

#### ND TFFR BOARD MEETING

Thursday, September 23, 2021, 1:00 p.m.
WSI Board Room (Virtual Meeting Host)
Teleconferencing – 701.328.0950 Participant Code – 704 006 902#
1600 E Century Ave, Bismarck, ND

#### **AGENDA**

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

- A. Executive Summary
- B. Introduction of New Trustee Jordan Willgohs
- II. ACCEPTANCE OF MINUTES (July 22, 2021)
- III. BOARD EDUCATION (30 minutes)
  - A. Board Education Trustee Fiduciary Responsibilities A.A.G. Dean DePountis
- IV. GOVERNANCE (60 minutes)
  - A. Public Pension Mortality Study Participation Jan Murtha
  - B. PAS Project Update Jan Murtha
  - C. Administrative Rules Implementation Update Jan Murtha/Denise Weeks
  - D. Member Outreach Update Denise Weeks
  - E. Executive Limitations/Staff Relations Jan Murtha
- V. REPORTS (60 minutes)
  - A. Annual TFFR Investment Report Eric Chin
  - B. Annual Budget and Expense Report Connie Flanagan
  - C. Annual Internal Audit Report Sara Sauter
  - D. TFFR Quarterly Monitoring Report Denise Weeks
- VI. Other Business (5 minutes)

A.Board Reading Materials - Material References Included

B.Next Meeting: TFFR Regular Board Meeting Thursday, November 18, 2021 at 1:00p.m.

VII. ADJOURNMENT

### **EXECUTIVE SUMMARY**

### TFFR Board Regular Meeting September 23, 2021 – 1 pm CT

I. Agenda: The September Board Meeting will be held at the WSI Conference room to accommodate in person attendance, however, a link will also be provided so that Board members and other attendees may join via video conference. The board member video link is included in the email with the Board materials. There will be a call in number for the public.

Trustee Appointments: Mr. Mickelson has been reappointed to the TFFR Board, and Mr. Willgohs has been appointed to fill the vacancy created by Ms. Gumeringer retiring.

- **II. Minutes:** The July 22, 2021 Board meeting minutes are included for review and approval.
- **III. Board Education:** Assistant Attorney General Dean DePountis will provide Board education on trustee fiduciary responsibilities.

#### IV. Governance:

- **A. Public Pension Mortality Study:** TFFR was asked to participate in data collection for the next public sector plans mortality study conducted by the Society of Actuaries. Ms. Murtha will provide the Board with information related to this request. Staff is requesting authorization for TFFR to participate in the study and to request assistance from our actuarial consultant (Segal) to assist with the data compilation and dissemination.
- **B. through E.:** 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, Administrative Rules implementation, and Exec Limitations and Staff Relations, including an outline on how the agency is addressing resource needs in the interim, and present strategic planning solutions to address future needs.
- **V. Reports:** The Board will receive the following quarterly and annual reports: annual investment update, annual budget and expense report, annual internal audit report, and quarterly TFFR Ends report.

### Adjournment



### **MEMORANDUM**

TO: TFFR Board FROM: Jan Murtha

DATE: September 17, 2021 RE: Trustee Appointments

Staff is pleased to share that Mr. Mickelson was reappointed to the TFFR Board.

Staff is also pleased to share that Jordan Willgohs was appointed to fill the vacancy created by Ms. Gumeringer retiring prior to the end of her term.

Mr. Willgohs is a Social Studies teacher at Cheney Middle School in West Fargo and represents active teachers on the TFFR Board.

Staff has initiated the trustee onboarding process.

Thank you Mr. Mickelson and Mr. Willgohs for your willingness to serve as trustees for the TFFR Program!

**BOARD ACTION REQUESTED: Information Only** 

### NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT MINUTES OF THE JULY 22, 2021 BOARD MEETING

**BOARD MEMBERS PRESENT:** Rob Lech, President

Mike Burton, Vice President Thomas Beadle, State Treasurer

Cody Mickelson, Trustee Mel Olson, Trustee

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

STAFF PRESENT: Jayme Heick, Retirement Programs Spec

Missy Kopp, Retirement Assistant Jan Murtha, Interim ED/CRO Sara Sauter, Supvr of Internal Audit

Darren Schulz, Interim CIO

Stephanie Starr, Retirement Programs Spec

Dottie Thorsen, Internal Auditor

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 1:07 p.m. on Thursday, July 22, 2021. The meeting was held at the State Capitol, Peace Garden Room, Bismarck, ND.

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

### **ACCEPTANCE OF AGENDA:**

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

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

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

**NAYS: NONE** 

MOTION CARRIED

**ABSENT: SUPT. BAESLER** 

#### **MINUTES:**

The Board considered the minutes of the April 22, 2021 TFFR Board meeting, June 3, 2021 Governance and Policy Review meeting, and June 17, 2021 Special TFFR Board meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO APPROVE THE APRIL 22, JUNE 3, AND JUNE 17, 2021, MINUTES AS DISTRIBUTED.

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

### **GOVERNANCE:**

### Trustee Appointments:

Ms. Murtha shared an update on appointments for the two active teacher trustee positions. ND United provided candidates to the Governor's office to fill the two active teacher trustee positions. Mr. Mickelson has indicated that he will continue to serve, but his reappointment has not been confirmed. Mr. Mickelson will continue to serve until the Governor's office confirms his reappointment. The Governor's office has also not chosen a new trustee for the open active teacher position.

Board discussion followed.

#### Election of 2021-22 Officers:

Pres. Lech opened the floor for nomination for officers of the TFFR Board.

MR. OLSON NOMINATED DR. LECH FOR PRESIDENT. WITH NO FURTHER NOMINATIONS, TREASURER BEADLE MADE A MOTION FOR A UNANIMOUS BALLOT, MR. OLSON SECONDED. MOTION MARRIED BY A ROLL CALL VOTE.

AYES: TREASURER BEADLE, MR. OLSON, MR. BURTON, AND MR. MICKELSON

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

MR. MICKELSON NOMINATED MR. BURTON FOR VICE PRESIDENT, WITH NO FURTHER NOMINATIONS, TREASURER BEADLE MADE A MOTION FOR A UNANIMOUS BALLOT, MR. OLSON SECONDED. MOTION CARRIED BY A ROLL CALL VOTE.

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPOINT PRES. LECH, MR. MICKELSON, AND MR. OLSON AS TFFR REPRESENTATIVES TO THE STATE INVESTMENT BOARD (SIB).

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

**NAY: NONE** 

**MOTION CARRIED** 

ABSENT: SUPT. BAESLER

IT WAS MOVED BY MR. BURTON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPOINT PRES. LECH TO THE SIB AUDIT COMMITTEE.

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

**NAYS: NONE** 

**MOTION CARRIED** 

ABSENT: SUPT. BAESLER

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPOINT MR. BURTON AS THE ALTERNATE REPRESENTATIVE TO THE SIB.

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

**NAYS: NONE** 

**MOTION CARRIED** 

ABSENT: SUPT. BAESLER

Recognition of Service for Estelle Kirchoffner and Ruby Benning:

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.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE RESOLUTION.

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

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.

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

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

### Annual SIB Customer Satisfaction Survey:

Pres. Lech will share the SIB Customer Satisfaction survey with Board members. After the survey is completed, Pres. Lech will compile the results. Ms. Sauter requested that the Board allow Pres. Lech to submit the results directly to the SIB after they are compiled.

Board discussion followed.

### Annual TFFR Program Review:

#### 1. Program Awards

Ms. Murtha shared information about the Recognition Award for Administration that was awarded to TFFR from the Public Pension Coordinating Council. This award recognizes TFFR for meeting professional standards for plan administration as set forth in the Public Pension Standards.

#### 2. Program Monitoring Summary

Ms. Murtha discussed the program monitoring summary. This summary illustrates how the board and staff have completed all the Ends requirements throughout the fiscal year. Board members pointed out an error with some of the dates and staff confirmed that those dates would be corrected. Board discussion followed.

### IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE PROGRAM REVIEW WITH AMMENDMENTS.

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

**NAYS: NONE** 

**MOTION CARRIED** 

ABSENT: SUPT. BAESLER

#### 3. Customer Satisfaction Reports

Ms. Murtha discussed the results of customer satisfaction feedback from TFFR outreach events, the ongoing customer comments cards, and stakeholder groups. Dr. Lech thanked RIO staff for the high level of customer service they provide. Board discussion followed.

4. Code of Conduct Policy Affirmations

Ms. Murtha discussed the annual affirmation of Code of Conduct policy which requires trustees to affirm that they have read and understand the Code of Conduct and Ethics policy and to disclose any conflicts of interest.

### Governance & Policy Review (GPR) Committee Report:

1. Program Policy Annual Review Recommendation

Ms. Murtha presented the recommendation from the GPR committee. The GPR committee will continue to work with staff on policy development and review during the 2021-22 fiscal year in compliance with Board Policy M.3 and implement the interim PAS project recommendations relating to policy review made by our consultant. The GPR committee will bring proposed policy amendments to the Board for consideration and approval on a rolling basis. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND APPROVED BY A VOICE VOTE TO APPROVE THE RECOMMENDATION FOR THE GPR COMMITTEE TO CONTINUE THE ANNUAL REVIEW AND TO BRING PROPOSED POLICY AMENDMENTS TO THE BOARD ON A ROLLING BASIS OVER THE 2021-22 FISCAL YEAR.

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

2. Proposed Program Policy Manual Amendments

The GPR committee recommended moving the Investment Policy Statement and Plan Management Policy to the new TFFR Board Program Manual. Both policies have recently been reviewed and approved by the Board but have not been placed in the new manual. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO MOVE THE INVESTMENT POLICY STATEMENT AND PLAN MANAGEMENT POLICY TO THE NEW TFFR BOARD PROGRAM MANUAL.

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

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. Proposed Changes were provided. Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO THE APPROVE THE PROPOSED CHANGES TO THE TFFR INVESTMENT POLICY STATEMENT.

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

**NAYS: NONE** 

#### **MOTION CARRIED**

**ABSENT: SUPT. BAESLER** 

3. In-Staff Subbing Policy Update and Recommendation
Ms. Murtha summarized the actions taken by the Board to suspend the In-Staff Subbing Policy in relation
to reemployed retirees in January 2021. That suspension expired on July 1, 2021. A survey was sent to
TFFR Employers to collect data about their utilization of reemployed TFFR retirees for in-staff subbing.
Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO CONTINUE THE SUSPENSION OF THE IN-STAFF SUBBING POLICY, AS IT APPLIES TO REEMPLOYED RETIREES, UNTIL GPR REIVEW AND BOARD ACTION.

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

#### **REPORTS:**

### **Quarterly Investment Update:**

Mr. Schulz shared an investment update for the periods ended March 31, 2021. TFFR investments averaged approximately \$2.5 billion the last five years and excess returns have averaged roughly 0.34% per year. TFFR's use of active management has enhanced net investment returns by roughly \$42 million for the five years ended March 31, 2021. These returns were achieved while adhering to prescribed risk limits and positive risk adjusted returns. Except for private infrastructure, actual asset allocations are within 3% of target as of March 31, 2021.

Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE QUARTERLY INVESTMENT REPORT.

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

**NAYS: NONE** 

AID. NONE

MOTION CARRIED

**ABSENT: SUPT. BAESLER** 

Break: 2:40 p.m. – 2:51 p.m.

#### Annual Technology Report:

Mr. Nagel provided the annual technology report. As of July 1, 2021, about 6,600 TFFR members have successfully logged into the Member Online Portal. RIO staff continue to provide members and employers with assistance as issues or questions arise. Staff have worked with NDIT and the consultant on the PAS project. The RIO website was replaced with a more current site utilizing the state website platform. The new site is more user-friendly and provide more security, features, and functionality.

IT staff provided hardware and software updates throughout the year. Communication has been shared with staff stressing the importance of security and educating users about how to best protect from malicious cyber-attacks.

Effective July 1, 2021, RIO is joining NDIT unification. RIO's two IT staff members will transition under NDIT but will continue to support RIO functions. This unification allows RIO IT staff to have more resources, support, and the opportunity to learn and grow in their professions. Board discussion followed.

### IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE ANNUAL TECHNOLOGY REPORT.

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

**NAYS: NONE** 

**MOTION CARRIED** 

**ABSENT: SUPT. BAESLER** 

### **Quarterly TFFR Ends:**

Ms. Weeks shared the TFFR Ends monitoring report for the quarter ended March 31, 2021. The report highlights exceptions to normal business operations. HB 1174 passed related to TFFR Required Minimum Distributions. Staff and the Board began the Administrative Rule Promulgation process to address assumption changes. The TFFR Board suspended the in-staff subbing policy as it applies to reemployed retirees for the remainder of the fiscal year. Staff conducted outreach via electronic methods. Virtual sessions were conducted for members and employers. Board discussion followed.

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

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

**NAYS: NONE** 

**MOTION CARRIED** 

ABSENT: SUPT. BAESLER

### **Audit Reports**:

Ms. Sauter shared the Internal Audit (IA) report for the quarter ended March 31, 2021. IA completed an employer salary review of Minot and issued the report in November 2020. The Salary Verification/Participant Data review report was issued to Retirement Services in May 2021. Ms. Sauter has participated in the PAS project throughout the process. Board discussion followed.

### IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE QUARTERLY AUDIT REPORT.

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

**NAYS: NONE** 

**MOTION CARRIED** 

ABSENT: SUPT. BAESLER

#### **OPERATIONS:**

### Member Outreach Update:

Ms. Weeks provided an update on outreach activities. Staff provided a presentation on employer reporting during the Spring Business Manager Workshop in May 2021. Two model analysis presentation were provided to two schools. A

Retirement Education Workshop was held in Bismarck in July 2021. Speakers presented information on health insurance options, financial and estate planning, and TFFR benefits. Upcoming outreach events include the Career & Tech Ed Conference, virtual individual counseling, and virtual group counseling. Board discussion followed.

