

ND TFFR BOARD MEETING

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

Peace Garden Room – State Capitol

Teleconferencing – 701.328.0950 Participant Code – 359 849 761#

State Capitol, 600 E Boulevard Ave, Bismarck, ND

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

A. Executive Summary

II. ACCEPTANCE OF MINUTES (April 22, 2021, June 3, 2021 (GPR), June 17, 2021)

III. GOVERNANCE

- A. Trustee Appointments - Ms. Murtha (5 minutes) *Informational*
- B. Election of 2021-2022 Officers - President Lech (10 minutes) *Board Action*
- C. Recognition of Service for Estelle Kirchoffner and Ruby Benning – Board Action
- D. Annual SIB Customer Satisfaction Survey - President Lech (10 minutes) *Informational*
- E. Annual TFFR Program Review - President Lech & Ms. Murtha (30 minutes) *Board Action*
 - 1. *Program Awards*
 - 2. *Program Monitoring Summary*
 - 3. *Customer Satisfaction Reports*
 - 4. *Code of Conduct Policy Affirmations*
- F. Governance & Policy Review Committee Report – Mr. Mickelson & Ms. Murtha (45 minutes)
 - 1. Program Policy Annual Review Recommendation
 - 2. *Proposed Program Policy Manual Amendments*
 - 3. *In-Staff Subbing Policy Update and Recommendation*

BREAK

IV. REPORTS

- A. Quarterly Investment Update - Mr. Schulz (15 minutes) *Board Action*
- B. Quarterly TFFR Ends Report – Ms. Weeks (10 minutes) *Board Action*
- C. Audit Reports – Quarterly Audit Report & Work plan – Ms. Sauter (10 Minutes) *Board Action*
- D. Annual Technology Report – Mr. Nagel (10 Minutes) *Board Action*

V. OPERATIONS

- A. Member Outreach Update - Ms. Weeks (10 minutes) *Informational*
- B. PAS Project Update (10 minutes)– Ms. Murtha
- C. Executive Limitations/Staff Relations (10 minutes) – Ms. Murtha

VI. OTHER BUSINESS

- A. Board Reading Materials – *Material References Included*
- B. Next Meeting:
 - 1. TFFR Special Board Meeting Friday, July 23, 2021 at 8:30a.m. –*Cancelled*
 - 2. TFFR Regular Board Meeting Thursday, September 23, 2021 at 1:00p.m.

VII. ADJOURNMENT



EXECUTIVE SUMMARY

TFFR Board Regular Meeting

July 22, 2021 – 1 pm CT

- I. **Agenda:** The July Board Meeting will be held at the Peace Garden room at the Capitol to accommodate in person attendance, however, a link will also be provided so that Board members and other attendees may join via Teams. The board member video link is included in the calendar invite. There will be a call in number for the public.
- II. **Minutes:** The April 22, 2021, June 3, 2021 (GPR), June 17, 2021 Board meeting minutes are included for review and approval.
- III. **A. Trustee Appointments: Waiting for Notification from the Governor's Office for two active TFFR member Trustee positions.**
B. Election of 2021-2022 Officers: Election of Board President and Vice President, three trustees to represent TFFR on the SIB, one Audit committee member, and an SIB alternate.
C. Recognition of Service: Recognition of two long term RIO employees that have provided substantial support to the TFFR Program and its members during their tenure and who will retire this fall.
D. Annual SIB Customer Satisfaction Survey: Board members will be requested to provide feedback to the SIB relating to services.
E: Annual TFFR Program Review: The Board will conduct its annual program review by receiving reports regarding program awards, program monitoring, customer satisfaction; conduct its annual code of conduct policy affirmations and provide guidance to staff regarding program mission, goals, and policy.
F. Governance & Policy Review Committee Report: The Board will receive recommendations regarding program policy annual review requirements, program policy amendments for the Investment Policy Statement and Plan Management Policy, and an In-Staff Subbing Policy Update.
- IV. **Reports:** The Board will receive the following quarterly and annual reports: quarterly investment update, quarterly audit report, annual technology report, and quarterly TFFR Ends report.
- V. **Operation Updates:** Ms. Weeks will provide the Board with a brief update regarding RIO team member activities related to member outreach, and Ms. Murtha will provide an update on the PAS project and Exec Limitations and Staff Relations.

Adjournment.

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
APRIL 22, 2021 BOARD MEETING**

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

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
Stephanie Starr, Retirement Programs Spec
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Program Mgr

OTHERS PRESENT: Dean DePountis, Atty. General's Office
Noel Johnson, Segal
Kim Nichols, Segal
Matt Strom, 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, April 22, 2021. The meeting was held in the Workforce Safety & Insurance Board Room, Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the April 22, 2021, meeting.

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

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

NAYS: NONE

MOTION CARRIED

MINUTES:

The Board considered the minutes of the March 25, 2021, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE MARCH 25, 2021, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

GOVERNANCE:

Plan Management Policy Score:

Mr. Matt Strom, Segal, discussed the updated plan management policy score. The score has been updated following the most recent actuarial valuation, experience study, and assumption rate change. The composite summary score is equal to 6 which has not changed from last year's valuation results. The TFFR plan management policy is a more robust way to evaluate the ongoing health and sustainability of TFFR. The policy score provides context for likelihood of future positive or negative events. Notable differences from the prior analysis include lower investment return assumption from 7.75% to 7.25% which increased liabilities and changes to demographic assumptions which decreased liabilities and projected benefit payments. The liability projection from the 2020 valuation is lower than 2019. Ms. Nichols discussed the factors outside of TFFR than could have an effect on the directional trend of future policy scores including projected economic conditions, market cycles, and the economy in ND.

Board discussion followed.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE PLAN MANAGEMENT POLICY SCORE UPDATE.

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

NAYS: NONE

MOTION CARRIED

Board Calendar and Education Plan:

Ms. Murtha presented the proposed TFFR Board calendar and education plan for 2021-22.

Board discussion followed.

IT WAS BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE 2021-22 BOARD CALENDAR AND EDUCATION PLAN.

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

NAYS: NONE

MOTION CARRIED

Investment Policy Statement:

Ms. Murtha presented the TFFR Investment Policy Statement, with the suggested changes, for a second reading.

Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE SECOND READING OF THE TFFR INVESTMENT POLICY STATEMENT

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

NAYS: NONE

MOTION CARRIED

Actuary Services Contract:

Ms. Murtha shared the proposed contract from Segal for actuary services from 2021-23. The current contract expires on June 30, 2021. The Board last issued a Request for Proposals (RFP) for actuary services in 2016 and prior to that in 2010. The proposed contract has some slight increases in fixed costs for the actuarial and GAS 67/68 reports and a slight increase to the hourly rate for consulting services. The cost increase appears reasonable, a second extension of the current actuarial services contract is consistent with the past practices of the Board, and continuity of actuarial services through the second stage of the PAS project would assist staff with the transition to a new system. RIO staff recommends that the Board approve an extension of the actuarial services contract with Segal for 2021-23 and authorize staff to negotiate and finalize the extension.

Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO RENEW THE CONTRACT FOR ACTUARY SERVICES FROM SEGAL.

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

NAYS: NONE

MOTION CARRIED

Program Policy Review Planning:

Ms. Murtha reviewed the Board's responsibilities in relation to reviewing the TFFR Program Manual. Board policy requires the Board to review the entire program policy manual on an annual basis. This is difficult to complete in one meeting, so staff recommended three options for the Board to consider:

1. Create a standing Governance and Policy Review Committee to meet quarterly and conduct an entire program manual review and make recommendations on an annual basis
2. Continue the special ad hoc Governance and Policy Review Committee created in 2019 through to 2023, to meet quarterly and make recommendations regarding the need for a standing committee for program policy review in July 2023
3. Maintain the current practice of conducting the annual review of the program manual at the July meeting

Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO CONTINUE WITH THE AD HOC GOVERNANCE AND POLICY REVIEW COMMITTEE AS OUTLINED IN OPTION 2.

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

NAYS: NONE

MOTION CARRIED

Administrative Rules:

Ms. Murtha provided an update on the administrative rules change process. RIO staff submitted the proposed rules and required materials to the office of the Attorney General (AG) for a compliance opinion. The assigned attorney contacted staff and suggested a slight modification to a federal citation. Staff updated the citation per that request. The AG's office provided their opinion that the proposed rules are within RIO's statutory authority. The administrative rules were approved as to their legality and can be filed with the Legislative Council.

Board discussion followed.

Legislative Update:

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

Board discussion followed.

OPERATIONS:

PAS Project:

Ms. Murtha provided an update on the PAS project. All Phase 1 deliverables have been accepted by RIO staff. The RIO budget included a request for a PIO based on the recommendations from the PAS consultant to allocate more resources to strategic communication. The legislature did not approve this request. Staff will continue to pursue ways to allocate additional resources to communication efforts and develop a business case for future legislative sessions. Staff worked with the Department of Commerce to adjust agency and program logos. Staff continue to meet with Segal to discuss operation items, training, and project status. Phase 2, RFP development, is underway with a tentative goal of June 2021 to issue the vendor RFP.

Board discussion followed.

CONSENT AGENDA:

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA – QDRO 2021-1, AND EMPLOYER REPORT – MINOT.

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

NAYS: NONE

MOTION CARRIED

Resolution for Ms. Gumeringer:

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.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE RESOLUTION.

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

NAYS: NONE

MOTION CARRIED

ADJOURNMENT:

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

Respectfully Submitted:

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

Missy Kopp
Reporting Secretary

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
GOVERNANCE & POLICY REVIEW COMMITTEE
MINUTES OF THE JUNE 3, 2021 COMMITTEE MEETING**

BOARD MEMBERS PRESENT: Cody Mickelson, Chair
Mike Burton, TFFR Board
Dr. Rob Lech, TFFR Board

STAFF PRESENT: Missy Kopp, Retirement Assistant
Jan Murtha, Deputy ED/CRO
Denise Weeks, Retirement Program Mgr

CALL TO ORDER:

Mr. Cody Mickelson, Chair of the Teachers' Fund for Retirement (TFFR) Governance and Policy Review (GPR) Committee, called the meeting to order at 9:00 a.m. on Thursday, June 3, 2021, at the Retirement and Investment Office (RIO), Bismarck, ND (virtual host).

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the June 3, 2021, meeting.

IT WAS MOVED BY MR. BURTON AND SECONDED BY DR. LECH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

AYES: DR. LECH, MR. BURTON, AND MR. MICKELSON

NAYS: NONE

MOTION CARRIED

GPR COMMITTEE ORGANIZATION:

Ms. Murtha discussed the process undertaken by the GPR committee previously to review and update many of the policies which were adopted in 2020. The PAS Consultant Interim Recommendations include reviewing program policies in preparation for the new PAS.

The GPR committee was provided with the old TFFR policy manual with all the repealed policies red-lined and notes in the table of contents with staff recommendations for scheduling further review of the remaining policies. Staff suggested three policies that may be appropriate for repeal due to duplication in code, rule, or other policies, five policies that could be discussed at the Board retreat and the remaining 18 that may be appropriate for staff recommendations and review by the GPR committee.

The Committee discussed policy B-3 which addressed plan beneficiaries. This policy is in statute, so staff suggest removing it from the manual. This policy will be included for Board consideration with staff recommendations. Exhibit B-IV contains asset class definitions. Staff suggest adding this information as part of the investment policy statement (IPS). Policies C-7 (Employer Payment Models), C-12 (Level Income Option), and C-24 (In-staff Subbing Contract Period), should be discussed at the Board retreat and will require review by the actuary to understand the impact a change in these policies would have on the Fund.

The IPS was recently updated by the Board. The Plan Management Policy was added last year but has not been added to the new manual. These policies will be added to the new policy manual with a draft watermark until the

Board approves changes to the manual. D-2 (Board of Trustees) is the only item under the old By-Laws that was not repealed. The committee suggested that D-2 can be removed because it is already addressed in the new manual.

The committee discussed how often they would meet and how many policies they will review during each meeting. Meetings may occur more often than quarterly so all the policies can be discussed within the next year. Staff will determine the number of policies for each meeting based on the length of discussion required.

ANNUAL POLICY REVIEW DISCUSSION:

Board policy requires an annual review of the entire policy manual. At the April 2021 meeting, the Board directed the GPR Committee to meet on an interim basis and to make a recommendation to the Board regarding how to address the annual review requirement. The Committee will provide a report with their plan to review policies over the coming year. This review will fulfill the policy.

IN-STAFF SUBBING POLICY:

The Board temporarily suspended the In-staff subbing policy as it applies to retirees at the January 2021 meeting. This suspension will expire in July 2021. Staff have discussed how to determine the financial impact of suspending this policy. That information will not be available until the fall after the fiscal year has been closed out. Staff will send a short survey to school business managers and administrators to find out if they have utilized the change in this policy. The Board will discuss the policy at the July 2021 retreat.

ADJOURNMENT:

With no further business to come before the Committee, Mr. Mickelson adjourned the meeting at 10:25 a.m.

Respectfully Submitted:

Cody Mickelson, Chair
Governance & Policy Review Committee

Missy Kopp
Reporting Secretary

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JUNE 17, 2021 BOARD RETREAT**

BOARD MEMBERS PRESENT: Rob Lech, President
Mike Burton, Vice President
Kirsten Baesler, State Supt. DPI
Thomas Beadle, State Treasurer
Cody Mickelson, Trustee
Mel Olson, Trustee

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

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, June 17, 2021. The meeting was held in the Workforce Safety & Insurance Board Room, Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the June 17, 2021, meeting.

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

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

NAYS: NONE

MOTION CARRIED

RESOLUTION FOR MR. HUNTER:

**ND TFFR and ND SIB Joint Board Resolution
In Appreciation of
Executive Director/Chief Investment Officer
Dave Hunter**

WHEREAS, Mr. Hunter has served as the Executive Director and Chief Investment Officer of the North Dakota Retirement and Investment Office for the past 7.5 years; and

WHEREAS, Mr. Hunter has diligently carried out his duties and responsibilities to the Retirement and Investment Office, the Teachers' Fund for Retirement and State Investment Board Programs, and the general population of the State of North Dakota; and

WHEREAS, Mr. Hunter has been a valued and dedicated State employee in helping maintain the integrity and stability of the TFFR and SIB Programs, and leader of this state agency.

NOW THEREFORE, BE IT RESOLVED that Mr. Hunter be duly recognized by these Boards for his years of unselfish dedication to the State of North Dakota through his service to the TFFR Board of Trustees and the SIB.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE RESOLUTION.

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

NAYS: NONE

MOTION CARRIED

BOARD RETREAT:

Ms. Murtha discussed the goals for the Board retreat. The Board and RIO staff need to prepare for the implementation of the new Pension Administration System (PAS). The PAS consultant provided interim recommendations to facilitate the transition. Staff discussed each recommendation and a timeline for action. Some recommended changes will require actuarial review. Staff will present some suggested changes to Board policy, administrative rules, or code to discuss the issues and decide if it is something the Board wants to pursue.

Post-Retirement Adjustments:

Ms. Murtha pointed out the places in code that address increases for retirees. RIO staff receive calls from retirees inquiring about when they might receive an increase. One of the fund goals in the TFFR investment policy statement states that the Board hopes to accumulate a funding surplus to provide increases in retirement annuity payments. Board members discussed how to communicate better about this goal so members understand how the plan is funded and how long it will take to reach a fully-funded status which would allow increases. It is also important for members to understand the multiplier that is used to calculate their benefit and that the multiplier is high compared to other plans. Education about retirement planning is also important.

Return to Work:

Ms. Weeks provided Board members with the Return to Work brochure to show them what information is provided to members. Retirees who return to TFFR covered employment do not have to count extra-curricular hours towards their annual limit, but do have to pay contributions, so this causes confusion for members and employers. Staff would like to ask the actuary to study the impact of eliminating extra-curricular and professional development contributions. After discussion, the Board agreed that an actuarial review would be appropriate.

In-Staff Subbing:

Ms. Murtha discussed the in-staff subbing policy. The Board suspended the policy in relation to reemployed retirees until July 1. Staff will provide the financial impact of this policy change, but that information will not be available until November. Staff will conduct a survey of TFFR employers to gauge how many took advantage of the change and share that information with the Board in July.

Retirement Options:

Ms. Weeks provided information about the Level Income and 10-year Certain and Life retirement options. Very few members choose these options. Staff would like to have the actuary study the impact of eliminating these retirement options. After discussion, the Board agreed that an actuarial review would be appropriate.

Employer Reporting:

Ms. Murtha discussed employer payment plan models. The Board has the authority to determine the reporting requirements and models. The Model 2 partial option currently allows employers to choose to pay any amount of the employee contributions, to the decimal point. This creates audit concerns about tracking Model 2 partial compliance. Staff requests that the Board set limits on what percentages employers can choose. The Board discussed the need to put this change into place with the new PAS. The Board and staff will work on developing this policy change and discuss it with the employers so it can be rolled out with the new system.

Ms. Murtha shared the challenges staff have with inaccurate employer reporting. Staff would like to have more robust consequences for inaccurate employer reports because a large number of staff hours are spent correcting inaccurate reports. Many of the errors are connected to eligible salary for contributions.

Board Education:

Ms. Murtha asked the Board for feedback on Board education topics. Board members shared that the onboarding process for new trustees is very well done. Topics of interest for future education were discussed.

ADJOURNMENT:

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

Respectfully Submitted:

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

Missy Kopp
Reporting Secretary

MEMORANDUM

Item III.A.

TO: TFFR Board
FROM: Jan Murtha
DATE: July 16, 2021
SUBJ: Trustee Appointments

As of the date of this Memorandum, the RIO agency has not yet received notice from the Governor's Office regarding the status of Mr. Mickelson's reappointment to the TFFR Board, or a new trustee to fill the vacancy created by Ms. Gumeringer. Mr. Mickelson's term was set to expire June 30, 2021, and a new trustee is needed to fill Ms. Gumeringers' term until June 30, 2024. Julie Kuennen, the Boards and Commissions Manager with the Governor's Office, may provide the appointment information prior to the Board meeting date of July 22, 2021. This memorandum may be updated prior to the Board meeting.

BOARD INFORMATION ONLY. No board action requested.

MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha
DATE: July 16, 2021
SUBJ: Election of 2021-22 Officers and SIB members

The TFFR Board must elect officers at the first meeting of each fiscal year. For the 2021-22 year, the Board will need to select:

- **TFFR Board President**
(Currently Rob Lech)
- **TFFR Board Vice President**
(Currently Mike Burton)
- **Three TFFR trustees to represent TFFR on the State Investment Board** to include one active administrator, one active teacher, one retired member (Currently Rob Lech, Mel Olson, and Toni Gumeringer (retired)).
- **One TFFR trustee from SIB to represent TFFR on SIB Audit Committee – Subject to official appointment by SIB Chair.**
(Currently Rob Lech)
- **One TFFR trustee to serve as SIB alternate/designee**
(Currently Mike Burton)

The State Treasurer serves as a member of the State Investment Board pursuant to state law, and therefore is not subject to assignment by the TFFR Board.

Statutory references are included on the following page for your information.

BOARD ACTION: Nominations for positions. Motion to approve candidates.

ND TFFR Board Resolution
In Appreciation of
Membership Specialist Estelle Kirchoffner

WHEREAS, Estelle Kirchoffner has served as a state employee and valued member of the Retirement and Investment Office for the past 23 years; and

WHEREAS, Estelle Kirchoffner has diligently carried out her duties and responsibilities for the TFFR Program, the Retirement and Investment Office, and the general population of the State of North Dakota; and

WHEREAS, Estelle Kirchoffner has been a valued and dedicated State employee in helping maintain the stability of the Retirement and Investment Office.

NOW THEREFORE, BE IT RESOLVED that Estelle Kirchoffner be duly recognized by this Board for her years of unselfish dedication to the State of North Dakota through her service to the Teachers' Fund for Retirement Program.

On Behalf of the TFFR Board

Dr. Rob Lech, President

Votes

Date

ND TFFR Board Resolution
In Appreciation of
Office Assistant Ruby Benning

WHEREAS, Ruby Benning has served as a state employee and valued member of the Retirement and Investment Office for the past 28 years; and

WHEREAS, Ruby Benning has diligently carried out her duties and responsibilities for the TFFR Program, the Retirement and Investment Office, and the general population of the State of North Dakota; and

WHEREAS, Ruby Benning has been a valued and dedicated State employee in helping maintain the stability of the Retirement and Investment Office.

NOW THEREFORE, BE IT RESOLVED that Ruby Benning be duly recognized by this Board for her years of unselfish dedication to the State of North Dakota through her service to the Teachers' Fund for Retirement Program.

On Behalf of the TFFR Board

Dr. Rob Lech, President

Votes

Date



MEMORANDUM

TO: TFFR Board

FROM: Jan Murtha

DATE: July 16, 2021

SUBJ: Annual SIB Customer Satisfaction Survey

The **State Investment Board** wants to hear from its customers whether the SIB, through the RIO agency, is providing quality service.

Sara Sauter, Supervisor of Audit Services, will send the annual SIB Customer Satisfaction Survey to the TFFR Board President. In the past, the Board President has sent the survey individually to each board member and has compiled the results. The TFFR Board then has reviewed the compiled responses at the September board meeting for approval and submission to the SIB.

