

Governance and Policy Review Committee Special Meeting
Tuesday, January 14, 2025, 1:00 p.m.
Virtual Only
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AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA (*Committee Action*)**
- II. INTERNAL INVESTMENT POLICIES (15 min) (*Committee Action*) – Mr. Anderson**
 - a. Code of Ethics
 - b. Proxy Voting Policy Update
- III. LEGISLATIVE SESSION UPDATE & REVIEW (15 min) (*Committee Action*) – Mr. Anderson**
- IV. OTHER**

Next Meeting: February 6, 2025, at 10:00 a.m.
- V. ADJOURNMENT**

MEMORANDUM

TO: SIB GPR Committee
FROM: Scott Anderson, Chief Investment Officer
DATE: January 14, 2025
RE: NDRIO Investment Code of Ethics

Please find following this memorandum an NDRIO Investment Code of Ethics which has been reviewed by and approved to forward to the GPR by the Investment Committee. In addition to the NDRIO Investment Code of Ethics is a minor change to the proxy voting policy as outlined in the Governance Manual. The change defines an investment manager to be both an external institutional investment manager and any manager of internal investment portfolios. If approved to recommend by the GPR, both documents will be brought to the SIB for two readings and approval.

Board Action Requested: Provide recommendations to SIB to approve after two readings.

3. 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 (NDRIO), 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 NDRIO 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 NDRIO, 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 NDRIO 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 NDRIO 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:

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

4. 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 N.D.A.C. Chapter 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 (CIO) and Executive Director (ED) 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 NDRIO 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, NDRIO 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

NDRIO 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 decision-making. 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 NDRIO 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 (CIO) for initial evaluation. The CIO will then provide a recommendation to the Executive Director (ED) for final approval or further action.

5. 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 NDRIO's investment team. Covered employees should not trade in restricted securities, or restricted Private Funds (private

funds held in an NDRIO 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

NDRIO 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 NDRIO. Employees are strictly prohibited from using MNPI for personal gain or to benefit others. NDRIO 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 ED 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 NDRIO (exceptions noted above).
- 5) Covered employees may not participate in initial public offerings (IPO) offered principally due to their employment with NDRIO.
- 6) Any profits realized from violations of the Code will be disgorged to a charitable organization.

Monitoring and Reporting

Personal trading by NDRIO 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

NDRIO 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 NDRIO 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

NDRIO 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.

6. 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 NDRIO.

Disciplinary Actions

Penalties for violations of the Code may range from a formal warning to termination, depending on the nature of the offense. The NDRIO 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.

7. Amendments

Process for Amending the Code

The NDRIO 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.

8. 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. NDRIO will provide resources for ongoing development.

G. 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

MEMORANDUM

TO: SIB GPR Committee
FROM: Scott Anderson, Chief Investment Officer
DATE: January 14, 2025
RE: 2025 Legislative Session Review & Discussion

Please find following this memorandum the bill tracker prepared by RIO staff for the week of January 14, 2025. Staff will review relevant legislation impacting investment operations with the SIB GPR Committee at its meeting on January 14, 2025, for legislative position recommendations to the full SIB. Staff will present SIB GPR recommendations and highlight other bills where RIO has already offered testimony during the SIB meeting on January 24, 2025.

Testimony offered by RIO staff on behalf of both the SIB and TFFR Board thus far this session is included as an appendix in the SIB packet. This includes HB1015, HB1022, HB1026, HB1027, HB1117, HB1163, HB1184, SCR3001, SB2072, SB2097.

Board Action Requested: Provide recommendations to SIB for position testimony.

2025-2027 Legislative Session RIO Bill Tracker

Bill #	Topic	Description	Sponsor	Hearing Date	Committee	Status	Position
HB 1027	Investment	Moving Fire & Tornado Fund from Insurance to OMB	Legislative Management	01/13/2025, 2:00 PM	House Industry, Business & Labor	Introduced, referred to IBL	
HB 1022	Budget bill	RIO's Budget bill	Appropriations Committee	01/13/2025, 3:00 PM	House Appro - Govn't Ops	Introduced, referred to Appro	
HCR 3001	Investment	Encouraging the Treasurer and SIB to invest a portion of General Fund/Budget Stabilization/ Legacy in digital assets and precious metals.	Reps. Toman, Heilman, Hendrix, D. Johnston, S. Olson, Porter, and Sens. Barta, Paulson	01/14/2025, 9:00 AM	House Industry, Business & Labor	Introduced, referred to IBL	
HB 1184	Investment	A BILL for an Act to create and enact a new section to chapter 15-01, a new section to chapter 21-10, and a new section to chapter 54-11 of the North Dakota Century Code, relating to digital asset and precious metal investments.	Rep. Toman, Christy, Heilman, Hendrix, D. Johnston, S. Olson, Porter and Senators Barta, Cory, Meyer, Paulson	01/14/2025, 9:00 AM	House Industry, Business & Labor	Introduced, referred to IBL	
HB 1026	Investment	Moving State Bonding Fund from Insurance to OMB	Legislative Management	01/14/2025, 9:00 AM	House Industry, Business & Labor	Introduced, referred to IBL	
HB 1163	Investment	A BILL for an Act to create and enact a new section to chapter 15.1-36 of the North Dakota Century Code, relating to a legacy fund school construction assistance loan fund; to amend and reenact section 21-10-11, relating to the legacy and budget stabilization fund advisory board; and to provide a continuing appropriation.	Representatives Jonas, Longmuir, Murphy, Richter, Schreiber-Beck, Warrey	01/15/2025, 11:00 AM	House Education	Introduced, referred to Educ	
HB 1015	Budget bill	OMB Budget bill - Need to track all the way to the end.	Appropriations Committee	01/16/2025, 2:00 PM	House Appro - Govn't Ops	Introduced, referred to Appro	
SB 2097	Investments	Creation of a Rural Community Endowment Fund and including under 21-10.	Sens. Mathern & Wanzek, Rep. Brandenburg	01/17/2025, 9:00 AM	Senate AgVA	Introduced, referred to AgVA	
HB 1117	Retirement	TFFR RMD bill	TFFR via Gov't Vets Affairs	01/17/2025, 9:15 AM	House GVA	Introduced, referred to GVA	
SB 2072	Procurement	Red tape reduction relating to the contracts limiting liability to the state (the issue being we can't accept many low-cost, web-based application's terms and conditions due to state law).	Senate State and Local Govn't at request of OMB.	n/a	Senate State and Local Government	Reported back, do pass, place on calendar.	Monitor