



## ND TFFR BOARD MEETING

Thursday, April 22, 2021, 1:00 p.m.

WSI Conference Room (**Virtual Meeting Host**)

**Teleconferencing – 701.328.0950 Participant Code – 813 748 328#**

**WSI, 1600 East Century Avenue, Bismarck, ND**

### AGENDA

#### I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

A. Executive Summary

#### II. ACCEPTANCE OF MINUTES

A. March 25, 2021

#### III. GOVERNANCE

- A. Segal Plan Management Policy Score Update – Ms. Nicholl, Mr. Strom (45 min.) *Board Action*
- B. 2021-2022 Board Calendar and Education Plan – Ms. Murtha (5 min.) *Board Action*
- C. Investment Policy Statement – 2<sup>nd</sup> Reading – Ms. Murtha (5 min.) *Board Action*
- D. Actuary Services Contract - Ms. Murtha (10 min.) *Board Action*
- E. Program Policy Review Planning – Ms. Murtha (10 min.) *Board Action*
- F. Administrative Rules Update – Ms. Murtha (5 min.) *Informational*
- G. Legislative Update – Ms. Murtha (5 min.) *Informational*

#### IV. OPERATIONS

A. PAS Project - Ms. Murtha (5 min.) *Informational*

#### V. CONSENT AGENDA – QDRO 2021-1 & Employer Report<sup>1</sup>

#### VI. OTHER BUSINESS

- A. Resolution for Ms. Gumeringer
- B. Board Education Materials – *Material References Included*
- C. Next Meeting:
  - 1. TFFR Special Board Meeting/Retreat Thursday, June 17<sup>th</sup>, 2021 *TBD*
  - 2. TFFR Regular Board Meeting Thursday, July 22, 2021 at 1 p.m.
  - 3. TFFR Special Board Meeting Friday, July 23, 2021 at 8:30 a.m.

#### VII. ADJOURNMENT

### **An informal reception in honor of Ms. Gumeringer 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.

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

## **EXECUTIVE SUMMARY**

### **TFFR Board Regular Meeting**

**April 22, 2021 – 1 pm CT**

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- I. Agenda:** The **April Board Meeting** will be held at the **WSI Conference room** 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 March 25, 2021 Board meeting minutes are included for review and approval.
- III. A. Segal Plan Management Policy Score Update:** Segal will provide a brief background on the prior, and update to, the TFFR Plan Management Policy Score for Board acceptance.  
**B. 2021-2022 Board Calendar and Education Plan:** Ms. Murtha will present a proposed 2021-2022 Board Calendar and Education plan for Board approval.  
**C. Investment Policy Statement 2<sup>nd</sup> Reading:** Ms. Murtha will present proposed changes to the TFFR Investment Policy Statement that incorporate Board approved changes to the asset allocation and actuarial factors for the TFFF Program for Board approval and Final adoption.  
**D. Actuary Services Contract:** The actuary services contract with Segal expires June 30, 2021. Staff has requested a quote from Segal for one additional 2-year extension of the contract. This agenda item will be updated once the quote is received.  
**E. Program Policy Review Planning:** Ms. Murtha will present be options for the Board to consider for approval relating to conducting the annual program policy review.  
**F. Administrative Rules:** Ms. Murtha will provide an update on the status of the TFFR administrative rules promulgation.  
**G. Legislation Update:** Ms. Murtha will provide an update on bills presented to the ND legislature for the 2021 session that may be of interest or impactful to the TFFR program; including the RIO agency budget bill.
- IV. Operation Updates:** Ms. Murtha will provide the Board with a brief update regarding RIO team member activities related to the PAS project.
- V. CONSENT AGENDA:** The Board will be provided with one QDRO and one Employer Report for review and approval.

**Adjournment.**

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
MARCH 25, 2021 BOARD MEETING**

**BOARD MEMBERS PRESENT:** Rob Lech, President  
Mike Burton, Vice President  
Thomas Beadle, State Treasurer  
Toni Gumeringer, Trustee  
Cody Mickelson, Trustee  
Mel Olson, Trustee

**BOARD MEMBER ABSENT:** Kirsten Baesler, State Supt. DPI

**STAFF PRESENT:** David Hunter, ED/CIO  
Jayme Heick, Retirement Programs Spec  
Missy Kopp, Retirement Assistant  
Jan Murtha, Deputy ED/CRO  
Sara Sauter, Supvr of Internal Audit  
Dottie Thorsen, Internal Auditor  
Tami Volkert, Employer Svs Coor  
Denise Weeks, Retirement Program Mgr

**OTHERS PRESENT:** Dean DePountis, Atty. General's Office  
Chris Fikes, Segal  
William Morrow, Segal  
Jay Preall, Segal

**CALL TO ORDER:**

Dr. Rob Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, March 25, 2021. The meeting was held in the Workforce Safety & Insurance Board Room, Bismarck, ND.

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

**ACCEPTANCE OF AGENDA:**

The Board considered the agenda for the March 25, 2021, meeting.

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

**AYES: MR. BURTON, MR. MICKELSON, MS. GUMERINGER, MR. OLSON, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER, TREASURER BEADLE**

**MINUTES:**

The Board considered the minutes of the January 21, 2021, meeting and the February 8, 2021, special meeting.

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE JANUARY 21 AND FEBRUARY 8, 2021, MINUTES AS DISTRIBUTED.**

**AYES: MR. MICKELSON, MR. OLSON, TREASURER BEADLE, MR. BURTON, MS. GUMERINGER, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

**GOVERNANCE:**

Current and Future Business Model:

Mr. Chris Fikes, Segal, presented results of Segal's assessments of TFFR's current business model, recommendations for a future business model, and interim recommendations to enable the TFFR program to prepare for a transition from the current business model.

Stage one of the project, business process reengineering study, has been completed and stage two, assistance with procurement for the PAS began in March 2021 with completion expected in September 2021.

Board discussion followed.

Business Model Interim Recommendations:

Ms. Murtha presented the Retirement and Investment Office (RIO) staff response to Segal's interim recommendations. RIO staff has discussed the interim recommendations and determined a timeline for action. Staff will work with the Board throughout the process. Ms. Murtha discussed governance, administration, and fund policy items that staff plan to engage in with the Board.

Board discussion followed.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE SEGAL'S LONG-TERM AND INTERIM BUSINESS MODEL RECOMMENDATIONS.**

**AYES: TREASURER BEADLE, MS. GUMERINGER, MR. OLSON, MR. BURTON, MR. MICKELSON, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

Cybersecurity Assessment:

Mr. Jay Preall, Segal, presented the Cybersecurity assessment results. RIO scored 51.17 out of 100 total possible point equating to a high risk for a cybersecurity incident to occur. Segal made recommendations on the top 10 improvement opportunities to raise RIO's score.

Board discussion followed.

Cybersecurity Interim Recommendations:

Mr. Nagel shared the cybersecurity risk mitigation plan based on the interim recommendations provided by Segal. RIO staff will focus on areas with a zero score. Mr. Nagel reviewed the recommendations and the planned mitigation to address those areas.

Board discussion followed.

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE SEGAL'S LONG-TERM AND INTERIM CYBERSECURITY RECCOMENDATIONS.**

**AYES: MS. GUMERINGER, MR. BURTON, MR. MICKELSON, MR. OLSON, TREASURER BEADLE, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

Break from 2:25 - 2:37 p.m.

Investment Policy Statement - First Reading:

Ms. Murtha discussed the changes to the TFFR Investment Policy Statement.

Board discussion followed.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE FIRST READING OF THE TFFR INVESTMENT POLICY STATEMENT WITH EDITS.**

**AYES: MR. OLSON, MR. MICKELSON, MS. GUMERINGER, TREASURER BEADLE, MR. BURTON, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

Administrative Rules:

Ms. Murtha reviewed the administrative rules process that has been carried out by RIO staff. After preparing the regulatory analysis, takings

assessment, small entity impact statement, and small entity regulatory analysis, staff submitted the full notice and proposed rules to Legislative Council and published an abbreviated notice through the ND Newspaper Association. A public hearing was conducted on March 12, 2021. No oral or written comments were received. After the Board approves the amendments to the administrative rules, RIO staff will submit them to the Attorney General's office for an opinion if the submission follows all requirements. It will then be sent to Legislative Council for approval.

Board discussion followed.

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO APPROVE CHANGES TO THE ADMINISTRATIVE RULES.**

**AYES: MR. BURTON, MS. GUMERINGER, MR. OLSON, TREASURER BEADLE, MR. MICKELSON, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

Legislative Update:

Ms. Murtha shared an update on bills that RIO staff are following or providing testimony on.

Board discussion followed.

**REPORTS:**

Investment Report:

Mr. Hunter provided an investment update for the periods ended December 31, 2020, and interim returns as of January 31, 2021. TFFR investments averaged over \$2.5 billion the last 5 years and excess returns have averaged roughly 0.45 percent per year. These returns were achieved while adhering to prescribed risk limits and positive risk adjusted returns at December 31, 2020. TFFR gross returns ranked in the 33<sup>rd</sup> percentile for the ten years ended December 31, 2020. Actual asset allocations are within five percent of target as of December 31, 2020. TFFR increased its target allocation of private equity to ten percent after Callen completed the asset liability study in late 2020. TFFR's actual returns are above most U.S. plans while TFFR's actual risk is below most U.S. plans in the last ten years. TFFR returns exceeded 12 percent in 2020 and 9.7 percent for the five years ended December 31, 2020.

Board discussion followed.

TFFR Ends Report:

Ms. Weeks reviewed the TFFR Ends and Retirement Statistics for the year ending June 30, 2020. The information provided indicates that the TFFR Ends

policies formally adopted by the TFFR Board and accepted by the SIB are being implemented.

Board discussion followed.

Retirement Trends Report:

Ms. Weeks presented the annual Retirement Trends and Projections report as of March 2021. Of the 11,640 active TFFR members, 917 are currently eligible to retire. On average, 1,182 members have been eligible to retire, and on average, 380 members have actually retired, or a total of almost 3,800 for the ten-year period. Approximately 2,400 to 2,600 active members are projected to retire in the next ten years which averages about 241 per year.

Board discussion followed.

Audit Activities Report:

Ms. Sauter provided an update of Audit Activities for the quarter ending December 31, 2020. Internal Audit (IA) completed an employer salary review and issued the report to Retirement Services in November 2020. The salary verification audit is currently in progress. IA has provided assistance with the Pension Administration System (PAS) project.

Board discussion followed.

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO APPROVE THE INVESTMENT, ENDS, TRENDS, AND AUDIT REPORTS.**

**AYES: MS. GUMERINGER, MR. MICKELSON, TREASURER BEADLE, MR. BURTON, MR. OLSON, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

**OPERATIONS:**

PAS Project Update:

Ms. Murtha provided an update on the PAS project. RIO staff expects to sign off on all Phase 1 deliverables and begin Phase 2 of the PAS project, vendor RFP development, in March 2021. The project management team set a tentative goal of June 2021 to issue the vendor RFP.

Board discussion followed.