BOARD INFORMATION ONLY. No Board action requested.

MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha
DATE: July 16, 2021
RE: Annual TFFR Program Review

The TFFR Board is responsible for administering the retirement program, and in fulfillment of its fiduciary responsibilities will conduct a periodic review of the Board's mission, goals, policies, and by-laws included in the Program Manual.

Board responsibilities include:

1. Establish and monitor policies for the administration of the TFFR program.
2. Establish and monitor investment policy, goals, objectives, and asset allocation.
3. Hire and monitor actuarial and medical consultants; establish and monitor actuarial assumptions and methods; and ensure periodic actuarial valuations, experience studies, asset liability modeling studies, and actuarial audits are conducted.
4. Pay benefits and consultant fees.
5. Submit legislation and monitor the statutory responsibilities of the TFFR program.
6. Determine appropriate levels of service to members and employers.
7. Communicate and monitor TFFR program expectations to the SIB expected to be provided through RIO.
8. Promulgate administrative rules as needed.

As part of your annual TFFR Program Review this year, the following reports are included for your review:

- TFFR Board Awards
- TFFR Program Monitoring Summary
- TFFR Customer Satisfaction Reports
- Code of Conduct Policy Affirmations
- Mission/Policy/Goals Review – To be discussed under Agenda Item III.F.

Board members are also required to complete the TFFR Board Code of Conduct form. Please return to RIO no later than August 12, 2021. You may print and sign the one included here and return via fax, email, or mail; a digital copy will also be emailed to you separately for your completion and convenience.

BOARD ACTION REQUESTED: Board motion to approve the fiscal year end 2020 Annual Program Review.

Program Monitoring Summary to follow



Public Pension Coordinating Council

***Recognition Award for Administration
2020***

Presented to

North Dakota Teachers' Fund for Retirement

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is fluid and cursive, with the first name "Alan" and last name "Winkle" clearly legible.

Alan H. Winkle
Program Administrator

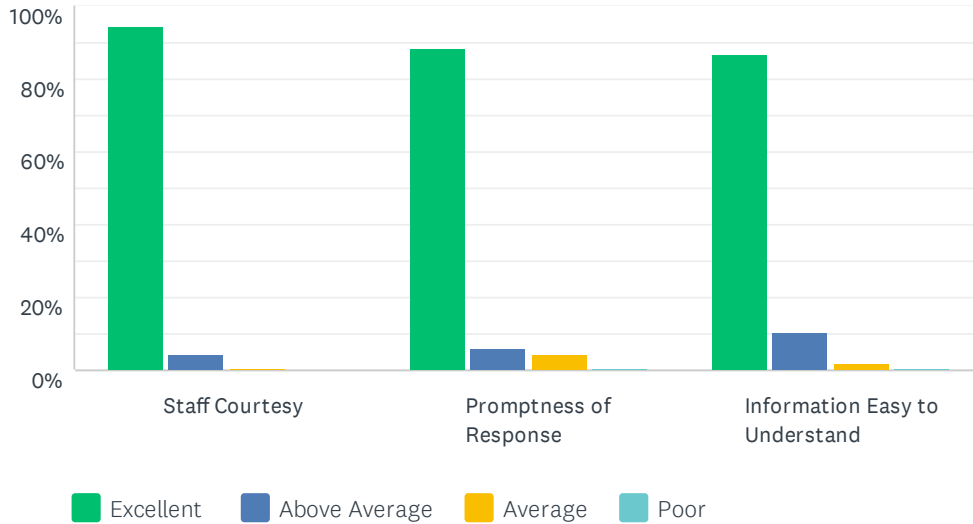
TFFR Program Monitoring Summary

2020-21

Ends Policy	Responsibility	Action	Schedule	Completed
Mission	TFFR Board	Annual Review	July	6-25-20
Goals	TFFR Board	Annual Review	July	7-23-20
Membership Data	TFFR Board	Annual Review	July	7-23-20
	Internal Audit	Annual Report	September	9-24-20
	External Audit/Audit Com.	CliftonLarsonAllen	November	11-18-20
	Retirement Officer	Staff Presentations	Ongoing	
Investments	TFFR Board/SIB	Asset Allocation Review	November	9-24-20
	Investment Director	Annual Report	September	9-24-20
Retirement Services	TFFR Board	Annual Review	July	7-23-20
	Internal Audit	Annual Report	September	9-24-20
	External Audit/Audit Com.	CliftonLarsonAllen	November	11-18-20
	Interest Groups	Annual Report	July	7-25-19
	Retirement Officer	Staff Presentations	Ongoing	
Account Claims	TFFR Board	Annual Review	July	7-23-20
	Internal Audit	Annual Report	September	9-24-20
	External Audit/Audit Com.	CliftonLarsonAllen	November	11-18-20
	Retirement Officer	Staff Presentations	Ongoing	
Trust Fund Valuation	TFFR Board	Annual Review	July	7-25-19
	Segal	Annual Valuation	November	10-24-19
	Internal Audit	Annual Report	September	9-24-20
	External Audit/Audit Com.	CliftonLarsonAllen	November	11-18-20
	Retirement Officer	Staff Presentations	Ongoing	
Program Policies	TFFR Board (GPR Comm.)	Annual Review	Ongoing	

Q1 We strive to deliver quality service to our customers. Please take a minute to provide us with your feedback.

Answered: 151 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
Staff Courtesy	94.67% 142	4.67% 7	0.67% 1	0.00% 0	150	3.94
Promptness of Response	88.67% 133	6.00% 9	4.67% 7	0.67% 1	150	3.83
Information Easy to Understand	86.75% 131	10.60% 16	1.99% 3	0.66% 1	151	3.83

Customer Satisfaction Survey

Q2 Comments/Suggestions

Answered: 106 Skipped: 45

#	RESPONSES
1	The counselor is a pro! Her assistance throughout the process was both invaluable and appreciated!
2	The counselor was excellent to work with throughout the retirement process. She was very knowledgeable and personable. She made me feel very comfortable about what to expect and answered my questions promptly.
3	Thank you for making this transition easy for me!
4	Excellent service. Questions were answered in a timely manner.
5	Everything has been super easy to understand. Thank you for everything!
6	The counselor is very good at what she does.
8	Thank you!!
9	The process was streamlined and easy! Staff was helpful and pleasant.
10	Thank you for all of your support and assistance. Much appreciated!
11	Very easy process. Very courteous, helpful staff. Thanks a lot!
12	The counselor was so helpful to me filling out my paperwork. She was always prompt to answer my questions.
13	Great friendly service.
14	Thank you!
15	Keep up the great work!!
16	The counselor was a great help to me.
17	I very much appreciate your help! Thank you!
18	I appreciate the prompt and considerate actions taken when I have been confused. This is a confusing yet exciting time and I appreciate the information presented to me.
19	I didn't understand the question regarding deductions and thinking standard deductions meant 1, its what I write. No taxes are being taken out. Not happy about that.
20	The counselor was always available and prompt to answer my many questions.
21	I appreciate all the the help, answering my questions, the suggestions given and all done in a timely matter .
22	Very nice, cordial staff Efficient
23	Helpful, courteous, encouraging
24	Very patient and polite.
26	The counselor was very helpful, great communication skills, and consistent with responding to questions. She was knowledgeable. Thank you.
27	I worked with a counselor and she was wonderful! She was very helpful, understanding, and friendly!
28	Thank you for all your help in getting set up for receiving my pension!

Customer Satisfaction Survey

29	Very happy
30	Thank you for your personal attention and help. Do I have to do anything if I were to become a substitute teacher once in a while?
31	Thank you staff
32	Very pleased!
33	For a process that can be stressful, the staff has been really great to work with. The counselor has been my POC and she's answered all my questions in a timely manner and she's always been pleasant and helpful!
34	Very professional, knowledgeable staff. All questions answered. thank you
35	The counselor was very helpful whenever I needed information. Thank you!
36	Thank you! Due to Covid, my retirement process was unconventional. All of you did a beautiful job of guidance through the process. Extra thanks to the counselor for working with us over the years!
37	Very satisfied with the process.
38	Staff was excellent!
39	Thank you. The staff has been so helpful and nice to work with over the years. Keep up the great work!!
40	Seems like 3+ months is a long time to wait for the audit of my years of work. Covid-19 may have played a factor in the wait, but I think your system needs revamping.
41	Very friendly, helpful, and professional in taking my phone calls and responding to my emails. Thanks!
42	Very impressed with the counselor
43	Thank you for doing such a great job.
44	Thank you for your great service and for answering all my questions as we progressed through the process.
45	Very pleasant - helpful!
46	Appreciated the willingness to help, explain, and answer all my questions. Made the transition so much easier!
47	Very good service and always prompt with answers.
48	The counselor did an excellent job!
49	Thank you for making this easy for us to do.
50	I am especially grateful to the counselor for her superb customer service. She patiently answered all my questions.
51	Very friendly people to work with. Very helpful.
52	Important to inform future retirees that it can take up to 120 days to receive all papers and first payments. I would have filled out papers sooner. Hat to "wait" 6 months to be paid.
53	The counselor and other staff were outstanding! Thank you!
54	Thank you - Very prompt service, kind and knowledgeable
55	I so appreciated the help I received when going through the process for retirement. The counselor made it easy and was also a phone call away with any questions I had. Thank you very much and Happy Holidays.
56	Thank you to the counselor and any others I spoke with - very helpful!
57	Very easy to work with your staff! Everything was done in a timely manner! Thank you!
58	Even with everyone working at home, my signing up for Teacher's Retirement went smoothly.

Customer Satisfaction Survey

The counselor was a great help and answered all my questions promptly and thoroughly.
Thank you!

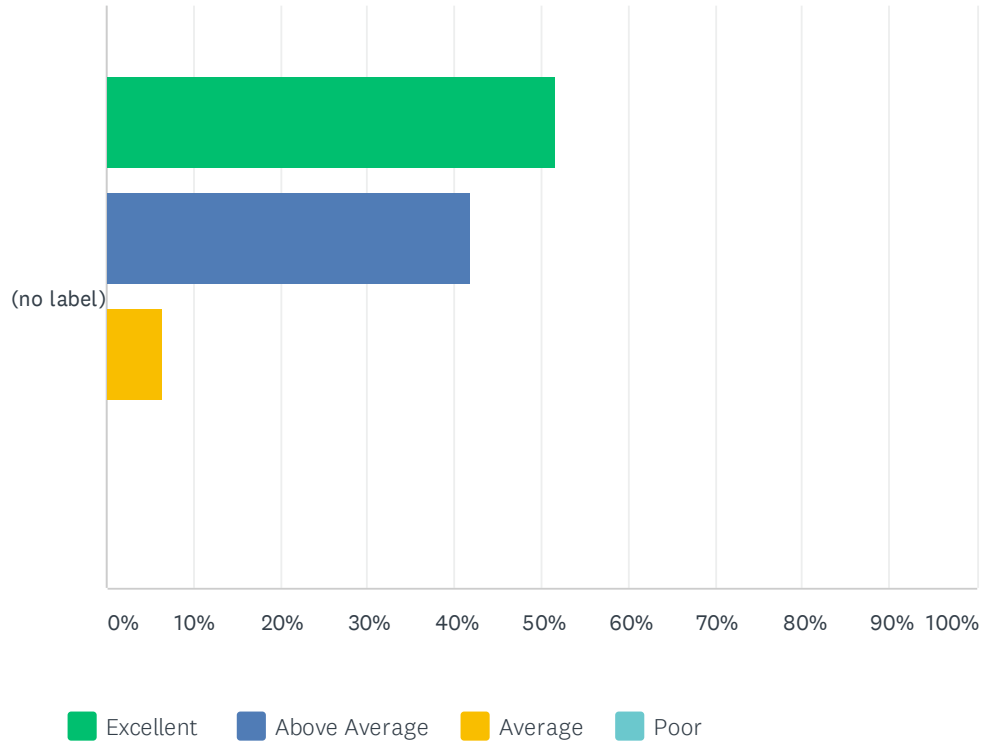
59	I enjoyed my conversation last night. Please extend my thanks for the really good team there.
60	Was able to ask questions and got immediate answers. The counselor was very polite, kind and informative.
61	I was anxious with the process and the Covid issues created delays and opportunities to speak with someone were delayed. In the end I feel comfortable with how things went down. Just needed a new normal.
62	Everyone I spoke with was very professional and helpful.
63	I appreciate your expertise during this process. Thank you!
64	Very patient and friendly!
65	The counselor was so helpful to me through this whole retirement process.
66	All of the process was just slowed down because of the virus.
67	Everyone I have spoken with during the last year has been wonderful. The counselor provided answers and guided me through the process. Great staff!
68	Thanks for all the help, you guys are awesome!
69	The counselor was very helpful with all my questions. I was impressed by how quickly everything went considering that I made my decision in April to retire the end of May 2020. Thanks for all the assistance!
70	Thank you for making this less stressful.
71	We are so grateful for, and so impressed with the fine, fine service. Thank you!
72	I have been dealing with both TFFR and PERS. TFFR is superior in every way - more streamlined, easier to understand, more responsive. A special thanks to the counselor who answered all my many questions!
73	Thank you for helping me through this process. You do a very good job.
74	Superb people who went above and beyond to help me.
75	Thank you!
76	The counselor is very knowledgeable and does a wonderful job of explaining benefits to members. She was very helpful to me.
77	Thanks for all you do!
78	Working with the staff was an excellent experience.
79	My questions and air-time purchase was handled with professionalism. Thank you!
80	I worked with a counselor who was wonderful - helped me work through the process!
81	Great services and simple explanations for what could be a difficult process. It is nice to have a person to help answer questions. Everyone was helpful
82	Thanks so much!
83	The counselor was very good at getting back to me through emails when I had questions throughout the retirement process.
84	Thank You! You made the retirement process painless!!
85	Everything went really well. Good, no excellent communication by TFFR staff, both by email and phone conversations. I really appreciate all of the assistance through this process. Also attending a TFFR retirement meeting helped as well. Thanks
86	Thank you for all your help in making my retirement go smoothly.

Customer Satisfaction Survey

87	Staff was always professional and pleasant. Explanation of benefits was easy to understand and detailed.
88	Thanks for making my retirement process go so smoothly!
89	I communicated with the counselor through the retirement process and she was awesome! Stephanie was extremely prompt & kept me informed through emails and phone calls. I received my first check today. Thank you, Stephanie.
90	Thank you! Keep up the good work!
91	The counselor was so helpful, understanding, and efficient! Thank you so much!!
92	Very friendly staff! So helpful, I appreciate how helpful everyone was to work with.
93	Retiring was a last minute decision and TFFR staff painlessly guided me through the process!
94	Thank you!
95	Super communication with me and stayed in touch to know where I was at with the application process. Thank you again.
96	Any and every time I have worked with TFFR I have been given the utmost respect and courtesy ... The counselor's work is above and beyond what is necessary - She is thorough, polite, and dedicated to those she serves
97	Very professional!
98	I really felt like it was an easy transition because of the people and help I received from the counselors!
99	Thank you for all your help
100	I feel that more flexibility should be allowed to teachers who are near retirement and would prefer not risking their lives by going back to school without following proper CDC Guidelines: Requiring masks when social distancing is not feasible, etc. They should be allowed to purchase service credits through the beginning of the school year, or at least until school guidelines are in place.
101	I have been very satisfied with the level of help I have received throughout this process.
102	Staff was very helpful.
103	Do to COVID issues, the communication via phone or email to ask questions or inquire required patience on my part. Sometime times it was hard to wait.
104	The counselor was just wonderful and answered all of my questions and concerns so quickly!! Thanks again!!
105	Everyone has been very helpful explaining the retirement process and guiding me through it.
106	I cannot say enough about the customer service we received. Questions were answered thoroughly with great patience! Thank you!

Q1 Please rate the overall program

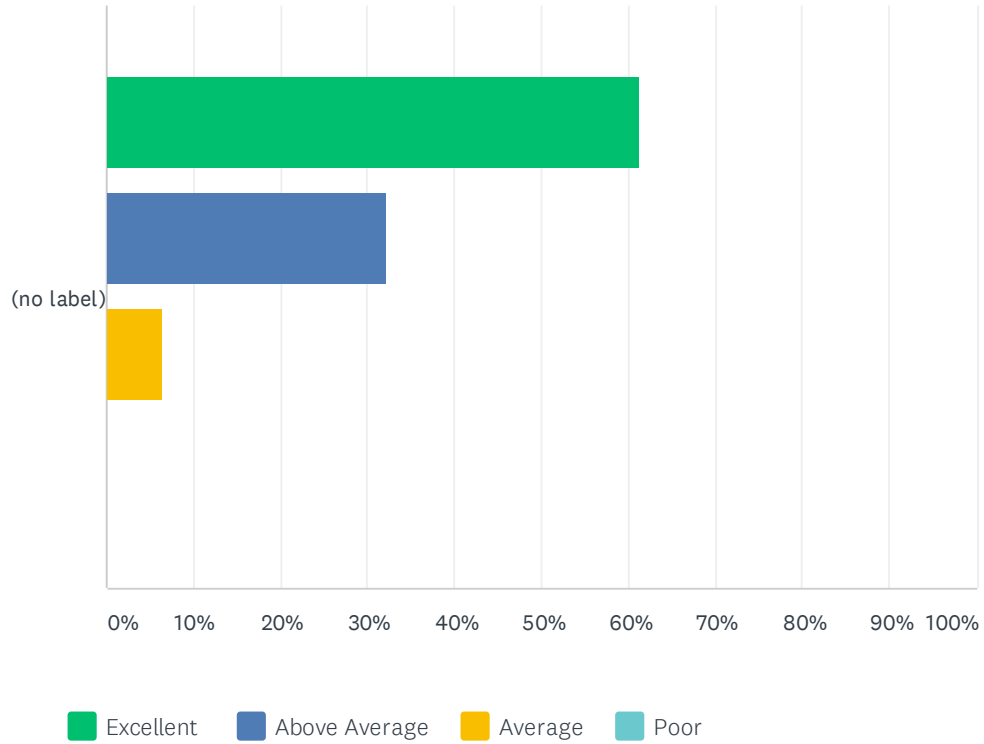
Answered: 31 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	51.61% 16	41.94% 13	6.45% 2	0.00% 0	31	3.45

Q2 Was the material relevant to your needs?

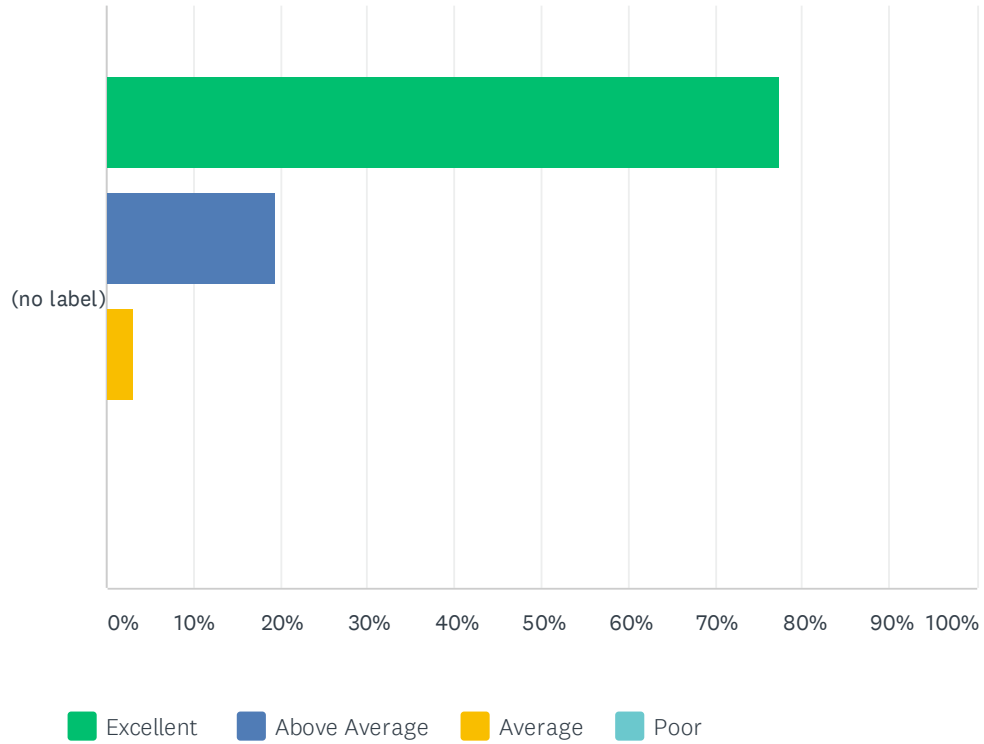
Answered: 31 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	61.29% 19	32.26% 10	6.45% 2	0.00% 0	31	3.55

Q3 How knowledgeable, organized, and effective were the speakers?

Answered: 31 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	77.42% 24	19.35% 6	3.23% 1	0.00% 0	31	3.74

Q4 How did the online format work for you? Do you have any suggestions for future webinars?

