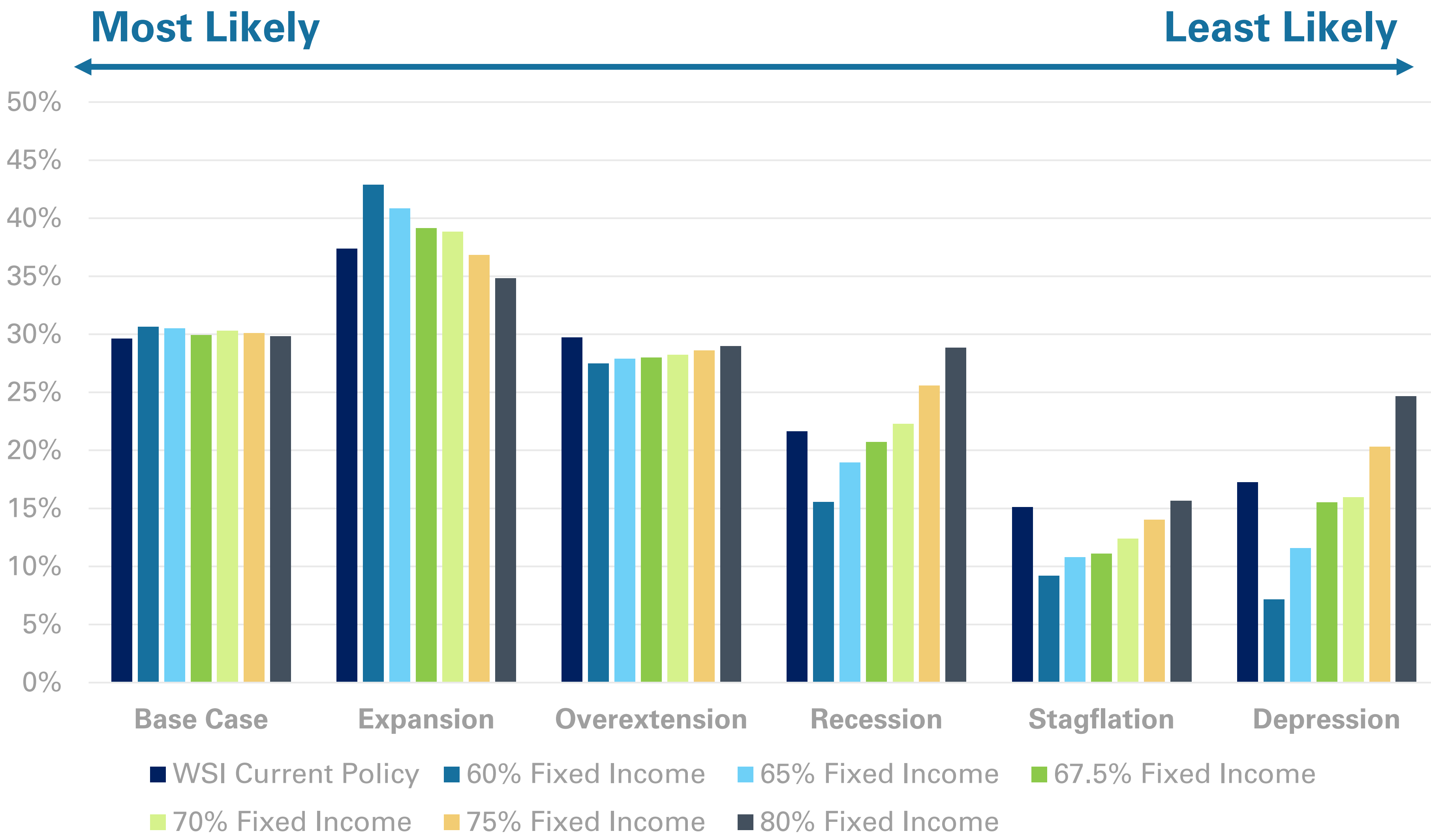
Principal Value	Value at Maturity	Volatility	Duration	Tax Treatment
TIPS value is inflation-adjusted based on CPI-U	TIPS are redeemed at the greater of inflation-adjusted and initial principal value	Value can fluctuate with changes in interest rates and CPI-U, making cash flows less predictable	A lower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

PORTFOLIO CONSTRUCTION

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



MACROECONOMIC SCENARIOS



SCENARIO ANALYSIS: REGIME DEFINITIONS

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

Expansion

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

Stagflation

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

Depression

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

Recession

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

Overextension

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

SCENARIO ANALYSIS: REGIME RETURNS

Expansion Scenario Returns*

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

Stagflation Scenario Returns*

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

Depression Scenario Returns*

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

Recession Scenario Returns*

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

Overextension Scenario Returns*

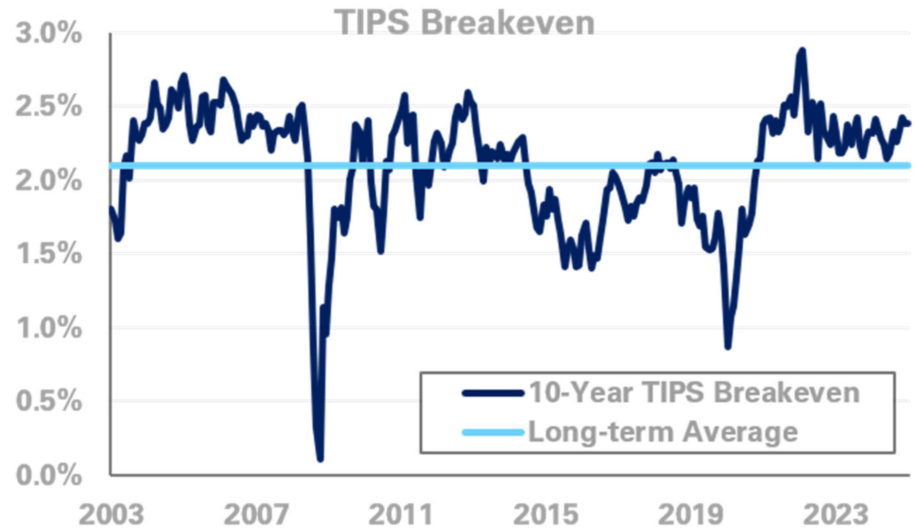
Cash: 5.5%
Treasuries: 4.7%
Long Treasuries: 5.5%
U.S. TIPS: 4.8%
U.S. IG Credit: 5.2%
High Yield Bonds: 4.5%
U.S. Large-Cap Equity: 4.2%
Emerging Market Equity: 5.6%
Commodities: 2.6%

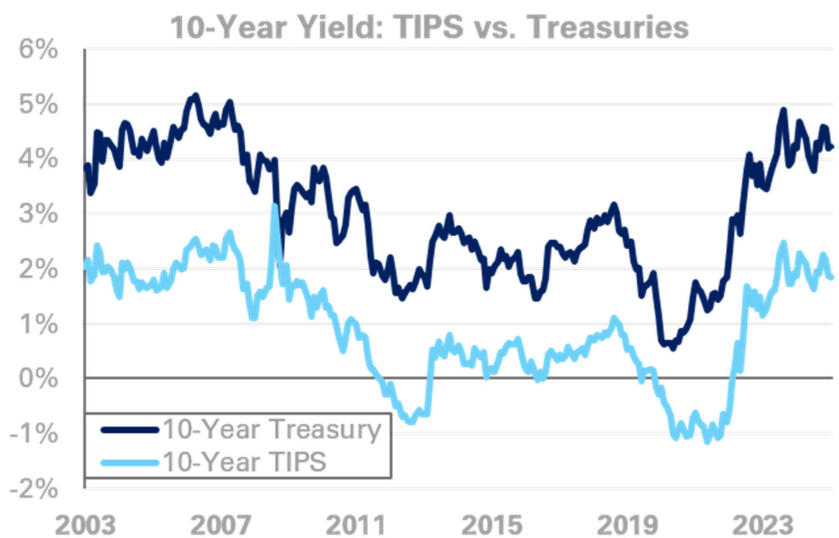
Notes: *Scenario returns are 5-year annualized returns, as of 12/31/2024

