



ND STATE INVESTMENT BOARD MEETING

Friday, October 26, 2018, 8:30 a.m.
Peace Garden Room, State Capitol
Bismarck, ND

- I. APPROVAL OF (REVISED) AGENDA
- II. APPROVAL OF MINUTES (September 28, 2018)
- III. INVESTMENTS (Enclosed)
 - A. Real Assets (1 hour)
 - 1. Infrastructure Background & Overview – Mr. Darren Schulz
 - 2. Macquarie Presentation – Mr. Karl Kuchel, Mr. Andrew Chapman, Mr. Michael Glascott
 - 3. Staff Recommendation* – Mr. Darren Schulz **Board Action**
 - B. Global Alternatives (1 hour)
 - 1. European Non-Performing Loan Investment Preview – Mr. Eric Chin
 - 2. Cerberus Presentation – Mr. Ronald Rawald and Mr. Greg Gordon
 - 3. Staff Recommendation* – Mr. Eric Chin **Board Action**

===== Break from 10:30 to 10:45 a.m. =====

- C. Grand Forks Parks IPS - Mr. Hunter (10 minutes) **Board Action**
- IV. GOVERNANCE & EDUCATION (enclosed) (1 hour)
 - A. Annual Evaluation of RIO vs Ends - Mr. Hunter **Board Acceptance**
 - B. Investment Fee Update* - Mr. Hunter, Ms. Anna Dayn and Mr. Wolfram Klingler **Board Action**
 - C. SIB Client Satisfaction Survey - Ms. Sara Sauter **Board Acceptance**
 - D. SIB Audit Committee Report - Ms. Sara Sauter **Board Acceptance**
 - E. SIB Securities Litigation Report - Ms. Connie Flanagan **Board Acceptance**
 - F. SIB Governance Manual (Second Reading) - Mr. Hunter **Board Action**
 - G. Other Items: State Employee Survey, EBPC and Potential SIB Clients - Mr. Hunter *Informational*
- V. QUARTERLY MONITORING - 9/30/18 (enclosed) (**Board Acceptance**) (5 minutes)
 - A. Executive Limitations/Staff Relations - Mr. Hunter
 - B. Budget/Financial Conditions - Ms. Flanagan
 - C. Investment Program - Mr. Schulz
 - D. Retirement Program - Ms. Kopp
 - E. Watch List - Mr. Schulz (None)

VI. OTHER

Next Meetings: Securities Litigation Committee - November 5, 2018, 3:00 p.m. RIO Conference Room
Audit Committee - November 15, 2018, 3:00 p.m. RIO Conference Room
SIB Meeting - November 16, 2018, 8:30 a.m., State Capitol, Peace Garden Room

* **Possible** Executive Session pursuant to NDCC §44-04-18.4(1), §44-04-19.1(9), & §44-04-19.2- to discuss confidential commercial and financial information and provide contract negotiating instructions to its attorney or negotiator.

VII. ADJOURNMENT.

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
SEPTEMBER 28, 2018, BOARD MEETING**

MEMBERS PRESENT: Rob Lech, TFFR Board, Vice Chair
Troy Seibel, PERS Board, Parliamentarian
Jon Godfread, Insurance Commissioner
Toni Gumeringer, TFFR Board
Adam Miller, PERS Board
Mel Olson, TFFR Board
Kelly Schmidt, State Treasurer
Yvonne Smith, PERS Board
Cindy Ternes, WSI Designee

MEMBERS ABSENT: Brent Sanford, Lt. Governor, Chair
Jodi Smith, Commissioner of Trust Lands

STAFF PRESENT: Eric Chin, Senior Investment Officer
Connie Flanagan, Chief Financial Officer
Bonnie Heit, Asst to the Board
David Hunter, ED/CIO
Sara Sauter, Audit Svs Suprv
Cody Schmidt, Compliance Officer
Darren Schulz, Dep CIO

OTHERS PRESENT: Brian Barnett, APT, Inc.
Anders Odegaard, Attorney General's Office

CALL TO ORDER:

Dr. Rob Lech, Vice Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, September 28, 2018, in the Peace Garden Room, at the State Capitol, Bismarck, ND.

AGENDA:

IT WAS MOVED BY MS. SMITH AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE SEPTEMBER 28, 2018, MEETING.

AYES: TREASURER SCHMIDT, MR. MILLER, COMMISSIONER GODFREAD, MR. OLSON, MS. TERNES, MRS. GUMERINGER, MR. SEIBEL, MS. SMITH, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD, COMMISSIONER SMITH

MINUTES:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE MINUTES OF THE AUGUST 24, 2018, MEETING AS DISTRIBUTED.

AYES: MRS. GUMERINGER, MS. SMITH, MS. TERNES, TREASURER SCHMIDT, COMMISSIONER GODFREAD, MR. OLSON, MR. SEIBEL, MR. MILLER, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD, COMMISSIONER SMITH

INVESTMENTS:

Global Alternatives Manager Preview - Mr. Chin provided an educational segment on European Non-Performing Loans. Staff will be addressing this further at the October 26, 2018, meeting with an additional manager presentation and formal staff recommendation.

Other Real Assets Manager Preview - Mr. Schulz reviewed the current infrastructure portfolios of the SIB. RIO investment personnel will be providing additional information to the board at their October 26, 2018, meeting to address the underweighting in infrastructure in the Pension Trust, Insurance Trust, and Legacy Fund. JP Morgan is managing approximately \$407.6 million in infrastructure mandates and RIO investment personnel are looking at options to diversify the portfolios to lower manager concentration, increase diversification by revenue drivers, geography, and sectors thereby potentially lowering overall risk.

Callan Fee Study - Mr. Hunter informed the board Callan is in the process of conducting a fee study. The study is conducted on a biannual basis and Callan will present the results at the SIB's November 16, 2018, meeting. RIO investment personnel have been considering bringing in another firm similar to Novarca to help RIO identify fee savings.

Legacy Fund Earnings - Mr. Hunter provided an earnings estimate on the Legacy Fund for the remaining 2017-19 and 2019-21 bienniums. RIO investment personnel recommend a 2 percent average transferrable earnings rate or \$350 million and \$300 million respectively for the remaining 2017-19 and 2019-21 bienniums. Their recommendation is contingent on the expected strength and resiliency of the capital markets over the next three years in addition to Office of Management and Budget's (OMB) expected oil and gas tax projections through June 30, 2021.

Discussion followed on the definition of earnings and how it is perceived as far as the Legislators are concerned. Board members felt education is the key and the SIB, whenever possible, along with Mr. Hunter have on numerous occasions done their best to inform the Legislators on how the Legacy Fund earnings is defined according to N.D.C.C. 21-10-12. The Legacy and Budget Stabilization Fund Advisory Board, appointed by the Legislators, according to N.D.C.C. 21-10-11, need to take a more active role in education.

The Board recessed at 9:41 a.m. and reconvened at 10:01 a.m.

GOVERNANCE:

SIB Audit Committee - Ms. Sauter highlighted activities of the SIB's Audit Committee as of their May 24, 2018, meeting.

CliftonLarsonAllen presented their financial audit scope and approach of RIO for the fiscal year ending June 30, 2018. Ms. Sauter presented an educational segment on the role of "internal audit." The Audit Committee directed Ms. Sauter to conduct a formal risk assessment of RIO. The risk assessment was completed and a work plan reflecting the results of the risk assessment was adopted by the Audit Committee at their September 27, 2018, meeting. Ms. Sauter will review the work plan at a future SIB meeting.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT DIVISION'S REPORT.

Ms. Ternes, SIB Audit Committee liaison to the SIB, is in support of the work plan and everything that Ms. Sauter is doing but also had concerns about the Teachers' Fund for Retirement (TFFR) school district compliance audits. For the last 20 years RIO's internal audit division has primarily focused on school district compliance audits. Ms.

Ternes felt that additional staff may be needed in the internal audit division or other divisions of RIO to support all of the areas that should have oversight. Results of this year's risk assessment would transition the Internal Audit division of RIO from a 95/5 split of time allocated between the TFFR program and the SIB program respectively to a 50/50 split. After discussion a voice vote was taken.

AYES: MR. OLSON, MR. SEIBEL, MRS. GUMERINGER, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, TREASURER SCHMIDT, MS. TERNES, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD, COMMISSIONER SMITH

Governance Manual Review - Mr. Hunter reviewed Section B - Governance Process, Section D - Ends, and Section E - Investments. The Board will conduct a second reading of the sections at their October 26, 2018, meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE FIRST READING OF THE GOVERNANCE MANUAL REVIEW OF SECTIONS B, D, AND E.

AYES: TREASURER SCHMIDT, MRS. GUMERINGER, COMMISSIONER GODFREAD, MS. TERNES, MS. SMITH, MR. MILLER, MR. SEIBEL, MR. OLSON, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD, COMMISSIONER SMITH

Compliance Update - Mr. Schmidt reviewed compliance certifications that the SIB managers are required to confirm on an annual basis.

Mr. Schmidt stated all of the SIB managers have responded to the compliance review and are for the most part in compliance. There were a few minor exceptions and staff will be following up with those managers.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL COMPLIANCE REPORT.

AYES: MS. SMITH, MR. MILLER, MR. OLSON, MRS. GUMERINGER, DR. LECH, MR. SEIBEL, MS. TERNES, COMMISSIONER GODFREAD, TREASURER SCHMIDT, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD, COMMISSIONER SMITH

RIO Budget - Ms. Flanagan reviewed the status of RIO's budget for the 2017-19 biennium. Ms. Flanagan also reviewed the status of the 2019-21 biennium budget. The Governor's guidelines include agencies with an appropriation of \$5 million or more should submit a base budget with a 10% reduction in ongoing expenditures. RIO has put together a budget that complies with the recommendation, but also includes three optional packages for additional funding. The budget has not been finalized by the Governor's Office at this time.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. MILLER AND CARRIED BY A VOICE VOTE TO ACCEPT THE BUDGET REPORT.

AYES: TREASURER SCHMIDT, MR. SEIBEL, MR. OLSON, MR. MILLER, COMMISSIONER GODFREAD, MRS. GUMERINGER, MS. SMITH, MS. TERNES, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: LT. GOVERNOR SANFORD, COMMISSIONER SMITH

RIO Budget 2019/21 - Mr. Hunter provided additional information to the board regarding RIO's budget for the 2019-21 biennium. The board took no action.

The next meeting of the SIB is scheduled for October 26, 2018, at 8:30 a.m. at the State Capitol, Peace Garden Room.

The next meeting of the Securities Litigation Committee meeting is scheduled for November 5, 2018, at 3:00 p.m. at the Retirement and Investment Office.

The next meeting of the SIB Audit Committee is scheduled for November 15, 2018, at 3:00 p.m. at the Retirement and Investment Office.

OTHER:

Ms. Ternes will be retiring in April 2019. Dr. Lech and the Board congratulated Ms. Ternes and thanked her for her years of service to the SIB and the public. Ms. Ternes has been serving on the SIB as the designee of Workforce Safety and Insurance since August 2007. Ms. Ternes has also been serving on the SIB Audit Committee representing elected officials since October 2007.

ADJOURNMENT:

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 11:03 a.m.

Dr. Rob Lech, Vice Chair
State Investment Board

Bonnie Heit
Assistant to the Board

Board Action Requested

Infrastructure Portfolio Background & Overview

October 26, 2018

Dave Hunter, Darren Schulz and Eric Chin

Current NDSIB Infrastructure Portfolios

as of 7/31/18

Pension Trust (Target Allocation 5.8%)

Managers	Market Value (mm)	% of Total Assets
Rohatyn Group Asian Infrastructure	\$21.18	0.36%
JP Morgan Infrastructure Investments Fund	\$193.29	3.33%
Grosvenor Custom Infrastructure I	\$35.00	0.60%
Grosvenor Custom Infrastructure II	\$15.95	0.27%
ISQ Global Infrastructure	\$3.50	0.06%
Subtotal	\$268.92	4.63%

Portfolio is underweight by approximately \$68 million.

Insurance Trust (Target Allocation 5%)

Managers	Market Value (mm)	% of Total Assets
JP Morgan Infrastructure Investments Fund	\$92.11	3.98%
Grosvenor Custom Infrastructure I	\$17.50	0.76%
Subtotal	\$109.61	4.74%

Portfolio is underweight by approximately \$6 million.

Legacy Fund (Target Allocation 5%)

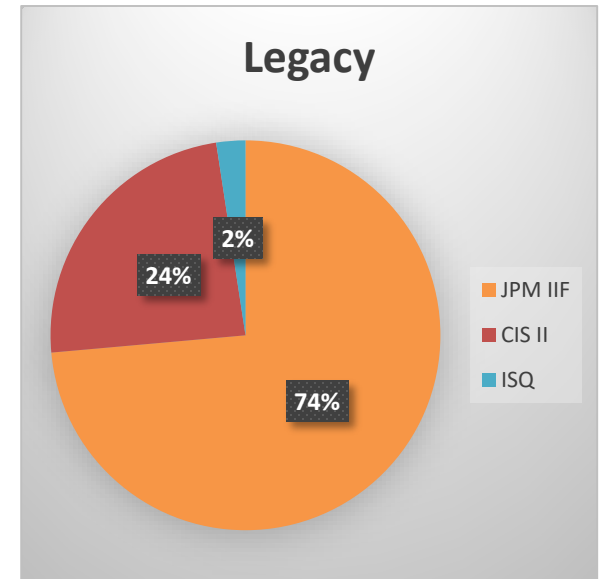
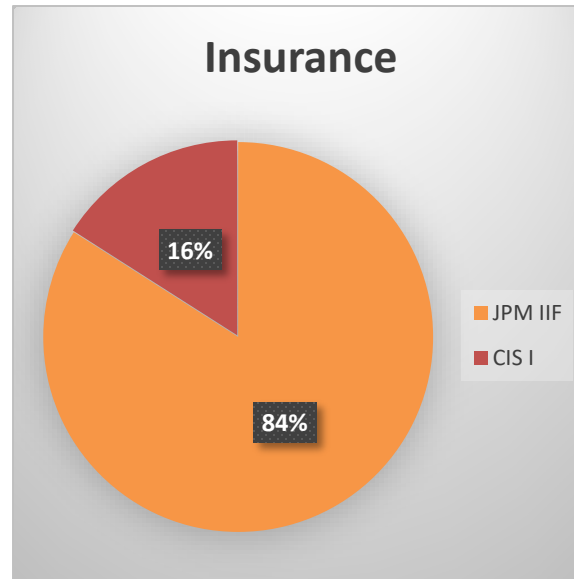
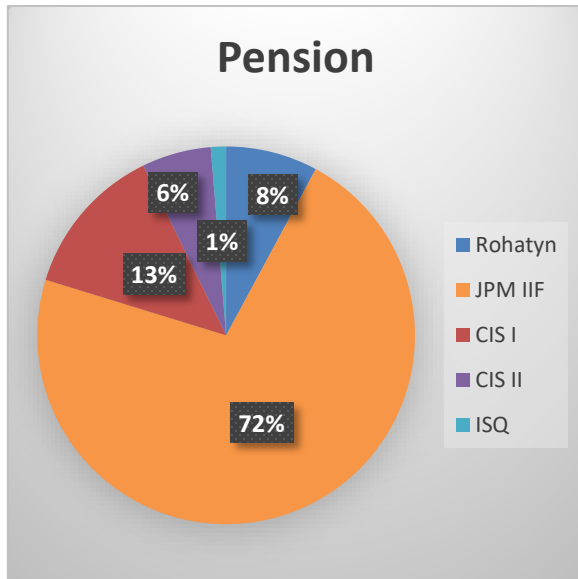
Managers	Market Value (mm)	% of Total Assets
JP Morgan Infrastructure Investments Fund	\$122.21	2.14%
Grosvenor Custom Infrastructure II	\$39.87	0.70%
ISQ Global Infrastructure	\$4.00	0.07%
Subtotal	\$166.08	2.90%

Portfolio is underweight by approximately \$120 million.

SIB clients have \$540+ million of infrastructure investments including \$400 million with JPMorgan, while still being underweight \$120 million.

Current NDSIB Infrastructure Portfolios

as of 7/31/18



Key Point: We seek to diversify our JPMorgan exposure within our infrastructure portfolios by adding one of the largest and long-standing infrastructure investment firms. Please note that CIS I and II exposures should be viewed on an aggregate basis (as Grosvenor Capital Markets).

Importance of Diversification



- ▶ Diversification by manager helps to mitigate key-person risk, destabilizing staff turnover, and business risk.
- ▶ Strategy diversification is an important determinant of final portfolio risk, so a mix of strategies needs to be aligned to a targeted risk and return profile

Source: Mercer

Current Portfolio

Observations

- ▶ Current manager structure is heavily weighted to JP Morgan IIF, an open-end core/core plus fund
- ▶ Compared to JPM IIF, the weightings to Grosvenor CIS fund-of-funds are relatively low
- ▶ As CIS I and II mature, follow-on commitments will be needed to maintain policy allocations
- ▶ Reducing exposure to JPM as liquidity permits will help lower manager concentration, increase diversification by revenue drivers, geography, and sectors, thereby potentially lowering overall risk

Infrastructure Roadmap

Recommendations

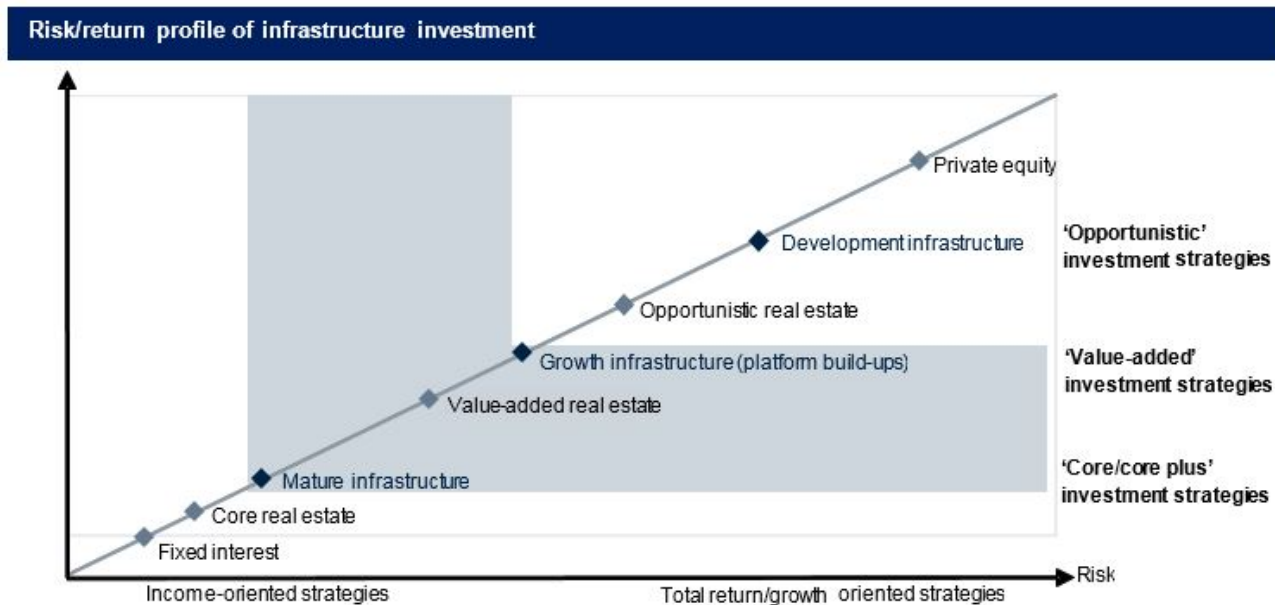
- ▶ Partially redeem JPM IIF exposure to reduce manager and asset concentration
- ▶ Current infrastructure portfolios would benefit from more closed-end fund exposure, as deploying capital into new primary commitments in a programmatic fashion enhances diversification by manager, geography, sectors, and asset lifecycles
- ▶ Commitments to I-Squared value-add strategy in Pension Trust and Legacy Fund to complement existing infrastructure exposures
- ▶ Macquarie, a core/core plus manager identified by Staff, to present to the SIB in October

What are Infrastructure Assets?

- ▶ Generally **long life assets associated with the delivery of essential public services**, such as roads, airports, power generation and pipelines
- ▶ Tend to be **hard assets with steady and predictable cash flow**
- ▶ **Inflation protection** can be derived to the extent that revenues are explicitly linked to inflation
- ▶ **Demand** for asset tends to be **predictable and inelastic**, therefore **less susceptible to economic downturns** as compared to other asset classes
- ▶ **Income generation via a cash yield return** exists for more mature, stabilized assets

Infrastructure in an Investor's Portfolio

- ▶ While the risk/return profile of infrastructure assets vary considerably at different stages of development, in general, **infrastructure risk falls between a continuum of risk between real estate and private equity**



Risk/Return Profile Among Infrastructure Strategies

	Core Equity	Core + Equity	Value-added Equity	Opportunistic Equity
Type of assets	Brownfield assets such as regulated utility, mature toll road, airport, other monopolistic contracted assets	Fewer monopolistic contracted and demand-based/GDP linked assets with expansion or growth potential	Platform-based infrastructure build-out blending brownfield and development. Telecom towers is one example.	Assets in construction (greenfield) phase; assets in emerging markets; assets highly growth-oriented, more akin to private equity
Main return driver	Mostly income	Income and appreciation	Income and appreciation	Mostly capital appreciation
Key risks	Operating, regulatory, patronage, financing	Operating, regulatory, patronage, financing, development	Political, operating contracts, strategy implementation, patronage, construction, currency and/or hedging risks, other	Political, operating contracts, strategy implementation, patronage, construction, currency and/or hedging risks, other
Net return target	5-8%	8-12%	11-14%	>14%



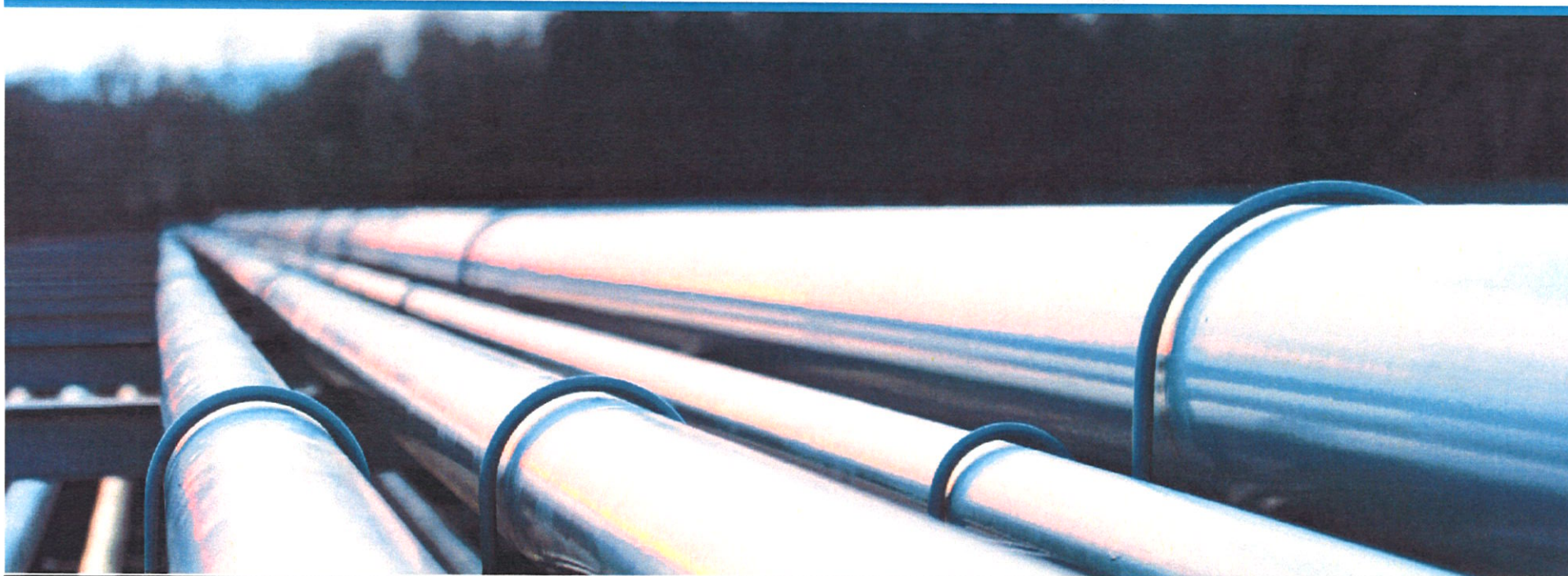
Macquarie Infrastructure and Real Assets (MIRA)

Macquarie Infrastructure Partners IV

North Dakota State Investment Board

Board Presentation

October 2018



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Presenter Biographies



Karl Kuchel
CEO, MIP Inc.

Karl is the CEO of MIP Inc., the manager of MIP IV and its three North American predecessor funds, MIP I, MIP II and MIP III. Collectively the funds have invested more than US\$8b in U.S. and Canadian infrastructure assets. In addition to his role as CEO, Karl serves as an investment committee member for MIP I, MIP II, MIP III and MIP IV. He is a board director for many of the MIP portfolio companies and is actively involved in the evaluation and execution of transaction opportunities.

Prior to his appointment as CEO, Karl served as the Chief Operating Officer of MIP Inc., where his responsibilities included capital allocation, cash flow management, valuation, financing and business planning across each fund's portfolio companies.

Karl joined Macquarie in 2003 in Sydney, Australia, where he was involved with acquisition and asset management activities for Macquarie Infrastructure Group and Macquarie Communications Infrastructure Group, prior to transferring to MIRA's New York office in 2004.

Karl holds a Bachelor of Commerce with Honors degree and a Bachelor of Laws degree from the University of Queensland.



Andrew Chapman
*Sector Director,
Utilities*

Andrew is responsible for asset management across the Manager's utility portfolio, including providing operational and regulatory expertise. He serves on the boards of Cleco Corporation and Puget Energy, and was previously the chairman of the Board for Aquarion Water. During 2010, he acted as the interim CEO of DQE and from 2009-2013 was a director of DQE. Andrew has been managing and financing infrastructure for more than 30 years, and was a utility company President before joining MIRA in 2006. From 1989 until 2003, Andrew was Chief Financial Officer, and later President, of the Elizabethtown Water Company. During Andrew's tenure as President, the company achieved ISO 9001 and 14001 quality certifications and increased earnings per share by 30%. Andrew led the sale of Elizabethtown to Thames Water in 2000 and later combined Elizabethtown with New Jersey American Water; the combined company was, at the time, the state's largest water utility provider, serving over two million people in 176 New Jersey communities.

During 2003 and 2004, Andrew was President of New Jersey American Water, and was later Vice President of Strategy and Regulation for American Water for all of its U.S. utility assets. Andrew is the former Chairman of the Board of New Jersey Future, a state-wide organization advocating open space preservation and redevelopment of New Jersey's cities and towns.

Andrew holds a Bachelor of Science from the University of California, Berkeley and a Masters of Business Administration from the Yale School of Management.



Michael Glascott
Relationship Manager

Michael has over 24 years of experience in private equity and investment management. He is a senior member of the MIRA Investor Solutions Group. Michael is responsible for working with the firm's global private infrastructure, agriculture, energy and real asset funds to build and maintain relationships with institutional limited partners and their advisors.

Prior to joining Macquarie, Michael was the co-founder of William Blair & Company's Funds Placement Group, which later became the independent firm FPG Partners. In this role Michael worked with institutional investors in North America on a range of private market strategies including buyout, venture, real assets, mezzanine and special situations. Prior to funds placement he spent six years with William Blair & Company in investment banking executing M&A transactions and equity capital transactions.

Michael started his career in investment management with Prudential. He has an M.B.A. in Finance from the University of Chicago and an undergraduate degree in Economics from Brown University.



Macquarie Group Overview

Diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities

Global financial group

- Headquartered and listed in Australia
- Top 10 Australian company
- 14,400+ staff in 25 countries¹

Diverse business mix

- Genuine expertise creates market leading positions across five business groups

Long-term orientation

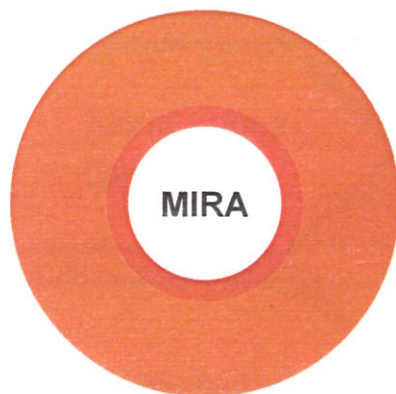
- 49 years of unbroken profitability²
- 27 years MBL S&P 'A' credit rating
- Strong funding and capital position

Outcome-focused culture

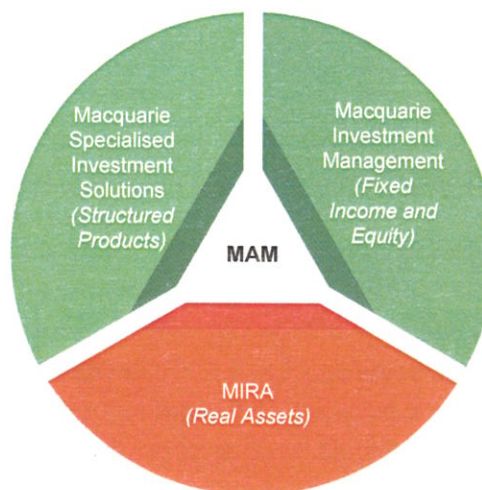
- Opportunity for clients, communities and staff
- Accountability for outcomes
- Integrity in everything we do

1. As at March 31, 2018. 2. Refers to Macquarie Group financial results.

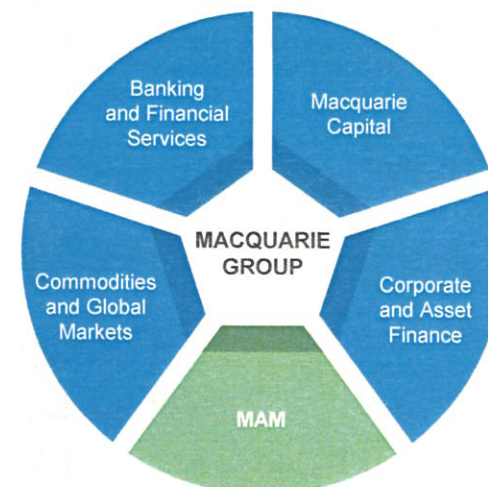
MIRA: How we're structured



We are a real assets investment manager...



...within the asset management arm...



...of a global financial group

Macquarie Infrastructure and Real Assets (MIRA)

- * Operating since 1994
- * AUM¹ of \$US132.1bn
- * EUM¹ of \$US75.6bn
- * 550+ staff²

Macquarie Asset Management (MAM)

- * Operating since 1980
- * AUM¹ of \$US395.3n
- * 1,600+ staff²

Macquarie Group

- * Operating since 1969; listed on ASX³ in 1996
- * 49 years of continuous profitability⁴
- * 14,400+ staff²

1. AUM and EUM is provided as at June 30, 2018. For MIRA, AUM represents the enterprise value of assets under management in U.S. Dollars based on enterprise value in proportion to the MIRA-managed equity ownership of each investment, calculated as proportionate net debt and equity value at most recent valuation date (June 30, 2018 for the majority of assets). MIRA defines EUM as market capitalization, plus fully underwritten or committed future capital raisings for listed funds and committed capital, less any called capital returned to investors for unlisted (private) funds. This includes capital invested in other MIRA-managed businesses. For jointly managed funds, the amount is representative of MIRA's economic ownership of the joint venture manager. Adjustments are made when MIRA-managed funds invest in other MIRA-managed funds. MAM's AUM is a sum of the AUM for MIRA (provided above), MIM and MSIS. For MIM, AUM is inclusive of cash and equity under management, excluding leverage. For MSIS, AUM is inclusive of client equity under management. 2. Staff data is provided as at March 31, 2018. 3. Australian Securities Exchange. 4. Refers to Macquarie Group financial results.



MIP IV Fund Overview

MIP IV continues the investment philosophy and approach of the MIRA North America platform



Diversified Portfolio

- Investing predominantly in the **U.S. and Canada**
- Expected portfolio of **7-10 infrastructure assets**, diversified by sub-sector and revenue model
- Investing predominantly via **equity and equity-like** securities



Target Sectors

- **Utilities and Energy**: regulated utilities, power, midstream, waste-to-energy and renewable energy
- **Transportation**: roads, airports, ports (terminals), parking, rail
- **Communications Infrastructure**: towers, fiber, data centers, emergency networks
- **Waste Management**: vertically-integrated waste companies



Growth & Value Focus

- **Driving growth** through focus on execution of business plans, capital projects and operational efficiency initiatives
- Seek to **mitigate key risks** over holding period
- Identifying **relative value** in capital structure



Appropriate Leverage

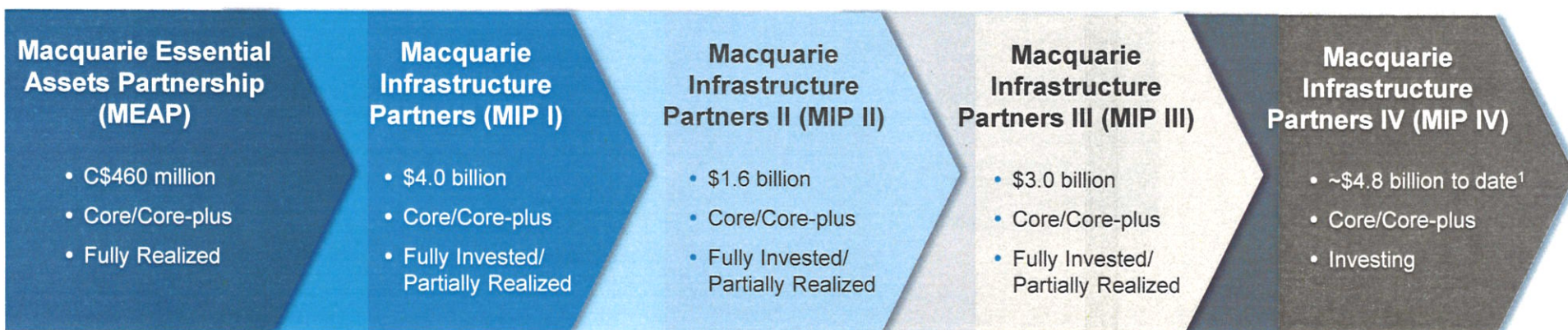
- Conducive to producing **a stable and predictable return** profile
- Reduces project risk and enhances **downside protection**
- Opportunity for greater portfolio **yield delivery** to fund investors

Note: There can be no assurance that these targets and Manager expectations regarding MIP IV's investments will be met. Past performance is not necessarily indicative of the future returns of MIP IV. For further information, see the Important Notice.



Proven Strategy and Track Record

Consistent strategy and strong track record of infrastructure investment since 2003

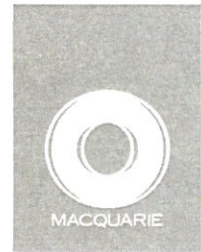


30
Portfolio Companies²

14
Realizations³

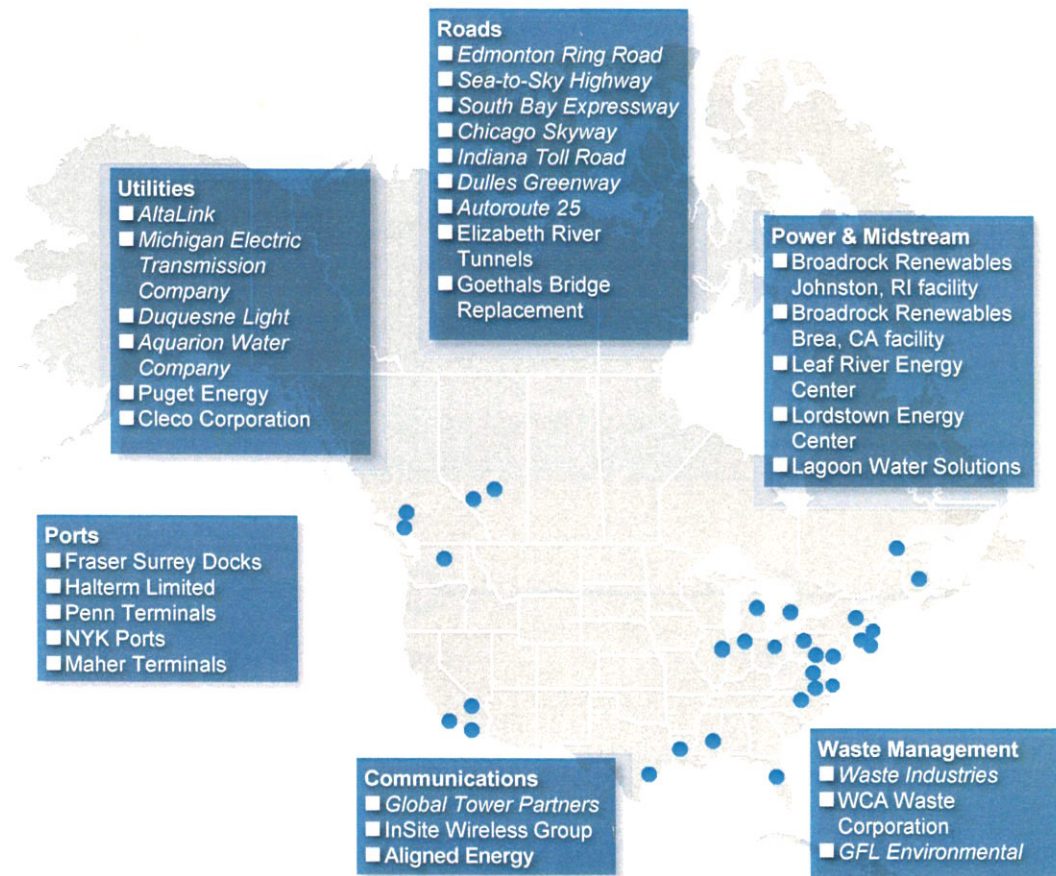
1
Fully Realized Fund

Note: As of June 30, 2018 unless otherwise noted. **1.** As of September 27, 2018. Includes MIRA's commitment to be committed by final close. **2.** Total count of distinct infrastructure businesses (realized and unrealized) owned by private infrastructure funds investing in the U.S. and Canada as of September 28, 2018. **3.** MIP I and MIP II's realization of Global Tower Partners, and MEAP and MIP I's realization of Aquarion are each treated as one realization.



Diversified Investment Portfolios

MIP consistently invests across a diverse range of core and core-plus infrastructure sectors with exposure to regulated, contracted and GDP-correlated revenue streams



Items in italics represent fully realized investments as of June 30, 2018.

Note: Past performance is not necessarily indicative of future results of an investment in MIP IV and there can be no assurance that the Fund will achieve comparable results, that the returns generated by the Fund will equal or exceed those of other Macquarie-managed funds or that MIP IV will be able to implement its investment strategy or achieve its investment objectives.



Macquarie Infrastructure Partners

An established leader in North American infrastructure

Strong **track record**, consistent strategy

- MIPs¹ invested \$8.8 billion in 30 portfolio companies across North America²
- 14 realizations as of June 2018 across MIPs
- Core / core+ investment strategy consistent across MIPs³

Experienced, deep, local **team**

- North American infrastructure team has 35+ investment professionals
- Broad range of operational, financial and transactional experience
- Senior team has average experience of 25+ years⁴
- Deep coverage across key infrastructure sectors

Proven **sourcing & execution** capabilities

- Demonstrated ability to deploy capital well across investment cycles
- Dedicated sector teams seeking opportunities
- Majority of acquisitions completed outside of full or formal auction processes
- Diversified core/core-plus sector exposure distinguishes MIPs' investment approach

Value creation through active management

- MIRA's operational expertise leveraged in strategy and business plans for portfolio companies
- Operational performance has been the largest value driver
- \$15+ billion in capex projects completed during MIPs' ownership

Note: Past performance is not necessarily indicative of future results of an investment in the Fund, and there can be no assurance that the Fund will achieve comparable results, that the returns generated by the Fund will equal or exceed those of other fund investment activities of the Manager or that the Fund will be able to implement its investment strategy or achieve its investment objectives. **1.** References herein to MIPs include Macquarie Infrastructure Partners ("MIP I"), Macquarie Infrastructure Partners II ("MIP II"), Macquarie Infrastructure Partners III ("MIP III"), Macquarie Infrastructure Partners IV ("MIP IV") and the predecessor fund Macquarie Essential Assets Partnership ("MEAP"). **2.** Represents capital invested in and binding commitments to invest capital in portfolio companies owned by MEAP, MIP I, MIP II, MIP III and MIP IV as of September 28, 2018. **3.** There are some small differences in the investment mandates between each of the MIPs. **4.** Represents the experience of the Fund's key investment professionals. Please refer to Deep and Experienced Investment Team page for additional information.



Robust Market for Private Capital

North American infrastructure landscape provides substantial investment opportunity

Large and active private infrastructure market

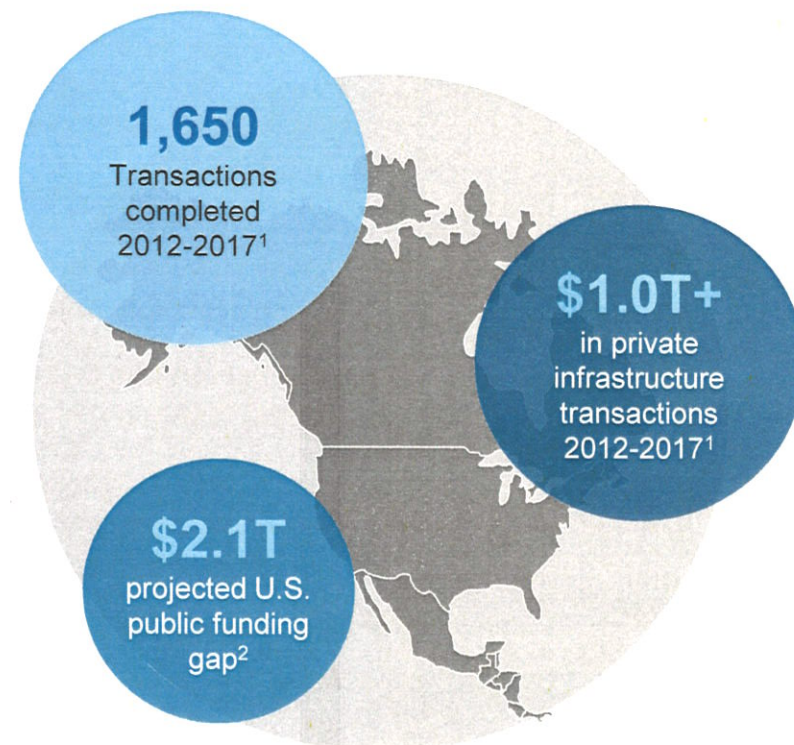
- Established private ownership across target infrastructure sectors
- Sector level trends and conditions drive deal flow

Significant infrastructure build-out required

- Population growth / urbanization
- Evolving energy landscape
- Historical and ongoing underinvestment

Public sector financial constraints

- Limitations on public funding sources
- Growing acceptance of public-private partnerships
- Private capital opportunities expected to increase



Note: Not all the transactions described herein are suitable for the Fund, and a number of these transactions may be outside the Fund's investment objectives.

1. 2012-2017 transaction information as sourced by Preqin; total number of deals multiplied by average disclosed deal size. 2. ASCE's 2017 Report Card for America's Infrastructure - through 2025



Attractive Opportunities Within Target Sectors

MIP IV will seek opportunities offering attractive risk/reward profiles within each target sector

Utilities, Power & Midstream

- **Utilities** seeking to remain independent with major capex plans, unregulated businesses or sub-standard regulatory outcomes
- **Power generation** with contractual offtakes or in competitive markets, including new-build or repowering projects
- Individual or portfolios of **midstream assets**, with value through the economic / commodity cycles
- Established long-lived **waste to energy platforms** with locational advantages

Transportation

- Terminals in **gateway ports** with opportunities for capital projects and shipping line partnerships
- Collaboration with Class I **rail networks**; platform expansions via Class III railroad roll-ups
- Select **airport projects**, including the development, expansion, or upgrade of terminals
- Complex **construction PPP** opportunities, including roads and bridges



Waste Management

- **Vertically integrated** waste companies with room for platform expansion and operational efficiency
- **Consolidation** of fragmented smaller end of industry continues

Communications Infrastructure

- Build-out of wireless and wireline **networks** to serve continuing growth in data demand
- **Specialist communications** infrastructure, including emergency services networks

Note: While the Manager will seek to pursue a diversified investment strategy for MIP IV, no guarantees can be made that the Manager will invest in each of these sectors or subsectors.

BOARD ACTION

TO: State Investment Board
FROM: Dave Hunter, Darren Schulz and Eric Chin
DATE: October 26, 2018
SUBJECT: Macquarie Infrastructure Partners IV Recommendation

RIO Recommendation:

Staff recommends that the NDSIB commit up to \$140 million in Macquarie Infrastructure Partners IV (MIP IV). Staff recommends an investment of \$65 million in the Pension Trust and \$75 million in the Legacy Fund. An investment in MIP IV offers manager and asset diversification that is complementary to the Pension Trust's and Legacy Fund's existing infrastructure portfolio.

MIP Overview:

As one of three units within Macquarie Asset Management (MAM), the Macquarie Infrastructure & Real Assets (MIRA) team is a leading infrastructure manager globally, with a long track record sourcing and managing assets in four primary infrastructure sectors: utilities and energy, transportation, communications and waste management. The firm has over \$130 billion in assets under management and 24-year history of investing in the asset class. Established in 2001 and headquartered in New York, the team responsible for MIP IV has over 35 investment professionals and has invested approximately \$8.8 billion in 30 portfolio companies in North America.

MIP IV is a continuation of predecessor funds that invest in core and core-plus infrastructure assets and companies in North America: Macquarie Essential Assets Partnership (2003 vintage), Macquarie Infrastructure Partners I (2006), II (2008) and III (2013).

Key tenets of the investment strategy are the following:

1. Focus primarily on established brownfield infrastructure assets that possess contracted revenue streams, favorable demographic factors and natural monopolistic characteristics
2. Value creation through active asset management and operational improvements: MIP seeks to implement operational improvements to increase efficiencies and operating performance of assets
3. Control equity investments are critical to the strategy
4. Diversified by sector, geography and stage of asset life
5. Conservative use of asset-level leverage and weighted average leverage of the total fund not to exceed 50% LTV.

Fund II Characteristics:

Target Net IRR: 10-12%
Fund Hard Cap: \$5 billion
Number of Investments: 7-10 investments
Target Deal Size: \$400-600 million

Geographic exposure: 90-100% U.S. and Canada, up to 10% Other Americas
Position Size Limit: No more than 20% of commitment in a single investment

Conclusion:

Staff believes that an investment in MIP IV is a prudent investment for the Legacy Fund and Pension Trust. MIP IV's core/core-plus focus is well-suited as an anchor infrastructure allocation parallel to JP Morgan Infrastructure Investment Fund (IIF). A commitment to MIP IV further diversifies the NDSIB's current infrastructure investments with a focus on large core transactions supplemented by core-plus opportunities.

Macquarie possesses a number of competitive advantages relative to some of its peers:

1. **Platform Experience:** Macquarie has a deep and experienced team with an average of 25 years of industry experience. The firm is widely known as a leader in the space and has successfully invested and managed four prior funds focusing on North America.
2. **Regional Approach:** Macquarie employs a regional approach with the belief that infrastructure assets are best managed by local teams that understand local markets and the communities they serve. This also strengthens the implementation of value-enhancing operational improvements with each asset's management team.
3. **Conservative Investment Approach:** Macquarie seeks to minimize downside risk and protect capital when structuring infrastructure investments upon acquisition and through the investment period. Given the firm's meaningful history in the sector, the firm's past experiences during economic downturns have strengthened their process for identifying risks within portfolio companies. For example, the degree of leverage employed when financing portfolio companies reflects the stability of underlying cash flows – regulatory, contracted, GDP sensitive – and the expected volatility of cash flows in stress scenarios.
4. **Management Fee:** The firm offers an LP friendly fee on committed uninvested capital, which helps reduce the J-curve effect and the gross to net performance spread of the fund.

Some of the risks/concerns Staff has identified are:

1. **Competitive Market:** A concern not unique to Macquarie is the amount of capital that has been raised in recent years to source and invest in large infrastructure assets, the result of which has been increased competition for deals and elevated valuations. That being said, Macquarie believes the opportunity set for private infrastructure in North America is large and robust, particularly given the constraints on public sector financing and the substantial need for the infrastructure investment in the U.S. and Canada due to historical underinvestment.
2. **Concentrated Portfolio:** Macquarie plans to invest in 7 to 10 portfolio companies diversified by sector and geography. Historically, the firm has invested on the lower end of the deal range, resulting in concentrated portfolios. Nevertheless, the firm principally invests in core assets which are generally considered to have relatively stable cash flows and lower risk profiles. Another mitigant is that a commitment to Macquarie would serve as part of a diversified multi-manager infrastructure investment program within SIB asset pools.

Ultimately, Staff believes that MIP IV is an attractive investment as it offers manager and asset diversification that is complementary to the Pension Trust's and Legacy Fund's existing infrastructure portfolio. Staff recommends an investment in MIP IV.



Infrastructure Manager Recommendation

October 26, 2018

Dave Hunter, Darren Schulz and Eric Chin

Investment Recommendation

- ▶ **Staff recommends that the NDSIB invest up to \$140 million in Macquarie Infrastructure Partners IV (MIP IV) Fund**
 - \$65 million in the Pension Trust
 - \$75 million in the Legacy Fund
- ▶ **Macquarie's focus on core/core-plus infrastructure assets is ideally suited as an anchor complement to JP Morgan's Infrastructure Investment Fund (IIF)**
- ▶ **Macquarie is a leader in North America infrastructure with a deep and experienced investment team**

Manager Search Process

- ▶ Infrastructure manager search began in the summer of 2017
- ▶ Research included attending industry conferences, conference calls & meetings with infrastructure managers and consultants and reading industry publications
- ▶ Staff conducted in-office and onsite meetings with over 20 different infrastructure managers
- ▶ Collaborated with Callan and Mercer to create a list of candidates given current exposures

Manager Search Process

- ▶ First phase of search focused on diversification by strategy, geography and stage
 - Global value-added infrastructure manager I-Squared Capital's platform approach approved by the Board in March
- ▶ Second phase of search targeted core/core-plus infra managers to diversify current exposure to JPMorgan
 - Focus on core infrastructure assets with predictable cash flows such as regulated and contracted brownfield assets
 - Some flexibility to pursue core-plus assets opportunistically

MIP Manager Evaluation

Organizational Overview

- ▶ Macquarie Infrastructure and Real Assets (MIRA) platform established in 1994 and is the world's largest private sector infrastructure manager
- ▶ Headquartered in London, MIRA has regional headquarters in New York, Sydney and Hong Kong
- ▶ North America team consists of approximately 40 investment staff in New York and approximately 20 operations staff
- ▶ Macquarie has invested \$8.8 billion in North America across 30 portfolio companies

MIP Manager Evaluation

Investment Strategy

- ▶ The strategy seeks to invest in core and core-plus infrastructure assets in the U.S. and Canada
- ▶ Investments will be principally in utilities, energy, transportation, waste management and telecom
- ▶ Focus on stable, predictable cash flows through regulated revenue streams, long-term contracts or natural monopoly characteristics
- ▶ Control positions sought to facilitate operational improvements to increase efficiencies and operating performance of assets

MIP Manager Evaluation

Key Competitive Advantages

- ▶ Established leader in private infrastructure investing
- ▶ Recognized as a trusted buyer and operator of infrastructure with long-standing track record and low execution risk
- ▶ Demonstrated ability to manage key infrastructure risks and improve operating performance of portfolio companies
- ▶ Proven track record in North America delivering targeted returns across diversified portfolios

MIP Manager Evaluation

Potential Risks/Concern

- ▶ Sourcing and investing in large core infrastructure assets is competitive, but secular trend is robust given constraints on public financing and historical underinvestment
- ▶ MIP IV concentrated on 7-10 infrastructure assets but the firm is focused on core assets with predictable cash flows and the mandate would be part of a globally diversified multi-manager infrastructure program

MIP Manager Evaluation

Fund IV Guidelines/Characteristics

- ▶ Target net IRR: 10-12%
- ▶ Yield from operations: 4-6%
- ▶ Fund cap: \$5 billion
- ▶ Target 7-10 infrastructure assets
- ▶ No more than 20% of commitment in a single investment
- ▶ No more than 25% in greenfield projects
- ▶ Minimum of 90% to investments in U.S. and Canada

Informational

TO: State Investment Board
FROM: Eric Chin
DATE: October 26, 2018
SUBJECT: **European NPL Investment Strategy Recap**

As discussed at the September 2018 SIB Board Meeting, Staff has identified a highly attractive investment opportunity in European non-performing loans (NPL). It's a unique opportunity that stems from a confluence of several factors:

1. The buildup of NPLs on European bank balance sheets
2. The inability or inaction of banks to reduce these balances
3. Recent regulatory pressure on banks to reduce NPL exposure
4. High barriers to entry to invest in these assets

These factors have resulted in a supply-demand imbalance which in turn has led to a significant mispricing of the asset class. Managers that can invest, can purchase these portfolios at highly attractive prices.