Outreach:

Ms. Weeks provided an update on TFFR Outreach programs. Outreach programs that have been completed include virtual individual and group benefit counseling sessions, a virtual workshop for new Business Managers, and a

virtual model analysis presentation for one school district. Upcoming events have been planned, including a virtual presentation for the ND Association of School Business Mangers in May 2021, and two Retirement Education Workshops in July 2021.

Board discussion followed.

**CONSENT AGENDA:**

**IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA, DISABILITY 2021-1D.**

**AYES: MR. BURTON, MS. GUMERINGER, MR. OLSON, TREASURER BEADLE, MR. MICKELSON, AND PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

**Board Meeting Venue:**

Pres. Lech discussed future Board meetings and the desire to have everyone attend in-person if they are able.

Board discussion followed.

**Board Appointments:**

Pres. Lech announced that Ms. Gumeringer will be retiring at the end of the school year, so she will be leaving as a trustee representing active teachers. Mr. Mickelson's term is up, but he has agreed to continue as a trustee representing active teachers. The Governor's office has been notified about both positions.

**ADJOURNMENT:**

With no further business to come before the Board, Pres. Lech adjourned the meeting at 4:00 p.m.

Respectfully Submitted:

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

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Missy Kopp  
Reporting Secretary





North Dakota Teachers'  
Fund for Retirement

# Plan Management Policy Score Update

**Based on the June 30, 2020 Actuarial Valuation**

March 3, 2021 / Kim Nicholl / Matt Strom

# Summary Score based on July 1, 2020 Actuarial Valuation

➤ Composite summary score equal to 6

**Assessment:**

Summary score of 11 to 14:

**Objectives being met or likely to be met**

Summary score of 7 or 10:

**Objectives may be met over longer period**

Summary score of 4 to 6:

**Continue to monitor**

Summary score of 0 to 3:

**Changes should be considered**

**Based on a summary score of 6: Orange**



**The summary score has not changed from last year's valuation results.**

# Plan Funding Policy vs. Plan Management Policy

## The funding policy sets actuarially sound contribution rates

- TFFR's funding policy serves as a benchmark, which compares the actuarially determined contribution rate to the fixed employer contribution rate
- Actuarially determined contribution is equal to Normal Cost plus 23-year amortization of Unfunded Accrued Liability (as of 7/1/2020)
  - Amortization targets 100% funding in 23 years
  - TFFR's amortization method is 30 year closed period that began on July 1, 2013

## The plan management policy monitors the ongoing plan health

- Objective criteria have been established to evaluate health of TFFR
- Market volatility and contribution inadequacy risks are illustrated through stochastic modeling
- Board is able to evaluate the probabilities of future funded ratios
- Serves as advance warning tool

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

# Using the Plan Management Policy

- The Policy Score is updated subsequent to each valuation and experience study
- The Policy Score provides context for likelihood of future positive or negative events
  - For example, if funded ratio is projected to be at an unacceptable level with a high likelihood, the Board can explore ways to address this
- The Policy Score will be part of the actuarial analysis of proposed legislation
  - Will proposed legislation improve, retain, or worsen the Policy Score?

**The July 1, 2020 Policy Score is determined on the basis of:**

- **The June 30, 2020 actuarial valuation**
- **The Horizon Actuarial Services, LLC *Survey of Capital Market Assumptions (2020 Edition)***

# Stochastic Modeling of Investment Return

- Modeling of future simulated return trials is based on:
  - The Horizon Survey of Capital Market Assumptions (2020 Edition)
    - This survey compiles and averages the capital market assumptions of 39\* investment consultants
  - TFFR’s current target asset allocation mapped to asset classes from the survey:

	Asset Class	Target Allocation
Fixed/Alternative	US Core	18.0%
	Real Estate	9.0%
	High Yield	8.0%
	Commodities/Timber	1.9%
	Infrastructure	7.1%
	Cash	1.0%
Equity	US Large Cap	20.5%
	US Small Cap	5.5%
	International Developed	13.6%
	Emerging Markets	4.1%
	Private Equity	11.3%

\* Our analysis is based upon the 18 respondents that provided “long-term” (20+ years) assumptions

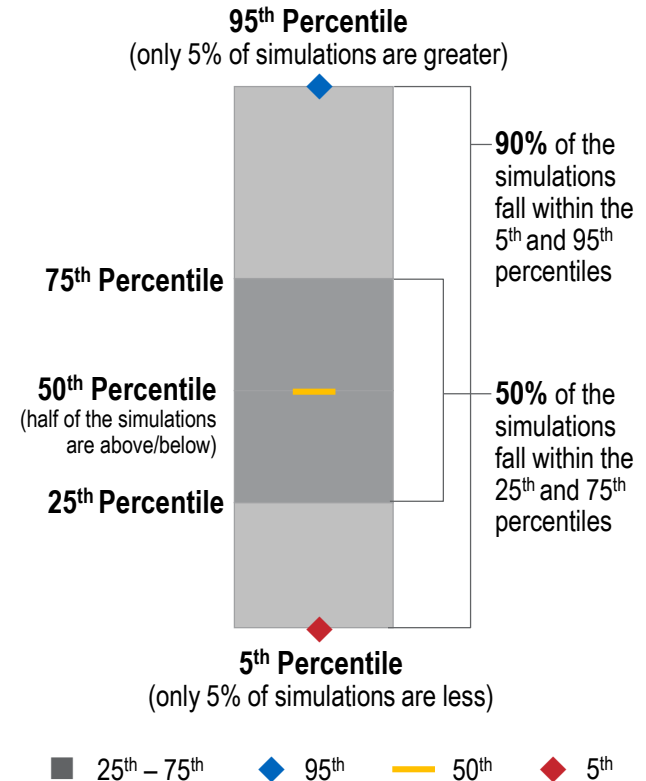
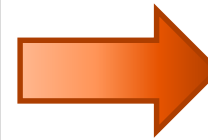
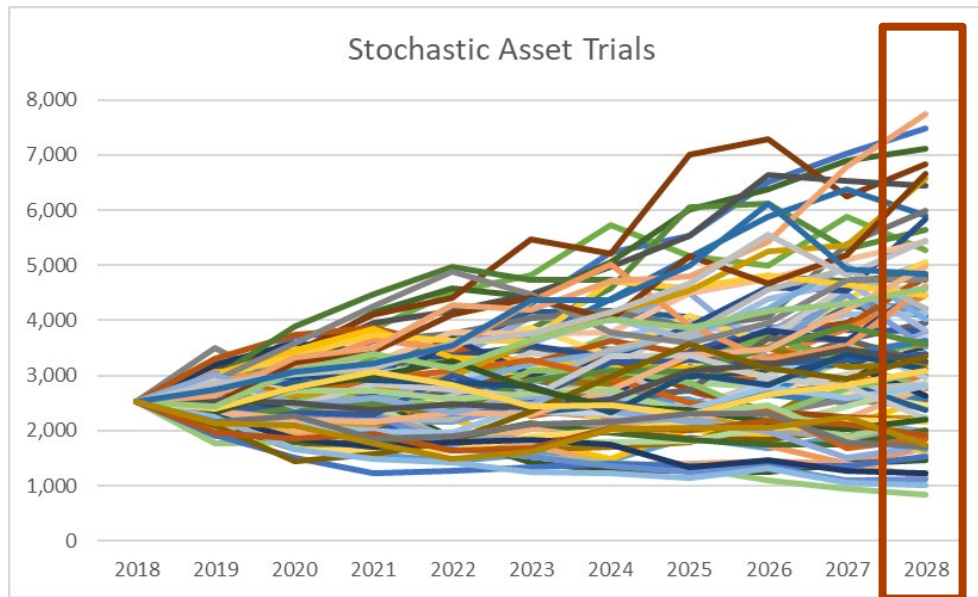
# Capital Market Assumptions

	Asset Class	Expected Return*/ Standard Deviation		Target Allocation	Weighted Return
Fixed/Alternative	US Core	3.7%	5.5%	18.0%	0.67%
	Real Estate	7.9%	16.8%	9.0%	0.71%
	High Yield	6.1%	9.8%	8.0%	0.49%
	Commodities/Timber	5.6%	17.6%	1.9%	0.11%
	Infrastructure	8.5%	14.6%	7.1%	0.60%
	Cash	2.3%	1.8%	1.0%	0.02%
Equity	US Large Cap	8.4%	16.2%	20.5%	1.71%
	US Small Cap	9.5%	20.2%	5.5%	0.52%
	International Developed	9.1%	18.1%	13.6%	1.24%
	Emerging Markets	11.3%	24.2%	4.1%	0.46%
	Private Equity	12.5%	22.0%	11.3%	1.41%
	<b>Total</b>			<b>100.0%</b>	<b>7.96%</b>
	Adjustment to Geometric				(0.71%)
	<b>Total Long-term Return</b>				<b>7.25%</b>

\* Based on 20-year arithmetic assumptions and reflects long-term inflation of 2.16%

# Summarizing Stochastic Results

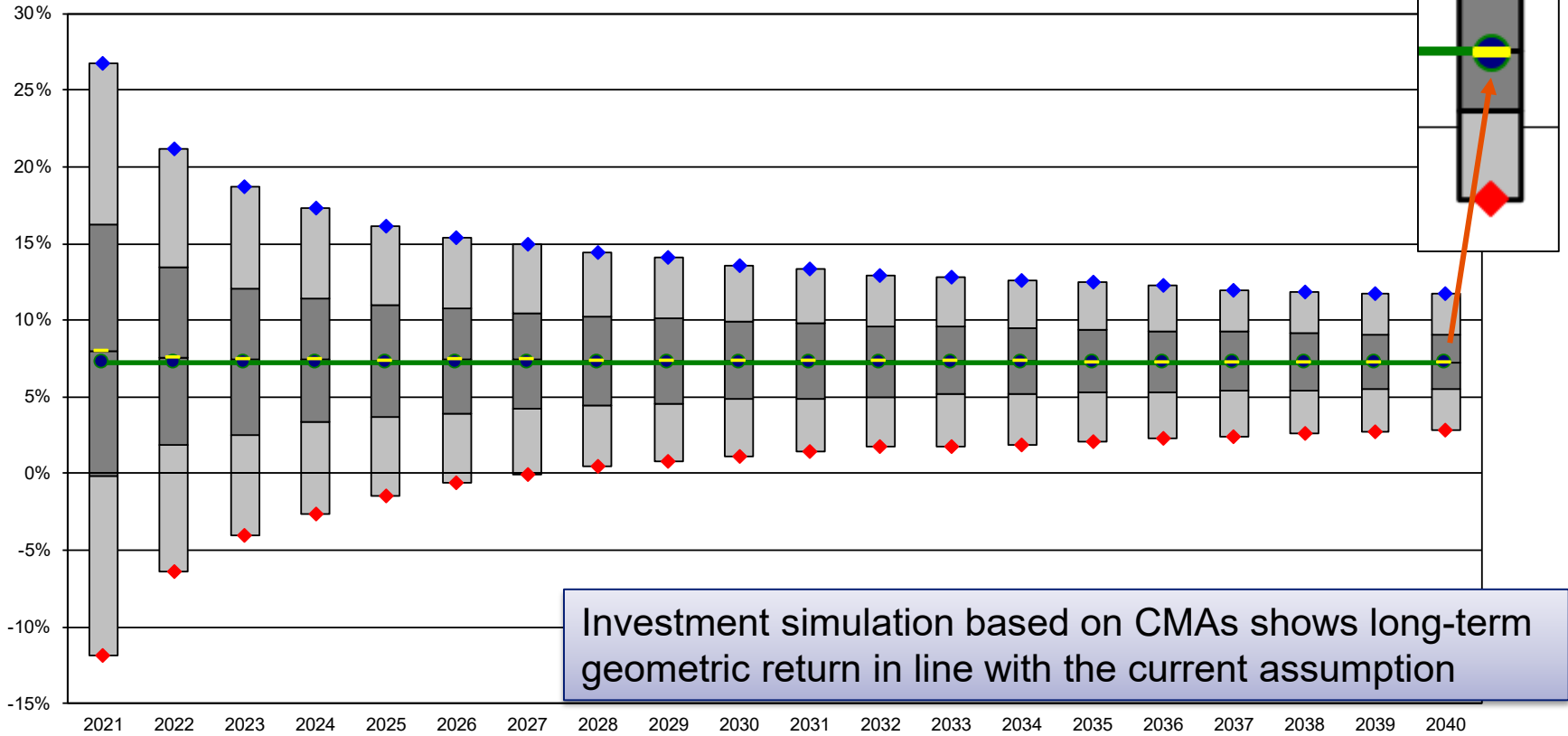
- The individual trials are grouped into percentiles and summarized as a range