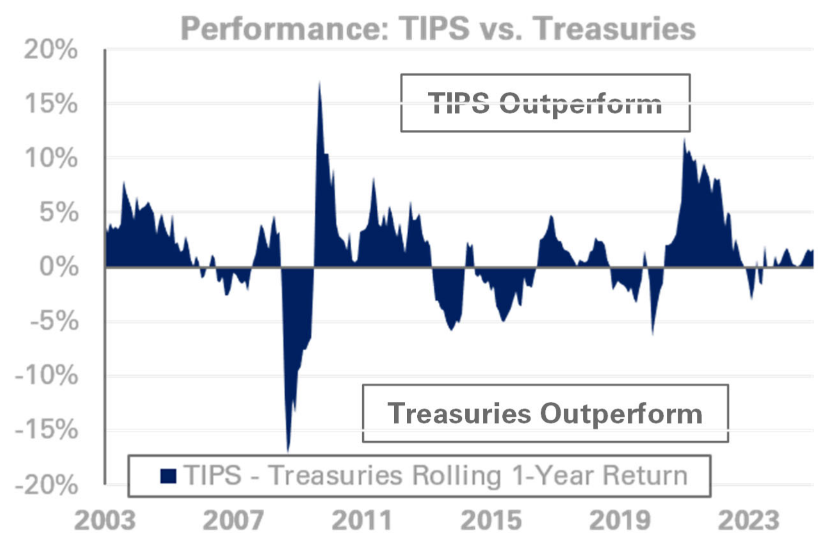
INFLATION EXPECTATIONS

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

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







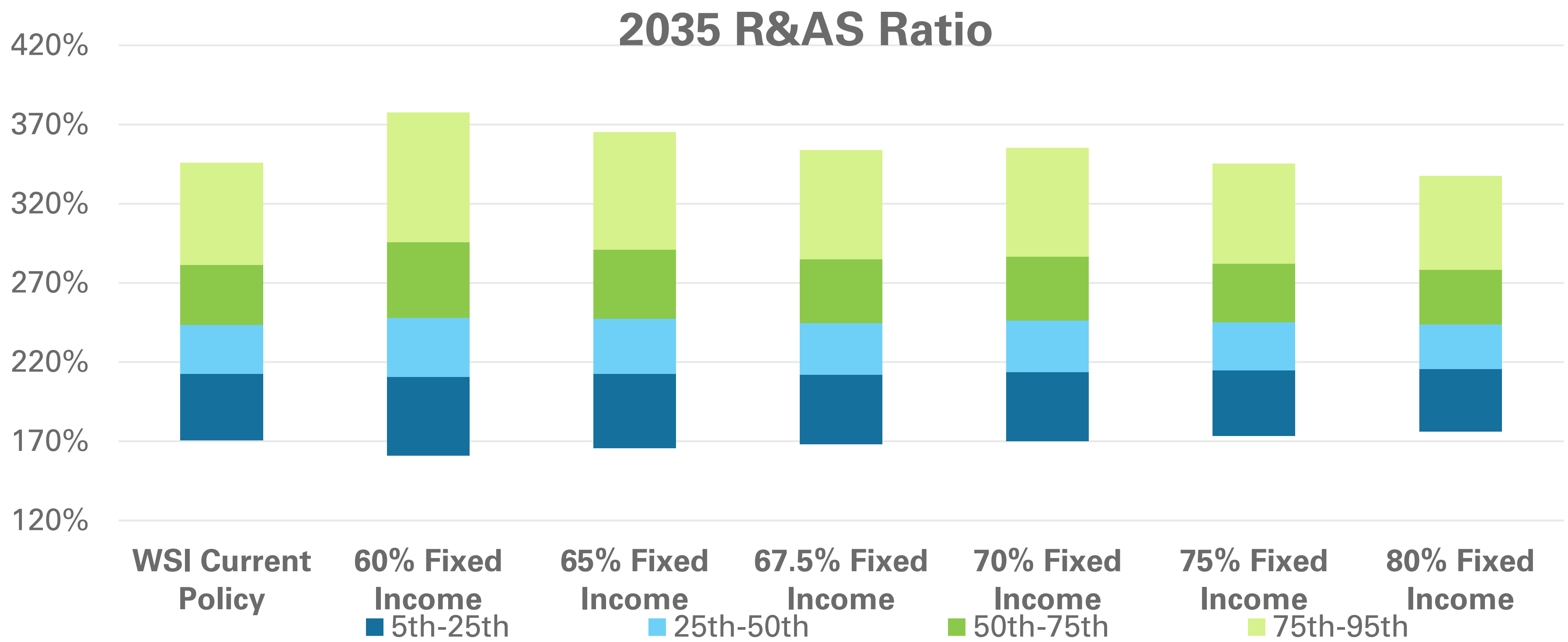
Source: FactSet, NEPC

RISKS

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

RESERVES & AVAILABLE SURPLUS RATIO

STOCHASTIC ANALYSIS

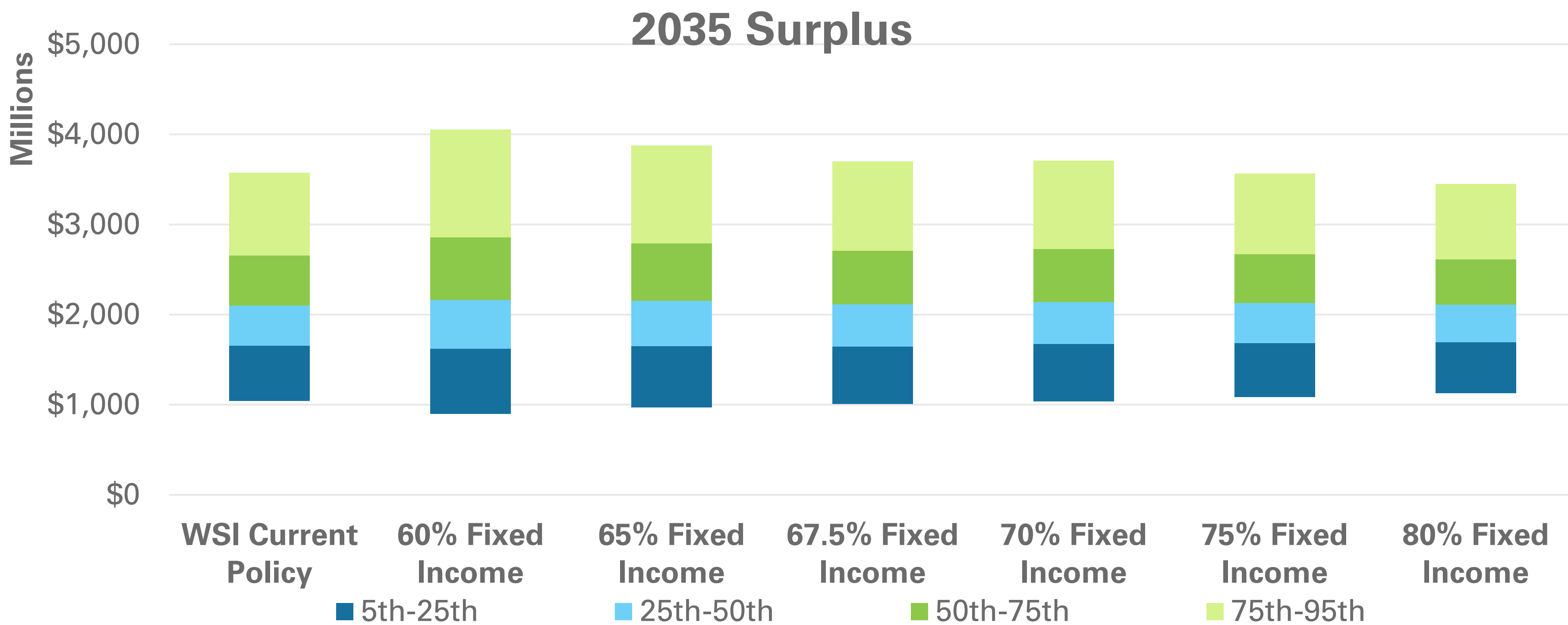


	WSI Current Policy	60% Fixed Income	65% Fixed Income	67.5% Fixed Income	70% Fixed Income	75% Fixed Income	80% Fixed Income
95th	355%	388%	375%	363%	364%	354%	346%
75th	288%	303%	298%	292%	293%	289%	285%
50th	249%	254%	253%	250%	252%	250%	249%
25th	217%	215%	217%	216%	218%	219%	220%
5th	173%	163%	168%	171%	173%	176%	179%

Notes:
Sources:

