An Investment Policy Statement ("IPS") has been created by the NDUS Retirement Plan Oversight Committee to help establish and record investment processes and decision-making as it relates to the defined contribution retirement plans of the NDUS. The IPS will provide guidance for how investment decisions will be made. The presence of an IPS helps to create an environment of transparency and assists in establishing fiduciary responsibility of the plan. A properly written investment policy statement can be critical in minimizing the legal liability of those serving in a fiduciary capacity (e.g., Plan Sponsors, Board Members and Investment Committee Members).

This Investment Policy Statement was created from resources provided by TIAA-CREF and reviewed by outside legal counsel. It is intended to assist the Committee in effectively structuring an appropriate investment menu. This includes establishing a prudent process for selecting, monitoring and, as necessary, recommending replacement funding options. Specifically, the IPS is intended to:

- Define investment objectives for the Plan
- Provide participants a range of diversified investment options along the risk-return spectrum to assist participants in their retirement investment decision making
- Describe the criteria and procedures the Plan will use in selecting investment options
- Define the procedure for the ongoing monitoring of funding options

This “IPS” shall be reviewed at least annually by the Committee and, if appropriate, can be amended to reflect changes in the capital markets, Plan participant objectives, Plan demographics, legislative and regulatory changes, or other factors relevant to the Plan.
INVESTMENT POLICY STATEMENT

2014
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1. PLAN INFORMATION

The North Dakota University System ("NDUS") retirement plans, 403 (b), 457 (b) and 401 (a), ("the Plan") are intended to provide eligible employees the opportunity to generate the long-term accumulation of retirement savings through employer and employee contributions to individual participant accounts and the earnings thereon. The Plan is an employee benefit plan intended to comply with all applicable federal laws and regulations. The Plan’s purpose is to provide a vehicle to accumulate and grow assets to fund retirement needs on an individual basis for eligible employees. The Chancellor, as CEO of the North Dakota University System, who is the Plan Administrator, appoints the NDUS Retirement Plan Oversight Committee (the “Committee”) and delegates authority to the Committee to monitor the plan and make recommendations to the Plan Administrator or Plan Sponsor which is the North Dakota University System (NDUS) and it’s governing board the State Board of Higher Education (SBHE). It is the intent to provide a range of investment options under the Plan that will enable participants to invest according to varying risk tolerances, and other financial goals. The investment options offered under the Plan shall be administered solely in the interests of the plan participants and their beneficiaries. The Committee is responsible for maintaining a written record of its decisions and steps taken in connection with the monitoring of the Plan.

2. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This Investment Policy Statement ("IPS") is intended to assist the Committee in effectively structuring an appropriate investment menu. This includes establishing a prudent process for selecting, monitoring and, as necessary, recommending replacement funding options. Specifically, the IPS is intended to:

- Define investment objectives for the Plan
- Provide participants a range of diversified investment options along the risk-return spectrum to assist participants in their retirement investment decision making
- Describe the criteria and procedures the Plan will use in selecting investment options
- Define the procedure for the ongoing monitoring of funding options

This “IPS” shall be reviewed at least annually by the Committee and, if appropriate, can be amended to reflect changes in the capital markets, Plan participant objectives, Plan demographics, legislative and regulatory changes, or other factors relevant to the Plan.

3. STATEMENT OF OBJECTIVES

The Plan will encourage participants to take an active role for their retirement by providing education and information so that they can make informed decisions about their participation and investment option selections. The Plan’s investment options will be selected to:

- Provide returns comparable to nationally recognized industry standards for the asset categories
- Provide opportunities to diversify across the risk return spectrum
• Provide a manageable number of investment choices to minimize Plan complexity
• Control administrative, management and participant costs.