As a reminder, the NPL strategy consists of managers purchasing NPL portfolios at a discount to the underlying collateral value and then monetizing the loans through workouts or the bankruptcy process. This is a transactional strategy, NPL portfolios can contain upwards of hundreds or even thousands of loans and managers are typically incentivized to unlock the value of the collateral as quickly as possible.

Staff believes that the nature of the underlying collateral (typically commercial and residential real estate) and the transactional nature of the strategy will serve as a diversifier to existing strategies in the Pension Trust and the Legacy Fund. Managers are able to purchase the NPLs at a significant discount which offers implicit downside protection. Moreover, because the assets can be purchased at attractive prices the typical target IRR for this strategy is 15-20% gross.

Following the forthcoming manager presentation, Staff will likely recommend allocating a total of \$120 million to this strategy—\$60 million from the Pension Trust and \$60 million from the Legacy Fund. This is roughly a 1% position in each portfolio, large enough to impact the portfolios' returns, but small enough such that the strategy's specific risks such as illiquidity are minimized. Because the strategy has a high return target, Staff believes it appropriate to fund this allocation with "higher risk" strategies such as public equity and private equity.

Staff is excited about this opportunity. Today, most public and private markets are fairly priced or overvalued. This is a unique and compelling opportunity to invest in an asset that is undervalued and the mispricing has yet to be arbitrated away because there are high barriers to entry to invest in the asset class.

cerberus

October 2018

Cerberus Global NPL Fund, L.P.

Cerberus Global NPL Fund, L.P. - North Dakota State Investment Board

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Disclaimer – Strategy Returns

This presentation includes information regarding the stand-alone performance of investments made pursuant to Cerberus' NPL strategy made by the Cerberus Funds since inception of the strategy.

The NPL investments made by the Cerberus Funds constitute a specific investment strategy of Cerberus (the "NPL Strategy"), and generally consist of investments in NPL assets, including but not limited to purchases of portfolios of commercial real estate secured loans and unsecured loans which are suffering from some form of delinquency, as well as foreclosed real estate assets ("REOs"), made by Cerberus' NPL group (the "NPL Group"). Such investments may include NPLs, real estate assets, real estate servicing or asset management companies, and the NPLs may include obligations with varying terms with respect to collateral, relative seniority or subordination, purchase price, convertibility, interest requirements and maturity. Such investments are included because they were made by the NPL Group and would be made by the Fund in similar circumstances. The Cerberus Funds that have made NPL investments are referred to collectively herein as the "Cerberus NPL Funds".

The information presented herein reflects the performance of all of the NPL investments made by all of the Cerberus NPL Funds since February 1, 1998. As a result, the information presented herein reflects investments made by many different Cerberus Funds, and does not reflect the investments made by, or the performance of, any particular Cerberus Fund or any small group of Cerberus Funds or the returns with respect to any particular investor in the Cerberus Funds. The purpose of the information presented herein is to present the performance information of the NPL Strategy and all of the NPL investments made by the Cerberus NPL Funds in the aggregate since February 1, 1998.

The investments reflected herein are based upon Cerberus' internal determination of the investments that are part of the

NPL Strategy. While Cerberus believes such determination to be reasonable, Cerberus makes no representation that such determination encompasses every investment that could possibly be included within the NPL Strategy or that certain investments that Cerberus has included in the NPL Strategy should not be so included.

Because investments made by certain of the Cerberus Funds in the NPL Strategy generally were made as part of a more diversified portfolio of investments, and were not made as stand-alone portfolios for the NPL Strategy, prospective investors should consider the limitations inherent in the strategy-level performance information set forth herein. In addition, if all of the investments reflected herein had been included as part of Cerberus Funds with a more diversified portfolio, different Fund terms and different Fund limitations, it may have affected how decisions were made with respect to the NPL Strategy and, therefore, the performance shown herein would have been materially different.

While Cerberus manages certain funds that invest only in European NPLs, Cerberus has not included the performance of such funds herein as (i) there is no single Cerberus fund that has an investment mandate as broad as the Fund's, (ii) the Cerberus NPL Funds invested during different time periods, and (iii) the Cerberus NPL Funds each have unique terms, including without limitation, in respect of diversification, investment limits, leverage and fees. Accordingly, Cerberus believes the performance of such funds is not representative of its entire NPL track record.

Not all of the Cerberus Funds had or have an interest in the investments within the NPL Strategy. Further, among the Cerberus NPL Funds that have investments in the NPL Strategy, the amounts, percentages, characteristics and returns for such investments have been and are materially different across such Cerberus NPL Funds. Among other things, the NPL investments of the Cerberus NPL Funds may have represented only a small portion of the overall

investments of such Cerberus NPL Funds. As a result, the past performance information of each particular Cerberus NPL Fund is materially different from the past performance information set forth herein for the NPL Strategy as a whole.

The information presented herein with respect to the NPL Strategy has been prepared and calculated by Cerberus in accordance with the methodology described herein. While Cerberus believes that its methodology results in an appropriate and accurate determination of the performance of the NPL investments in the aggregate, there exists a large number of other methodologies that Cerberus could have used in calculating the performance returns of the NPL investments. Such other methodologies would incorporate one or more assumptions that are different from those described herein and, if one or more of such methodologies were used, the performance shown herein may have been materially different. In addition, the methodology described herein is different from the strategy-level past performance methodology previously employed by Cerberus. These differences reflect Cerberus' ongoing efforts to refine its calculation methodology to be as accurate as possible. If prepared in accordance with the methodology previously employed by Cerberus, the performance shown herein likely would have resulted in lower performance results.

No conclusion of any type or kind should be drawn regarding the past, current or future performance of any Cerberus Fund, whether now existing or hereafter created, including but not limited to the Fund, whether or not based upon the information presented herein. It should not be assumed that any of the holdings, transactions or investments made by the Cerberus Funds, including, without limitation, the Cerberus NPL Funds and the Fund, will be profitable, or that the specific investments will be profitable, either individually or in the aggregate. Past performance is not indicative of, and is not a guarantee of, future results.

Disclaimer – Strategy Returns & Gross Investment Target IRR

The selected portfolios, transactions, strategies and investments presented herein represent a limited number of investments made by the Cerberus NPL Funds, and do not purport to be representative of (or constitute a material portion of) all investments purchased, sold or recommended for investment by the Cerberus Funds, including, without limitation, the Cerberus NPL Funds, and are not necessarily indicative of investments that the Cerberus Funds, including, without limitation, the Fund, will make in the future.

The information presented herein reflects the performance of the NPL Strategy since February 1, 1998. If different periods of time were selected by Cerberus for the performance results of the NPL Strategy, the performance information would be materially different from the performance information presented herein and could reflect a loss.

The information presented herein has been created internally by Cerberus and has not been audited.

The valuations of unrealized investments are determined on a fair value basis in accordance with Cerberus' valuation policies and procedures. There can be no assurance that unrealized investments will be realized at the valuations used to calculate the performance information contained herein, as actual realized returns will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used to calculate the performance information contained herein are based.

Certain of the past performance information set forth herein is presented on a gross (not net) basis, and does not reflect the actual returns that would have been achieved by any investor in any Cerberus NPL Fund. The actual returns achieved by investors in any Cerberus NPL Fund would be

significantly lower than any performance information presented as gross returns. The actual results of any particular investor in the Cerberus NPL Funds likely will materially differ from the net performance figures herein due to a number of factors, including, without limitation, that the NPL investments constitute only a portion of the investment portfolios of such Cerberus NPL Funds, transaction dates of capital activity, individual investment limitations or opt outs, the inclusion of the interest equivalent payments, if any, into the capital contributions, whether the investor invests through a feeder fund and the actual management fees, incentive compensation and other expenses payable in respect of such investor.

GROSS INVESTMENT TARGET IRR

The gross investment target IRR information presented herein does not represent a target rate of return for the Fund and is presented solely for the purpose of providing information regarding the Fund's investment objective, the nature and type of investments that the Fund likely will pursue, and the Fund's anticipated risk and reward characteristics on an investment-by-investment basis. The gross investment target IRR information presented herein is not a projection or prediction of the future performance of the Fund or the return to any investor in the Fund.

The gross investment target IRR set forth herein is based upon a number of factors and assumptions for each investment as determined by Cerberus in its sole discretion. The assumptions used to establish the gross investment target IRR presented herein are based upon assumptions regarding future events and situations; however, investment conditions are dynamic and may change during the term of the Fund. Neither Cerberus nor any other person or entity makes any representation that any investments of the Fund will achieve the gross investment target IRR presented herein.

The gross investment target IRR information presented herein represents the targeted gross rate of return on an investment before the effects of Fund level fees and expenses. The net return to investors in Fund will almost certainly be materially less than the gross investment target IRR set forth herein. The gross investment target IRR information presented herein should not be used as a primary basis for an investor's decision to invest in the Fund.

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Section 1

About Cerberus

Cerberus Global NPL

S Dakota State Investment Board



Cerberus Is a Global Leader in Alternative Investing with a 25-Year Track Record of Success



Global Footprint

671 employees in 13 offices

Total assets under management of c.\$36.3 billion⁽¹⁾

180 investment professionals



Experienced Alternative Asset Investors

Experience investing for over 25 years across numerous economic cycles

Consistency and discipline in decision-making



Tenured Senior Team

Senior management have been at the firm for an average of 15 years

80 Managing Directors have been at the firm for 10 years or longer

Dedicated investment teams for each investment strategy



Integrated Investment Capabilities

Multi-disciplinary investment platforms provide expertise across asset classes, sectors, and geographies

Collaboration across platforms enhances sourcing, underwriting, and structuring of investment solutions

Investment flexibility across platforms to pursue the most compelling risk-reward opportunities globally



Proprietary Operational Approach⁽³⁾

Cerberus Operations & Advisory Company
Team of ~110 operating professionals and functional experts to further drive value

Cerberus European Servicing
NPL⁽²⁾ servicing and asset management oversight with 50 employees

FirstKey Asset Management
Loan acquisitions, servicing, asset management, and securitizations

Note: Employee figures as of September 1, 2018.

(1) As of June 30, 2018.

(2) Non-performing loan.

(3) The fees and expenses associated with COAC, CES, FirstKey and other affiliated service providers are borne by the Cerberus Funds in accordance with the applicable Cerberus Funds' organizational documents. Cerberus expects to form additional affiliated servicer entities in the future.

Evolution and Growth of Cerberus

	Early-Mid 1990's	Late 1990's	Early 2000's	Late 2000's	2010+
Macro Events	U.S. Savings and Loan Crisis	Asian Financial Crisis	European Unification	Global Financial Crisis	Post-Financial Crisis
Cerberus Response	Founded in 1992 during the U.S. Savings and Loan Crisis	Leveraged U.S. experience into first-mover advantage in Asia	Moved members of the Asian teams to Germany to capitalize on distressed opportunities	Hired Mortgage Securities teams during financial crisis	Expanded Proprietary Operating Platforms ⁽¹⁾
Cerberus Product Evolution	<p>Established franchises:</p> <ul style="list-style-type: none"> » Corporate Credit & Distressed Debt » Real Estate » NPLs » Direct Lending 	<ul style="list-style-type: none"> » Extended NPL franchise to Asia » Migrated into Private Equity as a result of Distressed-for-Control investment strategy » Created predecessor to COAC 	<ul style="list-style-type: none"> » Extended Corporate Credit & Distressed Debt and Non-Performing Loan franchises to Europe 	<ul style="list-style-type: none"> » Established Mortgage Securities and Assets businesses as banks vacated the market 	<ul style="list-style-type: none"> » Created proprietary operating platforms in the U.S. (FirstKey) and Europe (CES) to increase competitive advantages

(1) The fees and expenses associated with COAC, CES, FirstKey and other affiliated service providers are borne by the Cerberus Funds in accordance with the applicable Cerberus Funds' organizational documents. Cerberus expects to form additional affiliated servicer entities in the future.

Cerberus Investment Platform

cerberus			
1992 Founded	\$36bn AUM	671 Employees	13 Offices

Principal Investment Businesses						Proprietary Platforms ⁽⁴⁾	
Global Credit			Real Estate		Private Equity	Cerberus Operations & Advisory Company	~110 Professionals
Corporate Credit	Direct Lending	Mortgage Securities & Assets	Non-Performing Loans ⁽³⁾	Real Estate Assets		Cerberus European Servicing	50 Professionals
\$1.2bn AUM	\$13.6bn ⁽¹⁾ AUM	\$8.8bn AUM	\$5.3bn AUM	\$2.7bn AUM		First Key Asset Management	60 Professionals
34 Investment Professionals	30 Investment Professionals	21 Investment Professionals	29 ⁽²⁾ Investment Professionals	46 ⁽²⁾ Investment Professionals	39 Investment Professionals	First Key Homes	645 Professionals

Note: AUM figures as of June 30, 2018; for multi-strategy funds currently in their investment period, for example Cerberus Institutional Partners VI, L.P. ("CIP VI"), the expected fund strategy deployment of capital across strategies has been used, however these are subject to change in future (i.e. CIP VI's commitments are expected to be deployed 70% in Global Credit and 30% in Private Equity). Employee figures as of September 1, 2018.

(1) Includes fund-level leverage, as Direct Lending is a leveraged strategy.

(2) The Non-Performing Loans investment team is a subset of the Real Estate investment team and included within the 45 investment professionals figure.

(3) NPLs may also include unsecured consumer and small/medium-sized enterprise loans.

(4) The fees and expenses associated with COAC, CES, First Key Asset Management and First Key Homes are borne by the Cerberus Funds in accordance with the applicable Cerberus funds' organizational documents.

Section 2

The Cerberus NPL Edge



Cerberus Global NPL Fund LP - North Dakota - The Investment Board

The Cerberus NPL Edge

Cerberus has several competitive advantages in NPL investing

Highlights

\$16.6bn

Equity Invested

213

Global Transactions

18

Countries Globally

28.0%

Gross Strategy IRR⁽¹⁾

21.1%

Net Strategy IRR⁽¹⁾

Why Cerberus?

1 Experienced NPL Investor

- » Experienced and tenured investment team
- » Over **\$16.6 billion** of equity invested in **213** NPL transactions across **18 countries** globally
- » Strong track record of generating compelling risk adjusted returns across multiple cycles

2 High Barriers to Entry

- » Cerberus believes only a limited number of buyers have the expertise to invest in NPLs: since 2014, the top 4 buyers accounted for **~50%** of volume sold in Europe⁽²⁾
- » Cerberus has been the largest buyer of NPLs in Europe since 2014, accounting for **21%** of the market⁽²⁾

3 Strong Relationships

- » Cerberus has strong third-party relationships with industry counterparties
- » Transactions with over **40** distinct sellers
- » Repeat transactions with **17** of Europe's largest banks since 2010
- » Cerberus has been able to close a number of large proprietary transactions

4 Servicing Expertise

- » Servicing oversight is key to underwriting and monetizing NPL transactions
- » Cerberus has been adept at establishing relationships with local servicing partners across multiple geographies
- » CES is a platform of **50** employees with offices in London, Amsterdam, Frankfurt, Dublin, Belfast and Madrid

5 Network of Senior Advisors

- » Experienced team of senior advisors
- » Deep networks

⁽²⁾ Source: Cushman & Wakefield (Real Estate Loans Sales – 2014, 2015, 2016); Evercore (European Distressed RE Market Report, 2016, 2017).

1 Experienced NPL Investor: Tenured Investment Team

Senior members of the investment team have worked together for over 15 years

Investment Professionals:⁽¹⁾

37

Team Geographies:

	19 London
	10 Netherlands
	4 Madrid
	2 Frankfurt
	2 United States

** Co-head of CES; not part of the investment team.

⁽¹⁾ As of September 1, 2018.

Lee Millstein

President, Cerberus Global Investments & Head of Global Real Estate

10 years with Cerberus
26 years experience

Daniel Dejanovic

Head of European Real Estate

11 years with Cerberus
20 years experience

Ron Rawald

Head of International Real Estate

12 years with Cerberus
32 years experience

David Teitelbaum

Head of European Advisory Offices

21 years with Cerberus
24 years experience

Ron Coggle**

Co-Head of CES

5 years with Cerberus
37 years experience

Robert Falls**

Co-Head of CES

5 years with Cerberus
30 years experience

Other Managing Directors (Years with Cerberus / Years Experience)

- » Charles Dunlap (10 / 12)
- » David Knowler (15 / 32)
- » Jonathan Fadale (18 / 22)
- » Emanuele Rosetti Zannoni (11 / 17)
- » Robert Mast (5 / 25)
- » Stefan Walldorf (12 / 15)
- » Thomas Wiegand (12 / 26)
- + 26 other investment professionals**

1 Experienced NPL Investor: Strong Track Record in NPL Investing

Concurrent gross strategy IRR and concurrent net strategy IRR of a hypothetical pro forma NPL fund

- » The information provided in this presentation is a model of the performance of a hypothetical pooled investment vehicle managed by Cerberus based on the performance of all of the NPL Investments made in the NPL Strategy since February 1, 1998 (the “Pro Forma NPL Fund”).
- » This information is being provided to show the experience of the NPL team, and not as an indication of how the Fund or its investments will perform.
- » The gross hypothetical performance of the Pro Forma NPL Fund based on the information provided herein is referred to as the “Concurrent Gross Strategy IRR.”

Pro Forma NPL Fund

Dollars (\$) in billions

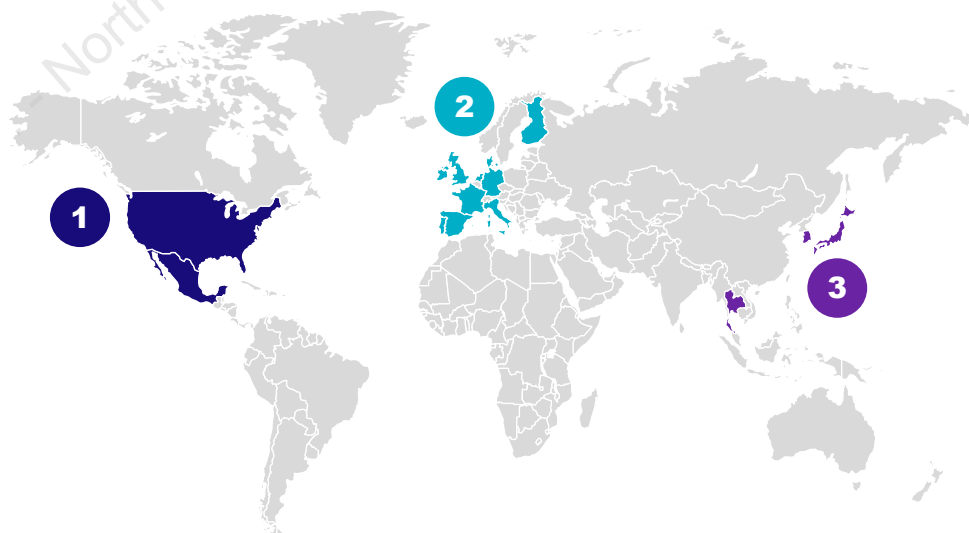
Hypothetical Pro Forma NPL Fund Size	Total Invested Capital		Total Proceeds & Income	Concurrent Strategy Performance			
	Called Capital	Pro Forma Recycling		Gross MOIC ⁽¹⁾	Gross IRR ⁽¹⁾	Net MOIC ⁽¹⁾	Net IRR ⁽¹⁾
\$16.3	\$16.3	\$0.3	\$27.1	1.63x	28.0%	1.47x	21.1%

1 Experienced NPL Investor: Global Investment Experience

Cerberus has invested over **\$16.6 billion** of equity in **213 NPL** transactions across **18 countries** globally

- » The Gross IRR and Net IRR by strategy by region are based on the cash flows of the investments used to calculate the Concurrent Gross Strategy IRR of 28.0% and Net IRR of 21.1% on page 13 (categorized by region). These performance metrics represent performance of a hypothetical pooled investment vehicle investing in Cerberus' NPL investments in a particular region.
- » The performance on this slide is not representative of the performance of any Cerberus Fund, and is not indicative of, or a guarantee of, future results.

1	North America	\$477m Equity Invested	2.02x Gross Multiple	41.6% Concurrent Gross IRR	33.0% Concurrent Net IRR
2	Europe	\$11.9bn Equity Invested	1.45x Gross Multiple	23.3% Concurrent Gross IRR	16.6% Concurrent Net IRR
3	Asia	\$4.2bn Equity Invested	2.08x Gross Multiple	40.8% Concurrent Gross IRR	32.7% Concurrent Net IRR



Note: For additional information on regional Hypothetical Fund Size, Called Capital, Pro Forma Recycling, Total Proceeds and Income and additional performance metrics, please see page 40.

1 Experienced NPL Investor: Cerberus European NPL Activity

Since late 2010⁽¹⁾, Cerberus has completed NPL transactions with a total transaction size of over **\$64 billion**

\$128 billion⁽¹⁾

Total Value UPB⁽³⁾

\$64 billion⁽¹⁾

Total Transaction Size

\$12 billion⁽¹⁾

Total Equity

363 thousand

Underlying Real Estate/
Real Estate Acquired⁽¹⁾⁽⁴⁾

>1 million

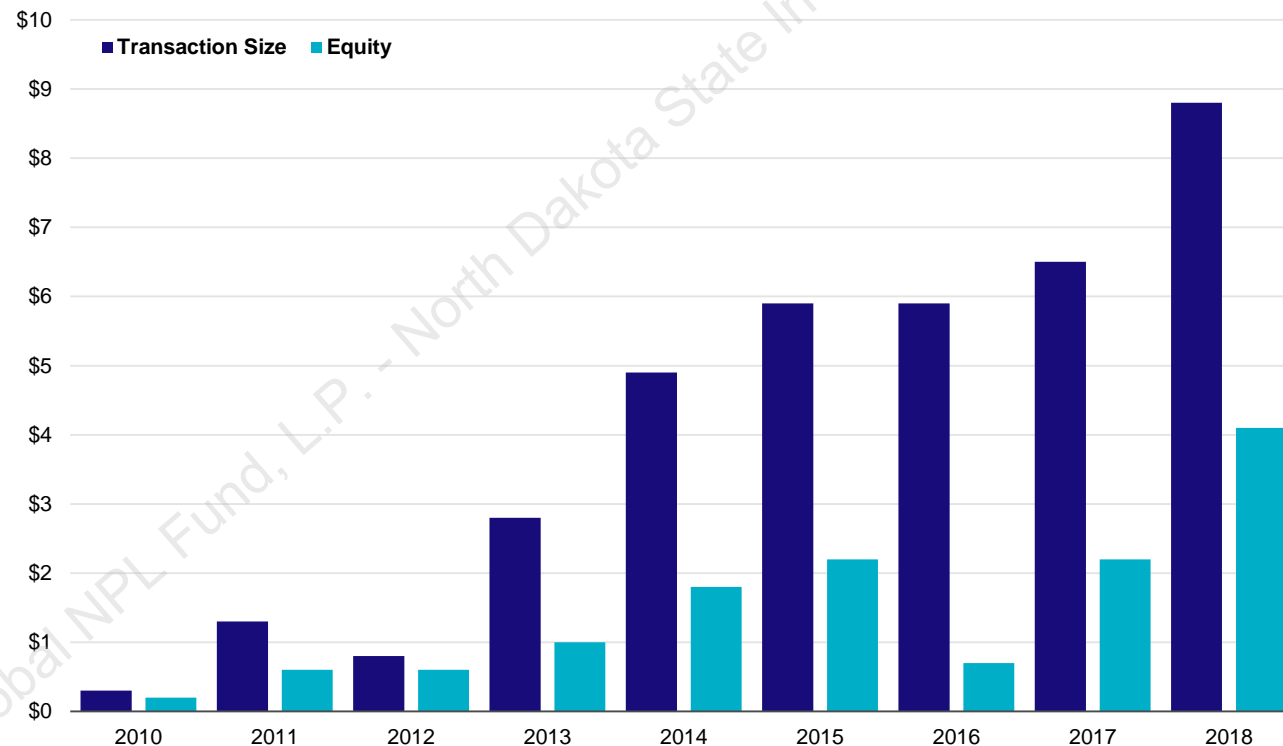
Number of Loans Acquired⁽¹⁾

>1 million

Number of Borrowers⁽¹⁾

European NPL Transactions since 2010⁽²⁾

USD billions



⁽¹⁾ Includes estimates for deferred tranches of deals closed, expected financing and all deals closed or in the process of closing as at September 1, 2018.

⁽²⁾ From funding memorandum at deal signing. Chart excludes residential mortgage transactions, as these transactions are typically very highly levered (in excess of 90% LTC), which is not representative of a typical NPL investment. Includes Project Vermeer (equity <10% of transaction size).

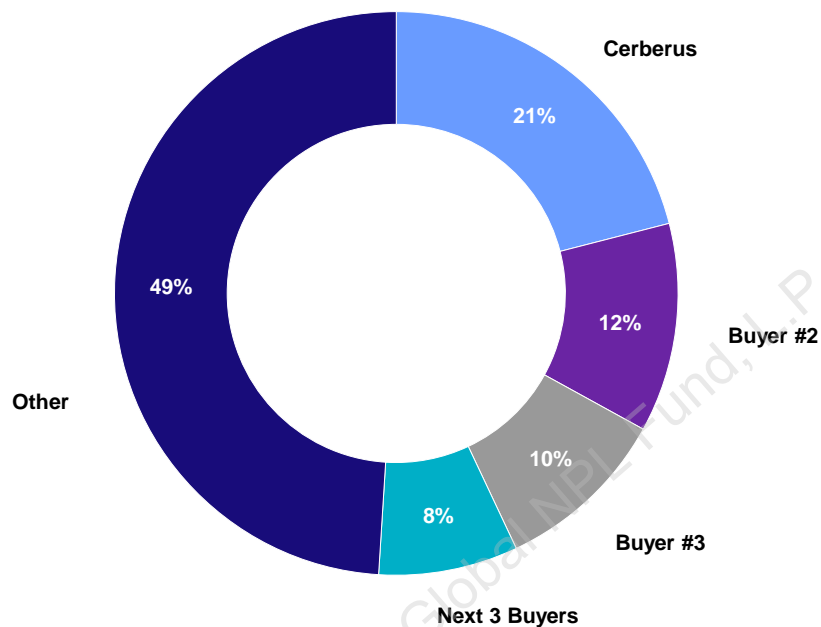
⁽³⁾ Purchase price or value where UPB not available or not applicable, such as when real estate is directly acquired.

⁽⁴⁾ Includes both assets held as security against loans acquired as well as real estate directly acquired in the form of REOs.

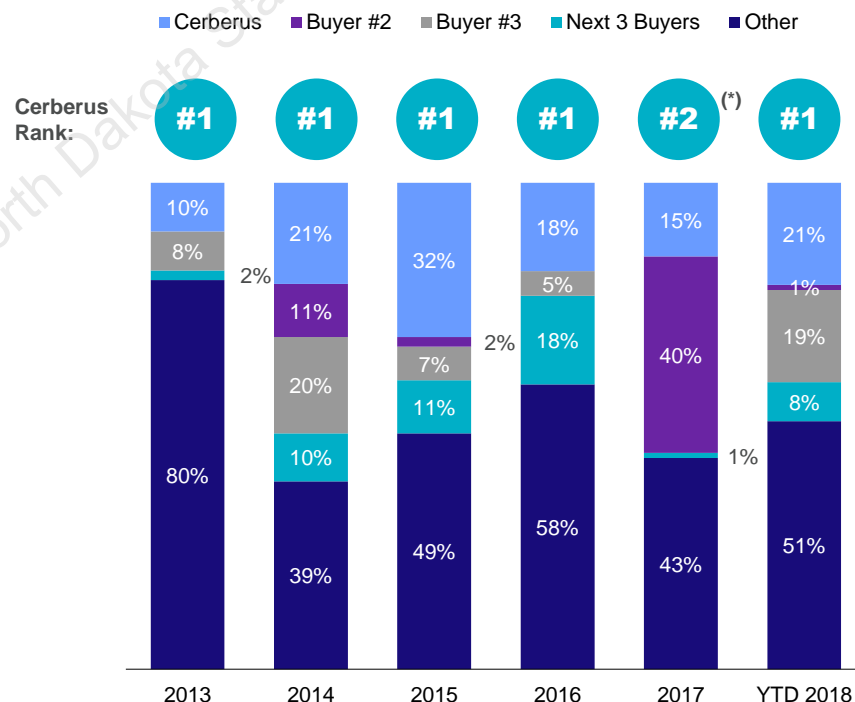
2 High Barriers to Entry: Leading Investor in Concentrated Market

Cerberus has the extensive infrastructure and experience required to invest in NPLs, and has been the largest buyer of NPLs in Europe since 2013

Market Shares for European NPL and REO Asset Purchases (2013 through YTD 2018)



Evolution of Market Share by Year (2013 through YTD 2018)



Source: For data through Q1 2016: Cushman & Wakefield (Real Estate Loans Sales – 2013, 2014, 2015, 2016); For data from Q2 2016 to date: Evercore (European Distressed RE Market Report, 2016, 2017, 2018).
 (*) As per the Q4 2017 Evercore report, the market share numbers pertain only to private investors such as Cerberus, and therefore excludes the Italian government fund Atlante II, which would have been at #2 position in 2017 if it were included.

3 Strong Relationships: Multiple Repeat and Proprietary Transactions

Cerberus has maintained strong relationships with leading banks around the world, which has resulted in repeat transactions with **17** of Europe's largest banks

Cerberus Repeat Transactions with Key Sellers, since 2010

Number of portfolios purchased

	Total	Only One Transaction with Seller	Multiple Transactions with Same Seller	
Transactions	91	40	51	56%
Purchase Price (\$bn)	\$64.0	\$30.2	\$33.8	53%
Number of Assets	362,954	242,550	120,404	33%
Unpaid Principal Balance (\$bn)	\$127.9	44.0	83.9	66%



Repeat Transactions with 17 of Europe's Largest Banks



Note: As of September 1, 2018.

4 Servicing Experience

Experience of establishing local servicing partners or affiliated entities in many jurisdictions provides Cerberus with an additional competitive advantage

Servicing Platforms with Scale



>\$74bn

Assets Under Management⁽¹⁾



>2.0m

Total Loans Serviced⁽¹⁾



>1,500

Full-Time Employees⁽¹⁾

Local Presence



Cerberus-owned Service Providers⁽²⁾



⁽¹⁾ All Cerberus-owned servicers; includes both Cerberus and third-party managed assets.

⁽²⁾ The fees and expenses associated with CES and other affiliated service providers are borne by the Cerberus Funds in accordance with the applicable Cerberus Funds' organizational documents. In the future, Cerberus expects to form additional affiliated servicer entities, including transaction sourcing entities.

Section 3

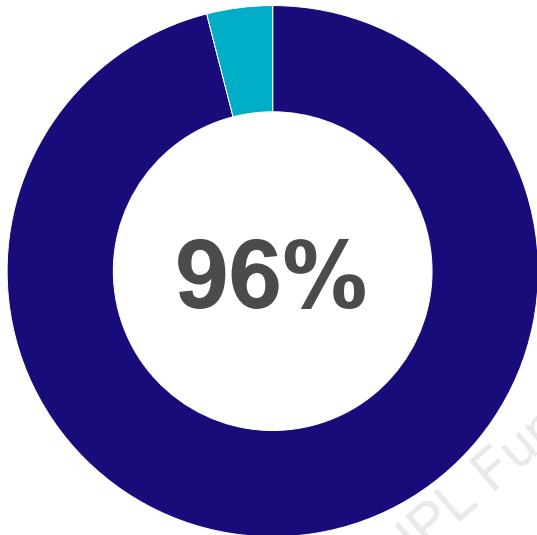
NPL Investment Characteristics

Cerberus Global NPL Fund LP - North Dakota State Investment Board

Compelling Risk-Adjusted Return Profile

Cerberus believes that NPL investments offer significant downside protection and rapid cost recovery

1 Strong Downside Protection



Of total Cerberus NPL capital invested in transactions that have been **profitable**^(1,2)

2 Attractive Cash Flow Profile



Rapid cost recovery as evidenced by **2.7 year** weighted average life of NPL portfolios⁽²⁾

⁽¹⁾ Please see next slide for additional information on the percentage of profitable transactions.

1 Strong Downside Protection

Since inception, profitable investments accounted for **96%** of total NPL capital invested, with only **\$104 million** of capital lost from a total of \$17 billion deployed

Gross IRR Distribution of NPL Investments⁽¹⁾

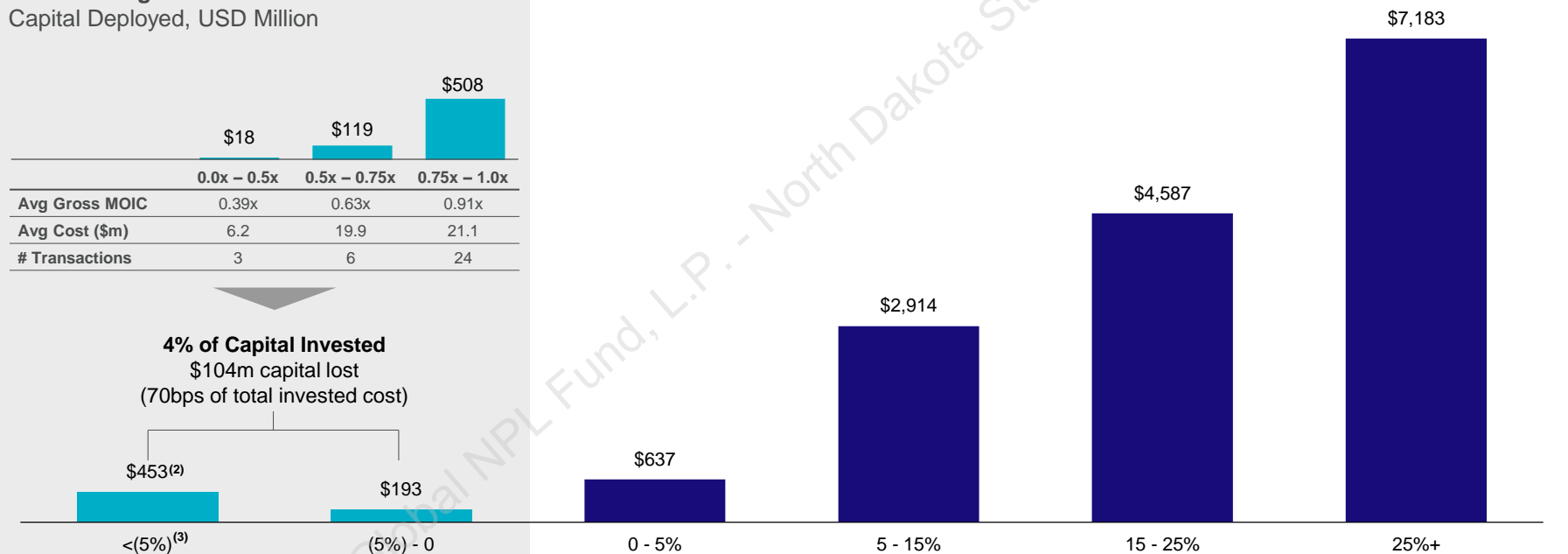
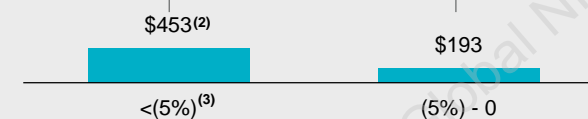
Capital Deployed, USD Million

Loss-Making Positions

Capital Deployed, USD Million

	0.0x - 0.5x	0.5x - 0.75x	0.75x - 1.0x
	\$18	\$119	\$508
Avg Gross MOIC	0.39x	0.63x	0.91x
Avg Cost (\$m)	6.2	19.9	21.1
# Transactions	3	6	24

4% of Capital Invested
\$104m capital lost
 (70bps of total invested cost)



⁽¹⁾ Figure represents the total capital deployed in NPL investments which fall into the Gross IRR range denoted on the axis below (see point (3)).

⁽²⁾ Figure denotes the Gross IRR range within which the NPL investments fall.

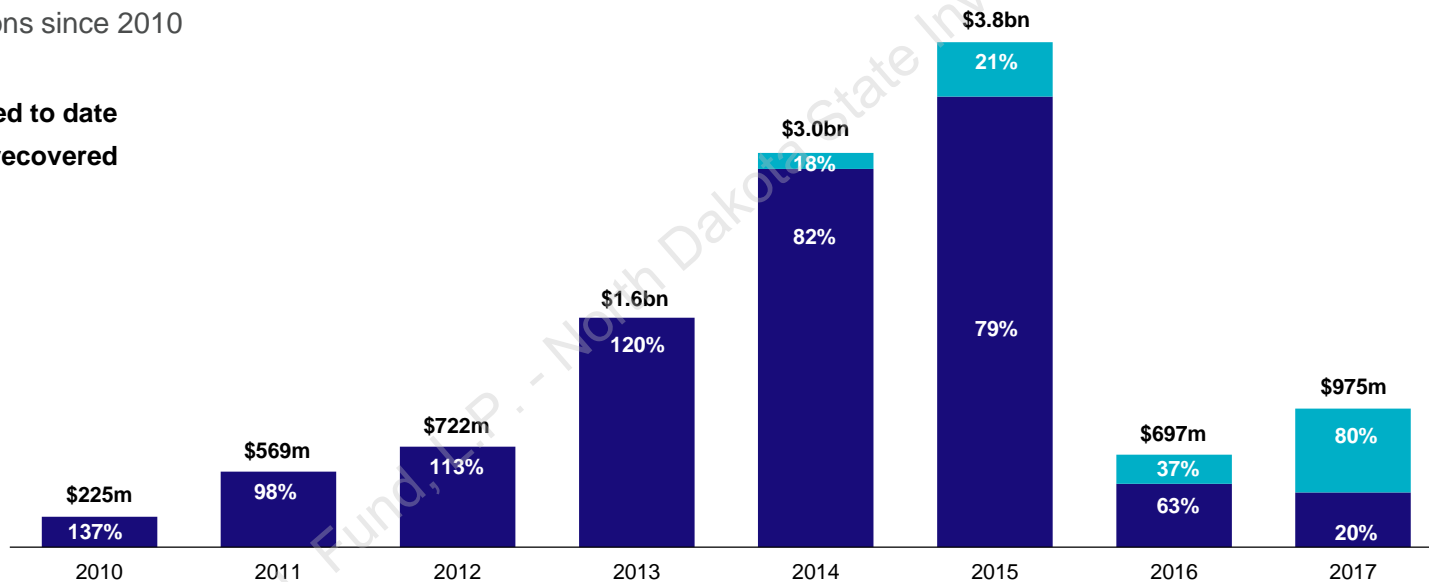
2 Attractive Cash Flow Profile: Rapid Cost Recovery

Cerberus believes that there is potential for outsized reward, with NPL investing, for moderate risk as evidenced by speed of cost recovery for European NPLs

Equity Invested in NPL Transactions, by Investment Vintage⁽¹⁾

All European transactions since 2010

- % of Equity recovered to date
- % of Equity not yet recovered



Year	Projected WAL ⁽²⁾
2010	-
2011	5.2y
2012	-
2013	1.8y
2014	2.4y
2015	2.7y
2016	3.9y
2017	2.6y

⁽¹⁾ Data for all European NPL investments since 2010, as of June 30, 2018. Equity invested is the capital deployed by Cerberus Funds and "Equity recovered" is the proceeds and income received by Cerberus Funds.

⁽²⁾ The Projected WAL is the projected Weighted Average Life of the investments in a given vintage. This is only provided for NPL investments, and excludes residential mortgages, REOs and platform transactions. This is calculated as a weighted average, by invested cost, of the projected life of investments within a given vintage. For realized investments this equates to the investment's hold period, whereas for unrealized investments this is a projection, at March 30, 2018, of the likely life of the investment as per the current business plan. The actual life of a given investment may vary significantly relative to the projection and projections may therefore not materialize as projected. Performance shown herein is gross and therefore does not represent the return of any Cerberus Fund as it does not take into account the reduction in performance resulting from fund-level expenses, management fees and performance compensation and therefore the net return to investors would be materially lower than such gross returns. Past performance is not indicative, or a guarantee, of future results.

Section 4

**Market
Opportunity**



Cerberus Global NPL Fund, L.P. - North Dakota State Investment Board

Main Target Geographies

While Cerberus adopts an opportunistic approach to geographic focus, we believe the most compelling opportunities are currently in Europe, China and Brazil



1 European Opportunity

Market Size⁽¹⁾
€800 billion+

Key Drivers of Transaction Volume

- » Regulatory pressure⁽²⁾
- » Banks improving profitability⁽³⁾
- » Changes to foreclosure processes⁽⁴⁾

2 China Opportunity

Market Size⁽⁵⁾
\$1.0 to \$2.0 trillion

Key Drivers of Transaction Volume

- » Government Reforms and pressure⁽⁶⁾
- » Growing NPL stock⁽⁷⁾

3 Brazil Opportunity

Market Size⁽⁸⁾
\$160 to \$200 billion

Key Drivers of Transaction Volume⁽⁹⁾

- » Regulatory pressure
- » Fast foreclosure process
- » Strong banks
- » Improving economic/political outlook

⁽¹⁾ Source: PWC, "European Portfolio Advisory Group Market Update," April 2017.

⁽²⁾ Source: European Commission, "Progress in the Reduction of Non-Performing Loans in Europe," January 18, 2018.; Citi Research, "ECB Reinforces NPL Guidance," October 6, 2017; European Central Bank, "Addendum to the ECB Guidance to banks on non-performing loans," October 4, 2017.

⁽³⁾ Source: European Banking Authority, "Risk Assessment of the European Banking System," November 2017.

⁽⁴⁾ Source: PWC research, "The Italian NPL Market," December 2017.

⁽⁵⁾ Source: China Banking Regulatory Commission (CBRC) dataset, 2017; Citi Research, "China Banks," February 23, 2017.

⁽⁶⁾ Source: Bank of America Merrill Lynch, "No deleveraging, no new cycle," September 22, 2017.

⁽⁷⁾ Source: China Banking Regulatory Commission (CBRC) dataset, 2017.

⁽⁸⁾ Source: Deloitte Analysis, Banco Central do Brasil and BNDES. February 2017.

⁽⁹⁾ Source: World Bank WEO Dataset, December 22, 2017; Source: Federal Reserve Bank of St. Louis, April, 2017.

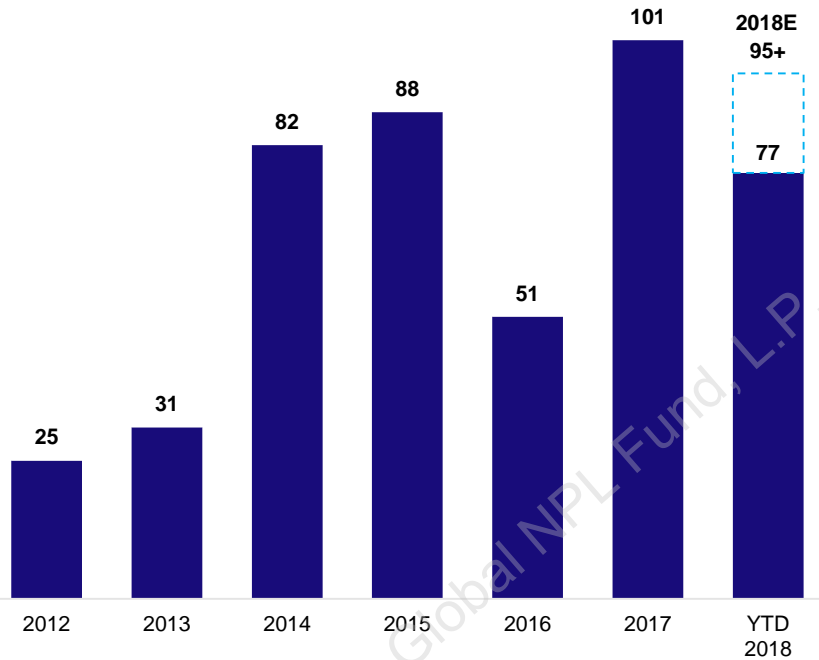


1 European Opportunity: Market Size

Despite the increasing pace of NPL sales, European banks have approximately **€ 800 billion** of NPLs remaining on their balance sheets⁽²⁾

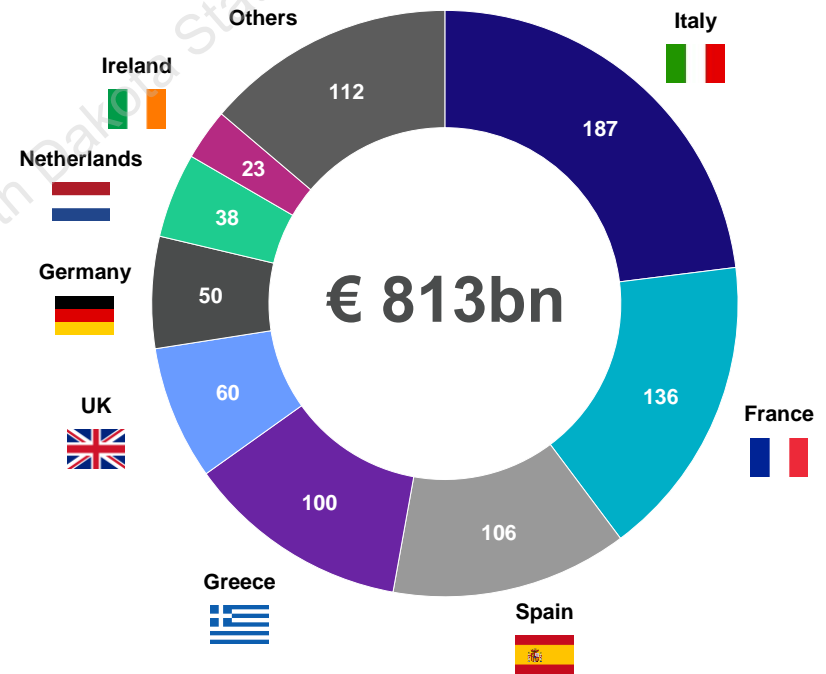
Sales of European NPLs and REO Assets⁽¹⁾

Face Value, EUR billion



Estimated Quantum of European NPLs in 2017,⁽²⁾

EUR million



⁽¹⁾ Source: Evercore (formerly Cushman & Wakefield) European Real Estate Loan Sales Market Q3 2018.

⁽²⁾ Source: European Banking Authority, Risk Dashboard, Q4 2017.

1 European Opportunity: Key Drivers of Transaction Volume



Regulatory Pressure

European regulators have continued to **tighten regulations** and are urging banks to **increase the pace** of NPL disposals

- » The European Commission has again stated in a press release on January 18, 2018 that “the total volume of NPLs remains high and is a source of concern which should be addressed – further reductions are imperative”⁽¹⁾
- » The ECB continues to monitor the progress of NPL reduction, provisioning and strategies and by early 2018, the ECB plans to present further plans to address the stock of NPLs⁽²⁾
- » Under recently released proposals regarding NPL provisioning requirements in October 2017⁽³⁾:
 - All new NPLs as of January 1, 2018 would have to be 100% provisioned at a minimum within 2 years (unsecured portion) and 7 years (secured portion)
 - No value assigned to collateral after 7 years
- » Cerberus believes that banks and Asset Management Companies (AMCs) will likely speed up the reduction of NPLs as a result of this increased regulatory pressure, as well as the uncertainty around further future changes to regulation

⁽¹⁾ Source: European Commission, “Progress in the Reduction of Non-Performing Loans in Europe”, January 18, 2018.

⁽²⁾ Source: Citi Research, “ECB Reinforces NPL Guidance”, October 6, 2017.

⁽³⁾ Source: European Central Bank, “Addendum to the ECB Guidance to banks on non-performing loans”, October 4, 2017.

