

**Investment Committee**  
**Friday, March 13, 2026, 9:00 a.m.**  
**Virtual Only**  
[Click here to join the meeting](#)

**AGENDA**

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA – (Committee Action)**
  - A. Roll Call & Conflict of Interest Disclosure
- II. **ACCEPTANCE OF MINUTES (February 13, 2026) – (Committee Action)**
- III. **STRATEGY REVIEW (45 minutes) – (Information Only)**
  - A. Public Markets – *Mr. Chin, Mr. Posch*
- (Break)
- IV. **MANAGER RECOMMENDATIONS AND ACTIONS<sup>1</sup> (45 minutes) – (Committee Action)**
  - A. Private Markets Recommendation – *Mr. Collins, Mr. Zietflow*
  - B. Private Market Manager New Vintage Investment – *Mr. Collins, Mr. Zietflow*
  - C. Public Markets Guidelines – *Mr. Posch*
- V. **INTERNAL STRATEGY APPROVAL (15 minutes) – (Committee Action)**
  - A. Benchmark & Guidelines – *Mr. Anderson, Mr. Gandhi*
- VI. **POLICY UPDATE (15 minutes) – (Committee Action)**
  - A. Rebalance Error Policy – *Mr. Otteson, Mr. Anderson*
- VII. **INVESTMENT POLICY STATEMENTS (10 minutes) – (Committee Action)**
  - A. Job Service, Retiree Health, Group Insurance – *Mr. Chin*
- VIII. **MANAGER UPDATE (10 minutes) – (Information Only)**
  - A. Private Markets – *Mr. Collins, Mr. Zietflow*
  - B. Public Markets – *Mr. Posch*
- IX. **DISCUSSION**
- X. **ADJOURNMENT**

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<sup>1</sup> Executive Session pursuant to N.D.C.C. 44-04-19.2, 44-04-18.4 (2)(a) and N.D.C.C. 44-04-18.4(2)(d) to review and discuss confidential commercial information and trade secrets.

**STATE INVESTMENT BOARD  
INVESTMENT COMMITTEE  
MEETING MINUTES OF THE  
FEBRUARY 13, 2026, MEETING**

**MEMBERS PRESENT:** Thomas Beadle, State Treasurer, Chair  
Prodosh Simlai, External Representative, Vice Chair  
Scott Anderson, Chief Investment Officer  
Eric Chin, Deputy Chief Investment Officer  
Todd Van Orman, External Representative

**MEMBERS ABSENT:** Pete Jahner, External Representative

**STAFF PRESENT:** Jac Collins, Senior Investment Analyst  
Cory Cox, Investment Analyst  
Derek Dukart, Senior Investment Analyst  
Jennifer Ferderer, Fiscal Operations Admin  
Timothy Forsythe, Deputy Chief Financial Officer  
Ross Hambrick, Portfolio Manager  
Erik Jodock, Investment Analyst  
Robbie Morey, Investment Operations Analyst  
George Moss, Portfolio Manager  
Sarah Mudder, Communications & Outreach Director  
Chuck Napp, Sr Investment Operations Manager  
Adam Otteson, Chief Financial Officer  
Daphne Pflieger, Investment Accountant  
Matt Posch, Portfolio Manager  
Jodi Smith, Executive Director  
Alexander Weissman, Investment Analyst  
Lance Zietlow, Portfolio Manager

**GUESTS:** Members of the Public

**CALL TO ORDER**

Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 9:02 a.m. on Friday, February 13, 2026. The meeting was held virtually.

**The following members were present representing a quorum: Mr. Anderson, Treasurer Beadle, Mr. Chin, Dr. Simlai, and Mr. Van Orman**

## **AGENDA**

The agenda was considered for the February 13, 2026, meeting.

**IT WAS MOVED BY MR. CHIN AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE FEBRUARY 13, 2026, MEETING AS DISTRIBUTED.**

**AYES: MR. ANDERSON, MR. CHIN, DR. SIMLAI, MR. VAN ORMAN, AND  
TREASURER BEADLE**

**ABSENT: MR. JAHNER**

**NAYS: NONE**

**MOTION CARRIED**

## **MINUTES**

The minutes were considered for the January 6, 2026, meeting.

**IT WAS MOVED BY MR. ANDERSON AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE JANUARY 6, 2026, MEETING AS DISTRIBUTED.**

**AYES: MR. ANDERSON, MR. CHIN, DR. SIMLAI, MR. VAN ORMAN, AND  
TREASURER BEADLE**

**ABSENT: MR. JAHNER**

**NAYS: NONE**

**MOTION CARRIED**

## **GOVERNANCE MANUAL CHARTER REVIEW**

Ms. Smith reviewed the proposed charter changes, including the shift of the Investment Committee's role from operational approvals to strategic oversight of investment risk, performance, and policy. She noted that the revised charter strengthens committee independence, formalizes governance over risk and performance review, and enhances transparency through standardized reporting and escalation processes.

## **STRATEGY REVIEW**

Mr. Zietlow presented the Private Markets Strategy, including the current size and growth of the program, key investment beliefs, and the objective of maximizing after-cost returns at a prudent level of risk. He outlined the planned evolution from fund-of-funds to a direct-to-general-partner model, highlighting expected fee and carried-interest savings, enhanced portfolio customization, and improved pacing across funds. Mr. Zietlow also summarized the strategic approach across private equity, private credit, and real assets, and noted that continued execution of the strategy will require incremental investment and operations staffing as the program scales.

**INVESTMENT GUIDELINES**

**IT WAS MOVED BY MR. ANDERSON AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. 44-04-19.2, 44-04-18.4 (2)(A) AND N.D.C.C. 44-04-18.4(2)(D) TO REVIEW AND DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION AND TRADE SECRETS.**

**AYES: DR. SIMLAI, MR. CHIN, MR. VAN ORMAN, MR. ANDERSON, AND  
TREASURER BEADLE  
ABSENT: MR. JAHNER  
NAYS: NONE  
MOTION CARRIED**

The executive session began at 10:05 a.m. and ended at 10:09 a.m. The session was attended by Committee members, Mr. Collins, Mr. Cox, Mr. Dukart, Ms. Ferderer, Mr. Forsythe, Mr. Hambrick, Mr. Jodock, Mr. Moss, Ms. Mudder, Mr. Otteson, Mr. Posch, Mr. Weissman, and Mr. Zietlow.

**IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE INVESTMENT GUIDELINES FOR THE MANAGER AS PRESENTED.**

**AYES: MR. ANDERSON, MR. CHIN, MR. VAN ORMAN, DR. SIMLAI AND  
TREASURER BEADLE  
ABSENT: MR. JAHNER  
NAYS: NONE  
MOTION CARRIED**

**INVESTMENT POLICY STATEMENT UPDATES**

Mr. Chin presented updated Investment Policy Statements (IPS) for Cultural AAPME Fund, Cultural Endowment Fund, Risk Management Fund, and the Risk Management Workers Compensation Fund. The updates reflect asset allocation changes previously approved by the SIB and the respective client boards and incorporate a new IPS template designed to improve clarity and consistency.

**IT WAS MOVED BY MR. VAN ORMAN AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO RECOMMEND TO APPROVE THE INVESTMENT POLICY STATEMENT UPDATES AS PRESENTED.**

**AYES: MR. CHIN, MR. VAN ORMAN, MR. ANDERSON, DR. SIMLAI AND  
TREASURER BEADLE  
ABSENT: MR. JAHNER  
NAYS: NONE  
MOTION CARRIED**

## **PERFORMANCE CONSULTANT CONTRACT**

Mr. Otteson provided an update on implementation of the Board's direction to procure investment performance and benchmarking consulting services, noting the RFP has been issued. He summarized the scope of services, including comprehensive performance reporting, benchmarking, advisory support, and fiduciary consulting services under a fixed-fee structure. A committee member's participation in the scoring was requested. Committee discussion followed.

**IT WAS MOVED BY DR. SIMLAI AND SECONDED BY MR. VAN ORMAN AND CARRIED BY A ROLL CALL VOTE TO APPOINT TREASURER BEADLE AS AN EVALUATOR AND SCORER FOR THE PERFORMANCE BENCHMARKING CONSULTANT RFP.**

**AYES: MR. VAN ORMAN, MR. ANDERSON, DR. SIMLAI, MR. CHIN, AND TREASURER BEADLE**

**ABSENT: MR. JAHNER**

**NAYS: NONE**

**MOTION CARRIED**

## **MANAGER UPDATE**

Mr. Posch provided a manager update, stating that Arrowstreet US All Cap was funded in January with an initial funding amount of approximately \$790 million (\$450 million to the Legacy Fund, \$300 million to the Pension Pool, and \$40 million to Insurance Trust).

## **QUARTERLY REPORTS**

Mr. Anderson provided an overview of contracts signed during Quarter 4 of 2025. The report included vendor names, execution dates, descriptions, and costs of the contracts signed. Committee discussion followed.

## **ADJOURNMENT**

With no further business to come before the committee, Treasurer Beadle adjourned the meeting at 10:26 a.m.

Prepared by:

Jennifer Ferderer, Assistant to the Board



# **Funds Management Strategy: Direct to Manager**

# Overview

as of Feb. 28, 2026

**RIO Total AUM: \$27.7B**

Public Markets: \$18.7B

Private Markets: \$4.8B

Internal Direct: \$3.5B

Cash & Other: \$0.8B

29 Client Funds

## Objective

To maximize after cost return for risk at a prudent level of risk for the funds in our care.