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

# Investment Return

Projected Cumulative Investment Return for Plan Years Ending June 30



Investment simulation based on CMAs shows long-term geometric return in line with the current assumption

◆ 95th	26.8%	21.2%	18.7%	17.3%	16.1%	15.4%	14.9%	14.4%	14.1%	13.5%	13.3%	12.9%	12.8%	12.6%	12.4%	12.2%	12.0%	11.9%	11.8%	11.7%
— 75th	16.2%	13.4%	12.1%	11.4%	11.0%	10.8%	10.4%	10.2%	10.1%	9.9%	9.8%	9.6%	9.6%	9.4%	9.3%	9.3%	9.2%	9.2%	9.1%	9.1%
— 50th	8.0%	7.6%	7.4%	7.4%	7.4%	7.4%	7.4%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.2%	7.2%	7.3%
— 25th	-0.1%	1.9%	2.6%	3.3%	3.7%	3.9%	4.3%	4.4%	4.6%	4.8%	4.9%	5.0%	5.2%	5.2%	5.3%	5.3%	5.4%	5.4%	5.5%	5.5%
◆ 5th	-11.8%	-6.4%	-4.1%	-2.7%	-1.4%	-0.6%	0.0%	0.4%	0.8%	1.2%	1.4%	1.7%	1.7%	1.9%	2.1%	2.3%	2.4%	2.6%	2.7%	2.9%
●	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%

● Current investment return assumption



# Metrics for Plan Management Policy Scoring System

- **Current funded ratio**

- The Fund’s current funded ratio is one of the most visible metrics
- A high current funded ratio should be recognized in the scoring

- **Downside funded ratio in 2030**

- In the short-term, the Fund should avoid an “undesirable” funded ratio with relatively high probability

- **Target funded ratio in 2040**

- Over a longer term, the Fund should be on the path to achieving its goals with reasonable probability

- **Improvement in funded ratio over a 10-year period**

- Regardless of where the Fund sits today, it should seek an increasing funded ratio over time

- **Ability to recover from/withstand a market downturn**

- In situations where the financial markets experience a downturn, the scoring should recognize when the funded ratio improves relative to the impact after the downturn

**For purposes of the Policy scoring, the market value of assets is used when determining the funded ratio.**

# Policy Scoring System

## Criteria 1

### Based on current year funded ratio

- If current ratio is 90% or higher: **+3**
- If current ratio is between 80% to 90%: **+2**
- If current ratio is between 70% to 80%: **+1**
- If current ratio is less than 70%: **+0**

## Criteria 2

### Downside funded ratio in 2030

- Under 65% funded ratio with less than 20% probability: **+3**
- Under 65% funded ratio with less than 30% probability: **+2**
- Under 65% funded ratio with less than 40% probability: **+1**
- Under 65% funded ratio with more than 40% probability: **+0**

## Criteria 3

### Target funded ratio in 2040

- 85% or higher with more than 50% probability: **+4**
- 80% or higher with more than 50% probability: **+3**
- 75% or higher with more than 50% probability: **+2**
- 70% or higher with more than 50% probability: **+1**
- Not more than 70% with more than 50% probability: **+0**

## Criteria 4

### Improvement over 10 years

- Funded ratio improves by +5% over 10 years with 66% probability: **+2**
- Funded ratio improves by +5% over 10 years with 50% probability: **+1**
- Ratio does not improve by +5% over 10 years with 50% probability: **+0**

## Criteria 5

### Ability to recover from market downturn\*

- Funded ratio after downturn improves by +5% over 10 years with 50% probability: **+2**
- Funded ratio after downturn improves by +5% over 10 years with 33% probability: **+1**
- Ratio after downturn does not improve by +5% over 10 years with 33% probability: **+0**

\* "Market downturn" defined as a two-year compound average return of -10% or worse

# Policy Scoring System (*continued*)

- Total summary score ranged from 0 to 14
  - Metrics focus on funded ratio measures
- Summary “health” is summed up as follows:
  - **Green** (score of 11 to 14) indicates “*objectives being met or likely to be met*”
  - **Yellow** (score of 7 to 10) indicates “*objectives may be met over longer period*”
  - **Orange** (score of 4 to 6) indicates “*continue to monitor*”
  - **Red** (score of 0 to 3) indicates “*changes should be considered*”



# Policy Scoring System (*continued*)

<b>Criteria 1</b>	<p><b>Current year funded ratio is <u>63%</u></b></p> <ul style="list-style-type: none"><li>• If current ratio is 90% or higher: <b>+3</b></li><li>• If current ratio is between 80% to 90%: <b>+2</b></li><li>• If current ratio is between 70% to 80%: <b>+1</b></li><li>• If current ratio is less than 70%: <b>+0</b></li></ul>	<b>+0</b>
<b>Criteria 2</b>	<p><b><u>38%</u> probability of funded ratio &lt;65% in 2030</b></p> <ul style="list-style-type: none"><li>• Under 65% funded ratio with less than 20% probability: <b>+3</b></li><li>• Under 65% funded ratio with less than 30% probability: <b>+2</b></li><li>• Under 65% funded ratio with less than 40% probability: <b>+1</b></li><li>• Under 65% funded ratio with more than 40% probability: <b>+0</b></li></ul>	<b>+1</b>
<b>Criteria 3</b>	<p><b><u>53%</u> probability of funded ratio &gt;80% in 2040</b></p> <ul style="list-style-type: none"><li>• 85% or higher with more than 50% probability: <b>+4</b> (48% probability)</li><li>• 80% or higher with more than 50% probability: <b>+3</b> (53% probability)</li><li>• 75% or higher with more than 50% probability: <b>+2</b> (58% probability)</li><li>• 70% or higher with more than 50% probability: <b>+1</b> (63% probability)</li><li>• Not more than 70% with more than 50% probability: <b>+0</b></li></ul>	<b>+3</b>
<b>Criteria 4</b>	<p><b><u>57%</u> probability of improvement over 10 years</b></p> <ul style="list-style-type: none"><li>• Funded ratio improves by +5% over 10 years with 66% probability: <b>+2</b></li><li>• Funded ratio improves by +5% over 10 years with 50% probability: <b>+1</b></li><li>• Ratio does not improve by +5% over 10 years with 50% probability: <b>+0</b></li></ul>	<b>+1</b>
<b>Criteria 5</b>	<p><b><u>42%</u> probability of recovering from market downturn*</b></p> <ul style="list-style-type: none"><li>• Funded ratio after downturn improves by +5% over 10 years with 50% probability: <b>+2</b></li><li>• Funded ratio after downturn improves by +5% over 10 years with 33% probability: <b>+1</b></li><li>• Ratio after downturn does not improve by +5% over 10 years with 33% probability: <b>+0</b></li></ul>	<b>+1</b>
		<hr/> <b>+6</b>

\* 921 scenarios contain -10% average or worse over 2 years (in the first 10 years), 384 of which “recover”

# Notable Differences from Prior Analysis

- The 2020 Horizon Survey CMAs result in a lower 50<sup>th</sup> percentile long-term geometric return compared to the 2019 study
  - 7.25% versus 7.47%
- The actuarial assumptions were modified with the 2020 experience study
  - Lowering the investment return assumption from 7.75% to 7.25% increased liabilities
  - However, the changes to demographic assumptions generally decreased liabilities and projected benefit payments
- The liability projection from the 2020 actuarial valuation – prior to assumption changes – is lower compared to the projection based upon the 2019 actuarial valuation
  - Demographic experience during fiscal 2020 yielded an actuarial gain that carried through the modeling results

# Notable Differences from Prior Analysis *(continued)*

- Reflecting both the 2020 demographic experience gain and the assumption changes, the projected liability has generally decreased, despite the lower discount rate assumption
  - For example, the projected 2040 accrued liability is approximately \$320 million lower than the prior projection from 2019
    - Despite an initial increase in accrued liability of \$52 million in 2020 due to the net effect of assumption changes
- Fewer scenarios hit 100% funded and trigger the sunset of contribution rates back to 7.75%, resulting in relatively more contributions included in the projections
- The net result is that the probabilities on which the scoring is based remained similar to the prior analysis
  - With the exception of Criteria 1, the metrics have generally improved relative to the scoring based on the 2019 valuation

# Other External Factors

- Other factors outside of TFFR could have an effect on the directional trend of future Policy Scores:
  - Projected economic conditions
  - Market cycles
  - North Dakota economy
- Taking into consideration the results of the July 1, 2020 actuarial valuation and relevant information used to develop the valuation results and various projections, the Policy score is 6.
- The stochastic projections on which most of the scoring elements are based rely on composite capital market expectations of several investment consulting firms.
  - These expectations may reflect the potential for near-term market influences to some degree.

# Other External Factors *(continued)*

- There are other external forces not explicitly factored into the capital market assumptions, which may have a short-term impact on the Policy score:
  - Due to the COVID-19 pandemic, market conditions have changed significantly since the onset of the Public Health Emergency.
  - The plan’s funded status does not reflect short-term market fluctuations, as it is based on the market values on the last day of the plan year.
  - The projections on which this analysis was based do not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after July 1, 2020.
  - With a base case that a widely available medical solution will take hold during 2021, prevailing sentiment is that the US equity market will – with volatility – hobble along to be about “normal” in terms of modest growth, low inflation and normalized risk premiums.
  - If inflation increases in the short-term, the impact on the US equity market is likely to be a mixed bag, but history shows a correlation to high inflation and lower returns for the overall market in most periods, with increases in volatility.