### Pension Administration System (PAS) Project Update:

Ms. Murtha provided an update on the PAS project from April 2021 until the current date. All Phase 1 deliverables have been accepted by staff and Phase 2, procurement of solution, has been initiated. Staff continue to meet twice per month to discuss operation items and conduct trainings. Staff have worked to respond to vendor questions and prepare for the Request for Proposal (RFP) response review. The vendor solution RFP was issued on June 1, 2021 with responses due on July 21, 2021. The Executive Steering Committee approved contracting with Segal for assistance through Phase 3 of the PAS project. Board discussion followed.

### Executive Limitations/Staff Relations:

Ms. Murtha provided an update on RIO staffing and operations. Estelle Kirchoffner and Ruby Benning have both announced their retirements. Weekly meetings are being held to aid in the IT unification transition. Staff meetings are occurring twice per month to aid in agency communication. The executive team is meeting weekly. They have rolled out an interim plan to cover staff openings. The first step in a reorganization plan will be shared with staff and the Board in August. Board discussion followed.

Ms. Murtha shared information about the upcoming NCTR virtual workshop and encouraged Board members to attend.

### **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



# Fiduciary Responsibility

Dean DePountis September 2021

## Terminology

### Trust

A legal entity created by a grantor for the benefit of designated beneficiaries.

### Grantor, aka settlor, funder, trustor, or sponsor

Creates and establishes the terms of the trust.

### Beneficiaries

Those who benefit from the trust.

### Trustees

- Those who oversee asset management and benefit distributions in accordance with the plan documents.
- Trustees are fiduciaries.

### Plan documents

Memorialize the intent of grantor.

## Trust, sponsor, and beneficiaries

"There is hereby created the teachers' fund for retirement..." N.D.C.C. 15-39.1-01

"The primary objective of the teachers' fund for retirement is to provide income security to retired teachers."

N.D.A.C. 82-01-01-01(1)(a)

"Teacher means: ..."
N.D.C.C. 15-39.1-04

The retirement plan is the trust, North Dakota is the sponsor, and teachers are the beneficiaries.

### Trustee

"The authority to set policy for the fund rests in a board of trustees composed as follows: ..."

N.D.C.C. 15-39.1-05.1

The board "[h]as the powers and privileges of a corporation"...and..."[s]hall establish investment policy for the trust..."

N.D.C.C. 15-39.1-05.2

"The board may adopt such rules as may be necessary to fulfill the responsibilities of the board."

N.D.C.C. 15-39.1-07

The Board is the trustee.

### Plan Documents

- North Dakota Century Code Chapter 15-39-1;
- North Dakota Administrative Code Title 82;
- TFFR Board Program Manual;
- Internal Revenue Code section 401(a) Applicable to governmental plans.

# What is a fiduciary?

A fiduciary is a person, "who occupies a position of such power and confidence with regard to the property of another that the law requires him to act solely in the interest of the person whom he represents.... [T]hey may be contrasted with persons in an ordinary business relationship, in which each party is free to seek purely personal benefits from his transactions with the other."

Encyclopedia Britannica

## Who is a fiduciary?

- Agents, executors and administrators, trustees, guardians, and officers of corporations are fiduciaries;
- Accountants, attorneys, and bankers are fiduciaries;

TFFR Board members are fiduciaries.

Fiduciaries are charged with fiduciary duty.

# Fiduciary Duty

- Fiduciary responsibility has been called the most important duty imposed by law.
- Fiduciary law has a long history: recognized in Roman law, British common law, American common law, and developed by courts over hundreds of years.
- ERISA (1974), a federal law, clarified trust law as it applied to private sector pension funds.
- Although ERISA does not apply to public pension funds, it provides best practices that inform public pension fund fiduciary behavior.

# Fiduciary Responsibilities

Duty of Loyalty

Duty of Prudence

Duty to Follow the Law and Plan Docs

# **Duty of Loyalty**

"Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the marketplace. Not honesty alone, but the punctilio [i.e., a careful observance] of an honor the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty by the 'disintegrating erosion' of particular exceptions. Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd."

Justice Benjamin N. Cardozo, United States Supreme Court

# **Duty of Loyalty**

A fiduciary shall discharge his duties with respect to the plan <u>solely</u> in the interest of members and beneficiaries and for the <u>exclusive purpose</u> of providing benefits and defraying reasonable expenses of administering the plan.

"As a qualified employee pension plan, all assets of the fund are held in trust for the exclusive benefit of members and their beneficiaries. Fund assets may not be diverted or used for any purpose other than to provide pension benefits and other incidental benefits allowed by law."

N.D.A.C. 82-01-01-01(1)(c)(2)

## **Duty of Loyalty**

Duty to employ good governance - transparency and accountability

- Open meetings
- Communication

### Conflicts of Interest

- The standards concerning conflicts of interest originate from the common law duty of loyalty.
- Dealing with conflicts:
  - Avoid conflicts of interest;
  - Disclose unavoidable conflicts of interest;
  - Mitigate conflicts of interest;
  - Adopt and follow a Code of Ethics that defines standards of conduct.

# Settlor vs. Fiduciary Functions

- Examples of settlor functions
  - Creating, amending, or terminating a plan, or benefits within the plan.
- Examples of fiduciary functions
  - Managing the plan, plan assets, or administering benefits
- An individual may have two roles as a board member and as an official or employee of the plan sponsor.
  - Awareness of which role you are performing is critical
  - Trust assets cannot be used for costs relating to settlor purposes (e.g. accounting requirements imposed on employer, plan design, etc.)
  - Costs of implementing settlor decisions may be payable from the plan

# **Duty of Prudence**

- Requires that fiduciaries discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
- Requires conscientious processes in all decision-making by:
  - Understanding the facts
  - Investigating the options
  - Seeking expert advice and questioning those experts if their advice is not clear
- The law requires process more than outcome and prudence rather than perfection.

## Duty to Follow the Law and Plan Docs

- Fiduciaries have a duty to administer the plan in a fair and impartial manner.
- In doing so, they must consider:
  - Plan provisions
  - Statutes, rules, and ordinances
  - Federal laws
  - Legal opinions
  - Common law concepts

## Fiduciary Liability

- Fiduciary liability means personal liability for losses
  - Restoration of profits
  - Additional civil penalties and\or injunctions
  - Potential criminal penalties for willful violations
- Co-Fiduciary Liability
  - Knowledge of another fiduciary's breach coupled with inaction is a breach of fiduciary duty
  - Courts have held that fiduciaries have a duty to speak up and try to prevent or remedy the breach

# Mitigating Fiduciary Risk

- ✓ Establish, follow, and document prudent processes
- ✓ Maintain good governance structure
  - Thorough decision-making processes
  - Rigorous risk identification and management
  - Clearly defined and understood roles and responsibilities
- ✓ Perform on-going oversight
- ✓ Establish appropriate reporting and disclosure
- ✓ Periodically review procedures and processes; revise as needed
- ✓ Offer orientation and continuing education
- ✓ Obtain independent expert advice law, actuarial, benefits, investments, audits

# Still More Fiduciary Risk Mitigation

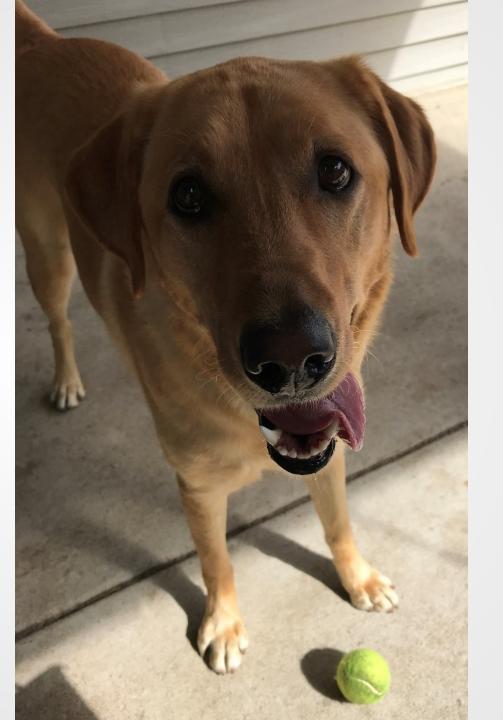
- ✓ Become familiar with the qualifications and reputation of the key service providers
- ✓ Verify service provider contracts provide for indemnification
- ✓ Read the law, rules, regulations and key policy documents governing the plan
- ✓ Require transparency and accountability
  - Benchmark operations to best practices
  - Conduct board self-evaluations
  - Adopt a culture of good governance and high ethical standards

# Almost Done with Fiduciary Risk Mitigation

- ✓ Diligently prepare for and attend all board and committee meetings
- ✓ Establish an internal control framework, including an Audit Committee
- ✓ Review on a regular basis the efficiency and effectiveness of the system's success in meeting its goals
- ✓ Conduct an annual Board self-assessment

## Summary

- Fulfill Duty of Loyalty
- Effect Duty of Prudence
- Follow Plan Documents
- Act in good faith in the best interest of plan participants and beneficiaries
- When in doubt, seek the advice of experts
- Maintain independence and objectivity by avoiding conflicts of interest



Thank you!

### **MEMORANDUM**

TO: TFFR Board

FROM: Jan Murtha, Interim Executive Director – Chief Retirement Officer

DATE: September 22, 2021

**RE:** Public Pension Mortality Study Participation

TFFR was asked to participate in data collection for the next public sector plans mortality study conducted by the Society of Actuaries. The full data request is included in the materials.

Matt Strom, one of TFFR's actuaries from Segal provided the following information relative to this request:

"In January 2019, the Society of Actuaries' (SOA) Retirement Plans Experience Committee (RPEC) released the Pub-2010 Public Retirement Plans Mortality Tables. These mortality tables were the first series that were based exclusively on public-sector pension plan experience (from 2008 through 2013) and included table variations to use for public safety, teachers, and general employees. In fact, TFFR was one of the teacher retirement systems that provided census data that went into the creation of Pub-2010. The SOA and RPEC are in the process of soliciting data requests for an update to the Pub-2010 tables, which involves collecting data from 2014 through 2020 for as many systems that are willing to participate. The more systems that participate and the larger the underlying dataset, the more robust and reliable the base mortality tables will be."

Staff is requesting authorization for TFFR to participate in the study and to request assistance from our actuarial consultant (Segal) to assist with the data compilation and dissemination. As noted, TFFR participated in the prior study and has an interest in the development of reliable mortality tables applicable to the public sector. In speaking with our actuaries we learned that Segal also assisted TFFR with the file submission in the prior study. Given the limitation on our staff resources at this time staff would be unable to provide the requested data within the specified timeframes without the assistance of our actuary consultant. TFFR received an extension of the deadline to opt in to the study so that this decision could be brought to the Board.

BOARD ACTION REQUESTED: Approve participation in Mortality Study and authorize staff to contract with Segal (actuarial consultant) to assist with the file submission.



### 2014-2020 Public Pension Mortality Data Request

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### **Request for Data Contributions**

The Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC) is requesting mortality experience data for members of public pension plans for plan years ending in 2014 or later, with as many years as can be provided up through 2020. Your system's participation is important, as the more data collected, the more robust RPEC's analysis will be.

### Purpose of the Data Collection

RPEC plans to use the collected data to complete an update to the SOA's <u>Pub-2010 Public Retirement Plans</u> Mortality Tables published in 2019. The goals of this update are to:

- develop updated SOA mortality tables based on public-sector pension plan experience;
- provide new insights into the composition of sex-specific mortality by factors such as job category (e.g. Teachers, Public Safety, General), salary/benefit amount, health status (i.e. healthy or disabled), and duration since event;
- analyze how factors such as geographic location, postretirement medical coverage, and Social Security participation affect public pension mortality; and
- compare recent mortality experience to previously published mortality tables.

The SOA has partnered with LIMRA (see <u>Appendix C</u>) for the data validation and compilation phase of this project. SOA staff and LIMRA staff will validate, compile and aggregate the data collection in this request. The aggregated data will be used by RPEC to develop updated public retirement plans mortality tables.

#### Form of Data Contributions

A detailed description of the data request documents can be found in Appendix A. For each plan for which data will be provided, please complete the attached Plan-Level Data Elements worksheet by following the accompanying instructions. There are two possible layouts for contributors to choose from to submit member-level data:

- Layout 1: Provide one record per member for the entirety of the requested 2014 to 2020 data period, including annual updates of member status, salary (for actives), and pension amount (for retirees).
- Layout 2: Provide up to eight annual snapshots of census data with a unique identifier<sup>1</sup> for each member that will allow information from different years to be linked across the requested 2014 to 2020 data period.

For those contributors that have access to data for more than one plan, please provide data for as many plans as possible. We are requesting data for as many years as are available for 2014-2020.

<sup>&</sup>lt;sup>1</sup> For privacy reasons, this should not be the member's Social Security Number or any other identification number that would be officially considered Personally Identifiable Information.

If your plan has a calendar-year census date, please submit data using as many of the following census dates as feasible:

- December 31, 2013 (or January 1, 2014)
- December 31, 2014 (or January 1, 2015)
- December 31, 2015 (or January 1, 2016)
- December 31, 2016 (or January 1, 2017)
- December 31, 2017 (or January 1, 2018)
- December 31, 2018 (or January 1, 2019)
- December 31, 2019 (or January 1, 2020)
- December 31, 2020 (or January 1, 2021)

For non-calendar-year plans, please provide census information for up to eight consecutive annual census dates, with the first census date in calendar year 2013 at the earliest and the last census date in calendar year 2020 at the latest. For example, a plan that has a July 1 to June 30 plan year should submit census information as of as many of the following dates as feasible:

- June 30, 2013 (or July 1, 2013)
- June 30, 2014 (or July 1, 2014)
- June 30, 2015 (or July 1, 2015)
- June 30, 2016 (or July 1, 2016)
- June 30, 2017 (or July 1, 2017)
- June 30, 2018 (or July 1, 2018)
- June 30, 2019 (or July 1, 2019)
- June 30, 2020 (or July 1, 2020)

If you are not able to provide data for this full period for a particular plan, please let us know what period is feasible.

