

ND TFFR BOARD MEETING

Thursday, March 24, 2022, 1:00 p.m.

WSI Board Room (In Person)

Teleconferencing – 701.328.0950 Participant Code – 766 257 424#

1600 E Century Ave, Bismarck, ND

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

- A. Executive Summary
- B. Introductions of New Staff

II. ACCEPTANCE OF MINUTES (January 27, 2022)

III. EDUCATION (20 minutes)

- A. Cybersecurity – Ms. Jessica Newby, NDIT *Informational*

IV. GOVERNANCE (90 minutes)

- A. 2023 Legislative Planning – Ms. Murtha *Board Action*
- B. PAS Project Update – Ms. Murtha *Informational*
- C. Strategic Plan Presentation – Ms. Murtha *Informational*
- D. Actuarial Audit Discussion – Ms. Murtha *Board Action*
- E. Outreach Update – Ms. Weeks *Informational*

(Break)

V. REPORTS (70 minutes) Board Action

- A. Quarterly Investment Report – Mr. Posch
- B. Annual Retirement Trends Report – Ms. Weeks
- C. Quarterly TFFR Ends Report – Ms. Weeks
- D. Quarterly Audit Report – Ms. Sauter
- E. Executive Limitations/Staff Relations Report – Ms. Murtha

VI. CONSENT AGENDA – Disability Retirement Application¹

VII. OTHER BUSINESS

- A. Board Reading Materials – *Material References Included*
- B. Next Meeting:
 - 1. TFFR Regular Board Meeting Thursday, April 21, 2022, at 1:00p.m.

VIII. ADJOURNMENT

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

EXECUTIVE SUMMARY

TFFR Regular Meeting

March 24, 2022 – 1:00pm CT

- I. **Agenda:** The March Board Meeting will be held at the WSI Conference room to accommodate in-person attendance; however, a link will also be provided so that Board members and other attendees may join via video conference. The board member video link is included in the email with the Board materials. There will be a call-in number for the public.
- II. **Minutes (Board Action):** The January 27, 2022, Board meeting minutes are included for review and approval.
- III. **Board Education – Cybersecurity:** A member of the ITD security team will provide Board education on Cybersecurity.
- IV. **A. 2023 Legislative Planning (Board Action):** Staff will present the statutory changes discussed by the Board at the January meeting, as well as present feedback from Segal. A representative from Segal will be available to answer questions. The Board must vote to approve submitting statutory changes to the Employee Benefits Programs Committee at its March meeting for such changes to be considered on behalf of the Board during the 2023 legislative session.
B. PAS Project Update: Ms. Murtha will provide the Board with an update on the current status of the PAS project.
C. Strategic Plan Presentation: Ms. Murtha will present to the Board the strategic plan developed by RIO and previously presented to the Governor’s office earlier in March for agency operations.
D. Actuarial Audit Discussion (Board Action): Staff will present a recommendation to revise the actuarial audit procurement timeline. Information will be provided to the Board prior to the March meeting.
E. Outreach Update: Ms. Weeks will present an update on Member and Employer Outreach programs and services conducted by RIO staff.
- V. **A-E. Reports (Board Action):** Staff will provide monitoring reports for quarterly investment, TFFR Ends, and audit activities, an annual retirement trends report, and an update on executive limitations/staff relations.

Adjournment.

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JANUARY 27, 2022, BOARD MEETING**

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

STAFF PRESENT: Connie Flanagan, CFO
Jayme Heick, Retirement Programs Spec
Missy Kopp, Executive Assistant
Jan Murtha, Exec Dir
Sara Sauter, Supvr of Internal Audit
Rachelle Smith, Retirement Assistant
Stephanie Starr, Retirement Programs Spec
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Program Mgr

OTHERS PRESENT: Dean DePountis, Atty. General's Office
Tanya Dybal, Segal
Teresa Knapp, Segal
Matt Strom, Segal

CALL TO ORDER:

Dr. Rob Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, January 27, 2022. The meeting was held in the Workforce Safety and Insurance Board Room, 1600 E Century Ave., Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the January 27, 2022, meeting.

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

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

NAYS: NONE

MOTION CARRIED

MINUTES:

The Board considered the minutes of the November 18, 2021, and December 16, 2021, TFFR Board meetings.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SUPT. BAESLER AND CARRIED BY A VOICE VOTE TO APPROVE THE NOVEMBER 18, 2021, AND DECEMBER 16, 2021, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

BOARD EDUCATION:

Open Records & Meetings:

Mr. DePountis, Attorney General's Office, provided education on open records and open meeting laws including the definitions of a record, public business, and the types of protected records. Information was also presented on meetings, common violations of open meetings, and the rules for entering executive session.

GOVERNANCE:

2021 GASB Report:

Mr. Strom, Ms. Knapp, and Ms. Dybal, Segal, reviewed the Governmental Accounting Standards Board (GASB) 67 and 68 report for fiscal year 2021. The GASB report is used by TFFR participating employers and their auditors to fulfill certain accounting and disclosure requirements for their financial statements. The external auditor, CliftonLarsonAllen, issued a clean, unmodified opinion of the GASB report.

2023 Legislative Planning and Governance & Policy Review (GPR) Committee Update:

Ms. Murtha provided an update on the statute changes that the GPR Committee has recommended. Statute changes must be submitted to the Employee Benefits Programs Committee before the end of March to be included in the 2023 legislative session. The GPR Committee met on January 12, 2022, to discuss possible statute changes and has provided recommendations to the Board. Board discussion followed.

Pension Administration System (PAS) Update:

Ms. Murtha shared an update on the PAS project. The Executive Steering Committee approved contracting with Segal for assistance through Phase 3 of the PAS project. RIO staff has been meeting weekly with NDIT and Segal to discuss the project status and review progress. Staff is currently in the contract negotiating phase of the procurement process prior to award and anticipate this phase will be completed by the end of February 2022.

