



NDTFFR Board Meeting AGENDA

Thursday, April 25, 2019 - 1:00 pm
NDRIO Conference Room
3442 E. Century Avenue, Bismarck, ND

1. **Call to Order and Approval of Agenda** – Pres. Lech (Board Action)
2. **Approval of Minutes of March 21, 2019 Board Meeting** – Pres. Lech (Board Action) 5 min.
3. **TFFR Risk Assessment and Stochastic Modeling Results** – Kim Nicholl and Matt Strom, Segal Consultants (Board Information) 60 min.
4. **2019 Legislative Update** - Fay Kopp (Information) 10 min.
5. **Investment Update** – Dave Hunter (Information) 10 min.
6. **Quarterly Audit Services Update** – Sara Sauter (Information) 10 min.
7. **Board Policy Amendments: 2nd Reading- Final Approval** - Fay Kopp (Board Action) 10 min.
 - Disclosure to Membership
 - Membership Data and Contributions
 - Account Claims
8. **Board Governance Policy Discussion** – Pres. Lech (Board Action) 20 min.
9. **Board Education: Open Records and Open Meetings Training** – Sandra DePountis, Attorney General's Office (Board Information) 60 min.
10. **2019-20 Board Education Plan** – Fay Kopp (Board Action) 10 min.
11. **Trustee Education** – Fay Kopp (Board Information) 5 min.
12. **Trustee Appointment Update** – Fay Kopp (Board Information) 5 min.
13. **Other Business**
14. **Adjournment**

Next Regular TFFR Board Meeting: July 25, 2019
SIB Annual Retreat – TFFR Special Meeting: July 26, 2019

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

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 21, 2019, BOARD MEETING**

BOARD MEMBERS PRESENT: Rob Lech, President
Mike Burton, Vice President
Toni Gumeringer, Trustee
Cody Mickelson, Trustee
Mel Olson, Trustee (VDCF)
Kelly Schmidt, State Treasurer

BOARD MEMBER ABSENT: Kirsten Baesler, State Supt. DPI

STAFF PRESENT: David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Missy Kopp, Retirement Assistant
Sara Sauter, Audit Services Supvr
Shelly Schumacher, Retirement Program Mgr
Dottie Thorsen, Internal Auditor
Tami Volkert, Employer Services Coor

OTHERS PRESENT: Anders Odegaard, Attorney General's Office

CALL TO ORDER:

Dr. Rob Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, March 21, 2019, at the Retirement and Investment Office (RIO), Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. BURTON, MRS. GUMERINGER, PRES. LECH, MR. MICKELSON, MR. OLSON, AND TREASURER SCHMIDT.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the March 21, 2019, meeting.

IT WAS MOVED BY MRS. GUMERINGER AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA AS DISTRIBUTED.

AYES: TREASURER SCHMIDT, MR. BURTON, MR. MICKELSON, MRS. GUMERINGER, MR. OLSON, AND PRES. LECH

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

MINUTES:

The Board considered the minutes of the January 24, 2019, meeting.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE January 24, 2019, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MR. OLSON, TREASURER SCHMIDT, MR. BURTON, MRS. GUMERINGER, AND PRES. LECH

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

LEGISLATIVE UPDATE:

Ms. Kopp provided an update on the legislative bills currently being monitored by RIO staff that impact the TFFR program. HB 1044, which updates TFFR plan language to maintain IRS compliance, has passed both chambers and is waiting for the Governor's signature. SB 2022, which contains the 2019-21 RIO budget and TFFR pension administration system upgrade project, had a hearing with the House Appropriations - Government Operations Division on March 6th. No action has been taken on the bill to date.

INVESTMENT UPDATE:

Mr. Hunter provided the investment update for periods ending on December 31, 2018. The last quarter of 2018 was challenging. TFFR earned a net investment return of -7.41% for the quarter, -4.05% for the 1-year, and 5.1% for the 5-years ending December 31, 2018. TFFR investments have averaged nearly \$2.2 billion during the last 5-years and excess return has averaged over 0.50% per annum. Based on these values, TFFR's use of active management has enhanced net investment returns by \$55 million for the 5-years ended December 31, 2018. This excess return has been achieved while adhering to prescribed risk limits (e.g. 108% versus a policy limit of 115%). TFFR's actual asset allocations are within 3% of target.

PENSION PLAN COMPARISON REPORT:

Ms. Kopp presented the annual Public Pension Plan Comparison Report, comparing TFFR to the FY 2017 Public Fund Survey (PFS) conducted by the National Association of State Retirement Administrators (NASRA). This survey provides information on key characteristics of most of the nations' largest public retirement systems including actuarial funding levels, membership, cash flow, contribution rates, investment returns, actuarial assumptions, and asset allocation.

Ms. Kopp also commented on the Certificate of Transparency TFFR received from the National Council of Public Employee Retirement Systems (NCPERS) for TFFR's participation in the 2018 NCPERS Public Retirement Systems Study, which seeks to further open disclosure, data collection, and encourage the public's understanding of public retirement systems.

Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE ANNUAL PENSION PLAN COMPARISON REPORT.

AYES: MR. MICKELSON, MR. OLSON, TREASURER SCHMIDT, MR. BURTON, MRS. GUMERINGER, AND PRES. LECH.

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

RETIREMENT TRENDS REPORT:

Ms. Schumacher presented the annual Retirement Trends and Projections report as of January 2019. Of the 11,194 active members, 1,014 are currently eligible to retire. On average, 1,244 teachers have been eligible to retire, and 387 members actually retired each year, or a total of almost 3,871 for the 10-year period. Approximately 2,600 to 2,800 active members are projected to retire in the next 10 years which averages about 268 per year.

Board discussion followed.

IT WAS MOVED BY MRS. GUMERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ANNUAL RETIREMENT TRENDS REPORT.

AYES: MRS. GUMERINGER, MR. BURTON, MR. MICKELSON, MR. OLSON, TREASURER SCHMIDT, AND PRES. LECH.

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

The Board recessed at 2:36 p.m. and reconvened at 2:45 p.m.

BOARD POLICY AMMENDMENTS - 1ST READING:

Ms. Kopp provided information to the Board about the need to make changes to three Board policies. RIO staff have been working on transitioning from paper communications to electronic in order to save money and staff time. There are still some items that will be sent through the mail to members, but as much as possible, electronic communications will be used. Once a new or updated pension administration system with electronic

communication capabilities is implemented, staff can consider expanding electronic communications further.

In order to continue this transition to more electronic communications, staff has proposed amendments to the following Board policies: TFFR Program Policy C-6, Disclosure to Membership; TFFR Ends Policy B-6, Membership Data and Contributions; and TFFR Ends Policy B-8, Account Claims. The proposed amendments include changes to distribution method from paper to electronic for certain mailings, as well as updates and clarifications which Ms. Kopp reviewed with the Board. TFFR Legal Counsel has reviewed the proposed amendments to the Board policies and has no suggested changes.

Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FIRST READING OF TFFR POLICY C-6: DISCLOSURE TO MEMBERSHIP.

AYES: MR. OLSON, MR. MICKELSON, MRS. GUMERINGER, TREASURER SCHMIDT, MR. BURTON, AND PRES. LECH.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FIRST READING OF TFFR POLICY B-6: MEMBERSHIP DATA AND CONTRIBUTIONS.

AYES: MR. BURTON, MR. MICKELSON, MRS. GUMERINGER, TREASURER SCHMIDT, MR. BURTON, AND PRES. LECH.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

IT WAS MOVED BY MR. BURTON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FIRST READING OF TFFR POLICY B-8: ACCOUNT CLAIMS.

AYES: MRS. GUMERINGER, MR. MICKELSON, TREASURER SCHMIDT, MR. BURTON, MR. OLSON, AND PRES. LECH.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

BOARD EDUCATION - EMPLOYER REPORTING:

Ms. Schumacher and Ms. Tami Volkert presented an overview of TFFR Employer Reporting. Topics included: Employer responsibilities, eligible and

ineligible salary reporting, employer models, and employer reporting requirements.

Board discussion followed.

BOARD CALENDAR:

Ms. Kopp presented a draft board meeting schedule for 2019-20. Examples of board education topics from the past few years were also included, with a request for suggestions from board members for topics of interest to them.

Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2019-20 BOARD CALENDAR AS PRESENTED

AYES: MR. BURTON, MRS. GUMERINGER, MR. OLSON, TREASURER SCHMIDT, MR. MICKELSON, AND PRES. LECH.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 4:10 p.m.

Respectfully Submitted:

Dr. Rob Lech, President
Teachers' Fund for Retirement Board

Missy Kopp
Reporting Secretary



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: April 18, 2019
SUBJ: TFFR Risk Assessment and Stochastic Modeling Results

At the January 24, 2019 meeting, the TFFR Board approved an actuarial project which includes a risk assessment, stochastic modeling and projections, and development of a plan management policy. This policy is intended to provide a basis for balancing TFFR's pension obligations with assets and contributions in order to maintain its long-term health and viability. The policy will also provide the framework the Board will follow in establishing metrics for future funding and benefit changes, if needed.

TFFR's actuarial advisors, Kim Nicholl and Matt Strom, Segal Consulting, will be at the April meeting to present the risk assessment and stochastic modeling preliminary results (Phase One). The Segal presentation is being finalized, and will be added to the board materials early next week. We will notify you when the website is updated with the Segal presentation.

NO BOARD ACTION REQUIRED AT THIS TIME.
Board discussion and feedback will be requested.



North Dakota Teachers' Fund for Retirement

Risk Assessment/Plan Management Policy – Phase 1

April 25, 2019

Presented By:

*Kim Nicholl, FSA, MAAA, EA
Senior Vice President and Actuary*

*Matt Strom, FSA, MAAA, EA
Vice President and Actuary*

This document has been prepared by Segal Consulting for the benefit of the Board of Trustees of the North Dakota Teachers' Fund for Retirement and is not complete without the presentation provided at the April 25, 2019 meeting of the Board of Trustees.

Project Phases

➤ Project consists of two phases:

➤ Phase 1 – initial risk assessment and stochastic modeling

- Baseline liabilities, normal costs, and benefit payments projected using an open group forecast
- Combination of stochastic and deterministic projections to evaluate the financial health of TFFR

➤ Phase 2 – develop Plan Management Policy

- Identify Policy metrics and establish “ideal” and “problematic” conditions
- Construct a scoring system with the idea of meeting TFFR’s long-term funding goals
- Discuss and fine-tune Policy and scoring system

Risks Facing TFFR

Risks related to economic variables

- Investment return
- Inflation
 - Price inflation
 - Wage inflation

Risks related to demographic events

- Mortality
- Payroll and/or population growth
- Retirement, disability, termination

Risks related to external forces

- Governance risk
- Regulatory risk
- Litigation risk
- Political risk

These risks are challenging to manage effectively

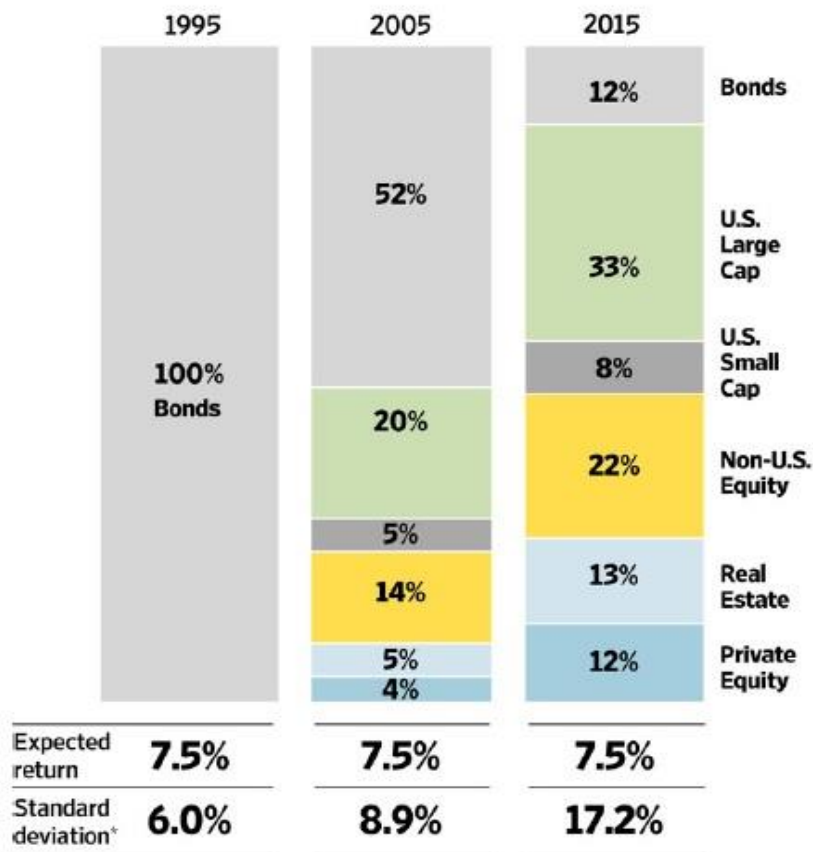
The risks that could potentially impact TFFR the most are investment risk and payroll/population growth risk

Creating a 7.5% Return Portfolio

Portfolio Evolution

Investors grappling with lower interest rates have to take bigger risks if they want to equal returns of two decades ago.

Estimates of what investors needed to earn 7.5%



*Likely amount by which returns could vary

Source: Callan Associates

THE WALL STREET JOURNAL.

- Reduced inflation expectation has reduced investment returns
- More risk is required now to achieve the same expected return obtainable from a 100% fixed income portfolio twenty years ago
 - Standard deviation of 17% now compared to 6% twenty years ago

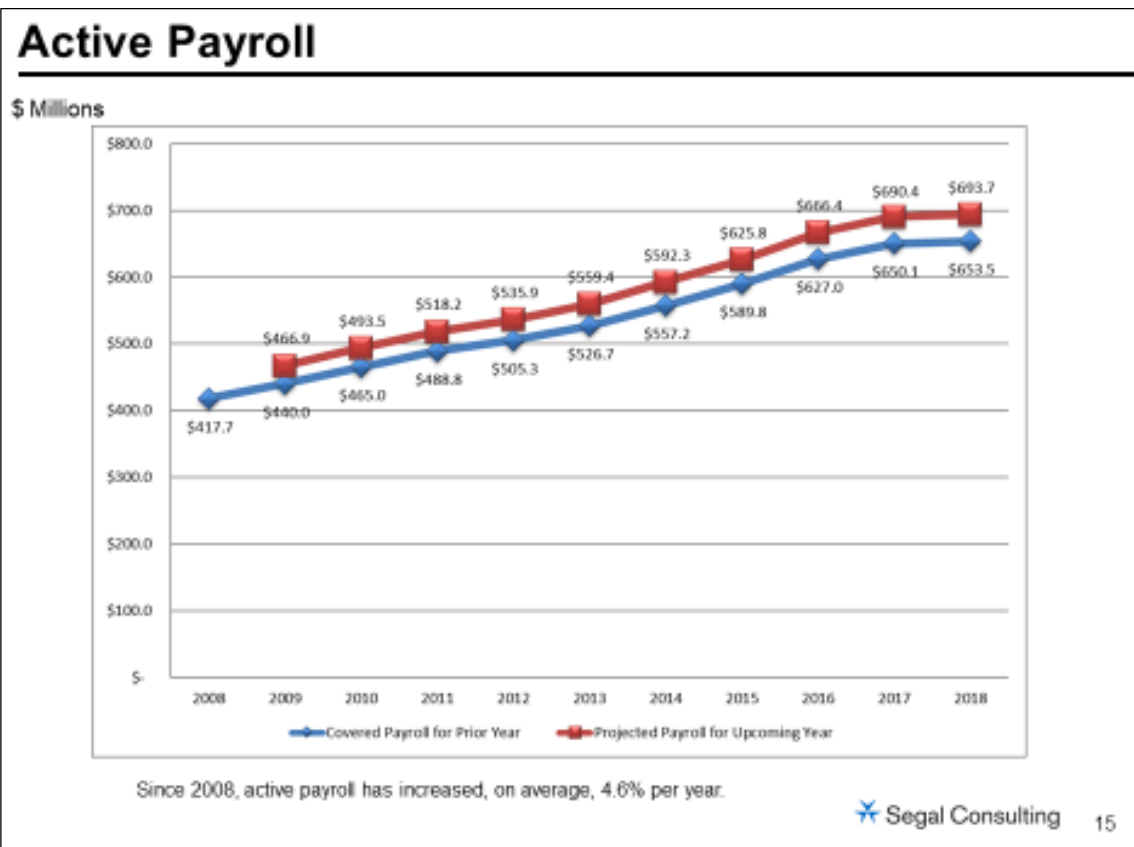
Mortality/Longevity Risk

- Continued improvements in mortality = longer periods of payment and higher costs
- The new Public Plan mortality tables along with the Society of Actuaries' mortality improvement scales represents the best estimate of life expectancy
 - Longevity risk arises if these tables turn out to be insufficient

| | Life expectancy of a female retiree at age 65 | | |
|---|---|------|------|
| Age at July 1, 2019 | 65 | 45 | 25 |
| TFFR assumption used in 2008 | 87.4 | 87.4 | 87.4 |
| TFFR assumption used in 2018 | 91.7 | 93.1 | 94.5 |
| PubT-2010 Teacher Healthy Retiree w/Scale MP-2018 | 90.3 | 91.8 | 93.2 |

Payroll and/or Population Growth Risk

- Current assumption used in assessing TFFR's financial position is that total covered payroll will increase, on average, 3.25% per year
 - This assumption drives expected future member and employer contributions
 - Used in the determination of actuarially-determined contribution and effective amortization period
- To the extent this assumption is not achieved over time, contribution losses will occur



- Since 2008, actual increases in total payroll have exceeded the assumption
- However, last year, total payroll only increased by 0.5%

Workforce Demographic Risk

- Pension plan populations are getting older
 - Baby boomers aging and retiring
- Older participants are closer to payment and generally more expensive than those that are younger
- Higher ratios of actuarial accrued liability to payroll and market value of assets to payroll exacerbates the impact investment losses on contributions
 - For TFFR, a 1% loss on assets (earning 6.75% as opposed to 7.75%) is ~\$25.3M and equivalent to 3.7% of covered payroll

- Ratio of non-actives to actives
 - Sign of Plan maturity
 - More pressure on investments as benefit payments increase
 - Difficult to restore financial health after losses
 - Less future benefits to reduce
 - Less contributions to increase



Plan Maturity Measures

| Valuation Date July 1 | Ratio of Retirees to Actives | Net Cash Flow as a Percentage of MVA |
|--------------------------|------------------------------|--------------------------------------|
| 2018 | 80.4% | -1.6% |
| 2017 | 78.2% | -1.3% |
| 2016 | 76.3% | -1.2% |
| 2015 | 76.3% | -1.0% |
| 2014 | 75.2% | -2.0% |
| 2013 | 73.9% | -1.9% |
| 2012 | 71.4% | -3.1% |
| 2011 | 69.3% | -2.7% |
| 2010 | 67.3% | -3.5% |

Membership is approaching the point where there will be one retiree for each active member.

Contribution rate increases were effective in 2012 and 2014, which incrementally improved negative cash flow. However, the negative cash flow continues to increase.

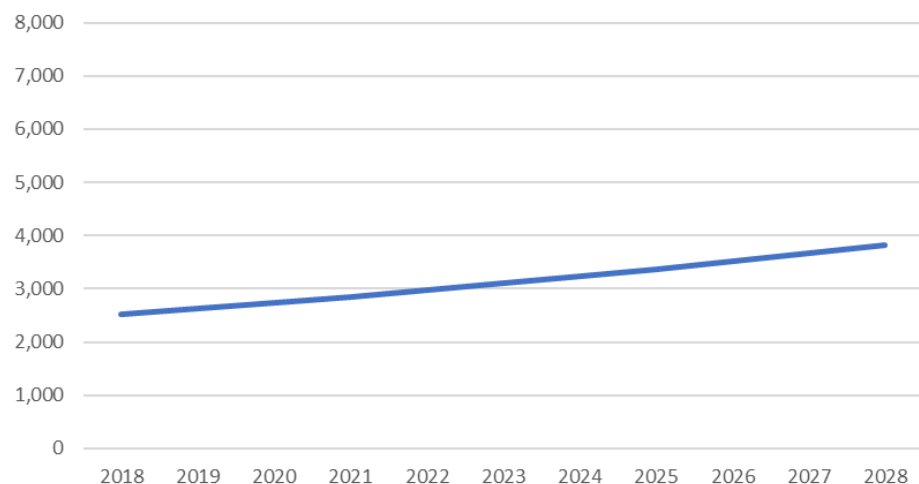
Plan Maturity Measures

| Valuation Date July 1 | Ratio of Total Liability to Payroll | Ratio of Assets to Payroll | Ratio of Retiree Liability to Total |
|--------------------------|-------------------------------------|----------------------------|-------------------------------------|
| 2018 | 591% | 387% | 58% |
| 2017 | 574% | 363% | 56% |
| 2016 | 572% | 339% | 55% |
| 2015 | 585% | 363% | 54% |
| 2014 | 563% | 375% | 53% |
| 2013 | 569% | 349% | 52% |
| 2012 | 568% | 327% | 50% |
| 2011 | 563% | 353% | 48% |
| 2010 | 567% | 309% | 47% |

- The ratio of total liability to payroll helps assess how a change in unfunded liabilities will affect the actuarially determined contribution (ADC). The larger the ratio, the greater the effect.
- The ratio of assets to payroll is a measure of market risk and the effect on the ADC if such risks occur.
- Higher ratios of retiree liability to total liability make it more difficult for benefit or contribution changes to address funding issues.