Answered: 29 Skipped: 2

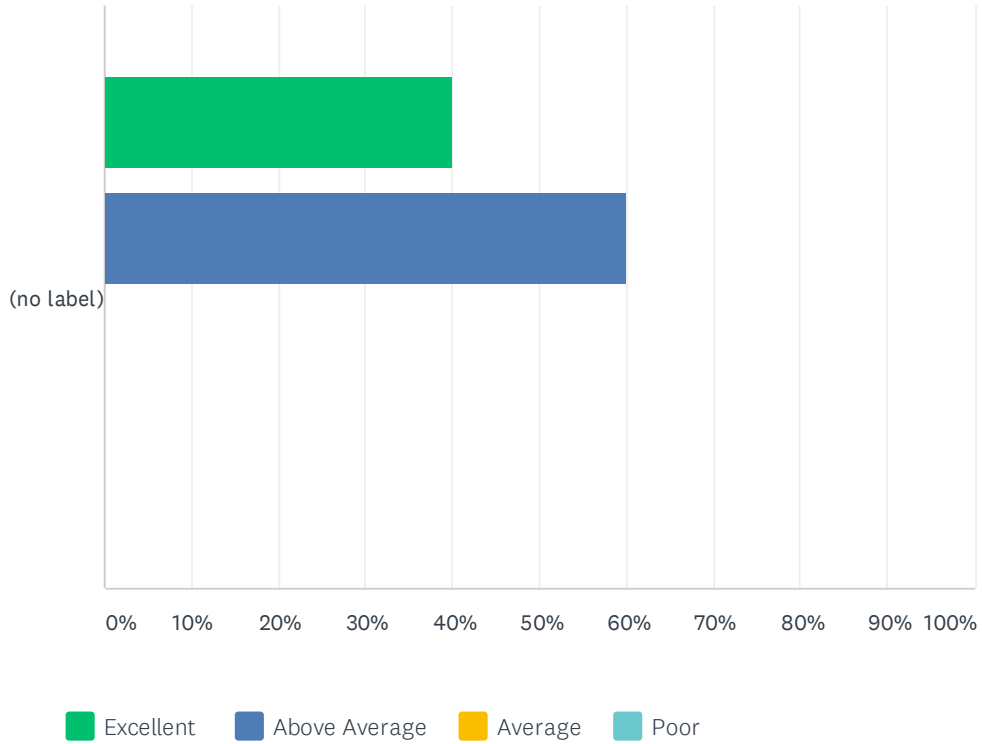
#	RESPONSES	DATE
1	It was good. I needed to have my papers with me to follow along better.	3/7/2021 6:53 PM
2	I like in person better, but it was ok for what I needed right now. Thank you!	3/4/2021 11:24 AM
3	I much prefer in-person workshops, so looking forward to the day when you can hold summer events. There is much more discussion and information picked up from others' situations/questions.	3/4/2021 8:23 AM
4	All presenters did excellent. Is there any additional advice on health insurance for a family if you are able to retire by the rule of 85, but still have children and a spouse at home? Thanks for your excellent presentation.	3/3/2021 9:01 PM
5	Great	3/3/2021 8:47 PM
6	I enjoyed the zoom version more than the face to face meeting. I printed and completed the documents prior and gathered other necessary documents before the Zoom meeting. For me it was easier to concentrate and I could spread my documents out and look at each piece and make notations as needed. Very helpful!!! Thanks so much for your expertise!	3/3/2021 8:00 PM
7	No problems	3/3/2021 3:25 PM
8	Worked well, and specific names and questions were noted so that someone from TFFR could get back to them. I have also participated in the in-person sessions in earlier years, and know that when possible, I prefer the person-to-person interaction because you get more immediate feedback for your specific questions.	3/3/2021 2:52 PM
9	I liked it. Face for face for personal questions will be important for me.	3/3/2021 2:41 PM
10	it was great	3/3/2021 2:38 PM
11	It worked great! Thank you so much for the great learning experience.	3/3/2021 2:11 PM
12	no	3/3/2021 1:46 PM
13	Worked fine. The info was presented well and everyone could still ask questions.	3/3/2021 1:30 PM
14	It went very well. I'm thankful for the online option!	3/3/2021 1:19 PM
15	It did, but I'm the type of person who just learns better face to face. I realize that is not possible at this time, so the format was fine.	3/3/2021 1:00 PM
16	worked very well	3/3/2021 12:47 PM
17	It was fine online. Actually very nice not to have to drive 3.25 hours to go to Bismarck.	3/3/2021 12:05 PM
18	Great, questions that I had I could immediately put them in the chat and receive immediately feedback. Easy to hear and minimal distractions.	3/3/2021 12:04 PM
19	Good, glad I didn't have to spend a couple hours on the road for this.	3/3/2021 11:48 AM
20	Loved the virtual learning. I am glad I did this a year before I retire	3/3/2021 11:47 AM
21	Went well, a bit harder to ask specific questions	3/3/2021 11:46 AM
22	I would be interested in a comparison of different years of retirement. We were given two years, but I would prefer 60, 61, 62, 63, 64, 65... If that is too cumbersome, I understand.	3/3/2021 11:43 AM
23	Yes, thank-you!	3/3/2021 11:41 AM
24	Very Good Presentation!	3/3/2021 11:41 AM

Group Benefits Counseling Evaluation

25	The online format worked very well. I wondered if the information that was shown could be viewed in an archive or something. There were a few things I would like to have looked at again. Thank you!	3/3/2021 11:36 AM
26	The format worked well!	3/3/2021 11:36 AM
27	This worked well for what I need to know.	3/3/2021 11:35 AM
28	It was nice to not have to travel to get the information	3/3/2021 11:30 AM
29	Loved it.	3/3/2021 11:21 AM

Q1 Was the material relevant to your needs and/or interests?

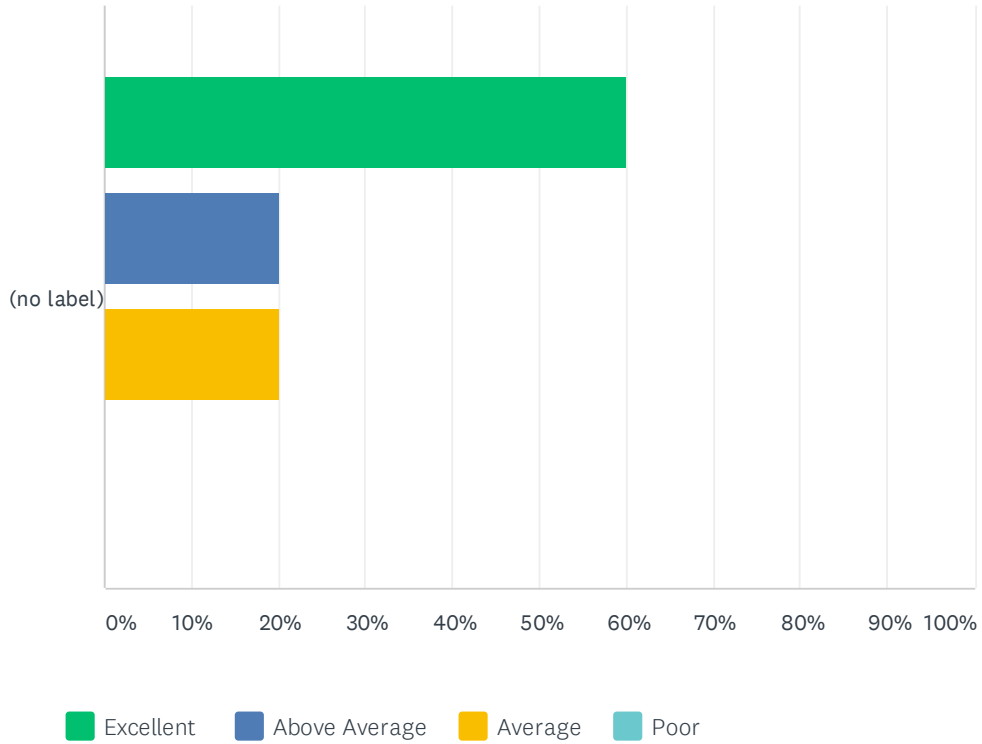
Answered: 5 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	40.00%	60.00%	0.00%	0.00%	5	3.40
	2	3	0	0		

Q2 How knowledgeable, organized, and effective were the speakers?

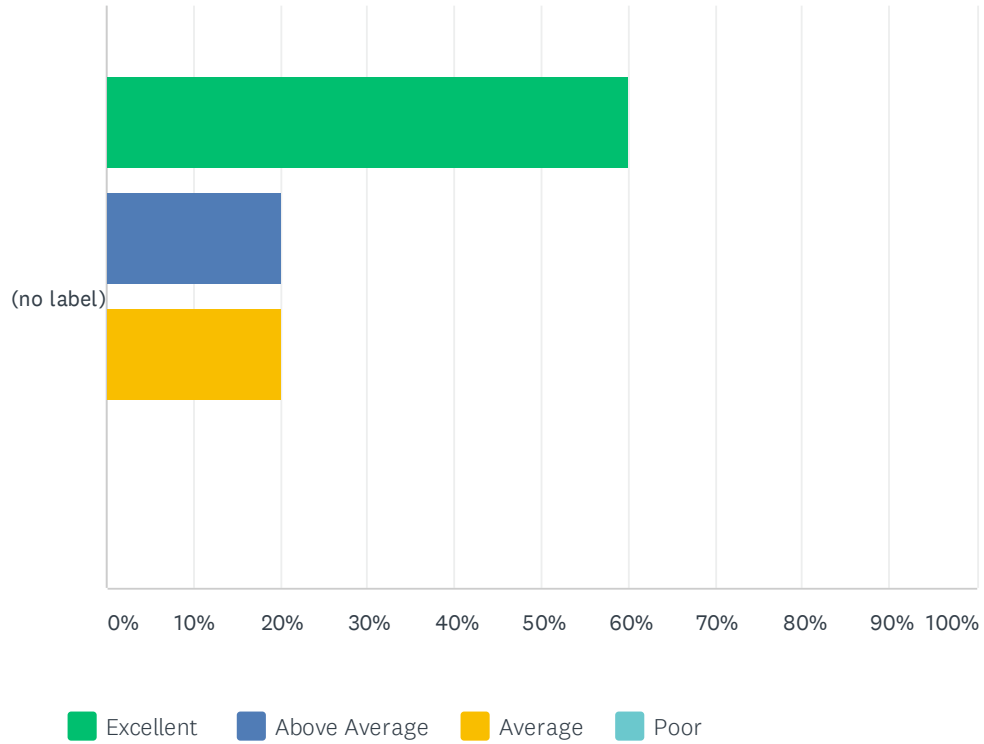
Answered: 5 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	60.00%	20.00%	20.00%	0.00%	5	3.40
	3	1	1	0		

Q3 How would you rate the overall workshop?

Answered: 5 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	60.00% 3	20.00% 1	20.00% 1	0.00% 0	5	3.40

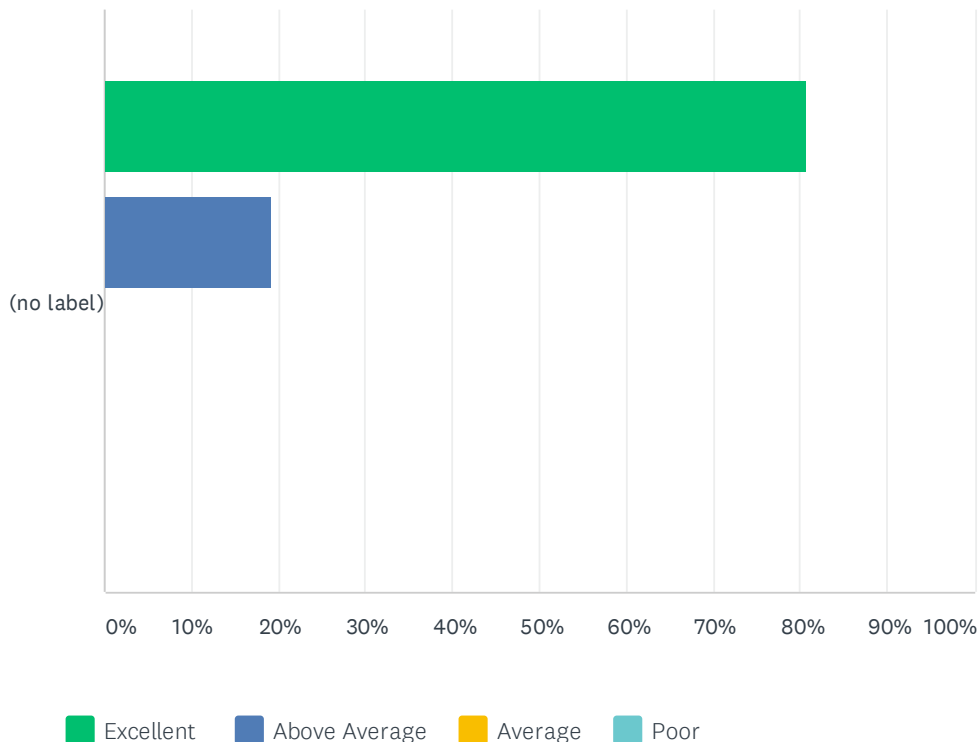
Q4 This New Business Manager Workshop was our first Online Webinar. Please share your comments about how the format worked for you and any suggestions for future webinars.

Answered: 4 Skipped: 1

#	RESPONSES	DATE
1	I thought it went well. So much info to know and remember. Maybe refresher webinars every so often might be helpful. Just a thought..... thank you for doing this for us!	2/3/2021 4:31 PM
2	The format was great. I would love to see more trainings like this.	2/3/2021 7:48 AM
3	In depth explanations. Appreciated it very much. The only thing that would have been more helpful would have been to go over how to fill your paperwork for new retirees and new hires.	2/3/2021 7:47 AM
4	It was great. Very helpful information!	2/3/2021 7:35 AM

Q1 Was the material relevant to your needs and/or interests?

Answered: 26 Skipped: 0

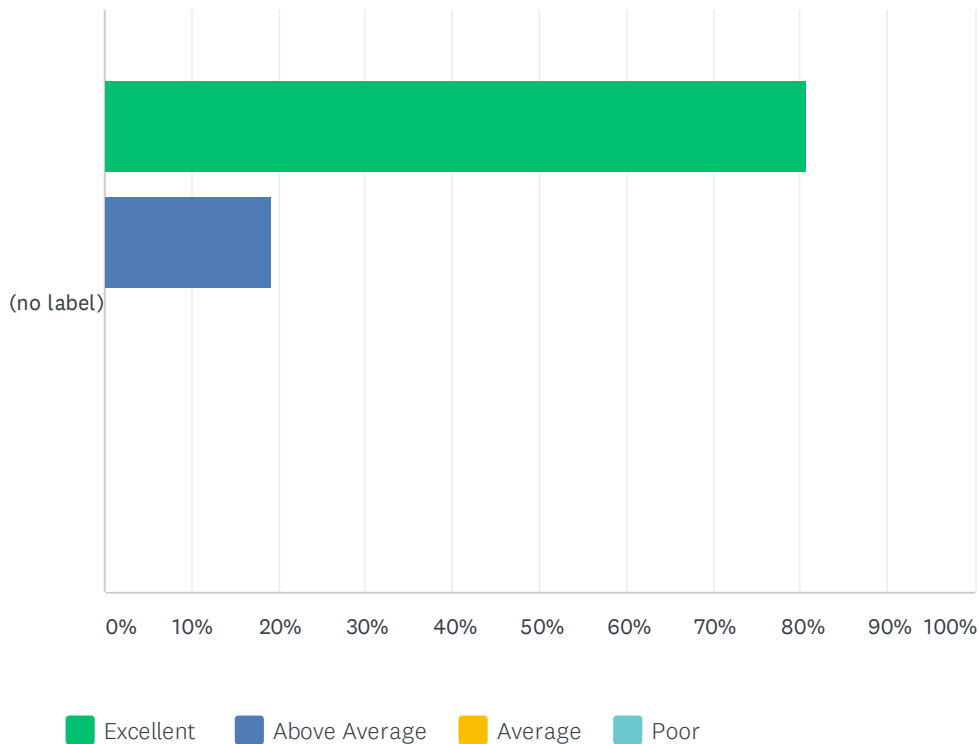


	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	80.77%	19.23%	0.00%	0.00%	26	3.81
	21	5	0	0		

#	COMMENTS	DATE
1	Appreciated updates from the state agencies	5/12/2021 6:57 AM

Q2 How knowledgeable, organized, and effective were the speakers?

Answered: 26 Skipped: 0

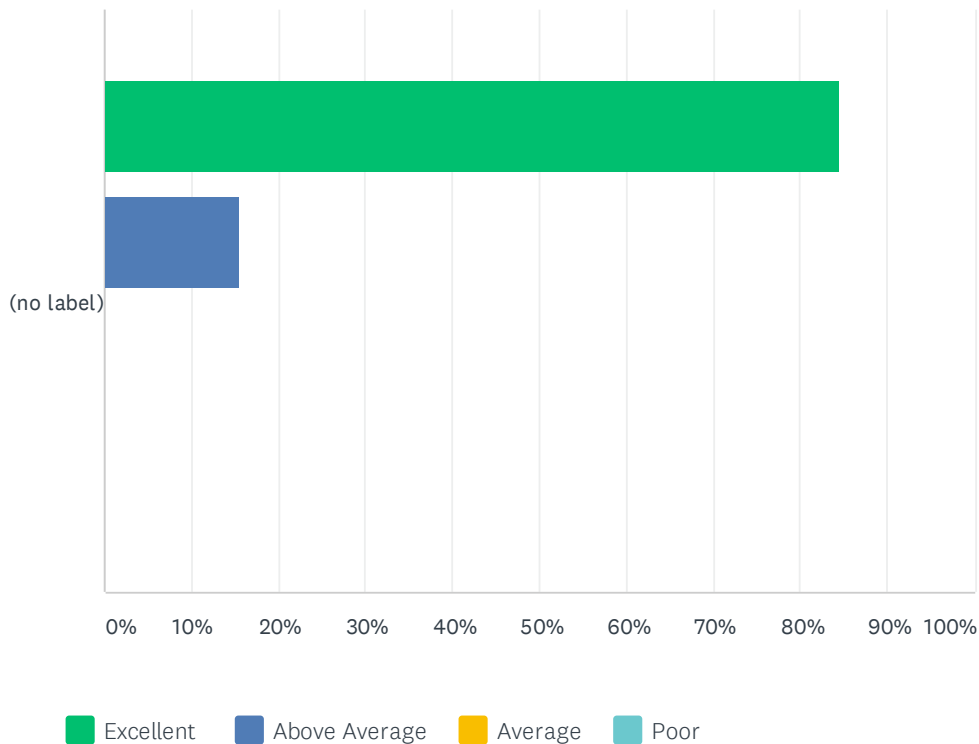


	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	80.77%	19.23%	0.00%	0.00%	26	3.81
	21	5	0	0		

#	COMMENTS	DATE
1	Speaker were excellent	5/11/2021 3:28 PM

Q3 How would you rate the overall workshop?

Answered: 26 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	84.62%	15.38%	0.00%	0.00%	26	3.85
	22	4	0	0		

Q4 Please share any comments or feedback you have.

