



ND TFFR BOARD MEETING

Thursday, November 19, 2020, 1:00 p.m.

Pioneer Room (**Virtual Meeting Host**)

Teleconferencing – 701.328.0950 Participant Code – 995 502 26#

State Capitol, 600 East Boulevard Avenue, Bismarck, ND

AGENDA

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA**
 - A. Executive Summary
- II. **ACCEPTANCE OF MINUTES (September 24, 2020 & October 7, 2020)**
- III. **GOVERNANCE**
 - A. Callan Asset Allocation Presentation - Ms. Moriarty & Mr. Browning (60 minutes) *Board Action*
 - B. Segal Actuarial Valuation 2020 Presentation - Kim Nicholl (45 minutes) *Board Action*
 - C. Employee Benefits Programs Committee Update - Ms. Murtha (10 minutes) *Informational*
 - D. Strategic Messaging Discussion - Ms. Murtha (10 minutes) *Informational*
- IV. **REPORTS**
 - A. Quarterly Monitoring Report on TFFR Ends – Ms. Murtha (5 minutes) *Board Action*
 - B. Quarterly TFFR Investment Report - Mr. Hunter (10 minutes) *Board Action*
- V. **OPERATIONS UPDATES**
 - A. **PAS Project** - Ms. Murtha (10 minutes) *Informational*
 - B. **Outreach** - Ms. Weeks (10 minutes) *Informational*
- VI. **CONSENT AGENDA – Disability Retirement Application – Ms. Murtha (5 minutes) Board Action¹**
- VII. **OTHER BUSINESS**
 - A. Resolution for Treasurer Schmidt
 - B. Board Reading Materials – *Material References Included*
 - C. Next Meeting:
 1. TFFR Regular Board Meeting Thursday, January 21, 2021 at 1:00p.m.- *Virtual*
- VIII. **ADJOURNMENT**

An informal reception in honor of Treasurer Schmidt to follow

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

¹ Executive Session possible if Board discusses confidential member information under N.D.C.C. 15-39.1-30.



EXECUTIVE SUMMARY

TFFR Board Regular Meeting

November 19, 2020 – 1 pm CT

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- I. Agenda:** The November Board Meeting will be held at the Pioneer Room in the State Capitol to accommodate in person attendance, however, a link will also be provided so that Board members and other attendees may join via video conference. The board member video link is included in the email with the Board materials. There will be a call in number for the public.
 - II. Minutes:** The September 24, 2020 and October 7, 2020 Board meeting minutes are included for review and approval.
 - III. A. Callan Asset Allocation Presentation:** Members of the Callan team will present recommendations to the Board regarding proposed changes to the TFFR asset allocation.
B. Segal Actuarial Valuation Presentation: Members of the Segal team will present the TFFR Actuarial Valuation to the Board.
C. Employee Benefits Programs Committee Update: Ms. Murtha will discuss the presentation to and comments from the EBPC relating to proposed legislation.
D. Strategic Messaging Discussion: Ms. Murtha will ask the Board to begin a discussion about the value of strategic messaging and branding to the TFFR program.
 - IV. Reports:** The Board will receive the following quarterly reports: quarterly TFFR investment report, and the quarterly monitoring report on TFFR ends.
 - V. Operation Updates:** Ms. Murtha and Ms. Weeks will provide the Board with brief updates regarding RIO team member activities related to the PAS project and RIO Agency member outreach and education efforts.
 - VI. Other Business -** Joint Resolution of TFFR & SIB in Appreciation of Treasurer Schmidt.
 - VII. CONSENT AGENDA – Disability Retirement:** The Board will be provided with one application for review.

Adjournment. An informal reception in honor of Treasurer Schmidt to follow .

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
SEPTEMBER 24, 2020 BOARD MEETING**

BOARD MEMBERS PRESENT: Rob Lech, President
Mike Burton, Vice President
Kirsten Baesler, State Supt. DPI
Toni Gumeringer, Trustee
Cody Mickelson, Trustee
Mel Olson, Trustee
Kelly Schmidt, State Treasurer

STAFF PRESENT: David Hunter, ED/CIO
Connie Flanagan, CFO
Missy Kopp, Retirement Assistant
Jan Murtha, Deputy ED/CRO
Rich Nagel, IT Supvr
Sara Sauter, Supvr of Internal Audit
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Program Mgr

OTHERS PRESENT: Alex Browning, Callan LLC
Dean DePountis, Atty. General's Office
Julia Moriarty, Callan LLC

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, September 24, 2020. The meeting was held at the ND Retirement and Investment Office (RIO), Bismarck, ND, but most participants attended via video or teleconference.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the September 24, 2020, meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER, MS. GUMERINGER

MINUTES:

The Board considered the minutes of the July 23, 2020, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO APPROVE THE JULY 23, 2020, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER AND MS. GUMERINGER

BOARD EDUCATION:

Asset Liability Analysis:

Ms. Julia Moriarty and Mr. Alex Browning, Callan, presented information on the Asset-Liability Study that Callan will be conducting. They summarized the study process, capital market expectations, liabilities, risk tolerance, and asset classes. Callan will build liability models using the most current valuation, experience study and other relevant data. They will generate 10-year projections based on actuarial assumptions and generate a range of potential results for key variables including assets, liabilities, funded status, contributions, and liquidity risks. Results will be compared across alternative asset mixes and Callan will identify recommended asset allocation policies for consideration by the Board.

The timeline for the study was discussed. Callan will share the preliminary results with RIO staff before the November meeting. Staff will communicate these preliminary results with the Board. The final asset-liability results will be presented at the November meeting. Board discussion followed.

Retirement Plan Types:

Ms. Murtha presented education on retirement plan types. With the upcoming Legislative session and the current economy, there is a need to provide education to members and Legislators about the TFFR plan. Board discussion followed.

Ms. Gumeringer joined the meeting at 1:45 p.m. Ms. Gumeringer was in attendance via teleconference, but was unable to vote because of technical problems.

Board Member Training Discussion:

Board members shared information about webinars and virtual conferences they have taken part in.

GOVERNANCE:

Annual SIB Customer Satisfaction Survey:

Pres. Lech reviewed the compiled results of the State Investment Board (SIB) Customer Satisfaction Survey completed by six TFFR Board members.

Supt. Baesler joined the meeting at 2:06 p.m.

Employee Benefits Programs Committee (EBPC):

Ms. Murtha shared an update from the EBPC meeting in September. Ms. Murtha presented the Board's request to modify the plan documents pursuant to NDCC 15-39.1-35 to effect the change to the required minimum distribution rule required by the 2019 Setting Every Community Up for Retirement Enhancement (SECURE) Act. EBPC members stated that they would like the TFFR Board to submit legislation authorizing this change for the 2021-23 biennium. Proposed legislation was provided to the Board. Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY SUPT. BAESLER AND FAILED BY A ROLL CALL VOTE TO SUBMIT PROPOSED LEGISLATION TO THE EBPC.

AYES: MR. OLSON AND PRES. LECH

NAYS: TREASURER SCHMIDT, SUPT. BAESLER, MR. OLSON, MR. BURTON, AND MR. MICKELSON

MOTION FAILED

ABSENT: MS. GUMERINGER

REPORTS:

Investment Update:

Mr. Hunter provided an investment update for the periods ended June 30, 2020. TFFR earned 3.45% in the last fiscal year and 6.17% in the 5-years ended June 30, 2020, exceeding policy benchmarks. Gross returns for TFFR ranked in the 24th to 28th percentile for the 5 and 10-years ended June 30, 2020. TFFR's actual asset allocations are within 1% to 2% of target as of June 30, 2020. RIO's watch list will include world equity managers Epoch and LSV on September 25, 2020. RIO and Callan are working on a global equity search and intend to advance new global equity strategies for SIB consideration in the fourth quarter of 2020. TFFR's total fund target return the last 10 years was very close to the average Callan Public Fund Sponsor Database while TFFR's actual total fund return was higher by 0.94% with slightly higher risk.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL INVESTMENT REPORT.

AYES: MR. BURTON, MR. MICKELSON, SUPT. BAESLER, MR. OLSON, TREASURER SCHMIDT, AND PRES. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: MS. GUMERINGER

Audit Report:

Ms. Sauter provided the annual Audit Committee activities update. During fiscal year 2019-20, the following audits were completed: Executive Limitations, SIB Self-Evaluation, Investment Due Diligence, Administrative Expense, TFFR Employer Reporting Reviews, TFFR Benefit Payment, TFFR File Maintenance, and the TFFR Task List Project. Internal Audit also worked on risk management, the staff policy manual, and provided assistance to the external auditors. Board discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER SCHMIDT AND CARRIED BY A VOICE VOTE TO APPROVE THE ANNUAL AUDIT REPORT.

AYES: MR. OLSON, MR. MICKELSON, SUPT. BAESLER, TREASURER SCHMIDT, MR. BURTON, AND PRES. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: MS. GUMERINGER

BENEFIT PAYMENT AUDIT:

Ms. Thorson provided information on the results of the Benefit Audit for processing the accounts of deceased members, long-outstanding checks, and long-term annuitants. Internal Audit conducts an audit on a biennial basis to verify that RIO staff is following procedures. Ms. Thorson outlined the results, findings, and procedural recommendations.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO APPROVE THE ANNUAL BENEFIT PAYMENT AUDIT.

AYES: MR. BURTON, MR. OLSON, TREASURER SCHMIDT, MR. MICKELSON, SUPT. BAESLER, AND PRES. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: MS. GUMERINGER

BUDGET AND EXPENSE REPORT:

Ms. Flanagan reviewed the annual TFFR budget and expense report for the fiscal year ending June 30, 2020. She explained that 93% of TFFR's expenditures are for member benefit claims, 5.6% investment expenses, 0.2% other continuing appropriations, and 0.7% appropriated expenditures including salaries, benefits, operating expenses, and SIB expenses allocated to TFFR. Ms. Flanagan discussed the budget request that was

submitted for the 2021-23 Biennium along with three optional package requests. The RIO budget bill will also include a carry-over request for the PAS project funding authority. Board discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO APPROVE THE ANNUAL BUDGET AND EXPENSE REPORT.

AYES: MR. MICKELSON, TREASURER SCHMIDT, SUPT. BAESLER, MR. BURTON, MR. OLSON, AND PRES. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: MS. GUMERINGER

Treasurer Schmidt left the meeting at 3:45 p.m.

Quarterly TFFR Ends Report:

Ms. Murtha provided an update on TFFR Ends for the quarter ended June 30, 2020. RIO issued a Request for Proposal (RFP) for a consultant in the PAS project in June 2020. RIO staff began a review of retirement services processes and Board reporting processes and content. Amid the ongoing pandemic, member education workshops were cancelled, the RIO office is open to members by appointments only, and some staff continue to work remotely. There was no break in services to TFFR members as a result of the pandemic. RIO received awards for financial reporting, transparency, and pension administration. Ms. Murtha also provided agency updates. Segal has been awarded the consultant contract for the Pension Administration System (PAS) project. RIO launched a new website, implemented the use of Microsoft Teams for Board meetings, and received and distributed new IT equipment for staff. Staff completed year-end tasks, newsletters and other communications for employers and members. Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE QUARTERLY TFFR ENDS REPORT.

AYES: SUPT. BAESLER, MR. BURTON, MR. OLSON, MR. MICKELSON, AND PRES. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: MS. GUMERINGER AND TREASURER SCHMIDT

PAS PROJECT UPDATE:

An RFP for consultant services relating to the PAS was issued in June 2020. Procurement reviewed all responses and presented them to the Executive Steering Committee (ESC) for review. After review and scoring, the committee members individually graded the technical evaluations and procurement graded the cost proposals. Procurement and committee members met to review the results. The ESC met and voted to issue a Notice of Award to Segal. The contract may be signed following the protest period. RIO staff has established small groups that will meet prior to the project

launch to discuss all TFFR processes. The project launch with RIO staff is planned for October. Board discussion followed.

CONSENT AGENDA:

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA, DISABILITY 2020-6D.

AYES: MR. BURTON, SUPT. BAESLER, MR. MICKELSON, MR. OLSON, AND PRES. LECH.

NAYS: NONE

MOTION CARRIED

ABSENT: MS. GUMERINGER AND TREASURER SCHMIDT

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 4:03 p.m.

Respectfully Submitted:

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

Missy Kopp
Reporting Secretary

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
OCTOBER 7, 2020 SPECIAL BOARD MEETING**

BOARD MEMBERS PRESENT: Rob Lech, President
Mike Burton, Vice President
Kirsten Baesler, State Supt. DPI
Toni Gumeringer, Trustee
Cody Mickelson, Trustee
Mel Olson, Trustee
Kelly Schmidt, State Treasurer

STAFF PRESENT: David Hunter, ED/CIO
Missy Kopp, Retirement Assistant
Jan Murtha, Deputy ED/CRO
Sara Sauter, Internal Audit Supvr
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Program Mgr

OTHERS PRESENT: Dean DePountis, Atty. General's Office
Melanie Walker, Segal

CALL TO ORDER:

Dr. Rob Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 11:00 a.m. on Wednesday, October 7, 2020. The meeting was held at the ND Retirement and Investment Office (RIO), Bismarck, ND, but most participants attended via video or teleconference.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the October 7, 2020, meeting.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

AYES: SUPT. BAESLER, TREASURER SCHMIDT, MR. BURTON, MR. MICKELSON, MS. GUMERINGER, MR. OLSON, AND PRES. LECH

NAYS: NONE

MOTION CARRIED

GOVERNANCE:

Required Minimum Distribution (RMD) Rule, Employee Benefits Programs Committee (EBPC) & Legislation:

Pres. Lech discussed the reason for calling a special meeting of the Board. After the September meeting, Pres. Lech requested additional discussion regarding RMD compliance if the Board does not move forward with legislation.

Mr. DePountis shared information related to TFFR compliance with federal and state law for RMD. In order to accomplish compliance with the required language change, without legislation to change statute, the Board needs a waiver from the EBPC. Without that approval, the only way to be compliant with both state and federal law is to submit legislation to amend state statute.

Ms. Murtha discussed the April Board conversation about submitting legislation. That discussion did not include how to proceed if the EBPC turned down the Board's request to use the savings clause to adopt approved terminology until the 2023 session.

TFFR must be operating in compliance with the Setting Every Community Up for Retirement Enhancement (SECURE) Act by July 1, 2021. If the savings clause request is not approved, or legislation introduced, the Plan cannot comply with both State and Federal law.

Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE PROPOSED LEGISLATION FOR SUBMISSION TO THE EBPC.

AYES: MR. MICKELSON, MR. OLSON, TREASURER SCHMIDT, MR. BURTON, SUPT. BAESLER, MS. GUMERINGER, AND PRES. LECH

NAYS: NONE

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 11:20 a.m.

Respectfully Submitted:

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

Missy Kopp
Reporting Secretary

November 19, 2020



North Dakota Teachers Fund for Retirement

2020 Asset -Liability Study

Alex Browning

Fund Sponsor Consulting

Paul Erlendson

Fund Sponsor Consulting

Julia Moriarty, CFA

Capital Market Research

Agenda

Introduction and Process Overview

Asset Allocation

Asset-Liability Modeling

Liquidity and Stress Testing

Recommendation

Next Steps and Timeline

Appendix

Callan

Introduction and Process Overview

Introduction

The goal of the asset-liability study is to determine an appropriate long-term mix between return-seeking assets (e.g., equities, real assets, alternatives) and risk-mitigating assets (cash, fixed income)

- 80-90% of funded status volatility is driven by the broad asset allocation decision

Asset allocation will vary by the unique circumstances of the plan

- No “one-size-fits-all” solution exists

The asset-liability study helps the North Dakota Teachers Fund for Retirement (NDTFFR) quantify the impact that different strategies might have on relevant metrics

Factors to consider:

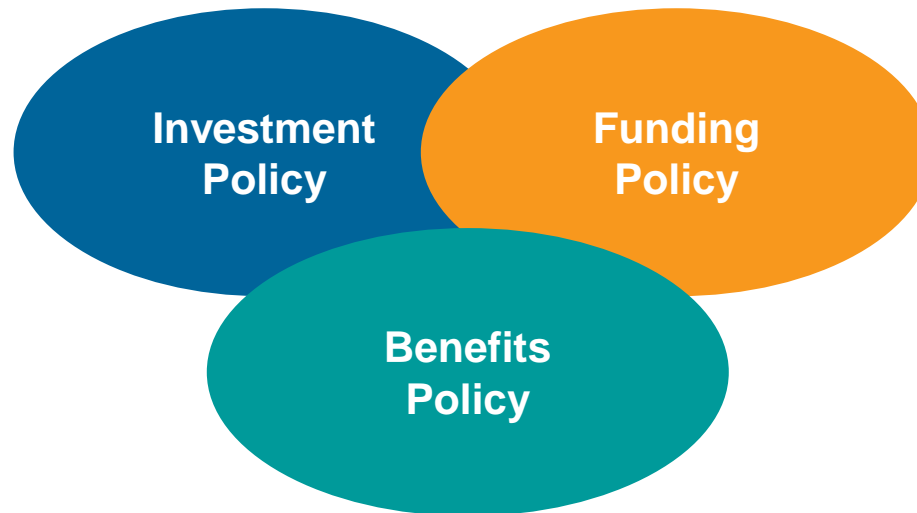
- Liability characteristics
- Funded status
- Contribution policy
- Time horizon
- Liquidity needs

Where Does Asset Allocation Fit In?

Evaluate the interaction of three key policies to identify the optimal investment policy

Investment Policy

- How will the assets supporting the benefits be invested?
- What risk and return objectives?
- How to manage cash flows?



Funding Policy

- How will the benefits/deficits be paid for (funded)?
- What are the actuarial assumptions to use?

Benefits Policy

- What type/kind of benefits?
- What level of benefit?
- When and to whom are they payable?

Callan Asset-Liability Modeling Process

Asset Modeling

Define Capital Market Assumptions

Create Asset Mix Alternatives

Liability Modeling

Define Liability Assumptions

Build Actuarial Liability Model

Simulate Financial Conditions

Define Risk Tolerance

Select Appropriate Target Mix

Callan

Asset Allocation

Callan Capital Market Process and Philosophy

Underlying beliefs guide the development of the projections

- An initial bias toward long-run averages
- An awareness of risk premiums
- A presumption that markets ultimately clear and are rational

Reflect our belief that long-term equilibrium relationships between the capital markets and lasting trends in global economic growth are key drivers to setting capital market expectations

Long-term compensated risk premiums represent “beta”—exposure to each broad market, whether traditional or “exotic,” with limited dependence on successful realization of alpha

The projection process is built around several key building blocks

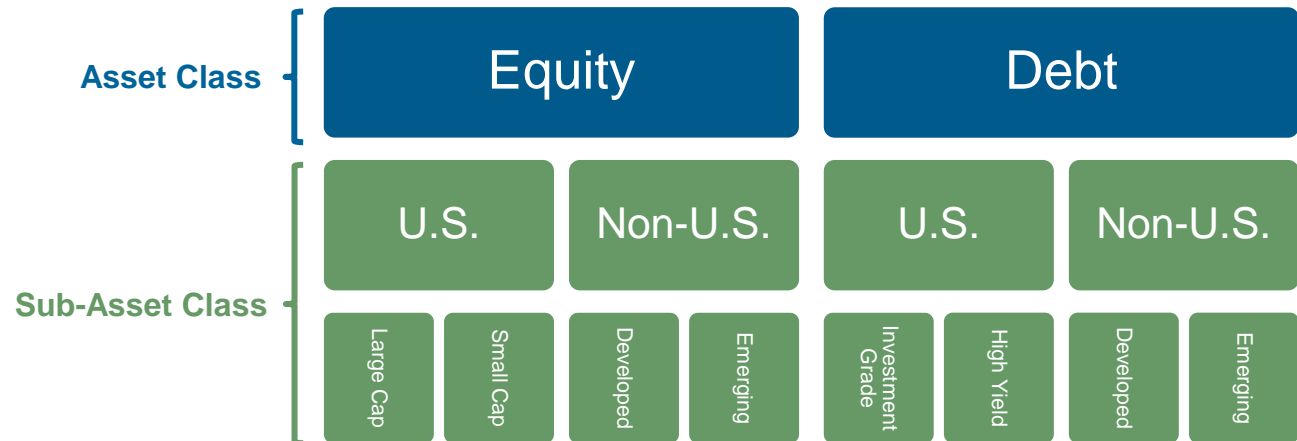
- Advanced modeling at the individual asset class level (e.g., a detailed bond model, an equity model)
- Pathways for both interest rates and inflation
- A cohesive economic outlook
- A framework that encompasses Callan’s beliefs about the long-term operation and efficiencies of the capital markets

The Focus is on Broad Asset Classes

Breakdowns between investment styles within asset classes (growth vs. value, large cap vs. small cap) are best addressed in a manager structure analysis

Primary asset classes and important sub-asset classes include:

- U.S. Stocks
- U.S. Bonds
- Non-U.S. Stocks
- Non-U.S. Bonds
- Real Estate
- Private Equity
- Absolute Return
- Cash



Callan Capital Market Assumptions

Risk and return: 2020–2029

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad U.S. Equity	Russell 3000	7.15%	18.10%
Large Cap U.S. Equity	S&P 500	7.00%	17.70%
Small/Mid Cap U.S. Equity	Russell 2500	7.25%	21.20%
Global ex-U.S. Equity	MSCI ACWI ex USA	7.25%	20.50%
Developed ex-U.S. Equity	MSCI World ex USA	7.00%	19.70%
Emerging Market Equity	MSCI Emerging Markets	7.25%	25.70%
Fixed Income			
Short Duration Govt/Credit	Bloomberg Barclays 1-3 Yr G/C	2.70%	2.10%
Core U.S. Fixed	Bloomberg Barclays Aggregate	2.75%	3.75%
Long Government/Credit	Bloomberg Barclays Long G/C	2.75%	10.60%
TIPS	Bloomberg Barclays TIPS	2.40%	5.05%
High Yield	Bloomberg Barclays High Yield	4.65%	10.25%
Global ex-U.S. Fixed	Bloomberg Barclays Gbl Agg xUSD	0.90%	9.20%
Emerging Market Sovereign Debt	EMBI Global Diversified	4.35%	9.50%
Other			
Core Real Estate	NCREIF ODCE	6.25%	14.00%
Timberland	NCREIF Timberland	6.05%	14.60%
Farmland	NCREIF Farmland	6.10%	15.00%
Private Infrastructure	DJB Glob Infr / FTSE Dev Core Infr 50/50	6.60%	15.20%
Private Equity	Cambridge Private Equity	8.50%	27.80%
Hedge Funds	Callan Hedge FoF Database	5.00%	8.70%
Commodities	Bloomberg Commodity	2.75%	18.00%
Cash Equivalents	90-Day T-Bill	2.25%	0.90%
Inflation	CPI-U	2.25%	1.50%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

- Most capital market expectations represent passive exposure (beta only); however, return expectations for private market investments reflect active management premiums
- Return expectations are net of fees

Policy Target Allocation

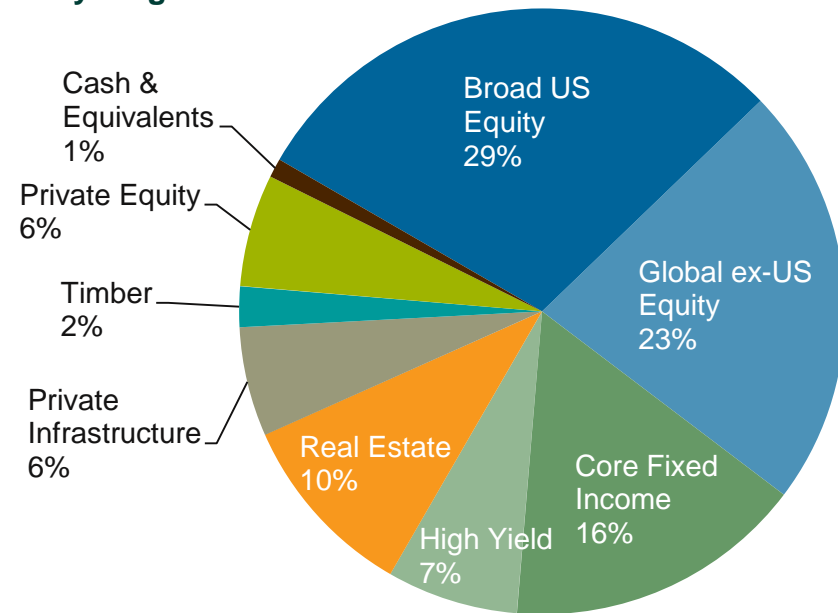
The target asset allocation consists of 52% public equity, 24% fixed income and cash, and 24% alternatives

- Alternatives include real estate, private infrastructure, timber, and private equity

While the Fund's target allocation is projected to return 6.7% over the next 10 years versus an actuarial discount rate of 7.25%, two key items should be noted

- Callan's public market return projections do not incorporate active management premiums
 - Active management premiums accrue when investment firms selected by the State Investment Board outperform their passive benchmarks
 - *It is important to note, though, that investment firms will at times underperform their passive benchmarks*
 - The Plan's public market returns have benefitted from active management by ~16 basis points net of fees (annualized) over the past five years ended 6/30/20
- Callan's 10-year projections are below longer-term expectations due to the current economic environment and the forecast for the next several years

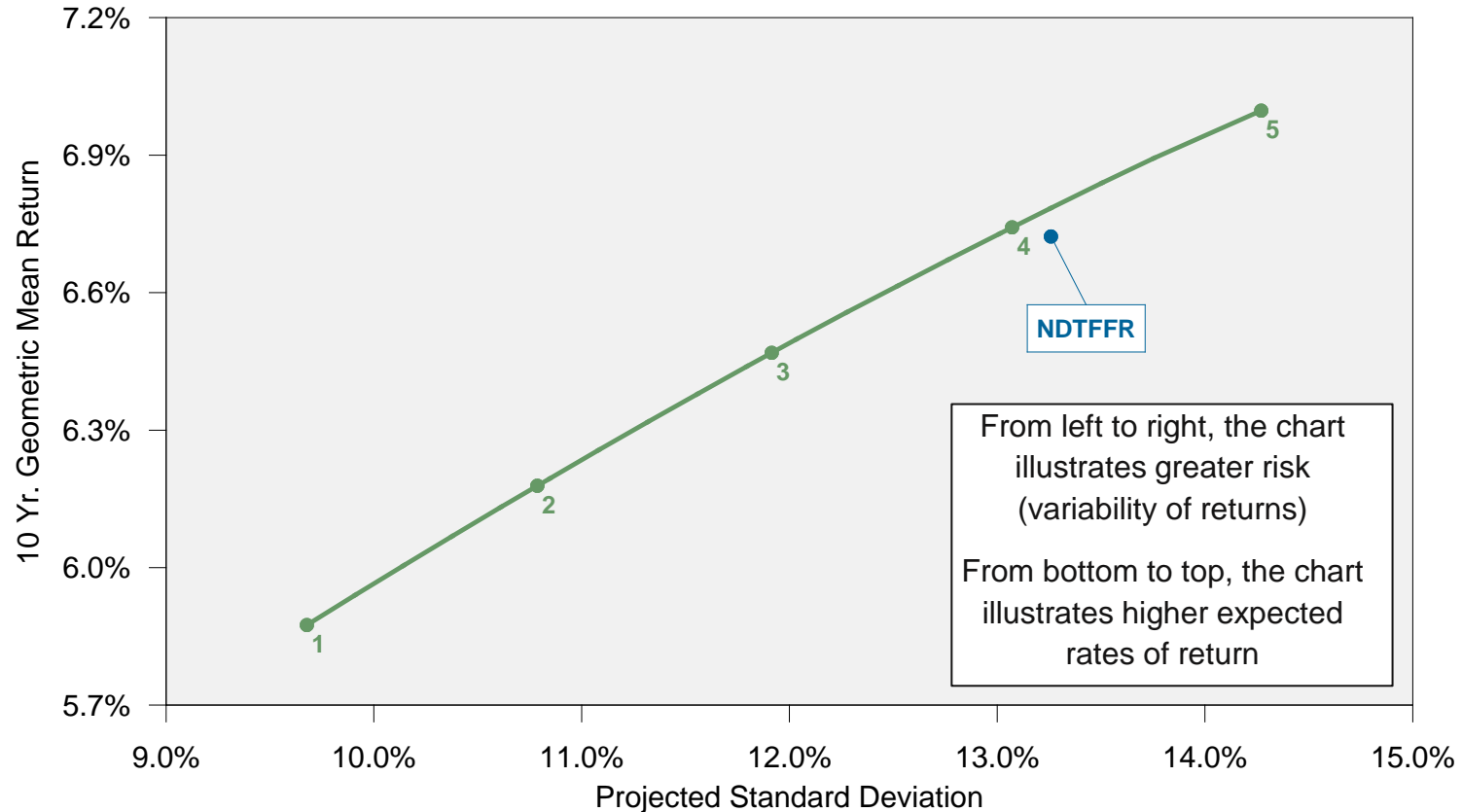
Policy Target



Expected Geometric Mean Return = 6.7%
Expected Standard Deviation = 13.3%

Efficient Frontier

Efficient Frontier



- A series of optimal mixes at different levels of expected return and risk is depicted above
 - Optimal mixes generate the greatest return for a given level of risk, or conversely, the lowest risk for a given level of return
 - Five efficient mixes are numbered and described in more detail on the following page
- The current target portfolio is modestly below the efficient frontier near mix 4

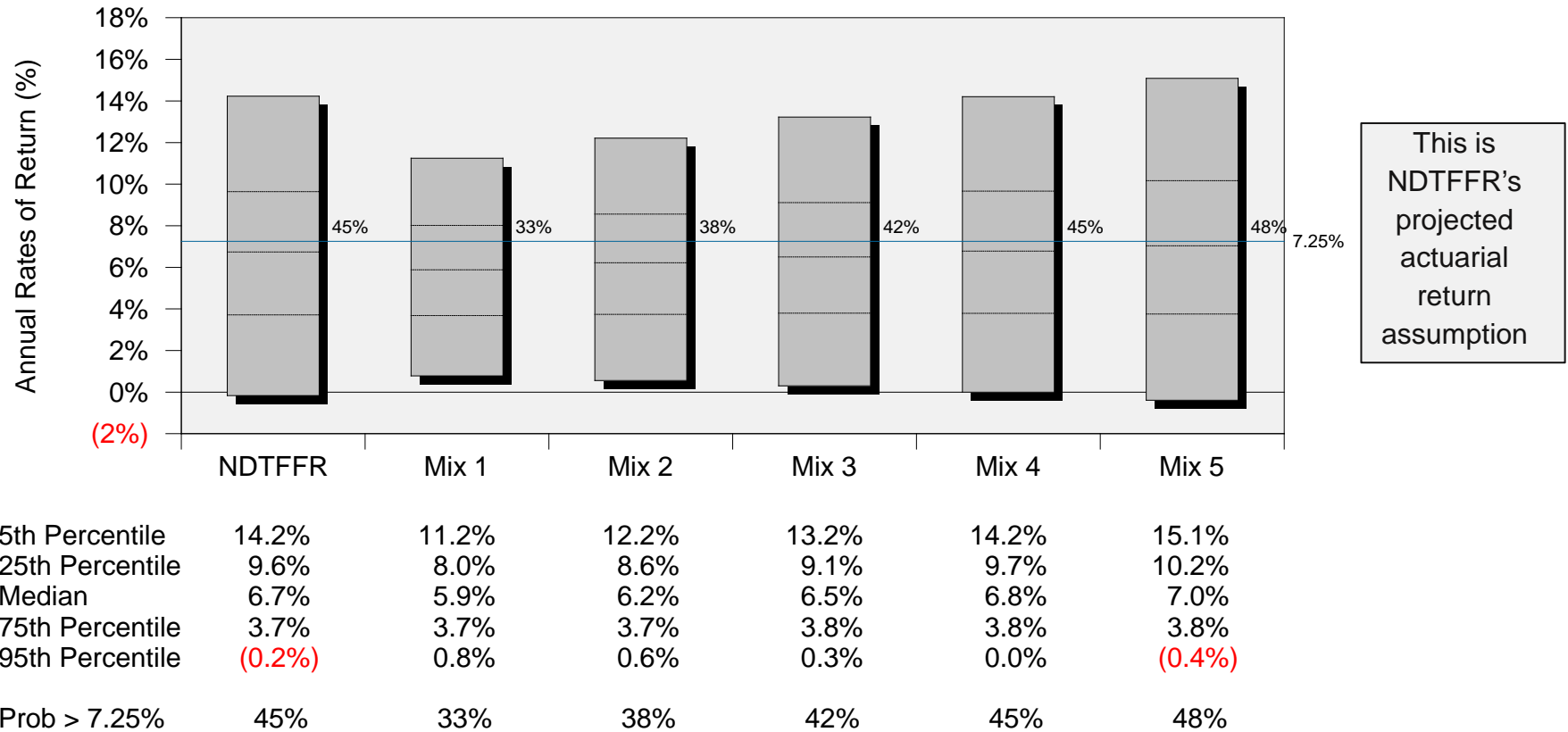
Alternative Asset Mixes

Asset Class	Policy Target	Min	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
Public Equity	52%			31%	35%	39%	45%	51%
Broad U.S. Equity	29%	0%	100%	19%	21%	24%	27%	30%
Global ex-U.S. Equity	23%	0%	100%	12%	14%	15%	18%	21%
Fixed Income & Cash	24%			49%	42%	35%	27%	19%
Core Fixed Income	16%	0%	100%	34%	29%	24%	18%	13%
High Yield	7%	0%	100%	14%	12%	10%	8%	5%
Cash Equivalents	1%	1%	100%	1%	1%	1%	1%	1%
Alternatives	24%			20%	23%	26%	28%	30%
Real Estate	10%	0%	100%	6%	7%	8%	9%	10%
Private Infrastructure	6%	0%	100%	6%	7%	8%	9%	10%
Timber	2%	0%	0%	0%	0%	0%	0%	0%
Private Equity	6%	0%	10%	8%	9%	10%	10%	10%
Expected Return	6.7%			5.9%	6.2%	6.5%	6.8%	7.0%
Expected Standard Deviation	13.3%			9.7%	10.8%	11.9%	13.1%	14.3%
Probability >7.25%	45%			33%	38%	42%	45%	48%

- The optimal mixes are constructed with decreasing allocations to fixed income (from 48% to 18%)
 - High yield equals 30% of total fixed income, 1% cash allocation, private equity is constrained to a maximum of 10%, equal allocations are made to real estate and private infrastructure, and timber is eliminated, as a result of discussions with SIB
 - In an unconstrained setting, allocations to real estate and private infrastructure are ~75/25, respectively
- As fixed income decreases, the expected return increases and annual portfolio risk reaches over 14%
- The policy target's risk and return profile is similar to that of mix 4
- Large allocations to alternatives will require stress-testing to determine if the amount of illiquidity is tolerable

Projected Rates of Return (10 Years)

Range of Projected Rates of Return
Projection Period: 10 Years



- Chart reflects annualized return distribution over the next ten years
- Bar heights proportional to return volatility
 - Higher expected (median) returns associated with higher volatilities
 - Increased volatility leads to lower worse-case (95th percentile) returns
- The current policy has a 45% probability of earning 7.25% or better over the next 10 years

Callan

Asset-Liability Modeling

Current Conditions

Build Actuarial Liability Model

Callan’s liability model is based on Segal’s July 1, 2019 actuarial valuation and the changes adopted as a result of the experience review

Model used to forecast future liabilities

Assets rolled forward using June 30, 2020 actual asset values

Additional forecast assumptions

- Open to new entrants
- 0% workforce growth

Contributions (employer and employee) are set by statute

The current employer and employee contribution rates are shown to the right along with the employer actuarial contribution requirement

Both employer and employee contribution rates drop to 7.75% when the Plan becomes 100% funded on an actuarial basis

July 1, 2019 Actuarial Valuation	All Plans
Actuarial Accrued Liability	\$3,993 mm
Market Value of Assets	\$2,616 mm
Actuarial Value of Assets	\$2,636 mm
Market Funded Status (MVA/AL)	65.5%
Actuarial Funded Status (AVA/AL)	66.0%

Key Assumptions	Actuarial Assumption*	Callan 10-year Expectation
Investment Return	7.25%	6.7%**
Price Inflation	2.3%	2.25%

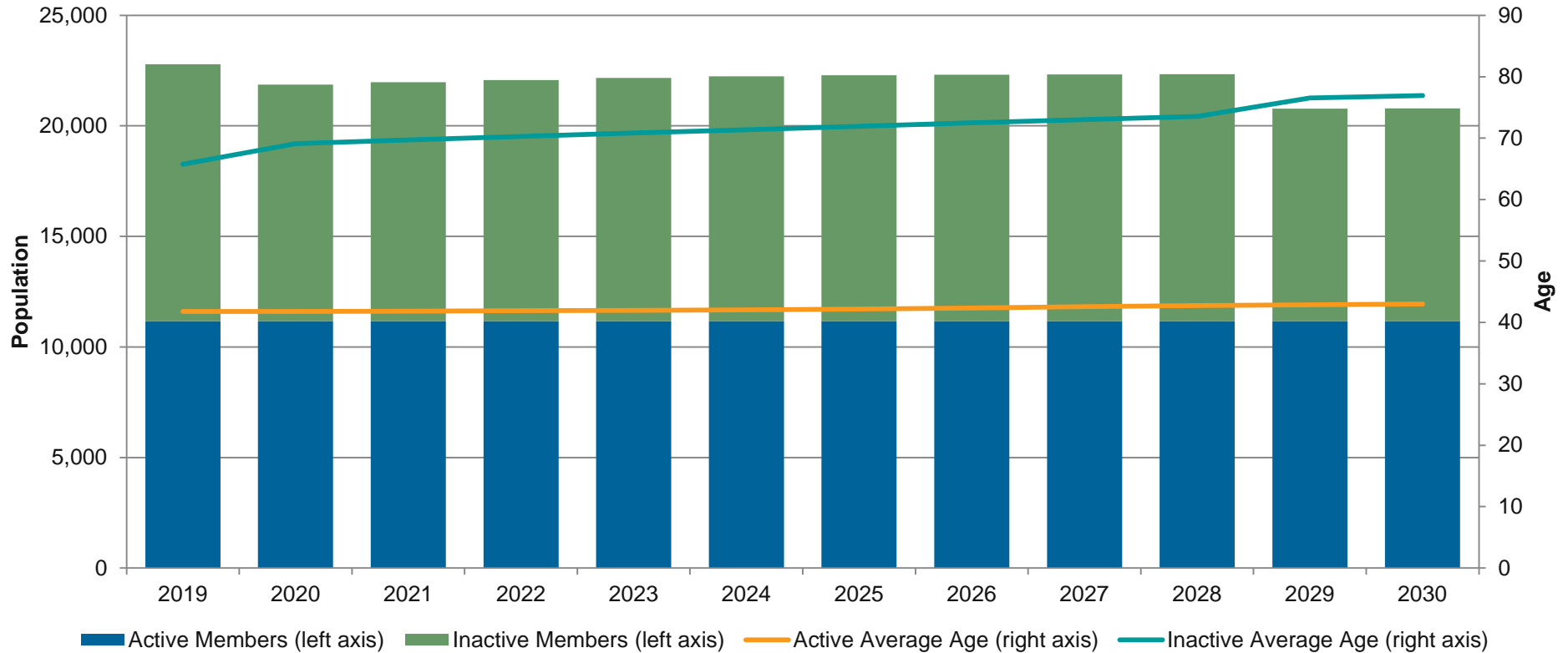
Contribution Rates	Employer	Employee
Statutory	12.75%	11.75%
Actuarial Requirement	12.84%	n/a

*As of July 1, 2020

**Based on Callan’s capital market assumptions applied to NDTFFR’s target asset allocation; used throughout the remainder of the study

Member Numbers

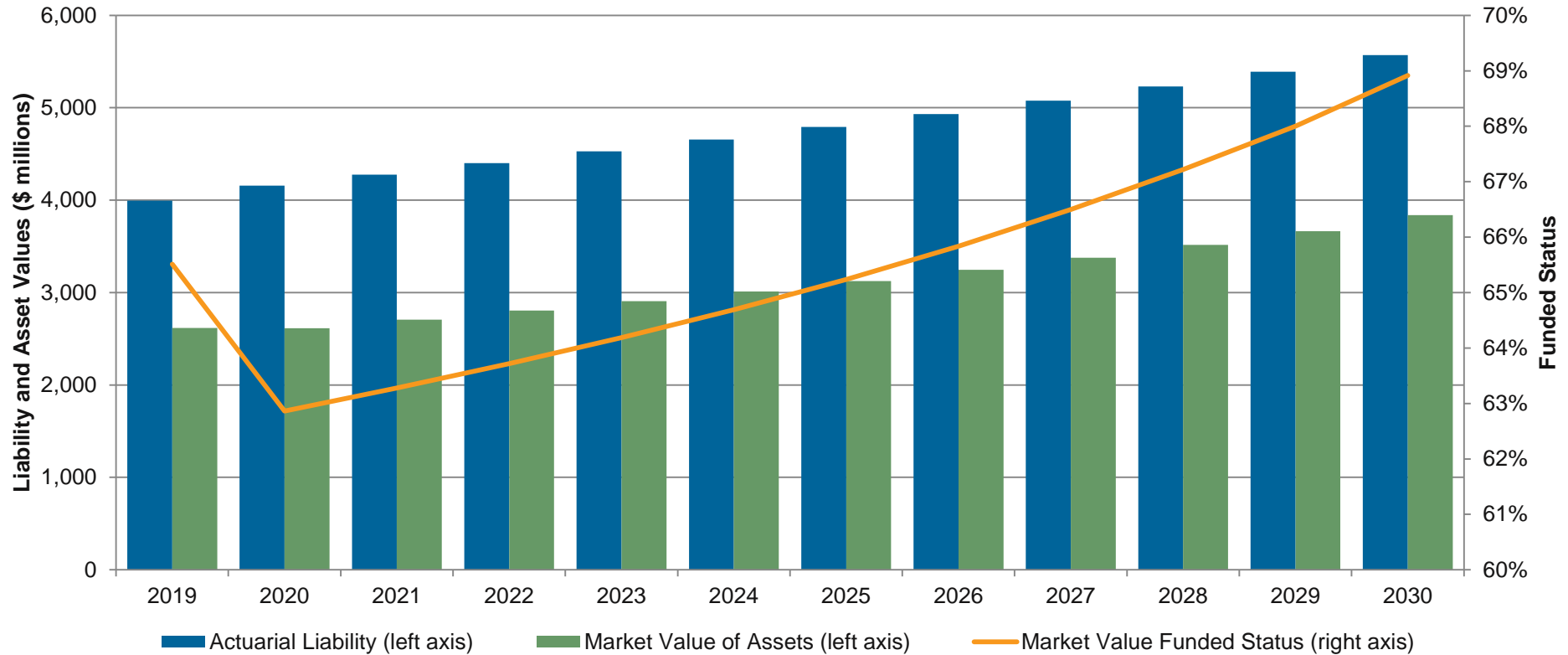
Deterministic Forecast



- Number of active members assumed to remain constant (0% workforce growth)
 - Future new hires replace exits due to retirement, death, disability, and withdrawal
 - Stable active age reflects Plan maturity
- The drop in the number of inactive members from 2028 to 2029 is due to the lump sum refund for current terminated vested participants
 - Instead of one enormous payout in the first year, refunds were spread over ten years and fall off after 2028

Funding

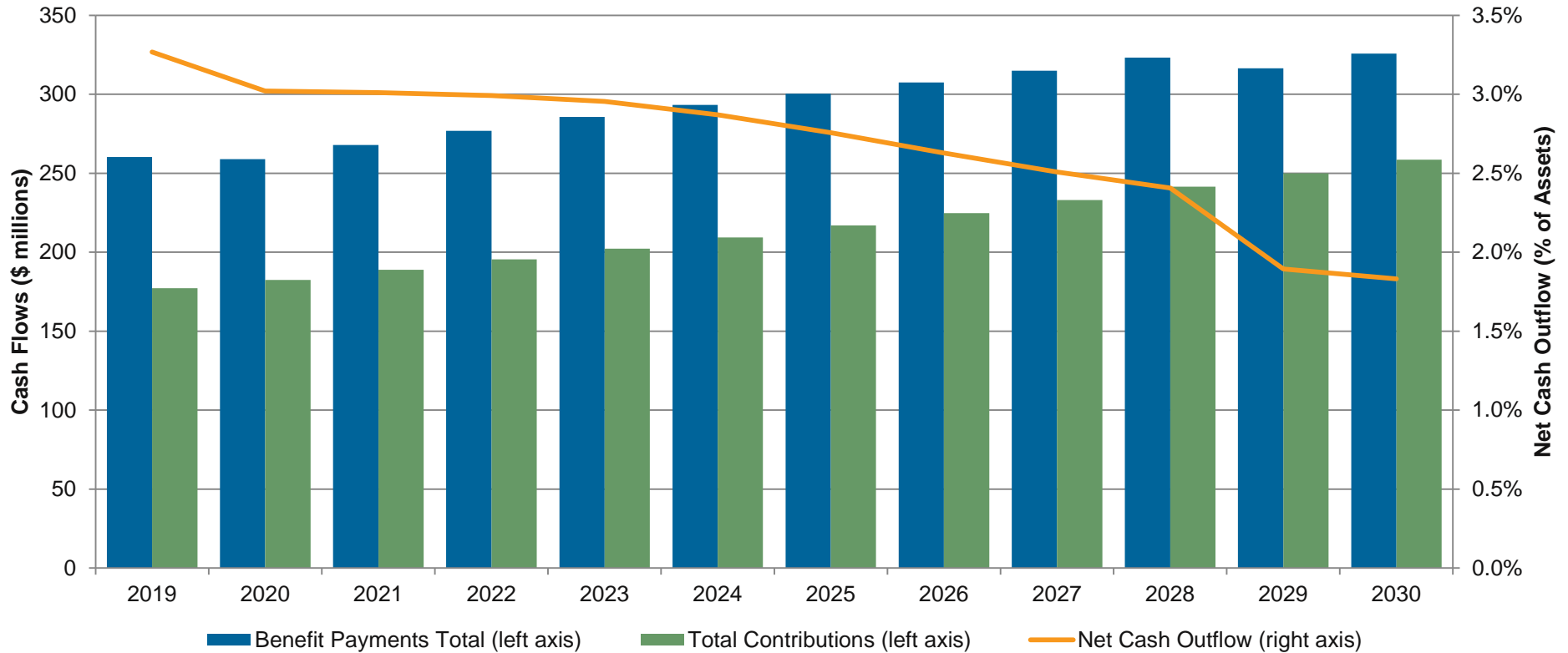
Deterministic Forecast



- Assets increase faster than the liabilities, closing the funding gap
 - Change in assets due to both investment returns and net cash flows (contributions net of benefit payments and expenses)
 - Assumes assets earn 6.7%
- Projected funding depends on adherence to the contribution policy
- Funded status decline in 2020 is due to the changes adopted as a result of the experience review and the asset value override

Cash Flows and Liquidity

Deterministic Forecast



- Net Cash Outflow = Benefit Payments + Expenses – Employer Contributions – Employee Contributions
- Plan is expected to have declining net outflow as a percentage of assets over the coming decade
- Cash flow is a factor used to determine a cap on the level of private investments
- Net outflow as a percentage of assets under 7% should be manageable as long as TFFR adheres to the current funding policy