Employer Model Compliance Issue:

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY SUPT. BAESLER AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.1, 44-04.19.2, AND 15-39.1-30 FOR ATTORNEY CONSULTATION AND TO DISCUSS CONFIDENTIAL MEMBER INFORMATION.

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

NAYS: NONE

MOTION CARRIED

The executive session began at 2:23 p.m. and ended at 2:59 p.m. In attendance were Board members, RIO staff, and Mr. DePountis.

The Board provided guidance to staff and their attorney, Mr. DePountis.

REPORTS:

Annual Retirement Ends Report:

Ms. Weeks reviewed the TFFR Ends and Retirement Statistics for the year ending June 30, 2021. The information provided indicates that the TFFR Ends policies formally adopted by the TFFR Board and accepted by the SIB are being implemented.

Annual Reemployed Retiree Report:

Ms. Weeks reviewed the 2020-21 Reemployed Retiree Report. The total number of reemployed retirees was 291 out of a total of 9,262 retirees or 3 percent. Of the 210 employers, 114 employed TFFR retirees. Total salaries earned by reemployed retirees was \$7.2 million or about \$23,589 per retiree.

Executive Limitations/Staff Relations Report:

Ms. Murtha shared an update on the completion of RIO's facility move, staff training activities, and staffing. RIO staff are working on the development of a comprehensive strategic plan by partnering with other state agencies. The initial meeting is scheduled for January 31, 2022.

IT WAS MOVED BY SUPT. BAESLER AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL RETIREMENT ENDS, ANNUAL RETIREE REEMPLOYMENT, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the Board, Pres. Lech adjourned the meeting at 3:42 p.m.

Respectfully Submitted:

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

Missy Kopp
Reporting Secretary



CYBERSECURITY

Jessica Newby
Information Security Officer

NORTH
Dakota

Be Legendary.™

CYBER SECURITY TEAM

Governance, Risk and Compliance

- Cyber Risk Management
- Policy/Procedure/Standards
- Compliance with Federal and Industry Regulation
- Information Security Officer Liaisons

Education and Public Awareness

- Develops Defend.ND.gov
- Outreach to classrooms and business communities
- Works with EduTech to support K-20W initiative
- Builds a community and culture around cybersecurity in North Dakota

CYBER SECURITY TEAM

Cyber Operations Center

Analysis and Response

- Incident Response
- Forensics
- Malware Analysis

Active Defense

- Penetration testing
- Threat Intelligence
- Exploitation Analysis

Security Infrastructure

- Endpoint Protect
- Network Detection
- Vulnerability Management

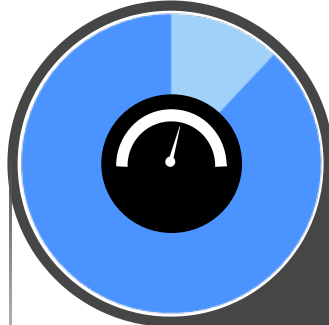
THREAT LANDSCAPE

North Dakota prevents/detects over 4.5 Billion threats¹ on STAGEnet per year, including external threats from:

- Nation states
- Corporate espionage
- Organized crime syndicates

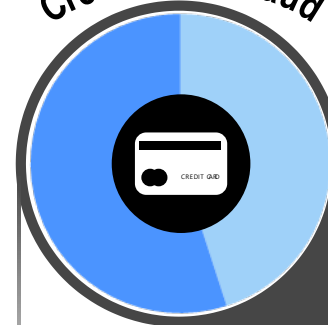
Vast majority of attacks are managed through automated defenses, however ~50k cyber events² were handled by the team

Phishing



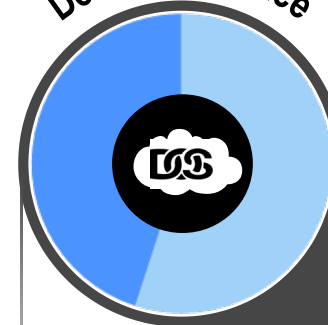
~80% of all inbound email volume is SPAM or phishing

Credit Card Fraud



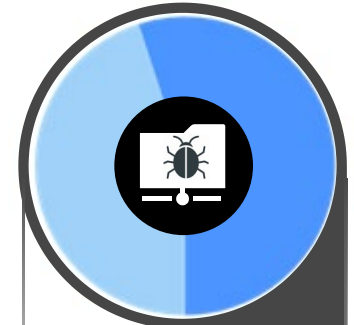
Multiple agencies have been victim of credit card stuffing attempts

Denial of Service



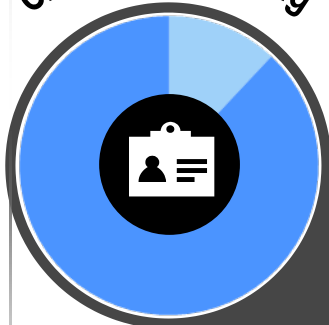
DDoS attacks are up 341% globally since start of pandemic³

Malware



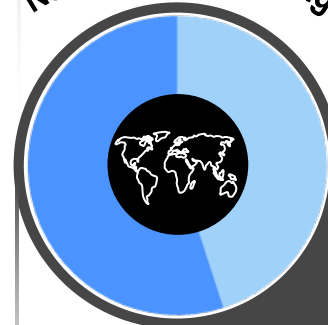
Viruses, worms, Trojans, ransomware, and cryptominers

Credential Stuffing



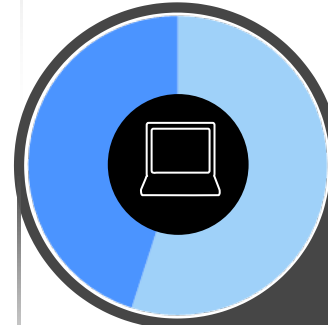
Dark web monitoring detected more than 5,000 total leaks of state employees in 2021