Answered: 8 Skipped: 18

#	RESPONSES	DATE
1	As a new Business Manager, the information was very timely and I enjoyed the "fun" questionnaire portion. Well Done!	5/18/2021 9:18 AM
2	Tami has always been fantastic to work with. I appreciate her and the service I get when I need to call TFFR.	5/14/2021 11:32 AM
3	Na	5/11/2021 3:35 PM
4	Thank you for your patience with new people.	5/11/2021 3:30 PM
5	Thanks for always providing relevant information with some fun sprinkled in!	5/11/2021 3:28 PM
6	TFFR staff are always so pleasant! I enjoy your presentation each year.	5/11/2021 3:23 PM
7	Thank you. It was so helpful for me. I was glad to learn how retirement income is calculated.	5/11/2021 3:22 PM

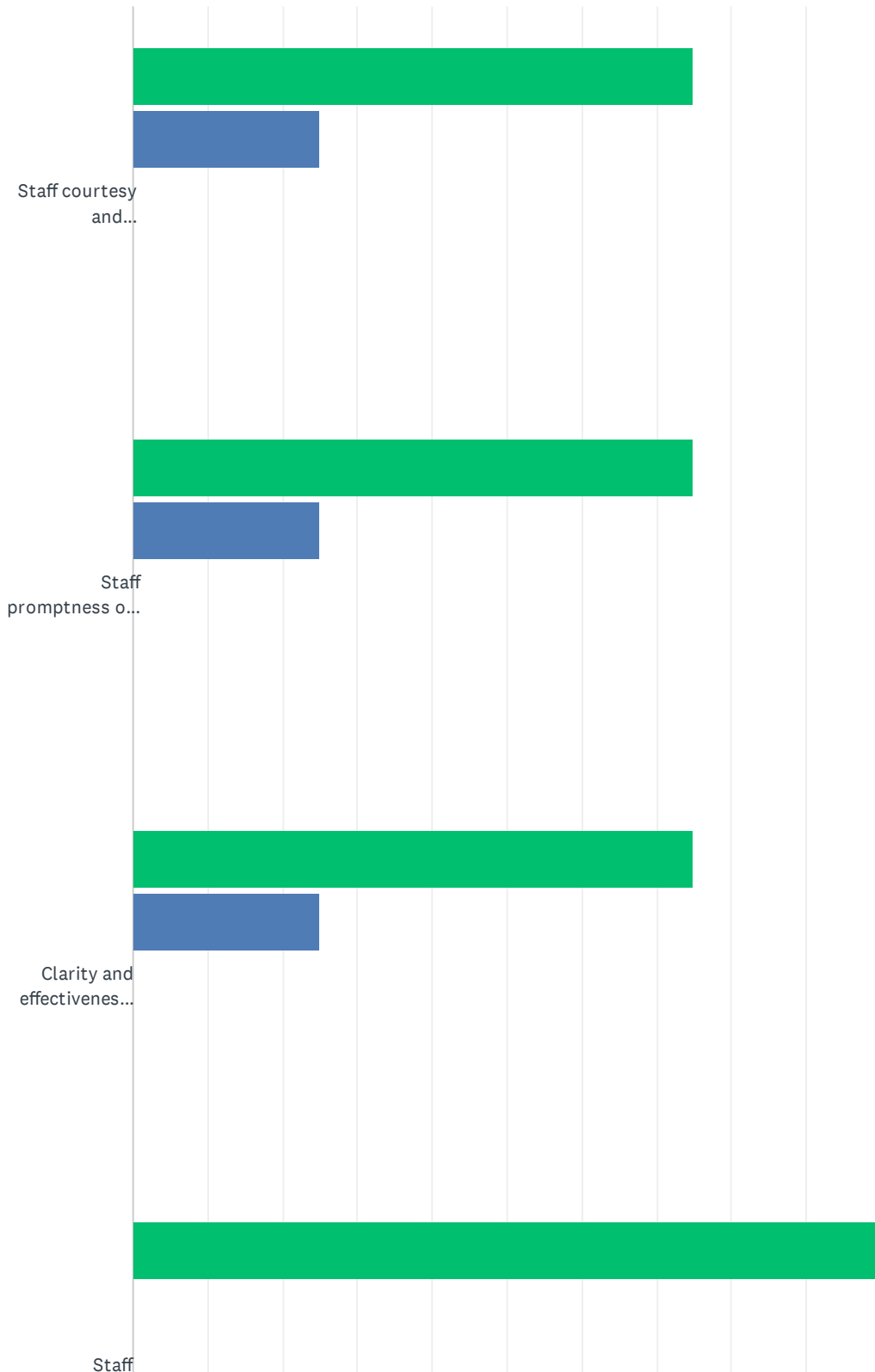
Q2 Organization

Answered: 4 Skipped: 0

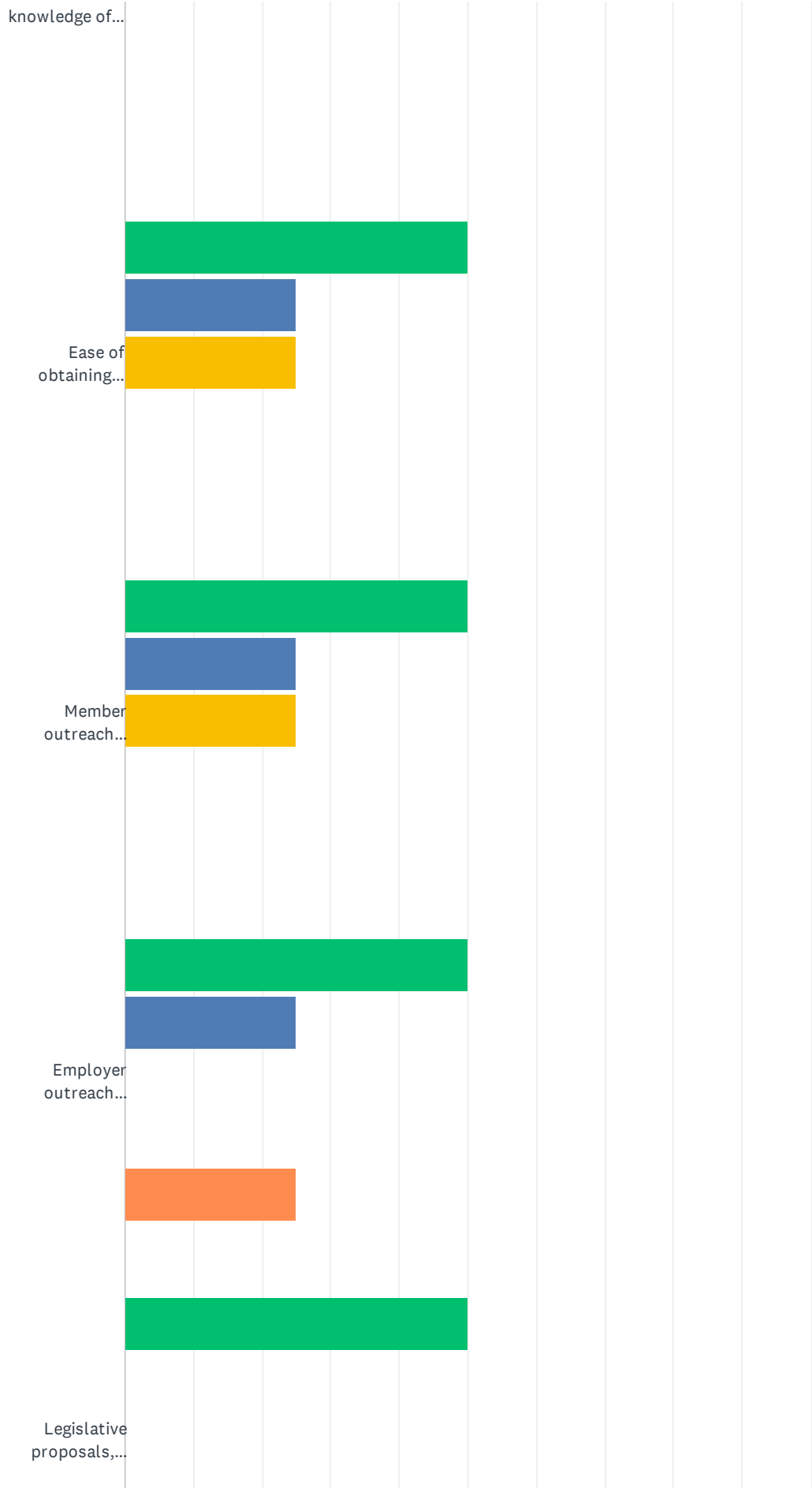
#	RESPONSES	
1	NDU	
2	NDRTA	
3	NDCEL	
4	NDASBM	

Q3 Are you receiving quality service and information about the TFFR benefits program? Please check the response which best reflects your experience with TFFR.

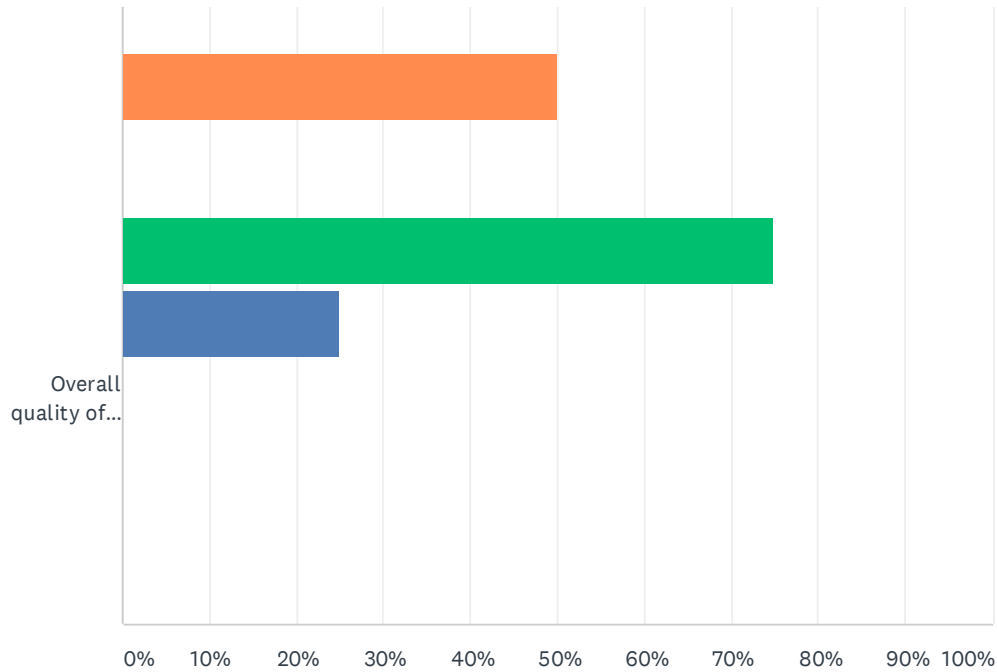
Answered: 4 Skipped: 0



Teachers' Fund For Retirement (TFFR) 2021 Customer Satisfaction Survey



Teachers' Fund For Retirement (TFFR) 2021 Customer Satisfaction Survey



■ Excellent
 ■ Above Average
 ■ Average
 ■ Poor
 ■ N/A

	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	N/A	TOTAL	WEIGHTED AVERAGE
Staff courtesy and professionalism	75.00% 3	25.00% 1	0.00% 0	0.00% 0	0.00% 0	4	3.75
Staff promptness of response	75.00% 3	25.00% 1	0.00% 0	0.00% 0	0.00% 0	4	3.75
Clarity and effectiveness of information	75.00% 3	25.00% 1	0.00% 0	0.00% 0	0.00% 0	4	3.75
Staff knowledge of TFFR program	100.00% 4	0.00% 0	0.00% 0	0.00% 0	0.00% 0	4	4.00
Ease of obtaining information or services - phone, website, newsletters, publications	50.00% 2	25.00% 1	25.00% 1	0.00% 0	0.00% 0	4	3.25
Member outreach services - presentations, conferences, benefits counseling and retirement education	50.00% 2	25.00% 1	25.00% 1	0.00% 0	0.00% 0	4	3.25
Employer outreach services - presentations, conferences, meetings	50.00% 2	25.00% 1	0.00% 0	0.00% 0	25.00% 1	4	3.67
Legislative proposals, presentations	50.00% 2	0.00% 0	0.00% 0	0.00% 0	50.00% 2	4	4.00
Overall quality of service	75.00% 3	25.00% 1	0.00% 0	0.00% 0	0.00% 0	4	3.75

Q4 How can the TFFR Board and/or RIO staff improve their service to TFFR members and employers?

Answered: 4 Skipped: 0

#	RESPONSES
1	We need to work with your staff to provide continued education about the value of TFFR as a defined benefit and how it fits into an individual members retirement plan.
2	You're doing good work.
3	n/a
4	I am very satisfied with the service provided.

Q5 Comments

Answered: 1 Skipped: 3

#	RESPONSES	DATE
1	In discussions with other NEA state affiliates, I feel very fortunate both as a NDU staff member, now part time, and as a participant in TFFR to be involved with a high quality program like TFFR. Keep up the good work.	7/16/2021 12:29 PM

Memorandum

To: TFFR Board

From: Matt Posch, Investment & Compliance Officer

Date: July 16, 2021

RE: Annual Affirmation of Code of Conduct Policy

The *TFFR Board Members' Code of Conduct and Ethics Policy*, which is attached to this memorandum, details the Code of Ethical Responsibility for the TFFR Board. Item #11 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand TFFR Board Members' Code of Conduct and Ethics Policy. I have disclosed any conflicts of interest as required by this policy"

Name (printed) _____

Signature _____

Date _____

Detail of any conflicts of interest (if any):

R. Code of Conduct, Ethics, and Conflicts of Interest

Following is the Code of Conduct, Ethics, and Conflicts of Interest policy for the TFFR Board of Trustees:

1. Board members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the TFFR members and to strive to avoid not only professional impropriety, but also the appearance of impropriety.
2. Board members shall perform the duties of their offices impartially and diligently. Board members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and to refrain from any form of dishonest or unethical conduct. Board members shall be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by Board members. Board members shall not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members shall refrain from financial and business dealings that tend to reflect adversely on their impartiality or interfere with the proper performance of their duties. If a conflict of interest unavoidably arises, the Board member shall immediately disclose the conflict to the Board. The Board must vote on whether the member can vote. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the Board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the Board, and participation in any transaction for which the Board member has acquired information unavailable to the general public, through participation on the Board. "Conflict of interest" means a situation in which a Board member has a direct and substantial personal or financial interest in a matter which also involves the member's fiduciary responsibility.
4. The Board shall not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
5. Board members shall abide by NDCC 21-10-09, which reads: "No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a class A misdemeanor."
6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.
7. Political contributions are regulated under NDCC 16.1-08-03 and are not restricted under this policy.
8. All activities and transactions performed on behalf of public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

9. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.
10. Violation of these rules shall result in an official reprimand from the TFFR Board. No reprimand shall be issued until the board member has had the opportunity to be heard by the Board.
11. Board members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise. *See TFFR Code of Conduct Annual Affirmation (Exhibit 7)*
12. RIO Deputy Executive Director- Chief Retirement Officer is required to affirm his/her understanding of RIO Administrative Policy – Code of Conduct for RIO Employees – annually, in writing, and must disclose any conflicts of interest that may arise.

GPR Committee reports to follow

MEMORANDUM

Item III.F.

TO: TFFR Board
FROM: Jan Murtha
DATE: July 20, 2021
RE: Governance and Policy Review Committee Report

I. Program Policy Annual Review Recommendation

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.”

At its April 2021 meeting the Board directed the GPR Committee to continue to meet on an interim basis to assist staff with policy development and to make recommendations to the full Board one of which is a recommendation regarding how to address the Policy M.3. at the upcoming July Board meeting.

Committee Recommendation: The GPR committee will continue to work with staff on policy development and review during the 2021-2022 fiscal year in compliance with Board Policy M.3. and to implement and complete the interim PAS Project recommendations relating to policy review made by our consultant Segal. GPR will bring proposed policy amendments to the Board for consideration and approval on a rolling basis.

ACTION REQUESTED: Approve GPR Committee recommendation to continue annual review and bring forward proposed policy amendments on a rolling basis over the 2021-2022 fiscal year.

II. Proposed Program Policy Amendments

A. **Move to “New Manual”:** The GPR Committee met on June 3, 2021 and reviewed sections of the program manual requiring addition review and discussed a schedule for that review. The board discussed that some policies that had been reviewed recently could be moved from the “Old Policy” to the New Policy” without additional discussion at this time. The GPR Committee recommends that the following policies be moved to the “New Manual”:

Policy	Old Manual	New Manual
Investment Policy Statement	B-5	Section I.(V)
Plan Management Policy	B-10	Section I (W)

ACTION REQUESTED: Approve GPR Committee recommendation to move Investment Policy Statement and Plan Management Policy to “New” TFFR Board Program Manual.

B. Investment Policy Statement: The TFFR Board approved as final minor changes and updates to its Investment Policy Statement at its April 2021. Subsequent to that date the RIO Investment team, as it prepared for implementation, realized that some of the language restricted implementation efforts. As a result, the RIO Investment team is requesting changes to the language describing asset allocation. Darren Schulz, Interim CIO will be present at the meeting to review and discuss the reason for the requested changes and impact to the TFFR asset allocation. Proposed Changes are attached.

ACTION REQUESTED: Approve RIO Investment Team requested changes to the TFFR IPS.

C. In-Staff Subbing Policy Update and Recommendation

At its January 2021 meeting the TFFR Board voted to temporarily suspend the In-Staff subbing policy as it applies to retirees only during the Spring 2021 semester as Covid-19 relief or accommodation. This temporary suspension expired in July 2021.

The In-Staff subbing policy was adopted in 2017 and applies to both active and retired members. During 2020 and 2021, RIO has been contacted by or on behalf of members, legislators, and the Governor’s office expressing concern regarding limitations imposed on retirees that may prevent them from assisting schools during the pandemic.

Staff will provide the Committee with feedback regarding how this policy suspension affected members and employers which is known thus far. Business Managers were surveyed regarding impact of this policy, and those results will be presented at the Board meeting.

ACTION REQUESTED: Review Options regarding In-Staff Subbing Policy.

Policy Type: TFFREnds

Policy Title: Investment Policy Statement

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 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 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 7.25% from 7.75% as of July 1, 2020. 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.

Policy Type: TFFREnds

Policy Title: Investment Policy Statement

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.

Policy Type: TFFREnds

Policy Title: Investment Policy Statement

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.

Policy Type: TFFREnds

Policy Title: Investment Policy Statement

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	9%
Private Infrastructure	9%
Timber	0%
Private Equity	10%
Total	100%

Asset Class	Policy Target (%)
Global Equity	55%
- Public Equity	45%
- Private Equity	10%
Global Fixed Income	26%
- Investment Grade	18%
- Non-Investment Grade	8%
Global Real Assets	18%
- Real Estate	9%
- Other	9%
Cash & Equivalents	1%
Total	100%

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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

Policy Type: TFFR Ends

Policy Title: Investment Policy Statement

- 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.

Policy Type: TFFREnds

Policy Title: Investment Policy Statement

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

Policy Type: TFFREnds

Policy Title: Investment Policy Statement

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, April 22, 2021.

Approved by SIB: November 18, 2011, February 26, 2016, September 22, 2017, February 23, 2018, November 20, 2020, May 21, 2021.

ND Teachers' Fund for Retirement

ND State Investment Board

Date:

Date:

Janilyn Murtha
Deputy Executive Director/
Chief Retirement Officer

David Hunter
Executive Director/CIO

B. Plan Management Policy Overview

The North Dakota Teachers' Fund for Retirement (TFFR) Plan Management Policy is a risk assessment and management tool that monitors the ongoing health of TFFR using the most recent actuarial valuation results and stochastic projections. The objective of the Plan Management Policy is to provide a basis for balancing the Fund's obligations with current assets and expected future contributions in order to maintain its long-term health and viability. The Policy also provides a framework that the Board can follow in establishing metrics for future funding and benefit changes. The Plan Management Policy is based upon metrics and a scoring system that were established at the July 24, 2019 Board meeting. The Plan Management Policy Score will be updated subsequent to each annual actuarial valuation.

1. Background

The Plan Management Policy is different from the Funding Policy. The Funding Policy sets parameters for the determination of the actuarially determined contribution (ADC) as of each actuarial valuation date. The Plan Management Policy establishes the parameters for a forward-looking assessment of TFFR.

An ADC is used as a benchmark to compare to the statutory contribution rate. An ADC reflects an asset valuation method (i.e., smoothing method), actuarial cost method (e.g., entry age normal), and amortization method for paying down unfunded liabilities or recognizing surplus assets. A description of the ADC is contained in a separate document ("Actuarial Funding Policy Statement"). In summary, the current TFFR funding policy relies on an ADC that is equal to the sum of (a) the employer normal cost rate and (b) the level percentage of pay required to amortize the unfunded actuarial accrued liability over the 30-year closed period that began July 1, 2013 (24 years remaining as of July 1, 2019).

2. Risk Assessment and Management

The Plan Management Policy is a risk assessment tool. The risks facing TFFR can be broadly classified into three categories: risks related to economic variables, risks related to demographic events, and risks related to external forces. An overview of the primary risks facing TFFR stakeholders follows.

Risks related to economic variables:

- Investment return – the risk that actual returns will be different than expected and more volatile than desired.
- Inflation (price inflation, wage inflation) – the risk that measures of inflation will be inconsistent with other economic measures.

Risks related to demographic events:

- Mortality/longevity – the risk that participants will live longer than expected
- Payroll and/or population growth – the risk that aggregate payroll will increase at a rate less than expected. This is relevant since contributions to TFFR are collected as a percentage of member payroll.
- Retirement/disability/termination experience – the risk that members leave active service in a manner than generates actuarial gains or losses relative to the assumptions.

There are even risks related to external forces (e.g., governance risk, regulatory risk, litigation risk, political risk), but these risks are difficult – or impossible – to manage.

The Plan Management Policy is a tool that measures investment return risk, since investment return risk has the most significant impact on TFFR’s long term financial health.

3. Scoring System Metrics

The scoring system metrics that will be monitored on a periodic basis are:

- **The current funded ratio:** This is equal to the ratio of the market value of assets to the actuarial accrued liability as of the latest actuarial valuation date. The purpose of this metric is to assess the current funded status of TFFR.
- **The downside funded ratio as of July 1, 2030:** Based on stochastic projections, determine the probability that the funded ratio will be less than 65%. The purpose of this metric is to assess the likelihood of the funded ratio not improving over the short term. The lower the likelihood that the funded ratio will not increase, the higher the score.
- **The target funded ratio as of July 1, 2040:** Based on stochastic projections, determine whether the funded ratio is projected to increase above certain thresholds over a longer time horizon with 51% or more probability.
- **Improvement in the funded ratio over a 10-year period:** Based on stochastic projections, determine the probability that the funded ratio will improve by 5% over the following 10 years.
- **Ability to recover/withstand from a market downturn:** Based on stochastic projections, determine the probability that the funded ratio improves by 5% over 10 years following a market downturn. A market downturn is defined as a two-year period with a compound average return of -10% or worse.

