

# Policy Manual



## North Dakota State Investment Board

NORTH  
**Dakota** Be Legendary.

State Investment Board

RETIREMENT & INVESTMENT

# Table of Contents

Investment Policy Development – Trust Funds ..... 1

Investment Policy Development – Investment Pools ..... 3

Monitoring..... 4

Proxy Voting ..... 6

Implementation – Investment Manager Selection..... 8

Implementation – Portfolio Rebalancing..... 10

Evaluation..... 11

Performance Related Investment Manager Review..... 13

Bank of North Dakota Match Loan Program..... 15

Accepting New Clients ..... 15

Securities Monitoring and Litigation ..... 17

Incentive Compensation Program..... 22

Investment Code of Ethics..... 31

Rebalancing Error Identification and Resolution..... 44

Trade Error ..... 48

Exhibit A- Conflicts of Interest Disclosure Form..... 51

Exhibit B- Gifts and Entertainment Disclosure Form..... 52

Exhibit C- Initial and Annual Outside Business Activities Disclosure Form ..... 53

Exhibit D- Quarterly Adherence to the Code Attestation Form- Personal Trading ..... 54

Exhibit E- Acknowledgement of Receipt and Review of Code of Ethics ..... 56

Exhibit F- Initial and Annual Account Disclosure Form..... 57

## Investment Policy Development – Trust Funds

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

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

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

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

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

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

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

For some funds, the risk/return tradeoffs of alternative portfolios are not well represented by expected returns and standard deviation. More important are the expected results for required sponsor and participant contributions and funded ratios over time. Asset/liability modeling is the tool that allows the governing Boards to examine and assess the tradeoffs leading to an appropriate investment policy.

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

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

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

1. Fund characteristics and constraints.
  - a. An explanation as to the purpose of the portfolio and its legal structure.
  - b. Size of portfolio and the likelihood and amount of future contributions and disbursements
  - c. Participant demographics when applicable.
  - d. Fiscal health of fund.
  - e. Constraints.
  - f. Unique circumstances.
2. Responsibilities of SIB.

3. Investment objectives.
4. Standards of investment performance.
5. Asset allocation policy and guidelines.
6. Evaluation and review.

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

**Amended:** February 27, 2009; and November 18, 2022.

## **Investment Policy Development – Investment Pools**

### **Asset Class Implementation**

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

### **Investment Pools**

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

SIB investment pool policy statements will define the following:

1. Strategic objectives.
2. Performance objectives.
  - a. Appropriate capital market benchmarks.
  - b. Excess return targets, after payment of investment management fees.
  - c. Peer-group ranking.
  - d. Risk characteristics.
  - e. Termination factors.

3. Portfolio constraints.
  - a. Quality of securities/portfolio (security – BAA/portfolio – AA).
  - b. Quality held (maximum in company/industry/economic sector).
  - c. Other specific restrictions if applicable (ADRs, 144A securities, prohibited transactions, etc.).
4. Investment structure.
5. Percent of assets per manager cycle.
6. Ranges for rebalancing. Control Procedures
  - a. Duties and responsibilities of the SIB
  - b. Duties and responsibilities of money managers.
  - c. Reporting requirements.

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

**Amended:** February 27, 2009; and November 18, 2022.

## Monitoring

The SIB will ensure that appropriate monitoring mechanisms are in place at all times.

The three basic mechanisms are:

- Accounting
- Auditing
- Performance Measurement

The primary objective of these functions is to provide useful information to decision makers (fiduciaries and legislators). These monitoring functions are needed to keep track of assets and manager activity and to control the asset mix. Different aspects of these activities will be conducted internally by RIO staff and externally by the master custodian, auditors, and investment consultants.

## **Accounting**

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

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

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

## **Compliance**

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

## **Auditing**

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

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

## **Performance Measurement and Reporting**

The third element of monitoring entails measuring the performance of the individual investment managers and the total fund performance of each of the funds under the SIB. The SIB will retain reputable investment consultants or performance measurement services to provide comprehensive quarterly performance measurement information.

This information will include data on the capital markets, other plan sponsors, and other investment managers. Performance results for SIB accounts will be calculated from data provided by the master custodian and compared to relevant capital market benchmarks, other public funds, manager peer groups, and investment goals specified in the asset class investment policy. Time periods covered by the report may vary but generally will include the most recent quarter, last 12 months, last 3 years, 5 years, and longer time periods (as data is available).

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

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

**Amended:** February 27, 2009; February 25, 2011; and May 17, 2024.

## Proxy Voting

### Statement of Policy

It shall be the policy of the SIB to vote all proxies appurtenant to shares held in the various plans administered by the Board, and to vote said shares in a manner that best serves the system's interests. Specifically, all shares are to be voted with the interest of preserving or enhancing share value. The Board endorses the Department of Labor opinion that proxies have economic power which shareholders are obligated to exercise to improve corporate performance. The Board further recognized that proxy issues are frequently complex, requiring expert guidance; accordingly, it has adopted procedures that employ such experts.

The objectives of these policies are as follows:

- Exercise the value empowered in proxies.
- Maintain or improve share value for the exclusive benefit of the participants.
- “Managers” shall be defined as external investment management institutions and as investment managers of applicable internal investment portfolios.

## Procedures

### Distinction of Responsibilities

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

**Managers:** The managers shall be responsible for promptly voting all proxies pursuant to the Board's policies, and in keeping with the managers' best judgments.

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

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

### Reporting

**Master Custodian:** The master custodian shall report quarterly in writing on all pertinent proxy issues, including (1) receipt of proxy material; (2) nature of issues; (3) due date; (4) names of managers and dates forwarded; and (5) deficiency reports covering proxies that should have been received but were not.

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

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

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

**Amended:** February 27, 2009; October 26, 2018; and November 18, 2022.

## Implementation – Investment Manager Selection

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

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

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

- Be willing to acknowledge their fiduciary status in writing (mutual funds are exempted from this requirement).

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

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

1. Quantitative characteristics, such as GIPS-compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics.
2. Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision making process, and risk controls.
3. Organizational factors such as type and size of firm, ownership structure, client servicing capabilities, ability to obtain and retain clients, and fees.
  - a. Staff will provide a written report to the Investment Committee as required on the due diligence process conducted during the selection process. This report will include selection steps followed and process steps excluded.
  - b. Consultant and/or staff use the profile to screen their data base for managers that meet SIB criteria.
  - c. Consultant and/or staff reduce the group to the top candidates and prepare a summary report. The report will contain pertinent data on each of the candidates.
  - d. When appropriate, on-site visits may be made by staff and Board members to the candidates' home offices. Visits by Board members to potential manager sites must have Board approval.
  - e. When appropriate the Investment Officer will conduct fact-finding pre-interviews. SIB trustees and RIO staff will receive notice of these pre-interviews.