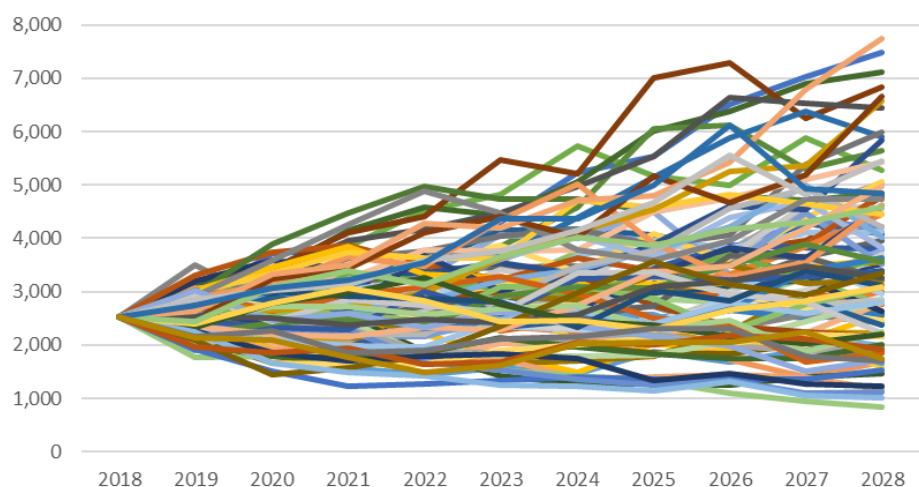
Explanation of Deterministic vs. Stochastic

Deterministic Assets



- Deterministic projections convey **expectation** and directional trend, but give no sense of the possible volatility of results
- They are **simpler and easier** to understand but are difficult to use in assessing alternative and do not measure risk/reward trade-offs

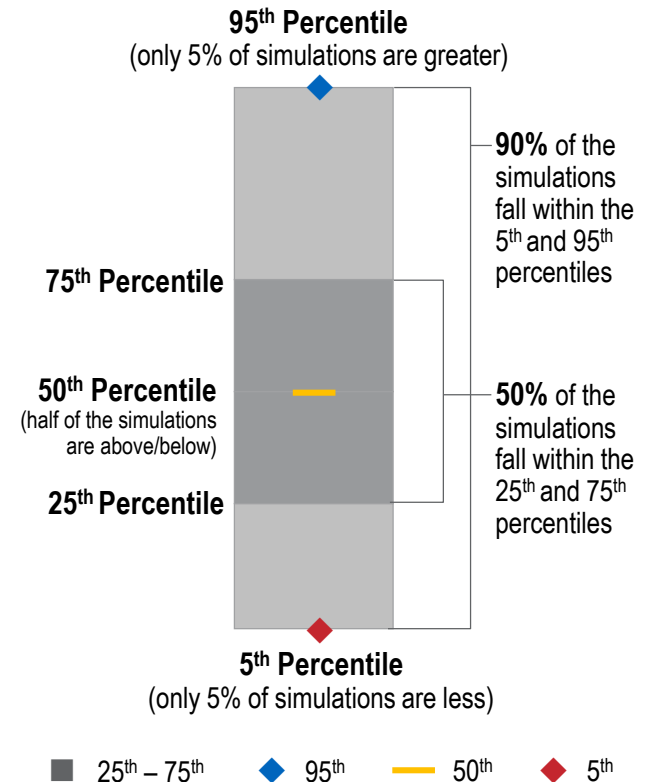
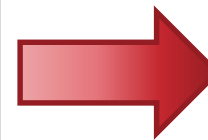
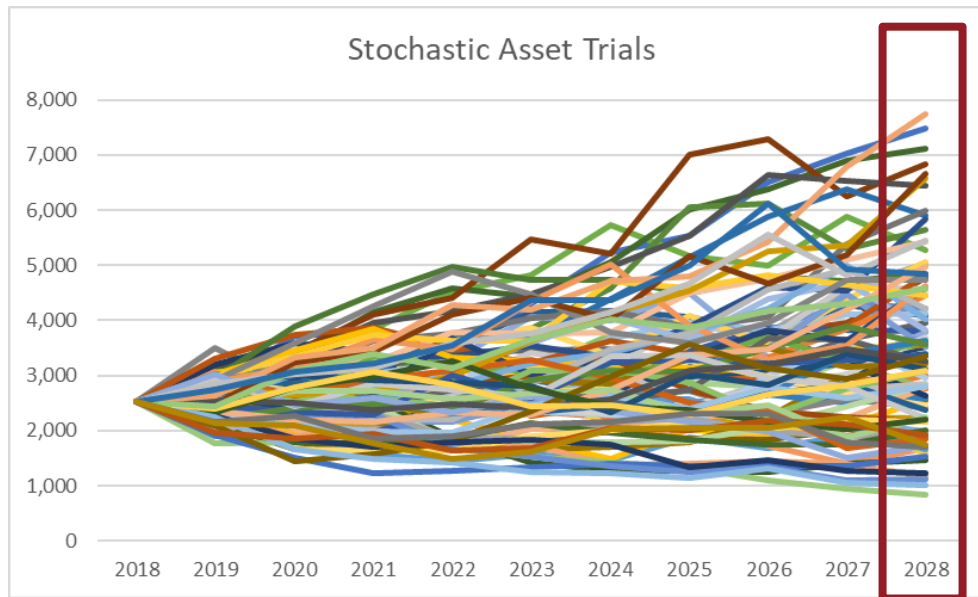
Stochastic Asset Trials



- Stochastic projections produce a distribution of results so expectation and **volatility** around expected results can be calculated
- They are **complex** and require many assumptions but are superior in terms of aiding decisions that require the weighing of **risk/reward** trade-offs
- Typically 2,500 to 5,000 trials are run

Explanation of Deterministic vs. Stochastic

The data is grouped into percentiles and summarized as a range



- The median is represented by the yellow line at the center of the distribution
- The dark gray shaded rectangle represents 50% of all outcomes around the median
- The large, light gray rectangle (inclusive of the dark gray area) represents 90% of all outcomes around the median
- Other percentile results/probabilities are calculated as well

Stochastic Results – Scenarios and Output Modeled

➤ Output

- Portfolio investment return
- Funded percentage
- Effective amortization period
- Unfunded actuarial accrued liability
- Employer contribution rate

➤ Scenarios

- Baseline
 - Assumed rate of return of 7.75% (i.e., liabilities are discounted at 7.75%)
- One year of poor investment performance
 - 0% for fiscal 2019
- Lower assumed rate of return
 - Both 7.50% and 7.25%
- Active population increase
 - 1% growth in active member population for the next 10 years
- Accelerated retirements
 - Retirement rates used in demographic projection are increased by 10%
- Increase life expectancy by 1 year
- Decrease total contribution rate by 2%

Stochastic Modeling of Investment Return

- Modeling of future simulated return trials is based on:
 - The Horizon Survey of Capital Market Assumptions (2018 Edition)
 - This survey compiles and averages the capital market assumptions of 35 investment consultants
 - TFFR’s target asset allocation, shown below:

| | Asset Class | Target Allocation |
|-------------------|-------------------------|-------------------|
| Fixed/Alternative | US Core | 17% |
| | Real Estate | 10% |
| | High Yield | 7% |
| | Commodity | 2% |
| | Infrastructure | 5% |
| | Cash | 1% |
| Equity | US Large Cap | 25% |
| | US Small Cap | 7% |
| | International Developed | 16% |
| | Emerging Markets | 4% |
| | Private Equity | 6% |

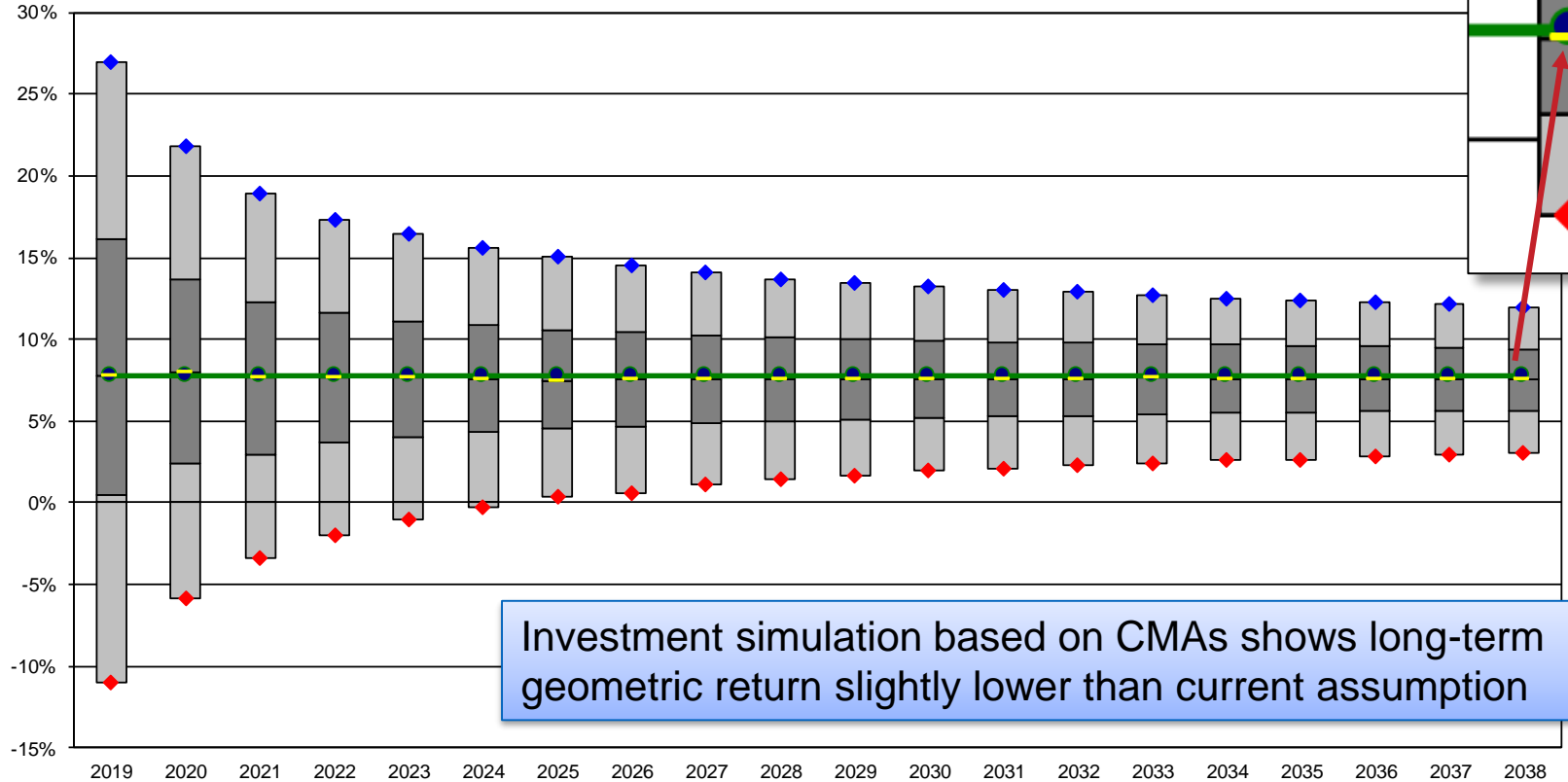
Capital Market Assumptions

| | Asset Class | Expected Return*/ Standard Deviation | | Target Allocation | Weighted Return |
|-------------------|-------------------------------|---|-------|-------------------|-----------------|
| Fixed/Alternative | US Core | 4.6% | 5.7% | 17% | 0.79% |
| | Real Estate | 7.7% | 13.9% | 10% | 0.77% |
| | High Yield | 6.4% | 10.2% | 7% | 0.45% |
| | Commodity | 6.5% | 17.6% | 2% | 0.13% |
| | Infrastructure | 8.2% | 14.7% | 5% | 0.41% |
| | Cash | 3.1% | 2.7% | 1% | 0.03% |
| Equity | US Large Cap | 8.7% | 16.4% | 25% | 2.18% |
| | US Small Cap | 10.1% | 20.2% | 7% | 0.71% |
| | International Developed | 9.5% | 18.7% | 16% | 1.51% |
| | Emerging Markets | 11.9% | 24.9% | 4% | 0.48% |
| | Private Equity | 12.2% | 22.2% | 6% | 0.73% |
| | Total | | | 100% | 8.19% |
| | Adjustment to Geometric | | | | (0.64%) |
| | Total Long-term Return | | | | 7.55% |

* Based on 20-year arithmetic assumptions and reflects long-term inflation of 2.48%

Investment Return

Projected Cumulative Investment Return for Plan Years Ending June 30



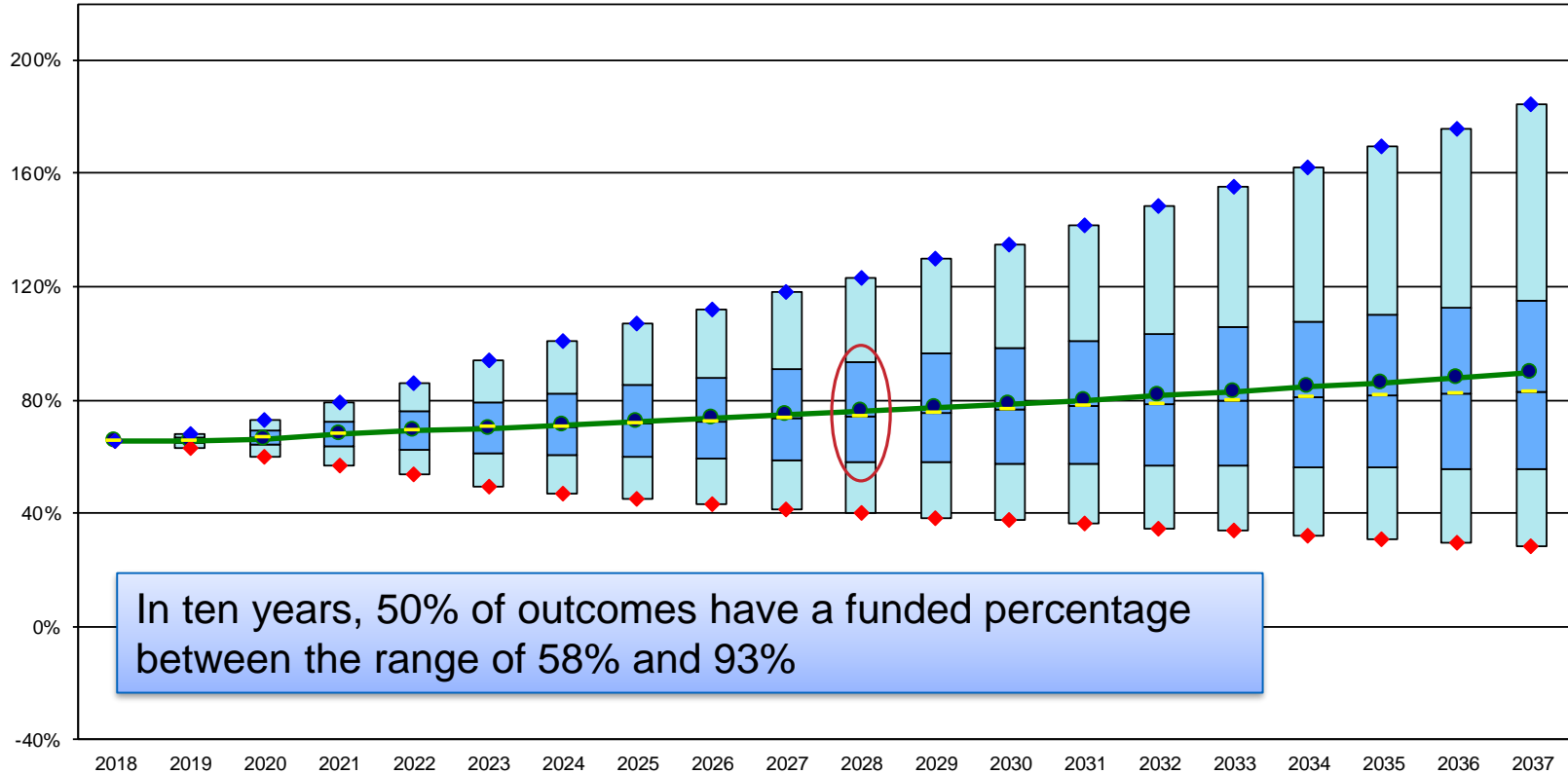
Investment simulation based on CMAs shows long-term geometric return slightly lower than current assumption

| | | | | | | | | | | | | | | | | | | | | |
|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| ◆ 95th | 27.0% | 21.8% | 18.9% | 17.3% | 16.4% | 15.6% | 15.0% | 14.5% | 14.1% | 13.7% | 13.5% | 13.2% | 13.0% | 12.9% | 12.7% | 12.5% | 12.4% | 12.3% | 12.1% | 12.0% |
| ■ 75th | 16.1% | 13.7% | 12.3% | 11.6% | 11.1% | 10.9% | 10.6% | 10.4% | 10.2% | 10.1% | 10.0% | 9.9% | 9.8% | 9.8% | 9.7% | 9.7% | 9.6% | 9.5% | 9.5% | 9.4% |
| ■ 50th | 7.8% | 8.0% | 7.7% | 7.6% | 7.6% | 7.5% | 7.5% | 7.5% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% |
| ■ 25th | 0.5% | 2.4% | 3.0% | 3.7% | 4.0% | 4.3% | 4.6% | 4.7% | 4.9% | 5.0% | 5.1% | 5.2% | 5.3% | 5.4% | 5.5% | 5.5% | 5.5% | 5.6% | 5.7% | 5.7% |
| ◆ 5th | -11.0% | -5.9% | -3.4% | -2.0% | -1.0% | -0.3% | 0.3% | 0.6% | 1.1% | 1.4% | 1.7% | 1.9% | 2.1% | 2.3% | 2.4% | 2.6% | 2.7% | 2.8% | 3.0% | 3.0% |
| ● | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% |

● Current investment return assumption

Funded Percentage – Baseline

Projected Funded Percentage as of July 1

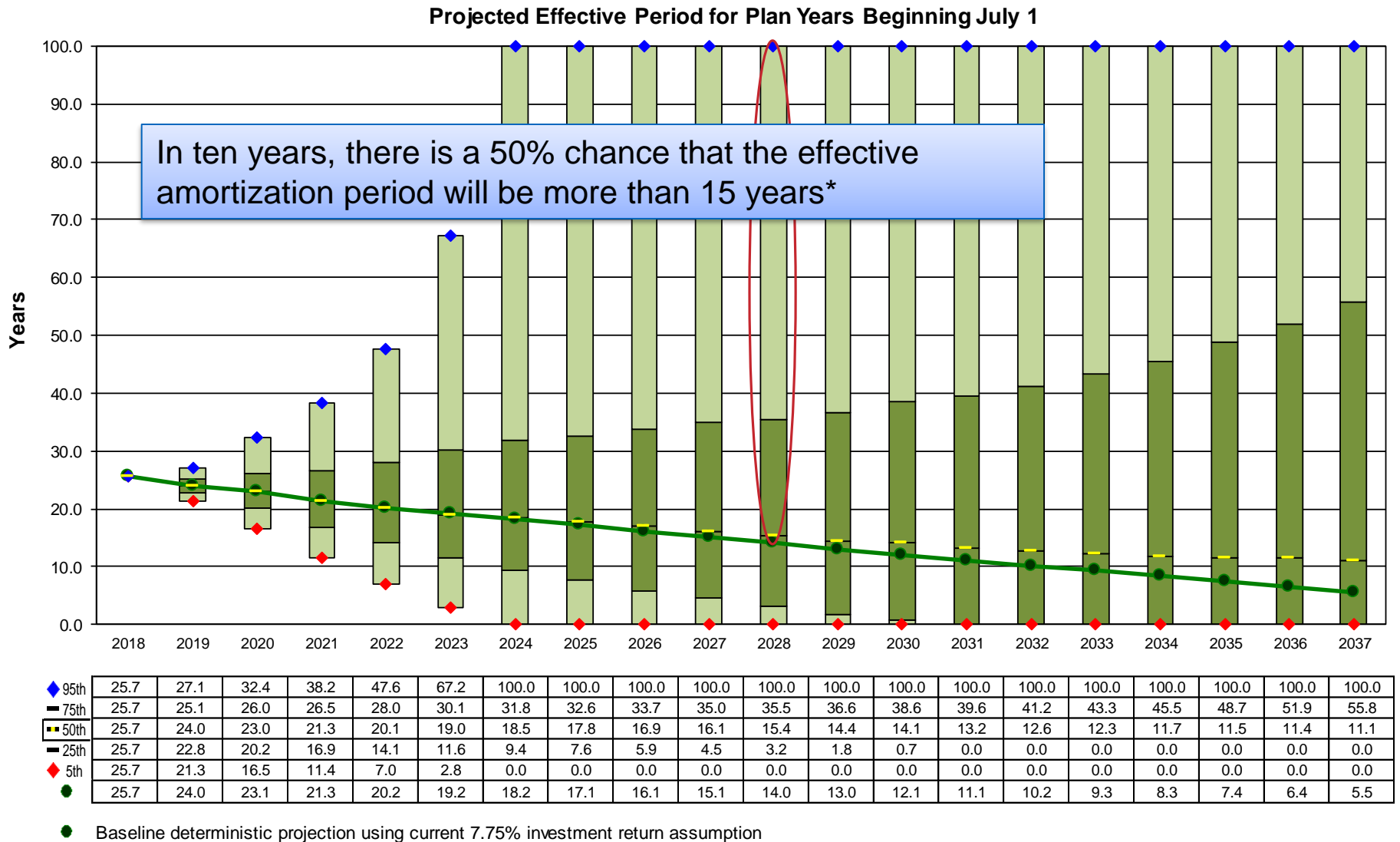


In ten years, 50% of outcomes have a funded percentage between the range of 58% and 93%

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| ◆ 95th | 65% | 68% | 73% | 79% | 86% | 94% | 101% | 107% | 112% | 118% | 123% | 130% | 135% | 142% | 148% | 155% | 162% | 169% | 176% | 185% |
| ■ 75th | 65% | 67% | 69% | 73% | 76% | 79% | 82% | 85% | 88% | 91% | 93% | 96% | 99% | 101% | 103% | 106% | 108% | 110% | 113% | 115% |
| ■ 50th | 65% | 66% | 67% | 68% | 69% | 70% | 71% | 72% | 72% | 73% | 74% | 76% | 76% | 78% | 79% | 80% | 81% | 82% | 82% | 83% |
| ■ 25th | 65% | 65% | 64% | 64% | 63% | 61% | 60% | 60% | 59% | 58% | 58% | 58% | 57% | 57% | 57% | 57% | 56% | 56% | 56% | 55% |
| ◆ 5th | 65% | 63% | 60% | 57% | 54% | 50% | 47% | 45% | 43% | 42% | 40% | 38% | 38% | 37% | 35% | 34% | 32% | 31% | 29% | 28% |
| ● | 65% | 66% | 66% | 68% | 69% | 70% | 71% | 72% | 73% | 75% | 76% | 77% | 79% | 80% | 81% | 83% | 85% | 86% | 88% | 89% |