4. Policy Score

The Policy Score is the sum of the points that have been assigned to each metric and can range from 0 to 14 and correspond to a color ranging from red to green. A higher score indicates better overall health of TFFR. The Policy Score is grouped into the following categories:

Color	Policy Score	Indication
Green	11 to 14	TFFR objectives are being met or likely to be met
Yellow	7 to 10	TFFR objectives may be met over a longer period
Orange	4 to 6	Continue to monitor TFFR
Red	0 to 3	Changes to TFFR should be considered



5. Policy Scoring System

Each metric is assigned a score based upon the results of the annual actuarial valuation and resulting analysis as follows:

Metric	Criteria	Score
The current funded ratio	<ul style="list-style-type: none"> Funded ratio of 90% or higher Funded ratio between 80% and 90% Funded ratio between 70% and 80% Funded ratio less than 70% 	<ul style="list-style-type: none"> +3 +2 +1 +0
The downside funded ratio as of July 1, 2030	<ul style="list-style-type: none"> Under 65% funded ratio with less than 20% probability Under 65% funded ratio with less than 30% probability Under 65% funded ratio with less than 40% probability Under 65% funded ratio with more than 40% probability 	<ul style="list-style-type: none"> +3 +2 +1 +0
The target funded ratio as of July 1, 2040	<ul style="list-style-type: none"> 85% or higher with 51% or more probability Between 80% and 85% with 51% or more probability Between 75% and 80% with 51% or more probability Between 70% and 75% with 51% or more probability Not more than 70% with 51% or more probability 	<ul style="list-style-type: none"> +4 +3 +2 +1 +0
Improvement in the funded ratio over a 10-year period	<ul style="list-style-type: none"> Funded ratio improves by +5% over 10 years with 66% probability Funded ratio improves by +5% over 10 years with 50% probability Funded ratio does not improve by +5% over 10 years with 50% probability 	<ul style="list-style-type: none"> +2 +1 +0
Ability to recover from or withstand a market downturn	<ul style="list-style-type: none"> Funded ratio after downturn improves by +5% over 10 years with 50% probability Funded ratio after downturn improves by +5% over 10 years with 33% probability Funded ratio after downturn does not improve by +5% over 10 years with 33% probability 	<ul style="list-style-type: none"> +2 +1 +0

For purposes of scoring, probabilities and funded ratios will be rounded to the nearest whole percentage. For example, a probability of 49.6% would be rounded up to 50%.

6. Outside Factors

Other factors outside of TFFR could have an effect on the directional trend of future Policy Scores. These factors include, but are not limited to:

- Projected economic conditions
- Market cycles
- North Dakota economy

TFFR Staff and the actuary will discuss the appropriate outside factors and determine whether these factors are expected to potentially improve or worsen the Policy Score.

7. Actuarial Assumptions

The actuarial assumptions used will be the same as those used for the annual actuarial valuation. The actuarial assumptions are described in detail in the actuarial valuation report. The funded ratio used in the plan management policy is based upon the market value of assets.

In order to stochastically model investment returns, Capital Market Assumptions are used. Capital Market Assumptions are developed by investment firms and represent expectations for future risk and returns for different asset classes. The Capital Market Assumptions used for the analysis are those published in the most recently available Horizon's Annual Survey of Capital Market Assumptions. If Horizon discontinues the publication of this survey, a suitable replacement or alternative will be used.

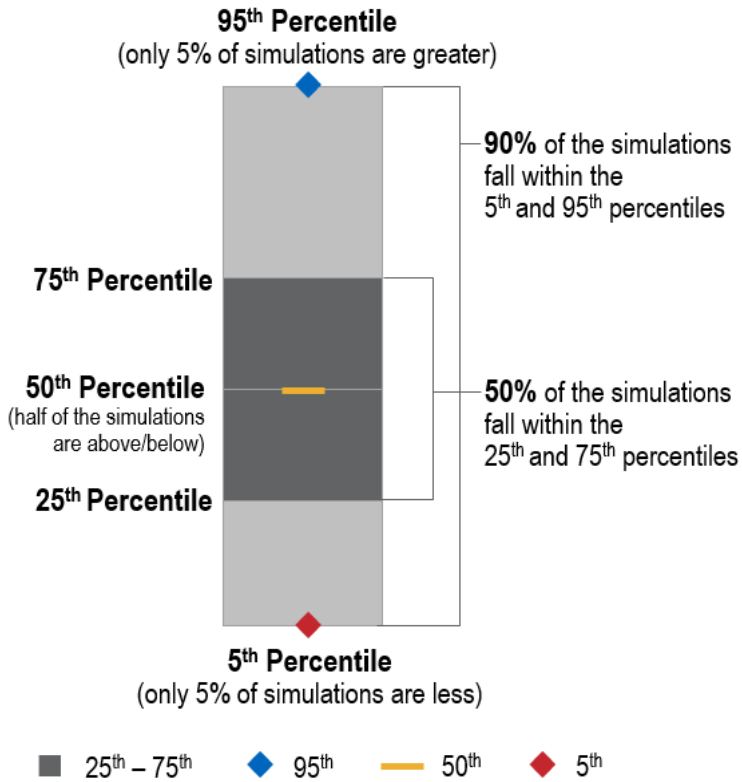
Projected liabilities are based upon an "open group" liability forecast. An open group projection generates projected populations for each future valuation date based on assumptions related to retirement, termination, salary increases, mortality, etc. New entrant records are generated to replace active members that decrement in the model in order to maintain a level active membership in the future. The profile of new entrants is based on recent demographics of new hires, subject to input from TFFR staff and Board.

8. Stochastic Modeling

The Capital Market Assumptions are used with TFFR's target asset allocation in order to simulate 5,000 investment portfolio return scenarios, each simulation representing a 20-year period. The simulated investment returns, along with open group liability forecasts, are used to model the projected funded ratio. The results are grouped into percentiles and summarized as a range:

- **Best Case:** Better cases would occur only 5% of the time (above the 95th percentile in the example below)
- **Most Likely:** Better or worse cases (50th percentile) are equally likely
- **Worst Case:** Worse cases would occur only 5% of the time (below the 5th percentile in the example below)

Sample Funded Ratio



TFFR Board Adopted: October 24, 2019

Amended: January 23, 2020

Policy Type: TFFR Program
Polity Title: In-staff Subbing Contract Period

It is the policy of the TFFR Board of Trustees that the following guidelines apply for the purpose of determining the contract period for in-staff subbing for active members and re-employed retirees as provided for in NDCC 15-39.1-04 (4) and (12), 15-39.1-19.1, 15-39.1-19.2, and NDAC 82-05-06-01.

- 1) In-staff subbing is defined as substitute teaching duties performed by a contracted teacher for the contracting TFFR participating employer.
- 2) If the active member or re-employed retiree has a contract or written agreement with the participating employer for full or part time work, TFFR will view the beginning and ending calendar dates indicated on the contract as the contract term to determine the contract period, unless the contract period is otherwise specifically detailed in the active member or re-employed retiree's contract.
 - If substitute teaching duties are performed during the contract term, those duties are considered in-staff subbing, and retirement contributions are required to be paid on the substitute teaching pay. The in-staff subbing hours are reported as compensated hours for active members and are counted toward the annual hour limit for re-employed retirees (700 – 1000 hours depending upon length of contract).
 - If substitute teaching duties are performed before the beginning calendar date or after the ending calendar date of the contract term, those duties are not considered in-staff subbing, and no retirement contributions are required to be paid on the substitute teaching pay. The subbing hours are not reported as compensated hours for active members and are not counted toward the annual hour limit for re-employed retirees.
- 3) If the active member or re-employed retiree does not have a contract or written agreement with the participating employer, then no retirement contributions are required to be paid on the substitute teaching pay. The subbing hours are not reported as compensated hours for active members and are not counted toward the annual hour limit for re-employed retirees.

This policy does not prohibit the Board from making an eligible salary determination for an individual member pursuant to N.D.A.C. 82-04-02-01.

TFFR Board Adopted: April 27, 2017

Memorandum

To: TFFR Board

From: Matt Posch, Investment & Compliance Officer

Date: July 16, 2021

RE: Annual Affirmation of Code of Conduct Policy

The *TFFR Board Members' Code of Conduct and Ethics Policy*, which is attached to this memorandum, details the Code of Ethical Responsibility for the TFFR Board. Item #11 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand TFFR Board Members' Code of Conduct and Ethics Policy. I have disclosed any conflicts of interest as required by this policy"

Name (printed) _____

Signature _____

Date _____

Detail of any conflicts of interest (if any):

R. Code of Conduct, Ethics, and Conflicts of Interest

Following is the Code of Conduct, Ethics, and Conflicts of Interest policy for the TFFR Board of Trustees:

1. Board members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the TFFR members and to strive to avoid not only professional impropriety, but also the appearance of impropriety.
2. Board members shall perform the duties of their offices impartially and diligently. Board members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and to refrain from any form of dishonest or unethical conduct. Board members shall be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by Board members. Board members shall not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members shall refrain from financial and business dealings that tend to reflect adversely on their impartiality or interfere with the proper performance of their duties. If a conflict of interest unavoidably arises, the Board member shall immediately disclose the conflict to the Board. The Board must vote on whether the member can vote. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the Board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the Board, and participation in any transaction for which the Board member has acquired information unavailable to the general public, through participation on the Board. "Conflict of interest" means a situation in which a Board member has a direct and substantial personal or financial interest in a matter which also involves the member's fiduciary responsibility.
4. The Board shall not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
5. Board members shall abide by NDCC 21-10-09, which reads: "No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a class A misdemeanor."
6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.
7. Political contributions are regulated under NDCC 16.1-08-03 and are not restricted under this policy.
8. All activities and transactions performed on behalf of public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

9. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.
10. Violation of these rules shall result in an official reprimand from the TFFR Board. No reprimand shall be issued until the board member has had the opportunity to be heard by the Board.
11. Board members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise. *See TFFR Code of Conduct Annual Affirmation (Exhibit 7)*
12. RIO Deputy Executive Director- Chief Retirement Officer is required to affirm his/her understanding of RIO Administrative Policy – Code of Conduct for RIO Employees – annually, in writing, and must disclose any conflicts of interest that may arise.

TFFR Interim Investment Report

For the Periods Ended March 31, 2021

July 22, 2021

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

Darren Schulz, Deputy Chief Investment Officer / Interim CIO

Jan Murtha, Deputy Executive Director / Chief Retirement Officer / Interim Executive Director

Connie Flanagan, Chief Financial Officer

Eric Chin, Chief Risk Officer

ND Retirement & Investment Office (RIO)

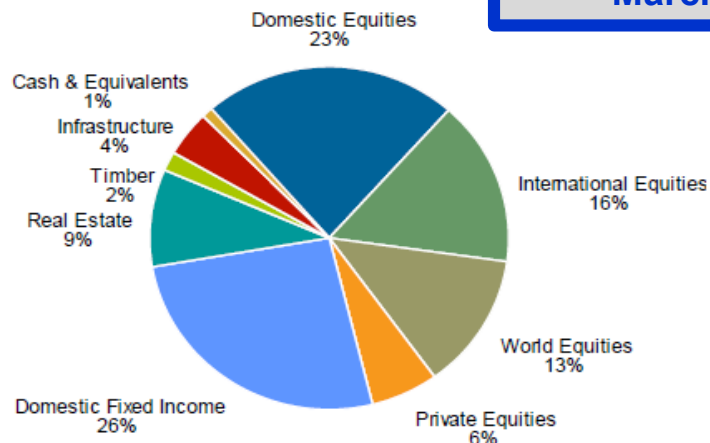
State Investment Board (SIB)

TFFR Allocation

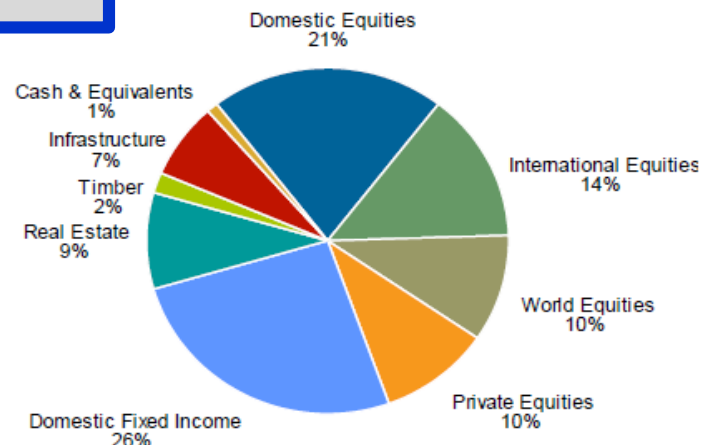
As of March 31, 2021

Except for private infrastructure, Actual Asset Allocations are within 3% of Target as of March 31, 2021.

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	703,307	23.2%	21.0%	2.2%	65,603
International Equities	473,733	15.6%	14.0%	1.6%	48,596
World Equities	387,650	12.8%	10.0%	2.8%	83,981
Private Equities	185,395	6.1%	10.0%	(3.9%)	(118,274)
Domestic Fixed Income	794,204	26.2%	26.0%	0.2%	4,665
Real Estate	278,171	9.2%	9.0%	0.2%	4,869
Timber	53,760	1.8%	1.8%	0.0%	0
Infrastructure	131,526	4.3%	7.2%	(2.9%)	(88,016)
Cash & Equivalents	28,944	1.0%	1.0%	(0.0%)	(1,423)
Total	3,036,689	100.0%	100.0%		

TFFR Investment Ends – March 31, 2021

TFFR earned 12.19% in 2020 and 9.77% for the 1 and 5-years ended Dec. 31, 2020 exceeding Policy Benchmarks by 0.50%.

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

	Current FYTD 3/31/2021	1 Yr Ended 3/31/2021	3 Yrs Ended 3/31/2021	5 Yrs Ended 3/31/2021	10 Yrs Ended 3/31/2021	Risk 5 Yrs Ended 3/31/2021	Risk Adj. Excess Return 5 Y/E 3/31/2021
TFFR \$3 billion							
Total Fund Return - Net	18.44%	31.24%	9.32%	10.07%	8.15%	10.2%	0.27%
Policy Benchmark Return	18.37%	31.47%	9.55%	9.74%	7.65%	10.1%	
Total Relative Return	0.07%	-0.22%	-0.22%	0.34%	0.50%	101%	

Key: TFFR investments averaged approximately \$2.5 billion the last 5-years and Excess Returns have averaged roughly **0.34%** per year. TFFR’s use of active management has enhanced Net Investment Returns by roughly **\$43 million** for the 5-years ended Mar. 31, 2020 (or \$2.5 billion x **0.34%** = \$8.6 million per year x 5 years = **\$43 million**). These returns were achieved while adhering to prescribed Risk limits (e.g. 101% versus a policy limit of 115%) and positive Risk Adjusted Returns at **3/31/2021**.

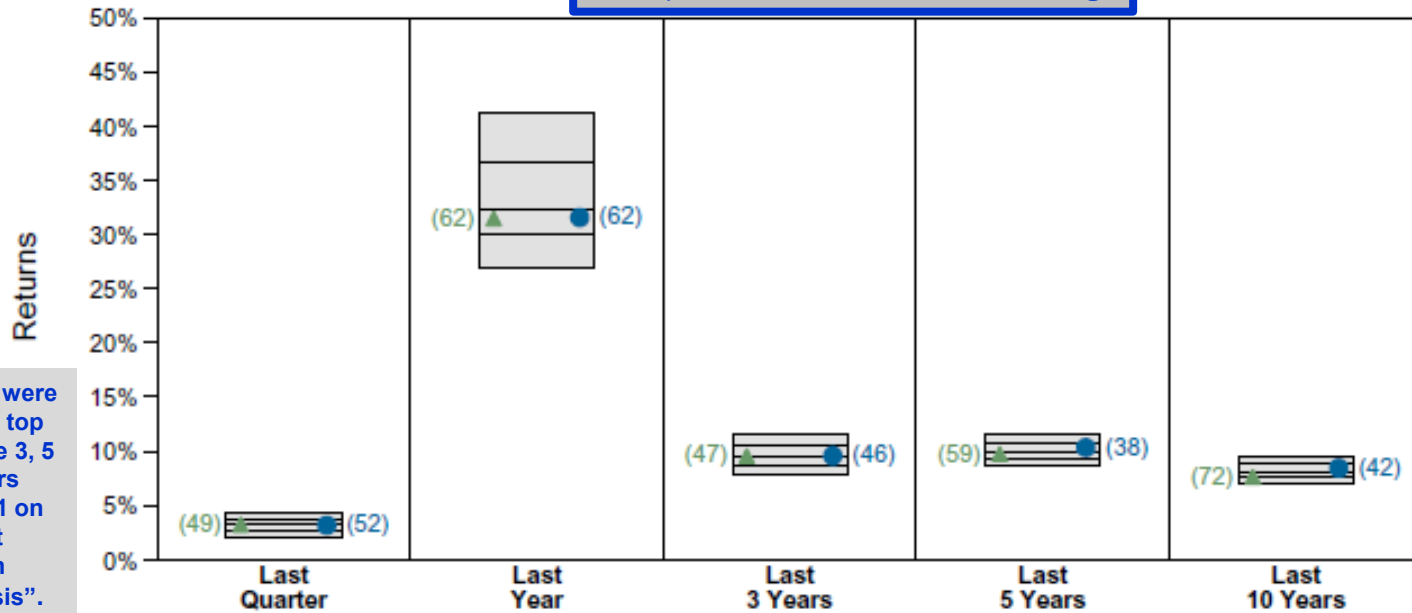
5-Yr. Returns Mar. 31, 2021	Asset Allocation	Benchmark Return	Allocation x Return
<i>Asset Class</i>	<i>a</i>	<i>b</i>	<i>a x b</i>
Global Equity	58%	13.6%	7.87%
Fixed Income	23%	4.5%	1.03%
Real Assets	19%	4.4%	0.84%
Cash	1%	1.2%	0.01%
Policy Benchmark Return (5-years)			9.74%

Current Policy Benchmark: 55% Global Equity (45% Public 10% Private); 26% Fixed Income (18% Investment Grade, 8% High Yield); 18% Global Real Assets (9% Real Estate; 7% Infra.; 2% Timber); and 1% Cash.

TFFR Generated Above Median Gross Returns for 5- and 10-Years Ended 3/31/2021

Callan Public Fund Sponsor Database

Unadjusted Asset Allocation Ranking



TFFR Returns were ranked in the top quartile for the 3, 5 and 10 years ended 3/31/21 on an "Asset Allocation Adjusted Basis".

10th Percentile	4.34	41.18	11.55	11.57	9.48
25th Percentile	3.77	36.57	10.43	10.84	8.79
Median	3.21	32.29	9.42	9.99	8.15
75th Percentile	2.66	30.02	8.70	9.30	7.59
90th Percentile	1.95	26.89	7.75	8.62	6.93
Total Fund ●	3.16	31.55	9.58	10.33	8.46
Policy Target ▲	3.24	31.47	9.55	9.74	7.65

* Current Quarter Target = 18.0% Blmbg Aggregate, 16.8% Russell 1000 Index, 10.5% MSCI World ex US, 10.0% NDTFFR-Private Equity, 10.0% MSCI World, 9.0% NCREIF Total Index, 8.0% Blmbg:HY Corp 2% Iss Cap, 4.2% Russell 2000 Index, 3.6% NCREIF NFI-ODCE Eq Wt Net, 3.6% CPI All Urban Cons lagged 3 months, 3.5% MSCI EM, 1.8% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

Asset Class Allocation

	March 31, 2021			December 31, 2020		
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
Global Equities	\$1,750,084,759	57.63%	\$(38,845,731)	\$99,676,524	\$1,689,253,966	57.17%
Public Equities	\$1,564,689,691	51.53%	\$(52,169,155)	\$83,080,404	\$1,533,778,441	51.90%
World Equities	\$387,649,541	12.77%	\$(25,601,176)	\$33,144,605	\$380,106,112	12.86%
Domestic Equities	\$703,307,231	23.16%	\$(26,442,500)	\$38,620,669	\$691,129,062	23.39%
Large Cap	553,153,822	18.22%	(4,313,133)	26,271,632	531,195,324	17.98%
Small Cap	150,153,409	4.94%	(22,129,367)	12,349,037	159,933,739	5.41%
International Equities	\$473,732,918	15.60%	\$(125,479)	\$11,315,130	\$462,543,267	15.65%
Developed	371,776,912	12.24%	112,349	10,085,320	361,579,243	12.24%
Emerging Markets	101,956,007	3.36%	(237,828)	1,229,810	100,964,024	3.42%
Private Equities	\$185,395,068	6.11%	\$13,323,424	\$16,596,120	\$155,475,525	5.26%
Global Fixed Income	\$794,203,636	26.15%	\$52,688,676	\$(17,561,842)	\$759,076,802	25.69%
Domestic Fixed Income	\$794,203,636	26.15%	\$52,688,676	\$(17,561,842)	\$759,076,802	25.69%
Investment Grade	594,852,457	19.59%	59,501,149	(22,593,205)	557,944,512	18.88%
Below Investment Grade	199,351,179	6.56%	(6,812,473)	5,031,363	201,132,289	6.81%
Global Real Assets	\$463,456,383	15.26%	\$(3,979,957)	\$11,144,712	\$456,291,627	15.44%
Real Estate	\$278,170,630	9.16%	\$821,719	\$5,920,532	\$271,428,379	9.19%
Other Real Assets	\$185,285,753	6.10%	\$(4,801,677)	\$5,224,180	\$184,863,249	6.26%
Infrastructure	131,526,013	4.33%	(2,880,544)	5,203,409	129,203,148	4.37%
Timber	53,759,740	1.77%	(1,921,132)	20,771	55,660,101	1.88%
Cash	\$28,944,213	0.95%	\$(21,483,491)	\$3,558	\$50,424,145	1.71%
Total Fund	\$3,036,688,990	100.0%	\$(11,620,503)	\$93,262,953	\$2,955,046,540	100.0%


Market Value – 3/31/2020


Net Spending – Q1


Net Investment Income – Q1

TFFR Performance and Attribution

As of March 31, 2021

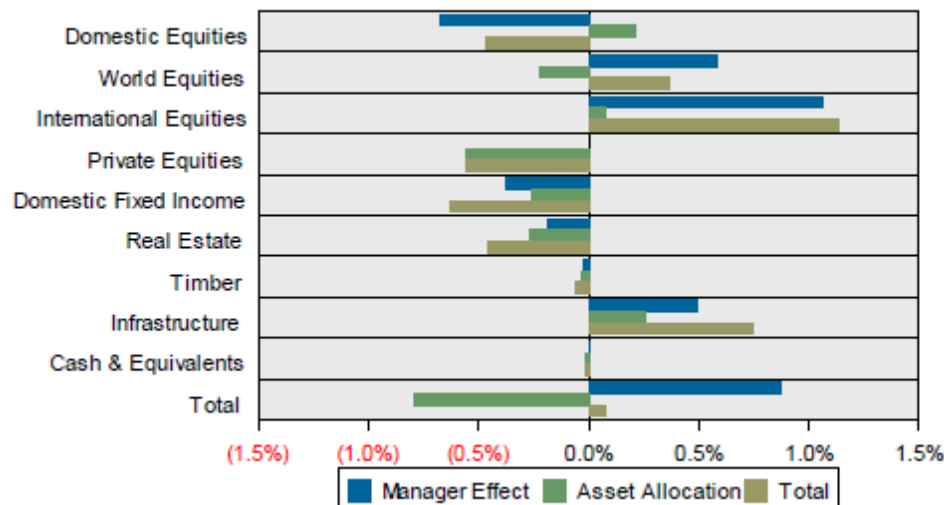
One Year Attribution Comments:

Positive manager effects were led by contributions from international and world equity and private infrastructure.