Once Layout 1 or Layout 2 has been selected, please provide information for plan members according to the "Data Elements – Member" worksheet for that layout by following the accompanying instructions document. For some data fields, we have indicated "See List of Codes" in the "Format" column. For these fields, please provide data by choosing an item from the appropriate list in the attached "Code Guide for Fields" spreadsheet. Finally, a template in Excel with sample data has also been provided.

We recognize that mortality data submitted for the year 2020 may be impacted by the novel coronavirus SARS-CoV-2, which caused the COVID-19 pandemic. RPEC will examine data within this time-period and may include or exclude that data in the mortality table development. RPEC intends to include a commentary on this analysis in the final mortality table report.

#### Important Dates

Your timely voluntary data submission is a valuable contribution to this table development effort. We request that you provide your data, as described in the following section, no later than **November 15**, **2021**. Please reply to Patrick Nolan at pnolan@soa.org or (847) 273-8860 by **September 17**, **2021** if you

expect to supply data for this study. If you would like to contribute but find that this timing is challenging, please contact Patrick.

#### **Data Transmission Instructions**

The SOA has partnered with LIMRA to validate, compile and aggregate the data for this effort. When you are ready to submit your data, please send an email to <a href="mailto:SOADataTransmissions@limra.com">SOADataTransmissions@limra.com</a> and LIMRA will send you a secure link to facilitate the data transmission.

#### **Project Outputs**

The outputs of this project may include one or more of the following, all of which may be made publicly available:

- a detailed mortality table development report with analysis and commentary;
- mortality tables based on the experience data for relevant subsets of the data as determined by the SOA and/or RPEC;
- dataset(s) containing the aggregated mortality experience collected for the purpose of this effort.
   The datasets will be made available in Excel files, text files or other formats. Any published experience data will not contain confidential contributor-level information; and
- other outputs as determined by the SOA and/or RPEC.

#### Benefits to Data Contributors

Data contributors whose data is retained for inclusion in the table development<sup>2</sup>, will receive the following benefits in exchange for their data submissions:

- their experience data will be part of a set of industry-level mortality tables that will benefit the public pension plan community; and
- confidential dataset(s) of their contributed data in the same format as any final, published dataset(s).

#### Data Access, Ownership and Retention

The SOA and LIMRA have partnered together to collect and process experience data for this effort. The data collected under this partnership will be processed and housed within LIMRA's existing study data infrastructure. The agreement between the SOA and LIMRA includes provisions to ensure the data is kept secure and confidential. Only SOA and LIMRA staff directly involved with the project will have access to the original data. SOA volunteers working on the experience analysis and table development will not have access to original data. For more information on LIMRA's information security program, please see the LLG (LIMRA) Governing Information Security Policy in the Appendix D.

The SOA and LIMRA will create aggregated datasets from the original data contributions for the purpose of completing this effort. These aggregated datasets will not contain any personally identifiable

<sup>&</sup>lt;sup>2</sup> The SOA and LIMRA will make reasonable efforts to cleanse, validate and include all contributors' data into the table development. In situations where it is deemed to be too costly, in terms of time and resources, to get a data submission into an acceptable state to be included in the table development, the data will be excluded from the table development. Contributors will be notified of any decision to exclude their data submission from the table development.

information (PII). All aggregated datasets compiled by the SOA and LIMRA from the original data contributions will be the property of the SOA and LIMRA. Only SOA staff, LIMRA staff, or contracted independent consultants will have access to contributor-level data. The aggregated datasets may be used for future efforts, as deemed appropriate by the SOA or LIMRA.

#### Appendix A – Data Request Description

There are several files included in this data request package. The narrative below can be used as a guide to these files and steps to compile and submit data for this project. To submit data, the following items should be sent simultaneously.

#### Required

- Plan-Level Data Elements worksheet (one per plan)
- Census file(s) of member data as described in "Member-Level" below

#### Optional

- Contributor Audit Checks worksheet (one per plan)
- Lagged Death Reporting data (if required)

#### Plan-Level

For each plan, please complete and submit the *Plan-Level Data Elements.xlsx* worksheet. This is a questionnaire to gather information that will be used to categorize plans and interpret the data that is being provided.

Instructions for completing this questionnaire can be found in the accompanying *Instructions for Plan-Level Data Elements.docx* file.

#### Member-Level

Enclosed are files for "Layout 1" and "Layout 2" as described above in the "Form of Data Contributions" section. For the chosen layout, see the *Data Elements – Member.xlsx* spreadsheet for the list of information to be provided for each member. Some fields are required and others are optional. The grid at right for each file identifies which information is critical for members of each possible status classification.

Sample data have been included in the accompanying *Excel Template and Sample Data.xlsx* workbook.

Detailed instructions for providing information for each requested data field can be found in the *Instructions for Data Elements – Member.docx* file.

Some data fields have limited acceptable values and have the comment "See List of Codes" in the format column. For these fields, please see the *Code Guide for Fields.xlsx* spreadsheet.

#### **Review and Supplemental Files**

Item #17 of the Plan-Level Data Elements worksheet asks whether some deaths during the requested 2014-2020 data period would not be reflected in the data from the final census date for reasons such as reporting lag. If such records are identifiable from subsequent census updates, please provide these deaths along with your submission using the *Lagged Death Reporting – Example.xlsx* spreadsheet, or alternatively correct/update these records in your submission.

Contributors are encouraged to complete the *Contributor Audit Checks.xlsx* spreadsheet, which can be filled in with statistics for each plan. The purpose of this spreadsheet is two-fold. First, it can serve as a mechanism for contributors to identify suspicious record counts, death counts, salary counts, or benefit amounts in their data prior to submission. Second, it will provide a cross-check for the data processor and RPEC that may reduce the need for data questions later in the process. Completing the Contributor Audit Checks worksheet is optional but could prove to be very helpful in processing a submission.

The *Commonly Asked Data Questions.docx* document contains a listing of some frequent data issues from past studies that have required resolution at the individual member level. It is recommended that contributors check for these data issues and either apply fixes to the affected records or provide processing guidance prior to submitting. Please note that this is not an exhaustive list of the checks that will be performed or data questions that could be asked.

#### Appendix B – About The Society of Actuaries

With roots dating back to 1889, the Society of Actuaries (SOA) is the world's largest actuarial professional organization with more than 31,000 members. Through research and education, the SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal challenges. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policymakers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follow certain core principles:

**Objectivity:** The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

**Quality:** The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and nonactuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

**Relevance:** The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

**Quantification:** The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

Society of Actuaries 475 N. Martingale Road, Suite 600 Schaumburg, Illinois 60173 www.SOA.org

#### Appendix C – About LIMRA

Established in 1916, LIMRA is a research and professional development not-for-profit trade association for the financial services industry. More than 600 insurance and financial services organizations around the world rely on LIMRA's research and educational solutions to help them make bottom-line decisions with greater confidence. Companies look to LIMRA for its unique ability to help them understand their customers, markets, distribution channels and competitors and leverage that knowledge to develop realistic business solutions.

Visit LIMRA at www.limra.com.

#### Appendix D - LLG Governing Information Security Policy

LLG Information Technology has created and maintains a comprehensive information security program called Governing Information Security Policy for LLG. This program covers information security, risk assessment, and privacy for all LLG IT activities. The program ensures that LLG has in place adequate technical, administrative, and physical safeguards to protect sensitive information. LLG's Chief Information Security Officer is the owner of the program document, and reviews and updates it annually.

#### 1. Zero Trust Architecture Model

LLG's security model is centered on the belief that devices are not to automatically trusted inside or outside our perimeters. All connections must verify and continually be verified they meet a defined set of requirements before being granted access as well as ongoing access.

#### 2. Physical Security

LLG has industry best practice physical controls to protect staff, information, and guard against intrusion theft, damage, and unauthorized access. A badge reader system controls access to LLG's facilities, computer rooms, and areas where sensitive information is stored. Employees, contractors, and consultants have photo ID badges, that must be prominently displayed. Visitors and third parties must be provided with badges that are prominently displayed at all times during their use of LLG's buildings. LLG IT maintains procedures to ensure that computer and communications rooms are secured and protected from fire.

#### 3. Data Storage

The physical storage location of data is Windsor, CT. The core physical infrastructure that includes physical hardware asset management, security, data protection, and networking services is managed by LLG staff. All systems are managed, monitored, and operated by LLG.

#### 4. End-Point Protection

LLG Information Technology department develops, maintains, and revises as needed, a manual of procedures that govern the following:

- Use of software to protect the computing environment from viruses and other malicious tools
- Updating the computing environment with "patches" for known vulnerabilities
- Restricting the ability of unprotected systems to access the environment
  - o Installed and running on all LLG connected computers is an industry approved end-point protection software program that is updated regularly. Definitions are set to update daily.

#### 5. Firewalls

LLG utilizes next-generation firewalls to inspect all traffic including applications, threats, and content. The next-generation firewalls provide LL Global the ability to:

- Securely enable applications, users, and content by classifying all traffic.
- Apply security policies to block known vulnerability exploits, viruses, ransomware, spyware, botnets, and other unknown malware, such as advanced persistent threats.
- Protect our network by segmenting data and applications and enforcing the Zero Trust principle.
- Provide centralized visibility and streamline network security, making data actionable to prevent successful cyberattacks.
- URL filtering for outbound connections to prevent access to inappropriate websites.
- Malware analysis and reporting via a cloud-based analysis service that provides detailed analysis and reporting on malware that passes through the firewall.

#### 6. Network Zoning

LLG isolates critical network segments. Virtual machines are one network segment, databases are another, etc.

#### 7. Access Controls

LLG has a comprehensive Access Control Policy that governs access control standards within processing systems and LLG networks, for user registration and privilege management, and for password use and management. This policy also contains requirements and safeguards associated with mobile technologies.

To access LLG computer network and business applications, all users must authenticate with a single unique user ID and a personal secret password managed through Active Directory. Each computer and communication system user ID uniquely identifies only one user. Shared or group user IDs are not created or used. User passwords have strength Requirements and must be changed every 90 days for LLG systems.

#### 8. Least Privilege

LLG adheres to the principle of least privilege. The computer and communications system privileges of all users, systems, and programs are restricted based on the need to know. Special system privileges, such as the ability to examine the files of other users, are restricted to those directly responsible for system management and/or systems security. The number of privileged user IDs is strictly limited to people who absolutely need such privileges for authorized business purposes.

System administrators who manage computer systems with more than one user will have at least two user IDs, one that provides privileged access and is logged, and the other that provides the privileges of a normal user for day-to-day work.

#### 9. Default System Configuration

LLG disables and does not use default or vendor accounts.

#### 10. Recertification of Access

LLG recertifies users access accounts on a quarterly basis.

#### 11. Connection to LLG Network

LLG network does not permit anyone to physically connect a personal computer or device to the network. All computers and devices that physically connect to the LLG network are owned, configured, and maintained by LLG. LLG does have a smartphone Bring Your Own Device policy, but devices covered under this policy, are configured only for e-mail access and do not connect to the LLG network.

TO: TFFR Board

FROM: Jan Murtha, Interim Executive Director – Chief Retirement Officer

DATE: September 17, 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 July 2021 through the current date:

- All Phase 1 Deliverables have been accepted by Staff.
- Phase 2 has been initiated (Procurement of Solution).
- The ESC approved contracting with Segal for assistance through Phase 3 of the PAS Project.
- Due to the need to prioritize resources for succession planning and all agency communication, Retirement Services staff reduced the frequency of meetings to discuss operation items and PAS related topic review from bi-monthly to monthly. Issue specific trainings to identify areas of improvement for both applicable processes and recommendations for changes to the law will resume once vacancies in the division have been filled.
- NDIT, RIO staff, and Segal meet weekly to discuss PAS project status and review progress on interim recommendations.
- The vendor solution RFP was issued June 1, 2021; responses were due July 21, 2021.
- Vendor responses were received, reviewed, and an initial analysis was conducted.
- Full day vendor demonstrations were held at the start of September and attended by multiple RIO team members from the Retirement Services, Internal Audit, and Fiscal Divisions, as well as by several NDIT staff members.
- The ESC is scheduled to meet on September 21, 2021 to review and discuss responses.
- Any further updates will be provided at the TFFR meeting.

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

TO: TFFR Board

FROM: Jan Murtha, Interim Executive Director – Chief Retirement Officer

DATE: September 17, 2021

**RE:** Admin Rules – Actuarial Assumptions Update

At its March 25, 2021 meeting, the Board approved the proposed amendments to administrative rules and directed staff to proceed with the rules promulgation process. This process was completed in June 2021. Staff appeared before the Administrative Rules Committee on June 8, 2021. No objections to the rules were received and the rule changes went into effect July 1, 2021.

Given that the majority of rule changes implemented the actuarial assumption changes approved by the Board is was necessary to update our pension system to process requests in accordance with the assumption changes. Due to the age and limited functionality of our current system and our staff resource limitations, the work needed to implement these changes took several months. Staff expects that testing on the assumption changes within the system will be complete by the end of September.

During the testing and implementation period, service purchase requests were suspended because they could not be processed with the new actuarial assumptions. Employers were notified of this period of suspension and asked that this information be shared with active membership. Staff indicated that we anticipated service purchase requests could be processed again beginning October 1, 2021.

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

TO: TFFR Board

FROM: Denise Weeks

DATE: September 23, 2021

**SUBJECT: Outreach Programs Update** 

Len Wall and Rich Nagel, NDIT, provided the Benefits Counselors an online scheduling tool for members to schedule individual benefit counseling appointments without calling NDRIO staff. This has been very helpful especially since we are currently short staffed. Members are able to see the Counselors schedule and their availability.