## Public Funds Management:

- Equity Funds: \$11.2B
- Fixed Income Funds: \$7.1B
- Internal Direct: \$3.5B
- 27 Strategies

## Exposure Across Pools

- Pension: Equity \$4.6B, Fixed Income \$2.2B
- Insurance: Equity \$0.6B, Fixed Income \$2.8B
- Legacy: Equity \$8.0B, Fixed Income \$3.6B

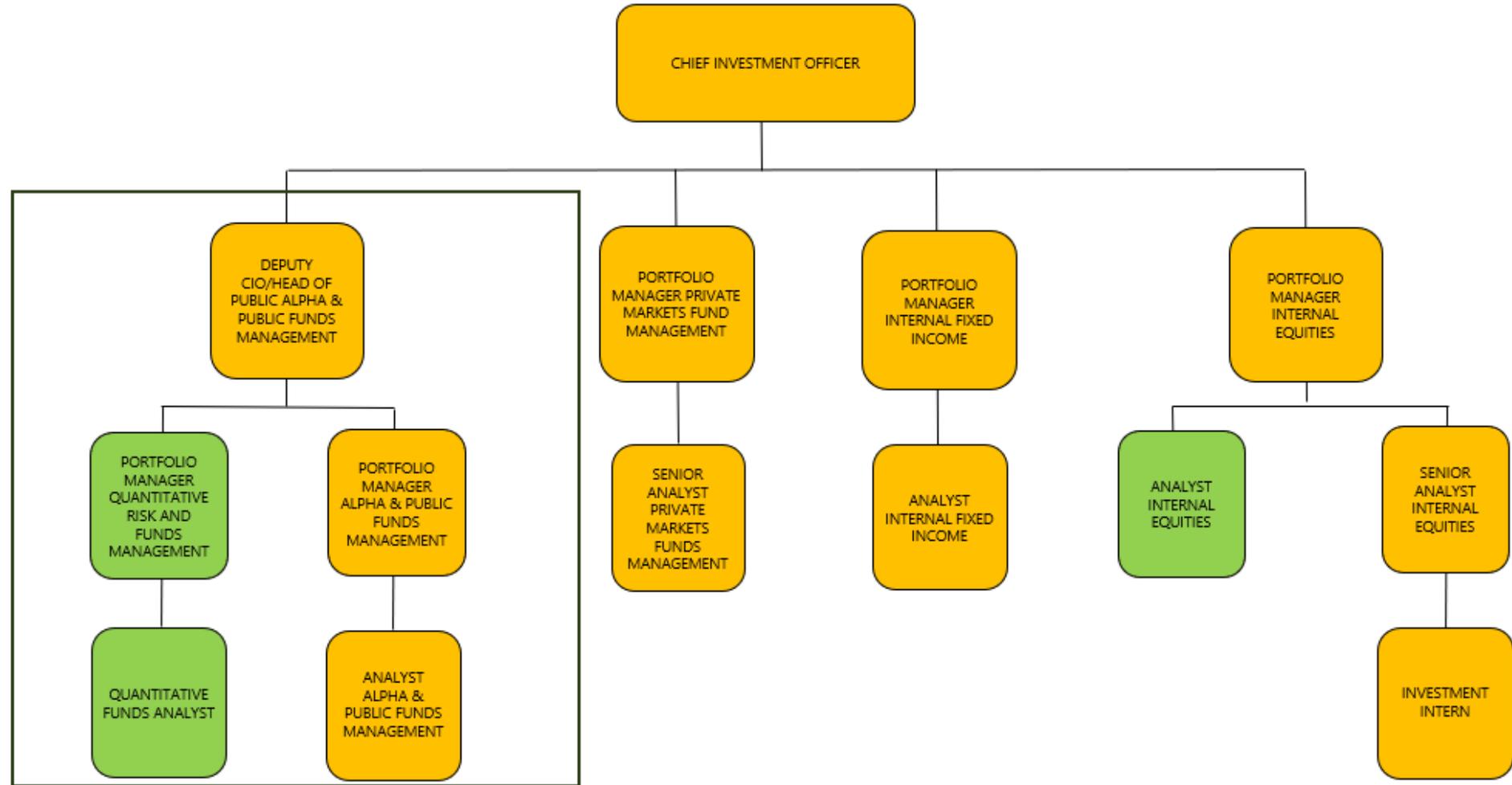
# Beliefs

- Our mission is to deliver a high return per unit of risk; at a prudent level of risk for our client fund mandates; at an efficient cost
- Long term markets are efficient but there are short term inefficiencies that create opportunity for active return
- Active investment strategies can capitalize on these market inefficiencies and can generate excess returns with prudent levels of risk
- Successful alpha generating strategies can be identified through a rigorous due diligence and evaluation process
- Investors should only pay for alpha—beta is inexpensive
- Risk and return are two sides of the same coin—integrating risk & exposure management throughout the investment process is essential
- Our processes must evolve with the ever-changing market. What got us here won't get us there.

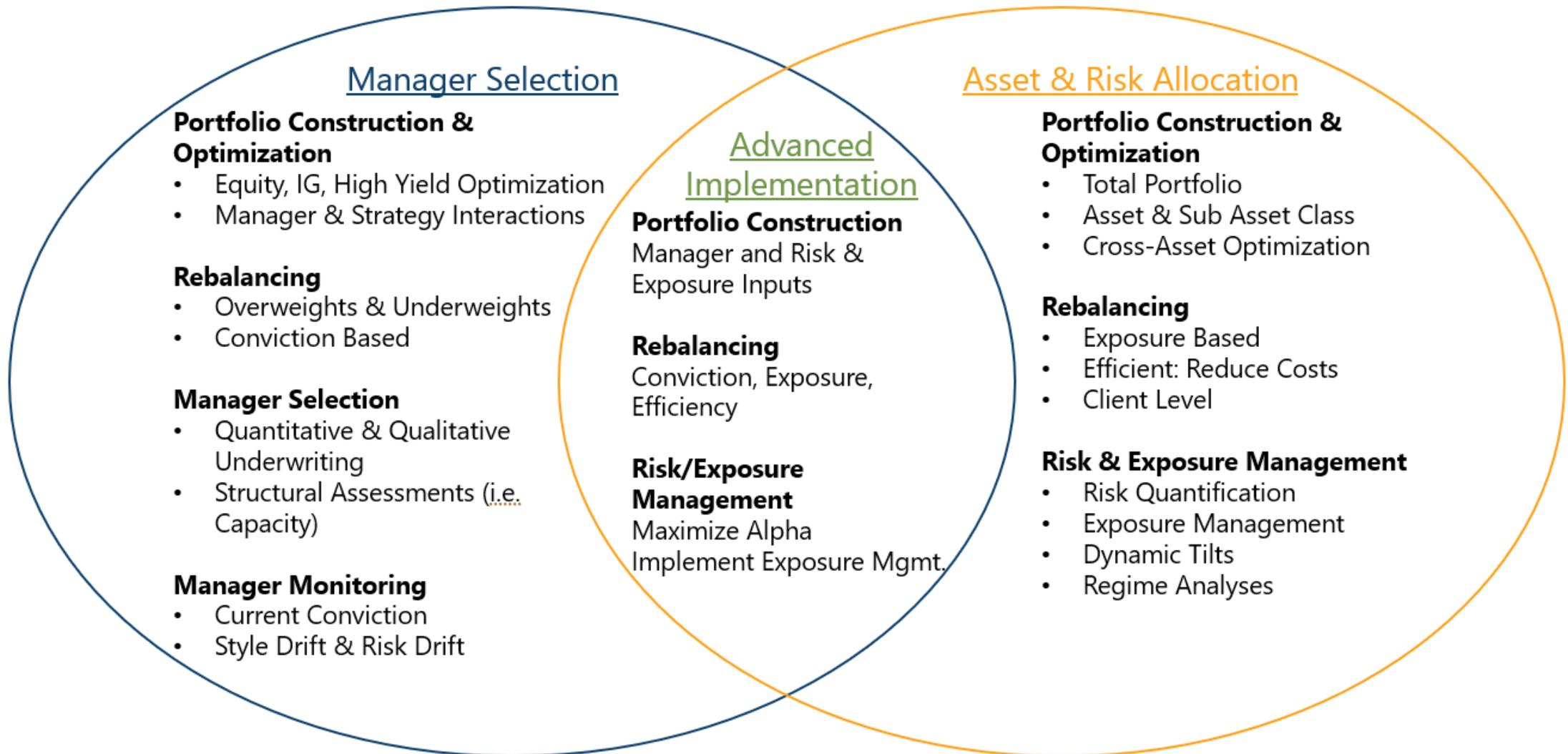
# Advanced Funds Management

## Funds Management

- Report risks to team and governance bodies
- Initiate action when risk exceeds desired risk
- Manage portfolio of manager
- Rebalance client funds to target
- Manage policy exposures and liquidity
- Allocate active risk to managers
- Lead asset allocation activities
- Stress test portfolios and create contingency plans



# Integrated Alpha and Risk Allocation



# Integrated Alpha and Risk Allocation continued

## Current

### PORTFOLIO CONSTRUCTION

- Portfolios built primarily at the asset-class level
- Returns based optimization
- Capital allocated to match benchmark weights on a dollar basis