Negative manager effect was most pronounced in U.S. Small Cap due to its emphasis on quality and downside protection.

TFFR increased its target allocation to Private Equity to 10% after Callan completed a comprehensive asset liability study in late-2020. Adoption of the new policy target in calendar 4Q 2020 contributed to a negative allocation effect for the year.

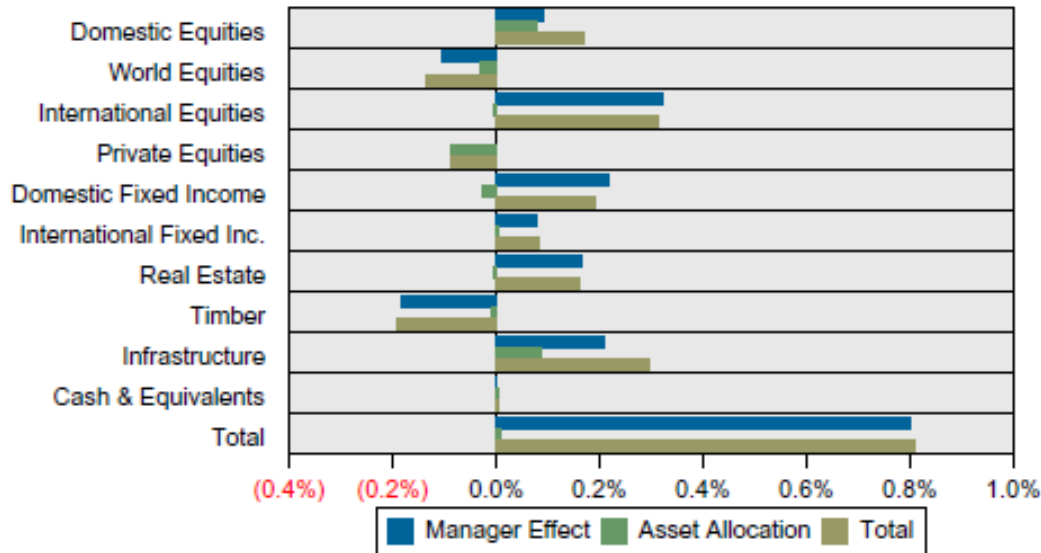
One Year Relative Attribution Effects



One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	22%	21%	63.69%	67.50%	(0.68%)	0.21%	(0.46%)
World Equities	14%	14%	59.30%	54.03%	0.58%	(0.22%)	0.36%
International Equities	15%	14%	57.11%	48.48%	1.06%	0.07%	1.14%
Private Equities	5%	7%	19.21%	19.21%	0.00%	(0.55%)	(0.55%)
Domestic Fixed Income	25%	24%	6.07%	7.28%	(0.37%)	(0.25%)	(0.63%)
Real Estate	10%	10%	1.17%	2.61%	(0.19%)	(0.27%)	(0.46%)
Timber	2%	2%	0.56%	1.46%	(0.02%)	(0.03%)	(0.06%)
Infrastructure	5%	6%	9.98%	1.74%	0.49%	0.26%	0.75%
Cash & Equivalents	1%	1%	0.21%	0.12%	0.00%	(0.01%)	(0.01%)
Total			31.55%	= 31.47%	+ 0.87%	+ (0.79%)	0.08%

Ten Year Annualized Relative Attribution Effects



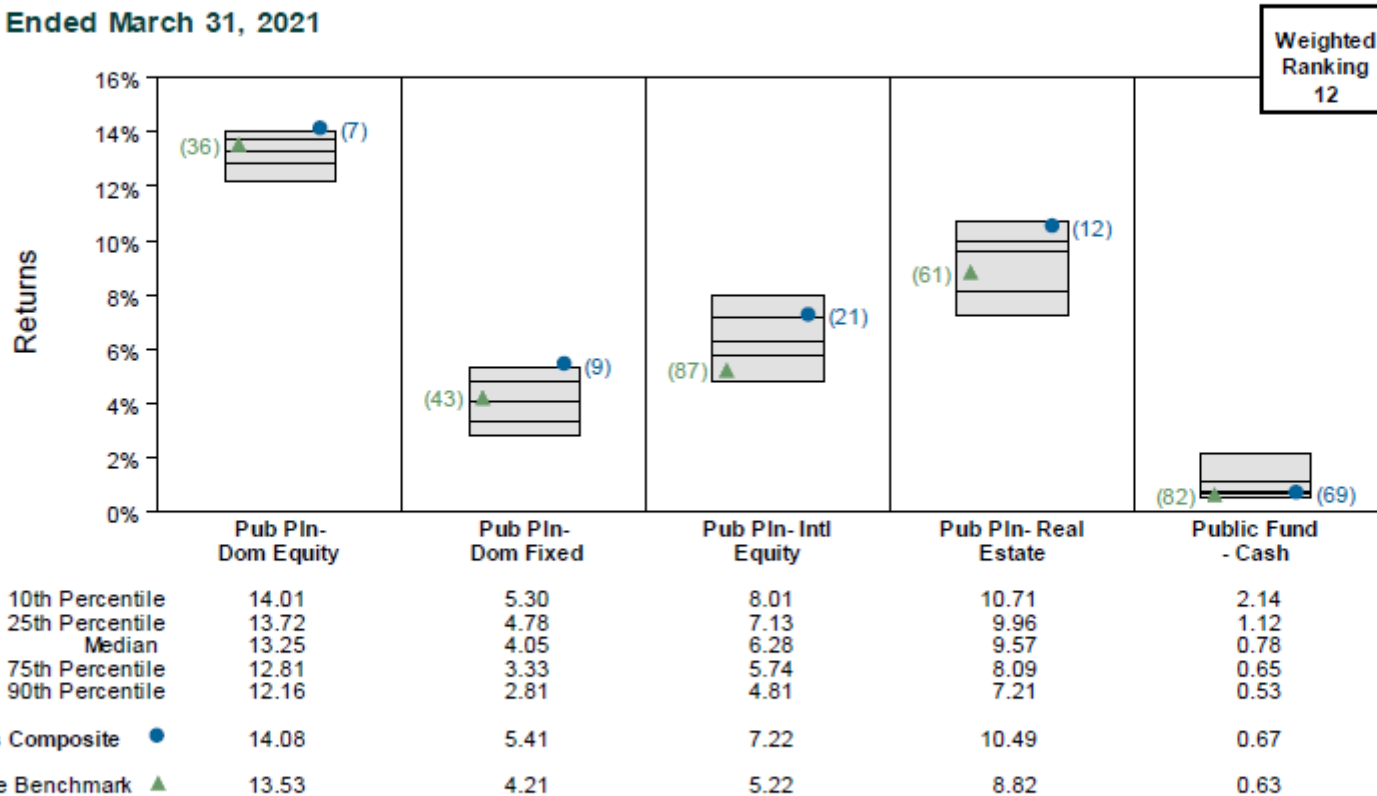
Ten Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	24%	23%	14.08%	13.53%	0.09%	0.08%	0.17%
World Equities	14%	14%	-	-	(0.10%)	(0.03%)	(0.14%)
International Equities	16%	16%	7.22%	5.22%	0.32%	(0.01%)	0.32%
Private Equities	4%	6%	5.06%	5.06%	0.00%	(0.09%)	(0.09%)
Domestic Fixed Income	19%	19%	5.41%	4.21%	0.22%	(0.03%)	0.19%
International Fixed Inc.	4%	4%	-	-	0.08%	-	0.08%
Real Estate	10%	10%	10.49%	8.82%	0.16%	(0.00%)	0.16%
Timber	3%	4%	-	-	(0.18%)	(0.01%)	(0.19%)
Infrastructure	4%	5%	-	-	0.21%	0.09%	0.30%
Cash & Equivalents	1%	1%	0.67%	0.63%	0.00%	0.00%	0.00%
Total			8.46%	7.65%	+ 0.80%	+ 0.01%	0.81%

Asset Class Composite Results

TFFR's Asset Class Results vs. Other Public Pension Funds

Total Asset Class Performance Ten Years Ended March 31, 2021



- All asset classes have outperformed their benchmarks over the last 10 years.
- With the exception of cash, all asset classes have ranked in the top quartile over the period.

TFFR FYTD Net Investment Returns

As of May 31, 2021

ND TEACHERS FUND FOR RETIREMENT INVESTMENT PERFORMANCE REPORT AS OF MAY 31, 2021

	Current Fiscal YTD	
	Gross ⁽³⁾	Net
TOTAL FUND	23.71%	23.42%
<i>POLICY TARGET BENCHMARK</i>	<i>22.87%</i>	<i>22.87%</i>
ATTRIBUTION ANALYSIS		
Asset Allocation	0.04%	0.04%
Manager Selection	0.80%	0.51%
TOTAL RELATIVE RETURN	0.84%	0.56%
GLOBAL EQUITY	39.60%	39.26%
<i>Benchmark</i>	<i>39.71%</i>	<i>39.71%</i>
GLOBAL FIXED INCOME	3.35%	3.23%
<i>Benchmark</i>	<i>3.33%</i>	<i>3.33%</i>
GLOBAL REAL ASSETS	6.68%	6.29%
<i>Benchmark</i>	<i>4.03%</i>	<i>4.03%</i>
OTHER REAL ASSETS	7.97%	7.75%
<i>Benchmark</i>	<i>3.14%</i>	<i>3.14%</i>
Total Cash Equivalents	0.10%	0.10%
<i>90 Day T-Bill</i>	<i>0.10%</i>	<i>0.10%</i>

FY 20-21 Total Fund Estimate as 6/30/21 based on index returns:

Fund: 24.39%

Policy: 23.83%

Note: Monthly returns and market values are preliminary and subject to change.

SIB Highlights and RIO Mission Statement

Updated as of March 31, 2021

SIB Highlights:

- SIB client assets under management have nearly quadrupled from \$5 billion in 2010 to over \$19 billion in early-2021, while rising over 41% since Jan. 1, 2019.
- SIB investment fees have been significantly reduced from 0.84% in 2010 to 0.42% in 2020.
- The SIB's keen focus on fees is saving our clients over \$40 million per year in lower costs which increases client net investment income.
- The SIB's prudent use of active investment management has generated roughly \$300 million of incremental income for our clients in the last 5-years.
- SIB client investment performance compares favorably with our peers including U.S. public pension plans and larger sovereign wealth funds.
- Actual net investment returns for 99% of our SIB clients have exceeded approved performance benchmarks for the 5-years ended March 31, 2021.
- Legacy earned over \$1.9 billion of net investment income in the last year driving the Fund balance from \$6.15 billion at Mar. 31, 2020, to over \$8.4 billion as Mar. 31, 2021. Asset allocation was responsible for \$1.72 billion (or 92%) of this income, but the prudent use of active investment management created an incremental \$180 million net investment income for Legacy in the 1 year ended Mar. 31, 2021 (e.g. \$6 billion x 3% = \$180 million).

Mission Statement: RIO serves the State Investment Board (SIB) and exists in order that:

- 1) SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost effective investment manner and under the Prudent Investor Rule (NDCC 21-10-07 defined "Legal Investments"). HB 1425 provided an exception to the Prudent Investor Rule for the Legacy Fund (8/1/2021).
- 2) Potential SIB clients have access to information regarding the services provided by the SIB.
- 3) SIB clients receive satisfactory services from our Board & RIO staff including TFFR, PERS, WSI and Legacy & Budget Stabilization Funds.



May 2021

North Dakota State Investment Board

Performance Evaluation
as of March 31, 2021

Paul Erlendson
Senior Vice President

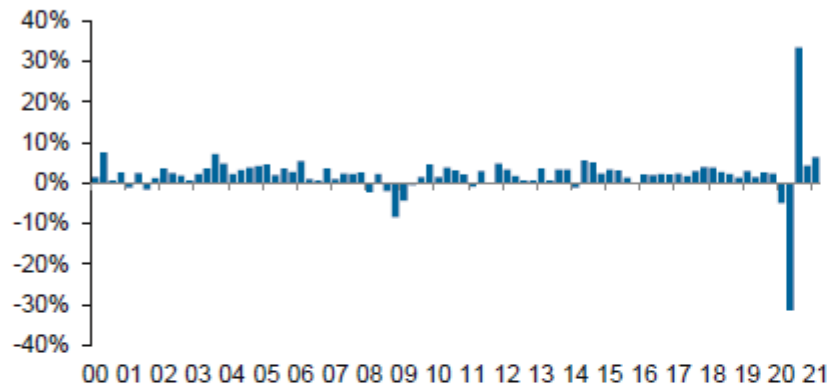
Alex Browning
Senior Vice President

U.S. Economy—Summary

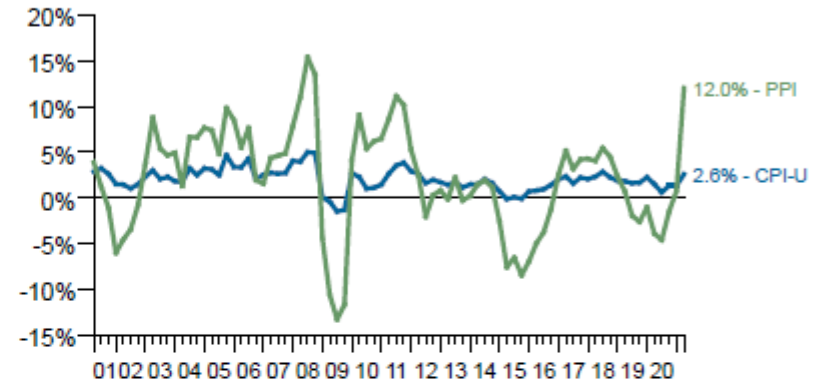
For periods ended March 31, 2021

Quarterly Real GDP Growth*

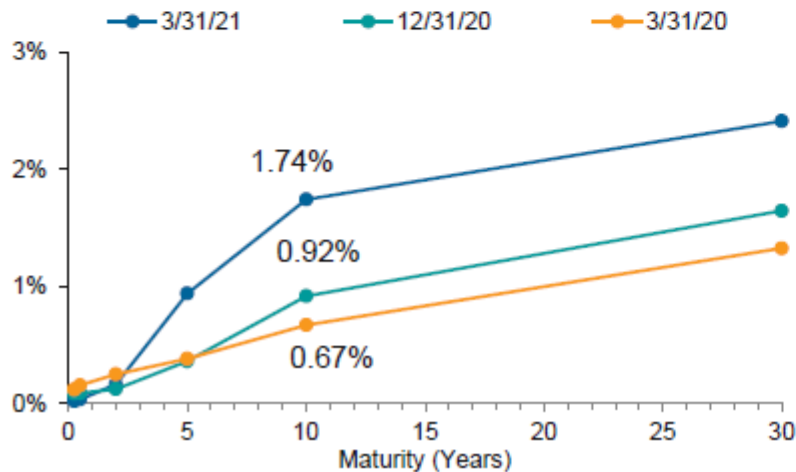
1Q21 6.4%



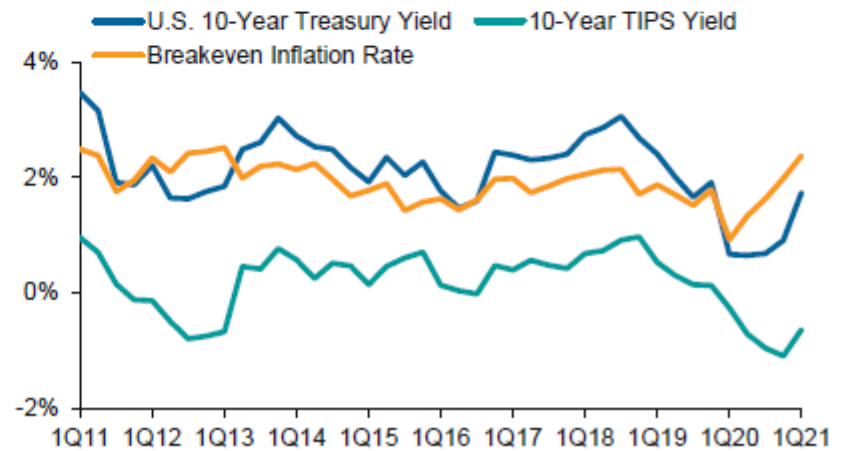
Inflation Year-Over-Year



U.S. Treasury Yield Curves



Historical 10-Year Yields



*Advanced estimate for 1Q21. Sources: Bloomberg, Bureau of Labor Statistics, Callan, IHS Markit



Market Environment: 1Q21

Growth worldwide with uncertainty coming from uneven vaccine rollout

U.S.

- 2020 GDP loss of 3.5% for the year is the deepest recession in 75 years. Fed expects 6.5% growth in 2021.
- Retail sales, durable goods, and personal spending rebounded late in 2020 and 1Q21 following the vaccine announcement and passage of new stimulus.
- Unemployment dropped to 6.0% in March, with an eye-popping 916,000-job gain.
 - Jobless claims decelerated to less than 1 million per week but are still elevated relative to prior recession peaks.
- Housing benefiting from relatively low mortgage rates
- Fed left rates close to 0% and expects to be on hold until 2023.

Global

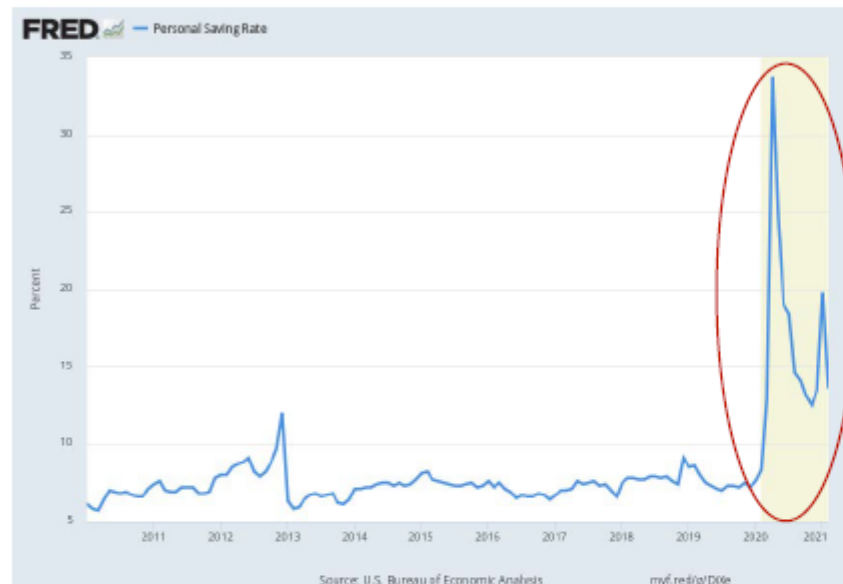
- Euro zone GDP contracted 4.9% in 2020, after shrinking by 2.4% in 2019.
- U.K. GDP sank 7.3% in 2020—most ever, struck by the double-whammy of the pandemic and Brexit.
- Japan's economy shrank 4.8% in 2020, continuing a decline that began in 4Q19.
- China's GDP grew 2.3% in 2020, one of the few countries to see positive growth. 1Q21 growth inched up just 0.6%, far below expectations.