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

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

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

**Policy Implemented:** September 20, 1995

**Amended:** February 27, 2009; November 18, 2022; and May 17, 2024.

## Implementation – Portfolio Rebalancing

### Portfolio Rebalancing

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

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

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

**Amended:** November 18, 2022.

## Evaluation

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

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

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

### Evaluation of Money Managers

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

- Has the manager achieved the SIB's performance objectives?

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

These criteria are assessed by quantitative and qualitative means:

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

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

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

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

### **Evaluation of Program Costs**

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

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

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

**Amended:** October 26, 2018; July 22, 2022; and November 18, 2022

## **Performance Related Investment Manager Review**

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

### **Factors which may result in a Manager Review:**

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

- Diminished confidence in manager.

### **Manager Review Procedures:**

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

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

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

After considering findings of the Manager Review, SIB may:

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

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

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

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

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

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

**Policy Implemented:** June 27, 1997.

**Amended:** May 17, 2024.

## Bank of North Dakota Match Loan Program

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

The SIB provides capital to the program by purchasing Certificates of Deposit (CDs) from the Bank of North Dakota. The CDs are guaranteed by the state, typically have 7- to 15-year maturities and pay interest pegged to US Treasury notes.

The source of funding for CDs shall be determined by the Chief Investment Officer and staff; that funding to be from the most appropriate source consistent with liquidity and relative yield and return objectives and constraints.

**Policy Implemented:** April 24, 1998.

**Amended:** February 27, 2009; and May 17, 2024.

## Accepting New Clients

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

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

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

8. Fees will be charged with the intention of covering all associated costs as described in RIO Fiscal.
9. Management procedure “Investment Fee Allocations”.

**Policy Implemented:** November 20, 2009

**Amended:** May 17, 2024.

## Securities Monitoring and Litigation

### General Purpose

1. The North Dakota SIB is a fiduciary for assets held in trust for the benefit of SIB clients, including their beneficiaries.
2. In order to carry out its fiduciary duty to prudently invest and diversify the assets of the various investment funds, the SIB invests considerable assets in global public securities markets.
3. The efficient and effective deployment of plan assets requires that in seeking returns market risks must be prudently assumed and managed. Investing in publicly traded securities in regulated markets under accounting, disclosure and business practice laws and regulations provides general, but not perfect assurance that the information forming the basis for investments is accurate, conforms with accepted accounting practices, and is not distorted due to misfeasance, malfeasance or nonfeasance, or the timing of information disclosures by persons or entities with the ability to affect market prices of the investment securities.
4. Legal action is sometimes necessary to attempt to recover all or part of losses the funds may incur due to alleged improper action or inaction which results in the impairment of the value of the funds’ security holdings.
5. Most such actions will be prosecuted through class action litigation whether or not the SIB takes an active role as a plaintiff or a passive role as a member of a

certified class of plaintiffs. Any ultimate award or settlement from a class action will be ratably allocated among legitimate claimants.

6. The SIB will generally only consider pursuing active participation in securities actions when such a role is expected to add value by enhancing the prospect for recovery, increasing the amount of recovery, assuring more efficient and effective prosecution of the case, or identifying and addressing corporate governance issues through litigation.

For purposes of this Policy, “active participation” means seeking status as lead plaintiff, co-lead plaintiff, or filing separate legal action.

### **Non-Active Recovery and Filing**

1. SIB will require as part of its agreement with its custodial bank or other designated agent, that adequate securities class action monitoring is maintained on an ongoing basis, sufficient to assure that most of the actual awards and settlements for such cases are tracked and identified and that proof of claim forms, including supporting documentation, will be properly and timely filed.
2. SIB may engage one or more legal firms that specialize in prosecuting security class-action cases; any such engagement is subject to the special appointment requirements of N.D.C.C. § 54-12-08. For these purposes only, such firm(s) may be granted ongoing access to security holdings information through the custodian bank or other designated agent.
3. An agreement with any law firm for non-litigation services will not commit SIB to employing said firm in the event that it seeks to represent SIB as an active participant in any securities related litigation. Such representation must be effected by a separate retainer agreement between the SIB and said firm, or another, depending on such factors as the potential monetary scope, the nature of the case and industry specialty that may be required, the allocation of current or past cases among candidate firms, the likely duration and cost of prosecuting such a case, retainer fees or contingency splits, the venue in which the case is to be filed, and other considerations.

4. The custodial bank or other designated agent will be required to provide RIO with periodic reports that detail class action cases monitored, claims filed, and award or settlement distributions received. RIO will maintain these records and provide an update to the SIB or Securities Litigation Committee (Committee) with regards to accounting information on distributions received on claims filed by the custodian bank or other designated agent on our behalf.

### **Active Participation in Cases**

1. The Executive Director will initiate active participation in securities cases only upon prior review and approval of the SIB or Committee. Before bringing any recommendations to the SIB or Committee, the Executive Director, with significant assistance from legal counsel from the Office of the Attorney General, will assess the merits and prospects for active participation by reference to the criteria and factors outlined in this section.
2. Decision Criteria and Factors:
  - a. The decision to participate in an active capacity in security litigation should be based on the totality of the circumstances. Dollar loss amounts are important, but not the sole or overriding factor to consider in making such recommendations by the Executive Director, or determinations by the SIB or Committee.
  - b. Potential losses to SIB clients must be significant in order to warrant participation as a lead plaintiff, co-lead plaintiff, or separate litigant in U.S. or Canadian cases. Generally, in cases where the potential loss does not exceed the \$5 million, the SIB will generally avoid active participation.
  - c. The *prima facie* merits of the claim for loss, and the factual basis for the action, recognizing that the full discovery process will not commence until the class has been certified by the court in which such case is to be filed.
  - d. The availability of witnesses, and possible support that may be obtained from investment managers, consultants, and the custodial bank through discovery.