Actuarial Liability, 2020-2030

Stochastic Forecast

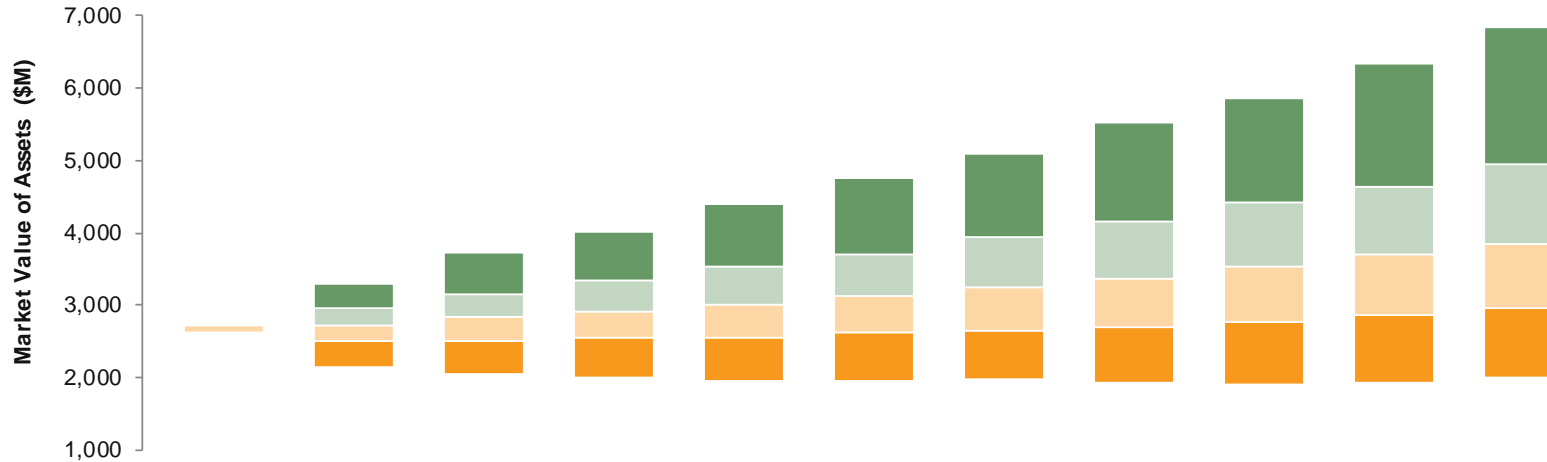


Pctl	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
95	4,190	4,348	4,506	4,674	4,843	5,015	5,197	5,392	5,594	5,808	6,042
75	4,169	4,305	4,443	4,586	4,732	4,881	5,036	5,202	5,373	5,558	5,759
50	4,156	4,276	4,402	4,528	4,655	4,792	4,933	5,080	5,229	5,389	5,571
25	4,142	4,250	4,359	4,472	4,586	4,699	4,826	4,953	5,087	5,229	5,392
5	4,120	4,208	4,302	4,390	4,482	4,579	4,678	4,793	4,905	5,016	5,154
Range	70	140	204	284	360	436	519	599	689	791	888

- Plan liabilities are increasing at a steady pace which is typical for an open plan
 - Median increasing at an annual rate of 3%
- Driver is wage growth for current employees
 - Inflation flows through to member compensation which is a component of the retirement benefit formula

Market Value of Assets (Target), 2020-2030

Stochastic Forecast



Pctl	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
5	2,613	3,282	3,713	4,003	4,389	4,758	5,097	5,519	5,861	6,330	6,834
25	2,613	2,947	3,148	3,331	3,532	3,709	3,947	4,166	4,409	4,642	4,938
50	2,613	2,729	2,827	2,899	3,016	3,128	3,254	3,377	3,543	3,696	3,855
75	2,613	2,500	2,496	2,541	2,563	2,622	2,644	2,693	2,769	2,872	2,969
95	2,613	2,139	2,053	2,006	1,951	1,954	1,977	1,940	1,905	1,937	1,991
Range	0	1,144	1,661	1,997	2,438	2,805	3,120	3,579	3,955	4,394	4,842

- Plan assets are expected to grow by over \$1.2 billion in the median (50th percentile) outcome
 - 4% annual growth rate
- In the 95th percentile outcome, assets are projected to decline by more than \$600 million by 2030

Asset Change = Contributions + Investment Earnings – Benefit Payments & Expenses

Funded Ratio in 2030 (10 Years)

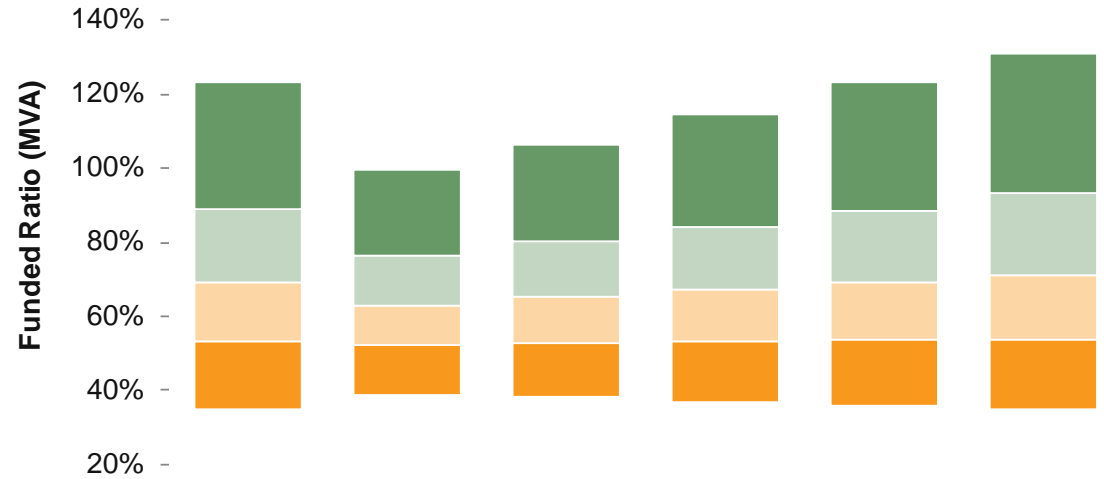
Stochastic Forecast

Starting funded status = 65.5%

The Plan's funded status is expected (50th percentile) to improve over the next ten years under the current funding policy and target allocation

Funding ratios in worse-case scenarios are particularly low because the contribution policy is not impacted by a declining funded status

More aggressive mixes are expected to have higher funded ratios at the end of 10 years relative to more conservative mixes but have lower funded ratios in worse-case scenarios (95th percentile)



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
5	123.1%	99.2%	105.9%	114.1%	122.9%	130.7%
25	89.1%	76.3%	80.3%	84.2%	88.6%	93.0%
50	69.4%	63.2%	65.2%	67.2%	69.1%	71.3%
75	53.4%	52.4%	53.0%	53.4%	53.8%	53.9%
95	35.5%	39.2%	38.4%	37.4%	36.3%	35.2%
Range	87.6%	60.0%	67.6%	76.8%	86.6%	95.5%

Funded Status = Market Value of Assets / Actuarial Liability

Cumulative Contributions through 2030 (10 Years)

Stochastic Forecast

There is little contribution variability across the asset mixes in most scenarios due to the statutory percentage of pay policy

Only in better-case scenarios does variability emerge as the Plan has a greater probability of becoming fully funded prompting a decline in the employer contribution rate from 12.75% to 7.75%

Contribution volatility within an asset mix stems from simulated inflation which impacts salaries and the potential for a decline in the employer contribution rate as full funding is achieved



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
95	1,216	1,217	1,216	1,216	1,216	1,215
75	1,153	1,156	1,155	1,155	1,153	1,151
50	1,111	1,118	1,116	1,114	1,112	1,110
25	1,068	1,079	1,076	1,074	1,069	1,063
5	969	1,018	1,011	1,001	973	940
Range	247	199	205	215	243	275

Ultimate Net Cost in 2030 (10 Years)

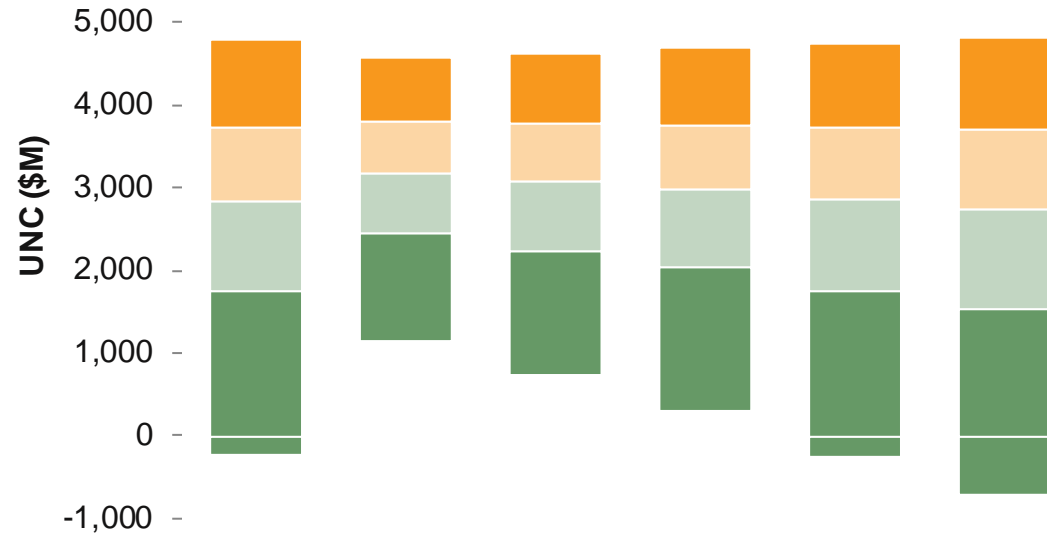
Stochastic Forecast

Ultimate net cost (UNC) = 10-Year cumulative contributions + 7/1/2030 unfunded actuarial liability

UNC is a more complete measure of the cost to the employer since it captures what is expected to be paid over 10 years plus what is owed at the end of the 10-year period

- Negative numbers indicate the Plan is in a surplus position at 7/1/2030

More aggressive mixes lower UNC in the expected case but result in greater UNC in a worse-case scenario



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
95	4,760	4,560	4,603	4,665	4,722	4,793
75	3,718	3,782	3,749	3,729	3,702	3,685
50	2,829	3,171	3,063	2,960	2,838	2,732
25	1,739	2,443	2,227	2,025	1,759	1,523
5	-219	1,155	734	308	-240	-686
Range	4,980	3,405	3,870	4,357	4,962	5,478

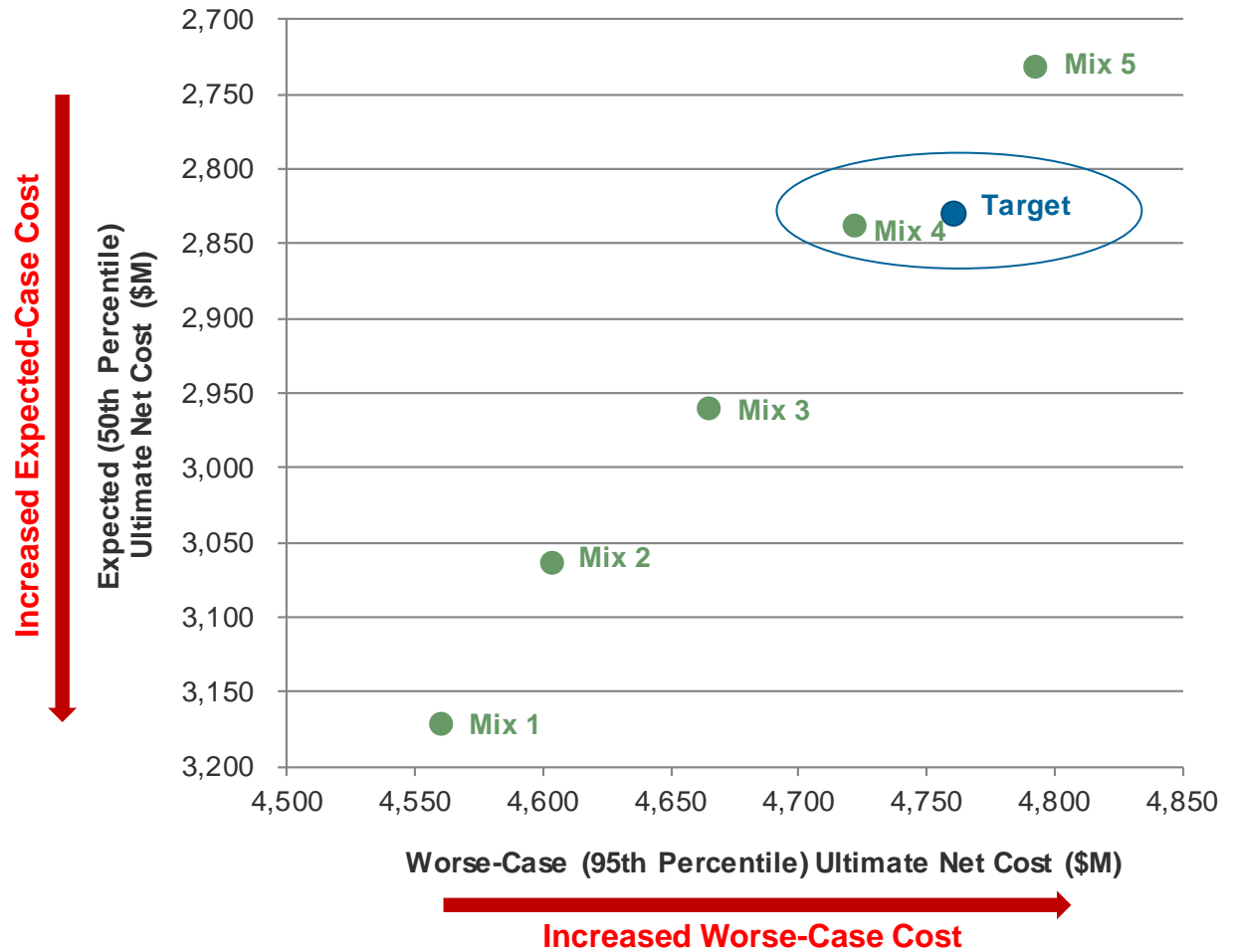
UNC = Cumulative Contributions + Unfunded Liability

Ultimate Net Cost in 2030 (10 Years): Expected (50th) vs Worse Case (95th)

Stochastic Forecast

Tradeoff is roughly linear for optimal mixes

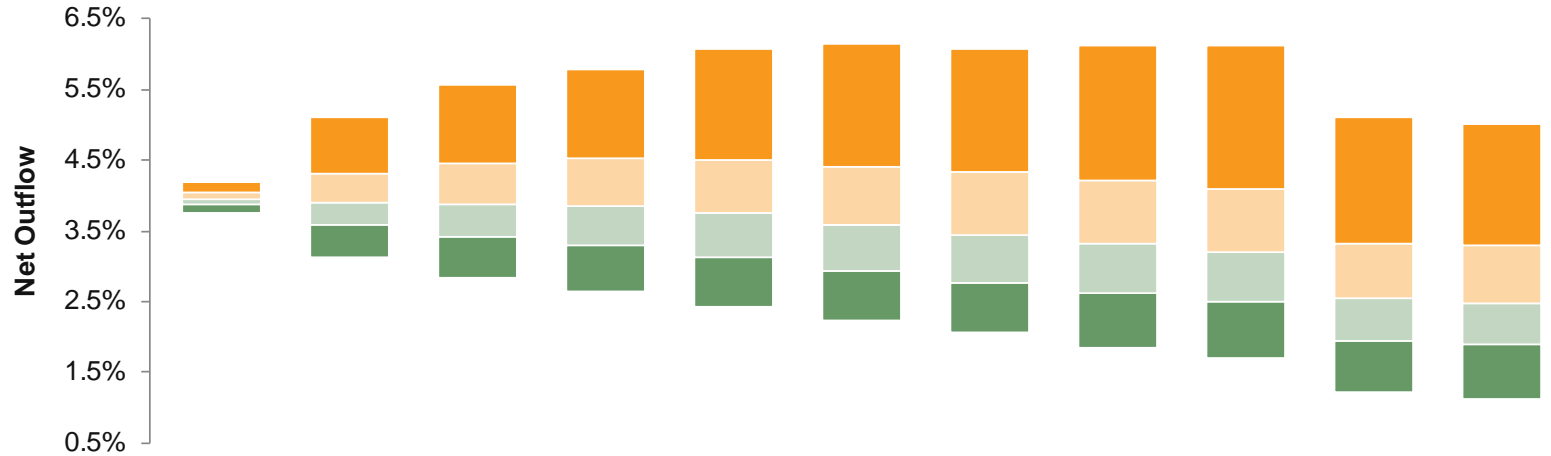
Mix 4 reduces worse-case ultimate net cost by \$38 million relative to current target with slightly more cost in the expected case



Liquidity and Stress Testing

Net Outflow as a Percentage of Liquid Assets (Target), 2020-2030

Stochastic Forecast



Pctl	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
95	4.2%	5.1%	5.5%	5.8%	6.0%	6.1%	6.1%	6.1%	6.1%	5.1%	5.0%
75	4.0%	4.3%	4.4%	4.5%	4.5%	4.4%	4.3%	4.2%	4.1%	3.3%	3.3%
50	4.0%	3.9%	3.9%	3.8%	3.8%	3.6%	3.4%	3.3%	3.2%	2.6%	2.5%
25	3.9%	3.6%	3.4%	3.3%	3.1%	2.9%	2.8%	2.6%	2.5%	2.0%	1.9%
5	3.7%	3.1%	2.8%	2.7%	2.4%	2.2%	2.1%	1.9%	1.7%	1.2%	1.1%
Range	0.4%	2.0%	2.7%	3.1%	3.6%	3.9%	4.0%	4.3%	4.4%	3.8%	3.9%

- Net Outflow = Benefit Payments & Expenses – Employee & Employer Contributions
 - A useful indicator of ongoing liquidity needs
 - Ratio < 7.0% is typically manageable; >10% presents high liquidity pressure and illiquid investments may need to be reduced
 - Based on our experience, most public funds have net outflow of 4-7% depending on funded status, funding policy, and plan maturity
- For the current target (76% liquid assets), liquidity needs are expected to be manageable even in worse-case (95th percentile) scenarios
- The liquidity analysis assumes the funding policy is adhered to

Stress Testing

The current target and mixes 4 and 5 were subjected to six investment scenarios to gauge the impact on investment performance, funding, and net outflow

The six scenarios include three historical and three hypothetical

- Historical

- Global Financial Crisis (GFC): October 2007 – February 2009
- Black Monday: October 1987
- U.S. Debt Ceiling Crisis and Downgrade: June – September 2011

- Hypothetical

- Equities Decline 20% for 1 Year (bear market definition)
- Perfect Storm for 1 Year (equities decline 20%, Treasuries and spreads increase 1%)
- Perfect Storm for 3 Years (equities decline 15% annually, Treasuries and spreads increase 1% annually)

Findings

- Performance

- Mix 4 outperforms the target and mix 5, which is not surprising given it is the most conservative of the three portfolios

- Funding

- Funded status drops by ~20% in nominal terms for the GFC and ~25% for the Perfect Storm for 3 Years

- Net Outflow

- Net outflow as a percentage of liquid assets hovers between 6-7.5% under most scenarios while reaching 8.5-10% for the GFC and 10-11.5% under the Perfect Storm for 3 Years

The findings support the ability of the Fund to implement investment policies such as the current target and mixes 1 through 5 and the relatively large illiquid allocations they employ

Callan

Recommendation

Recommendation

A modestly improving funded status in the median (50th percentile) outcome is due in large part to a combined (employer plus employee) statutory contribution rate of 24.5% of pay which leads to assets outpacing liabilities

Many factors support an asset allocation with a risk posture similar to the current target

- Pursuit of a 7.25% return; long time horizon; actuarial methodology (static contribution rate and asset smoothing)

While moving to a more aggressive asset allocation is expected to generate greater returns and a higher funded status, it also increases the risk of “bad investment outcomes” which in turn could result in further deterioration of the Plan’s funded status and the need for higher contribution rates

The statutory contribution policy combined with the relatively large illiquid allocation leads us to recommend maintaining the current risk posture (mix 4a as depicted on the following page) or moving to a slightly less aggressive asset allocation (mix 4)

- Reduces reliance on public equity markets
- Increase to alternatives which can provide a source of uncorrelated returns and potential for alpha generation and fixed income which provides downside protection in the event of a large equity drawdown
 - A high allocation to illiquid investments is suitable for a long-term investor with an actuarially sound funding policy
 - Potential sources of liquidity in a crisis include a long Treasury mandate (1.6% of the total fund at June 30, 2020), cash account (1% target allocation), the Treasury allocations within some of the other fixed income managers, and the cash flows coming from some of the real estate and infrastructure funds

Recommendation

Finally, while the target and mixes 4 and 4a have expected returns over the next 10 years that fall short of the 7.25% return assumption, there are mitigating factors that offset the projected returns

- Callan's public market return projections are based on passive (i.e., index fund) implementation and do not incorporate active management premiums
- Callan's 10-year projections are cyclically lower than our longer-term (i.e., greater than 10 years) expectations
- The target and mixes 4 and 4a have a 45-46% probability of achieving a 7.25% return over the next 10 years

Asset Class	Policy Target	Lower Risk			Same Risk		
		Mix 4	% Change	\$M Change	Mix 4a	% Change	\$M Change
Public Equity	52%	45%	-7%	(\$183)	45%	-7%	(\$183)
Broad U.S. Equity	29%	27%	-2%	(\$52)	27%	-2%	(\$52)
Global ex-U.S. Equity	23%	18%	-5%	(\$131)	18%	-5%	(\$131)
Fixed Income	24%	27%	3%	\$78	25%	1%	\$26
Core Fixed Income	16%	18%	2%	\$52	17%	1%	\$26
High Yield	7%	8%	1%	\$26	7%	0%	\$0
Cash Equivalents	1%	1%			1%		
Alternatives	24%	28%	4%	\$105	30%	6%	\$157
Real Estate	10%	9%	-1%	(\$26)	10%	0%	\$0
Private Infrastructure	6%	9%	3%	\$78	10%	4%	\$105
Timber	2%	0%	-2%	(\$52)	0%	-2%	(\$52)
Private Equity	6%	10%	4%	\$105	10%	4%	\$105
Expected Return	6.7%	6.8%			6.8%		
Expected Standard Deviation	13.3%	13.1%			13.3%		
Probability >7.25%	45%	45%			46%		

Note: Dollar changes based on June 30, 2020 asset value

Callan

Next Steps and Timeline

Next Steps

Incorporate feedback from today's meeting

Deliver the final study to NDTFFR in November

Timeline

Asset-Liability Kickoff **COMPLETED**

Meeting Date: September 24

Preliminary Asset-Liability Results **COMPLETED**

Meeting Date: October 29

Final Asset-Liability Results **IN PROGRESS**

Meeting Date: November 19

Callan

Appendix

Stress Tests

Six Scenarios

Historical Scenarios

- (1) 2008 Financial Crisis (October 2007 – February 2009)
- (2) Black Monday (October 1987)
- (3) 2011 U.S. Debt Ceiling Crisis and Downgrade (June – September 2011)

Parametric Scenarios

- (4) Equities Decline 20% for 1 Year (bear market definition)
- (5) Perfect Storm for 1 Year (equities decline 20%, Treasuries and spreads increase 1%)
- (6) Perfect Storm for 3 Years (equities decline 15% annually, Treasuries and spreads increase 1% annually)

Asset Mixes Tested

- Current Target:
 - 52% Public equity, 24% fixed income and cash, 24% alts
- Mix 4:
 - 45% public equity, 27% fixed income and cash, 28% alts
- Mix 5:
 - 51% public equity, 19% fixed income, 30% alts

Stress Tests

Drawdowns

	(1)	(2)	(3)	(4)	(5)	(6)
Asset Class	2008 Financial Crisis	Black Monday	2011 U.S. Debt Ceiling Crisis and Downgrade	Equities Decline 20% for 1 Year	Perfect Storm for 1 Year	Perfect Storm for 3 Years
U.S. Equity	-42%	-22%	-15%	-20%	-20%	-45%
Global ex-US Equity	-48%	-15%	-20%	-20%	-20%	-45%
U.S. Fixed Income	5%	4%	4%	0%	-8%	-27%
Cash Equivalents	2%	1%	0%	0%	0%	0%
High Yield Fixed Income	-20%	-3%	-6%	-5%	-11%	-32%
Real Estate / Timber	-21%	-11%	-8%	-10%	-10%	-23%
Private Equity	-21%	-11%	-8%	-10%	-10%	-23%
Infrastructure	-21%	-11%	-8%	-10%	-10%	-23%
Total Drawdown	2008 Financial Crisis	Black Monday	2011 U.S. Debt Ceiling Crisis and Downgrade	Equities Decline 20% for 1 Year	Perfect Storm for 1 Year	Perfect Storm for 3 Years
Target (24% Alts)	-28.7%	-12.2%	-10.6%	-13.2%	-14.9%	-35.4%
Mix 4 (28% Alts)	-26.4%	-11.4%	-9.6%	-12.2%	-14.2%	-34.0%
Mix 5 (30% Alts)	-29.1%	-12.8%	-10.9%	-13.5%	-14.8%	-34.8%

- Returns shown represent index performance
 - Public Asset Classes: Russell 3000, MSCI ACWI ex-US IMI, Bloomberg Barclays Aggregate, Bloomberg High Yield, 90-Day T-Bill
 - Private Asset Classes: 0.5 * Russell 3000
 - Estimate based on Cambridge PE Fund and NCREIF ODCE Index Data
- 2008 Financial Crisis and Perfect Storm for 3 Years are the most extreme stress tests
- Equities Decline 20% for 1 Year is the most similar scenario to recent events

Stress Tests

Additional Metrics

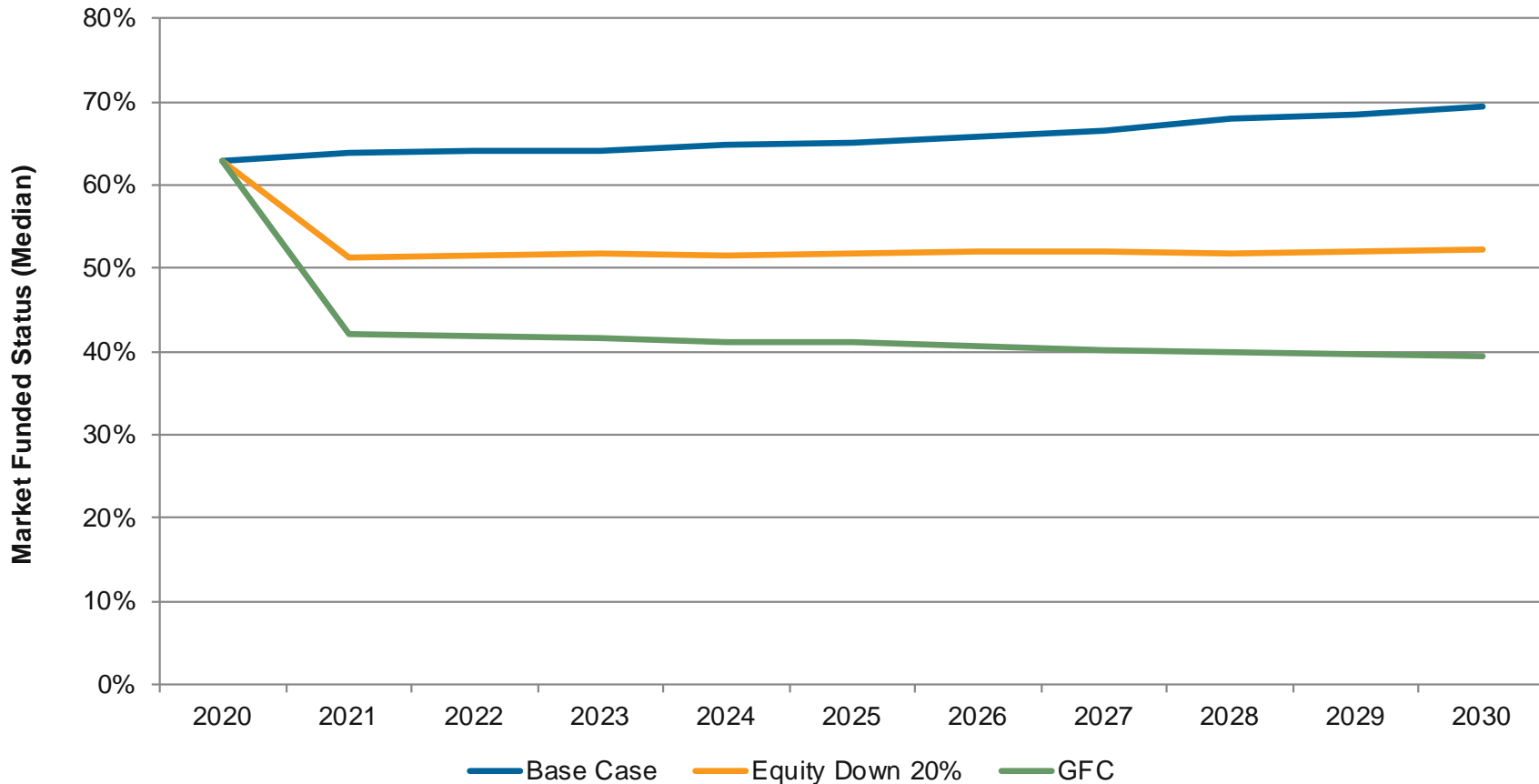
	(1)	(2)	(3)	(4)	(5)	(6)
	2008 Financial Crisis	Black Monday	2011 U.S. Debt Ceiling Crisis and Downgrade	Equities Decline 20% for 1 Year	Perfect Storm for 1 Year	Perfect Storm for 3 Years
7/1/20 Funded Ratio	62.9%	62.9%	62.9%	62.9%	62.9%	62.9%
7/1/21 Funded Ratio						
Target (24% Alts)	41.7%	51.7%	52.7%	51.1%	50.1%	37.6%
Mix 4 (28% Alts)	43.0%	52.2%	53.3%	51.7%	50.5%	38.4%
Mix 5 (30% Alts)	41.4%	51.3%	52.5%	51.0%	50.1%	37.9%
6/30/20 Alternatives Allocation						
Target (24% Alts)	45.8%	41.0%	41.0%	41.7%	42.0%	48.8%
Mix 4 (28% Alts)	51.6%	47.2%	47.1%	47.9%	48.4%	55.5%
Mix 5 (30% Alts)	53.2%	47.3%	47.3%	48.0%	48.4%	56.3%
2020 Net Outflow (% Liquid)						
Target (24% Alts)	8.4%	6.2%	6.1%	6.4%	6.6%	9.9%
Mix 4 (28% Alts)	9.1%	6.9%	6.8%	7.1%	7.3%	11.1%
Mix 5 (30% Alts)	9.8%	7.0%	6.9%	7.2%	7.4%	11.5%

- Assuming scenarios transpire over a one-year period, funded status declines from starting point of 62.9%
 - Well below 50% for GFC and Perfect Storm for 3 Years
- Alternative allocations can reach high levels during a crisis due to a combination of the following:
 - Benefit payments funded from liquid asset classes
 - Muted losses from alternatives due to valuation smoothing
 - Capital calls for existing private asset class commitments
- Net outflow (% of liquid assets) can reach relatively high levels (>10% under the Perfect Storm for 3 Years)

Notes: 7/1/21 Funded Ratio estimate reflects \$270M in benefit payments/expenses, \$189M in total contributions, and a liability estimate of \$4.3B; High yield considered illiquid in stressed environments

Stress Tests

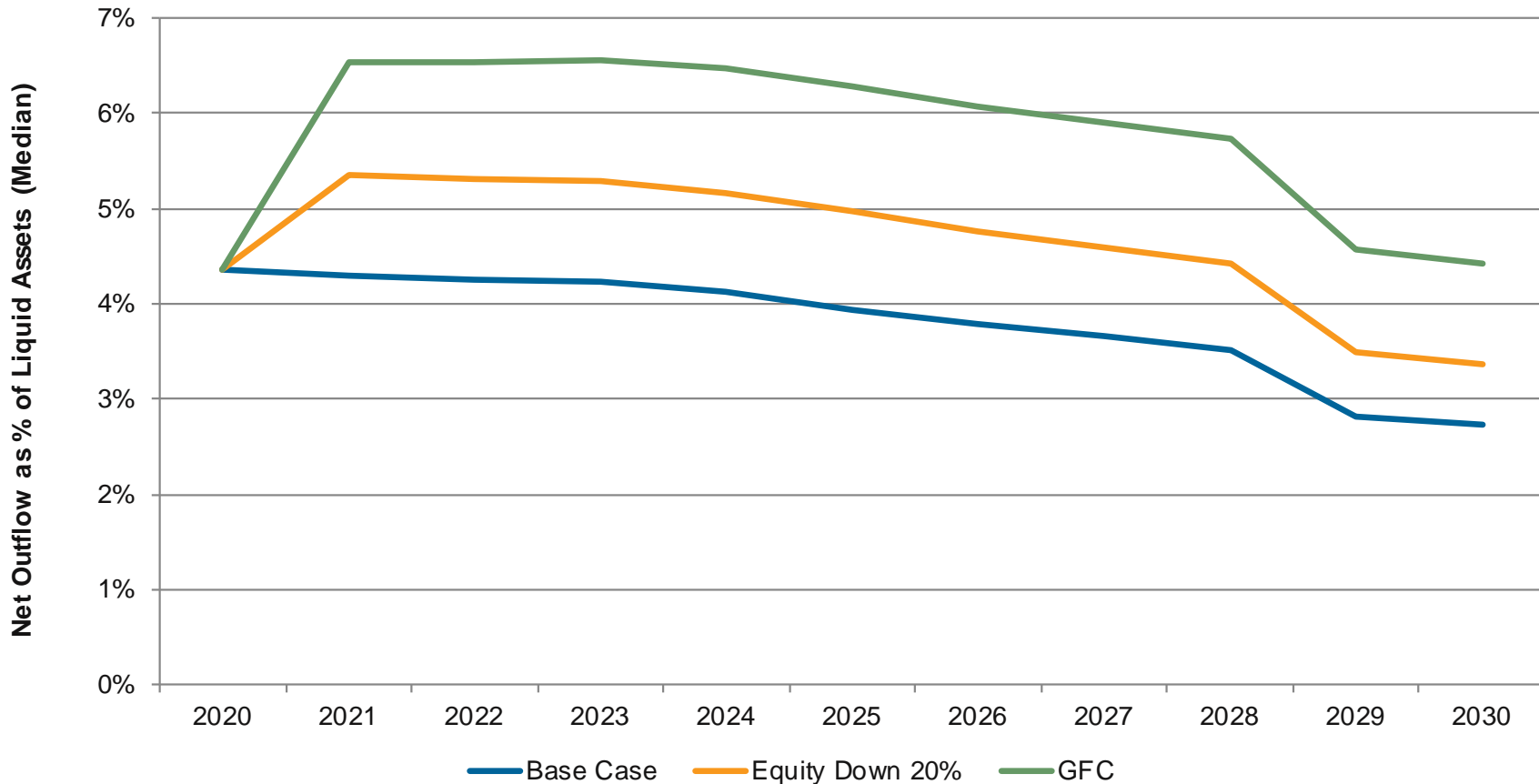
Market Funded Status (2020 = 63%)



- Base case funded status gradually rises to almost 70% by 2030
- With equities down 20% , the funded status drops to 51% in 2021 and rises to just 52% by 2030
- In a GFC scenario, the funded status drops to 42% in 2021 and falls to just under 40% by 2030

Stress Tests

Net Outflow as a % of Liquid Assets (2020 = 4.4%)



- Base case net outflow falls to 2.7% by 2030
- With equities down 20% , net outflow jumps 5.4% in 2021 before dropping to 3.4% by 2030
- In a GFC scenario, net outflow rises to 6.5% in 2021 before falling to 4.4% by 2030
- Outcomes are heavily contingent upon adherence to the funding policy

Note: High yield considered illiquid in stressed environments

Disclaimers

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**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**
*Teachers' Fund for Retirement
State Investment Board*



North Dakota Teachers' Fund for Retirement

Actuarial Valuation as of July 1, 2020

November 19, 2020

Kim Nicholl, FSA, MAAA, EA, Senior Vice President and Actuary
Tanya Dybal, FSA, MAAA, EA, Senior Actuary
Matt Strom, FSA, MAAA, EA, Senior Vice President and Actuary

This document has been prepared by Segal 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 November 19, 2020 meeting of the Board of Trustees.

Discussion Topics

Agenda

- Overview of Valuation Process
- Valuation Results and Projections
- Next Steps

Purposes of the Actuarial Valuation

- Report the Fund's actuarial assets
- Calculate the Fund's liabilities
- Determine the funding policy Actuarially Determined Contribution (ADC) for fiscal year 2021 and compare to the statutory employer contribution
- Determine the effective amortization period
- Explore the reasons why the current valuation differs from the prior valuation
- Provide information for annual financial statements

The Valuation Process

Input

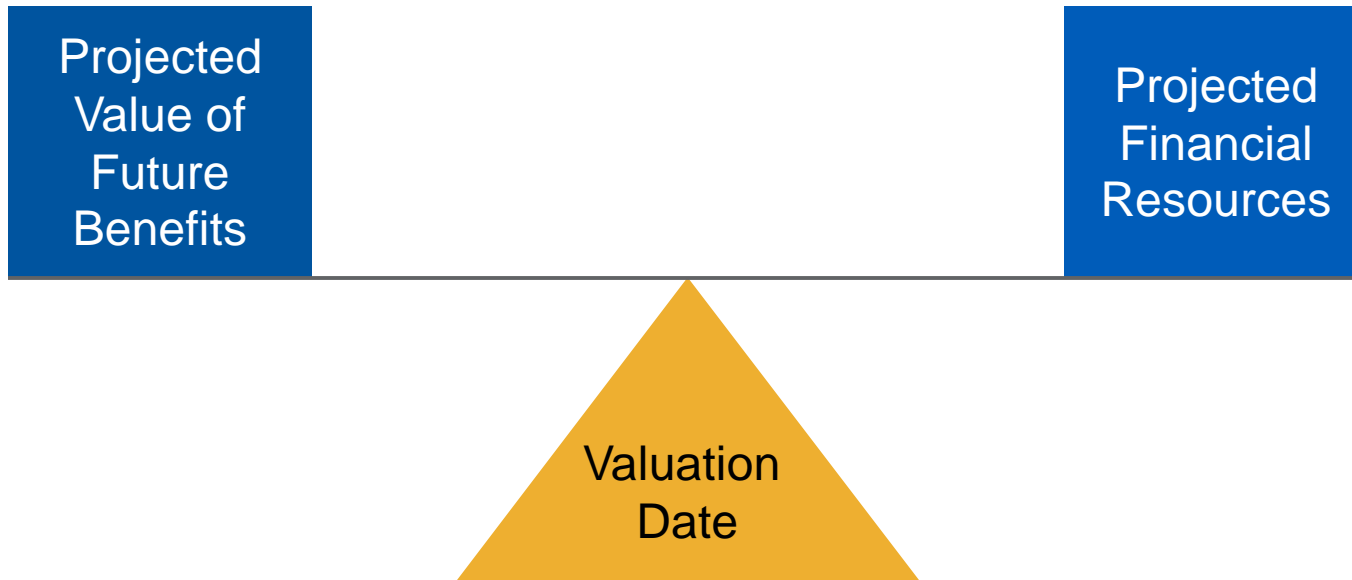
Member Data
Asset Information
Benefit Provisions
Actuarial Assumptions
Funding Methodology



Results

Actuarial Value of Assets
Normal Cost and Actuarial Liability
Unfunded Liability and Funded Ratio
Funding Period
Actuarially Determined Employer
Contribution
Accounting Results

Actuarial Balance



Over the life of a pension system,

Benefits + **E**xpenses = **C**ontributions + **I**nterest Return

Contributions = **B**enefits + **E**xpenses - **I**nterest Return

Actuarially Determined Contribution vs. Funding Period

Actuarially Determined Contribution (ADC)

- Equal to the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL)
- The funding policy components:
 - Asset valuation method
 - Cost method
 - Amortization period

Funding Period

- Number of years that the UAAL is expected to be amortized based upon the fixed member and employer contribution rates
- Funding period is compared to the ADC's amortization period to assess the progress toward amortizing the unfunded accrued liability

The employer contribution rate is compared to the ADC as a measure of the adequacy of the employer (and member) contribution rates.

Actuarial Assumptions

Two types:

Demographic

- Retirement
- Disability
- Death in active service
- Withdrawal
- Death after retirement

Economic

- Inflation – 2.30%
- Investment return – 7.25%
- Salary increases – 14.80% for new members to 3.80% for members with 30+ years
- Payroll growth – 3.25%

Actuaries make assumptions as to when and why a member will leave active service, and estimate the amount and duration of the pension benefits paid.

Actuarial Methods

Asset Valuation Method (Actuarial Assets)

- Investment gains and losses recognized over a number of years
- TFFR uses a five-year smoothing method
- A 20% market value corridor is applied – actuarial value of assets must fall within 80% to 120% of market value

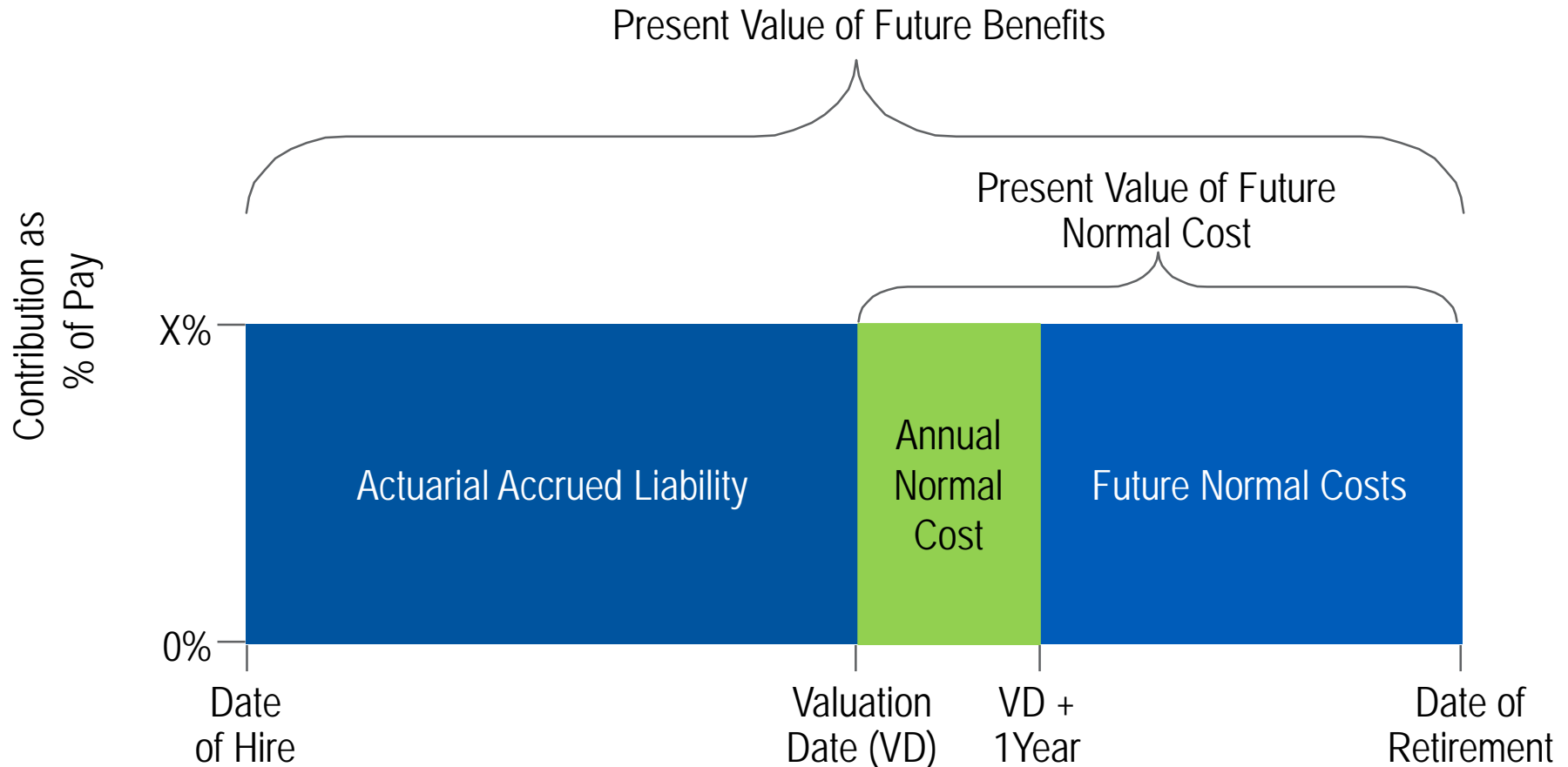
Cost Method

- Allocation of liability to past and future service
- TFFR uses the entry age normal cost method
 - Allocates cost of member's retirement benefit over expected career as a level % of salary
 - Most common cost method among public sector retirement systems
 - Required by GASB for financial statement reporting purposes

Amortization Method

- Relies on two inputs:
 - Number of years to amortize the UAL
 - Level dollar or level percentage of payroll approach
- TFFR's amortization method:
 - 30-year closed period that began July 1, 2013
 - 23 years remaining
 - Level percentage of payroll

Funding Process



$$\text{Actuarial Accrued Liability} - \text{Assets} = \text{Unfunded Actuarial Accrued Liability}$$

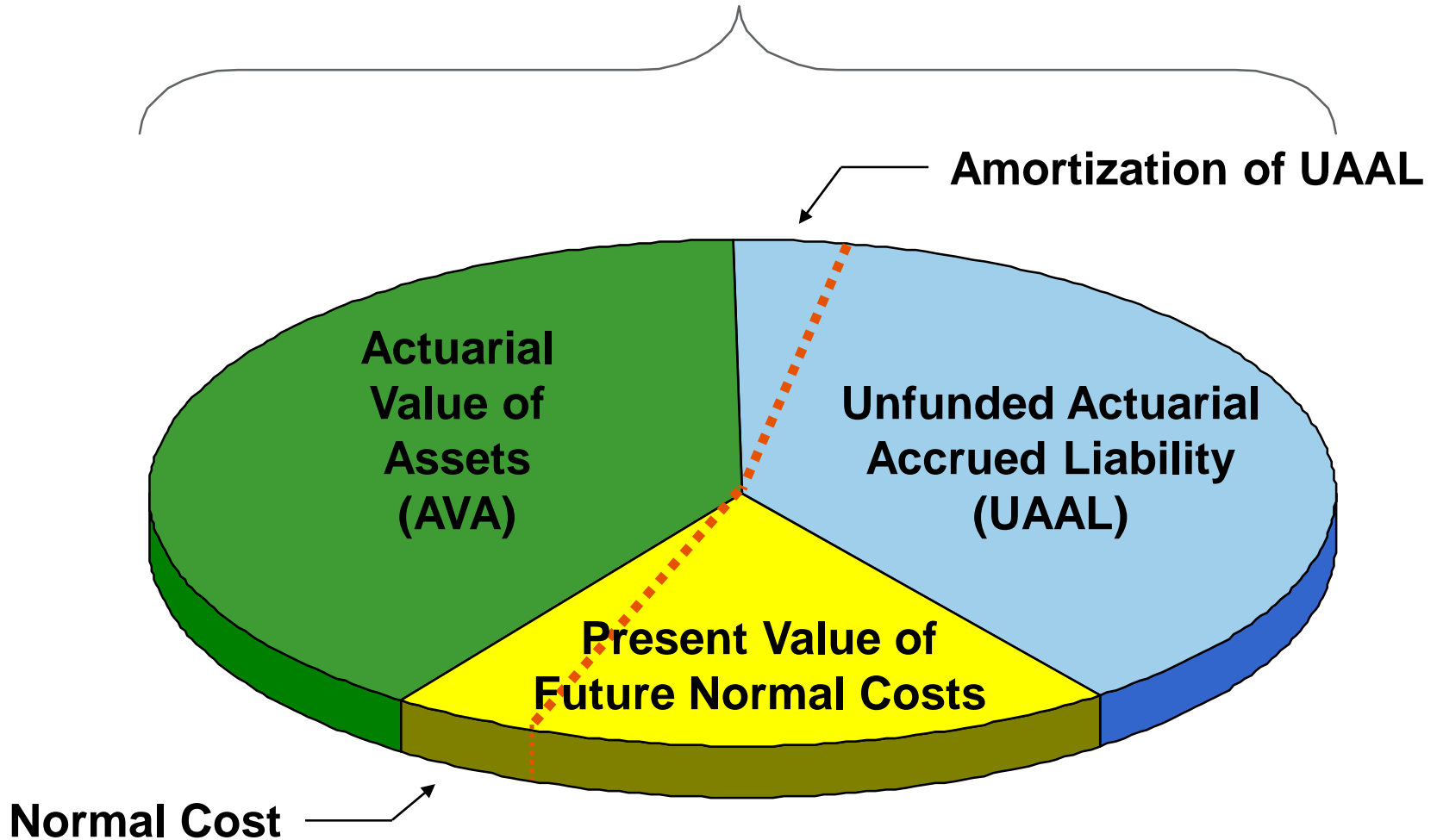
Entry Age Normal Cost Method

Allocates cost between past and future service

- **Normal Cost:** Cost of annual benefit accrual as a level percent of salary
- **Actuarial Accrued Liability:** Represents accumulated value of past normal costs (or difference between total cost and future normal costs)
- **Unfunded Actuarial Accrued Liability:** Actuarial accrued liability minus actuarial value of assets

Actuarially Determined Contribution

Present Value of Future Benefits



Changes in Actuarial Assumptions

- Inflation lowered from 2.75% to 2.30%
- Investment Return lowered from 7.75% to 7.25%
- Healthy mortality table changed from RP-2014 Healthy Annuitant Table, set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80 with generational mortality improvement using MP-2014 to 104% of the PubT-2010 Retiree Table and 95% of the Pub-2010 Contingent Survivor Table with generational mortality improvement using MP-2019.
- Disabled mortality table changed from RP-2014 Disabled Mortality Table set forward four years to PubNS-2010 Non-Safety Disabled Mortality Table with generational mortality improvement using MP-2019.
- Active mortality table changed from RP-2014 Employee Mortality Table with generational mortality improvement using scale MP-2014 to PubT-2010 Employee Table with generational mortality improvement using MP-2019.
- Disability rates were reduced by 20% to better reflect anticipated future experience.
- Retirement, Withdrawal, and Salary Scale rates were updated to better reflect anticipated future experience. Summaries of the changes can be found in the appendix.

