

INVESTMENT POLICY STATEMENT

Prepared for

North Dakota University System

Adopted December 5, 2024

Plan Sponsor

North Dakota University System

Administrator

North Dakota State Board of Higher Education Kirk Welch,

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HUB International Investment Services

Vendor

[TIAA](#)

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BACKGROUND OF THE PLANS

North Dakota University System (“NDUS”) sponsors the North Dakota University System retirement plans described herein (collectively, the “Plans”), for the benefit of its employees. The Plans are intended to provide eligible employees with the long-term accumulation of retirement savings through contributions to the individual participant accounts within the Plans. The Plans are intended to comply with all applicable federal laws and regulations. The Plans covered by this Investment Policy Statement (“IPS”) are the North Dakota University System 401(a) DC Retirement Plan, North Dakota University System 401(a) Executive Compensation Plan, North Dakota University System 403(b) DC Retirement Plan, North Dakota University System 403(b) TDA Retirement Plan, North Dakota University System 457(b) Deferred Compensation Retirement Plan, and North Dakota University System 403(b) Executive Comp Retirement Plan.

- The North Dakota University System is the Plan Sponsor for the Plans.
- The North Dakota State Board of Higher Education (“SBHE”), as the governing body of the Plan Sponsor, is the Administrator for the Plans.
- The Chancellor, as CEO of the North Dakota University System, appoints the NDUS Retirement Plan Oversight Committee (the “Committee”). The Committee membership and terms are outlined in the Retirement Plan Oversight Committee Charter (“Charter”).
- The SBHE has delegated authority to the Committee to oversee and monitor the Plans and make recommendations to the Budget and Finance Committee (“BFC”) regarding matters related to the Plans, as outlined in the Charter.
- The BFC will present final recommendations to the SBHE. The SBHE retains final discretionary authority regarding the Plans and must approve changes to the Plans proposed by the BFC, including changes to the Plans’ design, investment menu, and IPS.

The SBHE and anyone established in the Plans’ documents as having responsibility for the management of the Plans’ investments are referred to in this IPS as the “Plan Fiduciary”.

It is the intent to provide a range of investment options under the Plans that will enable participants to invest according to varying risk tolerances, and other financial goals. The investment options offered under the Plans shall be administered solely in the interests of the Plans’ 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 Plans.

STATEMENT OF OBJECTIVES

This IPS is intended to assist the Plan Fiduciary in making decisions regarding the Plans’ investment options in a prudent manner. To achieve that objective, the IPS outlines the processes for the selection, monitoring and evaluation of the investment options in the Plans. This IPS sets out standards that may be used by the Plan Fiduciary as guidance in making decisions regarding the investment options available under the Plans.

Specifically, this IPS describes:

- The Plans’ investment objectives
- The roles of those responsible for the Plans’ investments
- The investment selection procedures and criteria for the Plans’ investments
- The monitoring process for the Plans’ investments
- The procedures for handling investment options that fail to satisfy established objectives

The Plans seek to make available investment options that:

- Provide reasonable returns compared to appropriate peer groups and indices.
- Provide a broad range of investments so that employees can diversify investments within an investment category

- Provide a minimum of three different investment options with differing risk and return characteristics.

ROLES AND RESPONSIBILITIES

RETIREMENT PLAN OVERSIGHT COMMITTEE

The Committee serves as an advisor to the BFC. The Committee and BFC are not Plan Fiduciaries. They are generally responsible for:

- Recommending and maintaining an IPS
- Reviewing this IPS periodically, and recommending changes to this IPS as deemed appropriate
- Recommending the overall number and categories of investment options
- Monitoring the performance and cost of the investment options offered by the Plans
- Recommending any investment changes including termination
- Reviewing and any recommendations for the Plans' default investment option
- Evaluating and selecting appropriate services provided by consultants or advisors
- Understanding the needs of the Plans' participants
- Overseeing participant investment education and communication
- Comply with the provisions of all pertinent federal and state laws and regulations
- Documenting activities of the Committee

INVESTMENT ADVISOR

The Investment Advisor is responsible for providing investment advice on a non-discretionary basis to the Committee, BFC and the Plan Fiduciary regarding the selection and monitoring of the Plans' investment options. The Investment Advisor and the Plan Fiduciary are co-fiduciaries with respect to the selection and monitoring of the Plans' investment options. The specific responsibilities of the Investment Advisor are set out in the investment advisory agreement. These responsibilities may include the following:

- Recommend appropriate diversification amongst investment options
- Monitor the performance of the Plans' investment options
- Recommend changes to the investment options
- Provide the Plan Fiduciary with performance reports

PLAN FIDUCIARY

The SBHE is the Plan Fiduciary. The Fiduciary is responsible for:

- Approval of the IPS recommended by the BFC
- Approval of any investment menu recommendations by the BFC; which could include selection, termination or replacement of existing investment options or categories in the Plans
- Voting on proxies on investment options selected
- Oversee operations of the Plans in accordance with federal laws and regulations

CHANCELLOR

The Chancellor is responsible for the appointment of the Committee.