- e. The potential that any defendants or insurers will be able to pay an adequate recovery to the class, without impairing the value of any current security holdings SIB may yet hold in the issuer in the portfolio.
  - f. The ability of the law firm recommending action on the part of SIB to prosecute the case effectively, in the venue where such case is likely to be filed, and the experience of the firm in managing such cases individually or in partnership with other firms.
  - g. Potential long-term benefits from corporate governance changes from pursuing litigation.
  - h. The ability of SIB to serve as a fiduciary on behalf of all class members in the case, especially in relative terms to other institutional investors that may be considering the same case. The ability of SIB to serve as a fiduciary on behalf of all class members in the case, especially in relative terms to other institutional investors that may be considering the same case.
  - i. Potential costs that may be incurred. Special consideration must be given to any case that must be filed in a non-U.S. venue under the “Morrison” criteria established by the U. S. Supreme Court in a 2010 decision, since costs of litigation and potential liabilities of unsuccessful claims may be significant.
  - j. Current workload and staffing resources required for the fulfillment of SIB’s primary member service functions, and whether participation might displace time and staff resources needed for core business functions.
3. Decision Criteria and Factors for cases filed in a non-U.S. venue: In addition to the Criteria and Factors set forth in Subsection 2, the SIB or Committee may consider the following:
- a. The proposed funding arrangements for the action.
  - b. Evaluate the merits and risks of the case in light of the law of the jurisdiction in which the action would be brought. Generally, in cases

where the potential loss does not exceed the Jurisdictional Thresholds referenced in Exhibit A, the SIB will avoid opt-in or group litigation participation.

### **Roles in Managing & Monitoring Litigation**

1. The SIB or Committee will make the final determination of whether it is in the SIB's best interest to pursue active participation in any case and whether to engage any law firm and the terms of such engagement.
2. Decisions regarding the conduct and implementation of the SIB's or Committee's decision to participate will be the responsibility of the Executive Director, or an approved member of the management staff if he so delegates. When feasible and advisable, the Executive Director shall seek advice and direction from the SIB or Committee on strategic and legal issues that may arise in prosecuting the action on behalf of the SIB and its clients. The Executive Director shall timely report to the SIB or Committee on the progress of the litigation.
3. The Executive Director shall be responsible for management of the relationship with any portfolio monitoring law firm or organization for such purpose. Based on the need for additional coverage, the Executive Director and Committee will determine whether one or several firms are needed to fulfill the goals of this Policy and may terminate such monitoring agreements as judgment advises.
4. Any agreement for portfolio monitoring services that includes a fee or subscription cost must first be approved by the SIB or Committee before execution by the Executive Director.

### **Policy Review**

1. The Committee and SIB shall review this policy annually to ensure that it remains relevant and appropriate. Exhibit A

## Non-US Opt-In and Group Litigation Jurisdictional Thresholds

Jurisdictional Description	Threshold
Passive/very low risk jurisdictions, simple registration or claim filing (no participation in litigation required, strong anonymity, very low costs) including, but potentially not limited to: Australia, Israel, Netherlands (including Dutch Foundations), regulatory funds (e.g. Compensation Schemes in UK)	None
Low risk jurisdictions (no discovery, low cost) including, but potentially not limited to: Japan	\$1 million
Moderate risk jurisdictions (moderate cost, funded/insured to protect from cost shifting, some restricted discovery, not fully public) including but potentially not limited to: Germany, Austria, Belgium, Switzerland, Denmark, Spain, Finland, France, Hong Kong, Indonesia, Ireland, Italy, Korea, Luxembourg, Malaysia, Norway, New Zealand, Portugal, Sweden, and Thailand	\$5 million
High risk jurisdictions (potential in-person discovery, no anonymity, uncapped fees) including, but potentially not limited to: Taiwan, United Kingdom, Singapore, Brazil	\$10 million

Jurisdictional Thresholds are developed in consultation with legal counsel including other designated agents which are experts in global securities litigation matters.

**Policy Implemented:** November 20, 2015

**Policy Amended:** April 27, 2018; and May 24, 20

## Incentive Compensation Program

NDCC § 54-52.5-04 authorizes the retirement and investment office to develop an incentive compensation program for positions necessary for the investment of funds under control of the Board. The Board must approve the plan provisions annually and the agency must report to legislative management on the status of the program each interim. The provisions of the plan may be found in Exhibit V-2.

Executive Summary NDCC § 54-52.5 provides that North Dakota RIO may develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB.

In carrying out its responsibilities, the Board has developed and administers an incentive compensation plan that reflects careful consideration of the following:

2. To achieve its long-term strategic and investment objectives, RIO must have high-quality investment management staff.
3. A reasonable and competitive incentive compensation plan is critical to attracting and retaining high quality staff.
4. Staff should be motivated to earn the highest possible returns for RIO at reasonable costs and controlled levels of risk.
5. Given that RIO needs to provide competitive pay to attract and retain qualified staff, a significant portion of total pay opportunities should be provided through performance-based incentives, a practice that is universally accepted in the financial marketplace. Under RIO's incentive compensation plan:
  - a. Investment-related awards should be earned only when net investment performance is above defined benchmarks (i.e., when value is created for client funds).
  - b. The greatest share of the excess value should accrue to the client funds, not to RIO staff.

The incentive compensation plan is rigorously managed by RIO's Executive Review and Compensation Committee (ERCC) to ensure compliance with all applicable statutes and related rules and guidelines.

### **Authority**

NDCC § 54-52.5 provides that North Dakota RIO may develop an incentive compensation program for full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB. This document specifies the policies and procedures related to the administration of annual incentive compensation.

This incentive compensation plan (the Plan) provides for payment of incentive compensation awards to full-time equivalent investment and fiscal operations positions

necessary for the management of the investment of funds under the control of the SIB (Participants) and supersedes all prior incentive compensation plans and/or arrangements for Participants. Participants under this Plan include all unclassified investment services related staff as may be determined by the SIB, ERCC, and Executive Director. The Effective Date of the Plan is July 1, 2024. Each plan year 74 starts at the beginning of the fiscal year on July 1.

### **Plan Objectives**

As developed and adopted by the Board, this Plan is designed to:

1. Help attract and retain talented investment professionals.
2. Help RIO earn the highest possible investment returns at a reasonable cost and at controlled levels of risk.
3. Reward long-term investment performance.
4. Reflect the RIO client fund above-benchmark, net of all performance.
5. Motivate staff to make good decisions for RIO client funds, including implementation decisions related to asset allocation.
6. Foster a collaborative approach to investing RIO's assets under management.
7. Reward measurable and achievable performance.
8. Be clear and easily communicated in terms of the Plan's objectives, design features and associated incentive compensation opportunities.
9. Be perceived as fair by RIO's employees and potential recruits.