# Other External Factors *(continued)*

- NDSU released an economic outlook report for the state and the COVID-19 pandemic creates a somewhat bleak forecast.
  - Total wages and salaries are expected to continue to fall in 2021 and the labor force is projected to continue to decrease.
  - However, Gross State Product is expected to grow throughout 2021, possibly recovering to near pre-COVID-19 levels.
- President Biden's executive order pauses oil leasing on federal land.
  - Governor Doug Burgum is concerned that this moratorium will reduce the money available for schools.

# Caveats

- *The projections are 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.*
- *Projections, by their nature, are not a guarantee of future results. The projections modeled are intended to serve as estimates of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternate methodologies are used.*

# TFFR Board Calendar and Education Plan 2021-22

## **JULY 22, 2021 – 1 pm**

Election of Officers  
Annual TFFR Program Review  
Annual Customer Satisfaction Reports  
Qtrly Investment Report (3/31)  
Qtrly Audit Services Report (3/31)  
Annual Technology Report  
Governance Policy Rev Update

## **JULY 23, 2021 – 8:30 am**

Special TFFR Meeting\*  
SIB Annual Meeting  
Educ: Board Governance

## **SEPTEMBER 23, 2021 – 1 pm**

Annual Investment Report (6/30)  
Annual Audit Services Report (6/30)  
Annual Budget and Expense Report  
Educ: Fiduciary Duties and Ethics-AGO

## **November 18, 2021 – 1 pm**

2021 Actuarial Valuation Report  
Annual Retiree Reemployment Report  
Qtrly Investment Report (9/30)  
Qtrly Audit Services Report (9/30)  
Educ: Actuarial Issues

## **JANUARY 27, 2022 – 1 pm**

2021 GASB Report  
2023 Legislative Planning  
Governance Policy Rev Update  
Annual Retirement Ends Report  
Annual Retirement Trends Report  
Educ: Open Meetings & Records - AGO

## **MARCH 24, 2022 – 1 pm**

2023 Legislative Planning  
Qtrly Investment Report (12/31)  
Qtrly Audit Services Report (12/31)  
Strategic Communication Update  
Educ: Cybersecurity

## **APRIL 21, 2022 – 1 pm**

2023 Legislative Planning  
2022-23 Board Calendar and Educ Plan  
Plan Management Policy Update  
Annual Pension Plan Comparison Report  
Educ: Investments (manager selection  
process, due diligence, watch list) - RIO

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

**Updated: 4-22-21**

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Teachers' Fund for Retirement (TFFR) is a successor pension benefit plan to the Teachers' Insurance and Retirement Fund (TIRF). TIRF that was established in 1913, 24 years after North Dakota became a state, to provide retirement income to all public school and certain state teachers and administrators in the state of North Dakota. TIRF became TFFR in 1971. The plan is administered by a seven-member Board of Trustees comprised of: two active teachers, two retired teachers and one school administrator ~~five active and retired members of the fund~~ appointed by the Governor of North Dakota and two elected officials - the State Treasurer and the State Superintendent of Public Instruction.

The plan is a multi-employer defined benefit public pension plan that provides retirement, disability, and death benefits in accordance with Chapter 15-39.1 of the North Dakota Century Code (NDCC). Monthly retirement benefits are based on the formula: Number of Years of service X 2.0% X Final Average Salary. Adjustments to the basic formula are made depending on the retirement option selected.

Funding is provided by monthly employee and employer contributions scheduled to increase as follows:

	7/1/11	7/1/12	7/1/14
Employee	7.75%	9.75%	11.75%
Employer	8.75%	10.75%	12.75%

Employee and employer contributions will be reduced to 7.75% each when TFFR reaches 100% funded level on an actuarial value basis.

The TFFR Board has an actuarial valuation performed annually and an Experience Study and Asset Liability Study performed every five years. The actuarial assumed rate of return on assets was reduced to 7.757.25% from 8.07.75% as of July 1, 20152020. Key plan and financial statistics are recorded in the most recent valuation report on file at the North Dakota Retirement and Investment office (RIO).

2. FUND GOALS

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

As a result, the Fund goals are to:

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

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

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

The TFFR Board is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, 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 Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

#### **4. RISK TOLERANCE**

The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants.

However, funding the pension promise in an economical manner is critical to the State/School Districts ability to continue to provide pension benefits to plan participants. Thus, the Board actively seeks to lower the cost of funding the Plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the Board believes that such an approach, prudently implemented, best serves the long-run interests of the State/School District and, therefore, of plan participants.

#### **5. INVESTMENT OBJECTIVES**

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB

- 1) The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- 2) The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
- 3) The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

#### **6. POLICY ASSET MIX**

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

Asset Class	Policy Target (%)
Public Equity	45%
- Broad U.S. Equity	27%
- Global ex-U.S. Equity	18%
Fixed Income	27%
- Core Fixed Income	18%
- High Yield	8%
- Cash Equivalents	1%
Alternatives	28%
- Real Estate	<del>7%</del> 9%
- Private Infrastructure	<del>7%</del> 9%
- Timber	<del>2%</del> 0%
- Private Equity	10%
Total	100%

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

**7. RESTRICTIONS**

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

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers
- c. No transaction shall be made which threatens the tax exempt status of the Fund.
- d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases shall be made.
- f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

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

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

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

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

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

## **8. INTERNAL CONTROLS**

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

## **9. EVALUATION AND REVIEW**

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

Performance reports will be provided to the TFFR Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all



significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

- 1) A list of the advisory services managing investments for the board.
- 2) A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
- 3) Earnings, percentage earned, and change in market value of each fund's investments.
- 4) Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
- 5) All material legal or legislative proceedings affecting the SIB.
- 6) Compliance with this investment policy statement.

**TFFR Board Adopted:** May 25, 1995.

**Amended:** November 30, 1995; August 21, 1997; July 15, 1999; July 27, 2000; September 18, 2003; July 14, 2005; September 21, 2006; September 20, 2007; October 27, 2011; September 26, 2013; January 21, 2016; September 21, 2017; January 25, 2018; November 19, 2020.

**Approved by SIB:** November 18, 2011, February 26, 2016, September 22, 2017, February 23, 2018, November 20, 2020.

ND Teachers' Fund for Retirement

ND State Investment Board

\_\_\_\_\_  
Date:

\_\_\_\_\_  
Date:

\_\_\_\_\_  
Janilyn Murtha  
Deputy Executive Director/  
Chief Retirement Officer

\_\_\_\_\_  
David Hunter  
Executive Director/CIO

## MEMORANDUM

Item III.D.

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**TO: TFFR Board**  
**FROM: Jan Murtha, Deputy Executive Director – Chief Retirement Officer**  
**DATE: April 20, 2021**  
**RE: Actuary Services Contract**

The TFFR Board of Trustees is responsible for retaining an actuarial consultant for the plan under N.D.C.C. 15-39.1-05.2. The current actuary services contract with Segal is set to expire June 30, 2021. The Board last issued a Request for Proposals (RFP) for actuary services in 2016, and prior to that in 2010. The following summarizes the contract periods with Segal:

2010 – Issued RFP; award to Segal (switch from GRS).  
2011-2013: Initial contract with Segal.  
2013-2015: 1<sup>st</sup> contract extension with Segal.  
2015-2017: 2<sup>nd</sup> contract extension with Segal.  
2016 - Issued RFP; award to Segal.  
2017-2019: Contract with Segal.  
2019-2021: 1<sup>st</sup> contract extension with Segal.

Enclosed for your review is a Proposal from Segal for a second contract extension for actuary services from 2021-2023. There is a slight increase in fixed costs for the actuarial and GASB 67/68 reports as well as a slight increase to the hourly rate for consulting services (\$305/hr to \$315/hr) from the 2019-2021 extension. The cost increase appears reasonable, a second extension of the current actuarial services contract is consistent with the past practice of the Board, and continuity of actuarial services through the second stage of the PAS project would aid staff in the transition to a new system.

Therefore, staff recommends that the Board approve an extension of the actuarial services contract with Segal for 2021-2023 and authorize staff to negotiate and finalize such an extension with Segal.

Staff also requests that the Board provide guidance on when the Board would like to issue a future Request for Proposal for actuary services.

**BOARD ACTION REQUESTED: Approve Contract Extension or Provide Staff alternative direction for actuary services contract.**



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segalco.com

April 19, 2021

**Via E-Mail**

Jan Murtha  
Deputy Executive Director/ Chief Retirement Officer  
ND Retirement & Investment Office  
3442 East Century Avenue | P.O. Box 7100  
Bismarck, ND 58507-7100

**Re: Proposal to Continue Providing Actuarial and Consulting Services for the North Dakota Teachers' Fund for Retirement**

Dear Jan:

Segal is pleased to submit this proposal to continue performing professional actuarial and consulting services for the North Dakota Teachers' Fund for Retirement (TFFR). Segal has been serving in this capacity to the TFFR since 2011 and we look forward to continue to build upon the relationship we have established with you. We believe that we have demonstrated our ability to provide quality, timely, accurate, and innovative consulting advice. Our proposal describes our qualifications and experience and demonstrates our continued commitment to deliver strategic and technical insight in a responsive manner. Our fees are included as an Attachment to this proposal.

***Consulting Services and Deliverables***

Segal has the experience to continue providing a full range of actuarial consulting services to TFFR. Under this engagement, we understand that the consulting services include, but are not limited to the following.

1. Prepare annual pension valuation.
2. Prepare actuarial calculations and disclosures needed for GASB 67 and GASB 68.
3. Prepare an update to the Plan Management Policy score on an annual basis.
4. Provide actuarial and technical analysis of proposed legislation.
5. Provide actuarial factors, tables and other calculations as required.

6. Assist with the ongoing administration of TFFR, including the review and calculation of benefits, service purchases, QDROS, and other calculations.
7. Assist with the development of procedures, forms, publications, tables, and computer systems.
8. Provide information and assistance with Federal and State tax issues affecting the TFFR plan, members, and employers.
9. Summarize and discuss actuarial and administrative implications of federal and state laws and rules governing TFFR.
10. Develop and implement statutes, rules, policies, and procedures.
11. Provide periodic educational presentations or discussions with TFFR Board, staff, legislative committees, or others, as requested.
12. Assist with compliance with federal rules and regulations for qualified defined benefit government pension plans including minimum participation rules, Section 415 limits, maximum compensation limits, maximum benefit limits, minimum distribution requirements, tax withholding, and other federal and Internal Revenue Code requirements for qualified plans.
13. Provide asset/liability modeling support work as requested.
14. Provide assistance with special projects or studies as requested.
15. Conduct experience studies as requested.

Our consulting approach is ideally suited to meeting the needs and objectives of TFFR. While we will draw upon our years of experience with TFFR as well as other public sector retirement systems, with the diverse talents of our actuaries, consultants, and other professionals, we will also focus upon the particular environment in which TFFR functions. We will seek to be innovative and to recognize the special needs and requirements of TFFR, rather than to replicate a particular approach just because it happened to work well in another situation in a different state.

**Timeline**

Following is a timeline containing various tasks and deliverables for the project, as well as target completion dates for each step.