Nation State Hacking



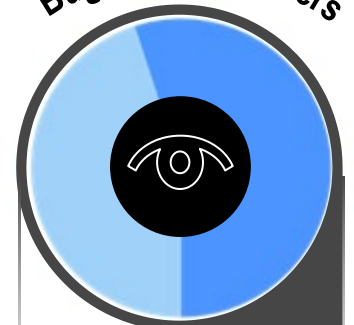
Use zero-day techniques that interrupt operations and generate massive data and revenue loss

Botnets



Allows attacker to amplify attacks and are a staple of ransomware

Bug Bounty Hunters



Look for vulnerabilities for profit, fame, or sometimes to exploit vulnerable systems

1. 4,519,962,807 threat log events from 01/01/2021 – 12/31/2021 per NDIT Panorama
2. 49,775 XSOAR Incidents created between 01/01/21 – 12/31/2021 per Cortex XSOAR
3. [DDoS attacks increase 341% amid pandemic - Help Net Security](#)

MAJOR INCIDENTS DURING THE LAST 18 MONTHS

Large and most notable incidents in the last 18 months

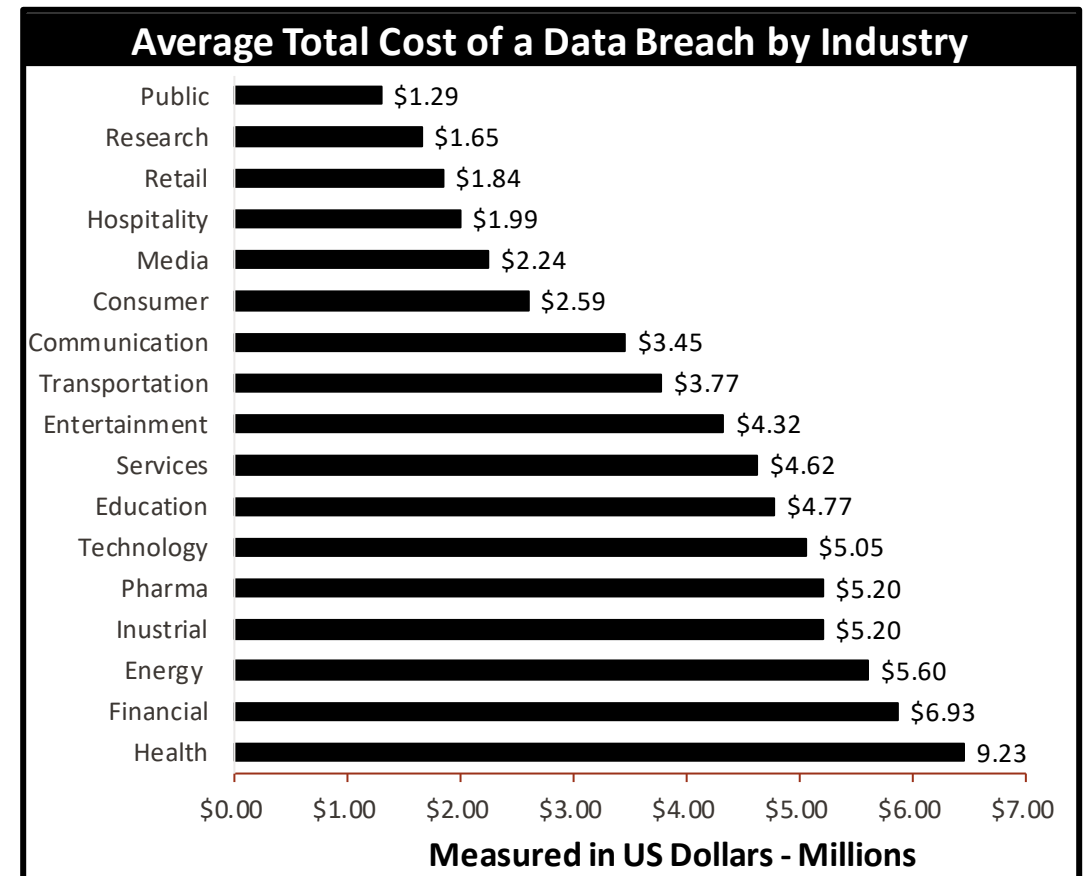
- SolarWinds
 - 3rd Party Risk – Criminals managed to compromise the update process of SolarWinds's Orion Software
- Hafnium
 - 3rd Party Risk – Microsoft Exchange Server (unknown) Zero Day Attack
- PrintNightmare
 - 3rd Party Risk – Vulnerability in Microsoft Print Spooler
- Log4J
 - 3rd Party Risk – Java based logging utility
- Colonial Pipeline Cyber Attack
 - Infrastructure attack, six day outage, ransomware, paid 4.4 million to attackers

An attacker must
be successful only once,
the defender must
be successful every time!

AVERAGE ANNUAL COST OF A SECURITY BREACH

Average cost of security breach

- IBM/Ponemon Institute places the average cost of \$4.37 million per year
- Healthcare breaches average \$9.23 million*
- Personal records tend to be the most compromised data types while databases tend to be the most frequently involved asset in breaches



* The Average Cost of a Healthcare Data Breach is Now \$9.42 Million (hipaajournal.com)