### **Administration and Management**

The SIB reserves the right to modify, terminate, and/or rescind any or all of the compensation schedules, provisions, policies, and procedures contained in this and all supporting documents at any time. This document describes a policy and does not provide a contract, guarantee of payment, guarantee of participation in the Plan in subsequent years, or guarantee of employment among RIO, the Board, and the Participants. Should an error in calculation or in data be discovered before or after the

award distribution, RIO reserves the right to make an adjustment and recover any incentive compensation award distributed based on the erroneous data or calculation.

The Executive Director will administer the Plan with oversight by the ERCC. The Executive Director may delegate certain administrative responsibilities to other employees at RIO, including the Chief Investment Officer and the Chief Financial Officer/Chief Operating Officer.

Compensation plan participants may present questions related to the Plan to the Executive Director. The Executive Director will work with the appropriate persons to answer such questions. The Executive Director, ERCC, and SIB will have full discretion to conclusively decide all questions or matters relating to the interpretation of the provisions and administration of this Plan.

The SIB must approve any question or matter whose resolution requires a material modification to the Plan, such as a change to the performance standards or maximum award levels. Any such amendments or changes to the Plan may be proposed by the Executive Director or the ERCC but must be recommended by the ERCC and approved by the SIB.

### **Eligibility**

Positions that are eligible for incentive compensation are full-time equivalent investment and fiscal operations positions necessary for the management of the investment of funds under the control of the SIB as set forth in this plan. Any temporary employment or project positions are not eligible. Plan participation is determined based on employment status and the Executive Director's assessment of the position's impact on RIO's overall investment performance. Participants must have worked in a covered position at least three full consecutive calendar months during the year to be eligible for 75 incentive compensation under the Plan, and incentive compensation will be paid on a pro-rata basis if not employed the entire fiscal year. The Executive Director will confirm any new positions that will be eligible under the Plan during the next fiscal year.

Employment at RIO in good standing on the day of payment is a pre-requisite for receiving any incentive compensation payment, except in the case of retirement,

disability, death or otherwise as provided below. For purposes of this Plan, “employment in good standing” means (a) the Participant’s performance is rated above “Developing” in the Participant’s most recent performance review, (b) the Participant is not on a performance improvement plan.

### **Eligibility upon Separation**

Generally, a Participant must be employed by RIO as of the date the incentive compensation is paid out in order to be eligible to receive the payment. In the case of disability or death occurring during the fiscal year, any Board-approved incentive compensation amount may be paid to the Participant, the amount to be determined by the Executive Director, subject to approval by the SIB, based on the time worked during the fiscal year and subject to the Participant’s termination meeting the qualifications in the next paragraph, if not employed as of the date of payment. These payments will be made at the same time as any other incentive compensation award. No incentive compensation will be awarded if the Participant was employed for less than three consecutive months during the fiscal year in which the disability or death occurred.

If a Participant terminated employment prior to payment of an award, the full amount of the incentive compensation award will be paid to the Participant (or beneficiary in the case of death) only upon the following conditions:

- If the Participant’s separation is due to the Participant’s disability.
- If the Participant’s separation is due to the Participant’s death.
- If the Participant’s termination is due to reasons other than the Participant’s disability or death, and his/her last day of active employment is prior to the payment date then no incentive compensation award will be payable to the Participant.

### **Plan Concepts/Mechanics**

The Plan’s terms and conditions are described in this document. A summary of the Plan’s overall mechanics is as follows:

- Prior to or near the beginning of each fiscal year, Participants will be assigned a maximum incentive compensation opportunity, which effective as of the Plan year will be expressed as a percentage of his or her base salary at the beginning of the fiscal year (or the Participant's start date if employed after the start of the fiscal year). Maximum incentive compensation opportunities will vary by position based on differing levels of accountability and responsibility.
- Maximum incentive compensation opportunities will be weighted or allocated to specific quantitative and discretionary Plan components. Several Plan components are based on Value Added. Value Added (VA) means the weighted average of outperformance of funds as described within the plan. • After year-end, depending on performance, awards will be determined for each 76 stand-alone Plan component.
- Notwithstanding any other provision in this Plan and regardless of any incentive compensation award calculations hereunder, no incentive compensation award shall be made unless and until approved by the SIB, in its sole discretion. The SIB may award, adjust (up or down), modify or deny any incentive compensation amounts calculated pursuant to the Plan. All incentive compensation awards hereunder are discretionary.

### **Step 1: Set Each Participant's Maximum Incentive Compensation Opportunity**

Prior to or near the beginning of each fiscal year, or the Participant's start date if employed after the start of the fiscal year, Participants will be assigned a maximum incentive compensation opportunity, which will be expressed as a percentage of his or her base salary. Unless approved by the Executive Director, maximum incentive compensation opportunities will vary by the position held for most of the year (i.e., position held through June 30 for existing employees) and based on differing levels of accountability and responsibility.

**Current maximum incentive compensation opportunities are set forth below.**

<b>Maximum Incentive Award</b>	<b>Position Title</b>
100%	<ul style="list-style-type: none"> <li>• Chief Investment Officer</li> <li>• Executive Director</li> </ul>
90%	Deputy Chief Investment Officer
75%	<ul style="list-style-type: none"> <li>• Portfolio Manager (new FTE's)</li> <li>• Chief Risk Officer</li> <li>• Senior Investment Officer</li> </ul>
60%	Chief Financial Officer/ Chief Operating Office
50%	<ul style="list-style-type: none"> <li>• Investment Officer</li> <li>• Risk Officer</li> <li>• Accounting Manager</li> </ul>
25%	<ul style="list-style-type: none"> <li>• Sr. Investment Accountant</li> <li>• Investment Accountant</li> </ul>

### **Step 2: Calculate the Maximum Incentive Compensation Opportunity for the Plan**

The maximum incentive compensation opportunity for the entire Plan will be calculated by aggregating the maximum incentive compensation opportunities for each Participant.

### **Step 3: Allocate each Participant's Maximum Incentive Compensation Opportunity to Performance Components**

Each Participant's maximum incentive compensation opportunity will be weighted or allocated among standalone quantitative and qualitative performance components.

<b>Weight</b>	<b>Performance Component</b>	<b>Allocation Method</b>
80%	<ul style="list-style-type: none"> <li>• Fund VA</li> <li>• 3-year rolling</li> </ul>	Minimum: (10%) > = 1 bp Maximum: (100%) 50 bps
20%	Individual Goals	Discretionary

Any proposed changes to incentive compensation weightings will be reviewed and approved by the Executive Director and the ERCC, and approved by the SIB, prior to the beginning of each fiscal year.