● Baseline deterministic projection using current 7.75% investment return assumption

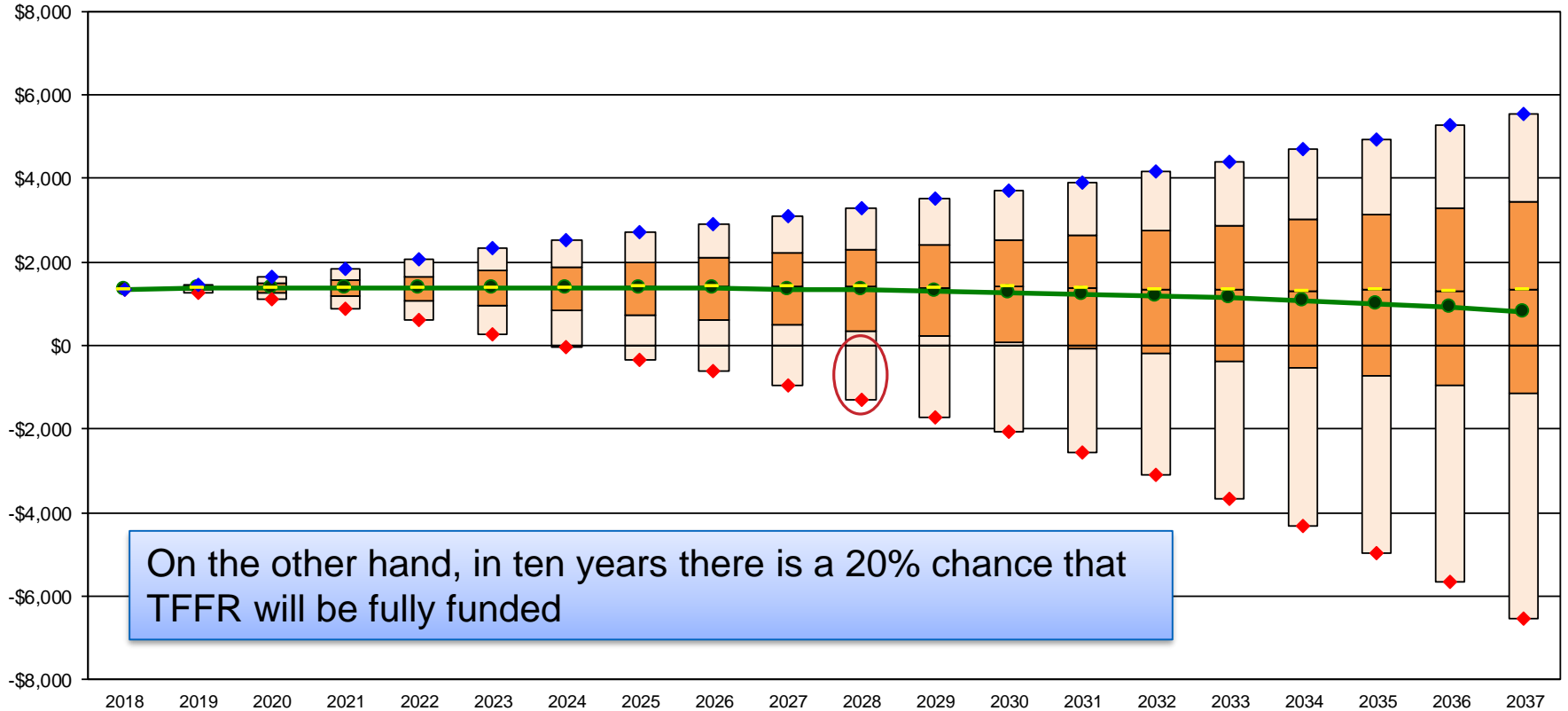
Effective Amortization Period – Baseline



* Compared to the benchmark funding policy amortization, which has 25 years remaining as of 2018

Unfunded Liability – Baseline

Projected Unfunded Actuarial Accrued Liability (AVA basis) for Plan Years Beginning July 1

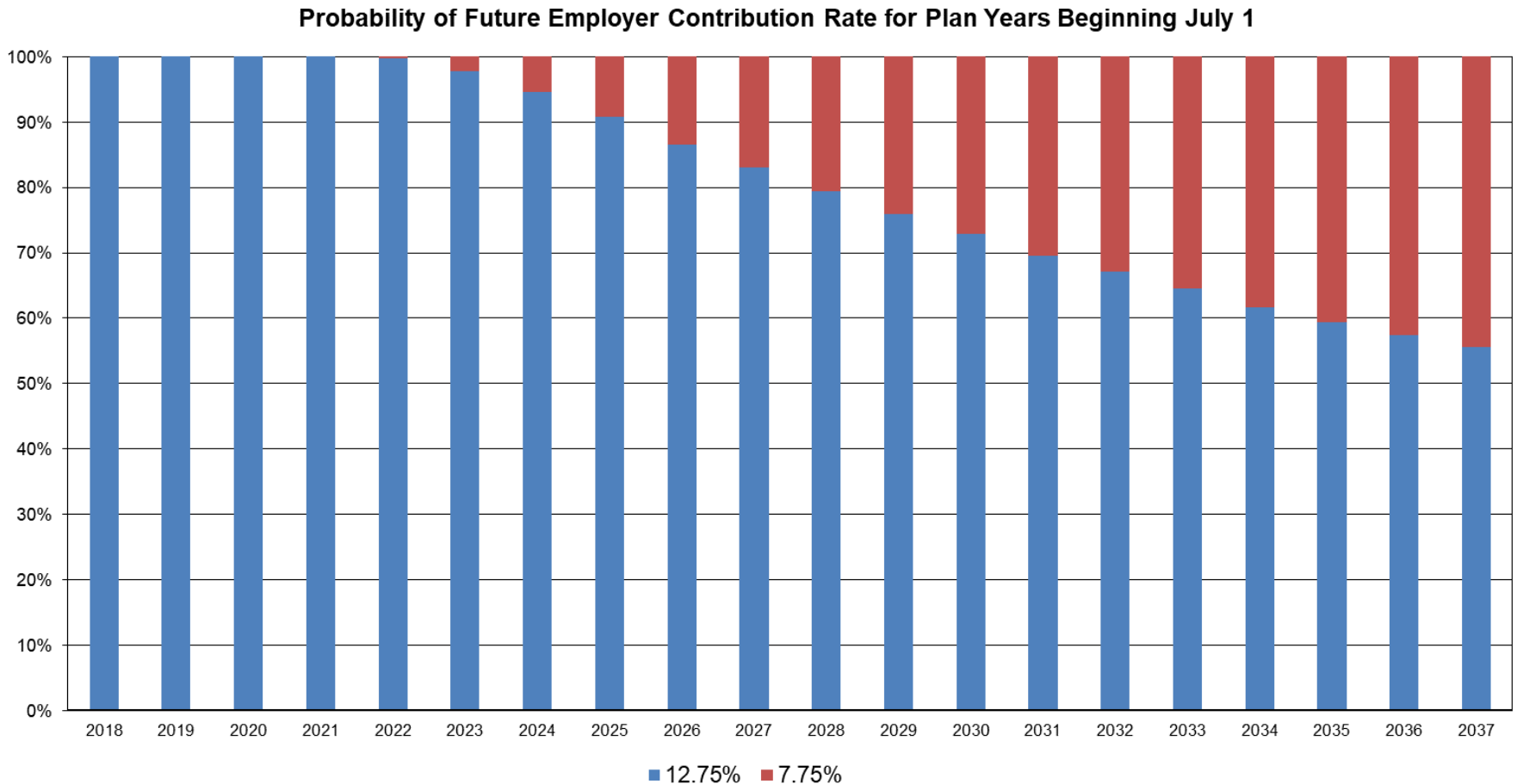


On the other hand, in ten years there is a 20% chance that TFFR will be fully funded

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| ◆ 95th | 1,337 | 1,470 | 1,665 | 1,850 | 2,069 | 2,325 | 2,523 | 2,711 | 2,901 | 3,102 | 3,299 | 3,518 | 3,708 | 3,914 | 4,174 | 4,404 | 4,698 | 4,946 | 5,262 | 5,566 |
| ■ 75th | 1,337 | 1,413 | 1,490 | 1,556 | 1,660 | 1,782 | 1,894 | 1,986 | 2,089 | 2,207 | 2,298 | 2,410 | 2,526 | 2,627 | 2,752 | 2,877 | 3,007 | 3,152 | 3,291 | 3,459 |
| ■ 50th | 1,337 | 1,376 | 1,389 | 1,371 | 1,372 | 1,370 | 1,395 | 1,406 | 1,411 | 1,412 | 1,418 | 1,393 | 1,399 | 1,374 | 1,354 | 1,336 | 1,316 | 1,328 | 1,315 | 1,341 |
| ■ 25th | 1,337 | 1,335 | 1,282 | 1,180 | 1,074 | 960 | 846 | 731 | 608 | 491 | 361 | 213 | 87 | (66) | (193) | (378) | (536) | (712) | (952) | (1,165) |
| ◆ 5th | 1,337 | 1,281 | 1,124 | 886 | 612 | 279 | (32) | (338) | (601) | (953) | (1,285) | (1,727) | (2,082) | (2,566) | (3,093) | (3,689) | (4,314) | (4,985) | (5,655) | (6,556) |
| ● | 1,337 | 1,377 | 1,392 | 1,374 | 1,374 | 1,377 | 1,376 | 1,372 | 1,363 | 1,349 | 1,330 | 1,304 | 1,272 | 1,233 | 1,187 | 1,132 | 1,069 | 996 | 912 | 818 |

● Baseline deterministic projection using current 7.75% investment return assumption

Employer Contribution Rate – Baseline



When TFFR is fully funded, the employer contribution rate will sunset back to 7.75%

Probability Detail – Baseline

| | Probability in 10 Years | Probability in 20 Years |
|--------------------------------------|----------------------------|----------------------------|
| Funded Ratio | | |
| Less than 50% | 13.8% | 20.5% |
| Less than 60% | 27.7% | 29.3% |
| Less than 70% | 43.6% | 38.2% |
| More than 80% | 42.0% | 53.1% |
| More than 90% | 28.8% | 43.9% |
| More than 100% | 18.6% | 35.7% |
| Effective Amortization Period | | |
| Infinite in any year | 12.4% | 27.5% |
| More than 30 in any year | 38.8% | 51.9% |
| More than 15 years | 50.9% | n/a |
| More than 5 years | n/a | 57.6% |

Probability Detail – Alternative Assumed Return Assumptions

| | Probability in 10 Years | | Probability in 20 Years | |
|-------------------------------|-------------------------|--------|-------------------------|--------|
| | 7.50% | 7.25% | 7.50% | 7.25% |
| Funded Ratio | | | | |
| Less than 50% | 15.9% | 17.8% | 21.1% | 22.2% |
| Less than 60% | 30.8% | 33.6% | 30.6% | 31.7% |
| Less than 70% | 46.3% | 50.3% | 39.3% | 40.6% |
| More than 80% | 38.3% | 35.1% | 51.6% | 50.2% |
| More than 90% | 25.9% | 23.0% | 42.5% | 41.2% |
| More than 100% | 16.5% | 14.2% | 34.6% | 33.6% |
| Effective Amortization Period | | | | |
| Infinite in any year | 16.3% | 21.5% | 31.4% | 36.0% |
| More than 30 in any year | 58.9% | 99.1%* | 67.1% | 99.3%* |
| More than 15 years | 56.2% | 62.0% | n/a | |
| More than 5 years | n/a | | 59.5% | 61.3% |

* Baseline effective period would increase to 36 years in 2019 using a 7.25% return assumption

Probability Detail – Additional Scenarios

Probability in 10 years:

| | Less Than 70% Funded | More Than 80% Funded | Funding Period >15 |
|---------------------------------|-------------------------|-------------------------|-----------------------|
| Baseline | 43.6% | 42.0% | 50.9% |
| 1% per year growth in actives | 42.0% | 43.3% | 46.2% |
| Accelerated retirements | 44.3% | 41.3% | 51.6% |
| Increase life expectancy 1 year | 45.6% | 39.1% | 54.2% |
| Contribution rate lower by 2% | 49.9% | 36.1% | 62.3% |
| Baseline | 43.6% | 42.0% | 50.9% |
| 0% actual return in 2019 | 54.2% | 30.7% | 61.8% |
| 7.50% assumed return | 46.3% | 38.3% | 56.2% |
| 7.25% assumed return | 50.3% | 35.1% | 62.0% |

Observations and Discussion

➤ Key observations

- The investment return risk has the largest potential impact to TFFR
- The current 7.75% return assumption is below the 50th percentile return
 - A decrease in this assumption to 7.50% or 7.25% materially changes the landscape of the TFFR funded percentage projections
- Based on the TFFR funding policy the following chart shows the ideal funding progress:

| Valuation Date | Funding Period | Funded % |
|----------------|----------------|------------|
| July 1, 2019 | 25 years | 65.5% |
| July 1, 2029 | 15 years | In the 80s |
| July 1, 2039 | 5 years | In the 90s |

- The probability that TFFR's funded percentage in 10 years will be less than 70% is approximately 44%
 - Said another way, there is a 40% chance that the funded percentage will not improve over the next 10 years (based on the current assumed return)
- If discussion of contribution rate decreases were to surface, this would present significant risk to TFFR

Plan Funding Policy vs. Plan Management Policy

A funding policy sets actuarially sound contribution rates

- A funding policy serves as a benchmark, which can be compared to the fixed employer contribution rates
- Actuarially determined contribution is equal to Normal Cost plus 25 year amortization of Unfunded Accrued Liability (as of 7/1/2018)
 - Amortization targets 100% funding in 25 years
 - TFFR's amortization method is 30 year closed period that began on July 1, 2013

A plan management policy monitors ongoing plan health

- Identify and establish objective criteria to evaluate health of TFFR
- Illustrates market volatility and contribution inadequacy risks through stochastic modeling
- Allows Board to evaluate future funded ratio based on probabilities
- Serves as advance warning tool

A plan management policy is a more robust way to evaluate the ongoing health and sustainability of TFFR

Using the Plan Management Policy

- Recalculate Policy Score as part of the annual valuation or other frequency
- Policy Score provides context for likelihood of future positive or negative events
 - For example, if funded ratio is projected to be at an unacceptable level with a high likelihood, the Board can explore ways to address this
- Policy Score can be part of the actuarial analysis of proposed legislation
 - Does the Policy Score improve, stay the same, or worsen?
 - Should the Policy Score be a factor when analyzing the effect of a benefit improvement?



TFFR Legislative Update

April 18, 2019

| BILL NO. | DESCRIPTION | SPONSORED/INTRODUCED BY | |
|----------|-------------|-------------------------|--|
|----------|-------------|-------------------------|--|

| | | | |
|-------------------------|----------------------------|------------|---------|
| HB 1044 | TFFR Technical Corrections | TFFR Board | Support |
|-------------------------|----------------------------|------------|---------|

HB 1044 updates TFFR plan language to maintain compliance with federal Internal Revenue Code requirements related to qualified governmental pension plans.

HB 1044 was assigned to House Government and Veterans Affairs Committee. The Committee gave the bill a do pass recommendation 14-0. **On 1.8.19 the House passed the bill 92 – 0.**

HB 1044 was referred to Senate GVA. Hearing was on 3.7.19; Fay presented testimony. The Committee gave a do pass recommendation, 7-0. **On 3.8.19, the Senate passed the bill, 42-0. On 3.20.19, the bill was signed by the Governor.**

| | | | |
|-------------------------|------------|--------------------------|---------|
| SB 2022 | RIO Budget | Appropriations Committee | Support |
|-------------------------|------------|--------------------------|---------|

SB 2022 contains the 2019-21 budget authority and continuing appropriations for the Retirement and Investment Office to administer the TFFR retirement program and SIB investment program which is all special funds. RIO's budget request includes maintaining current staffing level (19 FTEs), addition of one new investment position, and approval to spend up to \$9.13 million to upgrade or replace TFFR's outdated pension administration system.

SB 2022 was assigned to the Senate Appropriations Committee. On 2.15.19, the Senate Appropriations Committee amended the bill and gave a 14-0 do pass recommendation. The Senate amended budget includes one new investment FTE, and up to \$9 million of one-time funding for the TFFR Pension Administration System project. **On 2.18.19, the Senate approved the amended SB 2022, 46-1.**

Engrossed SB 2022 was assigned to House Appropriations – Government Operations Division. Hearing was on 3.06.19. TFFR questions related to plan funding, and the \$9 million pension administration system project. The House Appropriations Committee amended SB 2022, and removed the \$9 million for the TFFR pension administration system upgrade/replacement project. The Committee also removed \$30,000 from Contingency line. **On 4.10.19, the House approved Engrossed SB 2022, with House amendments, by a vote of 81-12.**

On 4.12.19, the Senate did not concur with the House amendments. **Conference Committee was appointed and includes Senators Poolman, Wanzek, and Robinson, and Reps Kempenich, Bellew, and Howe. Conference Committee meeting was held on 4.17.19. After a very positive discussion, by a vote of 6-0, the Committee agreed to restore the \$9 million TFFR pension administration system project to RIO's budget bill.** The Committee did not restore the \$30,000 in the contingency line. The bill will now go back to the House floor for a vote.

OTHER BILLS OF INTEREST TO TFFR:

| HB 1368 | SIB Membership | Rep. Kempenich, et al | Monitor |
|-------------------------|----------------|-----------------------|---------|
|-------------------------|----------------|-----------------------|---------|

HB 1368 makes changes to the membership on the State Investment Board. The bill adds one member of the Legacy and Budget Stabilization Fund Advisory Committee to serve as a nonvoting member of the SIB.

HB 1368 was assigned to the House Government and Veterans Affairs Committee. The Committee gave the bill a 14-0 do pass recommendation. **On 1.31.19, the House approved the bill, 91-0.**

HB 1368 was referred to the Senate GVA Committee. Hearing was on 03.22.19. GVA Committee made minor amendment and gave the bill a 6-1 do pass recommendation. **On 3.26.19, the Senate amended and passed the bill 45-1.**

On 4.03.19, the House did not concur. Conference Committee was appointed which includes Reps. Steiner, Schauer, and C. Johnson and Sens Elkin, Vedaa, and Marcellais. After consideration of the changes, the Conference Committee recommended that the House accede to Senate amendments. On 4.16.19, the Conference Committee report was adopted by the House and the Senate.

| HB 1419 | PERS DC Plan for New Employees | Rep. Steiner, et al | Monitor |
|-------------------------|--------------------------------|---------------------|---------|
|-------------------------|--------------------------------|---------------------|---------|

Original version of HB 1419 closes the PERS DB plan in 2025, requires new state employees to participate in the PERS DC plan, provides an option for current employees to transfer from PERS DB plan to DC plan, provides for annual transfer of \$20 million from the SIFF, and provides for a Legislative Management Study during 2019-20.

HB 1419 was assigned to the House Government and Veterans Affairs Committee. The HGVA Committee amended the bill to only provide for a 2019-20 interim Legislative Management Study of the spectrum of public employee retirement fund options, including defined benefit, hybrid, and defined contribution plans. The Committee gave the amended bill a 14-0 do pass recommendation. **On 2.01.19, the House approved the amended bill by a vote of 89-2.**

Engrossed HB 1419 was referred to the Senate GVA Committee. Hearing was on 03.21.19. **GVA Committee gave the bill a 6-1 do not pass recommendation. On 3.27.19, the bill failed in the Senate by a vote of 6-41.**

These are the three funding recovery bills submitted by the PERS Board.

[SB 2046](#) redirects the PERS Retiree Health Insurance Credit employer contribution of 1.14% to the PERS retirement fund for PERS employees hired after 12.31.19. **Bill passed in the Senate 39-8, passed in the House 64-27, and was signed by the Governor on 4.11.19.**

[SB 2047](#) reduces the benefit multiplier from 2.0% to 1.75% for PERS employees hired after 12.31.19. **Bill passed in the Senate 37-10, passed in the House 71-20, and was signed by the Governor on 4.11.19.**

[SB 2048](#) increases PERS employee contributions by 1% and employer contributions by 1% beginning 1.01.21 (all PERS employees). **Bill passed 45-2 in the Senate.** Bill was amended in the House to remove the employee and employer contribution increase, and provide for a legislative management study regarding state employee retirement plans (similar to HB 1419 which failed in the House). The study must include a review of current defined benefit plan and a defined contribution plan for new hires only, including contracting with the organization that administers the retirement plan for higher education faculty (TIAA-CREF). The study must also consider options to adequately fund the defined benefit plan as a closed plan. **The amended bill passed in the House 76-15 on 4.04.19. The bill failed in the Senate 0-46 on 4.18.19.**

Legislative Links:

[NDTFFR Website – 2019 Proposed Legislation](#)

[ND Legislative Branch Website – 66th \(2019\) Legislative Assembly](#)

TFFR Interim Investment Update

Preliminary Return Estimates as of March 31, 2019

April 16, 2019

Note: This document contains unaudited data which is deemed to be materially accurate, but is unaudited and subject to change.