- Month end rebalancing
- Rebalancing conducted at the pool level
- Subsequent internal client-level allocation
- Based on historical data

- Risk reporting
- Manager-level adjustments



## Advanced

### PORTFOLIO CONSTRUCTION

- Total portfolio construction and optimization
- Client level portfolio view
- Cross asset, exposure and risk-based optimization
- Holdings and returns based construction
- Intentional allocation of risk (asset class, factors)

- Flexibility to rebalance at any time
- Client level rebalancing
- Cost reduction through internal portfolios
- Rebalancing combines manager views and efficiency
- Incorporates forward looking projections

- Quantification of risk and exposures
- Precise exposure management through internal capabilities
- Enhanced stress testing
- Dynamic exposure management

# Keys to Success

## ADVANCING THE ADVANCED FUNDS MANAGEMENT PLATFORM

### DATA

#### Insights Through Information

- Daily data architecture
- Strengthened reconciliation discipline
- Single source of truth
- New data sets

### INVESTMENT OPERATIONS

#### Execution Efficiency and Reconciliation

- Timely and efficient execution
- Daily reconciliation
- Official source of record for daily portfolio data

### TECHNOLOGY

#### Integrated Investment Infrastructure

- Integration across platforms
- Automation of processes (rebalancing, data ingestion)
- Embedded analytics (risk, rebalancing, attribution, exposures, liquidity)

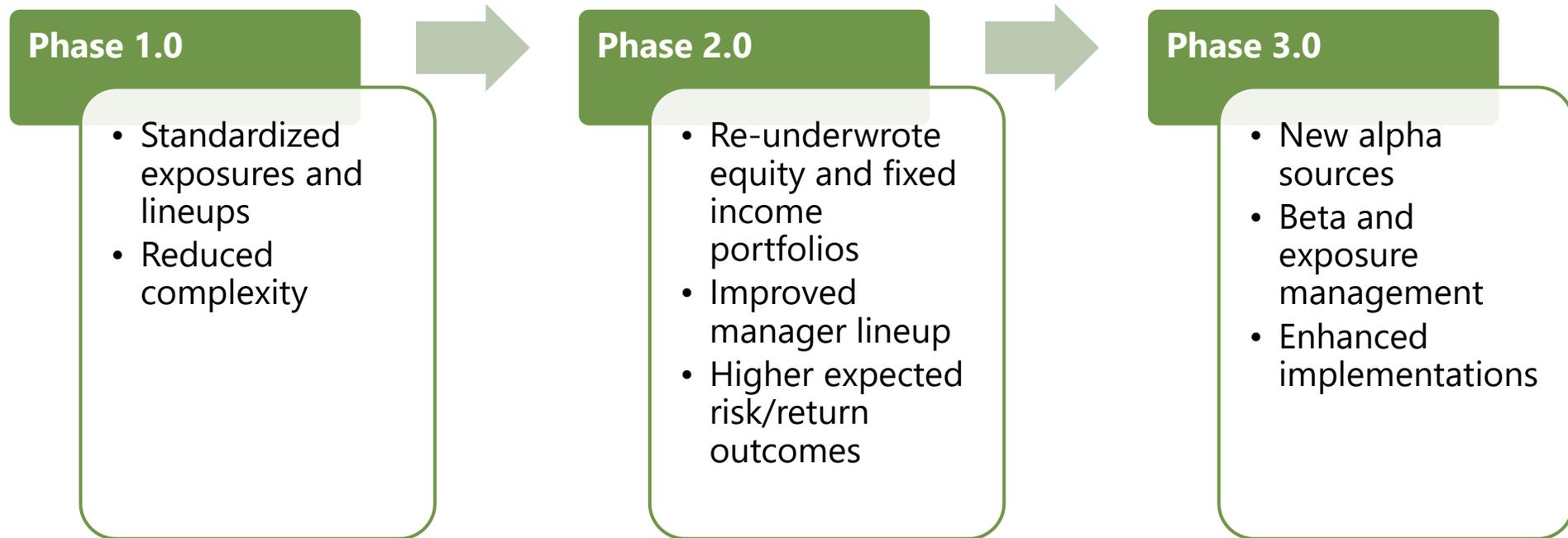
### PEOPLE

#### Expanded Analytical & Investment Capability

- Dedicated data and analytics expertise
- Expanded manager research depth
- Operational capacity to support new initiatives

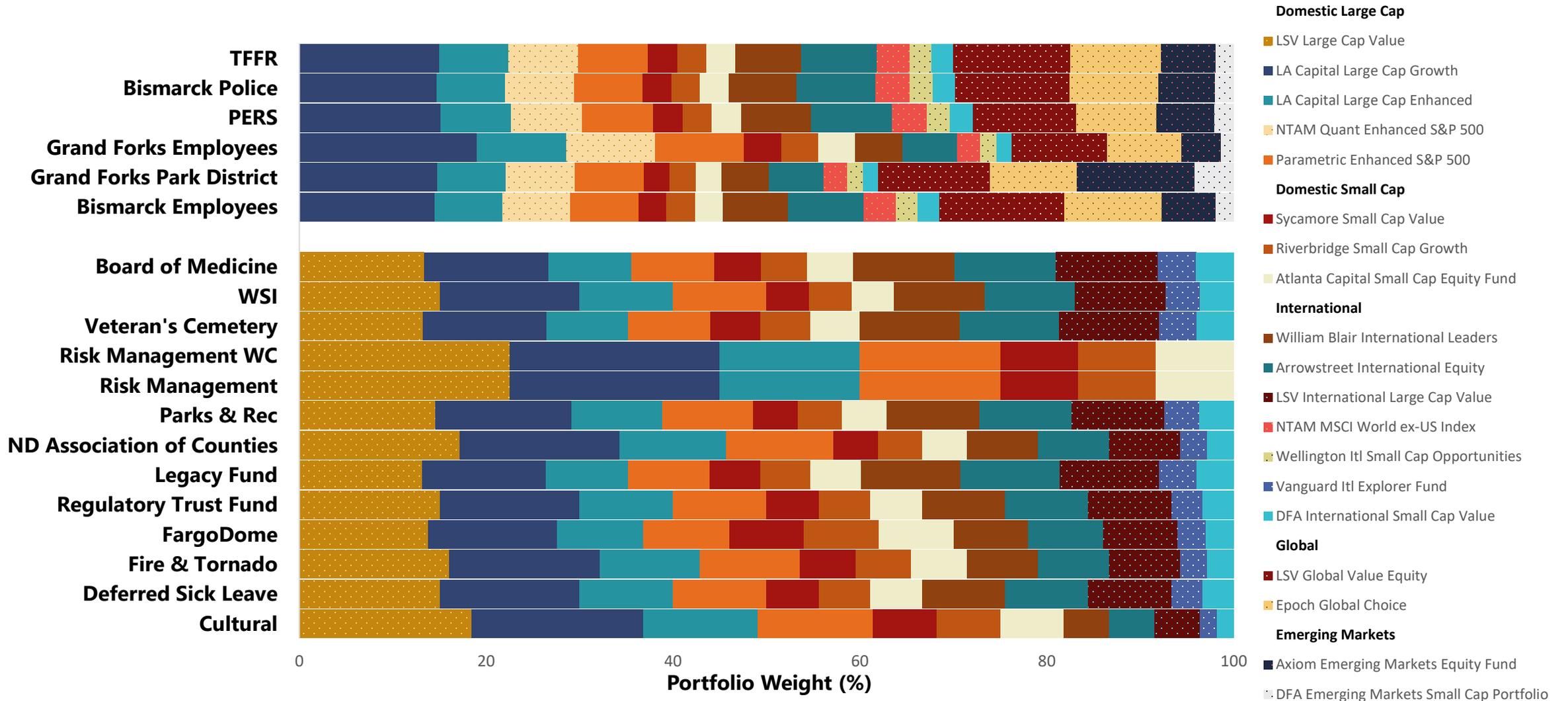
# Evolution (Last 3 Years → Next Phase)

From Alignment → Optimization → Advanced Funds Management



More reliable excess return • less unintended risk • lower implementation cost

# Phase 1.0 Starting Point — Fragmented Architecture



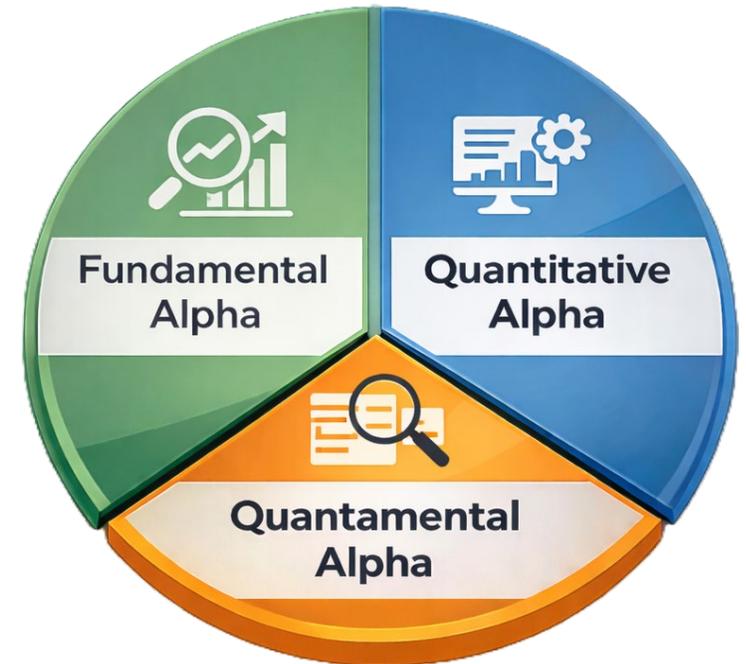
# Phase 2.0 — Optimizing the Core Portfolio