**Step 4: Calculate the Performance Components VA Performance Components**

The Plan's quantitative components focus on weighted average of the Legacy Fund, PERS pension fund, TFFR fund, and the WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks. Client fund performance is measured on a net of all basis (i.e., net of all direct and indirect costs). Asset Class and Team performance is measured net of direct costs.

The SIB approves an Incentive Compensation Metric (ICM) performance verified by the SIB's independent Benchmark and Hurdle Rate consultant. The Incentive Compensation Metric represents the amount of outperformance of the applicable benchmark necessary to earn the full incentive compensation opportunity. Performance-award scales are derived from the ICM and define the linkage between RIO's actual, relative, net investment performance and a corresponding percentage of the maximum incentive compensation opportunity that is earned.

Prior to or near the beginning of each performance year, any requested changes to the ICM(s) or performance-award scales must be submitted, in writing, by the Executive Director to the ERCC and from the ERCC to the SIB for review and approval, and to the Hurdle Rate and Benchmark Consultant for review and verification. There will be a comprehensive review of the ICM(s) up to every three to five years at the discretion of the SIB.

**Under RIO Plan:**

The percentage of the maximum quantitative incentive compensation opportunity earned:

- Equals 0% when performance is at or below benchmark.
- Equals 10% when net performance exceeds the benchmark by one full basis point.
- Increases pro rata, from 10% to 100%, for net performance that is between one full basis point above the benchmark, and the ICM.

- Equals 100% when net performance equals or exceeds the benchmark by the full ICM<sup>1</sup>

### **Portfolio VA**

In the first three years of the Plan, the first year Fund VA will be the one year weighted average Fund VA, the second year of the plan will be the two-year compound Fund VA and the third year will be the three-year compound average of the weighted average of the Legacy Fund, the PERS pension fund, TFFR fund, and WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks.

Thereafter, the weighted average Fund VA applied to all participants is a rolling threeyear average of the weighted average of the Legacy Fund, the PERS pension fund, TFFR fund, and WSI fund actual, relative investment performance at Client Fund level compared with SIB-approved benchmarks. For Participants that join RIO on or after the beginning of the fiscal year, the weighted average Fund VA applied to all participants will be used. The payout will be made prorata based on the percentage of plan year time employed that starts with the beginning of the fiscal year on July 1.

For Participants that joined RIO prior to the plan year starting with the beginning of the fiscal year but have been employed for fewer than three years as of the start of the fiscal year, the weighted average Fund VA applied to all participants will be used.

Individual Goals Component.

The Individual Goals component is set by the manager of the Participant as part of the performance evaluation process. The final performance evaluation of each Participant is approved by the Executive Director. In addition, such Participants will be evaluated on leadership/behavioral and organizational competence factors. Some factors that may be considered include training and mentoring of staff, contribution to organizational strategic planning, and participation in projects or initiatives to update business and/or analytical processes and tools and the associated technology applications. The Executive Director will determine the amounts awarded for Individual Goals in consultation with managers.

### **Step 5: Allocate Discretionary Components Among Relevant Participants**

Quantitative components are allocated to Participants directly without modification. Discretionary components for Individual Goals components, will be allocated by the Executive Director.

### **Step 6: Present Final Award Recommendations to the Board of Trustees**

The Executive Director's award recommendations will be made to the ERCC. The ERCC will make a recommendation regarding the incentive compensation awards to the SIB for approval. For all Participants, an incentive compensation award is contingent on approval of the award by the SIB, in its sole discretion.

### **Step 7: Payment of Awards**

Incentive compensation awards will be determined and authorized as soon as practical following the close of each fiscal year, with a target of within the first four months of each fiscal year for the previous fiscal year.

RIO shall be entitled to withhold or deduct, as applicable, from the amount of any payment under this Plan or any other compensation due to the Participant, all federal, state, city and other taxes and all other amounts, as applicable.

<sup>1</sup> ICMs are intended to reflect levels of net performance that are considered top quartile, based upon expected levels of risk and return.

**Policy Implemented:** May 17, 2024.

## **Investment Code of Ethics**

### **1. Introduction**

#### **Purpose of the Code**

This Code of Ethics (Code) is designed to provide comprehensive guidelines for all Covered employees working on behalf of the North Dakota Retirement and Investment Office (RIO), helping to ensure action reflects the integrity, responsibility, and accountability required to maintain public trust. This Code establishes the expectations

for behavior and decision-making to guide Covered employees in fulfilling their duties ethically. The Code should not be viewed as a complete statement of legal and fiduciary responsibilities and individuals must abide by all applicable federal and relevant state laws.

## **2. Applicability**

All Covered employees working on behalf of RIO must read and comply with the Code. While the Code will not cover every possible scenario, Covered employees should also adhere to its principles and spirit. Covered employees include:

- Persons who make or participates in the determination of investment recommendations,
- In connection with their duties, obtains information concerning funds and securities RIO, intends to purchase, sell or recommend, or has access to investment positions,
- Consultants, interns, or independent contractors that will have access to non-public investment positions or securities RIO intends to purchase, sell or recommend.

### **Household Members**

Any spouse, relative, or domestic partner who shares a residence with a Covered employee, as well as members of the immediate family living in the same household or persons exercise investment discretion by Covered employees, will also be subject to the Code.

### **Annual Certification**

Covered employees will be required to affirm their understanding of this Code, and require the affirmation annually, in writing or electronically. Employees must disclose any conflicts of interest that may arise

### 3. General Principles of the Code

#### Integrity and Professionalism

All employees and contractors of RIO are expected to demonstrate the highest levels of integrity and professionalism in all aspects of their work. Integrity involves acting honestly and ethically, avoiding any behavior that might compromise the trust of beneficiaries, stakeholders, and the public. Professionalism encompasses maintaining a commitment to excellence, upholding the organization's values, and respecting the confidentiality of sensitive information. Employees must always conduct themselves with fairness, accountability, and transparency.

#### Compliance with Laws and Regulations

All Covered Employees are expected to adhere strictly to the following:

- a. The Covered employee will put the investments and investment program's interest first, ahead of their own interests
- b. The Covered employee will not take any action that will violate any applicable laws, regulations or written policy
- c. The Covered employee will adhere to the highest standards of ethical conduct
- d. The Covered employee will maintain the confidentiality of all information obtained during the course of employment
- e. The Covered employee will not abuse or misappropriate assets or use them for personal gain
- f. The Covered employee will not engage in any activities that create a conflict of interest or will disclose when conflicts occur
- g. The Covered employee will deal fairly with clients, colleagues, and others.