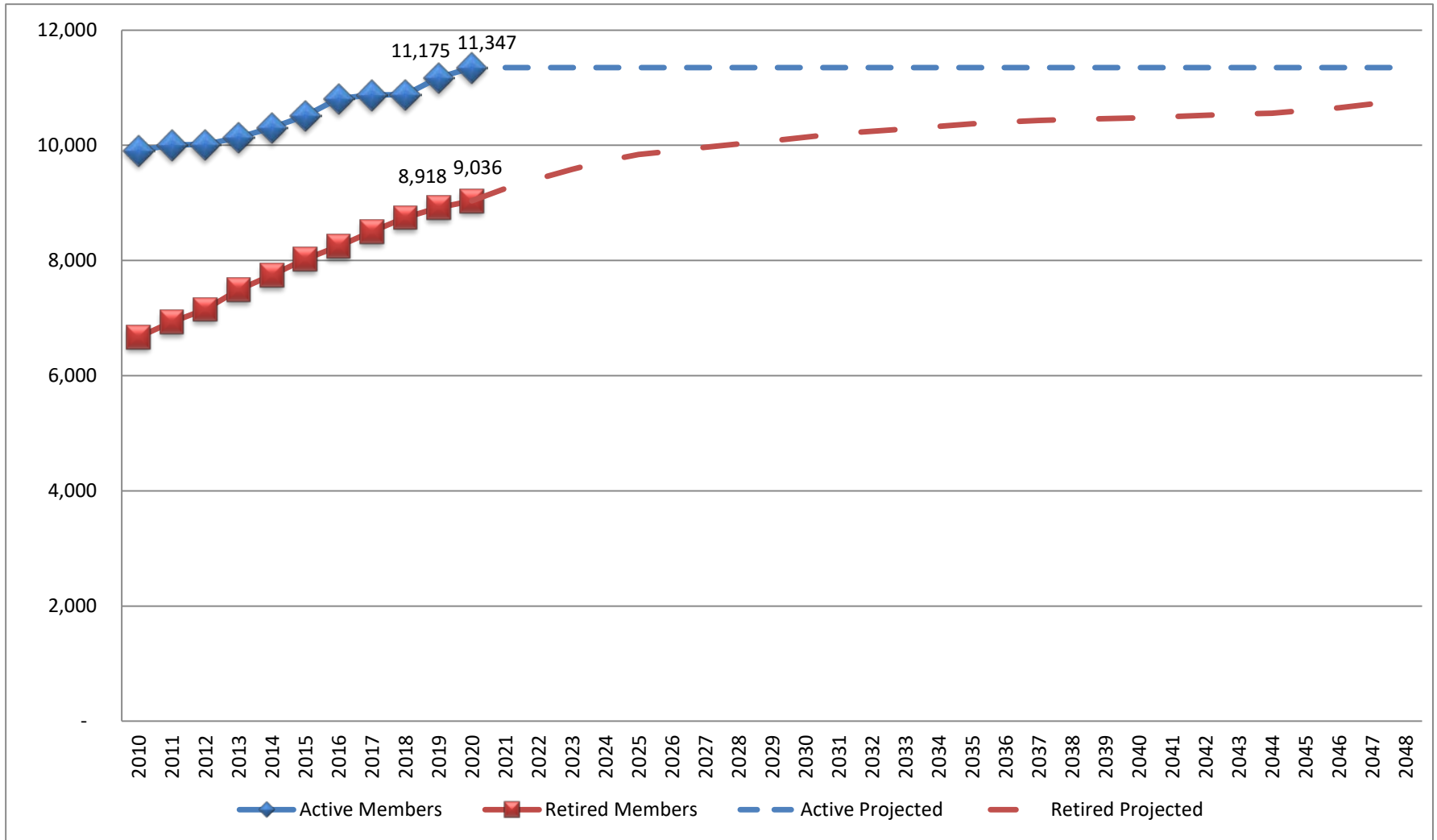
Summary of Valuation Highlights

- Market value of assets returned 3.3% for year ending 6/30/20 (Segal calculation)
 - Gradual recognition of deferred losses resulted in 6.2% return on actuarial value of assets
- Funded ratio decreased from 66.0% (as of 7/1/2019) to 65.7% (as of 7/1/2020)
- Effective amortization period increased from 23 years to 24 years
- Net impact on actuarially determined contribution (ADC) was an increase from 12.84% of payroll to 13.19% of payroll
 - Based on the employer contribution rate of 12.75%, the contribution deficiency has increased from 0.09% of payroll to 0.44% of payroll
- GASB Net Pension Liability increased from \$1.38 billion as of 6/30/19, to \$1.53 billion as of 6/30/20

Membership

	2019	2020	Change
Active			
• Number	11,175	11,347	+1.5%
• Payroll (annualized)	\$680.5 mil	\$711.0 mil	+4.5%
• Average Age	41.8 years	41.8 years	0.0 years
• Average Service	11.7 years	11.7 years	0.0 years
Retirees and Beneficiaries			
• Number	8,918	9,036	+1.3%
• Total Annual Benefits	\$221.2 mil	\$229.4 mil	+3.7%
• Average Monthly Benefit	\$2,067	\$2,116	+2.4%

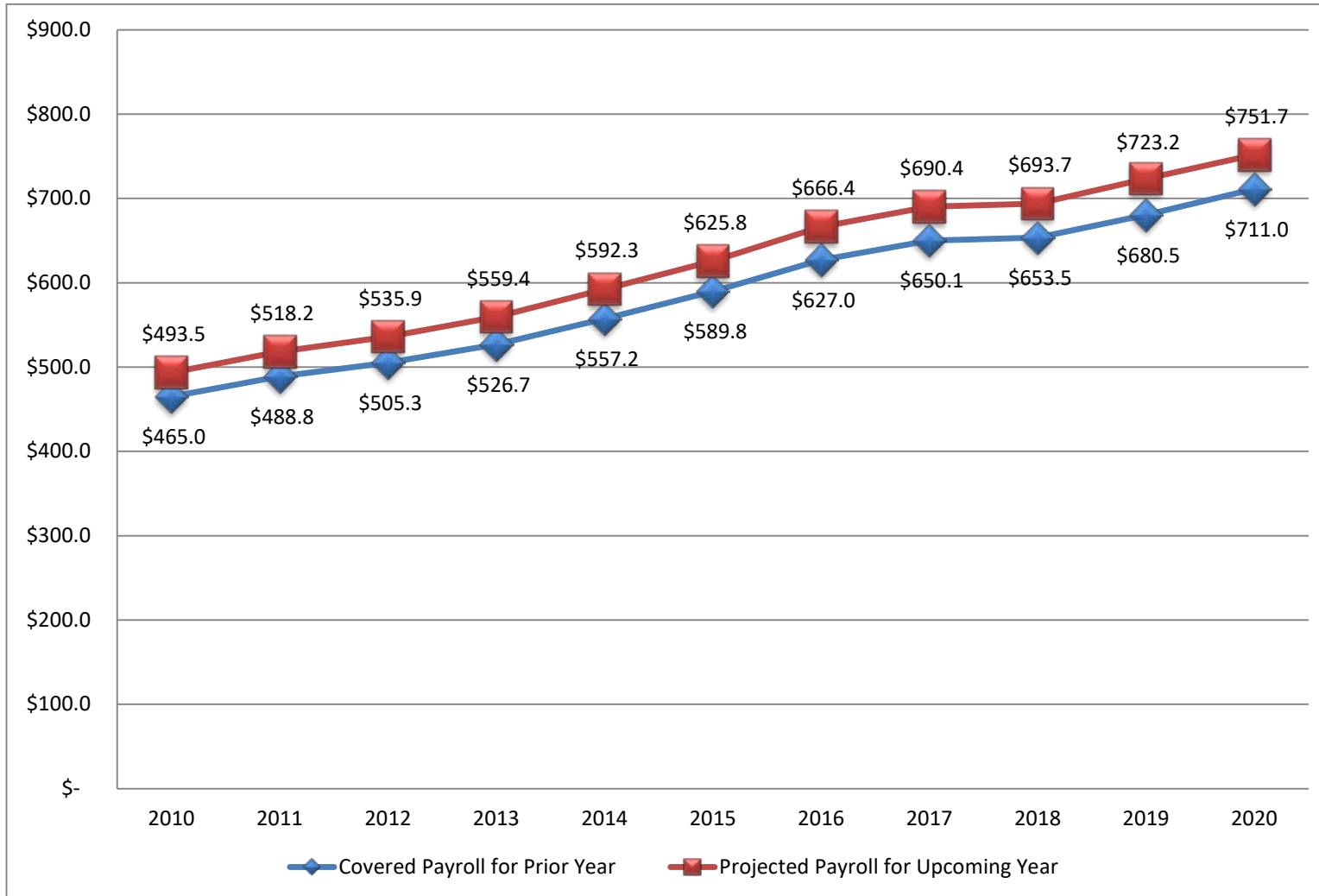
Active and Retired Membership



Since 2010, number of retirees and beneficiaries has increased 3.1% per year on average.

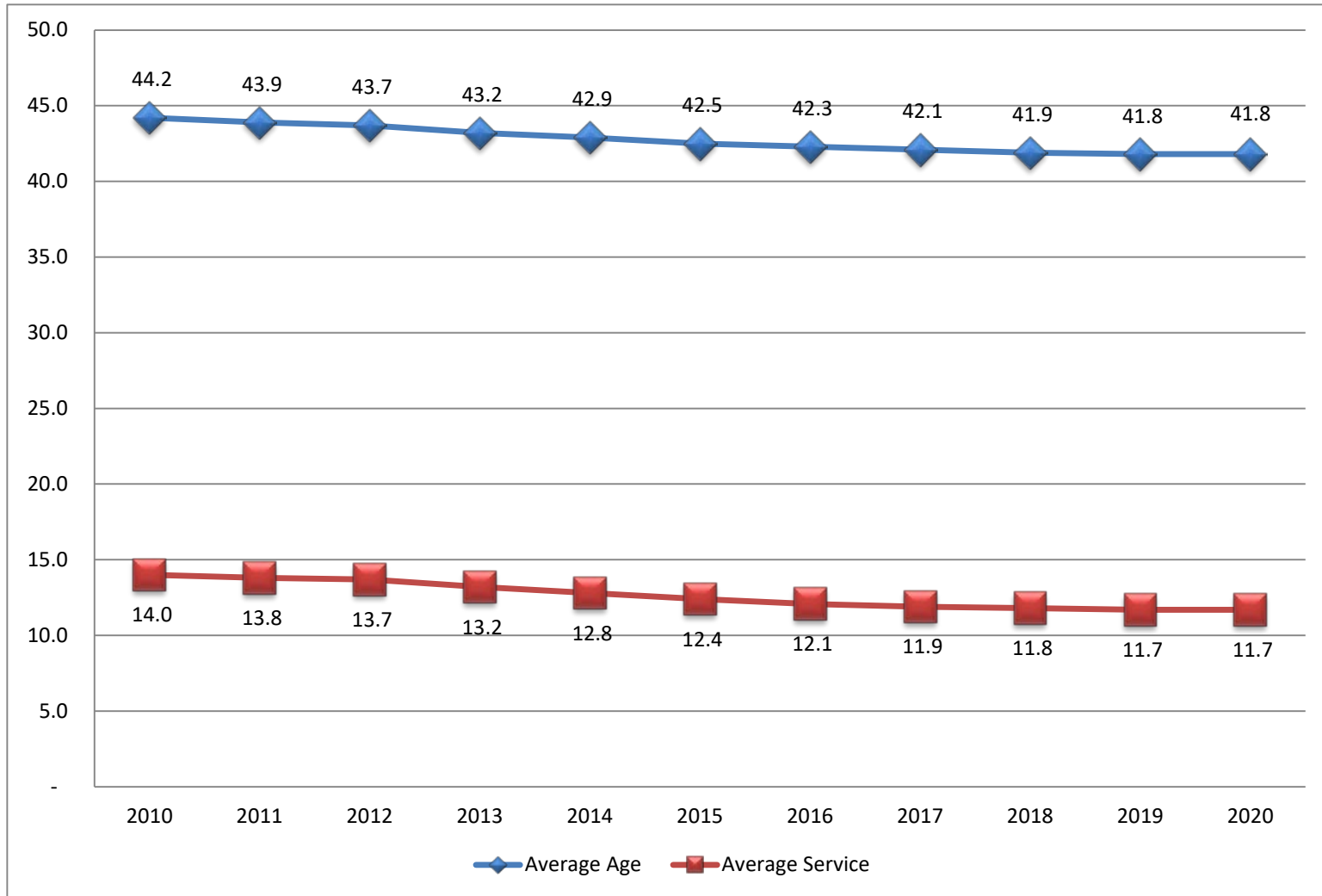
Active Payroll

\$ Millions

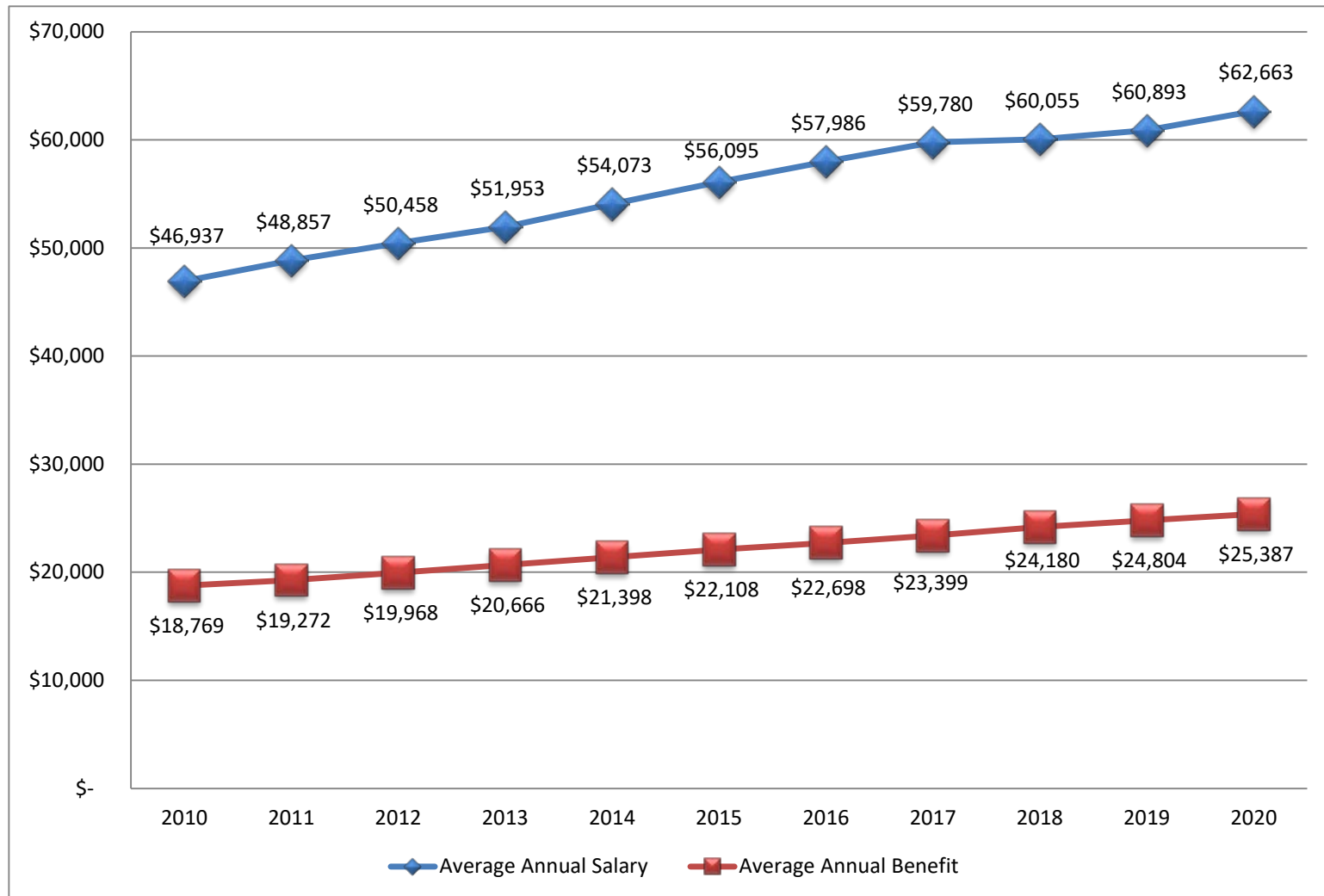


Since 2010, active payroll has increased, on average, 4.4% per year.

Average Age and Service of Active Members



Average Salary and Average Benefit



Since 2010, average salary has increased, on average, 2.9% per year, and, average annual benefit has increased, on average, 3.1% per year.

Assets

- The market value of assets increased from \$2.62 billion (as of 6/30/19) to \$2.65 billion (as of 6/30/20)
 - Segal determined the investment return was 3.33%, net of investment expenses
- The actuarial value of assets increased from \$2.64 billion (as of 6/30/19) to \$2.75 billion (as of 6/30/20)
 - Investment return of 6.18%, net of investment expenses
 - Compared to the return assumption of 7.75%
 - Actuarial value is 103.6% of market
 - There is a total of \$94 million of deferred net investment losses that will be recognized in future years
- Average annual returns are:

	Market Value	Actuarial Value
10-year average	8.3%	6.0%
20-year average	5.2%	5.6%
30-year average	7.4%	7.0%

Market Value of Assets (\$ in millions)

	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2020
Beginning of Year	\$2,531	\$2,616
Contributions:		
• Employer	89	93
• Member	82	86
• Service Purchases	<u>2</u>	<u>2</u>
• Total	173	181
Benefits and Refunds	(223)	(233)
Investment Income (net)	135	86
End of Year	\$2,616	\$2,651
Rate of Return	5.39%	3.33%

Note: numbers may not add due to rounding

Actuarial Value of Assets (\$ in millions)

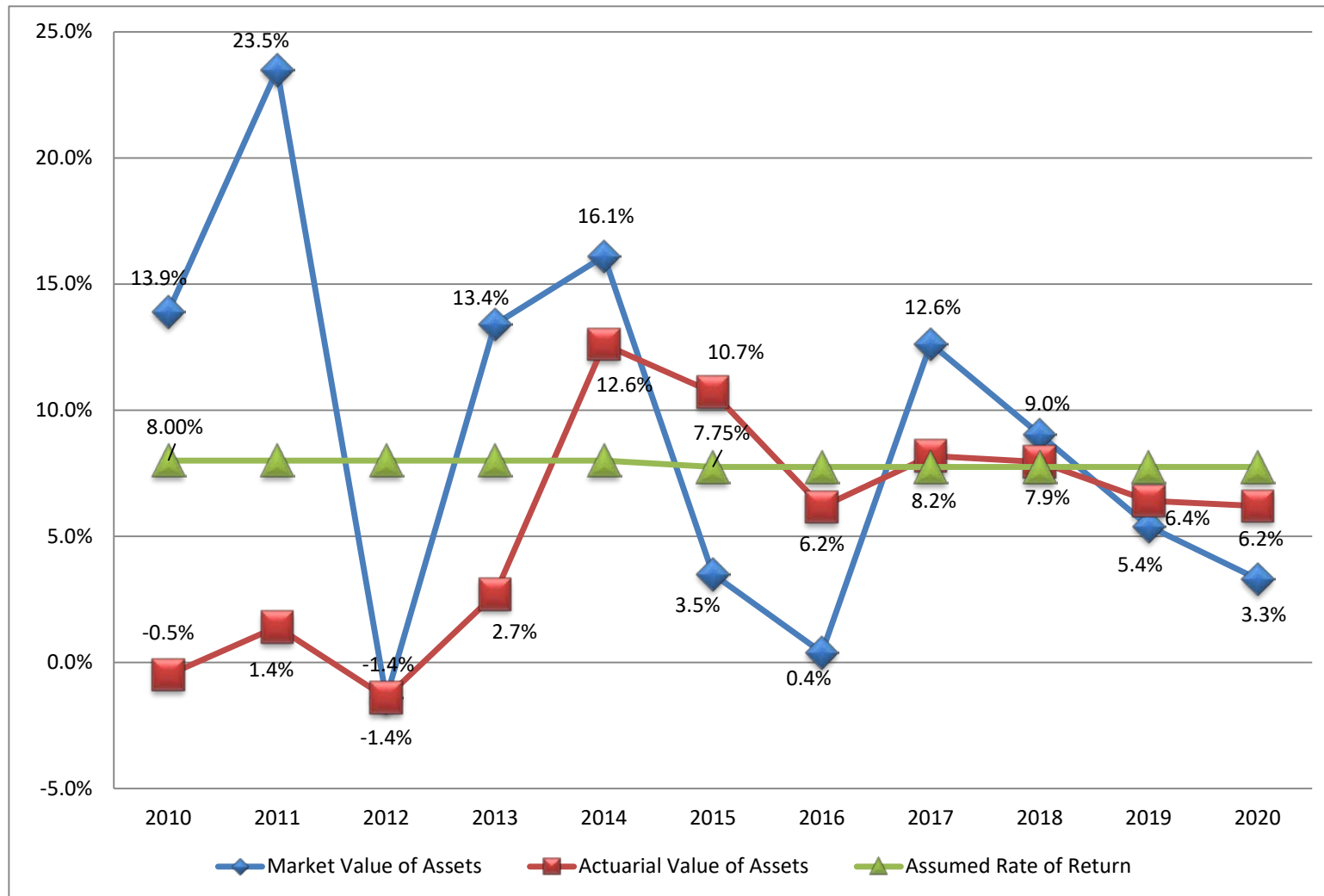
1. Market Value of Assets as of June 30, 2019	\$2,616
2. Cash Flow Items for FYE June 30, 2020	(52)
3. Expected Return	<u>201</u>
4. Expected Market Value of Assets (1) + (2) + (3)	\$2,765
5. Actual Market Value of Assets on June 30, 2020	2,651
6. Excess/(Shortfall) for FYE June 30, 2020 (5) – (4)	(115)
Excess/(Shortfall) Returns:	

Year	Initial Amount	Deferral %	Unrecognized Amount
2020	(\$115)	80%	(\$92)
2019	(59)	60%	(35)
2018	30	40%	12
2017	103	20%	21
2016	(157)	0%	<u>0</u>
7. Total			(\$94)

8. Actuarial Value of Assets as of June 30, 2020 (5) - (7)	\$2,745
Actuarial Value of Assets as a % of Market Value of Assets	103.6%

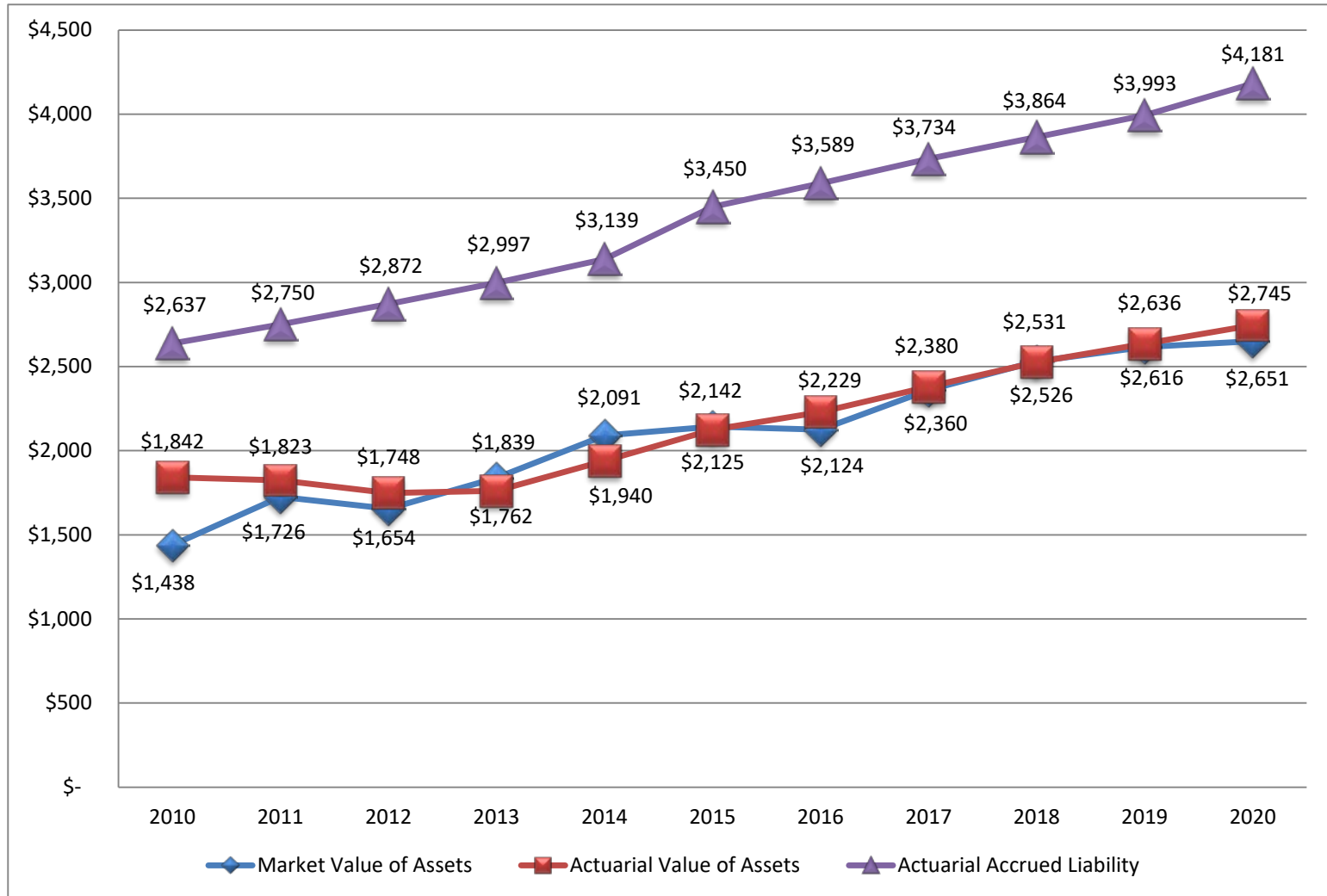
Note: numbers may not add due to rounding

Asset Returns



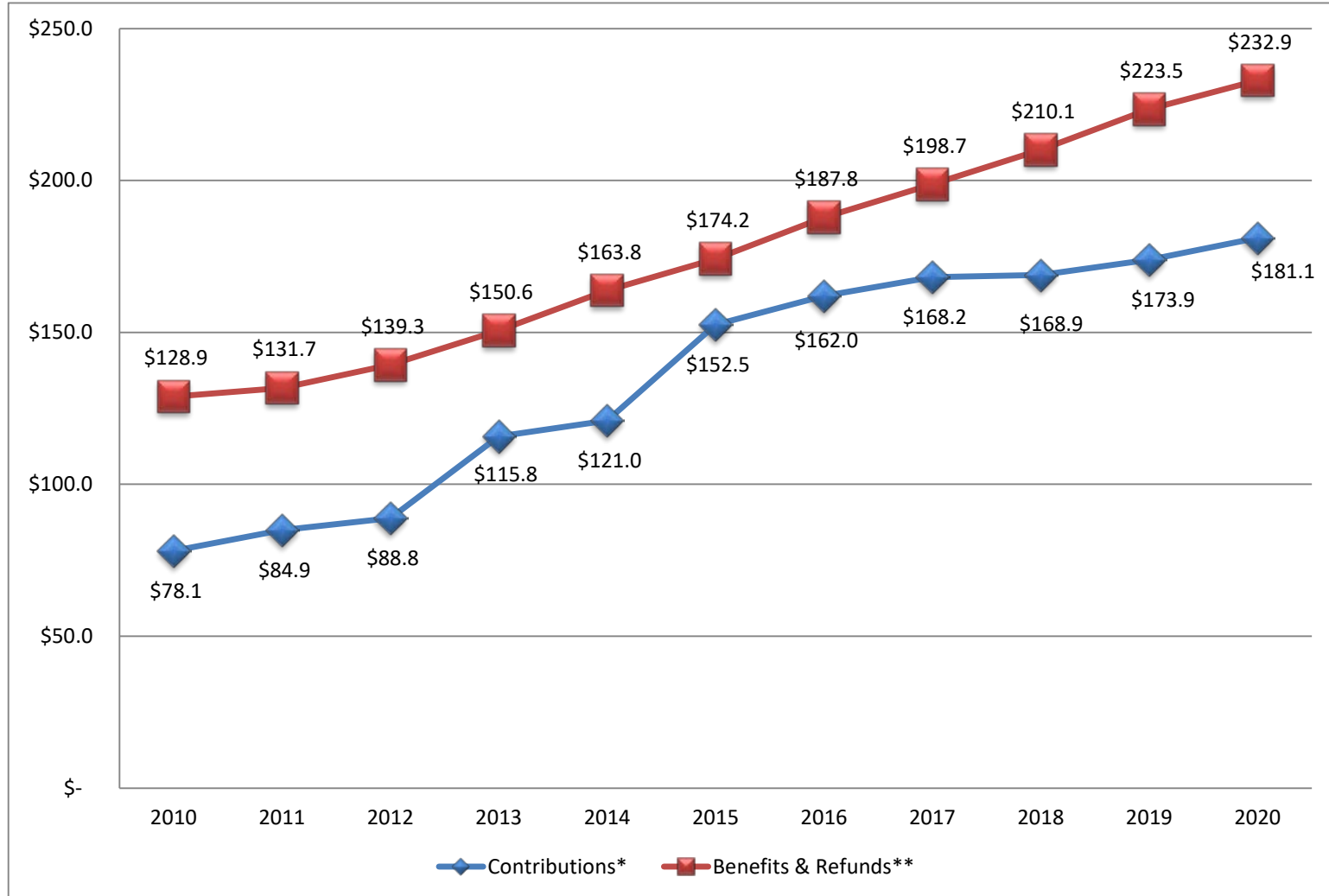
Market and Actuarial Values of Assets Compared to Actuarial Accrued Liability

\$ Millions



Contributions vs. Benefits and Refunds

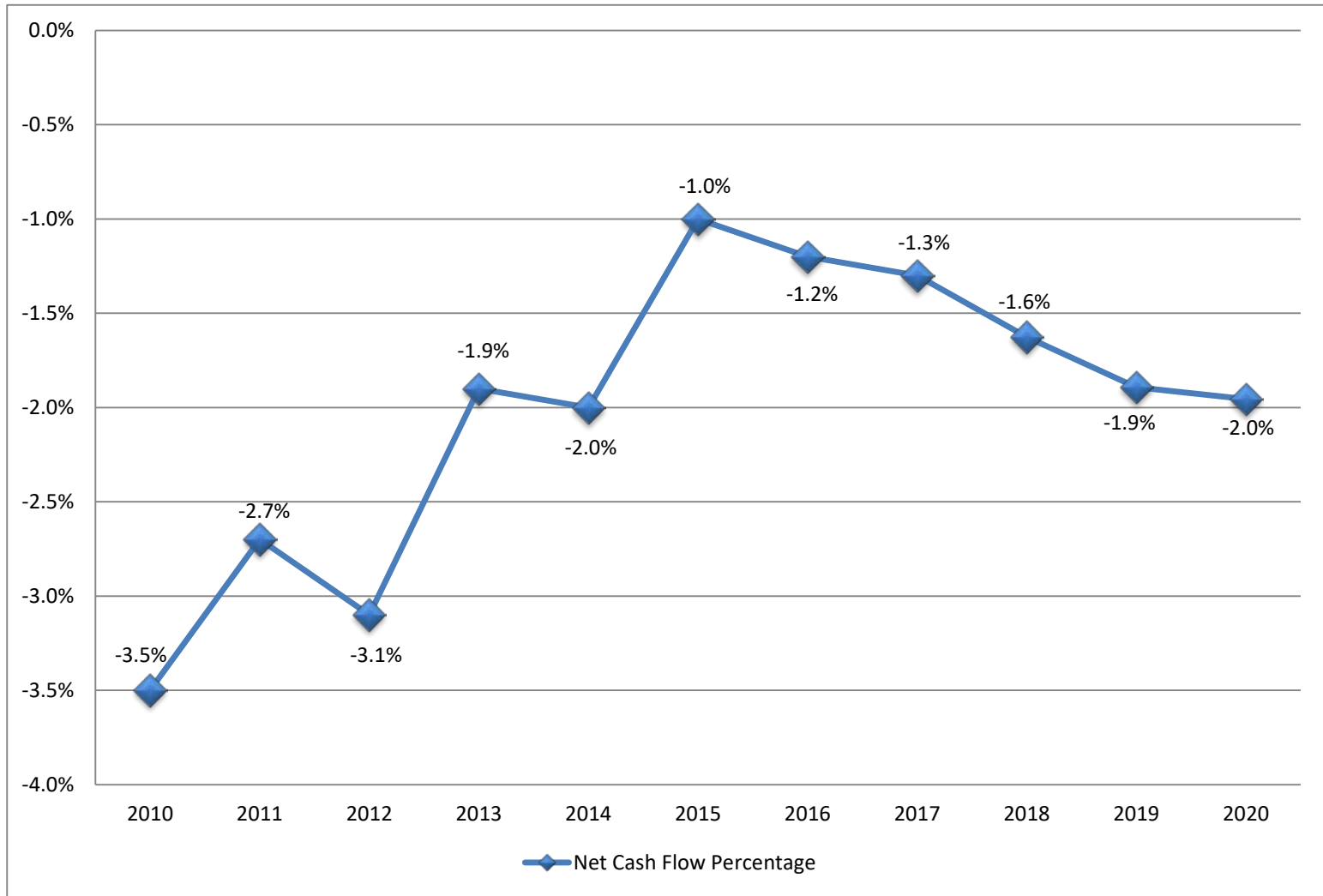
\$ Millions



* Includes member and employer contributions, and service purchases

** Includes administrative expenses

Net Cash Flow as a % of Market Value



Valuation Results (\$ in millions)

	July 1, 2019	July 1, 2020
Actuarial Accrued Liability:		
• Active Members	\$1,570	\$1,660
• Inactive Members	110	124
• Retirees and Beneficiaries	<u>2,314</u>	<u>2,398</u>
Total	\$3,993	\$4,181
Actuarial Assets	<u>2,636</u>	<u>2,745</u>
Unfunded Accrued Liability	\$1,358	\$1,436
Funded Ratio	66.0%	65.7%

Note: numbers may not add due to rounding

Five-Year History of Gain/(Loss)

\$ in thousands	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017	July 1, 2016
Investments	(\$40,947)	(\$34,821)	\$4,586	\$9,464	(\$33,588)
Admin expenses	233	(59)	116	(275)	113
Demographics					
• Turnover	(\$3,380)	(\$3,820)	(\$1,696)	(\$2,013)	(\$2,923)
• Retirement	(606)	(1,286)	(3,038)	(1,503)	57
• Mortality	9,680	9,738	6,945	9,358	(44)
• Salary/service	18,179	21,896	29,231	9,408	536
• New entrants	(6,932)	(7,394)	(4,463)	(4,865)	(6,978)
• Miscellaneous	<u>4,463</u>	<u>5,006</u>	<u>1,584</u>	<u>986</u>	<u>1,631</u>
• Subtotal	\$21,403	\$24,139	\$28,564	\$11,371	(\$7,721)
Total	(\$19,311)	(\$10,742)	\$33,266	\$20,560	(\$41,197)

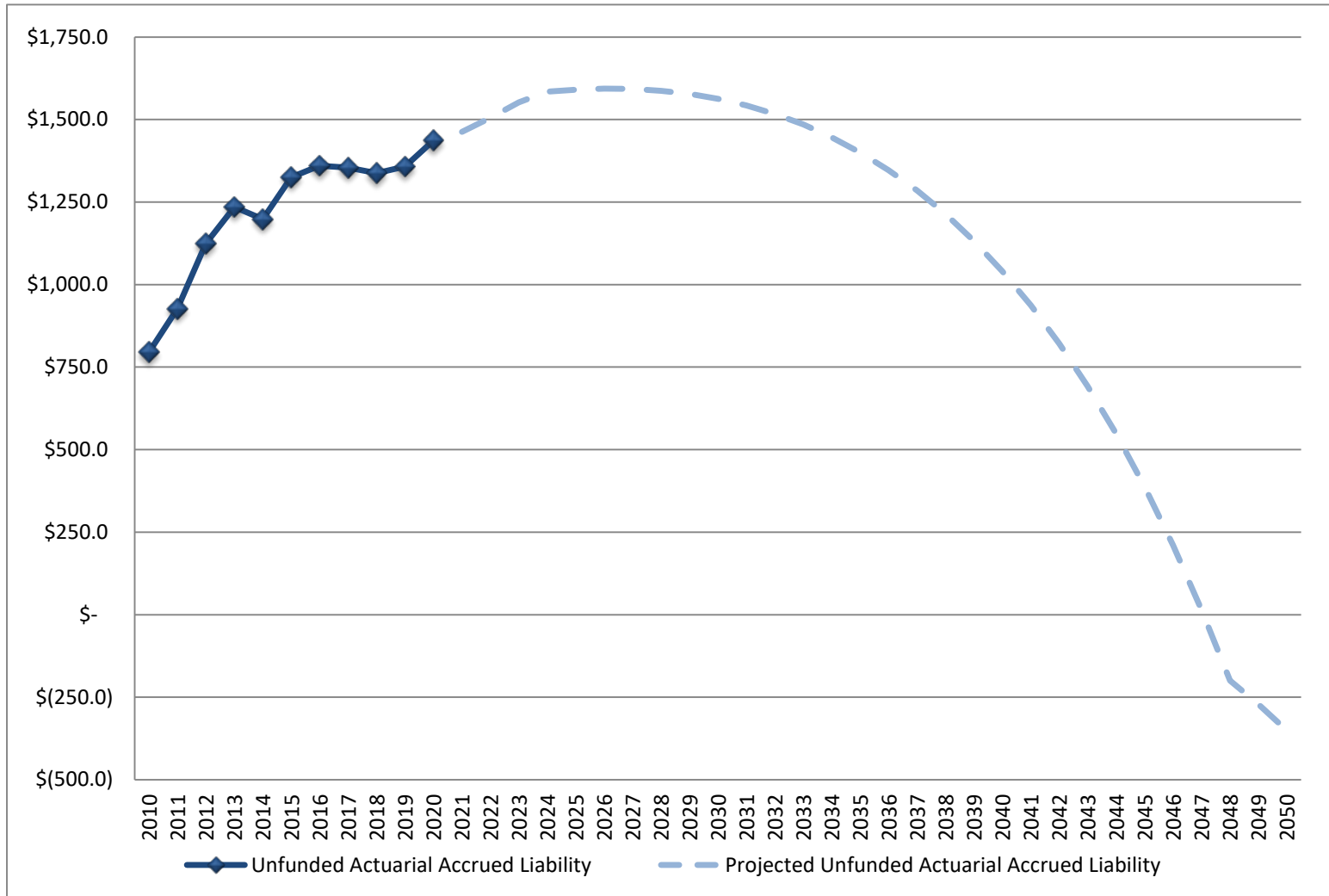
Note: numbers may not add due to rounding

Actuarially Determined Contribution

	For the Year Beginning	
	July 1, 2019	July 1, 2020
Normal Cost Rate	11.87%	12.28%
Member Rate	<u>11.75%</u>	<u>11.75%</u>
Employer Normal Cost Rate	0.12%	0.53%
Amortization of UAAL	<u>12.72%</u>	<u>12.66%</u>
Actuarially Determined Contribution	12.84%	13.19%
Statutory Employer Rate	12.75%	12.75%
Contribution Sufficiency/(Deficiency)	(0.09%)	(0.44%)

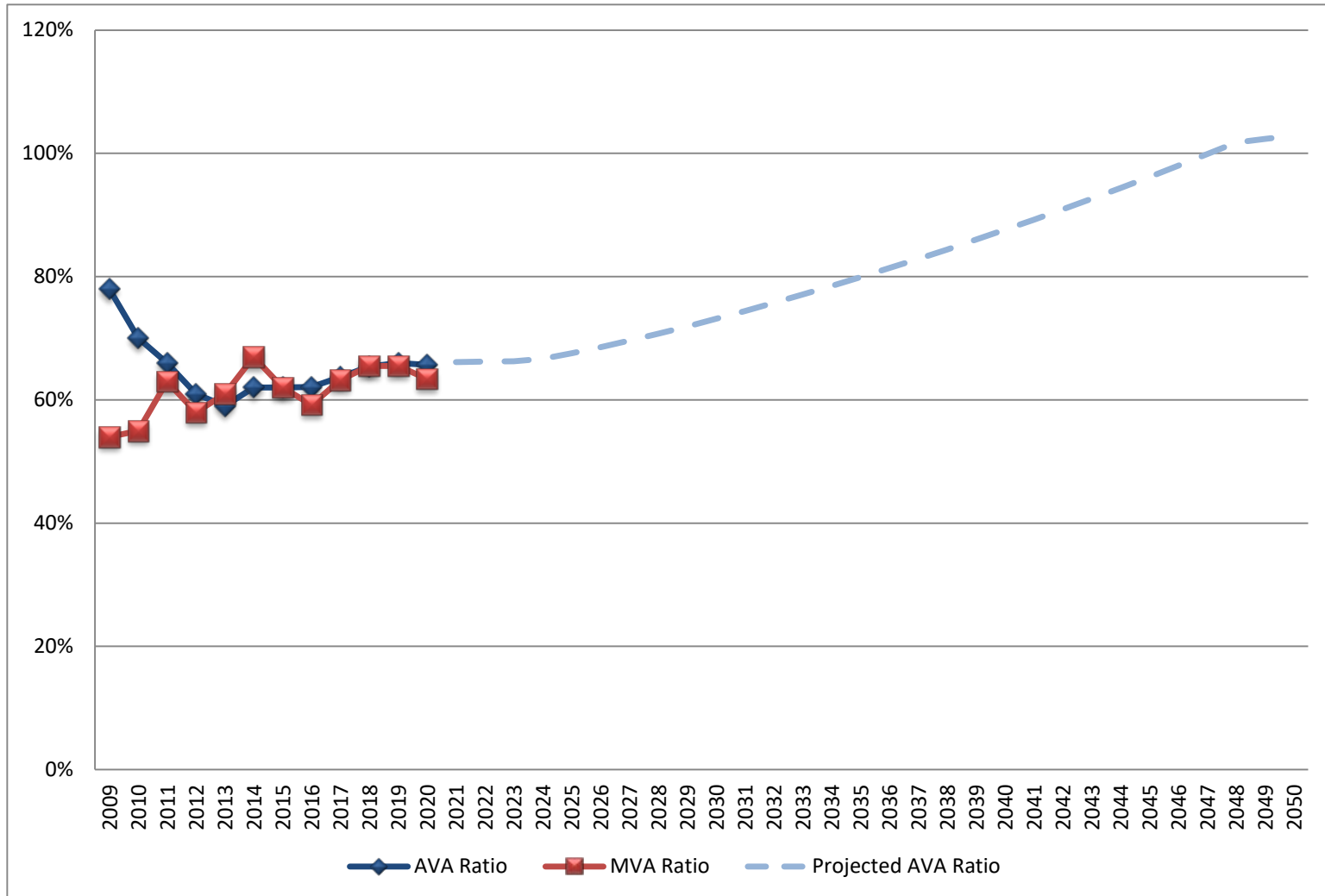
Unfunded Actuarial Accrued Liability

\$ Millions



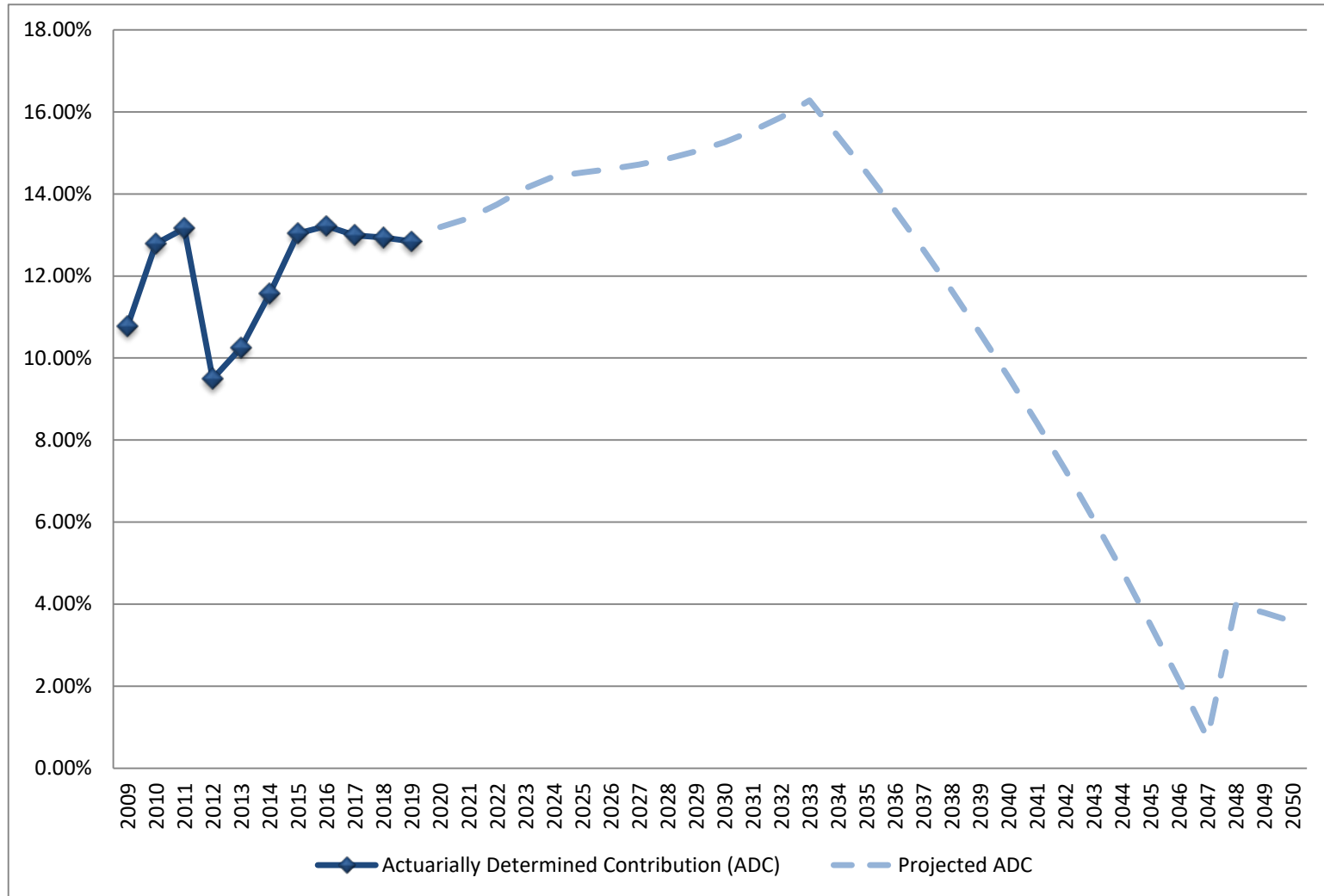
Projection based on all assumptions, including 7.25% investment return, realized as expected

Funded Ratio



Projection based on all assumptions, including 7.25% investment return, realized as expected

Actuarially Determined Contribution (ADC)



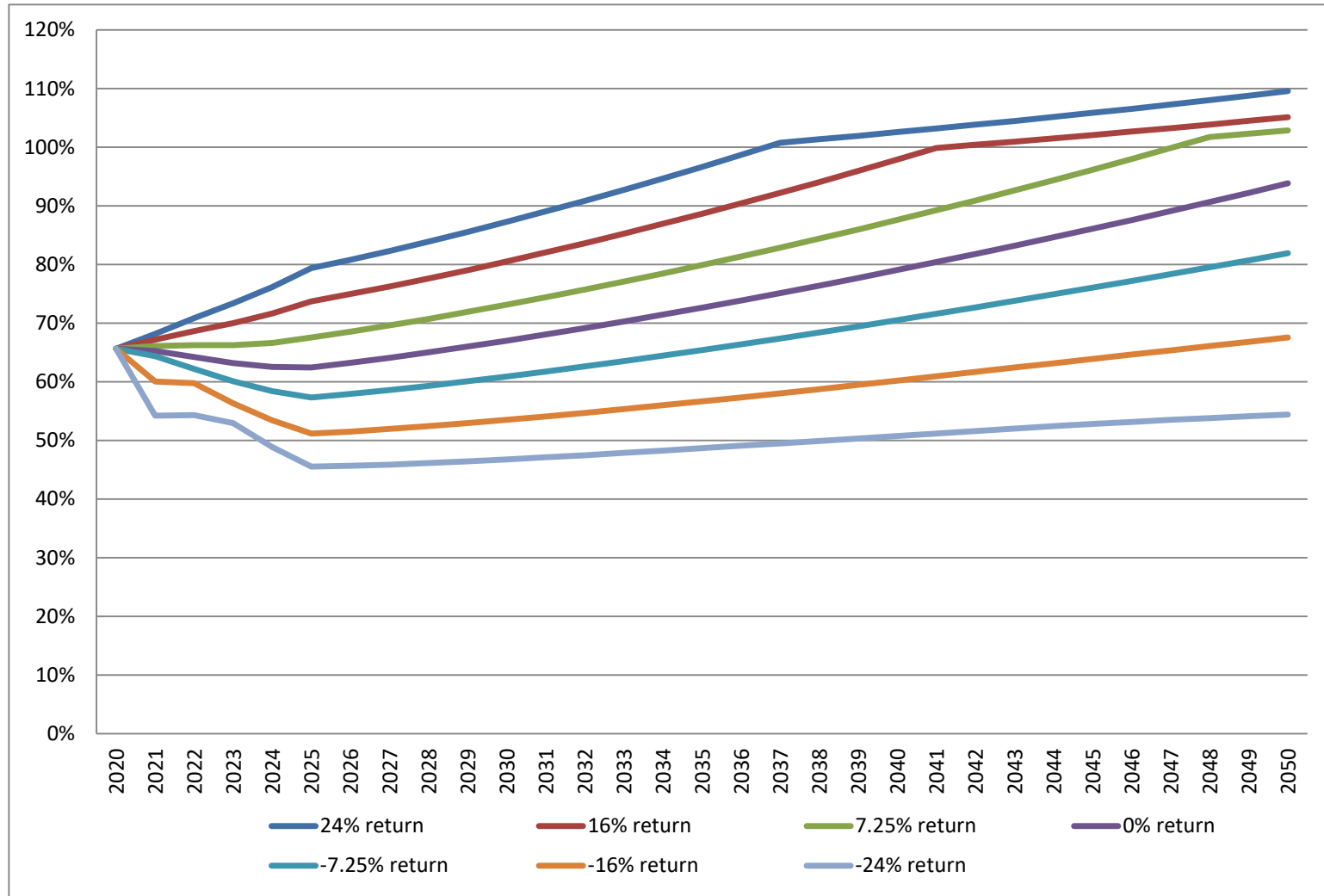
- For 2009 - 2013, the calculation of the ADC was based on a 30-year open level percentage of payroll amortization.
- Beginning in 2013, the period is 30-year closed. In 2033, when the remaining period reaches 10 years, it is assumed to operate as 10-year open
- 2012 and 2013 reflect the actuarial present value of contribution increases effective July 1, 2014.