## Philosophical Shift

- Prior focus: style-based allocations (value/growth)
- Led to elevated benchmark-relative volatility
- New focus: Lowered active risk relative to policy benchmark
- Diversify alpha by process, not by style exposure

## Portfolio Outcome

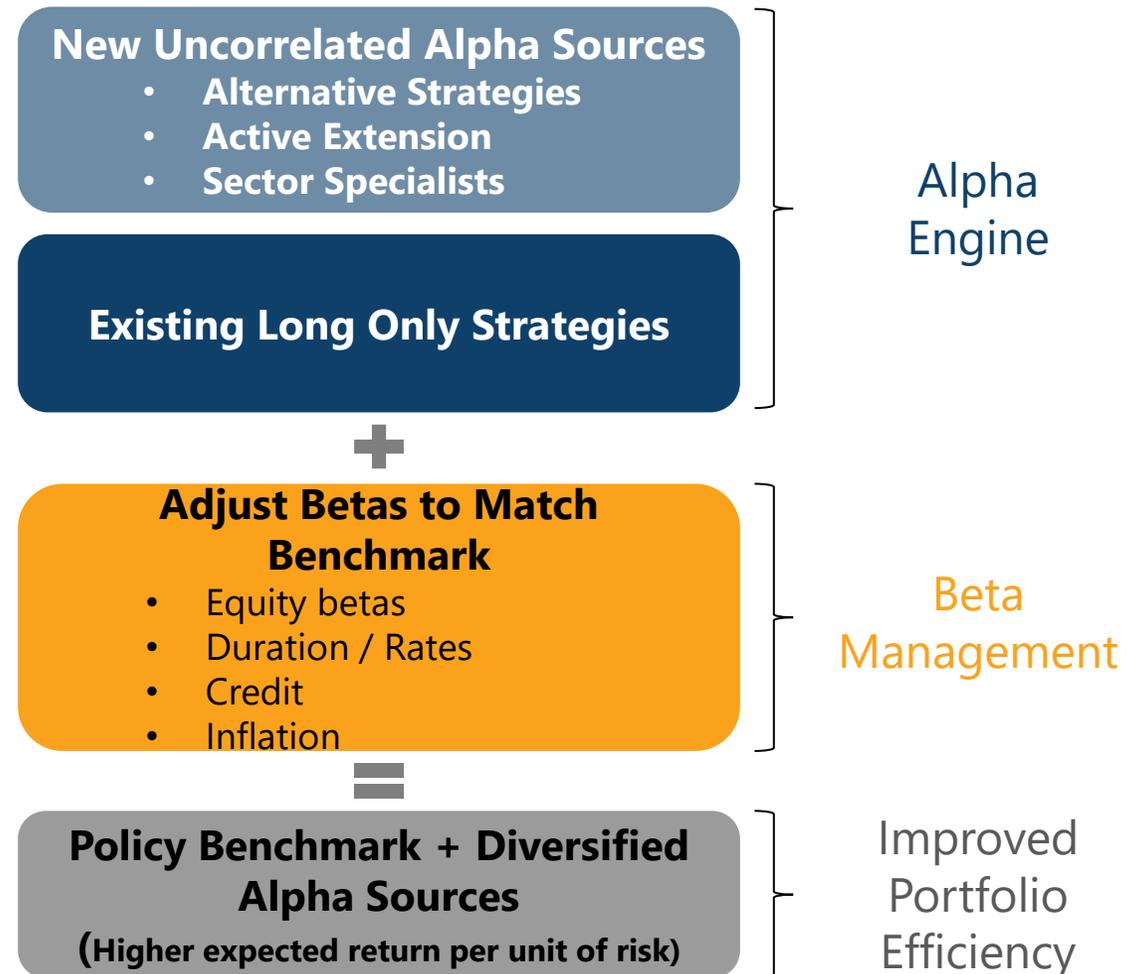
- Reduced unintended style volatility
- Clear active risk budgeting
- More stable excess return profile
- Multiple differentiated alpha engines



# Phase 3.0 — Alpha Beta Separation

## Enhanced Portfolio Implementation

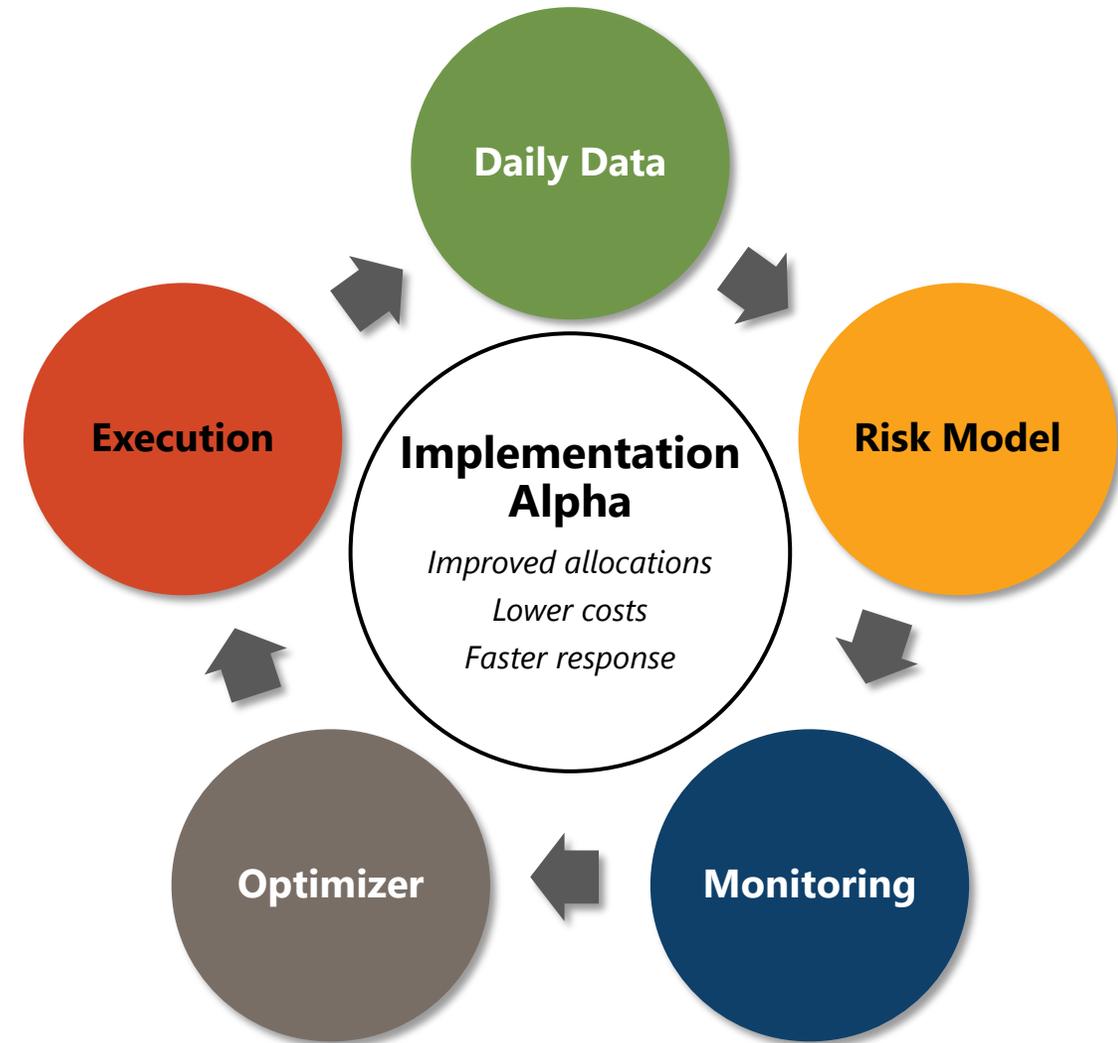
- Improves the efficiency of active risk, by separating alpha generation from market exposures
- Expand opportunity set by sourcing new uncorrelated alpha strategies
- Separate alpha from beta exposure to facilitate new alpha sources
- Maintain policy benchmark alignment by dynamically adjusting underlying beta exposures



# Phase 3.0 — Focus on Implementation Alpha

## Implementation Matters

- Daily data improves risk modeling
- Better risk models enable timelier monitoring of managers
- Enhanced monitoring allows more precise optimization and manager sizing
- More precise rebalancing reduces transaction costs and unintended drifts
- Better implementation drives improved portfolio efficiency



# Capabilities Required to Enable Phase 3.0

## Key areas of development:



### Data

- Daily, high-quality portfolio data is critical for Phase 3
- Foundation for risk modeling, monitoring, and analytics to support beta/exposure management



### Operations

- Operational support is critical to Phase 3 to support faster execution and implementation
- Operations is critical in maintaining daily data integrity and establishing a single source of truth