Service Element	Time Frame	Methodology
<b>Valuation Consulting Services</b>		
Planning meeting: discussion for plan year beginning July 1	July	Discussion with the TFFR staff to plan the engagement and to establish timeframes and expectations for delivery of services.
Actuarial data request	July	Instructions/discussions concerning the actuarial data required for conducting the actuarial valuation.
Program review and update	July – August	Actuarial valuation programs will be updated as necessary (e.g., enacted legislative changes) and accuracy tests performed (including test lives).
Retiree and inactive data review and actuarial valuation processing	August	Resolution of any data questions. Processing of retiree and inactive valuations.
Active data review and actuarial valuation processing	August – September	Resolution of any data questions. Processing of the active valuations.
Financial data review and actuarial values/results calculated	First week of September	Determination of actuarial value of assets, valuation results, and contribution rates.
Preliminary Valuation Results	Early October	Preliminary valuation results provided to TFFR staff.
Preparation of GASB 67 and 68 reports	October	Disclosure of items required by GASB 67 and 68.
Final report delivered	No later than October 15	The final report will be delivered within 2 weeks after approval of the draft report by TFFR.
Projections of contributions and funded status under alternative scenarios	October	Preparation of projections to be included in the PowerPoint presentations
Presentation of report	October LEBPC committee meeting and November Board meeting	Preparation of PowerPoint presentations and handouts to present to the LEBPC and TFFR Board.

Service Element	Time Frame	Methodology
Prepare update of Plan Management Policy score update	December – February	Run portfolio simulations and prepare stochastic modeling results. Update Policy score and present results to the Board.
Attend other Board meetings	As needed	Respond to inquiries and present information.
<b>Proposed Legislative Benefit Changes and Consulting Services</b>		
Review of proposal (if possible, a copy of the actual bill draft is preferred)	Upon receipt	For most typical benefit change proposals, we are able to provide responses within five working days of the request. During the legislative session, we will provide the legislative analysis within one day.
Delivery of actuarial and cost analyses	As requested – generally within 1-10 working days or sooner as necessary	We will prepare actuarial and cost analyses as requested.
Board education sessions	In connection with the November Board meeting or otherwise agreed-upon meeting	Topic to be identified by TFFR staff in consultation with Segal.
Improvements in financing and benefits structure	Ongoing	Segal actively participates in a variety of national public sector retirement organizations, including NASRA, NCTR, NAGDCA, NCPERS, and the pension related activities of the GFOA, GASB and the NCSL. We also engage in independent research activities through which we monitor new and creative efforts of state retirement systems to enhance their funding and benefit structures. We will inform TFFR of new developments and their applications and potential impact on a proactive basis through a combination of direct communications and our governmental benefits bulletins.
Provide technical advice	As requested	We will provide technical advice as needed.

Service Element	Time Frame	Methodology
Actuarial tables and factors	As requested	We will make recommendations for necessary or appropriate changes.
Assist with legal compliance and communications	As requested	Assist with drafting plan documentation.
General consulting services	As requested	Delivery of these consulting services will depend on the nature of the issue. In most instances, we anticipate to be able to provide these services by telephone, through written and electronic correspondence or a combination of both. Where appropriate and as requested by TFFR staff, we will attend scheduled meetings to deliver these services.
New developments and federal legislation	Ongoing	Segal closely monitors federal legislative and regulatory activity affecting the design, funding and operations of public sector retirement plans. Through a combination of activities of our National Market Leader, Legal Research Division and public sector pension consultants and actuaries, we will be able to provide to the Board of Directors a current outlook on these federal activities and issues.
Asset/liability studies	As requested	Conduct or provide assistance with asset/liability studies and modeling.
Special projects	As requested	Segal will provide additional consulting services and reports.
Perform experience review of NDTFFR	As scheduled; next study planned for 2024/2025	Analyze experience for TFFR for five-year period and develop recommended assumptions.
Assist NDTFFR staff with analytical needs to respond to external requests	As requested	Review legislation and proposals. Assist with IRS determination letters.

**Project Team**

Segal has assigned experienced professional actuaries to the valuation tasks.

A dedicated team of actuaries and consultants that are familiar with TFFR will continue performing the work associated with the contract. We believe that our team structure and our actuarial processes provide adequate resources to complete the work within the requisite timeframe while permitting adequate sharing of information and having familiarity with all aspects of the assignment. Our TFFR team will continue to be led by Kim Nicholl and Matt Strom who will serve as Lead Actuaries. Noel Johnson will serve as Secondary Actuary and reviewing actuary and Tanya Dybal will serve as peer review actuary. Melanie Walker will be available to consult on compliance-related issues, as necessary. The team will also include analysts who will perform most of the data reconciliation and valuation work, and professionals from our Benefits Administration Team to assist with QDROs and other complex benefit calculations. Geoff Bridges will continue to final review benefit calculations originated by the Benefits Administration Team. To the extent that additional special assignments are requested, we have numerous additional actuaries and other staff to draw upon.

An organizational table for the project team is shown below:

<b>Lead Actuaries and Client Relationship Managers</b>	
Kim Nicholl, FSA, FCA, MAAA, EA Senior Vice President, Actuary	Matt Strom, FSA, MAAA, EA Senior Vice President, Actuary
<b>Secondary Actuary</b>	<b>Peer Review Actuary</b>
Noel Johnson, FSA, MAAA, EA Actuary	Tanya Dybal, FSA, MAAA, EA Senior Actuary
<b>Retirement Team</b>	
Geoff Bridges, FSA, FCA, MAAA, EA Senior Actuary	Jakob Nolan, ASA, MAAA Actuarial Analyst
Paul Pappageorge Vice President, Benefits Administration	Debra Myers Team Leader, Benefits Administration
<b>Compliance</b>	
Melanie Walker, JD Senior Vice President, National Compliance	



### *Experience Study*

While not within the period of this proposal, we want to include information about the next scheduled experience study. A five-year experience study will be performed beginning with the completion of the July 1, 2024 actuarial valuation. The five-year experience analysis reports will include recommendations regarding all actuarial assumptions, including but not limited to rates of termination, service retirement rates, progression and promotion salary scales, pre- and post-retirement mortality, disability rates and rates of termination from disability.

We will maintain the participant data necessary to complete this experience analysis from our annual valuation databases. We have completed experience analyses for many statewide pension systems. Our familiarity with the process enables us to provide customized and efficient results with a perspective that other firms are unable to offer.

Segal performs experience reviews for our public sector retirement clients, typically every three to five years. The analyses will describe the reasons for changes in the contribution rates based on a comparison of actual changes in liabilities with expected changes according to each of the various actuarial assumptions.

### *Summary*

Segal would be privileged to continue to be retained as the consultant for the TFFR. We bring a useful balance of technical depth and strategic sense to this project and believe that our recommendations will help the Fund address the future of its retirement program.

We appreciate the opportunity to offer this proposal and will be pleased to meet with you to discuss this material or provide additional materials and explanations as needed.

Sincerely,



Matthew Strom  
Senior Vice President, Actuary

cc: Kim Nicholl, Segal  
Noel Johnson, Segal  
Tanya Dybal, Segal

## COST PROPOSAL

**ACTUARIAL AND CONSULTING SERVICES  
ND TEACHERS' FUND FOR RETIREMENT  
JULY 1, 2021 – JUNE 30, 2023**

<b>2 YEAR CONTRACT COST</b>	<b>FIXED FEE</b>
2021 Actuarial Report	\$44,500
2022 Actuarial Report	\$44,500
2021 Policy Score Update	\$9,000
2022 Policy Score Update	\$9,000
2021 GASB 67/68 Report	\$9,500
2022 GASB 67/68 Report	\$9,500
<b>Total Fixed Fees</b>	<b>\$126,000</b>

*Note: Total fixed fees include presentation of valuation reports to TFFR Board and LEBPC each year, plus an educational presentation to the TFFR Board. Travel expenses are not included in the fixed fee and will be reimbursed upon approval.*

<b>2 YEAR CONTRACT TERM</b>	<b>FIXED HOURLY FEE FOR SERVICES</b>
Legislative and General Consulting	\$ 315 per hour

Segal is fully aware of the sensitivity of budget allocations for public sector employers. Our pricing approach is focused toward achieving the client's objectives in the most cost-effective manner consistent with quality, accuracy, and timeliness. If our proposed fees are inconsistent with your understanding of the engagement, we request the opportunity to explain our pricing assumptions or to modify the scope of services to best fit your objectives for this important assignment.

Our fixed fees are determined based on an estimate of the time needed by our professional staff to complete the tasks required and the expertise of the staff involved. We make every effort to assign tasks to the appropriate professional level staff member to ensure timely and accurate completion of the work.

Our fees are all-inclusive and there are no additional administration, start-up, or implementation fees associated with the engagement. We do not bill separately for services performed by our clerical staff, duplicating, telephone calls, computer time, postage, etc. In situations where additional projects can have a project scope outlined in advance, we can devise an agreed-upon fee quote prior to beginning work if so desired.

## MEMORANDUM

Item III.E.

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**TO: TFFR Board**  
**FROM: Jan Murtha, Deputy Executive Director – Chief Retirement Officer**  
**DATE: April 15, 2021**  
**RE: Program Policy Review Planning**

The TFFR Board of Trustees is responsible for promulgating and reviewing the TFFR Program Manual. During 2019 through the Spring of 2020 the Board began a comprehensive program policy review, and adopted many updates to the current TFFR Program Policy Manual. In accordance with the PAS Consultant Interim Recommendations the Board has directed staff to continue to review and present recommendations regarding Program Policies.

In addition to this comprehensive program policy review the Board is required to review the entire program policy manual on an annual basis pursuant to Board Policy M.3. This policy states in part:

**“At the July Board meeting each year, the Board will elect officers, review governance and program policies, and develop the annual board agenda and education plan.”**

Staff recognizes that it can be difficult to review the entire manual during a single meeting. In order to preserve Board members time and provide a diligence annual review of the program manual, staff recommends that Board consider the following options:

- 1) Create a Standing Program Policy Review Committee (Board Policy N.1.)- to meet quarterly and conduct an entire program manual review and make any recommendations on an annual basis; or
- 2) Continue the Special Ad Hoc Program Policy Review Committee (Board Policy N.2.) created in 2019 through to 2023, to meet quarterly, and make a recommendation regarding the need for a standing committee for program policy review at the July 2023 Board meeting.
- 3) Maintain the current practice of conducting the annual review of the Program Manual at the July meeting.

**BOARD ACTION REQUESTED: Select one of the three options presented for Program Policy Review.**

## MEMORANDUM

Item III.F.

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**TO:** TFFR Board  
**FROM:** Jan Murtha, Deputy Executive Director – Chief Retirement Officer  
**DATE:** April 14, 2021  
**RE:** Admin Rules

At its March 25, 2021 meeting, the Board approved the proposed amendments to administrative rules and directed staff to proceed with the rules promulgation process. Pursuant to the Board's direction, staff:

- Submitted the rules and required materials to the Office of Attorney General for a compliance opinion as required by statute.
- The assigned attorney contacted staff and suggested a slight modification to a federal citation. Staff updated the citation per this request.

As of the date of this memo a final compliance opinion has not been issued, however, if it is issued prior to the TFFR Board meeting date the Board materials will be updated.