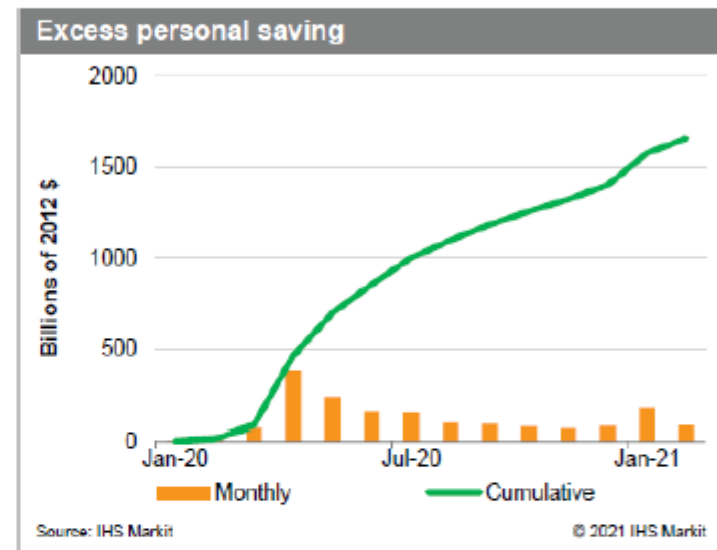
Liquidity Supporting Economy (and Driving Markets)

Consumers = more money, fewer problems; investors = dry powder abundant

U.S. Personal Savings Rate



Excess Personal Saving



- U.S. personal savings rate far exceeds levels seen in the post-WWII era; shot up to 34% last April, spiked again to 20% with new lockdowns imposed at the end of 2020.
 - Savings usually FALLS in a recession. Disposable income rose under congressional pandemic relief measures, and state and local government restrictions on activities hindered spending.
- Excess savings will insulate consumer spending during economic wobbles and through the winding down of fiscal stimulus.
 - Rapid depletion of excess savings could goose GDP and spur short-term inflation; consumer theory and experience following WWII suggests a modest increase in consumption.

Excess savings = savings in excess of the 7.4% average savings rate for the year prior to the pandemic; calculation performed by IHS Markit
Sources: Federal Reserve, IHS Markit

Callan Periodic Table of Investment Returns

Cumulative Returns Ending March 31, 2021						Monthly Returns		
Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Jan 2021	Feb 2021	Mar 2021
Small Cap Equity	Small Cap Equity	Large Cap Equity	Small Cap Equity	Large Cap Equity	Large Cap Equity	Small Cap Equity	Small Cap Equity	Large Cap Equity
12.70%	94.85%	16.78%	16.35%	13.59%	13.91%	5.03%	6.23%	4.38%
Large Cap Equity	Emerging Market Equity	Small Cap Equity	Large Cap Equity	Small Cap Equity	Small Cap Equity	Emerging Market Equity	Real Estate	Real Estate
6.17%	58.39%	14.76%	16.29%	11.05%	11.68%	3.07%	3.70%	2.85%
Real Estate	Large Cap Equity	High Yield	Emerging Market Equity	Emerging Market Equity	High Yield	High Yield	Large Cap Equity	Dev ex-U.S. Equity
5.80%	56.35%	6.84%	12.07%	6.58%	6.48%	0.33%	2.76%	2.55%
Dev ex-U.S. Equity	Dev ex-U.S. Equity	Emerging Market Equity	Dev ex-U.S. Equity	High Yield	Real Estate	U.S. Fixed Income	Dev ex-U.S. Equity	Small Cap Equity
4.04%	45.86%	6.48%	8.92%	5.42%	5.73%	-0.72%	2.55%	1.00%
Emerging Market Equity	Real Estate	Dev ex-U.S. Equity	High Yield	Real Estate	Dev ex-U.S. Equity	Real Estate	Emerging Market Equity	High Yield
2.29%	34.65%	6.34%	8.06%	4.90%	5.21%	-0.81%	0.76%	0.15%
High Yield	High Yield	Real Estate	Real Estate	Dev ex-U.S. Equity	Emerging Market Equity	Large Cap Equity	High Yield	U.S. Fixed Income
0.85%	23.72%	5.06%	3.86%	4.75%	3.65%	-1.01%	0.37%	-1.25%
U.S. Fixed Income	Global ex-U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	Global ex-U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity
-3.37%	7.15%	4.65%	3.10%	3.31%	3.44%	-1.03%	-1.44%	-1.51%
Global ex-U.S. Fixed Income	U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income
-5.29%	0.71%	1.15%	2.13%	0.91%	1.26%	-1.07%	-1.94%	-2.42%

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

U.S. Equity Performance: 1Q21

New market peaks in year of the pandemic

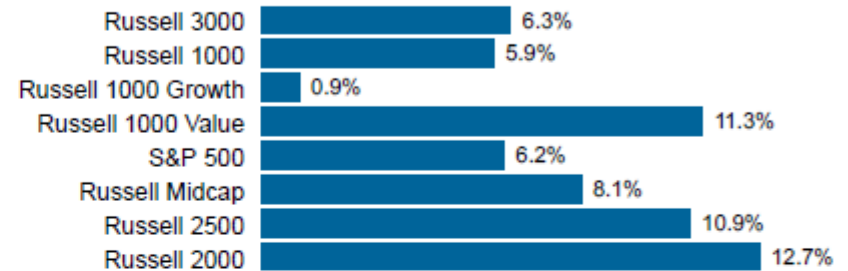
Markets continue setting all-time highs

- The S&P 500 Index hit record highs in 1Q21, gaining 6.2%.
 - Since the prior peak (February 2020) the S&P is up over 19.6%, with only Energy (-4.7%) and Utilities (-4.9%) declining from peak-to-peak.
 - Since March 2020 market low, S&P up over 80.7%, with all sectors posting gains over 40%; Energy +116.2%
 - 1Q21 top sectors were Energy and Financials, while Industrials and Consumer Staples underperformed.
 - "Re-opening" industries (airlines, retail REITs, hospitality) outperformed while "work from home" industries (online retail, home improvement) lagged.

Value and small cap trends continued through 1Q21

- Value outperformed growth across the market cap spectrum.
- Small caps outperformed large in 1Q.
- Small value was the top-performing asset class for the quarter (+21.2%) and from the March 2020 low (+127.7%).

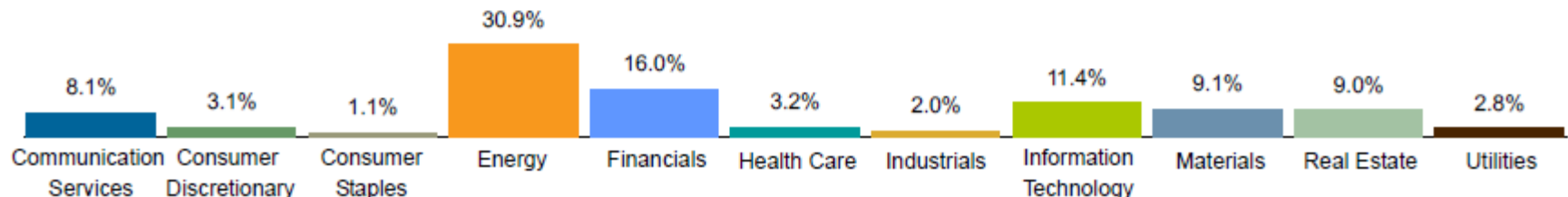
U.S. Equity: Quarterly Returns



U.S. Equity: One-Year Returns



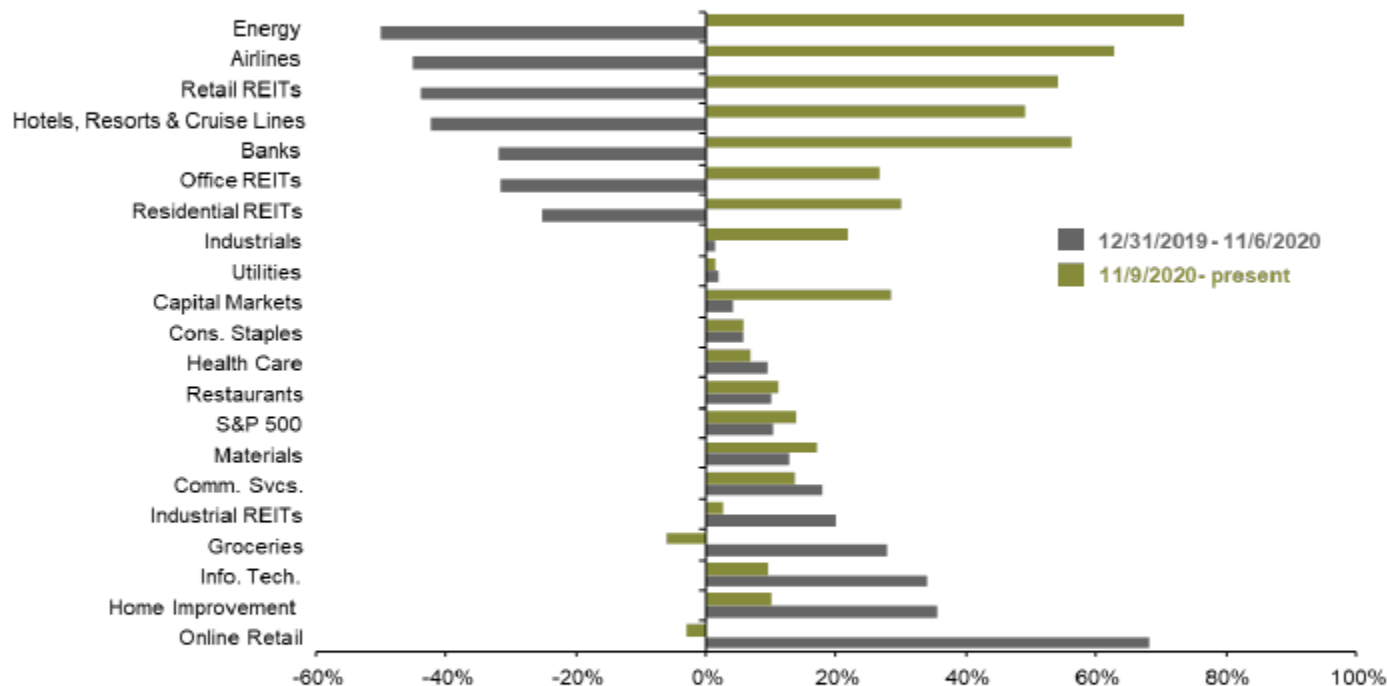
Industry Sector Quarterly Performance (S&P 500)



Sources: FTSE Russell, S&P Dow Jones Indices

U.S. Stock Market Sector Leadership Through the Pandemic

COVID trade flipped to a 'GDP growth trade' with the announcement of vaccines in November



Best-performing sectors employ far fewer workers than many of the underperforming sectors (health care, capital markets, banks, hospitality, transportation, energy).

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Nov. 6, 2020, chosen as the last business day before vaccine candidate is revealed to have more than 90% efficacy against the COVID-19 virus in global trials.

Guide to the Markets – U.S. Data are as of March 31, 2021.

Global ex-U.S. Equity Performance: 1Q21

Nearly 100 million people fully vaccinated worldwide

- Markets responded positively to the global rollout of the COVID-19 vaccine.
- Most risk assets continued to outperform as global businesses reopen.
- Small cap outperformed large over the quarter on continued economic optimism.
- Emerging markets trailed developed markets; COVID-19 outbreaks and vaccination challenges hindered EM results.

Market continues to favor cyclicals

- Sustained market recovery and rising interest rates buoyed cyclical stocks; Energy, Financials, and Industrials drove the market.
- Factor performance showed a preference for beta and volatility, similar to 4Q20.

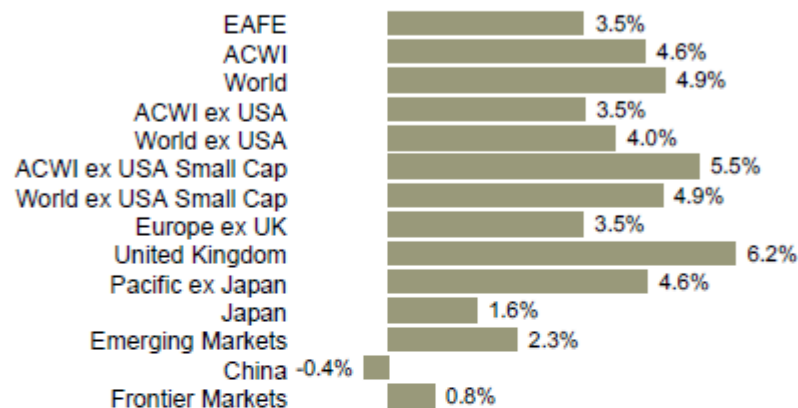
U.S. dollar vs. other currencies

- The U.S. stimulus package announcement, combined with yields rising on economic confidence, fueled the U.S. dollar.

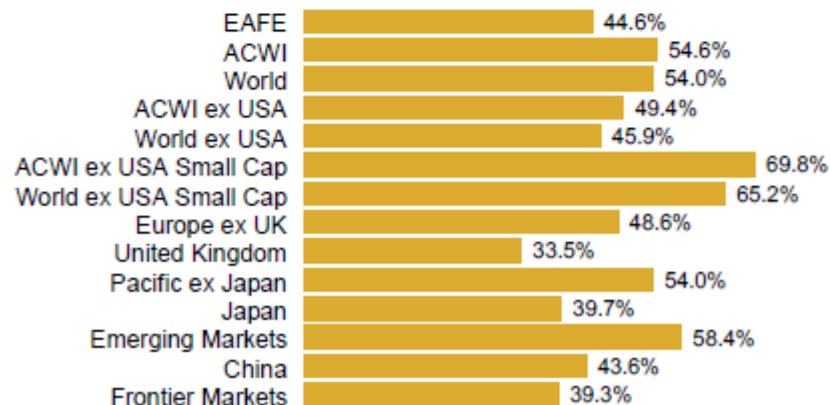
Growth vs. value

- Value outpaced growth for the second consecutive quarter.

Global Equity: Quarterly Returns



Global Equity: One-Year Returns



U.S. Fixed Income Performance: 1Q21

The U.S. Treasury yield curve steepened

- The 10-year U.S. Treasury yield closed 1Q21 at 1.74%, up 81 bps from 4Q20.
- The short-end of the curve remained anchored, with no rate hikes expected until at least 2023, steepening the yield curve.
- TIPS outperformed nominal U.S. Treasuries as 10-year breakeven spreads widened from 1.99% to 2.37%.

Bloomberg Barclays Aggregate fell

- The Bloomberg Barclays US Aggregate Bond Index dropped 3.4%, with spread sectors outperforming treasuries.
- Demand for corporate credit remains strong, and spreads did not change meaningfully over the quarter

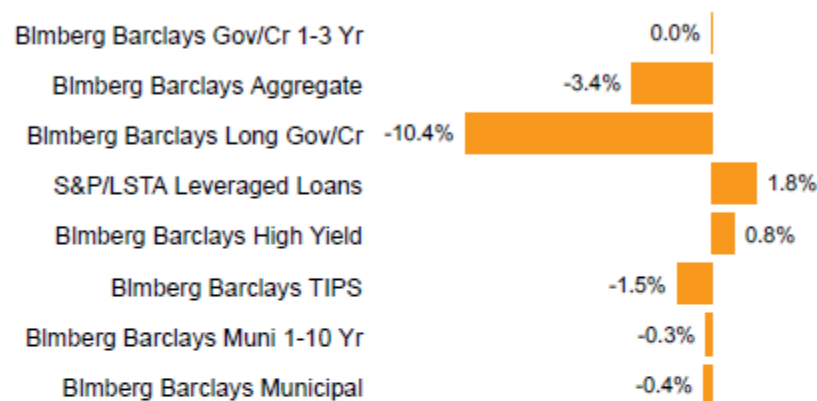
High yield bonds gained as rally extended

- High yield (HY) bonds outperformed investment grade (IG) in 1Q, gaining 0.8% amid a wave of new issuance.
- Leveraged loans rose 1.8% during the quarter, driven by favorable supply/demand dynamics, floating rate coupons, and relatively short durations.

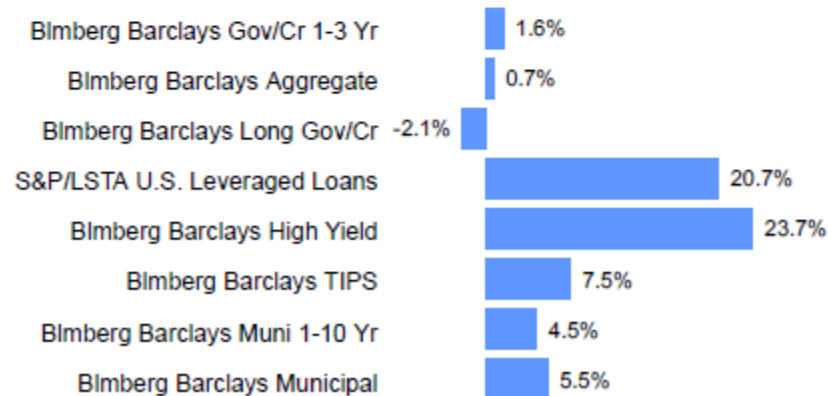
Munis boosted by stimulus

- Municipals outperformed treasuries for the quarter, as municipal yields rose less than treasury yields.
- The municipal market was supported by the American Rescue Act.

U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: One-Year Returns



Source: Bloomberg Barclays



“Callan
College”

October 26-28, 2021 “Callan College” – Intro to Investments Session – Virtual Agenda

Tuesday, October 26

8:30am	Introduction and Welcome Remarks – Callan Moderator/Callan Consultant
8:50am	The Role of the Fiduciary and Investment Policy Statements – Callan Consultant
9:45am	Break
10:00am	Capital Market Theory and Asset Allocation – Capital Market Specialist
11:30am	End of Sessions

Wednesday, October 27

8:30am	Manager Structure – Defined Benefit – Callan Consultant
9:30am	Break
9:45am	Manager Structure – Defined Contribution – Callan Consultant
11:30am	End of Sessions

Thursday, October 28

8:30am	Manager Search – Global Manager Research Specialist
9:30am	Break
9:45am	Performance Measurement – Callan Consultant
11:30am	End of Sessions



MEMORANDUM

TO: TFFR Board
FROM: Denise Weeks – Retirement Program Manager
DATE: July 16, 2021
RE: TFFR Ends – Quarterly Monitoring – Quarter Ended March 31, 2021

Retirement Program

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

- The TFFR Board heard a presentation addressing results from a 10-Key Assessment of TFFR communication efforts. The ten keys are strategy, branding, website, feedback, simplicity, year-round, targeted audiences, experience, budget, and partners.
- TFFR staff continued to work with Segal Benz to develop a strategic communication plan based on results of the ten keys assessment.
 - Staff and Segal finished business interviews related to the Communication, Cyber Risk and Current Business Process Assessments.
 - Staff and Segal completed workshops to discuss and agree upon a Future Business Process model on which to base RFP development
- Segal presented TFFR's current and future business model and cybersecurity assessment results to the Board. Interim recommendations were made by Segal as a result of these reports.
- Retirement Services continued to hold training sessions lead by Ms. Murtha on various topics such as TFFR's return to teach policy, disability retirements, member refunds, qualified domestic relations orders, and ND state laws and rules pertaining to TFFR.
- Prepared testimony, presented information, and monitored 2021 legislative proposals for potential impact.
 - HB 1174 passed related to TFFR Required Minimum Distributions.
- Began Administrative Rule Promulgation Process for Assumption changes.

- The TFFR Board suspended the in-staff subbing policy as it applies to re-employed retirees for the remainder of fiscal year 2021.
- TFFR staff communicated with Employers their payments and reports need to be submitted by the 15th of every month with NO ten-day grace period as previously practiced.
- Conducted numerous member salary reviews, account reconciliations, counseling sessions via Teams, and claims processing activities for spring retirees.
- In an effort to improve TFFR's outreach via electronic methods, staff conducted individual and group counseling sessions and business manager workshops virtually to over 100 members and employers.
- Investment, Trends, Ends, and Audit reports were presented to the TFFR Board.

BOARD INFORMATION ONLY. No board action requested.

RETIREMENT AND INVESTMENT OFFICE
Internal Audit
2020-2021 3rd Quarter Audit Activities Report
January 1, 2021 – March 31, 2021

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

Audit coverage is based on the July 1, 2020 through June 30, 2021 work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Internal Audit charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

Investment and Agency Audit Activities

- **Executive Limitation Audit**

On an annual basis, Internal Audit reviews the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation Policies A- 1 through A-11. The Executive Limitations Audit was started in December 2020.