### Technology

- Advanced analytics and risk modeling to evaluate managers and manage exposures
- Critical to managing, processing, analyzing and maintaining data



### People

- Additional operations resources required to support daily portfolio data, reconciliation, and execution
- Enhanced investment capabilities to support selection, data processing, and exposure management

# Data

## Data is the critical input to core processes

| DATA ENHANCEMENTS                                                              | OUTCOMES                                                                                                              |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Daily allocations, holdings and transactions                                   | Enables real-time risk and exposure monitoring                                                                        |
| Expanded strategy datasets                                                     | Supports research and identification of new alpha strategies and or signals                                           |
| Integrated datasets across multiple vendors                                    | Enables faster proprietary analysis leveraging data from multiple sources                                             |
| Structuring unstructured data (PDF reports, risk documents, DDQs, and filings) | Enables automated extraction and organization of data for monitoring, due diligence, and analysis                     |
| Proprietary datasets                                                           | Enables proprietary portfolio insights from sources such as internal holdings and strategies, fees, and exposure data |

# Enhanced Operations



**Operations is the backbone—facilitating execution and implementation**

| <b>OPERATIONS ENHANCEMENTS</b>                                  | <b>OUTCOMES</b>                                                               |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------|
| Additional operations capacity                                  | Faster implementation of rebalancing, monitoring, and manager onboarding      |
| Additional legal resources                                      | Accelerates manager contracting, negotiations, and mandate changes            |
| Daily data validation and reconciliation                        | Reliable single source of truth for positions, allocations, and market values |
| Build capabilities to facilitate exposure management program    | Enables beta management and dynamic exposure management                       |
| Scale operations to meet demands of advanced investment program | Supports program growth without increasing operational risk                   |

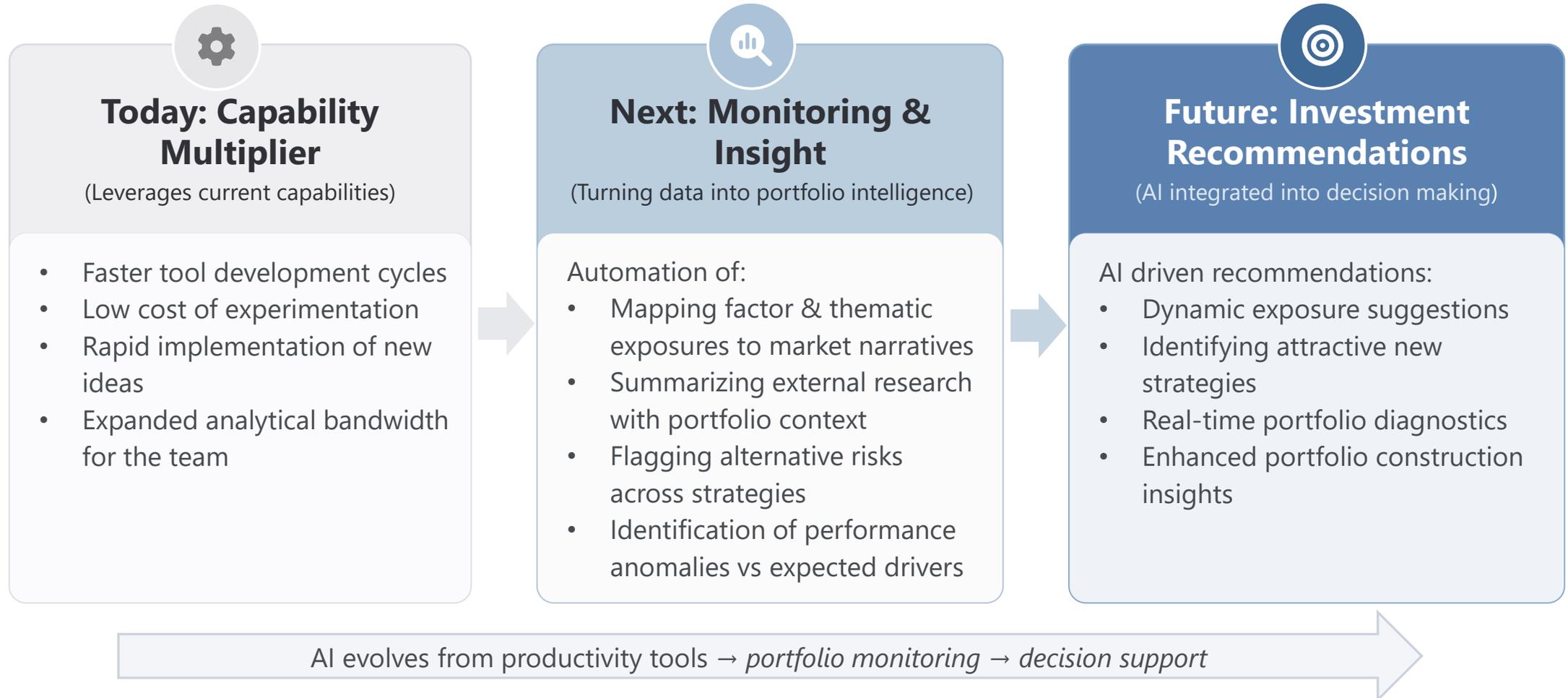
# Technology

## Technology is a force multiplier: automation, computation, analytics

| TECHNOLOGY ENHANCEMENTS                        | OUTCOMES                                                                               |
|------------------------------------------------|----------------------------------------------------------------------------------------|
| Data lake                                      | Centralized and organized data enabling faster decision making and stronger workflows  |
| Systems enabling automation of data processing | Automates manual data workflows, freeing capacity for higher-value investment analysis |
| New internally developed tools (Tool 2.0)      | Custom analytics supporting analysis of non-traditional public markets strategies      |
| AI-enabled research and analytics tools        | Accelerated research synthesis and decision support                                    |

# AI Integration in Investment Management

## Analytics, Insights, & Integration



# People



## Expanding team capabilities to support Phase 3.0 Implementation

| PEOPLE                                  | OUTCOMES                                                                                 |
|-----------------------------------------|------------------------------------------------------------------------------------------|
| Expanded operations support             | Provides operational oversight and execution of portfolio changes critical for Phase 3.0 |
| Quantitative and data science expertise | Develops advanced analytics supporting Phase 3.0 portfolio management                    |
| Investment research capability          | Expands research and evaluation of new strategies for Phase 3.0                          |

# Investment Selection Criteria

| HIRING RATIONALE                      |   | TERMINATION CRITERIA                     |   |
|---------------------------------------|---|------------------------------------------|---|
| Experienced Team                      | ✓ | Staff Turnover                           | ✗ |
| Necessary Technology                  | ✓ | Inconsistent Process                     | ✗ |
| Disciplined Process                   | ✓ | Uncharacteristic Performance/Style Drift | ✗ |
| Performance In-Line With Expectations | ✓ | Change in Investment Thesis              | ✗ |
| Identifiable Competitive Edge         | ✓ | Deterioration of Alpha Source(s)         | ✗ |
| Sustainable Alpha Source(s)           | ✓ | Long-term Headwinds for Strategy         | ✗ |

## Qualitative Evaluation:

- Assess a manager's competitive edge, process, strategy, alpha sources, team capabilities etc.
- Develop investment thesis