INVESTMENT DUE DILIGENCE GUIDELINES

The Plan Fiduciary is responsible for the investment options made available to participants. This section discusses the considerations and guidelines for fulfilling that duty which includes the ongoing monitoring and termination of investment options.

Attached as Appendix B (entitled "Investment Scoring Standards") is a current description of the methodology and scoring of investment options that may be used in the process for the selection and monitoring of investment options for the Plans. The Plan Fiduciary has reviewed the methodology of the process and has determined that it is appropriate for the Plans and the participants. Therefore, the Plan Fiduciary has adopted this process, methodology and scoring system described in Appendix B for purposes of selecting and monitoring the investment options. The Investment Advisor may evaluate, and update Appendix B as needed.

SELECTION OF INVESTMENT CATEGORIES

The Plans intends to provide an appropriate range of investment categories that will reasonably span the risk-and-return spectrum that satisfies the needs of the participants. The categories that may be represented in the Plans can be found in Appendix A, entitled "Investment Categories".

This IPS does not cover illiquid assets held by the Plans and/or self-directed brokerage accounts or similar arrangements that enable participants to select investments beyond those designated by the Plans.

SELECTION OF INVESTMENT OPTIONS

After determining the investment categories to be used, the Plan Fiduciary is responsible for the selection of specific investment options to be made available to participants for each of those categories.

As the Plan Fiduciary engages in the process of selecting the investment options, they may consider information from many sources, including information that may be provided by the Plans' Investment Advisor, the Plans' recordkeeper or other retirement plan investment provider(s).

The Plan Fiduciary shall maintain written records of decisions relating to the choice and ongoing monitoring of investment options under the Plans. Such records may be in the form of minutes taken of meetings, that note such things, for example, as time and place, attendees, matters discussed, and decisions reached. The written records may include documents or materials used by the Plan Fiduciary in its decision-making process. A list of the current investment options and their benchmark indices will be maintained separately and updated from time to time.

INVESTMENT MONITORING

The Committee will regularly monitor the Plans' investment options for compliance with the Plans' investment objectives and to assess whether a particular investment option continues to be appropriate for the Plans' participants.

While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an ongoing process. Recognizing that short-term fluctuations may cause variations in performance, when monitoring investments under the Plans, the Committee will evaluate investment performance from a long-term perspective.

Monitoring occurs on a regular basis and utilizes the same criteria that were the basis of the investment selection decision. It is contemplated, but not mandated, that the Committee and Plan Fiduciary will conduct a formal review at least annually unless otherwise directed by the Plan Fiduciary. Further, the Plan Fiduciary seeks to consider any unusual, notable, or extraordinary events on a current basis.

If, upon evaluation, an investment option continues to be acceptable, no further action is required. If after evaluation of an option, the Committee or Plan Fiduciary determines that it should be subject to heightened review, they will take steps to further review, study and/or remedy the deficiency. If over a reasonable period the provider is unable to resolve the issue, termination may result.

Included in Appendix B (entitled "Investment Scoring Standards") is a current description of the process that may be used by the Investment Advisor for reviewing whether an investment option has underperformed and an explanation of the process, which the Investment Advisor may follow if engaged to provide investment monitoring services.

INVESTMENT OPTION TERMINATION

The Committee may recommend to the BFC or Plan Fiduciary terminating an investment option if:

- The option significantly underperforms without a justifiable rationale
- The option fails to achieve performance and risk objectives
- The option has unreasonable expenses compared to the category average
- The option has been on the "Watch List". (see Appendix B)

The ultimate decision to retain or terminate an investment option cannot be made by a formula. However, the Plan Fiduciary may consider the investment option's anticipated ability to perform in the future when determining whether to retain an investment option.

In addition to those above, other factors may include manager turnover, legal or regulatory proceedings, or material change to investment processes. The Investment Advisor may recommend a removal of any investment option at any time and for whatever reason they deem appropriate, including a determination that the investment is no longer suitable for the Participants.

The guidelines in this IPS are to assist, but not bind, the Committee in making recommendations to the BFC and the Plan Fiduciary. In that regard, the Plan Fiduciary should exercise discretion and consider judgment in the termination and replacement process. It is the intention of the Committee and Plan Fiduciary to maintain written records of decisions relating to the decision of retaining or terminating an investment option.

COORDINATION WITH THE PLAN(S) DOCUMENT

If any term or condition of this IPS conflicts with the Plans, the terms and conditions of the Plans shall control.

APPROVAL

The Plan Fiduciary has reviewed the IPS and agrees that the IPS accurately reflects the intent of the Plan Fiduciary regarding the range of investments, objectives and criteria for selection, and evaluation of investment options within the Plans.

Adoption:

Approved Via Email Dated: _____

Approved Via Meeting: SBHE December 5, 2024

APPENDIX A

INVESTMENT CATEGORIES

Fixed Annuity: TIAA Traditional provides a guaranteed minimum interest rate and the opportunity for additional amounts due to our sharing-the-profits approach. The actual total payout rate from TIAA Traditional depends on when you made your contributions.