1 European Opportunity: Key Drivers of Transaction Volume

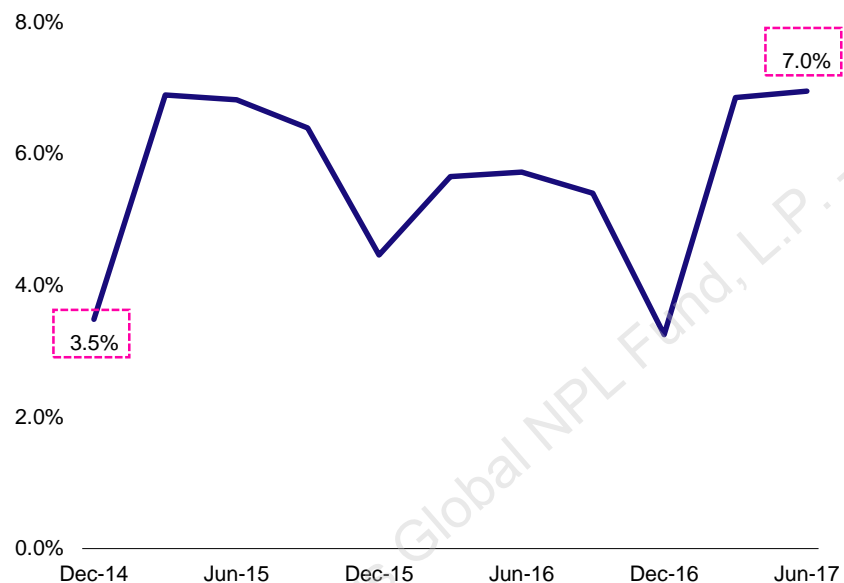


Improving Bank Profitability

European banks have been strengthening profitability and capital ratios, facilitating a faster potential pace of NPL disposals

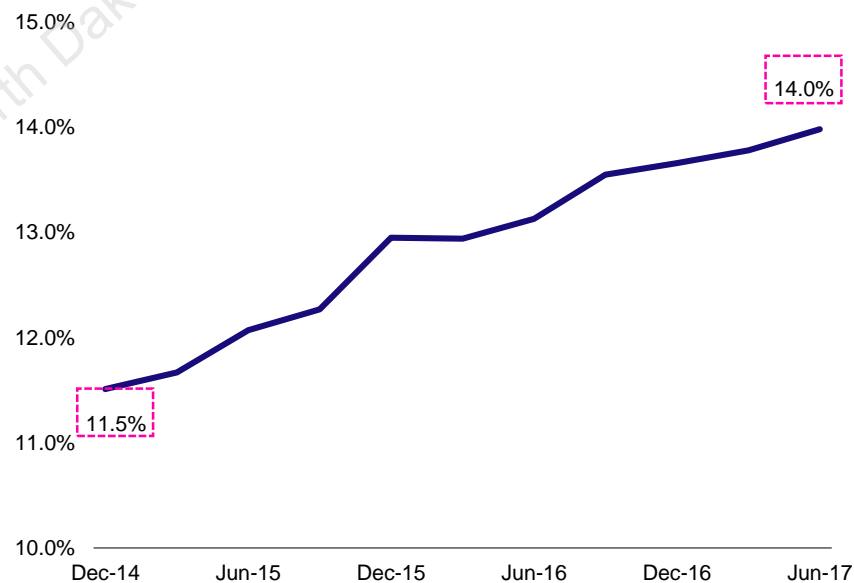
European Banks: Average Return on Equity⁽¹⁾

In Percent



Evolution of Fully Loaded CET1 Ratios⁽¹⁾

In Percent



⁽¹⁾ Source: European Banking Authority, "Risk Assessment of the European Banking System," November 2017.

1 European Opportunity: Key Drivers of Transaction Volume



Changes to Foreclosure Processes

Foreclosure processes have been shortened in some countries, such as Italy

Measures introduced in Italy aiming at reducing the length of judicial processes:

Measure Implemented	Effect on Process
Court Auction Minimum Prices: Judicial enforcement proceedings have previously involved multiple auctions before collateral could be sold. Courts are now able to fix a minimum sale price for the collateral to be sold, up to 75% of the auction base price.	Reduces the number of auctions needed to liquidate assets
Court Valuation (CTU): The Court appraiser will now be paid in half once the valuation is released, and will receive the other half of his compensation once the asset is sold in auction.	Incentivizes court appraisers to assess values in line with market levels
Liquidation Proceedings: Where a debtor is subject to a bankruptcy procedure, there is now a 2 year deadline by which the asset liquidation must be complete, unless the insolvency administrator seeks court approval to extend. The insolvency administrator is also required to prepare the liquidation plan within 6 months of the insolvency declaration.	Enables a lender to gain faster access to the value of the collateral
Out-of-Court Enforcement: Lenders and borrowers can make a repossession arrangement in advance under which, on a payment default, the lender will be able to exercise a right to have title to real estate assets transferred to it automatically ("Patto Marciano").	Reduces the costs and time associated with a foreclosure
Technological Enforcement Filing: An on-line database has been set up, linking national insolvency registers, containing relevant information on all court-ordered real estate enforcement sales and insolvency and pre-insolvency filings.	Increases transparency

⁽¹⁾ Source: PWC research, "The Italian NPL Market", December 2017.

Section 5

Investment & Workout Process

Cerberus Global NPL Fund, L.P. / North Dakota State Investment







The NPL Process

The process of acquiring portfolios of NPLs requires an infrastructure that can source, screen, underwrite, finance, migrate and ultimately monetize thousands of borrowers, loans and assets across multiple geographies

Timing and Stages	Deal Targeting & Pipeline	Phase I Due Diligence	Phase II Due Diligence	Post-Closing Process	Monetization
Purpose	<p>1-12 months Pre-Sale</p> <ul style="list-style-type: none"> » Internal teams identify, source and filter transactions based on geography, asset type, risk profile of underlying collateral 	<p>4-6 weeks Pre-Sale</p> <ul style="list-style-type: none"> » Due diligence is asset focused » Underwriting team develop an initial business plan » Submission of an indicative bid 	<p>8-12 weeks Pre-Sale</p> <ul style="list-style-type: none"> » Confirmatory due diligence phase » Underwriting team develops a detailed business plan » Submission of a binding bid 	<p>1-12 months Post-Sale</p> <ul style="list-style-type: none"> » Migrating of the loan portfolio to external servicing partners 	<p>1-36+ months Post-Sale</p> <ul style="list-style-type: none"> » Borrower meetings, business plan updates, continual monitoring, asset management (depending on country)
# FTEs	<ul style="list-style-type: none"> » Internal: 6-12 » External: 0 	<ul style="list-style-type: none"> » Internal: 15-20 » External: 10-30 	<ul style="list-style-type: none"> » Internal: 15-35 » External: 100-150 	<ul style="list-style-type: none"> » Internal: 10-25 » External: 100-150 	<ul style="list-style-type: none"> » Internal: 10-25 » External: 100-150

Due Diligence – Overview of Work Streams

 Data Remediation	 Assets	 Corporate Credit	 Borrower Background	 Work Out Strategy	 Legal	 Servicing Strategy	 Financing
<p>Check internal data consistency</p> <p>Verify consistency with source documents</p> <p>Source missing and additional data</p>	<p>Investment and occupational market assessment</p> <p>Site visits</p> <p>Technical / Structural review</p> <p>Environmental DD</p> <p>Planning</p> <p>Asset valuation</p> <p>Improvement / value add opportunities</p>	<p>Complete review of tenants' underlying businesses</p> <p>Market position</p> <p>Viability of the business strategy is assessed</p> <p>Benchmarked against peers</p> <p>Full review of BS / P&L / cash flows</p> <p>COAC and Corporate Credit teams used for specialized tenants</p>	<p>Public record search</p> <p>Mission critical assets</p> <p>Other borrower relationships</p> <p>Liquidity</p> <p>Asset management skillset</p> <p>AML / KYC</p>	<p>Highly dependent on borrower dynamics and legal framework</p> <p>Learnings and relationships from the workout of portfolios are fed into underwriting assumptions for future transactions</p>	<p>Validity of claim</p> <p>Enforceability of security</p> <p>Cross collateralisation</p> <p>Guarantees</p> <p>Facility review</p> <p>Priority of payments</p> <p>Lease review</p> <p>Litigation review</p> <p>SPA & ancillary documentation</p>	<p>CES oversight</p> <p>Geography / asset type / loan type dependent</p>	<p>Collateral type and geography</p> <p>Loan type</p> <p>Granularity of the portfolio</p>

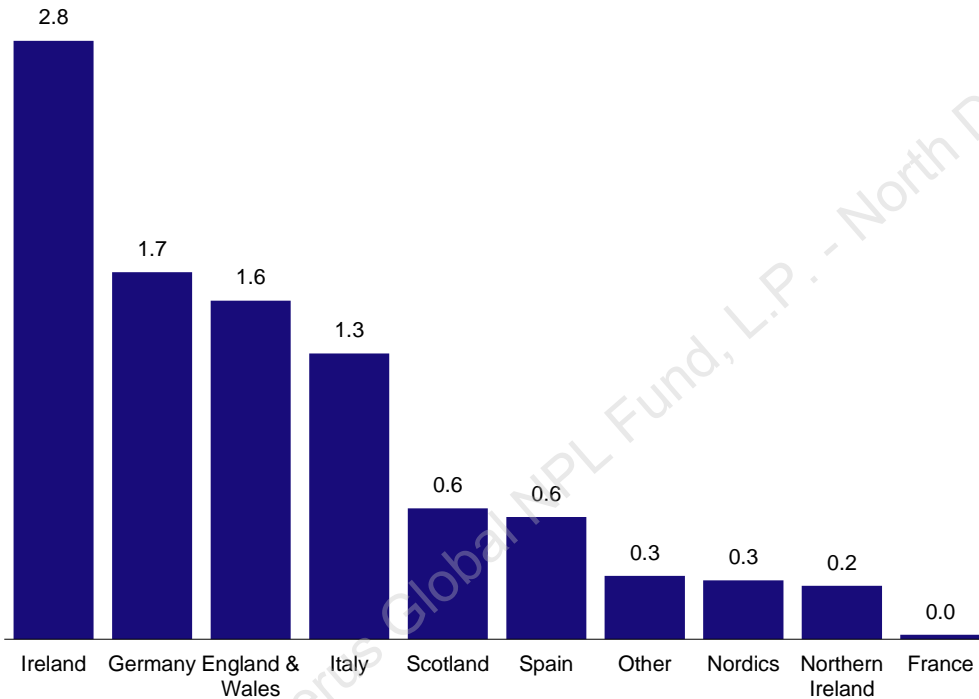
Business Plan Evolution – Asset by Asset / Loan by Loan / Borrower by Borrower

CES Supervisory Assets

Cerberus European Servicing currently has approximately \$9.4 billion of supervisory assets in over 10 countries

Supervisory Assets – By Geography

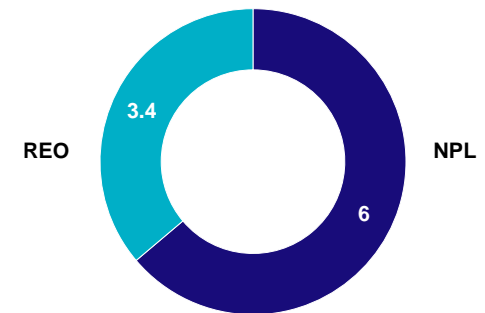
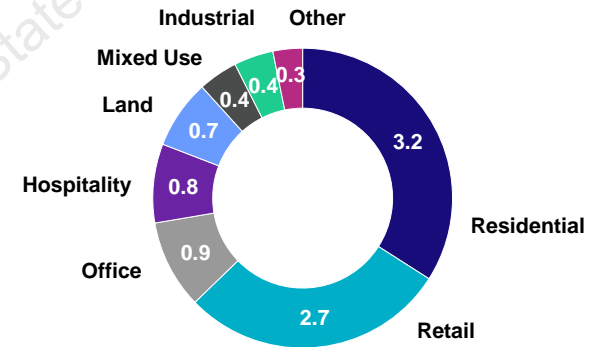
USD Billions



Note: As of January 1, 2018.

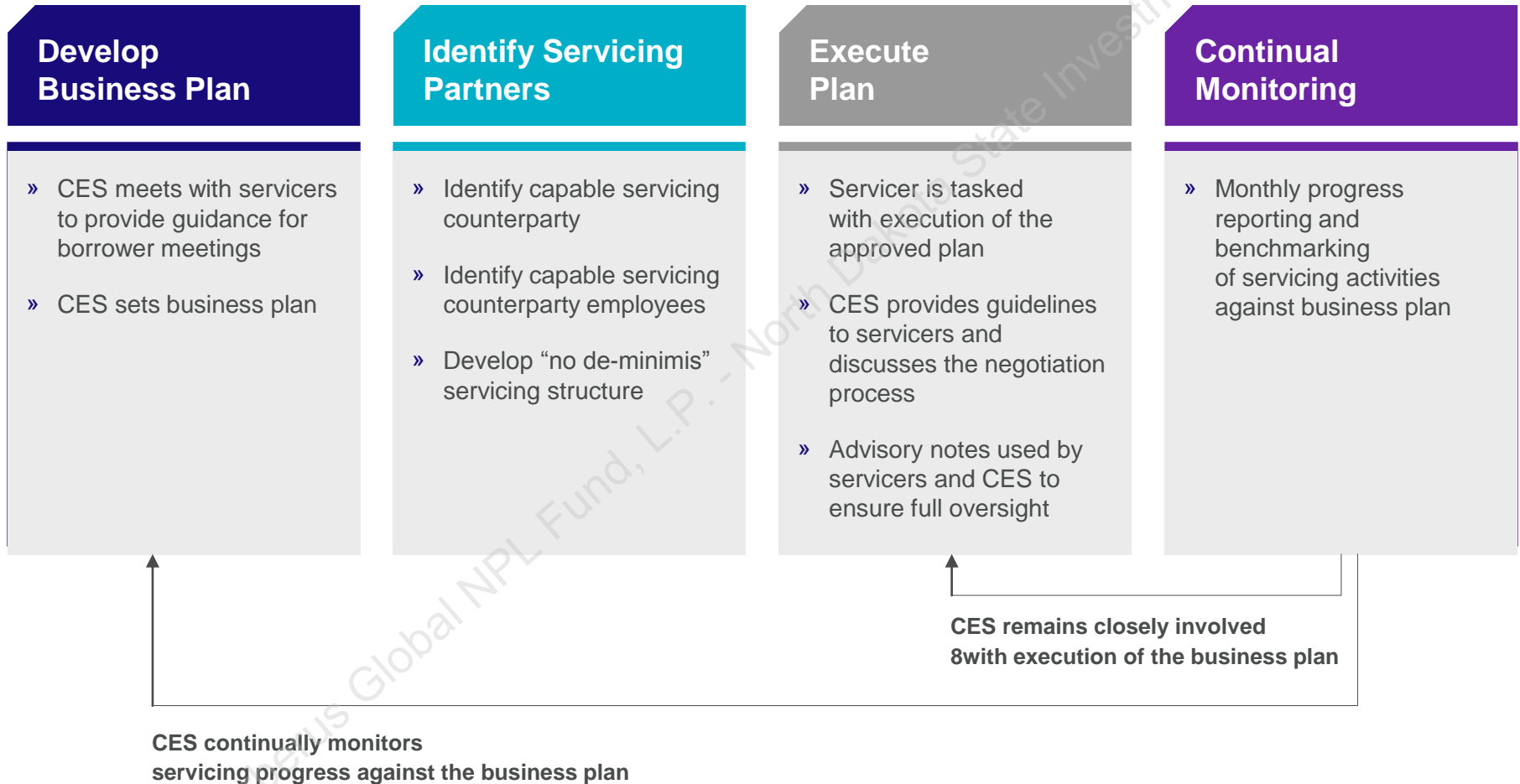
Supervisory Assets – By Type

USD Billions



CES Loan Servicing Methodology

Cerberus European Servicing adopts a hybrid supervisory approach to loan servicing



Section 6

Fund Terms



Cerberus Global NPL Fund, LP North Dakota State Investment Board

Summary of Terms

Fund Name	» Cerberus Global NPL Fund, L.P.
Target Fund Size	» \$3.5 billion
Minimum Commitment	» \$10 million; lesser amounts accepted at the discretion of the GP
Investment Period	» 4 years from initial close
Liquidation Period	» 3 years from the end of the Investment Period; subject to a one-year extension at the GP's discretion
GP Commitment	» Lesser of \$30 million and 1.5% (includes amounts from the GP, its affiliates and senior executives of Cerberus)
Management Fee	» During Investment Period – 1.5% of Commitments » Post Investment Period – 1.5% of Cost of Investments
Distributions Preferred Return Carried Interest	» 8% » 80% to LPs / 20% to GP (after a 100% catch up to the GP)
Expected First Close	» Q2 2018

This summary of principal terms is provided for discussion purposes only and does not purport to summarize all the terms, conditions and other provisions with respect to the Fund. All terms, conditions and provisions described herein are subject to continued review and modification.

Cerberus Global NPL Fund, L.P. - North Dakota State Investment Board

BOARD ACTION REQUESTED

TO: State Investment Board
FROM: Dave Hunter, Darren Schulz, and Eric Chin
DATE: October 26, 2018
SUBJECT: NPL Manager Recommendation: Cerberus Global NPL Fund L.P.

RIO Recommendation:

Staff recommends that the NDSIB invest up to \$120 million in the Cerberus Global NPL Fund, L.P. (the Fund) (This recommendation is subject to continued negotiations and finalization of the contract). Staff recommends that \$60 million be funded by the Pension Trust and \$60 million be funded by the Legacy Fund. This would represent a 1% position in both the Pension Trust and the Legacy Fund. This allocation would be funded by reducing equity exposure in both portfolios.

As discussed at the September 2018 SIB board meeting, Staff believes that an NPL strategy offers an attractive risk-return profile. In addition, the transactional nature of the NPL strategy will diversify existing allocations in the Pension Trust and the Legacy Fund. Staff recommends the Cerberus NPL Fund because Staff believes that Cerberus offers a number of competitive advantages and is best positioned to help the SIB achieve its investment objectives. Key advantages include:

- 1. Cerberus is one of the most experienced managers in the NPL space and has been investing in NPLs since the 1990s. It is currently the largest investor of European NPLs having participated in European NPL transactions totaling over \$44 billion.
 - a. As one of the largest investors in NPLs, Cerberus has access to proprietary deal flow*
 - b. Cerberus has built significant infrastructure to invest in European NPLs. Cerberus has established or acquired servicing infrastructure in key jurisdictions across Europe and oversees over 1000 dedicated servicing and asset management professionals. This infrastructure is key to facilitating the NPL strategy and the cost to build similar infrastructure is a significant barrier to entry for new entrants in the space.*
 - c. Cerberus is an early investor in the space and has built a database that houses information on 100,000s of loans and borrowers. This is an informational edge that can lead to more accurate bids for NPL portfolios and better outcomes when working through loans.*
 - d. The Cerberus NPL team can leverage the resources and expertise of other parts of the organization. Notable teams with synergies include the Real Estate Team, Corporate Credit Team, Residential and Commercial Mortgages Team, Private Equity Team, and Cerberus' operation professionals. Leveraging these different areas of expertise can lead to unique solutions and additional alpha.**

2. *The Cerberus NPL Team is deep and experienced and consists of 37 investment professionals.*
3. *Attractive Returns: 90% of all the Cerberus European NPL transactions (2010-2016) have generated positive IRRs (out of 70 transactions). The average gross IRR (not weighted) on all transactions is 19% with an average multiple of 1.34x*

Process:

Notably, the recommendation of the Cerberus NPL Fund did not originate from a mandated search. Rather, Staff discovered the European NPLs strategy as an outgrowth of Staff's search for opportunistic credit strategies to complement the SIB's direct lending mandates. Following the approval of the Cerberus direct lending strategy in 2017, Staff reached out to opportunistic credit managers. Staff noticed that several of the larger investment managers, including Cerberus, had either a large allocation to NPLs in their opportunistic funds and/or were launching a stand-alone NPL investment vehicle. The risk-reward profile of the strategy seemed compelling and Staff began researching European NPLs in earnest. Research included reading industry white papers, attending industry conferences, and holding conference calls and onsite meetings with investment managers.

The European NPL study revealed that the strategy could be a good fit for both the Pension Trust and the Legacy Fund but was not appropriate as a fixed income/credit complement to existing direct lending mandates. The NPL strategy is illiquid, the underlying collateral of European NPLs are mainly commercial or residential real estate and the strategy is transactional. In addition, the strategy has a higher return target, and staff believes it more appropriate to fund with equity strategy capital.

Staff's research suggested that larger managers in terms of size of their infrastructure, amount invested, and number of transactions had significant advantages. As a result, Staff created a short list of the larger NPL investment managers. This list included Bain, Cerberus, and Lonestar. Staff conducted additional diligence on these managers holding onsite meetings with managers in London, Texas, and New York. Staff also observed an internal research meeting at Cerberus and reached out to peers in the industry for additional information. This search took over a year and a half to conduct, required the evaluation of the NPL asset class and the identification of managers that could competently invest in the asset class.

Cerberus Capital Management, LP.:

1. **Organizational Overview and History:** Founded in 1992, Cerberus is a global investment manager with approximately \$36 billion in assets under management ("AUM") and 671 employees worldwide. Headquartered in New York City, Cerberus has developed a strong global presence with 13 affiliate and advisory offices throughout the U.S., Europe, and Asia. Cerberus primarily operates across three core investment strategies:
 - a. **Global Credit Strategies - \$23.6 billion of AUM:** This strategy includes investments in corporate credit, middle market loans, and mortgage securities and assets.
 - b. **Private Equity - \$4.7 billion of AUM:** Cerberus targets operationally troubled companies, non-core/non performing divisions, or subsidiaries and businesses in liquidation.

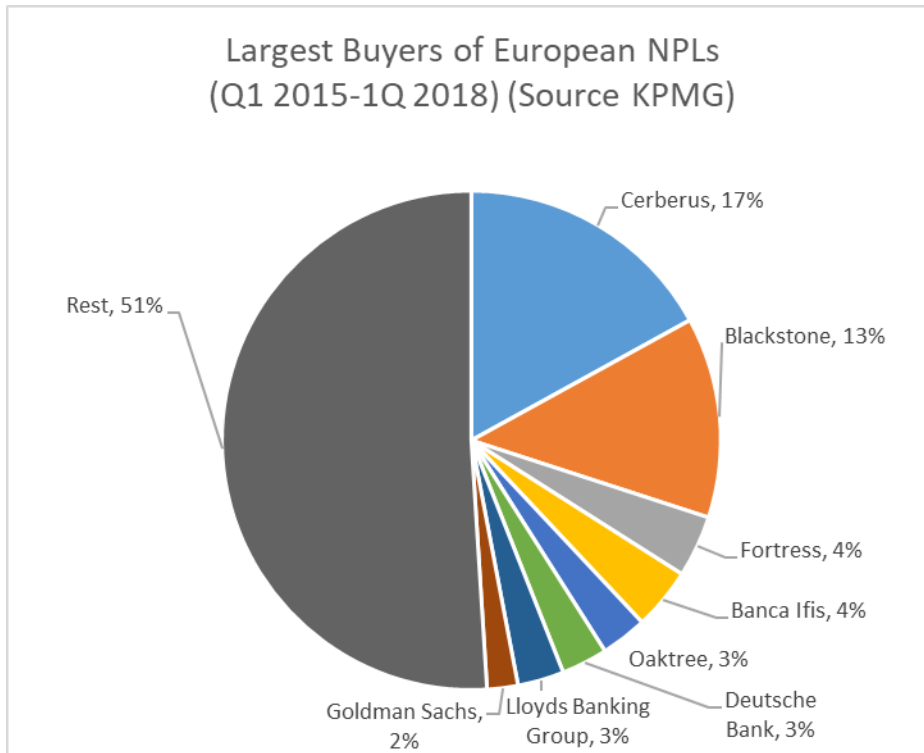
- c. **Real Estate and Real Estate Related Debt - \$8 billion of AUM:** Cerberus focuses on distressed or undervalued assets, targeting investments across the capital structure. Most of Cerberus' NPL team sits in this group.

Ownership: Stephen A. Feinberg, through Craig Court GP, LLC, and William L. Richter, through Richter Investment Corp., are the owners of Cerberus Capital Management, L.P. and affiliated management entities. Craig Court holds a 75% interest and Richter Investment Corp. holds a 25% interest. In December 2017, Dyal Capital Partners, L.P. made a passive minority equity investment in the management entities responsible for funds managed by Cerberus Business Finance, Cerberus' direct lending business. Senior employees at Cerberus share in the economics attributed to the General Partner through Cerberus Executive Company.

Real Estate and Real Estate Related Debt and NPL Team: Cerberus' Real Estate Team was founded in 1993, to generate attractive risk adjusted returns by investing in distressed and undervalued real estate transactions. Today, the Real Estate Team employs a total of 46 investment professionals. 29 of the 46 investment professionals work on the NPL fund.

NPL Team: There are a total of 37 investment professionals who focus on the NPL Fund. In addition to the 29 investment professionals from the Real Estate Team, there are several members from Cerberus' Global Credit Team that will work on NPL investments.

Since late 2010, Cerberus has invested over \$11 billion across 82 European NPL transactions with a total transaction size of approximately \$44 billion. Cerberus estimates that from 2013-2017, it was the largest investor in European NPLs and REOs by market share with 21% of the market. A study by KPMG corroborates this story. KPMG calculates that Cerberus was the largest investor in European NPLs with 17% of market share of from Q1/2015-Q1/2018.



Servicing Infrastructure: The Cerberus European Servicing platform has 50 employees and currently oversees over 1000 dedicated professional at third party servicers and asset managers. In addition to servicing activities, this group provides critical information on pricing, exit strategies, and advice on extracting value from the NPL portfolios.

2. **Investment Strategy/Philosophy:** The investment strategy of the Cerberus NPL Fund is to purchase European NPLs, pools of European NPLs, and the underlying collateral of European NPLs. Cerberus believes it can purchase NPLs at a significant discount to the underlying collateral as a result of the high balances of NPLs on European bank balance sheets and regulatory pressure on banks to reduce this exposure. Once an NPL portfolio is purchased Cerberus will seek to unlock the underlying value of the collateral. The strategies Cerberus can employ to unlock the value include:
 - a. Discounted Payoff: Repayment of the loan that is less than the principal balance outstanding. Banks typically cannot employ this strategy because other performing borrowers may stop paying their loans and demand similar discounts.
 - b. Consensual sale with the borrower in which the collateral is sold by the borrower under Cerberus oversight. The proceeds are used to pay down the loan with further debt forgiveness.
 - c. Borrowers transfer the collateral to Cerberus with debt forgiveness. Cerberus takes control of the property and can implement asset management strategies to enhance the value of the collateral.
 - d. Foreclosure process. Cerberus will take ownership of the property through the bankruptcy process—this may take longer to monetize the collateral depending on the jurisdiction.

It's important to note, close to 85% of Cerberus NPL resolutions have been on a consensual basis. Lastly, while the fund is expected to focus on European NPLs, the fund can invest

up to 25% of its capital outside Europe. Staff expects at least 85% of the investments will be in Europe.

3. Preliminary Portfolio Characteristics and Terms:

Cerberus Global NPL Fund L.P.	
October 2018	
Key Terms	
Target Fund Size	\$3.5 - \$4 billion
Target IRR	High teens to low twenties (gross)
Investment Period	4 years from initial close (June 29th, 2018)
Liquidation Period	3 years from the end of investment period, subject to extension for one year by the General Partner in its sole discretion.
Geographic Concentration	No more than 25% of aggregate capital commitments to be invested outside of Europe
Maximum Position Level Concentration	No more than 15% invested in a Single Issuer
Max Portfolio Leverage	Max 75% of gross asset value of the Fund
Management Fee	During Investment Period – 1.5% of Commitments Post Investment Period – 1.5% of Cost of Investments
Distributions	Preferred Return: 8% Carried Interest: 80% to LPs / 20% to GP (after a 100% catch up to the GP)

4. NPL Performance Review:

Because the Cerberus NPL Fund is a newly launched fund and there is no historical track record, Staff evaluated the 82 European NPL transactions that Cerberus has invested in following the Global Financial Crisis. Key metrics include:

- a. 82 transactions totaling over \$11 billion
- b. Performance metrics were evaluated for 70 portfolios worth over \$10.1 billion for transactions from November 2010-December 2016 (2017 NPL portfolios were omitted because of the J-Curve effect).
 - i. 90% of the NPL transactions resulted in positive gross IRRs
 - ii. Average IRR (not weighted) was 19%, the median was 15%
 - iii. The worst performing transaction generated a -36% IRR
 - iv. Average weighted life (not weighted) was 3.1 years, the median was 2.9 years.

Concerns/Risk:

As mentioned at the September 2018 SIB Board meeting, NPL investment strategies face unique risks including regional concentration risk, illiquidity risk, and regulatory risk. Cerberus will likely invest in some of the following European countries: UK, Ireland, Germany, Italy, Spain, Portugal, and Greece. As a result, the Fund will have significant exposure to these countries. In addition, Cerberus will be investing in NPLs that are generally illiquid (limited secondary market), and that are collateralized by (predominantly) commercial and residential real estate. Again these are illiquid assets resulting in illiquidity risk. Furthermore, regulatory changes could impact either the amount of NPLs European banks must sell, and/or impact the manager's ability to access the underlying collateral of the NPL portfolios. However, Staff believes that the current regulatory regime is favorable to the strategy. Lastly, Cerberus may employ leverage on the strategy but not in excess of 75% of gross asset value.

Conclusion:

As mentioned at the last SIB Board meeting, Staff believes that the NPL investment opportunity is attractive and can enhance the Pension Trust and Legacy Fund portfolios. The NPL space is one of the few investment assets that are structurally mispriced because of the supply-demand imbalance. Furthermore, Staff believes that Cerberus is best positioned to help the SIB achieve its investment goals. Cerberus is one of the largest and most experienced investors in NPLs having invested in the asset class since the 1990s. It has a deep dedicated team of 37 investment professionals and can leverage other parts of its 600+ person organization to create alpha in complex situations. Moreover, as both an early mover into the European NPL space (2010) and a large investor, Cerberus has been able to build the infrastructure that is critical to implementing the strategy. It employs a servicing and asset management platform that consists of over 1000 dedicated professionals, which often leads to a competitive informational edge when working out loans or when pricing NPL portfolios.

As with any strategy there are risks. However, Staff believes that the discount to the underlying collateral value that Cerberus expects to purchase NPL portfolios serves as implicit downside protection. Cerberus targets a high teen to low 20s gross IRR and Staff believes the risk-return profile is attractive. In addition, a 1% allocation in the Pension Trust and the Legacy Fund is the appropriate size for the risk-return profile of the Fund. As written in the introduction memo, 1% is large enough to impact the portfolios' returns, but small enough such that the strategy's specific risks such as illiquidity are minimized. Staff is excited about the NPL opportunity and believes that Cerberus has the expertise, infrastructure, and key competitive advantages to implement the strategy for the SIB.

Grand Forks Park District Pension Plan

Investment Policy Statement Review

Board Action

Background: On October 2, 2018, the Board for the Park District for the City of Grand Forks Pension Plan (GFPD Board) approved RIO's recommendation to adopt a new asset allocation policy resulting from a recent asset liability study conducted by Arthur J. Gallagher. The attached presentation was shared with the GFPD Board prior to requesting their approval of the new asset allocation policy. RIO notes the GFPD Pension Plan has \$6.8 million of assets and has generally performed well and in line with long-term expectations. The primary asset allocation changes include a 10.5% reduction in Equity and a 10% increase in Real Assets and a new 7.5% High Yield allocation within Fixed Income (at 25.5%). RIO will request Board approval of the new asset allocation policy recently approved by the GFPD Board at the conclusion of our review. In general, RIO notes the new asset allocation recommendation offers a marginally higher expected return of 6.0% (versus 5.8% currently) while maintaining the similar long-term risk expectations of 12.0%, as measured by standard deviation.

Grand Forks Park District Pension Plan

Annual Investment Review

As of June 30, 2018

September 7, 2018

Dave Hunter - Executive Director / CIO

Darren Schulz, CFA - Deputy Chief Investment Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

Grand Forks Park District Pension Plan Performance – June 30, 2018

	1 Yr Ended 6/30/2018	3 Yrs Ended 6/30/2018	5 Yrs Ended 6/30/2018	Risk 5 Yrs Ended 6/30/2018	Risk Adj Excess Return 5 Yrs 6/30/2018
Total Fund Return - Net	9.33%	7.35%	8.47%	4.81%	0.42%
Policy Benchmark Return	8.02%	6.68%	7.74%	4.63%	
Excess Return	1.31%	0.67%	0.73%	104%	

- The “Park District” plan earned 9.33% for the 1-year ended June 30, 2018 surpassing the “Policy Benchmark Return” of 8.02% by 1.31% (See next page for commentary.)
- The “Park District” plan earned 8.47% for the 5-years ended 6/30/2018 surpassing the “Policy Benchmark Return” of 7.74% by 0.73%. U.S. Equities were the top performing asset class returning 14% per annum over the last 5-years followed by Global Equity at 11%, International Equity at 8%, Infrastructure at 6%, and Fixed Income at 3.9%. The two worst performing sectors were Private Equity at 1.3% and Timber at -0.36% for the 5-years ended June 30, 2018, noting that actual allocations for Private Equity and Timber were 3.8% and 2.2%, respectively.
- Above benchmark returns were achieved while adhering to approved risk levels at 104% of the Policy Benchmark for the 5-years ended 6/30/2018. Given the strong returns achieved using reasonable risk levels, the Plan generated a positive risk adjusted return of 0.42% since 2013.

Grand Forks Park District Pension – Periods Ended June 30, 2018

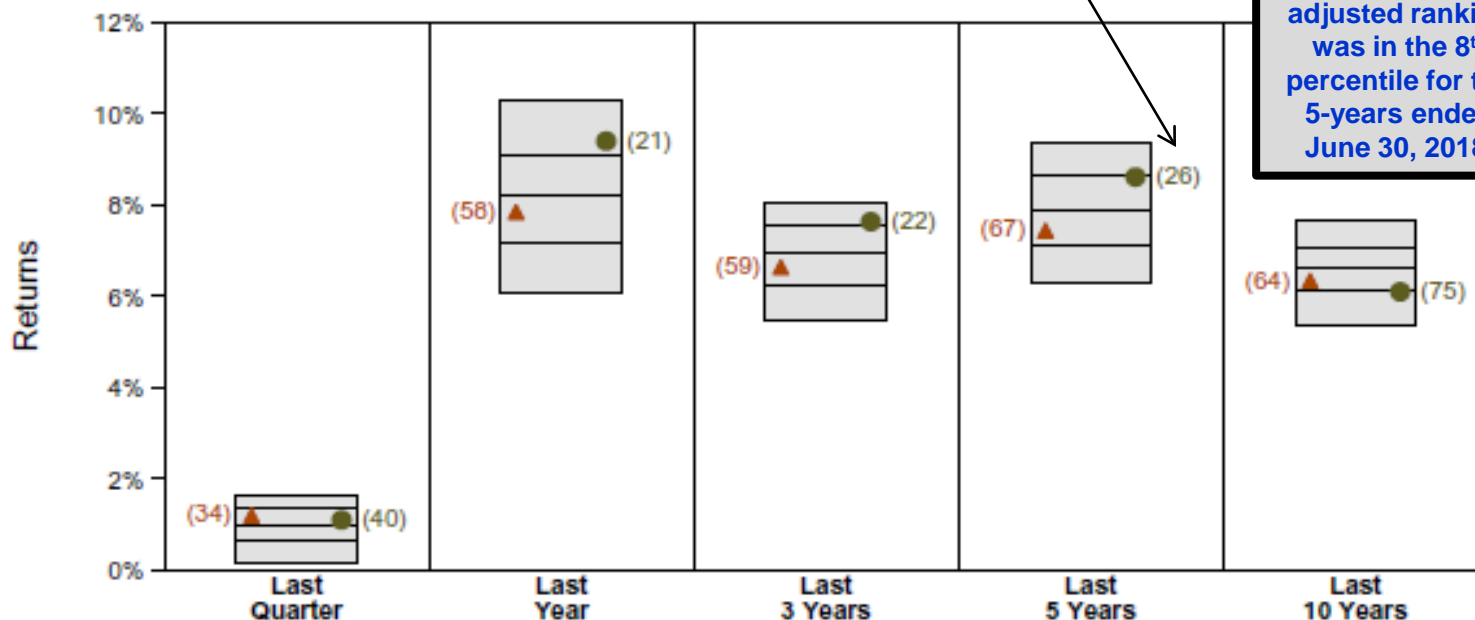
City of Grand Forks Park District Plan:	Target Allocation	June 30, 2018		
		1-year	3-years	5-years
Total Fund	100%	9.33%	7.35%	8.47%
Policy Benchmark		8.02%	6.68%	7.74%
Excess Return		1.31%	0.67%	0.72%
Global Equity	65%	13.11%	9.37%	10.90%
Policy Benchmark		11.98%	9.08%	10.37%
Excess Return		1.13%	0.29%	0.53%
Global Fixed Income	25%	1.61%	3.41%	3.86%
Policy Benchmark		-0.40%	1.72%	2.27%
Excess Return		2.01%	1.69%	1.59%
Global Real Assets	10%	4.70%	3.38%	3.62%
Policy Benchmark		3.89%	2.75%	3.77%
Excess Return		0.81%	0.63%	-0.15%
Cash Equivalents	< 1%	1.44%	0.82%	0.51%
Policy Benchmark		1.36%	0.68%	0.42%
Excess Return		0.08%	0.14%	0.09%

Performance Summary:

Net Investment Returns for the 1, 3 and 5 year periods ended June 30, 2018, consistently exceeded expectations based on Policy Benchmarks. All major asset classes surpassed their performance benchmarks with the exception of Real Assets for the 5-years ended June 30, 2018. This shortfall of **-0.15%** was largely driven by the poorly performing Timber sector which is being liquidated within the Pension Trust while being transitioned into Real Estate and Infrastructure which offers more attractive risk adjusted returns. This transition will likely take 5+ years given the illiquid nature of the current timber market.

Pension Trust “gross” returns were ranked in the 26th percentile for the 5-years ended June 30, 2018, based on Callan’s “Public Fund Sponsor Database”.

Callan Public Fund Sponsor Database



The Pension Trust asset allocation adjusted ranking was in the 8th percentile for the 5-years ended June 30, 2018.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	1.60	10.31	8.07	9.34	7.65
25th Percentile	1.34	9.09	7.54	8.66	7.05
Median	0.95	8.23	6.96	7.87	6.61
75th Percentile	0.64	7.15	6.24	7.14	6.11
90th Percentile	0.13	6.06	5.49	6.32	5.35
Total Fund ●	1.09	9.40	7.64	8.62	6.10
Policy Target ▲	1.19	7.85	6.64	7.44	6.34

* Current Quarter Target = 16.3% Blmbg Aggregate, 16.1% Russell 1000 Index, 16.0% MSCI World, 11.2% MSCI World ex US, 10.5% NCREIF Total Index, 7.0% Blmbg HY 2% Iss Cap, 6.5% NDSIB PEN - Private Equity, 5.7% CPI-W, 4.9% Russell 2000 Index, 3.1% MSCI EM, 2.3% NCREIF Timberland Index and 0.4% 3-month Treasury Bill.

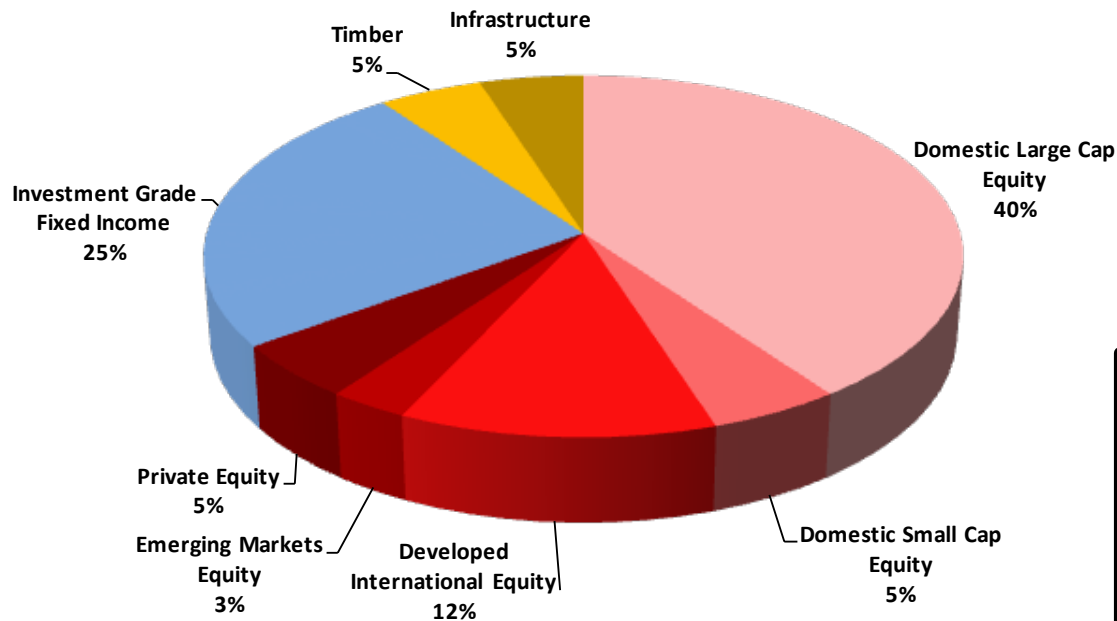
Grand Parks Park District Pension Plan

Actual Asset Allocations are within 1% to 2% of Targets

➤ Asset allocation decisions are consistently the #1 driver of investment returns and are as follows:

Equity 65%
Fixed Income 25%
Real Assets 10%

Policy Allocation



NOTE: The above asset allocation pie chart is consistent with the investment policy statement which does not contain a dedicated Global Equity allocation.

Global Real Asset Update:
 During the past 18-months, the GFPD Pension Plan and RIO are restructuring “Real Assets” by harvesting timber investments while committing new capital into real estate and infrastructure. This process commenced in 2017 and will likely continue through 2022 due to the challenged liquidity in today’s timber markets.

**PARK DISTRICT OF THE CITY OF GRAND FORKS PENSION PLAN
INVESTMENT PERFORMANCE REPORT AS OF JUNE 30, 2018**

	June-18			Current Fiscal YTD		Prior Year FY17		3 Years Ended 6/30/2018		5 Years Ended 6/30/2018	
	Market Value	Allocation Actual	Policy	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net
TOTAL FUND	6,772,657	100.0%	100.0%	9.53%	9.33%	12.98%	12.74%	7.58%	7.35%	8.72%	8.47%
<i>POLICY TARGET BENCHMARK</i>				8.02%	8.02%	11.83%	11.83%	6.68%	6.68%	7.74%	7.74%
TOTAL RELATIVE RETURN				1.51%	1.31%	1.15%	0.92%	0.90%	0.67%	0.98%	0.73%
GLOBAL EQUITIES	4,389,481	64.8%	65.0%	13.33%	13.11%	18.40%	18.14%	9.63%	9.37%	11.20%	10.90%
<i>Benchmark</i>				11.98%	11.98%	18.38%	18.38%	9.08%	9.08%	10.37%	10.37%
Epoch Global Choice (1)	481,624	7.1%	7.0%	14.73%	14.02%	17.71%	16.96%	8.31%	7.62%	10.28%	9.56%
LSV Global Value Equity	584,297	8.6%	9.0%	7.98%	7.78%	23.50%	23.29%	7.42%	6.99%	10.05%	9.51%
Total Global Equities	1,065,921	15.7%	16.0%	10.94%	10.52%	21.02%	20.57%	7.85%	7.31%	10.12%	9.50%
<i>MSCI World</i>				11.09%	11.09%	18.20%	18.20%	8.48%	8.48%	9.94%	9.94%
Domestic - broad	2,306,866	34.1%	33.0%	16.35%	16.19%	16.86%	16.63%	11.97%	11.80%	13.92%	13.72%
<i>Benchmark</i>				14.90%	14.90%	18.79%	18.79%	11.60%	11.60%	13.31%	13.31%
Large Cap Domestic											
LA Capital Large Cap Growth	803,265	11.9%	11.7%	20.11%	19.87%	15.90%	15.66%	13.55%	13.32%	15.74%	15.50%
<i>Russell 1000 Growth</i>				22.51%	22.51%	20.42%	20.42%	14.98%	14.98%	16.36%	16.36%
LA Capital 60% Large Cap/40% Large Cap Active Extension	420,137	6.2%	5.9%	12.61%	12.49%	15.56%	15.44%	11.33%	11.21%	13.20%	13.07%
<i>Russell 1000</i>				14.54%	14.54%	18.03%	18.03%	11.64%	11.64%	13.37%	13.37%
NTAM - Quant Enhanced S&P 500	398,646	5.9%	5.9%	14.66%	14.66%	16.51%	16.51%	10.78%	10.78%	12.87%	12.63%
Clifton Group Enhanced S&P 500	396,976	5.9%	5.9%	13.26%	13.24%	17.97%	17.72%	11.80%	11.72%	13.36%	13.30%
<i>S&P 500</i>				14.38%	14.38%	17.90%	17.90%	11.93%	11.93%	13.42%	13.42%
Total Large Cap Domestic	2,019,023	29.8%	29.3%	16.09%	15.96%	16.37%	16.20%	12.24%	12.10%	14.17%	14.00%
<i>Russell 1000 (2)</i>				14.54%	14.54%	18.03%	18.03%	11.64%	11.64%	13.37%	13.37%
Small Cap Domestic											
Atlanta Capital Small Cap Equity Fund	145,628	2.2%	1.8%	18.84%	18.02%	15.83%	14.98%	N/A	N/A	N/A	N/A
Clifton Group Enhanced Russell 2000	142,215	2.1%	1.8%	17.15%	17.03%	24.97%	24.44%	11.43%	11.10%	13.22%	12.80%
Total Small Cap Domestic	287,843	4.3%	3.7%	18.15%	17.69%	20.78%	20.09%	9.94%	9.53%	11.96%	11.53%
<i>Russell 2000</i>				17.57%	17.57%	24.60%	24.60%	10.96%	10.96%	12.46%	12.46%
International - broad	757,633	11.2%	11.0%	10.42%	10.23%	21.34%	21.14%	7.28%	7.09%	8.31%	8.08%
<i>Benchmark</i>				7.33%	7.33%	20.36%	20.36%	5.00%	5.00%	6.15%	6.15%
Developed International											
NTAM - MSCI World ex-US Index	285,401	0.0%	4.4%	7.50%	7.46%	19.95%	19.92%	5.28%	5.24%	N/A	N/A
<i>MSCI World Ex US</i>				7.04%	7.04%	19.49%	19.49%	4.86%	4.86%		
William Blair International Leaders	160,155	2.4%	2.6%	15.84%	15.43%	20.15%	19.77%	N/A	N/A	N/A	N/A
<i>MSCI ACWI ex-US IMI (Net)</i>				7.75%	7.75%	20.43%	20.43%				
DFA Intl. Small Cap Value Portfolio (4)	77,141	1.1%	0.9%	5.40%	5.40%	28.80%	28.80%	7.19%	7.19%	10.23%	10.09%
Wellington International Small Cap Opportunities	76,866	1.1%	0.9%	16.53%	15.57%	20.62%	19.62%	12.72%	11.79%	13.22%	12.29%
<i>S&P/Citigroup BMI EPAC < \$2BN</i>				10.47%	10.47%	20.89%	20.89%	8.87%	8.87%	10.53%	10.53%
Total Developed International	599,563	8.9%	8.8%	10.56%	10.31%	21.29%	21.04%	7.36%	7.12%	8.67%	8.40%
<i>MSCI World Ex US (3)</i>				7.04%	7.04%	19.49%	19.49%	4.74%	4.74%	6.34%	6.34%
Emerging Markets											
Axiom Emerging Markets Equity Fund (4)	115,376	1.7%	1.7%	10.82%	10.82%	22.29%	22.29%	6.72%	6.72%	N/A	N/A
DFA Emerging Markets Small Cap Portfolio (4)	42,694	0.6%	0.6%	5.47%	5.47%	19.53%	19.53%	5.96%	5.96%	6.40%	6.26%
Total Emerging Markets	158,070	2.3%	2.2%	9.46%	9.46%	21.55%	21.55%	6.48%	6.48%	6.23%	6.12%
<i>MSCI Emerging Markets</i>				8.20%	8.20%	23.75%	23.75%	5.60%	5.60%	5.01%	5.01%

**PARK DISTRICT OF THE CITY OF GRAND FORKS PENSION PLAN
INVESTMENT PERFORMANCE REPORT AS OF JUNE 30, 2018**

	June-18			Current Fiscal YTD		Prior Year FY17		3 Years Ended 6/30/2018		5 Years Ended 6/30/2018	
	Allocation			Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net
	Market Value	Actual	Policy								
Private Equity											
Adams Street-Brinson 2001 Partnership Fund	1,147	0.0%		6.04%	6.04%	7.60%	7.60%	0.85%	0.85%	4.09%	4.09%
Total Adams Street-Brinson Partnership Funds	2,760	0.0%		30.43%	30.43%	7.49%	7.49%	11.18%	11.18%	8.19%	8.19%
Total Adams Street-Brinson Non-US Partnership Fund	1,685	0.0%		44.28%	44.28%	5.22%	5.22%	18.87%	18.87%	13.19%	13.19%
Adams Street 2008 Non-US Partnership Fd	10,291	0.2%		16.98%	16.98%	15.67%	15.67%	14.81%	14.81%	14.14%	14.14%
Adams Street-Brinson BVCF IV	4,596	0.1%		-1.85%	-1.85%	7.91%	7.91%	1.37%	1.37%	11.83%	11.83%
Adams Street Direct Co-investment Fund	1,494	0.0%		-11.80%	-12.18%	-4.11%	-4.11%	-2.88%	-3.10%	5.90%	5.58%
Adams Street 2010 - Direct Fund	1,295	0.0%		18.57%	18.57%	12.03%	12.03%	12.60%	12.60%	15.26%	15.26%
Adams Street 2010 - Non-US Emerging Mkts	2,273	0.0%		21.66%	21.66%	10.13%	10.13%	13.97%	13.97%	13.38%	13.38%
Adams Street 2010 - Non-US Developed Mkts	4,363	0.1%		18.95%	18.95%	21.63%	21.63%	16.62%	16.62%	11.94%	11.94%
Adams Street 2010 - Partnership Fund	8,974	0.1%		17.71%	17.71%	15.12%	15.12%	12.89%	12.89%	14.78%	14.78%
Total Adams Street 2010 Funds	16,905	0.2%		93.27%	93.27%	15.79%	15.79%	34.12%	34.12%	25.89%	25.89%
Adams Street 2015 Global Fund	19,591	0.3%		17.58%	17.58%	51.76%	51.76%	N/A	N/A	N/A	N/A
Adams Street 2016 Global Fund	11,759	0.2%		13.58%	13.58%	N/A	N/A	N/A	N/A	N/A	N/A
Adams Street 2017 Global Fund	10,372	0.2%		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Blackrock PEP	40,514	0.6%		1.53%	1.53%	N/A	N/A	N/A	N/A	N/A	N/A
Matlin Patterson - Global Opportunities II	1,653	0.0%		5.59%	5.59%	-28.84%	-28.84%	-6.94%	-6.94%	-3.76%	-3.76%
Matlin Patterson - Global Opportunities III	20,897	0.3%		8.51%	8.51%	6.84%	6.84%	3.03%	3.03%	2.20%	2.20%
InvestAmerica - Lewis and Clark Fund	3,444	0.1%		51.46%	51.46%	22.03%	22.03%	-3.37%	-3.37%	-13.13%	-13.13%
InvestAmerica - L&C II	8,133	0.1%		0.90%	0.90%	10.83%	10.83%	4.44%	N/A	-1.95%	N/A
Corsair III	11,198	0.2%		-34.35%	-34.35%	6.84%	6.84%	-1.99%	-1.99%	-2.96%	-2.96%
Corsair IV	38,317	0.6%		26.61%	26.61%	22.98%	22.98%	14.98%	14.98%	17.93%	17.93%
Capital International - Fund V	1,499	0.0%		-48.22%	-48.22%	-49.48%	-49.48%	-42.03%	-42.03%	-28.50%	-28.50%
Capital International - Fund VI	37,528	0.6%		5.98%	5.98%	9.55%	9.55%	5.47%	5.47%	-2.84%	-2.84%
EIG (formerly TCW)	8,976	0.1%		18.70%	18.70%	12.11%	12.11%	-24.45%	-24.45%	-20.74%	-20.74%
Quantum - Energy Partners	4,088	0.1%		-50.52%	-50.52%	68.38%	68.38%	-13.61%	-13.61%	-7.37%	-7.37%
Total Private Equity (4)	259,060	3.8%	5.0%	5.26%	5.26%	11.11%	11.11%	2.77%	2.77%	1.35%	1.34%
GLOBAL FIXED INCOME	1,690,615	25.0%	25.0%	1.71%	1.61%	3.79%	3.65%	3.53%	3.41%	3.98%	3.86%
Benchmark				-0.40%	-0.40%	-0.31%	-0.31%	1.72%	1.72%	2.27%	2.27%
Domestic Fixed Income	1,690,615	25.0%	25.0%	1.71%	1.61%	3.79%	3.65%	3.53%	3.41%	3.98%	3.86%
Benchmark				-0.40%	-0.40%	-0.31%	-0.31%	1.72%	1.72%	2.27%	2.27%
Investment Grade Fixed Income											
PIMCO Distressed Senior Credit Opportunities II (4)	204,296	3.0%	3.0%	10.02%	10.02%	17.08%	17.08%	10.37%	10.37%	9.45%	9.45%
Prudential Core Fixed Income	546,403	8.1%	8.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bloomberg Aggregate				-0.40%	-0.40%	-0.31%	-0.31%	1.72%	1.72%	2.27%	2.27%
State Street Long U.S. Treasury Index NL Fund	204,059	3.0%	2.5%	-0.12%	-0.15%	-7.23%	-7.27%	3.39%	3.35%	4.53%	4.50%
Bloomberg Long Treasuries				-0.12%	-0.12%	-7.22%	-7.22%	3.40%	3.40%	4.55%	4.55%
PIMCO Unconstrained Bond Fund	534,183	7.9%	8.2%	1.68%	1.48%	9.71%	9.22%	3.49%	3.16%	N/A	N/A
3m LIBOR				1.75%	1.75%	0.98%	0.98%	1.07%	1.07%		
Declaration Total Return Bond Fund (4)	201,673	3.0%	3.0%	3.33%	3.33%	4.99%	4.99%	3.63%	3.63%	4.24%	4.24%
3m LIBOR				1.75%	1.75%	0.98%	0.98%	1.07%	1.07%	0.74%	0.74%
JP Morgan Mortgage Backed Securities	-	0.0%	0.0%	N/A	N/A	0.82%	0.62%	N/A	N/A	N/A	N/A
PIMCO Agency MBS	-	0.0%	0.0%	N/A	N/A	0.36%	0.19%	N/A	N/A	N/A	N/A
Bloomberg Mortgage Backed Securities Index				0.00%	0.00%	-0.06%	-0.06%				
Total Investment Grade Fixed Income	1,690,615	25.0%	25.0%	1.71%	1.61%	3.79%	3.65%	3.53%	3.41%	3.98%	3.86%
Bloomberg Aggregate				-0.40%	-0.40%	-0.31%	-0.31%	1.72%	1.72%	2.27%	2.27%

**PARK DISTRICT OF THE CITY OF GRAND FORKS PENSION PLAN
INVESTMENT PERFORMANCE REPORT AS OF JUNE 30, 2018**

	June-18			Current Fiscal YTD		Prior Year FY17		3 Years Ended 6/30/2018		5 Years Ended 6/30/2018	
	Market Value	Allocation		Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net
		Actual	Policy								
GLOBAL REAL ASSETS	663,207	9.8%	10.0%	5.05%	4.70%	2.30%	1.99%	3.76%	3.38%	3.97%	3.62%
Benchmark				3.89%	3.89%	2.36%	2.36%	2.75%	2.75%	3.77%	3.77%
Global Real Estate											
Invesco Core Real Estate - U.S.A., L.P.	167,016			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO Real Estate Fund II (4)	102			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Invesco Real Estate Fund III, LP (4)	10,506			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Invesco U.S. Value-Add Fund IV, L.P. (4)	24,890			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Invesco Asia Real Estate Fund I, L.P. (4)	133			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Invesco Asia Real Estate Fund III, L.P. (4)	1,629			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
JP Morgan Strategic & Special Situation Property Blend	114,674			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
JP Morgan Alternative Property Fund	174			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
JP Morgan European Opportunistic Property Fund III (4)	2,929			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
JP Morgan Greater China Property Fund (4)	399			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Global Real Estate	322,454	4.8%	5.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF TOTAL INDEX											
Timber											
TIR Teredo Timber, LLC	34,611	0.5%		-3.98%	-3.98%	-7.02%	-7.02%	-0.82%	-0.82%	3.75%	3.75%
TIR Springbank, LLC	113,261	1.7%		-2.07%	-2.07%	-10.13%	-10.13%	-3.23%	-3.23%	-2.30%	-2.30%
Total Timber (4)	147,872	2.2%	2.2%	-2.52%	-2.52%	-9.44%	-9.44%	-2.70%	-2.70%	-0.36%	-0.36%
NCREIF Timberland Index				3.56%	3.56%	3.35%	3.35%	3.43%	3.43%	6.00%	6.00%
Infrastructure											
Rohatyn Group Asian Infrastructure & Related Resources (4)	15,191	0.2%		-8.86%	-8.86%	35.48%	35.48%	3.71%	3.71%	2.42%	2.42%
JP Morgan Infrastructure Investments Fund (IIF)	138,635	2.0%		10.60%	9.89%	7.06%	6.33%	7.57%	6.69%	6.67%	5.78%
ISQ Global Infrastructure Fund II	2,510	0.0%		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Grosvenor Customized Infrastructure Strategies, LP (4)	25,107	0.4%		7.10%	7.10%	8.70%	8.70%	8.07%	8.07%	8.47%	8.47%
Grosvenor Customized Infrastructure Strategies II (4)	11,438	0.2%		7.98%	7.98%	3.28%	3.28%	5.77%	5.77%	N/A	N/A
Total Infrastructure	192,880	2.8%	2.8%	7.87%	7.37%	9.73%	9.21%	7.06%	6.45%	6.34%	5.75%
CPI				3.09%	3.09%	1.50%	1.50%	1.74%	1.74%	1.37%	1.37%
Cash Equivalents											
Northern Trust Collective STIF	23,913			1.44%	1.44%	0.76%	0.76%	0.83%	0.83%	0.52%	0.52%
Bank of ND	5,442			1.42%	1.42%	N/A	N/A	N/A	N/A	N/A	N/A
Total Cash Equivalents	29,354	0.4%	0.0%	1.44%	1.44%	0.72%	0.72%	0.82%	0.82%	0.51%	0.51%
90 Day T-Bill				1.36%	1.36%	0.49%	0.49%	0.68%	0.68%	0.42%	0.42%

NOTE: Monthly returns and market values are preliminary and subject to change.