Dave Hunter, Executive Director/CIO
Darren Schulz, Deputy Chief Investment Officer
Connie Flanagan, Fiscal and Investment Operations Manager
Eric Chin, Senior Investment Officer
ND Retirement & Investment Office (RIO)
State Investment Board (SIB)

**ND RETIREMENT AND INVESTMENT OFFICE
ND STATE INVESTMENT BOARD
INVESTMENT PERFORMANCE SUMMARY
AS OF DECEMBER 31, 2018**

Investment Performance (net of fees)

| Fund Name | Quarter Ended | | FYTD | Fiscal Years ended June 30 | | | | | Periods ended 6/30/18 (annualized) | | | | | | |
|-----------|---------------|----------|---------------|----------------------------|--------|-------|-------|--------|------------------------------------|---------|----------|----------|----------|----------|----------|
| | 9/30/18 | 12/31/18 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years | 25 Years | 30 Years |
| TFFR | 2.46% | -7.41% | -5.13% | 9.11% | 12.93% | 0.28% | 3.52% | 16.53% | 7.30% | 8.31% | 5.54% | 7.49% | 5.95% | 7.24% | 7.98% |

Estimated YTD Through **3/31/2019**
(Actual returns are net of fees; estimates are gross indices)

| Market Value | TFFR | |
|----------------------------------|------------------|----------------------|
| Total Fund Actual through | 28-Feb | 2,474,249,730 |
| Total Fund Policy through | 28-Feb | 1.16% |
| | 28-Feb | 1.88% |
| | 31-Mar | |
| <i>MSCI World</i> | 1.31% | 16.0% |
| <i>Russell 1000</i> | 1.74% | 16.6% |
| <i>Russell 2000</i> | -2.09% | 4.8% |
| <i>MSCI World ex US</i> | 0.51% | 11.8% |
| <i>MSCI Emerging Mkts</i> | 0.84% | 2.8% |
| <i>BC Aggregate</i> | 1.92% | 16.0% |
| <i>High Yield</i> | 0.94% | 7.0% |
| <i>Real Estate</i> | 0.46% | 10.0% |
| <i>Private Equity</i> | 0.00% | 6.0% |
| <i>Timber</i> | 0.32% | 2.3% |
| <i>Infrastructure</i> | 0.07% | 5.7% |
| <i>T-Bill</i> | 0.22% | 1.0% |
| Est. MTD through | 3/31/2019 | 0.91% |

Estimated FYTD Return 3/31/2019

2.09%

The above estimates are preliminary,
unaudited and subject to change.

- TFFR fiscal year to date earnings were **-5.13%** for the six month ended 12/31/2018.
- Based on actual results through February 28, 2019, plus index returns for March 31, 2018, TFFR fiscal year to date earnings are estimated at **+2%** for the 9 months ended 3/31/2019.
- RIO will review investment performance for the TFFR pension plan assets as of March 31, 2019, at our next TFFR board meeting, and provide another interim update when March 31, 2019, returns are closed in early-May.

Callan Periodic Table of Investment Returns

| Annual Returns | | | | | | | | | Monthly Returns | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Jan 2019 | Feb 2019 | Mar 2019 | YTD 2019 |
| Small Cap Equity | U.S. Fixed Income | Real Estate | Small Cap Equity | Real Estate | Large Cap Equity | Small Cap Equity | Emerging Market Equity | U.S. Fixed Income | Small Cap Equity | Small Cap Equity | Real Estate | Real Estate |
| 26.85% | 7.84% | 27.73% | 38.82% | 15.02% | 1.38% | 21.31% | 37.28% | 0.01% | 11.25% | 5.20% | 3.51% | 14.59% |
| Real Estate | High Yield | Emerging Market Equity | Large Cap Equity | Large Cap Equity | U.S. Fixed Income | High Yield | Non-U.S. Equity | High Yield | Real Estate | Large Cap Equity | Large Cap Equity | Small Cap Equity |
| 19.63% | 4.98% | 18.23% | 32.39% | 13.69% | 0.55% | 17.13% | 24.21% | -2.08% | 10.87% | 3.21% | 1.94% | 14.58% |
| Emerging Market Equity | Non-U.S. Fixed Income | Non-U.S. Equity | Non-U.S. Equity | U.S. Fixed Income | Real Estate | Large Cap Equity | Large Cap Equity | Non-U.S. Fixed Income | Emerging Market Equity | Non-U.S. Equity | U.S. Fixed Income | Large Cap Equity |
| 18.88% | 4.36% | 16.41% | 21.02% | 5.97% | -0.79% | 11.96% | 21.83% | -2.15% | 8.77% | 2.57% | 1.92% | 13.65% |
| High Yield | Large Cap Equity | Small Cap Equity | High Yield | Small Cap Equity | Non-U.S. Equity | Emerging Market Equity | Small Cap Equity | Large Cap Equity | Large Cap Equity | High Yield | High Yield | Non-U.S. Equity |
| 15.12% | 2.11% | 16.35% | 7.44% | 4.89% | -3.04% | 11.19% | 14.65% | -4.38% | 8.01% | 1.66% | 0.94% | 10.45% |
| Large Cap Equity | Small Cap Equity | Large Cap Equity | Real Estate | High Yield | Small Cap Equity | Real Estate | Non-U.S. Fixed Income | Real Estate | Non-U.S. Equity | Emerging Market Equity | Emerging Market Equity | Emerging Market Equity |
| 15.06% | -4.18% | 16.00% | 3.67% | 2.45% | -4.41% | 4.06% | 10.51% | -5.63% | 7.14% | 0.22% | 0.84% | 9.93% |
| Non-U.S. Equity | Real Estate | High Yield | U.S. Fixed Income | Emerging Market Equity | High Yield | Non-U.S. Equity | Real Estate | Small Cap Equity | High Yield | U.S. Fixed Income | Non-U.S. Fixed Income | High Yield |
| 8.95% | -6.46% | 15.81% | -2.02% | -2.19% | -4.47% | 2.75% | 10.36% | -11.01% | 4.52% | -0.06% | 0.71% | 7.26% |
| U.S. Fixed Income | Non-U.S. Equity | U.S. Fixed Income | Emerging Market Equity | Non-U.S. Fixed Income | Non-U.S. Fixed Income | U.S. Fixed Income | High Yield | Non-U.S. Equity | Non-U.S. Fixed Income | Real Estate | Non-U.S. Equity | U.S. Fixed Income |
| 6.54% | -12.21% | 4.21% | -2.60% | -3.08% | -6.02% | 2.65% | 7.50% | -14.09% | 1.86% | -0.15% | 0.51% | 2.94% |
| Non-U.S. Fixed Income | Emerging Market Equity | Non-U.S. Fixed Income | Non-U.S. Fixed Income | Non-U.S. Equity | Emerging Market Equity | Non-U.S. Fixed Income | U.S. Fixed Income | Emerging Market Equity | U.S. Fixed Income | Non-U.S. Fixed Income | Small Cap Equity | Non-U.S. Fixed Income |
| 4.95% | -18.42% | 4.09% | -3.08% | -4.32% | -14.92% | 1.49% | 3.54% | -14.57% | 1.06% | -1.04% | -2.09% | 1.52% |

Sources: ● Bloomberg Barclays Aggregate ● Bloomberg Barclays Corp High Yield ● Bloomberg Barclays Global Aggregate ex US
 ● FTSE EPRA Nareit Developed ● MSCI World ex USA ● MSCI Emerging Markets ● Russell 2000 ● S&P 500

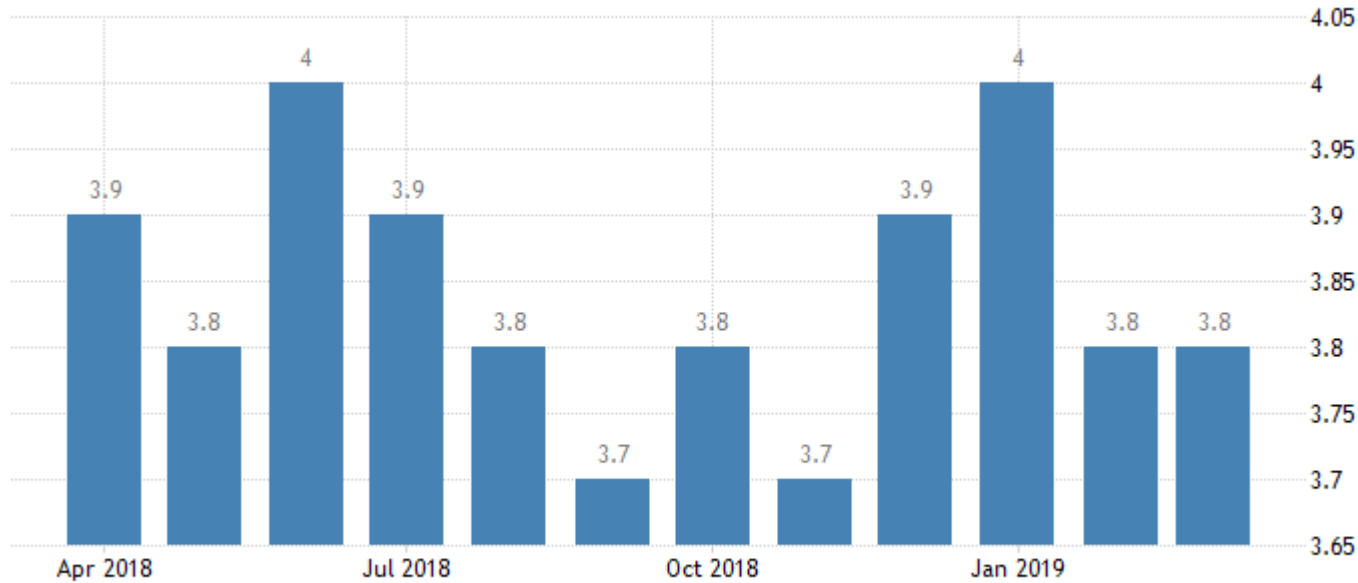
U.S. Economy – Quarterly GDP Growth Rates



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

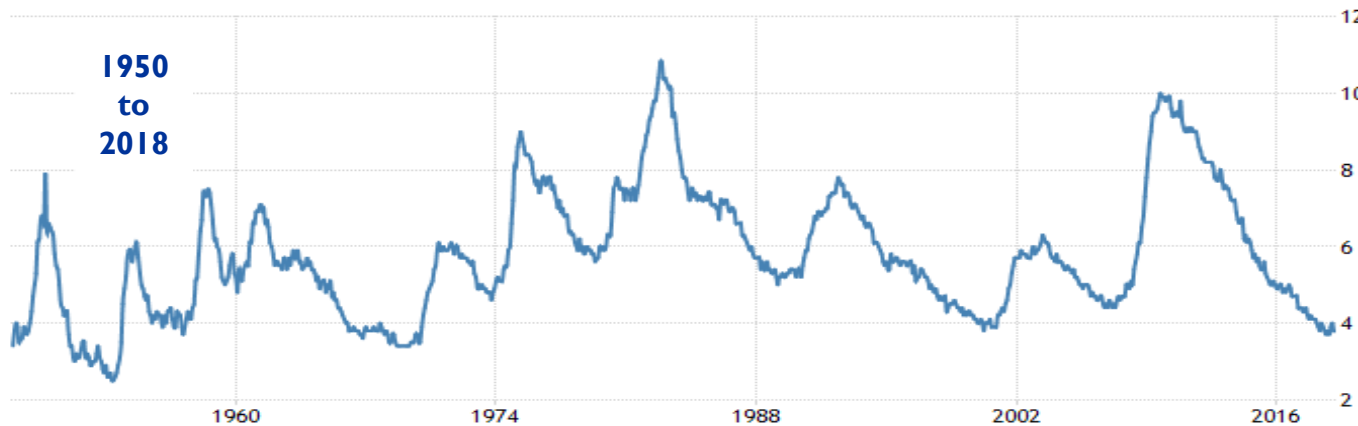
US GDP Revised Down to 2.2%: The US economy advanced 2.2% (annualized) in the 4th quarter of 2018, well below the two prior periods (of 4.2% and 3.4%) and market expectations of 2.4%. Personal consumption expenditure and nonresidential fixed investment rose less than expected and public spending declined. On the other hand, the drag from net trade was smaller than anticipated as exports rose more and imports increased at a softer pace. Considering full 2018, the economy advanced 2.9%, the most since 2015, and above 2.2% in 2017. The U.S. is the world's largest economy. Yet, like in the case of many other developed nations, U.S. growth rates have generally declined the last two decades. GDP annual growth rates in the U.S. averaged 3.2% from 1948 until 2018, reaching an all-time high of 13.4% in the 4th quarter of 1950 and a record low of -3.9% in the 2nd quarter of 2009. *Last update April 2019*

U.S. Unemployment Rates



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

The US unemployment rate remained flat at 3.8% in March of 2019, which was in line with market expectations, after declining from 4% in January, which lower than market expectations.

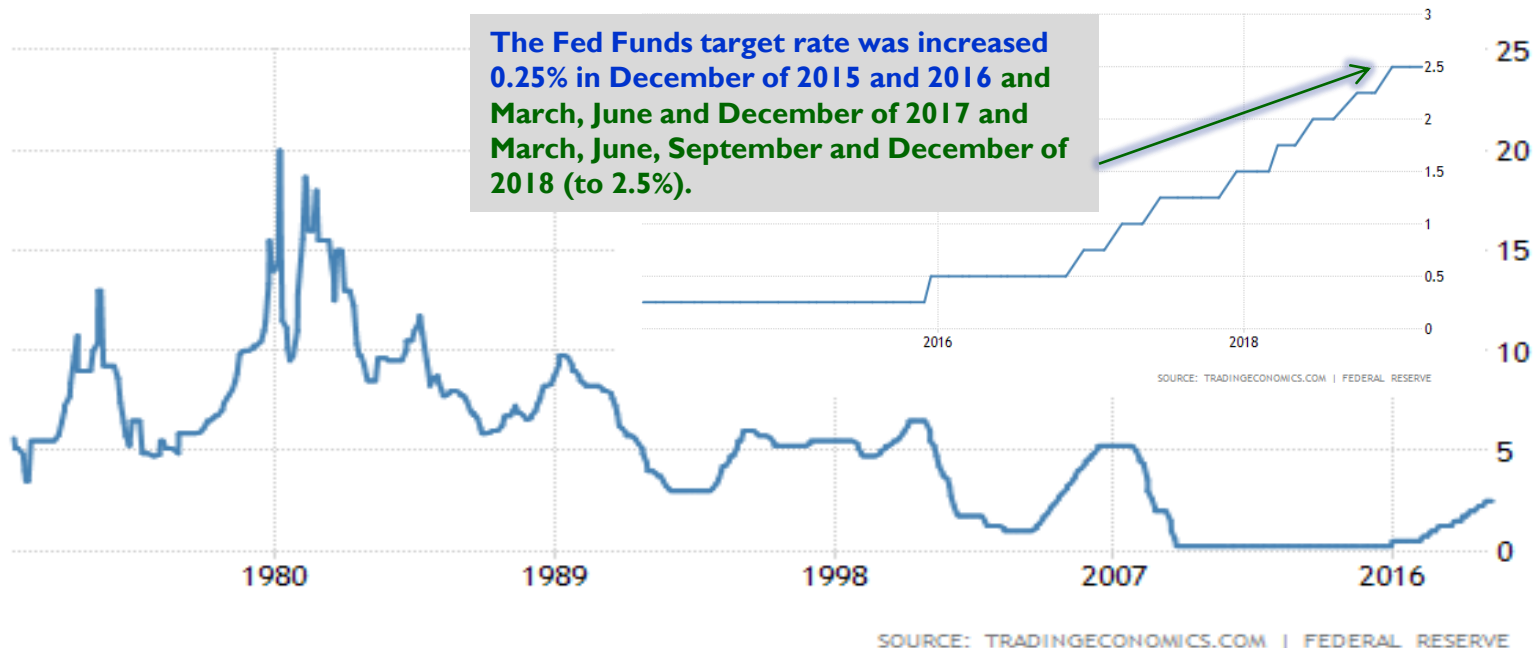


SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Unemployment Rates in the United States averaged 5.8% from 1948 until 2018, reaching an all time high of 10.8% in November of 1982 and a record low of 2.5% in May of 1953.

U.S. Fed Funds Rate (1971 to 2019)

Background: The **federal funds rate** is the interest rate at which banks lend reserve balances to other banks overnight (on an uncollateralized basis). Banks with surplus balances lend to those in need of larger balances. Reserve balances are held at the Federal Reserve to maintain the banks' reserve requirements. **Changes in the federal funds rate trigger a chain of events that affect other short-term interest rates**, foreign exchange rates, long-term interest rates, the amount of money and credit, and, ultimately, a range of economic variables, including employment, output, and prices of goods and services. The Federal Reserve uses "monetary policy" to influence the availability and cost of money and credit to help promote national economic goals.



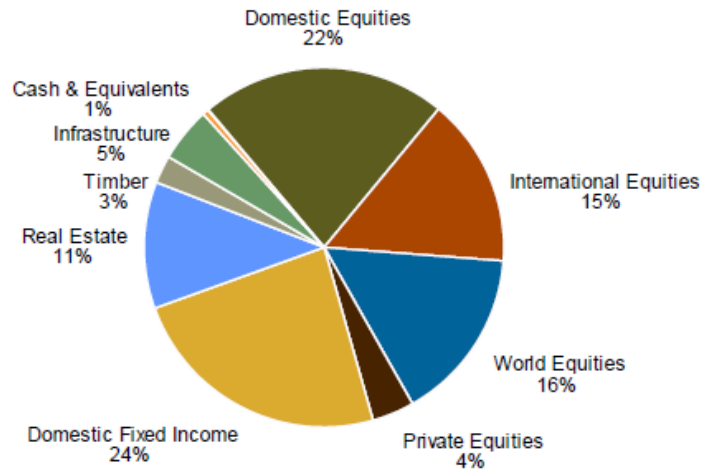
The Federal Reserve has raised the target range for federal funds four (4) times in 2018, three (3) times in 2017 and once each in December of 2016 and 2015. Interest Rates in the United States averaged 5.8% from 1971 until 2017, reaching an all time high of 20% percent in March of 1980 and a record low of 0.25% in December of 2008.

TFFR Allocation

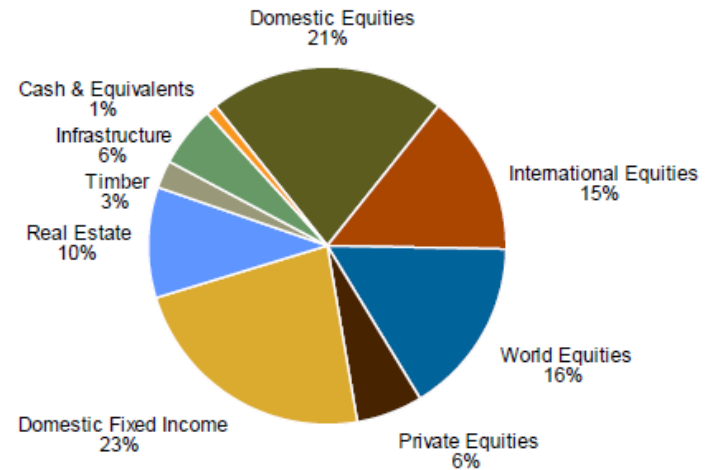
As of December 31, 2018

TFFR's Actual Asset Allocations are within 3% of Target noting the **Private Equity Underweight of 2.2%** is **PARTIALLY** offset by an **Overweight allocation to Domestic and International Equity of 1.3%**.

Actual Asset Allocation



Target Asset Allocation



| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|------------------------|------------------|---------------|---------------|--------------------|-------------------|
| Domestic Equities | 514,931 | 22.1% | 21.4% | 0.7% | 16,662 |
| International Equities | 353,141 | 15.2% | 14.6% | 0.6% | 13,201 |
| World Equities | 363,598 | 15.6% | 16.0% | (0.4%) | (8,939) |
| Private Equities | 89,380 | 3.8% | 6.0% | (2.2%) | (50,322) |
| Domestic Fixed Income | 556,803 | 23.9% | 23.0% | 0.9% | 21,281 |
| Real Estate | 265,539 | 11.4% | 10.0% | 1.4% | 32,703 |
| Timber | 58,458 | 2.5% | 2.5% | 0.0% | 249 |
| Infrastructure | 114,521 | 4.9% | 5.5% | (0.6%) | (13,538) |
| Cash & Equivalents | 11,986 | 0.5% | 1.0% | (0.5%) | (11,298) |
| Total | 2,328,357 | 100.0% | 100.0% | | |

Periodic Table of Investment Returns
for Periods Ended December 31, 2018

Asset Class Performance

Best

Worst

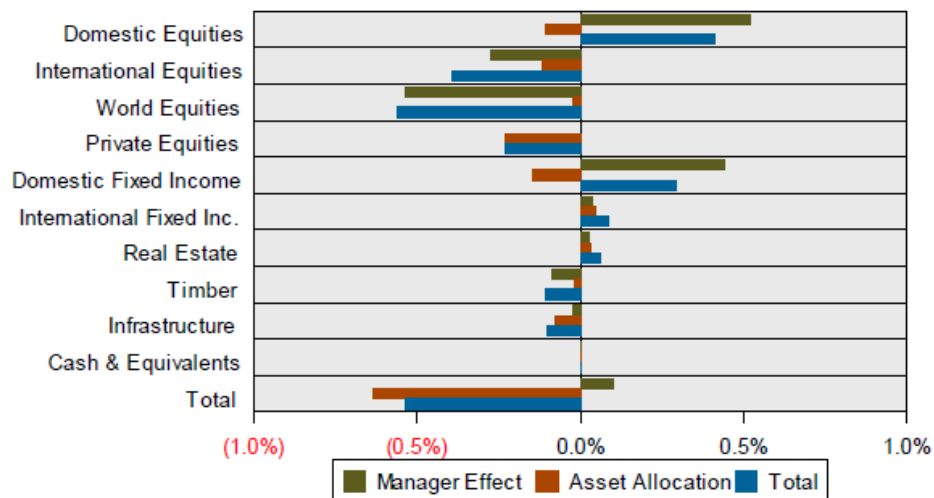
| | Last Quarter | Last 2 Quarters | Last Year | Last 3 Years | Last 5 Years | Last 10 Years | Last 20 Years |
|---|---|---|--|--|--|--|-----------------------|
| Blmbg:Aggregate | 1.6% | NCREIF:NFI-ODCE Val Wt Nt 3.4% | NCREIF:NFI-ODCE Val Wt Nt 7.4% | MSCI:EM Gross 9.7% | NCREIF:NFI-ODCE Val Wt Nt 9.4% | S&P:500 13.1% | MSCI:EM Gross 8.8% |
| NCREIF:NFI-ODCE Val Wt Nt 1.5% | Blmbg:Aggregate 1.7% | 3 Month T-Bill 1.9% | S&P:500 9.3% | S&P:500 8.5% | Russell:2000 Index 12.0% | NCREIF:NFI-ODCE Val Wt Nt 7.5% | |
| 3 Month T-Bill 0.6% | 3 Month T-Bill 1.1% | Blmbg:Aggregate 0.0% | Russell:2000 Index 7.4% | Russell:2000 Index 4.4% | MSCI:EM Gross 8.4% | Russell:2000 Index 7.4% | |
| MSCI:EM Gross (7.4%) | S&P:500 (6.9%) | S&P:500 (4.4%) | NCREIF:NFI-ODCE Val Wt Nt 7.3% | Blmbg:Aggregate 2.5% | MSCI:EAFE 6.3% | S&P:500 5.6% | |
| Blmbg:Commodity Price Idx (10.0%) | MSCI:EM Gross (8.3%) | Russell:2000 Index (11.0%) | MSCI:EAFE 2.9% | MSCI:EM Gross 2.0% | NCREIF:NFI-ODCE Val Wt Nt 6.0% | Blmbg:Aggregate 4.5% | |
| MSCI:EAFE (12.5%) | MSCI:EAFE (11.4%) | Blmbg:Commodity Price Idx (13.0%) | Blmbg:Aggregate 2.1% | 3 Month T-Bill 0.6% | Blmbg:Aggregate 3.5% | MSCI:EAFE 3.5% | |
| S&P:500 (13.5%) | Blmbg:Commodity Price Idx (12.2%) | MSCI:EAFE (13.8%) | 3 Month T-Bill 1.0% | MSCI:EAFE 0.5% | 3 Month T-Bill 0.4% | 3 Month T-Bill 1.9% | |
| Russell:2000 Index (20.2%) | Russell:2000 Index (17.3%) | MSCI:EM Gross (14.2%) | Blmbg:Commodity Price Idx (0.8%) | Blmbg:Commodity Price Idx (9.4%) | Blmbg:Commodity Price Idx (4.2%) | Blmbg:Commodity Price Idx (0.1%) | |

Last year, Private Real Estate (NCREIF) returned 7.4% and U.S. Fixed Income (Blmbg. Aggregate) was flat, while public equities declined with Large Cap U.S. Equity (S&P 500) outperforming U.S. Small Cap, International Developed and Emerging Markets Equity.