4. ROLES AND RESPONSIBILITIES OF PARTIES INVOLVED

NORTH DAKOTA UNIVERSITY SYSTEM (NDUS)—Plan Sponsor

Chancellor—Plan Administrator
Leads the North Dakota University System, a unified system of higher education governed by the State Board of Higher Education. Organized in 1990, the system includes two research universities, four regional universities and five community colleges. The Chancellor is the Plan Administrator and a fiduciary of the plan.

State Board of Higher Education (SBHE)—Governing Body of Plan Sponsor

• The State Board of Higher Education is the policy-setting and advocacy body for the North Dakota University System and the governing body for North Dakota’s 11 publicly supported colleges and universities. The SBHE retains authority and must approve changes to the Plan including plan design, contributions, eligibility and investment menu and also approves the IPS proposed by the Retirement Plan Oversight Committee. SBHE members are fiduciaries of the plan. The SBHE may delegate investment fiduciary responsibilities to the Chancellor and/or Retirement Plan Oversight Committee for plan performance review, employee education and communication, compliance and other operational activities proposed by the Retirement Plan Oversight Committee.

RETIREMENT PLAN OVERSIGHT COMMITTEE:
Serving a three year term:

• 2 Faculty Representatives (Ask for up to 4 names from CCF, at least one with an economics or finance background and a representative from each institutional sector)
• 2 Staff Representatives (Ask for up to 4 names from State Staff Senate, at least one from 1000 & 3000 bands and one from 4000-7000 bands and a representative from each institutional sector)
• 1 Admin. Affairs Council Representative
• 1 Legal Representative
• 1 Human Resource Representative
• Vice Chancellor for Administrative Affairs
• Retirement Plan Coordinator, Chair

The Committee serves as an advisor to the Plan Sponsor and is generally responsible for:

• Understanding participant needs as a group
• Advising and assisting to ensure fiduciary compliance
• Assist with plan investment oversight and review of NDUS retirement plans
• Recommend an Investment Policy Statement
• Recommend the overall number and types of options to be offered to participants
• Review performance of investment options and make recommendations
• Review and monitor the costs associated with the plans
• Participate in annual fiduciary training
• Provide input on a revenue credit account spending strategy and budget
• Evaluate and select appropriate consultant needs and scope of services
• Comply with the provisions of all pertinent federal and state laws and regulations
• Perform other activities consistent with this charge deemed appropriate by the Plan Sponsor
• Provide recommendations to select and terminate investment options
• Monitoring the performance of the investment options and make recommendations on investment changes when necessary
• Documenting activities of the Committee
• Advise on effective participant communication strategies, services, etc.
• Review plan to identify if participants are meeting their retirement goals
• Annually review and update plan default investment option

Investment Manager/Plan Vendor (Investment Consultant, if used) is responsible for:

• Following client’s investment policy statement
• Proposing investment options according to established criteria in client’s investment policy statement
• Reporting and reviewing investment options’ performance according to frequencies required (quarterly, semi-annually or annually) by client’s investment policy statement against established peer groups and benchmarks
• Monitoring changes at fund management firms
• Offering advice on plan improvements
• Advising on statutory and regulatory changes
• Providing plan demographic information

5. CURRENT INVESTMENT LINEUP

The current investment options offered under the Plan shall be listed in Appendix A to this IPS, together with the appropriate industry standards used for benchmarking.

6. INVESTMENT MENU DESIGN

While offering a variety of investment options is important, efforts will be made to keep the total number to a prudent level that balances the benefits of broad diversification with the disadvantages of too many choices. At a minimum, the Plan shall offer enough investment options to well represent at least four major asset classes: Guaranteed or Stable Value, Cash or
Cash Equivalents, Domestic and International Fixed Income and Equities. Other alternative asset classes such as Real Estate and Emerging Markets Equities may also be included.

With respect to the establishment of an upper limit on the number of investment options, the plan should not provide so many options as to create excessive redundancy in investment options, generate increased fund monitoring and/or administrative costs, or cause undue complexity in plan design.