New asset class structure began October 1, 2011. Composite returns for new composites not available prior to that date.

Portfolios moved between asset classes will show historical returns in new position.

(1) Epoch was included in the Large Cap Domestic Equity composite through 12/31/11.

(2) Prior to January 1, 2012, the benchmark was S&P 500.

(3) This benchmark was changed to the MSCI World ex-US as of July 1, 2016 and the MSCI EAFE (unhedged) as of April 1, 2011.

(4) All limited partnership-type (and mutual funds as of 7/1/14) investment returns will only be reported net of fees, which is standard practice by the investment consultant.

Investment Fees & Expenses – Summary

Presented to the Board for the Park District of the City of Grand Forks Pension Plan on October 2, 2018

During the last three-years, investment management fees and expenses as a % of average assets under management declined from **0.65% in fiscal 2013** to **0.42% in fiscal 2016** before increasing to **approximately 0.46% in fiscal 2017**.

<u>All State Investment Board Clients</u>	<u>Investment Fees and Expenses</u>	<u>Average "Assets Under Management"</u>	<u>% of AUM</u>
	a	b	a / b
Fiscal Year Ended June 30, 2013	\$45 million	\$6.9 billion	0.65%
Fiscal Year Ended June 30, 2014	\$44 million	\$8.6 billion	0.51%
Fiscal Year Ended June 30, 2015	\$48 million	\$10.1 billion	0.48%
Fiscal Year Ended June 30, 2016	\$46 million	\$10.9 billion	0.42%
Fiscal Year Ended June 30, 2017	\$54.5 million	\$11.8 billion	0.46%

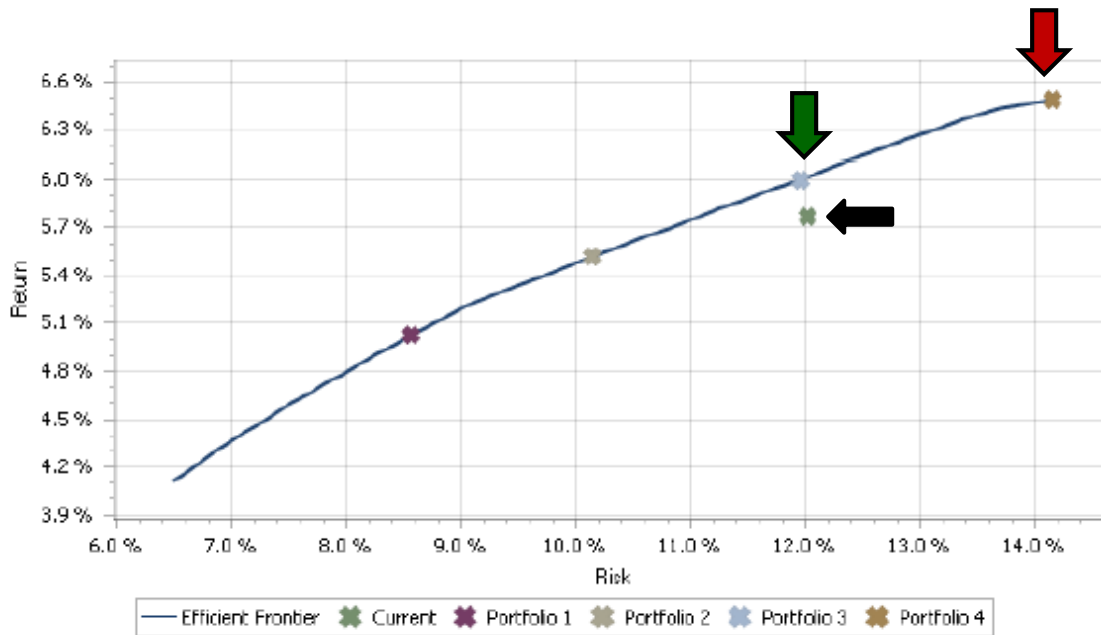
➤ RIO currently estimates that investment expenses for the pension trust will approximate 51 bps in fiscal 2018 based on preliminary data, while overall investment management fees and expenses will likely continue to approximate 45 bps in fiscal 2018 (noting that clients with a lower return expectation pay lower fees than our clients in the pension trust seeking returns in excess of 7% per annum).

➤ Based on overall SIB client investment fees approximating 45 bps in fiscal 2018 and noting current AUM exceeds \$14 billion, the 20 bps decline between since fiscal 2013 translates into over \$28 million of annual savings (e.g. \$14 billion x 0.20% = \$28 million/year).

A basis point (or "bp") is equal to one one-hundredth of one percent (or 0.01%) such that 100 basis points ("bps") is equivalent to 1%.

Asset Allocation Update – October 2018

Overview: The Park District of the City of Grand Forks Pension Plan engaged Arthur J. Gallagher (“Gallagher”) to conduct a comprehensive Asset Liability Study which included a comparison of the current asset allocation strategy to four alternative investment portfolios of varying levels of return and risk expectations. Although RIO reviewed Gallagher’s report results, RIO did not support Gallagher’s recommendation of **Portfolio 4** which significantly increased the risk profile (from 12% to **14.15%**). RIO communicated this concern to Park District representatives who then requested RIO to their own recommendation.



RIO recommended “Portfolio 3” in order to improve the plan’s long-term expected “Return” from 5.77% to 6.00%, while slightly reducing expected “Risk” from 12.01% to 11.95%.

RIO believes our recommendation is preferred over Portfolio 4 (as recommended by Gallagher) due to the materially higher risk levels of Portfolio 4 (e.g. 14.15% vs 11.95%) while acknowledging that Portfolio 4 has a higher long-term expected return than Portfolio 3 (6.5% vs 6.0%).

Portfolio Return and Risk

	Current	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4
Return ¹	5.77%	5.03%	5.51%	6.00%	6.48%
Risk ²	12.01%	8.56%	10.13%	11.95%	14.15%

Summary: Global Equity is reduced from 65% to 54.5%, while Real Assets are increased from 10% to 20% and Fixed Income is increased from 25% to 25.5% including a new high yield allocation. Please refer to the next slide for further details.

Comparison of Current and Proposed Target Asset Allocations

Goal: Maintain a minimum 6% expected return without increasing expected risk.

Summary: Global Equity is being reduced by 10.5% from 65% to 54.5%, while Fixed Income is being increased by 0.5% (including a new 7.5% allocation to Non-Investment Grade) and Real Assets are raised from 10% to 20% (noting that Other includes Infrastructure and Timber).

Current Target Asset Allocation				Proposed Target Asset Allocation		
65.0%			Global Equity	54.5%		
60.0%			Public	47.0%		
5.0%	65.0%		Private	7.5%	54.5%	
25.0%			Fixed Income	25.5%		
25.0%			Investment Grade	18.0%		
0.0%	25.0%		Non-Investment Grade	7.5%	25.5%	
10.0%			Global Real Assets	20.0%		
5.0%			Real Estate	10.0%		
5.0%	10.0%		Other	10.0%	20.0%	
100.0%	100.0%		Total	100.0%	100.0%	
Return = 5.75% Risk = 12.01%				Return = 6.00% Risk = 11.95%		



PARK DISTRICT OF THE CITY OF GRAND FORKS

INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The Park District of the City of Grand Forks, North Dakota Pension Plan (the "Plan") is a cost-sharing public employee pension plan operated by the Park District of the City of Grand Forks, North Dakota (the "District") which serves as the Plan Administrator ("Administrator") and Plan Sponsor ("Sponsor"). All employees are required to participate in the Plan. Some participants have elected to cease benefit accruals under the Plan as of January 1, 2010 and to participate in the North Dakota Public Employees Retirement System ("NDPERS") pension plan. All future hires after December 31, 2009, will be required to participate in the NDPERS plan. The investment assets of the Plan are held within the Plan Fund ("Fund").

Benefit provisions are established by the Park Board ("Board") of the Sponsor. The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual actuarial valuation report and approved by the Board.

2. FUND GOALS

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the District's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

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

The Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing,

6. POLICY ASSET MIX

Benefit payments are projected to occur over a long period of time. This allows the Board to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target(%)	
Global Equity	54.5	
Domestic Equity	27.0	
Large		22.0
Small		5.0
International Equity	20.0	
Developed		10.0
Emerging		10.0
Private Equity	7.5	
Fixed Income	25.5	
Investment Grade	18.0	
Non-Investment Grade	7.5	
Global Real Assets	20.0	
Infrastructure/Timber	10.0	
Private Real Estate	10.0	

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

7. RESTRICTIONS

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

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. No transaction shall be made which threatens the tax exempt status of the Fund.
- d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases shall be made.

- f. Social investing is prohibited unless it meets the exclusive benefit rule, and it can be substantiated that the investment provides an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, social investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the Fund.

- g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

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

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

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

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

8. INTERNAL CONTROLS

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION AND REVIEW

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

1. A list of the advisory services managing investments for the SIB.
2. A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each account's investments.

4. Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

Trustee for the Park District of the City of Grand Forks, North Dakota Pension Plan

David J. Hunter
Executive Director/CIO
Retirement and Investment Office

By: Jay Rausa

By: _____

Date: 10/2/18

Date: _____

Recommendation:

RIO requests the SIB approve the new asset allocation policy for the Grand Forks Park District Pension Plan as recently approved by their own board which reduces equity by 10% (to 54.5%) while increasing real assets by 10% (to 20%) and adding a new high yield bond allocation within fixed income (at 25.5%).

Board Acceptance Requested

State Investment Board
Annual Evaluation of RIO versus Policy Ends

October 19, 2018

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

Annual Board Planning Cycle – Biennial Agenda

SIB Approved on April 27, 2018

SIB Governance Policy B-7 states the Board will conduct an “Annual Evaluation or RIO vs Ends policies each October.”



Fiscal 2017-18	July 2017	August	September	October	November	December	January 2018	February	March	April	May
	Board	Annual	Annual	Annual	ED/CIO	No Meeting Scheduled	Board	ED/CIO	Conduct	Review	ED/CIO
	Education (BSC Offsite)	Investment Performance	Review of Gov. Manual	Evaluation of RIO vs. Ends policies	Report on Investment Work Plan		Education Governance	Report on Investment Work Plan	Board Self-Assessment	Biennial Agenda, Ends and Strategic Plan	Report on Investment Work Plan
	- Election of Officers, - Appoint Audit Comm. - Plan Annual Agenda	- Establish Investment Work Plan - Add Invest. Education	- New Board Member Orientation Complete	- Annual Board Evaluation	Board Education Investments		Commence Board Self-Assessment	- Executive Limitations Review		Accept Board Self-Assessment	Review ED/CIO Review Budget Guidelines

Fiscal 2018-19	July 2018	August	September	October	November	December	January 2019	February	March	April	May
	Plan Board	Annual	Annual	Annual	ED/CIO	Reserved	Board	ED/CIO	Confirm	Review	ED/CIO
	Education Offsite	Investment Performance	Review of Gov. Manual	Evaluation of RIO vs. Ends policies	Report on Investment Work Plan	for a potential SIB meeting in advance of Legislative Session (Preview RIO Budget)	Education Risk Management	Report on Investment Work Plan	Budget Guidelines	Biennial Agenda, End Policies, Strategic Investment Plan and Budget Guidelines	Report on Investment Work Plan
	- Election of Officers, - Appoint Audit Comm. - Plan Annual Agenda	- Establish Investment Work Plan - Add Invest. Education	- New Board Member Orientation Complete	- Annual Board Evaluation	Board Education Investments		Commence Board Self-Assessment - Legislative Update	- Executive Limitations Review - Legislative Update	Accept Board Self-Assessment - Legislative Update		Review ED/CIO Review Investment Guidelines

- 1.) SIB Governance Policy B-7 on Governance Process states that "the Board will follow a biennial agenda which (a) completes a re-exploration of Ends policies annually (April) (which is also referred to as "RIO's Mission Statement") and (b) continually improves its performance through attention to board education and to enriched input and deliberation."
- 2.) "In the first three months of the new cycle, the Board will develop its agenda for the ensuing year. Scheduled monitoring will be used to evaluate and adjust the annual agenda as needed."
- 3.) "The Board will identify areas of education and input needed to increase the level of wisdom forethought it can give to subsequent choices. A board education plan will be developed during July and August of each year."
- 4.) **Budget Guidelines:** RIO will prepare & submit a biennial budget pursuant to OMB guidelines as established by the Governor that will not reduce the level of service provided by RIO. Expenditures for budget items will not exceed the appropriation without approval of the State Investment Board.

Date: April 20, 2018

SIB Governance Process B.7: Annual Board Planning Cycle

October: Annual Meeting for Evaluation of RIO vs. Policy “Ends”

Background: RIO’s “Mission” is defined in SIB Governance Policy D-1 on “Ends”.

The Retirement and Investment Office serves the SIB and exists in order that:

1. SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost effective investment manner and under the Prudent Investor Rule.
2. Potential SIB clients have access to information regarding the services provided by the SIB.
3. TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner.
4. TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.
5. SIB and TFFR clients receive satisfactory services from the boards and staff of the office.

RIO's performance is prudently monitored by the SIB

Mission Accomplished

- 1) The vast majority (99% on an AUM basis) of our SIB clients outperformed their respective investment benchmarks for the 5-years ended June 30, 2018, (the two exceptions were PERS RHIC by -0.17% and Group Insurance by -0.07%) while adhering to approved guidelines and noting investment fees declined from 0.65% in fiscal 2013 to approximately 0.43% in fiscal 2018.
- 2) RIO implemented a transparency enhancement initiative in recent years which enhanced public access to our website by adding new hyperlinks for our governance manual, audit charter and meeting materials (including our quarterly investment performance reviews by RIO and Callan). The Sovereign Wealth Fund Institute awarded North Dakota's Legacy Fund with the highest (10) transparency index rating in 2018 (noting Legacy was previously rated an 8 on a 10 point scale).
- 3) In recent years, RIO's internal audit team has conducted reviews which provide reasonable assurance that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner.
- 4) TFFR member surveys support management's belief that members have access to information which will allow them to become knowledgeable about retirement issues and processes.
- 5) SIB and TFFR client surveys confirm that the boards and staff provide satisfactory services with SIB receiving a **3.7** score and TFFR earning a **3.8** score (on a 4.0 scale) in recent years.

AUM = Assets Under Management

Investment Performance Evaluation – June 30, 2018

Investment Performance Criteria :

SIB clients should receive investment returns consistent with their investment policies and market variables (pursuant to Section D.3 of the SIB Governance Manual). The “Ends” for investment performance is evaluated based on comparison of each client’s actual rate of return (net of fees), risk levels and risk adjusted returns, versus the client’s policy benchmark over 5 years.

Pension Trust:

Every Pension Trust client posted positive Excess Returns of at least 0.46% per annum over the last 5-years, while adhering to approved risk levels and generating 0.25% of aggregate positive Risk Adjusted Excess Return (over the last 5-years).

TFFR and PERS each earned over 9.1% for the 5-years ended June 30, 2018. Global equities were the primary performance driver and earned 10% over the last 5-years with U.S. Equities up 13% and International Equity up 8%. Private equity returns were weak at only 1.3% per annum the last 5-years. Fixed Income earned 4.2% annualized over the last 5-years with Investment Grade up 3.8% and Non-Investment Grade up 6.5%. Global Real Assets also performed well and gained earned over 8% per annum for the 5-years ended June 30, 2018, with Real Estate up nearly 12% and Infrastructure up 5.7%, while Timber returns were weak at -0.35% per annum the last 5-years (versus +6% for the NCREIF Timberland Index).

Non-Pension Trust:

Every Non-Pension Trust client generated positive Excess Return of at least 0.65% per annum and positive Risk Adjusted Excess Returns for the 5-years ended June 30, 2018, with two exceptions for PERS Retiree Health Insurance Credit Fund (-0.17%) and PERS Group Insurance (-0.07%).

Legacy Fund earned 7.5% for the 1-year ended June 30, 2018, which translates into over \$350 million of net investment income (including \$240 million of realized income). Legacy’s U.S. Equity portfolio earned 15% last year, while International Equities earned 9.8%. Fixed Income returns were disappointing last year at only 1.1%, but surpassed the Bloomberg Aggregate Index which declined 0.40% due to rising interest rates between fiscal year ends. Real Asset returns were mixed with Infrastructure up 9%, Real Estate up 7.2% and Global Inflation Linked Debt Securities up 2.4% last year. Our second largest non-Pension Trust client, WSI, also generated strong returns by earning approximately 5.3% and 6.3% for the 1- and 5-years ended June 30, 2018, respectively.

Risk, as measured by standard deviation, was within approved levels for all SIB clients for the 5-years ended June 30, 2018.

Actual asset allocations are within Target ranges and guidelines as confirmed by Callan as of June 30, 2018.

Pension Trust Return & Risk Summary – June 30, 2018

KEY POINT for Returns and Risk: Every Pension Trust client portfolio generated positive “Excess Return” for the 3- and 5-year periods ended June 30, 2018, while adhering to prescribed risk levels (e.g. within 115% of the Policy Benchmark for the 5-years ended June 30, 2018).

	1 Yr Ended 6/30/2018	3 Yrs Ended 6/30/2018	5 Yrs Ended 6/30/2018	Risk 5 Yrs Ended 6/30/2018	Risk Adj Excess Return 5 Yrs 6/30/2018
PERS \$3 billion					
Total Fund Return - Net	9.19%	7.37%	8.33%	4.82%	0.24%
Policy Benchmark Return	7.85%	6.65%	7.47%	4.45%	
Excess Return	1.34%	0.72%	0.85%	108%	
TFFR \$2.5 billion					
Total Fund Return - Net	9.11%	7.30%	8.31%	4.81%	0.26%
Policy Benchmark Return	7.89%	6.61%	7.45%	4.45%	
Excess Return	1.21%	0.69%	0.85%	108%	
Bismarck Employee \$99 million					
Total Fund Return - Net	7.86%	6.65%	7.58%	4.13%	0.30%
Policy Benchmark Return	6.63%	5.94%	6.71%	3.80%	
Excess Return	1.23%	0.72%	0.88%	109%	

Pension Trust Return & Risk Summary – June 30, 2018

	1 Yr Ended 6/30/2018	3 Yrs Ended 6/30/2018	5 Yrs Ended 6/30/2018	Risk 5 Yrs Ended 6/30/2018	Risk Adj Excess Return 5 Yrs 6/30/2018
Bismarck Police \$40 million					
Total Fund Return - Net	8.36%	6.86%	7.81%	4.44%	0.26%
Policy Benchmark Return	7.20%	6.23%	7.00%	4.11%	
Excess Return	1.16%	0.63%	0.81%	108%	
Job Service \$96 million					
Total Fund Return - Net	3.15%	4.74%	6.15%	3.60%	-0.05%
Policy Benchmark Return	4.17%	4.72%	5.69%	3.28%	
Excess Return	-1.02%	0.02%	0.46%	110%	
Grand Forks \$64 million					
Total Fund Return - Net	9.46%	7.33%	8.29%	4.83%	0.25%
Policy Benchmark Return	8.38%	6.89%	7.68%	4.61%	
Excess Return	1.08%	0.44%	0.61%	105%	
G.F. Park District \$6.7 million					
Total Fund Return - Net	9.33%	7.35%	8.47%	4.81%	0.42%
Policy Benchmark Return	8.02%	6.68%	7.74%	4.63%	
Excess Return	1.31%	0.67%	0.73%	104%	

Risk Adjusted Excess Returns for the 5-years ended June 30, 2018, were positive for all Pension Trust clients with one exception of -0.05% for Job Service.

Job Service is 135% funded & significantly de-risked its portfolio (to 20% equity / 80% debt) in recent years.

Risk Adjusted Excess Return measures actual portfolio results versus a benchmark adjusted by its risk relative to a benchmark portfolio. This metric is positive if excess returns are due to “smart” investment decisions or negative if driven by excess risk.

Non-Pension Trust Return & Risk Summary – June 30, 2018

	1 Yr Ended 6/30/2018	3 Yrs Ended 6/30/2018	5 Yrs Ended 6/30/2018	Risk 5 Yrs Ended 6/30/2018	Risk Adj Excess Return 5 Yrs Ended 6/30/2018
WSI - \$1.9 billion					
Total Fund Return - Net	5.34%	5.72%	6.39%	3.01%	0.79%
Policy Benchmark Return	3.77%	4.13%	4.97%	2.70%	
Excess Return	1.57%	1.59%	1.43%	OK	
Legacy Fund - \$5.6 billion					
Total Fund Return - Net	7.57%	6.79%	6.06%	4.10%	0.44%
Policy Benchmark Return	6.51%	5.75%	5.09%	3.73%	
Excess Return	1.06%	1.04%	0.96%	OK	
Budget Stabilization - \$114 million					
Total Fund Return - Net	0.32%	0.98%	1.35%	0.71%	0.40%
Policy Benchmark Return	0.24%	0.70%	0.69%	0.54%	
Excess Return	0.08%	0.28%	0.65%	OK	
Fire & Tornado - \$23 million					
Total Fund Return - Net	5.32%	5.73%	6.58%	3.54%	0.49%
Policy Benchmark Return	4.36%	4.46%	5.28%	3.08%	
Excess Return	0.96%	1.27%	1.29%	OK	

Returns and Risk:
Thirteen out of Fifteen Non-Pension Trust clients generated positive Excess Return and Risk Adjusted Excess Return for the 5-year period ended June 30, 2018. These returns were achieved while adhering to reasonable risk levels which were within 1% of policy levels.

Risk Adjusted Excess Return measures a portfolio's excess return adjusted by its risk relative to a benchmark portfolio. This metric is positive if returns are due to "smart" investment decisions or negative if driven by excess risk.

Non-Pension Trust Return & Risk Summary – June 30, 2018

	1 Yr Ended 6/30/2018	3 Yrs Ended 6/30/2018	5 Yrs Ended 6/30/2018	Risk 5 Yrs Ended 6/30/2018	Risk Adj Excess Return 5 Yrs Ended 6/30/2018
State Bonding \$3.4 million					
Total Fund Return - Net	1.07%	2.31%	2.45%	1.68%	0.89%
Policy Benchmark Return	0.40%	1.26%	1.44%	1.59%	
Excess Return	0.68%	1.06%	1.00%	OK	
Insur.Reg.Trust \$5.6 million					
Total Fund Return - Net	4.53%	4.43%	5.01%	2.89%	0.16%
Policy Benchmark Return	4.04%	3.70%	4.26%	2.53%	
Excess Return	0.49%	0.74%	0.75%	OK	
Petrol.Tank Release Comp. - \$6.1 million					
Total Fund Return - Net	1.13%	2.17%	2.26%	1.52%	0.81%
Policy Benchmark Return	0.49%	1.21%	1.35%	1.44%	
Excess Return	0.64%	0.97%	0.91%	OK	
State Risk Mgmt \$5 million					
Total Fund Return - Net	5.14%	5.94%	6.80%	3.21%	0.54%
Policy Benchmark Return	4.27%	4.66%	5.48%	2.82%	
Excess Return	0.87%	1.28%	1.32%	OK	

SIB Client Commentary:

The State Bonding Fund, Insurance Regulatory Trust Fund, Petroleum Tank Release Compensation Fund, and State Risk Management Fund have all posted positive Risk Adjusted Excess Returns for the 5-years ended June 30, 2018, including Excess Returns of 0.75% or more.

Non-Pension Trust Return & Risk Summary – June 30, 2018

	1 Yr Ended 6/30/2018	3 Yrs Ended 6/30/2018	5 Yrs Ended 6/30/2018	Risk 5 Yrs Ended 6/30/2018	Risk Adj Excess Return 5 Yrs Ended 6/30/2018
State Risk W/C - \$5.3 million					
Total Fund Return - Net	6.03%	6.53%	7.52%	3.56%	0.44%
Policy Benchmark Return	5.32%	5.38%	6.29%	3.18%	
Excess Return	0.71%	1.15%	1.23%	OK	
NDACO - \$5.9 million					
Total Fund Return - Net	4.48%	5.15%	5.93%	3.29%	0.45%
Policy Benchmark Return	3.70%	3.95%	4.69%	2.83%	
Excess Return	0.78%	1.20%	1.23%	OK	
Bis.Def.Sick Leave - \$730,000					
Total Fund Return - Net	4.66%	5.56%	6.35%	3.42%	0.67%
Policy Benchmark Return	3.50%	4.02%	4.83%	2.94%	
Excess Return	1.16%	1.55%	1.51%	OK	
FargoDome \$45 million					
Total Fund Return - Net	7.64%	6.93%	8.02%	4.67%	0.57%
Policy Benchmark Return	6.54%	5.71%	6.81%	4.29%	
Excess Return	1.10%	1.22%	1.20%	OK	

SIB Client Commentary:

The State Risk Management Workers Compensation Fund, Association of Counties, City of Bismarck Deferred Sick Leave Account and Fargo Dome Permanent Fund have all posted positive Risk Adjusted Excess Returns for the 5-years ended June 30, 2018, including **Excess Returns of 1.20% or more.**

Non-Pension Trust Return & Risk Summary – June 30, 2018

	1 Yr Ended 6/30/2018	3 Yrs Ended 6/30/2018	5 Yrs Ended 6/30/2018	Risk 5 Yrs Ended 6/30/2018	Risk Adj Excess Return 5 Yrs Ended 6/30/2018
Cultural Endow. \$449,000					
Total Fund Return - Net	8.27%	7.63%	8.94%	4.68%	0.25%
Policy Benchmark Return	7.74%	6.83%	7.98%	4.30%	
Excess Return	0.52%	0.81%	0.96%	OK	
Board of Medicine \$2.2 million					
Total Fund Return - Net	3.12%	3.34%	N/A		
Policy Benchmark Return	2.80%	2.72%	N/A		
Excess Return	0.33%	0.62%	N/A		
PERS Retiree Health \$126 million					
Total Fund Return - Net	7.15%	6.46%	7.70%	5.05%	-0.70%
Policy Benchmark Return	7.18%	6.63%	7.87%	4.69%	
Excess Return	-0.03%	-0.16%	-0.17%	OK	
PERS Group Insurance \$32 million					
Total Fund Return - Net	0.41%	0.66%	0.40%	0.62%	-0.08%
Policy Benchmark Return	0.33%	0.75%	0.47%	0.57%	
Excess Return	0.08%	-0.09%	-0.07%	OK	
Tobacco Prev. \$54 million					
Total Fund Return - Net	1.63%	N/A	N/A		
Policy Benchmark Return	1.68%	N/A	N/A		
Excess Return	-0.04%	N/A	N/A		

SIB Client Specific Commentary:

The Cultural Endowment Fund has generated the highest absolute level of net investment returns (of 8.9%) over the last 5-years.

The Board of Medicine became an SIB client three years ago noting they were previously investing in Certificates of Deposit.

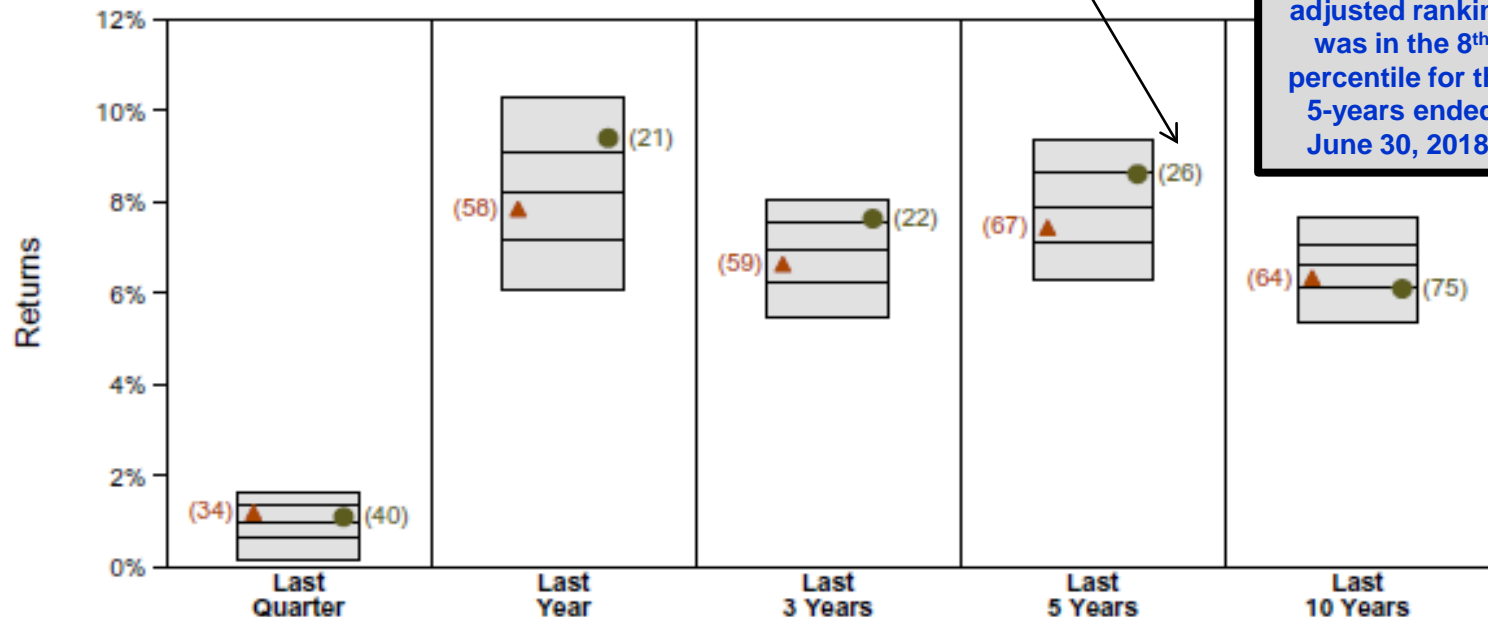
PERS Retiree Health absolute returns have been reasonable the last 5-years (at 7.70%) but disappointing on a risk adjusted excess return basis of -0.70%.

PERS Group Insurance returns for the 5-years ended June 30, 2018 is disappointing but within -0.08% of the Policy Benchmark and on a Risk Adjusted Excess Return basis the last 5-years.

The Tobacco Prevention and Control Trust Fund was transferred to OMB regulatory oversight on July 1, 2017.

Pension Trust “gross” returns were ranked in the 26th percentile for the 5-years ended June 30, 2018, based on Callan’s “Public Fund Sponsor Database”.

Callan Public Fund Sponsor Database



The Pension Trust asset allocation adjusted ranking was in the 8th percentile for the 5-years ended June 30, 2018.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	1.60	10.31	8.07	9.34	7.65
25th Percentile	1.34	9.09	7.54	8.66	7.05
Median	0.95	8.23	6.96	7.87	6.61
75th Percentile	0.64	7.15	6.24	7.14	6.11
90th Percentile	0.13	6.06	5.49	6.32	5.35
Total Fund ●	1.09	9.40	7.64	8.62	6.10
Policy Target ▲	1.19	7.85	6.64	7.44	6.34

* Current Quarter Target = 16.3% Blmbg Aggregate, 16.1% Russell 1000 Index, 16.0% MSCI World, 11.2% MSCI World ex US, 10.5% NCREIF Total Index, 7.0% Blmbg HY 2% Iss Cap, 6.5% NDSIB PEN - Private Equity, 5.7% CPI-W, 4.9% Russell 2000 Index, 3.1% MSCI EM, 2.3% NCREIF Timberland Index and 0.4% 3-month Treasury Bill.



Legacy Fund – Policy Benchmark Return

For the 1-year ended June 30, 2018

LEGACY FUND Performance Benchmark Example 1-Year Ended June 30, 2018				
Equity		50%		
- U.S.	Russell 3000	30%	14.8%	4.4%
- International	ACWI ex-US	20%	7.3%	1.5%
				5.9%
Fixed Income				
	Bloomberg U.S. Aggregate	35%	-0.40%	-0.14%
Real Assets		15%		
- Real Estate	NCREIF	7.0%	7.2%	0.50%
- Other	Bloomberg GLS	8.0%	3.3%	0.26%
				0.77%
POLICY BENCHMARK RETURN =====>				6.5%



- 1) The Legacy Fund has an overall target asset allocation of 50% Equity, 35% Fixed Income, and 15% Real Assets.
- 2) The 50% Equity allocation includes 30% U.S. equities (Russell 1000 and 2000) and 20% International (MSCI World ex-U.S.). The Russell 3000 is a “market cap weighted stock market index that seeks to benchmark the entire U.S. stock market and represents approximately 98% of the U.S. public equity market”. The ACWI ex-US Index “captures 85% of the global equity opportunity set outside the U.S. including 22 developed countries and 24 emerging markets.”
- 3) Fixed Income is benchmarked using the Bloomberg Aggregate Index which is “often used to represent investment grade bonds traded in the U.S.” (All text in blue is from Wikipedia).
- 4) The 15% Real Asset allocation is benchmarked using 7% for Real Estate (using the National Council of Real Estate Investment Fiduciaries) and 8% of the Bloomberg Global Inflation Linked Index.

Fundamental Investment Beliefs

Strategic Investment Plan

RIO's Mission Statement and Strategic Investment Plan are based on the Fundamental Investment Belief that asset allocation decisions are the main drivers of long-term investment returns, but the prudent use of active management is an important contributor to ensuring our clients attain their stated investment objectives.

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

NDSIB - Fundamental Investment Beliefs

- **Asset allocation is the # 1 driver of investment returns.**
- **The prudent use of active management can improve investment returns and contribute towards ensuring our clients attain their stated investment objectives.** (See example below.)
 - **If SIB client assets started out the year at \$12.3 billion and earned 8% in one-year, SIB assets would end the year at \$13.3 billion assuming no contributions or withdrawals (e.g. \$12.3 billion x 8% = \$1 billion + \$12.3 billion to start = \$13.3 billion at year-end).**
 - **RIO estimates that SIB clients earned at least \$100 million of incremental income from the prudent use of active investment management for the fiscal year ended June 30, 2017.**
 - **If these estimates are accurate, “asset allocation” was responsible for \$900 million (90%) of the net investment return, while “active management” was responsible for \$100 million (10%) of the net investment return for the fiscal year ended June 30, 2018.**

RIO 2017-19 Strategic Investment Plan

Fundamental Investment Beliefs

Asset allocation decisions are the primary driver of investment returns, but the prudent use of active investment management is an important contributor towards ensuring our clients attain their stated investment objectives. All investment decisions are driven by our desire to maximize risk adjusted returns based on our clients stated risk appetite and liquidity profile. SIB clients generated over \$300 million of incremental income via the prudent use of active management the last 5 years including over \$100 million of incremental income in fiscal 2018.

Strategic Investment Plan

1. Reaffirm our organizational commitment to the importance of **continuing board education and strong board governance**.
 2. **Enhance understanding of our core goals and beliefs while enhancing overall transparency.**
 - a. **Remain steadfast in our commitment to the prudent use of active investment management.**
 - b. Expand awareness to downside risk management which is essential to achieving our long term investment goals.
 - c. Given actual and projected growth of SIB client assets and the heightened public awareness of the Legacy Fund, align our investment platforms to promote greater clarity and efficiency in reporting and implementing client investment policies.
 3. Expand RIO's influence and ability to create positive and sustainable change by building deeper relationships with existing clients, organizations and legislative leaders.
 - a. Enhance community outreach to build upon public awareness and confidence.
 - b. Develop concise presentations which highlight our overall risk, return and cost control framework including our progress towards attaining our long-term goals.
 4. Heighten employee engagement by promoting an open and collaborative work environment while encouraging employee participation in staff meetings, offer team members more opportunities to impact RIO's change initiatives **and improve the office environment for staff and clients**.
 - a. RIO's ability to continue to deliver strong results is dependent on the combined efforts of our highly valuable team members.
 5. **Enhance our internal control environment by improving use of proven risk management solutions relating to fraud risk assessments, investment risk management and overall enterprise risk management.**
 - a. **A robust risk management framework serves as a foundation to support a sound internal control environment and lessen downside risks.**
 - b. **Broaden stakeholder awareness of the challenges faced in estimating Legacy Fund earnings for any given period.**
 6. Evaluate and expand the efficient use of technology in our investment program activities including risk management, compliance monitoring, client satisfaction surveys, website design and communications in order to increase overall efficiency and effectiveness.
-

Board Education – July 1, 2016 to June 30, 2018

SIB members have actively participated in numerous educational opportunities over the last year including the following sessions which occurred during our regularly scheduled board meetings:

- Capital Market Updates & Performance Review Education by Callan (6 hours)
- Investment Updates by JPMorgan, PIMCO, Western Asset Management, Invesco, Wells Fargo, Prudential, Adams Street & Financial Recovery Technologies (8 hours)
- Investment Performance Reviews by RIO Staff (6 hours)
- Governance Education by Aon Hewitt (5 hours)
- Investment, Litigation and Open Records Education by Attorney General Office (3 hours)
- Callan College and Governance Education by Callan (6 hours)
- New Manager Presentations by Ares, BlackRock, Cerberus and I-Squared (4 hours)
- Time spent by board members preparing for 10+ SIB meetings per year (10+ hours)

Several board members and RIO staff have obtained additional investment education by attending conferences sponsored by a wide variety of industry experts such as:

- Callan’s Annual Conference and/or Callan College (two to three days)
- Public Pension Plan Roundtables, Forums & Conferences (two to three days)
- Great Plains (and/or Mountain States) Investor Forum (one to two days)
- National Association of State Retirement Officers (two to three days)
- National Association of State Investment Officers (two to three days)
- National Association of State Investment Professionals (two to three days)
- Various conferences sponsored by “Pensions and Investments” (one to three days)

Callan and Epoch provided investment education to the SIB at our July 27, 2018 meeting.

State Investment Board – Client Assets Under Management

<u>Fund Name</u>	<u>Market Values as of 6/30/18 ⁽¹⁾</u>	<u>Market Values as of 6/30/17 ⁽²⁾</u>
Pension Trust Fund		
Public Employees Retirement System (PERS)	3,024,222,995	2,781,347,058
Teachers' Fund for Retirement (TFFR)	2,485,835,306	2,318,214,334
City of Bismarck Employees Pension	99,177,507	91,954,165
City of Grand Forks Employees Pension	63,633,206	63,392,384
City of Bismarck Police Pension	40,106,249	38,136,784
Grand Forks Park District	6,772,657	6,160,568
Subtotal Pension Trust Fund	5,719,747,919	5,299,205,292
Insurance Trust Fund		
Workforce Safety & Insurance (WSI)	1,923,117,660	1,894,614,791
Budget Stabilization Fund	113,603,777	6,127,844
City of Fargo FargoDome Permanent Fund	44,629,288	41,634,918
PERS Group Insurance Account	31,610,707	37,500,315
State Fire and Tornado Fund	23,066,784	22,008,326
Petroleum Tank Release Compensation Fund	6,167,272	6,396,410
ND Association of Counties (NDACo) Fund	5,910,661	4,383,920
Insurance Regulatory Trust Fund	5,637,791	5,289,164
State Risk Management Workers Comp Fund	5,356,549	5,534,628
State Risk Management Fund	4,956,217	5,781,003
State Bonding Fund	3,411,215	3,374,399
ND Board of Medicine	2,251,119	2,179,911
Bismarck Deferred Sick Leave Account	730,026	698,131
Cultural Endowment Fund	448,825	431,470
Subtotal Insurance Trust Fund	2,170,897,891	2,035,955,230
Legacy Trust Fund		
Legacy Fund	5,577,319,109	4,687,963,729
PERS Retiree Insurance Credit Fund	126,605,207	116,150,947
Job Service of North Dakota Pension	95,690,469	97,332,820
ND Tobacco Prevention and Control Trust Fund	54,365,162	57,462,736
Total Assets Under SIB Management	13,744,625,757	12,294,070,754

- ▶ **SIB client investments exceeded \$13.7 billion as of June 30, 2018**, with the Pension Trust exceeding \$5.7 billion, Insurance Trust exceeding \$2.1 billion and Legacy approaching \$5.6 billion.
- ▶ **The Pension Trust posted a net return of 9.1% in the last year.** During the last 5-years, the Pension Trust generated a net annualized return of 8.3%, exceeding the performance benchmark of 7.5%.
- ▶ **The Insurance Trust generated a net return of 5.2% in the last year.** During the last 5-years, the Insurance Trust posted a net annualized return of 5.3%, exceeding the performance benchmark of 4.0%.
- ▶ **Legacy Fund generated a net return of 7.6% last year, exceeding its policy benchmark.** During the last 5-years, Legacy Fund earned a net annualized return of 6.1%, exceeding the performance benchmark of 5.1%.
- ▶ **RIO conservatively estimates the SIB use of active management enhanced client returns by over \$300 million since June 30, 2013** (e.g. \$10 billion x 0.60% = \$60 million x 5 years = \$300 million).
- ▶ **If SIB managers outperform their benchmark by 0.01% (or 1 basis point), after all fees & expenses, client returns improve by \$1.3 million per year** (e.g. \$13 billion x 0.01% = \$1.3 million).
- ▶ **RIO's internal investment cost for administering the external investment programs for our SIB clients is less than 1 basis point or 0.01% (i.e. less than 1/100th of 1%) per annum.**

⁽¹⁾ Market values are unaudited and subject to change.

⁽²⁾ 6/30/17 market values as stated in the Comprehensive Annual Financial Report.

Asset and Investment Performance Highlights

- SIB assets reached a new high of \$13.7 billion at June 30, 2018, up \$1.4 billion in fiscal 2018.
- Net investment returns exceeded policy benchmarks for 99% of SIB client assets under management for the 5-years ended June 30, 2018, noting that prescribed risk levels were adhered to for all client portfolios without exception.
- The Pension Trust earned 9.1% for the year ended June 30, 2018, exceeding their policy benchmarks by over 1%. For the 5-years ended June 30, 2018, the Pension Trust earned 8.3% per annum, including over 0.60% of excess return which translates into \$150 million of incremental income the last 5 years (e.g. \$5 billion x 0.60% = \$30 million/year x 5 years = \$150 million).
- Legacy Fund earned over 7.5% for the year ended June 30, 2018, surpassing its policy benchmark of 6.5% by 1% which translates into \$50 million of incremental income in fiscal 2018 (e.g. \$5 billion x 1% = \$50 million). For the 5-years ended June 30, 2018, the Legacy Fund earned 6% per annum, including 0.90% of excess return which translates into \$135 million of incremental income the last 5 years (e.g. \$3 billion x 0.90% = \$27 million/year x 5 years = \$135 million).
- WSI earned 5.3% in fiscal 2018 surpassing its performance benchmark by well over 1%. For the 5-years ended June 30, 2018 WSI earned 6.3% per annum, again beating its policy benchmarks by over 1% which translates into \$100 million of incremental income for WSI the last 5-years (e.g. \$2 billion x 1% = \$20 million/year x 5 years = \$100 million).

Board Education Options: Conferences

1. Callan Institute: <https://www.callan.com/events/>
 - a. Callan College – Introduction to Investments (Chicago – October 2-3, 2018)
 - b. Callan College – Introduction to Investments (Atlanta – October 23-24, 2018)
 - c. National Conference (January 28-30, 2019 - San Francisco)
 - d. Callan College – Introduction to Investments (Locations: TBD Dates: April, July & October of 2019)
2. Institutional Investor: <https://www.iimemberships.com/Institutional-Investor-Institute>
 - a. Public Funds Conference (October 4-5, 2018 - Chicago) (Institutional investor conference with marketing risk)
3. The Council of Institutional Investors: https://www.cii.org/cii_events
 - a. Spring and Fall Conferences (Institutional investor focus with marketing risk)
4. Markets Group: <https://www.marketsgroup.org/institutional-forum>
 - a. Great Plains Investor Forum (Sep.12, 2018 - Minneapolis) (Institutional investor focus with marketing risk)
 - b. Central States Investor Forum (Feb.26, 2018 - St. Louis) (Institutional investor focus with marketing risk)
5. Opal Group (marketing risk): <https://opalgroup.net/conferences/#finance-group>
 - a. Public Funds Summit (January 9-11, 2019 – Scottsdale, AZ) (Institutional investor focus with marketing risk)
6. International Foundation of Employee Benefit Plans: <http://www.ifebp.org/Pages/default.aspx> (Benefit plan focus)
 - a. New Trustee Institute – Level 1: Core Concepts (October 13-15, 2018 – New Orleans)
 - b. New Trustee Institute – Level 2: Concepts in Practice (October 13-14, 2018 – New Orleans)
7. The Pension Bridge: <http://www.pensionbridge.com/> (TBD)
 - a. Annual Conference (Institutional investor focus with marketing risk)
8. Morningstar: <https://www.morningstar.com/company/mic> (TBD)

Recommended Board Education for 2018-19

Conferences and Courses

- **New Member Orientation (up to 2 years)**
 - 1) One on one investment meetings at RIO; and
 - 2) Callan College – Introduction to Investments

- **Existing Board Member (2 to 4 years)**
 - 1) Callan Annual Conference; and
 - 2) Callan College – Specialized Courses; or
 - 3) Third-Party Industry Conferences

- **Existing Board Member (4+ years)**
 - 1) Callan Annual Conference; or
 - 2) Callan College – Specialized Courses; and
 - 3) Third-Party Industry Conferences

Note 1: Third-party conferences may focus on other important educational topics such as board governance or fiduciary risk in addition to investments.