TFFR Performance and Attribution

As of December 31, 2018

One Year Relative Attribution Effects



Returns for 1 Year Ended 12/31/2018

| Return Type | Return (%) |
|-------------|------------|
| Gross | -3.85% |
| Net of fees | -4.05% |
| Target | -3.31% |
| Net added | -0.74% |



One Year Relative Attribution Effects

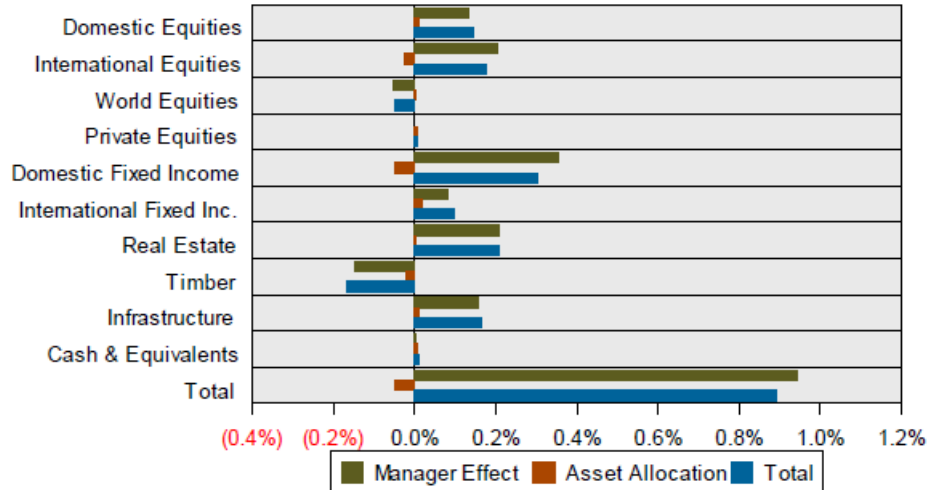
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equities | 23% | 21% | (3.96%) | (6.16%) | 0.52% | (0.11%) | 0.41% |
| International Equities | 16% | 15% | (15.83%) | (14.14%) | (0.28%) | (0.12%) | (0.39%) |
| World Equities | 16% | 16% | (11.82%) | (8.71%) | (0.54%) | (0.02%) | (0.56%) |
| Private Equities | 3% | 6% | 5.46% | 5.46% | 0.00% | (0.23%) | (0.23%) |
| Domestic Fixed Income | 22% | 22% | 1.39% | (0.72%) | 0.44% | (0.15%) | 0.29% |
| International Fixed Inc. | 1% | 0% | - | - | 0.04% | 0.05% | 0.08% |
| Real Estate | 10% | 10% | 6.98% | 6.72% | 0.03% | 0.03% | 0.06% |
| Timber | 2% | 2% | (0.56%) | 3.44% | (0.09%) | (0.02%) | (0.10%) |
| Infrastructure | 5% | 6% | 4.09% | 4.63% | (0.02%) | (0.08%) | (0.10%) |
| Cash & Equivalents | 1% | 1% | 1.97% | 1.87% | 0.00% | 0.00% | 0.00% |

Total (3.85%) = (3.31%) + 0.10% + (0.64%) (0.54%)

TFFR Performance and Attribution

As of December 31, 2018

Five Year Annualized Relative Attribution Effects



Returns for 5 Year Ended 12/31/2018

| Return Type | Return (%) |
|-------------|------------|
| Gross | 5.35% |
| Net of fees | 5.06% |
| Target | 4.46% |
| Net added | 0.60% |



Five Year Annualized Relative Attribution Effects

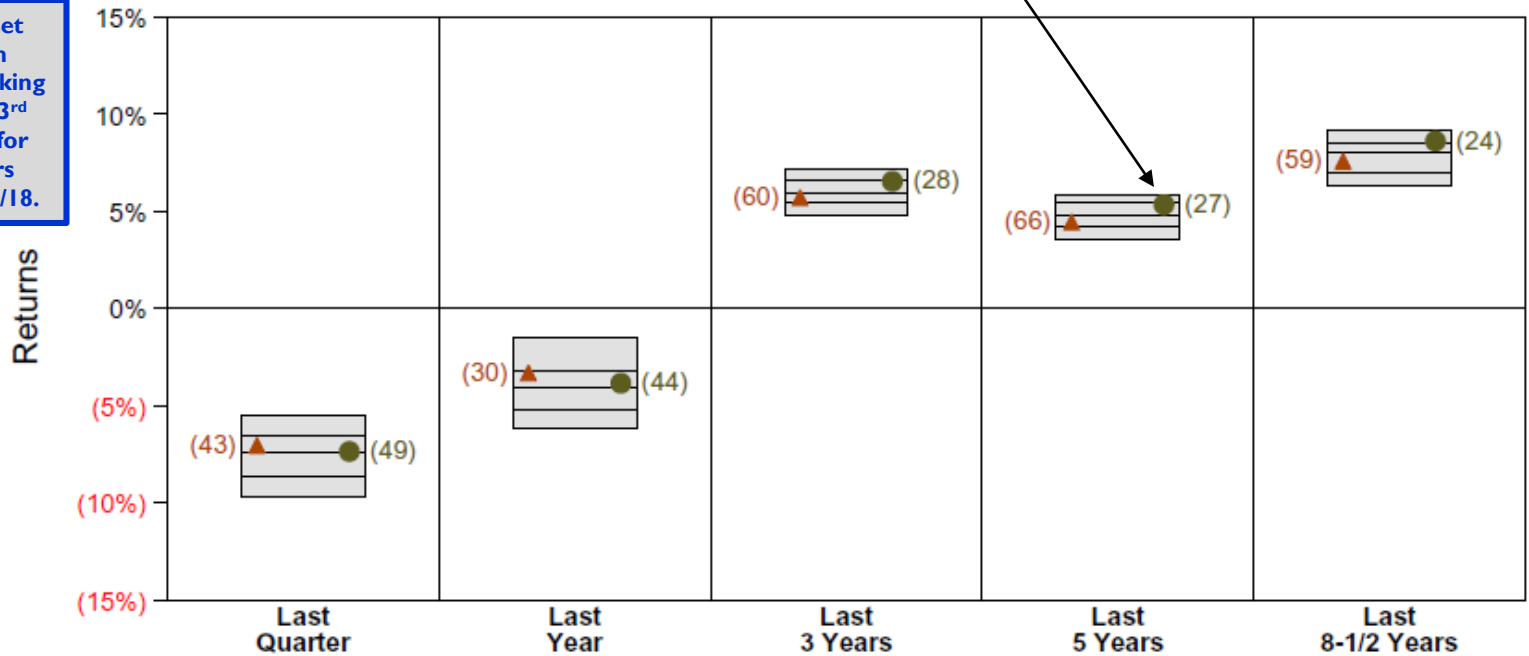
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equities | 23% | 21% | 8.04% | 7.42% | 0.13% | 0.01% | 0.14% |
| International Equities | 15% | 15% | 1.94% | 0.69% | 0.20% | (0.03%) | 0.17% |
| World Equities | 16% | 16% | 4.22% | 4.56% | (0.05%) | 0.00% | (0.05%) |
| Private Equities | 4% | 6% | 1.44% | 1.44% | 0.00% | 0.01% | 0.01% |
| Domestic Fixed Income | 19% | 18% | 4.65% | 2.76% | 0.35% | (0.05%) | 0.30% |
| International Fixed Inc. | 4% | 4% | - | - | 0.08% | 0.02% | 0.10% |
| Real Estate | 10% | 10% | 11.51% | 9.33% | 0.21% | 0.00% | 0.21% |
| Timber | 3% | 4% | 0.27% | 4.98% | (0.15%) | (0.02%) | (0.17%) |
| Infrastructure | 4% | 5% | 5.49% | 1.89% | 0.16% | 0.01% | 0.16% |
| Cash & Equivalents | 1% | 1% | 0.74% | 0.63% | 0.00% | 0.01% | 0.01% |
| Total | | | 5.35% | 4.46% | + 0.94% | + (0.05%) | 0.89% |

TFFR's "gross" returns were ranked in the 27th percentile for the 5-years ended Dec. 31, 2018, based on Callan's "Public Fund Sponsor Database".

Callan Public Fund Sponsor Database

Unadjusted Ranking

TFFR's asset allocation adjusted ranking was in the 3rd percentile for the 5-years ended 12/31/18.

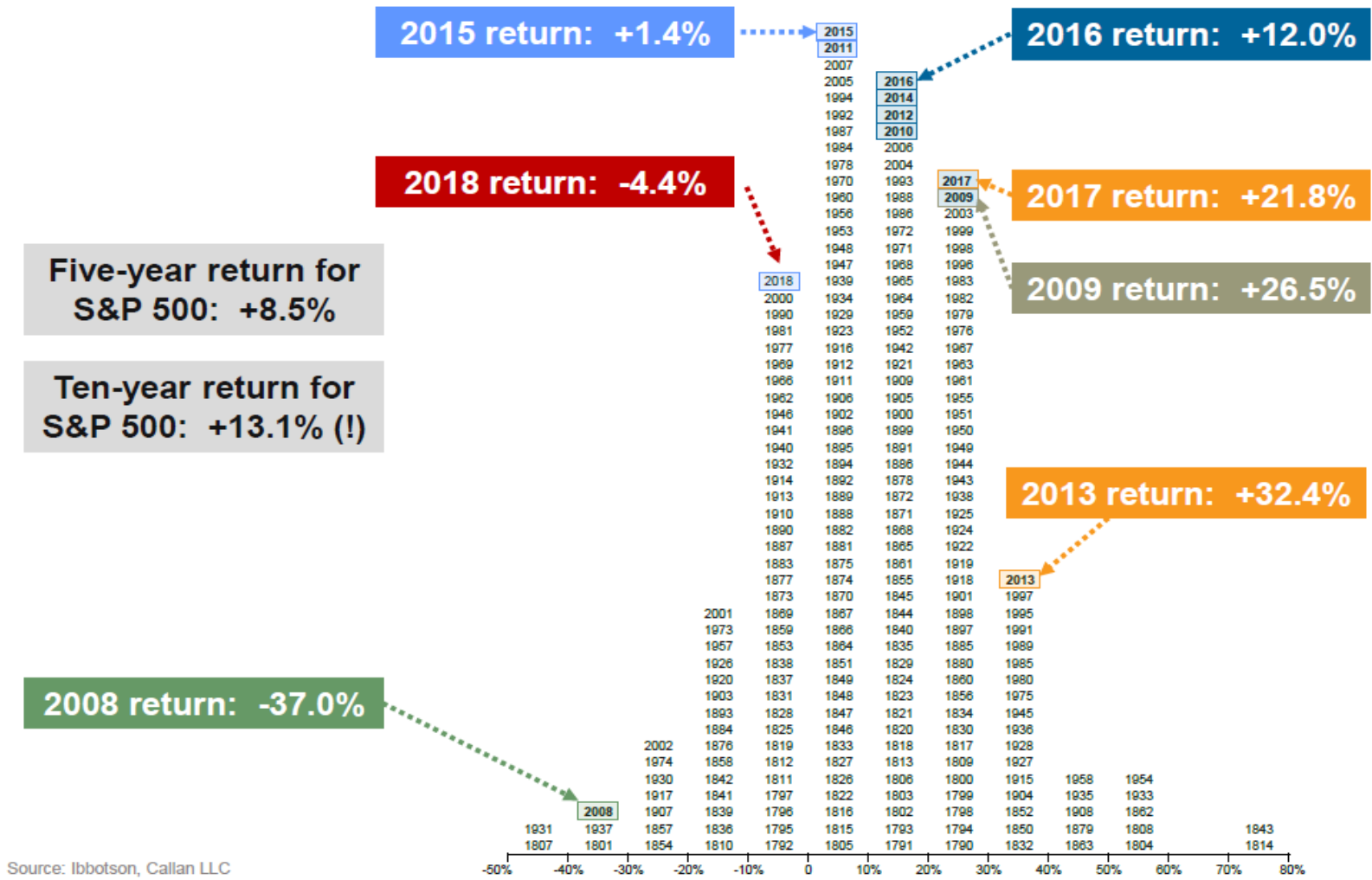


| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 8-1/2 Years |
|------------------------|--------------|-----------|--------------|--------------|------------------|
| 10th Percentile | (5.50) | (1.54) | 7.21 | 5.90 | 9.14 |
| 25th Percentile | (6.55) | (3.21) | 6.65 | 5.45 | 8.55 |
| Median | (7.42) | (4.11) | 5.97 | 4.76 | 8.01 |
| 75th Percentile | (8.62) | (5.22) | 5.43 | 4.26 | 6.99 |
| 90th Percentile | (9.66) | (6.19) | 4.78 | 3.53 | 6.35 |
| Total Fund ● | (7.36) | (3.85) | 6.55 | 5.35 | 8.63 |
| Policy Target ▲ | (7.05) | (3.31) | 5.72 | 4.46 | 7.59 |

* Current Quarter Target = 16.6% Russell 1000 Index, 16.0% Blmbg Aggregate, 16.0% MSCI World, 11.8% MSCI World ex US, 10.0% NCREIF Total Index, 7.0% Blmbg HY 2% Iss Cap, 6.0% NDSIB TFFR - Private Equity, 4.8% Russell 2000 Index, 2.8% MSCI EM, 2.8% NCREIF NFI-ODCE Eq Wt Net, 2.8% CPI All Urban Cons lagged 3 months, 2.5% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

Stock Market Returns by Calendar Year

2018 Performance in Perspective: History of the U.S. Stock Market (230 Years of Returns)



Source: Ibbotson, Callan LLC

**RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
2018-2019 3rd Quarter Audit Activities Report
January 1, 2019 – March 31, 2019**

The audit objective of Audit Services is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Audit coverage is based on the July 1, 2018 through June 30, 2019 work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Audit Services charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO, the concerns of management, and the SIB Audit Committee.

Retirement Program Audit Activities

• **TFFR Employer Salary, Service Hours, Eligibility Review**

We examine employer reporting to the Teachers' Fund for Retirement (TFFR) to determine whether retirement salaries and contributions reported for members of TFFR are in compliance with the definition of salary as it appears in NDCC 15-39.1-04(10). Other reporting procedures reviewed during the audit process are calculation of service hours and eligibility for TFFR membership. A written report is issued after each review is completed.

Status of TFFR Employer Audits as of March 31, 2019:

- Three (3) employer audits had been completed.
- Three (3) employer audits were in progress.
- One employer audit notification

For one the three audits in progress, the fieldwork for the review of salaries is complete and the report will be issued to Retirement Services in April of 2019.

NOTE: Procedures for the TFFR Employer Audit Program were changed in November 2018. Audit Services will now be issuing reports to Retirement Services, not the employers. Retirement Services will be responsible for issuing reports to the employers and giving a written response on how, if any, findings and recommendations are being addressed. Retirement Services and Audit Services worked together on creating the new procedures.

• **TFFR Refund and Purchase Audit**

Annually, the Audit Services of the RIO will verify the accuracy of the reporting of lump sum payments, lump sum purchases of service credit, and installment purchases of service credit. Procedures for lump sum payments (refunds) and purchases are reviewed. Audit Services also verifies that the transactions reviewed are found on the staff member's system generated audit table reports (CPAS) and that the proper documents are found in the member's FileNet account.

The audit fieldwork has been completed and a report will be issued in April 2019.

• **Salary Verification Audit**

On an annual basis, Audit Services verifies retirement salaries and contributions reported to TFFR from the prior fiscal year. The sample size increased from 50 member accounts to 64 randomly

selected member accounts that represent 63 different employers. TFFR eligibility and service hours are also verified.

The sample has been selected and notifications for information have been sent to the employers.

- **Data Analytics**

Since January of 2018, Audit Services and RIO's Information Technology Division has been working with North Dakota Information Technology Department to develop data analytics to help streamline the TFFR Employer Salary, Service Hours, Eligibility Review process. Multiple meetings have been held, and the development of data analytics is in progress.

- **TFFR Cost Benefit Audit**

Audit Services of the Retirement and Investment Office (RIO) conducts a review to verify that retirement benefits are being paid at the Teachers' Fund for Retirement (TFFR) on a cost effective basis according to the *Ends* policy in the State Investment Board (SIB) Governance Manual. One of the missions of RIO is to ensure that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner. This review has been completed and the Audit report was presented to the SIB Audit Committee at the February 21, 2019 meeting.

Audit Services found that benefits are being paid at TFFR on a cost effective basis according to the *Ends* policy in the SIB Governance Manual. RIO's overall mission of ensuring that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner is also being met. Audit Services made two recommendations to improve the Presumptive Retirement Process.

Investment Audit Activities

- **Executive Limitation Audit**

On an annual basis, Audit Services reviews the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation Policies A- 1 through A-11. The Executive Limitation Audit for calendar year 2018 was completed in February 2019. Audit Services was sufficiently satisfied that the Executive Director/CIO was in compliance with the SIB Governance Manual Executive Limitation policies A-1 through A-11 during calendar year 2018. The SIB Audit Committee approved the Executive Limitation Audit on February 21, 2019 and the SIB approved the Executive Limitation Audit on February 22, 2019.

- **Executive Review Committee**

In February 2019, the SIB approved the formation of the Executive Review Committee for the purpose of evaluating the Executive Director/CIO of the North Dakota Retirement and Investment Office, Mr. David Hunter. The assistance of Audit Services was required to facilitate a survey to the current SIB members and a survey to RIO staff. The survey to RIO staff was completed in March 2019 and the SIB survey was administered in April 2019. Audit Services compiled the results and reported to the Executive Review Committee.

In March 2019, the SIB requested Audit Services to work with the Executive Review Committee in developing and administering a board self-evaluation. Audit Services has met with the Executive Review Committee and is in the process of developing the board self-evaluation.

- **Investment Due Diligence**

Audit Services developed an audit about the ongoing due diligence that is being performed on the investment managers that have been hired by the SIB. Discussions with investment staff and research went into the development of this new audit program. This audit includes the review of the procedures and documentation that is being done with the investment managers by RIO's staff.

A sample of investment managers was selected and documentation pertaining to the ongoing investment due diligence was reviewed. This audit is currently in progress.

Administrative Activities

The Audit Supervisor attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, three SIB meetings, two TFFR meetings, and the February SIB Audit Committee meeting. The Internal Auditing Services staff member attended the monthly RIO staff meetings, Communication and Teamwork (CAT) meetings, divisional meetings, one TFFR meeting, and the February SIB Audit Committee meeting. Audit Services also gave education at a staff meeting on what Internal Audit is, and its structure at a staff meeting.

Professional Development/CE/General Education

Audit Services continued its participation with the Institute of Internal Auditors (IIA) Central NoDak Chapter by attending the February and March monthly meetings.

The Supervisor of Audit Services started pursuing a Master's in Business Administration with a concentration in Public Administration and completed the following courses: Law in the Managerial Environment and Marketing.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 AUDIT SERVICES DIVISION
 FISCAL YEAR 2018 -2019**

| | FY 2018 1st QTR | FY 2018 2nd QTR | FY 2019 3rd QTR | FY 2019 4th QTR | FY 2019 TOTAL |
|--|--------------------|--------------------|--------------------|--------------------|------------------|
| Audit Activities | | | | | |
| Retirement Program Audits: | | | | | |
| TFFR Employer Audit Program | | | | | 430 |
| <i>Alexander Public School District</i> | 88 | 28.50 | | | 116.5 |
| <i>Garrison Public School District</i> | 37 | 21.50 | | | 58.5 |
| <i>Lidgerwood Public School District</i> | 47 | 0.00 | | | 47.0 |
| <i>Scranton Public School District</i> | 27 | 1.50 | | | 28.5 |
| <i>Warwick Public School District</i> | | | 39.50 | | 39.5 |
| <i>General Employer Audits</i> | 8 | | | | 8.3 |
| <i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i> | 6 | 70.00 | 55.25 | | 131.25 |
| Benefits Audit - Deaths, Long-Outstanding Checks, Long-term Members | | | 1.50 | | 2 |
| TFFR Cost Effective Benefit Payment Audit | 2 | 161.50 | 154.25 | | 318 |
| TFFR Data Analytics | | 20.00 | 9.50 | | 30 |
| TFFR File Maintenance Audit | | | | | 0 |
| TFFR Purchase-Refund Audit | | | 51.25 | | 51 |
| Annual Salary Verification Project | | | 56.00 | | 56 |
| Audit Continuous Improvement Project - Employer Audit Program - Census Data Audit File | 13 | | | | 13 |
| | | | | | |
| Agency Administrative and Investment Audits: | | | | | |
| Executive Limitations Audit | 7 | 11.00 | 148.25 | | 166 |
| Investment Due Diligence | | 53.00 | 10.00 | | 63 |
| Risk Assessment | 206 | 7.25 | 14.00 | | 227 |
| RIO External Auditor Assistance | 23 | 4.00 | | | 27 |
| | | | | | |
| Administrative Activities | | | | | |
| Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting | 180 | 221.00 | 197.25 | | 598 |
| Audit Committee/SIB/TFFR Attendance and Preparation | 186 | 188.50 | 140.00 | | 514 |
| Professional Development/CE/General Education | 1 | 34.25 | 4.00 | | 39 |
| Annual Leave, Sick Leave, and Holidays | 209 | 218.25 | 159.25 | | 587 |
| Quarterly Total: | 1040 | 1040 | 1040.00 | 0.00 | 3120 |

Total Hours for 2018-2019 4,160

D. Thorsen Total Hours 2018-2019 2,080

S. Sauter Total Hours 2018-2019 2080

TFFR Benefit Payment Cost Efficiency Review

DATE: April 25, 2019
FROM: Dottie Thorsen, Internal Auditor
TO: TFFR Board

These are the audit procedures completed for the Cost Efficiency Review for the five-year period starting 2014 and ending 2018. The Executive Director, Deputy Executive Director, Retirement Program Manager, and the Supervisor of Internal Audit Services reviewed the Presumptive Retirement Process, Recalculation of Benefits Process, and the Member Comment and Feedback Review.