Projection based on all assumptions, including 7.25% investment return, realized as expected

Sensitivity Projections

- Projections of estimated funded ratios for 30 years
 - Based on FY21 investment return scenarios ranging from -24% to +24%
 - Assumes Fund earns 7.25% per year in FY22 and each year thereafter
 - Additional projections assuming Fund earns 6.25% or 8.25% per year every year
 - Administrative expenses increase by 2.30% each year
 - All other experience is assumed to emerge as expected
- Includes contribution rates from HB 1134
 - Member rate is 11.75%
 - Employer rate is 12.75%
 - Member and Employer Contribution rates “sunset” back to 7.75% once the funded ratio reaches 100% (based on actuarial assets)

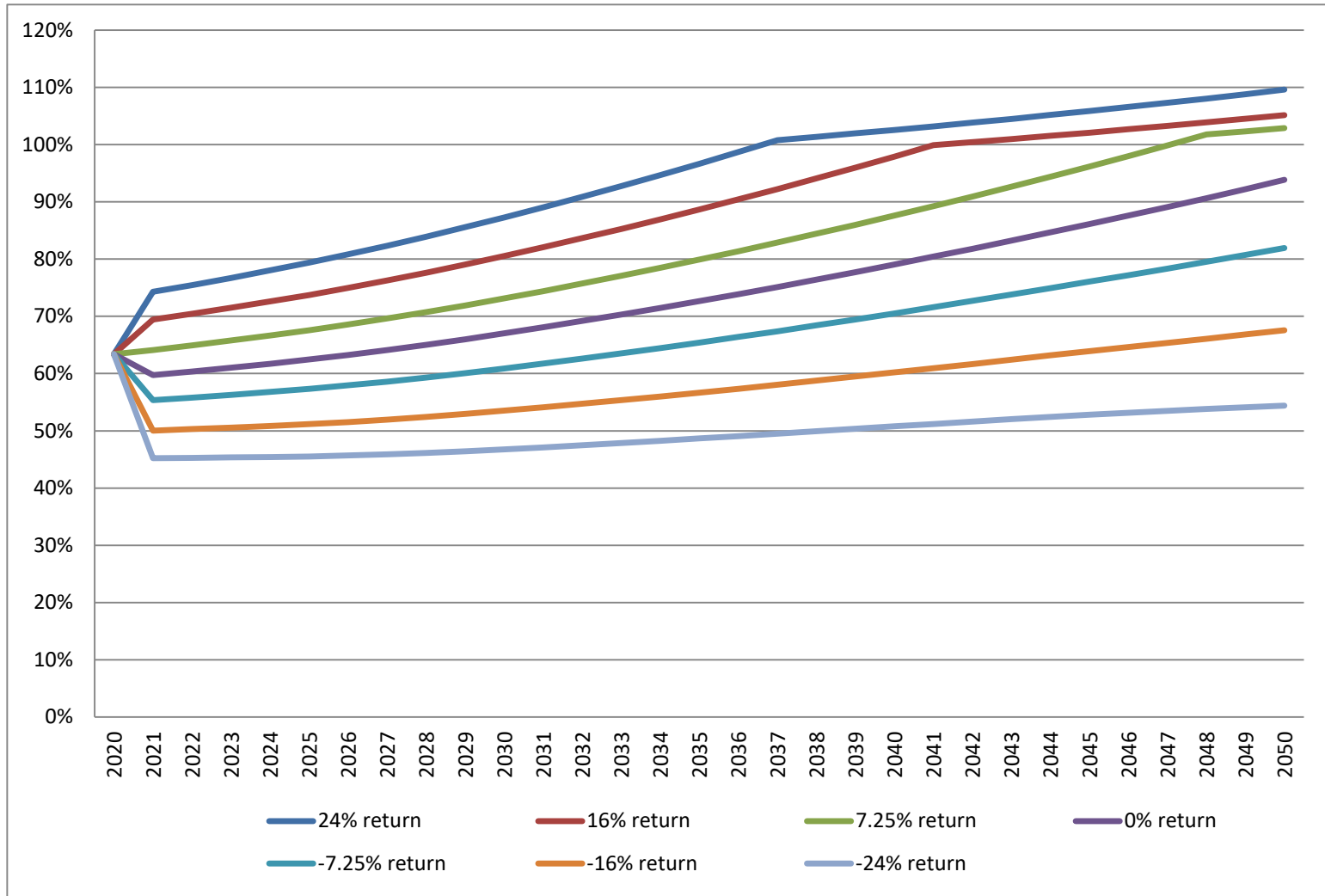
Projected Funded Ratios (AVA Basis)



Projected Funded Ratios (AVA Basis)

Valuation Year	24% for FY2021	16% for FY2021	7.25% for FY2021	0% for FY2021	-7.25% for FY2021	-16% for FY2021	-24% for FY2021
2020	66%	66%	66%	66%	66%	66%	66%
2021	68%	67%	66%	65%	64%	60%	54%
2022	71%	69%	66%	64%	62%	60%	54%
2023	73%	70%	66%	63%	60%	56%	53%
2024	76%	72%	67%	63%	58%	53%	49%
2025	79%	74%	68%	62%	57%	51%	46%
2030	87%	81%	73%	67%	61%	54%	47%
2035	97%	89%	80%	73%	65%	57%	49%
2040	103%	98%	88%	79%	71%	60%	51%
2045	106%	102%	96%	86%	76%	64%	53%
2050	110%	105%	103%	94%	82%	68%	54%

Projected Funded Ratios (MVA Basis)



Projected Funded Ratios (MVA Basis)

Valuation Year	24% for FY2021	16% for FY2021	7.25% for FY2021	0% for FY2021	-7.25% for FY2021	-16% for FY2021	-24% for FY2021
2020	63%	63%	63%	63%	63%	63%	63%
2021	74%	69%	64%	60%	55%	50%	45%
2022	75%	70%	65%	60%	56%	50%	45%
2023	77%	71%	66%	61%	56%	51%	45%
2024	78%	73%	67%	62%	57%	51%	45%
2025	79%	74%	68%	62%	57%	51%	46%
2030	87%	81%	73%	67%	61%	54%	47%
2035	97%	89%	80%	73%	65%	57%	49%
2040	103%	98%	88%	79%	71%	60%	51%
2045	106%	102%	96%	86%	76%	64%	53%
2050	110%	105%	103%	94%	82%	68%	54%

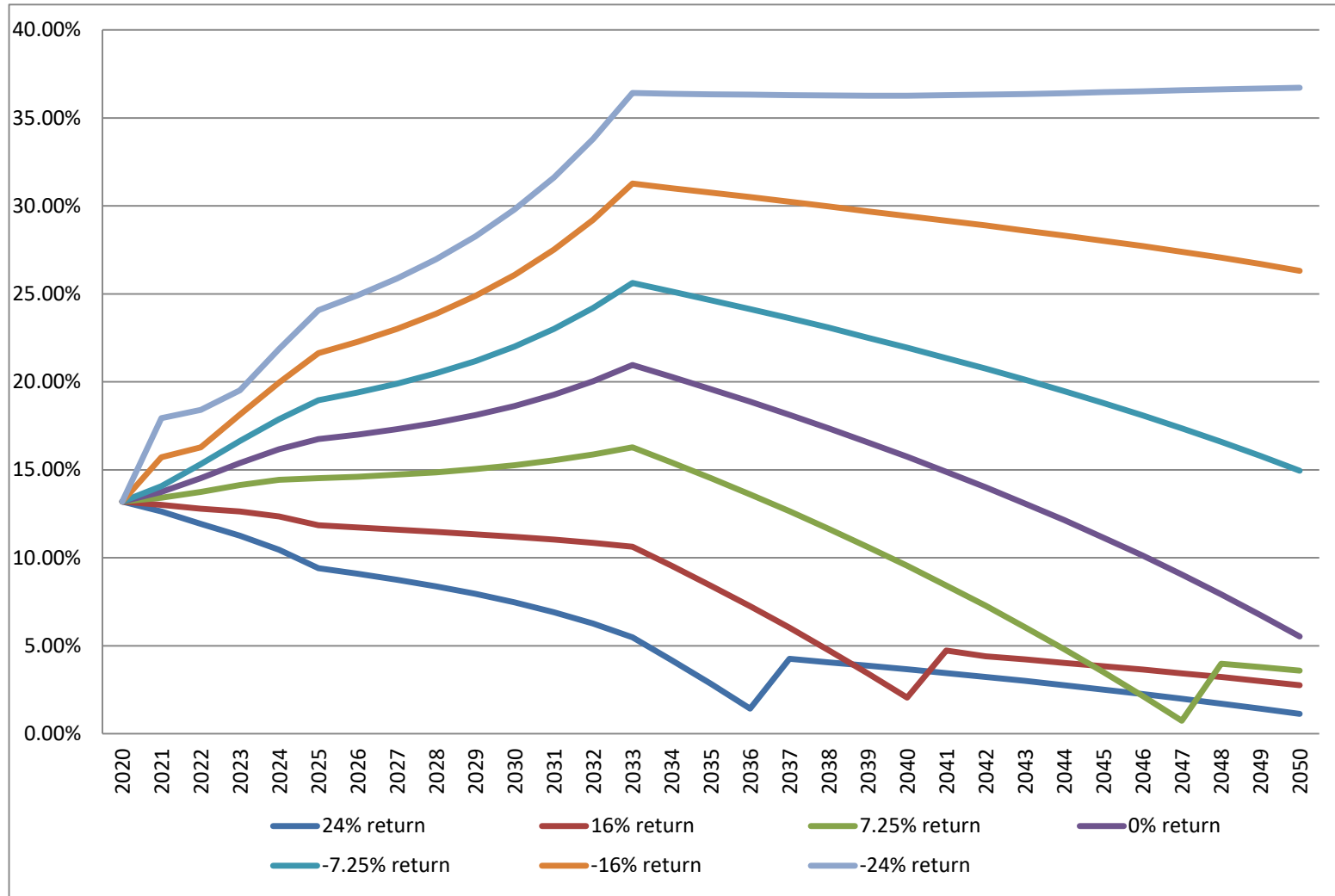
Projected Margin (AVA Basis)

Valuation Year	24% for FY2021	16% for FY2021	7.25% for FY2021	0% for FY2021	-7.25% for FY2021	-16% for FY2021	-24% for FY2021
2020	-0.44%	-0.44%	-0.44%	-0.44%	-0.44%	-0.44%	-0.44%
2021	0.12%	-0.25%	-0.66%	-0.99%	-1.32%	-2.96%	-5.18%
2022	0.83%	-0.04%	-0.99%	-1.78%	-2.57%	-3.52%	-5.66%
2023	1.50%	0.12%	-1.39%	-2.63%	-3.88%	-5.39%	-6.77%
2024	2.30%	0.40%	-1.68%	-3.41%	-5.13%	-7.21%	-9.12%
2025	3.35%	0.90%	-1.77%	-3.99%	-6.20%	-8.88%	-11.32%
2030	5.29%	1.56%	-2.51%	-5.88%	-9.25%	-13.32%	-17.05%
2035	9.92%	4.34%	-1.77%	-6.83%	-11.89%	-18.00%	-23.59%
2040	4.09%	10.70%	3.21%	-2.99%	-9.19%	-16.67%	-23.52%
2045	5.24%	3.91%	9.25%	1.60%	-6.04%	-15.27%	-23.71%
2050	6.63%	4.99%	4.17%	7.22%	-2.20%	-13.56%	-23.96%

* The projected margin is based on a 30-year closed period starting July 1, 2013. Once the period declines to 10 years remaining, the projected margin is based on a 10-year open period.

** If an overfunding exists, the surplus is amortized over a 30-year open period.

Projected ADC



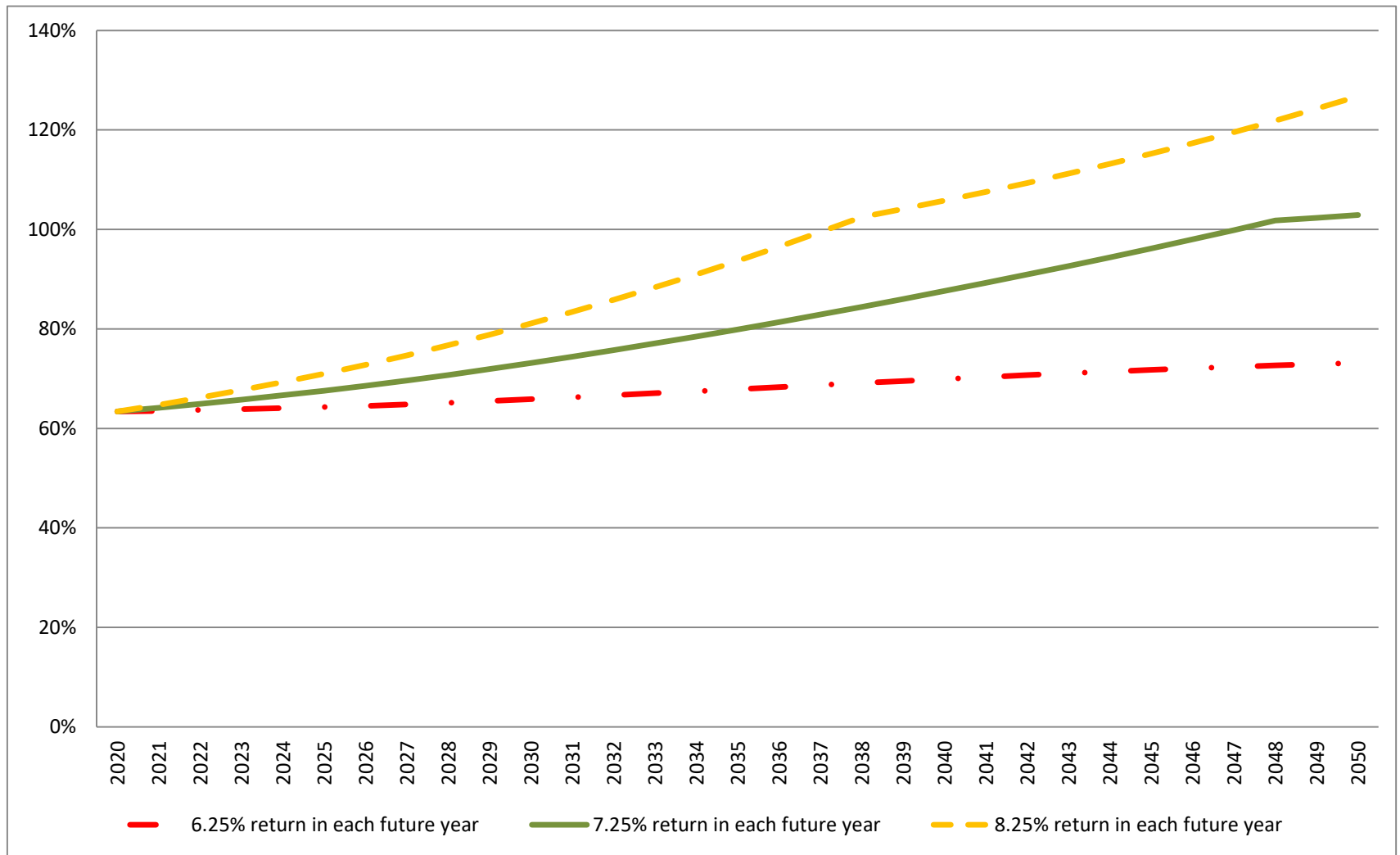
Projected ADC

Valuation Year	24% for FY2021	16% for FY2021	7.25% for FY2021	0% for FY2021	-7.25% for FY2021	-16% for FY2021	-24% for FY2021
2020	13.19%	13.19%	13.19%	13.19%	13.19%	13.19%	13.19%
2021	12.63%	13.00%	13.41%	13.74%	14.07%	15.71%	17.93%
2022	11.92%	12.79%	13.74%	14.53%	15.32%	16.27%	18.41%
2023	11.25%	12.63%	14.14%	15.38%	16.63%	18.14%	19.52%
2024	10.45%	12.35%	14.43%	16.16%	17.88%	19.96%	21.87%
2025	9.40%	11.85%	14.52%	16.74%	18.95%	21.63%	24.07%
2030	7.46%	11.19%	15.26%	18.63%	22.00%	26.07%	29.80%
2035	2.83%	8.41%	14.52%	19.58%	24.64%	30.75%	36.34%
2040	3.66%	2.05%	9.54%	15.74%	21.94%	29.42%	36.27%
2045	2.51%	3.84%	3.50%	11.15%	18.79%	28.02%	36.46%
2050	1.12%	2.76%	3.58%	5.53%	14.95%	26.31%	36.71%

* The projected ADC is based on a 30-year closed period starting July 1, 2013. Once the period declines to 10 years remaining, the projected ADC is based on a 10-year open period.

** If an overfunding exists, the surplus is amortized over a 30-year open period.

Projected Funded Ratios (MVA Basis) Actual Returns +1% or -1% of Assumed



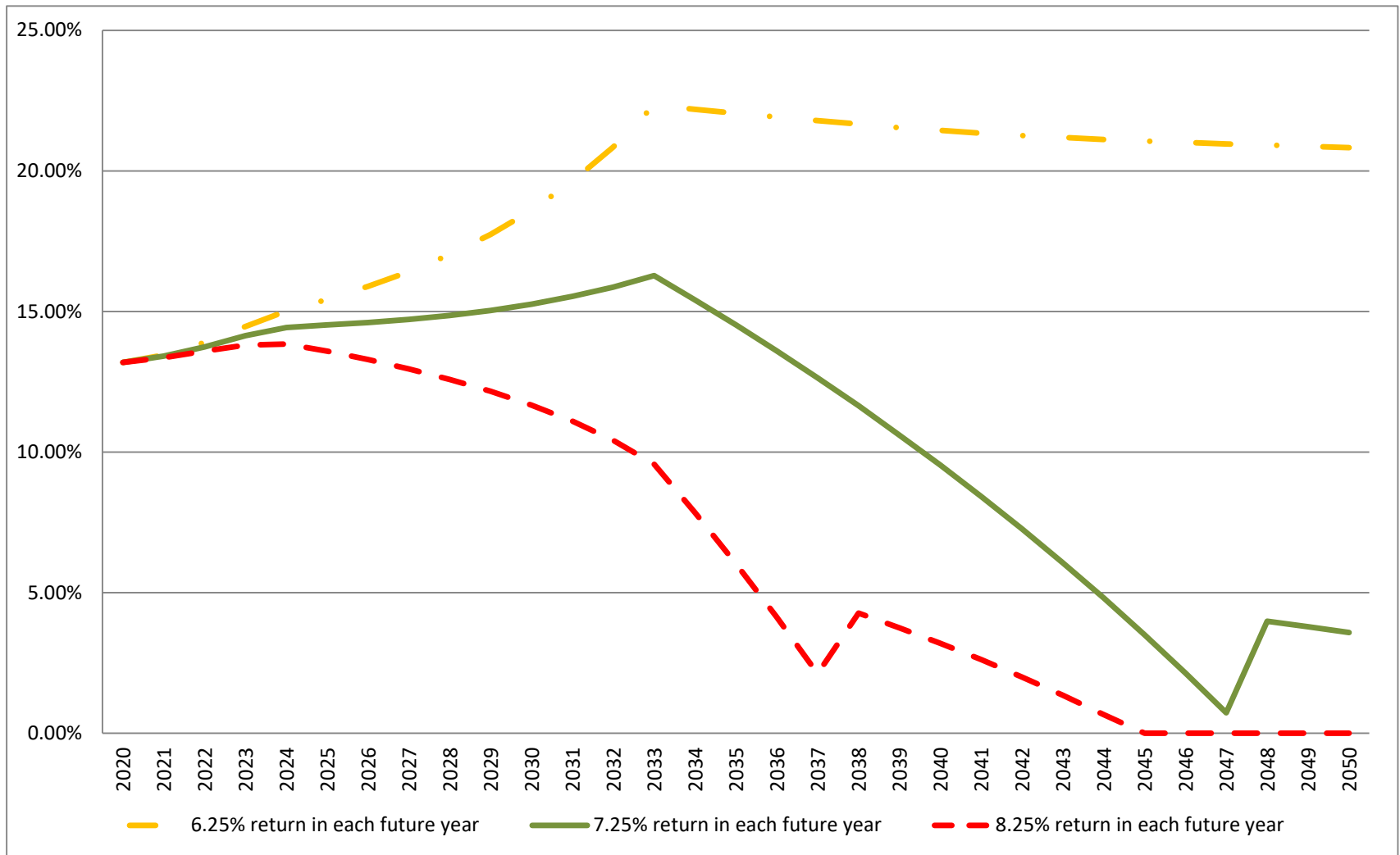
Projected Funded Ratios (MVA Basis)

Actual Returns +1% or -1% of Assumed

Valuation Year	6.25% Return in Each Future Year	7.25% Return in Each Future Year	8.25% Return in Each Future Year
2020	63%	63%	63%
2021	64%	64%	65%
2022	64%	65%	66%
2023	64%	66%	68%
2024	64%	67%	69%
2025	64%	68%	71%
2030	66%	73%	81%
2035	68%	80%	94%
2040	70%	88%	106%
2045	72%	96%	115%
2050	73%	103%	127%

Projected ADC

Actual Returns +1% or -1% of Assumed



Projected ADC

Actual Returns +1% or -1% of Assumed

Valuation Year	6.25% Return in Each Future Year	7.25% Return in Each Future Year	8.25% Return in Each Future Year
2020	13.19%	13.19%	13.19%
2021	13.45%	13.41%	13.36%
2022	13.90%	13.74%	13.59%
2023	14.47%	14.14%	13.80%
2024	15.02%	14.43%	13.84%
2025	15.43%	14.52%	13.59%
2030	18.60%	15.26%	11.67%
2035	22.05%	14.52%	6.03%
2040	21.44%	9.54%	3.20%
2045	21.06%	3.50%	0.00%
2050	20.83%	3.58%	0.00%

Next Steps

- Policy score based on 2019 valuation is +6
 - From November 25, 2019 presentation
- Update Policy score based on 2020 valuation and new assumptions
 - Present in Q1 2021

Appendix

Items

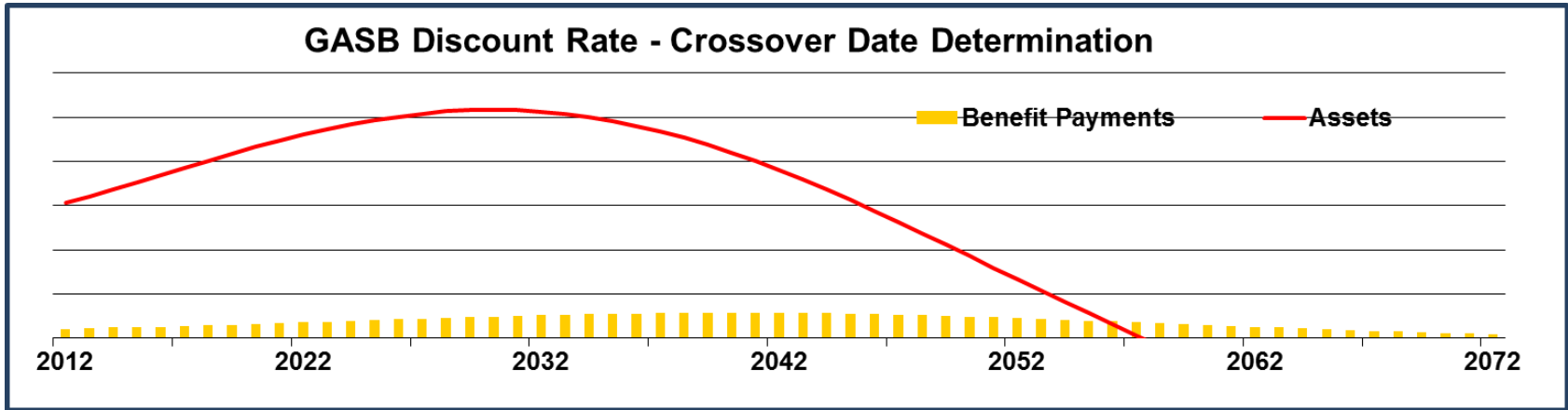
- GASB Accounting Information
- Assumption Changes
- Glossary

GASB Discount Rate

- Determined annually based on a projection of benefit payments and assets
 - Benefit payment projection is for current members
 - Asset projection is based on expected investment return assumption (7.25%) and contributions on behalf of current members
- If projected assets are always sufficient to pay projected benefit payments, the GASB discount rate is equal to the expected investment return assumption
- If not, a blended discount rate must be used
 - For projected benefit payments that are covered by projected assets, the expected return assumption is used
 - For projected benefit payments that are not covered by projected assets, the 2-year AA/Aa tax-exempt municipal bond index is used (2.21%).
 - The date at which projected assets are not sufficient to cover projected benefit payments is called the “crossover date”

GASB Discount Rate

- As an example, the graph below shows the crossover occurring in 2058 for a hypothetical plan.



- Determination if a plan has a crossover date depends on
 - The Fund's current funded ratio
 - Projected future contributions and benefit payments
 - Expected investment return
- As of July 1, 2020, TFFR does not have a crossover date

Net Pension Liability (\$ in millions)

Collective TFFR	June 30, 2019	June 30, 2020
Total Pension Liability at 7.75% (7.25% as of June 30, 2020)	\$3,993	\$4,181
Fiduciary Net Plan Position (i.e., MVA)	2,616	2,651
Net Pension Liability (NPL)	1,377	1,531
Sensitivity to changes in discount rate		
<ul style="list-style-type: none"> • 1% decrease at 6.75% (6.25% as of June 30, 2020) 	\$1,860	\$2,039
<ul style="list-style-type: none"> • Current discount rate at 7.75% (7.25% as of June 30, 2020) 	1,377	1,531
<ul style="list-style-type: none"> • 1% increase at 8.75% (8.25% as of June 30, 2020) 	976	1,108

Reconciliation of Collective Net Pension Liability

(\$ in millions)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of June 30, 2019	\$3,993	\$2,616	\$1,377
Changes for the year			
Service cost	81		81
Interest	307		307
Difference between expected and actual experience	(21)		(21)
Contributions – employer		93	(93)
Contributions – member		86	(86)
Contributions – purchased service credit and other		2	(2)
Net investment income		86	(86)
Benefit payments and refunds of contributions	(231)	(231)	-
Administrative expense		(2)	2
Changes of assumptions	52		52
Change of benefit terms	-		-
Net changes	<u>188</u>	<u>34</u>	<u>154</u>
Balance as of June 30, 2020	\$4,181	\$2,650	\$1,531

Note: numbers may not add due to rounding

Collective Pension Expense (\$ in millions)

	Year ending June 30, 2019	Year ending June 30, 2020
Service cost	\$78	\$81
Interest on the total pension liability	297	307
Projected earning on plan investments	(194)	(201)
Contributions – member	(82)	(86)
Contributions – purchased service credit and other	(2)	(2)
Administrative expense	2	2
Current year of recognition of:		
• Change of assumptions	24	32
• Difference between expected and actual experience	(8)	(11)
• Difference between projected and actual earning on pension plan investments	35	39
• Change of benefit terms	0	0
Total pension expense	\$149	\$161

Note: numbers may not add due to rounding

Changes in Actuarial Assumptions

- Active Retirement Rates:

Age	Unreduced Retirement				Reduced Retirement	
	Female		Male		Unisex	
	Prior Rate	New Rate	Current Rate	Proposed Rate	Prior Rate	New Rate
<55	15.0%	15.0%	15.0%	15.0%		
55	15.0%	15.0%	15.0%	15.0%	2.0%	2.0%
56	15.0%	15.0%	15.0%	15.0%	2.0%	2.0%
57	15.0%	15.0%	15.0%	15.0%	2.0%	3.0%
58	15.0%	15.0%	15.0%	15.0%	3.0%	3.5%
59	15.0%	15.0%	15.0%	15.0%	3.5%	4.0%
60	15.0%	15.0%	15.0%	15.0%	4.0%	5.0%
61	25.0%	25.0%	25.0%	30.0%	6.5%	9.0%
62	35.0%	30.0%	35.0%	30.0%	9.0%	10.0%
63	30.0%	30.0%	25.0%	25.0%	12.0%	11.0%
64	40.0%	40.0%	35.0%	35.0%	12.0%	12.0%
65	50.0%	35.0%	40.0%	30.0%		
66	40.0%	30.0%	30.0%	25.0%		
67	30.0%	20.0%	30.0%	25.0%		
68	30.0%	20.0%	25.0%	20.0%		
69	30.0%	20.0%	25.0%	20.0%		
70	25.0%	20.0%	25.0%	20.0%		
71	25.0%	20.0%	25.0%	20.0%		
72	25.0%	20.0%	25.0%	20.0%		
73	25.0%	20.0%	25.0%	20.0%		
74	25.0%	20.0%	25.0%	20.0%		
75	100.0%	100.0%	100.0%	100.0%		

If a member reaches eligibility for unreduced retirement before age 65 under the rule of 85 (Grandfathered Tier 1) or the Rule of 90/Age 60 (Non-grandfathered Tier 1 and Tier 2), [10.0% current / 12.5% proposed] is added to the rate at the age (and only this age) the member becomes first eligible for an unreduced retirement benefit

Changes in Actuarial Assumptions

- Salary Scale:

Years from Hire	Prior Total Salary Increase Rate	New Total Salary Increase Rate	Years from Hire	Prior Total Salary Increase Rate	New Total Salary Increase Rate
0	14.50%	14.80%	15	5.25%	4.80%
1	7.75%	6.80%	16	5.00%	4.55%
2	7.50%	6.55%	17	5.00%	4.55%
3	7.25%	6.30%	18	5.00%	4.55%
4	7.00%	6.30%	19	4.75%	4.30%
5	6.75%	5.80%	20	4.75%	4.30%
6	6.50%	5.80%	21	4.75%	4.30%
7	6.25%	5.55%	22	4.75%	4.30%
8	6.00%	5.55%	23	4.50%	4.05%
9	6.00%	5.30%	24	4.50%	4.05%
10	5.75%	5.30%	25	4.25%	4.05%
11	5.75%	5.30%	26	4.25%	4.05%
12	5.50%	5.05%	27	4.25%	4.05%
13	5.50%	5.05%	28	4.25%	4.05%
14	5.25%	4.80%	29	4.25%	4.05%
			30 and over	4.25%	3.80%

Changes in Actuarial Assumptions

- Termination Rates:

Years from Hire	Female		Male		Years from Hire	Female		Male	
	Prior Rate of Termination	New Rate of Termination	Prior Rate of Termination	New Rate of Termination		Prior Rate of Termination	New Rate of Termination	Prior Rate of Termination	New Rate of Termination
0	20.00%	15.00%	20.00%	15.00%	15	2.00%	1.75%	1.50%	1.50%
1	12.00%	11.00%	14.00%	13.00%	16	2.00%	1.75%	1.50%	1.50%
2	9.00%	9.50%	11.00%	11.00%	17	2.00%	1.50%	1.50%	1.50%
3	7.00%	7.50%	8.00%	8.00%	18	2.00%	1.50%	1.50%	1.50%
4	6.00%	6.00%	6.50%	6.00%	19	2.00%	1.25%	0.75%	0.75%
5	5.00%	5.50%	5.00%	5.25%	20	1.50%	1.25%	0.75%	0.75%
6	4.00%	4.50%	4.00%	4.00%	21	1.50%	1.25%	0.75%	0.75%
7	3.50%	4.00%	3.50%	3.75%	22	1.50%	1.25%	0.75%	0.75%
8	3.00%	2.75%	3.00%	3.00%	23	1.50%	1.00%	0.75%	0.75%
9	2.50%	2.75%	2.50%	2.50%	24	1.50%	1.00%	0.75%	0.75%
10	2.50%	2.50%	2.50%	2.50%	25	0.75%	0.75%	0.75%	0.75%
11	2.50%	2.50%	2.00%	2.00%	26	0.75%	0.75%	0.75%	0.75%
12	2.50%	2.50%	2.00%	2.00%	27	0.75%	0.75%	0.75%	0.75%
13	2.50%	2.25%	2.00%	2.00%	28	0.75%	0.75%	0.75%	0.75%
14	2.50%	2.25%	2.00%	1.50%	29	0.75%	0.75%	0.75%	0.75%

Glossary

Actuarial Accrued Liability For Actives: The equivalent of the accumulated Normal Costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Actuarial Cost Method: A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the Actuarially Determined Contribution.

Actuarial Gain or Actuarial Loss: A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuation dates. Through the Actuarial Assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the plan's assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the Actuarial Assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield in actuarial liabilities that are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.), multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Glossary

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the ADC and the NPL.

Actuarial Value of Assets (AVA): The value of the plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.

Actuarially Determined: Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Actuarially Determined Contribution (ADC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The ADC consists of the Employer Normal Cost and the Amortization Payment.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Glossary

Amortization Payment: The portion of the pension plan contribution, or ADC, that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Assumptions or Actuarial Assumptions: The estimates on which the cost of a plan is calculated including:

- (a) Investment return - the rate of investment yield that the plan will earn over the long-term future;
- (b) Mortality rates - the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates - the rate or probability of retirement at a given age;
- (d) Turnover rates - the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement;
- (e) Salary increase rates - the rates of salary increase due to inflation and productivity growth

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Glossary

Experience Study: A periodic review and analysis of the actual experience of a plan that may lead to a revision of one or more Actuarial Assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA.

Funding Period or Amortization Period: The term “Funding Period” is used in two ways. First, it is the period used in calculating the Amortization Payment as a component of the ADC. Second, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 67 and GASB 68: Governmental Accounting Standards Board Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.

Investment Return: The rate of earnings of a plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the plan’s assets. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

Margin: The difference, whether positive or negative, between the statutory employer contribution rate and the Actuarially Determined Contribution.

Net Pension Liability (NPL): The Net Pension Liability is equal to Total Pension Liability minus Plan Fiduciary Net Position.

Glossary

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability, or retirement.

Open Amortization Period: An Open Amortization Period is one that is used to determine the Amortization Payment, but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period with level percentage of payroll is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never decrease, but will become smaller each year, in relation to covered payroll, if the Actuarial Assumptions are realized.

Plan Fiduciary Net Position: GASB term for the market value of assets.

Total Pension Liability (TPL): The actuarial accrued liability based on the blended discount rate as described in GASB 67/68.

Unfunded Actuarial Accrued Liability (UAAL): The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Caveats

This presentation is based on the results of the July 1, 2020, actuarial valuation performed for the Board of Trustees of the North Dakota Teachers' Fund for Retirement. The actuarial valuation report has information on the plan provisions, data, methods and assumptions used in the valuation. Use of the information in this presentation is subject to the caveats described in that document. The measurements in this presentation may not be appropriate for purposes other than those described in the actuarial valuation report.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on our proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models and reviews test lives and results, under the supervision of the responsible actuary.

North Dakota Teachers' Fund for Retirement

Actuarial Valuation and Review as of July 1, 2020



This report has been prepared at the request of the Board of Trustees to assist in administering the North Dakota Teachers' Fund for Retirement. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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October 26, 2020

Board of Trustees
North Dakota Teachers' Fund for Retirement
3442 East Century Avenue
Bismarck, ND 58507-7100

Dear Trustees:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Teachers' Fund for Retirement (TFFR) as of July 1, 2020.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion the results presented also comply with the State Code, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board (GASB). The undersigned are independent actuaries. All are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and are experienced in performing valuations for large public retirement systems. They meet the Qualification Standards of the American Academy of Actuaries.

ACTUARIAL VALUATION

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of TFFR, and to analyze changes in TFFR's financial condition. In addition, the report provides information required by TFFR in connection with Governmental Accounting Standards Board Statement No. 67 (GASB 67) and it provides various summaries of the data. Valuations are prepared annually, as of July 1 of each year, the first day of TFFR's plan and fiscal year.

FINANCING OBJECTIVES

The member and employer contribution rates are established by statute. Member and employer rates are 11.75% and 12.75%, respectively. The 11.75% member contribution rate and 12.75% employer contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the employer and member contribution rates will revert to 7.75%. The rates are intended

to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial liability (UAAL) over a period of 24 years beginning July 1, 2020, although at any given time, the statutory rates may be insufficient.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

In order to determine the adequacy of the 12.75% statutory employer contribution rate, it is compared to the actuarially determined contribution (ADC). The ADC is equal to the sum of (a) the employer normal cost rate and (b) the level percentage of pay required to amortize the UAAL over the 30-year closed period that began July 1, 2013 (23 years remaining as of July 1, 2020). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2020, the ADC is 13.19% compared to 12.84% last year. This is greater than the 12.75% rate currently required by law. The increase in ADC is driven by unfavorable investment experience and the change in the investment return assumption from 7.75% to 7.25%, partially offset by the changes in various demographic assumptions.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio as of July 1, 2020 is 65.7%, compared to 66.0% as of July 1, 2019. Based on the market value of assets rather than the actuarial value of assets, the funded ratio decreased to 63.4% compared to 65.5% last year.

The Plan has a net investment loss of \$94.5 million from previous years that has not yet been recognized in the actuarial value of assets because of the five-year smoothing. This unrecognized asset loss is due to market losses during FY 2019 and FY 2020 offset by market gains in FY 2017 and FY 2018. As these losses are recognized over the next four years, the funded ratio is expected to slightly decrease, assuming the plan earns 7.25% in the future.

REPORTING CONSEQUENCES

TFFR is required to disclose certain annual information in its Comprehensive Annual Financial Report (CAFR), including the Net Pension Liability (NPL), the sensitivity of the NPL to changes in the discount rate, a schedule of changes in NPL, and a comparison of actual contributions to the ADC. The State and the school districts need to comply with GASB 68, which also requires disclosure of certain actuarial information in their financial statements. This information will be provided in a separate report.

BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. These have not changed from the prior valuation.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Plan's actuary. In March 2020, the Board adopted new assumptions, effective for the July 1, 2020, valuation. In our opinion, the actuarial assumptions as approved by the Board are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience of the Plan. The actuarial assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice.

Effective with the July 1, 2013, actuarial valuation, the Trustees adopted an Actuarial Funding Policy, which provides direction on how to calculate an actuarially determined contribution. The actuarially determined contribution is compared to statutory contribution rates as a measure of funding adequacy.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates, and funding periods.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

DATA

Member data for retired, active, and inactive participants was supplied as of July 1, 2020, by the staff of the Retirement Office. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was also supplied by the staff. That assistance is gratefully acknowledged.

Sincerely,
Segal



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



Matthew A. Strom, FSA, MAAA, EA
Senior Vice President and Actuary



Tatsiana Dybal, FSA, MAAA, EA
Senior Actuary

Table of Contents

Section 1: Actuarial Valuation Summary	7
Purpose and Basis	7
Valuation Highlights	8
Summary of Key Valuation Results.....	11
Important Information about Actuarial Valuations.....	12
Section 2: Actuarial Valuation Results.....	14
Member Data.....	14
Financial Information	22
Actuarial Experience.....	25
Actuarially Determined Contribution.....	33
Schedule of Funding Progress through June 30, 2020	35
Risk	39
GFOA Solvency Test.....	43
Section 3: Supplemental Information.....	47
Exhibit A: Table of Plan Coverage	49
Exhibit B: Members in Active Service as of June 30, 2020 by Age, Years of Service, and Average Payroll	50
Exhibit C.1: Schedule of Annuitants by Type of Benefit as of July 1, 2020	51
Exhibit C.2: Schedule of Annuitants by Monthly Benefit as of July 1, 2020	52
Exhibit D: Reconciliation of Member Data.....	53
Exhibit E: Summary Statement of Income and Expenses on a Market Value Basis	54
Exhibit F: Summary Statement of Plan Assets.....	55
Exhibit G: Development of the Fund through June 30, 2020	56
Exhibit H: Definition of Pension Terms.....	57

Table of Contents

Section 4: Actuarial Valuation Basis.....	61
Exhibit I: Actuarial Assumptions and Actuarial Cost Method	61
Exhibit II: Summary of Plan Provisions	66
Exhibit III: Summary of Plan Changes	70
Section 5: GASB Information	74
Exhibit 1: Net Pension Liability.....	74
Exhibit 2: Schedule of Changes in Net Pension Liability	77
Exhibit 3: Schedule of Employer Contributions	78

Actuarial Valuation Summary

Purpose and Basis

This report was prepared by Segal to present a valuation of the Plan as of July 1, 2020. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits and to provide information for required disclosures under Governmental Accounting Standards Board (GASB) Statement No. 67. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

Certain disclosure information required by GASB Statements 67 and 68 as of July 1, 2020, for TFFR is provided in a separate report.

The contribution requirements presented in this report are based on:

- The benefit provisions set forth in the North Dakota Century Code, as administered by the TFFR Board of Trustees;
- The characteristics of covered active members, inactive members, and retirees and beneficiaries as of July 1, 2020, provided by the North Dakota Retirement and Investment Office;
- The assets of the Plan as of June 30, 2020, provided by the North Dakota Retirement and Investment Office;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.; and
- The funding policy adopted by the TFFR Board of Trustees.