Note 2: The SIB engaged Callan to conduct a condensed “Introduction to Investments” at our SIB meeting on July 28, 2017. Although this could be scheduled again, RIO believes that new board members would benefit from participating in the “full course” of “Introduction to Investments” at a regularly scheduled Callan College session.

Note 3: The Office of the Attorney General has consistently emphasized the importance of RIO and SIB investment due diligence and professional continuing education for our staff and board members in order to adhere to our fiduciary standards and responsibilities in the oversight of SIB client investments which exceeded \$14 billion as of October 16, 2018.

BOARD ACTION

TO: State Investment Board

FROM: Dave Hunter

DATE: October 19, 2018

SUBJECT: Investment Fee Update

Background:

In 2014, the SIB approved RIO's recommendation to engage Novarca to perform a comprehensive review of our investment fees and expenses. Since 2014, Novarca has identified over \$1 million in aggregate fee savings, while helping RIO obtain favorable terms in ongoing fee negotiations with our highly valued investment firms. Callan has also been instrumental in conducting biennial fee studies of our major investment trusts and in-depth fee reviews within selected private markets (including most notably our timber portfolio). It also important to note that Land Board investment staff have been successful in assisting RIO obtain favorable market terms including one recent re-negotiation which is expected to generate an incremental \$150,000 in annual fee savings for our SIB clients.

Based on discussion with other U.S. public pension plans and strong references shared by several large European investment funds, we believe Novarca and XTP are unique within the traditional investment consultant community by combining a forensic approach which relies heavily upon transactional cost analysis, current trends in market pricing and an in-depth review of legal agreements to confirm proper expense treatment for shared contractual costs. Although there are no clear peer comparisons for Novarca and XTP, several other consultants including AonHewitt, Callan and CEM Benchmarking have expressed interest in learning more about this approach.

Recommendation:

In order to further enhance transparency and potentially reduce investment costs, the SIB is requested to approve RIO's recommendation to engage XTP to perform a comprehensive review of our investment fee structures and underlying expenses. This recommendation is subject to satisfactory negotiation of legal documentation including a contingent fee structure and strict terms of confidentiality. It is important to note that XTP will only be paid a contingent fee if they are successful in identifying unambiguous and definitively quantifiable cost savings. XTP's preliminary analysis leads them to believe they will be able to identify over 5 basis points (0.05%) of annual fee savings, although there is a possibility that XTP may be unable to fully recover their own costs and expenses. All fees paid, if any, will be based on a fractional share of documented fee or cost reductions.

On a related note, SIB client investment fees have declined from approximately 0.65% in fiscal 2013 to approximately 0.43% in fiscal 2018. Based on \$10 billion of average assets under management, this fee reduction of 0.22% translates into approximately \$22 million of annual fee savings (\$10 billion x 0.22% = \$22 million/year). Although the strong growth in SIB client assets under management has substantially improved our ability to negotiate material fee saving in recent years, RIO believes ongoing fee reduction initiatives mandated by the SIB has also been a significant contributing factor.



XTP
Implementation Services

Implementation Efficiency for Institutional Investors

Presentation to the North Dakota State Investment Board

Bismarck, 26th of October 2018

1 Who we are

2 What we do

3 How we work

4 Why it matters

1

Who we are

"The implementation of investment ideas is as important as the generation of investment ideas."

Wagner / Edwards (1993)

Increasing Net Returns – Decreasing Information Asymmetry

Our mission is to support institutional investors in safeguarding their interests

XTP combines bottom-up forensic analysis and systemic “big data” scrutiny across all investments and asset classes to achieve:

- Full transparency regarding cost and process efficiency
- Comprehensive benchmarking based on best practices
- Hands-on optimization of costs, fees and processes
- Identification and minimization of operational risks

The result is a risk-free additional net return by means of an increase in process efficiency and optimized cost structures – without changes to asset allocation or manager mix.

Key Facts

- › 2001 Prof. Lutz Johanning conducts first academic peer-group study on the true cost of institutional asset management as an empirical capital markets research project
- › 2004 Founding of XTP Ltd. in Germany
- › 2018 XTP Group today: >30 experienced professionals in Europe and the United States
Sound methodology based on academic research by Prof. Lutz Johanning
Analyzed more than 2.5 trillion EUR in assets, proprietary methodology, software tools and in-house benchmarking databases
Optimized more than 50 institutional investors
Continued work with regulators on cost transparency (Prof. Lutz Johanning is Consultative Expert Group member for the European Supervisory Authorities)
Independent – no conflicts of interest
Data-driven, bottom-up, forensic and holistic approach

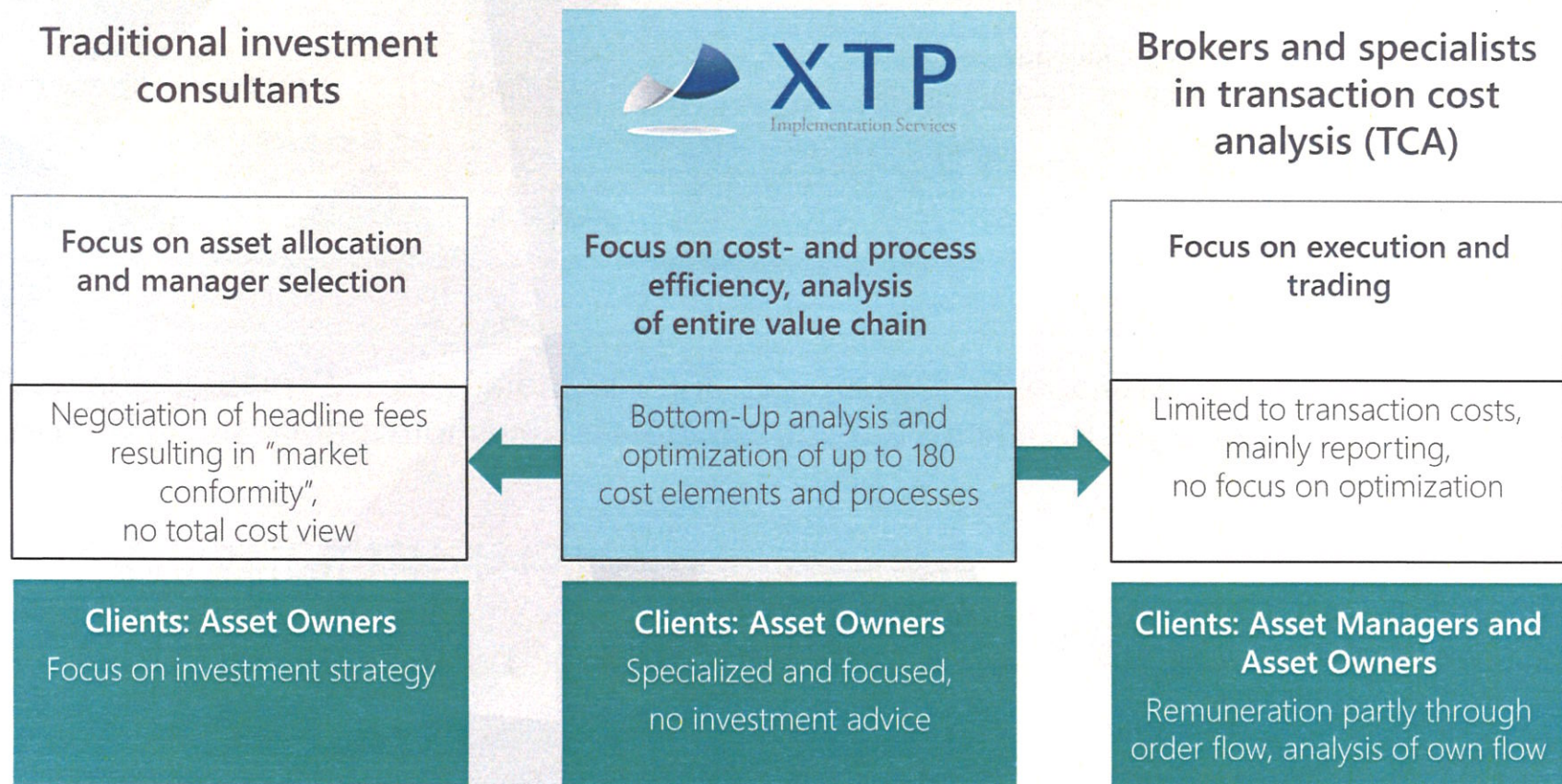
2

What we do

"... mutual funds' annual trading costs are, on average, higher than their expense ratio and negatively affect performance."

Edelen / Evans / Kadlec (2013)

Unique Approach: Integrated View and Analysis of Entire Value Chain



Identification of Inefficiencies and Operational Risks

XTP performs a meticulous and systematic bottom up analysis of over 180 cost- and process elements across the entire value chain and all asset classes



Benchmarking of explicit costs and fees

E.g. management and performance fees, brokerage, custody, other costs & expenses



Analysis of implicit costs

E.g. mark-ups, spreads, market impact, inefficient execution, valuation of derivatives



Identification of structural "leaks" and deficits

E.g. inefficient structures and processes, opportunity costs, cross-subsidies



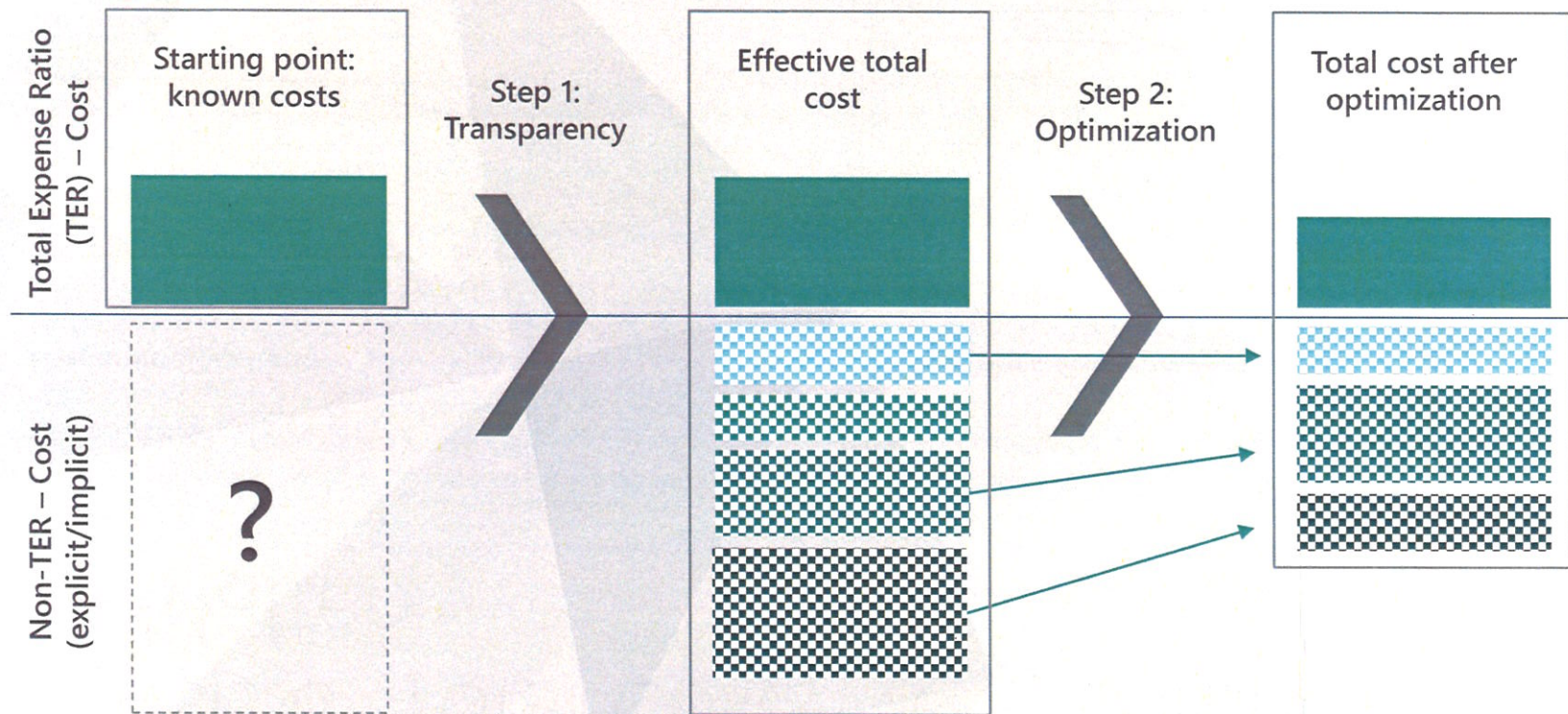
Review of operational risks

E.g. inappropriate procedures and processes, disincentives, insufficient reconciliation

Independent verification and confirmation of cost efficiency towards regulators and stakeholders

Establish full transparency, ensure maximum efficiency and high quality investment governance

Transparency of Total Cost is Critical for Implementation Efficiency

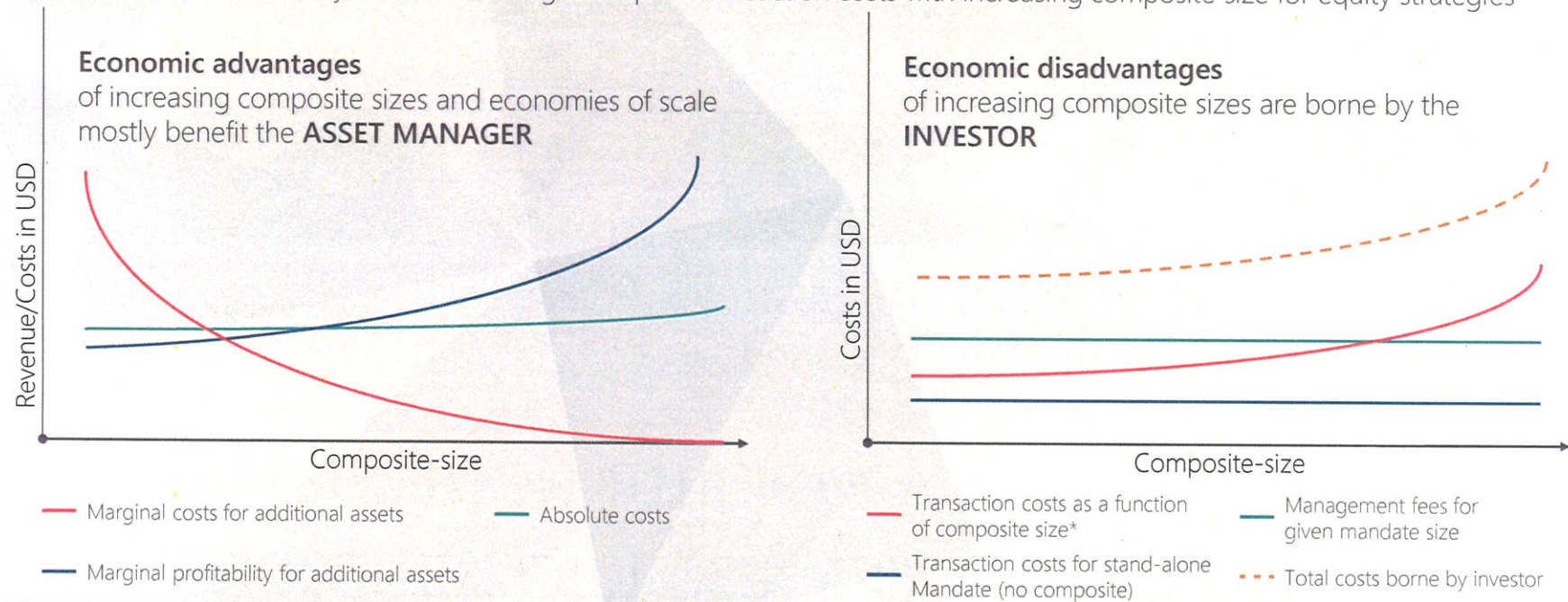


Peer-based benchmarking and analysis of headline costs alone are not sufficient to understand the total cost of an investment portfolio. XTP conducts a comprehensive bottom-up forensic analysis and covers the entire value chain across all asset classes. To ensure tangible results, XTP takes responsibility for the implementation of optimization measures.

Analysis of Total Costs: Why Composite Size Matters

Composite size

- With increasing composite size, marginal profitability for asset managers increases strongly
- Investors, to the contrary, have to bear higher implicit transaction costs with increasing composite size for equity strategies



A fair analysis and optimization requires consideration of each cost component individually as well as an integrated assessment of management fees, transaction costs, composite sizes and actual costs

* Assumption: Implicit transaction costs increase convexly with order size. See : Giraud/ D'Hondt (2007).

3

How we work

"Reduced costs are the safest return."

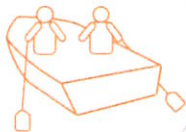
Johanning / Klingler (2014)

XTP's Core Business Principles: Focus, Aligned Interests and Transparency



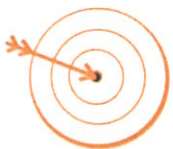
Clear Focus

Increasing implementation efficiency and optimizing the implementation process is the exclusive focus of XTP. All other investment parameters remain equal.



Aligned Interests

Success oriented compensation based on actually realized hard savings and improvements ensures compatibility of incentives. XTP only accepts mandates if a significant added value can be generated. XTP's clients bear no cost risk.



Transparency and Results Orientation

Comprehensive transparency through independent analysis is the basis for efficiency, identification and minimization of operational risks, high quality governance, optimized processes and maximized net portfolio return.

4

Why it matters

“Dutch pension funds achieve highest returns
worldwide against lowest costs.”

Preesman (2014)

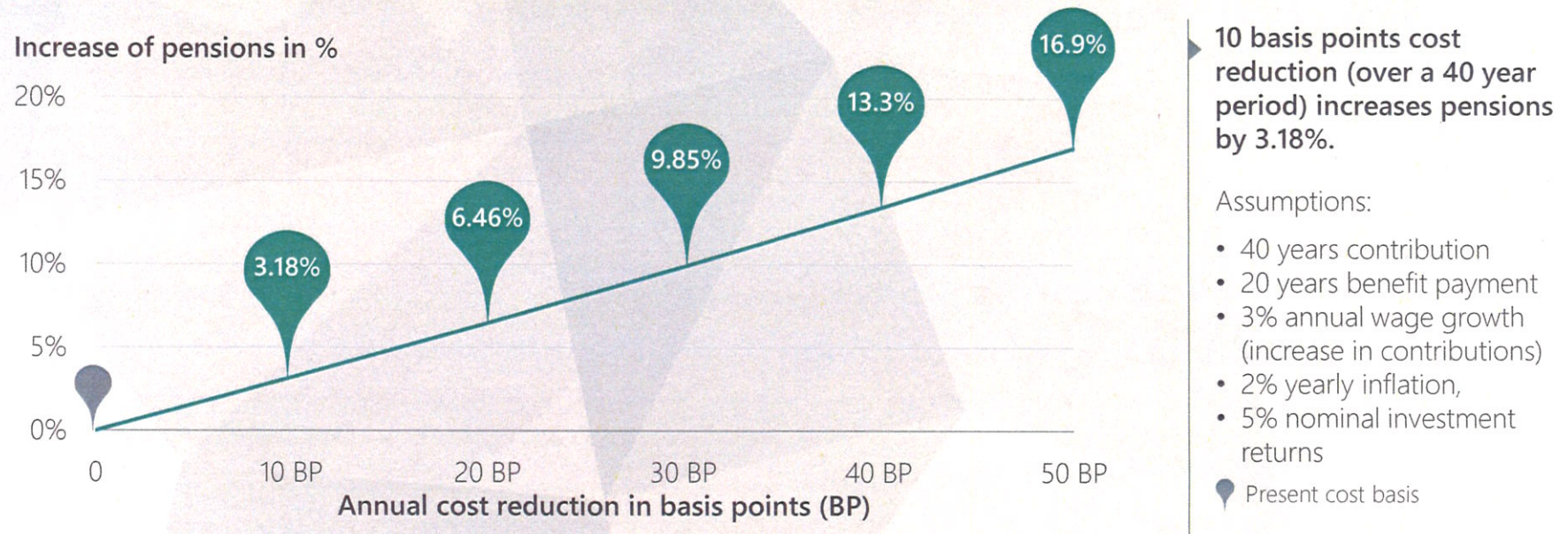
Efficiency and Cost Optimization are Core Topics for Pension Funds

Study of the Dutch Central Bank* concerning the long term effect of cost reductions

Typically, clients of XTP can expect optimization to yield results within a bandwidth of 5 to 50 basis points



Due to compound interest, annually reoccurring cost reductions significantly impact pension levels



* Bikker / De Reu (2009)

5

Appendix

“In an environment of low interest rates (and, therefore, expected returns) the impact of costs on investment returns is far greater than in the past.”

Kirchner (2013)

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New Rochelle, NY 10801

Website: www.xtp-group.com

The presentation at hand has been researched and created to the best of our knowledge and with high diligence. It is based on information and data assumed to be accurate. However, we are not guaranteeing the accuracy of such information and data. Liability for any representations (expressed or implied) regarding information or data contained herein, or any consequences resulting from actions and transactions performed based on this presentation is excluded.

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CUSTOMER SATISFACTION SURVEY NORTH DAKOTA STATE INVESTMENT BOARD 2018
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Evaluation Forms Sent: 14
 Evaluation Forms Returned: 11

1. Availability/Responsiveness to Requests (via calls and/or emails)

Excellent	Above Average	Average	Poor	N/A
9	1	1	0	0

2. Clarity and Effectiveness of Communications, Reports, and Presentations

Excellent	Above Average	Average	Poor	N/A
8	2	1	0	0

3. Frequency of Communications/Reporting

Excellent	Above Average	Average	Poor	N/A
8	2	1	0	0

4. Knowledge of Investments

Excellent	Above Average	Average	Poor	N/A
8	2	1	0	0

5. Overall value of services provided

Excellent	Above Average	Average	Poor	N/A
9	1	1	0	0

2018 Summary of SIB Client Satisfaction Survey Ratings:

	Excellent	Above Average	Average	Poor	N/A
Totals	42	8	5	0	0
Weight	4	3	2	1	0
Percent	76%	15%	9%	0%	0%
Average	3.67				

*11 of 14 clients responded to survey

2017 Summary of SIB Client Satisfaction Survey Ratings:

	Excellent	Above Average	Average	Poor	N/A
Totals	74	16	14	0	0
Weight	4	3	2	1	0
Percent	71%	15%	13%	0%	0%
Average	3.58				

2016 Summary of SIB Client Satisfaction Survey Ratings:

	Excellent	Above Average	Average	Poor	N/A
Totals	67	30	6	0	1
Grade	4	3	2	1	0
Percent	64%	29%	6%	0%	1%
Average	3.59				

*N/A responses removed from calculation of average score.

*13 of 14 clients responded to survey

Overall Customer Satisfaction Survey Comments and Impressions:

- I am unable to think of anything I need that isn't currently available.
- We have no complaints about our services from SIB/RIO and, in particular, appreciate the assistance from Connie Flanagan. She is responsive and helpful!
- I think overall SIB has responded well what has been requested to do. Was wondering how hard it would be to have early indication of what the future markets are trending in a report before the session starts?

The SIB should continue to prioritize board education and extend those opportunities to members of the TFFR board. This process is invaluable for new and veteran board members in building capacity for both TFFR and SIB board members, understanding roles and responsibilities, and ultimately for being strong fiduciaries of the TFFR funds. I appreciate the clarity in which reports are provided. They reporting highlights important areas, but also provides enough information to take a deeper dive. The SIB staff is consistently willing to provide greater clarification, if necessary, to ensure that all members of the board feel comfortable with the information presented. Would like to see continued work on better, faster, and more economical ways of communicating

- with active and retired members of the TFFR community. Commend the staff for their continued excellent service in the face of the severe budget constraints by the State of North Dakota. Staff is always receptive when calling or visiting the office. Communications and reports are clear and often accompanied by visuals that promote understanding. I appreciate that the staff is very knowledgeable and is impart that knowledge in an understandable manner. I have heard time and time again from colleagues that their experience in dealing with office staff was excellent. Continue to communicate frequently and clearly and keep lines of communication open with our representatives on the board so they can communicate with other members of this board.

MEMORANDUM

TO: State Investment Board (SIB)

FROM: SIB Audit Committee

DATE: September 28, 2018

**SUBJECT: Fiscal Year End Audit Committee Activities Update
July 1, 2017 to June 30, 2018**

The Audit Committee is a standing committee of the State Investment Board (SIB) authorized under the SIB Governance Policy B-6, Standing Committees. Its primary function is to assist the SIB in fulfilling its oversight responsibilities of the Retirement and Investment Office (RIO) internal and external audit programs, including the financial reporting process, internal controls, and compliance with laws, regulations, policies, and procedures.

The Audit Committee consists of five members selected by the SIB. Three members of the Audit Committee represent the three groups on the SIB (Teachers' Fund for Retirement (TFFR) Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials). The other two members are selected from outside the SIB and will be auditors with at least a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) designation. Members of the Audit Committee for the 2017 - 2018 fiscal year were:

Rebecca Dorwart, External Member, Chair
Yvonne Smith, PERS Board, Vice Chair
Mike Gessner, TFFR Board, SIB Liaison
Cindy Ternes, (Workforce Safety & Insurance designee) Elected and Appointed Officials
Joshua Wiens, External Member

The Audit Committee held four regular meetings during the fiscal year ended June 30, 2018. The meetings occurred on: September 22, 2017, November 16, 2017, February 22, 2018, and May 24, 2018.

Activities of the Audit Committee during the past year included:

- The Committee approved a July 1, 2017 through June 30, 2018 Audit Service work plan. Progress was monitored on a quarterly basis. Audit activities included:
 - Eleven TFFR Employer Audits including nine TFFR Compliance Audits and two Special Audits. Compliance with the definition of salary as it appears in NDCC 15-39.1-04(10) is reviewed along with service hours and eligibility.
 - Annual Benefit Payment Audit was completed. Deaths, long outstanding checks, and long term annuitants are reviewed to ensure that established policies and procedures are being adhered to by staff.
 - Three TFFR File Maintenance Audits were completed. Changes made to TFFR member account data by RIO employees are reviewed. Refunds and purchases of service credit along with member account information from Member Action Forms are also reviewed.
 - Annual Salary Verification Project was completed. Salaries and contributions reported to TFFR for the prior fiscal year for fifty randomly selected member accounts are verified.

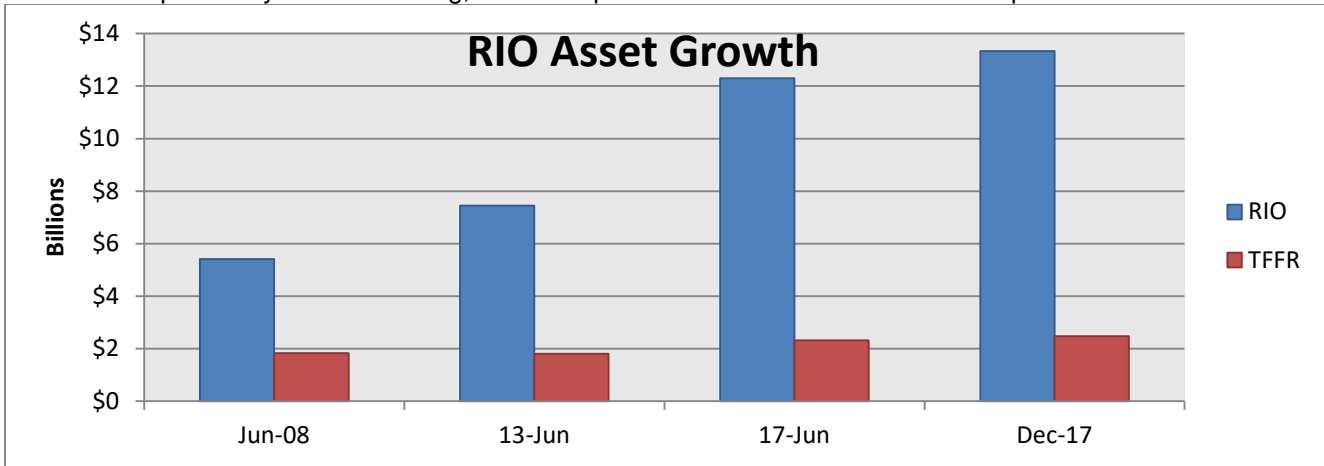
- Executive Limitations Audit was completed. The audit determined the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation policies (A-1 through A-11) for the calendar year ending December 31, 2017.
 - RIO's Audit Services division provided assistance to our external audit partners, CliftonLarsonAllen, LLP, during the financial audit of the RIO as well as the GASB 68 Census Data Audits.
 - Audit Services staff continued to pursue networking and professional development opportunities via the IIA's local chapter. Staff attended training seminars and monthly meetings which cover a variety of topics.
- The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2017 from independent auditors, CliftonLarsonAllen, LLP. They issued an unqualified opinion.
 - The Committee reviewed the RIO financial audit plan for fiscal year ended June 30, 2018 with independent auditors, CliftonLarsonAllen, LLP. Discussion included scope and approach for the audit to ensure complete coverage of financial information and review and approval of the Final GASB 68 Schedule Audit Report.
 - The Committee adopted a detailed audit work plan and budgeted hours for fiscal year July 1, 2018 to June 30, 2019.

The above activities support the Committee's fulfillment of its oversight responsibilities. Please inform the Committee if there are special audits or activities the Board would like to have reviewed.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee
FROM: Sara Sauter, Supervisor of Audit Services
DATE: September 27, 2018
SUBJECT: 2018 - 2019 Audit Services Workplan

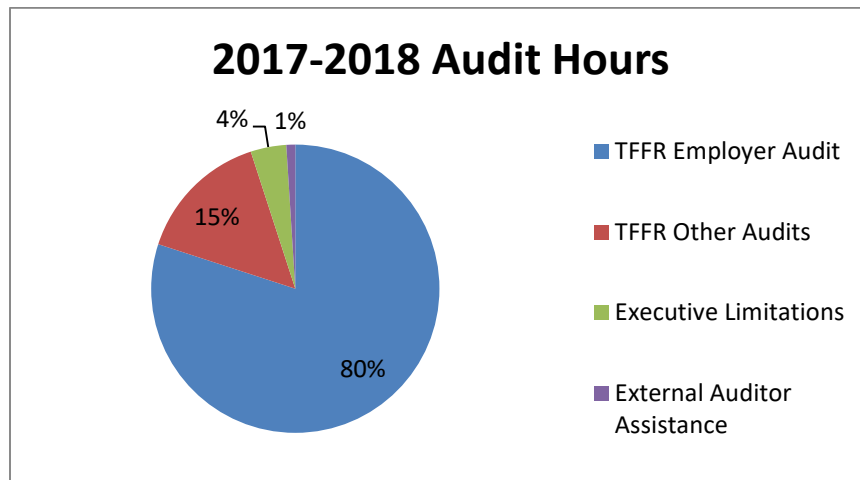
Following the May 24, 2018 SIB Audit Committee meeting, the Audit Committee approved for an agency risk assessment to be completed and a risk based audit plan to be presented at the September meeting. Historically, Audit Services has just been doing TFFR Compliance Audits. The graphs below, show the asset growth RIO has had over the past 9½ years. Following, the time spent on TFFR audits and the time spent on other audits.



The following information shows the amount of audit hours that was spent on the TFFR side of the agency.

Percentage of Audit Hours spent on TFFR Audits

- 2012-13 99% (3,064 Total Audit Hours 3,039 TFFR Audit Hours)
- 2013-14 100% (1,222 Total Audit Hours 1,222 TFFR Audit Hours) audit was short staffed
- 2014-15 91% (2,146 Total Audit Hours 1,946 TFFR Audit Hours) audit was short staffed
- 2015-16 94% (2,654 Total Audit Hours 2,503 TFFR Audit Hours)
- 2016-17 94% (2,425 Total Audit Hours 2,288 TFFR Audit Hours)



Since fiscal year 2012-13, 136 employer audits have been completed resulting in a net shortage of \$159,439.74. For five of these employers, there was a shortage of contributions of \$201,201.28 (Langdon, Fort Totten, Fort Yates, Kindred, and Dunseith). The net shortage of contributions of \$159,434.74 represents 0.0064% of the TFFR fund. It should also be noted since fiscal year 2009-2010, 207 Employer Audits were completed. 93% of these 207 audits were in compliance.

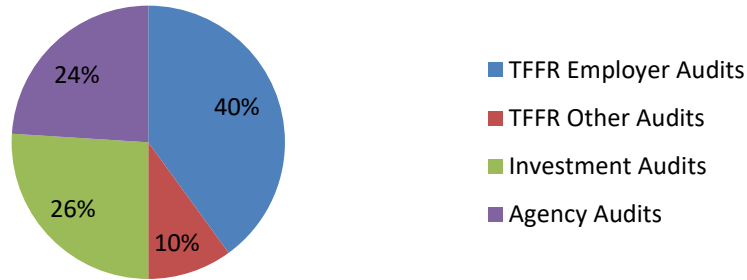
With the changing agency portfolio, the main risk every manager of RIO identified was investment monitoring (e.g. investment manager due diligence, returns, fees, risk management oversight). The following major concerns were manual processes, segregation of duties, succession planning, and cybersecurity. An overall agency risk assessment was completed which highlighted risk in many areas, outside of just TFFR Employer Audits. The proposed audit plan focus on areas of risk the risk assessment identified.

The following information details the proposed workplan for Audit Services for 2018 - 2019. This workplan represents what Audit Services anticipates will be accomplished in the upcoming fiscal year, however needs and priorities may change and this workplan may require adjustments. Any anticipated changes will be discussed with the SIB Audit Committee and RIO Management as they are identified. Frequency, hours, and reporting are addressed where applicable.

Audit Services will allocate resources to the following audit activities during fiscal year 2019:

Primary Audit Responsibilities	
Total Hours Allocated: 2,680	
Teachers' Fund for Retirement (TFFR) Employer Audits	40%
<ul style="list-style-type: none"> • TFFR Audit Notifications • TFFR Compliance Audits • TFFR Not in Compliance (NIC) Reviews • Annual Salary Verification Project 	
TFFR File Maintenance Audit and TFFR Refund and Purchase Audit	4.5%
TFFR Cost Effective Benefit Payment Audit	5%
Investment Audits	26%
Internal Control Assessment	4.5%
Agency Risk Assessment	6%
Quarterly Portfolio Monitoring Testing	4.5%
Special Projects (ex. Board Self-Assessment)	1.5%
Executive Limitation Audit	6%
<ul style="list-style-type: none"> • SIB Customer Satisfaction Survey • ED/CIO Effectiveness Survey • Executive Limitations Audit CY 2017 • SIB Executive Review Committee Survey (If Requested) 	
External Auditor Assistance	2%
<ul style="list-style-type: none"> • GASB 68 Census Data Audit Notifications 	

Proposed 2018-2019 Audit Hours



TEACHERS' FUND FOR RETIREMENT (TFFR) EMPLOYER AUDITING:

The primary purpose of employer auditing is to determine if the retirement salaries and contributions reported to TFFR by a participating employer are in compliance with the definition of salary as it appears in the North Dakota Century Code (N.D.C.C. § 15-39.1-04 (10)). Reported service hours and eligibility for TFFR membership are also verified. It should be noted that RIO has no legal responsibility to test the reporting by the employers. This testing is done as a service for the TFFR members.

TFFR Audit Notifications are sent to participating employers throughout the fiscal year based on anticipated production levels with approximately two to three employers notified at one time. Audit notifications are sent electronically to key personnel including the superintendent and business manager.

The 2018-2019 audit plan includes performing TFFR Employer Audits on the ten largest employers on a five-year cycle. The ten largest employers employ over half of the participants reported to TFFR program. A total of 10 employer audits are scheduled for the 2018-2019. It is the intention of Audit Services to have 2 – 4 audits in progress with 2 audits pending but not yet started at any given time. Audit Services is working with Retirement Services on transitioning more into an overall sampling process and moving away from traditional cycles.

The Annual Salary Verification Project is intended to supplement other auditing activities. This project increases the number of participating employers included in overall audit activities and reinforces to our participating employers the importance of timely and accurate reporting. A total of 50 member accounts from 43 different employers will be randomly selected for further verification from all available participating employers except those employers who meet the following criteria: currently being audited by Audit Services, have been notified of an upcoming audit by Audit Services, have been audited by Audit Services in the last twelve months, were selected for a GASB 68 Census Data Audit, or were included in the prior year salary verification project.

Total Hours Allocated: 1,080

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Employer, and SIB Audit Committee

TFFR FILE MAINTENANCE AUDIT:

On an annual basis, Audit Services of the Retirement and Investment Office (RIO) will review system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization. Member account information from six Member Action Forms will be reviewed to verify that contact and demographic information has been updated correctly per Member Action Forms on file.

Total Hours Allocated: 30

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Fiscal and Investment Operations Manager, Supervisor of Information Systems, and SIB Audit Committee

TFFR REFUND AND PURCHASE AUDIT:

On an annual basis, Audit Services will review a sample of the system generated audit tables for eight randomly selected refunds and four randomly selected purchases of service credit (two installments and two lump sum). The accuracy of month end reporting of lump sum payments and installment purchases of service credit is also verified.

Total Hours Allocated: 90

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Fiscal and Investment Operations Manager, Supervisor of Information Systems, and SIB Audit Committee

TFFR COST BENEFIT AUDIT:

On a biannual basis, a review of TFFR benefit recipients is completed to determine that they received their retirement benefits in a cost effective and timely manner. This audit is intended to verify that RIO's mission is being achieved. As part of this overall process, Audit Services also verifies the accuracy of benefit payments via the recalculation of benefit payments for the sampling of member accounts.

Total Hours Allocated: 140

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, and SIB Audit Committee

Note: The TFFR Cost Benefit Audit and the TFFR Benefit Payments Audit will be done on a rotational basis.

EXECUTIVE LIMITATION AUDIT:

On an annual basis the Executive Director/CIO's compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies A-1 through A-11 is reviewed. The most recent calendar year is included in the audit. As a part of the Executive Limitation Audit process Audit Services facilitates a number of surveys. In December of each year staff is asked to evaluate the Executive Director/CIO in the areas of leadership, communication, and valuing employees. In July of each year Audit Services facilitates a customer satisfaction survey which is administered to SIB investment clients. At the request of the SIB Executive Review Committee Audit Services will also facilitate and compile the results of the survey administered to members of the SIB each February as a part of their evaluation of the Executive Director/CIO.

Total Hours Allocated: 160

Audit Report Recipients: Executive Director/CIO, SIB Audit Committee, and SIB

INTERNAL CONTROL ASSESSMENT:

A formal internal control assessment of RIO has never been completed. The purpose of an internal control assessment is to evaluate existing internal controls and review the effectiveness of the internal controls. The assessment will document controls and review the effectiveness of the system as a whole. An assessment of about 90 questions will cover Internal Audit, Human Resources, Information Technology, Operations, etc. This should be updated annually to ensure effectiveness and efficiency with internal controls.

Total Hours Allocated: 120

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Fiscal and Investment Operations Manager, Supervisor of Administrative Services, Supervisor of Information Systems, Retirement Program Manager, and SIB Audit Committee

AGENCY RISK ASSESSMENT:

A formal agency risk assessment of RIO was completed first quarter of 2018-2019 fiscal year. A risk assessment is a process to identify potential risks and analyze what could happen if it would occur. The purpose of a risk assessment is to identify risk involved in the activities or systems and provide assurance that risk is being managed by management. The risk assessment should be updated annually and the internal audit plan incorporate risks identified within the risk assessment.

Total Hours Allocated: 150

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Fiscal and Investment Operations Manager, Supervisor of Administrative Services, Supervisor of Information Systems, Retirement Program Manager, SIB Audit Committee, and SIB

QUARTERLY PORTFOLIO MONITORING TESTING:

RIO investment staff has been working with Blackrock to implement a comprehensive risk management system using Blackrock's Aladdin system. This has been a work-in-progress over the past 18 months and includes a module designed to monitor investment portfolio guidelines. Based on discussion with the external auditors during

preliminary fieldwork for the fiscal year 2018 financial audit, we anticipate an emphasis on designing procedures to regularly monitor investment portfolio guidelines going forward. Although guideline monitoring has been done sporadically in the past, it is considered a best practice in the industry to have a more consistent and specific process in place. RIO's Compliance Officer continues to work with Blackrock to both understand their system's capabilities in this area and ensure the system is set up to automatically monitor as many individual guidelines as possible in order to get the most useful results. Once that process is set up, Audit Services will be able to add specific testing of those processes to its audit plan to ensure that accurate monitoring is occurring. It is anticipated that this testing will occur on a quarterly basis, with a goal of starting this testing after the December 2018 quarter.

Total Hours Allocated: 120

Audit Report Recipients: Executive Director, Fiscal and Investment Operations Manager, and SIB Audit Committee

INVESTMENT AUDITS:

Investments have increased drastically over the past the past 5 years. One of the main focuses of the SIB is to ensure ongoing due diligence is being done and investment managers and reporting is accurate, consistent, and transparent. Since no investment audits have been performed by Audit Services, an estimate of hours for each audit is unknown. That the investment audits to be performed will be: Investment Manager Due Diligence Audit, Investment Performance Audit, and Cash Management and Rebalancing Audit. These are audits are listed in the Supervisor of Audit Services job duties.

Total Hours Allocated: 690

Audit Reports Recipients: Executive Director, Deputy Chief Investment Officer, Fiscal Investment Operations Manager, and SIB Audit Committee

SPECIAL PROJECTS

Time has been allocated in the event that the SIB will ask for assistance in any special projects that may arise.

Total Hours Allocated: 40

Audit Report Recipients: SIB Audit Committee and SIB

EXTERNAL AUDITOR ASSISTANCE:

Audit Services assists our external auditor, CliftonLarsonAllen (CLA), with a variety of tasks related to the annual financial audit. In particular Audit Services is responsible for notifying participating employers that they have been selected to participate in an upcoming GASB 68 Census Data Audit. Audit Services is also responsible for ensuring any information requested from participating employers is provided timely to our external audit partners. Audits Services will also become more involved with the external audit assistance in preparing documents and gathering information.

Total Hours Allocated: 60

Audit Report Recipients: SIB Audit Committee

Audit Services will allocate resources to the following administrative activities during fiscal year 2019:

Primary Administrative Responsibilities	
Total Hours Allocated: 1,480	
Annual Leave, Sick Leave, and Holidays	43%
Staff Meetings, Reporting, Email, and Records Retention	30%
SIB Audit Committee, SIB, and TFFR Board Meetings <ul style="list-style-type: none"> • Preparation and Attendance 	20%
Annual Audit Planning	5%
Professional Development	1%

ANNUAL LEAVE, SICK LEAVE, AND HOLIDAYS:

The staff auditor earns 192 hours of annual leave per year (16 hours per month). The Supervisor of Audit Services earns 120 hours of annual leave per year (10 hours per month). The current workplan makes an allowance for each staff member to utilize 80 hours of sick leave per year. Given the nature of such leave it is anticipated that more or less leave could be utilized. During the course of the fiscal year all state offices will close on ten observed holidays including New Year’s Day, Martin Luther King Jr Day, President’s Day, Good Friday, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day.

Total Hours Allocated: 632

STAFF MEETINGS, REPORTING, EMAIL, AND RECORDS RETENTION:

Audit staff engages in numerous activities required to facilitate the day to day operations of both the department and the organization. Audit Services participates in department staff meetings and organization wide staff meetings. Staff members also must manage electronic communication (heavily used by participating employers), complete time and general reporting activities, and ensure compliance with published records retention procedures.

Total Hours Allocated: 450

SIB AUDIT COMMITTEE, SIB, AND TFFR BOARD MEETINGS

The Supervisor of Audit Services is required to prepare meeting materials for all SIB Audit Committee meetings. On some occasions meeting materials are also required for SIB and TFFR meetings as Audit Services provides quarterly updates to both of these oversight boards. The Supervisor of Audit Services attends (whenever possible) all SIB Audit Committee, SIB, and TFFR meetings. The staff auditor attends (whenever possible) SIB Audit Committee meetings.

Total Hours Allocated: 300

ANNUAL AUDIT PLANNING:

Audit Services completes audit planning activities on an annual basis. A participating employer risk assessment is completed in even numbered fiscal years. The results of this risk assessment, in particular the risk score, are used to create the current year and long range TFFR Employer Audit schedules. An audit hours budget and workplan are also created.

Total Hours Allocated: 80

PROFESSIONAL DEVELOPMENT

Professional development and continuing education opportunities are critical to continued professional success. All staff members of the Audit Services Division are members of the Institute of Internal Auditors (IIA). Staff members attend monthly educational opportunities provided by our local IIA chapter on a regular basis. The IIA also offers free webinars to all IIA members throughout the year which cover a variety of auditing related topics. Staff will continue to attend two day training seminars offered by our local IIA chapter and regional conferences if and when such opportunities are available under current budgetary constraints. Staff members will be required to participate in 8 hours of professional development activities during the fiscal year.

Total Hours Allocated: 18

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 AUDIT SERVICES DIVISION
 BUDGETED HOURS FOR THE FISCAL YEAR JULY 1, 2018 TO JUNE 30, 2019**

	2018 -2019 BUDGET HOURS (2 FTE'S)
Primary Audit Responsibilities - Total Hours Allocated: 2,680	
Teachers' Fund for Retirement (TFFR) Employer Audits	1,080
TFFR Audit Notifications	
TFFR Compliance Audits	
TFFR Not in Compliance (NIC) Reviews	
REA Audit	
Annual Salary Verification Project	
Teachers' Fund for Retirement (TFFR) File Maintenance Audits	30
Teachers' Fund for Retirement (TFFR) Refund and Purchases Audit	90
TFFR Cost Effective Benefit Payment Audit	140
Investment Audits	690
Investment Manager Due Diligence Audit	
Investment Performance Audit	
Cash Management and Rebalancing Audit	
Executive Limitation Audit	160
SIB Customer Satisfaction Survey	
ED/CIO Effectiveness Survey	
Executive Limitations Audit CY 2018	
SIB Executive Review Committee Survey (If Requested)	
Internal Control Assessment	120
Agency Risk Assessment	150
Quarterly Portfolio Monitoring Testing	120
Special Projects (ex. Board Self-Assessment)	40
External Auditor Assistance	60
GASB 68 Census Data Audit Notifications	
	2,680
% of Available Hours Allocated to Primary Audit Responsibilities	64%
Primary Administrative Responsibilities - Total Hours Allocated: 1,480	
Annual Leave, Sick Leave, and Holidays	632
Staff Meetings, Reporting, Email, and Records Retention	450
SIB Audit Committee, SIB, and TFFR Board Meetings	300
Preparation and Attendance	
Annual Audit Planning	80
Professional Development	18
	1,480
% of Available Hours Allocated to Primary Administrative Responsibilities	36%
Total 2018-2019 Budget Hours	4,160
Total Budget Hours for 2018 - 2019	4,160
Budget Hours for D. Thorsen	2,080
Budget Hours for S. Sauter	2,080

Board Acceptance Requested

To: SIB
From: Dave Hunter on behalf of the Securities Litigation Committee
Date: October 19, 2018
Subject: SIB Securities Litigation Committee Update

On January 26, 2018, the SIB established the Securities Litigation Committee (Committee) to assist the SIB fulfill its fiduciary oversight responsibilities of monitoring the investment of assets entrusted to by various statutory and contracted funds, and to serve as a communications link for the SIB and RIO with third party securities litigation firms and other.

The Committee will determine when an active role should be pursued in regards to securities litigation affecting SIB client investment portfolios. The Committee is authorized to:

1. draft policy (to be formally approved by SIB) regarding dollar and/or risk thresholds for determining when to opt-out of class actions and/or seek direct litigation or lead plaintiff status;
2. **based on SIB approved policy, make decisions on the level of participation the SIB will take in direct litigation, opt-in or group litigation, anti-trust and other class actions;** and
3. approve the selection of special assistant attorneys in cases of direct litigation

RIO management remains responsible for ongoing monitoring of securities litigation and claims filing. RIO will serve to support the Committee in carrying out the following broad responsibilities:

- a. **review reports from staff and third parties in order to maintain awareness of potential and actual securities litigation affecting SIB client portfolios;**
- b. make decisions on whether to pursue direct litigation and/or lead plaintiff status on cases exceeding policy thresholds for passive participation (see **boldfaced Policy** attachment);
- c. **select third party litigation firms when deemed appropriate;**
- d. perform other activities related to this charter as requested by the SIB; and
- e. annually confirm, review and assess the adequacy of the Committee charter and securities litigation policy annually, requesting SIB approval for proposed changes, if warranted.

The Committee will report to the SIB about its activities, issues and related recommendations on a regular basis. A written report will be presented to the SIB annually describing the actions, responsibilities and composition. This report should be presented to the SIB after each fiscal year-end generally in conjunction with the submission of RIO's audited financial statements to the SIB.

The following information serves as the first Securities Litigation Committee Update noting that the first annual update will be presented to SIB at our next Board meeting on November 16, 2018.



ND STATE INVESTMENT BOARD SECURITIES LITIGATION COMMITTEE MEETING

Thursday August 23, 2018 - 3:00 PM
North Dakota Retirement and Investment Office (RIO)
3442 East Century Avenue, Bismarck, ND 58503

AGENDA

1. Call to Order and Approval of Agenda
2. Minutes (May 10, 2018)
3. Northern Trust & FRT Claims Filing Reports (Fiscal 2018) – Ms. Flanagan (15 minutes) **Committee Action**
4. Securities Litigation Education (*Informational*):
 - Labaton Sucharow – Mr. Eric Belfi (30 minutes)
 - Kaplan Fox – Mr. Fred Fox, Mr. Donnie Hall and Mr. Mark McNair (30 minutes)
5. Litigation Update (*Informational*)
 - General Motors (Kasowitz Benson Torres) – Mr. Hunter
 - Tribune (K&L Gates) – Mr. Anders Odegaard *
 - Volkswagen (Grant & Eisenhofer) - Mr. Marc Weinberg (via phone) *

**Possible Executive Session for Attorney Consultation Pursuant to 44-04-19.1 (9)*
6. Other - Next SIB Securities Litigation Committee Meeting

North Dakota Retirement and Investment Office
3442 E Century Ave, Bismarck, ND 58503
Thursday, November 8, 2018 @ 3:00 PM
7. Adjournment

Any individual requiring an auxiliary aid or service should contact the Retirement and Investment Office at (701) 328-9885 at least (3) days prior to the scheduled meeting.

**NORTH DAKOTA STATE INVESTMENT BOARD
SECURITIES LITIGATION SUBCOMMITTEE
MINUTES OF THE MAY 10, 2018, MEETING**

BOARD MEMBERS PRESENT: Troy Seibel, Chair
Treasurer Kelly Schmidt, Vice Chair
Connie Flanagan, Fiscal/Investment Opr Mgr
David Hunter, ED/CIO
Anders Odegaard, Attorney General's Office

STAFF PRESENT: Bonnie Heit, Assistant to the Board
Sara Sauter, Audit Svs Suprv

GUESTS: Michael Blatchley, Bernstein Litowitz Berger &
Grossman LLP
Patrick Daniels, Robbins Geller Rudman & Dowd LLP
Tony Gelderman, Bernstein Litowitz Berger &
Grossman LLP
Roxana Pierce, Robbins Geller Rudman & Dowd LLP

CALL TO ORDER:

Mr. Seibel, Chair, called the State Investment Board (SIB) Securities Litigation Committee meeting to order at 3:00 p.m. on Wednesday, May 10, 2018, at the Retirement and Investment Office, 3442 E Century Ave, Bismarck, ND.