Fixed Income Funds(s): Fund(s) shall seek income by investing primarily in debt securities issued by corporations and/or governmental agencies. The value of this Fund may fluctuate as market conditions change. Permissible investment styles may include, but are not limited to: Short Term Bond, Intermediate Term Bond, Long Term Bond, High Yield, Inflation Protected and Global.

Hybrid Fund(s): Fund(s) shall seek total return by investing in a combination of equity, debt and cash securities. The Fund will have the discretion to determine the ratio of different types of securities held and whether this ratio is passively or actively managed or altered based upon market conditions. Permissible investment styles may include, but are not limited to: Balanced, Asset Allocation, Lifestyle, Life Stage and Target Date.

Index Fund(s): Fund(s) shall invest primarily in securities composed of an established major market index. Appropriate index funds shall attempt to maintain the positions and weightings in all sectors and securities represented in the major market index which they are attempting to replicate.

Large-Cap Equity Fund(s): Fund(s) shall seek capital appreciation by investing primarily in domestic large cap equity securities as determined by market capitalization or assets. Permissible investment styles may include but are not limited to: Large-Cap Value, Large-Cap Blend and Large-Cap Growth.

Mid-Cap Equity Fund(s): Fund(s) shall seek capital appreciation by investing primarily in domestic mid-cap equity securities as determined by market capitalization or assets. Permissible investment styles may include, but are not limited to: Mid-Cap Value, Mid-Cap Blend, and Mid-Cap Growth.

Small-Cap Equity Fund(s): Fund(s) shall seek capital appreciation by investing primarily in domestic small-cap equity securities as determined by market capitalization or assets. Permissible investment styles may include but are not limited to: Small-Cap Value, Small-Cap Blend, and Small-Cap Growth.

Foreign/Global Equity Fund(s): Fund(s) shall seek capital appreciation by investing primarily in equity securities of issuers located outside the United States but may maintain a percentage of assets in the United States. Permissible investment styles may include, but are not limited to: Foreign, Global, and Emerging Markets.

Specialty Fund(s): Fund(s) shall seek capital appreciation by investing primarily in equity securities of issuers engaged in the development, production or distribution of products and services related to a specific industry. Permissible investment styles may include, but are not limited to: Financial, Healthcare, Technology, Telecommunications and Real

Estate.

Individual Brokerage Option*: The Plan Fiduciary may offer participants an Individual Brokerage Option by establishing a custodial “window” into a retail brokerage account. This brokerage account could provide participants with access to an open-architecture array of investment choices typically available to retail investors.

*This IPS does not cover illiquid assets held by the Plans and/or self-directed brokerage accounts or similar arrangements that enable participants to select investments beyond those designated by the Plans.

APPENDIX B

INVESTMENT SCORING STANDARDS

INVESTMENT DUE DILIGENCE

The Investment Advisor will maintain a regular investment option selection and monitoring process. This process measures investment performance from a long-term perspective by applying an IPS Standards Score (“Score”) to each investment option. The Score will be utilized for the selection, ongoing monitoring, and termination of investment options in the Plans.

IPS STANDARDS SCORING PROCESS

The investment option will be granted points when they have met the stated “Criteria” on a list of quantitative and qualitative “Standards”. The “Standards” include performance, risk-adjusted return, up/down capture, maximum drawdown, and expenses.

INVESTMENT DUE DILIGENCE PROCESS CONTINUED

Target Date investments will be further evaluated based on the following criteria:

- Glide Path: the rate at which capital appreciation investments are replaced with capital preservation instruments.
- Diversification: the inclusion and weighting of uncorrelated asset classes.
- Proprietary requirements: measures the number of third-party money managers.
- Expenses: lower expenses are preferable.

Qualified Default Investment Alternatives:

- The Plan Fiduciary may select the Target Date suite of products, Asset Allocation suite or a Balanced fund as the default investment for participants and beneficiaries who do not provide investment directions for their accounts.
- The designated default investment is intended to satisfy the requirements for a Qualified Default Investment Alternative (QDIA) under ERISA §404(c)(5).

WATCH LIST CRITERIA

The recommended course of action for an investment scoring below establish criteria will be to place the investment on a watch list after failing four consecutive quarters or five of the last eight quarters. An investment may also be placed on a watch list for qualitative reasons such as changes in ownership, manager terminations and organizational instability.

Once on a watch list, a fund manager may be further evaluated to reflect upon the following:

- Investment Philosophy
- Process
- Manager Tenure/Turnover
- Experience in similar historic markets
- Stability of the parent organization

INVESTMENT OPTION TERMINATION

The Plan Fiduciary may consider terminating an investment option based on the IPS Standards Scoring Process and/or the further evaluation mentioned above. The Investment Advisor may recommend replacing an investment option at any time and for whatever reason they deem appropriate, including a determination that the investment is no longer suitable for the Participants. The ultimate decision to retain or terminate an investment option cannot be made by a formula.

For an investment option to be terminated, one of the following approaches may be taken:

- Remove and replace (map assets) to an alternative investment option.
- Remove the investment option and do not provide a replacement investment option.