#### **Events completed in August and September**

- CTE Conference In-Person (Jayme Heick and Stephanie Starr)
  - o August 9-10, 2021 Bismarck
  - Informational booth
  - o TFFR staff provided retirement benefit estimates and other TFFR information
- TFFR Individual Counseling Sessions Virtual (Jayme Heick and Stephanie Starr)
  - August 4<sup>th</sup>, 18<sup>th</sup>, and September 15<sup>th</sup> as well as by appointment
- Model Analysis/Education Virtual (Denise Weeks and Tami Volkert)
  - o 1 School
  - September 14, 2021

#### **Upcoming events**

- TFFR Individual Counseling Sessions Virtual (Jayme Heick and Stephanie Starr)
  - Every month from July through November
- TFFR Group Counseling Sessions Virtual (Jayme Heick and Stephanie Starr)
  - Sessions scheduled with the 15 biggest school districts in September through December
  - 2 statewide sessions for all school districts
- Presentation by Jan Murtha, Denise Weeks, and Tami Volkert at NDSBA Conference
  - o October 29, 2021
  - Employer Reporting issues and education

Please note: Due to staffing limitations, we are open to the public by appointment only. NDRIO staff are also in the process of updating our phone system to allow for more effective and efficient options when calling in.



TO: TFFR Board FROM: Jan Murtha

DATE: September 17, 2021

**RE:** Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update to the TFFR Board on agency efforts to address current and future organizational risk through strategic planning. Including updates on the following topics:

1. **Facility Move:** RIO is still moving to WSI in 2021, but to a different space in the building. The "new" space doesn't require remodeling to add a reception area, and reduces the number of months the agency will pay rent at its current and future location. This change in space will result in an ongoing cost savings from our current location and allows us to save contingency fund dollars.

#### 2. Current Procurement Activities including:

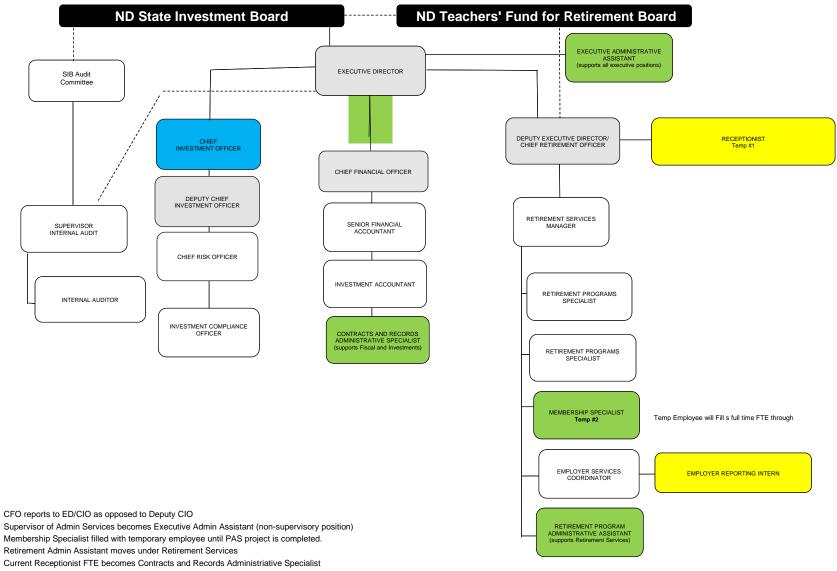
- PAS Project The project continues to operate on schedule. Responses to the vendor RFP have been received and reviewed. Successful vendor selection, subsequent to a contract negotiation period to occur this fall. Project Kick-Off with vendor likely to occur December 2021.
- **Death Audit** The agency went through the procurement process to obtain automated death audit services to replace reliance on staff manual research efforts.
- Executive Search The search firm of EFL Associates was selected by the Executive Search Committee.
- **Temporary Assistance for specialized services** The agency is working with procurement to develop and issue an RFP for temporary assistance firms that can provide contract services for additional investment personnel.
- **Conflict Monitoring** The agency is working with procurement to develop and issue an RFP for automated conflict monitoring services.
- **3. IT Unification**: Unification efforts continue to progress, with both internal and external progress meetings.
- **4. Retirements/Resignations/FTE's/Temporary Assistance**: Staff will provide information on resignations, retirements, internal promotions, temporary assistance and external postings. HRMS has graciously agreed to provide our agency with some additional services on a temporary basis during our interim period.

#### 5. Phase 1 Agency Reorganization & Strategic Planning to address Organizational Risk:

- **Phase 1 Reorg:** Attached as **Exhibit A page 1** is Phase 1 of our agency reorganization which went into effect September 1, 2021. The intent of the reorganization is to take the opportunity to reallocate resources to address interim and long term needs. Additional detail will be provided at the meeting.
- Open Positions: Attached as Exhibit A page 2 are current open positions within and additional temporary assistance for the agency that have been or are in the process of being posted.
- Future Organizational structure to reduce organizational risk: Ms. Murtha will highlight current organizational risk relating to: program needs/demands, shift in workforce trends, lack of redundancy and impact on critical oversight and reporting for fiscal division, succession planning efforts, and feedback from stakeholders. Exhibit A page 3 will outline a future path for the agency to address needs and reduce organizational risk.
- At the August 2021 meeting of the SIB, the Board voted to separate the ED/CIO position into two separate positions. Staff will provide information on the positive impact this decision has for the agency, resource allocation, and how it will impact the search process.

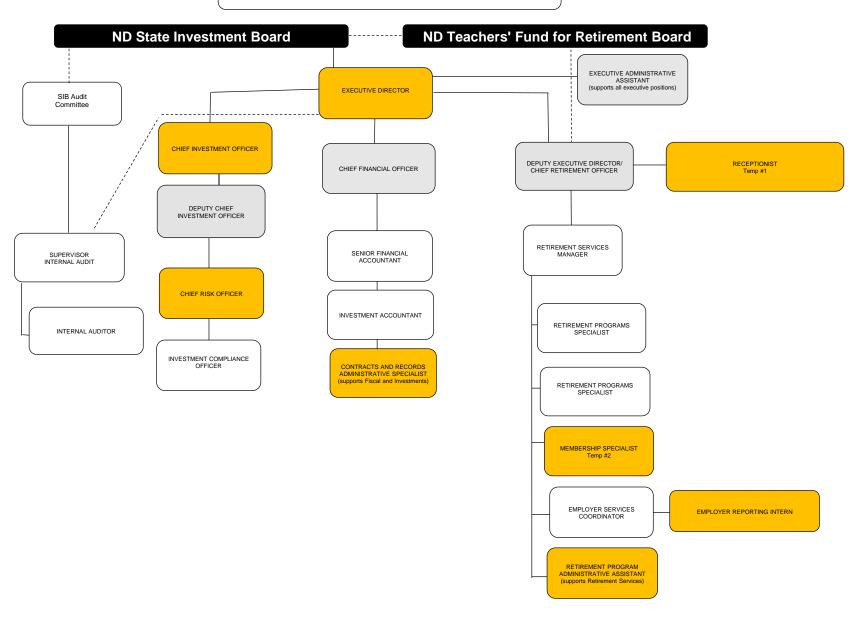
**BOARD ACTION REQUESTED: Information Only** 

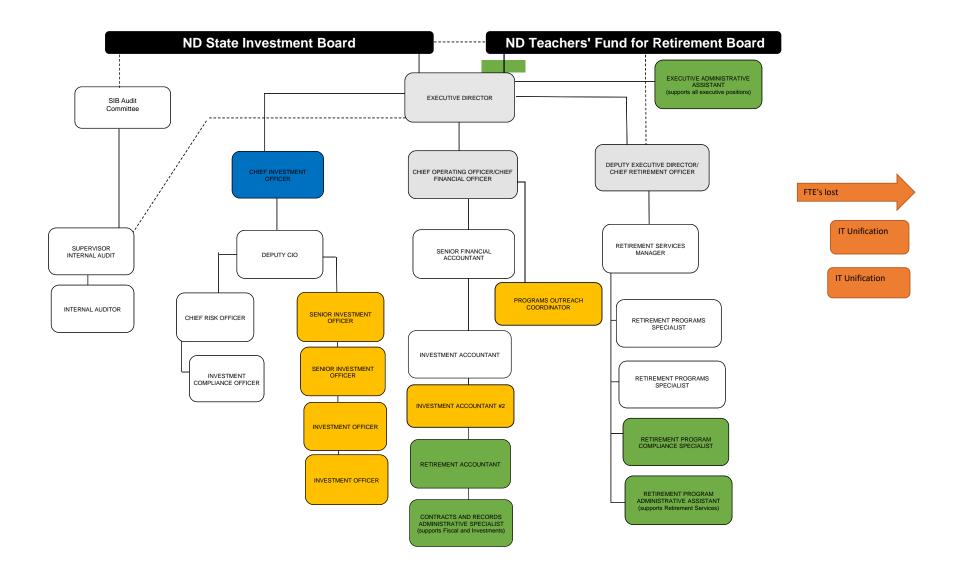
#### ND Retirement and Investment Office Organizational Chart - Pre PAS Implementation



Temp Receptionist would be main receptionist through PAS completion (answer phones/front desk) with Retirement Program Admin Assistant, Executive Admin Assistant and Contracts/Records Admin Specialist as backups. Employer Reporting Intern to assist with Employer Reports through PAS completion.

#### ND Retirement and Investment Office Organizational Chart - Pre PAS Implementation





# TFFR INVESTMENT AND PERFORMANCE UPDATE AS OF JUNE 30, 2021

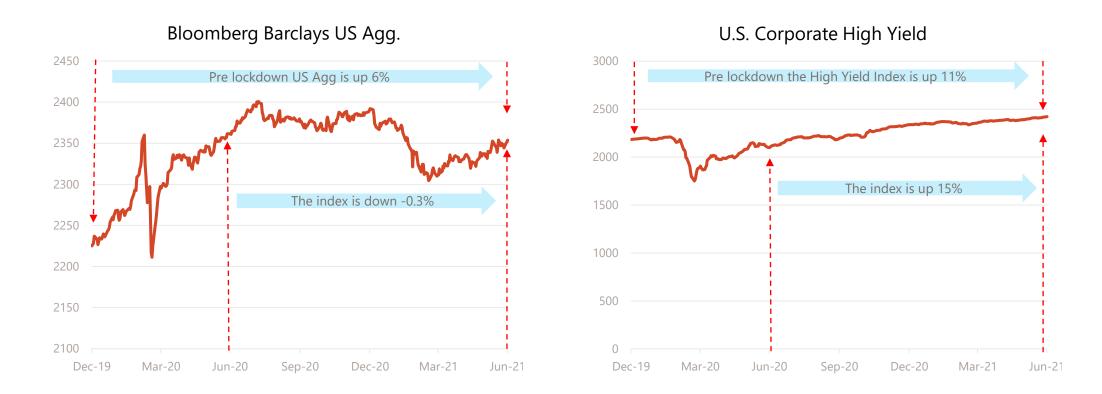


# STRONG PERFORMANCE ACROSS EQUITIES



- Pandemic drawdown for both the MSCI World Index and the S&P 500 was -34%
- Despite the correction, equities have been strong reaching new highs
- From the low point of the correction, from March 23, 2020 to June 30, 2021 the S&P 500 is up 92%

# FIXED INCOME PERFORMANCE



Surprisingly both equities and fixed income have generated positive returns despite the pandemic

### PERFORMANCE UPDATE – TFFR

AS OF JUNE 30, 2021

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 years.

					Risk Adj
				Risk	Excess
				5 Yrs	Return
	1 Yr Ended	3 Yrs Ended	5 Yrs Ended	Ended	5 Yrs Ended
	6/30/2021	6/30/2021	6/30/2021	6/30/2021	6/30/2021
TFFR \$3.2 billion					
Total Fund Return - Net	26.55%	11.38%	11.23%	10.4%	0.37%
Policy Benchmark Return	26.26%	11.49%	10.79%	10.3%	
<b>Total Relative Return</b>	0.28%	-0.10%	0.44%		

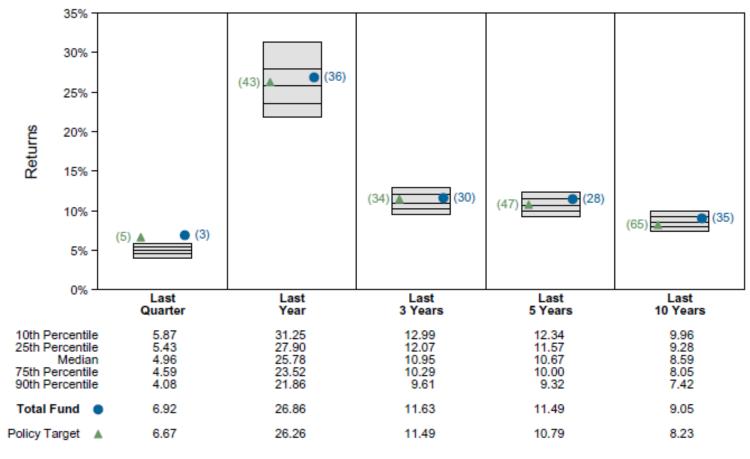
- TFFR outperformed the policy benchmark in the 1 and 5 year periods ended June 30, 2021
- Active management has enhanced net investment returns by roughly \$55 million for the 5-years ended June 30, 2021 (TFFR investments averaged over \$2.5 billion the last 5-years and Excess Return has averaged 0.44% per annum: \$2.5 billion x 0.44% = \$11 million x 5 years = \$55 million. These returns were achieved while adhering to prescribed risk limits: 104% versus a policy limit of 115%)

4

# TFFR FUND RANKING

AS OF JUNE 30, 2021

#### Callan Public Fund Sponsor Database

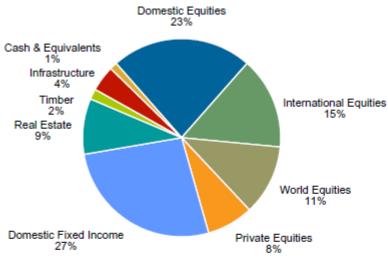


Solid performance across multiple time frames relative to peers

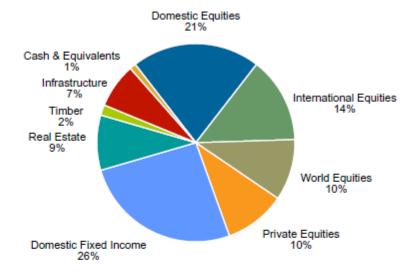
# TFFR ASSET ALLOCATION

AS OF JUNE 30, 2021





#### **Target Asset Allocation**



- Private Equities allocation has increased from 5.2% in June 2020 to 7.6% in June 2021
- Infrastructure underweight has been addressed with recent commitments to Macquarie Fund V, I Squared Fund III, and GCM III

Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	743,518	23.0%	21.0%	2.0%	64,371
International Equities	485,838	15.0%	14.0%	1.0%	33,073
World Equities	371,558	11.5%	10.0%	1.5%	48,155
Private Equities	246,731	7.6%	10.0%	(2.4%)	(76,673)
Domestic Fixed Income	864,769	26.7%	26.0%	0.7%	23,921
Real Estate	294,455	9.1%	9.0%	0.1%	3,392
Timber	54,641	1.7%	1.7%	(0.0%)	(404.0(4)
Infrastructure	134,474	4.2%	7.3%	(3.2%)	(101,945)
Cash & Equivalents	38,051	1.2%	1.0%	0.2%	5,710
Total	3,234,033	100.0%	100.0%		

# TFFR ATTRIBUTION

AS OF JUNE 30, 2021

#### One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	21%	42.62%	47.08%	(0.86%)	0.31%	(0.55%)
International Equities	16%	14%	39.64%	35.17%	`0.61%´	0.07%	`0.68%
World Equities '	14%	12%	43.87%	39.04%	0.61%	0.04%	0.65%
Private Equities	5%	8%	48.82%	48.82%	0.00%	(1.35%)	(1.35%) 0.05%
Domestic Fixed Incom	e 25%	25% 9%	4.77%	4.26%	0.17%	(0.12%)	0.05%
Real Estate	10%	9%	9.55%	7.37%	0.23%	(0.06%)	0.17%
Timber	2%	2%	4.87%	3.10%	0.03%	(0.02%)	0.01%
Infrastructure	5%	7%	14.96%	5.27%	0.50%	`0.43%′	0.93%
Cash & Equivalents	1%	1%	0.11%	0.09%	0.00%	0.02%	0.02%
Total			26.86%	= 26.26%	+ 1.29% +	(0.70%)	0.60%

- Small cap managers in Domestic Equities were a significant contributor to the negative manager effect
- Relative underperformance in small caps is a result of the strength of lower quality companies, highlighted by the meme stock phenomenon (GME, AMC, PLUG)

# TFFR ATTRIBUTION

AS OF JUNE 30, 2021

#### Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	21%	18.25%	17.70%	0.10%	0.05%	0.15%
International Equities	16%	15%	13.24%	10.94%	0.35%	0.01%	0.36%
World Equities	16%	15%	13.22%	14.83%	(0.23%)	(0.01%)	(0.24%)
Private Equities	4%	6%	14.27%	14.27%	0.00%	(0.27%)	(0.27%)
Domestic Fixed Income	22%	21%	5.78%	4.21%	0.33%	(0.06%)	0.28%
International Fixed Incom	2%	2%	-	-	0.06%	0.03%	0.09%
Real Estate	10%	10%	7.30%	6.13%	0.12%	(0.05%)	0.07%
Timber	2%	2%	0.48%	2.65%	(0.08%)	(0.01%)	(0.10%)
Infrastructure	5%	6%	8.54%	3.07%	0.27%	0.08%	0.35%
Cash & Equivalents	1%	1%	1.22%	1.17%	0.00%	0.01%	0.01%
Total			11.49% =	10.79%	+ 0.93% +	(0.22%)	0.70%

Staff is evaluating the long-term underperformance of the World Equities allocation

# TFFR ATTRIBUTION

AS OF JUNE 30, 2021

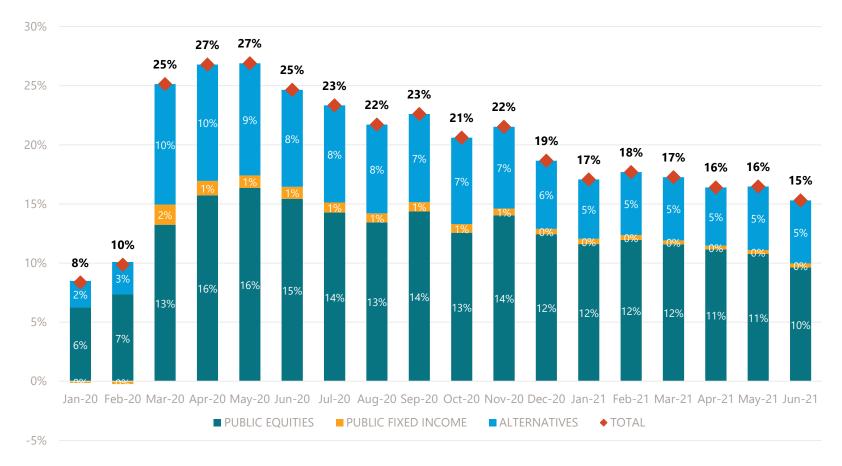
#### Ten Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	24%	23%	15.09%	14.41%	0.12%	0.08%	0.21%
International Equities	16%	15%	7.72%	5.68%	0.32%	(0.01%)	0.32%
World Equities	14%	14%	10.77%	11.86%	(0.13%)	(0.03%)	(0.16%)
Private Equities	4%	6%	7.15%	7.15%	0.00%	(0.15%)	(0.15%)
Domestic Fixed Income	20%	19%	5.56%	4.24%	0.25%	(0.03%)	0.22%
International Fixed Incom	3%	3%	_	-	0.08%	0.00%	0.09%
Real Estate	10%	10%	10.44%	8.79%	0.16%	(0.00%)	0.16%
Timber	3%	4%	0.92%	4.69%	(0.18%)	(0.01%)	(0.19%)
Infrastructure	4%	5%	7.07%	2.04%	0.22%	0.10%	0.32%
Cash & Equivalents	1%	1%	0.67%	0.63%	0.00%	0.00%	0.00%
Total			9.05% =	8.23%	+ 0.86% +	(0.04%)	0.82%

Staff is evaluating the long-term underperformance of the World Equities allocation

# RISK CONTRIBUTION OVER TIME

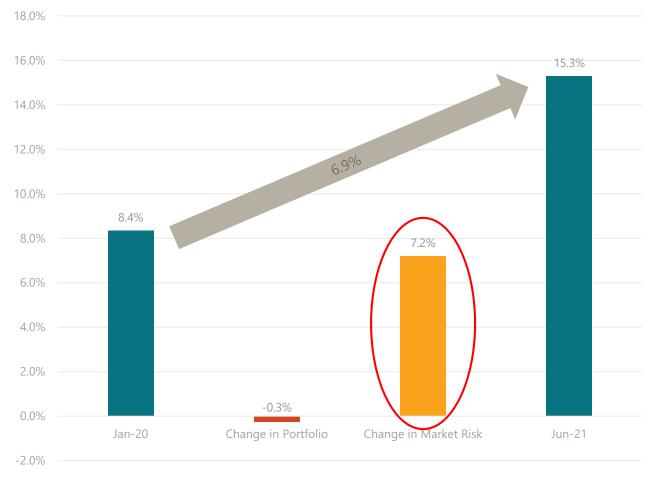
PENSION POOL AS OF JUNE 30, 2021



- Risk has increased as a result of the global pandemic
- Risk is defined as the worst expected loss under normal market conditions (1 Year, 84% confidence)

# RISK ATTRIBUTION

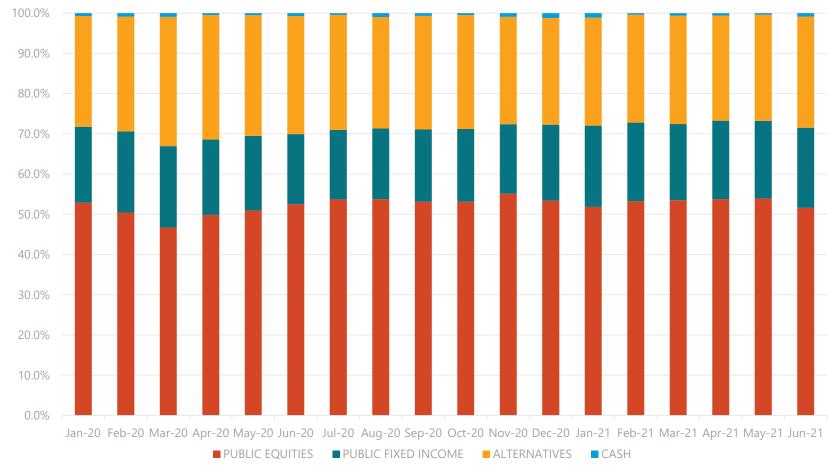
PENSION POOL AS OF JUNE 30, 2021



- The increase in risk is driven by an increase in market risk
- Changes in the portfolio are NOT contributing to the increase in risk

# ASSET ALLOCATION OVER TIME

PENSION POOL AS OF JUNE 30, 2021



 Staff monitors portfolio allocations and rigorously rebalances to ensure exposures and allocations remain within targets

# **APPENDIX**

- PERS and TFFR earned a net investment return of 27.15% and 26.55% respectively for the year ending June 30, 2021
- For the 5-year period ending June 30, 2021,
   PERS and TFFR earned a net investment return of 11.36% and 11.23% respectively
- Job Service, a de-risked pension plan, failed to exceed policy benchmark returns for the 1, 3 and 5 year periods ending June 30, 2021. Staff will reach out to SEI to better understand the underperformance.

	1 Yr Ended	3 Yrs Ended	5 Yrs Ended	Risk 5 Yrs Ended
	6/30/2021	6/30/2021	6/30/2021	6/30/2021
PERS \$4.0 billion				
Total Fund Return - Net	27.15%	11.53%	11.36%	10.4%
Policy Benchmark Return	25.84%	11.39%	10.77%	10.1%
Total Relative Return	1.31%	0.15%	0.59%	
TFFR \$3.2 billion				
Total Fund Return - Net	26.55%	11.38%	11.23%	10.4%
Policy Benchmark Return	26.26%	11.49%	10.79%	10.3%
Total Relative Return	0.28%	-0.10%	0.44%	
Bismarck Employees \$128.	4 million			
Total Fund Return - Net	21.89%	10.24%	10.03%	8.6%
Policy Benchmark Return	20.55%	9.96%	9.29%	8.5%
Total Relative Return	1.35%	0.28%	0.73%	
Bismarck Police \$51.9 milli	ion			
Total Fund Return - Net	23.97%	10.68%	10.52%	9.3%
Policy Benchmark Return	22.80%	10.42%	9.88%	9.3%
Total Relative Return	1.18%	0.26%	0.65%	
Grand Forks Pension \$81.8				
Total Fund Return - Net	27.55%	12.10%	11.72%	10.9%
Policy Benchmark Return	26.91%	11.89%	11.21%	10.9%
Total Relative Return	0.63%	0.21%	0.51%	
Grand Forks Parks \$9.4 mil				
Total Fund Return - Net	26.46%	11.65%	11.40%	10.0%
Policy Benchmark Return	24.54%	11.21%	10.69%	9.5%
Total Relative Return	1.92%	0.43%	0.71%	
Job Service \$96.7 million				
Total Fund Return - Net	6.48%	5.37%	4.97%	4.2%
Policy Benchmark Return	7.97%	6.58%	6.34%	3.9%
Total Relative Return	-1.49%	-1.21%	-1.37%	

CONTINUED...

- WSI and Legacy Fund earned a net investment return of 11.57% and 22.68% respectively for the year ended June 30, 2021
- For the 5-year period ended June 30, 2021, WSI and Legacy Fund earned a net investment return of 7.59% and 10.10% respectively
- Budget Stabilization's relative performance has materially improved from the prior fiscal year, outperforming in each the 1 year, 3 year and 5 year periods

				Risk
	1 Vr Ended	3 Vre Ended	5 Yrs Ended	5 Yrs Ended
	6/30/2021	6/30/2021	6/30/2021	6/30/2021
	0/30/2021	0/30/2021	0/30/2021	0/30/2021
WSI \$2.3 billion				
Total Fund Return - Net	11.57%	8.12%	7.59%	6.2%
Policy Benchmark Return	9.19%	7.62%	6.35%	4.6%
Total Relative Return	2.38%	0.50%	1.24%	
Legacy Fund \$9.0 billion				
Total Fund Return - Net	22.68%	10.31%	10.10%	10.7%
Policy Benchmark Return	20.64%	10.15%	9.36%	9.6%
Total Relative Return	2.04%	0.17%	0.74%	
<b>Budget Stabilization \$749</b>				
Total Fund Return - Net	3.92%	3.59%	2.37%	2.8%
Policy Benchmark Return		2.94%	1.87%	1.1%
Total Relative Return	3.48%	0.65%	0.49%	
Fire & Tornado \$22.8 milli				
Total Fund Return - Net	15.64%	8.91%	8.26%	8.5%
Policy Benchmark Return		8.76%	7.41%	6.8%
Total Relative Return	1.93%	0.15%	0.85%	
State Bonding \$3.9 million				
Total Fund Return - Net	1.64%	4.13%	3.16%	2.5%
Policy Benchmark Return		3.54%	2.21%	2.1%
Total Relative Return	1.77%	0.59%	0.95%	
Insur. Reg. Trust \$7.1 mill				
Total Fund Return - Net	12.75%	7.91%	7.13%	6.1%
Policy Benchmark Return		7.07%	6.18%	5.7%
Total Relative Return	1.16%	0.84%	0.94%	

Note: Amounts are unaudited and subject to change.

CONTINUED...