AGENDA:

IT WAS MOVED BY MR. HUNTER AND SECONDED BY MS. FLANAGAN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE MAY 10, 2018, MEETING.

**AYES: TREASURER SCHMIDT, MR. SEIBEL, MR. HUNTER, MS. FLANAGAN, MR. ODEGAARD
NAYS: NONE
MOTION CARRIED**

MINUTES:

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. HUNTER AND CARRIED BY A VOICE VOTE TO ACCEPT THE MINUTES OF THE MARCH 14, 2018, MEETING AS DISTRIBUTED.

**AYES: MS. FLANAGAN, MR. ODEGAARD, TREASURER SCHMIDT, MR. SEIBEL, AND MR. HUNTER
NAYS: NONE
MOTION CARRIED**

SECURITIES LITIGATION CHARTER AND POLICY:

The Committee discussed the passage of the Securities Litigation Committee's Charter and the SIB Securities Litigation policy by the SIB at their April 27, 2018, meeting. The Committee felt the SIB is comfortable with the responsibilities of the Committee and the SIB as outlined in the Charter and the Securities Litigation policy.

The Committee discussed the membership of the Committee. Mr. Patrick Brooke is no longer serving as RIO's General Counsel. Mr. Anders Odegaard was appointed by the Attorney General's Office to replace Mr. Brooke as RIO's General Counsel. The Committee reaffirmed their understanding of the Securities Litigation Committee membership whereby the membership will consist of the Executive Director of RIO, one member of RIO fiscal or investment staff, RIO General Counsel, and two members of the SIB appointed by the Chair.

FINANCIAL RECOVERY TECHNOLOGIES (FRT) REPORT:

Ms. Flanagan reviewed a report from Financial Recovery Technologies for March/April 2018. The report details the domestic claims that have been filed, paid, and previously filed on behalf of the SIB since FRT took over March 1, 2018.

Treasurer Schmidt requested that an update on the claims previously filed by Northern Trust, on behalf of the SIB, be provided to the Committee on a quarterly basis so the Committee is aware of the status of those claims as well.

Ms. Flanagan also reviewed the global and anti-trust claims filed on behalf of the SIB by FRT as of May 2018.

EDUCATION:

The Committee received education from Bernstein Litowitz Berger & Grossmann LLP and Robbins Geller Rudman & Dowd LLP on recent trends and market developments in the securities litigation field.

ADJOURNMENT:

With no further business to come before the Committee, Mr. Seibel adjourned the meeting at 4:54 p.m.

Mr. Seibel, Chair

Bonnie Heit
Assistant to the Board

Acceptance Requested

TO: SIB Securities Litigation Committee (Committee)
FROM: Dave Hunter and Connie Flanagan
DATE: August 20, 2018
SUBJECT: Northern Trust and FRT Securities Litigation Claims Filing Reports

RIO's Fiscal and Investment Operations Manager, Connie Flanagan, will review the Securities Litigation Claims Filing Reports for the fiscal year ended June 30, 2018, noting that we transitioned this service from Northern Trust to Financial Recovery Technologies (FRT) on March 1, 2018. Northern Trust will continue to report on claims filing activity which took place prior to March 1, 2018, including the related cash recoveries until the claims filing process has been completed. In general, we expect that claim filing recovery proceeds from Northern Trust will decline as FRT activity increases during the next several years.

The attached Securities Litigation Activity Report lists all claims filing activity for the fiscal year ended June 30, 2018, which approximated \$189,000. Since 2011, annual cash recoveries have varied significantly ranging from a low of \$153,480 in fiscal 2014 to a high of \$692,958 in fiscal 2012, noting the annual recoveries are often materially impacted by the occurrence (or absence) of one or two major cases in any given fiscal year.

RIO will request the Committee to accept the Northern Trust and FRT securities litigation claims filing reports for the fiscal year ended June 30, 2018, at the end of our review and discussion.

RIO will include this securities litigation claims filing report in our September 28, 2018, SIB meeting materials.

Annual Securities Litigation Activity Report
For the Fiscal Year Ended June 30, 2018

NDSIB Securities Litigation Committee
August 23, 2018

Securities Litigation Recoveries by Fiscal Year

<u>Fiscal Year</u>	<u>\$ Recovered</u>	<u># Cases</u>
2011	405,676	54
2012	692,958	47
2013	185,789	59
2014	153,480	55
2015	645,943	55
2016	457,616	42
2017	424,362	51
2018	189,006	54

Status Report for North Dakota State Investment Board

Period from 7/1/2017 to 6/30/2018

Northern Trust

Period from 7/1/2017 to 6/30/2018

Status	# Cases	Settlement Fund	Total Recognized Loss	\$ Recovered
Newly Filed	19	N/A	N/A	0
Newly Paid	49	N/A	N/A	\$186,458.31
Previously Filed	35	N/A	N/A	0
Total	103	N/A	N/A	\$186,458.31



Status	# Cases	Settlement Fund	Total Recognized Loss	\$ Recovered
Newly Filed	15	3,542,922,770	1,674,254	0
Newly Paid	5	788,500,000	124,491	2,548
Total	20	4,331,422,770	1,798,746	2,548



Anti-Trust Status Report for North Dakota State Investment Board

Period from 7/1/2017 to 6/30/2018

Status	# Cases	Settlement Fund	# Claims	\$ Recovered
Newly Filed	2	2,516,275,000	2	0
Total	2	2,516,275,000	300	-

Northern Trust Newly Filed Claims (7/1/2017 - 6/30/2018)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
ADVANCED MICRO DEVICES INC (2014)		2/13/2018	4/1/2011	1/16/2013
ADVANCED MICRO DEVICES INC (2014)	NDPEN LA CAPITAL	2/13/2018	4/1/2011	1/16/2013
ADVANCED MICRO DEVICES INC (2014)	NDPEN NTGI ENHANCED	2/13/2018	4/1/2011	1/16/2013
AMEDISYS INC (2010)		1/16/2018	8/1/2005	12/30/2011
AMEDISYS INC (2010)	*NDINS PIMCO RAE SMALL CAP-SL	1/16/2018	8/1/2005	12/30/2011
BRIXMOR PROPERTY GROUP INC.		12/12/2017	2/19/2014	5/5/2016
BRIXMOR PROPERTY GROUP INC.	NDPEN LA CAPITAL	12/12/2017	2/19/2014	5/5/2016
BRIXMOR PROPERTY GROUP INC.	*NDINS LA CAPITAL ENHANCED -SL	12/12/2017	2/19/2014	5/5/2016
BRIXMOR PROPERTY GROUP INC.	*NDLEG PIMCO RAE SMALL CAP -SL	12/12/2017	2/19/2014	5/5/2016
BRIXMOR PROPERTY GROUP INC.	*NDLEG-LA CAPITAL ENHANCEME-SL	12/12/2017	2/19/2014	5/5/2016
BRIXMOR PROPERTY GROUP INC.	*NDINS PIMCO RAE SMALL CAP-SL	12/12/2017	2/19/2014	5/5/2016
CERADYNE INC (SUPERIOR COURT OF CALIF)		3/1/2018	10/1/2012	12/31/2012
CERADYNE INC (SUPERIOR COURT OF CALIF)	*NDINS PIMCO RAE SMALL CAP-SL	3/1/2018	10/1/2012	12/31/2012
COMPUTER SCIENCES CORP (SEC FAIR FUND)		9/11/2017	8/4/2008	3/23/2012
COMPUTER SCIENCES CORP (SEC FAIR FUND)	NDPEN LA CAPITAL	9/11/2017	8/4/2008	3/23/2012
COMPUTER SCIENCES CORP (SEC FAIR FUND)	NDPEN NTGI ENHANCED	9/11/2017	8/4/2008	3/23/2012
COMPUTER SCIENCES CORP (SEC FAIR FUND)	NDPEN L.A. CAPITAL	9/11/2017	8/4/2008	3/23/2012
COMPUTER SCIENCES CORP (SEC FAIR FUND)	*NDINS LA CAPITAL GROWTH -SL	9/11/2017	8/4/2008	3/23/2012
COMPUTER SCIENCES CORP (SEC FAIR FUND)	*NDINS LA CAPITAL ENHANCED -SL	9/11/2017	8/4/2008	3/23/2012
COMPUTER SCIENCES CORP (SEC FAIR FUND)	*NDINS LSV LARGE CAP -SL	9/11/2017	8/4/2008	3/23/2012
CORINTHIAN COLLEGES, INC. (2010)		11/2/2017	10/29/2007	11/17/2010
CORINTHIAN COLLEGES, INC. (2010)	*NDINS PIMCO RAE SMALL CAP-SL	11/2/2017	10/29/2007	11/17/2010
DFC GLOBAL CORP.		9/4/2017	1/27/2011	5/2/2014
DFC GLOBAL CORP.	*NDINS PIMCO RAE SMALL CAP-SL	9/4/2017	1/27/2011	5/2/2014
DOLE FOOD COMPANY, INC. (2015)		8/9/2017	12/31/2012	11/20/2013
DOLE FOOD COMPANY, INC. (2015)	*NDINS PIMCO RAE SMALL CAP-SL	8/9/2017	12/31/2012	11/20/2013

Northern Trust Newly Filed Claims (7/1/2017 - 6/30/2018)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE		7/10/2017	4/17/2000	6/6/2003
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE	ZZND PEN WG TRADING/CLIFTON	7/10/2017	4/17/2000	6/6/2003
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE	NDPEN LA CAPITAL	7/10/2017	4/17/2000	6/6/2003
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE	NDPEN NTGI ENHANCED	7/10/2017	4/17/2000	6/6/2003
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE	ZZND PEN ALLIANCE	7/10/2017	4/17/2000	6/6/2003
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE	ZZ*ND PEN LSV-SL -	7/10/2017	4/17/2000	6/6/2003
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE	ZZND INS ALLIANCE	7/10/2017	4/17/2000	6/6/2003
FEDERAL HOME LOAN MTG CORP (SEC)(FREDDIE	*NDINS LSV LARGE CAP -SL	7/10/2017	4/17/2000	6/6/2003
HALLIBURTON COMPANY		8/12/2017	8/13/1999	3/6/2002
HALLIBURTON COMPANY	NDPEN LA CAPITAL	8/12/2017	8/13/1999	3/6/2002
HARMAN INTL INDUSTRIES INC.(2007)(D.D.C.		9/8/2017	4/25/2007	5/5/2008
HARMAN INTL INDUSTRIES INC.(2007)(D.D.C.	NDPEN L.A. CAPITAL	9/8/2017	4/25/2007	5/5/2008
HARMAN INTL INDUSTRIES INC.(2007)(D.D.C.	*NDINS LA CAPITAL ENHANCED -SL	9/8/2017	4/25/2007	5/5/2008
IMPERVA INC		1/22/2018	5/1/2013	7/8/2014
IMPERVA INC	*NDINS PIMCO RAE SMALL CAP-SL	1/22/2018	5/1/2013	7/8/2014
J.P. MORGAN SECURITIES LLC (BULK SETTLEM		11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	ND PEN-PIMCO UNCONSTRAINED	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	NDK09-NDPEN LOOMIS SA	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	NDINS BABSON CAPITALMGMT-SL	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	NORTH DAKOTA SIB INSURANCE-	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	NDK15-NDPEN WESTRN F	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	ZZ*ND PEN FIXED WESTERN ASS-SL	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	ZZ*NDPEN JPMORGAN MBS-SL	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	ZZ*NDLEG CLIFTON SMALL CAP -	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	ZZNDLEG BABSON ST	11/28/2017	1/3/2000	9/14/2017
J.P. MORGAN SECURITIES LLC (BULK SETTLEM	ZZ*NDINS BABSON CAPITAL MGMT -	11/28/2017	1/3/2000	9/14/2017
MAGNACHIP SEMICONDUCTOR CORPORATION		6/9/2018	1/31/2012	6/9/2014
MAGNACHIP SEMICONDUCTOR CORPORATION	*NDINS PIMCO RAE SMALL CAP-SL	6/9/2018	1/31/2012	6/9/2014

Northern Trust Newly Filed Claims (7/1/2017 - 6/30/2018)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
MANULIFE FINANCIAL CORP. (CAD) (QUEBEC)		10/9/2017	1/23/2004	7/25/2017
MANULIFE FINANCIAL CORP. (CAD) (QUEBEC)	NDK02-NDPEN CAPIT GU	10/9/2017	1/23/2004	7/25/2017
MANULIFE FINANCIAL CORP. (CAD) (QUEBEC)	NDK12-NDPEN TRANSITI	10/9/2017	1/23/2004	7/25/2017
MANULIFE FINANCIAL CORP. (CAD) (QUEBEC)	NDSIB INSURANCE TRANSITION	10/9/2017	1/23/2004	7/25/2017
MANULIFE FINANCIAL CORP. (CAD) (QUEBEC)	NDI03-NDINS CAPIT GU	10/9/2017	1/23/2004	7/25/2017
MANULIFE FINANCIAL CORP. (CAD) (QUEBEC)	ND INS INT'L EQ CAP GUARD	10/9/2017	1/23/2004	7/25/2017
OCWEN FINANCIAL CORPORATION		12/8/2017	5/1/2013	3/19/2015
OCWEN FINANCIAL CORPORATION	NDPEN LA CAPITAL	12/8/2017	5/1/2013	3/19/2015
OCWEN FINANCIAL CORPORATION	*NDINS LA CAPITAL ENHANCED -SL	12/8/2017	5/1/2013	3/19/2015
OCWEN FINANCIAL CORPORATION	*NDINS PIMCO RAE SMALL CAP-SL	12/8/2017	5/1/2013	3/19/2015
PETROLEO BRASILEIRO SA (PETROBRAS 2014)		6/9/2018	1/21/2010	10/26/2015
PETROLEO BRASILEIRO SA (PETROBRAS 2014)	NDI03-NDINS CAPIT GU	6/9/2018	1/21/2010	10/26/2015
PETROLEO BRASILEIRO SA (PETROBRAS 2014)	ZZ*ND PEN WELLS CAP FIXED-SL	6/9/2018	1/21/2010	10/26/2015
PETROLEO BRASILEIRO SA (PETROBRAS 2014)	ZZNDLEG BABSON ST	6/9/2018	1/21/2010	10/26/2015
PETROLEO BRASILEIRO SA (PETROBRAS 2014)	ZZNDLEG JP MORGAN ST	6/9/2018	1/21/2010	10/26/2015
PETROLEO BRASILEIRO SA (PETROBRAS 2014)	ZZ*NDINS BABSON CAPITAL MGMT -	6/9/2018	1/21/2010	10/26/2015
TANGOE, INC (2016)		2/22/2018	5/9/2013	6/16/2017
TANGOE, INC (2016)	*NDLEG PIMCO RAE SMALL CAP -SL	2/22/2018	5/9/2013	6/16/2017
TANGOE, INC (2016)	*NDINS PIMCO RAE SMALL CAP-SL	2/22/2018	5/9/2013	6/16/2017
WORLD ACCEPTANCE CORPORATION		1/17/2018	1/29/2013	11/6/2015
WORLD ACCEPTANCE CORPORATION	NDK10-NDPEN LSV	1/17/2018	1/29/2013	11/6/2015
WORLD ACCEPTANCE CORPORATION	*NDLEG PIMCO RAE SMALL CAP -SL	1/17/2018	1/29/2013	11/6/2015
WORLD ACCEPTANCE CORPORATION	*NDINS PIMCO RAE SMALL CAP-SL	1/17/2018	1/29/2013	11/6/2015

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Newly Filed Claims - Period from 7/1/2017 to 6/30/2018

Case Name	Account Name	Claim Deadline	Settlement Fund	Class Period	Total Recognized Loss	Est Pay Date
AKORN, INC.,		04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDINS LA CAPITAL ENHANCED -SL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDINS LA CAPITAL GROWTH -SL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDINS PIMCO RAE SMALL CAP-SL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDLEG PIMCO RAE SMALL CAP -SL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDLEG-LA CAPITAL ENHANCEME-SL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDLEG-LA CAPITAL GROWTH -SL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDPEN L.A. CAPITAL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
	NDPEN LA CAPITAL	04/20/2018	24,000,000	05/05/2014 07/23/2015	\$0.00	07/31/2019
ARIAD PHARMACEUTICALS, INC.,		04/26/2018	3,500,000	12/10/2012 03/13/2013	\$0.00	07/31/2019
	NDINS LA CAPITAL ENHANCED -SL	04/26/2018	3,500,000	12/10/2012 03/13/2013	\$0.00	07/31/2019
	NDINS LA CAPITAL GROWTH -SL	04/26/2018	3,500,000	12/10/2012 03/13/2013	\$0.00	07/31/2019
	NDPEN L.A. CAPITAL	04/26/2018	3,500,000	12/10/2012 03/13/2013	\$0.00	07/31/2019
	NDPEN LA CAPITAL	04/26/2018	3,500,000	12/10/2012 03/13/2013	\$0.00	07/31/2019
AVID TECHNOLOGY, INC.,		04/19/2018	1,325,000	08/03/2016 02/07/2017	\$0.00	07/31/2019
	NDINS PIMCO RAE SMALL CAP-SL	04/19/2018	1,325,000	08/03/2016 02/07/2017	\$0.00	07/31/2019
	NDLEG PIMCO RAE SMALL CAP -SL	04/19/2018	1,325,000	08/03/2016 02/07/2017	\$0.00	07/31/2019
BANCORP, INC.		01/13/2017	17,500,000	01/25/2011 09/25/2015	\$12,919.27	10/27/2018
	NDINS PIMCO RAE SMALL CAP-SL	01/13/2017	\$17,500,000.00	01/25/2011 09/25/2015	\$5,679.61	10/27/2018
	NDLEG PIMCO RAE SMALL CAP -SL	01/13/2017	17,500,000	01/25/2011 09/25/2015	\$12,919.27	10/27/2018
CITIGROUP, INC.,		07/01/2018	75,000,001	02/25/2007 07/17/2008	\$102,999.15	10/31/2019
	NDSIB AGGREGATE	07/01/2018	75,000,001	02/25/2007 07/17/2008	\$102,999.15	10/31/2019
COMSCORE, INC.,		05/29/2018	110,000,000	02/10/2014 02/22/2017	\$0.00	08/31/2019
	NDINS PIMCO RAE SMALL CAP-SL	05/29/2018	110,000,000	02/10/2014 02/22/2017	\$0.00	08/31/2019
	NDLEG PIMCO RAE SMALL CAP -SL	05/29/2018	110,000,000	02/10/2014 02/22/2017	\$0.00	08/31/2019

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Newly Filed Claims - Period from 7/1/2017 to 6/30/2018

Case Name	Account Name	Claim Deadline	Settlement Fund	Class Period		Total Recognized Loss	Est Pay Date
Credit Suisse Bulk Settlement Practice Fair Fund		11/15/2016	101,747,769	01/25/2005	01/24/2008	\$600,000.00	12/31/2018
	ZZND PEN FIXED WESTERN ASS-SL	11/15/2016	101,747,769	01/25/2005	01/24/2008	\$600,000.00	12/31/2018
EZCORP, INC.		05/19/2017	5,900,000	04/19/2012	01/02/2015	\$797.68	12/31/2018
	NDLEG PIMCO RAE SMALL CAP -SL	05/19/2017	5,900,000	04/19/2012	01/02/2015	\$797.68	12/31/2018
HARMAN INTERNATIONAL INDUSTRIES, INC.		09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
	NDINS LA CAPITAL GROWTH -SL	09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
	NDINS LSV LARGE CAP -SL	09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
	NDK10-NDPEN LSV	09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
	NDPEN CALLAN ASSOCIATES-SL	09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
	NDPEN LA CAPITAL	09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
	NDPEN NTGI ENHANCED	09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
	ZZND PEN LSV-SL -	09/08/2017	28,250,000	04/26/2007	12/31/2099	\$0.00	12/31/2018
LIPOCINE INC.,		06/11/2018	4,250,000	06/29/2015	09/26/2016	\$0.00	09/30/2019
	NDPEN CALLAN ASSOCIATES-SL	06/11/2018	4,250,000	06/29/2015	09/26/2016	\$0.00	09/30/2019
OSI SYSTEMS, INC.,		01/15/2016	\$15,000,000.00	01/24/2012	03/07/2014	\$2,193.95	12/26/2018
	NDLEG PIMCO RAE SMALL CAP -SL	01/15/2016	\$15,000,000.00	01/24/2012	03/07/2014	\$2,193.95	12/26/2018
OCWEN FINANCIAL CORPORATION		12/08/2017	56,000,000	05/02/2013	03/19/2015	\$83,537.52	03/31/2019
	NDINS LA CAPITAL ENHANCED -SL	12/08/2017	56,000,000	05/02/2013	03/19/2015	\$31,910.40	03/31/2019
	NDPEN LA CAPITAL	12/08/2017	56,000,000	05/02/2013	03/19/2015	\$51,627.12	03/31/2019
PETROBRAS		06/09/2018	3,000,000,000	01/21/2010	10/26/2015	\$866,127.20	09/30/2019
	NDSIB AGGREGATE	06/09/2018	3,000,000,000	01/21/2010	10/26/2015	\$866,127.20	09/30/2019
PLY GEM HOLDINGS, INC.		06/29/2018	25,950,000	05/28/2010	11/30/2017	\$0.00	09/30/2019
	NDINS PIMCO RAE SMALL CAP-SL	06/29/2018	25,950,000	05/28/2010	11/30/2017	\$0.00	09/30/2019
	NDLEG PIMCO RAE SMALL CAP -SL	06/29/2018	25,950,000	05/28/2010	11/30/2017	\$0.00	09/30/2019

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Newly Filed Claims - Period from 7/1/2017 to 6/30/2018

Case Name	Account Name	Claim Deadline	Settlement Fund	Class Period	Total Recognized Loss	Est Pay Date
TERRAFORM GLOBAL, INC.,		04/13/2018	57,000,000	05/07/2015 12/15/2017	\$0.00	07/31/2019
	NDINS PIMCO RAE SMALL CAP-SL	04/13/2018	57,000,000	05/07/2015 12/15/2017	\$0.00	07/31/2019
	NDLEG PIMCO RAE SMALL CAP -SL	04/13/2018	57,000,000	05/07/2015 12/15/2017	\$0.00	07/31/2019

Northern Trust Previously Filed Claims (Prior to 7/1/2017)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
ADVANCED EMISSIONS SOLUTIONS, INC		2/10/2017	5/11/2011	4/29/2015
ADVANCED EMISSIONS SOLUTIONS, INC	*NDINS PIMCO RAE SMALL CAP-SL	2/10/2017	5/11/2011	4/29/2015
AMGEN INC. (2007)		12/23/2016	4/21/2004	8/8/2007
AMGEN INC. (2007)	NDPEN LA CAPITAL	12/23/2016	4/21/2004	8/8/2007
AMGEN INC. (2007)	NDPEN NTGI ENHANCED	12/23/2016	4/21/2004	8/8/2007
AMGEN INC. (2007)	NDPEN L.A. CAPITAL	12/23/2016	4/21/2004	8/8/2007
AMGEN INC. (2007)	*NDINS LA CAPITAL GROWTH -SL	12/23/2016	4/21/2004	8/8/2007
AMGEN INC. (2007)	*NDINS LA CAPITAL ENHANCED -SL	12/23/2016	4/21/2004	8/8/2007
ASSISTED LIVING CONCEPTS, INC (2012)		2/6/2014	3/3/2011	11/2/2012
ASSISTED LIVING CONCEPTS, INC (2012)	*NDINS PIMCO RAE SMALL CAP-SL	2/6/2014	3/3/2011	11/2/2012
AVON PRODUCTS INC. (2011)		1/19/2016	7/28/2006	1/24/2012
AVON PRODUCTS INC. (2011)	NDPEN NTGI ENHANCED	1/19/2016	7/28/2006	1/24/2012
AVON PRODUCTS INC. (2011)	NDPEN L.A. CAPITAL	1/19/2016	7/28/2006	1/24/2012
AVON PRODUCTS INC. (2011)	*NDINS LA CAPITAL GROWTH -SL	1/19/2016	7/28/2006	1/24/2012
AVON PRODUCTS INC. (2011)	*NDINS LA CAPITAL ENHANCED -SL	1/19/2016	7/28/2006	1/24/2012
BANK OF AMERICA (SEC) A		11/12/2010	12/31/2008	12/31/2008
BANK OF AMERICA (SEC) A	NDPEN LA CAPITAL	11/12/2010	12/31/2008	12/31/2008
BANK OF AMERICA (SEC) A	NDPEN NTGI ENHANCED	11/12/2010	12/31/2008	12/31/2008
BANK OF AMERICA (SEC) A	*NDINS LA CAPITAL ENHANCED -SL	11/12/2010	12/31/2008	12/31/2008
BANK OF AMERICA (SEC) A	ZZ*ND PEN LSV-SL -	11/12/2010	12/31/2008	12/31/2008
BANK OF AMERICA (SEC) A	*NDINS LSV LARGE CAP -SL	11/12/2010	12/31/2008	12/31/2008
BANK OF AMERICA CORP (2011)		11/14/2016	2/26/2009	1/14/2011
BANK OF AMERICA CORP (2011)	NDPEN LA CAPITAL	11/14/2016	2/26/2009	1/14/2011
BANK OF AMERICA CORP (2011)	NDPEN NTGI ENHANCED	11/14/2016	2/26/2009	1/14/2011
BANK OF AMERICA CORP (2011)	*NDINS LA CAPITAL ENHANCED -SL	11/14/2016	2/26/2009	1/14/2011
BANK OF AMERICA CORP (2011)	ZZ*ND PEN LSV-SL -	11/14/2016	2/26/2009	1/14/2011
BANK OF AMERICA CORP (2011)	*NDINS LSV LARGE CAP -SL	11/14/2016	2/26/2009	1/14/2011
BANK OF AMERICA CORP (2011)	ZZ*ND PEN - CALAMOS -SL	11/14/2016	2/26/2009	1/14/2011

Northern Trust Previously Filed Claims (Prior to 7/1/2017)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
CABLETRON SYS INC		12/3/2003	6/27/2000	8/3/2001
CABLETRON SYS INC	ZZND PEN WG TRADING/CLIFTON	12/3/2003	6/27/2000	8/3/2001
CABLETRON SYS INC	NDPEN LA CAPITAL	12/3/2003	6/27/2000	8/3/2001
CABLETRON SYS INC	NDPEN NTGI ENHANCED	12/3/2003	6/27/2000	8/3/2001
CLARENT CORP		7/6/2005	4/26/2000	8/31/2001
CLARENT CORP	ZZNDSIB EQ NICH APPLE SM CAP	7/6/2005	4/26/2000	8/31/2001
CLARENT CORP	ZZND INS SM CAP EQ POOL NICH	7/6/2005	4/26/2000	8/31/2001
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE		12/15/2013	3/11/2004	8/7/2013
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE	NDK08-NDPEN BRANDYWI	12/15/2013	3/11/2004	8/7/2013
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE	NDK15-NDPEN WESTRN F	12/15/2013	3/11/2004	8/7/2013
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE	ZZ*ND PEN FIXED WESTERN ASS-SL	12/15/2013	3/11/2004	8/7/2013
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE	ZZ*NDINS CLIFTON LARGE CAP -	12/15/2013	3/11/2004	8/7/2013
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE	ZZ*ND INS - DECLARATION -SL	12/15/2013	3/11/2004	8/7/2013
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE	ZZV*NDINS CLIFTON SMALL CAP	12/15/2013	3/11/2004	8/7/2013
DOLE FOOD COMPANY, INC. (2013) (DELAWARE		4/11/2016	6/11/2013	11/29/2013
DOLE FOOD COMPANY, INC. (2013) (DELAWARE	*NDINS PIMCO RAE SMALL CAP-SL	4/11/2016	6/11/2013	11/29/2013
DYNEGY INC 2		4/25/2005	12/19/2001	12/20/2001
DYNEGY INC 2	NDPEN LA CAPITAL	4/25/2005	12/19/2001	12/20/2001
EZCORP, INC. (2014)		5/19/2017	4/18/2012	1/2/2015
EZCORP, INC. (2014)	*NDINS PIMCO RAE SMALL CAP-SL	5/19/2017	4/18/2012	1/2/2015

Northern Trust Previously Filed Claims (Prior to 7/1/2017)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
FANNIE MAE		7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	ZZND PEN STATE ST LARGE CAP	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	ZZND PEN WG TRADING/CLIFTON	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	NDPEN LA CAPITAL	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	NDPEN NTGI ENHANCED	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	NDPEN L.A. CAPITAL	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	*NDINS LA CAPITAL GROWTH -SL	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	*NDINS LA CAPITAL ENHANCED -SL	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	ZZNDSIB - INS TRANSITION	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	ZZND PEN ALLIANCE	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	ZZ*ND PEN LSV-SL -	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	ZZND INS ALLIANCE	7/26/2007	1/13/1999	5/23/2006
FANNIE MAE	*NDINS LSV LARGE CAP -SL	7/26/2007	1/13/1999	5/23/2006
GENERAL MOTORS COMPANY		4/27/2016	11/1/2010	7/24/2014
GENERAL MOTORS COMPANY	NDK09-NDPEN LOOMIS SA	4/27/2016	11/1/2010	7/24/2014
GENERAL MOTORS COMPANY	NDK14-NDPEN EPOCH IN	4/27/2016	11/1/2010	7/24/2014
GENERAL MOTORS COMPANY	NDPEN LA CAPITAL	4/27/2016	11/1/2010	7/24/2014
GENERAL MOTORS COMPANY	*NDINS LA CAPITAL GROWTH -SL	4/27/2016	11/1/2010	7/24/2014
GENERAL MOTORS COMPANY	*NDINS LA CAPITAL ENHANCED -SL	4/27/2016	11/1/2010	7/24/2014
HALLIBURTON COMPANY		8/9/2004	5/18/1998	5/28/2002
HALLIBURTON COMPANY	ZZND PEN WG TRADING/CLIFTON	8/9/2004	5/18/1998	5/28/2002
HALLIBURTON COMPANY	NDPEN LA CAPITAL	8/9/2004	5/18/1998	5/28/2002
HALLIBURTON COMPANY	NDPEN NTGI ENHANCED	8/9/2004	5/18/1998	5/28/2002
HALLIBURTON COMPANY	ND PENSION ALPH	8/9/2004	5/18/1998	5/28/2002
HALLIBURTON COMPANY	ZZND PEN ALLIANCE	8/9/2004	5/18/1998	5/28/2002
HALLIBURTON COMPANY	ZZND INS ALLIANCE	8/9/2004	5/18/1998	5/28/2002
HUNTINGTON BANCSHARES INC (SEC)		2/28/2007	1/18/2002	7/3/2003
HUNTINGTON BANCSHARES INC (SEC)	NDPEN LA CAPITAL	2/28/2007	1/18/2002	7/3/2003
INVACARE CORP		12/22/2015	2/26/2009	3/6/2012
INVACARE CORP	*NDINS PIMCO RAE SMALL CAP-SL	12/22/2015	2/26/2009	3/6/2012

Northern Trust Previously Filed Claims (Prior to 7/1/2017)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
LEHMAN BROTHERS HOLDINGS , INC (EQTY/DBT		2/4/2014	1/2/2007	11/14/2013
LEHMAN BROTHERS HOLDINGS , INC (EQTY/DBT	NDI06-NDINS WSTRN FI	2/4/2014	1/2/2007	11/14/2013
LEHMAN BROTHERS HOLDINGS , INC (EQTY/DBT	*NDINS WELLS BBB -SL	2/4/2014	1/2/2007	11/14/2013
LEHMAN BROTHERS HOLDINGS , INC (EQTY/DBT	ZZ*ND PEN WELLS CAP FIXED-SL	2/4/2014	1/2/2007	11/14/2013
LEHMAN BROTHERS HOLDINGS , INC (EQTY/DBT	ZZ*ND INS FIXED WESTERNASSET-S	2/4/2014	1/2/2007	11/14/2013
MERCK & CO.		9/12/2016	5/20/1999	1/28/2005
MERCK & CO.	NDPEN LA CAPITAL	9/12/2016	5/20/1999	1/28/2005
MERCK & CO.	NDPEN NTGI ENHANCED	9/12/2016	5/20/1999	1/28/2005
MERCK & CO.	NDPEN L.A. CAPITAL	9/12/2016	5/20/1999	1/28/2005
MERCK & CO.	*NDINS LA CAPITAL GROWTH -SL	9/12/2016	5/20/1999	1/28/2005
MERCK & CO.	*NDINS LA CAPITAL ENHANCED -SL	9/12/2016	5/20/1999	1/28/2005
MERCK & CO.	ZZ*ND PEN LSV-SL -	9/12/2016	5/20/1999	1/28/2005
MERCK & CO.	*NDINS LSV LARGE CAP -SL	9/12/2016	5/20/1999	1/28/2005
METRIS COMPANIES INC		12/16/2005	11/5/2001	7/17/2002
METRIS COMPANIES INC	NDPEN LA CAPITAL	12/16/2005	11/5/2001	7/17/2002
MF GLOBAL HOLDINGS LTD (IND DEF & PWC)		12/3/2015	5/19/2010	6/30/2015
MF GLOBAL HOLDINGS LTD (IND DEF & PWC)	*NDINS PIMCO RAE SMALL CAP-SL	12/3/2015	5/19/2010	6/30/2015
MF GLOBAL HOLDINGS LTD. (IND. DEF & PWC)	*NDINS PIMCO RAE SMALL CAP-SL	6/7/2016	5/19/2010	6/30/2015
MONEYGRAM INTERNATIONAL			4/11/2011	4/11/2011
MONEYGRAM INTERNATIONAL	*NDINS PIMCO RAE SMALL CAP-SL		4/11/2011	4/11/2011
MONEYGRAM INTL INC DISTRIBUTION OF FUNDS	*NDINS PIMCO RAE SMALL CAP-SL	8/26/2013	4/11/2011	4/11/2011
NON-US-HOLLINGER INTL. INC. (CANADA)		2/15/2010	8/12/1999	3/31/2003
NON-US-HOLLINGER INTL. INC. (CANADA)	NDPEN LA CAPITAL	2/15/2010	8/12/1999	3/31/2003
OSI SYSTEMS INC.		1/15/2016	1/23/2012	3/7/2014
OSI SYSTEMS INC.	*NDINS PIMCO RAE SMALL CAP-SL	1/15/2016	1/23/2012	3/7/2014
PENN WEST PETROLEUM LTD		8/26/2016	2/17/2010	7/29/2014
PENN WEST PETROLEUM LTD	NDK12-NDPEN TRANSITI	8/26/2016	2/17/2010	7/29/2014
PEREGRINE SYSTEMS INC		9/28/2006	7/22/1999	5/3/2002
PEREGRINE SYSTEMS INC	NDPEN LA CAPITAL	9/28/2006	7/22/1999	5/3/2002

Northern Trust Previously Filed Claims (Prior to 7/1/2017)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
PFIZER, INC. (2004)		1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	ZZND PEN STATE ST LARGE CAP	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	NDPEN LA CAPITAL	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	NDPEN NTGI ENHANCED	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	NDPEN L.A. CAPITAL	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	*NDINS LA CAPITAL GROWTH -SL	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	ZZND INS WG TRADING/CLIFTON	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	*NDINS LA CAPITAL ENHANCED -SL	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	ZZNDSIB - INS TRANSITION	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	ZZND PEN ALLIANCE	1/28/2017	10/30/2000	3/16/2005
PFIZER, INC. (2004)	ZZND INS ALLIANCE	1/28/2017	10/30/2000	3/16/2005
PIMCO/CBOTJUNE 2005 10 YR TREAS NT FUTUR		6/7/2011	5/6/2005	6/30/2005
PIMCO/CBOTJUNE 2005 10 YR TREAS NT FUTUR	ZZND PEN WG TRADING/CLIFTON	6/7/2011	5/6/2005	6/30/2005
PIMCO/CBOTJUNE 2005 10 YR TREAS NT FUTUR	NDPEN NTGI ENHANCED	6/7/2011	5/6/2005	6/30/2005
PIMCO/CBOTJUNE 2005 10 YR TREAS NT FUTUR	ZZND INS WG TRADING/CLIFTON	6/7/2011	5/6/2005	6/30/2005
SEPRACOR INC.		10/31/2007	5/14/1999	6/4/2002
SEPRACOR INC.	*ZZND INS CONV BOND TCW-SL	10/31/2007	5/14/1999	6/4/2002
TD BANKNORTH, INC.		6/15/2009	11/17/2006	8/20/2007
TD BANKNORTH, INC.	NDPEN LA CAPITAL	6/15/2009	11/17/2006	8/20/2007
TD BANKNORTH, INC.	NDPEN L.A. CAPITAL	6/15/2009	11/17/2006	8/20/2007
TD BANKNORTH, INC.	*NDINS LA CAPITAL GROWTH -SL	6/15/2009	11/17/2006	8/20/2007
TEXAS GENCO HOLDINGS INC		9/9/2005	7/21/2004	2/4/2005
TEXAS GENCO HOLDINGS INC	*NDINS LA CAPITAL ENHANCED -SL	9/9/2005	7/21/2004	2/4/2005
TEXTRON INC/HARMAN INT'L (SEC FAIR FUND)		6/30/2014	4/8/2009	7/20/2009
TEXTRON INC/HARMAN INT'L (SEC FAIR FUND)	NDPEN NTGI ENHANCED	6/30/2014	4/8/2009	7/20/2009
THE BANCORP INC		1/13/2017	1/25/2011	9/25/2015
THE BANCORP INC	*NDLEG PIMCO RAE SMALL CAP -SL	1/13/2017	1/25/2011	9/25/2015

Northern Trust Previously Filed Claims (Prior to 7/1/2017)

Class Action Name	Claimed Account Name	Claim Deadline	Class Period	
WELLS FARGO MTG. BACKED SEC.		12/7/2011	12/30/2004	1/29/2009
WELLS FARGO MTG. BACKED SEC. (1 OF 4)	NDK08-NDPEN BRANDYWI	12/7/2011	12/30/2004	1/29/2009
WELLS FARGO MTG. BACKED SEC. (1 OF 4)	ZZ*NDINS CLIFTON LARGE CAP -	12/7/2011	12/30/2004	1/29/2009
WELLS FARGO MTG. BACKED SEC. (1 OF 4)	ZZ*ND INS - DECLARATION -SL	12/7/2011	12/30/2004	1/29/2009
WELLS FARGO MTG. BACKED SEC. (1 OF 4)	ZZV*NDINS CLIFTON SMALL CAP	12/7/2011	12/30/2004	1/29/2009
WELLS FARGO MTG. BACKED SEC. (2 OF 4)	NDK08-NDPEN BRANDYWI	12/7/2011	12/30/2004	3/27/2009
WELLS FARGO MTG. BACKED SEC. (2 OF 4)	ZZ*NDINS CLIFTON LARGE CAP -	12/7/2011	12/30/2004	3/27/2009
WELLS FARGO MTG. BACKED SEC. (2 OF 4)	ZZ*ND INS - DECLARATION -SL	12/7/2011	12/30/2004	3/27/2009
WELLS FARGO MTG. BACKED SEC. (2 OF 4)	ZZV*NDINS CLIFTON SMALL CAP	12/7/2011	12/30/2004	3/27/2009
WELLS FARGO MTG. BACKED SEC. (3 OF 4)	NDK08-NDPEN BRANDYWI	12/7/2011	12/30/2004	4/13/2009
WELLS FARGO MTG. BACKED SEC. (3 OF 4)	ZZ*NDINS CLIFTON LARGE CAP -	12/7/2011	12/30/2004	4/13/2009
WELLS FARGO MTG. BACKED SEC. (3 OF 4)	ZZ*ND INS - DECLARATION -SL	12/7/2011	12/30/2004	4/13/2009
WELLS FARGO MTG. BACKED SEC. (3 OF 4)	ZZV*NDINS CLIFTON SMALL CAP	12/7/2011	12/30/2004	4/13/2009
WYETH		5/21/2016	1/11/2008	7/31/2008
WYETH	NDPEN LA CAPITAL	5/21/2016	1/11/2008	7/31/2008
WYETH	NDPEN NTGI ENHANCED	5/21/2016	1/11/2008	7/31/2008
WYETH	NDPEN L.A. CAPITAL	5/21/2016	1/11/2008	7/31/2008
WYETH	*NDINS LA CAPITAL GROWTH -SL	5/21/2016	1/11/2008	7/31/2008
WYETH	*NDINS LA CAPITAL ENHANCED -SL	5/21/2016	1/11/2008	7/31/2008
WYETH	ZZ*ND PEN LSV-SL -	5/21/2016	1/11/2008	7/31/2008
WYETH	*NDINS LSV LARGE CAP -SL	5/21/2016	1/11/2008	7/31/2008

Northern Trust Newly Paid Claims (7/1/2017 to 6/30/2018)

Class Action Name	Account name	Claim Deadline	Class Period	Payment Information				
				Date of Distribution	Gross Paid	Filing Fee	Net Paid	
ADELPHIA COMMUNICATIONS CORP.		10/8/2010	8/13/1999	6/10/2002	11/3/2017	11.07	5.00	6.07
	NDPEN LA CAPITAL	10/8/2010	8/13/1999	6/10/2002	11/3/2017	11.07	5.00	6.07
ANADARKO PETROLEUM CORP		11/8/2014	6/11/2009	6/9/2010	8/24/2017	1,256.31	33.80	1,222.51
	ZZ*ND PEN WELLS CAP FIXED-SL	11/8/2014	6/11/2009	6/9/2010	8/24/2017	16.55	5.00	11.55
	*NDINS WELLS BBB -SL	11/8/2014	6/11/2009	6/9/2010	8/24/2017	49.65	5.00	44.65
	NDK14-NDPEN EPOCH IN	11/8/2014	6/11/2009	6/9/2010	8/24/2017	1,190.11	23.80	1,166.31
APOLLO GROUP, INC. (2004)		5/2/2012	2/26/2004	12/20/2004	10/27/2017	83.57	10.00	73.57
	*NDINS LA CAPITAL GROWTH -SL	5/2/2012	2/26/2004	12/20/2004	10/27/2017	11.22	5.00	6.22
	*NDINS LA CAPITAL ENHANCED -SL	5/2/2012	2/26/2004	12/20/2004	10/27/2017	72.35	5.00	67.35
BANK OF AMER CRP SEC. DERIVATIVE & ERISA		4/25/2013	9/17/2008	4/21/2009	12/11/2017	13,373.28	267.44	13,105.84
	NDPEN LA CAPITAL	4/25/2013	9/17/2008	4/21/2009	12/11/2017	1,542.99	30.85	1,512.14
	NDPEN NTGI ENHANCED	4/25/2013	9/17/2008	4/21/2009	12/11/2017	1,818.24	36.36	1,781.88
	*NDINS LA CAPITAL ENHANCED -SL	4/25/2013	9/17/2008	4/21/2009	12/11/2017	584.70	11.69	573.01
	*NDINS LSV LARGE CAP -SL	4/25/2013	9/17/2008	4/21/2009	12/11/2017	1,239.32	24.78	1,214.54
	ZZ*ND PEN LSV-SL -	4/25/2013	9/17/2008	4/21/2009	12/11/2017	8,188.03	163.76	8,024.27
BANKRATE, INC. (2014) (S.D. FLA.)		1/21/2017	10/27/2011	2/23/2015	3/26/2018	600.27	12.00	588.27
	*NDINS PIMCO RAE SMALL CAP-SL	1/21/2017	10/27/2011	2/23/2015	3/26/2018	600.27	12.00	588.27
BARRETT BUSINESS SERVICES, INC.		3/21/2017	2/11/2013	6/7/2016	6/21/2018	2,025.21	40.49	1,984.72
	*NDLEG PIMCO RAE SMALL CAP -SL	3/21/2017	2/11/2013	6/7/2016	6/21/2018	594.41	11.88	582.53
	*NDINS PIMCO RAE SMALL CAP-SL	3/21/2017	2/11/2013	6/7/2016	6/21/2018	1,430.80	28.61	1,402.19
BIOSCR1P, INC. (2013)		7/12/2016	11/8/2012	2/4/2014	9/20/2017	280.00	5.60	274.40
	*NDINS PIMCO RAE SMALL CAP-SL	7/12/2016	11/8/2012	2/4/2014	9/20/2017	280.00	5.60	274.40
CHINA BIOTICS INC 2010		8/27/2015	7/9/2008	9/29/2011	8/23/2017	63.25	5.00	58.25
	*NDINS PIMCO RAE SMALL CAP-SL	8/27/2015	7/9/2008	9/29/2011	8/23/2017	63.25	5.00	58.25
CITIGROUP INC BONDS		8/21/2013	5/10/2006	3/18/2013	4/24/2018	14,796.57	295.91	14,500.66
	ZZ*ND PEN - CALAMOS -SL	8/21/2013	5/10/2006	3/18/2013	4/24/2018	3,910.73	78.21	3,832.52
	ZZ*ND PEN WELLS CAP FIXED-SL	8/21/2013	5/10/2006	3/18/2013	4/24/2018	1,285.81	25.71	1,260.10
	*NDINS WELLS BBB -SL	8/21/2013	5/10/2006	3/18/2013	4/24/2018	3,545.90	70.91	3,474.99
	NDIO4-NDINS WESTERN	8/21/2013	5/10/2006	3/18/2013	4/24/2018	6,054.13	121.08	5,933.05

Northern Trust Newly Paid Claims (7/1/2017 to 6/30/2018)

Class Action Name	Account name	Claim Deadline	Class Period	Payment Information				
				Date of Distribution	Gross Paid	Filing Fee	Net Paid	
CLIFFS NATURAL RESOURCES (2014)(N.D.OHIO		8/8/2016	3/13/2012	6/24/2013	2/26/2018	2,057.65	44.23	2,013.42
	NDPEN LA CAPITAL	8/8/2016	3/13/2012	6/24/2013	2/26/2018	811.71	16.23	795.48
	NDPEN NTGI ENHANCED	8/8/2016	3/13/2012	6/24/2013	2/26/2018	1,150.17	23.00	1,127.17
	*NDINS LA CAPITAL ENHANCED -SL	8/8/2016	3/13/2012	6/24/2013	2/26/2018	95.77	5.00	90.77
COLONIAL BANCGROUP, INC(UNDERWRITER,PWC)		7/27/2015	4/17/2007	8/6/2009	3/12/2018	1,748.01	41.00	1,707.01
	NDPEN LA CAPITAL	7/27/2015	4/17/2007	8/6/2009	3/12/2018	230.03	5.00	225.03
	*NDINS LA CAPITAL ENHANCED -SL	7/27/2015	4/17/2007	8/6/2009	3/12/2018	109.69	5.00	104.69
	*NDINS LSV LARGE CAP -SL	7/27/2015	4/17/2007	8/6/2009	3/12/2018	108.06	5.00	103.06
	ZZ*ND PEN LSV-SL -	7/27/2015	4/17/2007	8/6/2009	3/12/2018	1,300.23	26.00	1,274.23
CORINTHIAN COLLEGES, INC. (2013)		11/7/2016	8/20/2010	4/14/2015	4/3/2018	589.96	11.79	578.17
	*NDINS PIMCO RAE SMALL CAP-SL	11/7/2016	8/20/2010	4/14/2015	4/3/2018	589.96	11.79	578.17
COUNTRYWIDE FNCL CORP (2010) MBS SETTLE		12/15/2013	3/11/2004	8/7/2013	12/28/2017	23,103.81	353.95	22,749.86
	NDK15-NDPEN WESTRN F	12/15/2013	3/11/2004	8/7/2013	12/28/2017	2,123.39	42.46	2,080.93
	ZZ*ND INS - DECLARATION -SL	12/15/2013	3/11/2004	8/7/2013	12/28/2017	3,074.94	61.49	3,013.45
	NDK08-NDPEN BRANDYWI	12/15/2013	3/11/2004	8/7/2013	12/28/2017	17,905.48	250.00	17,655.48
CRM HOLDINGS, LTD		3/18/2015	12/19/2005	2/3/2009	7/26/2017	48.69	5.00	43.69
	*NDINS PIMCO RAE SMALL CAP-SL	3/18/2015	12/19/2005	2/3/2009	7/26/2017	48.69	5.00	43.69
CROCS, INC		12/26/2013	3/30/2007	7/11/2008	5/25/2018	326.64	15.00	311.64
	NDPEN LA CAPITAL	12/26/2013	3/30/2007	7/11/2008	5/25/2018	236.83	5.00	231.83
	*NDINS LA CAPITAL ENHANCED -SL	12/26/2013	3/30/2007	7/11/2008	5/25/2018	75.68	5.00	70.68
	*NDINS PIMCO RAE SMALL CAP-SL	12/26/2013	3/30/2007	7/11/2008	5/25/2018	14.13	5.00	9.13
DUKE ENERGY CORP		7/13/2015	6/8/2012	10/5/2012	8/23/2017	1,095.14	29.88	1,065.26
	NDPEN LA CAPITAL	7/13/2015	6/8/2012	10/5/2012	8/23/2017	994.25	19.88	974.37
	NDPEN L.A. CAPITAL	7/13/2015	6/8/2012	10/5/2012	8/23/2017	47.84	5.00	42.84
	*NDINS LA CAPITAL GROWTH -SL	7/13/2015	6/8/2012	10/5/2012	8/23/2017	53.05	5.00	48.05

Northern Trust Newly Paid Claims (7/1/2017 to 6/30/2018)