**NO BOARD ACTION REQUESTED: Informational**



Wayne Stenehjem  
ATTORNEY GENERAL

STATE OF NORTH DAKOTA  
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL  
600 E BOULEVARD AVE DEPT 125  
BISMARCK, ND 58505-0040  
(701) 328-2210 FAX (701) 328-2226  
www.ag.nd.gov

OPINION

April 16, 2021

Via email [janylynmurtha@nd.gov](mailto:janylynmurtha@nd.gov)

Ms. Janylyn Murtha  
Deputy Executive Director  
RIO-Teachers Fund for Retirement  
PO Box 7100  
Bismarck, ND 58507-7100

Dear Ms. Murtha,

The Office of Attorney General has examined the proposed amendments to N.D.A.C. §§ 82-05-01-02, 82-05-04-02, and 82-05-04-04 concerning proof of age, actuarial factors/optional payment forms, and actuarial factors/purchase of service, along with the notice of the proposed rules, the publication of that notice, and the filing of that notice with the Legislative Council. This office has also determined that 1) a written record of the agency's consideration of any comments to the proposed rules was not made because there were no comments, 2) a regulatory analysis was issued, 3) a takings assessment was prepared, 4) a small entity regulatory analysis and an economic impact statement were prepared, and 5) the proposed rules are within the agency's statutory authority.

These administrative rules are in compliance with N.D.C.C. ch. 28-32 and are hereby approved as to their legality. Upon final adoption, these rules may be filed with the Legislative Council.

Sincerely,

Wayne Stenehjem  
Attorney General

amj

cc: Vonette J. Richter, Legislative Council



Wayne Stenehjem  
ATTORNEY GENERAL

STATE OF NORTH DAKOTA  
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL  
600 E BOULEVARD AVE DEPT 125  
BISMARCK, ND 58505-0040  
(701) 328-2210 FAX (701) 328-2226  
www.ag.nd.gov

OPINION

April 16, 2021

Via email [janilynmurtha@nd.gov](mailto:janilynmurtha@nd.gov)

Ms. Janilyn Murtha  
Deputy Executive Director  
RIO-Teachers Fund for Retirement  
PO Box 7100  
Bismarck, ND 58507-7100

Dear Ms. Murtha,

The Office of Attorney General has examined the proposed amendments to N.D.A.C. §§ 82-05-01-02, 82-05-04-02, and 82-05-04-04 concerning proof of age, actuarial factors/optional payment forms, and actuarial factors/purchase of service, along with the notice of the proposed rules, the publication of that notice, and the filing of that notice with the Legislative Council. This office has also determined that 1) a written record of the agency's consideration of any comments to the proposed rules was not made because there were no comments, 2) a regulatory analysis was issued, 3) a takings assessment was prepared, 4) a small entity regulatory analysis and an economic impact statement were prepared, and 5) the proposed rules are within the agency's statutory authority.

These administrative rules are in compliance with N.D.C.C. ch. 28-32 and are hereby approved as to their legality. Upon final adoption, these rules may be filed with the Legislative Council.

Sincerely,

Wayne Stenehjem  
Attorney General

amj

cc: Vonette J. Richter, Legislative Council

## RIO Legislative Update April 15, 2021

Bill No.	Description	Sponsor/Introducer
<b>HB 1022</b>	<b>RIO Budget</b>	<b>Appropriations Committee</b>

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0281-04000.pdf>

**HB 1022 contains the 2021-23 budget authority for RIO to administer the SIB investment program and TFFR retirement program which are special funds. Senate Appropriations Committee gave a unanimous DO PASS recommendation to RIO's amended budget bill yesterday including funding for one additional FTE, NDIT unification and office relocation to WSI.** Senator Bekkedahl's testimony highlighted SIB investments growing from \$7.5 billion at June 30, 2013, to over \$18.6 billion as of Feb. 28, 2021, while RIO's FTE count only increased by one from 19 FTE in 2013-15 biennium to 20 FTE in the 2019-21 biennium. Additionally, the number of client funds under management increased from 23 in 2013 to 27 currently. Each client fund requires separate monthly, quarterly and annual accounting, monitoring and reporting. The requested position could assist with investment and/or financial operations by providing support in such areas as reporting, records/contract management, due diligence, compliance or risk management. **RIO/SIB client investments are up \$4 billion to \$18.6 billion in the current biennium, largely driven by \$3 billion of net investment income from July 1, 2019 to Feb. 28, 2021.** SIB clients earned \$4.2 billion of net investment income in calendar years 2019 and 2020 including \$1.9 billion for Legacy Fund with returns of over 18.1% in 2019 and 12.2% in 2020.

**Status: Passed House 87-5 on 2/24 (without PIO, IT Unification and desktop support); Passed Senate with Amendments; Conference Comm. 4/15 at 9:30am.; Committee Approved on 4/15**

<b>HB 1038</b>	<b>Legacy Fund Earnings Committee</b>	<b>Legislative Management</b>
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<https://www.legis.nd.gov/assembly/67-2021/documents/21-0178-01000.pdf>

**HB 1038 creates the legacy fund earnings committee to study the potential uses of legacy fund earnings, including the use of earnings to provide tax relief, provide for reinvestment of legacy fund earnings, fund research and technological advancements, promote economic growth and diversification, and promote workforce development and career and technical education. The committee may consider public input on the use of legacy fund earnings and review the operation of other funds, such as Norway's sovereign wealth fund. Legislative management shall report its findings and recommendations, together with any legislation required to implement those recommendations, to the sixty-eighth legislative assembly.**

**Status: Passed House / Passed Senate; Signed by Governor 3/9/21**

<b>HB 1041</b>	<b>PERS Program</b>
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<https://www.legis.nd.gov/assembly/67-2021/documents/21-0091-01000.pdf>

A BILL for an Act to amend and reenact subsection 2 of section 54-52-06, section 54-52.1-06, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to public employees retirement system penalties for late payments or failures to follow required processes; and to provide a penalty.

**Status: Passed House and Sent to Senate 1/12; Passed Senate 3/16/21 46-1; Signed by Governor 3/23/21**

**HB 1140**      **Contingency Fee Arrangements**      **Rep Klemin, Devlin, Roers Jones,  
Sen. Dwyer, Larson, Lee**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0612-01000.pdf>

A BILL for an Act to amend and reenact section 54-12-08.1 of the North Dakota Century Code, relating to contingent fee arrangements. This may be impactful to securities litigation agreements. Secretary of State Jaeger did an excellent job presenting this bill and highlighting its interesting history.

**Status: Passed House 2/2; Passed Senate 3/9; Signed by Governor 3/17**

**HB 1174**      **TFFR Program**      **Rep. Kempenich and Kreidt, Senator Klein**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0677-01000.pdf>

HB 1174 enacts the requirements of the Secure Act of 1999 which changed federal law relating to "required minimum distributions" (RMD's) in retirement plans. RMD's are minimum amounts that a retirement plan account owner must withdraw annually starting when the member reaches a certain age. The Secure Act changed that age. This bill was reviewed by plan actuaries who found no impact to the actuarial position of the fund, or material impact to liabilities or costs.

**Status: Passed House 1/22; Passed Senate 3/5; Signed by Governor 3/15**

**HB 1188**      **Certs for Special Education Teacher**      **Rep. Schreiber-Beck, D. Johnson, Sen. Oban**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0670-02000.pdf>

A BILL for an Act to create and enact a new section to chapter 15.1-32 of the North Dakota Century Code, relating to services provided by special education technicians; and to amend and reenact section 15.1-02-16 of the North Dakota Century Code, relating to a certificate of completion for special education technicians.

**Status: Passed House as amended 2/8/21; Passed Senate 3/19/21 44-2; Signed by Governor 3/25/21**

**HB 1209**      **PERS Program**      **Rep. M. Ruby, Dockter, O'Brien, Schauer, Sen. Anderson, Dever**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0566-02000.pdf>

A BILL for an Act to amend and reenact section 54-52-02.9, 54-52-06, 54-52-06.5, and 54-52.6-09 of the North Dakota Century Code, relating to public employees retirement system employer and temporary employee contribution rates; and to provide an effective date.

**Status: Passed House 89-5 on 2/23; Passed by Senate As Amended 34-13 on 3/29/21; Conference Comm. 4/14.**

**HB 1211**      **Veterans' Funds**      **Rep. Magrum, Hoverson, Kasper, B. Koppelman, Louser, Schauer, Vetter  
Sen. Meyer, Vedaa**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0690-02000.pdf>

A BILL for an Act to amend and reenact sections 37-14-03 and 37-14-14 of the North Dakota Century Code, relating to the veterans' aid fund and veterans' postwar trust fund; and to declare an emergency. Although this bill references NDCC Chapter 21-10, it does not appear it will have an impact on SIB clients.

**Status: Passed House 2/8 91-0; Referred to GVA; Passed Senate 45-1 on 3/8; Signed by Governor 3/16.**



HB 1231

SIB Program

Rep. Satrom, K. Koppelman, Ostlie, Paulson, D. Ruby, Schauer, Vetter

Sen. Conley

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0127-02000.pdf>

A BILL for an Act to amend and reenact section NDCC 21-10-05, relating to duty of the investment director to consider investing locally. This may have implications for both the PERS and TFFR plans. **During the 2021-22 interim, the legislative management shall consider studying the benefits of investing legacy fund moneys locally before investing any moneys outside the state. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations to the sixty-eighth legislative assembly.**

Status: House amended to legislative study; Second reading passed 94-0; Passed Senate 42-5 on 4/5/21.

HB 1380

SIB/Legacy Fund

Rep. Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner

Sen. Patten, Sorvaag, Wardner

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0218-08000.pdf>

A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter 6-09.4, a new section to chapter 15-20.1, **four new sections to chapter 21-10**, and a new section to chapter 54-60 of the North Dakota Century Code, relating to an economic diversification research fund, a **legacy sinking and interest fund**, a **workforce development and enrichment fund**, a **legacy earnings fund**, a **legacy infrastructure fund**, a **legacy project fund**, a **legacy project advisory board**, and an innovative research and economic development fund; to amend and reenact subsection 1 of section 21-10-06 and section 21-10-12 of the North Dakota Century Code, relating to funds invested by the state investment board and legacy fund definitions; to provide for a transfer; to provide a statement of legislative intent; and to provide an effective date. **Legacy Earnings Fund shall be invested by SIB.**

SECTION 11. LEGISLATIVE INTENT. It is the intent of the sixty-seventh legislative assembly that the sixty-eighth legislative assembly consider additional allocations from the legacy earnings fund, including allocations to value-added agricultural programs, state building maintenance and improvements, and for other one-time initiatives and projects, including initiatives and projects to diversify the state's economy, and to improve the efficiency and effectiveness of state government.

SECTION 12. EFFECTIVE DATE. This Act becomes effective on August 1, 2021.

Status: House Passed 71-22 on 2/24; Senate Passed 47-0, as amended, on 4/13.