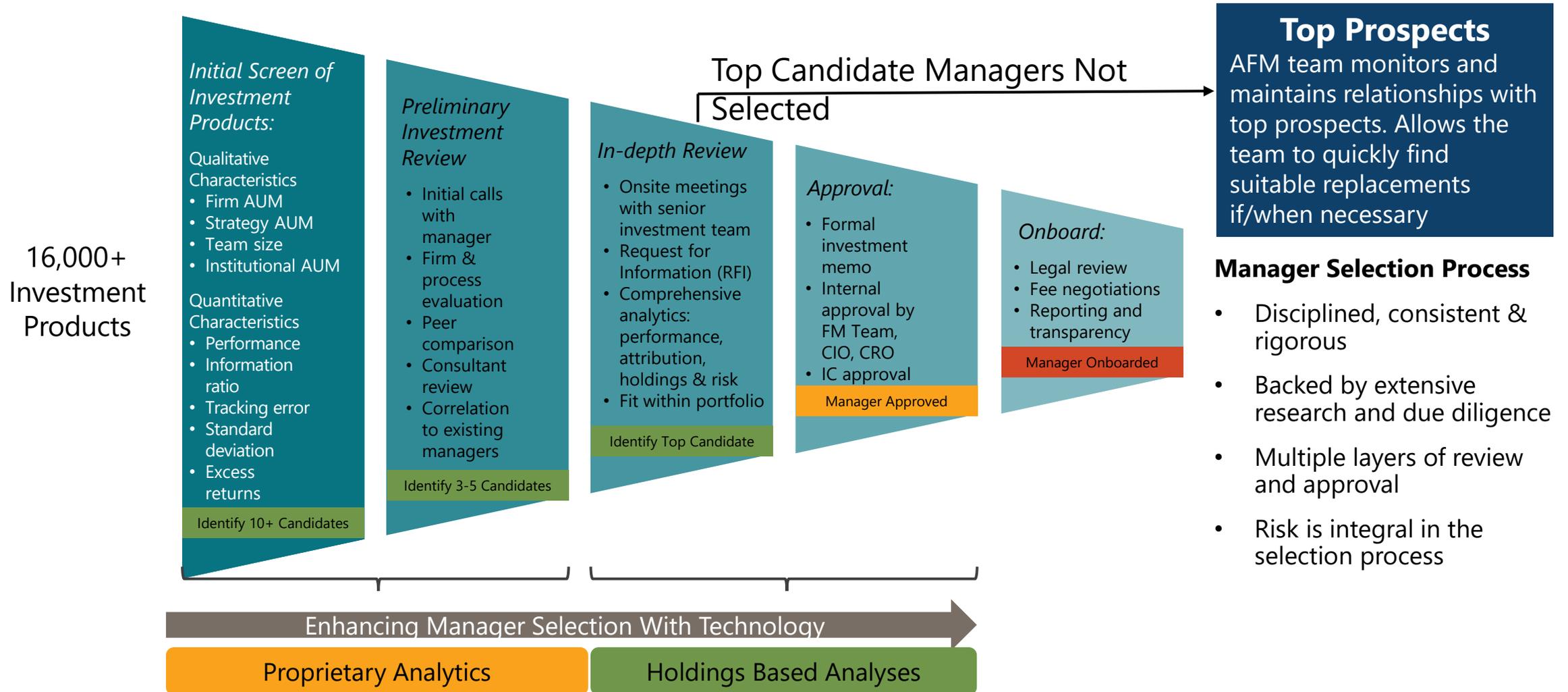


## Quantitative Analysis:

- Verify the investment thesis by the numbers
- Analyze portfolio holdings and return streams
- Differentiate between alpha vs beta

Investment selection combines qualitative conviction → quantitative validation → continuous monitoring

# Manger Selection Process



# Next Steps: Fixed Income 2.0

## Re-underwrite the fixed income portfolio

- Similar to Equity 2.0, Fixed Income 2.0 represents a top-to-bottom re-underwriting of the investment-grade portfolio
- Full universe review of the investment-grade strategies
- Leverages the technology and analytics developed for Equity 2.0
- Optimize IG portfolio with an enhanced manager lineup
- Fixed Income 2.0 is underway expect to identify new managers by year end

# Next Steps: Implementing Phase 3.0

## Begin Phase 3.0 initiatives

- Begin research on new managers, strategies, and universes
- Collaborate with Asset and Risk allocation team to build exposure management capabilities
- Work with Operations to solidify daily data process and develop reconciliation and intake methodologies
- Continue work on the implementation of the data lake
- Develop technologies to support manager analysis for new strategies

# Conclusion:

- The Equity 2.0 initiatives have met or exceeded expectations
  - 2025: U.S. Public Equity Portfolio 18.0% vs benchmark of 17.1%
- Implement Fixed Income 2.0 (underway)
- Key initiatives for Phase 3.0 are in progress:
  - Beta version of daily allocation percentages
  - AI integration
- Need to expand data, analytics, research and operational capacity to fully implement Phase 3.0 strategy

Confidential materials will be sent separately to  
Committee members via secure link.

# INTERNAL INVESTMENT MANAGEMENT ENHANCED LONG GOVERNMENT / CREDIT STRATEGY

Scott Anderson, CFA – Chief Investment Officer  
Chirag Gandhi, CFA – Portfolio Manager, Internal Fixed Income  
March 13, 2026

NORTH  
**Dakota**  
Be Legendary.

Retirement & Investment

# INTERNAL LONG GOVERNMENT CREDIT EXECUTIVE SUMMARY

- Manage new Long Government Credit Enhanced Index Strategy internally.
- Implementing the strategy to support the fixed income asset allocation for Grand Forks Pension Plan and Grand Forks Park District.
- Expected initial AUM of approximately \$42MM.
- New capability that has potential for future tactical and/or strategic use.
- The Enhanced Index strategy is managed similarly to the current internally run Government Credit portfolio.
- Guidelines and active risk parameters are similar to the Government Credit portfolio.
- Bloomberg U.S. Long Government/Credit Bond Index Benchmark recommended by Verus.

# LONG VS NORMAL GOVERNMENT CREDIT

A security must have a **remaining maturity of at least 10 years** to be included in the Long Government Credit Index.

| Field                   | Government Credit | Long Government / Credit |
|-------------------------|-------------------|--------------------------|
| Inclusion Rule          |                   | Maturity >= 10 years     |
| # of securities         | 10,082            | 3,564                    |
| Weighted Average Life   | 8.68              | 22.09                    |
| Modified Duration       | 6.26              | 13.72                    |
| Yield To Worst          | 4.15              | 5.08                     |
| 90D Volatility          | 2.89              | 6.66                     |
| Index Quality           | AA2/AA3           | AA3/A1                   |
| % in Corporate Bonds    | 32.1%             | 41.8%                    |
| % in Treasuries         | 62.0%             | 53.0%                    |
| % in Government-Related | 5.9%              | 5.2%                     |

# ENHANCED FIXED INCOME STRATEGY

Enhanced Index is a less complex, low active risk version of Actively Managed Portfolio.

|                          | <b>Index Strategy</b> | <b>Enhanced Index Strategy</b> | <b>Active Management</b> |
|--------------------------|-----------------------|--------------------------------|--------------------------|
| Tracking Error           | 0-25 bps              | 0-50 bps                       | 25-150 bps               |
| Out of Benchmark         | No                    | No                             | Yes                      |
| Complexity of Strategies | Low                   | Low                            | High                     |
| Use of Derivatives       | None                  | Low                            | Medium/High              |

# INTERNAL LONG GOV/CRED ENHANCED INDEX STRATEGY

- Portfolio built to target factor exposures and to optimize transaction costs by reducing the number of securities owned.
- Qualitative and quantitative assessment of correlation across active strategies.
- Stress test across historical, hypothetical and market shock scenarios.
- Sizing the trades based on the risk and correlation.
- Portfolio constructed with target tracking error under 50 bps in line with the existing enhanced index mandate.

# LONG GOV/CRED GUIDELINES PARAMETERS

## Guidelines:

Bloomberg Long U.S. Government / Credit Benchmarked Strategy:

| <b>Benchmark-relative Parameters</b> | <b>Soft Limits<br/>(Staff Review)</b> | <b>Hard Limits<br/>(corrective action)</b> |
|--------------------------------------|---------------------------------------|--------------------------------------------|
| Corporate Bonds                      |                                       | +/- 10%                                    |
| Credit Rating of BBB+ to BBB- (S&P)  |                                       | +/- 5%                                     |
| US Government & Agency Obligations   |                                       | +/- 10%                                    |
| Effective Duration                   |                                       | +/- 1 yr                                   |
| Tracking error (long-term ex-ante)   | 25 bps                                | 50 bps                                     |

| <b>Absolute Parameters</b>  | <b>Soft Limits<br/>(Staff Review)</b> | <b>Hard Limits<br/>(corrective action)</b> |
|-----------------------------|---------------------------------------|--------------------------------------------|
| Single-Issue Corporate Bond |                                       | 5%                                         |
| Average Credit Rating (S&P) |                                       | >=BBB                                      |

# COMMITTEE ACTION REQUESTED:

## MOTION:

MOTION 1: APPROVE THE STRATEGY AND GUIDELINES FOR THE LONG GOVERNMENT CREDIT ENHANCED INDEX STRATEGY

MOTION 2: RECOMMEND FOR APPROVAL TO THE SIB THE BLOOMBERG U.S. LONG GOVERNMENT/CREDIT BOND INDEX BENCHMARK

## **Fixed Income Long Government/Credit Enhanced Indexing Strategy:**

Primary investment objective: Provide Investment results that approximate the overall performance of the Bloomberg U.S. Long Government/Credit Index (the "Benchmark").

Secondary investment objectives: Reduce cost and enhance returns opportunistically.

- 1) Permitted investment instruments:
  - a. This strategy may invest in publicly traded fixed income securities included in benchmark. The following securities are also permitted:
    - i. Securities that were in the index at the time of purchase and have subsequently been removed
    - ii. Securities reasonably expected to become part of the Benchmark
    - iii. Securities not currently included in the Benchmark, provided the issuer has other securities included in the Benchmark
  - b. U.S fixed income index related ETFs
  - c. Related derivatives:
    - i. Exchange traded futures for exposure to U.S treasuries
    - ii. Forwards and total return swaps related to U.S Treasuries
    - iii. Credit default swap indexes (CDX)
- 2) Derivatives and ETFs are intended to be utilized to efficiently implement strategy exposures or manage cash flows. Net notional leverage is not permitted.
- 3) Temporary guideline breaches of hard limits due to the impact of transitions or material cash flows are not considered violations, provided they are corrected in a prudent and timely manner.