# 1. Conflicts of Interest

## Identifying Conflicts

"Conflict of Interest" is defined as a situation in which any Covered employee has a conflict of interest as that term is defined in North Dakota statute and rules promulgated by the North Dakota Ethics Commission under NDAC §115-04-01.

Conflicts of interest and the appearance of impropriety should be avoided by any Covered employee. Any Covered employee must not allow family, social, professional, or other relationships to influence their judgment in discharging their responsibilities and must refrain from financial and business dealings that tend to reflect adversely on their duties. Conflicts of interest may exist in situations involving dual roles, investment opportunities, information sharing, personal and family relationships, among others.

## Managing and Mitigating Conflicts

If a conflict of interest unavoidably arises, the covered employee shall immediately disclose the conflict to the Chief Investment Officer and Executive Director or their designee, using the appropriate disclosure forms.

### A. Disclosure of Conflicts of Interest

#### Procedures for Disclosure

To ensure transparency and proper management of conflicts of interest, all Covered employees, and certain contractors of RIO are required to disclose any potential or actual conflicts promptly. Disclosures must be submitted using the approved Conflict of Interest Form (Exhibit A). To enhance the tracking and monitoring of disclosures, RIO may engage a third-party service provider to assist in maintaining an accurate and up-to-date record of all reported conflicts.

### B. Gifts and Entertainment

#### Acceptable Practices

RIO has established \$50 nominal value threshold for gifts, in line with state guidelines. Employees may accept gifts of nominal value, up to \$50, as part of customary business interactions, provided that these gifts do not influence or appear

to influence their decisionmaking. Any gift exceeding this limit must be declined. For entertainment, employees may attend normal business-related events such as due diligence meetings, Limited Partner (LP) meetings, Limited Partner Advisory Committee (LPAC) meetings, General Partner (GP) meetings, annual investor meetings, and similar investor-related events. Regarding LPAC meetings, travel and accommodations can be accepted if they are offered to all members of the respective LPAC. However, these meetings, travel, and accommodations must be disclosed on the Gifts and Entertainment Disclosure Form (Exhibit B). These activities may be acceptable without the need for reimbursement, provided they align with professional obligations.

### **Prohibitions and Limitations**

Employees are prohibited from accepting any gifts exceeding the \$50 nominal value limit, in accordance with the state's "no gifts" policy. For entertainment, while normal investor meetings and due diligence activities are permitted, any additional or extracurricular entertainment—such as sporting events or concerts—must be disclosed and fully reimbursed by the employee (Exhibit B).

## **C. Outside Business Activities**

### **Disclosure Requirements**

Covered employees shall not allow a situation to exist with any outside business, employment, or other activities that may impact their ability to fulfill their duties at ND RIO. All outside business activities (OBA) must be disclosed and approved by RIO initially and on an annual basis. Employees must submit an OBA form (Exhibit C) detailing any outside employment or volunteer work, including non-profit and charitable activities. In cases where a potential conflict arises, the matter will be escalated to the Chief Investment Officer for initial evaluation. The Chief Investment Officer will then provide a recommendation to the Executive Director for final approval or further action.

## 2. Trading

### Compliance with Personal Trading

Covered employees' personal trading should be executed in a manner consistent with their obligations to integrity, responsibility, and accountability, as required to maintain public trust. Personal trading should not be so excessive as to conflict with the ability to fulfill daily job responsibilities. Covered employees' trades should not be timed to precede orders placed by RIO's investment team. Covered employees should not trade in restricted securities, or restricted Private Funds (private funds held in an RIO portfolio). The following will be exempt from the list of restricted securities:

- a. Exchange-traded funds (ETFs) and exchange traded notes (ETNs),
- b. Mutual Funds registered under the Investment Company Act of 1940,
- c. U.S. Government-issues securities,
- d. Municipal debt obligations,
- e. Money Market instruments (e.g., bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term instruments,
- f. Interest in 529 college savings plans.

### Disclosure of Accounts with Beneficial Interest

The Code applies to all accounts holding securities over which Covered employees have any beneficial interest. This typically includes accounts held by immediate family members sharing the same household or accounts over which covered employees exercise investment discretion. These accounts must be disclosed for potential review for exceptions to the Code.

### Disclosure of Non-Discretionary Accounts

Accounts over which covered employees do not have discretionary authority must be disclosed and identified accordingly. If the discretionary status of these accounts' changes, it must be reported within thirty days.

## Monitoring and Reporting

RIO may conduct periodic sample reviews of personal trading activities of Covered employees. Additionally, Covered employees will be required to submit routine, quarterly and attestations confirming adherence to Code. (Exhibit D). Any trades that appear to conflict with the policy will be flagged for further review.

### A. Insider Trading

#### Prohibition of Insider Trading

Employees may come into possession of Material Non-Public Information (MNPI) relating to publicly and privately traded securities in the course of their duties for RIO. Employees are strictly prohibited from using MNPI for personal gain or to benefit others. RIO will enforce a zero-tolerance policy toward insider trading, and any violations will be subject to disciplinary action, including potential termination and legal proceedings. Once employees come into possession of material non-public information (MNPI), any related securities will be added to a Restricted List.

#### Material Non-Public Information

It is not always easy to determine what may be considered MNPI. The following is illustrative list of what generally is considered material:

- Dividends or earning announcements
- Asset write-downs or write-offs
- Additions to reserves for bad debt or contingent liabilities
- Changes to financial guidance or projections
- Merger, joint announcements, tender offers
- Pending labor disputes • Bankruptcy or insolvency
- Regulatory approval or rejection of a product
- Regulatory or law enforcement proceedings
- Changes to management

- New product service lines
- Undisclosed orders for large trades before they are executed This is only a partial list of what may be deemed material.

### **Non-Public Information**

Once information has been broadly distributed to the investing public, it no longer is considered non-public. Generally, this must occur through commonly recognized channels such as through a press release or regulatory filing.

### **Procedures for Handling Material Nonpublic Information**

All employees must exercise caution when handling MNPI. If an employee come into possession of MNPI the employee must not act or trade on this information and treat it confidentially. The Executive Director should be informed, and the security should be added to the restricted list. An information barrier is to be created as this employee may discuss the information received and must not participate directly or indirectly in investment decisions regarding the security. The security will be taken off the restricted list once the information becomes public.