7. ASSET CLASS GUIDELINES

The Plan shall provide each participant with the ability to diversify among an array of asset classes in order to construct individual portfolios consistent with their desired level of risk over their respective time horizons. The Plan will offer investment options through mutual funds and annuities in the following asset categories listed below (may include all or several of these):

- Cash or Equivalents
- Guaranteed or Stable Value
- Lifecycle/Target-Dates Funds
- Balanced/Allocation Target-Risk Funds
- U.S. Fixed Income (Government, Government/ Credit, High Yield, Short/Intermediate/Long Term)
- U.S./Global Inflation-Protected Bond
- Global/International Bond
- U.S. Equities (All Cap, Large/Mid/Small Caps, in Value/Core/Growth Styles)
- Global/International Equities (All Cap, Large/Mid/ Small Caps, in Value/Core/Growth styles)
- U.S./Global Socially Responsible Equities
- U.S./Global REIT
- U.S./Global Direct Real Estate

8. QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (“QDIA”)

The Lifecycle and Targeted Retirement Date funds, which provide participants with age appropriate asset allocation, are designated as the default investment option in the Plan. These age appropriate investment options are intended to meet the requirements of the applicable Department of Labor (DOL) regulation on Qualified Default Investment Alternatives, Section 2550.404c-5. The default options will be used in situations where a participant does not actively select investment options under the Plan. On an annual basis, each default option shall be reviewed by the committee to ensure it continues to be an appropriate default option.

TIAA-CREF will provide Qualified Default Investment Notices (QDIA), and distribute to employees both prior to eligibility in the plan and annually, before the beginning of the plan year.
9. PLAN VENDORS, INVESTMENT MANAGERS AND INVESTMENT OPTIONS SELECTION PROCESS

The Plan Sponsor shall conduct an assessment of the company providing the asset management of an investment option no less than every three years. The Committee will be responsible for conducting the periodic assessment of the company on behalf of the Plan Sponsor. At a minimum, the assessment can include a review of the following, if applicable:

- History of the firm
- Part II of Form ADV for investment advisors under the Investment Advisers Act of 1940
- Management and ownership structure
- Breadth of products offered
- Financial stability of the company issuing the investment option
- Investment philosophy
- Any material pending or concluded legal or ethical violations

Additional aspects of the Investment Provider may be reviewed at the discretion of the Plan Sponsor.

GENERAL SELECTION REQUIREMENTS FOR ALL INVESTMENT OPTIONS

All Plan investment options should maintain the following characteristics:

- **Diversification by Holdings:** Except for Insurance Company General Account products, all investment options shall maintain a sufficient number and breadth of holdings to provide an adequate representation of the primary characteristics consistent with acceptable industry standards.

- **Competitive Fee Structure:** The impact of fees on the long-term performance of the investment options within the Plan shall be an important consideration. Overall expenses, including sales loads, 12b-1 fees, administrative charges, and mortality and expense charges (for annuity accounts) can significantly detract from long-term performance. The net expense ratio shall be below median expense level of the industry standard (The net expense ratio is what the investor pays currently and the gross expense ratio is what the investor could potentially pay if there were no fee waivers.) No mutual funds with front-end or back-end sales charges shall be allowed. All fee information should be adequately disclosed to participants.

- **Track Record of Investment Option:** Each actively managed investment option should have a minimum track record of three years during which the same portfolio management team managed the investment. The three-year requirement may be waived at the discretion of the Committee if the manager has a proven track record of managing assets in the same category under consideration, or if the investment is an “index” strategy.
• **Track closely to their stated investment objective:** Each investment option’s objective should remain consistent with the option’s role within the Plan’s overall investment structure.

**SELECTION REQUIREMENT FOR ALL INVESTMENT OPTIONS**

### Guaranteed or Stable Value

- **Investment Objective:** A Guaranteed option provided by the Insurance Company or Investment Manager (Issuer), which seeks to provide a minimum level of income while preserving principal. This option is typically supported by the Trust Fund of the Manager or the General Account of the Insurance Company.