* Cost of a Data Breach Report 2021 | IBM

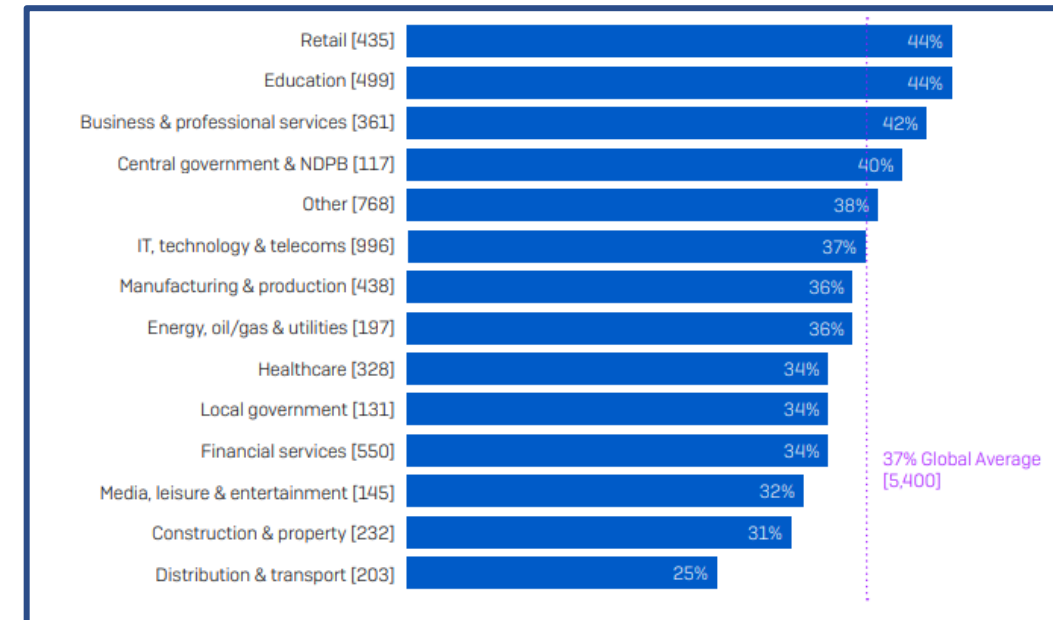
AVERAGE COST OF RANSOMWARE

Potential massive cost to North Dakota as a whole

- The inherent risk to the state from ransomware is \$877,101,000 per biennium
- Ransomware remediation has more than doubled since last year
- Extortion style attacks have more than doubled since last year
- Having tools deployed, governance, polices, and trained security teams, reduces risk



Ransomware Remediation Cost
Has More Than Doubled Since Last Year



See appendix for calculations

[sophos-state-of-ransomware-2021-wp.pdf](#)

MANDATORY REPORTING OF SECURITY INCIDENTS

House Bill No. 1314 (2021)

- Intake form in ServiceNow for partners to use
- Messaging to STAGEnet partners
- Total of 49,775 incidents
- Six incidents reported from entities that are not part of our operational authority
- Ransomware has not been reported since the law was implemented

How HB1314 has helped

- Opens communication with schools, counties, cities
- Provides early reporting
- Integrated into ServiceNow
- Offers a tool for lessons learned and remediation

Items Reported

- Exchange Server Breach
- Compromised Credentials
- Lost Laptop
- Numerous Phished PSDs

Ransomware Top Targets

- Schools
- Local Government
- Local Police
- Banks
- State Government
- Hospitals
- Boards and Commissions