**Guidelines:**

Bloomberg Long U.S. Government / Credit Benchmarked Strategy:

| <b>Benchmark-Relative Parameters</b> | <b>Soft Limits<br/>(Staff Review)</b> | <b>Hard Limits<br/>(Corrective Action)</b> |
|--------------------------------------|---------------------------------------|--------------------------------------------|
| Credit Bonds                         |                                       | +/- 10%                                    |
| Credit Rating of BBB+ to BBB- (S&P)  |                                       | +/- 5%                                     |
| US Government & Agency Obligations   |                                       | +/- 10%                                    |
| Effective Duration                   |                                       | +/- 1 yr                                   |
| Tracking error (long-term ex-ante)   | 25 bps                                | 50 bps                                     |

| <b>Absolute Parameters</b>  | <b>Soft Limits<br/>(Staff Review)</b> | <b>Hard Limits<br/>(Corrective Action)</b> |
|-----------------------------|---------------------------------------|--------------------------------------------|
| Single-Issue Corporate Bond |                                       | 5%                                         |
| Average Credit Rating (S&P) |                                       | >= BBB                                     |

# Memorandum

**To:** Investment Committee  
North Dakota State Investment Board

**From:** Verus

**Date:** March 3, 2026

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

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

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

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

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

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

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

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

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

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

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

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

**MEMORANDUM**

**TO: Investment Committee**  
**FROM: Adam Otteson, Chief Financial and Operating Officer**  
**DATE: March 13, 2026**  
**RE: Trade Error Policy and Rebalancing Error Identification and Resolution Policy**

At the January 6, 2026 Investment Committee meeting, staff presented a Short-Term Fixed Income rebalancing execution error and discussed the potential need for modifications to the Trade Error Policy, seeking guidance from the Committee. The Committee directed staff to draft a modified Trade Error Policy and a new Rebalancing Error Identification and Resolution Policy to address rebalancing errors more explicitly.

As directed, RIO staff have completed revisions to the Trade Error Policy and drafted a separate Rebalancing Error Identification and Resolution Policy for the Committee's review.

The attached draft policies are presented for Committee review and feedback. Upon approval, RIO staff will incorporate any operational impacts of these policies into standard operating procedures.

**COMMITTEE RECOMMENDATION:**

Recommend approval of the amended Trade Error Policy and a new Rebalancing Error Identification and Resolution Policy to the State Investment Board.

## TRADE ERROR POLICY

**Authority:** NDCC § 21-10

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reporting shall include:

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

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

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

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

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

**Policy Adopted:** XXXX, 2026

## REBALANCING ERROR IDENTIFICATION AND RESOLUTION POLICY

**Authority:** NDCC § 21-10

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

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

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

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

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

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

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

- The Board's fiduciary obligations

- The Prudent Investor Rule
- Applicable statutes and investment guidelines

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Procedure Adopted:** XXXX , 2026

by the responsible Portfolio Manager and approved by the Chief Investment Officer prior to final resolution.

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**Procedure Adopted:** XXXX , 2026

## MEMORANDUM

**TO:** Investment Committee

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

**DATE:** March 13<sup>th</sup>, 2026

**RE:** Updated Investment Policy Statements

### **Background:**

Staff is presenting updated Investment Policy Statements (IPS) for the following three funds and is requesting that the Investment Committee recommend for approval to the SIB:

- Retirement Plan for Employees of Job Service North Dakota (Job Service)
- Retiree Health Insurance Credit Fund (RHIC)
- NDPERS Group Insurance Account (Insurance)

### **Purpose of Updates:**

- Job Service: The purpose of this update is to incorporate the new asset allocation previously approved by both the NDPERS Board and the State Investment Board (SIB), and to transition the document to RIO's new IPS template.
- RHIC and Insurance: The purpose of these updates is to transition the existing IPS documents to RIO's new IPS template. No asset allocation changes are proposed for these funds.

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

For each fund, both a clean version and a redline version of the IPS are included for review.

### **Next Steps:**

Staff is seeking approval from the NDPERS Board for these IPS documents at the NDPERS Board meeting on March 10<sup>th</sup>. If recommended for approval by the Investment Committee, Staff will then bring the IPS documents to the State Investment Board (SIB) meeting on March 20<sup>th</sup> for final approval.

**Committee Action Requested:**

Recommend approval of the updated Investment Policy Statements for Job Service, RHIC, and the Insurance funds to the SIB.

# **INVESTMENT POLICY STATEMENT**

## Retirement Plan for Employees of Job Service North Dakota

### **I. Plan and Fund Overview**

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

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

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

#### **Client Investment Objectives**

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

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

### **II. Responsibilities and Discretion of the State Investment Board**

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

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

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

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

### **Delegation and Oversight**

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

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

### **III. Investment Performance Objective**

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

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

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

#### IV. Asset Allocation

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

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

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

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

## V. General Restrictions and Guidelines

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

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

### **Exclusive Benefit Rule**

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

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

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

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

## **VI. Internal Controls**

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

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

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

## **VII. Evaluation and Review**

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

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

## **VIII. Withdrawals**

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

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Rebecca Fricke  
Executive Director  
North Dakota Public Employees Retirement  
System

Date:

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

Date:

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

## ~~INVESTMENT POLICY STATEMENT~~

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

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

##### ~~I. Plan and Fund Overview~~

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

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

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

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

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

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

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

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

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

### ~~3. DELEGATION OF AUTHORITY~~

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

~~Such procedures must provide for:~~

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

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

### ~~4. INVESTMENT GOALS~~

#### ~~Client Investment Objectives~~

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

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

### ~~5. INVESTMENT PERFORMANCE OBJECTIVE~~

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

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

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

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

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

### **Delegation and Oversight**

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

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

## **III. Investment Performance Objective**

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

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

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

### ~~6. ASSET ALLOCATION~~

## **IV. Asset Allocation**

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

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

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

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

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

## ~~7. RESTRICTIONS~~

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

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

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

## ~~V. General Restrictions and Guidelines~~

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

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

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

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

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

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

## **8. INTERNAL CONTROLS**

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

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

## VI. Internal Controls

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

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

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

### 9. EVALUATION

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

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

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

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

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



~~Plan Administrator and Trustee~~

~~Executive Director~~

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

~~North Dakota Retirement and Investment Office~~

~~Date: 9/13/2022~~

~~Date: 10/12/2022~~

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

## **VIII. Withdrawals**

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

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Rebecca Fricke  
Executive Director  
North Dakota Public Employees Retirement  
System

Date:

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

Date:

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# **INVESTMENT POLICY STATEMENT**

## **NDPERS Retiree Health Insurance Credit Fund**

### **I. Plan and Fund Overview**

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

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

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

#### **Client Investment Objectives**

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

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

### **II. Responsibilities and Discretion of the State Investment Board**

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

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

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

### **Delegation and Oversight**

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

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

### **III. Investment Performance Objective**

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

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

### **IV. Asset Allocation**

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

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

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

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

## **V. General Restrictions and Guidelines**

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

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

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

### **Exclusive Benefit Rule**

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

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

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

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

## **VI. Internal Controls**

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

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

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

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

## VII. Evaluation and Review

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

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

## VIII. Withdrawals

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

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Rebecca Fricke  
Executive Director  
North Dakota Public Employees Retirement  
System

Date:

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

Date:

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

## ~~INVESTMENT GOALS, OBJECTIVES AND POLICIES~~

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

#### INVESTMENT POLICY STATEMENT

##### NDPERS Retiree Health Insurance Credit Fund

###### I. Plan and Fund Overview

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

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

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

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

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

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

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

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

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

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

### **3. DELEGATION OF AUTHORITY**

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

Such procedures must provide for:

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

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

### **4. INVESTMENT GOALS**

#### **Client Investment Objectives**

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

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

### **5. INVESTMENT PERFORMANCE OBJECTIVE**

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

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

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

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

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

### **Delegation and Oversight**

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

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

### **III. Investment Performance Objective**

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

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

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

### **6. ASSET ALLOCATION**

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

Board has established the following asset allocation:

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

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

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

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

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

**7. RESTRICTIONS**

No transaction may be made which threatens **Rebalancing**: The need to rebalance the portfolio can arise from a new asset allocation or because market activity has driven the actual distribution of assets away from the desired mix. To minimize transaction costs from rebalancing, RIO develops appropriate ranges around the target mix (which are specified in the policy statement). Rigidly adhered to, such a policy is a valuable risk control tool. By maintaining asset mix within reasonably tight ranges, the SIB avoids making unintentional "bets" in the asset mix and avoids market-timing decisions.

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

**V. General Restrictions and Guidelines**

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

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

horizon and similar risk.

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

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

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

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

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

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

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

## 8. — INTERNAL CONTROLS

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

## VI. Internal Controls

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

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

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

9. ~~EVALUATION~~

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

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

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

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

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

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

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

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

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

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

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

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

source showing the value added versus the cost.

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



Scott Miller  
Executive Director



Scott Anderson  
Chief Investment Officer

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

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

8. \_\_\_\_\_ Provide details of  
fees and costs (annually).

### **VIII. Withdrawals**

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

\_\_\_\_\_  
Rebecca Fricke  
Executive Director  
North Dakota Public Employees Retirement  
System

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

\_\_\_\_\_  
Date:

\_\_\_\_\_  
Date:

# **INVESTMENT POLICY STATEMENT**

## **NDPERS Group Insurance Account**

### **I. Plan and Fund Overview**

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

#### **Client Investment Objectives**

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

### **II. Responsibilities and Discretion of the State Investment Board**

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

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

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

## Delegation and Oversight

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

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

## III. Investment Performance Objective

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

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

## IV. Asset Allocation

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

|                         | <b>Target Allocation</b> | <b>Minimum Allocation</b> | <b>Maximum Allocation</b> |
|-------------------------|--------------------------|---------------------------|---------------------------|
| Short Term Fixed Income | 95%                      | 90%                       | 100%                      |
| Cash Equivalents        | 5%                       | 0%                        | 10%                       |

**Rebalancing:** The need to rebalance the portfolio can arise from a new asset allocation or because market activity has driven the actual distribution of assets away from the desired mix. To minimize transaction costs from rebalancing, RIO develops appropriate ranges around the target mix (which are specified in the policy statement). Rigidly adhered to, such a policy is a

valuable risk control tool. By maintaining asset mix within reasonably tight ranges, the SIB avoids making unintentional "bets" in the asset mix and avoids market-timing decisions.