## **B. Personal Trading**

### **Requirements**

1. Employees will submit an attestation quarterly and annually confirming that no violations of the Code occurred.
2. A restricted list will be maintained, and employees' transactions may be monitored against this list to prevent or identify trades in restricted securities.
3. Certain securities may be entirely blocked from trading through the Restricted List, while others may be allowed under specific conditions, with the requirement that Covered employees submit an attestation confirming compliance with the Code.
4. Covered employees shall not invest in Restricted securities or Restricted Private Funds that are in the investment portfolios of RIO (exceptions noted above).

5. Covered employees may not participate in initial public offerings (IPO) offered principally due to their employment with RIO.
6. Any profits realized from violations of the Code will be disgorged to a charitable organization.

### **Monitoring and Reporting**

Personal trading by RIO employees will be closely monitored to ensure compliance with the organization's ethical trading policies. All employees engaging in personal trading must complete periodic, quarterly, and annual attestations. Periodic reviews may be conducted to examine the disclosed accounts for any violations of the Code.

### **C. Restricted List**

#### **Maintenance of the Restricted List**

RIO will maintain a Restricted List to prevent Covered employees from trading in securities where the organization holds MNPI or exercises significant influence over the trading activity. The restricted list will be continuously updated to reflect the organization's involvement in specific securities (e.g. publicly traded securities based on indexes) ensuring that trading restrictions remain current and relevant. Restricted list additions will include securities within accounts internally managed by RIO including:

**Publicly Traded Equities:** Any transaction involving security shares that exceed 10% of the 1-month average share volume,

**Corporate Bonds:** Any transactions involving principal amounts exceeding 10% of the issuance size.

These items should remain on the list for 24 hours following the completion of the transactions. This list is to be monitored to potentially prevent trades in restricted securities. Securities added due to MNPI or Restricted Private Funds will be added manually with their own specific end dates.

A designated group comprising members from Risk, Compliance, Investment, and Operations departments will be responsible for maintaining and reviewing the Restricted List.

### **Compliance with the Restricted List**

All Covered employees are required to comply with the Restricted List to prevent any insider trading. Trading in securities that appear on the Restricted List is prohibited, and employees must ensure that they are not involved in any transactions related to these securities prior to executing any trade. Compliance with the Restricted List will be attested to on a quarterly basis, and any violations may result in disciplinary action.

## **D. Front Running**

### **Definition and Prohibition**

Front running or executing personal trades before organizational trades to profit from anticipated price movements, is strictly prohibited. Violators will face severe penalties, including termination.

### **Monitoring and Enforcement**

RIO conducts periodic sample reviews of Covered employees personal trading to help prevent front-running activities. Enforcement will include audits, testing and monitoring, and investigation of any suspicious activities.

## **3. Enforcement and Penalties**

### **Violations of the Code**

In accordance with state employment guidelines, all violations must be properly documented. This may include but is not limited to written reprimands, Performance Improvement Plans (PIPs), and other corrective measures based on the severity of the violation. Documentation of all violations and disciplinary actions will be handled according to HR policy. Any profits realized from violations of the Code will need be disgorged to a charitable organization chosen by RIO.

## **Disciplinary Actions**

Penalties for violations of the Code may range from a formal warning to termination, depending on the nature of the offense. The RIO HR policy outlines specific actions that can lead to these penalties, ensuring consistency in enforcement. Failure to comply with Code may result in disciplinary action, which may include termination.

## **4. Amendments**

### **Process for Amending the Code**

The RIO Code of Ethics will be periodically reviewed and amended, if needed, on an annual basis to ensure it remains relevant and reflective of current best practices, regulatory changes, and organizational needs.

### **Notification of Amendments**

Employees will be notified of any amendments to the Code of Ethics through official communication channels, including email notifications. All amendments will take effect immediately upon notification, and employees will be required to acknowledge and comply with the updated provisions.

## **5. Training**

### **Mandatory Training Sessions**

All employees must undergo annual ethics training to reinforce their understanding of the Code of Ethics and related policies. Training will include legal updates and practical applications of ethical principles.

### **Continuous Education**

Employees are encouraged to participate in continuous education programs focused on ethics, compliance, and best practices in financial management. RIO will provide resources for ongoing development.

## 6. Record Retention

The Records Management Division of North Dakota Information Technology Department (NDIT) has developed a Records Retention Program and has implemented a Records Retention Schedule that includes retention/destruction of both paper and electronic records. It is the State of North Dakota's policy to preserve all official records in accordance with applicable statutory and regulatory requirements, and to promote access to information by staff, partners, and the public, as appropriate.

Each agency head or designee and records coordinator are responsible for providing the leadership, planning, overall policy, guidance, training, and general oversight of records management for the Agency. Each Agency is required to follow the established policy, which contains the elements below:

The team members of the Agency are ultimately responsible for creating and preserving records that adequately and properly document the organization, functions, policies, decisions, procedures, and essential transactions of the Agency and are required to:

- Manage records, regardless of format, in accordance with applicable statutes, regulations, and policies.
- Maintain electronic records to ensure they are accessible throughout their entire life cycle. • Secure records to protect the legal and financial rights of the government and persons affected by government activities
- Dispose of records (electronic or paper) as specified in the approved records retention schedules.
- Assume responsibility for email and other electronic accounts upon the departure of a team member.
- This includes ensuring that a Records Management Program is developed which includes retention and disposal of both paper and electronic records.

In addition, all supervisory level team members who are involuntarily terminated, resign or depart without notice or who die unexpectedly while employed shall have their email

and other electronic accounts placed on hold until an individual designated by the agency head has reviewed the accounts to determine what, if any, documents are subject to records retention obligations or are otherwise necessary to preserve in order to meet business needs or legal obligations. Supervisory team members that are placed on administrative leave pending disciplinary action shall have their accounts placed on hold to ensure the contents cannot be changed until a final personnel decision. In the event the agency head leaves for any of the above reasons, their email account must be preserved for 12 months, and their accounts must be reviewed by the agency head's successor or state archivist.

Records retention schedules for all divisions are available on NDIT's website as per NDCC § 54-46-08.

## **7. Disclosures and Forms**

### **Required Disclosures**

The following disclosures and forms are required for all RIO employees, contractors, and affiliates to complete:

- Conflicts of Interest Disclosure Form (Exhibit A)
- Gifts and Entertainment Disclosure Form (Exhibit B)
- Outside Business Activities Disclosure Form (Exhibit C)
- Adherence to the Code Attestation Form – Personal Trading (Exhibit D)
- Acknowledgement of Receipt and Review of Code of Ethics (Exhibit E)
- Initial and Annual Account Disclosure Form (Exhibit F)

### **Submission and Review of Forms**

All Covered employees of RIO are required to submit relevant disclosure forms in a timely manner as part of their ongoing compliance with the Code of Ethics. These forms include the required disclosers listed above. Once submitted, the forms will undergo a thorough review to ensure compliance with organizational policies and regulatory requirements.