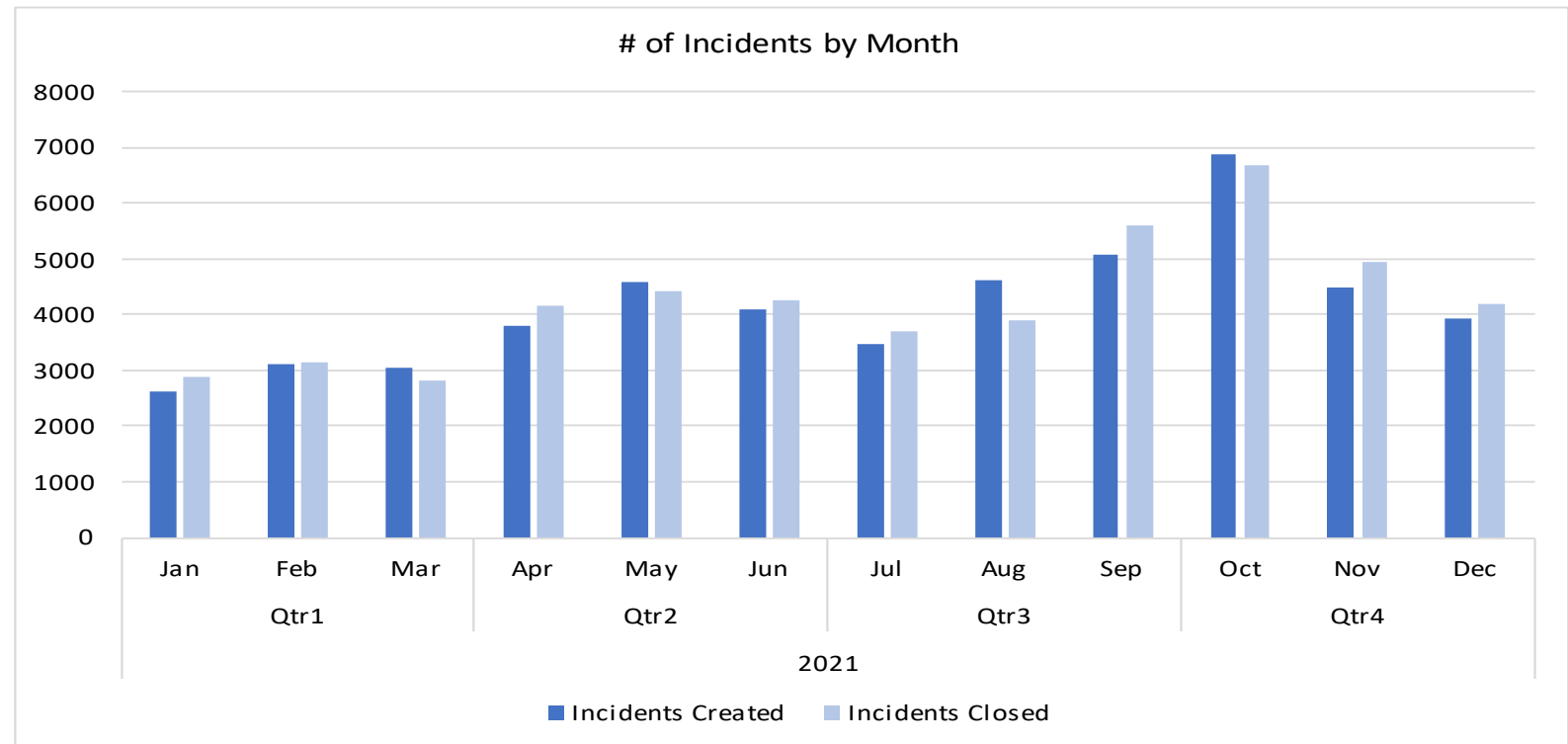
CYBER INCIDENTS IN 2021

- **Security incidents**

- 2021: 49,775^a
- 2020: 51,289

- **Top incident types**

- Phishing
- Cortex XDR
- MS-ISAC

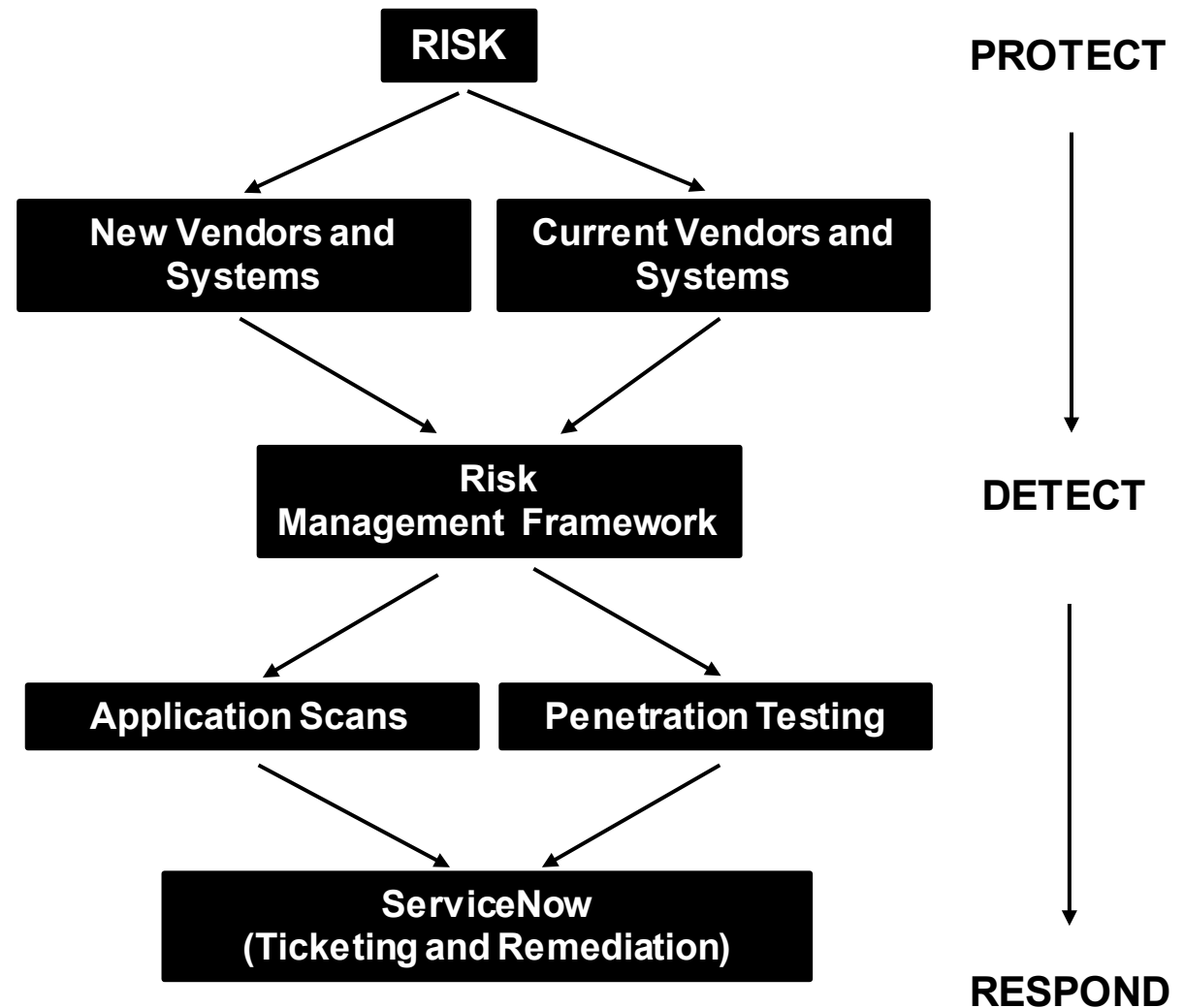


a. Total # of security incidents in 2021 was less than 2020, attributed to increased tuning of our toolsets (114 alert exclusions created or modified in 2021) and additional preventative controls implemented

PREVENTING RISK

Preventing Risk

- **Risk Management Framework (RMF)**
 - Preventing risk to systems by building a risk reduction lifecycle from beginning to end
- **Third Party Risk Management (TPRM)**
 - Preventing risk by evaluating and monitoring risk introduced by vendors



REDUCING RISK

Reducing Risk

- Expansion of tools (EDR, Vulnerability Analysis, User Awareness Training) to North Dakota cities, schools, counties, and higher education
- 263% increase in coverage of endpoint detection and response (EDR) in the last 2 years
 - Obtained increased deployment resulting in reduction of mean time to remediate
- 95% goal for total coverage, however:
 - PSDs maintain operational control, therefore security tool deployment is a partnership
 - Increasing deployment of security tools will provide better estimates of assets to be protected
 - Data is based on estimates of asset count
 - Working to expand the fidelity of our data
 - No centralized database of all assets
 - Lack of operational control of the assets



DETECTING RISK

Detecting Risk

- Vulnerability scanning allows us to detect vulnerable systems
- Vulnerability scanning allows us to identify and understand risks of systems, applications, and services that use STAGEnet
- While remediation remains critical, detecting where these risks are, and determining their impact, is needed to prioritize work

How We Calculate

- Risk ranking scores
- Time detected vs patched

What is the backlog?

- We continue to have a high number of vulnerabilities that require remediation as ongoing tech debt

Consider Just One Event!