The Financial Review was reviewed by the Executive Director, Deputy Executive Director, Chief Financial Officer, Retirement Program Manager, and the Supervisor of Internal Audit Services.

1) Presumptive Retirement Process:

- The procedures from the 2015 Audit were forwarded to all Retirement Services Staff for comment. Revisions were made to the documented process.
- Completed audit worksheet for Test 1, 2, 3
- Test 1 analysis: Assumptions 1, 2, 3 - (1-Notification of Retirement to desired date of retirement benefit, 2 – Notification of Retirement to Retirement Calculation Process/ initial payment of Benefit, and 3 – did TFFR meet the requested retirement date)
- Test 2 analysis (receipt of Notice of Termination to Enrollment Letter Packet mailed)
- Test 3 analysis (receipt of signed Enrollment Packet from member to the final Retirement Packet is mailed)
- Audit recommendation in report

2) Recalculation of Benefits:

- The procedures from 2015 were forwarded to all Retirement Services Staff for comment. There were no revisions made to the documented process.
- Completed audited worksheet – Test 1
- Test 1 assumption (actual retirement date to adjusted benefit payment)
- Audit recalculation of Retirement Benefit – Audit tested a sample of five of the twenty-five sample members. The sample of five included the following options represented in the sample of twenty-five: one single, two 100% Joint and Survivor, one 50% Joint and Survivor, and one 20 - Year Term Certain option (copies of reconciliations are attached). There were no exceptions noted.

3) Member Comment and Feedback Review:

- Reviewed Customer Comment cards for 2018
- Calculated weighted averages
- Customer/Audit recommendation in report

4) Financial Review:

- Reviewed audited TFFR Budget for the 5-year period
- Reviewed TFFR/SIB Committee Board Files – staff monitoring
- Reviewed membership numbers for the 5-year period
- Reviewed census data for the 5-year period
- Calculated the following for the 5-year period: staff to client ratios, increase of appropriated expenses, appropriated expense cost per member

- Calculated the following for the 5-year period for membership: growth of active teachers, growth of retired teachers, growth of total membership

Audit Services – North Dakota Retirement and Investment Office
TFFR Benefit Payment Cost Efficiency Review
Final Audit Report
February 21, 2019

Background

Audit Services Division of the Retirement and Investment Office (RIO) conducted a review to verify retirement benefits are being paid at the Teachers' Fund for Retirement (TFFR) on a cost effective basis according to the *Ends* policy in the State Investment Board (SIB) Governance Manual. One of the missions of RIO is to ensure that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner. This review was conducted per the request of the Executive Director/CIO.

Results Summary

Audit Services found that benefits are being paid at TFFR on a cost effective basis according to the *Ends* policy in the SIB Governance Manual. RIO's overall mission of ensuring that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner is also being met. Audit Services made two recommendations to improve the Presumptive Retirement Process: one in Phase I and another in Phase III of the audit report.

Scope

Audit work commenced at the end of October 2018 and concluded in February 2019. Audit work encompassed three phases:

- Phase I – Identify and Document Key Retirement Process(es)
- Phase II – Sample Selection and Testing
- Phase III – Analysis of TFFR Financial Metrics and Member Feedback

Observations, Conclusions and Recommendations

Observations, Conclusions and Recommendations Phase I

The Presumptive Retirement Process and the Recalculation of Benefit Process have been identified as the two critical retirement processes. These processes are responsible for the initial processing of retirement benefits and the recalculation of retirement benefits following the close of the fiscal year. A review of both processes indicated efficiency in operations.

Presumptive Retirement Process: Phase I and II

Individual members are counseled to notify TFFR of their intent to retire from covered employment 120 calendar days (86 business days) prior to their desired retirement date, the date on which retirement benefit payments are to begin. Upon receipt of this notification, TFFR initiates the Presumptive Retirement Process which estimates final salary and service hours and issues the first retirement benefit payments based on these estimated amounts. The initial retirement benefit payment is to commence on the desired retirement date provided by the individual members.

Retirement Services recommends that prospective retirees notify TFFR of their intent to retire from covered employment at least 120 calendar days (86 business days) prior to their desired retirement date. The 120-day timeframe is a guideline, not a requirement, and is communicated to members verbally during phone and personal benefits counseling sessions, and is also

included in written communications including the Retirement Brochure, Member Handbook, Retirement Planning Checklist, and Retirement Benefit Estimate letter. The purpose of this request is to ensure that Retirement Services has adequate time to complete the Presumptive Retirement Process and pay the new retiree their first benefit on their retirement date. If delays occur, retirement benefits will be paid retroactively to the retirement date desired by the member. Therefore, even though members may be aware of the 120-day guideline, because benefits are paid retroactively, members often decide to delay beginning the retirement process for a number of reasons. Retirement Services staff has been very successful in paying benefits on or soon after the member's retirement date regardless of late notification.

Twenty-four of the twenty-five member accounts tested actually completed the presumptive process in less than the 120 days. The one member that did not meet the 120-day guideline did not return required documents in a timely manner. The average number of days to complete the process was 75 days.

For the 2019 Presumptive Retirement process, Retirement Services is revising procedures and retirement forms to encourage members to return information to TFFR in a timely manner.

After receiving the notice of retirement and all required documents, the Employer Services Coordinator (ESC) initiated the procedure to estimate 90% of final salary, investigate salary fluctuations over a five-year period, and review service hours. The ESC reviews contracts and the Salary Verification form received from the Employer. The ESC corresponds with the Employer to identify all salary reported to TFFR to determine eligibility. All salary greater than or equal to \$500.00 required written documentation. Once the ESC completes the salary reconciliation, the Retirement Program Manager (RPM) reviews all retiring members' salary reconciliations for accuracy.

For the twenty-five member accounts reviewed, the average timeframe to complete the salary reconciliation was 37 days which represents 50 percent of the time to complete the presumptive process.

Finding #1: Employers are not identifying salary in a timely manner.

Audit Recommendation #1: Internal Audit Services recommends Retirement Services send an electronic salary reconciliation form developed by audit to the employer. The employer would be identifying salary paid prior to the ESC reconciling salary.

Management Response Recommendation #1:

Retirement Services agrees with the recommendation that using an electronic salary worksheet completed by the employer may create some time savings during the presumptive retirement salary review process.

The RPM has visited with the ESC and she will begin to use an electronic salary reconciliation worksheet on a case by case basis for employers to reconcile presumptive fiscal year (PFY) salaries once she has determined the additional information is needed. During the retirement process, Retirement Services takes a look at the final salaries

reported in the last five years and reviews them for reasonability. ESC follows up with employers on large salary increases and other salary inconsistencies during this timeframe. ESC does not audit PFY salaries during the retirement process and will not require every employer to complete a salary reconciliation worksheet for every retiree. Many employers can quickly print and send the ESC a payroll summary showing FY totals by pay and deduct category for the employee in question. These documents will generally answer most questions for the ESC. However, on occasion providing some employers with a form to complete will be another helpful tool to get information from the employer.

TFFR's intent is to ensure that the initial retirement benefit payment is received by the member on their desired date of retirement. For the 25 member accounts tested:

- 20 of 25 members received initial retirement benefit payments on their desired date of retirement.
- The remaining 5 members received the initial retirement benefit payment after their desired date of retirement:
 - 4 members failed to notify TFFR of their intent to retire in a timely manner (April, May, and June) for June and July payments.
 - 1 account had processing delays caused by the member actions.

TFFR issues initial retirement benefit payments on the retirement date desired by the member a majority of the time despite not being notified by members 120 calendar days (86 business days) prior to their desired retirement date. Of the five exceptions noted during testing, member controlled delays contributed to the overall processing delays of initial retirement benefits. All five members were retroactively paid for the requested retirement date.

Recalculation of Benefit Process: Phase I and II

The Presumptive Retirement Process utilizes 90% estimated final salary and 100% service hours when calculating initial retirement benefit amounts. Every member account which utilized estimated final salary and service hours must be recalculated once the employer has reported actual final salary, service hours, and last day worked to TFFR at the close of the fiscal year. The Recalculation of Benefit Process utilizes actual final salary and service hours to recalculate the retirement benefit amount owed the member. If the recalculated retirement benefit amount is different than the amount determined during the Presumptive Retirement Process, the member account is updated to reflect the new retirement benefit payment amount. Subsequent payments will reflect the updated amount. For the 25 member accounts tested:

- 19 of the accounts were recalculated and had an increase of retirement benefits
- 3 of the accounts were recalculated, but final average salary used to recalculate the benefit did not change
- 3 of the accounts were deferred retirements and are not recalculated
- TFFR required on average 21 days to complete the Recalculation of Benefit Process for each member account.

- Recalculated retirement benefit amounts were paid on the next available payment date on all 19 member accounts with no delays.

Audit Services also recalculated the benefit paid for 5 of the 25 sample members. Audit Services selected at least one member from each of the retirement options represented in the sample: 2 - 100% Joint and Survivor, 1 - single, 1 - 50% Joint and Survivor, and 1- 20-year Term Certain. All of the benefit amounts were calculated correctly. All required documents for the retirement process were found on FileNet in the member account.

At the time of this review, no additional performance metrics or benchmarks beyond those previously addressed are used by Retirement Services to monitor the effectiveness of the Presumptive Retirement Process and/or the Recalculation of Benefit Process. For the purposes of evaluating the overall efficiency of the processes under review, each process was segmented and key dates used to determine timeframes required to move from one point in the process to the next. It is anticipated that lengthy completion times may signify a point in the process where increased efficiency could be gained.

Conclusion for the two processes: All timeframes identified for both processes under review appeared reasonable and provided no indication that either process experienced a failure at any point except for Audit Recommendation #1. This review has provided insight into the Presumptive Retirement Process and the Recalculation of Benefit Process as well as provided a wide variety of data points. TFFR has the potential to leverage this new information to its advantage.

Observations, Conclusions and Recommendations Phase III

Appropriated expenses have increased on average for the five-year period 2.11% per year. The expenses fluctuated over the five-year period due to the following expenses/cost savings. In 2018, salary/fringe benefits increased due to one staff member that retired under the Voluntary Separation Incentive Program and two staff members who resigned for new career opportunities with other state agencies. All three positions were filled by January 2018. New staff members came from other state agencies. Also in 2018, TFFR decreased expenses with cost saving initiatives in the member/employer outreach program areas by utilizing more electronic education material and correspondence instead of printed versions.

Over the five-year period, IT Contractual Services fluctuated from year to year due to the payment schedule for CPAS IT Services. The expenses were not unexpected; they were just paid every other year.

Total membership continues to increase at an average rate of 2.45% per year, with the largest increases in membership occurring in fiscal year 2016. Increases in total TFFR membership correlate to changing demographic conditions in North Dakota, which per the US Census Bureau has experienced a population increase of 13% since 2010. The population increase was 20,595 people from 2014 to 2018 (760,077-739,482). In 2018, 23.3% of North Dakota's population was under the age of 18 which will continue to place increased demands on the educational system

and by extension TFFR. The number of retirees, beneficiaries, and terminated members continues to increase at a faster rate than active members.

TFFR has controlled total appropriated expenses during the five-year period starting in 2014 and ending in 2018. The appropriated cost per member decreased even though current staffing levels were maintained all the while experiencing increases in membership. TFFR financial metrics for the last five fiscal years indicate efficiency in operations. Over the five-year period, cost per member decreased by .33% or \$.55 per person.

The administration of TFFR is conducted by the Retirement Services Division of RIO. Eight full time staff members are allocated at 100% to TFFR. An additional eight full time staff members have a portion of their time allocated to TFFR at varying percentages, which equates to approximately four full time staff members allocated at 100% to TFFR. Staff to member ratios for the last five fiscal years are as follows:

| | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Total | 20,222 | 20,806 | 21,442 | 21,792 | 22,218 |
| Staff (12.05): Active, Retirees, Beneficiaries, Terminated | 1:1844 | 1:1808 | 1:1779 | 1:1727 | 1:1678 |

Observations, Conclusions and Recommendations Phase III

Member comments and feedback solicited throughout the most recent fiscal year overwhelmingly indicate that members receive excellent service from TFFR staff. TFFR member comments and feedback provide support to the opinion that TFFR is achieving efficiency in operations. There were two suggestions made by members to improve the Presumptive Benefit process. Please see the next page.

Members were asked to rate staff courtesy, promptness, and content/information on a scale of excellent, above average, average, and poor. Members were also given the opportunity to provide written comments. Member satisfaction results for the three previously noted categories are as follows:

Staff Courtesy Survey Ratings:

| | Excellent | Above Average | Average | Poor |
|----------------|------------|---------------|---------|------|
| Totals | 112 | 9 | 0 | 0 |
| Weight | 4.0 | 3.0 | 2.0 | 1.0 |
| Percent | 93% | 7% | 0% | 0% |
| Average | 3.9 | | | |

Promptness Survey Ratings:

| | Excellent | Above Average | Average | Poor |
|----------------|------------|---------------|---------|------|
| Totals | 110 | 10 | 1 | 0 |
| Weight | 4.0 | 3.0 | 2.0 | 1.0 |
| Percent | 91% | 8% | 1% | 0% |
| Average | 3.9 | | | |

Content/Information Survey Ratings:

| | Excellent | Above Average | Average | Poor |
|----------------|------------|---------------|---------|------|
| Totals | 111 | 9 | 1 | 0 |
| Weight | 4.0 | 3.0 | 2.0 | 1.0 |
| Percent | 92% | 7% | 1% | 0% |
| Average | 3.9 | | | |

Finding #2: Two of the comments provided by members gave suggestions for improvement with communication during the retirement process.

- When I sent in my final paperwork, it would have been comforting to receive a notification that it had been received.
- Consider confirming with the retiree that the papers are on the way. I just wasn't sure. It all came that last week when things are nuts! Thank you for the help!

Audit Recommendation #2: During the process, communication with the member occurs when they notify TFFR of their intent to retire and turn in the required documents. Communication then occurs when the retirement packet is sent to the member after the salary reconciliation (about 37 days). After the member returns the signed retirement documents, communication occurs in the final mailing – June 1 payments received notification at the end of May and July 1 payments received communication at the end of June (about 75 days).

Audit Services agrees with the member suggestions above and recommends that an email be sent after receiving the signed retirement documents. Confirmation that documents were received would help address member concerns about receiving their first benefit payment as scheduled.

Management Response Recommendation #2: The RPM plans to put the item on a future Retirement Division meeting to discuss the possibility of adding additional emails to pending retirees during the retirement process. Currently, an email is sent to the pending retiree once they submit their retirement request. They also get an estimated date of the first payment in their enrollment letter and a final letter/new retiree notice before the first payment is issued. It is important to note that when we implement a new pension software and Member Online is used to apply for retirement benefits – pending retirees will have easy access to monitor the process online.

Distribution:

David Hunter, Executive Director/CIO

Fay Kopp, Deputy Executive Director/Chief Retirement Officer

Connie Flanagan, Fiscal and Investment Operations Manager

Shelly Schumacher, Retirement Program Manager

TFFR Benefit Payment Cost Efficiency Review

State Investment Board Ends

The Retirement and Investment Office exist in order that:

TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner – Section D, page 1.

Presumptive Retirement Process

- 1) Members sends required documents
- 2) 5 years of salary is analyzed for fluctuations, identify salary, and presume 90% of current year salary
- 3) Retirement Enrollment documents are sent to the member
- 4) Member returns signed documents
- 5) Final retirement packet is sent to the member
- 6) Retirement benefit is made on the first of the month

Timeframe – 120 days (86 Business days)

Audit Services found the following in the review for the 25 members:

- 1) Average numbers of days to complete the process – 75 days
- 2) 20 members received their first retirement benefit payment on the desired date
- 3) 4 members received retroactive benefit payments due their late notification to start the retirement process
- 4) 1 member received retroactive benefits due to the delay in returning information

Audit Services Recommendation for reconciling salary

Average number of days to complete the 5 year salary review – 37 days

Finding: Employers were not identifying salary for the 5 year period in a timely manner.

Recommendation: Audit Services recommends that Employer Services send an electronic salary reconciliation form to the Employer to identify all salary paid.

Retirement Service's response is found on page 2 of the report.

Recalculation of Benefit Process – Second process averaged 21 days

Second process occurred due to the 90% estimate of the current (2018) year salary.

- 1) 19 of the accounts were recalculated and had an increase in retirement benefits.
- 2) 3 of the accounts were recalculated, but final average salary used to recalculate the benefit did not change.
- 3) 3 of the accounts were deferred retirements and are not recalculated.

Conclusion – timely manner

All timeframes identified for both processes under review appeared reasonable and provided no indication that either process experienced a failure at any point except for Audit Recommendation #1.

For fiscal year 2018, RIO provided benefit payments in a timely manner.

Member Comment and Feedback

In a survey, members were asked to rate courtesy, promptness and content/information on a scale of excellent to poor. They were also given an opportunity to provide written comments. There were 121 members that returned surveys. Over 90% of the survey participants rated the service received as excellent.

Suggestions made by members/Recommendation by Audit Services: Members requested that Retirement Services' acknowledge the receipt of the signed documents and that the process is moving forward for payment on the desired date.

Retirement Services response is found on page 6 of the report.

Membership for the 5 year period

The growth for TFFR membership starting in 2014 and ending in 2018 was as follows:

- Average increase of membership was 2.45%
- Average growth per year was 506 members
- TFFR Membership increased 1,996 from 2014 to 2018
- Average increase of Retirees, Beneficiaries, Terminated members was 357 members
- Average increase in of Active members is 149 members
- Per the US Census Bureau, ND State population increased

Financial Review for Appropriated Expenses

Average appropriated expenses increased per year 2.11%

Average appropriated cost per member **decreased** \$.55

Average cost of the total appropriated expenses per member \$73.50

RIO Staff dedicated to administrating TFFR – 12.05 Full time

Conclusion for the 5 year period 2014 - 2018, Audit Services determined that RIO was providing payment of benefits in a cost effective manner.



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: April 18, 2019
SUBJ: TFFR Board Policies – Proposed Amendments

At the March 21, 2019 meeting, the following draft policies were submitted for Introduction and 1st Reading. Rationale for the policy changes was included in the March 14, 2019 Memo to the Board (attached). The changes primarily pertain to transitioning our distribution method from paper to electronic for certain mailings (considering limitations of current software system, budget, time, and workload constraints), as well as some minor updates and clarifications.

No additional changes have been proposed, and the policies are being submitted for 2nd Reading and Final Approval.

C-6 Disclosure to Membership
B-6 Membership Data and Contributions
B-8 Account Claims

BOARD ACTION REQUESTED:

Board motion for final approval of proposed changes to Board Policy C-6 Disclosure to Membership; B-6 Membership Data and Contributions; and B-8 Account Claims.

Policy Type: TFFR Program

Policy Title: Disclosure to Membership

It shall be the policy of the TFFR Board of Trustees that member handbooks, member statements, member newsletters, and financial reports be prepared and made available for TFFR members. The information, or notification that the information is available, may be provided by mail, email to employers for distribution, RIO website and/or TFFR Member Online. Confidential member information will not be emailed to employers for distribution nor on the RIO website.

- Member Handbooks (Summary Plan Descriptions)

A member handbook will be developed and will include information about membership, contribution rates, service credit, benefit provisions for service retirement, disability retirement, and survivor benefits, eligibility for benefits, and how to apply for benefits. The handbook will be updated within 6 months of adoption of any significant legislative changes made to the plan. Members will be notified ~~in writing~~ that the member handbook is available on the RIO website, and a printed copy can be provided upon request.

- Member Annual Statements

Effective July 1, 2020, All active and inactive members will be ~~mailed a provided~~ an annual statement to their home on TFFR Member Online within six months of fiscal year end reporting the status of their member account as of June 30 of the current year. The ~~annual statement information to be reported annually~~ will include: member's name, address, personal identification number, date of birth, beneficiary on file, value of account, retirement salary reported for current year, service credit earned during the current year, accumulated service credit, date of eligibility for unreduced benefits, retirement benefit estimate, and other information pertinent to the ~~teacher's member's~~ account, unless the member has dual service, a qualified domestic relation order, or other special circumstances requiring nonstandard benefit calculations.

~~All~~ Retired members and beneficiaries receiving monthly benefits will be mailed an annual statement to their home address annually reporting the status of their member account as of December 30 of the current year. The ~~information~~ annual statement will include: retired member's name, address, personal identification number, beneficiary on file, value of account, accumulated service credit, retirement date, retirement option, benefits received life-to- date, current monthly benefit, ~~and~~ adjustments to benefit (if applicable), and other information pertinent to the retiree's account.

- Member Newsletters

Member newsletters will be published and distributed to active, inactive, and retired TFFR members four times per year. Two newsletters will contain legislative, actuarial, financial, and plan information (Report Card and Retirement Today), and two newsletters will contain investment information (Vested Interest). Member newsletters will be provided electronically to employers for e-mail distribution to active members, and will be mailed to inactive and retired members.