SURPLUS

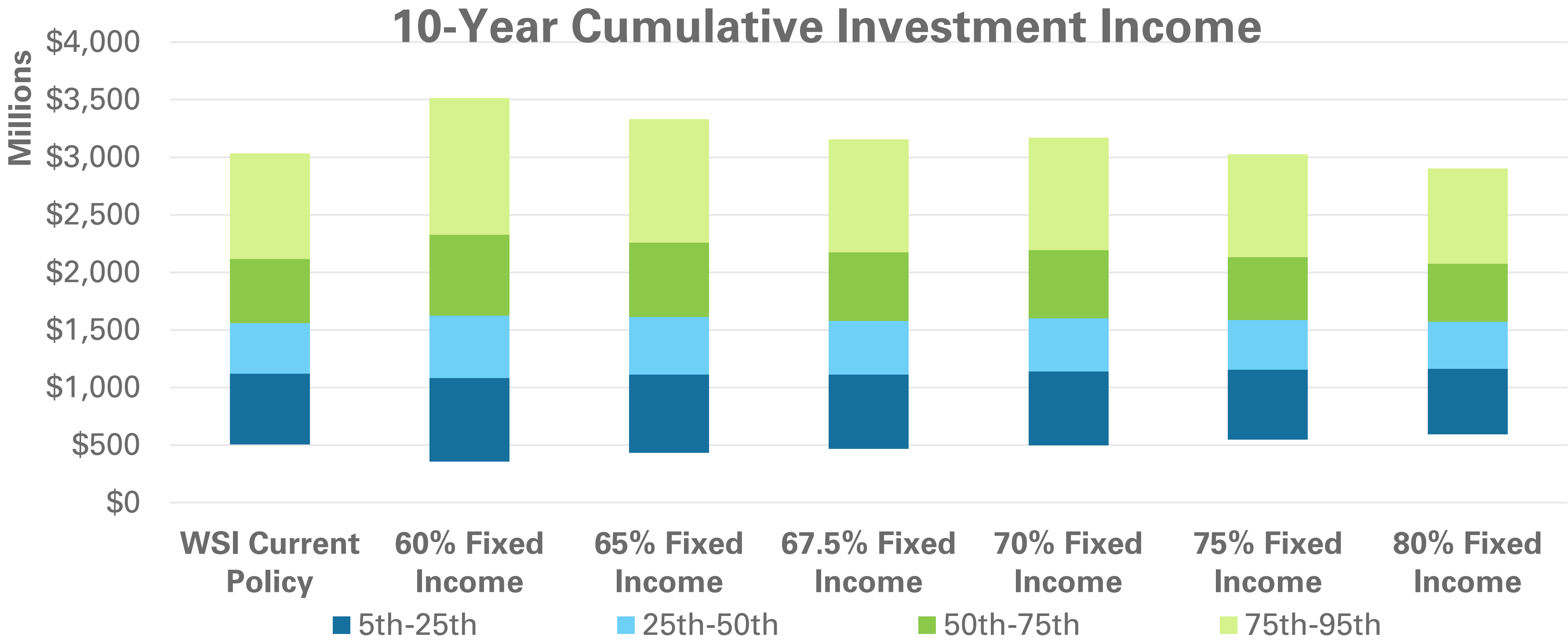
STOCHASTIC ANALYSIS



	WSI Current Policy	60% Fixed Income	65% Fixed Income	67.5% Fixed Income	70% Fixed Income	75% Fixed Income	80% Fixed Income
95th	3,574	4,055	3,878	3,697	3,711	3,563	3,448
75th	2,656	2,860	2,793	2,709	2,729	2,669	2,614
50th	2,101	2,161	2,151	2,115	2,139	2,128	2,111
25th	1,653	1,621	1,651	1,649	1,674	1,687	1,695
5th	1,044	899	970	1,009	1,035	1,088	1,127

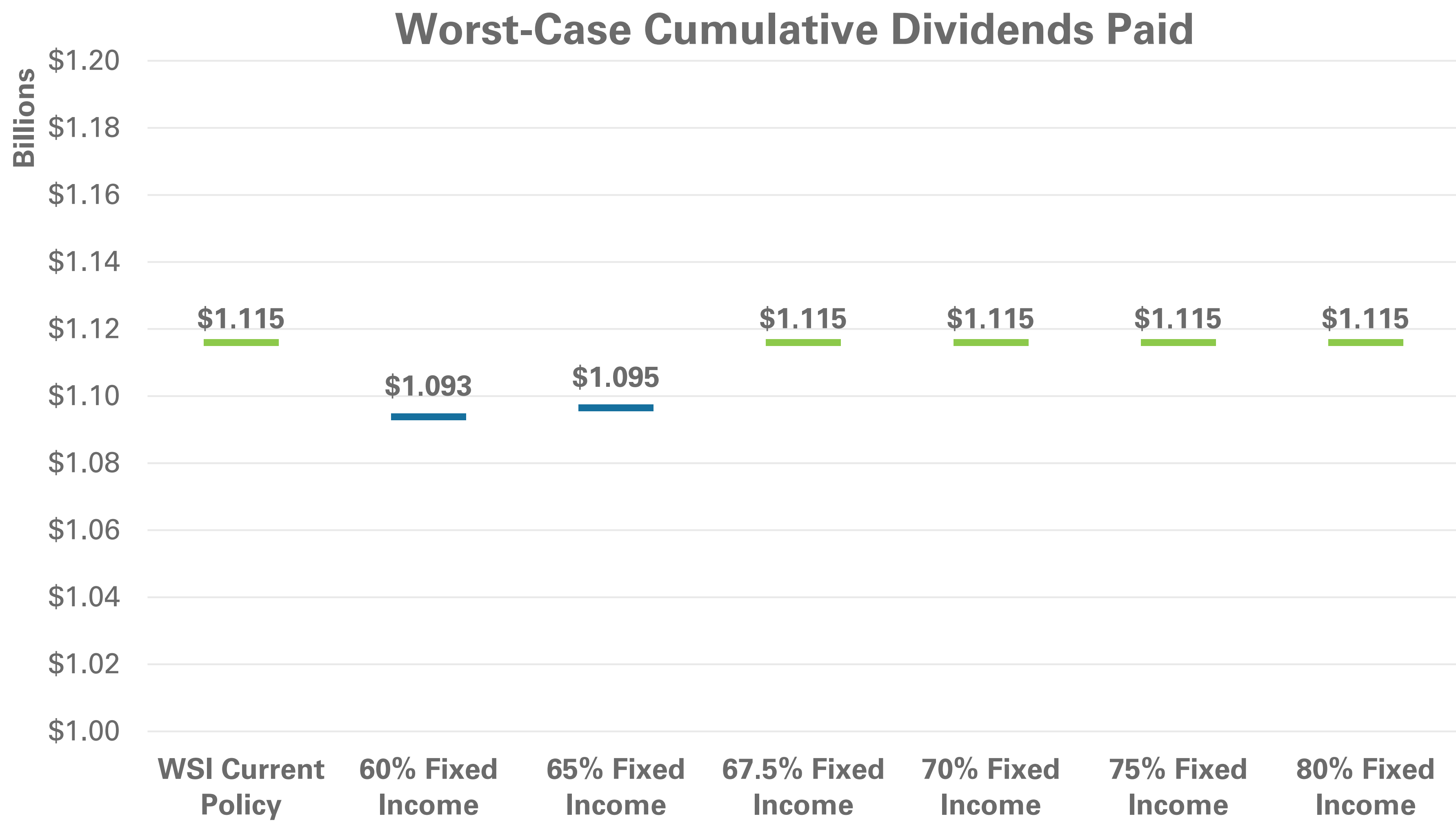
INVESTMENT INCOME

STOCHASTIC ANALYSIS



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

DIVIDEND
STOCHASTIC ANALYSIS



10-YEAR RETURN ASSUMPTION OVERVIEW

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

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

30-YEAR RETURN ASSUMPTION OVERVIEW

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

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PUBLIC EQUITY ASSUMPTIONS

BUILDING BLOCKS

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

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

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

FIXED INCOME ASSUMPTIONS

BUILDING BLOCKS

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

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

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

REAL ASSET ASSUMPTIONS

BUILDING BLOCKS

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

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

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

GENERAL DISCLOSURES

GENERAL DISCLOSURES

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INVESTMENT POLICY STATEMENT

Workforce Safety & Insurance Fund

I. Plan and Fund Overview

The North Dakota Workforce Safety & Insurance Fund (Fund) is an exclusive state workers' compensation fund, which exists for the mutual benefit of North Dakota employers and employees. The assets of the Fund are utilized to pay benefits to injured workers or their survivors.

North Dakota Century Code (NDCC) § 65-04-01 requires Workforce Safety & Insurance (WSI) to establish premium rates for funding sufficiently high to provide for:

1. The payment of the expenses of administration of the organization.
2. The payment of compensation according to the provisions and schedules contained in this title.
3. The maintenance by the Fund of adequate reserves and surplus to the end that it may be kept at all times in an entirely solvent condition.

Client Investment Objectives

The investment goal of the Fund is to supplement premiums, through various investments, to accomplish its statutory obligations. WSI expects the State Investment Board (SIB) to manage the Fund in accordance with the policies established in this Investment Policy Statement. These objectives and guidelines provide a basis for evaluating the effectiveness of the investment program over time. The objectives and standards are intended to be evaluated over the long term and have been established after consideration of the relevant factors described in this Investment Policy Statement.

WSI's operating and liquidity needs are generally expected to be met from the cash equivalents allocation.

II. Responsibilities and Discretion of the State Investment Board

The 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 this 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 the 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.

1. 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.
2. 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 WSI Board establishes the Fund's asset allocation, with input from consultants and the Retirement and Investment Office (RIO), based on an asset-liability study. Based on the most recent study, the following allocation was established. The asset allocation will be reviewed periodically and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Global Equity	**15%**	**5%**	**25%**
Public Equity	15%	5%	25%
Fixed Income	**75%**	**65%**	**85%**
Investment Grade Fixed Income	69%	59%	79%
High Yield Fixed Income	6%	0%	12%
Real Assets	**9%**	**4%**	**14%**
Real Estate	5%	0%	10%
Infrastructure	4%	0%	8%
Cash and Cash Equivalents	1%	0%	2%

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 satisfies the requirements set forth in 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 the conditions described below are satisfied.
    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.

Conditions for Economically Targeted Investments

Economically Targeted Investments are permitted only 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 is expected to provide 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 to permit distributions in accordance with the terms of the Fund.
4. The safeguards and diversity that a prudent investor would adhere to are present.

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 WSI Board (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks.
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 1% 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 1% 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.