- Over 98% of the SIB Pension clients earned net returns which exceeded their respective policy benchmarks for the 5 year period ending June 30, 2021 (based on AUM)
- All of our SIB Non-Pension clients earned net returns which exceeded their respective policy benchmarks for the 5 year period ending June 30, 2021 (based on AUM)

				Risk
1	Yr Ended	3 Yrs Ended	5 Yrs Ended	5 Yrs Ended
Petrol. Tank Release \$6.3		0.05%	0.070/	0.00/
Total Fund Return - Net	1.56%	3.85%	2.97%	2.2%
Policy Benchmark Return	-0.11%	3.34%	2.11%	1.9%
Total Relative Return	1.67%	0.51%	0.86%	
State Risk Mgmt \$4.4 million	on			
Total Fund Return - Net	14.48%	9.28%	8.24%	7.8%
Policy Benchmark Return	12.56%	9.23%	7.47%	6.2%
Total Relative Return	1.92%	0.05%	0.77%	
State Risk W/C \$4.3 million		40.000/	0.4004	
Total Fund Return - Net	17.28%	10.08%	9.12%	9.1%
Policy Benchmark Return	15.74%	10.23%	8.55%	7.5%
Total Relative Return	1.54%	-0.16%	0.57%	
NDACo \$7.7 million				
Total Fund Return - Net	15.72%	9.42%	8.19%	8.7%
Policy Benchmark Return	13.49%	9.10%	7.28%	6.8%
Total Relative Return	2.23%	0.32%	0.91%	
Bismarck Def. Sick \$0.8 mi				
Total Fund Return - Net	13.81%	8.65%	7.88%	7.8%
Policy Benchmark Return	11.44%	8.31%	6.76%	6.0%
Total Relative Return	2.37%	0.34%	1.12%	
FargoDome \$49.8 million				
Total Fund Return - Net	22.07%	10.03%	9.99%	11.2%
Policy Benchmark Return	21.23%	10.44%	9.51%	9.9%
Total Relative Return	0.84%	-0.41%	0.48%	<b>3.0</b> /0
- Cui Noiauro Notain	VIO T /0	J. 71 /0	01-13/0	
Cultural Endowment \$0.6 r	nillion			
Total Fund Return - Net	24.21%	11.02%	10.80%	11.9%
Policy Benchmark Return	23.49%	11.60%	10.66%	10.6%
Total Relative Return	0.73%	-0.58%	0.14%	

CONTINUED...

 Strong absolute returns were primarily driven by public equities. Excess returns were driven by active managers in international equities and domestic fixed income

Total Relative Return   3.22%   0.61%   0.32%								
1 Yr Ended 3 Yrs Ended 5 Yrs Ended 6/30/2021  Board of Medicine \$2.8 million Total Fund Return - Net 12.58% 7.65% 6.26% 9-10								
Board of Medicine \$2.8 million								
Board of Medicine \$2.8 million								
Total Fund Return - Net 12.58% 7.65% 6.26% Policy Benchmark Return 10.46% 7.08% 5.60% 4.9% Total Relative Return 2.12% 0.57% 0.65%  PERS Group Insurance \$34.6 million Total Fund Return - Net 3.63% 3.39% 2.12% Policy Benchmark Return 0.41% 2.78% 1.80% 1.1%  Total Relative Return 3.22% 0.61% 0.32%  Lewis & Clark \$0.9 million Total Fund Return - Net 15.45% 9.30% N/A Policy Benchmark Return 13.24% 8.88% N/A Total Relative Return 2.21% 0.42% N/A  AG Settlement \$0.9 million Total Fund Return - Net 2.25% N/A N/A Policy Benchmark Return 0.21% N/A N/A Policy Benchmark Return 2.04% N/A N/A  Veterans' Cemetary \$0.4 million Total Fund Return - Net 21.96% N/A N/A Policy Benchmark Return 1.24% N/A N/A  Policy Benchmark Return 20.72% N/A N/A Policy Benchmark Return 1.24% N/A N/A  Total Relative Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5% Policy Benchmark Return 0.07% 2.71% 2.29%		6/30/2021	6/30/2021	6/30/2021	6/30/2021			
Total Fund Return - Net 12.58% 7.65% 6.26% Policy Benchmark Return 10.46% 7.08% 5.60% 4.9% Total Relative Return 2.12% 0.57% 0.65%  PERS Group Insurance \$34.6 million Total Fund Return - Net 3.63% 3.39% 2.12% Policy Benchmark Return 0.41% 2.78% 1.80% 1.1%  Total Relative Return 3.22% 0.61% 0.32%  Lewis & Clark \$0.9 million Total Fund Return - Net 15.45% 9.30% N/A Policy Benchmark Return 13.24% 8.88% N/A Total Relative Return 2.21% 0.42% N/A  AG Settlement \$0.9 million Total Fund Return - Net 2.25% N/A N/A Policy Benchmark Return 0.21% N/A N/A Policy Benchmark Return 2.04% N/A N/A  Veterans' Cemetary \$0.4 million Total Fund Return - Net 21.96% N/A N/A Policy Benchmark Return 1.24% N/A N/A  Policy Benchmark Return 20.72% N/A N/A Policy Benchmark Return 1.24% N/A N/A  Total Relative Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5% Policy Benchmark Return 0.07% 2.71% 2.29%	Board of Medicine \$2.8 mi							
Policy Benchmark Return   10.46%   7.08%   5.60%   1.9%			7 65%	6 26%	6.6%			
Total Relative Return   2.12%   0.57%   0.65%					0.070			
PERS Group Insurance \$34.6 million  Total Fund Return - Net								
Total Fund Return - Net 3.63% 3.39% 2.12% 2.6% Policy Benchmark Return 0.41% 2.78% 1.80% 1.1% Total Relative Return 3.22% 0.61% 0.32% 1.1% Total Relative Return 3.22% 0.61% 0.32% 1.1% Total Fund Return - Net 15.45% 9.30% N/A Policy Benchmark Return 13.24% 8.88% N/A Total Relative Return 2.21% 0.42% N/A N/A Policy Benchmark Return 0.21% N/A N/A Policy Benchmark Return 0.21% N/A N/A N/A Total Relative Return 0.21% N/A N/A N/A N/A Policy Benchmark Return 2.04% N/A N/A N/A Veterans' Cemetary \$0.4 million Total Fund Return - Net 21.96% N/A N/A N/A Policy Benchmark Return 20.72% N/A N/A N/A Total Relative Return 1.24% N/A N/A N/A Policy Benchmark Return 1.24% N/A N/A N/A Total Relative Return 1.24% N/A N/A N/A N/A Policy Benchmark Return 23.83% 11.63% 10.66% 11.2% Total Relative Return 1.84% 0.40% 0.33% 11.2% Total Relative Return 1.84% 0.40% 0.33% 1.5% Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%			0101 70	0.0070				
Policy Benchmark Return   0.41%   2.78%   1.80%   1.1%	PERS Group Insurance \$3	4.6 million						
Total Relative Return   3.22%   0.61%   0.32%	Total Fund Return - Net	3.63%	3.39%	2.12%	2.6%			
Lewis & Clark \$0.9 million  Total Fund Return - Net	Policy Benchmark Return	0.41%	2.78%	1.80%	1.1%			
Total Fund Return - Net 15.45% 9.30% N/A  Policy Benchmark Return 13.24% 8.88% N/A  Total Relative Return 2.21% 0.42% N/A  AG Settlement \$0.9 million  Total Fund Return - Net 2.25% N/A N/A  Policy Benchmark Return 0.21% N/A N/A  Total Relative Return 2.04% N/A N/A  Veterans' Cemetary \$0.4 million  Total Fund Return - Net 21.96% N/A N/A  Policy Benchmark Return 20.72% N/A N/A  Total Relative Return 1.24% N/A N/A  PERS Retiree Health \$180.2 million  Total Fund Return - Net 25.67% 12.03% 10.99% 12.3%  Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5%  Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	Total Relative Return	3.22%	0.61%	0.32%				
Total Fund Return - Net 15.45% 9.30% N/A  Policy Benchmark Return 13.24% 8.88% N/A  Total Relative Return 2.21% 0.42% N/A  AG Settlement \$0.9 million  Total Fund Return - Net 2.25% N/A N/A  Policy Benchmark Return 0.21% N/A N/A  Total Relative Return 2.04% N/A N/A  Veterans' Cemetary \$0.4 million  Total Fund Return - Net 21.96% N/A N/A  Policy Benchmark Return 20.72% N/A N/A  Total Relative Return 1.24% N/A N/A  PERS Retiree Health \$180.2 million  Total Fund Return - Net 25.67% 12.03% 10.99% 12.3%  Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5%  Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%								
Policy Benchmark Return   13.24%   8.88%   N/A	Lewis & Clark \$0.9 million							
Total Relative Return   2.21%   0.42%   N/A	Total Fund Return - Net	15.45%	9.30%	N/A				
AG Settlement \$0.9 million  Total Fund Return - Net	Policy Benchmark Return	13.24%	8.88%	N/A				
Total Fund Return - Net 2.25% N/A N/A N/A  Policy Benchmark Return 0.21% N/A N/A  Total Relative Return 2.04% N/A N/A  Veterans' Cemetary \$0.4 million  Total Fund Return - Net 21.96% N/A N/A  Policy Benchmark Return 20.72% N/A N/A  Total Relative Return 1.24% N/A N/A  PERS Retiree Health \$180.2 million  Total Fund Return - Net 25.67% 12.03% 10.99% 12.3%  Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5%  Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	Total Relative Return	2.21%	0.42%	N/A				
Total Fund Return - Net 2.25% N/A N/A N/A  Policy Benchmark Return 0.21% N/A N/A  Total Relative Return 2.04% N/A N/A  Veterans' Cemetary \$0.4 million  Total Fund Return - Net 21.96% N/A N/A  Policy Benchmark Return 20.72% N/A N/A  Total Relative Return 1.24% N/A N/A  PERS Retiree Health \$180.2 million  Total Fund Return - Net 25.67% 12.03% 10.99% 12.3%  Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5%  Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	_							
Policy Benchmark Return   0.21%   N/A   N/A     Total Relative Return   2.04%   N/A   N/A     Veterans' Cemetary \$0.4 million     Total Fund Return - Net   21.96%   N/A   N/A     Policy Benchmark Return   20.72%   N/A   N/A     Total Relative Return   1.24%   N/A   N/A     PERS Retiree Health \$180.2 million     Total Fund Return - Net   25.67%   12.03%   10.99%   12.3%     Policy Benchmark Return   23.83%   11.63%   10.66%   11.2%     Total Relative Return   1.84%   0.40%   0.33%     Tobacco Prev \$0.0 million     Total Fund Return - Net   0.17%   2.76%   2.31%   1.5%     Policy Benchmark Return   0.07%   2.71%   2.29%   1.4%	•							
Total Relative Return         2.04%         N/A         N/A           Veterans' Cemetary \$0.4 million         Total Fund Return - Net         21.96%         N/A         N/A           Policy Benchmark Return         20.72%         N/A         N/A           Total Relative Return         1.24%         N/A         N/A           PERS Retiree Health \$180.2 million         Total Fund Return - Net         25.67%         12.03%         10.99%         12.3%           Policy Benchmark Return         23.83%         11.63%         10.66%         11.2%           Total Relative Return         1.84%         0.40%         0.33%           Tobacco Prev \$0.0 million         Total Fund Return - Net         0.17%         2.76%         2.31%         1.5%           Policy Benchmark Return         0.07%         2.71%         2.29%         1.4%								
Veterans' Cemetary \$0.4 million           Total Fund Return - Net 21.96% N/A N/A           Policy Benchmark Return 20.72% N/A N/A           Total Relative Return 1.24% N/A           PERS Retiree Health \$180.2 million           Total Fund Return - Net 25.67% 12.03% 10.99% 12.3%           Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%           Total Relative Return 1.84% 0.40% 0.33%           Tobacco Prev \$0.0 million           Total Fund Return - Net 0.17% 2.76% 2.31% 1.5%           Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%								
Total Fund Return - Net 21.96% N/A N/A Policy Benchmark Return 20.72% N/A N/A  Total Relative Return 1.24% N/A N/A  PERS Retiree Health \$180.2 million Total Fund Return - Net 25.67% 12.03% 10.99% 12.3% Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million Total Fund Return - Net 0.17% 2.76% 2.31% 1.5% Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	Total Relative Return	2.04%	N/A	N/A				
Total Fund Return - Net 21.96% N/A N/A Policy Benchmark Return 20.72% N/A N/A  Total Relative Return 1.24% N/A N/A  PERS Retiree Health \$180.2 million Total Fund Return - Net 25.67% 12.03% 10.99% 12.3% Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million Total Fund Return - Net 0.17% 2.76% 2.31% 1.5% Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	Votoronol Comotoni 60 4 n	.illian						
Policy Benchmark Return 20.72% N/A N/A  Total Relative Return 1.24% N/A N/A  PERS Retiree Health \$180.2 million  Total Fund Return - Net 25.67% 12.03% 10.99% 12.3%  Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5%  Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	•		N/A	N/A				
Total Relative Return         1.24%         N/A         N/A           PERS Retiree Health \$180.2 million         12.03%         10.99%         12.3%           Total Fund Return - Net         25.67%         12.03%         10.99%         12.3%           Policy Benchmark Return         23.83%         11.63%         10.66%         11.2%           Total Relative Return         1.84%         0.40%         0.33%           Tobacco Prev \$0.0 million         1.5%         1.5%           Total Fund Return - Net         0.17%         2.76%         2.31%         1.5%           Policy Benchmark Return         0.07%         2.71%         2.29%         1.4%								
PERS Retiree Health \$180.2 million  Total Fund Return - Net	,							
Total Fund Return - Net 25.67% 12.03% 10.99% 12.3% Policy Benchmark Return 23.83% 11.63% 10.66% 11.2% Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million Total Fund Return - Net 0.17% 2.76% 2.31% 1.5% Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	Total Relative Retuili	1.24/0	IN/A	IN/A				
Total Fund Return - Net 25.67% 12.03% 10.99% 12.3% Policy Benchmark Return 23.83% 11.63% 10.66% 11.2% Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million Total Fund Return - Net 0.17% 2.76% 2.31% 1.5% Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	PERS Retiree Health \$180.2 million							
Policy Benchmark Return 23.83% 11.63% 10.66% 11.2%  Total Relative Return 1.84% 0.40% 0.33%  Tobacco Prev \$0.0 million  Total Fund Return - Net 0.17% 2.76% 2.31% 1.5%  Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	Total Fund Return - Net		12.03%	10.99%	12.3%			
Total Relative Return         1.84%         0.40%         0.33%           Tobacco Prev \$0.0 million         Total Fund Return - Net         0.17%         2.76%         2.31%         1.5%           Policy Benchmark Return         0.07%         2.71%         2.29%         1.4%								
Tobacco Prev \$0.0 million  Total Fund Return - Net								
Total Fund Return - Net       0.17%       2.76%       2.31%       1.5%         Policy Benchmark Return       0.07%       2.71%       2.29%       1.4%								
Total Fund Return - Net       0.17%       2.76%       2.31%       1.5%         Policy Benchmark Return       0.07%       2.71%       2.29%       1.4%	Tobacco Prev \$0.0 million							
Policy Benchmark Return 0.07% 2.71% 2.29% 1.4%	·		2.76%	2.31%	1.5%			
	Policy Benchmark Return	0.07%	2.71%	2.29%	1.4%			
1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	Total Relative Return	0.10%	0.05%	0.02%				