- Annual Financial Report

An comprehensive annual financial report (CAFR) will be published within six months following every fiscal year end. The report will include financial, actuarial, and investment information about the plan. Members will be notified that the CAFR is ~~it will~~ available on the RIO website, and a printed copy can be provided ~~to any TFFR member, benefit recipient, or the public~~ upon request.

TFFR Board Adopted: July 16, 1998.

Amended: July 18, 2002, September 20, 2007, September 23, 2010, ~~XXXX 2019~~.

Policy Type: TFFR Ends

Policy Title: Membership Data and Contributions

Ensure the security and accuracy of the members' permanent records and the collection of member and employer contributions from every governmental body employing a ~~teacher~~TFFR member.

Accordingly, the administrative means will be to:

1. Retain member and employer documents applicable to the retirement program.
2. Safeguard TFFR database files.
3. Protect the confidential information contained in member and employer files.
4. Collect the member and employer contributions from the employers based on retirement salary earned by the member.
5. Monitor the employer reporting process including the timely filing of information, consistency of month-to-month data, and changes in the employer payment plan models.
6. Review the individual member data, salary, and service credit for accuracy.
7. Post and validate the data received from the employer to the individual member accounts.
8. ~~Mail~~Provide annual statements to every member.
9. Summarize the ~~teacher~~member data reported and notify the employers annually of the prior fiscal year ~~to-date~~ information.
10. ~~Ensure~~Perform reviews to monitor whether ~~that~~ individuals employed as "teachers" in North Dakota school districts, political subdivisions, and state institutions are reported to TFFR in compliance with the North Dakota Century Code (NDCC).
11. Provide publications and reporting instructions to employers on TFFR.
12. Transfer member and employer contributions to the investment program in a timely manner.

Policy Type: TFFR Ends

Policy Title: Membership Data and Contributions

Monitoring (Method, Responsibility, Frequency)

1. Internal Report
 - a. Disclosure of compliance to the board from RIO's internal auditors. ~~The Internal Audit (IA) program is designed to review participating employers on an eight-year cycle.~~
 - b. Compliance for individual accounts is monitored through internal audits of staff compliance with state laws, rules, board policy, and procedures.
2. External Report
 - a. Disclosure of compliance to the board by RIO's external auditors as a part of the annual audit.
 - b. Disclosure of compliance to members through annual statements.

TFFR Board Adopted: May 25, 1995.

Amended: July 18, 2002, September 20, 2007, September 22, 2016, XXXX 2019.

Policy Type: TFFR Ends

Policy Title: Account Claims

Ensure the payment of benefit claims to members of TFFR.

Accordingly, the administrative means will be to:

1. Pay retirement benefits based on an presumed estimated final salary for members retiring upon completion of their teaching contract and whose final salary has not been reported to TFFR.
2. Allow teachers retired members receiving an annuity from TFFR to have payroll deductions subtracted from their monthly benefit, including, but not limited to: health, life, and other insurance premiums payable to NDPERS, North Dakota Retired Teachers Association (NDRTA) dues, North Dakota United (ND United) Retired dues, and federal and North Dakota income tax withholdings.
3. Distribute payments for benefit claims (annuities, PLSOs, refunds, and rollovers) once per month. Distributions Benefit –including payments made by Electronic Funds Transfer (EFT) will be deposited and payable on the first working day of each month. Benefit payments made by check will be mailed on the last working day of the previous month payable on the first working day of each month.
4. Distribute special payments for benefit claims in the event of unforeseen circumstances (i.e. death, disability, QDRO, Court Order, staff processing delay, etc.) if approved by the Deputy Executive Director- Chief Retirement Officer.
5. Send Mail new account notices and account change notices to retired members and beneficiaries receiving benefits.

Monitoring (Method, Responsibility, Frequency)

- Internal Report
 - Disclosure of compliance to the board through internal audits on compliance with laws, rules, and policies.
 - Periodic presentations by staff at board meetings.
- External Report
 - Disclosure of compliance to the board through annual audit by RIO external auditors.

TFFR Board Adopted: May 25, 1995.

Amended: July 27, 2000; July 24, 2003, XXXX 2019.



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: March 14, 2019
SUBJ: TFFR Board Policies – Proposed Amendments

Draft amendments to the following board policies are being submitted for TFFR Board consideration.

Introduction and 1st Reading:

- C-6 Disclosure to Membership**
- B-6 Membership Data and Contributions**
- B-8 Account Claims**

At previous Board meetings, RIO staff has discussed plans to transition from paper methods of communicating with members and employers to more electronic methods. You may recall that some of this is limited, or is not feasible due to the outdated pension administration software system we are currently using, however, staff is making changes where possible considering budget, time, and workload constraints.

RIO has already discontinued printing and mailing **member handbooks and newsletters** to active members. Instead, we notify actives (via emails to employers) that member handbooks and newsletters are available on the TFFR website. Member handbooks and newsletters do not contain any personal member information, therefore notifying members that the materials are available on the TFFR website is a reasonable course of action. Active members already have easy access to computers and are using technology on a daily basis.

However, newsletters continue to be printed and mailed to inactive and retired members because staff has no way of electronically notifying inactive and retired members when new newsletters are produced. Additionally, retired members have provided much feedback and relayed concerns about their strong preference for printed materials, and for some, their inability to access materials electronically. In order to continue providing retirees with good customer services, staff believes RIO should continue mailing retiree newsletters at this time.

Member annual statements contain personalized retirement information and benefit estimates, and are valuable documents for members to receive. Because they contain confidential member information, member statements cannot be posted on the website. Staff suggests that beginning **July 1, 2020**, we discontinue mailing annual statements to active members, and notify them (via member newsletters and emails to employers) that the annual statements will only be available on TFFR Member Online. This time frame will allow us to inform members the 2019 annual member statements will be the last statements mailed to them, and that statements can **ONLY** be accessed via Member Online in the future. TFFR Person ID numbers are also included on member statements, and without this number, members are unable to get logged in unless RIO sends them a separate letter which includes this ID number. Additionally, we have seen a large increase in new member logons in the months following mailings of active and retired annual statements. With limited IT and Retirement Services staff resources, a July 1, 2020 effective date gives us an additional year to work one-on-one with members and provide them the technical assistance/support needed for initial log on.

Because we have no way of electronically notifying inactive and retired members, we suggest continuing to mail annual member statements to inactive and retired members for the time being. Once a new or updated pension administration system with electronic communication capabilities is implemented, we can consider expanding electronic communications to also include inactive and retired members.

Note: TFFR Member Online went live on February 1, 2018. As of February 28, 2019, there were 3,130 members who have successfully logged on to TFFR Member Online. They are comprised of Active/Inactive/Terminated members (2,237) and Retired/Beneficiaries (893). As of July 1, 2018 valuation report, there were 22,218 total plan members. Therefore, approximately 14% of all members ($3,130 / 22,218 = .14$) have logged on to TFFR Member Online. Our first priority is to get active members logged on, recognizing the concerns voiced by many current TFFR retirees.

In order to continue this transition to more electronic communications, staff has proposed amendments to certain Board policies: TFFR Program Policy C-6, Disclosure to Membership; TFFR Ends Policy B-6, Membership Data and Contributions; and TFFR Ends Policy B-8, Account Claims. The proposed amendments include changes to distribution method from paper to electronic for certain mailings, as well as updates and clarifications to other policies which I will review with the Board at the meeting.

Legal Review

Anders Odegaard, TFFR Legal Counsel, has reviewed the proposed amendments to the Board policies, and has no suggested changes.

BOARD ACTION REQUESTED: Board motion to approve 1st reading of amendments to Board Policy C-6 Disclosure to Membership, B-6 Membership Data and Contributions, and B-8 Account Claims.

TFFR BOARD MEMO
April 25, 2019

RE: Board Governance and Policy Review

FROM: Rob Lech, TFFR Board President

BOARD FOCUS: Action

At the March 21, 2019 meeting of the Teacher’s Fund for Retirement board, it was recommended that we consider a full governance and policy review. While annual reviews and tweaks to policy statements are generally adequate, comprehensive reviews are necessary, from time to time, to fully analyze policies and practices to ensure the board is operating as effectively as possible. While a comprehensive policy review is a long and time-consuming process, it will help board members become more knowledgeable about policy and will give leadership the necessary direction needed to ensure that practice meets expectations.

Based on the factors listed below, I am recommending that the TFFR Board authorize a full policy and governance review based on the timeline outlined in this board memo.

NDRIO Umbrella

The governance structure of TFFR is unique as it is housed as a part of the Retirement and Investment Office. As this amalgamated structure was created from two different entities, the governance of TFFR has had to adapt from its own entity to one that exists under the umbrella of NDRIO. Because this has been a strong relationship, a comprehensive policy review has not been conducted since the merger of these two entities.

Succession Planning and Board Membership

While we certainly wish that our TFFR leadership could be with the office forever, at some point, we will need to consider how to replace those staff. These individuals have a high level of institutional knowledge working within the NDRIO umbrella. The best way to plan for succession is to ensure that governance and systems of support are solid and that policy clearly defines expectations.

Similarly, our board is somewhat in a constant state of flux due to board dynamics. We have a mixture of elected officials that are statutorily required and members representing different perspectives that are appointed by the executive branch. As such, it would be beneficial for TFFR to have a policy review that supports effective board member appointment, outlines clear expectations for members, and embeds board development that supports new and continuing board members.

Good Governance Dividend

Outside of the previously-listed rationale and benefits of a comprehensive policy review, the impact that such a practice has on governance should not be understated. There is fascinating and important research that exists related to effective governance and the impact on pension funds. Pensions that were well governed out-performed poorly governed pensions by 1% per annum ([Ambachtsheer, Capelle & Lum, 2008](#)). Understanding this “good governance dividend”

is critical. As fiduciaries, a commitment to any practice that enhances effective governance is certainly a worthwhile return on investment.

Areas to be Considered

Some areas that could be clearly defined or revised in our policies include:

- 1) Revising the TFFR mission and branch out to include mission, vision, core value statements, strategic objectives and corresponding methods for progress monitoring.
- 2) Outlining the responsibilities and authorities for TFFR board members.
- 3) Refining the expectations of TFFR, as it relates to SIB/RIO responsibilities, in administering the TFFR program.
- 4) Defining, in policy, the roles and responsibilities and delegated authority of TFFR staff.
- 5) Board member appointment, orientation, continuing education, self-assessment, and standards of conduct.

Potential Timeline/Next Steps

With the understanding that this type of work requires substantial time, following is a potential timeline over the next 6 months.

April: Establishment of subcommittee to work with Fay on TFFR Board Governance Policies project.

May – June: Subcommittee and Fay conduct initial assessments, review policies from other pension organizations, set expected timelines, etc.

July: Continued subcommittee work, update TFFR board on progress, board discussion and input.

August: Continued subcommittee work.

September – October: Continued subcommittee work, update TFFR board on progress, continued discussion, share updated timeline, if necessary, on expected project completion.

Recommended Action:

Motion to establish a policy review subcommittee to conduct a comprehensive policy and governance review.



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: April 18, 2019
SUBJ: TFFR Board Education: Open Records and Open Meetings Training

As you know, North Dakota has “sunshine laws,” which provide that all government records and meetings must be open to the public **UNLESS** a specific law authorizes a record or meeting to be closed. Attached is the ND Attorney General’s Office [Open Records Guide](#) and [Open Meetings Guide](#).

TFFR trustees and staff have always been committed to transparency in board and agency operations to ensure our members, employers, and the public have information relating to how government functions are performed and how TFFR trust funds are spent.

Sandra DePountis from the Attorney General’s Office will provide board education relating to ND open records and open meeting requirements and how they pertain to TFFR.

BOARD INFORMATION ONLY. No board action requested.



NORTH DAKOTA OPEN RECORD & MEETING LAW

North Dakota Attorney General's Office

Sandra DePountis



DISCLAIMER

This presentation is not intended as legal advice. Please consult your city or state's attorneys for legal counsel when needed.

OPEN RECORDS

- ❖ All records
 - ❖ Possession of public entity
 - ❖ Regarding public business
- ❖ OPEN

N.D.C.C. § 44-04-17.1(16) (definition of “record”)

DEFINITION OF “RECORD”

- Includes recorded information of any kind, regardless of the physical form or characteristic by which the information is stored, recorded, or reproduced.

N.D.C.C. § 44-04-17.1(16)

DEFINITION OF “PUBLIC BUSINESS”

- “all matters that relate or may foreseeably relate in any way to ...the performance of the public entity’s governmental functions, including any matter over which the public entity has supervision, control, jurisdiction, or advisory power; or...the public entity’s use of public funds.”

N.D.C.C. § 44-04-17.1(12)

GENERALLY OPEN:

- ❖ Personnel file
 - ❖ Job performance
 - ❖ Evaluations
- ❖ E-mails that are business related
- ❖ Records on Personal Devices
 - ❖ Home computers
 - ❖ Personal cell phone
- ❖ Contracts with a public entity – prices, costs

UNLESS SPECIFICALLY PROVIDED BY LAW...

- ❖ There has to be a law that specifically says the record is protected.
- ❖ The law will say the record is “not subject to Article XI of the ND Constitution,” “not an open record,” “exempt,” or “confidential.”

EXEMPT VS. CONFIDENTIAL

- Exempt records may be released.
- Discretion is with the public entity.
- May be called a “closed” record.
- Not against the law to release an exempt record.

N.D.C.C. §§ 44-04-17.1(2) (“closed record”); (5) (“exempt record”)

- Confidential records cannot be released.
- No discretion.
- Can only release pursuant to the statute.
- Class C felony to knowingly release. N.D.C.C. § 12.1-13-01

N.D.C.C. § 44-04-17.1(3) (“confidential record”)

EXAMPLES

❖ Exempt

- ❖ N.D.C.C. § 44-04-18.1 - Public employee personal info, including:
 - ❖ NEW: month/day of birth
 - ❖ address
 - ❖ phone number
 - ❖ photograph
 - ❖ payroll deduction info
 - ❖ dependent(s) info
 - ❖ NEW: “type” of leave taken and leave applied for but not yet taken

❖ Confidential

- ❖ Social security numbers
- ❖ Employee medical records
- ❖ Computer passwords
- ❖ Employee use of EAP records

THE BASIC RULES:

- ❖ Every person has the right to inspect or make a request for a public record.
- ❖ Generally, cannot make person fill out a form
 - ❖ NEW LEGISLATION – although cannot require initial request to be made in writing, can require for clarification purposes
 - ❖ Exception: need to verify for exempt/confidential records
- ❖ The requester DOES NOT have to give their name or reason for the request.
 - ❖ Exception: need to verify for exempt/confidential records
- ❖ You only have to provide one copy of the record, once.

THE BASICS CONTINUED...

- ❖ You must provide records – not opinions or explanations.
 - ❖ Request for information is not a request for records.
- ❖ Requests should reasonably identify the record.
 - ❖ clarification v. intimidation tactics
- ❖ You only have to provide records you have in your possession.
 - ❖ However, cannot contract with third party to “hold” your records and then claim not in your “possession.”

THE BASICS CONTINUED...

- ❖ Generally, you do not have to create new records or put into different format
- ❖ Exceptions:
 - ❖ If request paper copy and only have electronic copy, must provide paper copy, but can charge in accordance with N.D.C.C. § 44-04-18
N.D.C.C. § 44-04-18(4)
 - ❖ Database information
 - ❖ Text messages
NOTE: you do not need to turn over mobile device – N.D.C.C. § 44-04-18(4)

THE BASICS CONTINUED...

- ❖ Give a legal reason for any denial of records.
 - ❖ New legislation: including if records do not exist
N.D.C.C. § 44-04-18(7)
- ❖ Review and redact for confidential information.
N.D.C.C. § 44-04-18.10
- ❖ Communicate with requester – give estimate of time, costs, etc.

THE BASICS CONTINUED...

❖ New Legislation:

- ❖ If records available on the internet, can refer the requestor to the website.
- ❖ However, if requestor does not have internet access or a computer, will need to provide a paper copy of the record.
 - ❖ Can charge in compliance with N.D.C.C. § 44-04-18

“REASONABLE TIME”

- Provide records within a “reasonable time.”
- Several factors used to determine appropriate length of any delay, including:
 - need to consult with attorney if reasonable doubt exists on whether the record is open
 - excising confidential information
 - bulk of request and volume of documents reviewed
 - accessibility of documents
 - office staff and availability, workload, balancing of other responsibilities

BASICS OF CHARGING:

- 25 ¢ per copy for 8x11 or 8x14 page.
- Locating records – first hour free, thereafter \$25/hour.
- Redacting confidential information – first hour free, thereafter \$25/hour.
- No charge to forward electronic copies unless it takes IT longer than one hour to produce, thereafter can charge actual cost of IT resources
- Actual cost of postage, maps, color photos.
- Can ask for money up front.
- 2015 LEGISLATION:
 - May withhold records for subsequent requests until you receive payment for any outstanding balance
 - 5 or more requests from same requestor w/in 7 days, may treat as one request when computing time to locate/excise records
- Access is free!

BASICS OF OPEN MEETINGS

- **Quorum** of
 - **Governing body**
 - Of a **public entity**
- Discussing **public business**
 - **MEETING**

N.D.C.C. § 44-04-17.1(9) definition of “meeting”

DEFINITION OF “MEETING” INCLUDES “COMMITTEES”

- **Committees**: two or more people acting collectively pursuant to authority delegated to that group by the governing body.
 - Includes delegation of **any** public business, including information gathering
- Did the governing body delegate any sort of authority?
- Is the committee doing something the governing body could do itself?

IT DOESN'T MATTER.....

- ❖ If the committee doesn't have final authority;
- ❖ If the committee is just “brainstorming” or “factfinding;”
- ❖ If the committee is only going to recommend something to the governing body.

A MEETING CAN HAPPEN...

- ❖ By conference call
- ❖ On very short notice
- ❖ Over video conference
- ❖ At a restaurant
 - ❖ NOTE: use sparingly!

EXCEPTIONS:

- Meetings of national, regional, or state associations.
- Chance or social gatherings where no public business is considered or discussed.
- NEW: Training seminars where no other public business is considered or discussed.
- Delegation to one person – one person is not a committee.

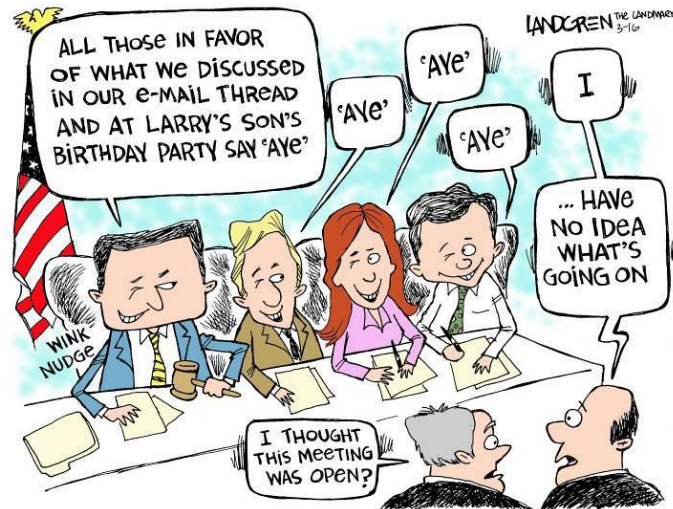
N.D.C.C. § 44-04-17.1(9)(b)

COMMON VIOLATIONS

- Using emails or other electronic devices involving a quorum of a governing body to discuss public business
 - Permissible:
 - Provide information for members to review before a meeting
 - Ministerial matters – setting a meeting date
 - Violations:
 - Sharing thoughts, ideas, opinions, to a quorum
 - Hitting “reply all” and holding discussions via email

COMMON VIOLATIONS

- Telephone straw polling.
- Serial meetings – smaller gatherings collectively constitute a quorum and public business is discussed.



TWO KINDS OF MEETINGS:

❖ Regular

- ❖ Set by filing yearly schedule
 - ❖ Must still create agenda for each meeting
- ❖ Agenda should contain all topics known at the time of drafting the notice
- ❖ May discuss items not on the agenda at the meeting

❖ Special

- ❖ Can only discuss the items on the agenda
- ❖ Agenda must be specific
 - ❖ Cannot use “catch-all” phrases such as “old business,” “new business”



NOT TO WORRY....

Posting notice is easy!

WHAT THE NOTICE SHOULD SAY:

- ❖ Time, date, and location of the meeting;
 - ❖ Topics to be discussed;
 - ❖ Notice of any executive session.
-
- ❖ The public should be able to read the notice and understand what the governing body is planning to discuss. Don't be vague.

N.D.C.C. § 44-04-20

WHERE TO PUT THE NOTICE:

- ❖ At the main office;
- ❖ Appropriate central location: city auditor, county auditor, secretary of state OR put on public entity's website;
- ❖ Location of the meeting;
- ❖ Give to anyone who has requested it.
- ❖ Special meetings – agenda must be given to official newspaper
 - ❖ NOTE: this does NOT mean it needs to be published!

WHEN TO PROVIDE NOTICE:

- ❖ Notice should be posted “at the same time as such governing body’s members are notified.”
 - ❖ When governing body receives the agenda, the public should see the agenda
- ❖ What if it’s a special meeting, and the members know the date of the meeting but no agenda has been prepared?
 - ❖ Post notice of date at the same time members know of the date.
 - ❖ Once agenda is prepared, it should also be posted at the required locations

N.D.C.C. § 44-04-20(5)

EXECUTIVE SESSIONS

N.D.C.C. § 44-04-19.2

- ❖ Must be legally authorized
 - ❖ Most common: exempt/confidential records; attorney consultation and negotiation strategy. (N.D.C.C. § 44-04-19.1)
 - ❖ Most common violation: closing meeting to discuss personnel matters!



2017 LEGISLATION ON PERSONNEL MATTERS

- ❖ Internal Investigations – N.D.C.C. 44-04-18.1 (6)
 - ❖ Public entity's internal investigation of a complaint against employee for misconduct is exempt until investigation is complete or 75 days have passed.
- ❖ Applications – N.D.C.C. 44-04-18.27
 - ❖ Records that could reasonably identify an applicant are confidential, except for the designated finalists – those records are open.
 - ❖ Must designate at least 3 (or more) finalists
 - ❖ If do not have 3 applicants, all applications are considered open.