IX. Implementation

This Investment Policy Statement is adopted upon execution by both signatories below. Following adoption, the revised target asset allocation, asset-class benchmarks, resulting policy benchmark, and other investment changes contemplated by this policy will be implemented as soon as practicable, taking into account market conditions, liquidity, transaction costs, operational requirements, and other relevant considerations. Until the revised allocation and benchmarks are implemented, the previously effective allocation and benchmarks will remain in effect for performance-measurement purposes.

Art Thompson	Scott M. Anderson
Director	Chief Investment Officer
Workforce Safety & Insurance	North Dakota Retirement and Investment Office
Date:	Date:

~~WORKFORCE SAFETY & INSURANCE~~

INVESTMENT POLICY STATEMENT

~~1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS.~~

Workforce Safety & Insurance Fund

I. Plan and Fund Overview

The North Dakota Workforce Safety & Insurance ~~(WSI~~Fund (Fund) is an exclusive state workers' compensation fund ~~(Fund),~~, which exists for the mutual benefit of North Dakota employers and employees. The assets of the Fund are utilized to pay benefits to injured workers or their survivors.

~~Section 65-04-01 of the~~ North Dakota Century Code (NDCC) § 65-04-01 requires Workforce Safety & Insurance (WSI) to establish premium rates for funding sufficiently high to provide for:

1. The payment of the expenses of administration of the organization~~,~~.
2. The payment of compensation according to the provisions and schedules contained in this title~~, and~~.
3. The maintenance by the Fund of adequate reserves and surplus to the end that it may be kept at all times in an entirely solvent condition.

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

~~The governing body of WSI 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. WSI fulfills this responsibility through its Board of Directors, under the oversight and approval of the Governor. 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. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.~~

~~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 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, procedures, and making decisions with~~

~~respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.~~

~~The SIB will implement changes to this policy as promptly as is prudent.~~

~~3. INVESTMENT OBJECTIVES.~~

Client Investment Objectives

The investment goal of ~~WSI~~the Fund is to supplement premiums, through various investments, to accomplish its statutory obligations.

~~The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members.~~ WSI expects ~~to receive results from~~ the State Investment Board (SIB ~~that are consistent~~) to manage the Fund in accordance with the policies ~~included herein~~established in this Investment Policy Statement. These objectives and guidelines ~~will~~ provide a basis for evaluating the effectiveness of the investment program over time. ~~It is clearly understood these~~The objectives and standards are intended to be ~~viewed~~evaluated over the long term and have been established after ~~full~~ consideration of ~~all~~the relevant factors ~~set out~~described in ~~the Statement of~~this Investment Policy Statement.

~~The~~WSI's operating and liquidity needs ~~of WSI~~ are generally expected to be met ~~by~~from the cash equivalents allocation.

~~Funds in excess of those required for operating and liquidity needs will be invested in domestic equity, international equity, real estate and fixed income securities. The objective of these assets is to obtain the maximum total return on investments consistent with safety of principal on funds in excess of those required for operating and liquidity needs.~~

~~4. STANDARDS OF INVESTMENT PERFORMANCE.~~

II. ~~The Fund's investment objectives and characteristics give rise to an~~Responsibilities and Discretion of the State Investment Board

The 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 this 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 ~~that is considered to have greater than a 50% probability~~, including liquidity requirements, diversification, and acceptable levels of ~~achieving the results desired. For~~risk.

- Develop procedures for the selection, retention, evaluation~~ purposes, the following~~, 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 ~~targets will apply:~~expectations.

~~The~~The SIB may also pool assets of the 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.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy ~~portfolio,~~benchmark over a minimum evaluation period of ~~five~~5 years.
2. ~~Risk, as~~The Fund's risk, measured by the ~~annual~~ standard deviation of net returns~~ for the Fund~~, should not exceed ~~that~~115% of the policy ~~portfolio by more than 100 basis points~~benchmark over a minimum evaluation period of ~~five~~5 years.

    ~~a. Risk adjusted excess returns of the Fund, net of fees and expenses, should match or exceed the policy benchmark over a minimum evaluation period of five years.~~

~~**5. POLICY AND GUIDELINES**~~

IV. Asset Allocation

The WSI Board establishes the Fund's asset allocation~~ policy developed herein is~~, with input from consultants and the Retirement and Investment Office (RIO), based on an ~~evaluation of WSI's ability and willingness to assume investment risk in light of WSI's financial goals and objectives. In recognition of these goals and objectives, coupled with a~~ asset-liability ~~-sensitive asset allocation~~ study~~ conducted by Callan Associates in February of 2022~~. Based on the most recent study, the following allocation was established. The asset allocation ~~is deemed appropriate for WSI. The portfolio mix shall~~will be ~~in accordance with the following asset allocation and~~ reviewed periodically ~~reviewed by WSI~~and updated when appropriate.

	Target Allocation	Minimum Allocation	Maximum Allocation
Global Equity	**15%**	**~~20~~5%**	**25%**
~~U.S.~~Public Equity	~~12~~15%	5%	25%
Fixed Income	**75%**	**65%**	**85%**
Investment Grade Fixed Income	69%	59%	79%
High Yield Fixed Income	6%	0%	12%
Real Assets	**9%**	**4%**	**14%**
Real Estate	5%	0%	10%
~~International~~Infrastructure	4%	0%	8%
Cash and Cash Equivalents	1%	0%	2%

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~~**Domestic Fixed Income**~~		~~**62%**~~
~~**Global Real Assets**~~		~~**17%**~~
~~- Diversified~~		
~~o TIPS~~	~~8%~~	
~~o Infrastructure/Timber~~	~~4%~~	
~~- Real Estate~~	~~5%~~	
~~**Cash Equivalents**~~		~~**1%**~~

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

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. ~~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. 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~~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 unhedged short sales or speculative margin purchases shall be made.~~

   ~~b. 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.~~

6. ~~For the purpose of this document, Social Investing is~~ Social Investing is prohibited unless it satisfies the requirements set forth in 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 funds for the purpose of obtaining ~~*and*~~an effect other than a maximized return at a prudent level of risk to the state~~."~~. (NDCC § 21-10-08.1)

~~5.~~7. Economically ~~targeted investing~~Targeted Investing is prohibited unless the ~~investment meets the Exclusive Benefit Rule~~conditions described below are satisfied.
   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,~~**Conditions for** ~~the purpose of this document, the Exclusive Benefit Rule is met~~**Economically Targeted Investments**

Economically Targeted Investments are permitted only 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~~is expected to provide 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~~Fund.
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 which will have a positive impact on the economy of North Dakota.~~

~~6. EVALUATION AND REVIEW.~~

~~Investment management of the Fund~~ 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 ~~the Fund's~~its investment objectives ~~and investment performance standards. Evaluation will be conducted quarterly by~~, with emphasis on rolling five-year results. Reports to the ~~SIB through its review of funds participating in the Insurance Trust.~~WSI Board (no less than annually) will include:

1. ~~Money~~A list of investment managers and their performance relative to benchmarks.
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 1% of total fund assets per month with a minimum of 3 business days' notice, subject to standard settlement timelines.
2. ~~1.~~ **Larger Withdrawals:** Withdrawals greater than 1% and up to 5% require 15 business days' notice to ensure appropriate liquidity planning and transaction coordination. These withdrawals will generally be ~~evaluated~~processed as of month-end, unless otherwise approved by the ~~SIB quarterly. In-state meetings will be held with the money managers at least annually~~Chief Financial Officer or Deputy Chief Financial Officer.

~~**Approved by:**~~

~~**WORKFORCE SAFETY & INSURANCE**~~	~~**STATE INVESTMENT BOARD**~~
~~Art Thompson~~	Scott M. Anderson
~~Art Thompson (Feb 24, 2025 16:44 CST)~~	
~~**Art Thompson**~~	~~**Scott M. Anderson**~~
~~**Director, WSI**~~	~~**Chief Investment Officer, RIO**~~
~~**Date:**~~ ~~02/24/2025~~	~~**Date:**~~ ~~02/24/2025~~

~~Recommended by WSI Board December 11, 2024~~
~~Approved by SIB January 24, 2025~~

WSI Investment Board Policy 2025

~~Created:~~ ~~2025-02-24~~

~~By:~~ ~~Emmalee Riegler (eriegler@nd.gov) Signed~~

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~~Agreement completed.~~

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3. **Extraordinary Withdrawals:** Withdrawals greater than 5% may materially impact the

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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.

IX. Implementation

This Investment Policy Statement is adopted upon execution by both signatories below. Following adoption, the revised target asset allocation, asset-class benchmarks, resulting policy benchmark, and other investment changes contemplated by this policy will be implemented as soon as practicable, taking into account market conditions, liquidity, transaction costs, operational requirements, and other relevant considerations. Until the revised allocation and benchmarks are implemented, the previously effective allocation and benchmarks will remain in effect for performance-measurement purposes.

Art Thompson Director Workforce Safety & Insurance Date:	Scott M. Anderson Chief Investment Officer North Dakota Retirement and Investment Office Date:

INVESTMENT POLICY STATEMENT

Water Projects Stabilization Fund

I. Plan and Fund Overview

The Water Projects Stabilization Fund (Fund) is a special fund, created in 2021 under North Dakota Century Code (NDCC) § 61-01-26.3. The Fund consists of all money transferred into the Fund and all interest and earnings upon moneys in the Fund. Moneys in the fund may be used for defraying planning and construction expenses of water-related projects.