Section 1: Actuarial Valuation Summary

Valuation Highlights

1. Segal strongly recommends an actuarial funding method that targets 100% funding of the actuarial accrued liability. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability and the principal balance. The funding policy adopted by the TFFR meets this standard.
2. The total contributions made during the fiscal year ending July 1, 2020, under the North Dakota Century Code is equal to 12.75% of payroll for employers. Compared to the actuarially determined contribution of 13.19% of payroll, there is a contribution deficiency of 0.44% of payroll as of July 1, 2020. The actuarially determined contribution rate defined by the Plan's funding policy is based on a 23-year, level percent of payroll amortization of the unfunded actuarial accrued liability. The employer statutory contribution rate of 12.75% results in an effective amortization period of 24 years, which is one year greater than the Plan's funding policy amortization period.
3. Actual employer contributions made during the fiscal year ending June 30, 2020, were \$93,032,453, which is 99.3% of the actuarially determined contribution (ADC). In the prior fiscal year, actual contributions were \$89,444,881, which is 98.5% of the prior year ADC.
4. The funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2020, is 65.7%, compared to 66.0% as of July 1, 2019. This ratio is one measure of funding status, and its history is a measure of funding progress. These measurements are not necessarily appropriate for assessing the sufficiency of the Plan's assets to cover the estimated cost of settling the Plan's benefit obligation.
5. For the year ended June 30, 2020, Segal has determined that the asset return on a market value basis was 3.3%. After gradual recognition of investment gains and losses under the actuarial smoothing method, the actuarial rate of return was 6.2%. This represents an experience loss when compared to the assumed rate of 7.75%. As of June 30, 2020, the actuarial value of assets (\$2.75 billion) represented 103.6% of the market value of assets (\$2.65 billion).
6. The portion of deferred investment gains and losses recognized during the calculation of the July 1, 2020, actuarial value of assets contributed to a loss of \$40.9 million. The demographic and liability experience resulted in a \$21.6 million gain.
7. As mentioned above, the current method used to determine the actuarial value of assets yields an amount that is 103.6% of the market value of assets as of June 30, 2020. 103.6% falls within the 20% corridor, so no further adjustment to the actuarial value of assets is necessary. Guidelines in Actuarial Standard of Practice No. 44 (Selection and Use of Asset Valuation Methods for Pension Valuations) recommend that asset values fall within a reasonable range around the corresponding market value. The actuarial asset method complies with these guidelines.
8. Effective with the July 1, 2020 actuarial valuation, the Board adopted several assumption changes, including the following:
 - Investment return assumption lowered from 7.75% to 7.25%;

Section 1: Actuarial Valuation Summary

- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The net impact of the assumption changes was an increase in the actuarial accrued liability of \$51.8 million, an increase in the actuarially determined contribution of 0.40%, and an increase in the effective amortization period of 1 year.

9. When measuring pension liability for GASB purposes, the same actuarial cost method (Entry Age Normal) is used to determine the funded status of the Plan, the actuarially determined contribution rate, and the effective amortization period. In addition, the GASB blended discount rate calculation results in the same discount rate (expected return on assets) as used for funding purposes (7.25%). This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding. We note that the same is true for the Normal Cost component of the annual plan cost for funding and financial reporting.
10. The Net Pension Liability (NPL) is equal to the difference between the Total Pension Liability (TPL) and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is the same as the Unfunded Actuarial Accrued Liability on a market value basis. The NPL increased from \$1,377,253,104 as of June 30, 2019, to \$1,530,503,462 as of June 30, 2020.
11. The Fund's net cash flow (contributions minus benefit payments, refunds, and expenses) as a percentage of the market value of assets is -2.0% as of June 30, 2020, compared to -1.9% as of June 30, 2019. The decrease in net cash flow is primarily due to the growth of benefit payments and expenses. It is not unusual for a mature pension system to operate with minor negative cash flow as returns on investments generally exceed the net cash outflow and assets continue to rise. However, as the degree of negative cash flow increases, the plan's vulnerability to investment market volatility increases.
12. This actuarial report as of July 1, 2020, is based on financial and demographic data as of that date. Changes subsequent to that date are not reflected and will affect future actuarial costs of the plan.

Section 1: Actuarial Valuation Summary

13. Since the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. We have included a discussion of various risks that may affect the plan in Section 2.

Section 1: Actuarial Valuation Summary

Summary of Key Valuation Results

		2020	2019
Statutory	• Member rate	11.75%	11.75%
Contributions for fiscal year beginning	• Employer rate	12.75%	12.75%
	• Actuarially determined contribution rate	13.19%	12.84%
July 1:	• Margin/(deficit)	-0.44%	-0.09%
Actuarial accrued liability for plan year beginning July 1:	• Retired participants and beneficiaries	\$2,397,641,558	\$2,314,016,956
	• Inactive vested members	111,740,262	99,848,736
	• Active members	1,659,845,094	1,569,647,281
	• Inactive members due a refund of employee contributions	11,808,849	9,911,187
	• Total	4,181,035,763	3,993,424,160
	• Normal cost including administrative expenses for plan year beginning July 1	92,321,533	\$85,956,750
Assets for plan year beginning July 1:	• Market value of assets (MVA)	\$2,650,532,301	\$2,616,171,056
	• Actuarial value of assets (AVA)	2,745,012,472	2,635,557,447
	• Actuarial value of assets as a percentage of market value of assets	103.6%	100.7%
Funded status for plan year beginning July 1:	• Unfunded/(overfunded) actuarial accrued liability on market value of assets	\$1,530,503,462	\$1,377,253,104
	• Funded percentage on MVA basis	63.4%	65.5%
	• Unfunded/(overfunded) actuarial accrued liability on actuarial value of assets	\$1,436,023,291	\$1,357,866,713
	• Funded percentage on AVA basis	65.7%	66.0%
	• Effective amortization period on an AVA basis	24 years	24 years
GASB information	• Discount rate	7.25%	7.75%
	• Total pension liability	\$4,181,035,763	\$3,993,424,160
	• Plan fiduciary net position	2,650,532,301	2,616,171,056
	• Net pension liability	\$1,530,503,462	\$1,377,253,104
	• Plan fiduciary net position as a percentage of total pension liability	63.4%	65.5%
Demographic data for plan year beginning July 1:	• Number of retired participants and beneficiaries	9,036	8,918
	• Number of inactive vested members	1,715	1,657
	• Number of inactive members due a refund of employee contributions	1,132	1,035
	• Number of active members	11,347	11,175
	• Total payroll supplied by System, annualized	\$711,039,756	\$680,481,816
	• Average payroll supplied by System, annualized	62,663	60,893
Gains/(losses)	• Asset experience	(\$40,946,816)	(\$34,821,389)
	• Liability experience	21,402,580	24,138,806
	• Administrative expenses	233,390	(59,112)
	• Assumption/method changes	<u>(51,813,028)</u>	<u>0</u>
	• Total gain/(loss)	(\$71,123,874)	(\$10,741,695)

Section 1: Actuarial Valuation Summary

Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The actuarial valuation is prepared at the request of the System. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

Actuarial results in this report are not rounded, but that does not imply precision.

If TFFR is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The State should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

Actuarial Valuation Results

Member Data

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive vested members, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in *Section 3, Exhibits A, B, C and D.*

Member Population: 2011 – 2020

Year Ended June 30	Active Members	Inactive Vested Members	Inactive Non- vested Members	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives ¹
2011	10,004	1,463	407	6,933	0.84
2012	10,014	1,483	468	7,151	0.86
2013	10,138	1,500	563	7,489	0.89
2014	10,305	1,509	661	7,747	0.90
2015	10,514	1,607	660	8,025	0.92
2016	10,813	1,601	779	8,249	0.91
2017	10,874	1,600	878	8,501	0.93
2018	10,881	1,623	971	8,743	0.95
2019	11,175	1,657	1,035	8,918	0.95
2020	11,347	1,715	1,132	9,036	0.95

¹ Excluding inactive non-vested members

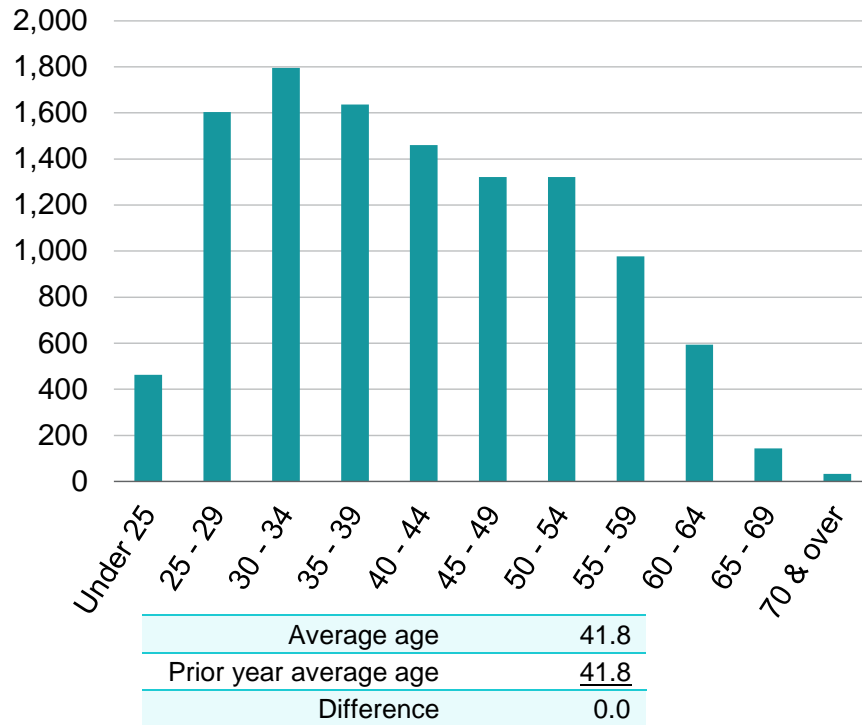
Section 2: Actuarial Valuation Results

Active Members

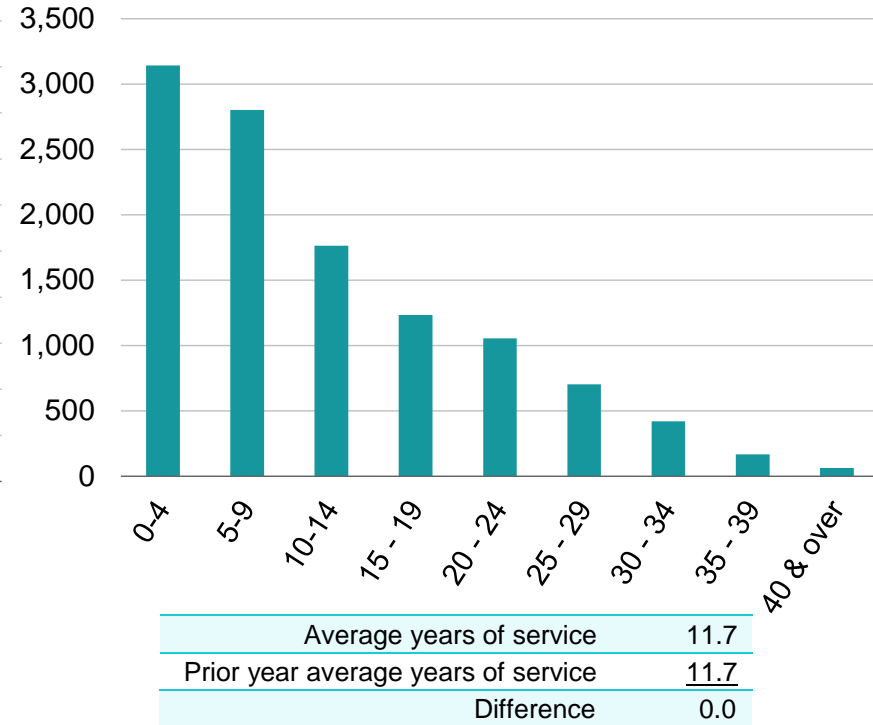
Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 11,347 active members with an average age of 41.8 and average years of service of 11.7 years. The 11,175 active members in the prior valuation had an average age of 41.8 and average service of 11.7 years.

Distribution of Active Members as of June 30, 2020

Actives by Age



Actives by Years of Service

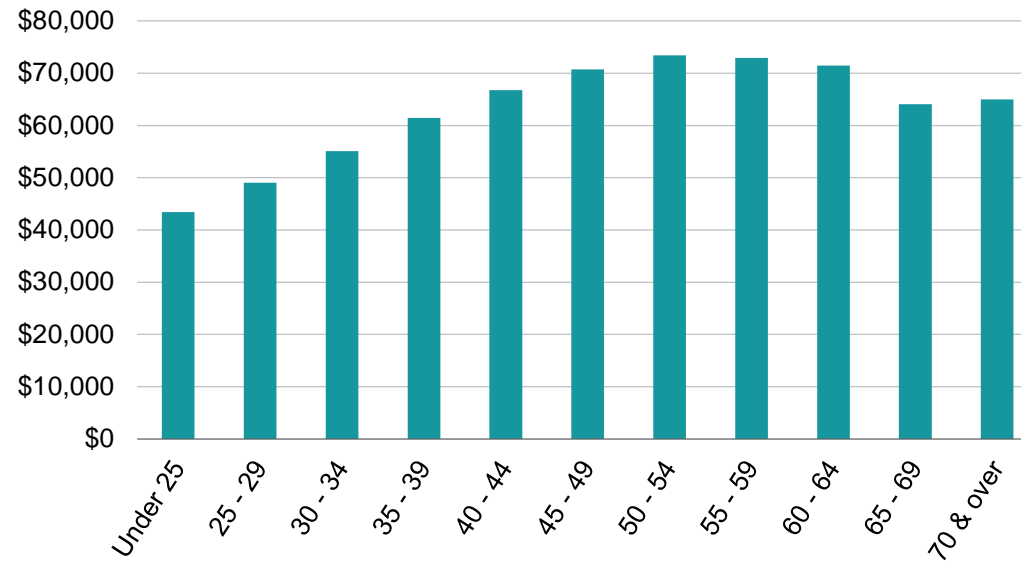


Section 2: Actuarial Valuation Results

In this year's valuation, the 11,347 active members have an average compensation of \$62,663. The 11,175 active members in the prior valuation had an average compensation of \$60,893.

Distribution of Active Members as of June 30, 2020

Average Compensation of Actives by Age



Section 2: Actuarial Valuation Results

Inactive Members

In this year's valuation, there were 1,715 members with a vested right to a deferred or immediate vested benefit.

In addition, there were 1,132 members entitled to a return of their employee contributions.

Section 2: Actuarial Valuation Results

Retired Participants and Beneficiaries

As of July 1, 2020, 8,218 retired participants and 818 beneficiaries were receiving total monthly benefits of \$19,116,138. For comparison, in the previous valuation, there were 8,146 retired participants and 772 beneficiaries receiving monthly benefits of \$18,434,913.

Distribution of Retirees and Beneficiaries as of June 30, 2020

Pensioners by Type and Monthly Amount



Pensioners by Type and Age

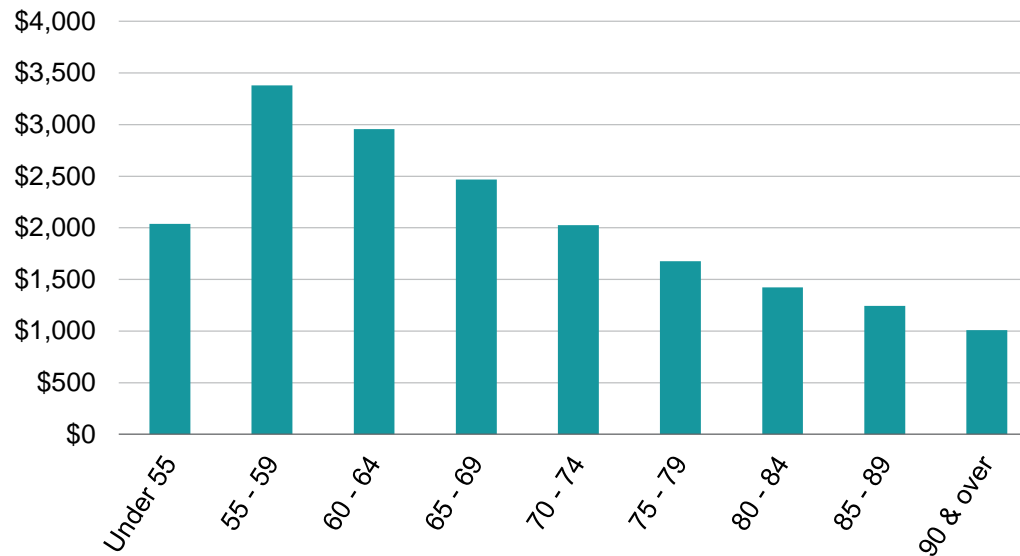


Section 2: Actuarial Valuation Results

As of July 1, 2020, the average monthly benefit for retirees and beneficiaries is \$2,116, compared to \$2,067 in the previous valuation. The average age for retirees and beneficiaries is 72.6 in the current valuation, compared with 72.2 in the prior valuation.

Distribution of Retirees and Beneficiaries as of June 30, 2020

Average Monthly Amount of Retirees and Beneficiaries by Age



Section 2: Actuarial Valuation Results

Historical Plan Population

The chart below demonstrates the progression of the active population over the last 20 years.

Active Member Data Statistics: 2001 – 2020

As of July 1	Active Members		Total Payroll Supplied by System, Annualized		Average Salary		Average Age	Average Service
	Number	Percent Change	Amount in \$ Millions	Percent Change	\$ Amount	Percent Change		
2001	10,239	2.1%	\$342.2	5.9%	\$33,421	3.7%	44.4	14.4
2002	9,931	-3.0%	348.1	1.7%	35,052	4.9%	44.5	14.4
2003	9,916	-0.2%	367.9	5.7%	37,105	5.9%	44.8	14.6
2004	9,826	-0.9%	376.5	2.3%	38,321	3.3%	44.9	14.7
2005	9,801	-0.3%	386.6	2.7%	39,447	2.9%	44.9	14.7
2006	9,585	-2.2%	390.1	0.9%	40,703	3.2%	44.8	14.6
2007	9,599	0.1%	401.3	2.9%	41,810	2.7%	44.7	14.5
2008	9,561	-0.4%	417.7	4.1%	43,684	4.5%	44.6	14.4
2009	9,707	1.5%	440.0	5.3%	45,327	3.8%	44.5	14.3
2010	9,907	2.1%	465.0	5.7%	46,937	3.6%	44.2	14.0
2011	10,004	1.0%	488.8	5.1%	48,857	4.1%	43.9	13.8
2012	10,014	0.1%	505.3	3.4%	50,458	3.3%	43.7	13.7
2013	10,138	1.2%	526.7	4.2%	51,953	3.0%	43.2	13.2
2014	10,305	1.6%	557.2	5.8%	54,073	4.1%	42.9	12.8
2015	10,514	2.0%	589.8	5.8%	56,095	3.7%	42.5	12.4
2016	10,813	2.8%	627.0	6.3%	57,986	3.4%	42.3	12.1
2017	10,874	0.6%	650.1	3.7%	59,780	3.1%	42.1	11.9
2018	10,881	0.1%	653.5	0.5%	60,055	0.5%	41.9	11.8
2019	11,175	2.7%	680.5	4.1%	60,893	1.4%	41.8	11.7
2020	11,347	1.5%	711.0	4.5%	62,663	2.9%	41.8	11.7

Section 2: Actuarial Valuation Results

The chart below shows the growth among the retired population over the last 10 years.

Service Retirees Data Statistics: 2011 – 2020

As of July 1	Service Retirees		Average Annual Amount		Average Age
	Number	Percent Change	\$ Amount	Percent Change	
2011	6,252	3.7%	\$19,990	2.8%	70.7
2012	6,448	3.1%	20,739	3.7%	70.8
2013	6,754	4.7%	21,462	3.5%	70.8
2014	6,991	3.5%	22,230	3.6%	70.9
2015	7,250	3.7%	22,976	3.4%	71.0
2016	7,435	2.6%	23,593	2.7%	71.3
2017	7,664	3.1%	24,352	3.2%	71.5
2018	7,877	2.8%	25,187	3.4%	71.7
2019	8,019	1.8%	25,887	2.8%	72.0
2020	8,091	0.9%	26,531	2.5%	72.3

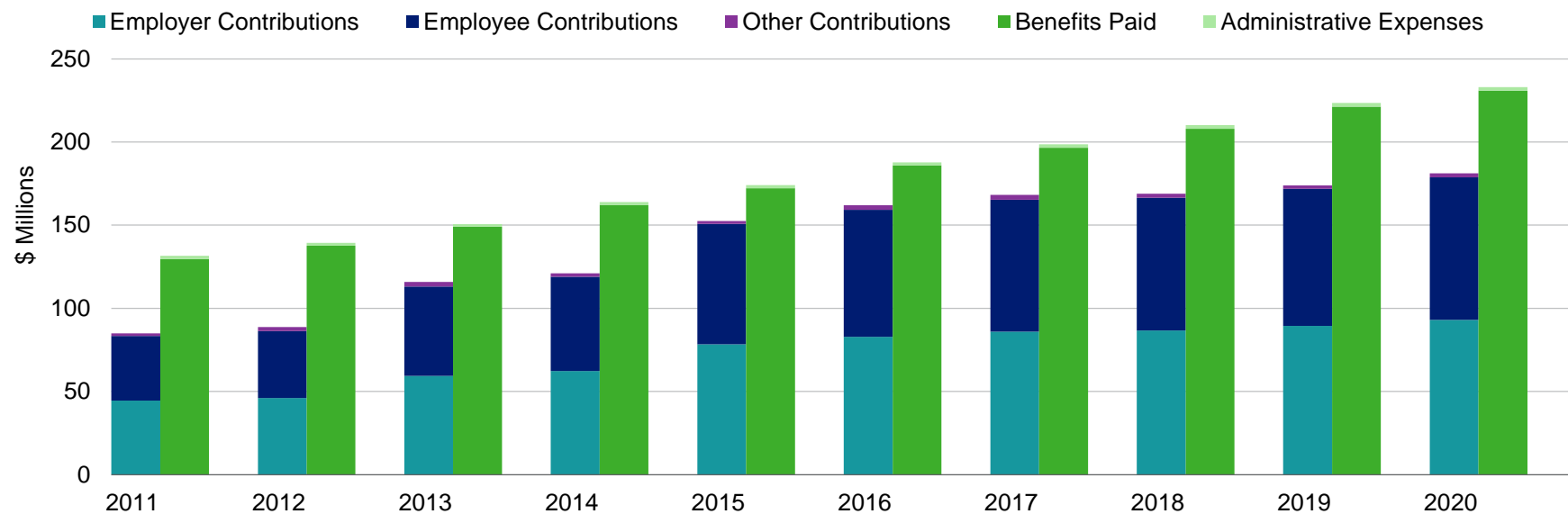
Section 2: Actuarial Valuation Results

Financial Information

Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and investment earnings (less investment fees) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits E, F and G*.

Comparison of Contributions with Benefits and Expenses
for Years Ended June 30, 2011 – 2020



Section 2: Actuarial Valuation Results

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Determination of Actuarial Value of Assets for Year Ended June 30, 2020, and June 30, 2019

		2020		2019	
1	Market value of assets		\$2,650,532,301		\$2,616,171,056
2	Calculation of unrecognized return ¹	Original Amount²	Percent Deferred	Percent Deferred	
	(a) Year ended June 30, 2020	-\$114,538,151	80%		-\$91,630,521
	(b) Year ended June 30, 2019	-59,163,355	60%	80%	-\$47,330,684
	(c) Year ended June 30, 2018	30,002,998	40%	60%	18,001,800
	(d) Year ended June 30, 2017	103,235,815	20%	40%	41,294,326
	(e) Year ended June 30, 2016	-156,759,166	0%	20%	<u>-31,351,833</u>
	(f) Total unrecognized return				-\$94,480,171
3	Actuarial value of assets: (3) + (4)		<u>2,745,012,472</u>		<u>\$2,635,557,447</u>
4	Actuarial value as a percentage of market value: (3) ÷ (1)		103.6%		<u>100.7%</u>

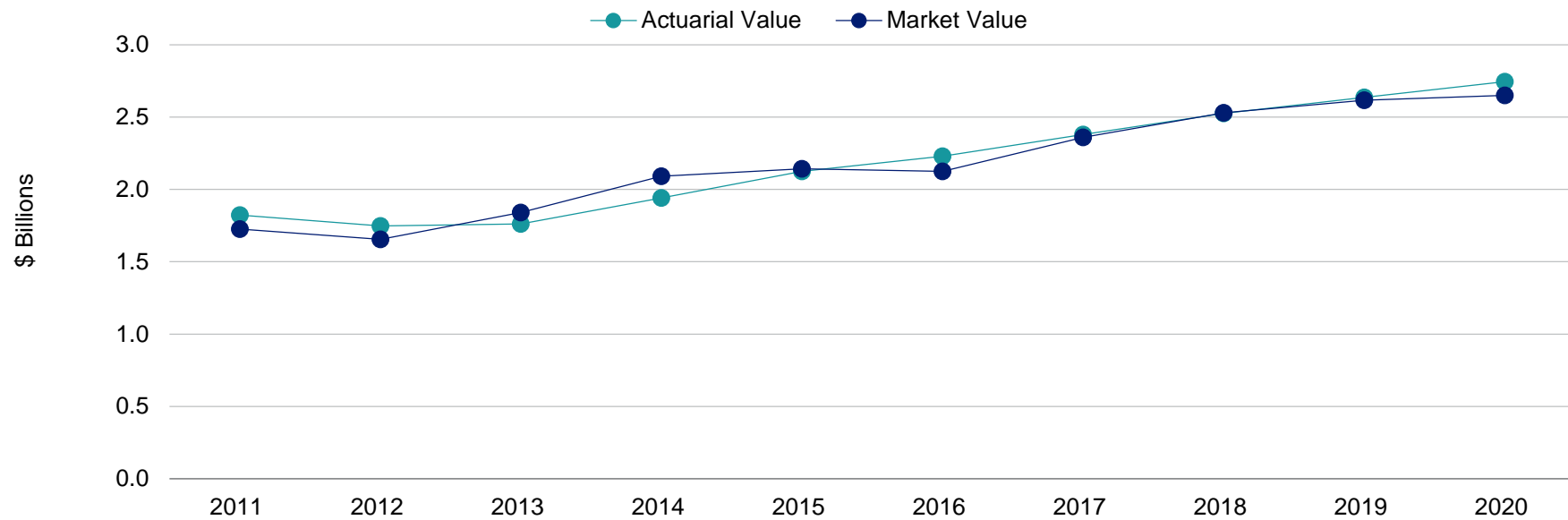
¹ Recognition at 20% per year over five years

² Total return minus expected return on a market value basis

Section 2: Actuarial Valuation Results

Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2011 – 2020



Section 2: Actuarial Valuation Results

Actuarial Experience

To calculate any actuarially determined contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), any contribution requirement will decrease from the previous year. On the other hand, any contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year of experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total loss is \$19,310,845, which includes \$40,946,816 from investment losses and \$21,635,971 in gains from all other sources. The net experience variation from individual sources other than investments was 0.5% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

Actuarial Experience for Year Ended June 30, 2020

1	Net gain/(loss) from investments ¹	-\$40,946,816
2	Net gain/(loss) from administrative expenses	233,390
3	Net gain/(loss) from other experience	21,402,581
4	Net experience gain/(loss): 1 + 2 + 3	-\$19,310,845

¹ Details on next page

Section 2: Actuarial Valuation Results

Investment Experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan's investment policy. The rate of return on the market value of assets was 3.33% for the year ended June 30, 2020.

For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.75%. The actual rate of return on an actuarial basis for the 2020 plan year was 6.18%. Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended June 30, 2020, with regard to its investments.

Investment Experience

	Year Ended June 30, 2020		Year Ended June 30, 2019	
	Market Value	Actuarial Value	Market Value	Actuarial Value
1 Value of assets at the beginning of year	\$2,616,171,056	\$2,635,557,447	\$2,530,657,411	\$2,526,058,269
2 Contributions during the fiscal year	181,101,767	181,101,767	173,949,975	173,949,975
3 Benefits and expense during the fiscal year	232,946,639	232,946,639	223,479,649	223,479,649
4 Value of assets at end of year	2,650,532,301	2,745,012,472	2,616,171,056	2,635,557,447
5 Net investment income: 4 – 1 – 2 + 3	\$86,206,117	\$161,299,897	\$135,043,319	\$159,028,852
6 Average value of assets: 1 + [2 – 3] x ½	\$2,590,248,620	\$2,609,635,011	\$2,505,892,574	\$2,501,293,432
7 Rate of return: 5 ÷ 6	3.33%	6.18%	5.39%	6.36%
8 Assumed rate of return	7.75%	7.75%	7.75%	7.75%
9 Expected investment income: 6 x 8	\$200,744,268	\$202,246,713	\$194,206,674	\$193,850,241
10 Actuarial gain/(loss): 5 – 9	<u>-\$114,538,151</u>	<u>-\$40,946,816</u>	<u>-\$59,163,355</u>	<u>-\$34,821,389</u>

Section 2: Actuarial Valuation Results

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the actual market value investment return for the last 30 years, including averages over select time periods.

Investment Return – Actuarial Value vs. Market Value: 1991 - 2020

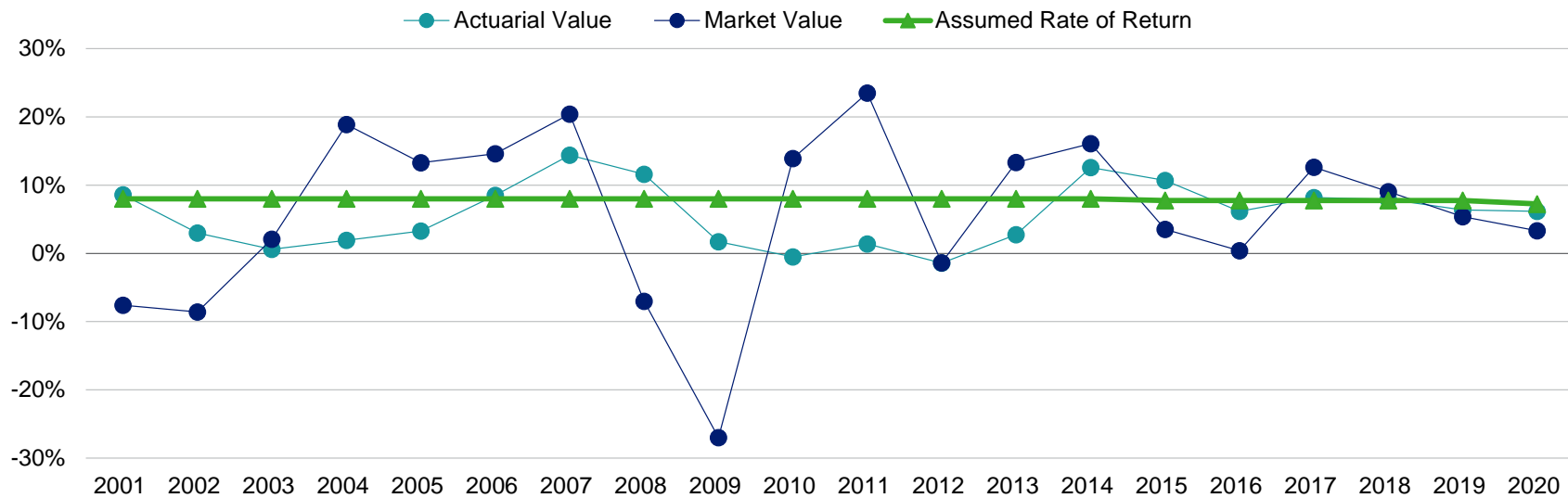
Year Ended June 30	Market Value	Actuarial Value	Year Ended June 30	Market Value	Actuarial Value	Year Ended June 30	Market Value	Actuarial Value	
1991	7.5%	5.8%	2001	-7.6%	8.6%	2011	23.5%	1.4%	
1992	12.4	6.5	2002	-8.6	3.0	2012	-1.4	-1.4	
1993	14.7	8.1	2003	2.1	0.6	2013	13.4	2.7	
1994	1.2	7.0	2004	18.9	1.9	2014	16.1	12.6	
1995	13.6	9.1	2005	13.3	3.3	2015	3.5	10.7	
1996	15.6	11.3	2006	14.6	8.5	2016	0.4	6.2	
1997	18.5	12.6	2007	20.4	14.4	2017	12.6	8.2	
1998	13.2	12.6	2008	-7.0	11.6	2018	9.0	7.9	
1999	11.5	13.5	2009	-27.0	1.7	2019	5.4	6.4	
2000	11.6	13.3	2010	13.9	-0.5	2020	3.3	6.2	
							Most recent five-year average return	6.1%	7.0%
							Most recent ten-year average return	8.3%	6.0%
							Most recent 15-year average return	5.9%	6.3%
							Most recent 20-year average return	5.2%	5.6%
							Most recent 30-year average return	7.4%	7.0%

Note: Each year's yield is weighted by the average asset value in that year.

Section 2: Actuarial Valuation Results

As described earlier in this section, the actuarial asset valuation method gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

Market and Actuarial Rates of Return for Years Ended June 30, 2001 - 2020



Section 2: Actuarial Valuation Results

Administrative Expenses

- Administrative expenses for the year ended June 30, 2020, totaled \$2,095,405, as compared to the assumption of \$2,235,710.

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among members,
- retirement experience (earlier or later than projected),
- the number of disability retirements (more or fewer than projected), and
- salary increases (greater or smaller than projected).

The net gain from this other experience for the year ended June 30, 2020 amounted to \$21,402,581, which is 0.5% of the actuarial accrued liability.

Liability Changes Due to Demographic Experience for Year Ended June 30, 2020

Turnover	-\$3,380,478
Retirement	-606,373
Deaths among retired members and beneficiaries	9,679,603
Salary/service increase for continuing actives	18,178,784
New entrants	-6,931,752
Miscellaneous	<u>4,462,797</u>
Total	\$21,402,581

Section 2: Actuarial Valuation Results

Changes in the Actuarial Accrued Liability

The actuarial accrued liability as of July 1, 2020, is \$4,181,035,763, an increase of \$187,611,603, or 4.5%, from the actuarial accrued liability as of the prior valuation date. The change in liability is due to interest, accumulation and payment of benefits, actuarial experience (as discussed in the previous subsection), and a change in actuarial assumptions resulting from the March 2020 experience study.

Actuarial Assumptions

The assumption changes reflected in this report are a result of the March 2020 experience study.

Details on actuarial assumptions and methods are in *Section 4, Exhibit I*.

Plan Provisions

There were no changes in plan provisions since the prior valuation.

A summary of plan provisions is in *Section 4, Exhibit II*.

Section 2: Actuarial Valuation Results

Cash Flow

Disbursements or Expenditures

Year Ended June 30	Contributions ¹	Benefit Payments	Refunds	Administrative Expenses	Total Disbursements	Net Cash Flow for the Year ²	Market Value of Assets	Net Cash Flow as Percent of Market Value
2011	\$84,923,250	(\$127,435,564)	(\$2,210,738)	(\$2,003,705)	(\$131,650,007)	(\$46,726,757)	\$1,726,179,317	-2.7%
2012	88,808,604	(135,250,568)	(2,479,194)	(1,596,976)	(139,326,738)	(50,518,134)	1,654,149,659	-3.1%
2013	115,849,348	(145,943,323)	(3,053,395)	(1,623,638)	(150,620,356)	(34,771,008)	1,839,583,960	-1.9%
2014	120,991,968	(158,350,355)	(3,908,921)	(1,586,045)	(163,845,321)	(42,853,353)	2,090,977,056	-2.0%
2015	152,463,762	(168,349,762)	(3,889,671)	(1,923,392)	(174,162,825)	(21,699,063)	2,141,920,800	-1.0%
2016	161,995,828	(180,617,784)	(5,350,896)	(1,851,656)	(187,820,336)	(25,824,508)	2,124,335,288	-1.2%
2017	168,157,111	(191,104,694)	(5,411,850)	(2,173,431)	(198,689,975)	(30,532,864)	2,360,491,075	-1.3%
2018	168,928,460	(202,417,031)	(5,561,668)	(2,128,794)	(210,107,493)	(41,179,033)	2,530,657,411	-1.6%
2019	173,949,975	(215,328,174)	(5,900,392)	(2,251,083)	(223,479,649)	(49,529,649)	2,616,171,056	-1.9%
2020	181,101,767	(224,361,530)	(6,489,704)	(2,095,405)	(232,946,639)	(51,844,872)	2,650,532,301	-2.0%

¹ Includes employee and employer contributions, as well as any purchased service credits during the year

² Equal to Contributions + Total Disbursements

Section 2: Actuarial Valuation Results

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2020, and June 30, 2019

	2020 Plan year	2019 Plan Year
1 Unfunded/(overfunded) actuarial accrued liability at beginning of year	\$1,357,866,713	\$1,337,457,457
2 Normal cost at beginning of year	82,826,911	79,870,221
3 Total expected contributions	-181,101,767	-173,949,975
4 Interest		
• For whole year on 1 + 2	\$111,653,756	\$109,842,895
• For full year on 3	<u>-6,346,196</u>	<u>-6,095,580</u>
Total interest	<u>105,307,560</u>	<u>103,747,315</u>
5 Expected unfunded/(overfunded) actuarial accrued liability	\$1,364,899,417	\$1,347,125,018
6 Changes due to:		
• Investments	\$40,946,816	\$34,821,389
• Demographics	-21,635,970	-24,079,694
• Changes in actuarial assumptions	51,813,028	0
• Changes in actuarial cost method	0	0
• Changes due to plan amendments	<u>0</u>	<u>0</u>
Total changes	<u>\$71,123,874</u>	<u>\$10,741,695</u>
7 Unfunded/(overfunded) actuarial accrued liability at end of year	<u>\$1,436,023,291</u>	<u>\$1,357,866,713</u>

Section 2: Actuarial Valuation Results

Actuarially Determined Contribution

The amount of the actuarially determined contribution is comprised of an employer normal cost payment and a payment on the unfunded/(overfunded) actuarial accrued liability. This total amount is divided by the projected payroll for active members to determine the actuarially determined contribution rate of 13.19% of payroll.

TFFR sets the methodology used to calculate the actuarially determined contribution based on a closed amortization period of 30 years, established as of July 1, 2013. As of July 1, 2020, there are 23 years remaining on this schedule. The employer contribution rate for TFFR set by statute is currently 12.75% of payroll. Since the actuarially determined contribution is 13.19% of payroll, there is a deficit of 0.44% of payroll. The calculated employer normal cost (including expenses) is 0.53% of payroll. The remaining 12.66% of payroll will amortize the unfunded actuarial accrued liability over a period of 24 years.

The contribution requirement as of July 1, 2020 is based on the data previously described, the actuarial assumptions and Plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

Actuarially Determined Contribution for Year Beginning July 1

	2020		2019	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost*	\$92,321,533	12.28%	\$85,956,750	11.89%
2. Expected employee contributions*	<u>88,322,228</u>	<u>11.75%</u>	<u>84,973,059</u>	<u>11.75%</u>
3. Employer normal cost*: (1) – (2)	\$3,999,305	0.53%	\$983,691	0.14%
4. Actuarial accrued liability	\$4,181,035,763		\$3,993,424,160	
5. Actuarial value of assets	2,745,012,472		2,635,557,447	
6. Unfunded/(overfunded) actuarial accrued liability: (5) - (6)	\$1,436,023,291		\$1,357,866,713	
7. Payment on unfunded/(overfunded) actuarial accrued liability*	95,149,716	12.66%	91,842,615	12.70%
8. Actuarially determined contribution: (4) + (10) + (11)	<u>\$99,149,022</u>	<u>13.19%</u>	<u>\$92,826,306</u>	<u>12.84%</u>
9. Total Payroll supplied by the System, annualized	\$711,039,756		\$680,481,816	
10. Projected annual payroll for fiscal year beginning July 1	\$751,678,536		\$723,174,975	

* Normal cost includes administrative expenses and contributions are assumed to be paid at the middle of every month

Section 2: Actuarial Valuation Results

Reconciliation of Actuarially Determined Contribution

The chart below details the changes in the actuarially determined contribution from the prior valuation to the current year's valuation.

Reconciliation of Actuarially Determined Contribution from July 1, 2019 to July 1, 2020

	July 1, 2020	July 1, 2019
Prior valuation	12.84%	12.94%
Increases/(decreases) due to:		
<ul style="list-style-type: none"> Effect of change in amortization period (decrease from 25 years to 24 years remaining as of July 1, 2019 and decrease from 24 years to 23 years remaining as of July 1, 2020) 	0.00%	0.00%
<ul style="list-style-type: none"> Effect of change in covered payroll and normal cost 	-0.20%	-0.20%
<ul style="list-style-type: none"> Effect of contributions (more)/less than actuarially determined contribution: 12.75% rather than 12.94% for FY 2019 and 12.75% rather than 12.84% for FY2020 	-0.03%	-0.02%
<ul style="list-style-type: none"> Effect of gains and losses on accrued liability and administrative expenses 	-0.20%	-0.21%
<ul style="list-style-type: none"> Effect of investment (gain)/loss 	0.38%	0.33%
<ul style="list-style-type: none"> Effect of legislative changes 	0.00%	0.00%
<ul style="list-style-type: none"> Effect of change in actuarial assumptions 	0.40%	0.00%
<ul style="list-style-type: none"> Net effect of other changes 	0.00%	0.00%
Total change	<u>0.35%</u>	<u>-0.10%</u>
Current valuation	13.19%	12.84%
Statutory employer contribution rate	12.75%	12.75%
Margin available [contribution sufficiency/(deficiency)]	-0.44%	-0.09%

Section 2: Actuarial Valuation Results

Schedule of Funding Progress through June 30, 2020

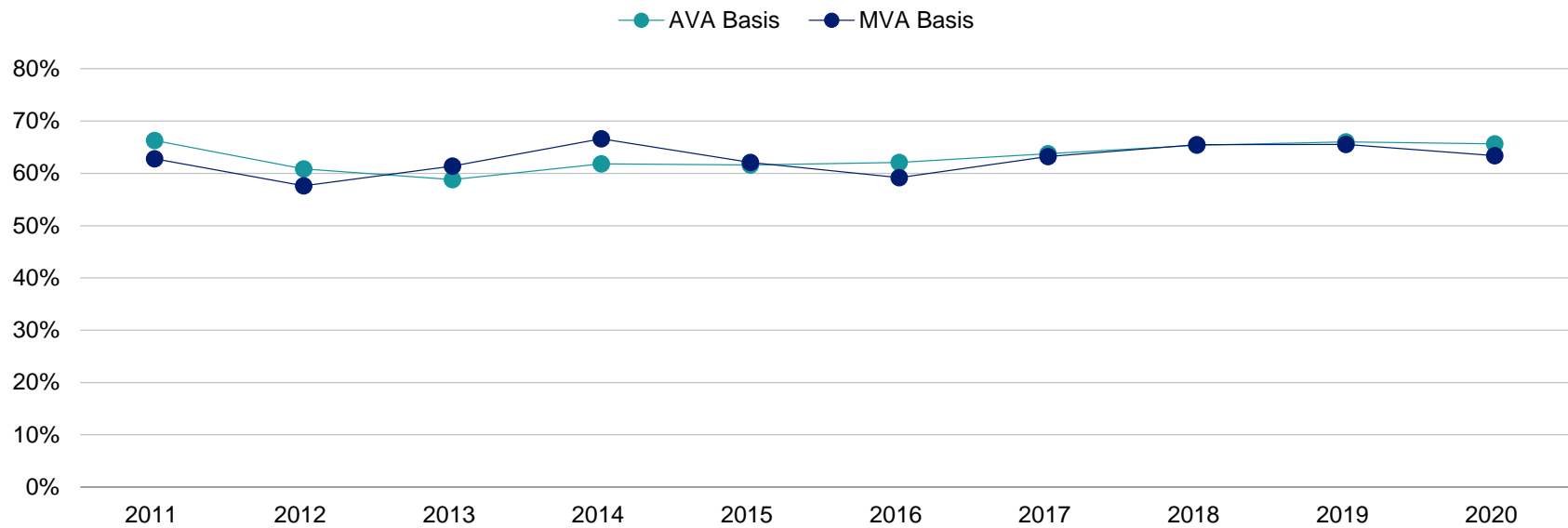
The other critical piece of information regarding TFFR's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors. The chart below shows the funded ratio calculated using the actuarial value of assets.

As of July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Total Payroll Supplied by System, Annualized	UAAL as a % of Covered Payroll
2011	\$1,822,598,871	\$2,749,751,755	\$927,152,884	66.3%	\$488,764,292	189.7%
2012	1,748,080,771	2,871,870,286	1,123,789,515	60.9%	505,285,069	222.4%
2013	1,762,321,644	2,997,139,087	1,234,817,443	58.8%	526,698,342	234.4%
2014	1,940,473,504	3,138,799,773	1,198,326,269	61.8%	557,222,917	215.1%
2015	2,125,017,451	3,449,775,982	1,324,758,531	61.6%	589,783,780	224.6%
2016	2,229,292,988	3,589,393,851	1,360,100,863	62.1%	627,002,353	216.9%
2017	2,379,811,205	3,734,016,828	1,354,205,623	63.7%	650,052,674	208.3%
2018	2,526,058,269	3,863,515,726	1,337,457,457	65.4%	653,456,893	204.7%
2019	2,635,557,447	3,993,424,160	1,357,866,713	66.0%	680,481,816	199.5%
2020	2,745,012,472	4,181,035,763	1,436,023,291	65.7%	711,039,756	202.0%

Section 2: Actuarial Valuation Results

The chart below shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

Funded Ratio, as of July 1



Section 2: Actuarial Valuation Results

History of Employer Contributions

A history of the most recent years of contributions is shown below.

History of Employer Contributions: 2011 – 2020

Fiscal Year Ended June 30	Actuarially Determined Employer Contribution (ADC) ¹		Actual Employer Contribution ²		
	Amount ³	Percentage of Payroll ⁴	Amount	Percentage of Payroll	Percent Contributed
2011	\$65,112,696	12.79%	\$44,545,433	8.75%	68.41%
2012	69,373,794	13.16%	46,126,193	8.75%	66.49%
2013	52,396,153	9.49% ⁵	59,352,860	10.75%	113.28%
2014	59,513,485	10.26%	62,355,146	10.75%	104.77%
2015	71,167,632	11.57%	78,422,098	12.75%	110.19%
2016	84,724,123	13.04%	82,839,932	12.75%	97.78%
2017	89,231,211	13.22%	86,059,000	12.75%	96.44%
2018	88,307,239	12.99%	86,675,715	12.75%	98.15%
2019	90,777,781	12.94%	89,444,881	12.75%	98.53%
2020	93,688,429	12.84%	93,032,453	12.75%	99.30%

¹ Prior to FY 2014, the ADC is the same as the GASB ARC determined under GASB 25.

² Prior to FY 2014, these amounts include prior year corrections.

³ The dollar amount of the ADC for FY 2014 through FY 2020 is based on actual payroll for the year and differs from the estimated dollar amount shown in the prior year's actuarial valuation report because of differences between estimated and actual payroll.

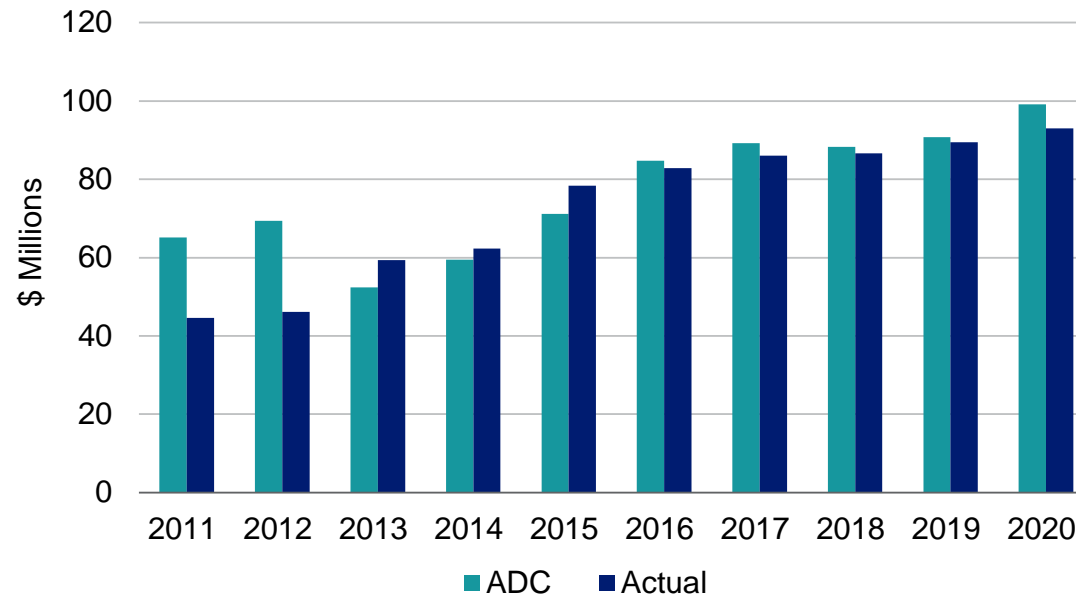
⁴ The ADC for each fiscal year is based on the actuarial valuation as of the beginning of the year. Therefore, the FY 2020 ADC is based on the July 1, 2019 valuation. The ADC is defined as the contribution rate required to pay the employer normal cost and to amortize the unfunded actuarial accrued liability over the closed 30-year period that began July 1, 2013 as a level percentage of payroll.