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

## **V. General Restrictions and Guidelines**

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

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

### **Exclusive Benefit Rule**

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

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

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

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

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

## **VI. Internal Controls**

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

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

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

## **VII. Evaluation and Review**

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

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

## VIII. Withdrawals

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

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Rebecca Fricke  
Executive Director  
North Dakota Public Employees Retirement  
System

Date:

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

Date:

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

## ~~1. FUND CHARACTERISTICS AND CONSTRAINTS.~~

### NDPERS Group Insurance Account

#### I. Plan and Fund Overview

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

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

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

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

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

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

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

## ~~3. INVESTMENT OBJECTIVES.~~

### Client Investment Objectives

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

#### ~~4. STANDARDS OF INVESTMENT PERFORMANCE.~~

~~The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:~~

- ~~a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.~~

## II. ~~The Fund annual~~ Responsibilities and Discretion of the State Investment Board

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

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

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

### Delegation and Oversight

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

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

## III. Investment Performance Objective

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

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of 5 years.

- The fund's risk, measured by the standard deviation of total net returns, should not materially exceed that 115% of the policy portfolio benchmark over a minimum evaluation period of 5 years.

## ~~5. POLICY AND GUIDELINES.~~

### IV. The Asset Allocation

~~The NDPERS Board establishes the Fund's asset allocation of the Fund is established by PERS, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity consultants and income requirements, or the Retirement and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.~~

~~In recognition of these factors, the Investment Office (RIO). The following allocation is deemed was established. The asset allocation will be reviewed periodically and updated when appropriate for the fund: Short Term Fixed Income 95%.~~

~~Cash Equivalents 5%~~

~~This cash will be held in an enhanced money market account at the Fund's custodian.~~

|                                | <u>Target Allocation</u> | <u>Minimum Allocation</u> | <u>Maximum Allocation</u> |
|--------------------------------|--------------------------|---------------------------|---------------------------|
| <u>Short Term Fixed Income</u> | <u>95%</u>               | <u>90%</u>                | <u>100%</u>               |
| <u>Cash Equivalents</u>        | <u>5%</u>                | <u>0%</u>                 | <u>10%</u>                |

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

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

### V. General Restrictions and Guidelines

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

- ~~1. Futures and options Derivatives may be used to hedge or manage and replicate underlying index exposure, but not systematic exposures, for speculation: fund rebalancing, and for risk management, which includes overlays (i.e. cash overlay program).~~
- ~~2. Derivatives, short selling, and security margining may be used in a manner consistent with approved manager guidelines.~~
- ~~2.3. Derivatives use will be monitored to ensure that undue risks are not taken by managers.~~

~~3.4.~~ No ~~transaction shall be made which threatens~~ investment may jeopardize the tax-exempt status of the Fund.

~~4.5.~~ All assets ~~with~~must be held ~~in custody~~ by the SIB's master custodian or ~~such other custodians as are acceptable to the~~ SIB ~~an approved sub-custodian.~~

~~a. No unhedged short sales or speculative margin purchases shall be made.~~

~~5.6.~~ Social ~~investing~~Investing is prohibited unless it meets the Exclusive Benefit Rule ~~and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.~~(NDCC § 21-10-08.1).

a. ~~For the purpose of this document,~~ Social ~~investing~~Investment is defined as "~~The~~the investment or commitment of public ~~pension fund money~~funds for the purpose of obtaining an effect other than a maximized return ~~to the intended beneficiaries.~~"at a prudent level of risk to the state." (NDCC § 21-10-08.1)

~~6.7.~~ Economically ~~targeted investing~~Targeted Investing is prohibited unless ~~the investment~~it meets the Exclusive Benefit Rule.

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

#### ~~Also, for~~ Exclusive Benefit Rule

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

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

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

## ~~6. EVALUATION AND REVIEW.~~

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

## VI. Internal Controls

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

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

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

## VII. Evaluation and Review

~~The Fund's performance will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust, with emphasis on rolling 5-year results. Reports to the NDPERS Board (no less than annually) will include:~~

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

## VIII. Withdrawals

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

Approved by:

NDPERS



Scott Miller  
Executive Director, NDPERS

STATE INVESTMENT BOARD



Scott Anderson  
Chief Investment Officer, RIO

Date: ~~December 13, 2022~~

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Date:

2/8/2023

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Rebecca Fricke  
Executive Director  
North Dakota Public Employees Retirement  
System

Date:

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

Date:

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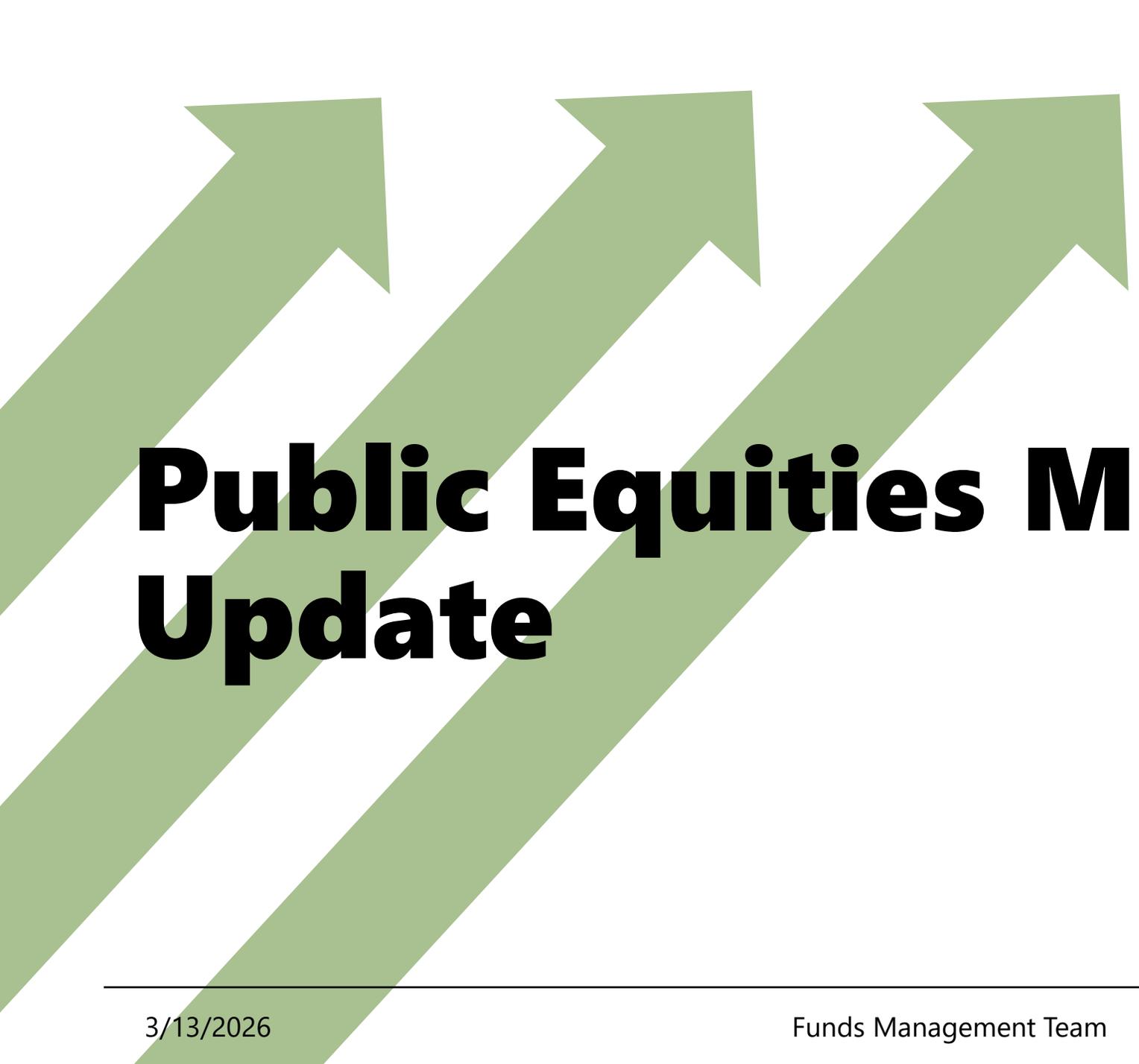
# Private Markets Manager Update

Investment Committee

March 13, 2026

# PRISA III Update

- An open-end U.S. value-add real estate fund.
- \$85 million total commitment (Pension Pool: \$35 million and Legacy Fund: \$50 million).
- The investment was approved by the Investment Committee on October 17, 2024.
- The committed capital has been fully invested.



# Public Equities Manager Update

# Manager Update

## Public Equities

- William Blair International Leaders was terminated in early March
- Principal International funded in early March with an initial funding amount of approximately ~\$407mm
  - \$243mm Non-Qualified Pool
  - \$164mm Pension Pool