The North Dakota State Water Commission (Trustee) is charged with the administration of the Fund and determines cash-flow and other liquidity needs of the Fund.

Client Investment Objectives

The investment objectives of the Fund reflect a low risk tolerance and short-term liquidity needs. Operating considerations shape the Fund's policies and priorities as outlined below:

1. Sufficient liquidity must be maintained as the Fund may be drawn down over the next few years. Cash equivalent and/or short-term fixed income shall be used to achieve this objective.
2. Growth of capital is minimal to preserve the real purchasing power of Fund assets as the potential exists for the investment term to be less than a few years.
3. Investment income may be used as a funding source. This will be achieved through a diversified portfolio of high quality, short-term fixed income and/or cash and cash equivalents.

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

1. The Fund's rate of return, net of fees and expenses, should match that of the policy benchmark over a minimum evaluation period of 5 years.
2. 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.

The Trustee's risk tolerance with respect to the management of the Fund's assets is low. The Trustee is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

IV. Asset Allocation

The Trustee establishes the Fund's asset allocation, with input from consultants and 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
Cash and Cash Equivalents	**100%**	**100%**	**100%**

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 satisfies the requirements set forth in 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 the unless the conditions described below are satisfied.
    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.

Conditions for Economically Targeted Investments

Economically Targeted Investments are permitted only 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 is expected to provide 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 to permit distributions in accordance with the terms of the Fund.
4. The safeguards and diversity that a prudent investor would adhere to are present.

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

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 Trustee (no less than annually) will include:

1. A list of investment managers and their performance relative to benchmarks.
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

Routine Withdrawals: The Client may withdraw up to 100% of total fund assets per month with a minimum of 3 business days' notice, subject to standard settlement timelines.

Reice Haase Commission Secretary North Dakota State Water Commission Date:	Scott M. Anderson Chief Investment Officer North Dakota Retirement and Investment Office Date:

INVESTMENT POLICY STATEMENT

Water Projects Stabilization Fund

I. Plan and Fund Overview

The Water Projects Stabilization Fund (Fund) is a special fund, created in 2021 under North Dakota Century Code (NDCC) § 61-01-26.3. The Fund consists of all money transferred into the Fund and all interest and earnings upon moneys in the Fund. Moneys in the fund may be used for defraying planning and construction expenses of water-related projects.

The North Dakota State Water Commission (Trustee) is charged with the administration of the Fund and determines cash-flow and other liquidity needs of the Fund.

Client Investment Objectives

The investment objectives of the Fund reflect a low risk tolerance and short-term liquidity needs. Operating considerations shape the Fund's policies and priorities as outlined below:

1. Sufficient liquidity must be maintained as the Fund may be drawn down over the next few years. Cash equivalent and/or short-term fixed income shall be used to achieve this objective.
2. Growth of capital is minimal to preserve the real purchasing power of Fund assets as the potential exists for the investment term to be less than a few years.
3. Investment income may be used as a funding source. This will be achieved through a diversified portfolio of high quality, short-term fixed income and/or cash and cash equivalents.

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- 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.

Deleted: *WATER PROJECTS STABILIZATION FUND¶*

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The Fund

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Deleted: 07, the prudent investor rule. 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

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Deleted: be invested exclusively for the benefit of the members

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Deleted: program not assigned to the SIB in Chapter 21-10

- 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.

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The Trustee's risk tolerance with respect to the management of the Fund's assets is low. The Trustee is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

IV. Asset Allocation

The Trustee establishes the Fund's asset allocation, with input from consultants and 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
Cash and Cash Equivalents	**100%**	**100%**	**100%**

Deleted: the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish

Deleted: for the operation of the investment program, consistent with this

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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,

Deleted: objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools

Deleted: 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 performance measurement services, consultants, report formats, and frequency of meetings with managers.¶
The SIB will implement changes to this policy as ... [4]

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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.

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    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.

Deleted: While the Trustee recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Trustee does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually. ¶
¶
6. RESTRICTIONS¶
While the SIB is responsible for establishing specific

Deleted: , and performance objectives

Deleted: the investment vehicles in which the Fund's assets will be invested, it is understood that:

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

1. A list of investment managers and their performance relative to benchmarks.
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.

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VIII. Withdrawals

Routine Withdrawals: The Client may withdraw up to 100% of total fund assets per month with a minimum of 3 business days' notice, subject to standard settlement timelines.

Reice Haase Commission Secretary North Dakota State Water Commission Date:	Scott M. Anderson Chief Investment Officer North Dakota Retirement and Investment Office Date:

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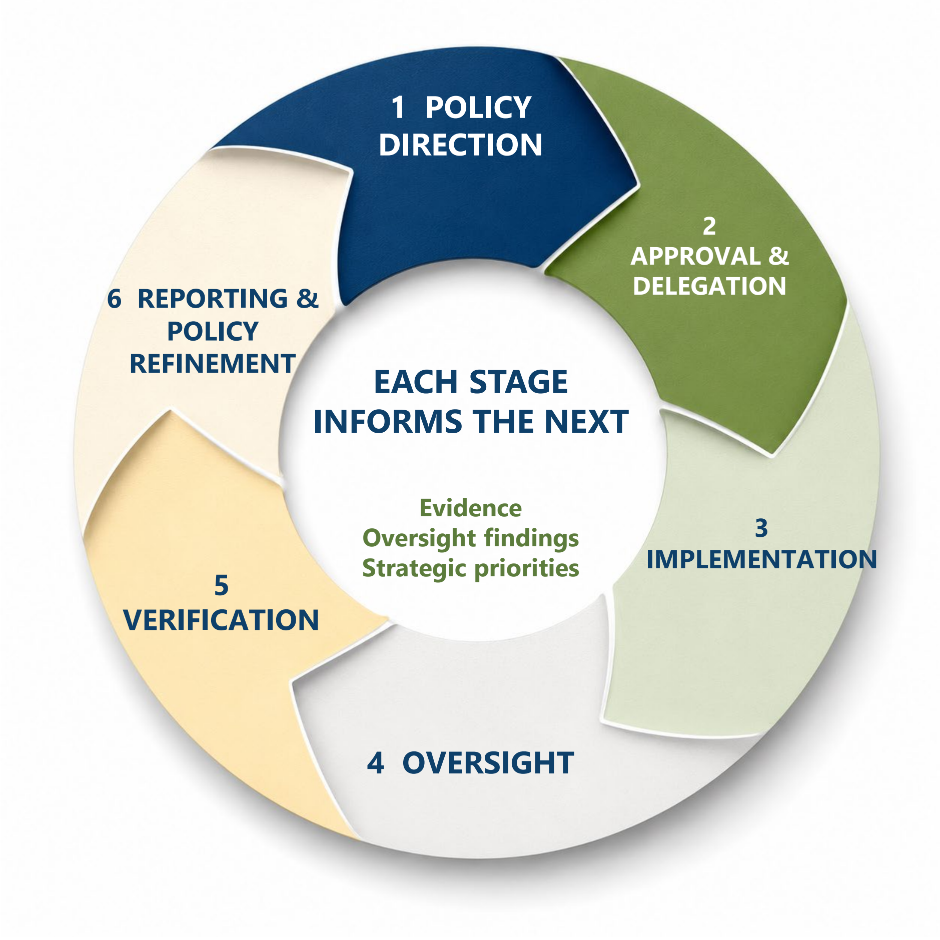
III.

North Dakota | Retirement & Investment

Investment Key Decisions

Continuous Governance Improvement



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

Fiscal Year 27' Q1 Jun-Sep Investment Governance Tasks

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

FIVE-YEAR GOVERNANCE CYCLE • FY27 Q1 decision package

Investment Beliefs

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

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

Performance Evaluation Measures

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

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

BOARD DECISION • Approve the performance evaluation measures and status thresholds

Performance Evaluation Measures – Asset Class

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

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

BOARD DECISION • Approve the performance evaluation measures and status thresholds

Tracking Error Thresholds – Active Risk Budget

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

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

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

BOARD DECISION • Approve the performance evaluation measures and status thresholds

Underperformance Thresholds

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

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

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

Manager Score Card - example

All Cap Domestic Equity

Manager	Performance	Event Risk	Overall
Arrowstreet US	●	●	●
Two Sigma	●	●	●

Large Cap Domestic Equity

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

Small Cap Domestic Equity

Manager	Performance	Event Risk	Overall
Northern Trust	●	●	●
Wellington	●	●	●

All Cap International Equity

Manager	Performance	Event Risk	Overall
Arrowstreet International	●	●	●
Principal	●	●	●

Key Decisions Motion

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

Definitions

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

KEY RELATIONSHIP • Active return = portfolio return − benchmark return

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

REFERENCE • Definitions apply throughout the Investment Key Decisions deck

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MEMORANDUM

TO: State Investment Board

FROM: Representative Glen Bosch, Chair, BFC, Adam Otteson, Chief Financial and Operating Officer

DATE: August 26, 2026

RE: Budget & Finance Committee Update

The Budget & Finance Committee (BFC) of the State Investment Board met virtually on August 13, 2026. This was the first meeting of the BFC as a newly established standing committee of the SIB.