⁵ The FY 2013 ADC reflects the actuarial present value of the increased statutory contributions scheduled to occur July 1, 2014.

Section 2: Actuarial Valuation Results

The chart below presents a graphical representation of the historical comparison of the actuarially determined contribution to the actual contributions for TFFR.

Actuarially Determined Contribution vs. Actual Employer Contribution,
Years Ended June 30



Section 2: Actuarial Valuation Results

Risk

The actuarial valuation results depend on a single set of assumptions; however, there is a risk that emerging results may differ significantly as actual experience proves to be different than projected from the current assumptions.

In 2019, the Board engaged Segal to perform a detailed analysis of the potential range of the impact of risks relative to the Plan's future financial condition. This study included an overview of risks that affect the Fund and stakeholders, as well as various stochastic and deterministic modeling, primarily focusing on investment returns. The study concluded with the development of a Plan Management Policy designed to assess the overall health of TFFR.

Below is a brief discussion of some of the risks that may affect the Plan. This discussion is focused on funding-related risks, but similar concerns may apply to risks regarding the level of expense and liabilities reported for Plan accounting purposes as well.

A detailed risk assessment is important for TFFR because:

- The negative cash flow position of the Plan could be exacerbated by relatively small deviations from assumed future experience.
- Retired and inactive participants account for more than half of the Plan's liabilities limiting options for reducing plan liabilities in the event of adverse experience.
- The employer contribution rate has been less than the actuarially determined contribution rate for several years, which may indicate additional funding challenges in the future.
- The risks identified below show significant potential for variability.

The following risks could significantly affect the Plan's future condition:

1. **Investment risk** (the risk that returns will be different than expected)

If the actual market value return for the Plan Year were 1% different from the assumed (either higher or lower), the projected unfunded liability would change by about 2%, or about \$26 million.

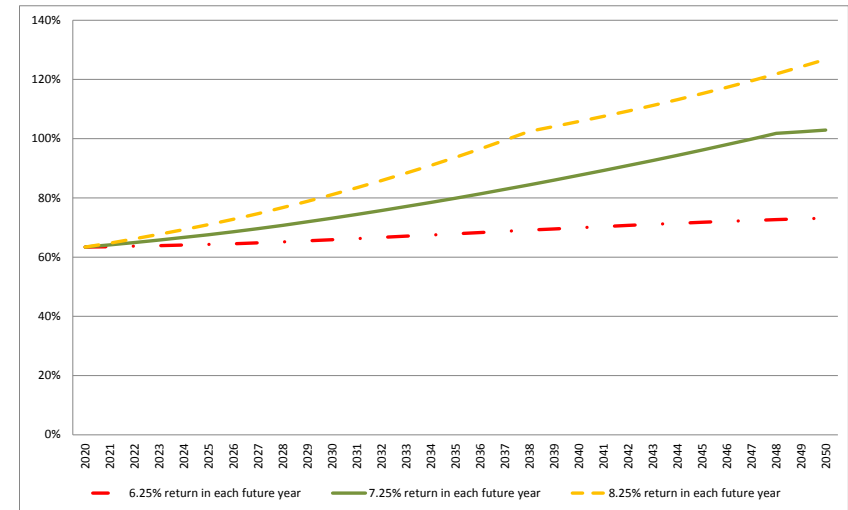
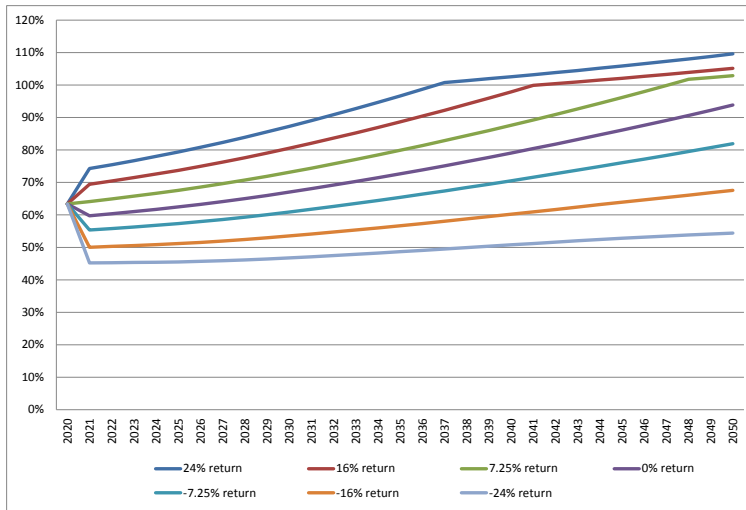
If the prior year's investment performance resulted in a market value of assets that is 10% different than the current value, it would result in a change of \$265.1 million in the asset value. A 10% increase in assets would cause the unfunded liability (market value basis) to decrease from \$1,530.5 million to \$1,265.4 million. Likewise, a 10% decrease in the asset value would cause the unfunded liability to increase from \$1,530.5 million to \$1,795.6 million.

Section 2: Actuarial Valuation Results

Since the Plan's assets are much larger than contributions, investment performance may create volatility in the actuarially determined contribution requirements. For example, each 1% difference in actual return, the actuarially determined contribution would increase or decrease by 0.05% of payroll. Ignoring the effects of the five-year phase-in of investment gains and losses, the actuarially determined contribution would change by 0.2% of payroll.

The market value rate of return over the last ten years has ranged from a low of -1.4% to a high of 23.5%, with an average of 8.3%. However, looking over a longer historical period of 20 years, the market value rate of return has an average of 5.2%.

The following graphs illustrate the impact on projected funded ratios (market value basis) under two scenarios: 1) market value returns for the next Plan year vary between -24% and +24%, and 2) market value returns in each future Plan year are +1% or -1% above or below the 7.25% assumption.



2. Longevity Risk (the risk that mortality experience will be different than expected)

The actuarial valuation includes an expectation of future improvement in life expectancy. Emerging plan experience that does not match these expectations will result in either an increase or decrease in the actuarially determined contribution.

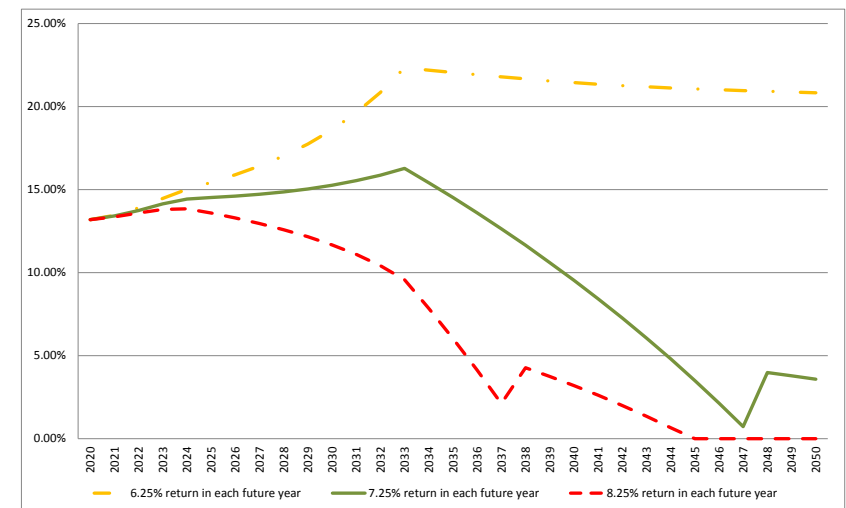
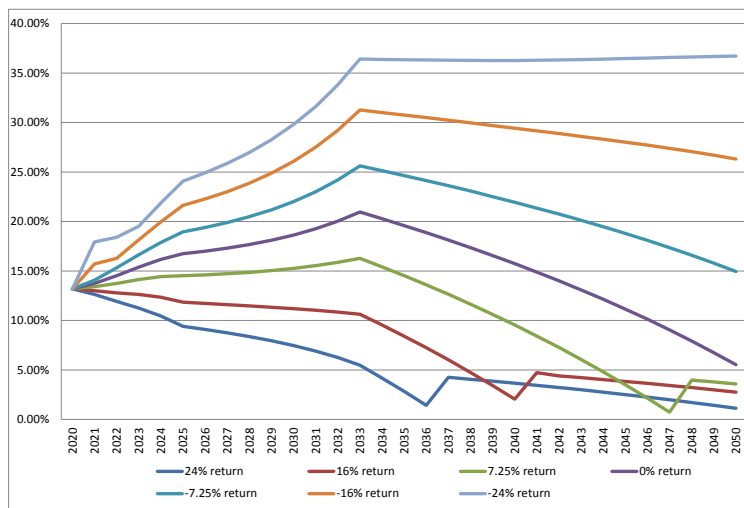
A 10% reduction in the assumed mortality rates results in an increase in the liabilities of roughly 3% for most plans. For TFFR, a 3% liability increase would result in an increase in the unfunded actuarially liability of \$125.4 million. The unfunded accrued liability (market value basis) would increase from \$1,530.5 million to \$1,655.9 million.

Section 2: Actuarial Valuation Results

3. Contribution Risk (the risk that actual contributions will be different from the actuarially determined contribution)

Plan contributions are set by statute. If contributions remain at the current level and future experience matches the current assumptions, we project the unfunded actuarial accrued liability (market value basis) will be paid off in 2048 (28 years). The number years projected to amortize the UAAL differs from the amortization period due to the use of an open group projection.

The following graphs illustrate the impact on projected actuarially determined contribution rates under two scenarios: 1) market value returns for the next Plan year vary between -24% and +24%, and 2) market value returns in each future Plan year are +1% or -1% above or below the 7.25% assumption



4. Demographic Risk (the risk that participant experience will be different than assumed)

Examples of this risk include:

- Actual retirements occurring earlier or later than assumed. The value of retirement plan benefits is sensitive to the rate of benefit accruals and any early retirement subsidies that apply.
- More or less active participant turnover than assumed.
- Salary increases more or less than assumed

Section 2: Actuarial Valuation Results

5. Actual Experience

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Over the past ten years:

- The investment gain/loss for a year has ranged from a loss of \$169 million to a gain of \$80 million
- The non-investment gain/loss for a year has ranged from a loss of \$8.9 million to a gain of \$28.7 million

The funded percentage on the actuarial value of assets has ranged from a low of 59% to a high of 102% since 2001.

6. Maturity Measures

The risk associated with a pension plan increases as it becomes more mature, meaning that the actives represent a smaller portion of the liabilities of the plan. When this happens, there is a greater risk that fluctuations in the experience of the non-active participants or of the assets of the plan can result in large swings in the contribution requirements.

- Over the past ten years, the ratio of non-active participants (excluding non-vested members) to active participants has increased from a low of 0.82 to a high of 0.95. Currently the Plan has a non-active to active participant ratio of 0.95. For the prior year, benefits paid were \$51.8 million more than contributions received. As the Plan matures, more cash will be needed from the investment portfolio to meet benefit payments.
- As of July 1, 2020, the retired life actuarial accrued liability represents 57% of the total actuarial accrued liability. In addition, the actuarial accrued liability for inactive vested participants represents 3% of the total. The higher the non-active actuarial accrued liability as a percent of the total liability, the greater the danger of volatility in results.
- Benefits and administrative expenses less contributions totaled \$51.8 million for the year ending June 30, 2020, 2.0% of the market value of assets. The Plan is dependent upon investment returns in order to pay benefits.

Section 2: Actuarial Valuation Results

GFOA Solvency Test

The Actuarial Accrued Liability represents the present value of benefits earned, calculated using the Plan's actuarial cost method. The Actuarial Value of Assets reflects the financial resources available to liquidate the liability. The portion of the liability covered by assets reflects the extent to which accumulated plan assets are sufficient to pay future benefits, and is shown for liabilities associated with employee contributions, pensioner liabilities, and other liabilities. The Government Finance Officers Association (GFOA) recommends that the funding policy aim to achieve a funded ratio of 100 percent.

GFOA Solvency Test as of July 1

	2020	2019
Actuarial accrued liability (AAL)		
• Active member contributions	\$1,010,505,427	\$941,512,724
• Retirees and beneficiaries	2,397,641,558	2,314,016,956
• Active and inactive members (employer-financed)	<u>772,888,778</u>	<u>737,894,480</u>
Total	\$4,181,035,763	\$3,993,424,160
Actuarial value of assets	\$2,745,012,472	\$2,635,557,447
Cumulative portion of AAL covered		
• Active member contributions	100.0%	100.0%
• Retirees and beneficiaries	72.3%	73.2%
• Active and inactive members (employer-financed)	0.0%	0.0%

Section 2: Actuarial Valuation Results

Summary of Actuarial Valuation Results

	July 1, 2020	July 1, 2019
A. Determination of Actuarial Accrued Liability		
1. Active members		
a. Retirement benefits	\$2,418,945,676	\$2,221,580,016
b. Disability benefits	36,661,343	37,445,914
c. Death benefits	32,751,864	39,168,167
d. Withdrawal benefits	<u>170,541,448</u>	<u>170,765,844</u>
e. Total	\$2,658,900,331	\$2,468,959,941
2. Inactive vested members	111,740,262	99,848,736
3. Inactive non-vested members	11,808,849	9,911,187
4. Retirees and beneficiaries	<u>2,397,641,558</u>	<u>2,314,016,956</u>
5. Actuarial Present Value of Projected Benefits: 1e + 2 + 3 + 4	\$5,180,091,000	\$4,892,736,820
6. Actuarial Present Value of Future Normal Costs, Active Members		
a. Retirement benefits	\$796,601,373	\$698,093,917
b. Disability benefits	16,746,301	16,788,356
c. Death benefits	14,654,361	16,995,532
d. Withdrawal benefits	<u>171,053,202</u>	<u>167,434,855</u>
e. Total	\$999,055,237	\$899,312,660
7. Actuarial Accrued Liability: 5 – 6e	<u>\$4,181,035,763</u>	<u>\$3,993,424,160</u>
B. Determination of Unfunded Actuarial Accrued Liability		
1. Actuarial accrued liability	\$4,181,035,763	\$3,993,424,160
2. Actuarial value of assets	<u>2,745,012,472</u>	<u>2,635,557,447</u>
3. Unfunded actuarial accrued liability: 1 – 2	\$1,436,023,291	\$1,357,866,713

Section 2: Actuarial Valuation Results

Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, first the amount and timing of all future payments that will be made by the Plan for current members is determined. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the "liability" of the Plan.

Second, this liability is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

Actuarial Balance Sheet

	Year Ended	
	June 30, 2020	June 30, 2019
Liabilities		
• Present value of benefits for retired participants and beneficiaries	\$2,397,641,558	\$2,314,016,956
• Present value of benefits for inactive vested members	123,549,111	109,759,923
• Present value of benefits for active members	<u>2,658,900,331</u>	<u>2,468,959,941</u>
Total liabilities	\$5,180,091,000	\$4,892,736,820
Assets		
• Total valuation value of assets	\$2,745,012,472	\$2,635,557,447
• Present value of future contributions by members	1,031,310,123	971,523,395
• Present value of future employer contributions for:		
• Entry age cost	-32,254,886	-72,210,735
• Unfunded actuarial accrued liability	<u>1,436,023,291</u>	<u>1,357,866,713</u>
Total of current and future assets	<u>\$5,180,091,000</u>	<u>\$4,892,736,820</u>

Section 2: Actuarial Valuation Results

Determination of Contribution Sufficiency

		July 1, 2020		July 1, 2019	
A. Statutory Contributions		%Payroll	\$ Amount	%Payroll	\$ Amount
1.	Member contributions	11.75%	\$88,322,228	11.75%	\$84,973,059
2.	Employer contributions	12.75%	<u>95,839,013</u>	12.75%	<u>92,204,809</u>
3.	Total	24.50%	<u>\$184,161,241</u>	24.50%	<u>\$177,177,868</u>
B. Actuarially Determined Contribution		% Payroll	\$ Amount	% Payroll	\$ Amount
1.	Normal cost				
	a. Retirement	9.39%	\$70,564,720	8.78%	\$63,476,011
	b. Disability	0.19%	1,406,563	0.20%	1,448,195
	c. Death	0.17%	1,264,292	0.21%	1,530,204
	d. Deferred termination benefit and refunds	<u>1.84%</u>	13,852,664	<u>1.95%</u>	14,136,791
	e. Total	<u>11.59%</u>	<u>\$87,088,2399</u>	<u>11.14%</u>	<u>\$80,591,201</u>
	f. Normal cost, adjusted for timing	12.00%	90,171,673	11.57%	83,636,558
2.	Administrative expenses, adjusted for timing	0.28%	2,149,860	0.32%	2,320,192
3.	Gross normal cost including administrative expenses, adjusted for timing: 1f + 2	12.28%	\$92,321,533	11.89%	\$85,956,750
4.	Less member contribution rate	11.75%	88,322,228	11.75%	84,973,059
5.	Employer normal cost rate: 3- 4	0.53%	3,999,305	0.14%	983,691
6.	Unfunded actuarial accrued liability rate, adjusted for timing	12.66%	95,149,716	12.70%	91,842,615
7.	Total: 5 + 6	<u>13.19%</u>	<u>99,149,022</u>	<u>12.84%</u>	<u>92,826,306</u>
C.	Contribution Sufficiency / (Deficiency): A2 – B7	-	-0.44%	-	-0.09%
	Projected annual payroll for fiscal year beginning on the valuation date		\$751,678,536		\$723,174,975

Supplemental Information

Membership Data

Membership data was provided on electronic files sent by the RIO staff. Data for active members includes sex, birth date, service, salary for the prior fiscal year, and accumulated contributions. Data for inactive members was similar, but also includes the members' unreduced benefit. For retired members, data includes status (service retiree, disabled retiree or beneficiary), sex, birth date, pension amount, date of retirement, form of payment, and beneficiary sex and birth date if applicable.

While not verifying the correctness of the data at the source, we performed various tests to ensure the internal consistency of the data and its overall reasonableness.

Membership statistics are summarized in Exhibit A. Exhibit B shows the age/service distribution of active members. Exhibit C-1 and Exhibit C-2 show the distribution of retirees by option and by benefit amount. Exhibit D shows a reconciliation of the member data from last year's valuation to this year's valuation.

The number of active members increased by 1.5% since last year, from 11,175 to 11,347. Note that normally the actual number of members employed during the year will be somewhat higher than the valuation count, since the July 1 count excludes most June and July retirees but does not include new teachers joining the system for the next school year.

Total payroll increased 4.5% since last year. For all comparative purposes, payroll is the amount supplied by the RIO staff (i.e., the 2019-2020 member pay), annualized. However, this figure is increased by one year's assumed pay increase to determine the member's rate of pay (and thus, total projected payroll) at July 1, 2020. Pay is assumed to change only at the beginning of a school/fiscal year.

Average pay increased by 2.9%, from \$60,893 to \$62,663. This change includes the impact of replacing more highly paid members who retire with new teachers. The average increase in salary for the 10,358 continuing members (members active in both this valuation and the preceding valuation) was 4.6%.

The average age of active members remained the same at 41.8 years, and their average service also remained the same at 11.7 years.

Section 3: Supplemental Information

The table below shows additional information about the active membership this year and last year. Tier 1 Grandfathered members are those who had 65 points (age plus years of service) as of June 30, 2013, or were at least age 55 and vested. Members who joined prior to June 30, 2008, and did not meet these criteria are considered Tier 1 Non-grandfathered members. Tier 2 members are those hired or rehired after June 30, 2008. All new members in future years will enter as Tier 2 members, so the number will increase over time. The Tier 1 Grandfathered and Non-grandfathered population will decrease each year as members leave due to retirement, termination, death, and disability.

ACTIVE STATISTICS

Category	July 1, 2020	July 1, 2019
Plan Eligibility:		
• Tier 1 Grandfathered	1,396	1,633
• Tier 1 Non-grandfathered	3,098	3,131
• Tier 2	<u>6,853</u>	<u>6,411</u>
• Total	11,347	11,175
Benefit Eligibility:		
• Non-Vested	3,131	3,239
• Vested	6,502	6,229
• Early Retirement	853	843
• Normal Retirement	<u>861</u>	<u>864</u>
• Total	11,347	11,175

In addition, this table shows the number of members who are non-vested, those who are vested but not eligible for retirement, those who are eligible only for an early retirement (reduced) benefit, and those eligible for a normal (unreduced) benefit. As of the valuation date, 1,714 members were eligible for either reduced or unreduced retirement, an increase over last year's figure of 1,707.

Section 3: Supplemental Information

Exhibit A: Table of Plan Coverage

Category	July 1, 2020	July 1, 2019	Change From Prior Year
Active members:			
• Males	2,783	2,764	0.69%
• Females	8,564	8,411	1.82%
• Total number	11,347	11,175	1.54%
• Total payroll supplied by System, annualized	\$711,039,756	\$680,481,816	4.49%
• Average salary	\$62,663	\$60,893	2.91%
• Average age	41.8	41.8	0.0
• Average service	11.7	11.7	0.0
• Total contributions with interest	\$1,010,505,427	\$941,512,724	7.33%
• Average contribution with interest	\$89,055	\$84,252	5.70%
Vested inactive members:			
• Number	1,715	1,657	3.50%
• Total annual deferred benefits	\$13,923,998	\$12,828,016	8.54%
• Average annual deferred benefit	\$8,119	\$7,742	4.89%
• Average age	49.0	48.9	0.1
Non-vested inactive members:			
• Number	1,132	1,035	9.37%
• Employee contributions with interest due	\$8,576,760	\$7,347,557	16.73%
• Average refund due	\$7,577	\$7,099	6.73%
• Average age	37.8	37.7	0.1
Service retirees:			
• Number	8,091	8,019	0.90%
• Total annual benefit	\$214,660,731	\$207,589,824	3.41%
• Average annual benefit	\$26,531	\$25,887	2.49%
• Average age	72.3	72.0	0.3
Disabled retirees:			
• Number	127	127	0.00%
• Total annual benefit	\$1,931,238	\$1,911,396	1.04%
• Average annual benefit	\$15,207	\$15,050	1.04%
• Average age	65.0	64.7	0.3
Beneficiaries:			
• Number	818	772	5.96%
• Total annual benefit	\$12,801,691	\$11,724,954	9.18%
• Average annual benefit	\$15,650	\$15,188	3.04%
• Average age	76.4	75.8	0.6

Section 3: Supplemental Information

Exhibit B: Members in Active Service as of June 30, 2020 by Age, Years of Service, and Average Compensation

Age	Total	0-4	5-9	10-14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	463	463	0	0	0	0	0	0	0	0
	\$43,441	\$43,441	0	0	0	0	0	0	0	0
25 - 29	1,604	1,158	446	0	0	0	0	0	0	0
	49,057	47,963	\$51,898	0	0	0	0	0	0	0
30 - 34	1,795	472	1,030	291	2	0	0	0	0	0
	55,058	49,786	55,706	\$61,285	\$59,664	0	0	0	0	0
35 - 39	1,636	308	451	680	195	2	0	0	0	0
	61,434	51,408	59,103	65,232	69,493	\$53,883	0	0	0	0
40 - 44	1,460	242	283	314	481	138	2	0	0	0
	66,756	53,157	61,753	68,801	72,850	74,916	\$70,760	0	0	0
45 - 49	1,322	170	218	195	215	418	103	3	0	0
	70,735	54,810	62,132	69,367	74,896	78,235	78,158	\$88,969	0	0
50 - 54	1,321	148	132	126	147	257	388	123	0	0
	73,422	55,103	67,765	66,968	70,187	76,527	79,975	84,850	0	0
55 - 59	977	95	127	83	102	139	146	219	66	0
	72,937	58,262	64,164	67,554	68,226	73,969	81,183	81,548	\$76,002	0
60 - 64	593	56	82	56	69	79	57	66	105	23
	71,452	60,070	65,040	61,131	72,297	73,738	75,509	76,208	79,975	\$74,149
65 - 69	143	24	22	15	18	17	6	9	6	26
	64,081	45,412	60,979	50,302	68,349	69,649	77,190	66,547	76,485	78,552
70 & over	33	6	10	3	4	4	1	1	2	2
	64,965	44,710	74,448	64,042	64,240	76,251	15,141	79,966	72,487	68,471
Total	11,347	3,142	2,801	1,763	1,233	1,054	703	421	179	51
	\$62,663	\$49,517	\$58,091	\$65,648	\$71,830	\$76,292	\$79,455	\$81,404	\$78,310	\$76,171

Section 3: Supplemental Information

Exhibit C.1: Schedule of Annuitants by Type of Benefit as of July 1, 2020

Type of Benefits/Form of Payment	Number	Annual Benefits Amount	Average Monthly Benefits
Service:			
• Straight Life	2,983	\$69,843,714	\$1,951
• 100% J&S	3,571	106,484,119	2,485
• 50% J&S	700	20,052,855	2,387
• 5 Years C&L	14	230,479	1,372
• 10 Years C&L	164	3,761,787	1,911
• 20 Years C&L	151	4,229,135	2,334
• Level	<u>508</u>	<u>10,058,643</u>	<u>1,650</u>
Subtotal:	8,091	\$214,660,732	\$2,211
Disability:			
• Straight Life	96	1,483,697	\$1,288
• 100% J&S	22	316,277	1,198
• 50% J&S	6	97,097	1,349
• 5 Years C&L	1	6,254	521
• 10 Years C&L	0	0	0
• 20 Years C&L	2	27,913	1,163
• Level	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal:	127	\$1,931,238	\$1,267
Beneficiaries:			
• Straight Life	759	\$12,296,354	\$1,350
• 10 Years Certain	9	102,310	947
• 20 Years Certain	20	158,073	659
• QDRO Alternate Payee	<u>30</u>	<u>244,954</u>	<u>680</u>
Subtotal:	818	\$12,801,691	\$1,304
Total:	9,036	\$229,393,661	\$2,116

Section 3: Supplemental Information

Exhibit C.2: Schedule of Annuitants by Monthly Benefit as of July 1, 2020

Monthly Benefit Amount	Number of Members	Female	Male	Average Service
Under \$200	263	195	68	5.97
200 - 399	454	335	119	11.07
400 - 599	409	312	97	15.06
600 - 799	397	289	108	18.62
800 - 999	378	278	100	20.87
1,000 - 1,199	496	368	128	24.77
1,200 - 1,399	476	329	147	26.33
1,400 - 1,599	544	368	176	27.97
1,600 - 1,799	607	416	191	28.43
1,800 - 1,999	602	420	182	29.42
2,000 - 2,199	574	408	166	29.46
2,200 - 2,399	549	374	175	29.97
2,400 - 2,599	443	307	136	31.05
2,600 - 2,799	403	280	123	31.56
2,800 - 2,999	403	263	140	32.16
3,000 - 3,199	358	257	101	32.45
3,200 - 3,399	310	206	104	33.78
3,400 - 3,599	254	163	91	33.05
3,600 - 3,799	215	139	76	34.40
3,800 - 3,999	166	114	52	34.27
4,000 & over	<u>735</u>	<u>406</u>	<u>329</u>	36.21
Total:	9,036	6,227	2,809	27.23

Section 3: Supplemental Information

Exhibit D: Reconciliation of Member Data

	Active Members	Vested Terminated Members	Non-Vested Terminated Members	Service Retirees	Disabled Retirees	Beneficiaries	Total
A. Number as of July 1, 2019	11,175	1,657	1,035	8,019	127	772	22,785
B. Additions and new hires	884	0	0	0	0	0	884
C. Participant movement							
1. Retirement	-240	-42	0	282	0	0	0
2. Disability	-2	-1	0	0	3	0	0
3. Died with beneficiary	-4	-3	0	-62	0	75*	6
4. Died without beneficiary	-2	-2	-1	-148	-3	-29	-185
5. Terminated vested	-199	199	0	0	0	0	0
6. Terminated non-vested	-203	0	203	0	0	0	0
7. Refunds	-167	-35	-58	0	0	0	-260
8. Rehired as active	105	-57	-48	0	0	0	0
9. Expired benefits	0	0	0	0	0	-2	-2
10. New alternate payee	0	0	0	0	0	2	2
11. Data corrections	0	-1	1	0	0	0	0
D. Net change	172	58	97	72	0	46	445
E. Number as of July 1, 2020	11,347	1,715	1,132	8,091	127	818	23,230

*Includes additional beneficiaries of deceased participants with more than one beneficiary

Section 3: Supplemental Information

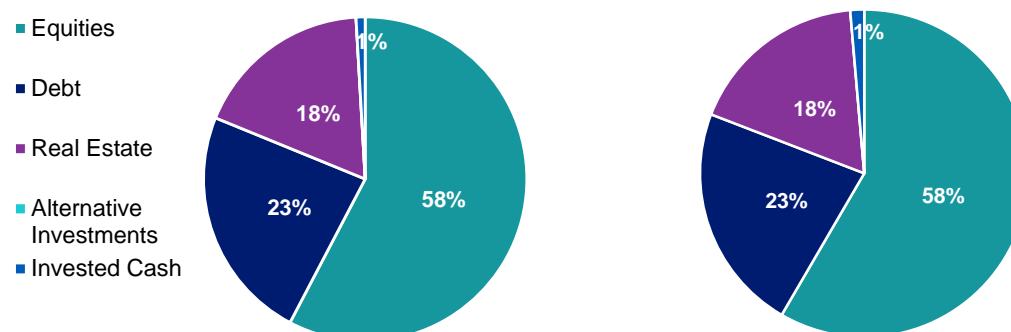
Exhibit E: Summary Statement of Income and Expenses on a Market Value Basis

	Year Ended June 30, 2020	Year Ended June 30, 2019
Net assets at market value at the beginning of the year	\$2,616,171,056	\$2,530,657,411
Contribution income:		
• Employer contributions	\$93,032,453	\$89,444,880
• Employee contributions	85,735,134	82,429,595
• Other contributions	2,334,180	2,075,500
• Less administrative expenses	<u>-2,095,405</u>	<u>-2,251,083</u>
<i>Net contribution income</i>	<i>\$179,006,362</i>	<i>\$171,698,892</i>
Other income	\$0	\$0
Investment income:		
• Interest, dividends and other income	\$54,800,603	\$56,614,740
• Asset appreciation	37,928,921	84,701,380
• Less investment fees	<u>-6,523,407</u>	<u>-6,272,801</u>
<i>Net investment income</i>	<i><u>\$86,206,117</u></i>	<i><u>\$135,043,319</u></i>
Total income available for benefits	\$265,212,479	\$306,742,211
Less benefit payments:		
• Refunds	-\$6,489,704	-\$5,900,392
• Regular benefits	-223,936,233	-214,091,045
• Partial lump sum	-425,297	-1,237,129
<i>Net benefit payments</i>	<i>-\$230,851,234</i>	<i>-\$221,228,566</i>
Change in reserve for future benefits	\$34,361,245	\$85,513,645
Net assets at market value at the end of the year	\$2,650,532,301	\$2,616,171,056

Section 3: Supplemental Information

Exhibit F: Summary Statement of Plan Assets

	June 30, 2020	June 30, 2019
Cash equivalents	\$21,063,359	\$20,309,990
Total accounts receivable	\$34,183,828	\$38,313,407
Investments:		
• Equities	\$1,500,306,819	\$1,495,354,621
• Debt	609,737,594	575,551,625
• Real Estate	466,252,190	455,163,805
• Alternative Investments	0	0
• Invested Cash	<u>23,710,131</u>	<u>35,025,659</u>
Total investments at market value	\$2,600,006,734	\$2,561,095,710
Total assets	\$2,655,253,921	\$2,619,719,107
Total accounts payable	-4,721,620	-3,548,051
Net assets at market value	\$2,650,532,301	\$2,616,171,056
Net assets at actuarial value	\$2,745,012,472	\$2,635,557,447



Section 3: Supplemental Information

Exhibit G: Development of the Fund through June 30, 2020

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return ¹	Admin. Expenses	Benefit Payments	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2011	\$44,545,433	\$38,869,260	\$1,508,557	\$332,952,526	\$2,000,000	\$129,646,302	\$1,726,179,317	\$1,822,598,871	105.6%
2012	46,126,193	40,254,562	2,427,849	-23,108,500	1,600,000	137,729,762	1,654,149,659	1,748,080,771	105.7%
2013	59,352,860	53,824,557	2,671,931	218,581,671	1,600,000	148,996,718	1,839,583,960	1,762,321,644	95.8%
2014	62,355,146	56,554,767	2,082,055	292,660,404	1,600,000	162,259,276	2,090,977,056	1,940,473,504	92.8%
2015	78,422,098	72,268,451	1,773,213	73,204,806	1,923,392	172,239,433	2,141,920,800	2,125,017,451	99.2%
2016	82,839,932	76,342,685	2,813,211	8,238,996	1,851,656	185,968,680	2,124,335,288	2,229,292,988	104.9%
2017	86,058,868	79,309,153	2,789,090	266,688,651	2,173,431	196,516,544	2,360,491,075	2,379,811,205	100.8%
2018	86,675,715	79,877,611	2,375,134	211,345,369	2,128,794	207,978,699	2,530,657,411	2,526,058,269	99.8%
2019	89,444,880	82,429,595	2,075,500	135,043,319	2,251,083	221,228,566	2,616,171,056	2,635,557,447	100.7%
2020	93,032,453	85,735,134	2,334,180	86,206,117	2,095,405	230,851,234	2,650,532,301	2,745,012,472	103.6%

¹ On a market basis, net of investment fees and administrative expenses for 2015-2020

Section 3: Supplemental Information

Exhibit H: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Actuarial Accrued Liability for Actives:	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Pensioners and Beneficiaries:	Actuarial Present Value of lifetime benefits to existing pensioners and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial Cost Method:	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the actuarially determined contribution.
Actuarial Gain or Loss:	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected.
Actuarially Equivalent:	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV):	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is: Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.) Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and Discounted according to an assumed rate (or rates) of return to reflect the time value of money.
Actuarial Present Value of Future Benefits:	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The

Section 3: Supplemental Information

	Actuarial Present Value of Future Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation:	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan, as well as Actuarially Determined Contributions.
Actuarial Value of Assets (AVA):	The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Actuarially Determined Contribution.
Actuarially Determined:	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan.
Actuarially Determined Contribution (ADC):	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.
Amortization Method:	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization Payment:	The portion of the pension plan contribution, or ADC, that is intended to pay off the Unfunded Actuarial Accrued Liability.
Assumptions or Actuarial Assumptions:	The estimates upon which the cost of the Plan is calculated, including: <u>Investment return</u> - the rate of investment yield that the Plan will earn over the long-term future; <u>Mortality rates</u> - the rate or probability of death at a given age for employees and pensioners; <u>Retirement rates</u> - the rate or probability of retirement at a given age or service; <u>Disability rates</u> - the rate or probability of disability retirement at a given age;

Section 3: Supplemental Information

	<p><u>Withdrawal rates</u> - the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement;</p> <p><u>Salary increase rates</u> - the rates of salary increase due to inflation, real wage growth and merit and promotion increases.</p>
Closed Amortization Period:	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See Open Amortization Period.
Decrements:	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
Defined Benefit Plan:	A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service.
Defined Contribution Plan:	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer Normal Cost:	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Experience Study:	A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary.
Funded Ratio:	The ratio of the Actuarial Value of Assets (AVA) to the Actuarial Accrued Liability (AAL). Plans sometimes also calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the AVA.
Funding Period or Amortization Period:	The term "Funding Period" is used in two ways. First, it is the period used in calculating the Amortization Payment as a component of the ADC. Second, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e. pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.
GASB 67 and GASB 68:	Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.

Section 3: Supplemental Information

Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
Margin:	The difference, whether positive or negative, between the statutory employer contribution rate and the Actuarial Determined Contribution (ADC).
Net Pension Liability (NPL):	The Net Pension Liability is equal to the Total Pension Liability minus the Plan Fiduciary Net Position.
Normal Cost:	The portion of the Actuarial Present Value of Future Benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of the Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of member contributions and employer Normal Cost unless otherwise specifically stated.
Open Amortization Period:	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the Amortization Period.
Plan Fiduciary Net Position:	Market value of assets.
Real Rate of Return:	Nominal rate of return on investments, adjusted for inflation.
Total Pension Liability (TPL):	The actuarial accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68.
Unfunded Actuarial Accrued Liability:	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus or an Overfunded Actuarial Accrued Liability.
Valuation Date or Actuarial Valuation Date:	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Actuarial Valuation Basis

Exhibit I: Actuarial Assumptions and Actuarial Cost Method

Investment Return Rate: 7.25% per annum, compounded annually, equal to an assumed 2.30% inflation rate plus a 5.18% real rate of return, less 0.23% for adverse deviation. (Adopted effective July 1, 2020).

Mortality Rates: The mortality rates were based on historical and current demographic data, as used in the experience study dated March 19, 2020. The underlying tables reasonably reflect the mortality experience of the Fund as of the measurement date.

Post-Retirement Non-Disabled: 104% of the Pub T-2010 Retiree Table and 95% of the Pub T-2010 Contingent Survivor Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020). Sample 2010 rates are as follows:

Age	Retiree Rates		Survivor Rates	
	Male	Female	Male	Female
55	0.23%	0.20%	0.78%	0.42%
60	0.37%	0.30%	0.96%	0.59%
65	0.62%	0.46%	1.31%	0.85%
70	1.11%	0.80%	2.02%	1.29%
75	2.11%	1.52%	3.21%	2.04%
80	4.00%	2.93%	5.09%	3.39%
85	7.53%	5.60%	8.31%	6.00%
90	13.79%	10.49%	13.70%	10.76%
95	23.21%	18.75%	21.66%	17.66%
100	33.91%	29.29%	30.98%	26.75%

The mortality tables are adjusted forward from 2010 using a generational projection to reflect future mortality improvement.

Post-Retirement Disabled: PubNS-2010 Non-Safety Disabled Mortality Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020).

Pre-Retirement Non-Disabled: Pub T-2010 Employee Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020).

Section 4: Actuarial Valuation Basis

Retirement Rates:

The following rates of retirement are assumed for members eligible to retire. (Adopted effective July 1, 2020).

Age	Unreduced Retirement*		Reduced Retirement
	Male	Female	Unisex
50-54	15.0%	15.0%	2.0%
55-56	15.0%	15.0%	2.0%
57	15.0%	15.0%	3.0%
58	15.0%	15.0%	3.5%
59	15.0%	15.0%	4.0%
60	15.0%	15.0%	5.0%
61	30.0%	25.0%	9.0%
62	30.0%	30.0%	10.0%
63	25.0%	30.0%	11.0%
64	35.0%	40.0%	12.0%
65	30.0%	35.0%	
66	25.0%	30.0%	
67	25.0%	20.0%	
68-74	20.0%	20.0%	
75	100.0%	100.0%	

* If a member reaches eligibility for unreduced retirement before age 65 under the rule of 85 (Grandfathered Tier 1) or the Rule of 90/Age 60 (Non-grandfathered Tier 1 and Tier 2), 12.5% is added to the rate at the age (and only this age) the member becomes first eligible for an unreduced retirement benefit.

Section 4: Actuarial Valuation Basis

Disability Rates:

Shown below for selected ages. (Adopted effective July 1, 2020).

Age	Unisex
20	0.0088%
25	0.0088%
30	0.0088%
35	0.0088%
40	0.0264%
45	0.0440%
50	0.0704%
55	0.1232%
60	0.2376%

Termination Rates:

Termination rates based on years of service, for causes other than death, disability, or retirement. (Adopted effective July 1, 2020).

Years from Hire	Male	Female	Years from Hire	Male	Female
0	15.00%	15.00%	10	2.50%	2.75%
1	13.00%	11.00%	11-12	2.00%	2.50%
2	11.00%	9.50%	13	2.00%	2.25%
3	8.00%	7.50%	14	1.50%	2.25%
4	6.00%	6.00%	15-16	1.50%	1.75%
5	5.25%	5.50%	17-18	1.50%	1.50%
6	4.00%	4.50%	19-22	0.75%	1.25%
7	3.75%	4.00%	23-24	0.75%	1.00%
8	3.00%	2.75%	24+	0.75%	0.75%
9	2.50%	2.75%			

Termination rates eliminated at first retirement eligibility.

Section 4: Actuarial Valuation Basis

Salary Increase Rates:

Inflation rate of 2.30% plus productivity increase rate of 1.50%, plus step-rate/promotional increase as shown below. (Adopted effective July 1, 2020).

Years from Hire	Annual Step-Rate Promotional Component	Annual Total Salary Increase
0	11.00%	14.80%
1	3.00%	6.80%
2	2.75%	6.55%
3-4	2.50%	6.30%
5-6	2.00%	5.80%
7-8	1.75%	5.55%
9-11	1.50%	5.30%
12-13	1.25%	5.05%
14-15	1.00%	4.80%
16-18	0.75%	4.55%
19-22	0.50%	4.30%
23-29	0.25%	4.05%
30+	0.00%	3.80%

Payroll Growth Rate:

3.25% per annum. This assumption does not include any allowances for future increase in the number of members. (Adopted effective July 1, 2010).

Percent Married:

For valuation purposes, 75% of members are assumed to be married. Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. (Adopted effective July 1, 1992).

Percent Electing a Deferred Termination Benefit:

Terminating members are assumed to elect the most valuable benefit at the time of termination. Termination benefits are assumed to commence at the first age at which unreduced benefits are available. (Adopted effective July 1, 1990).

Loading Factor for New Retirees:

The liability includes a 3% load for members who retired during the year ended June 30, 2020, to reflect that their benefits are not finalized as of the valuation date.

Section 4: Actuarial Valuation Basis

Annual Administrative Expenses:	Annual administrative expenses of \$2,143,599 (actual expenses for the previous year, increased with inflation) are expected to be paid monthly for the year beginning July 1, 2020.
Asset Valuation Method:	The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (or less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The actual investment return for this purpose is determined net of all investment expenses. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
Actuarial Cost Method	Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary. Entry age is determined as the age at member's enrollment in TFFR. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets.
Amortization Period and Method:	The actuarially determined contribution (ADC) is determined as the sum of (a) the employer normal cost rate, and (b) a level percentage of payroll required to amortize the unfunded actuarial accrued liability over the 30-year closed period that began July 1, 2013.
Justification for Change in Actuarial Assumptions:	Changes made to the actuarial assumptions were based on the March 19, 2020 experience study.