#### ND Teachers' Fund for Retirement Board

**Annual Budget and Expense Report Fiscal Year Ended June 30, 2021** 

September 23, 2021

Connie Flanagan, CFO

**ND Retirement & Investment Office** 

# RETIREMENT AND INVESTMENT OFFICE EXPENDITURE SUMMARY REPORT FISCAL YEAR ENDED JUNE 30, 2021

	TFFR		SIB		Total RIO			
	Actual Expenses	% of Total	Actual Expenses	% of Total	Actual Expenses	% of Total		
CONTINUING APPROPRIATIONS	riciaar Experiese	<u>70 01 10tar</u>	-	70 01 1 0tal	-	70 01 1 0tai		
INVESTMENT EXPENDITURES	\$ 29,005,901	10.6%	\$ 93,209,134	97.7%	\$ 122,215,035	33.2%		
MEMBER CLAIMS								
ANNUITY PAYMENTS	235,205,084		_		235,205,084			
REFUND PAYMENTS	5,923,187		-		5,923,187			
TOTAL MEMBER CLAIMS	241,128,271	88.4%	-	0.0%	241,128,271	65.5%		
OTHER CONTINUING APPROPRIATIONS	684,523	0.3%	941,726	1.0%	1,626,249	0.4%		
TOTAL CONTINUING APPROPRIATIONS	270,818,695	99.3%	94,150,860	98.7%	364,969,555	99.1%		
APPROPRIATED EXPENDITURES								
SALARIES AND BENEFITS	1,193,455	0.4%	1,366,759	1.4%	2,560,213	0.7%		
OPERATING EXPENSES	559,203	0.2%		0.1%	650,524	0.2%		
SIB EXPENSES ALLOCATED TO TFFR	241,195		(241,195)		-			
TOTAL APPROPRIATED EXPENDITURES	1,993,852	0.7%	1,216,885	1.3%	3,210,737	0.9%		
TOTAL EXPENDITURES	\$ 272,812,547		\$ 95,367,745		\$ 368,180,292			

# RETIREMENT AND INVESTMENT OFFICE SCHEDULE OF CONSULTING EXPENSES FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	Pensi	on Trust	Investme	ent Trust		
	2021	2020	2021	2020		
Actuary fees: Segal Consulting	\$ 93,241	\$ 152,873	\$ -	\$ -		
Auditing/Accounting fees: CliftonLarsonAllen LLP	77,659	71,986	13,855	49,494		
Project management fees: Segal Consulting	292,258	-	-	-		
Disability consulting fees: Sanford Health	-	150	-	-		
Legal fees:						
Office of Administrative Hearings	-	2,100	-	-		
K&L Gates LLP	13,246	10,363	18,013	13,841		
Kasowitz, Benson, Torres & Friedman	-	125	-	163		
Jackson Walker LLP	7,099	3,594	37,641	10,781		
ND Attorney General	16,689	12,385	16,703	12,593		
Total legal fees:	37,034	28,567	72,357	37,378		
Total consultant expenses	\$ 500,192	\$ 253,576	\$ 86,212	\$ 86,872		

#### ND Teachers' Fund for Retirement Schedule of Investment Expenses

		FY 2	021		FY 2020					
	Average		Fees as % of	Contribution	Average		Fees as % of	Contribution		
	Market Value	Fees in \$	Average MV	to Total Fees	Market Value	Fees in \$	Average MV	to Total Fees		
Investment managers' fees:										
Global equity managers	386,430,274	1,474,059	0.38%	0.05%	387,270,622	1,373,171	0.35%	0.05%		
Domestic large cap equity managers	537,943,143	1,485,841	0.28%	0.05%	440,023,724	717,445	0.16%	0.03%		
Domestic small cap equity managers	149,028,228	894,545	0.60%	0.03%	121,324,441	602,625	0.50%	0.02%		
Developed international equity managers	362,168,931	944,488	0.26%	0.03%	305,982,542	865,295	0.28%	0.03%		
Emerging markets equity managers	99,018,706	883,349	0.89%	0.03%	75,437,718	769,333	1.02%	0.03%		
Investment grade domestic fixed income managers	566,233,211	1,981,147	0.35%	0.07%	428,171,586	1,091,995	0.26%	0.04%		
Below investment grade fixed income managers	198,053,021	4,089,829	2.07%	0.14%	178,181,211	2,064,617	1.16%	0.08%		
Real estate managers	278,592,091	4,038,160	1.45%	0.14%	272,572,242	2,034,014	0.75%	0.08%		
Timber managers	54,885,778	334,301	0.61%	0.01%	57,299,959	358,278	0.63%	0.01%		
Infrastructure managers	134,656,898	5,179,679	3.85%	0.17%	141,682,240	1,852,956	1.31%	0.07%		
Private equity managers *	180,825,576	7,255,900	4.01%	0.24%	123,031,384	2,585,827	2.10%	0.10%		
Cash & equivalents managers	35,812,974	25,059	0.07%	0.00%	23,434,015	28,516	0.12%	0.00%		
Total investment management fees	2,983,648,833	28,586,357	0.96%		2,554,411,683	14,344,072	0.56%			
Custodian fees		249,724	0.01%	0.01%		231,579	0.01%	0.01%		
Investment consultant fees		169,820	0.01%	0.01%		108,804	0.00%	0.00%		
SIB Administrative fees		457,261	0.02%	0.02%		389,431	0.02%	0.02%		
Total investment expenses		29,463,162	0.99%			15,073,886	0.59%			
Performance/Incentive Fees (included in totals above)	)									
Domestic large cap equity managers		840,594	0.16%	0.03%		157,551	0.04%	0.01%		
Domestic small cap equity managers		127,305	0.09%	0.00%		182,354	0.15%	0.01%		
Developed international equity managers		-	0.00%	0.00%		-	0.00%	0.00%		
Emerging markets equity managers		358,318	0.36%	0.01%		351,568	0.47%	0.01%		
Investment grade domestic fixed income managers		922,310	0.16%	0.03%		223,464	0.05%	0.01%		
Below investment grade fixed income managers		2,151,962	1.09%	0.07%		354,997	0.20%	0.01%		
Real estate managers		2,170,884	0.78%	0.07%		158,271	0.06%	0.01%		
Infrastructure managers		3,657,501	2.72%	0.12%		371,260	0.26%	0.01%		
Total Performance Fees Paid (excluding private equity	<b>y</b> )	10,228,875	0.34%			1,799,465	0.07%			
Actual Investment Performance (Net of Fees)			26.54%				3.45%			
Policy Benchmark			26.26%				3.19%			
Outperformance/(Underperformance)			0.28%				0.26%			

<sup>\*</sup> Includes some estimates for June quarter carried interest/incentive fees not yet reported.

#### RETIREMENT AND INVESTMENT OFFICE 2019-2021 BIENNIUM APPROPRIATION STATUS REPORT AS OF JUNE 30, 2021

					EXPENDITURES						
		2019-2021		ADJUSTED		BIENNIUM TO		BUDGET		% BUDGET	% OF BIENNIUM
		BUDGET		APPROPRIATION	I	DATE ACTUAL		AVAILABLE		AVAILABLE	REMAINING
SALARIES AND BENEFITS	\$	4,978,230.00	\$	4,978,230.00	\$	4,882,714.31	\$	95,515.69	-	1.92%	0.00%
OPERATING EXPENDITURES		3,538,934.00	*	3,538,934.00		983,852.91		2,555,081.09	**	72.20%	0.00%
CAPITAL ASSETS		6,300,000.00		6,300,000.00		0.00		6,300,000.00		100.00%	0.00%
CONTINGENCY	-	52,000.00	-	52,000.00	_	0.00	-	52,000.00		100.00%	0.00%
TOTAL	\$	14,869,164.00	\$	14,869,164.00	\$_	5,866,567.22	_	9,002,596.78		60.55%	0.00%

<sup>\*</sup> In addition to the Capital Assets line, the operating expenditure budget includes \$2,650,000 for the TFFR Pension Administration System (PAS) Project.

<sup>\*\*</sup> Remaining operating budget includes \$2,318,875 that will be carried forward to the 2021-23 biennium for the PAS Project.

#### RETIREMENT AND INVESTMENT OFFICE

#### **FINAL BUDGET STATUS FOR 2019-2021 BIENNIUM**

										2021-23 Approved	Increase/(D from 201	,
		Biennium Appr		2019-2021 Biennium Actual				1 (Over)/Und	er Budget	Budget	Approv	ved
	<u>TFFR</u>	<u>SIB</u>	RIO Total	<u>TFFR</u>	<u>SIB</u>	RIO Total	<u>TFFR</u>	<u>SIB</u>	RIO Total	RIO Total		
SALARIES & WAGES	\$ 1,685,496	\$ 1,863,413	\$ 3,548,909	\$1,689,784	\$ 1,912,005	\$ 3,601,790	\$ (4,289)	\$ (48,592)	\$ (52,881)	\$ 3,684,510	\$ 135,601	3.8%
TEMPORARY SALARIES	-	-	-	-	-	-	-	-	-			
BENEFITS	751,322	627,999	1,379,321	663,308	617,616	1,280,925	88,014	10,383	98,396	1,369,467	(9,854)	-0.7%
TOTAL SALARIES & BENEFITS	2,436,818	2,491,412	4,928,230	2,353,093	2,529,622	4,882,714	83,725	(38,209)	45,516	5,053,977	125,747	2.6%
TRAVEL	87,090	15,980	103,070	20,675	13,575	34,250	66,415	2,405	68,820	110,710	7,640	7.4%
SUPPLIES - IT SOFTWARE	444	456	900	258	163	420	186	293	480	1,100	200	22.2%
PROFESSIONAL SUPPLIES	850	850	1.700	1.763	739	2.502	(913)	111	(802)	2,200	500	29.4%
MISCELLANEOUS SUPPLIES	2,603	1,497	4,100	805	896	1,701	1,798	601	2,399	4,200	100	2.4%
OFFICE SUPPLIES	3,378	2,092	5,470	1,515	813	2,328	1,796	1,279	3,142	4,200	(480)	-8.8%
											, ,	
POSTAGE	59,757	5,435	65,192	53,729	4,767	58,496	6,028	668	6,696	63,976	(1,216)	-1.9%
PRINTING	30,030	5,320	35,350	19,199	1,890	21,089	10,831	3,430	14,261	20,981	(14,369)	-40.6%
IT EQUIPMENT < \$5000	3,176	4,324	7,500	6,653	2,766	9,419	(3,477)	1,558	(1,919)	-	(7,500)	-100.0%
OFFICE EQUIP & FURNITURE < \$5000		2,500	2,500	6,560	6,488	13,048	(6,560)	(3,988)	(10,548)	2,510	10	0.4%
INSURANCE	1,299	748	2,047	1,069	744	1,812	230	4	235	2,745	698	34.1%
LEASE/RENT - BLDG./LAND	114,724	64,506	179,230	105,483	72,806	178,289	9,241	(8,300)	941	184,943	5,713	3.2%
REPAIRS	635	365	1,000	1,433	1,017	2,450	(798)	(652)	(1,450)	1,000	-	0.0%
IT - DATA PROCESSING *	136,990	37,951	174,941	122,840	35,460	158,300	14,150	2,491	16,641	636,121	461,180	263.6%
IT - COMMUNICATIONS	12,000	6,960	18,960	13,012	10,855	23,867	(1,012)	(3,895)	(4,907)	22,944	3,984	21.0%
IT CONTRACT SERVICES	157,112	4,158	161,270	40,828	2,880	43,708	116,284	1,278	117,562	64,118	(97,152)	-60.2%
PROFESSIONAL DEVELOPMENT	39,543	6,772	46,315	22,656	5,158	27,814	16,887	1,614	18,501	48,280	1,965	4.2%
OPERATING FEES & SERVICES	29,324	18,455	47,779	29,616	16,734	46,350	(292)	1,721	1,429	46,820	(959)	-2.0%
PROFESSIONAL SERVICES	22,504	9,106	31,610	17,601	9,284	26,885	4,903	(178)	4,725	30,890	(720)	-2.3%
TOTAL OPERATING	701,459	187,475	888,934	465,695	187,034	652,729	235,764	441	236,205	1,248,528	359,594	40.5%
CONTINGENCY	26,000	26,000	52,000	-	-	-	26,000	26,000	52,000	100,000	48,000	92.3%
TOTAL APPROPRIATED BUDGET BEFORE PAS PROJECT	3,164,277	2,704,887	5,869,164	2,818,788	2,716,655	5,535,443	345,489	(11,768)	333,721	6,402,505	533,341	9.1%
							·	<u> </u>				
PAS PROJECT - UNEXPENDED PORTION CARRIED FORW	ARD TO 2021-2	23 BIENNIUM										
TEMPORARY SALARIES	50,000	-	50,000	-	-	-	50,000	-	50,000	50,000	-	
IT - DATA PROCESSING (NDIT PROJECT MANAGEMENT	775.000	_	775.000	34,025	_	34,025	740,975	_	740,975	740.975	(34,025)	
PROFESSIONAL SERVICES	1,875,000	_	1,875,000	297,099	_	297,099	1,577,901	_	1,577,901	1,577,901	(297,099)	
CAPITAL ASSETS	6,300,000	_	6,300,000	-	_	-	6,300,000	_	6,300,000	6,300,000	(201,000)	
TOTAL PAS PROJECT BUDGET	9,000,000	-	9,000,000	331,125	-	331,125	8,668,875	_	8,668,875	8,668,875	(331,125)	-3.7%
			2,222,200				5,555,576		-,,	5,555,576		J 70
TOTAL APPROPRIATED BUDGET	\$ 12,164,277	\$ 2,704,887	\$ 14,869,164	\$3,149,912	\$ 2,716,655	\$ 5,866,567	\$9,014,365	\$ (11,768)	\$ 9,002,597	15,071,380	202,216	1.4%
* Increase in IT - Data Processing line (payments to NDIT) due	to IT Unification	Two FTEs rei	moved from RIO	and related co	st moved to th	is line (from Sa	laries)			1		

<sup>\*</sup> Increase in IT - Data Processing line (payments to NDIT) due to IT Unification. Two FTEs removed from RIO and related cost moved to this line (from Salaries).