EXECUTIVE SESSION PROCEDURE:

- ❖ Convene in open meeting;
- ❖ Announce in open meeting the topics to be discussed and legal authority;
 - ❖ NOTE: To discuss confidential information – no motion necessary.
To discuss exempt/closed information - motion to enter into the executive session.
- ❖ Record the session (keep for 6 months);
- ❖ Note time of executive session and who attended in minutes;
- ❖ Only discuss topics in announcement;
- ❖ Final action in open meeting.

N.D.C.C. § 44-04-19.2(2)

MINUTES OF MEETINGS

- Must contain:
 - Names of members attending
 - Date and time meeting was called to order and adjourned
 - List of topics discussed
 - Description of each motion made and whether seconded
 - Results of every vote taken
 - Vote of each member on every recorded roll call vote (required for all nonprocedural votes)

N.D.C.C. § 44-04-21(2)

VIOLATIONS

- Attorney General's opinions under N.D.C.C. § 44-04-21.1:
 - 30 days of alleged violation except meetings without notice – 90 days.
 - If action isn't taken & requester prevails in civil action requester will get attorney's fees.
 - Consequence for failure to comply with AG opinion – potential personal liability & pay for legal counsel.
 - NEW: Attorney General can now mandate training for violations of law.
- AG can refer a public servant to the state's attorney for multiple violations.
- A public servant who knowingly violates the law is guilty of a class A misdemeanor.

N.D.C.C. § 44-04-21.3

N.D.C.C. § 12.1-11-06

VIOLATIONS

- Violations may be subject of civil action under N.D.C.C. § 44-04-21.2.
- Action must be commenced within 60 days of the date the person knew or should have known of the violation or 30 days from issuance of AG opinion.
- Court may award \$1,000 or actual damages for intentional or knowing violations.

MORE INFORMATION

www.attorneygeneral.nd.gov

- ❖ Manuals
- ❖ Opinions
- ❖ Fact Sheets

Office of Attorney General

OPEN RECORDS GUIDE

(08/2017)

600 E. Boulevard Avenue, Dept. 125, Bismarck, ND 58505. Tel: (701) 328-2210

North Dakota's laws state that all government records and meetings must be open to the public unless otherwise authorized by a specific law. The basic laws are found in North Dakota Century Code, beginning at §44-04-17.1. The public has the right to know how government functions are performed and how public funds are spent.

DEFINITION OF RECORD

“**Record**” includes *all recorded information regardless of physical form (e.g. paper, e-mail, computer file, photograph, audiotape or recording, video, text message, etc.) that has a connection with how public funds are spent or with the public entity's performance of its governmental functions or its public business, regardless of format or location.*

Minutes, memos, reports, outlines, notes, employee salary and job performance records, contracts, telephone records, and travel vouchers are all **OPEN** records and **must** be provided upon request.

REQUESTS FOR RECORDS

Anyone has the right to view or get a copy of public records, regardless of the reason or where they live. A request for public records can be made in any available medium. Generally, a public entity cannot ask why the records are requested, ask for identification, or require a request be made in writing (or in person). However, a request must reasonably identify existing records. If a request is unclear, the entity may require written clarification but cannot ask the requester's motive or identity. The entity can delay taking action until receiving written clarification.

- A request for *information* is not a request for records. A public entity does not have to respond to questions about its decisions, duties, functions or operations or to explain the content of its records.

The public entity must respond to a record request within a *reasonable* time, by either providing the record or explaining the legal authority for denying all or part of the request. What is “reasonable” depends on a number of factors, including the scope and type of records requested.

A public entity may only deny access to or a copy of a record for which there is a specific statute closing all or part of the information. A statute may declare certain records to be exempt or confidential.

If a record is **exempt**, a public entity has discretion to release or withhold it. If a record is **confidential**, it either cannot be released or the confidential information within the record first must be redacted.

ALLOWABLE CHARGES

Access to public records is generally free. An entity may charge up to 25¢ a page (standard letter or legal size paper). For other types of records, the entity may charge the **actual cost** for copying, including labor, materials and equipment.

The first hour of *locating* requested records (including electronic records) is free. After the first hour, the entity may charge \$25/hr for locating records and a separate \$25/hr (after the 1st hour) for *redacting* any exempt or confidential information. If providing electronic records takes more than one hour, in addition to charges for locating and redacting, the entity may charge the *actual cost* incurred for use of technology resources. *The entity can require full payment of any estimated costs before starting to make copies or releasing records.*

- An entity does not have to convert its records to another format, create or compile records that do not exist, or obtain records originating from another public entity that it does not have in its possession.

If requested records are available on an entity's website or online, an entity can direct the requester to where the record can be accessed and does not have to provide a copy unless a requester is not reasonably able to access the internet.

A public entity may allow the use of personal devices to duplicate records but can impose reasonable procedures or conditions to protect the integrity of its records.

DENIAL

If a request for records is denied, the entity must explain what specific federal or state law makes all or part of the record closed. If asked, the entity must put the reason for the denial in writing. The denial must state if the requested record does not exist.

- It is not a violation if a public entity declines to provide an exempt record, or if the reason a public entity cannot provide a record is that it does not exist, even if the requester believes the record *should* exist.

REFUSAL

If repeated requests for records disrupt other essential functions, a public entity may refuse to provide access to or copies of its records to that requester but must put its reasons for doing so in writing. A requester may seek an opinion from the Attorney General on whether the entity's refusal was proper.

OPINION REQUESTS

A request for an opinion must be submitted to the Office of Attorney General within 30 days of the alleged open record violation or refusal, regardless of when the requester became aware of the violation.

EXEMPT: MAY be withheld at the discretion of the public entity

- Home address, home & cell phone numbers, employee ID number, driver's license number, dependent information and emergency contact of public employees §44-04-18.1(2), or individuals licensed by a state occupational/professional board, association, agency, or commission §44-04-18.1(4);
- Personal financial information of public employees used for payroll purposes and the *type* of leave taken or accrued (the *amount* of leave taken and dates taken is open) §44-04-18.1;
- Active criminal intelligence, criminal investigative information, officer training materials, information that may impact officer safety §44-04-18.7, and the work schedule of employees of a law enforcement agency §44-04-18.3(3);
- Homicide or sex crime scene images or any image of a minor victim of a crime §44-04-18.7(8);
- Address, phone number, identifying information that could be used to locate or identify a victim/alleged victim of domestic violence, human trafficking, a sex offense, or a sexual performance by a child §44-04-18.20;
- Law enforcement records containing an individual's personal information, including driver's license number, day/month of birth (the year of birth is open), home street address (the city, state, zip is open), height, weight, home and personal cell phone numbers, and medical information §44-04-18.7. NOTE: *If a victim has asserted Marsy's law: the complete home and employment address or location, email address, and any other contact information for the victim or a member of the victim's family is also protected. This information may be contained in digital media such as audio, video, or images, or in witness statements.*
- Address, phone number, place of employment or other information in records of a criminal justice agency, correctional facility or the DOCR that could be used to locate the victim or witness to a crime §12.1-34-02(11);
- Financial account numbers §44-04-18.9;
- E-mail address/phone number of an individual provided for purposes of communicating with a public entity, except this exemption cannot be used to shield the person's identity §44-04-18.21;
- Interviews/statements of child victims or witnesses obtained during an investigation of a violent crime or sex offense §12.1-35-03(2);
- Driver's license number, phone, day/month of birth, and insurance information from a motor vehicle accident report form, except it is open to the parties involved or their insurers §39-08-13(4);
- Records related to the name and medical condition of an individual and treatment provided by a public entity during an emergency medical response §44-04-18.22;
- Recordings of 911 calls and related responses, except a person may listen to, or obtain written transcript of, the recordings §57-40.6-07(4);
- Body camera images taken in a private place by law enforcement or firefighter §44-04-18.7;
- Records relating to the internal investigation of a complaint of misconduct by an entity or employee, but only until the investigation is complete or for 75 days, whichever is first, then it is open §44-04-18.1;
- Attorney work product §44-04-19.1(1);
- Security system plans, critical infrastructure information vital to maintaining public safety, security, or health §44-04-24; public health & security response plans §44-04-24, §44-04-25, records relating to cyberthreats §44-04-18.4;
- Bids/proposals in response to an RFP, but only until all proposals opened/presentations heard, after which it is open §44-04-18.4(6);
- Personal information of applicants/recipients of economic assistance programs administered under division of community services or a community action agency §44-04-18.19;
- Records revealing negotiating strategy and draft agreements subject to negotiations, but only as long as release would have an adverse fiscal effect on the entity §44-04-19.2;
- Settlement agreements between a public entity and another party, until fully executed and accepted by all parties §44-04-19.1;
- Private donor and prospective donor personal and financial information. §44-04-18.15;
- Title IX complaint and investigation records §44-04-18.28;
- Risk Management records of claims against the state/employee §32-12.2-11(1) & state agency loss control committee records §32-12.2-12. ■

CONFIDENTIAL: CANNOT be released

- Social Security number §44-04-28;
- Address & home phone of an employee of a law enforcement agency; any information that would reveal the identity of an undercover officer §44-04-18.3;
- Public employee medical treatment records §§ 44-52.1-12, 44-04-18.1(1), Ch. 23-01.3; patient records at university system medical centers or public health authority §44-04-18.16; Employee Assistance program records §44-04-18.1(1); Note: *HIPAA may prohibit release of health information from other sources.*
- Criminal history records §§12-60-16.5, 12-60-16.6. NOTE: *These may be obtained only from BCI.*
- Identifying information of a living child victim or witness of a crime, except in the case of traffic accident or victim of fire §12.1-35-03;
- Names of persons injured or deceased, but only until law enforcement has notified the next of kin or for 24 hours, whichever occurs first, then the information is open §39-08-10.1;
- Autopsy photographs, images, audio/video recordings, working papers, notes, except the final report of death, which becomes an open record *8 days after* it is finalized §§ 44-04-18.18, 23-01-05.5;
- Income, and sales & use tax returns and information §§57-38-57, 57-39.2-23;
- Trade secret, proprietary, commercial and financial information, if it is of a privileged nature and has not yet been publicly disclosed; research records of the universities and colleges under the State Board of Higher Education §44-04-18.4;
- Electronic security codes and passwords §44-04-27;
- Applications for employment with a public entity. Three or more designated finalists records are open. If fewer than 3 qualifying applications are received, all applications are open. §44-04-18.27;
- Fire investigations until the investigation is completed, then it is open §44-04-30(1);
- WSI employer files, except a Safety Grant recipient's name & amount awarded is open §65-04-15;
- Foster care records §50-11-05;
- Law enforcement & correctional facility records of delinquent, unruly, or deprived child §27-20-52(1). ■

Office of Attorney General

OPEN MEETINGS GUIDE

(08/2017)

600 E. Boulevard Avenue, Dept. 125, Bismarck, ND 58505. Tel: (701) 328-2210

North Dakota's laws state that all government records and meetings must be open to the public unless otherwise authorized by a specific law. The basic laws are found in North Dakota Century Code, beginning at §44-04-17.1. The public has the right to know how government functions are performed and how public funds are spent.

DEFINITION OF MEETING

Meeting means *any gathering of a quorum of the members of a governing body of a public entity regarding public business*, and includes committees and subcommittees, informal gatherings or work sessions, and discussions where a quorum of members are participating by phone or any other electronic communication (either at the same time or in a series of individual contacts).

- If a governing body delegates any authority to two or more people, the newly formed committee is subject to the open meetings law even if the committee does not have final authority or is just fact-finding. What it is called does not matter, it is still a committee. Committee meetings must be noticed and minutes taken.
- Portfolios are a committee of the governing body if more than one commissioner holds the portfolio.
- Emails or text messages between members of a committee or subcommittee regarding public business may constitute a meeting and violate open meeting laws.

Training seminars and purely social gatherings attended by a quorum of a public entity are not meetings, however, as soon as the members discuss any public business, it becomes a "meeting."

MEETING SCHEDULES

If the governing body holds regularly scheduled meetings, the schedule of these meetings must be posted annually on the entity's official website **OR** filed with the Secretary of State (for state agencies), the City Auditor (city level entities), or the County Auditor (all other entities).

- The annual meeting schedule also must be furnished to anyone who requests the information.
- Filing the annual meeting schedule does not relieve a public entity of its obligation to post a meeting notice/agenda for each meeting.

MEETING NOTICES

Prior written notice is required for all meetings of a public entity, including committees and subcommittees.

- Generally, there is **no minimum advance notice period** for public meetings.

An entity must provide public notice of the date, time and location of a meeting when the governing body is notified. As soon as an agenda is prepared and given to the governing body, it must be posted and provided to the public in the same manner as the meeting notice.

- If an executive session is anticipated, the meeting notice also must include the executive session as an agenda item, along with the subject matter and the legal authority for the executive session.

Regular meeting agendas may be added to or altered at the time of the meeting. For **special** or **emergency** meetings, however, **only** the specific topics included in the notice may be discussed.

PROVIDING PUBLIC NOTICE OF MEETINGS

At the same time the governing body is notified of the meeting, the meeting notice must be:

1. Posted at the main office of the public entity, if the entity has a main office.
2. Posted at the location of the meeting, if held somewhere other than the entity's main office.
3. Posted on the public entity's website OR filed with the appropriate official [the Secretary of State for state-level entities, the city auditor for city-level entities, and the county auditor(s) for all other entities].
4. Provided to any individual who has requested notice of the meeting.

Notice of special or emergency meetings also must be given to the entity's official newspaper. Generally, there is no requirement that the meeting notice be published.

If asked, a public entity must provide a requester with personal notice of its meetings. Unless the requester specifies a shorter time period, the request to receive notice is good for one year.

PUBLIC PARTICIPATION

A member of the public has the right to attend an open meeting and to record or broadcast the meeting, but **does not have the right to speak**.

EXECUTIVE SESSIONS

Only the portions of a public meeting that are specifically confidential or exempt from the open meetings law may

be closed to the public and held in executive session. The remainder of the meeting must be open to the public.

- Generally, a public entity **may not close** a meeting to discuss salary issues or employee job performance.

There are several reasons why a meeting may not be open to the public. For instance:

- The portion of a meeting during which confidential or exempt records are considered may be closed to the public. This is particularly common for school board meetings to discuss student records.
- Board meetings concerning the nonrenewal, dismissal for cause, or suspension of a teacher, principal, superintendent, or directors may be closed except for certain representatives of the board and the teacher, principal, superintendent, and director.
- A governing body may close a meeting to talk with its attorney if the discussion pertains to the attorney's advice regarding a "pending or reasonably predictable" lawsuit involving the public entity.
- An executive session also may be held to discuss the risks, strengths or weaknesses of an action of the public entity or negotiating strategy, if holding the discussion in an open meeting would have an adverse fiscal effect on the bargaining or litigating position of the public entity.
- In addition to discussing closed or confidential economic development records, an executive session is authorized to discuss a public entity's efforts to recruit a new business to the area served by the public entity.
- State agency loss control committee meetings regarding closed records of a specific pending or reasonably predictable claim against the state or a state employee may be held in executive session.

CLOSED MEETINGS PROCEDURES

Although certain statutes may apply to particular meetings or entities, state law specifies the following general procedure for holding an executive session.

1. Convene in an open session preceded by public notice;
2. Announce during the open portion of the meeting the topics to be considered during the executive session and the legal authority for holding an executive session on those topics;
3. Pass a motion to hold an executive session, unless a motion is unnecessary because a confidential meeting is required;
4. Record the executive session electronically;

5. Limit the topics considered during the executive session to the announced, authorized topics; and
6. Take final action on the topics considered in the executive session during the open portion of a meeting.

Under these provisions, a governing body's authority to hold an executive session may be invoked only during a properly noticed open meeting, and not during a separate meeting for which public notice is not provided. To close a portion of the meeting, the governing body may either excuse the public or reconvene in another location.

A vote to go into executive session is not necessary if a confidential meeting is required or if the governing body is closing the meeting to discuss confidential records. However, because a discussion of exempt records does not necessarily have to occur in an executive session, a vote is necessary to determine whether the discussion will occur in an open meeting or in an executive session.

- Final action on the topics considered in the executive session must be taken during the open portion of the meeting. All substantive votes must be recorded by roll call.

MINUTES

The minutes of meetings are public records and must be provided to anyone upon request. Draft minutes should be made available to the public even if the minutes have not been approved. Some public entities are required by law to provide minutes to the official newspaper.

Minutes must include, at a minimum:

1. The names of the members attending the meeting;
2. The date and time the meeting was called to order and adjourned;
3. A list of topics discussed regarding public business;
4. A description of each motion made at the meeting and whether the motion was seconded;
5. The results of every vote taken at the meeting; and
6. The vote of each member on every recorded roll call vote.

This requirement applies to all governing bodies, including committees and subcommittees.

OPINION REQUESTS

A request for an Opinion alleging that a public entity held a meeting without posting public notice must be received by the Office of Attorney General within 90 days of the alleged violation, regardless of when the requester learned about the violation. For all other violations of the open meetings laws, the request for an Opinion must be received within 30 days of the alleged violation. ■



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: April 18, 2019
SUBJ: 2019-20 TFFR Board Calendar and Education Plan

Here is a draft 2019-20 TFFR Board Calendar and Education Plan. In developing this annual plan, I include the many annual and quarterly monitoring reports required by TFFR Board policies or have been requested by the Board. Additionally, for board education, I try to include a variety of topics of interest including board governance, actuarial, investment, legal, plan provisions, and other topics requested by the Board

Please review, and provide additional input or suggestions. Also, please note that depending upon additional agenda items that may need to be added throughout the year and other time or scheduling constraints, I may need to rearrange or defer agenda items or education topics.

BOARD ACTION REQUESTED:
Board motion to approve 2019-20 Board Calendar and Education Plan.

TFFR Board Calendar and Education Plan 2019-20

JULY 25, 2019 – 1 pm

Plan Mgmt Policy (Phase 2) - Segal
Board Governance Project Update
Election of Officers
Annual TFFR Program Review
Annual Customer Satisfaction Reports
Annual TFFR Program Audit Report (6/30)
Qtrly Investment Update (3/30)
Educ: Fiduciary Duties and Ethics

JULY 26, 2019 – 8:30 am

Special TFFR Meeting*
SIB Annual Meeting
Educ: Board Governance

SEPTEMBER 26, 2019 – 1 pm

Plan Mgmt Policy – Segal
Board Governance Project Update
Annual Investment Report (6/30)
Annual Budget and Expense Report
Annual Technology Report
Educ: Comparison of Select Public
Pension Plan Provisions - RIO

OCTOBER 24, 2019 – 1 pm

2019 Actuarial Valuation Report - Segal
2019 Experience Study Planning - Segal
Board Governance Project Update
Annual Retiree Reemployment Report
Qtrly Audit Services Update (9/30)
Educ: Actuarial Issues - Segal

JANUARY 23, 2020 – 1 pm

2019 GASB Report – Segal
2021 Legislative Planning
Annual Retirement Statistics Report
Qtrly Investment Update (9/30)
Qtrly Audit Services Update (12/30)
Educ: TFFR Benefits Overview - RIO

MARCH 26, 2020 – 1 pm

2019 Experience Study Report-Segal
2021 Legislative Planning
Annual Pension Plan Comparison Report
Annual Retirement Trends Report
Qtrly Investment Update (12/30)
Educ: State Cybersecurity - ITD

APRIL 23, 2020 – 1 pm

2020 Asset Liability Study Planning
2021 Legislative Planning
Qtrly Audit Services Update (3/30)
2020-21 Board Calendar and Educ Plan
Educ: Investment Topic TBD - RIO

Note: Agenda items or education topics
may be rearranged if needed.

DRAFT 04/25/19



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: April 18, 2019
SUBJ: TFFR Trustee Education

TFFR trustees understand the importance of education to ensure they develop core competencies and discharge their fiduciary duties to act with care, skill, prudence and diligence. Here are some dates and links to upcoming pension trustee educational opportunities. If you are interested in attending any of the following conferences or training programs, or if there are other educational sessions that you would like to attend, please contact Fay to discuss.

National Council on Teacher Retirement (NCTR)

- [NCTR Trustee Workshop](#) July 21-24, 2019 UC, Berkeley, CA
- [NCTR Annual Conference](#) October 12-15, 2019 Nashville, TN

National Education Association (NEA)

- [NEA National Pension Forum](#) July 3, 2019 Houston, TX

Callan Associates

- [Callan College Intro to Investments](#) July 23-24, 2019 San Francisco, CA
Oct. 15-16, 2019 Chicago, IL

International Foundation of Employee Benefit Plans (IFEBP)

- [2019 IFEBP Public Employee Program Schedule](#)
- [2019 IFEBP Pension Programs Schedule](#)

National Conference on Public Employee Retirement Systems (NCPERS)

- [2019 NCPERS Educational Program Schedule](#)

BOARD INFORMATION ONLY. No Board action is requested.



MEMORANDUM

TO: TFFR Board
FROM: Fay Kopp
DATE: April 18, 2019
SUBJ: TFFR Trustee Appointment Update

As you know, a TFFR member's term on the Board is for five years, or initial completion of the term of their predecessor.

Toni Gumeringer has been on the TFFR Board since 2016 and is nearing completion of the term of former trustee (Kim Franz) on June 30, 2019. She has also served as a TFFR representative on the SIB for one year. Toni's seat on the TFFR Board is eligible for re-appointment.

I have informed the Governor's office, and have also notified ND United of their statutory requirement to submit three names to the Governor's office for appointment or re-appointment to the TFFR Board. ND United has submitted the list, and the Governor's office is reviewing candidates. I will stay in touch with the Governor's Office, and notify the Board as soon as I am informed.

BOARD INFORMATION ONLY.
No board action is requested.



NDTFFR BOARD READING APRIL 2019

- [State and Local Government Spending on Public Employee Retirement Systems](#), National Association of State Retirement Administrators (NASRA), March 2019.
- [Retirement Insecurity 2019: Americans' Views of the Retirement Crisis](#), National Institute on Retirement Security (NIRS), February 2019.
- [State and Local Fiscal Facts 2019](#), National Association of State Retirement Administrators (NASRA) et al, February 2019.
- [Unaccountable and Unaffordable – Unfunded Public Pension Liabilities 2018 Report](#), American Legislative Exchange Council.