Log4J

- 47 scans over two weeks
- 1,800,000 IP Addresses
- Over 1000 hours to validate and remediate

COMMUNICATION IN STATE

The key to meeting our customers' needs is to listen!

Increased communication within our state

- Increased coverage with information security officers (ISO)
- Working closely with North Dakota National Guard to enhance cyber defense
- Monthly collaboration meetings to share information
 - Agencies, cities, schools, tribes, higher education, counties, etc.
 - Allows NDIT cyber operations to understand our customers' needs and better meet them
 - Share information and strategic alignment

Threat brief

- Monthly meeting average 35 attendees
- 500+ attendees during Log4j threat brief
 - 96% of respondents would like to see more emergency briefs when needed

COMMUNICATION WITH OTHER STATES

Joint-Cyber Security Operations Center (J-CSOC)

- Opens communication channels between state members
- J-CSOC provides opportunities for collaboration and best practices
 - Exchange threat information
 - Real time exchange of mitigations during major attacks
 - Offers states an early warning of threat actor activity before being impacted
 - In-depth conversations with partnered states regarding cyber best practices
 - Repository of indicators of compromise
 - Insight into correlating incidents between states
 - Currently adding additional states



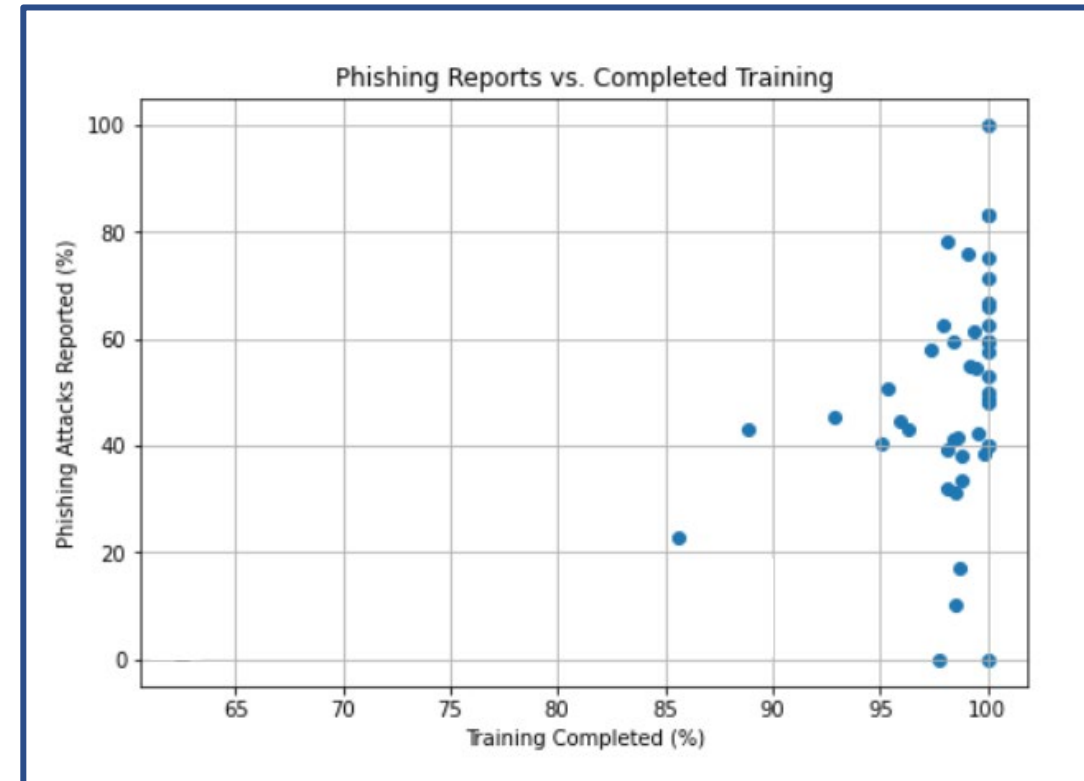
Better intel is the key to
protecting the state and its
citizens

CYBER AWARENESS AND EDUCATION

Cyber Awareness and Education

- North Dakota's Cyber Awareness Program raises security awareness and reduces risk
 - 98% of NDIT users in compliance per policy, overall state is 98.3%
 - 86% increase in coverage of user awareness over the last two years
 - 97% licensing usage for Security Awareness Training
 - Other PSDs want to participate

Correlation of Training vs Reported Phishing



GROWING AND ENHANCING THE NEEDED CYBER SKILL SET

- **Problem** - Most entities lack the needed cyber skill set
 - Only 1% percent of cities, counties, and K-12 schools have full-time cyber security staff
- **Solution** - Adopting PK20W approach for future of ND
 - External
 - Growing cyber talent in our state for the future
 - Providing students with increased cyber skills with creation of ND Cyber Madness
 - 467% increase in events from 2020 to 2021
 - Fostering CyberCon, the largest cyber security event in ND
 - Internal
 - Growing talent and converting to full-time employees
 - Interns and apprentices