Mr. Morrissette raised a structural concern that a three-member voting committee could create complications for open meetings when members discuss the RIO budget outside of a noticed meeting and suggested expanding the committee. Ms. Smith reported that a recommendation to add a fourth voting member — drawn from the TFFR board, given TFFR's vested interest in the agency budget — was advanced through the Governance and Policy Review Committee, with a first reading at the end of August.

Quarterly Budget Status Update

Mr. Otteson presented the budget and expense report for the quarter ending June 30, 2026 (Attachment 1), the closing of the first fiscal year of the biennium. Overall, the agency remains in sound position. The operating line is expected to be tighter going forward now that the Sagitec support contract is being paid monthly.

2027–29 Proposed Budget (Committee Action)

Mr. Otteson presented the draft base budget and optional packages that the agency proposes to forward to the full Board and submit to the Office of Management and Budget (OMB) (Attachment 2).

Board Action Requested: The Budget & Finance Committee recommends that the State Investment Board approve the RIO 2027–29 biennium budget request for submission to the Office of Management and Budget and subsequent consideration through the executive budget and legislative appropriation processes.

Attachment 1

Budget Status June 2026

Category	Q4 FY26 Budget	Q4 FY26 Actual	Q4 FY26 Variance	Q4 FY26 Variance Percent	Biennium to Date Budget	Biennium to Date Actual	Biennium to Date Variance	Biennium to Date Variance Percent
Salaries **	$1,510,088	$1,458,551	$51,537	3.41%	$6,040,352	$5,571,040	$469,312	7.77%
New and Vacant Pool **	38,746	0	38,746	100.00%	154,983	0	154,983	100.00%
Operating Expenses	473,142	529,495	-56,353	-11.91%	1,892,567	1,621,007	271,560	14.35%
Contingency	25,000	0	25,000	100.00%	100,000	0	100,000	100.00%
Total	**$2,046,975**	**$1,988,046**	**$58,929**	**2.88%**	**$8,187,902**	**$7,192,047**	**$995,855**	**12.16%**

Continuing Authority

	Q4 FY 26*	Q4 FY 25*	Q4 FY26* Variance	Q4 FY26* Variance Percent	Fiscal Year to Date* FY 26	Fiscal Year to Date* FY 25	Fiscal Year to Date* Variance	Fiscal Year to Date* Variance Percent
Expenditures	$12,723,820	$6,929,877	$5,793,943	45.54%	$111,843,972	$99,138,638	$12,705,333	11.36%

* Year-end fee reporting is pending receipt of all quarterly reports. Private market and limited partnership reports for Q4 have not been fully received. Fee figures included herein reflect fees paid directly through Q4 and fees netted from managed accounts through Q3. Final figures will be updated upon receipt of all outstanding reports.

** $155,850 was transferred from the New and Vacant FTE pool to the Salaries line to fund a newly hired FTE.

Attachment 2

2027–29 Biennium

Base Budget and Optional Packages

Base budget of $16,523,473 plus seven optional packages totaling $24,049,321

Total budget request: $40,572,794 • 16 new FTE

North Dakota Retirement and Investment Office

2027–29 Fund Request Limit

$16,523,473
Biennial Base Budget

$16,547,594
25-27 Approved Budget

–$24,121
Adjustments

$16,523,473
2027–29 Fund Request Limit

Base Budget Composition

	Base budget	Adjustments	Request limit
Salaries and benefits	$12,562,461	$225,879	$12,788,340
Operating expenses	$3,985,133	($250,000)	$3,735,133
Total	**$16,547,594**	**($24,121)**	**$16,523,473**

No Base Budget Adjustments

RIO is not subject to recommended base budget adjustments.

All RIO expenses — investment fees and operating costs alike — are paid by the client funds themselves, not the State General Fund. There is no draw on the General Fund.

Adjustments are cost-to-continue salary increases of $225,879, less removal of a $250,000 one-time professional services item — a net reduction of $24,121.

SUMMARY

Optional Packages at a Glance

All figures are biennial totals for 2027–29.

Package	Description	New FTE	Request
1	Adequate Minimum Staffing	12	$5,762,220
2	Large IT Project — Accounting, Data Repository and Reporting	0	$15,500,000
3	TFFR Staff and Pension System Enhancements	2	$846,936
4	Salary Cost to Continue and Equity	0	$1,201,079
5	IT Hosting, Support and Equipment	0	$361,866
6	Application Support Realignment (net of NDIT offset)	2	-$172,780
7	Professional Services	0	$550,000
	Optional packages subtotal	**16**	**$24,049,321**
	Base budget — 2027–29 fund request	—	$16,523,473
	Total budget request	**16**	**$40,572,794**

OPTIONAL PACKAGE #1

Adequate Minimum Staffing

$5,762,220
Biennial Total

12
New FTE Requested

$4,992,814
Salaries and Benefits

$769,406
Operating Costs

Positions Requested

Function	FTE	Detail
Investment	6	Two senior investment roles at $220,000, two at $150,000, two at $120,000
Fiscal / Operations	3	Two unclassified operational roles at $100,000; one accountant at $87,756
Chief Risk Officer	1	Agency-wide risk function at $240,000
Legal Counsel	1	In-house counsel at $250,000
Internal Audit	1	Classified audit position at $87,756
Total	**12**	Combined annual salary $1,845,512; benefits $650,895

Operating costs include a building rent increase of $139,770, a statewide cost allocation increase of $130,991, and one-time facility costs of $195,000 for conference room build-out and remodel.

The Need

- AUM rose from $23.6B (Dec 2024) to $29B (June 2026); projected above $30B by Dec 2026
- 2025 independent governance review: staffing two to three times below peer median
- No in-house legal counsel; no dedicated agency-wide risk function
- Internal audit has no capacity for the expanded investment program

Impact if Not Funded

- Staff cannot keep pace with program growth, raising operational risk
- Board remains without dedicated visibility into agency-wide risk

OPTIONAL PACKAGE #2

Large IT Project — Accounting, Data Repository and Reporting

$15,500,000
Biennial Total

$15,500,000
Accounting System, Data Repository, Analytics and Reporting

2
Active Procurement Evaluations

Sept 2029
Dynamics GP End of Support

The Need

- Dynamics GP loses support after Sept 2029; replacement takes at least a year
- No centralized data repository or purpose-built reporting tools
- Peer state investment programs treat both as standard

The Request

- Integrated stack: accounting system, data repository, and reporting tools
- NDIT project manager assigned; vendor professional services provide technical capacity
- No new FTE requested

Impact if Not Funded

- Accounting system runs unsupported after Sept 2029 — no security patches or updates
- Investment team continues relying on manual, fragmented data processes

OPTIONAL PACKAGE #3

TFFR Staff and Pension System Enhancements

$846,936
Biennial Total

2
New FTE: Employer Services and Compliance

$360,000
Pension Administration System Enhancements

72%
Below Peer Staffing Average (CEM)

The Need

- 2026 CEM study: 5.1 FTE per 10,000 members vs. peer average of 18.5
- Employers not audited in seven years; mis-reporting cleanup diverts member service staff from core duties
- Contact center scored 54 vs. peer median of 61
- Vendor support dropped from 8 FTE under warranty to 0.5 FTE after

The Request

- 2 FTE: Employer Services Specialist and Compliance Officer
- $360,000 for Sagitec support and system enhancements after the 2025 go-live

Impact if Not Funded

- Reporting errors accumulate at the source; employer audits cannot resume
- Cleanup diverts staff from direct service to ~25,000 members, threatening benefit accuracy
- System remains without multi-factor authentication

OPTIONAL PACKAGE #4

Salary Cost to Continue and Equity

$1,201,079
Biennial Total

$1,013,618
Salary Adjustments

$187,461
Fringe Benefits

13
Promotions and Responsibility Increases

The Need

- AUM growth to ~$29B and direct investment expansion have raised role scope and skill
- Roughly 70% of staff have been in their roles less than two years
- A single investment departure removes about 7% of investment capacity

The Request

- $565,000 salary adjustments, plus benefits, for promotions and responsibility increases (Package 7 salary study would validate market alignment; otherwise validated by other means)
- $514,604 cost to continue July 2026 equity adjustments No new FTE and no operating or space costs

Impact if Not Funded

- Duties-to-pay gap creates retention risk in specialized roles
- Turnover during technology transition would compound operational risk

OPTIONAL PACKAGE #5

IT Hosting, Support and Equipment

$361,866
Biennial Total

$112,532
Net NDIT Rate Increase After Offset

$195,534
Pension System Contract Escalators

$53,800
20 Computers Due for Replacement

The Need

- NDIT rates up ~$153,488, offset by $40,956 in desktop support fee reductions
- TFFR pension system contract carries built-in escalators now that warranty has ended
- 20 computers at or near end of life

The Request

- Covers net NDIT increase, contract escalators, and 20 computer replacements
- Computer replacement cost exceeds the NDIT fee reduction by $12,844
- No new FTE requested

Impact if Not Funded

- No appropriation authority to pay increases owed under existing contracts
- Potential service impacts, including timely payment of retiree pension benefits
- Deferred replacements extend aging equipment life and raise security exposure