Class Action Name	Account name	Claim			Payment Information			
		Deadline	Class Period		Date of Distribution	Gross Paid	Filing Fee	Net Paid
FANNIE MAE (2008)		4/3/2015	11/7/2006	12/5/2008	11/17/2017	1,832.13	42.41	1,789.72
	NDK15-NDPEN WESTRN F	4/3/2015	11/7/2006	12/5/2008	11/17/2017	102.27	5.00	97.27
	NDPEN NTGI ENHANCED	4/3/2015	11/7/2006	12/5/2008	11/17/2017	121.68	5.00	116.68
	NDI04-NDINS WESTERN	4/3/2015	11/7/2006	12/5/2008	11/17/2017	1,107.09	22.14	1,084.95
	NDI06-NDINS WSTRN FI	4/3/2015	11/7/2006	12/5/2008	11/17/2017	263.88	5.27	258.61
	NDK09-NDPEN LOOMIS SA	4/3/2015	11/7/2006	12/5/2008	11/17/2017	237.21	5.00	232.21
FLOW INTERNATIONAL CORPORATION (WASHINGT		1/18/2017	9/25/2013	2/28/2014	1/8/2018	311.27	6.22	305.05
	*NDINS PIMCO RAE SMALL CAP-SL	1/18/2017	9/25/2013	2/28/2014	1/8/2018	311.27	6.22	305.05
GENWORTH FINANCIAL, INC. (2014) (E.D.VA.		8/22/2016	10/29/2013	2/3/2015	7/18/2017	14,983.98	299.66	14,684.32
	NDPEN NTGI ENHANCED	8/22/2016	10/29/2013	2/3/2015	7/18/2017	1,156.96	23.13	1,133.83
	*NDINS WELLS BBB -SL	8/22/2016	10/29/2013	2/3/2015	7/18/2017	2,457.35	49.14	2,408.21
	*NDINS LSV LARGE CAP -SL	8/22/2016	10/29/2013	2/3/2015	7/18/2017	11,369.67	227.39	11,142.28
GERON CORPORATION (2014)		7/11/2017	12/7/2012	6/9/2014	4/10/2018	284.70	5.69	279.01
	*NDINS PIMCO RAE SMALL CAP-SL	7/11/2017	12/7/2012	6/9/2014	4/10/2018	284.70	5.69	279.01
HEWLETT PACKARD CO (2011)		9/16/2014	11/19/2010	11/16/2011	9/6/2017	200.47	5.00	195.47
	ZZ*ND PEN LSV-SL -	9/16/2014	11/19/2010	11/16/2011	9/6/2017	200.47	5.00	195.47
HP COMPANY (2012) (AUTONOMY ACQUISITION)		10/31/2015	8/18/2011	2/15/2013	10/3/2017	586.26	15.97	570.29
	NDPEN LA CAPITAL	10/31/2015	8/18/2011	2/15/2013	10/3/2017	189.42	5.00	184.42
	*NDINS LA CAPITAL ENHANCED -SL	10/31/2015	8/18/2011	2/15/2013	10/3/2017	98.00	5.00	93.00
	*NDINS LSV LARGE CAP -SL	10/31/2015	8/18/2011	2/15/2013	10/3/2017	298.84	5.97	292.87
J.P. MORGAN ACCEPTANCE CORP I		9/5/2014	1/3/2005	8/7/2014	11/9/2017	49,808.99	250.00	49,558.99
	ZZ*ND INS - DECLARATION -SL	9/5/2014	1/3/2005	8/7/2014	11/9/2017	49,808.99	250.00	49,558.99
JOHNSON & JOHNSON (2010)		12/24/2013	10/13/2008	11/26/2010	9/13/2017	838.13	22.51	815.62
	NDPEN LA CAPITAL	12/24/2013	10/13/2008	11/26/2010	9/13/2017	159.04	5.00	154.04
	NDPEN NTGI ENHANCED	12/24/2013	10/13/2008	11/26/2010	9/13/2017	625.50	12.51	612.99
	*NDINS LA CAPITAL ENHANCED -SL	12/24/2013	10/13/2008	11/26/2010	9/13/2017	53.59	5.00	48.59
JP MORGAN CHASE & CO		6/13/2016	4/12/2012	8/17/2012	3/15/2018	254.74	10.00	244.74
	NDPEN NTGI ENHANCED	6/13/2016	4/12/2012	8/17/2012	3/15/2018	242.42	5.00	237.42
	*NDINS LA CAPITAL ENHANCED -SL	6/13/2016	4/12/2012	8/17/2012	3/15/2018	12.32	5.00	7.32

Northern Trust Newly Paid Claims (7/1/2017 to 6/30/2018)

Class Action Name	Account name	Claim Deadline	Class Period	Payment Information			
				Date of Distribution	Gross Paid	Filing Fee	Net Paid
JPMORGAN CHASE & CO (SEC FAIR FUND)		9/4/2015	4/11/2012 5/18/2012	10/11/2017	33.10	5.00	28.10
	*NDINS LA CAPITAL ENHANCED -SL	9/4/2015	4/11/2012 5/18/2012	10/11/2017	33.10	5.00	28.10
KBR, INC.		8/19/2017	9/10/2013 10/28/2014	1/2/2018	188.78	10.00	178.78
	*NDINS LA CAPITAL GROWTH -SL	8/19/2017	9/10/2013 10/28/2014	1/2/2018	118.06	5.00	113.06
	*NDINS LA CAPITAL ENHANCED -SL	8/19/2017	9/10/2013 10/28/2014	1/2/2018	70.72	5.00	65.72
KLA - TENCOR CORP.		9/25/2008	6/29/2001 1/29/2007	4/19/2018	50.83	10.00	40.83
	ZZND PEN-WELLS CAP	9/25/2008	6/29/2001 1/29/2007	4/19/2018	10.50	5.00	5.50
	NDPEN NTGI ENHANCED	9/25/2008	6/29/2001 1/29/2007	4/19/2018	40.33	5.00	35.33
L-3 COMMUNICATIONS HOLDINGS, INC. (2014)		7/29/2017	1/29/2014 10/28/2014	6/14/2018	16,147.06	277.59	15,869.47
	NDPEN NTGI ENHANCED	7/29/2017	1/29/2014 10/28/2014	6/14/2018	669.00	13.38	655.62
	*NDINS LA CAPITAL ENHANCED -SL	7/29/2017	1/29/2014 10/28/2014	6/14/2018	710.70	14.21	696.49
	*NDINS LSV LARGE CAP -SL	7/29/2017	1/29/2014 10/28/2014	6/14/2018	14,767.36	250.00	14,517.36
MEDTRONIC, INC.		12/11/2012	11/17/2006 2/13/2009	7/7/2017	26.81	5.00	21.81
	NDPEN NTGI ENHANCED	12/11/2012	11/17/2006 2/13/2009	7/7/2017	26.81	5.00	21.81
METLIFE, INC. CEU SECURITIES LITIGATION		4/6/2017	3/2/2011 7/5/2012	2/12/2018	1,578.41	31.56	1,546.85
	ZZ*ND PEN - CALAMOS -SL	4/6/2017	3/2/2011 7/5/2012	2/12/2018	1,578.41	31.56	1,546.85
MODUSLINK GLOBAL SOLUTIONS, INC		3/9/2015	9/25/2007 9/5/2012	12/13/2017	28.95	5.00	23.95
	*NDINS PIMCO RAE SMALL CAP-SL	3/9/2015	9/25/2007 9/5/2012	12/13/2017	28.95	5.00	23.95
OMNIVISION TECHNOLOGIES, INC (2011)		8/30/2015	8/26/2010 2/3/2012	6/6/2018	312.99	6.25	306.74
	*NDINS PIMCO RAE SMALL CAP-SL	8/30/2015	8/26/2010 2/3/2012	6/6/2018	312.99	6.25	306.74
PHYSICIANS FORMULA HOLDINGS, INC		3/13/2017	8/15/2012 12/31/2012	10/17/2017	584.27	11.68	572.59
	*NDINS PIMCO RAE SMALL CAP-SL	3/13/2017	8/15/2012 12/31/2012	10/17/2017	584.27	11.68	572.59
POWERWAVE TECHNOLOGIES		5/2/2016	10/27/2010 1/13/2012	8/31/2017	124.14	5.00	119.14
	*NDINS PIMCO RAE SMALL CAP-SL	5/2/2016	10/27/2010 1/13/2012	8/31/2017	124.14	5.00	119.14
PRIMEDIA, INC		7/21/2015	1/11/2011 7/22/2011	12/8/2017	13.05	5.00	8.05
	*NDINS PIMCO RAE SMALL CAP-SL	7/21/2015	1/11/2011 7/22/2011	12/8/2017	13.05	5.00	8.05

Northern Trust Newly Paid Claims (7/1/2017 to 6/30/2018)

Class Action Name	Account name	Claim			Payment Information			
		Deadline	Class Period		Date of Distribution	Gross Paid	Filing Fee	Net Paid
PROVIDENCE SERVICE CORP SETTLEMENT		5/11/2018	10/31/2017	10/31/2017	6/21/2018	172.93	10.00	162.93
	*NDLEG PIMCO RAE SMALL CAP -SL	5/11/2018	10/31/2017	10/31/2017	6/21/2018	135.73	5.00	130.73
	*NDINS PIMCO RAE SMALL CAP-SL	5/11/2018	10/31/2017	10/31/2017	6/21/2018	37.20	5.00	32.20
PRUDENTIAL FINANCIAL, INC. (2012)		11/2/2016	5/4/2010	1/31/2012	12/27/2017	2,302.41	46.04	2,256.37
	*NDINS LSV LARGE CAP -SL	11/2/2016	5/4/2010	1/31/2012	12/27/2017	1,224.79	24.49	1,200.30
	ZZ*ND PEN LSV-SL -	11/2/2016	5/4/2010	1/31/2012	12/27/2017	1,077.62	21.55	1,056.07
SCHERING-PLOUGH CORP. (2001)		6/18/2009	5/8/2000	5/15/2001	9/22/2017	193.50	20.00	173.50
	ZZND INS ALLIANCE	6/18/2009	5/8/2000	5/15/2001	9/22/2017	20.71	5.00	15.71
	ZZND PEN ALLIANCE	6/18/2009	5/8/2000	5/15/2001	9/22/2017	56.09	5.00	51.09
	NDPEN LA CAPITAL	6/18/2009	5/8/2000	5/15/2001	9/22/2017	59.98	5.00	54.98
	NDPEN NTGI ENHANCED	6/18/2009	5/8/2000	5/15/2001	9/22/2017	56.72	5.00	51.72
SEC V WOLFF DISTR. FUND (HOMESTORE.COM)		6/30/2017	12/31/1999	12/21/2001	7/24/2017	64.75	5.00	59.75
	NDPEN LA CAPITAL	6/30/2017	12/31/1999	12/21/2001	7/24/2017	64.75	5.00	59.75
THE MEDICINES COMPANY		6/13/2016	1/7/2013	5/14/2014	1/2/2018	177.55	5.00	172.55
	*NDINS PIMCO RAE SMALL CAP-SL	6/13/2016	1/7/2013	5/14/2014	1/2/2018	177.55	5.00	172.55
UNITED RENTALS, INC. (SEC)		3/31/2011	2/27/2001	8/30/2004	9/6/2017	172.43	5.00	167.43
	ZZ*ND PEN - SUTTER HY -SL	3/31/2011	2/27/2001	8/30/2004	9/6/2017	172.43	5.00	167.43
VENOCO INC		12/5/2016	5/1/2011	10/31/2012	12/7/2017	668.88	13.37	655.51
	*NDINS PIMCO RAE SMALL CAP-SL	12/5/2016	5/1/2011	10/31/2012	12/7/2017	668.88	13.37	655.51
VERIFONE HOLDINGS, INC		1/29/2014	8/30/2006	6/30/2008	7/26/2017	10,775.83	218.26	10,557.57
	NDPEN LA CAPITAL	1/29/2014	8/30/2006	6/30/2008	7/26/2017	2,233.38	44.66	2,188.72
	NDPEN L.A. CAPITAL	1/29/2014	8/30/2006	6/30/2008	7/26/2017	7,183.41	143.66	7,039.75
	*NDINS LA CAPITAL GROWTH -SL	1/29/2014	8/30/2006	6/30/2008	7/26/2017	929.42	18.58	910.84
	*NDINS LA CAPITAL ENHANCED -SL	1/29/2014	8/30/2006	6/30/2008	7/26/2017	318.35	6.36	311.99
	*NDINS PIMCO RAE SMALL CAP-SL	1/29/2014	8/30/2006	6/30/2008	7/26/2017	111.27	5.00	106.27
VIROPHARMA INC (2012)		9/21/2015	12/13/2011	7/6/2012	7/19/2017	75.42	5.00	70.42
	*NDINS PIMCO RAE SMALL CAP-SL	9/21/2015	12/13/2011	7/6/2012	7/19/2017	75.42	5.00	70.42

Northern Trust Newly Paid Claims (7/1/2017 to 6/30/2018)

Class Action Name	Account name	Claim Deadline	Class Period	Date of Distribution	Payment Information		
					Gross Paid	Filing Fee	Net Paid
WAMU -TIA SETTLEMENT (2012)		4/20/2015	1/3/2000 1/15/2015	11/27/2017	18,052.47	306.54	17,745.93
	ZZ*ND INS - DECLARATION -SL	4/20/2015	1/3/2000 1/15/2015	11/27/2017	15,225.25	250.00	14,975.25
	NDK15-NDPEN WESTRN F	4/20/2015	1/3/2000 1/15/2015	11/27/2017	2,827.22	56.54	2,770.68
WEBSense, INC.		11/10/2016	5/20/2013 7/31/2013	10/24/2017	2,018.31	40.36	1,977.95
	*NDINS PIMCO RAE SMALL CAP-SL	11/10/2016	5/20/2013 7/31/2013	10/24/2017	2,018.31	40.36	1,977.95
WORLDCOM INC		8/30/2004	4/28/1999 8/20/2004	7/12/2017	928.12	50.00	878.12
	ZZ*ND PEN FIXED WESTERN ASS-SL	8/30/2004	4/28/1999 8/20/2004	7/12/2017	29.62	5.00	24.62
	ZZ*ND INS FIXED BK OF ND-SL	8/30/2004	4/28/1999 8/20/2004	7/12/2017	68.83	5.00	63.83
	ZZ*ND PEN WELLS CAP FIXED-SL	8/30/2004	4/28/1999 8/20/2004	7/12/2017	148.73	5.00	143.73
	ZZND PEN STRONG CAP ENHAN	8/30/2004	4/28/1999 8/20/2004	7/12/2017	157.61	5.00	152.61
	NDPEN LA CAPITAL	8/30/2004	4/28/1999 8/20/2004	7/12/2017	91.60	5.00	86.60
	NDPEN NTGI ENHANCED	8/30/2004	4/28/1999 8/20/2004	7/12/2017	108.42	5.00	103.42
	*NDINS WELLS BBB -SL	8/30/2004	4/28/1999 8/20/2004	7/12/2017	136.79	5.00	131.79
	*NDINS LSV LARGE CAP -SL	8/30/2004	4/28/1999 8/20/2004	7/12/2017	17.70	5.00	12.70
	ZZ*ND INS FIXED WESTERNASSET-S	8/30/2004	4/28/1999 8/20/2004	7/12/2017	103.09	5.00	98.09
	ZZ*ND PEN LSV-SL -	8/30/2004	4/28/1999 8/20/2004	7/12/2017	65.73	5.00	60.73
YUKOS OIL COMPANY (DISTRIBUTION FUND)		5/30/2016	7/1/2003 11/28/2007	4/6/2018	1,207.22	26.85	1,180.37
	ND INS INT'L EQ CAP GUARD	5/30/2016	7/1/2003 11/28/2007	4/6/2018	114.25	5.00	109.25
	ND INS INT'L EQ CAP GUARD	5/30/2016	7/1/2003 11/28/2007	8/10/2017	1,092.97	21.85	1,071.12
Total Class Action Proceeds					186,458.31	2,957.05	183,501.26

Status Report for North Dakota State Investment Board

Newly Paid Claims - Period from 7/1/2017 to 6/30/2018

Case Name	Account Name	Claim Deadline	Settlement Fund	Class Period	\$ Recovered	FRT Fees	Net to Client
BANKRATE, INC.,		01/21/2017	\$20,000,000.00	10/27/2011 02/23/2015	600.27	108.05	492.22
	NDLEG PIMCO RAE SMALL CAP -SL	01/21/2017	\$20,000,000.00	10/27/2011 02/23/2015	600.27	108.05	492.22
CITIGROUP, INC.		08/21/2013	\$730,000,000.00	05/11/2006 11/28/2008	440.56	79.30	361.26
	ZZND INS FIXED WESTERNASSET-S	08/21/2013	\$730,000,000.00	05/11/2006 11/28/2008	316.29	56.93	259.36
	ZZND PEN FIXED WESTERN ASS-SL	08/21/2013	\$730,000,000.00	05/11/2006 11/28/2008	124.27	22.37	101.90
MEDICINES COMPANY,		06/13/2016	\$4,250,000.00	01/07/2013 05/14/2014	121.38	21.85	99.53
	NDLEG PIMCO RAE SMALL CAP -SL	06/13/2016	\$4,250,000.00	01/07/2013 05/14/2014	121.38	21.85	99.53
MOLYCORP, INC.		05/18/2017	\$1,250,000.00	02/21/2012 01/13/2014	161.47	29.07	132.40
	NDINS LA CAPITAL ENHANCED -SL	05/18/2017	\$1,250,000.00	02/21/2012 01/13/2014	19.10	3.44	15.66
	NDPEN L.A. CAPITAL	05/18/2017	\$1,250,000.00	02/21/2012 01/13/2014	24.48	4.41	20.07
	NDPEN LA CAPITAL	05/18/2017	\$1,250,000.00	02/21/2012 01/13/2014	84.60	15.23	69.37
	NDPEN NTGI ENHANCED	05/18/2017	\$1,250,000.00	02/21/2012 01/13/2014	33.29	5.99	27.30
PRUDENTIAL FINANCIAL, INC.		11/02/2016	\$33,000,000.00	05/04/2010 01/31/2012	1,224.79	220.46	1,004.33
	NDLEG-LSV LARGE CAP -SL	11/02/2016	\$33,000,000.00	05/04/2010 01/31/2012	1,224.79	220.46	1,004.33
Total Class Action Proceeds					2,548.47	458.73	2,089.74

Status Report for North Dakota State Investment Board

Newly Filed Anti-Trust Claims - Period from 7/1/2017 to 6/30/2018

Case Name	Account Name	Claim Deadline	Settlement Fund	Class Period		Est Pay Date
EUROYEN		02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	ND INS LSV	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	ND PEN-PIMCO UNCONSTRAINED	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDI03-NDINS CAPIT GU	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDINS-WILLIAM BLAIR	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDK02-NDPEN CAPIT GU	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDK08-NDPEN BRANDYWI	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDK10-NDPEN LSV	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDK14-NDPEN EPOCH IN	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDLEG-WILLIAM BLAIR	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDLG01-NDLEG LSV INTL	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDLG02-NDLEG CAPITAL	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDLG03-NDLEG PRUDENTL	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NDPEN-WILLIAM BLAIR	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
	NORTH DAKOTA SIB INSURANCE-	02/20/2018	206,000,000	01/01/2006	06/30/2011	12/31/2019
FX		05/16/2018	2,310,275,000	01/01/2003	12/15/2015	08/31/2019

BOARD ACTION

Second Reading

TO: State Investment Board
FROM: Dave Hunter
DATE: October 19, 2018
SUBJECT: Annual Review of Governance Manual – Cover Memo

In accordance with Section B-7 of the SIB Governance Manual, the Board Planning Cycle should include an “Annual Review of the Governance Manual” in September. In order to facilitate a meaningful review, RIO sent out the current SIB Governance Manual (via email on September 6, 2018) and encouraged board members and RIO staff to review the Governance Manual prior to the September 28 board meeting.

At our last SIB meeting, the Board discussed proposed changes to our Governance Manual which have been **redlined** in the attached revised version which includes language discussed in our prior board meeting (as highlighted in **red**).

At the conclusion of our board review on October 26, 2018, the SIB may make a motion to accept the revised language without further changes (noting this meeting will represent the “second reading”. Alternatively, the Board may motion to recommend additional and/or different changes. If the latter proposed revisions are deemed to be material, Board recommended changes will be brought forward for further discussion and formally approved at our next regularly scheduled board meeting, assuming no additional changes are recommended.

**NORTH DAKOTA
RETIREMENT AND INVESTMENT OFFICE**

**STATE INVESTMENT BOARD
GOVERNANCE MANUAL**

3442 EAST CENTURY AVENUE
P.O. BOX 7100
BISMARCK, ND 58507-7100
TELEPHONE: 701/328-9885

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A. EXECUTIVE LIMITATIONS

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POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: *GENERAL EXECUTIVE CONSTRAINT*

The executive director shall not knowingly cause or allow any practice, activity, decision, or organizational circumstance which is either imprudent or in violation of commonly accepted business and professional ethics, state law, rules, and policies.

1. With respect to treatment of staff, the executive director shall not knowingly cause or allow any condition or any communication which is unfair, undignified, or disrespectful.
2. In relating to the public and other governmental entities, the executive director may not knowingly cause or allow any action which is unfair, undignified, or disrespectful. In addition, the executive director may not allow any communications from the staff which are inaccurate or fail to distinguish between fact and personal opinion.
3. Budgeting for any fiscal year or the remaining part of any fiscal year shall not knowingly deviate materially from board *Ends* priorities, or create fiscal jeopardy, or fail to be derived from the biennial planning calendar.
4. With respect to the actual, ongoing condition of the organization's financial health, the executive director may not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in *Ends* policies.
5. With respect to providing information and counsel to the board, the executive director may not permit the board to be uninformed.
6. The executive director may not allow assets to be unprotected, inadequately maintained, nor unnecessarily risked.
7. Compensation and benefits for staff shall not deviate from applicable state and federal law, including N.D. Administrative Code, Chapter 4-07-02.
8. In order to protect the board from sudden loss of executive services, the executive director may not have fewer than three other executives familiar with board and chief executive issues and processes. The executive director shall not fail to inform the Deputy Executive Director, the Deputy Chief Investment Officer, and the Fiscal and Investment Operations Manager of executive and board issues and processes.
9. The executive director will not allow a conflict of interest in the procurement of goods and services.
10. The executive director will not operate the office without a code of conduct for all RIO Employees. This code of conduct will be a part of the office Administrative Policy Manual.

Policy Implemented: July 23, 1995.

Amended: January 22, 1999; November 19, 1999; September 26, 2014.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: *STAFF RELATIONS*

With respect to treatment of staff, the executive director shall not cause or allow any condition or any communication which is unfair, undignified, or disrespectful.

Accordingly, the executive director may not:

1. Operate without personnel procedures which clarify personnel rules for staff, provide for effective handling of grievances, and protect against wrongful conditions or violate any state or federal law.
2. Fail to provide staff with the opportunity to complete an employment termination questionnaire and an exit interview with the Supervisor of Audit Services.

Policy Implemented: June 23, 1995.

Amended: May 31, 1996; September 26, 2014.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: RELATING TO PUBLIC AND GOVERNMENT

In relating to the public and other governmental entities, the executive director may not cause or allow any action which is unfair, undignified, or disrespectful. In addition, the executive director may not allow any communications from the staff which is inaccurate or fails to distinguish between fact and personal opinion.

Policy Implemented: June 23, 1995.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: *BUDGETING*

Budgeting for any fiscal year or the remaining part of any fiscal year shall not deviate materially from board *Ends* priorities, or create fiscal jeopardy.

Accordingly, the executive director may not cause or allow budgeting which:

1. Contains too little information to enable credible projection of expenses, cash flow, and disclosure of planning assumptions.
2. Plans the expenditure in any fiscal year of more funds than are authorized by legislative appropriation.
3. Reduces the level of service, or anticipates a reduction in the level of service, of any Retirement and Investment Office program without the prior approval of the State Investment Board.

Policy Implemented: June 23, 1995.

Amended: November 2, 1997; June 26, 1998.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: FINANCIAL CONDITION

With respect to the actual, ongoing condition of the organization's financial health, the executive director may not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in *Ends* policies.

Accordingly, the executive director may not:

1. Make any expenditure that exceeds the appropriation authority authorized by the North Dakota legislature.
2. Create policies for payment of administrative obligations that are in conflict with the policies of the Office of Management and Budget.
3. Initiate a transfer of appropriation authority between budget line items without board and Emergency Commission approval.
4. Allow appropriation expenditures to be made unless reported on PeopleSoft.

Policy Implemented: June 23, 1995.

Amended: September 26, 2014.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: COMMUNICATION AND COUNSEL TO THE BOARD

With respect to providing information and counsel to the board, the executive director may not permit the board to be uninformed.

Accordingly, the executive director may not:

1. Neglect to submit monitoring data required by the board (see policy on Monitoring Executive Performance) in a timely, accurate, and understandable fashion, directly addressing provisions of the board policies being monitored.
2. Let the board be unaware of relevant trends, anticipated adverse media coverage, material external and internal changes, and particularly changes in the assumptions upon which any board policy has previously been established.
3. Fail to advise the board if, in the executive director's opinion, the board is not in compliance with its own policies on *Governance Process* and *Board-Staff Relationship*, particularly in the case of board behavior which is detrimental to the work relationship between the board and the executive director.
4. Fail to marshal for the board as many staff and external points of view, issues, and options as needed for fully informed board choices.
5. Present information in unnecessarily complex or lengthy form.
6. Fail to provide a mechanism for official board, officer, or committee communications.
7. Fail to deal with the board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the board.
8. Fail to report in a timely manner an actual or anticipated noncompliance with any policy of the board, particularly *Ends* and *Executive Limitations*.
9. Fail to inform the board in a timely manner of any intention to hire or dismiss the Deputy Executive Director, the Deputy Chief Investment Officer, or the Fiscal and Investment Operations Manager.
10. Fail to keep the board informed concerning the delegation of fiduciary authority to any staff member. Every person to whom such fiduciary responsibility is delegated is ultimately accountable to the board as to the exercise and execution of the delegated authority.

Policy Implemented: June 23, 1995; November 19, 1999.

Amended: September 26, 2014.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: ASSET PROTECTION

The executive director may not allow assets to be unprotected, inadequately maintained, nor unnecessarily risked.

Accordingly, the executive director may not:

1. Fail to insure against theft and casualty losses to at least 80 percent replacement value and against liability losses to board members, staff, or the organization itself in an amount greater than the average for comparable organizations.
2. Allow non-bonded personnel access to funds.
3. Subject plant and equipment to improper wear and tear or insufficient maintenance.
4. Unnecessarily expose the organization, its board, or staff to claims of liability.
5. Fail to protect intellectual property, information, and files from loss or significant damage.
6. Receive, process, or disburse funds under controls which are insufficient to meet the state auditor's standards.
7. Invest or hold operating capital in a manner that is inconsistent with state law or board policy.
8. Acquire, encumber, or dispose of real property.
9. Endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.
10. Deviate from the investment process set by the State Investment Board (SIB) as contained in the board's policy on investments.

Policy Implemented: June 23, 1995.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: COMPENSATION AND BENEFITS

Compensation and benefits for staff shall not deviate from applicable state and federal law, including N.D. Administrative Code, Chapter 4-07-02.

Accordingly, the executive director may not:

1. Change the compensation and benefits of any program officer reporting directly to the SIB.
2. Promise or imply permanent or guaranteed employment.

Policy Implemented: June 23, 1995.

Amended: January 22, 1999; November 19, 1999.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: CONFLICT OF INTEREST

Conflicts of interest and the appearance of impropriety shall be avoided by the executive director. The executive director must not allow family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. The executive director must refrain from financial and business dealings that tend to reflect adversely on their duties. If a conflict of interest unavoidably arises, the executive director shall immediately disclose the conflict to the SIB. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the executive director has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction for which the executive director has acquired information unavailable to the general public, through their position.

"Conflict of Interest" means a situation in which a board member or staff member has a direct and substantial personal or financial interest in a matter which also involves the member's fiduciary responsibility.

The executive director will be required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise (See Exhibit A-I).

Policy Implemented: June 23, 1995.

Amended: January 22, 1999; February 25, 2011.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: CODE OF CONDUCT

The executive director will not operate the office without a code of conduct for all RIO employees. This code of conduct shall be a part of the office Administrative Policy Manual.

Policy Implemented: June 27, 1997.

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: UNRELATED BUSINESS INTERESTS

In the pursuit of personal business interests, the Executive Director will not allow a situation to exist that presents a conflict of interest to the SIB investment program, nor shall such activity be in violation of RIO Administrative Policy, Use of Office Facilities and Equipment.

Policy Implemented: August 18, 2000

Memorandum

To: RIO Executive Director/CIO

From: RIO Compliance Officer

Date: July 1, 20--

RE: Annual Affirmation of Conflict of Interest Policy

Executive Limitations Policy A-9, *Conflict of Interest*, which is attached to this memorandum, details the conflict of interest policy for the executive director. This policy also indicates that the executive director is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

“I have read and understand SIB Executive Limitations Policy A-9, *Conflict of Interest*. I have disclosed any conflicts of interest as required by this policy.”

Name (printed) _____

Signature_____

Date_____

Detail of any conflicts of interest (if any):

B. GOVERNANCE PROCESS

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EXHIBITS

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POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: GOVERNANCE COMMITMENT

The board, on behalf of benefit recipients and the other clients, who have entrusted their funds to us, will:

- Lead the North Dakota Retirement and Investment Office (RIO) with a strategic perspective.
- Rigorously attend to its investment and oversight role.
- Continually improve its capability as a body to define values and vision.

Policy Implemented: June 23, 1995.

The board will strive to govern with an emphasis on:

- Outward vision rather than an internal preoccupation.
- Encouragement of diversity in viewpoints.
- Strategic leadership more than administrative detail.
- Clear distinction of board and executive director roles.
- Collective rather than individual decisions.
- Future rather than past or present.
- Proactivity rather than reactivity.

The board will:

1. Cultivate a sense of group responsibility. The board, not the staff, will be responsible for excellence in governing. The board will strive to be an initiator of policy, not merely a reactor to staff initiatives. The board will strive to use the expertise of individual members to enhance the ability of the board as a body, rather than to substitute the individual judgments for the board's values.
2. Direct, control, and inspire the organization through the careful establishment of the broadest written policies reflecting the board's values and perspectives. The board's major focus will be on the intended long-term impacts outside the operating organization (*Ends*), not on the administrative or programmatic means of attaining those effects.
3. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policy-making principles, respect of roles, and ensuring the continuity of governance capability.
4. After speaking with one voice, self-police any tendency to stray from adopted board governance policies. The board will not allow any officer, member, or committee of the board to hinder or be an excuse for not fulfilling its commitments. The board respects the right of any member, as an individual, to publicly disagree with an adopted board policy. Board members will accurately portray board policies and decisions.
5. Promote continual board development through orientation and mentoring of new members in the board's governance process and through periodic board discussion of process improvement. The board shall not delegate new member governance orientation to the executive director or any staff member.

- A. A board mentor, who is knowledgeable and who will assume responsibility for assisting the new members understand their fiduciary duty and role, will be assigned by the chairperson.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: GOVERNING STYLE

- B. The new board member should read and study Chapter 21-10, North Dakota Century Code (Section J of the SIB Policy Governance Manual which governs the activities of the boards represented on the SIB: Teachers' Fund for Retirement Board, Public Employees Retirement Systems Board, and the State Investment Board).
- C. The board should receive a glossary of terms used by the retirement and pension fund industry; i.e. Callan Associates Inc. - Glossary of Terms.
- D. Newly appointed or elected board members should become familiar with the Carver Model of Governance, since the SIB directs its activities by this model. They should read Boards That Make a Difference and study the policy manuals that have been developed by the SIB and TFFR Board.

- E. The board members must understand their roles as trustees and fiduciaries, the Prudent Investor Rule, and Procedural Prudence.

A "new trustee book bag" containing the Retirement and Investment Office's Comprehensive Annual Financial Report (CAFR) and reference materials relating to board governance, fiduciary conduct, and investment management concepts and terminology and other appropriate materials will be made available to new trustees.

- F. The executive director will provide the SIB with a list of periodicals available which would provide current information on pension issues. The board members will review and request subscriptions to appropriate periodicals.

- 6. Monitor and regularly discuss the board's process and performance. Self-monitoring will include comparison of board activity and discipline to policies in the *Governance Process* and *Board-Staff Relationship* categories.

- 7. Observe Robert's Rules except where the board has superseded them.

Policy Implemented: June 23, 1995.

Amended: June 28, 1996; November 19, 1999, January 26, 2001, February 27, 2015, October 26, 2018.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD JOB DESCRIPTION

The function of the board is to make certain contributions that lead RIO toward the desired performance and ensure that it occurs. The board's specific contributions are unique to its trusteeship role and necessary for proper governance and management.

Consequently, the "products" or contributions of the board shall be:

1. The link between the SIB, its investment clients, and benefit recipients.
2. Written governing policies that, at the broadest levels, address:
 - A. *Ends*: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth (what good for which needs at what cost).
 - B. *Executive Limitations*: Constraints on executive authority which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
 - C. *Governance Process*: Specification of how the board conceives, carries out, and monitors its own task.
 - D. *Board-Executive Director Relationship*: How authority is delegated and its proper use monitored: the executive director's role, authority, and accountability.
3. The assurance of executive director performance against above policies 2a and 2b.
4. Legislation necessary to achieve the board's *Ends*.

Policy Implemented: June 23, 1995.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *CHAIRPERSON'S ROLE*

The chairperson's primary responsibility is to insure the integrity of the board's process. The chairperson is the only board member authorized to speak for the board other than in specifically authorized instances.

1. The duty of the chairperson is to see that the board operates consistent with state law, administrative rules, and its own policies.
 - A. The board agenda will be the responsibility and be coordinated by the chairperson.
 - B. Meeting discussion content will only be those issues which, according to board policy, clearly belong to the board and not the executive director, or in a board member's opinion, may deal with fiduciary responsibilities.
 - C. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly, and brief.
 - D. The chairperson shall appoint a parliamentarian.

2. The authority of the chairperson consists in making decisions that fall within the topics covered by board policies on *Governance Process* and *Board-Executive Director Relationship*, except where the board specifically delegates portions of this authority to others. The chairperson is authorized to use any reasonable interpretation of the provisions in these policies.
 - A. The chairperson is empowered to chair board meetings with all the commonly accepted authority of that position (e.g., ruling, recognizing).
 - B. The chairperson has no authority to make decisions about policies created by the board within *Ends* and *Executive Limitations* policy areas. Therefore, the chairperson has no authority to supervise or direct the executive director.
 - C. The chairperson may represent the board to outside parties in announcing board-stated positions and in stating chairperson decisions and interpretations within the area delegated to the chairperson.
 - D. The chairperson is authorized, in consultation with the RIO Executive Director, to grant approval for international travel by SIB members and to keep the board informed on travel requests.
 - E. The chairperson is authorized, in consultation with the RIO Executive Director, to grant approval for domestic due diligence visits by SIB members and it shall be the responsibility of the traveling board member to report to the SIB on the results of the due diligence visits.

Policy Implemented: June 23, 1995.

Amended: August 17, 2001, September 25, 2009.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD COMMITTEE PRINCIPLES*

Unless specifically provided by governance policy, board committees will be assigned so as to minimally interfere with the wholeness of the board's job and so as never to interfere with delegation from board to executive director. Board committees will be used sparingly.

1. Board committees are to help the board do its job, not to help the staff do its job. Committees ordinarily will assist the board by preparing policy alternatives and implications for board deliberation. Board committees are created to advise the board, not the staff.
2. Board committees may not speak or act for the board except when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the executive director.
3. Board committees cannot exercise authority over staff however committees will make requests of staff through the executive director unless staff is assigned to the committee. Because the executive director works for the full board, he or she will not be required to obtain approval of a board committee before an executive action. In keeping with the board's broader focus, board committees will normally not have direct dealings with current staff operations.
4. Board committees are to avoid over-identification with the committee's assignment. Therefore, a board committee which has helped the board create policy will not be used to monitor organizational performance on that policy.
5. This policy applies only to committees which are formed by board action, whether or not the committees include non-board members. It does not apply to committees formed under the authority of the executive director.
6. The chairperson will appoint board committees authorized by the board. The operational life span of a board committee will be defined at the time of appointment.

Policy Implemented: June 23, 1995.

Amended: November 22, 1996, February 27, 2015

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: STANDING COMMITTEES

The board's standing committee is that which is set forth in this policy as follows:

1. Audit Committee
2. Securities Litigation Committee

- A. The audit committee and securities litigation committee shall operate under the terms of a charter approved by the board.

INTRODUCTION – Audit Committee

An Audit Committee has been established as a standing committee of the State Investment Board (SIB). The Audit Committee will assist the SIB in carrying out its oversight responsibilities as they relate to the Retirement and Investment Office (RIO) internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations, and ethics.

The primary objective of the internal audit function is to assist the SIB and management in the effective discharge of their responsibilities. To this end, internal auditing will furnish them with analyses, appraisals, recommendations, and pertinent information concerning the activities reviewed.

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

POLICY OF THE STATE INVESTMENT BOARD – Audit Committee

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

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

The RIO unit supervisors are responsible for seeing that corrective action on reported weaknesses is either planned or taken within 30 days from the receipt of a report disclosing those weaknesses if known or applicable. The unit supervisors are also responsible for seeing that a written report of action planned or completed is sent to the executive director. If a plan for action is reported, a second report shall be made promptly upon completion of the plan.

INTRODUCTION – Securities Litigation Committee

A Securities Litigation Committee (SLC) has been established as a standing committee of the State Investment Board (SIB). The SLC will assist the SIB in fulfilling its fiduciary oversight responsibilities of monitoring the investment assets entrusted to it by the various statutory and contracted funds, and to serve as a communications link for the SIB, RIO's management and staff, third party securities litigation firms, and others.

The SLC will determine when an active role should be pursued in regards to securities litigation affecting investments within the SIB's portfolios based on the SIB approved Securities Litigation Policy and approved SIB Securities Litigation Committee Charter.

POLICY OF THE STATE INVESTMENT BOARD – Securities Litigation Committee

The SLC is authorized to:

- Draft policy (to be formally approved by SIB) regarding dollar and/or risk thresholds for determining when to opt-out of class actions and/or seek direct litigation or lead plaintiff status;
- Based on SIB approved policy make decisions on the level of participation the SIB will take in direct litigation, opt-in or group litigation, anti-trust and other class actions; and
- Approve the selection of special assistant attorneys (in conjunction with the approval of the Office of the Attorney General) in cases of direct litigation.

RIO's management is responsible for ongoing monitoring of securities litigation and claims filing. RIO management and staff will enable the SLC to provide a periodic update to the SIB on the SLC's activities and related recommendations.

The SLC has the responsibility to provide oversight in the areas of:

- policy development;
- determination on direct litigation and/or lead plaintiff status; and
- approval of special assistant attorneys (outside counsel) with concurrence of the Attorney General.

Policy Implemented: June 23, 1995.

Policy Amended: April 27, 2018.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: ANNUAL BOARD PLANNING CYCLE

To accomplish its job outputs with a governance style consistent with board policies, the board will strive to follow a biennial agenda which (a) completes a re-exploration of *Ends* policies annually and (b) continually improves its performance through attention to board education and to enriched input and deliberation.

1. A biennial calendar will be developed.
2. The cycle will conclude each year on the last day of June in order that administrative budgeting can be based on accomplishing a one-year segment of the most recent board long-range vision.
 - A. In the first three months of the new cycle, the board will strive to develop its agenda for the ensuing one-year period.
 - B. Scheduled monitoring will be used to evaluate and adjust the annual agenda as needed.
3. Education, input, and deliberation will receive paramount attention in structuring the series of meetings and other board activities during the year.
 - A. To the extent feasible, the board will strive to identify those areas of education and input needed to increase the level of wisdom and forethought it can give to subsequent choices.
 - B. A board education plan will be developed during July and August of each year.
4. The sequence derived from this process for the board planning year ending June 30 is as follows:
 - A. July: Election of officers, appoints audit committee, plan annual agenda, begin to develop board education plan, and new board member orientation.
 - B. August: Investment Director review of investment results, establish investment work plan, add investment education to education plan, and continue new board member orientation.
 - C. September: Annual Review of Governance Manual.
 - D. October: Annual meeting for evaluation of RIO vs. *Ends* policies and annual board evaluation.
 - E. November: Investment Director report on investment work plan.
 - F. January: During second year of the biennium, begin to develop *Ends* policies for the coming biennium for budget purposes.
 - G. February: Investment Director report on investment work plan.
Evaluation of Executive Director.
 - H. March: During first year of biennium, set budget guidelines for budget development.
 - I. May: Investment Director report on investment work plan.

Policy Implemented: June 23, 1995; November 19, 1999.

Amended: September 26, 2014, February 27, 2015.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

The following will be the Code of Ethical Responsibility for the SIB:

1. SIB members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the SIB members and to strive to avoid not only professional impropriety but also the appearance of impropriety.
2. SIB members should perform the duties of their offices impartially and diligently. SIB members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and regulations and to refrain from any form of dishonest or unethical conduct. Board members should be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by SIB members. Board members must not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members must refrain from financial and business dealings that tend to reflect adversely on their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the SIB. A board member must abstain in those situations where the board member is faced with taking some official action regarding property or a contract in which the board member has a personal interest. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction involving for which the board member has acquired information unavailable to the general public, through participation on the board.

“Conflict of Interest” means a situation in which a board member or staff member has a direct and substantial personal or financial interest in a matter with also involves the member’s fiduciary responsibility.

4. The board should not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
5. Board members must abide by North Dakota Century code 21-10-09, which reads: “No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a Class A misdemeanor.”
6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.
7. All activities and transactions performed on behalf of public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *BOARD MEMBERS' CODE OF CONDUCT*

8. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.
9. Violation of these rules may result in an official reprimand from the SIB. No reprimand may be issued until the board member or employee has had the opportunity to be heard by the board.
10. Board Members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise (See Exhibit B-I).

Policy Implemented: June 23, 1995.

Amended: January 22, 1999, February 25, 2011, January 27, 2012, February 27, 2015.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: ADMINISTRATION OF FIDUCIARY AUTHORITY

The board is responsible for:

1. Proper exercise of fiduciary investment authority by RIO.
2. The determination of policies.
3. The investment and disposition of property held in a fiduciary capacity.
4. The direction and review of the actions of all officers, employees, and committees in the exercise of the board's delegated fiduciary authority.

Policy Implemented: June 23, 1995.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: *POLICY INTRODUCTION/AMENDMENT/PASSAGE*

New policies or policy amendments may be proposed by the Executive Director or a Board member. All new policies or amendments may be submitted to the Board's Legal Counsel for drafting in the approved style.

Upon request of the Executive Director or a Board member a new policy or amendment shall be placed on the Board's agenda for action as follows:

1. Introduction and first reading. A brief explanation or summary of the new policy or amendment shall be presented to the Board. Upon approval of introduction and first reading, the measure shall be placed on the agenda of the next scheduled meeting of the Board for second reading and adoption. When appropriate, the measure shall be distributed to interested parties.
2. *Second reading and adoption. Interested parties and the public shall be allowed an opportunity to comment on the policy or amendment before final action by the Board. The measure shall take effect immediately following second reading and adoption by the Board, unless a different effective date is stated.*
3. Amendments. Amendments may be proposed at any time before final adoption of the measure. Upon determination by the Board that adoption of an amendment constitutes a substantive change that significantly changes the meaning or effect of the measure, the Board shall continue consideration of second reading and adoption to the next meeting to permit further review and comment.

Emergency measures. The Board may, upon determination that an emergency or other circumstances calling for expeditious action exists, waive the requirement of a second reading and immediately approve the new policy or amendment following introduction and first reading.

Policy Implemented: February 27, 2009

Policy Revised: November 18, 2016

Memorandum

To: State Investment Board

From: RIO Compliance Officer

Date: July 1, 20--

RE: Annual Affirmation of Code of Conduct Policy

Governance Process Policy B-8, *Board Members' Code of Conduct*, which is attached to this memorandum, details the Code of Ethical Responsibility for the SIB. Item #10 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand SIB Governance Process Policy B-8 *Board Members' Code of Conduct*. I have disclosed any conflicts of interest as required by this policy."

Name (printed) _____

Signature_____

Date_____

Detail of any conflicts of interest (if any):

C. BOARD-STAFF RELATIONSHIP

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Delegation to the Executive Director	C-2
Executive Director Job Description.....	C-3
Monitoring Executive Performance.....	C-4

POLICY TYPE: BOARD-STAFF RELATIONSHIP

POLICY TITLE: CHIEF EXECUTIVE ROLE

The executive director, as chief executive officer, is accountable to the board acting as a body. The board will instruct the executive director through these written policies, delegating to the executive director the implementation and administration of these policies.

Policy Implemented: June 23, 1995.

POLICY TYPE: BOARD-STAFF RELATIONSHIP

POLICY TITLE: DELEGATION TO THE EXECUTIVE DIRECTOR

All board authority delegated to staff is delegated through the executive director.

1. The board authority will direct the executive director to achieve specified results, for specified recipients, at a specified cost through the establishment of *Ends* policies. The board will limit the latitude the Executive Director may exercise in practices, methods, conduct, and other “means” to the *Ends* through establishment of *Executive Limitations* policies.
2. The Executive Director must use reasonable judgment in the implementation or administration of the board’s *Ends* and *Executive Limitations* policies; the executive director is authorized to establish practices, and develop activities.
3. The board may change its *Ends* and *Executive Limitations* policies. By so doing, the board changes the latitude of choice given to the Executive Director. If any particular delegation is in place, the board and its members will respect and support the Executive Director’s choices, provided that the Executive Director’s choice is consistent with the board’s fiduciary responsibility.
4. Only decisions of the board acting as the body are binding upon the Executive Director.
 - a. Decisions or instructions of individual board members, officers, or committees are not binding on the Executive Director except in rare instances when the board has specifically authorized such exercise of authority.
 - b. In the case of board members or committees requesting information, other than a public record, or assistance without board authorization, the Executive Director may refuse such requests that require a material amount of staff time or funds or is disruptive.
5. The Executive Director will be responsible for the hiring, termination, and annual evaluation of all employees of the Retirement and Investment Office.

Policy Implemented: June 23, 1995.

Amended: November 22, 1996; November 19, 1999.

POLICY TYPE: BOARD-STAFF RELATIONSHIP

POLICY TITLE: EXECUTIVE DIRECTOR JOB DESCRIPTION

As the board's single official link to the operating organization, the executive director's performance will be considered to be synonymous with the RIO's total performance.

Consequently, the executive director's job contributions can be stated as performance in the following areas:

1. Organizational accomplishment of the provisions of board policies on *Ends*.
2. Organizational operation within the boundaries of prudence and ethics established in board policies on *Executive Limitations*.
3. Maintain accurate records of the proceedings of the SIB and TFFR Board.

Policy Implemented: June 23, 1995.

POLICY TYPE: BOARD-STAFF RELATIONSHIP

POLICY TITLE: MONITORING EXECUTIVE PERFORMANCE

Monitoring executive performance is synonymous with monitoring organizational performance against board policies on *Ends* and on *Executive Limitations*. Any evaluation of the executive director's performance, formal or informal, may be derived only from these monitoring data.

1. The purpose of monitoring is simply to determine the degree to which board policies are being fulfilled. Information which does not do this will not be considered to be monitoring. Only a minimum amount of board time as necessary will be devoted toward monitoring so that meetings can best be used to create the future rather than to review the past.
2. A given policy may be monitored in one or more of three ways:
 - A. Internal report: Disclosure of compliance information to the board from the executive director.
 - B. External report: Discovery of compliance information by a disinterested, external auditor, inspector or judge who is selected by and reports directly to the board. Such reports must assess executive performance only against policies of the board, not those of the external party unless the board has previously indicated that party's opinion to be the standard.
 - C. Direct board inspection: Discovery of compliance information by a board member, a committee, or the board as a whole. This is a board inspection of documents, activities, or circumstances directed by the board which allows a "prudent person" test of policy compliance.
3. The board will monitor each *Ends* and *Executive Limitations* policy according to the following frequency and method:

Quarterly internal reports for policies:

- A-2 Staff Relations
- A-4 Budgeting
- A-5 Financial Condition
- D-3 Investment Services
- D-4 Investment Performance

Annual external reports for policies:

- A-2 Staff Relations
- A-4 Budgeting
- A-7 Asset Protection
- D-3 Investment Services
- D-4 Investment Performance

POLICY TYPE: BOARD-STAFF RELATIONSHIP

POLICY TITLE: MONITORING EXECUTIVE PERFORMANCE

Annual internal reports for policies:

- A-1 General Executive Constraint
- A-3 Relating to Public and Government
- A-8 Compensation and Benefits
- A-9 Conflict of Interest

4. The Executive Director will submit required monitoring reports at regular meetings of the board. The board will act on those reports by voting on one of the following motions:
 - A. A motion to accept the report.
 - B. A motion to conditionally accept the report, with a statement of the revisions or additional information that is necessary for the report to be accepted without condition.

The internal audit staff will be responsible for preparing an annual summary of the board's action concerning required reports submitted by the Executive Director, and the summary will be made available as a part of the formal evaluation of the Executive Director.

5. Each March the board will conduct a formal evaluation of the executive director/investment officer. This evaluation will be based on accomplishments of *Ends* and *Compliance with Executive Limitations*.
6. At the February board meeting, the chairperson will appoint a three-member committee to review the board's evaluation and make a recommendation to the full board concerning salary for the executive director/investment officer.

In making its recommendation, the committee will consider job performance as evidenced by the annual summary of the periodic monitoring reports, the Retirement and Investment Office budget status, the annual Public Pension System's Compensation Survey, the annual National Association of State Investment Officer's survey, the legislature's approved salary increases for state employees, the North Dakota market compensation for comparable positions, and other data or information considered relevant by the committee.

The committee's recommendation will be placed on the May board meeting agenda for possible action by the board. Final action by the board will be accomplished no later than the June board meeting.

Policy Implemented: June 23, 1995

Amended: November 21, 1997; June 25, 1999; November 19, 1999; January 28, 2000; February 25, 2000; February 23, 2001; September 26, 2014.

D. ENDS

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EXHIBITS

<i>Organizational Beneficiaries.....</i>	<i>D-I</i>
<i>Monitoring Summary.....</i>	<i>D-II</i>

The Retirement and Investment Office exists in order that:

- SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost effective manner and under the Prudent Investor Rule.
- Potential SIB clients have access to information regarding the investment services provided by the SIB .
- TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner.
- TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

Policy Implemented: October 27, 1995.

Amended: January 27, 2012.

POLICY TYPE: ENDS

POLICY TITLE: ORGANIZATIONAL BENEFICIARIES

RIO beneficiaries (clients) are those which are statutorily defined and those which have contracted for services under statutory authority. Exhibit D-I lists the organizational beneficiaries.

Policy Implemented: October 27, 1995.

The Retirement and Investment Office exists in order that:

1. SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost-effective manner and under the Prudent Investor Rule.
 - A. This “End” will be evaluated based on the following:
 1. Comparison of client fund’s rate of return NET of fees and expenses, to that of the client’s policy benchmark over a minimum evaluation period of 5 years.
 2. Comparison of the client fund’s risk, measured by standard deviation of NET returns, to that of the client’s policy benchmark over a minimum evaluation period of 5 years.
 3. Comparison of the risk adjusted performance of the client fund, NET of fees and expenses, to that of the client’s policy benchmark over a minimum evaluation period of 5 years.

Policy Implemented: October 27, 1995.

Amended: November 22, 1996, January 27, 2012.

POLICY TYPE: ENDS

POLICY TITLE: INFORMATION ON AVAILABLE SERVICES

The Retirement and Investment Office exists in order that:

1. Potential SIB clients have access to information regarding the investment services provided by the SIB.

Policy Implemented: October 27, 1995.

POLICY TYPE: ENDS

POLICY TITLE: RETIREMENT SERVICES

The Retirement and Investment Office exists in order that:

1. TFFR benefit recipients receive their retirement benefits in a cost-effective and timely manner.
 - A. Retirement program performance quality will be measured against the *Ends* and retirement policies and administrative rules adopted by the Teachers' Fund for Retirement Board.

Policy Implemented: October 27, 1995.

POLICY TYPE: ENDS

POLICY TITLE: *INFORMATION ON RETIREMENT SERVICES*

The Retirement and Investment Office exists in order that:

1. TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.

Policy Implemented: October 27, 1995.

POLICY TYPE: ENDS

POLICY TITLE: CUSTOMER SATISFACTION

The Retirement and Investment Office exists in order that:

1. SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.
 - A. The quality of services will be assured by direct board contact and by surveying clients and beneficiaries at least annually and promptly addressing identified client/beneficiary concerns.

Policy Implemented: December 1, 1995.