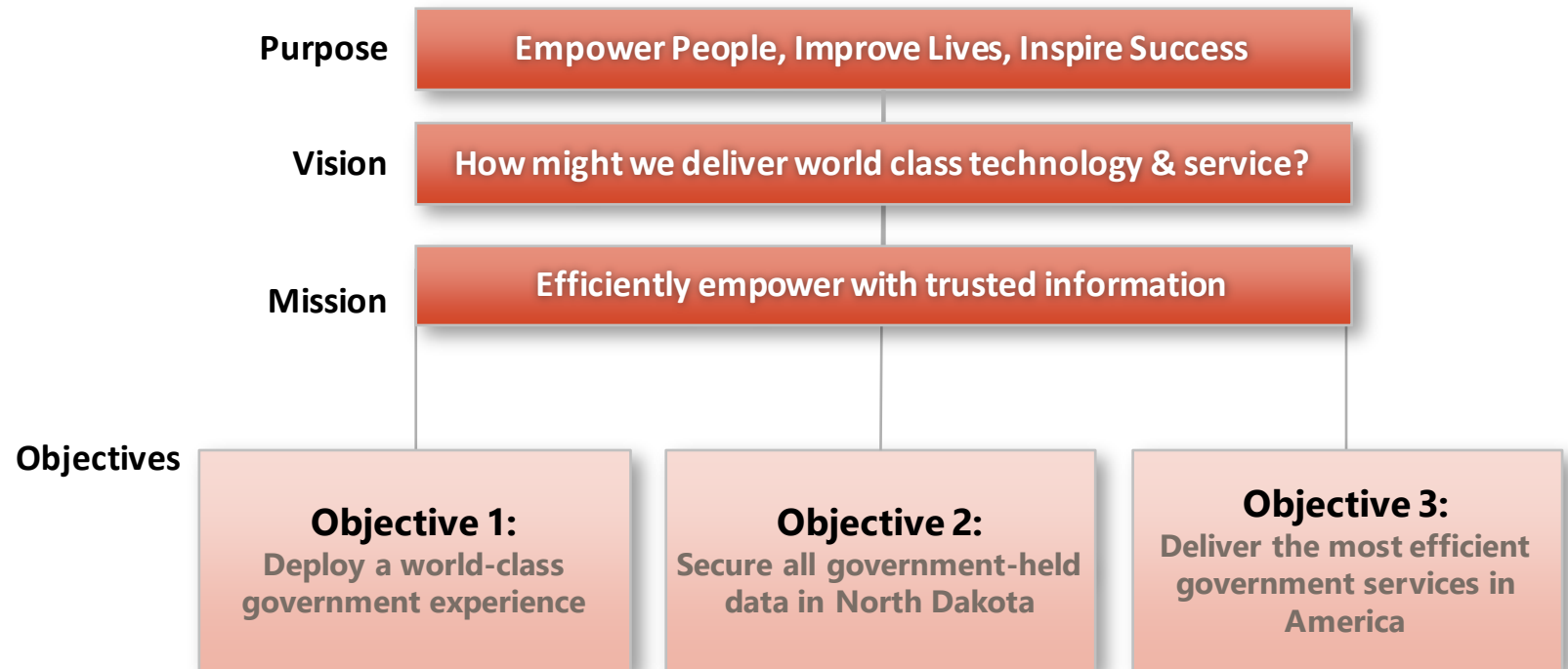
Cyber Madness February 2022



OBJECTIVES AND KEY RESULTS

Objectives and Key Results are the way we tie *Mission* to *Actions*

OKR Method



GAINS IN EFFICIENCY – ANALYSIS AND RESPONSE

- **Automation of Analysis and Response**
 - Automation has been developed to identify and close false positive or non-actionable incidents
 - 17,671 incidents were auto-closed in 2021
 - 10.2k Phishing (user reported phishing emails determined to be false positives based on automated enrichment)
 - 6.87k Cortex XDR (malware alerts where the verdict has been changed to benign)
 - 534 MS-ISAC (alerts where the activity has not been observed for seven consecutive days)
 - These alerts, if handled manually by analysts, would have required the equivalent of 2.17 FTEs to investigate¹



1. 17,671 incidents x assumed 15 minutes of investigation = 265,065 minutes of analyst time or 4,417.75 hours. 4,417.75 / 2080 hours = 2.17 FTEs

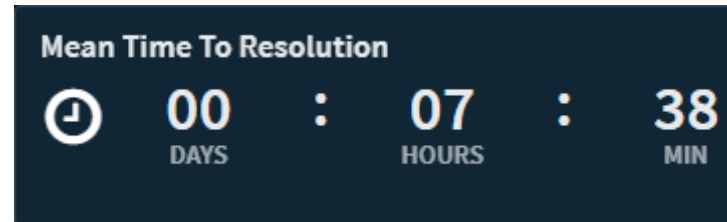
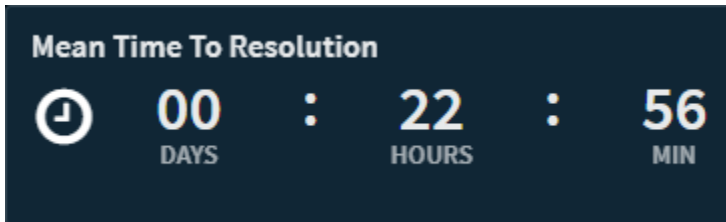
REDUCTION IN MTTR – ANALYSIS AND RESPONSE

Mean Time to Resolution (MTTR) of Top Incident Types

January 2021

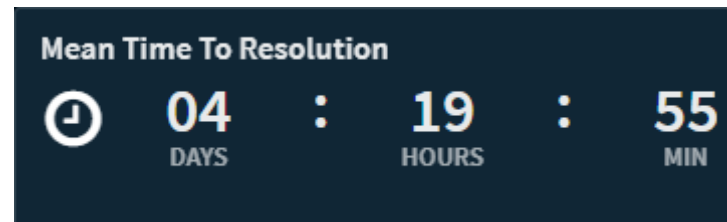
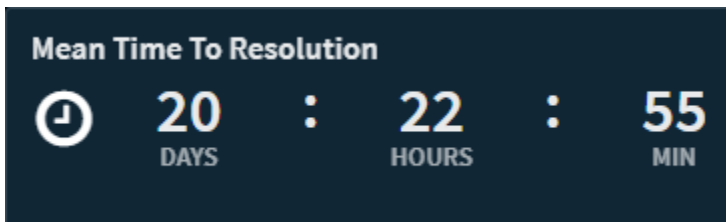
January 2022