The report was issued in February 2021 and approved by the Audit Committee at the February meeting.

- **Executive Review Committee**

In February 2021, the Executive Review Committee requested Internal Audit's assistance in administering a board self-evaluation. Internal Audit administered the evaluation, collected the responses, and reported the results to the State Investment Board on April 23, 2021.

The Executive Review Committee also annually evaluates the Executive Director/CIO of the North Dakota Retirement and Investment Office, Mr. David Hunter. Internal Audit's assistance was required to facilitate a survey to the current SIB members and a survey to RIO staff. The survey to RIO staff was completed in March 2021 and the SIB survey was administered in March/April 2021. Internal Audit compiled the results and reported to the Executive Review Committee.

- **External Audit Support**

The contract with RIO's external auditors expired with the completion of the 2019/20 annual audits. The State Auditor's Office issued a RFP during the third quarter and selected CLA again as RIO's external audit partner for the next three years. Thomas Rey, CLA, will be presenting the audit scope and approach for fiscal year 2020/2021 at the May Audit Committee meeting. CLA will be remotely conducting the preliminary fieldwork for the audit starting in June of 2021. They are planning to be on-site for the final field work in August 2021.

- **Administrative Policy Review**

The Deputy Executive Director/Chief Retirement Officer, Supervisor of Administrative Services /Office Manager, and Supervisor of Internal Audit are meeting regularly to revise the Administrative Policy manual for RIO staff. The policies are then forwarded to the Executive Director/Chief Investment Officer for the final review. After the final review, the policies are reviewed by division managers then presented to staff. Policies completed in the third quarter are the Grievance Policy, Media Inquiries,

Recruitment and Retention Bonus, Time Off to Vote, Travel, and Tuition Reimbursement. The policy manual should be complete (with the exception of the IT policies) by June 30, 2021.

- **Cash Management and Rebalancing Audit**

A review of procedures for cash management and rebalancing of investment allocations was initiated. A sample of rebalancing of asset allocations, wire transactions, and bank fees will be selected and confirmed. Secondly, a sample of client requests will also be reviewed for timeliness and accuracy. Lastly, a review of staff access and authorization will be reviewed and confirmed.

This audit is currently in progress.

- **Internal Control Assessment**

Internal Audit is working on an internal control guideline assessment put forth by the North Dakota Office of Management and Budget. This is an overall assessment on processes for state agencies.

This assessment is currently in progress.

Retirement Program Audit Activities

- **TFFR Employer Salary Reviews**

Internal Audit examines employer reporting to the Teachers' Fund for Retirement (TFFR) to determine whether retirement salaries and contributions reported for members of TFFR are accurate and comply with the definition of salary as it appears in the TFFR Employer Guide. Other reporting procedures reviewed during the audit process are calculation of service hours and eligibility for TFFR membership. A written report is issued to Retirement Services after the review is completed.

Status of TFFR Employer Audits as of March 31, 2021:

- The Minot Employer audit was completed and the report issued Nov 2020.
- There are no other employer reviews in progress.

- **Salary Verification /Participant Data Review**

On an annual basis Internal Audit verifies retirement salaries and contributions reported to TFFR for the prior fiscal year for 65 randomly selected member accounts from 60 different employers. The sample was selected, notifications were sent for the required information, and information had been returned by the employers in the second and third quarters of 2019/20. The review of the information was scheduled to be completed in spring of 2020.

There was a delay in the start of Phase 2 and 3 of the review due to additional duties acquired by Internal Audit during the pandemic and the initiation of the PAS project. A majority of the audit field work occurred during the second and third quarters of fiscal year 2020-21.

This report for the completed review dated May 11, 2021 was issued to Retirement Services. The report is included in the May meeting materials.

- **Pension Administration System Upgrade**

The Supervisor of Internal Audit was a member of the PAS Committee. The RFP for hiring a consultant went out in June of 2020. The first two weeks of July, the Supervisor of Internal Audit helped evaluate the proposals that were received. A consultant, Segal, was selected and a contract was negotiated in October 2020. RIO then entered Stage I of the PAS project. Both the Supervisor of Internal Audit and the Internal Auditor participated in meetings with the Consultant during the months of November, December, and January.

Stage 1 of the Project was completed March of 2021. The consultant, Segal, completed the Benefits Communications Best Practices report – 10 Keys Framework Overview which was presented to the Audit Committee at the February 2021 meeting. The final two reports – Current and Future Business Model and Cybersecurity Assessments were issued and presented to the TFFR Board in March 2021. The reports are included in the May 2021 Audit Committee meeting materials for review and discussion at the May Audit Committee meeting.

RIO entered Stage 2 of the project during the months of April and May, staff has been working with the consultant on the development of the RFP for the new pension administration system software. The RFP should be issued at some time during the month of June 2021. RIO has maintained the established timeline set for the completion of Stages 1 and 2 of the PAS project.

Administrative Activities

The Supervisor of Internal Audit attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, three SIB meetings, and two TFFR meetings. The Internal Audit staff member attended the monthly RIO staff meetings, divisional meetings, two TFFR meetings and two SIB meetings.

Professional Development/CE/General Education

The Internal Auditor attended virtual training for IT Authentication and TEAMS phone training.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee
FROM: Sara Sauter, Supervisor of Internal Audit
DATE: May 20, 2021
SUBJECT: 2021 - 2022 Internal Audit Workplan

The following information details the proposed workplan for Internal Audit for 2021 – 2022. This workplan represents what Internal Audit anticipates will be accomplished in the upcoming fiscal year, however, needs and priorities may change and this workplan may require adjustments. Any anticipated changes will be discussed with the SIB Audit Committee as they are identified. Frequency, hours, and reporting are addressed where applicable. Internal Audit will allocate resources to the following audit activities during fiscal year 2022:

Primary Audit Responsibilities - Total Hours Allocated: 2,425	Hours
Teacher's Fund for Retirement (TFFR) Salary Reviews	700
TFFR File Maintenance Audit	210
TFFR Refund and Purchase Audit	160
TFFR Death Audit	110
Pension Administration System Project	400
Internal Control Assessment	115
Cash Management and Rebalancing Audit	200
Investment Confirmation Audit	100
Executive Limitation	210
Executive Limitation Audit	
SIB Customer Satisfaction Survey	
ED/CIO Effectiveness Survey	
SIB Executive Review Committee	
General Consulting	60
External Auditor Assistance	160

TEACHERS' FUND FOR RETIREMENT (TFFR) SALARY REVIEWS:

The primary purpose of employer salary reviews is to determine if the retirement salaries and contributions reported to TFFR by a participating employer are in compliance with the definition of salary as it appears in the North Dakota Century Code (N.D.C.C. § 15-39.1-04 (10)). Reported service hours and eligibility for TFFR membership are also verified. It should be noted that RIO has no legal responsibility to test the reporting by the employers. This testing is done as a service for the TFFR members.

TFFR Salary Review Notifications are sent to participating employers throughout the fiscal year based on anticipated production levels with approximately two to three employers notified at one time. Audit notifications are sent electronically to key personnel including the superintendent and business manager. The 2021-2022 audit plan includes performing TFFR Salary Reviews on the ten largest employers on a five-year cycle. The ten largest employers employ over half of the participants reported to the TFFR program. A total of 2 salary reviews are scheduled for the 2021-2022.

The Participant Data Review is intended to supplement other auditing activities. This project increases the number of participating employers included in overall audit activities and reinforces to our participating employers the

importance of accurate reporting. A total of 65 member accounts from 60 different employers will be randomly selected for further verification from all available participating employers except those employers who meet the following criteria: currently being audited by Internal Audit, have been notified of an upcoming audit by Internal Audit, have been audited by Internal Audit in the last twelve months, were selected for a GASB 68 Census Data Audit, or were included in the prior year salary verification project.

Total Hours Allocated: 700

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, SIB Audit Committee, and the TFFR Board

TFFR FILE MAINTENANCE AUDIT:

On an annual basis, Internal Audit of the Retirement and Investment Office (RIO) will review system generated (CPAS) audit tables to ensure transactions initiated by RIO staff are expected and appropriate given the role in the organization. The processes for entering information from Member Action Forms, Change of Address forms, and Point of Contact forms are also reviewed. A sample of members will be reviewed for each of the processes to verify the information on the form is the same as the information in the system.

Total Hours Allocated: 210

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Chief Financial Officer, Supervisor of Information Systems, SIB Audit Committee, and the TFFR Board

TFFR REFUND AND PURCHASE AUDIT:

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

Total Hours Allocated: 120

Audit Report Recipients: Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, Chief Financial Officer, Supervisor of Information Systems, SIB Audit Committee, and the TFFR Board

TFFR DEATH AUDIT:

The purpose of the audit is to ensure that the deaths of TFFR members were processed in a timely manner and that overpayment of benefits did not occur. If benefits were overpaid in error, Internal Audit verifies that overpaid amounts were recovered. Deaths opened as of July 2020 will be reviewed to ensure the proper documents are on file and that accounts are closed. Secondly, the deaths that occurred at fiscal year-end (June 2021) are reviewed to verify that benefit payments are suspended. Other information reviewed in the audit are the monthly North Dakota Vital Statics reports and the quarterly LifeStatus 360 reports.

Total Hours Allocated: 150

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Retirement Program Manager, SIB Audit Committee, and the TFFR Board

EXECUTIVE LIMITATION AUDIT:

On an annual basis, the Executive Director/CIO's compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies A-1 through A-11 is reviewed. The most recent calendar year is included in the audit. As a part of the Executive Limitation Audit process, Internal Audit facilitates a number of surveys. In December of each year, staff is asked to evaluate the Executive Director/CIO in the areas of leadership, communication, and valuing employees. In July of each year, Internal Audit facilitates a customer satisfaction survey which is administered to SIB investment clients. At the request of the SIB Executive Review Committee, Internal Audit will also facilitate and compile the results of the survey administered to members of the SIB each February as a part of their evaluation of the Executive Director/CIO.

Total Hours Allocated: 210

Audit Report Recipients: Executive Director/CIO, SIB Audit Committee, and SIB

INVESTMENT CONFIRMATION AUDIT:

A sample of investments will be selected and a confirmation letter will be sent to the investment manager and custodial bank. This will confirm that investment balances exist and that the investments are being reported accurately.

Total Hours Allocated: 100

Audit Report Recipients: Executive Director/CIO, Deputy CIO, Chief Financial Officer, SIB Audit Committee, and SIB

CASH MANAGEMENT AND REBALANCING AUDIT:

Internal Audit will conduct a review of procedures of the cash management and rebalancing of the investment allocations. The following procedures will be tested as part of this audit:

- Rebalancing of asset allocations sample
- Wire transactions
- Timeliness and accuracy of client requests
- Sample of bank fees
- Review of staff access and authorization

Total Hours Allocated: 200

Audit Reports Recipients: Executive Director/Chief Investment Officer, Deputy Chief Investment Officer, Chief Financial Officer, and SIB Audit Committee

INTERNAL CONTROL ASSESSMENT:

A formal internal control assessment of RIO has never been completed. Internal audit is working on an internal control guideline assessment put forth by the North Dakota Office of Management and Budget. This is an overall assessment on processes for state agencies. This assessment will be completed first, and then reviewed to determine where further action is needed.

Total Hours Allocated: 115

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Chief Financial Officer, Supervisor of Administrative Services, Supervisor of Information Systems, Retirement Program Manager, and SIB Audit Committee

EXTERNAL AUDITOR ASSISTANCE:

Internal Audit assists our external auditor, CliftonLarsonAllen (CLA), with a variety of tasks related to the annual financial audit. In particular, Internal Audit is responsible for notifying participating employers that they have been selected to participate in an upcoming GASB 68 Census Data Audit. Internal Audit is also responsible for ensuring any information requested from participating employers is provided timely to our external audit partners. Since CLA will not be onsite for preliminary fieldwork, Internal Audit will likely become more involved with the external audit assistance in preparing documents and gathering information.

Total Hours Allocated: 160

VENDOR DUE DILIGENCE:

Vendor due diligence is essential, not only to decrease threats to business operations and financial stability but also to reduce compliance risk and reputation risk. Vendor due diligence is not a onetime event and should be an ongoing process. Vendor due diligence will be reviewed on the third parties that RIO utilizes.

Audit Report Recipients: Executive Director, Deputy Executive Director/Chief Retirement Officer, Chief Financial Officer, Supervisor of Administrative Services, Supervisor of Information Systems, and SIB Audit Committee

CONSULTING:

PENSION SYSTEM UPGRADE ASSISTANCE:

Internal Audit staff has been a part of Stage 1 and Stage 2 of the Pension Administration System (PAS) upgrade. For the upcoming fiscal year, the Supervisor of Internal Audit will be a part of the evaluation team for the RFP and contract meetings. Internal Audit staff will also participate in the finalists' system demos. Stage 3 for the PAS upgrade is expected to start December 2021 and audit staff will also be involved in the implementation phase of the project.

Total Hours Allocated: 400

GENERAL CONSULTING:

Internal Audit has been embraced by many of the divisions within RIO and consulted with on various topics throughout the year. Consulting on a project, policy, or issue can be essential in mitigating risk in various areas.

Total Hours Allocated: 60

PORTFOLIO MONITORING PROCEDURES:

RIO staff has been working with Blackrock to implement a comprehensive risk management system using Blackrock's Aladdin system. This includes a module designed to monitor investment portfolios to ensure they remain within investment guidelines. This will give investment staff the opportunity to independently monitor investment guidelines and not be reliant on investment managers for notification if they are outside of the set guidelines. RIO has added additional investment staff and will be working on designing procedures to regularly monitor investment portfolios. Although guideline monitoring has been done sporadically in the past, it is considered a best practice in the industry to have a more consistent and specific process in place. Audit staff will help review procedures and provide feedback during the process.

Internal Audit will allocate resources to the following administrative activities during fiscal year 2022:

Primary Administrative Responsibilities - Total Hours Allocated: 1,735	Hours
Annual Leave, Sick Leave, and Holidays	695
Staff Meetings, Reporting, Email, and Records Retention	450
SIB Audit Committee, SIB, and TFFR Board Meeting	450
Preparation and Attendance	
Annual Audit Planning	60
Professional Development	80

ANNUAL LEAVE, SICK LEAVE, AND HOLIDAYS:

The staff auditor earns 192 hours of annual leave per year (16 hours per month). The Supervisor of Internal Audit earns 144 hours of annual leave per year (12 hours per month). The current workplan makes an allowance for each staff member to utilize 100 hours of sick leave per year. Given the nature of such leave it is anticipated that more or less leave could be utilized. During the course of the fiscal year, all state offices will close on ten observed holidays including New Year's Day, Martin Luther King Jr Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day.

Total Hours Allocated: 695

STAFF MEETINGS, REPORTING, EMAIL, AND RECORDS RETENTION:

Audit staff engages in numerous activities required to facilitate the day to day operations of both the department and the organization. Internal Audit participates in division staff meetings and organization wide staff meetings. Staff members also must manage electronic communication, complete time and general reporting activities, and ensure compliance with published records retention procedures.

Total Hours Allocated: 450

SIB AUDIT COMMITTEE, SIB, AND TFFR BOARD MEETINGS

The Supervisor of Internal Audit is required to prepare meeting materials for all SIB Audit Committee meetings. On some occasions, meeting materials are also required for SIB and TFFR meetings as Internal Audit provides quarterly updates to both of these boards. The Supervisor of Internal Audit attends (whenever possible) all SIB Audit Committee, SIB, and TFFR meetings. The staff auditor attends SIB Audit Committee meetings and TFFR Board meetings.

Total Hours Allocated: 450

ANNUAL AUDIT PLANNING:

Internal Audit completes audit planning activities on an annual basis. The agency risk assessment will be reviewed and adjusted depending on how risks have changed. The audit plan will be risk-based. An audit hours' budget and workplan are also created.

Total Hours Allocated: 60

PROFESSIONAL DEVELOPMENT

Professional development and continuing education opportunities are critical to continued professional success. All staff members of Internal Audit are members of the Institute of Internal Auditors (IIA). Staff members attend educational opportunities provided by our local IIA chapter when available. The IIA also offers free webinars to all IIA members throughout the year which cover a variety of auditing related topics. RIO is also a member of the Association of Public Pension Fund Auditors (APPFA). APPFA is working with the Public Pension Forum (P2F2) on providing virtual education in the fall. Staff is planning to attend the virtual training provided through the P2F2 annual conference. Staff will try to attend one or two-day training seminars offered by our local IIA chapter if and when such opportunities are available under current budgetary constraints.

Total Hours Allocated: 80

MEMORANDUM

TO: TFFR Board
FROM: Richard Nagel
DATE: July 14, 2021
SUBJ: Annual Technology Report

1. Member Online Portal

The Member Online Portal went live on January 31, 2018. As of July 1st, about 6,600 members have successfully logged in (4,600 actives and 2,000 retirees). RIO continues to communicate with member/employers to assist with any issues or questions they may have and encourage members to sign in.

2. Pension Administration Software (PAS) Project

Over the past year, RIO staff has worked closely with NDIR and our Consultant (Segal) in drafting and publishing the RFP to upgrade/replace our current PAS system. During this time, RIO also worked on two assessments with Segal: The 10 Keys to Communications and Cybersecurity. These assessments provided valuable feedback and baselines for RIO to gauge where the agency is today and how to improve our processes going forward.

3. RIO Website

The agency has replaced the old website with a more current site utilizing the State Website Platform. Users will notice the new site is more user-friendly and provides more security, features and functionality.

4. Hardware/Software Upgrades

Due to the COVID-19 pandemic, RIO had to adjust to new ways of conducting business. To make the transition easier, IT staff deployed 9 laptops, 7 desktops and supplied staff with headsets and/or webcams to allow them to take full advantage of Microsoft Teams and Teams voice. IT has been transitioning RIO staff over to the new version of Adobe Pro which provides them the ability to work with PDFs more fluently.

5. IT Security

Security is a priority for RIO/NDIT and we strive to ensure all data is secured and protected. The IT staff communicates with employees to stress the importance of security and what users can do to protect the agency, and themselves, from malicious attacks.

6. NDIT Unification Update

RIO will be joining NDIT Unification effective July 1, 2021. RIO's two IT staff members will transition under NDIT but will still support all RIO functions at this time. This unification allows RIO IT staff to have more resources, support and the opportunity to learn and grow in our professions.

MEMORANDUM

TO: TFFR Board
FROM: Denise Weeks
DATE: July 15, 2021
SUBJECT: Outreach Programs Update

Events completed

- Individual Benefit Counseling Sessions - Virtual
 - None held this last quarter due to retirement processing
- Group Benefit Counseling Sessions – Virtual
 - None held this last quarter due to retirement processing
- Spring Business Manager Workshop – Virtual
 - May 4, 2021 – TFFR presented on Employer Reporting
 - Hosted by the ND Association of School Business Managers
 - Over 100 attendees
- Model Analysis/Education – Virtual
 - 2 Schools
 - 20 attendees
- TFFR Retirement Education Workshop – In-Person
 - July 14, 2021 – Bismarck
 - Speakers presented on health insurance options, financial and estate planning, and TFFR benefits
 - 42 attendees

Upcoming events

- CTE Conference – In-Person
 - August 9-10, 2021 - Bismarck
 - Informational booth
 - TFFR staff to provide retirement benefit estimates and other TFFR information
- TFFR Individual Counseling Sessions - Virtual
 - Twice per month from July through November
- TFFR Group Counseling Sessions - Virtual
 - Sessions scheduled with the 15 biggest school districts in September through November
 - 2 statewide sessions scheduled for all school districts in December

MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha, Interim Executive Director – Chief Retirement Officer
DATE: July 16, 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 April 2021 through the current date:

- All Phase 1 Deliverables have been accepted by Staff.
- Phase 2 has been initiated (Procurement of Solution).
- 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 and review progress on interim recommendations.
- NDIT, Procurement, RIO staff, and Segal have conducted multiple meetings to respond to vendor questions and prepare for the RFP response review.
- The vendor solution RFP was issued June 1, 2021; responses are due July 21, 2021.
- The ESC approved contracting with Segal for assistance through Phase 3 of the PAS Project.
- A June TFFR Board retreat was held to discuss Fund Policy issues, pursuant to interim recommendations.

BOARD INFORMATION ONLY. No board action requested.

MEMORANDUM

TO: SIB/TFFR Board
FROM: Jan Murtha
DATE: July 20, 2021
RE: Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update at the respective Board meetings on staffing, agency organization and communication, and our move.

BOARD ACTION REQUESTED: Information Only

Item VI.A.



ND TFFR Board Education Materials July 2021

NDRIO team members Denise Weeks and Jan Murtha have been invited to participate as panelists in a NCTR Trustee Workshop on July 28, 2021 relating to pension system audits; specifically relating to a fiduciary's obligation to oversee pension system maintenance and the need for modernization. In lieu of Board reading materials and in recognition of the PAS vendor responses we will receive this week we are encouraging Board members to view this Workshop session. We will provide you a recording of that workshop when it's available.

There is still time to register for the event if any Trustee's are interested in participating in the full NCTR Trustee Workshop (virtual) next week. The event link is below:

<https://web.cvent.com/event/1d8db2c8-30f0-453e-9647-c60a7e04f631/summary>