**Guidelines:**

- **Performance:** This investment option should have a guaranteed rate of return that is competitive with other similar options in the marketplace.
- **Issuer Credit Rating:** The issuer shall have and maintain a rating that conveys significant financial strength as determined by nationally recognized statistical rating agencies such as A.M. Best, Standard & Poor’s, Moody’s, and Fitch.

### Cash or Cash Equivalents

- **Investment Objective:** The cash option shall invest in a portfolio of short-term securities to maximize current income while preserving capital.

**Guidelines:**

- **Performance:** Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

### Fixed Income

- **Investment Objective:** To seek favorable long-term returns by investing in a diversified portfolio of fixed income securities achieving returns through interest payments and capital appreciation of the underlying securities.

**Guidelines:**

- **Performance:** Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.
Equities

- Investment Objective: To seek favorable long-term returns from capital appreciation and dividend income by investing in a portfolio composed of a broad cross-section of common stocks. These funds can invest in domestic stocks, foreign stocks, or a combination of the two.

Guidelines:

- Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

Real Estate

- Investment Objective: To seek favorable long-term returns from income and appreciation primarily from real estate investments.

Guidelines:

- Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

- Investment Process: This option shall invest in real estate primarily through ownership of properties. The holdings shall be diversified both by property type (including commercial office, residential, and retail) and geography.

Index Funds

- Investment Objective: To achieve a rate of return that approximates the return of a specific benchmark investment index after making a reasonable allowance for costs.

Guidelines:

- Performance: The returns of the investment option [less fees] shall be compared to appropriate benchmarks, and investment performance (gross of fees) shall approximate the return of the relevant benchmark.

- Investment Process: The investment option will seek to approximate the return of its target benchmark by investing in the same or a representative sampling of those securities that are held by the benchmark.
Lifecycle Funds

- Investment Objective: To provide a multi-asset-class funding solution that offers investment diversification incorporating an allocation that progresses from more aggressive to more conservative as the participant approaches a given target retirement date.

Guidelines:

- Performance: Annualized investment return shall be compared to appropriate benchmarks. Investment performance (gross of fees) shall either (a) approximate or exceed relevant benchmarks or (b) be above the appropriate peer universe, in either case over one, three or five years.

- A periodic review of the Lifecycle Fund’s asset allocation and rebalancing strategies will be undertaken to ensure the prudence of these processes. Consideration will also be given to the stability and continuity of the funds included in the Lifecycle offering.

- Investment Process: Lifecycle fund portfolio is composed of allocations to a variety of underlying funds with differing risk/return characteristics. Multiple Lifecycle funds are made available, each with a different target maturity date to accommodate Plan participants' various ages and anticipated retirement dates. The composition of each Lifecycle fund is modified over time following a predetermined schedule, slowly adapting from a more aggressive allocation to an allocation that assumes less risk as the retirement date approaches.

10. PERIODIC REVIEW

The ongoing monitoring of Plan investment options must be a regular and disciplined process. It is the mechanism for measuring ongoing compliance by each investment option against the evaluation criteria specified below. While frequent change in investment options is neither expected nor desirable, monitoring the performance of the investments in the Plan relative to specified guidelines is an ongoing activity, intended to be conducted no less frequently than annually. Periodic reviews will be performed by the Retirement Plan Oversight Committee at least annually. Investment resources and reports will be provided by the Plan Vendor and utilized by the committee on an ongoing basis.