Board Travel Budget Assumptions: Each board member will be allotted at least two trips for the biennium and it is anticipated additional trips may be authorized based on budget availabilty, particularly for new board members.

#### In-State Reimbursement Rates:

Lodging rate is 90% of Federal GSA rate for ND (\$96 - no change from current rate) so rate is \$86.40, plus tax.

Mileage is linked to Federal GSA rate which is currently \$0.56 per mile.

In-state meal rates: Breakfast: \$7.00; Lunch: \$10.50; Dinner: \$17.50

Eligibility for meal reimbursement is based on the time of day you are in travel status.

First Quarter (Breakfast) 6:00 am to noon; Second Quarter (Lunch) noon to 6 pm; Third Quarter (Dinner) 6 pm to midnight; Fourth Quarter (overnight) midnight to 6 am

You are entitled to claim a meal if you are in travel status one hour before the start of the quarter AND one hour into the quarter being claimed (for breakfast you must be in travel status before 7 am). Please be sure to indicate which meals you are requesting reimbursement for on the board meeting reimbursement form. If nothing is indicated, you will not be paid.

#### Conference Travel Reimbursement:

When traveling by air, you are considered to be on travel status one hour prior to your departure time and one hour after your arrival time.

Receipts must be included with your travel reimbursement request for all expenses over \$10 (except for meals which are reimbursed at the GSA rates by location).

When attending a conference, please attach a copy of the conference agenda to enable staff to confirm start and end times and whether or not meals are included with the conference fees.

As stated above, if meals are not specifically requested on the reimbursement form, you will not be paid.

### PAS MODERNIZATION PROJECT Budget vs Actual as of June 30, 2021

					Com	mitted/		Budget
	Budget		Actu	Actual Paid		et Paid		Status
Salaries	\$	50,000	\$	-	\$	-	\$	50,000
Operating	2	,650,000	33	1,125	1,5	30,075		788,800
Capital Assets	6	,300,000		-		-	6,300,000	
Total Project Budget	\$9	,000,000	\$33	1,125	\$1,5	30,075	\$ 7	7,138,800

## RETIREMENT AND INVESTMENT OFFICE

### **Analysis of Budget Changes**

							Actual	
							Expenditures	
	2019-21	Base					for PAS in	2021-23
	Approved	Budget	Additional	ED/CIO	IT	Legislative	2019-21	Approved
	Budget	Changes	FTE	Increase	Unification	Increases	Biennium	Budget
Salaries and Benefits	4,928,230	196,864	210,000	52,365	(440,540)	107,058	-	5,053,977
Operating	888,934	(105,731)	15,000		450,325			1,248,528
Contingency	52,000	48,000						100,000
PAS Project	9,000,000						(331,125)	8,668,875
	14,869,164	139,133	225,000	52,365	9,785	107,058	(331,125)	15,071,380
•								



#### **MEMORANDUM**

TO: TFFR Board

FROM: SIB Audit Committee

**DATE:** August 11, 2021

**SUBJECT:** Fiscal Year End Audit Committee Activities Update

July 1, 2020 to June 30, 2021

The Audit Committee is a standing committee of the State Investment Board (SIB) authorized under the SIB Governance Policy B-6, Standing Committees. Its primary function is to assist the SIB in fulfilling its oversight responsibilities of the Retirement and Investment Office (RIO) internal and external audit programs, including the financial reporting process, internal controls, and compliance with laws, regulations, policies, and procedures.

The Audit Committee consists of five members selected by the SIB. Three members of the Audit Committee represent the three groups on the SIB (Teachers' Fund for Retirement (TFFR) Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials). The other two members are selected from outside the SIB, that are both independent and financially literate. Members of the Audit Committee for the 2020 - 2021 fiscal year were:

Yvonne Smith, PERS Board, Chair Rob Lech, TFFR Board, Vice Chair Jodi Smith, Elected and Appointed Officials and SIB Liaison Julie Dahle, External Member Jon Griffin, External Member

The Audit Committee held four regular meetings during the fiscal year ended June 30, 2021. The meetings occurred on: August 13, 2020, November 18, 2020, February 25, 2021, and May 20, 2021.

Activities of the Audit Committee during the past year included:

- The Committee approved a July 1, 2020 through June 30, 2021 Internal Audit work plan. Progress was monitored on a quarterly basis. Audit activities included:
  - <u>Executive Limitations Audit</u> was completed. The audit determined the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation policies (A-1 through A-11) for the calendar year ending December 31, 2020.
  - State Investment Board Self-Evaluation was administered by Internal Audit. The SIB requested Internal Audit's assistance in administering the self-evaluation and presenting the results. The SIB self-evaluation was presented on April 23, 2021 SIB meeting.
  - The SIB requested that the SIB Audit Committee conduct a review on <u>Board Governance</u> on May 20, 2021. The review is currently in progress.

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- SIB Board Executive Search Committee Internal Audit has participated in the RFP process to procure an Executive Recruitment Service in a search for a new Executive Director/Chief Investment Officer. The Executive Director/Chief Investment Officer resigned from his position June 22, 2021.
- RIO sent email blast of <u>Fund Facts</u> to the members of the ND 2021 Legislature. Internal Audit reviewed Fund Facts provided by Investment Services and Retirement Services for accuracy and appropriateness.
- One <u>TFFR Employer Reporting Review</u> were completed. The review tested the accuracy
  of retirement salaries and contributions reported by the Employer. Eligibility and services
  hours were also reviewed.
- TFFR Benefit Payment Audit was completed in fiscal year 2019-2020. Internal Audit recommended to TFFR that they expand the use of a data analytic system for identifying deaths. In 2020-2021, Internal Audit worked with IT, Retirement Services, and ND Procurement in developing and reviewing the RFP for a new system. Internal Audit also attended meetings for the Consultant's presentations of their product.
- The <u>TFFR Direct Deposit Review</u> was completed. In 2019-20, a fraud incident occurred with a retired member that did not receive their benefit check. TFFR updated procedures and Direct Deposit Forms to prevent the incident from occurring again. Internal Audit reviewed all one on one Direct Deposit Authorization form changes to ensure new forms and procedures were followed by RIO Staff.
- The <u>TFFR Salary Verification-Participant Data Audit</u> was completed. The audit verified salary, service hours, model compliance, and eligibility for sixty-five randomly selected member accounts. This audit was completed on May 11, 2021.
- TFFR Task List Project was started to help with the PAS project. Internal Audit worked with Retirement Services, Administrative Services, and Information Technology Services on tracking retirement program activities. This is to document the flow of work and help find efficiencies. The tasks lists were also used in various audits throughout the year.
- TFFR was approved for a pension administration software upgrade <u>PAS Project</u>. Stage I of the project was completed in 2020-2021. RIO staff (including both Internal Audit staff) attended multiple meetings with the Consultant evaluating the system in place and then determining what the new system should be for TFFR to become more efficient and provide better service to the membership and the employers. The Consultant presented the following deliverables to RIO: The Ten Key Assessment Benefits Communication Best Practices, the Cybersecurity Assessment, Current Business Model Assessment, and the New Business Model Assessment. In Stage 2 of the project, RIO planned procurement, developed the RFP, and issued the RFP in June of 2021.
- Internal Audit worked with the Loss Committee on the <u>Risk Management and WSI Safety</u> programs. RIO can earn up to 15% in premium decreases by completing the program requirements. All RIO staff attended online training for both programs. Policies and documentation of training was submitted to the Risk Management Division of ND and Workforce Safety and Insurance.
- Internal Audit worked with staff on updating the <u>Administrative Policy Manual</u>. Policies were written and updated to ensure compliance with state and federal policies. RIO also adopted other federal and state policies as found on the ND State OMB website. The project was essentially completed 6/30/2021 (with the exception of the IT policies).
- RIO's Internal Audit division provided <u>assistance to our external audit partners</u>, CliftonLarsonAllen, LLP (CLA), during the 2019-2020 and the 2020-21 financial audits of the RIO as well as the GASB 68 Census Data Audits. Due to COVID-19, Internal Audit



staff assisted in providing additional information to CLA as they were unable to travel for onsite work.

- Internal Audit staff continued to pursue networking and <u>professional development</u> opportunities via the IIA's local chapter and the APPFA (Association of Public Pension Fund for Auditors). Staff attended training seminars which covered a variety of topics (Pension, Personal Development, General Accounting, Investment Accounting, Employer Reporting, Management, and IT refresher classes).
- The Committee received the results of the RIO financial audit for the fiscal year ended June 30, 2020 from independent auditors, CliftonLarsonAllen, LLP. They issued an unmodified "clean" opinion.
- The Committee reviewed the RIO financial audit plan for fiscal year ended June 30, 2021 with independent auditors, CliftonLarsonAllen, LLP. Discussion included scope and approach for the audit to ensure complete coverage of financial information and review and approval of the Final GASB 68 Schedule Audit Report.
- The Committee adopted a detailed audit work plan and budgeted hours for fiscal year July 1, 2021 to June 30, 2022.

The above activities support the Committee's fulfillment of its oversight responsibilities. Please inform the Committee if there are special audits or activities the Board would like to have reviewed.

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## Quarterly Monitoring Report on TFFR Ends Quarter Ended June 30, 2021

#### **Retirement Program**

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

- Dave Hunter, NDRIO Executive Director/CIO, resigned effective June 23, 2021. Jan Murtha was promoted to Interim Executive Director until the vacancy is filled.
  - TFFR Board Retreat was held on June 17, 2021 to discuss:
  - Background PAS Recommendations
  - Fund Policies
  - Board Focus for 2023
- Segal presented TFFR's updated plan management policy score to reflect recent assumption changes and was approved at the April 22, 2021 TFFR board meeting. The composite score remains at 6 which is the same as last year. This TFFR plan management policy is a more robust way to evaluate the ongoing health and sustainability of TFFR.
- The 2021-22 TFFR Board Calendar and Education was approved to include topics such as board governance, fiduciary duties, cybersecurity, investments, open meetings and records, and actuarial issues.
- Administrative Rule Promulgation Process for Assumption changes was completed in June 2021. Staff appeared before the Administrative Rules Committee on June 8, 2021. No objections to the rules were received and the rule changes went into effect July 1, 2021.
- The TFFR Board approved to renew Segal's actuary services for 2021-23 with a slight increase that is reasonable.
- Following a presentation from Jan Murtha addressing the annual review of the TFFR Program Manual, the board voted to continue the special ad hoc Governance and Policy Review Committee through 2023. They will meet quarterly and make recommendations for program policy review.

 Since legislation did not approve RIO's request for a PIO, staff continues to pursue ways to allocate additional resources to communication efforts and develop a business case for future legislative sessions. RIO worked with the Department of Commerce to develop agency and program logo's.













- All Phase 1 of the TFFR PAS Modernization Project deliverables have been accepted by RIO staff. Phase 2 is underway with the Vendor RPF issued in June 2021.
- TFFR Board Member Toni Gumeringer retired from teaching at the end of the 2020-21 school year. Ms. Gumeringer served on the TFFR Board since 2016.
- NDRIO staff set up over 200 retirements for the months of June and July with more to be set up for August and September retroactive back to June or July.
- NDRIO staff continues to work a hybrid schedule to allow both an in-office and remote work environment. Retirement Program Specialists Stephanie Starr and Jayme Heick continue to hold virtual individual benefit counseling appointments. Inperson appointments are encouraged by appointment only.
- The North Dakota Business Manager workshop was held virtually on May 4, 2021 with over 100 attendees. This workshop is conducted by the North Dakota Business Manager Association. Denise Weeks and Tami Volkert presented TFFR information.
- Ruby Benning, Administrative Assistant, and Estelle Kirchoffner, TFFR Membership Specialist, announced their resignations to be effective in the fall of 2021.
- RIO was awarded the 2020 Certificate of Achievement for Excellence in Financial Reporting – awarded by the Government Finance Officers Association (GFOA) for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2020.



## ND TFFR Board Education Materials September 2021

The theme for September Education materials is a trustee's fiduciary responsibility. As noted in July NDRIO team members Denise Weeks and Jan Murtha were 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. A link to the third day of the Trustee Workshop which included the session on audits, as well as cybersecurity, and hybrid plans is included below.

https://www.youtube.com/watch?v=h77LZ8GI0KI

Please see some additional items published by the Pew Charitable Trusts:

1. A September 2021 article speaking to the impact of the pandemic on state pension plans:

https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/09/the-state-pension-funding-gap-plans-have-stabilized-in-wake-of-pandemic

2. A November 2017 brief discussing the different legal protections afforded public pension plans across states:

https://www.pewtrusts.org/-/media/assets/2017/11/basic legal protections vary brief draft.pdf