## Rebalancing Error Identification and Resolution

**Authority:** NDCC § 21-10

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

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

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

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

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

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

**Fiduciary Standard:** Trade errors shall be addressed consistent with:

- The Board's fiduciary obligations
- The Prudent Investor Rule

- Applicable statutes and investment guidelines

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For rebalancing errors involving significant absolute impact, repeated occurrences, or issues warranting broader governance review, the Investment Committee escalates the matter to the SIB, with notice to the Executive Director.

**Procedure Adopted:** March 20, 2026

## Trade Error

**Authority:** NDCC § 21-10

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

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

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

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

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

**Fiduciary Standard:** Trade errors shall be addressed consistent with:

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

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

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

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

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

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

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

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

Reporting shall include:

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

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

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

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

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

**Policy Adopted:** March 20, 2026

## Exhibit A- Conflicts of Interest Disclosure Form



### Conflicts of Interest Disclosure Form

North Dakota Retirement and Investment Office (NDRIO) requires all covered employees to adhere to the Code of Ethics and disclose any potential or actual conflicts of interest.

### Employee Acknowledgement

By signing and dating below, I acknowledge that I have read and understood the Investment Code of Ethics. My signature confirms that I am aware of the Code of Ethics requirements and have disclosed any potential or actual conflicts of interest to management. I understand that it is my responsibility to adhere to the Code of Ethics and report any new conflicts of interest that may arise during my employment.

### Disclosure of Conflicts of Interest

Please disclose any potential conflicts of interest below. If you have no conflicts to disclose, please write "None."

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

## Exhibit B- Gifts and Entertainment Disclosure Form



### Gifts and Entertainment Disclosure Form

North Dakota Retirement and Investment Office (NDRIO) requires all covered employees to adhere to the Code of Ethics and disclosed the necessary meetings, travel, accommodations, or extracurricular entertainment.

### Employee Acknowledgement

By signing and dating below, I acknowledge that I have read and understood the Investment Code of Ethics. My signature confirms that I am aware of the Code of Ethics requirements and have disclosed any meetings, travel, accommodations, or extracurricular entertainment received. I understand that it is my responsibility to adhere to the Code of Ethics and deny any gifts exceeding the established limit and report any new entertainment that may arise during my employment.

### Disclosure of Conflicts of Interest

Please disclose any gifts or entertainment that have been received that are required to be disclosed as per the Code of Ethics. If you have no disclosures, please write "None."

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

# Exhibit C- Initial and Annual Outside Business Activities Disclosure Form



## Initial and Annual Outside Business Activities Disclosure Form

North Dakota Retirement and Investment Office (NDRIO) requires all covered employees to adhere to the Code of Ethics and disclose any outside employment or volunteer work, including non-profit and charitable activities.

### Employee Acknowledgement

By signing and dating below, I acknowledge that I have read and understood the Investment Code of Ethics. My signature confirms that I am aware of the Code of Ethics requirements and have disclosed any outside business activities, employment, or volunteer work. I understand that it is my responsibility to adhere to this policy and report any new outside business activities that may arise during my employment.

### Disclosure of Conflicts of Interest

Please disclose any outside business activities, employment, or volunteer work, including non-profit and charitable activities. If you have no disclosures, please write "None."

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

\*\*\*Prior approval for any outside employment must be obtained by the Executive Director and Outside Employment Agreement form completed.

# Exhibit D- Quarterly Adherence to the Code Attestation Form- Personal Trading



## Quarterly Adherence to the Code Attestation Form- Personal Trading

North Dakota Retirement and Investment Office (NDRIO) requires all covered employees to review, acknowledge, and adhere to the principles and requirements regarding personal trading outlined in the Code of Ethics.

### Employee Acknowledgement

By signing and dating below, I acknowledge that I have read and understood the Investment Code of Ethics. My signature confirms that I am aware of the Code of Ethics requirements and have adhered to the guidelines for personal trading. I understand that it is my responsibility to maintain integrity, responsibility, and accountability in my personal trading activities and to report any accounts and/or trades that may conflict with the policy.

### Disclosure of Conflicts of Interest

Please disclose any personal trading accounts in accordance with the policy. Any personal trading accounts over which you do not have discretionary authority must also be disclosed and identified accordingly. If you do not have any personal trading accounts to disclose or have already disclosed them, please leave the table blank.

State Investment Board

Name	Account Number	Account Type	Discretionary Authority

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

# Exhibit E- Acknowledgement of Receipt and Review of Code of Ethics



## Acknowledgement of Receipt and Review of Code of Ethics

North Dakota Retirement and Investment Office (NDRIO) requires all covered employees to review, acknowledge, and adhere to the Code of Ethics.

### Employee Acknowledgement

By signing and dating below, I acknowledge that I have received, read, and understood the Investment Code of Ethics. My signature confirms that I am aware of the ethical standards and guidelines outlined in the Code and that I agree to adhere to these standards in my professional conduct. I understand that it is my responsibility to comply with the Code of Ethics and to report any potential violations or ethical concerns to management.

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_



## Exhibit F- Initial and Annual Account Disclosure Form

### Initial and Annual Account Disclosure Form

North Dakota Retirement and Investment Office (NDRIO) requires all covered employees, contractors, and affiliates to annually review and acknowledge all required account disclosures upon hire and annual thereafter as part of ongoing compliance with the Code of Ethics.

### Employee Acknowledgement

By signing and dating below, I acknowledge that I have received, read, and understood the Investment Code of Ethics requirements for account disclosures. My signature confirms that I am aware of the required account disclosures outlined in the Code of Ethics. I understand that it is my responsibility to review, sign, and submit all relevant account disclosures in a timely manner upon hire and annually thereafter, as part of ongoing compliance with the Code of Ethics.

### Disclosure of Conflicts of Interest

Please disclose any personal trading accounts in accordance with the policy. Any personal trading accounts over which you do not have discretionary authority must also be disclosed and identified accordingly. If you do not have any personal trading accounts to disclose or have already disclosed them, please leave the table blank.

Name	Account Number	Account Type	Discretionary Authority


Employee Signature \_\_\_\_\_ Date \_\_\_\_\_