Each investment option shall be reviewed pursuant to the following evaluation criteria:

- Adherence to the original investment/account selection requirements, including long-term performance measures
- Any material changes to the option’s organization, process, or portfolio manager or team
- Any material litigation or regulatory action against the firm that may impact future performance or the reputation of the provider
- Significant loss or growth of assets under management
- The fund/account is sufficiently utilized by plan participant

If an assessment of an investment option against the evaluation criteria does not identify any significant issues, no further action by the Committee is necessary. If a material issue is identified
for a particular investment option against any of the criteria, then the Committee may decide, in its sole judgment, to (i) take no action if it concludes that it has reasonable basis for such a conclusion, (ii) monitor the investment closely on a regular basis. (as a means of evaluating future progress in addressing the issue of concern or (iii) recommend termination of the investment option to the Plan Sponsor (consider the pros and cons of allowing participants to keep existing money in the fund).

It is important to recognize that the IPS provides guidelines to assist the Committee in its recommendation to select, retain or replace an investment option or investment manager, but the final decision shall not be made based on the outlined IPS criteria in isolation. The final decision shall be based on the Committee’s recommendation based on the research of the investment option’s ability to perform competitively in the future. Any final decision shall be determined by the Plan Sponsor.

11. “WATCH LIST” PROCEDURE

(Plan sponsor remains as the sole decision maker for fund addition and deletion based on investment evaluation criteria specified below, with or without a “Watch list.”)

An investment option may be placed on a “Watch list” for closer monitoring when one or more of the following occur but is not limited to these items:

- An investment option performs below the median for its peer group over 3- or 5-year cumulative measurement period.
- There is a style drift away from the stated investment approach for more than two years.
- There is a significant change in the professionals managing the investment.
- There is a significant decrease in the investment option’s asset under management.
- There is an increase in the investment fees and expenses.
- Any extraordinary event occurs that may interfere with an investment manager’s ability to prudently manage investment assets.

An investment may be placed on the “Watch list”. The Committee will review and evaluate the appropriateness of the offering for the Plan and make a recommendation to the Plan Sponsor.

12. ANNUITY PAY-OUT OPTIONS

The Committee shall review annuity pay-out contracts as required by the Plan that provide for periodic payments that are guaranteed to continue as long as the participant or beneficiary lives. In choosing such options the Committee shall:

- Appropriately consider the cost (including fees and commissions) of the annuity contract in relation to the benefits and administrative services to be provided under the contract;
- Appropriately conclude that, at the time of then selection, the annuity provider is financially able to make all future payments under the annuity contract and that the cost
of the annuity contract is reasonable in relation to the benefits and services provided under the contract; and

- Ensure annuity contract providers have met and maintain a rating that conveys significant financial strength as determined by nationally recognized statistical rating agencies such as A.M. Best, Standard & Poor’s, Moody’s, and Fitch.

14. EDUCATION AND ADVICE

It is the responsibility of the Committee to ensure that adequate participant education and communication are provided by the vendor(s). The Committee will assess whether the quantity and quality of plan participant education and communication is appropriate. Plan participant education can be achieved through a variety of channels including printed materials, websites, group meetings and individual counseling.

15. ADOPTION AND APPROVAL

The members of the Committee and Plan Sponsor approve and adopt this Investment Policy Statement and reserve the right to amend or terminate it upon written recommendation from the assigned fiduciaries.

_________________________________________________
Date:

_________________________________________________
North Dakota University System, Plan Sponsor

_________________________________________________
Vice Chancellor for Administrative Affairs

_________________________________________________
Retirement Plan Oversight Coordinator
Appendix A
Investment Menu

TIAA-CREF Annuity Contract
TIAA Traditional Annuity
TIAA Real Estate Account
CREF Stock Account
CREF Money Market Account
CREF Bond Market Account
CREF Social Choice Account
CREF Global Equities Account
CREF Equity Index Account
CREF Growth Account
CREF Inflation Linked Bond Account

TIAA-CREF Mutual Funds
TIAA-CREF International Equity Fund
TIAA-CREF Large-Cap Value Fund
TIAA-CREF Lifecycle Retirement Income Fund
TIAA-CREF Mid-Cap Growth
Mid-Cap Value Fund
TIAA-CREF Small-Cap Equity Fund

TIAA-CREF Lifecycle Funds
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