Section 4: Actuarial Valuation Basis

Exhibit II: Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Effective Date:	July 1, 1971															
Plan Year:	July 1 through June 30															
Administration	The Teachers' Fund for Retirement (TFFR) is administrated by a Board of Trustees. A separate State Investment Board is responsible for the investment of the trust assets, although TFFR's Board establishes the asset allocation policy. The Retirement and Investment Office is the administrative agency for TFFR.															
Type of Plan:	TFFR is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a cost-sharing multiple-employer public employee retirement system.															
Eligibility:	All certified teachers of any public school in the State participate in TFFR. This includes teachers, supervisors, principals, administrators, etc. Non-certified employees such as teacher's aides, janitors, secretaries, drivers, etc. are not allowed to participate in TFFR. Eligible employees become members at their date of employment.															
Member Contributions:	All active members contribute 11.75% of their salary per year. The employer may "pick up" the member's contribution under the provisions of Internal Revenue Code Section 414(h). The member contribution rate was increased from 7.75% to 9.75% effective July 1, 2012, and was increased to 11.75% effective July 1, 2014. The total addition of 4.00% to the member contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75%.															
Salary:	A member's total earnings are used for salary purposes, including overtime, etc., and including nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick and vacation leave.															
Employer Contributions:	<p>The district or other employer that employs a member contributes a percentage of the member's salary. This percentage consists of a base percentage of 7.75%, plus since July 1, 2008 additions as shown below.</p> <table border="1"> <thead> <tr> <th>Effective Date</th> <th>Addition to 7.75% Base Rate</th> <th>Employer Contribution Rate</th> </tr> </thead> <tbody> <tr> <td>July 1, 2008</td> <td>0.50%</td> <td>8.25%</td> </tr> <tr> <td>July 1, 2010</td> <td>1.00%</td> <td>8.75%</td> </tr> <tr> <td>July 1, 2012</td> <td>3.00%</td> <td>10.75%</td> </tr> <tr> <td>July 1, 2014</td> <td>5.00%</td> <td>12.75%</td> </tr> </tbody> </table> <p>However, the additions are subject to a "sunset" provision, so the contribution rate will revert to 7.75% once the funded ratio reaches 100%, measure using the actuarial value of assets. The contribution rate will not automatically increase if the funded ratio later falls back below 100%.</p>	Effective Date	Addition to 7.75% Base Rate	Employer Contribution Rate	July 1, 2008	0.50%	8.25%	July 1, 2010	1.00%	8.75%	July 1, 2012	3.00%	10.75%	July 1, 2014	5.00%	12.75%
Effective Date	Addition to 7.75% Base Rate	Employer Contribution Rate														
July 1, 2008	0.50%	8.25%														
July 1, 2010	1.00%	8.75%														
July 1, 2012	3.00%	10.75%														
July 1, 2014	5.00%	12.75%														

Section 4: Actuarial Valuation Basis

Service:	Employees receive credit for service while a member. A member may also purchase credit for certain periods, such as time spent teaching at a public school in another state, by paying the actuarially determined cost of the additional service. Special rules and limits govern the purchase of additional service.
Tiers:	Members who join TFFR by June 30, 2008 are in Tier 1, while members who join later are in Tier 2. If a Tier 1 member terminates, takes a refund, and later rejoins TFFR after June 30, 2008, that member will be in Tier 2. As of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, are considered Grandfathered, and previous plan provisions will not change. Tier 1 members who do not fit these criteria as of June 30, 2013, are considered Non-grandfathered. These members, along with Tier 2, have new plan provisions, as described below.
Final Average Compensation (FAC):	The average of the member's highest three (Tier 1 members) or five (Tier 2 members) plan year salaries. Monthly benefits are based on one-twelfth of this amount.
Normal Retirement:	<p>a. Eligibility:</p> <ul style="list-style-type: none"> • Tier 1 members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 85. Effective as of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, normal retirement eligibility will not change (participants are Grandfathered). For those who did not meet these criteria as of June 30, 2013 (Non-grandfathered), members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60. • Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90. Effective July 1, 2013, Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60. <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service.</p> <p>c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's contributions plus interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.</p>
Early Retirement:	<p>a. Eligibility: Tier 1 members may retire early after reaching age 55 with credit for three years of service, while Tier 2 members may retire early after reaching age 55 with credit for five years of service.</p> <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service, multiplied by a factor that reduces the benefit 6% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 85 (Tier 1 members) or 90 (Tier 2 members). Effective July 1, 2013 for members who are either Non-grandfathered Tier 1 or Tier 2: 2.00% of FAC (monthly) times years of service, multiplied by a factor</p>

Section 4: Actuarial Valuation Basis

	<p>that reduces the benefit 8% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 90 with a minimum age of 60.</p> <p>c. Payment Form: Same as for Normal Retirement above.</p>
Disability:	<p>a. Eligibility: A member is eligible provided he/she has credit for at least one year of service. Effective July 1, 2013, a member is eligible provided he/she has credit for at least five years of service.</p> <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service with a minimum 20 years of service. Effective July 1, 2013, 2.00% of FAC (monthly) times years of service.</p> <p>c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's contributions plus interest as of the date of retirement that is in excess of the sum of payments already received will be paid in a lump sum to the member's beneficiary.</p> <p>d. All alternative forms of payment other than level income and the partial lump-sum option are also permitted in the case of disability retirement. For basis recovery only, disability benefits are converted to normal retirement benefits when the member reaches normal retirement age or age 65, whichever is earlier.</p>
Deferred Termination Benefit:	<p>a. Eligibility: A Tier 1 member with at least three years of service, or a Tier 2 member with at least five years of service, who does not withdraw his/her contributions from the fund, is eligible for a deferred termination benefit.</p> <p>b. Monthly Benefit: 2.00% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence unreduced at age 65 or when the sum of the member's age and service is 85 (Grandfathered Tier 1 members) or 90 with a minimum age of 60 (Non-grandfathered Tier 1 and Tier 2 members). Reduced benefits may commence at or after age 55 if the member is not eligible for an unreduced benefit. Reductions are the same as for Early Retirement.</p> <p>c. Payment Form: The form of payment is the same as for Normal Retirement above.</p> <p>d. Death Benefit: A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below.</p>
Withdrawal (Refund) Benefit:	<p>a. Eligibility: Tier 1 members leaving covered employment with less than three years of service, and Tier 2 members leaving covered employment with less than five years of service, are eligible. Optionally, vested members may withdraw their contributions plus interest in lieu of the deferred benefits otherwise due.</p> <p>b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus the interest credited on these contributions. Interest is credited at 6% per year prior to benefit commencement (0.5% per month).</p>
Death Benefit:	<p>a. Eligibility: Death must have occurred while an active or an inactive, non-retired member.</p> <p>b. Benefit: Upon the death of a nonvested member, a refund of the member's contributions and interest is paid. Upon the death of a vested member, the beneficiary may elect (i) the refund benefit above, or (ii) a life annuity of the normal retirement benefit, determined under Option One below, based on FAC and service as of the date of death, but without applying any reduction for the member's age at death. In determining</p>

Section 4: Actuarial Valuation Basis

	<p>the reduction for Option One, members not eligible for normal retirement benefits use the Fund's option tables for disabled members.</p>
Optional Forms of Payment:	<p>There are optional forms of payment available on an actuarially equivalent basis, as follows:</p> <p>Option 1 - A life annuity payable while either the participant or his beneficiary is alive, "popping-up" to the original life annuity if the beneficiary predeceases the member.</p> <p>Option 2 - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary, and "popping-up" to the original life annuity if the beneficiary predeceases the member.</p> <p>Option 3a - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 60 payments (five years), the payments will be continued to a beneficiary for the balance of the five-year period. (This option has been replaced by Option 3b. It is not available to employees who retire on or after August 1, 2003. Retirees who elected this option prior to that date are unaffected.)</p> <p>Option 3b - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 240 payments (twenty years), the payments will be continued to a beneficiary for the balance of the twenty-year period. (This option replaced Option 3a effective August 1, 2003.)</p> <p>Option 4 - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 120 payments (10 years), the payments will be continued to a beneficiary for the balance of the ten-year period.</p> <p>Option 5 - A non-level annuity payable to the member, designed to provide a level total income when combined with the member's Social Security benefit. This option is not available to disabled retirees.</p> <p>In addition, members may elect a partial lump-sum option (PLSO) at retirement. Under this option, a member receives an immediate lump sum equal to 12 times the monthly life annuity benefit and a reduced annuity. The reduction is determined actuarially. The member can then elect to receive the annuity benefit in one of the other optional forms, except that members who receive a PLSO may not elect Option 5 – the level income option. The PLSO is not available to disabled retirees or retirees who are not eligible for an unreduced retirement benefit.</p> <p>Actuarial equivalence is based on tables adopted by the Board of Trustees.</p>
Cost-of-living Increase:	<p>From time to time, TFFR has been amended to grant certain post-retirement benefit increases. However, TFFR has no automatic cost-of-living increase features.</p>

Section 4: Actuarial Valuation Basis

Exhibit III: Summary of Plan Changes

1991 Legislative Sessions:

1. Benefit multiplier increased from 1.275% to 1.39% for all future retirees.
2. Provide a post retirement benefit increases for all annuitants receiving a monthly benefit on June 30, 1991. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:
 - a. \$3 per year of service for retirements before 1980
 - b. \$2 per year of service for retirements between 1980 and 1983
 - c. \$1 per year of service for retirements from 1984 through June 30, 1991

Minimum increase is \$5 per month. Maximum increase is \$75 per month

1993 Legislative Session:

1. Benefit multiplier increased from 1.39% to 1.55% for all future retirees.
2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1993. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:
 - a. \$3 per year of service for retirements before 1980
 - b. \$2.50 per year of service for retirements between 1980 and 1983
 - c. \$1 per year of service for retirements from 1984 through June 30, 1993

Minimum increase is \$5 per month. Maximum increase is \$100 per month.

3. Minimum retirement benefit increased to \$10 times years of service up to 25, plus \$15 times years of service greater than 25. (Previously was \$6 up to 25 years of service plus \$7.50 over 25 years of service.)
4. Disability benefit changed to 1.55% of FAC times years of service using a minimum of 20 years of service.

1995 Legislative Session:

There were no material changes made during the 1995 legislative session.

1997 Legislative Session:

1. Benefit multiplier increased from 1.55% to 1.75% for all future retirees.
2. Member contribution rate and employer contribution rate increased from 6.75% to 7.75%.
3. A \$30.00/month benefit improvement was granted to all retirees and beneficiaries.

Section 4: Actuarial Valuation Basis

1999 Legislative Session:

1. Active members will now be fully vested after three years (rather than five years) of service.
2. Early retirement benefits will be reduced 6% per year from the earlier of (i) age 65, or (ii) the date as of which age plus service equals 85 (rather than from age 65 in all cases).
3. An ad hoc COLA was provided for all retirees and beneficiaries. This increase is equal to an additional \$2.00 per month for each year of service plus \$1.00 per month for each year since the member's retirement.
4. The formula multiplier was increased from 1.75% to 1.88% effective July 1, 1999.

2001 Legislative Session:

1. An ad hoc COLA was provided for all retirees and beneficiaries. The ad hoc COLA increase is equal to an additional \$2.00 per month for each year of service plus \$1.00 per month for each year since the member's retirement. Retirees and beneficiaries will also receive two additional increases equal to 0.75% times the monthly benefit, payable July 1, 2001 and July 1, 2002. The two 0.75% increases are conditional. If the actuarial margin is a shortfall, i.e., is negative, by 60 basis points or more, or if the margin has been negative by 30 or more basis points for two years, the Board could elect to suspend the increase.
2. The formula multiplier was increased from 1.88% to 2.00% effective July 1, 2001.

2003 Legislative Session:

1. Partial lump-sum option adopted, equal to twelve times the monthly life annuity benefit. Not available if level-income option is elected. Not available for reduced retirement or disability retirement.
2. Five-year certain and life option replaced with 20-year certain and life. This does not impact retirees who retired under the five-years certain and life option.
3. Employer service purchase authorized.
4. Active members of the Department of Public Instruction are permitted to make a one-time irrevocable election to transfer to the State Public Employees Retirement System in FY 2004. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be based on the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance if larger.

2005 Legislative Session:

There were no material changes made during the 2005 legislative sessions.

Section 4: Actuarial Valuation Basis

2007 Legislative Session:

1. For active members hired on or after July 1, 2008 (called Tier 2 members):
 - a. Members will be eligible for an unreduced retirement benefit when they reach age 65 with at least five years of service (rather than three years of service); or if earlier, when the sum of the member's age and service is at least 90 (rather than 85).
 - b. Members will be eligible for a reduced (early) retirement benefit when they reach age 55 with five years of service, rather than three years of service.
 - c. Members will be fully vested after five years of service (rather than three year of service).
 - d. The Final Average Compensation for Tier 2 members is the average of the member's highest five plan year salaries, rather than the average of the three highest salaries.
2. The employer contribution rate increases from 7.75% to 8.25% effective July 1, 2008, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.25%.)
3. Employer contributions are required on the salary of reemployed retirees.
4. Active members of the Department of Career and Technical Education are permitted to make a one-time irrevocable election to transfer to the State Public Employees Retirement System in FY 2008. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance, if larger.

2009 Legislative Session:

1. An individual who retired before January 1, 2009, and is receiving monthly benefits is entitled to receive a supplemental payment from the fund. The supplemental payment is equal to an amount determined by taking twenty dollars multiplied by the member's number of years of service credit plus fifteen dollars multiplied by the number of years since the member's retirement as of January 1, 2009. The supplemental payment may not exceed the greater of 10% of the member's annual annuity or \$750.00. TFFR will make the supplemental payment in December 2009.
2. The employer contribution rate increases from 8.25% to 8.75% effective July 1, 2010, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.75%.)

Section 4: Actuarial Valuation Basis

2011 Legislative Session:

1. The employer contribution rate increases from 8.75% to 10.75% effective July 1, 2012, and increases thereafter to 12.75% effective July 1, 2014. The member contribution rate increases from 7.75% to 9.75% effective July 1, 2012, and increases thereafter to 11.75% effective July 1, 2014. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets.
2. For current Tier 1 members who, as of June 30, 2013, are vested (at least 3 years of service), and at least age 55, OR the sum of the member's age and service is at least 65, are considered a Tier 1 Grandfathered member. Current Tier 1 members, who will not meet this criteria as of June 30, 2013, are considered a Tier 1 Non-grandfathered member.
3. Eligibility for normal/ unreduced retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, unreduced retirement benefits start when the member reaches age 65 and is vested (3 years for Tier 1 Non-grandfathered, 5 years for Tier 2); or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.
4. Early retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, the normal retirement benefit will be reduced by 8% per year from the earlier of age 65 OR the age at which the sum of the member's age and service is at least 90, with a minimum age of 60.
5. Effective after June 30, 2013, all members may retire on disability after a period of at least five years of service (rather one year of service). The amount of the benefit is based on a 2% multiplier and actual service (rather than a minimum of twenty years of service in the current calculation).
6. Effective July 1, 2012, re-employed retirees are required to pay member contributions.
7. Effective August 1, 2011, beneficiary and death benefit provisions were updated, and the 60-month death payment benefit was removed.

2013 Legislative Session:

1. Employer and member contribution rates will be reset to 7.75% once the Fund reaches a 100% funded ratio (rather than the 90% funded ratio enacted with the 2011 Legislation), measured using the actuarial value of assets.
2. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

2015 Legislative Session:

1. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

2017 Legislative Session:

There were no material changes made during the 2017 legislative sessions.

2019 Legislative Session:

There were no material changes made during the 2019 legislative sessions.

GASB Information

Exhibit 1: Net Pension Liability

The components of the net pension liability at July 1, 2020 and July 1, 2019 were as follows:

	July 1, 2020	July 1, 2019
Total pension liability	\$4,181,035,763	\$3,993,424,160
Plan fiduciary net position	<u>(2,650,532,301)</u>	<u>(2,616,171,056)</u>
Net pension liability	\$1,530,503,462	\$1,377,253,104
Plan fiduciary net position as a percentage of the total pension liability	63.4%	65.5%

The net pension liability was measured as of June 30, 2020, and is determined based on the total pension liability from the July 1, 2020, actuarial valuation.

Plan provisions. The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of July 1, 2020.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	None

The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019.

The disabled mortality was updated to the PubNC-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

GASB Information

The pre-retirement mortality table was updated to the Pub T-2010 Employee table projected with generational improvement using Scale MP-2019. The actuarial assumptions used were based on the results of an experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return ¹
Global Equities	58.0%	6.86%
Global Fixed Income	23.0%	1.25%
Global Real Assets	18.0%	5.02%
Cash Equivalents	<u>1.0%</u>	<u>0.00%</u>
Total	100%	

¹ As reported by the North Dakota Retirement and Investment Office

Discount rate: The long-term expected rate of return on pension plan investments is 7.25%. The high quality tax-exempt general obligation municipal bond rate (20-Bond GO Index) as of the closest date prior to the valuation date of June 30, 2020, is 2.21%, as published by The Bond Buyer.

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on this July 1, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

GASB Information

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability as of June 30, 2016*	\$1,900,291,033	\$1,465,058,563	\$1,102,551,032
Net pension liability as of June 30, 2017*	1,826,126,843	1,373,525,753	996,748,988
Net pension liability as of June 30, 2018*	1,799,744,383	1,332,858,315	944,554,161
Net pension liability as of June 30, 2019*	1,859,994,289	1,377,253,104	976,082,834
Net pension liability as of June 30, 2020	2,038,548,355	1,530,503,462	1,108,292,065

* Net pension liability on or before June 30, 2019 were based on 6.75% (1% Decrease), 7.75% (Current Discount) and 8.75% (1% Increase) discount rates.

GASB Information

Exhibit 2: Schedule of Changes in Net Pension Liability

	2020	2019
Total pension liability		
• Service cost	\$80,591,201	\$77,755,965
• Interest	306,790,705	296,875,949
• Change of benefit terms	0	0
• Differences between expected and actual experience	(20,732,097)	(23,494,914)
• Changes of assumptions	51,813,028	0
• Benefit payments, including refunds of employee contributions	(230,851,234)	(221,228,566)
Net change in total pension liability	\$187,611,603	\$129,908,434
Total pension liability – beginning	3,993,424,160	3,863,515,726
Total pension liability – ending (a)	<u>\$4,181,035,763</u>	<u>\$3,993,424,160</u>
Plan fiduciary net position		
• Contributions – employer	\$93,032,453	\$89,444,881
• Contributions – employee	85,735,134	82,429,594
• Contributions – purchased service credit	2,175,497	1,916,787
• Contributions – other	158,683	158,713
• Net investment income	86,206,117	135,043,319
• Benefit payments, including refunds of employee contributions	(230,851,234)	(221,228,566)
• Administrative expense	(2,095,405)	(2,251,083)
• Other	<u>0</u>	<u>0</u>
Net change in plan fiduciary net position	\$34,361,245	\$85,513,645
Plan fiduciary net position – beginning	<u>2,616,171,056</u>	<u>2,530,657,411</u>
Plan fiduciary net position – ending (b)	<u>\$2,650,532,301</u>	<u>\$2,616,171,056</u>
Net pension liability – ending (a) – (b)	<u>\$1,530,503,462</u>	<u>\$1,377,253,104</u>
Plan fiduciary net position as a percentage of the total pension liability	63.4%	65.5%
Covered employee payroll	\$729,660,661	\$701,528,450
Net pension liability as percentage of covered employee payroll	209.8%	196.3%

GASB Information

Exhibit 3: Schedule of Employer Contributions

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2013	\$52,396,153	\$59,300,720	(\$6,904,567)	\$551,655,590	10.75%
2014	59,513,485	62,355,146	(2,841,661)	580,053,235	10.75%
2015	71,167,632	78,422,098	(7,254,466)	615,104,860	12.75%
2016	84,724,122	82,839,932	1,884,190	649,724,868	12.75%
2017	89,231,211	86,058,868	3,172,343	674,971,342	12.75%
2018	88,307,239	86,675,715	1,631,524	679,809,385	12.75%
2019	90,777,781	89,444,881	1,332,900	701,528,450	12.75%
2020	93,688,429	93,032,453	655,976	729,660,661	12.75%

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MEMORANDUM

TO: TFFR Board

FROM: Jan Murtha

DATE: November 12 2020

SUBJ: Employee Benefits Programs Committee Update

The Employee Benefits Programs Committee (EBPC) met on October 28, 2020. The EMBPC heard the request of the TFFR Board to accept jurisdiction of Bill Draft No.233 to effect the change to the required minimum distribution rule required by the 2019 SECURE Act. The presentation relating to this request and bill draft are enclosed.

After the presentation, the EBPC accepted jurisdiction of the proposed bill and later approved a favorable recommendation of the bill draft.

BOARD INFORMATION ONLY. No Board action requested.

TFFR Plan Modification Request

Employee Benefits Programs Committee

Meeting of October 28, 2020

Presented by Jan Murtha

NDRIO Deputy Executive Director/Chief Retirement Officer

What Changed? 2019 SECURE ACT (Passed 12/20/19)

New RMD Rule

"If you reached the age of 70½ in 2019 the prior rule applies, and you must take your first RMD by April 1, 2020. If you reach age 70½ in 2020 or later you must take your first RMD by April 1 of the year after you reach 72."**

Must be in effect by last day of the first plan year beginning on or after January 1, 2024.

*<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions#>

Definition of "RMD"

- "Required Minimum Distributions (RMDs) generally are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 72 (70 ½ if you reach 70 ½ before January 1, 2020), if later, the year in which he or she retires."*

Applicable State Law- EBPC Jurisdiction

NDCC 15-39.1-34(1)

- The board shall administer the plan in compliance with section 415, section 401(a)(9), section 401(a)(17), and section 401(a)(31) of the Internal Revenue Code, as amended, and regulations adopted pursuant to those provisions as they apply to governmental plans.

NDCC 15-39.1-35

- If the board determines that any section of this chapter does not comply with applicable federal statutes or rules, the board shall adopt appropriate terminology with respect to that section as will comply with those federal statutes or rules, subject to the approval of the employee benefits programs committee. Any plan modifications made by the board pursuant to this section are effective until the effective date of any measure enacted by the legislative assembly providing the necessary amendments to this chapter to ensure compliance with the federal statutes or rules.

TFFR Proposed Language - Bill Draft No. 233. [21.0233.01000]

- 15-39.1-10. Eligibility for normal retirement benefits.
- 4. ~~Retirement benefits must begin~~ For a member who attains age seventy and one-half prior to January 1, 2020, the member's required beginning date is no later than April first of the calendar year following the year the member attains age seventy and one-half or April first of the calendar year following the year the member terminates covered employment, whichever is later. For a member who attains seventy and one-half after December 31, 2019, the member's required beginning date is no later than April first of the calendar year following the year the member attains age seventy- two or April first of the calendar year following the year the member terminates covered employment, whichever is later. Payments must be made over a period of time which does not exceed the life expectancy of the member or the joint life expectancy of the member and the beneficiary. Payment of minimum distributions must be made in accordance with section 401(a)(9) of the Internal Revenue Code, as amended, and the regulations issued under that section, as applicable to governmental plans.

TFFR Plan Modification Request

- At its April 23, 2020 meeting, the TFFR Board voted to submit the proposed change to NDCC 15-39.1-10(4) to the Employee Benefits Programs Committee (EBPC) pursuant to NDCC 15-39.1-35.
- At its September 9, 2020 meeting the EBPC considered this request and waived the deadline for bill submission to allow the TFFR Board to submit a proposed bill for consideration in the 2021 legislative session.
- At its October 7, 2020 meeting the TFFR Board approved submitting the aforementioned bill for consideration.

BILL NO.

Introduced by

Employee Benefits Programs Committee

(At the request of the Teachers' Fund for Retirement)

1 A BILL for an Act to amend and reenact subsection 4 of section 15-39.1-10 of the North Dakota
2 Century Code, relating to teachers' fund for retirement eligibility benefits.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Subsection 4 of section 15-39.1-10 of the North Dakota
5 Century Code is amended and reenacted as follows:

6 4. ~~Retirement benefits must begin~~For a member who attains age seventy and one-half
7 before January 1, 2020, the member's required beginning date is no later than April
8 first of the calendar year following the year the member attains age seventy and one-
9 half or April first of the calendar year following the year the member terminates
10 covered employment, whichever is later. For a member who attains age seventy and
11 one-half after December 31, 2019, the member's required beginning date is no later
12 than April first of the calendar year following the year the member attains age
13 seventy-two or April first of the calendar year following the year the member
14 terminates covered employment, whichever is later. Payments must be made over a
15 period of time which does not exceed the life expectancy of the member or the joint life
16 expectancy of the member and the beneficiary. Payment of minimum distributions
17 must be made in accordance with section 401(a)(9) of the Internal Revenue Code, as
18 amended, and the regulations issued under that section, as applicable to
19 governmental plans.

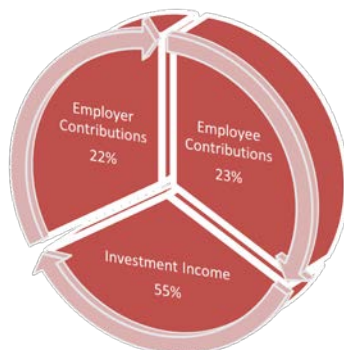


MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha
DATE: November 17, 2020
RE: Strategic Messaging Discussion

This item is intended to initiate a discussion with the Board regarding how staff should prioritize Strategic Messaging and/or Branding in performing our TFFR Program Ends. The discussion will continue as an agenda item at the January 2021 meeting. Information relevant to this discussion topic include:

- The educational materials provided to the Board this month include videos related to this topic. Board members are asked to review these materials in advance of the January 2021 Board meeting, at which more time shall be devoted to this topic.
- The TFFR Board is scheduled to receive a report at its January meeting (February if delayed), regarding part of the PAS project related to the “10 Key’s Assessment” performed by Segal. This assessment shall “grade” TFFR communication tools. The consultant and staff shall coordinate interviews and information exchanges during December 2020 specifically related to this assessment.
- TFFR Program Outreach efforts as presented by staff during the November 2020 meeting.
- RIO staff is developing an outreach plan for both the TFFR and SIB programs providing “Fund Facts”, for members, clients, legislators, and the public.
- Discussion regarding a different viewpoint:



“Balancing the Risk for Your Benefit”

“A Legacy of Security and Stability”

Quarterly Monitoring Report on TFFR Ends Quarter Ended September 30, 2020

Retirement Program

This report highlights **exceptions** to normal business operations.

- Governor Burgum re-appointed Dr. Rob Lech of Jamestown to represent active administrators on the TFFR Board for a 5-year term from 7/1/20 – 6/30/25.
- RIO launched a new website in July 2020! The new modern site utilizes the state's template and is user-friendly for TFFR members and employers, SIB clients and the public.
- TFFR Governance and Policy Review Committee the first part of the TFFR Board Governance Policy Manual at the July 2020 board meeting. The committee will continue to work on finalizing the manual.
- Denise Weeks, Stephanie Starr and Jayme Heick attended the National Pension Education Association (NPEA) conference. The conference highlighted virtual learning, how other pension systems reacted to the pandemic and cybersecurity.
- TFFR Member Online activity continues to increase. To date, over 5,600 active, inactive, and retired members have registered for this service. This is up from 4,500 members in March of 2020.
- Based on member and employer customer satisfaction surveys, 2019-20 customer satisfaction remains high at 3.9 (4.0 scale).
- Approximately 200 retirees are reported as back teaching in some capacity for 2020-21.
- There have been 148 retirements processed in the quarter ending 9/30/20. This is an increase over the same time period last year. The increase is due to a decrease in the number of retirement applications sent in to our office in a timely manner for a June 1, 2020, payment date.

TFFR Interim Investment Report

For the Periods Ended September 30, 2020

November 19, 2020

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

Jan Murtha, Deputy Executive Director / Chief Retirement Officer

Darren Schulz, Deputy Chief Investment Officer

Connie Flanagan, Chief Financial Officer

Eric Chin, Chief Risk Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

TFFR Investment Ends – September 30, 2020

TFFR earned 8.09% in the last year and 8.29% for the 5-years ended Sep. 30, 2020 exceeding Policy Benchmarks.

TFFR earned 8.07% over the last 10-years exceeding the Policy Benchmark of 7.42% by 0.65%.

SIB clients should receive net investment returns consistent with their written investment policies and market variables. This “End” is evaluated based on comparison of each client’s (a) actual net investment return, (b) standard deviation and (c) risk adjusted excess return, to the client’s policy benchmark over **5 or more years**.

	Quarter Ended 9/30/2020	1 Yr Ended 9/30/2020	3 Yrs Ended 9/30/2020	5 Yrs Ended 9/30/2020	10 Yrs Ended 9/30/2020	Risk 5 Yrs Ended 9/30/2020	Risk Adj Excess Return 5 Yrs Ended 9/30/2020
TFFR \$2.7 billion							
Total Fund Return - Net	4.89%	8.09%	6.38%	8.29%	8.07%	9.68%	0.39%
Policy Benchmark Return	4.41%	7.07%	6.25%	7.79%	7.42%	9.53%	
Total Relative Return	0.48%	1.02%	0.13%	0.50%	0.65%	102%	

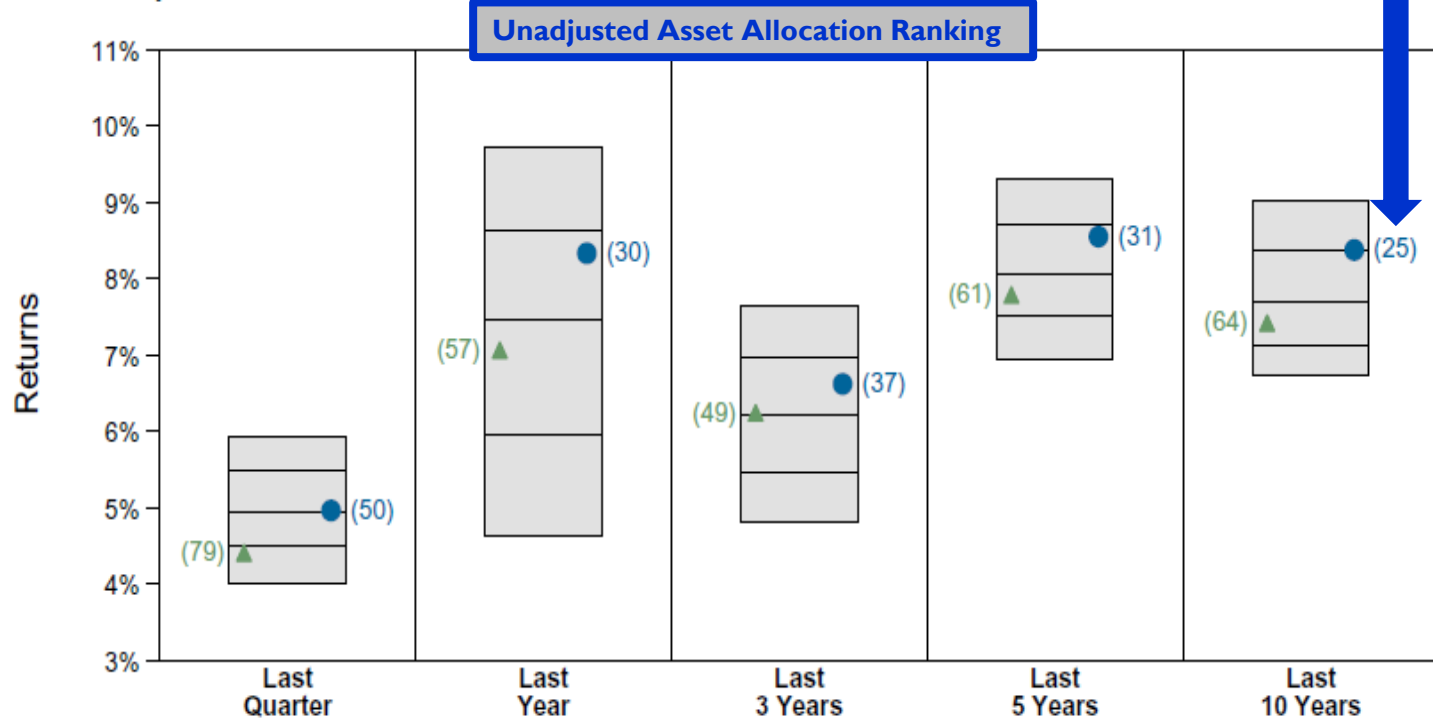
Key: TFFR investments exceeded well over \$2 billion the last 5-years and Excess Returns have averaged **0.50%** per year. TFFR’s use of active management has enhanced Net Investment Returns by \$50 million for the 5-years ended Sep. 30, 2020 (or \$2 billion x 0.50% = \$10 million per year x 5 years = \$50 million). These returns were achieved while adhering to prescribed Risk limits (e.g. 102% versus a policy limit of 115%).

5-Yr. Returns Sep. 30, 2020	Asset Allocation	Benchmark Return	Allocation x Return
	<i>a</i>	<i>b</i>	<i>a x b</i>
Global Equity	57%	10.3%	5.84%
Fixed Income	23%	4.8%	1.09%
Real Assets	19%	4.5%	0.85%
Cash	1%	1.2%	0.01%
			Policy Benchmark Return (5-years)
			7.79%

Current Policy Benchmark: 58% Equity (31% U.S., 21% Non-U.S., 6% Private); 23% Fixed Income (16% Investment Grade, 7% High Yield); 18% Real Assets (10% Real Estate; 6% Infrastructure; 2% Timber); and 1% Cash.

TFFR Gross Returns Ranked in Top Quartile for 10-Years Ended Sep. 30, 2020

Callan Public Fund Sponsor Database



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	5.93	9.72	7.65	9.29	9.01
25th Percentile	5.49	8.64	6.97	8.70	8.37
Median	4.95	7.46	6.22	8.06	7.70
75th Percentile	4.51	5.95	5.47	7.52	7.14
90th Percentile	4.01	4.64	4.82	6.93	6.73
Total Fund ●	4.97	8.33	6.62	8.55	8.37
Policy Target ▲	4.41	7.06	6.24	7.79	7.42

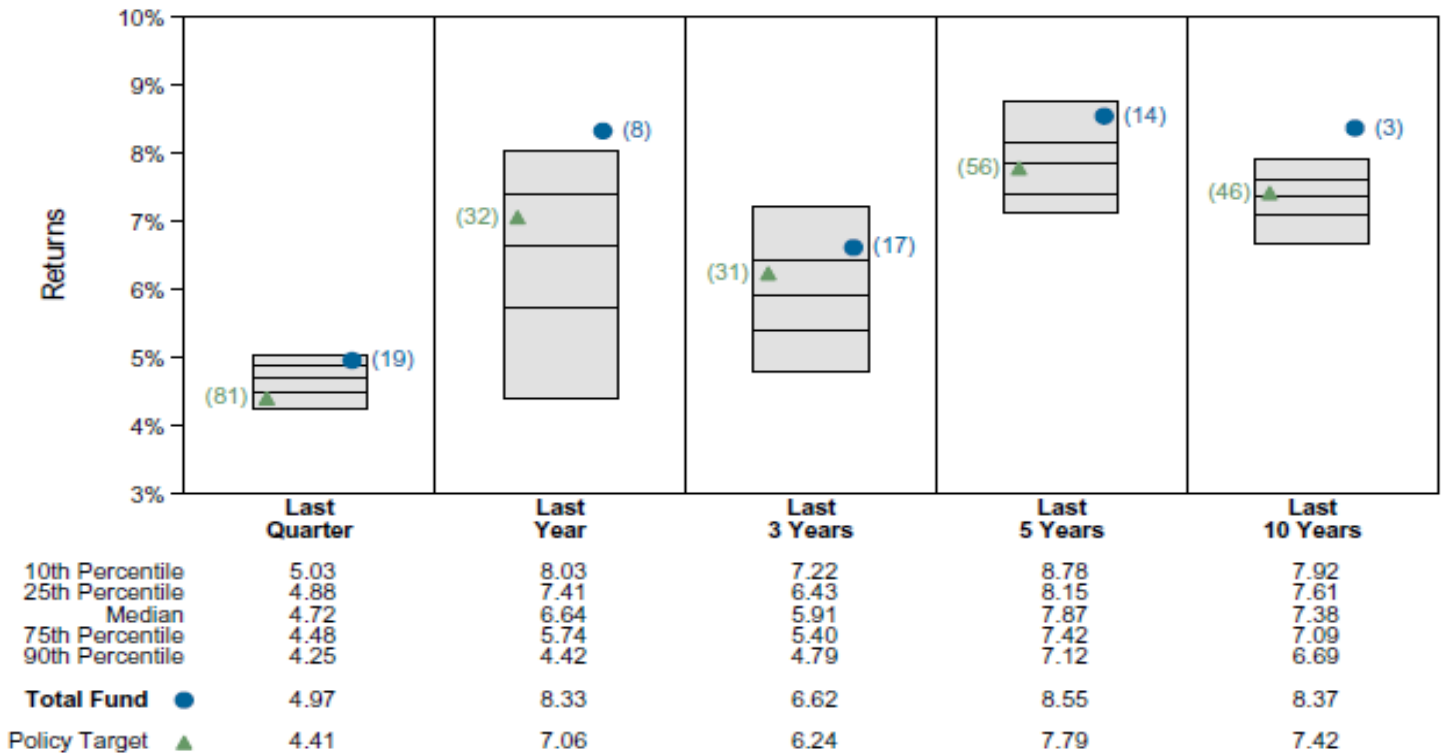
TFFR's "Total Fund" return of 8.37% for the "Last 10 Years" exceeds the "Policy Target" of 7.42% by 0.95%.

* Current Quarter Target = 16.6% Russell 1000 Index, 16.0% MSCI World, 16.0% Bimbg Aggregate, 11.8% MSCI World ex US, 10.0% NCREIF Total Index, 7.0% Bimbg:HY Corp 2% Iss Cap, 6.0% NDTFFR-Private Equity, 4.8% Russell 2000 Index, 3.0% NCREIF NFI-ODCE Eq Wt Net, 3.0% CPI All Urban Cons lagged 3 months, 2.8% MSCI EM, 2.0% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

TFFR's Asset Allocation Adjusted Ranking in Top Quartile Last 1, 3, 5 and 10 Years

Callan's Public Fund Sponsor Database is used below to report TFFR's "Asset Allocation Adjusted Ranking" assuming each fund in the database had the same historical asset allocation as that of TFFR.

Asset Allocation Adjusted Ranking



* Current Quarter Target = 16.6% Russell 1000 Index, 16.0% MSCI World, 16.0% Blmbg Aggregate, 11.8% MSCI World ex US, 10.0% NCREIF Total Index, 7.0% Blmbg:HY Corp 2% Iss Cap, 6.0% NDTFFR-Private Equity, 4.8% Russell 2000 Index, 3.0% NCREIF NFI-ODCE Eq Wt Net, 3.0% CPI All Urban Cons lagged 3 months, 2.8% MSCI EM, 2.0% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

Asset Class Allocation

Note: Amounts are unaudited and subject to material change.

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2020, with the distribution as of June 30, 2020. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Class Allocation

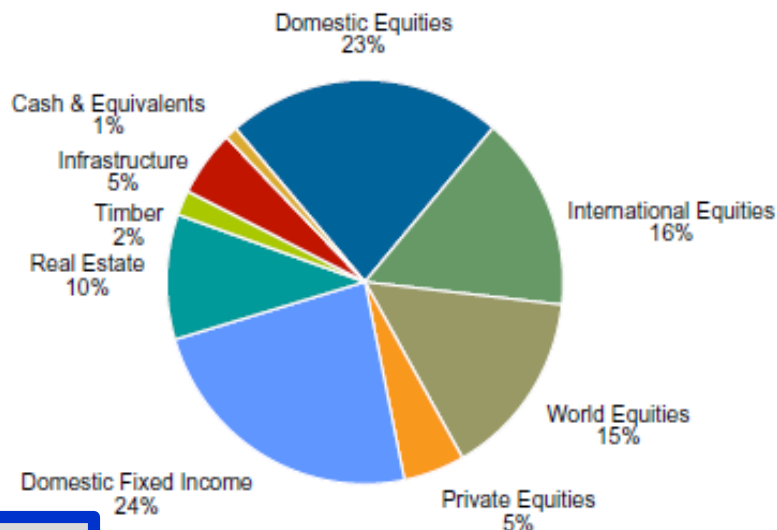
	September 30, 2020		Net New Inv.	Inv. Return	June 30, 2020	
	Market Value	Weight			Market Value	Weight
Global Equities	\$1,574,895,929	58.13%	\$(46,810,522)	\$118,142,302	\$1,503,564,150	57.55%
Public Equities	\$1,439,194,770	53.13%	\$(48,865,392)	\$119,138,411	\$1,368,921,751	52.39%
World Equities	\$406,407,521	15.00%	\$109,179	\$27,710,319	\$378,588,023	14.49%
Domestic Equities	\$610,150,504	22.52%	\$(49,163,382)	\$56,151,442	\$603,162,444	23.09%
Large Cap	479,159,849	17.69%	(48,705,936)	50,657,476	477,208,309	18.26%
Small Cap	130,990,655	4.84%	(457,446)	5,493,966	125,954,135	4.82%
International Equities	\$422,636,745	15.60%	\$188,810	\$35,276,651	\$387,171,284	14.82%
Developed	339,224,513	12.52%	225,374	25,928,167	313,070,972	11.98%
Emerging Markets	83,412,232	3.08%	(36,564)	9,348,484	74,100,312	2.84%
Private Equities	\$135,701,159	5.01%	\$2,054,870	\$(996,110)	\$134,642,399	5.15%
Global Fixed Income	\$639,095,331	23.59%	\$13,251,872	\$11,808,413	\$614,035,046	23.50%
Domestic Fixed Income	\$639,095,331	23.59%	\$13,251,872	\$11,808,413	\$614,035,046	23.50%
Investment Grade	454,827,056	16.79%	14,500,600	7,464,709	432,861,747	16.57%
Below Investment Grade	184,268,274	6.80%	(1,248,729)	4,343,704	181,173,299	6.93%
Global Real Assets	\$469,222,251	17.32%	\$(2,252,127)	\$40,098	\$471,434,280	18.04%
Real Estate	\$270,314,709	9.98%	\$510,531	\$209,757	\$269,594,421	10.32%
Other Real Assets	\$198,907,542	7.34%	\$(2,762,658)	\$(169,659)	\$201,839,859	7.73%
Infrastructure	143,424,927	5.29%	(1,762,369)	(169,660)	145,356,956	5.56%
Timber	55,482,615	2.05%	(1,000,289)	0	56,482,903	2.16%
Cash	\$25,832,824	0.95%	\$2,138,379	\$11,421	\$23,683,023	0.91%
Total Fund	\$2,709,046,334	100.0%	\$(33,672,398)	\$130,002,233	\$2,612,716,499	100.0%



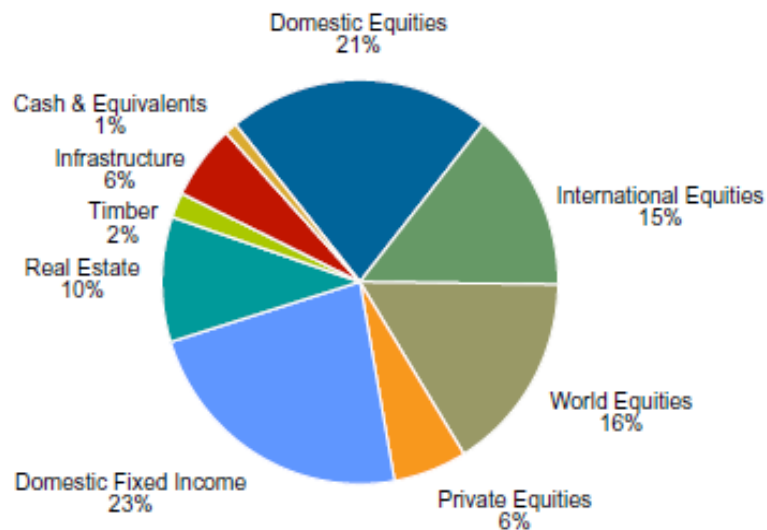
Actual vs Target Asset Allocation As of September 30, 2020

The top left chart shows the Fund's asset allocation as of September 30, 2020. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the Callan Public Fund Sponsor Database.

Actual Asset Allocation



Target Asset Allocation



Actual Asset Allocations are within 1% of Target as of Sep. 30, 2020.

Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	610,151	22.5%	21.5%	1.1%	28,748
International Equities	422,637	15.6%	14.5%	1.1%	28,783
World Equities	406,408	15.0%	16.0%	(1.0%)	(27,040)
Private Equities	135,701	5.0%	6.0%	(1.0%)	(26,842)
Domestic Fixed Income	639,095	23.6%	23.0%	0.6%	16,015
Real Estate	270,315	10.0%	10.0%	(0.0%)	(590)
Timber	55,483	2.0%	2.0%	(0.0%)	(0)
Infrastructure	143,425	5.3%	6.0%	(0.7%)	(17,816)
Cash & Equivalents	25,833	1.0%	1.0%	(0.0%)	(1,258)
Total	2,709,046	100.0%	100.0%		

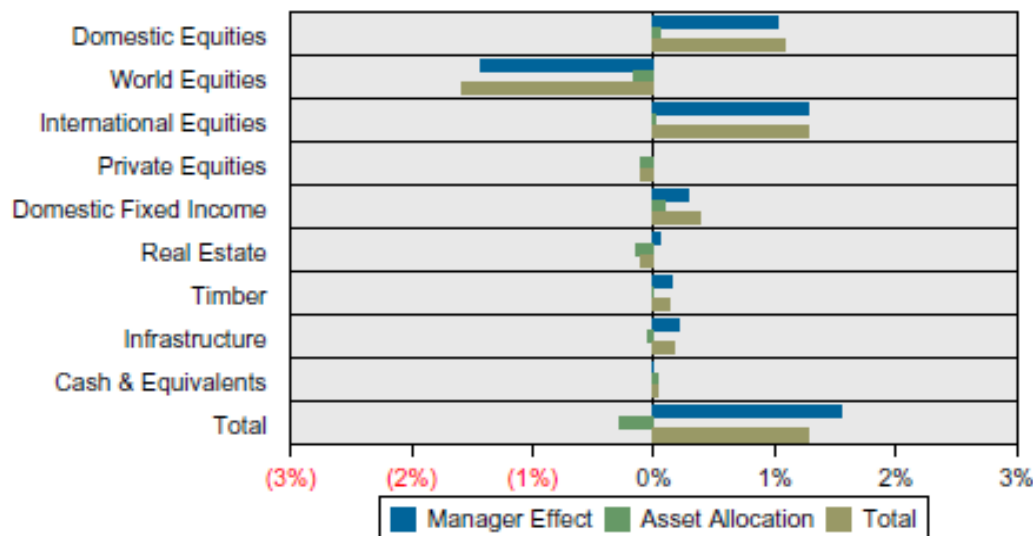
Cumulative Total Fund Relative Attribution

September 30, 2020

One Year Relative Attribution Effects

SIB Watch List:

World Equity managers Epoch and LSV remain on Watch at this time. RIO and Callan are working on public equity searches and intend to advance public equity strategies for SIB consideration in the 1st quarter of 2021.



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	22%	21%	17.51%	12.41%	1.02%	0.05%	1.08%
World Equities	15%	16%	0.70%	10.41%	(1.42%)	(0.16%)	(1.58%)
International Equities	15%	15%	10.52%	2.16%	1.27%	0.02%	1.28%
Private Equities	5%	6%	2.73%	2.73%	0.00%	(0.10%)	(0.10%)
Domestic Fixed Income	24%	23%	7.15%	6.03%	0.29%	0.09%	0.38%
Real Estate	11%	10%	2.32%	2.00%	0.05%	(0.15%)	(0.10%)
Timber	2%	2%	6.28%	0.19%	0.14%	(0.02%)	0.12%
Infrastructure	6%	6%	4.57%	0.77%	0.21%	(0.05%)	0.16%
Cash & Equivalents	1%	1%	0.98%	1.10%	(0.00%)	0.04%	0.03%

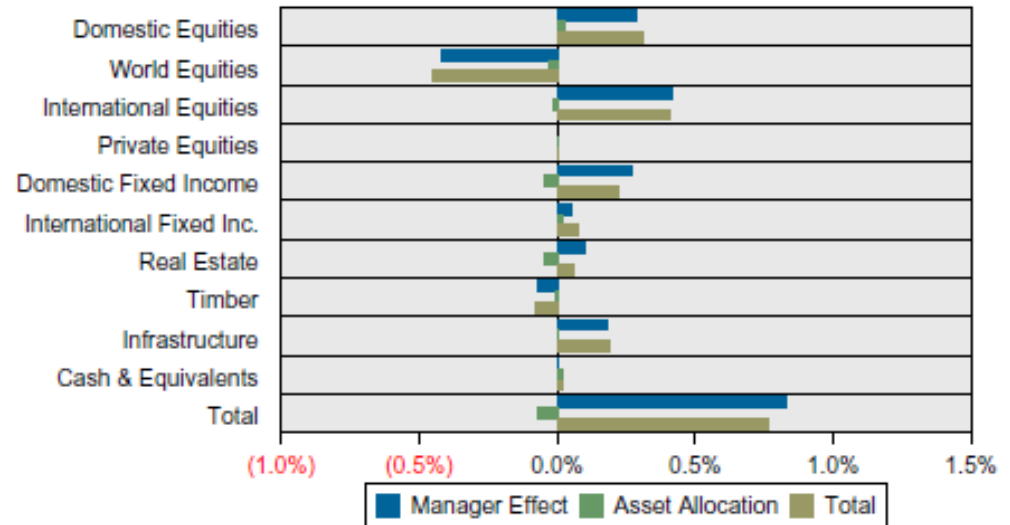
Total 8.33% = 7.06% + 1.55% + (0.28%) 1.27%

Cumulative Total Fund Relative Attribution September 30, 2020

Five Year Annualized Relative Attribution Effects

SIB Watch List:

World Equity managers Epoch and LSV remain on Watch at this time. RIO and Callan are working on public equity searches and intend to advance public equity strategies for SIB consideration in the 1st quarter of 2021.



Five Year Annualized Relative Attribution Effects

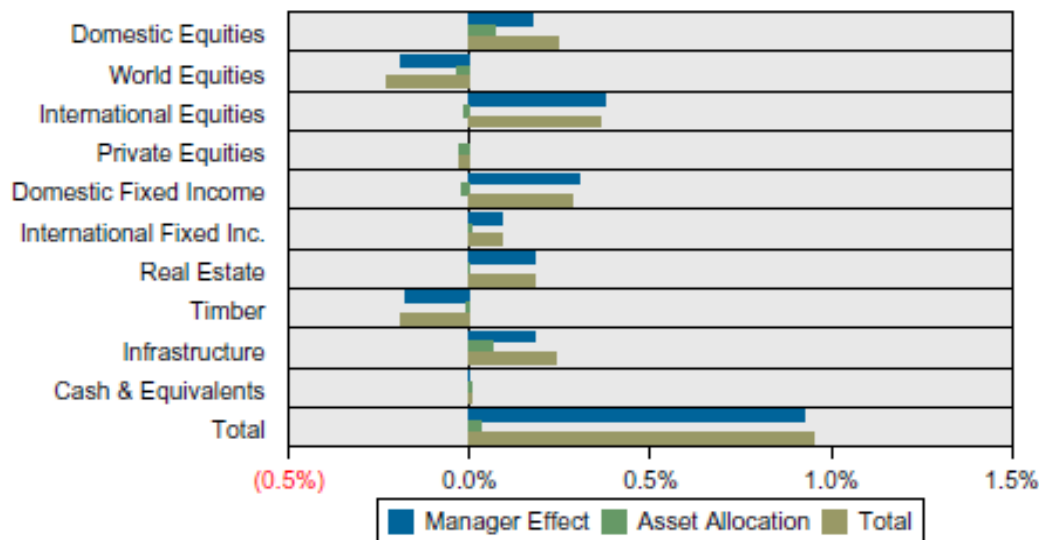
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	21%	14.17%	12.77%	0.29%	0.02%	0.31%
World Equities	16%	16%	7.62%	10.48%	(0.42%)	(0.03%)	(0.45%)
International Equities	15%	15%	8.62%	5.95%	0.42%	(0.01%)	0.41%
Private Equities	4%	6%	3.78%	3.78%	0.00%	0.01%	0.01%
Domestic Fixed Income	21%	20%	6.16%	4.82%	0.27%	(0.04%)	0.23%
International Fixed Inc.	3%	3%	-	-	0.05%	0.02%	0.07%
Real Estate	10%	10%	7.24%	6.28%	0.10%	(0.05%)	0.06%
Timber	3%	3%	0.38%	2.56%	(0.07%)	(0.01%)	(0.08%)
Infrastructure	5%	5%	6.01%	2.27%	0.18%	0.01%	0.19%
Cash & Equivalents	1%	1%	1.26%	1.20%	0.00%	0.02%	0.02%
Total			8.55%	7.79%	+ 0.83%	+ (0.07%)	0.76%

Cumulative Total Fund Relative Attribution

September 30, 2020

Ten Year Annualized Relative Attribution Effects

SIB Watch List:
World Equity managers Epoch and LSV remain on Watch at this time. RIO and Callan are working on public equity searches and intend to advance public equity strategies for SIB consideration in the 1st quarter of 2021.