HB 1425

SIB/Legacy Fund

Rep. Nathe, D. Anderson, Bosch, Headland, Howe, Lefor, Mock, Porter

Sen. Meyer, Bell, Wardner

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0415-11000.pdf>

AN ACT to create and enact section 6-09-49.1 and a new section to chapter 21-10 of the North Dakota Century Code, relating to the legacy infrastructure loan fund and the state investment board; to amend and reenact sections 21-10-02 and 21-10-11 of the North Dakota Century Code, relating to the state investment board and the legacy and budget stabilization fund advisory board; and to provide a continuing appropriation.

The Legacy Fund Advisory Board and SIB have supported in-state investments since their inception largely through the BND Match Loan CD Program which provides cost efficient funding for businesses seeking to

establish new operations in North Dakota or expand existing services in our State. The SIB and Advisory Board doubled its commitment to this long-standing in-state program from \$200 million in 2019 to \$400 million in 2020. There is currently \$350 million of unused capacity. The Advisory Board and SIB also approved a new 3% target allocation to Private Capital with a preference for in-state investments at a competitive rate of return. The SIB intends to identify this new In-State Investment Program (IIP) on April 23<sup>rd</sup>. The Legacy Fund's target asset allocation for in-state investments will include a 5% for the BND Match Loan Program and 3% for this new IIP strategy, the latter of which includes a +/- 3% range. As such, the pre-approved target allocation allows for future growth up to 11%, which RIO believes is the largest in-state target asset allocation of any major public fund in the U.S. on a percentage basis. Based on Callan market research, it will likely take several years or longer to reach these aspirational target asset allocations levels.

**Status: Engrossed HB 1425 Passed House 85-8 on 2/24; Passed Senate 47-0 on 3/29/21; Signed by Governor 4/8.**

**HB 1475 SIB/Legacy Fund**

**Rep. Satrom, Haggert, Kempenich, Keifert, Mitskog, Ostlie  
Sen. Conley, Wanzek**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0693-05000.pdf>

A BILL for an Act to create and enact a new section to chapter 4.1-01 and a **new section to chapter 21-10 of the North Dakota Century Code, relating to an agriculture innovation fund and a transfer of legacy fund earnings; and to provide a continuing appropriation.**

**Status: Passed House 81-11 on 2/24/21; Passed Senate as amended 4/12.**

**SB 2033 NEW Fund**

**Legislative Management**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0187-03000.pdf>

A BILL for an Act to create and enact a new chapter to title 15 of the North Dakota Century Code, relating to creation of a **new university system capital building fund**; to provide an appropriation; to provide for a transfer; **State Board of Higher Ed may provide for fund to be invested by SIB**; and declare an emergency.

**Status: Amended and Passed by Senate, 1/25; Passed House 3/22 79-12; Signed by Governor 3/29/21.**

**SB 2043 Highway Patrolmen's Retirement Fund**

**Gov. & Veteran's Affairs Committee**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0090-01000.pdf>

A BILL for an Act to amend and reenact section 39-03.1-10 of the North Dakota Century Code, relating to contributions to the highway patrolmen's retirement system by the state.

**Status: Senate Passed 47-0 on 2/19; Amended & Passed by House 89-2 on 4/7.**

**SB 2044 PERS Retirement**

**Gov. & Veteran's Affairs Committee**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0092-01000.pdf>

A BILL for an Act to amend and reenact section 39-03.1-10, subsection 2 of section 39-03.1-11.2, subsection 8 of section 54-52-17, subsection 10 of section 54-52-26, subsection 2 of section 54-52-28, subsection 2 of section 54-52.1-03.2, subsection 1 of section 54-52.1-03.3, and subsection 2 of section 54-52.6-21 of the North Dakota Century Code, relating to public employees retirement system unpaid benefit payments, missing member confidentiality requirements, compliance with Internal Revenue Code distribution requirements, insurance programs for which retiree health insurance credit moneys may be used, and clarification of eligibility for retiree health insurance credit payments.

**Status: Senate Passed 47-0 on 1/18; Passed House 91-0; Signed BY Governor 3/23/21.**

**SB 2046**                      **PERS Retirement**                      **Gov. & Veteran's Affairs Committee**  
<https://www.legis.nd.gov/assembly/67-2021/documents/21-0095-02000.pdf>

A BILL for an Act to amend and reenact subsection 1 of section 54-52-02.9, subsection 2 of section 54-52-05, subsection 1 of section 54-52-06, subsection 6 of section 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans; and to provide a penalty.

**Status: Senate Passed as amended 47-0 on 2/19; House Committee hearing on 3/19 at 9am**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0717-03000.pdf>

**A BILL for an Act to create and enact a new section to chapter 21-10, a new section to chapter 54-44, and a new section to chapter 54-60 of the North Dakota Century Code, relating to social investments made by the state investment board and the boycott of energy or commodities companies; to provide for a department of commerce study of the implications of complete divestment of companies that boycott energy or commodities; and to provide for reports to legislative management. RIO engaged with legislators to highlight SIB's existing policies with regards to social investing including maximizing risk adjusted returns.**

**Status: Senate passed as amended, 42-4 on 2/17; Passed House 3/17 82-12; 3/29 Signed by Governor.**

#### **PERS Health Care Related Bills**

**HB 1029**                      **PERS Health Care**                      **Legislative Management**  
<https://www.legis.nd.gov/assembly/67-2021/documents/21-0170-01000.pdf>

A BILL for an Act to amend and reenact section 54-52.1-04.2 of the North Dakota Century Code, relating to public employee uniform group insurance for health benefits; to provide for application; and to declare an emergency.

**Status: House passed 90-0 on 1/12; Senate Passed 46-0 on 3/3; Signed by Governor 3/9**

**HB 1042**                      **PERS Health Care**                      **Gov. & Veterans Affairs Committee**  
<https://www.legis.nd.gov/assembly/67-2021/documents/21-0093-01000.pdf>

A BILL for an Act to amend and reenact subsection 3 of section 54-52.1-04.16, relating to the public employees retirement system's uniform group insurance program part D contracts with pharmacy benefit managers.

**Status: House passed as amended, 90-0 on 1/19; Senate Passed 47-0 3/05; Signed by Governor 3/15**

## FAILED BILLS

**HB 1037** Legacy Earnings Fund & Transfers Legislative Management/Legacy Earnings Committee  
<https://www.legis.nd.gov/assembly/67-2021/documents/21-0111-02000.pdf>

**HB 1037** gives the SIB authority over the investment of a newly created “Legacy Earnings Fund” and requires all legacy fund earnings, which are constitutionally required to be transferred to the general fund at the end of each biennium, be immediately transferred into the new Legacy Earnings Fund. This bill would go into effect for legacy fund earnings generated and transferred during the 2021-23 biennium. **The bill then spells out the amount available for appropriation out of this new fund as six percent (6%) of the five-year average value of legacy fund assets as determined by SIB.** Any amounts in the new legacy earnings fund in excess of this 6% amount are to be retained in the fund as a reserve balance for future use only if the amounts transferred from the legacy fund are insufficient to cover the calculated 6% of average value amount. Beginning with the 2023-25 biennium, the legislature will be able to appropriate out of the new legacy earnings fund an amount equal to the six percent amount calculated above or the balance of the fund, whichever is less. **For the 2021-23 biennium and going forward, all constitutionally mandated legacy fund earnings which are transferred to the general fund will be immediately transferred to the new legacy earnings fund. All interest and earnings derived from this fund will also be kept in this fund.** Therefore, for the 2021-23 biennium, there will be a reduction in available general fund revenues in an amount equal to the legacy fund earnings in the biennium. RIO will also note the Legacy Earnings Fund could be set-up as a sub-account within Legacy Fund, if desired.

Status: **Failed House 0-91 on 2/24**

**HB 1114** Teacher Support Program Rep. Heinert and Owens, Senator Schaible  
<https://www.legis.nd.gov/assembly/67-2021/documents/21-0255-02000.pdf>

A BILL for an Act to amend and reenact sections 15.1-18.2-05 and 15.1-18.2-06 of the North Dakota Century Code, relating to the expansion of the teacher support program to provide mentoring to all first- and second-year teachers in the state; and to provide an appropriation.

Status: House Educ. Do Pass 12-1-1 on 1/14; **House Do Not Pass 23-71-0 on 2/22**

**HB 1138** Free Speech Rep. Kading, Becker, Lefor, D. Ruby, Schatz, and Schauer, Sen. Heitkamp, O. Larsen, Myrdal  
<https://www.legis.nd.gov/assembly/67-2021/documents/21-0454-01000.pdf>

To provide for a civil action against state/political subdivision for state constitutional free speech violation.

Status: **Failed to Pass House 2/10/21; 28-66**

**HB 1147** PERS Health Care Rep. Brandenburg, Dobervich, Mitskog Sen. Erbele, Oban, K. Roers  
<https://www.legis.nd.gov/assembly/67-2021/documents/21-0447-02000.pdf>

A BILL for an Act to create and enact section 54-52.1-04.19 of the North Dakota Century Code, relating to public employee fertility health benefits; to amend and reenact section 26.1-36.6-03 of the North Dakota Century Code, relating to self-insurance health plans; to provide for a report; to provide for application; to provide an expiration date; and to declare an emergency.

Status: **Failed House 31-63 on 2/24**

**HB 1202**      **Land Board Investments**      **Reps. Kempenich, Brandenburg, Delzer, M. Ruby, Schatz, Tveit**  
**Senators Klein, Patten**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0252-01000.pdf>

**HB 1202 amends NDCC 21-10-06 and NDCC 15-01-02 relating to funds managed by the SIB and board of university and school lands.** “Investment authority over the permanent funds derived from the sale of any of the lands” including the “Common schools trust fund and other investments under the control of the board of university and school lands” are transferred to the SIB under HB 1202.

**Status: Failed 2/3/21; 27-66**

**HB 1233**      **PERS Health Care**      **Rep. Kasper, Jones, Keiser, Lefor, Louser, Meier, Rohr, Schauer, Steiner**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0147-02000.pdf>

A BILL for an Act to provide for the public employees retirement system to contract for an audit of pharmacy benefit managers providing contract services for the state uniform group health insurance program; and to provide for a legislative management report.

**Status: Passed House 91-2 on 2/24/21; Failed Senate 6-40 on 4/8.**

**HB 1245**      **PERS Health Care**      **Rep. Kasper, Dockter, Keiser, B. Koppelman, Lefor, Louser, Meier,**  
**Pollert, D. Ruby, Steiner Sen. Hogue**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0148-04000.pdf>

A BILL for an Act to amend and reenact sections 54-52.1-04, 54-52.1-04.1, 54-52.1-04.2, 54-52.1-04.7, 54-52.1-04.8, and 54-52.1-05 of the North Dakota Century Code, relating to public employee uniform group insurance plans; to provide for application; and to declare an emergency.

**Status: Passed House 90-4 on 2/23/21; Failed Senate 12-35 on 4/5/21**

**HB 1250**      **PERS Health Care**      **Rep. M. Nelson, Adams Sen. Mathern**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0068-01000.pdf>

A BILL for an Act to create and enact a new section to chapter 54-52.1 of the North Dakota Century Code, relating to public employee health insurance drug benefit coverage; to amend and reenact section 26.1-36.6-03 of the North Dakota Century Code, relating to self-insurance health plans; to require a report; to provide for application; to provide an expiration date; and to declare an emergency.