ORGANIZATIONAL BENEFICIARIES

INVESTMENT CLIENTS:

Statutory:

1. Budget Stabilization Fund
2. Cultural Endowment Fund
3. Insurance Regulatory Trust Fund
4. Petroleum Tank Release Compensation Fund
5. Public Employees Retirement System Fund
6. Risk Management Fund
7. State Bonding Fund
8. State Fire and Tornado Fund
9. Teachers' Fund for Retirement
10. The Legacy Fund
11. Workforce Safety & Insurance Fund

Contractual:

1. City of Bismarck Deferred Sick Leave Fund
2. City of Bismarck Employees Retirement Fund
3. City of Bismarck Police Retirement Fund
4. City of Fargo Dome Permanent Fund
5. City of Grand Forks Park District Pension Fund
6. City of Grand Forks Pension Fund
7. ND Association of Counties Fund
8. ND Job Service Retirement Fund
9. Public Employees Retirement System Group Health Insurance Fund
10. Public Employees Retirement System Retiree Health Insurance Fund
11. Board of Medicine
12. ND Parks and Recreation

ADMINISTRATIVE CLIENTS:

Statutory:

1. Teachers' Fund for Retirement Beneficiaries

Amended: March 23,2018

EXHIBIT D-II

GOVERNANCE POLICY MONITORING SUMMARY				
POLICY	METHOD	RESPONSIBILITY	FREQUENCY	BOARD ACTION
ENDS				
Investment Services	External	Investment Consultant	Annual - FYE	N/A
	Internal	Investment Officer	Quarterly	Accept or Follow-Up
Retirement Services	External	Actuary	Annual - FYE	N/A
	Internal	Retirement Officer	Quarterly	Accept or Follow-Up
EXECUTIVE DIRECTOR LIMITATIONS				
Executive Constraint	Internal	Executive Director	Annual - CYE	Accept or Follow-Up
	Internal	Audit Supervisor	Quarterly	Accept or Follow-Up
Staff Relations	Internal	Executive Director	Quarterly	Accept or Follow-Up
	Internal (External)	Audit Supervisor (SIB)	Annual - CYE	Accept or Follow-Up
Public Relations	Internal	Executive Director	Annual - CYE	Accept or Follow-Up
	Internal	Audit Supervisor	Annual - CYE	Accept or Follow-Up
Budgeting	Direct	Board Review	Biennial	Accept or Follow-Up
	External	Governor (State Auditor)	Annual - FYE	N/A
	Internal	Executive Director	Quarterly	Accept or Follow-Up
Financial Condition	External	External Auditor	Annual - FYE	Accept or Follow-Up
	Internal	Executive Director	Quarterly	Accept or Follow-Up
Board Communication	Direct Board Participation	State Investment Board	Annual - CYE	Accept or Follow-Up
Asset Protection	External	External Auditor	Annual - FYE	N/A
	Internal	Executive Director	Annual - CYE	Accept or Follow-Up
Compensation and Benefits	Internal	Executive Director	Annual - CYE	Accept or Follow-Up
	Internal	Audit Supervisor	Annual - CYE	Accept or Follow-Up
Conflict of Interest	Internal	Executive Director	Annual - CYE	Accept or Follow-Up
	Internal	Audit Supervisor	Annual - CYE	Accept or Follow-Up
Code of Conduct	Internal	Executive Director	Annual - CYE	Accept or Follow-Up
	Internal	Audit Supervisor	Annual - CYE	Accept or Follow-Up
Unrelated Business Interests	Internal	Executive Director	Annual - CYE	Accept or Follow-Up
	Internal	Audit Supervisor	Annual - CYE	Accept or Follow-Up

Audit Supervisor = Report to State Investment Board Audit Committee with a Summary Report to the SIB
 FYE = Fiscal Year End CYE = Calendar Year End N/A = Not Applicable *Amended September 26, 2014*

E. INVESTMENTS

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EXHIBITS

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By virtue of the responsibilities assigned to the SIB by North Dakota Century Code Chapter 21-10, the members of the SIB are fiduciaries for ~~eleven~~ ~~twelve~~ statutory funds. Through contractual obligations, fiduciary responsibility extends to ~~twelve~~ ~~eleven~~ additional funds.

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

North Dakota state law provides broad fiduciary guidelines for the SIB members. NDCC 21-10-07 specifies that "the state investment board shall apply the prudent investor rule in investing for funds under its supervision. The "prudent investor rule" means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income."

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

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

1. An investment policy must be established for each fund and must be in writing.
2. Plan assets must be diversified, unless under the circumstances it would be prudent not to do so.
3. Investment decisions must be made with the skill and care of a prudent expert.
4. Investment performance must be monitored.
5. Investment expenses must be controlled.
6. Prohibited transactions must be avoided.

Policy Implemented: September 20, 1995.

Amended: May 30, 1997; January 22, 1999; February 27, 2009,

October 26, 2018

POLICY TYPE: INVESTMENTS

POLICY TITLE: *INVESTMENT PROCESS*

The SIB believes that an investment program must be built and managed like any good business, with a clear statement of mission, overall objectives, roles and responsibilities, and policies and guidelines. Major issues to be faced by the SIB will revolve around:

Asset allocation targets:

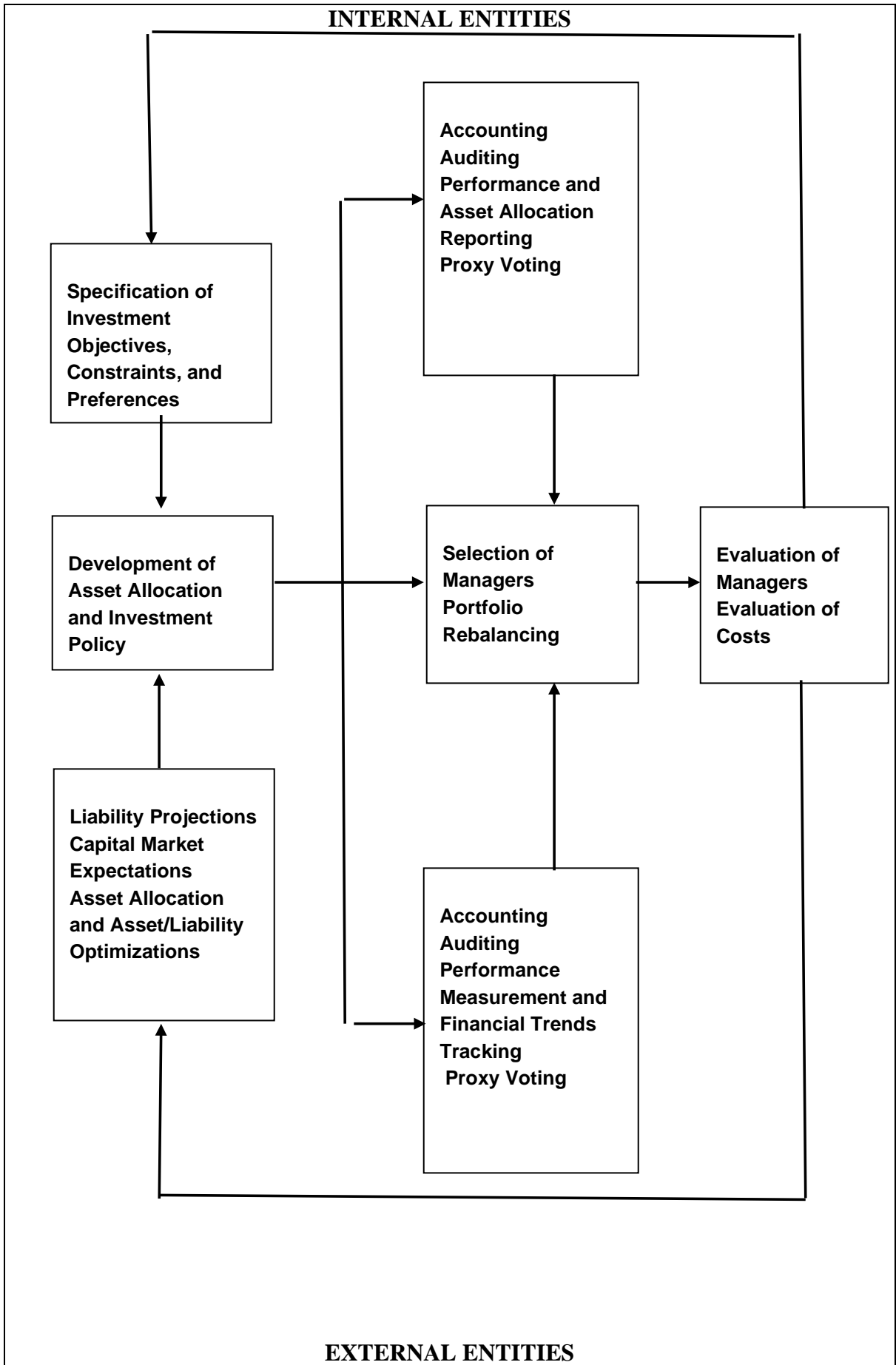
- Setting appropriate benchmarks.
- Finding the right managers.
- Monitoring the program.
- Searching for appropriate new opportunities.

To ensure rigorous attention to all aspects of the investment program, the SIB follows an established investment process. This process, described by the diagram on the following page, involves three phases:

- Investment policy development/modification.
- Implementation/monitoring.
- Evaluation.

The first column of boxes describes the policy development phase, the middle column implementation/monitoring, and the last box on right evaluation. Activities associated with internal entities are shown along the top. Those associated with external entities are shown along the bottom. The middle shows activities that internal and external entities work on together.

Policy Implemented: September 20, 1995.



POLICY TYPE: INVESTMENTS

POLICY TITLE: KEY PROGRAM ENTITIES AND RESPONSIBILITIES

The key responsibilities of the entities involved in the investment program are:

Fund Governing Bodies

1. Establish policy on investment goals and objectives.
2. Establish asset allocation.
3. Hire actuary when required.

SIB

1. Invest funds entrusted by statute and contracted entities.
2. Set policies on appropriate investments and investment practices for entrusted funds.
3. Approve asset allocation and investment policies of participating trust funds.
4. Report the investment performance of the funds to each fund's governing authority.
5. Hire and terminate money managers, custodians, and consultants.

Investment Officer and RIO Staff

1. Implement investment policies approved by the SIB.
2. Provide research and administrative support for SIB projects.
3. Recommend investment regulations appropriate for governing the investment of entrusted funds.
4. Assist fund governing bodies in developing asset allocation and investment policies.
5. Evaluate money manager adherence to investment objectives.
6. Provide performance reports to the SIB and boards of participating funds.
7. Recommend hiring or terminating money managers, custodians, consultants, and other outside services needed to effectively manage the investment funds.
8. Develop and maintain appropriate accounting policies and systems for the funds entrusted to the SIB.

POLICY TYPE: INVESTMENTS

POLICY TITLE: KEY PROGRAM ENTITIES AND RESPONSIBILITIES

Investment Consultant

1. Measure money manager performance and monitor adherence to investment goals, objectives, and policies.
2. Conduct annual evaluation of program policies and results, and assist in development of annual work plan.
3. Assist in implementation of annual work plan.
4. Conduct asset allocation or asset/liability studies.
5. Conduct requested money manager searches.
6. Assist in development of investment policies and manager structure and rebalancing guidelines.
7. Extension of staff for special projects.

Actuary

1. Assist fund governing bodies in developing benefit and funding policies.
2. Measure actuarial soundness of plan.
3. Perform experience studies as requested by plan sponsor.
4. Provide liability projections as needed.
5. Conduct annual evaluation of program policies and results, and assist in developmental of annual work plan.
6. Assist in implementation of annual work plan.

Auditor

1. Measure, validate, and offer an opinion on agency financial statements and management.
2. Assist in developing appropriate accounting policies and procedures.
3. Bring technical competence, sound business judgment, integrity, and objectivity to the financial reporting process.

POLICY TYPE: INVESTMENTS

POLICY TITLE: KEY PROGRAM ENTITIES AND RESPONSIBILITIES

Master Custodian

1. Provide safekeeping of all securities purchased by managers on behalf of the SIB.
2. Provide global custody services.
3. Collect interest, dividend, and principal payments in a timely manner.
4. Provide for timely settlement of securities.
5. Price all securities and post transactions daily.
6. Maintain short-term investment vehicles for investment of cash not invested by SIB managers. Sweep all manager accounts daily to ensure all available cash is invested.
7. Provide monthly, quarterly, and annual accounting reports for posting to RIO's general ledger.
8. May manage a securities lending program to enhance income.
9. Provide electronic access to accounting reports.
10. Provide other services that assist with the monitoring of managers and investments.

Portfolio Managers

1. Manage portfolios as assigned by the SIB.
2. Provide liquidity, as required, in a timely and cost-efficient manner.
3. Vote proxies.
4. Provide educational assistance to board.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009

POLICY TYPE: INVESTMENTS

POLICY TITLE: INVESTMENT POLICY DEVELOPMENT – TRUST FUNDS

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

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

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

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

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

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

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

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

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

POLICY TYPE: INVESTMENTS

POLICY TITLE: INVESTMENT POLICY DEVELOPMENT – TRUST FUNDS

In accordance with NDCC 21-10-02.1, RIO staff works with each fund's governing authority, and consultants as needed, to develop an investment policy, which includes an appropriate asset allocation, for each of the statutory funds. Contracted entities are responsible for their own policy development.

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

1. Fund characteristics and constraints.

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

2. Responsibilities of SIB.

3. Investment objectives.

4. Standards of investment performance.

5. Asset allocation policy and guidelines.

6. Evaluation and review.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009

POLICY TYPE: INVESTMENTS

POLICY TITLE: INVESTMENT POLICY DEVELOPMENT – INVESTMENT POOLS

The SIB does no in-house investment of funds. All investment activity is delegated to outside money managers. Within each asset class there are numerous manager styles (i.e. market sector specializations) that may be employed by the SIB to affect exposure to the various asset classes.

SIB investment pool policy statements will define the following for each asset class:

1. Strategic objectives.
2. Performance objectives.
 - a. Appropriate capital market benchmarks.
 - b. Excess return targets, after payment of investment management fees.
 - c. Peer-group ranking.
 - d. Risk characteristics.
 - e. Termination factors.
3. Portfolio constraints.
 - a. Quality of securities/portfolio (security – BAA/portfolio – AA).
 - b. Quality held (maximum in company/industry/economic sector).
 - c. Other specific restrictions if applicable (ADRs, 144A securities, prohibited transactions, etc.).
4. Investment structure.
 - a. Percent of assets per manager cycle.
 - b. Ranges for rebalancing.
5. Control Procedures
 - a. Duties and responsibilities of the SIB
 - b. Duties and responsibilities of money managers.
 - c. Reporting requirements.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009

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

- Accounting
- Auditing
- Performance Measurement

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

Accounting

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

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

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

Compliance

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

Auditing

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

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

Performance Measurement and Reporting

The third element of monitoring entails measuring the performance of the individual investment managers and the total fund performance of each of the funds under the SIB. The SIB will retain reputable investment consultants or performance measurement services to provide comprehensive quarterly performance measurement information. This information will include data on the capital markets, other plan sponsors, and other investment managers. Performance results for SIB accounts will be calculated from data provided by the master custodian and compared to relevant capital market benchmarks, other public funds, manager peer groups, and investment goals specified in the asset class investment policy. Time periods covered by the report may vary but generally will include the most recent quarter, last 12 months, last three years, five years, and longer time periods (as data is available).

POLICY TYPE: INVESTMENTS

POLICY TITLE: *MONITORING*

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

Policy Implemented: September 20, 1995.

Amended: February 27, 2009, February 25, 2011.

STATEMENT OF POLICY

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

The objectives of these policies are as follows:

1. Exercise the value empowered in proxies.
2. Maintain or improve share value for the exclusive benefit of the participants.
3. Achieve changes for the common good whenever these do not conflict with the exclusive benefit objective.

PROCEDURES

DISTINCTION OF RESPONSIBILITIES

Master Custodian

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

Managers

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

Staff

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

Board

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

REPORTING

Master Custodian

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

Managers

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

Staff

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

GUIDELINES

The Board believes that good corporate investment decisions require good corporate governance, and that social responsibilities cannot be ignored in these decision processes. Accordingly, the practice of faithfully voting with management will *not* be tolerated, nor will the "Wall Street Rule" which advocates the sale of shares if there is disagreement with management.

In keeping with the Board's philosophy, the managers are encouraged to vote *for* proposals that *increase* or enhance the following, and against those that decrease or diminish the same:

- Health of the population
- Environmental conditions
- Management and Board accountability
- Abolition of management entrenchment
- Control of executive compensation
- Shareholder rights and ownership
- Fair labor practices

Guidelines may be altered periodically by the Board as situations warrant.

Policy Implemented: September 20, 1995.

Amended: February 27, 2009.

October 26, 2018

POLICY TYPE: INVESTMENTS

POLICY TITLE: IMPLEMENTATION – INVESTMENT MANAGER SELECTION

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

Some manager selections are conducted by the consultant while others may be directed by the staff in coordination with the SIB. Ultimately, the selection process is often a team effort involving the investment consultants, SIB members, and RIO staff. A consultant may be invaluable in this activity due to the large volume of data that needs to be collected, verified, and summarized. Also, their ongoing dialogue with money management firms provides useful qualitative input.

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

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

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

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

Quantitative characteristics, such as GIPS-compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics.

POLICY TYPE: INVESTMENTS

POLICY TITLE: IMPLEMENTATION – INVESTMENT MANAGER SELECTION

Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision making process, and risk controls.

Organizational factors, such as type and size of firm, ownership structure, client servicing capabilities, ability to obtain and retain clients, and fees.

- The Investment Officer will give a written report to the SIB on the due diligence process conducted by the Investment Officer, RIO staff, and the SIB in the manager selection process. This report will include selection steps followed and process steps excluded.
- Consultant and/or staff use the profile to screen their data base for managers that meet SIB criteria.
- Consultant and/or staff reduce the group to the top candidates and prepare a summary report. The report will contain pertinent data on each of the candidates.
- When appropriate, on-site visits may be made by staff and board members to the candidates' home offices. Visits by board members to potential manager sites must have board approval.
- When appropriate the Investment Officer will conduct fact-finding pre-interviews. SIB trustees and RIO staff will receive notice of these pre-interviews.

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

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

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

Policy Implemented: September 20, 1995

Amended: February 27, 2009

POLICY TYPE: INVESTMENTS

POLICY TITLE: IMPLEMENTATION – PORTFOLIO REBALANCING

Portfolio Rebalancing

The need to rebalance the portfolio can arise due to a new asset allocation or because market activity has driven the actual distribution of assets away from the desired mix. To minimize transaction costs due to rebalancing, RIO works with the investment consultants to determine 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 of the 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. At the end of each quarter, all portfolios deviating from the target beyond the acceptable limits are rebalanced to target.

Policy Implemented: September 20, 1995.

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

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

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

Evaluation of Money Managers

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

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

These criteria are assessed by quantitative and qualitative means:

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

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

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

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

Evaluation of Program Costs

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

These costs will be compared to other funds on an annual basis and generally include a fee study conducted by an experience investment consultant every two years. ~~The most reliable source of comparison currently available is the cost survey prepared by the Canadian consulting firm Cost Effectiveness Measurement, Inc. The information contained in this survey is not available anywhere else.~~ Staff is encouraged to identify other cost-comparison sources which may include the engagement of specialized fee consultants to conduct in-depth fee reviews on a periodic basis, subject to board review and approval.

Policy Implemented: September 20, 1995.

Amended: October 26, 2018

POLICY TYPE: INVESTMENTS

POLICY TITLE: PERFORMANCE RELATED INVESTMENT MANAGER REVIEW

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

Factors which may result in a Manager Review:

Significant changes in organizational structure

Significant changes in investment philosophy

Significant deviation in portfolio management from stated philosophy (style drift)

Substandard investment performance

Diminished confidence in manager

Manager Review Procedures:

Information is submitted to, or generated by, the Board which initiates consideration of a Manager Review.

If warranted, the Board takes action to initiate a Manager Review.

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

The Investment Director report’s findings to SIB at a subsequent meeting.

After considering findings of the Manager Review, SIB may:

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

POLICY TYPE: INVESTMENTS

POLICY TITLE: PERFORMANCE RELATED INVESTMENT MANAGER REVIEW

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

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

In every case, the Investment Director is responsible for documenting the Manager Review process including recognition of:

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

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

Policy Implemented: June 27, 1997.

POLICY TYPE: INVESTMENTS

POLICY TITLE: BANK OF NORTH DAKOTA MATCH LOAN PROGRAM

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

The SIB provides capital to the program by purchasing Certificates of Deposit (CD's) from the Bank of North Dakota. The CD's are guaranteed by the state, typically have seven to fifteen year maturities and pay interest pegged to US Treasury notes.

The source of funding for CD's shall be determined by the Investment Director; that funding to be from the most appropriate source consistent with liquidity and relative yield and return objectives and constraints.

Policy Implemented: April 24, 1998.

Amended: February 27, 2009

POLICY TYPE: INVESTMENTS

POLICY TITLE: ACCEPTING NEW CLIENTS

NDCC 21-10-06 states *“The state investment board may provide investment services to, and manage the money of, any agency, institution, or political subdivision of the state, subject to agreement with the industrial commission. The scope of services to be provided by the state investment board to the agency, institution, or political subdivision must be specified in a written contract. The state investment board may charge a fee for providing investment services and any revenue collected must be deposited in the state retirement and investment fund.”*

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

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

Policy Implemented: November 20, 2009

POLICY TYPE: INVESTMENTS

POLICY TITLE: *SECURITIES MONITORING AND LITIGATION*

General Purpose

1. The North Dakota State Investment Board (“SIB”) is a fiduciary for assets held in trust for the benefit of SIB clients, including their beneficiaries.
2. In order to carry out its fiduciary duty to prudently invest and diversify the assets of the various investment funds, the SIB invests considerable assets in global public securities markets.
3. The efficient and effective deployment of plan assets requires that in seeking returns market risks must be prudently assumed and managed. Investing in publicly-traded securities in regulated markets under accounting, disclosure and business practice laws and regulations provides general, but not perfect assurance that the information forming the basis for investments is accurate, conforms with accepted accounting practices, and is not distorted due to misfeasance, malfeasance or nonfeasance, or the timing of information disclosures by persons or entities with the ability to affect market prices of the investment securities.
4. Legal action is sometimes necessary to attempt to recover all or part of losses the funds may incur due to alleged improper action or inaction which results in the impairment of the value of the funds’ security holdings.
5. Most such actions will be prosecuted through class action litigation whether or not the SIB takes an active role as a plaintiff or a passive role as a member of a certified class of plaintiffs. Any ultimate award or settlement from a class action will be ratably allocated among legitimate claimants.
6. The SIB will generally only consider pursuing active participation in securities actions when such a role is expected to add value by enhancing the prospect for recovery, increasing the amount of recovery, assuring more efficient and effective prosecution of the case, or identifying and addressing corporate governance issues through litigation.

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

Non-Active Recovery and Filing

1. SIB will require as part of its agreement with its custodial bank or other designated agent, that adequate securities class action monitoring is maintained on an ongoing basis, sufficient to assure that most of the actual awards and settlements for such cases are tracked and identified and that proof of claim forms, including supporting documentation, will be properly and timely filed.
2. SIB may engage one or more legal firms that specialize in prosecuting security class-action cases; any such engagement is subject to the special appointment requirements of N.D.C.C. § 54-12-08. For these purposes only, such firm(s) may be granted ongoing access to security holdings information through the custodian bank or other designated agent.

POLICY TYPE: INVESTMENTS

POLICY TITLE: *SECURITIES MONITORING AND LITIGATION*

3. An agreement with any law firm for non-litigation services will not commit SIB to employing said firm in the event that it seeks to represent SIB as an active participant in any securities related litigation. Such representation must be effected by a separate retainer agreement between the SIB and said firm, or another, depending on such factors as the potential monetary scope, the nature of the case and industry specialty that may be required, the allocation of current or past cases among candidate firms, the likely duration and cost of prosecuting such a case, retainer fees or contingency splits, the venue in which the case is to be filed, and other considerations.
4. The custodial bank or other designated agent will be required to provide the Retirement and Investment Office (“RIO”) with periodic reports that detail class action cases monitored, claims filed, and award or settlement distributions received. RIO will maintain these records and provide an update to the SIB or Securities Litigation Committee (Committee) with regards to accounting information on distributions received on claims filed by the custodian bank or other designated agent on our behalf.

Active Participation in Cases

1. The Executive Director will initiate active participation in securities cases only upon prior review and approval of the SIB or Committee. Before bringing any recommendations to the SIB or Committee, the Executive Director, with significant assistance from legal counsel from the Office of the Attorney General, will assess the merits and prospects for active participation by reference to the criteria and factors outlined in this section.
2. Decision Criteria and Factors:
 - a. The decision to participate in an active capacity in security litigation should be based on the totality of the circumstances. Dollar loss amounts are important, but not the sole or overriding factor to consider in making such recommendations by the Executive Director, or determinations by the SIB or Committee.
 - b. Potential losses to SIB clients must be significant in order to warrant participation as a lead plaintiff, co-lead plaintiff, or separate litigant in U.S. or Canadian cases. Generally, in cases where the potential loss does not exceed the \$5 million, the SIB will generally avoid active participation.
 - c. The *prima facie* merits of the claim for loss, and the factual basis for the action, recognizing that the full discovery process will not commence until the class has been certified by the court in which such case is to be filed.
 - d. The availability of witnesses, and possible support that may be obtained from investment managers, consultants, and the custodial bank through discovery.
 - e. The potential that any defendants or insurers will be able to pay an adequate recovery to the class, without impairing the value of any current security holdings SIB may yet hold in the issuer in the portfolio.

POLICY TYPE: INVESTMENTS

POLICY TITLE: SECURITIES MONITORING AND LITIGATION

- f. The ability of the law firm recommending action on the part of SIB to prosecute the case effectively, in the venue where such case is likely to be filed, and the experience of the firm in managing such cases individually or in partnership with other firms.
 - g. Potential long-term benefits from corporate governance changes from pursuing litigation.
 - h. The ability of SIB to serve as a fiduciary on behalf of all class members in the case, especially in relative terms to other institutional investors that may be considering the same case.
 - i. Potential costs that may be incurred. Special consideration must be given to any case that must be filed in a non-U.S. venue under the “Morrison” criteria established by the U. S. Supreme Court in a 2010 decision, since costs of litigation and potential liabilities of unsuccessful claims may be significant.
 - j. Current workload and staffing resources required for the fulfillment of SIB’s primary member service functions, and whether participation might displace time and staff resources needed for core business functions.
3. Decision Criteria and Factors for cases filed in a non-U.S. venue: In addition to the Criteria and Factors set forth in Subsection 2, the SIB or Committee may consider the following:
- a. The proposed funding arrangements for the action.
 - b. Evaluate the merits and risks of the case in light of the law of the jurisdiction in which the action would be brought. Generally, in cases where the potential loss does not exceed the Jurisdictional Thresholds referenced in Exhibit A, the SIB will avoid opt-in or group litigation participation.

Roles in Managing & Monitoring Litigation

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

POLICY TYPE: INVESTMENTS

POLICY TITLE: SECURITIES MONITORING AND LITIGATION

4. Any agreement for portfolio monitoring services that includes a fee or subscription cost must first be approved by the SIB or Committee before execution by the Executive Director.

Policy Review

1. The Committee and SIB shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Exhibit A
Non-US Opt-In and Group Litigation
Jurisdictional Thresholds

Jurisdictional Description	Threshold
Passive/very low risk jurisdictions, simple registration or claim filing (no participation in litigation required, strong anonymity, very low costs) including, but potentially not limited to: Australia, Israel, Netherlands (including Dutch Foundations), regulatory funds (e.g. Compensation Schemes in UK)	\$20,000
Low risk jurisdictions (no discovery, low cost) including, but potentially not limited to: Japan	\$1 million
Moderate risk jurisdictions (moderate cost, funded/insured to protect from cost shifting, some restricted discovery, not fully public) including but potentially not limited to: Germany, Austria, Belgium, Switzerland, Denmark, Spain, Finland, France, Hong Kong, Indonesia, Ireland, Italy, Korea, Luxembourg, Malaysia, Norway, New Zealand, Portugal, Sweden, and Thailand	\$5 million
High risk jurisdictions (potential in-person discovery, no anonymity, uncapped fees) including, but potentially not limited to: Taiwan, United Kingdom, Singapore, Brazil	\$10 million

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

Policy Implemented: November 20, 2015

Policy Amended: April 27, 2018

EXHIBIT E-1

State Investment Board (SIB) Members 2018-2019:

Position	Incumbent	Designation	Term Expiration
Lt. Governor	Brent Sanford	Statutory	12/31/20
State Treasurer	Kelly Schmidt	Statutory	12/31/20
State Insurance Commissioner	Jon Godfread	Statutory	12/31/20
Commissioner University & School Lands	Jodi Smith	Statutory	open
Executive Director Workforce Safety & Insurance	Bryan Klipfel	Statutory	open
Trustee, TFFR	Toni Gumeringer	Appointed by TFFR Board	6/30/19
Trustee, TFFR	Rob Lech	Appointed by TFFR Board	6/30/20
Trustee, TFFR	Mel Olson	Appointed by TFFR Board	6/30/23
Trustee, PERS	Adam Miller	Appointed by PERS Board	6/30/22
Trustee, PERS	Troy Seibel	Appointed by PERS Board	6/30/21
Trustee, PERS	Yvonne Smith	Appointed by PERS Board	6/30/19

Retirement and Investment Office (RIO) Staff:

Position	Incumbent	Education
Executive Director/ Chief Investment Officer	David Hunter	BS, Accounting, Northern Illinois University MBA, Finance, University of Chicago
Deputy Chief Investment Officer	Darren Schulz	BBA, Finance, Georgia State University, CFA
Fiscal and Investment Operations Mgr	Connie Flanagan	BS, Accounting, University of Mary
Deputy Executive Director/ Chief Retirement Officer	Fay Kopp	BS, Education, Valley City State University, CRC, CRA

External

Function	Firm	Date Hired
Investment Consultant	Callan Associates Inc.	4/84
Actuary (TFFR)	Segal	7/11
Auditor	CliftonLarsonAllen	4/12
Master/Global Custodian	The Northern Trust Company	12/83

F. TFR ENDS

Reference: Teachers' Fund for Retirement "Ends"

<http://www.nd.gov/rio/SIB/Board/default.htm>

G. TRUST FUND INVESTMENT GUIDELINES

Bismarck Deferred Sick Leave

Bismarck Employees

Bismarck Police

Board of Medicine

Bonding

Budget Stabilization

Cultural Endowment Fund

Fargo - FargoDome Permanent Fund

Fire and Tornado

Grand Forks City

Grand Forks Park

Health Care Trust

Insurance Regulatory

Job Service

Legacy Fund

ND Association of Counties

ND Parks and Recreation

PERS

PERS Group Insurance

PERS Prefunded Health

Petroleum Tank

Risk Management

Risk Management Workers Comp

Teachers' Fund for Retirement

Workers Compensation

H. BY-LAWS

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CHAPTER 1 - AUTHORITY

- Section 1-1. The State Investment Board (SIB) has the authority to maintain an administrative office under Chapter 54-52.5, North Dakota Century Code.
- Section 1-2. The SIB has the authority and responsibility for providing administrative services to the North Dakota Teachers' Fund for Retirement (TFFR) and the North Dakota State Investment Board. This includes organizing, staffing, and maintaining an administrative office.
- Section 1-3. The SIB has the authority and responsibility for developing and monitoring the agency budget.
- Section 1-4. The SIB has the authority and responsibility to maintain office records, an accounting system, and data processing support services.
- Section 1-5. The SIB has the authority to pay all claims and investment expenses filed with TFFR and the SIB.

Policy Implemented: June 23, 1995.

CHAPTER 2 - BOARD

- Section 2-1. Members of the State Investment Board (SIB) are the Governor, State Treasurer, Commissioner of University and School Lands, director of Workforce Safety & Insurance, Commissioner of Insurance, three members of the Teachers' Fund for Retirement (TFFR) Board, two of the elected members and one member of the Public Employees Retirement System (PERS) Board as selected by those boards. The PERS and TFFR Boards may appoint an alternate designee with full voting privileges to attend meetings of the SIB when a selected member is unable to attend. The director of Workforce Safety and Insurance may appoint a designee, subject to approval by the Workforce Safety and Insurance board of directors, to attend the meetings, participate, and vote when the director is unable to attend.
- Section 2-2. The SIB will have general charge and management of the business of TFFR and the SIB, subject to law, administrative rules and regulations, and governance policies. The SIB will make such policy as necessary to fulfill this obligation.
- Section 2-3. When the statutes allow a Deputy to represent a member of the SIB or an alternate to represent the TFFR or PERS Board, the Chair will recognize the individual for the record, and the individual(s) will then have the right to vote on matters before the SIB.
- Section 2-4. The SIB will be responsible for the operation of an administrative office that will provide support services to TFFR and the SIB.

Policy Implemented: June 23, 1995.

Amended: July 22, 2011.

CHAPTER 3 - OFFICERS AND DUTIES

- Section 3-1. The officers of the SIB are a Chair and Vice Chair, one of which must be an appointed or elected member of the TFFR or PERS Board. The officers will be elected by the SIB to a one-year term at the first regularly scheduled meeting following July 1 of each year. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy.
- Section 3-2. Chair. The Chair will preside at all meetings of the SIB.
- Section 3-3. Vice Chair. In the absence of the Chair, the Vice Chair will perform the duties of the Chair.
- Section 3-4. Executive Director. An Executive Director will be retained by the SIB. The Executive Director will serve at the SIB's pleasure, be responsible for keeping the records of the SIB and TFFR Board actions, and perform such duties as the SIB prescribes. The Executive Director will make out and give out all notices required to be given by law, procedures, or rules and regulations of the two boards.

Policy Implemented: June 23, 1995.

CHAPTER 4 - MEETINGS

- Section 4-1. Regular meetings of the SIB to conduct business are to be held as often as necessary. The SIB will meet at least once each quarter. Notice of all meetings will be made in accordance with North Dakota Century Code, Section 44-04-20.
- Section 4-2. Meetings of the SIB may be called by the Chair or two members of the SIB upon reasonable notice in writing to the other members of the Board. (NDCC 21-10-04)
- Section 4-3. A quorum will be six (6) members of the SIB.
- Section 4-4. Voting on matters before the SIB will be contained in the minutes which will show the recorded vote of each SIB member.
- Section 4-5. All meetings of the SIB are open to the public.
- Section 4-6. A record of procedures will be kept by the Executive Director on all meetings of the SIB. The records of these proceedings are public documents, and copies will be distributed to the TFFR, SIB, and PERS Boards and upon request.
- Section 4-7. Public participation during meetings of the SIB may be allowed at the discretion of the Chair.
- Section 4-8. SIB members, except elected and appointed officials, will be paid the amount specified in NDCC 21-10-01 per SIB meeting attended.

Expenses will be paid according to state law and OMB policies.

Policy Implemented: June 23, 1995.

Amended: July 22, 2011.

CHAPTER 5 - COMMITTEES

Section 5-1. ~~The SIB will establish one~~ has two standing committees: Audit Committee and Securities Litigation Committee.

Section 5-1-1. Audit Committee. The Audit Committee will consist of five members. They will be selected by the SIB. Three members of the committee will represent the three groups on the SIB (TFFR Board, PERS Board, and elected and appointed officials). The other two members will be selected from outside of the SIB and be auditors with at least a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) designation.

The Audit Committee will have responsibility for oversight of financial reporting, auditing, and internal control. The Audit Committee will be responsible for developing a written charter, to be approved by the SIB, which puts forth the authority, responsibilities, and structure of the Audit Committee. It will also be the responsibility of the Audit Committee to supervise the audit activities of the internal audit staff, work with the State Auditor/external auditors, and develop reports for the SIB.

The Executive Director shall supervise the administrative activities of the internal/external audit programs such as travel, securing contracts, paying fees, maintaining official reports, etc.

The supervisor of the internal audit function will be the staff member directly responsible to the Audit Committee.

Membership on the Audit Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Audit Committee.

Section 5-2. No member of the SIB will be paid, other than expenses, for attending seminars, conferences, or other such educational meetings.

Section 5-3 Securities Litigation Committee. The Securities Litigation Committee will consist of five members. They will be selected by the SIB and include two SIB members, RIO's legal counsel, RIO's chief financial officer and RIO's executive director.

The Securities Litigation Committee will assist the SIB in fulfilling its oversight responsibilities with regards to monitoring securities litigation. The Committee helps to determine when an active role should be pursued in regards to securities litigation affecting SIB client investments. This Committee also serves as a communication link for the SIB, RIO, third party securities litigation firms and others.

The Executive Director shall supervise the administrative activities of the Securities Litigation Committee with the assistance of RIO's legal counsel and Chief Financial Officer.

Membership on the Securities Litigation Committee will be for an unlimited term but subject to annual review and acceptance by the SIB every year. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy.

Policy Implemented: June 23, 1995. Amended: October 26, 2018.

CHAPTER 6 - RULES OF ORDER

Section 6-1. All SIB meetings will be conducted in accordance with Robert's Rules of Order Newly Revised except as superseded by these by-laws and board governance policies.

Policy Implemented: June 23, 1995.

CHAPTER 7 - ADMINISTRATIVE OFFICE

Section 7-1. For the purpose of carrying out the day-to-day business of TFFR and the SIB, an administrative office will be maintained in Bismarck, North Dakota. This office is called the Retirement and Investment Office (RIO).

Section 7-2. The Executive Director will be the administrator of the office.

Policy Implemented: June 23, 1995.

CHAPTER 8 - AMENDMENTS

Section 8-1. These by-laws may be amended by a two-thirds vote of SIB members. All amendments must be mailed to SIB members at least thirty (30) days prior to the meeting at which they are considered.

Section 8-2. All amendments must include an effective date.

Policy Implemented: June 23, 1995.

I. CENTURY CODE

<u>SECTION</u>		<u>PAGE</u>
STATE INVESTMENT BOARD		
21-10-01.	State investment board - Membership -Term - Compensation -Advisory council.	1
21-10-02.	Board -Powers and duties.	1
21-10-02.1.	Board -Policies on investment goals and objectives and asset allocation.	1
21-10-03.	Cooperation with Bank of North Dakota.	2
21-10-04.	Board -Meetings.	2
21-10-05.	Investment director - Powers and duties.	2
21-10-06.	Funds under management of board - Accounts.	2
21-10-06.1.	Board - Investment reports.	3
21-10-06.2.	Investment costs.	3
21-10-07.	Legal investments.	3
21-10-08.	Reserves - Percentage limitations.	3
21-10-09.	Personal profit prohibited - Penalty.	3
21-10-10.	State investment board fund - Cost of operation of board.	3
21-10-11	Legacy and budget stabilization fund advisory board.	3
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STATE RETIREMENT AND INVESTMENT OFFICE		
54-52.5-01.	North Dakota State Retirement and Investment Office.	1
54-52.5-02.	Governing authority.	1
54-52.5-03.	State retirement and investment fund - Cost of operation of agency.	1

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

QUARTERLY MONITORING REPORT

Quarter Ended September 30, 2018

EXECUTIVE LIMITATIONS / STAFF RELATIONS

The Executive Limitation “Staff Relations” deals with the treatment of staff at RIO. The executive director “shall not cause or allow any condition or any communication which is unfair, undignified, or disrespectful.” This Executive Limitation lists six specific limitations that range from personnel policies to exit interviews. All the limitations are intended to protect staff from unfair, undignified, or disrespectful treatment by management.

During the past quarter, there were no exceptions to this Executive Limitation.

The Executive Director/CIO held three full office meetings and four manager meetings during the third calendar quarter of 2018 in order to promote an open and collaborative work environment while enhancing team member communication, awareness and engagement.

On July 30, 2018, RIO offered a Voluntary Separation Incentive Program (VSIP) to eligible employees. One retirement benefit counselor submitted the VSIP application which was approved with a termination date of April 30, 2019. Assuming budget availability, we intend to fill this vacant position as soon as possible.

RIO was fully staffed as of September 30, 2018.

BUDGETING / FINANCIAL CONDITION

AS OF SEPTEMBER 30, 2018

	2017-2019 BUDGET	ADJUSTED APPROPRIATION	BIENNIUM TO DATE ACTUAL	EXPENDITURES		
				BUDGET AVAILABLE	% BUDGET AVAILABLE	% OF BIENNIUM REMAINING
SALARIES AND BENEFITS	\$ 4,425,570.00	\$ 4,425,570.00	\$ 2,688,576.19	\$ 1,736,993.81	39.25%	37.50%
OPERATING EXPENDITURES	862,484.00	862,484.00	373,676.00	488,808.00	56.67%	37.50%
CONTINGENCY	52,000.00	52,000.00	0.00	52,000.00	100.00%	37.50%
TOTAL	<u>\$ 5,340,054.00</u>	<u>\$ 5,340,054.00</u>	<u>\$ 3,062,252.19</u>	<u>2,277,801.81</u>	<u>42.66%</u>	<u>37.50%</u>

EXPENDITURE REPORT

QUARTER ENDED SEPTEMBER 30, 2018

	<u>INVESTMENT</u>	<u>RETIREMENT</u>	<u>QUARTERLY TOTALS</u>	<u>FISCAL YEAR TO - DATE</u>	<u>BIENNIUM TO - DATE</u>
<u>CONTINUING APPROPRIATIONS</u>					
INVESTMENT EXPENDITURES (SEE ATTACHED DETAIL)	\$ 6,649,996.59	\$ 0.00	\$ 6,649,996.59	\$ 37,898,300.47	\$ 37,898,300.47
MEMBER CLAIMS					
1. ANNUITY PAYMENTS	0.00	53,426,635.19	53,426,635.19	255,150,926.82	255,150,926.82
2. REFUND PAYMENTS	0.00	2,227,006.51	2,227,006.51	8,557,501.18	8,557,501.18
TOTAL MEMBER CLAIMS	0.00	55,653,641.70	55,653,641.70	263,708,428.00	263,708,428.00
OTHER CONTINUING APPROPRIATIONS	42,970.67	14,061.62	57,032.29	1,168,196.83	1,168,196.83
TOTAL CONTINUING APPROPRIATIONS	6,692,967.26	55,667,703.32	62,360,670.58	302,774,925.30	302,774,925.30
<u>BUDGETED EXPENDITURES</u>					
1. SALARIES & BENEFITS					
SALARIES	198,056.37	203,059.40	401,115.77	1,985,703.16	1,985,703.16
OVERTIME/TEMPORARY	0.00	0.00	0.00	0.00	0.00
TERMINATION SALARY & BENEFITS	0.00	0.00	0.00	0.00	0.00
FRINGE BENEFITS	60,887.67	78,217.61	139,105.28	702,873.03	702,873.03
TOTAL SALARY & BENEFITS	258,944.04	281,277.01	540,221.05	2,688,576.19	2,688,576.19
2. OPERATING EXPENDITURES					
DATA PROCESSING	2,282.70	11,303.27	13,585.97	93,253.55	93,253.55
TELECOMMUNICATIONS - ISD	511.94	936.95	1,448.89	10,644.55	10,644.55
TRAVEL	1,734.36	4,336.45	6,070.81	29,585.66	29,585.66
IT - SOFTWARE/SUPPLIES	0.00	0.00	0.00	394.15	394.15
POSTAGE SERVICES	607.70	4,160.33	4,768.03	39,563.27	39,563.27
IT - CONTRACTUAL SERVICES	362.42	693.27	1,055.69	4,883.21	4,883.21
BUILDING/LAND RENT & LEASES	8,283.81	14,628.98	22,912.79	110,678.95	110,678.95
DUES & PROF. DEVELOPMENT	967.50	3,467.50	4,435.00	15,497.50	15,497.50
OPERATING FEES & SERVICES	500.34	864.87	1,365.21	21,884.15	21,884.15
REPAIR SERVICE	0.00	0.00	0.00	229.39	229.39
PROFESSIONAL SERVICES	726.74	4,305.26	5,032.00	20,465.86	20,465.86
INSURANCE	57.80	100.56	158.36	768.16	768.16
OFFICE SUPPLIES	13.07	89.53	102.60	1,399.73	1,399.73
PRINTING	0.00	1,629.81	1,629.81	16,928.36	16,928.36
PROFESSIONAL SUPPLIES & MATERIALS	27.59	48.01	75.60	800.40	800.40
MISCELLANEOUS SUPPLIES	86.52	202.41	288.93	1,070.22	1,070.22
IT EQUIPMENT UNDER \$5000	0.00	0.00	0.00	731.47	731.47
OTHER EQUIP. UNDER \$5000	690.72	690.72	1,381.44	3,703.24	3,703.24
OFFICE EQUIP. & FURNITURE UNDER \$5000	0.00	0.00	0.00	1,194.18	1,194.18
TOTAL OPERATING EXPENDITURES	16,853.21	47,457.92	64,311.13	373,676.00	373,676.00
3. CONTINGENCY	0.00	0.00	0.00	0.00	0.00
TOTAL BUDGETED EXPENDITURES	275,797.25	328,734.93	604,532.18	3,062,252.19	3,062,252.19
TOTAL EXPENDITURES	\$ 6,925,793.84	\$ 55,982,376.63	\$ 62,965,202.76	\$ 305,837,177.49	\$ 305,837,177.49

INVESTMENT EXPENDITURE DETAIL

FEES PAID DURING THE QUARTER ENDED SEPTEMBER 30, 2018

FOR QUARTER ENDED 6/30/18

PENSION DEVELOPED INTERNATIONAL EQUITY POOL

Northern Trust	26,965.33	
Wellington	185,835.89	
William Blair	163,836.36	
TOTAL PENSION INTERNATIONAL EQUITY		376,637.58

PENSION GLOBAL EQUITY POOL

Epoch	658,247.19	
LSV	124,933.00	
TOTAL PENSION GLOBAL EQUITY		783,180.19

PENSION BELOW INVESTMENT GRADE FIXED

Loomis Sayles		255,946.47
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PENSION INVESTMENT GRADE FIXED INCOME POOL

PIMCO	96,270.38	
Prudential	135,240.24	
State Street	7,092.31	
TOTAL PENSION INVESTMENT GRADE FIXED INCOME		238,602.93

PENSION LARGE CAP EQUITY POOL

LA Capital		255,130.00
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PENSION SMALL CAP EQUITY POOL

Atlanta Capital	281,022.00	
Clifton (Performance Fee)	341,571.00	
TOTAL PENSION SMALL CAP EQUITY		622,593.00

PENSION REAL ESTATE

JP Morgan (Special & Strategic)		463,124.47
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INSURANCE FIXED INCOME POOL

Prudential	107,869.01	
State Street	8,935.51	
Wells	105,381.60	
Western Asset	101,744.97	
TOTAL INSURANCE FIXED INCOME		323,931.09

INSURANCE LARGE CAP EQUITY POOL

LA Capital	52,748.68	
LSV	52,399.00	
TOTAL INSURANCE LARGE CAP		105,147.68

INSURANCE SMALL CAP EQUITY POOL

PIMCO RAE		25,949.00
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INSURANCE INT'L EQUITY

LSV	64,175.00	
William Blair	68,842.13	
TOTAL INSURANCE INT'L EQUITY		133,017.13

INSURANCE DIVERSIFIED REAL ASSETS

Western Asset		36,376.92
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INVESTMENT EXPENDITURE DETAIL**FEES PAID DURING THE QUARTER ENDED SEPTEMBER 30, 2018****INSURANCE SHORT TERM FIXED**

JP Morgan 35,558.08

LEGACY FIXED INCOME

Prudential	141,391.46	
State Street	16,033.03	
Wells	204,585.13	
Western Asset	164,251.48	
TOTAL INSURANCE FIXED INCOME		526,261.10

LEGACY LARGE CAP EQUITY

LA Capital	267,563.16	
LSV	256,249.00	
TOTAL INSURANCE LARGE CAP		523,812.16

LEGACY SMALL CAP EQUITY

Clifton (Performance Fee)	239,561.00	
PIMCO RAE	127,666.94	
TOTAL INSURANCE SMALL CAP		367,227.94

LEGACY INT'L EQUITY

LSV	402,423.00	
William Blair	424,283.40	
TOTAL INSURANCE INT'L EQUITY		826,706.40

LEGACY DIVERSIFIED REAL ASSETS

Western Asset 112,243.23

PERS RETIREE HEALTH INSURANCE CREDIT FUND

SEI 90,186.93

JOB SERVICE FUND

SEI 70,577.46

TOBACCO PREVENTION & CONTROL TRUST FUND

STATE STREET 2,838.78

CUSTODIAN

Northern Trust 323,877.00

CONSULTANT

Adams Street	14,208.00	
Callan	102,865.27	
Novarca	21,268.71	
TOTAL CONSULTANT		138,341.98

TOTAL FOR QUARTER ENDED 6/30/18 6,637,267.52

FOR QUARTER ENDED 9/30/18**PENSION CASH**

Northern Trust 12,729.07

TOTAL FOR QUARTER ENDED 9/30/18 12,729.07

TOTAL FEES PAID DURING QUARTER ENDED 9/30/2018 6,649,996.59

Quarterly Report on Ends Q1:FY19

Investment Program

Ongoing due diligence conducted on the following organizations:

Blackrock (private equity)	Matlin Patterson (private equity)
Cerberus (direct lending)	Parametric (domestic equity)
Corsair (private equity)	PIMCO (domestic fixed income)
DFA (international equity)	Research Affiliates (US small cap equity)
JP Morgan (infrastructure, real estate)	Wells (domestic fixed income)

Preliminary due diligence conducted on the following organizations:

Blackstone (infrastructure)	Highbridge (stressed/distressed credit)
Brookfield (infrastructure)	Lone Star (private credit)
Carlyle (infrastructure)	Macquarie (infrastructure)
Centerbridge (alternatives)	PIMCO (private credit)
Cerberus (European NPL)	TPG (structured/opportunistic)
CIM (real estate)	

At the July SIB meeting, Callan Associates provided the Board education on the topics of fundamental investment beliefs, performance benchmarks and future board member education options.

At the August SIB meeting, the Board approved a \$65 million commitment to Adams Street's 2018 Global Fund. Additionally, the Board approved an increase of annual program commitments to BlackRock Private Equity Partners from \$50 million to \$65 million per annum. Staff and counsel are proceeding with a review of requisite legal documents with both firms.

Staff is continuing the live phase of the implementation of the BlackRock Solutions Aladdin system and is currently developing reporting packages.

Staff attended meetings with the following entities: TFFR Board, NDPERS Board, and NDPERS Investment Subcommittee.

Staff continues to conduct preliminary due diligence on possible managers/products for future consideration.

Staff continues to monitor each client's asset allocation monthly and makes rebalancing decisions based on rebalancing policy and cash flow requirements.

Quarterly Monitoring Report on TFFR Ends Quarter Ended September 30, 2018

Retirement Program

This report highlights **exceptions** to normal business operations.

- Continuing efforts to encourage and assist members with TFFR Member Online Services through email blasts, correspondence, publications, outreach programs and presentations, and personal and phone interactions. To date, over 1,900 active, inactive, and retired members have registered for this service.
- Developing a new TFFR Retirement Guide and electronic retirement application form to streamline the retirement application process and reduce cost of mailing retirement forms. (Note: limitations due to outdated pension software.)
- Studying potential upgrade or replacement of TFFR's current pension administration software to a more technologically advanced and secure web based system. A new system would provide improved functionality for TFFR members, employers, and RIO staff by transforming TFFR pension administration processes, reporting capabilities, communications and services. Project was included in annual IT plan submitted to ITD and 2019-21 optional budget request submitted to OMB.