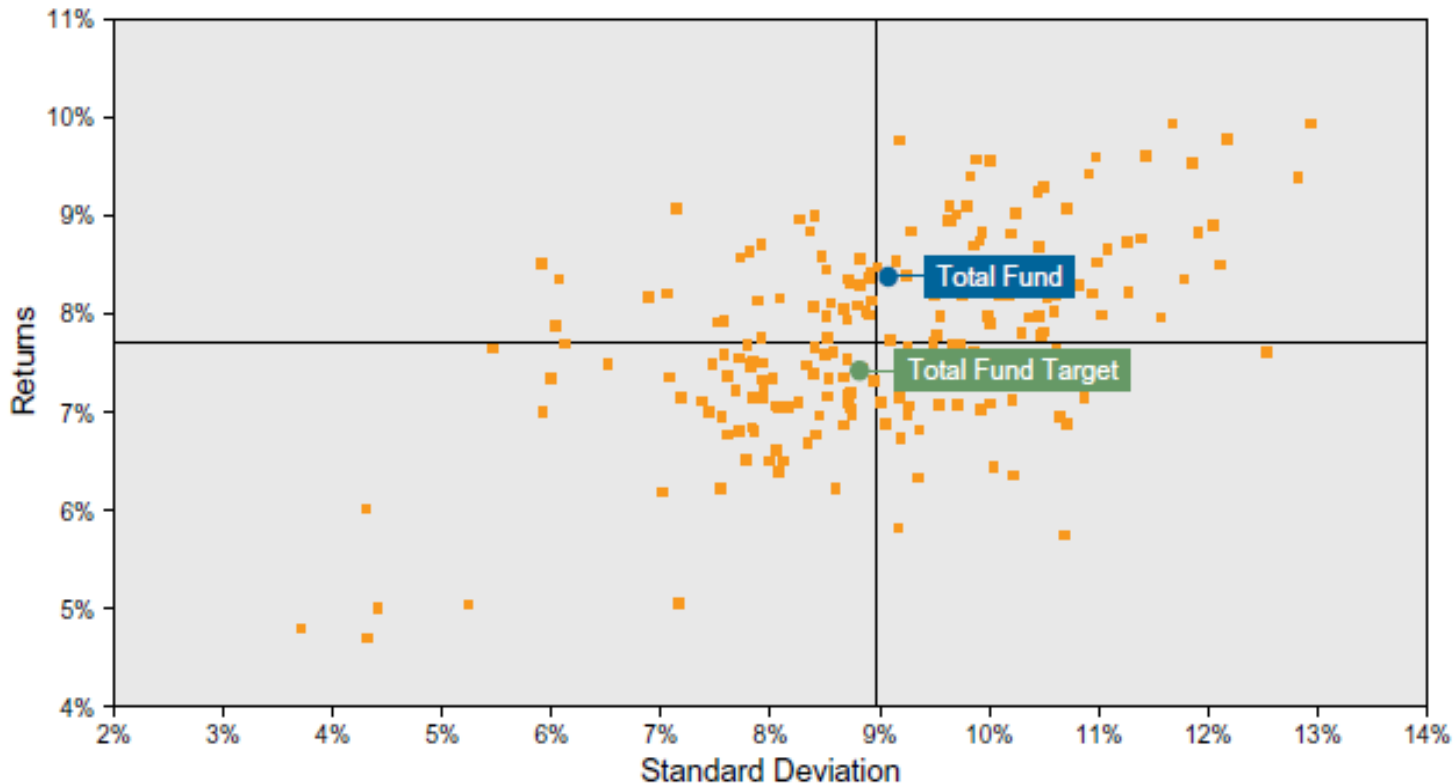
Ten Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	25%	24%	13.90%	12.93%	0.17%	0.07%	0.24%
World Equities	13%	13%	-	-	(0.19)%	(0.04)%	(0.23)%
International Equities	17%	16%	6.35%	4.12%	0.37%	(0.02)%	0.36%
Private Equities	4%	5%	4.14%	4.14%	0.00%	(0.03)%	(0.03)%
Domestic Fixed Income	19%	19%	6.02%	4.40%	0.30%	(0.02)%	0.28%
International Fixed Inc.	4%	4%	-	-	0.09%	0.00%	0.09%
Real Estate	10%	10%	11.24%	9.37%	0.18%	(0.00)%	0.18%
Timber	3%	3%	-	-	(0.18)%	(0.01)%	(0.19)%
Infrastructure	4%	5%	-	-	0.18%	0.06%	0.24%
Cash & Equivalents	1%	1%	0.67%	0.64%	0.00%	0.01%	0.01%
Total			8.37%	7.42%	+ 0.92%	+ 0.03%	0.95%

Callan

Investors seek the highest “Returns” with the lowest risk or “Standard Deviation”. TFFR’s “Total Fund Target” Return & Risk was slightly lower than the average Callan Public Fund Sponsor Database the last 10-years (where horizontal and vertical lines intersect) while TFFR’s actual “Total Fund” Return & Risk was modestly higher.

Ten Year Annualized Risk vs Return



Squares represent membership of the Callan Public Fund Sponsor Database

Caution Needed— Hard Road Ahead!

ECONOMY

2 The huge jump in 3Q GDP still leaves it 3.5% below its previous peak (4Q19). **PAGE** Employment remains more than 10 million jobs short of the level reached in the U.S. in February of this year, and many other measures of economic activity remain below pre-pandemic levels.

Equity Jump Provided Some Help to Returns

INSTITUTIONAL INVESTORS

4 Institutional investors saw more gains in 3Q20 as equities rebounded, but not enough to overcome lagging global ex-U.S. equity returns, which hindered performance against a 60% equities/40% bonds benchmark. But results over 20 years continue to match the benchmark. **PAGE**

Continued Gains, but With a Big Asterisk

EQUITY

6 The S&P 500 rose in 3Q20 and has gained 5.6% year to date, but would be negative without the big jumps of the major technology firms. Supported by low rates, global equity returns were broadly positive across developed and emerging markets but have been muted YTD. **PAGE**

Low Returns in U.S.; Muted Gain Globally

FIXED INCOME

8 U.S. Treasury yields were relatively unchanged, and the Aggregate was roughly flat. Corporate and CMBS were the strongest investment grade sectors as investors hunted for yield. Global fixed income rose amid rate cuts, but U.S. dollar weakness dampened hedged returns. **PAGE**

Broad Market Quarterly Returns

U.S. Equity
Russell 3000



9.2%

Global ex-U.S. Equity
MSCI ACWI ex USA



6.3%

U.S. Fixed Income
Bloomberg Barclays Agg



0.6%

Global ex-U.S. Fixed Income
Bloomberg Barclays Gbl ex US



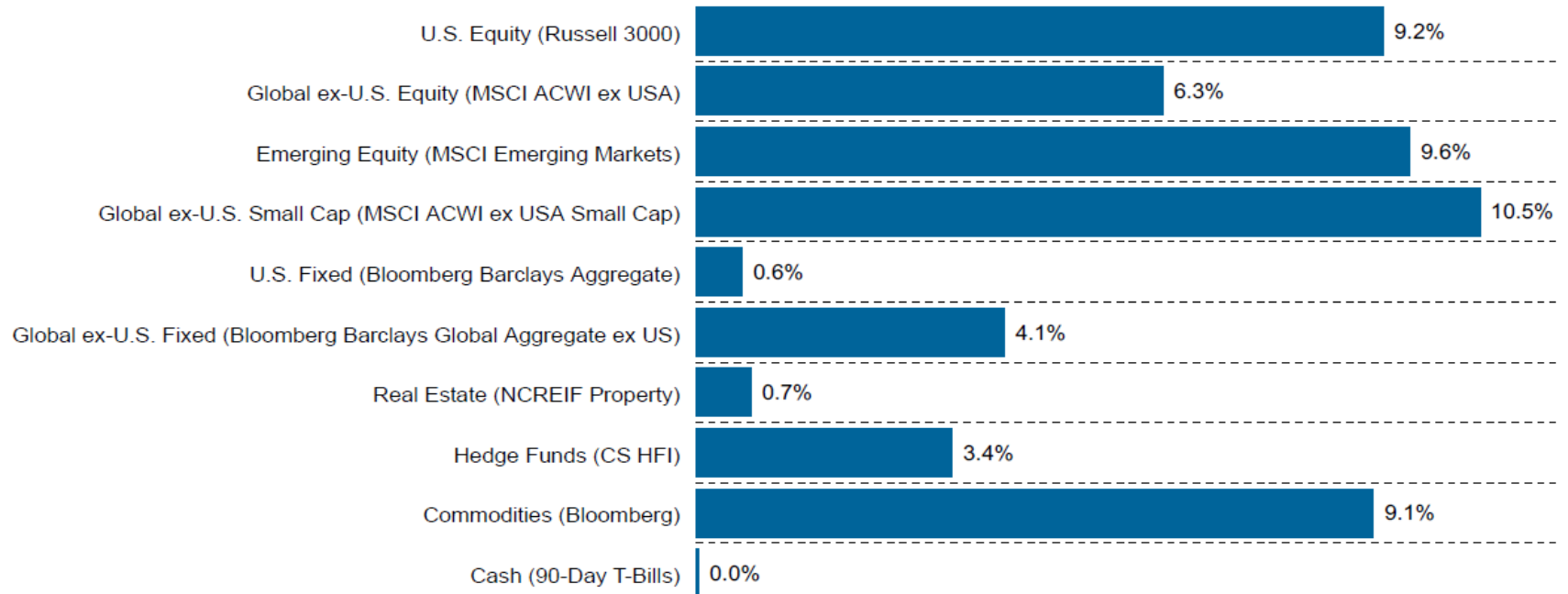
4.1%

Sources: Bloomberg Barclays, FTSE Russell, MSCI

Broad Market

Quarterly returns

Quarter Ended 9/30/20

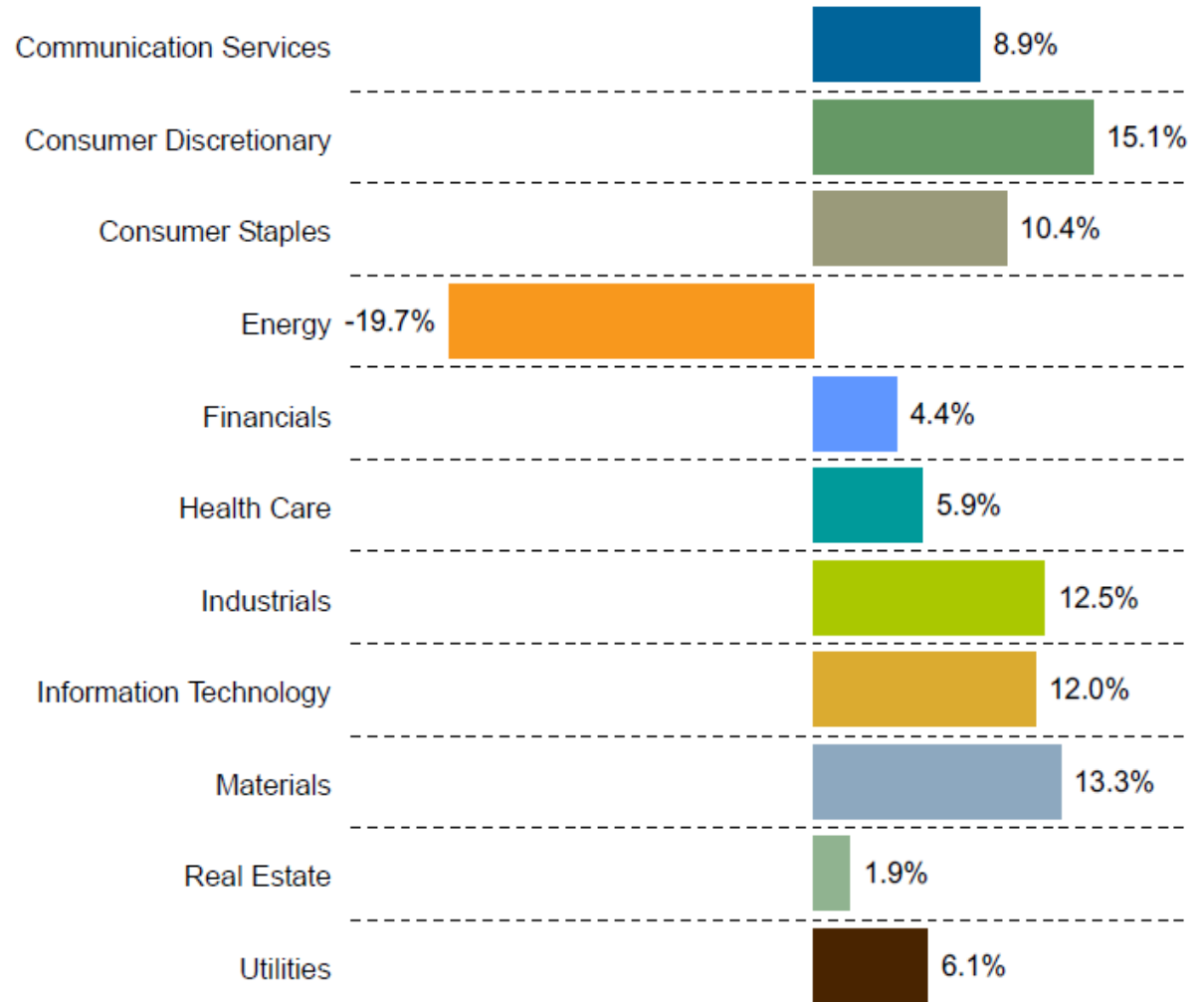


Sources: Bloomberg, Bloomberg Barclays, Credit Suisse Hedge Index, FTSE Russell, Merrill Lynch, MSCI, NCREIF

U.S. Equity

Industry sector quarterly performance

Quarterly Returns (S&P 500)



Callan Periodic Table of Investment Returns

U.S. equity

2011	2012	2013	2014	2015	2016	2017	2018	2019	3 Qtrs. 2020
Russell 1000 Growth 2.6%	Russell 2000 Value 18.1%	Russell 2000 Growth 43.3%	S&P 500 13.7%	Russell 1000 Growth 5.7%	Russell 2000 Value 31.7%	Russell 1000 Growth 30.2%	Russell 1000 Growth -1.5%	Russell 1000 Growth 36.4%	Russell 1000 Growth 24.3%
S&P 500 2.1%	Russell 2500 17.9%	Russell 2000 38.8%	Russell 1000 Value 13.5%	S&P 500 1.4%	Russell 2000 21.3%	Russell 2000 Growth 22.2%	S&P 500 -4.4%	S&P 500 31.5%	Russell 1000 6.4%
Russell 1000 1.5%	Russell 1000 Value 17.5%	Russell 2500 36.8%	Russell 1000 13.2%	Russell 1000 0.9%	Russell 2500 17.6%	S&P 500 21.8%	Russell 1000 -4.8%	Russell 1000 31.4%	S&P 500 5.6%
Russell 3000 1.0%	Russell Midcap 17.3%	Russell Midcap 34.8%	Russell Midcap 13.2%	Russell 3000 0.5%	Russell 1000 Value 17.3%	Russell 1000 21.7%	Russell 3000 -5.2%	Russell 3000 31.0%	Russell 3000 5.4%
Russell 1000 Value 0.4%	Russell 1000 16.4%	Russell 2000 Value 34.5%	Russell 1000 Growth 13.0%	Russell 2000 Growth -1.4%	Russell Midcap 13.8%	Russell 3000 21.1%	Russell 1000 Value -8.3%	Russell Midcap 30.5%	Russell 2000 Growth 3.9%
Russell Midcap -1.5%	Russell 3000 16.4%	Russell 3000 33.6%	Russell 3000 12.6%	Russell Midcap -2.4%	Russell 3000 12.7%	Russell Midcap 18.5%	Russell Midcap -9.1%	Russell 2000 Growth 28.5%	Russell Midcap -2.3%
Russell 2500 -2.5%	Russell 2000 16.3%	Russell 1000 Growth 33.5%	Russell 2500 7.1%	Russell 2500 -2.9%	Russell 1000 12.1%	Russell 2500 16.8%	Russell 2000 Growth -9.3%	Russell 2500 27.8%	Russell 2500 -5.8%
Russell 2000 Growth -2.9%	S&P 500 16.0%	Russell 1000 33.1%	Russell 2000 Growth 5.6%	Russell 1000 Value -3.8%	S&P 500 12.0%	Russell 2000 14.6%	Russell 2500 -10.0%	Russell 1000 Value 26.5%	Russell 2000 -8.7%
Russell 2000 -4.2%	Russell 1000 Growth 15.3%	Russell 1000 Value 32.5%	Russell 2000 4.9%	Russell 2000 -4.4%	Russell 2000 Growth 11.3%	Russell 1000 Value 13.7%	Russell 2000 -11.0%	Russell 2000 25.5%	Russell 1000 Value -11.6%
Russell 2000 Value -5.5%	Russell 2000 Growth 14.6%	S&P 500 32.4%	Russell 2000 Value 4.2%	Russell 2000 Value -7.5%	Russell 1000 Growth 7.1%	Russell 2000 Value 7.8%	Russell 2000 Value -12.9%	Russell 2000 Value 22.4%	Russell 2000 Value -21.5%

Sources: FTSE Russell, S&P Dow Jones Indices.

U.S. Fixed Income

Callan style group median and index returns*

Periods Ended 9/30/20

	Year	Last	Last	Last	Last
	Last	to	Last	3	5
	Quarter	Year	Years	Years	Years
	Date	Year	Years	Years	Years
Fixed Income					
Core Bond Style	1.1	7.6	7.9	5.7	4.7
Core Bond Plus Style	1.7	7.1	7.7	5.8	5.1
Bloomberg Barclays Aggregate	0.6	6.8	7.0	5.2	4.2
Bloomberg Barclays Universal	1.0	6.2	6.7	5.1	4.5
Long-Term					
Extended Maturity Credit Style	2.0	10.0	11.5	9.6	9.5
Bloomberg Barclays Long Credit	2.0	8.0	9.3	8.6	8.8
Extended Maturity Gov/Credit Style	1.4	15.0	14.0	10.7	9.5
Bloomberg Barclays Long Gov/Credit	1.2	14.2	12.9	10.2	8.8
Intermediate-Term					
Intermediate Fixed Income Style	0.8	6.1	6.7	4.7	3.7
Bloomberg Barclays Interm Gov/Credit	0.6	5.9	6.3	4.4	3.4
Short-Term					
Short Fixed Income Style	0.6	3.5	4.1	3.1	2.5
Bloomberg Barclays Gov/Credit 1-3 Yr	0.2	3.1	3.7	2.8	2.1
Bank Loans					
Bank Loan Style	3.5	-0.7	1.1	3.2	4.0
Credit Suisse Leveraged Loan	4.1	-0.8	0.8	3.2	4.0

Periods Ended 9/30/20

	Year	Last	Last	Last	Last
	Last	to	Last	3	5
	Quarter	Year	Years	Years	Years
	Date	Year	Years	Years	Years
High Yield					
High Yield Style	4.8	0.6	3.4	4.4	6.6
Bloomberg Barclays Corp High Yield	4.6	0.6	3.3	4.2	6.8
Unconstrained					
Unconstrained Fixed Style	2.3	1.6	3.6	3.3	4.0
90-Day T-Bill + 3%	0.8	2.9	4.1	4.7	4.2
Stable Value					
Stable Value Style	0.6	1.8	2.4	2.4	2.3
iMoneyNet Mutual Fund Avg	0.0	0.3	0.7	1.3	0.9
TIPS					
Inflation-Linked Style	3.0	9.2	10.0	5.8	4.7
Bloomberg Barclays US TIPS	3.0	9.2	10.1	5.8	4.6
Municipal					
Short Municipal Style	0.7	2.6	3.3	2.7	2.2
Bloomberg Barclays Municipal 1-5 Yr	0.8	2.7	3.6	2.6	2.1
Intermediate Municipal Style	1.0	3.4	4.0	3.6	3.1
Bloomberg Barclays Municipal 1-10 Yr	1.1	3.2	4.1	3.4	2.9
Long Municipal Style	1.2	3.5	4.1	4.6	4.1
Bloomberg Barclays Municipal	1.2	3.3	4.1	4.3	3.8

*Returns less than one year are not annualized.

Sources: Bloomberg Barclays, Callan, Credit Suisse, iMoneyNet. All style group returns presented gross of fees.

Real Assets

Callan style group median and index returns and risk*

Periods Ended 9/30/20

10 Years

	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Standard Deviation	Sharpe Ratio
U.S. Private Real Assets									
Real Estate ODCE Style	0.3	-0.4	1.2	4.6	6.3	9.4	5.7	2.1	2.5
NFI-ODCE (value weight net)	0.3	-0.7	0.5	4.2	5.7	9.3	5.7	1.9	2.4
NCREIF Property	0.7	0.4	2.0	5.1	6.3	9.4	7.4	1.5	3.4
NCREIF Farmland	0.6	1.1	2.1	4.7	5.8	10.7	12.7	2.1	2.2
NCREIF Timberland	0.0	0.2	0.2	2.1	2.6	4.4	6.1	1.1	1.2
Public Real Estate									
Global Real Estate Style	3.1	-13.9	-11.8	2.6	4.4	6.9	5.3	15.9	0.2
FTSE EPRA Nareit Developed	2.1	-19.7	-18.3	-1.5	2.0	4.7	--	16.8	0.0
Global ex-U.S. Real Estate Style	5.5	-12.0	-6.7	3.6	4.8	6.6	5.5	16.5	0.2
FTSE EPRA Nareit Developed ex US	3.9	-18.5	-13.9	-0.6	2.5	3.7	--	16.4	0.1
U.S. REIT Style	1.8	-12.3	-12.0	3.4	5.8	9.2	7.0	16.7	0.3
FTSE Nareit Equity REITs	1.4	-17.5	-18.2	0.2	3.9	7.9	5.9	18.0	0.2
Other Public Real Assets									
Alerian MLP	-16.3	-46.2	-48.4	-20.8	-11.6	-4.2	1.2	39.6	-0.3
Bloomberg Commodity	9.1	-12.1	-8.2	-4.2	-3.1	-6.0	-4.8	15.5	-0.3
DJB Global Infrastructure	-1.7	-13.3	-9.8	1.1	5.4	7.9	7.7	1.1	0.5
Consumer Price Index (CPI-U)	1.0	1.3	1.4	1.8	1.8	1.8	1.8	15.5	0.3

* Returns less than one year are not annualized.

Sources: Alerian Capital Management, Bloomberg, Bureau of Economic Analysis, Callan, Dow Jones Brookfield, FTSE Russell, NCREIF

Returns for Periods Ended 9/30/20*

	Last Quarter	Last Year	Last 5 Years	Last 10 Years	Last 25 Years
U.S. Equity					
Russell 3000	9.2	15.0	13.7	13.5	9.3
S&P 500	8.9	15.1	14.1	13.7	9.3
Russell 2000	4.9	0.4	8.0	9.9	8.0
Global ex-U.S. Equity					
MSCI EAFE	4.8	0.5	5.3	4.6	4.6
MSCI ACWI ex USA	6.3	3.0	6.2	4.0	--
MSCI Emerging Markets	9.6	10.5	9.0	2.5	--
MSCI ACWI ex USA Small Cap	10.5	7.0	6.8	5.3	5.8
Fixed Income					
Bloomberg Barclays Aggregate	0.6	7.0	4.2	3.6	5.3
90-Day T-Bill	0.0	1.1	1.2	0.6	2.3
Bloomberg Barclays Long Gov/Credit	1.2	12.9	8.8	7.4	7.7
Bloomberg Barclays Global Agg ex-US	4.1	5.5	3.6	1.3	3.9
Real Estate					
NCREIF Property	0.7	2.0	6.3	9.4	9.1
FTSE Nareit Equity REITs	1.4	-18.2	3.9	7.9	9.3
Alternatives					
CS Hedge Fund	3.4	2.4	2.8	3.6	7.3
Cambridge Private Equity**	9.9	7.7	11.4	13.4	14.9
Bloomberg Commodity	9.1	-8.2	-3.1	-6.0	0.9
Gold Spot Price	5.3	28.7	11.2	3.8	6.6
Inflation - CPI-U	1.0	1.4	1.8	1.8	2.1

*Returns more than one year are annualized

**Data for Cambridge Private Equity lags one quarter. Last quarter data as of June 30, 2020

Sources: Bloomberg, Bloomberg Barclays, Bureau of Economic Analysis, Credit Suisse, FTSE Russell, MSCI, NCREIF, Refinitiv/Cambridge, S&P Dow Jones Indices

Callan Periodic Table of Investment Returns



Key indices

2011	2012	2013	2014	2015	2016	2017	2018	2019	3 Qtrs. 2020
U.S. Fixed Income 7.8%	Real Estate 27.7%	Small Cap Equity 38.8%	Real Estate 15.0%	Large Cap Equity 1.4%	Small Cap Equity 21.3%	Emerging Markets 37.3%	Cash Equivalent 1.9%	Large Cap Equity 31.5%	U.S. Fixed Income 6.8%
High Yield 5.0%	Emerging Markets 18.2%	Large Cap Equity 32.4%	Large Cap Equity 13.7%	U.S. Fixed Income 0.5%	High Yield 17.1%	Global ex-U.S. Equity 24.2%	U.S. Fixed Income 0.0%	Small Cap Equity 25.5%	Large Cap Equity 5.6%
Global ex-U.S. Fixed Income 4.4%	Global ex-U.S. Equity 16.4%	Global ex-U.S. Equity 21.0%	U.S. Fixed Income 6.0%	Cash Equivalent 0.1%	Large Cap Equity 12.0%	Large Cap Equity 21.8%	High Yield -2.1%	Global ex-U.S. Equity 22.5%	Global ex-U.S. Fixed Income 4.8%
Large Cap Equity 2.1%	Small Cap Equity 16.3%	High Yield 7.4%	Small Cap Equity 4.9%	Real Estate -0.8%	Emerging Markets 11.2%	Small Cap Equity 14.6%	Global ex-U.S. Fixed Income -2.1%	Real Estate 21.9%	Cash Equivalent 0.6%
Cash Equivalent 0.1%	Large Cap Equity 16.0%	Real Estate 3.7%	High Yield 2.5%	Global ex-U.S. Equity -3.0%	Real Estate 4.1%	Global ex-U.S. Fixed Income 10.5%	Large Cap Equity -4.4%	Emerging Markets 18.4%	High Yield 0.6%
Small Cap Equity -4.2%	High Yield 15.8%	Cash Equivalent 0.1%	Cash Equivalent 0.0%	Small Cap Equity -4.4%	Global ex-U.S. Equity 2.7%	Real Estate 10.4%	Real Estate -5.6%	High Yield 14.3%	Emerging Markets -1.2%
Real Estate -6.5%	U.S. Fixed Income 4.2%	U.S. Fixed Income -2.0%	Emerging Markets -2.2%	High Yield -4.5%	U.S. Fixed Income 2.6%	High Yield 7.5%	Small Cap Equity -11.0%	U.S. Fixed Income 8.7%	Global ex-U.S. Equity -7.1%
Global ex-U.S. Equity -12.2%	Global ex-U.S. Fixed Income 4.1%	Emerging Markets -2.6%	Global ex-U.S. Fixed Income -3.1%	Global ex-U.S. Fixed Income -6.0%	Global ex-U.S. Fixed Income 1.5%	U.S. Fixed Income 3.5%	Global ex-U.S. Equity -14.1%	Global ex-U.S. Fixed Income 5.1%	Small Cap Equity -8.7%
Emerging Markets -18.4%	Cash Equivalent 0.1%	Global ex-U.S. Fixed Income -3.1%	Global ex-U.S. Equity -4.3%	Emerging Markets -14.9%	Cash Equivalent 0.3%	Cash Equivalent 0.9%	Emerging Markets -14.6%	Cash Equivalent 2.3%	Real Estate -19.7%

- S&P 500 ● Russell 2000 ● MSCI World ex USA ● MSCI Emerging Markets ● Bloomberg Barclays US Aggregate
- Bloomberg Barclays US Corporate High Yield ● Bloomberg Barclays Global Aggregate ex US ● FTSE EPRA Nareit Developed
- 90-Day T-Bill

Overview of Prudent Investor Rule



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Dakota Retirement and Investment Office

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

NDCC 21-10-07 Legal Investments - Prudent Investor Rule:

The **state investment board** shall apply **the prudent investor rule** in investing for funds under its supervision. The "**prudent investor rule**" means that in making investments **the fiduciaries** shall exercise the **judgment and care**, under the **circumstances then prevailing**, that an institutional investor of ordinary **prudence, discretion, and intelligence** exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, **considering probable safety of capital as well as probable income**. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

The SIB does not make individual investments in securities as all client portfolios are externally managed by approved investment firms using SIB client board approved investment policies and asset allocations.

Economically targeted investing is prohibited unless the investment meets the "exclusive benefit rule" and the following four conditions are satisfied:

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

RIO's website was recently updated to improve overall transparency and reporting access for our users and clients noting the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for its CAFR for the fiscal year ended June 30, 2019 (for the 22nd consecutive year). →

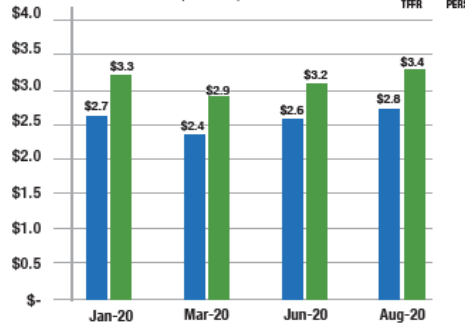


From the Director's Chair

David Hunter
Executive Director/CIO

TFFR and PERS Plans Benefit from Capital Market Recovery in Mid-2020

Market Value of TFFR and PERS Pension Plans
January 31 to August 31 of 2020
(\$ in billions)



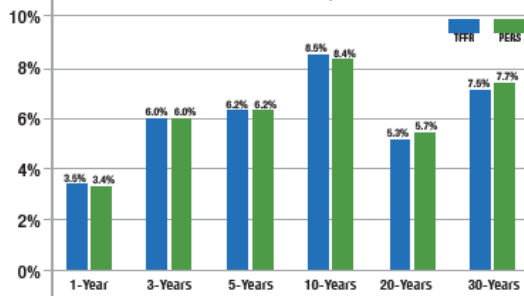
TFFR and PERS benefitted from a major recovery in the capital markets in mid-2020. Due to the impact of the global pandemic, the TFFR pension plan declined from \$2.7 billion in January down to \$2.4 billion in March. Since March, however, the TFFR pension plan has fully recovered and valued at \$2.8 billion in August. Similarly, the PERS pension plan declined from \$3.3 billion in January down to \$2.9 billion in March due to the global pandemic, prior to experiencing a full recovery in recent months, and valued at over \$3.4 billion as of August 31, 2020.

TFFR and PERS Net Returns Exceed 7.5% per annum the last 30 years

The global pandemic adversely impacted all SIB client results this past year. Despite the impact of COVID-19, TFFR and PERS earned net returns of over 3.4% for the 1-year ended June 30, 2020, which generally exceeded most other U.S. public plans. SIB pension pool returns, which include PERS and TFFR, were ranked in the top 25% of U.S. public plans over the last 10-years by exceeding 8.4%.

Over the last 30-years, TFFR and PERS have each earned over 7.5% per annum exceeding their respective long-term return assumptions of 7.25% for TFFR and 7% for PERS.

Net Investment Returns for Periods
Ended June 30, 2020



Vested Interest | October 2020 | www.rio.nd.gov

State Investment Board Update

The SIB is responsible for administrative oversight of \$17 billion of investments for 18 different clients including TFFR, PERS, Workforce Safety & Insurance (WSI), and the Legacy and Budget Stabilization Advisory Board. SIB leadership and members include Lt. Governor Brent Sanford as Chair, Dr. Rob Lech as Vice Chair (TFFR), Chief Deputy Attorney General Troy Seibel as Parliamentarian (PERS), State Treasurer Kelly Schmidt, WSI Director Bryan Kipfel, Insurance Commissioner Jon Godfread, Land Commissioner Jodi Smith, Yvonne Smith (PERS), Adam Miller (PERS), Toni Gumeringer (TFFR), Mel Olson (TFFR) and Legacy and Budget Stabilization Fund Advisory Board Chair Representative Keith Kempenich.

The SIB is required to apply the "prudent investor rule" in investing funds under its supervision. The "prudent investor rule" means that in making investments

the fiduciaries shall exercise the judgment and care, under circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regards to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income (as defined by ND Century Code 21-10-07 Legal Investments). The SIB does not make individual investments in securities as all client portfolios are externally managed by approved investment firms using SIB client board approved investment policies and asset allocations.



Lt. Governor Brent Sanford,
Chair



Dr. Rob Lech,
Vice Chair

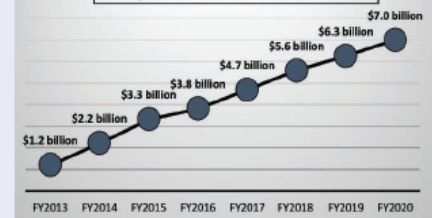


Chief Deputy Attorney
General, Troy Seibel,
Parliamentarian

Legacy Fund Inception to Date Net Investment Income Exceeds \$2 billion

Since inception, the Legacy Fund has earned over \$2 billion of net investment income as of August 31, 2020, noting the Fund was not fully invested in its current asset allocation of 50% global equity, 35% global debt and 15% global real assets until early-2016. Legacy Fund earnings (as defined by North Dakota Century Code) of over \$455 million were transferred to the General Fund in mid-2019. Legacy Fund month-end valuations, investment results, and inception to date earnings are posted on RIO's website at: www.rio.nd.gov/legacy-fund

Legacy Fund Ending Balance
By Fiscal Year Ended June 30



Note: The Legacy Fund approximated \$7.5 billion as of August 31, 2020.

SIB Commits \$400 million to Legacy Fund "In-State Investment Program"

The SIB raised its Legacy Fund "Bank of North Dakota Match Loan Program" commitment to a record high of \$400 million with a new \$100 million funding commitment. The SIB dedicated an additional \$100 million in Legacy Fund investments to provide cost-efficient financing to companies seeking to develop new businesses and infrastructure in North Dakota. Please see RIO's website for the full press release at: www.rio.nd.gov/news/sib-press-release-legacy-fund-investment-0

OCTOBER 2020

Vested Interest | October 2020 | www.rio.nd.gov

State Investment Board raises Legacy Fund “In-State Investing Commitment” to a record high of \$400 million with a new \$100 million funding commitment

Bank of North Dakota to expand in-state loan program from \$300 million to \$400 million

BISMARCK, N.D. – The North Dakota State Investment Board (SIB) dedicated an additional \$100 million in Legacy Fund investments to providing cost-efficient financing to companies seeking to develop new businesses and infrastructure in North Dakota – one of several actions taken by the board to put Legacy Fund investments to work for North Dakotans.

The \$100 million addition to Bank of North Dakota’s (BND) In-State Investment Program will increase the program’s total size to \$400 million. BND President Eric Hardmeyer stated the program’s outstanding loans were \$86 million in September, excluding \$102 million of pending loans and \$375 million of “Projects in Pipeline Requesting Commitment.” BND serves as an approved SIB investment manager and is responsible for growing this important investment program for the Legacy Fund.

The state-owned Bank of North Dakota requested the increase to support future anticipated growth in this economic development program, which has been in place for over 30 years.

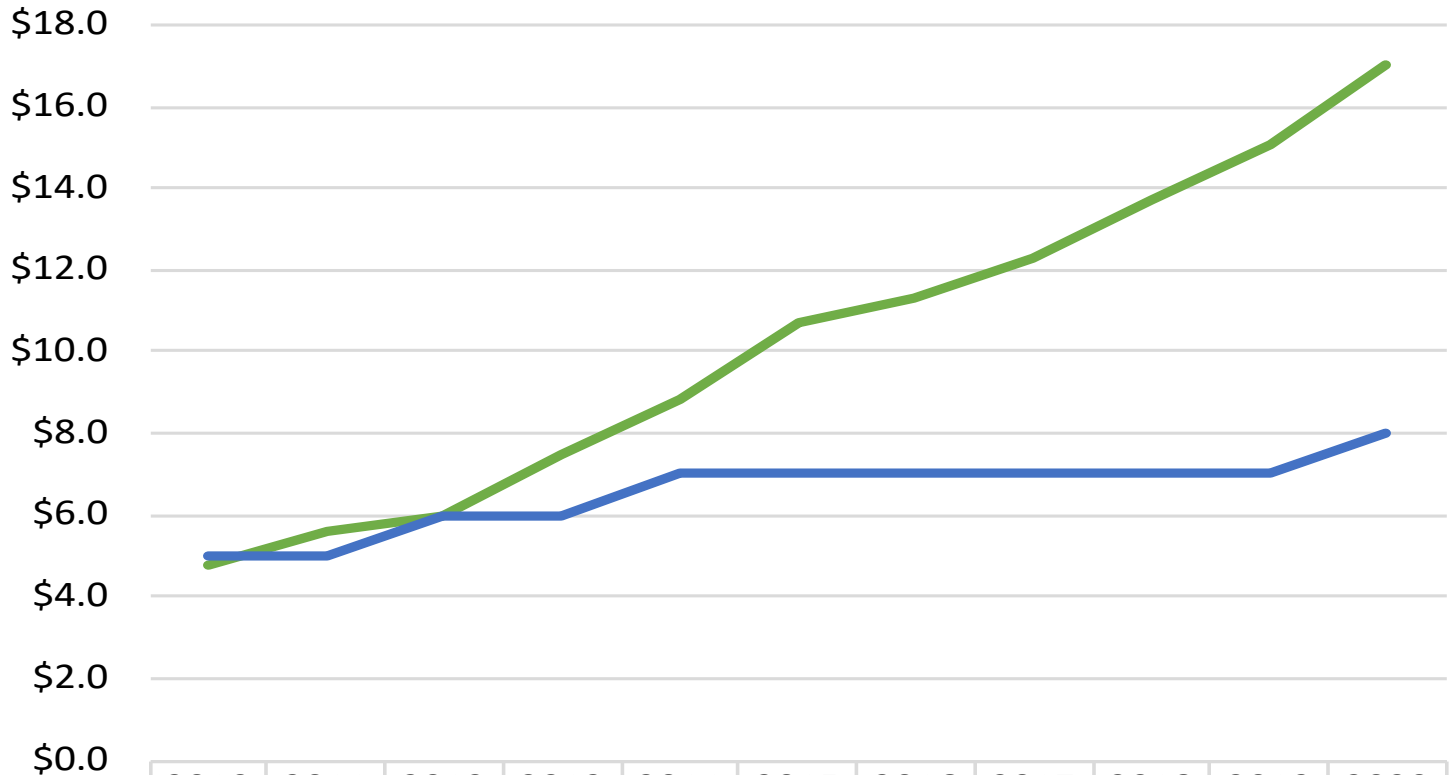
“This increase in funding will provide greater access to capital for businesses looking to launch new manufacturing, processing and value-added businesses and important infrastructure in North Dakota, while also ensuring that more Legacy Fund dollars are being invested right here in North Dakota,” said Lt. Gov. Brent Sanford, who chairs the SIB.

In addition to increasing the SIB’s commitment to the In-State Investment Program, managed by BND, the board also reviewed recent investment results:

- SIB Pension Pool returns, which include the Public Employees Retirement System (PERS) and the Teachers' Fund for Retirement (TFFR), were ranked in the top 25% of Callan’s public fund database over the last 10 years with a net annual investment return of 8.4% for the 10 years ended June 30, 2020;
- Legacy Fund net income since its inception hit a new record high of \$1.9 billion on July 31, 2020;
- The Legacy Fund was valued at a record high of over \$7.2 billion as of July 31, 2020; and
- SIB client investments exceeded \$16.8 billion as of July 31, 2020.

The SIB has statutory responsibility for the administration of the investment programs of several funds including PERS, TFFR and the Workforce Safety & Insurance (WSI) Fund. The SIB also maintains contractual relationships for investment management with certain political subdivisions. The 12-member Board consists of the lieutenant governor, state treasurer, state insurance commissioner, executive director of WSI, state land commissioner, three representatives of PERS and three representatives of TFFR in addition to one non-voting member from the Legacy and Budget Stabilization Fund Advisory Board.

SIB Investments and SIB FTE (2010 to 2020)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
— \$ Billions	\$4.8	\$5.6	\$6.0	\$7.5	\$8.8	\$10.7	\$11.3	\$12.3	\$13.7	\$15.1	\$17.0
— SIB FTE	5	5	6	6	7	7	7	7	7	7	8

— \$ Billions — SIB FTE



MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha
DATE: November 12, 2020
RE: PAS Project Update

The following summarizes the efforts of RIO agency staff to prepare for and initiate Phase 1 of the PAS project thus far:

- An RFP for Consultant Services relating to the Pension Administration System was issued on June 2, 2020 and closed June 30, 2020.
- A PAS procurement committee comprised of staff members from Procurement, ITD, and RIO reviewed and scored all responses. The review was presented to the ESC.
- In July, 2020, Retirement Services and Administrative Services participated in a Task List project to prepare for business process discussions.
- On August 10, 2020, RIO Agency engaged in an All Staff Training on: Agency Goals, Fiduciary Obligations, and Open Records in preparation for the start of the project.
- The Executive Steering Committee for the PAS project met on September 14, 2020 and voted to issue a Notice of Award to the Segal Company.
- Beginning in September and through October, staff members from Retirement Services, Administrative Services, Audit Services, Fiscal Services, and Information Systems participated in small group sessions to review, discuss, and identify areas of improvement in current processes to prepare for the Business Process Interviews to be scheduled with the consultant.
- In September and October all RIO managers participated in strengths and conflict resolution trainings provided by HRMS in preparation for the PAS Project.
- In September, procurement and RIO participated in post bid debriefs with unsuccessful bidders.
- The contract with Segal was signed in September.
- A Kickoff meeting between Segal and RIO agency staff was held in October.

Item V.A.

- Beginning in October, in addition to monthly division meetings, Retirement Services will have monthly training sessions on topics of interest.
- RIO agency staff and Segal participated in 14 separate Business Process Interviews during October and November, each lasting approximately 2 hours.
- In November, the Retirement Programs Manager, Information Systems Supervisor, and the Deputy ED – CRO participated in a 3 day Prosci Change Agent certification course, and were successfully certified.
- In November, the Administrative Services Supervisor participated in the Prosci Change Management training for Supervisors, and the Internal Audit Supervisor is scheduled to participate in future Prosci training.
- The Deputy ED-CRO will also participate in the Prosci Sponsor training.
- Segal is in the process of scheduling the Communication and Cyber Risk Assessment interviews.
- Presentation of Phase 1 findings may occur at either the January or February Board meetings.

All RIO agency team members have exceeded expectations regarding their willingness to participate in and dedicate time to this project.

BOARD INFORMATION ONLY. No board action requested.

MEMORANDUM

TO: TFFR Board
FROM: Denise Weeks
DATE: November 12, 2020
SUBJECT: Outreach Services

- Continuing the effort to reduce printing and mailing costs, we will no longer be mailing annual statements and newsletters to our non-retired members. Instead, a notice will be mailed each September reminding members their annual statements will be found in their online accounts and the newsletters will be posted on the website. We also push out the active newsletters through email blasts to employers. We will continue to mail retired members their annual statement and newsletters; however, this will transition to electronic means next biennium.
- Another employer Q & A communication piece was developed addressing the COVID-19 funding that was made available to schools. This was emailed to each employer and is also found on our website.
- Three newsletters went out to our membership recently:
 - Report Card – TFFR Active/Inactive members
 - Retire Today – TFFR Retired members
 - Vested Interest – TFFR and PERS Active/Inactive and Retired members
- All employer and member education events were cancelled this spring, summer and fall due to the pandemic. Retirement Services continues to explore virtual options for these events. We are in the process of developing virtual Business Manager workshops and received an overwhelming response to a Survey Monkey survey for such workshops. These workshops will be held after the first of the year.
- Retirement Services now has the ability to hold virtual individual counseling sessions over Teams which works really well. During this meeting, we are able to show members their own retirement benefit options and how to complete the retirement application. Virtual individual benefit counseling sessions will be scheduled a few evenings in December, January, and February to accommodate working teachers.
- Jan Murtha presented at the North Dakota Council of Education Leaders (NDCEL) Conference by a pre-recorded video shown at the conference.

Confidential Items Sent Separately to Board Members



MEMORANDUM

TO: TFFR Board

FROM: Jan Murtha

DATE: November 12, 2020

SUBJ: Joint Resolution of TFFR & SIB in Appreciation of Treasurer Schmidt

At the request of President Lech and Chairman Sanford the enclosed Joint Resolution of the TFFR Board and State Investment Board has been prepared in recognition of State Treasurer Kelly Schmidt and her many years of dedicated service to these Boards and support of the TFFR and SIB programs.

An informal reception in her honor will follow each scheduled meeting.

BOARD ACTION REQUESTED: Board motion to approve proposed Joint Resolution.

ND TFFR and ND SIB Joint Board Resolution
In Appreciation of
State Treasurer Kelly Schmidt

WHEREAS, State Treasurer Kelly Schmidt has served as a member of the TFFR and SIB Boards for the past 16 years; and

WHEREAS, State Treasurer Kelly Schmidt has diligently carried out her duties and responsibilities as a member of these Boards and fiduciary of the TFFR and SIB Programs; and

WHEREAS, State Treasurer Kelly Schmidt has been a valued and dedicated member of these Boards in helping maintain the integrity and stability of the TFFR and SIB Programs.

NOW THEREFORE, BE IT RESOLVED that State Treasurer Kelly Schmidt be duly recognized by these Boards for her years of unselfish dedication to the State of North Dakota through her service on the Teachers' Fund for Retirement Board of Trustees and State Investment Board.

On Behalf of the TFFR Board

On Behalf of the SIB

Dr. Rob Lech, President

Lt. Governor Brent Sanford, Chair

Votes

Votes

Date

Date



ND TFFR Board Reading November 2020

The theme of this month's Board education material is strategic messaging/branding. Instead of articles, Board members are provided access to three video recordings. The selections lend perspective on the discussion relating to agenda item III.D. Strategic messaging/branding will be discussed at both the November 2020 meeting, and the January 2021 meeting. Board members are asked to review 2 of the 3 videos prior to the January 2021 meeting.

1. Keynote Speaker NCTR Presentation by Americus Reed, Whitney M. Young Jr., Professor of Marketing, Wharton School, University of Pennsylvania, NCTR Conference 10/13/20. (60 minutes). Video provided to Trustees with the consent of NCTR, content sent to Board Members via email link.
2. Professor Gregory Bunch, "The World of VUCA Series: The Strategic Leader in a VUCA World". (23 minutes). Link Provided.
<https://www.youtube.com/watch?v=7kKQQmrXTw>
3. Jan Murtha on behalf of TFFR, "The Benefit of a Defined Benefit", NDCEL Conference 2020. (38 minutes). Content sent to Board Members via email link.