**Status: Failed 1/19/21**

**HB 1260**      **Wage Moratorium**      **Rep. Becker, Kasper, B. Koppelman, Rohr, Steiner**  
**Sen. Anderson, Heitkamp**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0598-07000.pdf>

A BILL for an Act to create and enact a new section to chapter 54-06 of the North Dakota Century Code, relating to a wage and salary moratorium on state or local officials and employees if certain temporary restrictions on businesses are imposed.

**Status: Failed House 25-68 on 2/18/21**

**HB 1274**      **Legacy Fund Fiscal Impact**      **Reps. Kempenich, B. Anderson, Longmuir, Pollert, Shatz**  
**Senators Erbele, Klein, Wardner**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0248-01000.pdf>

**HB 1274 creates and enacts a new section to NDCC 21-10 relating to fiscal impact statements for any measure or policy affecting the legacy fund.** The legacy and budget stabilization fund advisory board shall review any legislative measure, initiated or referred measure, or asset allocation and investment policy affecting the legacy fund. **If the advisory board determines the measure or policy will have a fiscal impact on the fund, the board shall request the state retirement and investment office to arrange for the preparation and submission of a fiscal impact statement to the advisory board before the measure or policy is acted upon.** The fiscal impact statement must be prepared by an independent consultant paid by the state retirement and investment office. The fiscal impact statement must include the estimated fiscal impact of the measure or policy for the next biennium and for the next ten biennia. The Senate is

**Status: Failed 1/22/21; 24-67**

**HB 1275**      **Legacy Earnings & Transfers**      **Reps. Boschee, P. Anderson, Buffalo, Dobervich, Ista, Mitskog**  
**Senators Heckaman, Hogan, Mathern, Oban**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0668-02000.pdf>

**HB 1275 is similar to HB 1037 and gives the SIB authority over the investment of a new “Legacy Earnings Fund” and a new “Human Services and Public Health Stabilization Fund”,** but also provides a distribution waterfall for the continuing appropriation of funds from the Legacy Earnings Fund including the “Arts and Culture Endowment Fund” and “Human Services and Public Health Stabilization Fund” among others.

**HB1275 states the amount available for appropriation out of this new fund as seven percent (7%) of the five-year average value of legacy fund assets as determined by SIB (versus 6% for HB 1037).** Any amounts in the new legacy earnings fund in excess of this 7% amount are to be retained in the fund as a reserve balance for future use only if the amounts transferred from the legacy fund are insufficient to cover the calculated 7% of average value amount. Beginning with the 2023-25 biennium, the legislature will be able to appropriate out of the new legacy earnings fund an amount equal to the six percent amount calculated above or the balance of the fund, whichever is less. **For the 2021-23 biennium and going forward, Section 7 of the bill will require all of the constitutionally mandated legacy fund earning which are transferred to the general fund to be immediately transferred to the new legacy earnings fund. All interest and earnings derived from this fund will be kept in this fund.** Therefore, for the 2021-23 biennium, there will be a reduction in available general fund revenues in an amount equal to the legacy fund earnings in the biennium. **RIO will also note the Legacy Earnings Fund could be reported as a sub-account within the Legacy Fund, if desired, to reduce administrative costs.**

**Status: Failed House 14-76 on 2/24/21**

**HB 1342**      **PERS Retirement**      **Rep. Lefor, Dockter, Nathe, O'Brien**  
**Sen. Anderson, Dever, Wardner**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0202-05000.pdf>

A BILL for an Act to amend and reenact subsection 1 of section 54-52-02.9, subsection 2 of section 54-52-05, subsection 1 of section 54-52-06, subsection 6 of section 54-52.6-02, subsection 1 of section 54-52.6-09, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans; to provide an appropriation; and to provide a statement of legislative intent.

**Status: Failed House 37-57 on 2/23/21**

**HB 1446 SIB/Legacy Fund**

**Rep. Magrum, Ertelt, Kading, B. Koppelman, Simons, Toman  
Sen. Clemens, Heitkamp.**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0069-04000.pdf>

A BILL for an Act to create and enact a **new section to chapter 21-10 and a new section to chapter 57-02 of the North Dakota Century Code, relating to the transfer of legacy fund earnings to a property tax relief fund and a property tax credit for property used as a primary residence**; to provide a continuing appropriation; to provide for a transfer; to provide an exemption; to provide an effective date; and to declare an emergency.  
**Status: Failed House 24-69 on 2/16**

**SB 2040 PERS Retirement**

**Senate Appropriation Comm Senators Mathern, Heckaman, Oban  
Representatives Boschee, Dobervich, Mitskog**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0421-02000.pdf>

Relating to bonded debt repayments; to amend and reenact sections 6-09.4-06, 6-09.4-10, and 15.1-36-08 of the North Dakota Century Code, relating to borrowing and lending authority of the public finance authority, reserve funds associated with bonds, and the school construction assistance revolving loan fund; to provide an appropriation; and to provide a bond issue limit.

**Status: Senate Appropriations Do Not Pass 12-2-0 on 2/17; Senate Failed 7-40 on 2/18**

**SB 2042 PERS Retirement**

**Gov. & Veterans' Affairs Committee**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0089-01000.pdf>

A BILL for an Act to amend and reenact subsection 1 of section 54-52-02.9, subsection 1 of section 54-52-06, subsection 6 of section 54-52.6-02, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans; and to provide a penalty.

**Status: Senate GVA Do Not Pass 7-0-0 on 2/18; Senate Failed 1-46 on 2/19**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-0094-01000.pdf>

A BILL for an Act to create and enact a new section to chapter 54-52.2 of the North Dakota Century Code, relating to payment of administrative expenses for the public employees retirement system deferred compensation plan; and to provide a continuing appropriation.

**Status: Passed Senate 46-1 on 1/18; Failed to Pass House 7-87 on 3/29/21.**

**SB 2069 Applications for Public Employment**

**Gov. & Veteran's Affairs Committee**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-8037-02000.pdf>

SB 2069 expands the confidentiality of applications for public employment to include finalists.

**Status: Senate Passed as amended 40-7 on 1/26; Failed House 3/17/21 1-92**

**SB 2320 Legacy Fund**

**Sen. Klein, Wardner, Rep. Kempenich, Kreidt, Pollert**

<https://www.legis.nd.gov/assembly/67-2021/documents/21-1004-01000.pdf>

A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota Century Code, relating to fiscal impact statements for a measure or policy affecting the legacy fund.

**Status: Failed 2/5/21; 0-45**

## MEMORANDUM

Item IV. A.

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**TO:** TFFR Board  
**FROM:** Jan Murtha, Deputy Executive Director – Chief Retirement Officer  
**DATE:** April 14, 2021  
**RE:** PAS Project Update

The following summarizes the efforts of RIO agency staff to complete Phase 1 and initiate Phase 2 of the PAS project from March 2021 through the current date:

- All Phase 1 Deliverables have been accepted by Staff.
- RIO requested a PIO position as a budget amendment consistent with the recommendations from the PAS consultant to allocate more resources to strategic communication. This request was approved by the House Appropriations Government Operations subcommittee. Unfortunately, by a loss of one vote, the PIO position was removed from RIO's budget by the full House Appropriations Committee. The Senate declined to reinstate the PIO position for RIO as well. PERS, however, was approved to reinstate their PIO position. Staff will continue to pursue ways to allocate additional resources to communication efforts and will continue to develop a business case for such a position for future legislative sessions.
- Staff is coordinating with the Dept. of Commerce to adjust our agency and program logos consistent with the recommendations from the PAS consultant. Once finalized, the logos will be presented to the Boards.
- The Cyber-Security and Business Model Assessments were presented to the TFFR Board at the March Board meeting. The interim and long term recommendations for these assessments were approved.
- Retirement Services staff continues to meet twice monthly to discuss operation items as well as conduct issue specific trainings to identify areas of improvement for both applicable processes and recommendations for changes to the law.
- NDIT, RIO staff, and Segal meet weekly to discuss PAS project status.
- A June TFFR Board retreat will be scheduled to discuss Fund Policy issues.
- Phase 2 of the PAS project (vendor RFP development) began in March, 2021. Over 30 meetings between staff, Segal, IT, and procurement have and will continue to occur through issuance of the vendor RFP.
- The project management team set a tentative goal of June 2021 to issue the vendor RFP.

**BOARD INFORMATION ONLY. No board action requested.**



New Logos Provided by Commerce



The logo features the text "NORTH" in a small, black, sans-serif font above the word "Dakota" in a large, bold, red, sans-serif font. Below "Dakota" is the tagline "Be Legendary." in a smaller, black, sans-serif font. To the right of the "Dakota" text is a vertical line, followed by the text "Retirement & Investment" in a black, sans-serif font.



The logo features the text "NORTH" in a small, black, sans-serif font above the word "Dakota" in a large, bold, red, sans-serif font. Below "Dakota" is the tagline "Be Legendary." in a smaller, black, sans-serif font. To the right of the "Dakota" text is a vertical line, followed by the text "Teachers' Fund For Retirement" in a black, sans-serif font. Below this text is the text "RETIREMENT & INVESTMENT" in a smaller, black, sans-serif font.



The logo features the text "NORTH" in a small, black, sans-serif font above the word "Dakota" in a large, bold, red, sans-serif font. Below "Dakota" is the tagline "Be Legendary." in a smaller, black, sans-serif font. To the right of the "Dakota" text is a vertical line, followed by the text "State Investment Board" in a black, sans-serif font. Below this text is the text "RETIREMENT & INVESTMENT" in a smaller, black, sans-serif font.

**Confidential items will be sent separately to Board members**

ND TFFR and ND SIB Joint Board Resolution  
In Appreciation of  
Trustee Toni Gumeringer

WHEREAS, Trustee Toni Gumeringer has served as a member of the TFFR and SIB Boards; and

WHEREAS, Trustee Toni Gumeringer has diligently carried out her duties and responsibilities as a member of these Boards and fiduciary of the TFFR and SIB Programs; and

WHEREAS, Trustee Toni Gumeringer has been a valued and dedicated member of these Boards in helping maintain the high standards of integrity for the TFFR and SIB Programs.

NOW THEREFORE, BE IT RESOLVED that Trustee Toni Gumeringer be duly recognized by these Boards for her dedication to the State of North Dakota through her service on the Teacher's 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

Item VI.B.



## ND TFFR Board Education Materials April 2021

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The theme of this month's Board education material is on Board funding policy and governance. Recent actions by courts, state legislatures, and other pension plans highlight the importance of long term strategic planning and communication. All selections are from Pensions & Investments.

1. <https://www.pionline.com/pension-funds/florida-senate-bill-seeks-close-state-pension-plan-most-new-hires>
2. <https://www.pionline.com/courts/alaska-court-grants-access-some-shuttered-db-plans>
3. <https://www.pionline.com/courts/court-rules-erisa-suit-against-barnabas-health-can-proceed>
4. <https://www.pionline.com/esg/esg-funds-outshine-sp-500-during-pandemic-analysis>
5. <https://www.pionline.com/pension-funds/gpif-treads-water-esg-picks-pace>