OPTIONAL PACKAGE #6

Application Support Realignment

-$172,780
Biennial Total

2
Application Support Positions Realigned

$626,660
Personnel and Operating Costs

$799,440
Offsetting NDIT Chargeback Reduction

The Need

- Two NDIT positions already dedicate most of their time to RIO's specialized applications
- IT support priorities are set outside the agency, competing with other state entities
- Work is not sequenced against RIO's close calendar and project timelines

The Request

- 2 FTE within RIO's structure, with corresponding appropriation adjustments
- Costs allocated 70% to TFFR, 30% to the investment program
- Existing leased space is sufficient; operating covers workstations and equipment

Impact if Not Funded

- Positions stay at NDIT, funded indirectly through chargebacks
- No direct supervisory accountability
- Institutional knowledge of specialized applications at risk if positions turn over or if NDIT reassigns staff

OPTIONAL PACKAGE #7

Professional Services

$550,000
Biennial Total

$250,000
Governance Consulting

$150,000
Comprehensive Salary Study

$150,000
Audit Software and External QA Review

The Need

- Internal audit lacks dedicated software and has never had an external QA review
- Last salary study was performed at a significantly lower asset level and when the investment program was less complex
- Incentive compensation plan requires market-based pay ranges refreshed every two years
- SIB's June 2026 governance policy system requires implementation support

The Request

- $250,000 governance consulting: board education, trustee onboarding, ED evaluation, exception-based reporting
- $150,000 comprehensive salary study
- $100,000 audit software implementation; $50,000 external QA review

Impact if Not Funded

- Internal audit continues without required tools or external validation
- Incentive compensation plan lacks the market data it requires for defined salary ranges
- SIB left without professional support to implement its adopted governance policy system

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MEMORANDUM

TO: **State Investment Board**

FROM: **Dr. Rob Lech, Chair, Executive Review and Compensation Committee**

DATE: **August 26, 2026**

RE: **ERCC Recommendations: Third-Party Executive Director Review and Executive Director Goals**

The Executive Review and Compensation Committee (ERCC) met on August 11, 2026. The Committee reviewed its charter, considered the requirement for an independent third-party advisor to prepare and facilitate the annual Executive Director performance evaluation, and reviewed proposed goals for the Executive Director.

The Committee brings two recommendations to the State Investment Board, each of which requires Board action.

Item 1. Engagement of an Independent Third-Party Advisor

The ERCC Charter requires a formal evaluation of the Executive Director during the first half of each calendar year and directs that the evaluation be prepared and facilitated either by the Chief Legal Officer or by a third party. The Charter further provides that an independent third-party advisor be used, as appropriate, to facilitate executive performance evaluations and compensation benchmarking to preserve objectivity and independence, and that Internal Audit may observe or verify process integrity but may not lead executive performance assessments.

RIO does not have a Chief Legal Officer. With the first path unavailable, engagement of a third party is the only route by which the Charter's requirements can be satisfied on schedule.

Committee recommendation

The Committee recommends proceeding by negotiating a Statement of Work under RIO's existing Independent Governance and Risk Advisory Services Contract with Funston Advisory Services, rather than through a separate informal procurement.

That contract expressly contemplates underlying projects on an as-needed basis, including the design and facilitation of Board, executive, and staff evaluations. Proceeding under the existing agreement is the fastest path to engagement, which matters given the first-half-2027 deadline; contract terms, insurance, and indemnification are already in place; and the firm has current knowledge of the Board's governance framework.

Scope of the engagement

Subject to the Committee's direction, the engagement would cover:

- Design and administration of the annual surveys of the Executive Director with the SIB, SIB client funds, and RIO team members.
- Compilation and analysis of survey results.
- Preparation of the Committee's evaluation materials and a written summary of findings.
- Facilitation of the Committee's evaluation discussion.
- An annual summary of the reports submitted to the SIB by the Executive Director and Chief Investment Officer in connection with the Board's review of policy adherence.
- Preparation of the results in a form suitable for reporting to both the SIB and the TFFR Board.
- Redesign of the Executive Director evaluation to provide more timely feedback, as recommended by the 2025 independent governance review, so that the improved process is in place for the 2027 cycle.

Item 2. Executive Director Goals

The Committee discussed goals for the Executive Director and recommends that the Board adopt them as the basis for the annual performance evaluation.

Goal 1. Operationalize the governance system across both boards

Move the Governance Policy System from an adopted document to the way both boards operate and establish the parallel system for TFFR.

Measures

- Every decision in the GPS decision register resolved or scheduled, with a documented status for each at year end.
- TFFR Governance Policy System drafted, reviewed by the Governance and Policy Review Committee, and presented to the TFFR Board for consideration and approval.
- Updated board education program launched, with a published release schedule and completion tracked by trustee.

Goal 2. Deliver the transparency commitment

Meet the disclosure obligations set in statute and the standards of best practice and make the information genuinely usable by the public.

Measures

- Legacy Fund public website launched by the end of October 2026, meeting accessibility standards at launch rather than after.
- Work with the transparency score from Funston to improve transparency, with quarterly re-assessment.

Goal 3. Build capacity to match the growth of the funds

Sustain service, controls, and staff stability while assets under management grow faster than resources.

Measures

- Accounting and data repository system procurement completed and implementation planned, within appropriation authority.
- Service levels maintained across all client funds throughout the period, with no material control failure or audit finding.
- Staffing and vendor arrangements documented against the growth in assets under management, with a defensible cost basis per dollar managed.
- Executive team retained and succession arrangements documented for key positions.
- Biennial budget request built and defended on the growth in assets and the operational requirements that growth creates.

Board Action Requested

1. Authorize the engagement of an independent third-party advisor to prepare and facilitate the annual Executive Director performance evaluation, with scope, selection, and oversight directed by the ERCC Chair, and direct RIO to negotiate a Statement of Work under the existing Independent Governance and Risk Advisory Services Contract with Funston Advisory Services.
2. Adopt the Executive Director goals set out in Item 2 as the basis for the annual performance evaluation.

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MEMORANDUM

TO: **State Investment Board**

FROM: **Joe Heringer, Land Commissioner, Chair, Jodi Smith, Executive Director**

DATE: **August 26, 2026**

RE: **Governance Policy System — Recommended Amendments (First Reading)**

The Governance and Policy Review (GPR) Committee met on August 12, 2026, and considered a consolidated set of amendments to the Governance Policy System (GPS). The Committee reviewed each item and the accompanying red-line at Exhibit A.

> **The Committee unanimously approved the recommendation to amend the GPS as set out in Exhibit A and to forward the amendments to the State Investment Board for a first reading.**

This memorandum presents those amendments as the first reading. No Board action to adopt is requested at this meeting; a second reading and action are anticipated at the Board's next regularly scheduled meeting.

Summary of Recommended Amendments

Item 1. Statutory Citation Corrections — Exhibit A, items A-1 through A-18

Review of the Oath of Office section identified four statutory citations in the GPS that do not correspond to the subject matter of the provisions in which they appear. Each recurs in multiple places, appearing eighteen times in total across the Conflicts of Interest, External Communications, Board Access to Confidential Information, Trustee Travel, Oath of Office, and Use of Artificial Intelligence policies.

GPS provision	Cited in GPS	What the cited section actually covers	Correct citation
Oath of office	44-04-10	Nepotism violation — penalty	44-01-05 — Oath of civil officers
Records retention	44-04-30	Records of the State Fire Marshal	ch. 54-46 — records management
Minutes and annual reaffirmation	44-04-19	Access to public meetings	44-04-21 — open voting and minutes

GPS provision	Cited in GPS	What the cited section actually covers	Correct citation
Applicable investment standard	54-52-02.9	Temporary employee participation in PERS	ch. 59-17 — prudent investor standard

These are corrections rather than substantive policy changes, but they should be made before the document is relied upon. Exhibit A sets out each of the eighteen locations in red-line and constitutes the complete list of affected provisions.

Item 2. Governance Calendar — Committee Count — Exhibit A, item A-19

The governance calendar in the GPS refers to six standing committees. The Board currently has five:

- Audit, Risk and Compliance Committee
- Executive Review and Compensation Committee
- Governance and Policy Review Committee
- Investment Committee
- Budget and Finance Committee

The amendment corrects the reference to five.

Item 3. Budget and Finance Committee — Composition

Review of the Budget and Finance Committee's membership identified significant potential for a quorum of the State Investment Board to occur during the legislative session, which would inadvertently create an open meeting. Constituting the Committee with four members prevents that result.

The recommendation is to amend the Budget and Finance Committee charter to include an appointee from the TFFR Board and to fix committee size at four members. This resolves the quorum exposure and reflects the interest TFFR holds in the matters the Committee oversees.

Board Action Requested

Accept the first reading of the following amendments to the Governance Policy System, as recommended by the Governance and Policy Review Committee:

1. The citation corrections are set out in Exhibit A, items A-1 through A-18.
2. The correction to the governance calendar is set out in Exhibit A, item A-19, to reference five standing committees.
3. The amendment to the Budget and Finance Committee charter to include an appointee from the TFFR Board and to fix committee size to four members.

Attachment: Exhibit A — Governance Policy System, Proposed Amendments in Red-Line

EXHIBIT A

Governance Policy System — Proposed Amendments in Red-Line

August 12, 2026

How to read this exhibit: Text to be removed appears ~~struck through in red.~~ Text to be added appears **underlined in red**. Unchanged text appears in black. Each amendment is preceded by the GPS section it affects.

PART A — NON-INVESTMENT AMENDMENTS

A-1. Conflicts of Interest - Disclosure - Purpose

This policy is adopted pursuant to NDCC § 21-10-01 et seq. and applicable fiduciary standards under NDCC § ~~54-52-02.9~~ **59-17** *to ensure that Trustees act solely in the interest of beneficiaries and maintain independence from actual or perceived conflicts of interest.*

A-2. Conflicts of Interest - Disclosure - 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~~ **59-17** *and applicable law.*

A-3. Conflicts of Interest - Disclosure - Recusal

The disclosure shall be recorded in the meeting minutes consistent with NDCC § ~~44-04-19~~ **44-04-21***;*

A-4. Conflicts of Interest - Public Records

Disclosure forms and related materials shall be maintained in accordance with NDCC § 44-04-18 and § ~~44-04-30~~ **54-46***. Confidential investment information shall be handled consistent with NDCC § 44-04-22.*

A-5. External Communications - 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~~ **54-46***.*

A-6. Board Access to Confidenital Information - Conduct Policy - Purpose

This policy is adopted pursuant to NDCC § 21-10-01 et seq. and applicable fiduciary standards under NDCC § ~~54-52-02.9~~ **59-17** *to assure that Board members have timely and appropriate access to information required to fulfill fiduciary duties, while safeguarding confidential, sensitive, and market-moving information protected under NDCC § 44-04-22 and preserving the integrity of the SIB's governance and operating model.*

A-7. Board Access to Confidenital Information - Conduct Policy - Scope

This policy governs information requests beyond the materials routinely provided in Board and Committee meeting packets. Materials included in approved meeting packets are, by definition, accessible to Board and Committee members in accordance with NDCC § ~~44-04-19~~ **44-04-21** *and confidentiality protections under § 44-04-22.*

A-8. Board Access to Confidenital Information - Conduct Policy – Information Handling and Security

Public records retention requirements under NDCC § ~~44-04-30~~ **54-46** *apply to all communications regardless of channel.*

A-9. Trustee Travel Policy - Purpose

Trustee travel shall support the Board's fiduciary obligations under NDCC § 21-10-01 et seq. and NDCC § ~~54-52-02.9~~ **59-17.**

A-10. Oath of Office – Statutory Requirement

Each Trustee shall execute the oath of office required under NDCC § ~~44-04-10~~ **44-01-05** *and §54-06-01 prior to participating in Board deliberations or voting.*

A-11. Oath of Office – Fiduciary Acknowledgement

Duty of care consistent with the prudent investor/prudent expert standard under NDCC § ~~54-52-02.9~~ **59-17.**

A-12. Oath of Office – 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~~*__**44-04-21**__.

A-13. Oath of Office – Records Retention

*Executed oaths shall be maintained in permanent Board records consistent with NDCC§ ~~44-04-30~~*__**ch. 54-46**__.

A-14. Use of Artificial Intelligence - 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~~ **59-17**, *protects confidential information under NDCC § 44-04-22, and complies with applicable open records and open meetings laws.*

A-15. Use of Artificial Intelligence – Guiding Principles – Fiduciary Primacy

AI tools may support but shall not replace the exercise of independent fiduciary judgment required under NDCC § ~~54-52-02.9~~ **59-17**.

A-16. Use of Artificial Intelligence – Guiding Principles – 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~~ **54-46**.

A-17. Use of Artificial Intelligence – 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; and 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~~ **59-17**.

A-18. Use of Artificial Intelligence – 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~~ **54-46***. Prompt histories or AI interactions that materially inform recommendations to the Board shall be retained as part of the decision-support record.*

A-19. Governance Calendar — Board & Committee Schedule

This is the State Investment Board's working governance calendar for the full Board and all ~~six~~ **five** *standing committees.*

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MEMORANDUM

TO: State Investment Board

FROM: Treasurer Thomas Beadle, Chair, ARCC, Sara Seiler, Director of Internal Audit

DATE: August 26, 2026

RE: Audit, Risk & Compliance Committee Update

The Audit, Risk & Compliance Committee (ARCC) met on August 13, 2026. The Committee reviewed year-end Internal Audit activities, current audit plan execution, outstanding audit recommendations, co-sourced Internal Audit activities, and the development of RIO's enterprise risk management framework.

FY2026 Internal Audit and Charter Review

The Committee completed its annual review of responsibilities under the Audit Committee Charter and confirmed that the Committee fulfilled its assigned responsibilities during Fiscal Year 2026.

Internal Audit also presented its FY2026 year-end activities. The approved annual audit plan was completed, with assurance work covering investment, retirement, fiscal, governance, and operational processes. Internal Audit also provided advisory support related to governance modernization, fiscal and investment processes, policy and procedure development, and enterprise risk activities.

Internal Audit continued to coordinate RIO's external audit activities, including the annual financial statement audit and GASB 68 employer audit processes.

FY2027 Internal Audit Activities

Internal Audit presented a new oversight dashboard designed to provide the Committee with exception-based reporting on the execution of the FY2027 Internal Audit Plan.

Current audit activities are on schedule with no significant issues affecting execution of the approved audit plan. Work currently underway includes:

- Public Markets Internal Investments Audit
- Investment and Fiscal User Role Review
- NeoSpin testing
- external audit coordination

- ongoing follow-up of audit recommendations

Upcoming work includes the Procurement Lifecycle Audit and Data Governance Audit, along with advisory and Internal Audit operational activities.

Audit Recommendations

The Committee reviewed the status of outstanding Internal Audit recommendations. Internal Audit will continue monitoring corrective actions and reporting progress through the recommendation tracking process.

Co-Sourced Internal Audit Activities

Weaver provided an update on its support of RIO's Internal Audit function. The Public Markets Internal Investments Audit is currently in progress and is evaluating risks and controls associated with internally managed equity and fixed-income portfolios, including governance and reporting, portfolio construction, trade execution, and investment risk processes.

Enterprise Risk Management

The Committee received an update on development of RIO's enterprise risk management framework. Under the Governance Policy System. Staff is developing an Enterprise Performance Risk Management framework designed to use existing performance and risk indicators to identify emerging issues, monitor performance against established tolerances, and support exception-based reporting to the Board and its committees.

The framework and supporting dashboard remain under development and will be presented to the ARCC in November for review and a recommendation to the State Investment Board for approval.

Governance and Fiduciary Education

The Committee also received an overview of the Board Smart fiduciary education program. The program will provide SIB and TFFR trustees with structured education modules, including an Audit, Risk & Compliance Governance series addressing financial reporting and audit oversight, internal controls, enterprise and operational risk, compliance and ethics, and risk reporting.

No matters requiring immediate SIB action or escalation were identified by the Committee.

Board Action Requested: Information only.

Year End Internal Audit Activities

Fiscal Year 2026

Audit, Risk and Compliance Committee

Purpose

Internal Audit provides independent assurance and advisory services designed to enhance governance, risk management, and internal controls.

Annual summary of Internal Audit accomplishments

Assurance, advisory, governance, and oversight activities

Value delivered throughout FY2025-26

Committee Composition

2025-26 Audit Committee

- Treasurer, Thomas Beadle (Chair)
- Cody Mickelson (Vice Chair)
- Adam Miller
- Lisa Corbin, External Representative
- Todd Van Orman, External Representative

Assurance Activities

Assurance Activities

Completed Audits

- Investment Fee Audit
- Executive Limitations Review
- Neospin User Roles Review
- TFFR File Maintenance Audit
- External Manager Oversight Audit

Objective

Provided independent assurance over governance, investment, retirement, fiscal, and operational processes.

Results

- Controls operating effectively
- Opportunities identified for strengthening processes
- Management agreed with recommendations

External Audit Support

Internal Audit continued to support an efficient and coordinated external audit process.

Financial Statement Audit

- Coordinated annual financial statement audit activities
- Supported timely issuance of audit report

GASB 68 Employer Audit

- Coordinated employer census audit activities
- Reconciled employer information

Audit Coordination

- Coordinated information requests across all of RIO divisions.

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Advisory, Governance & Risk

Advisory Services

Governance

- Governance Manual
- Charter Revisions
- Committee Modernization
- Policy & Procedures

Fiscal & Investment Advisory

- General Ledger Automation
- Internal Rebalancing
- Disclaimers & Disclosures
- Month-End Close
- Policy & Procedures

Enterprise Risk

- Risk Assessment
- Risk discussions
- Emerging risks

Accomplishments

Fiscal Year 2026

- ✓ Completed the approved annual audit plan
- ✓ Supported strategic activities through advisory services
- ✓ Strengthened governance and committee oversight.
- ✓ Provided independent assurance over key organizational risks
- ✓ Continued to promote effective risk management and internal controls
- ✓ Coordinated successfully external audit activities
- ✓ Maintained organizational independence

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