Phishing



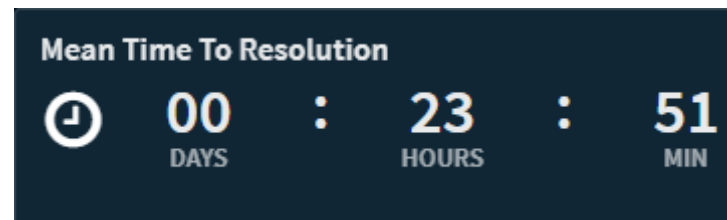
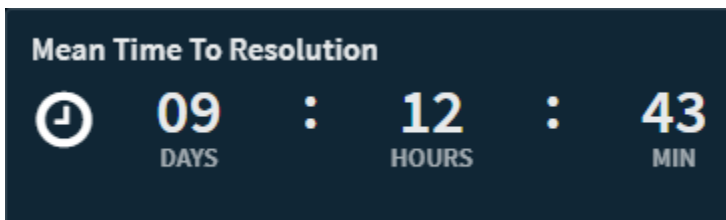
67% Reduction

Cortex XDR



77% Reduction






MS-ISAC



90% Reduction

GAINS IN EFFICIENCY – GOVERNANCE

- **Governance, Risk, and Compliance (GRC)**
 - OneTrust Platform
 - 160 Vendor assessments and tracking scoped for 2022
 - 40 vendor assessments currently in progress
 - **ServiceNow**
 - Risk Management assessment and tracking
 - Vulnerability Management integration with Tenable
 - Disaster recovery program and plans stored in ServiceNow
 - Governance, Policies, and Standards managed and tracked

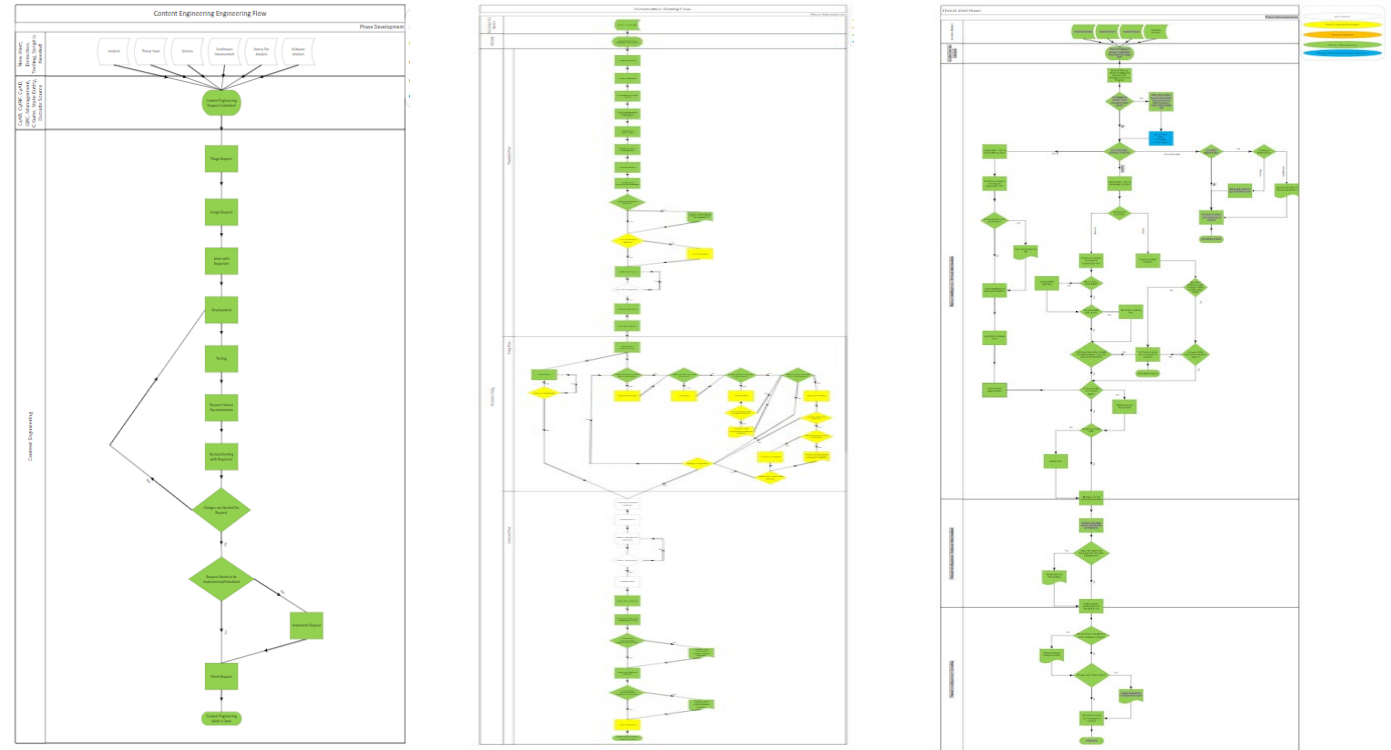
Not Started	----	----	----
In Progress	----	----	----
Completed	Approved		10
In Progress	----	----	----
Under Review	----		4
Completed	Approved		32
Completed	Approved		154
Completed	Approved		6



GAINS IN EFFICIENCY - ACTIVE DEFENSE

Active Defense

- Development Work
 - 15,637 Code Changes Created
 - 3,600,943 Created Lines of Code
 - 2,459,327 Removed Lines of Code
- Automation Engineers/REs
 - 2020 - 485 Work Items Closed
 - 2021 - 1423 Work Items Closed
- Threat Intelligence
 - 2020 - 74 Work Items Closed
 - 2021 - 1981 Work Items Closed
- Penetration Testing
 - 2020 - 200 Work Items Closed
 - 2021 - 216 Work Items Closed



Automation and process improvements have allowed Active Defense to gain a 200% increase in throughput of work

GAINS IN EFFICIENCY – SECURITY INFRASTRUCTURE

Security Infrastructure

- Inventory Management
 - Use of Tenable to get more accurate inventory of devices on STAGEnet
- Endpoint Protection and Response (EDR)
 - EDR Agent Version: Standardized to one version
 - EDR Clients Installs: **263%** Increase in coverage over two years
- Vulnerability Analysis
 - Devices Scanned for Vulnerabilities: **429%** Increase in devices scanned over the past year
- 42% increase in the last two years for NDIR support for K12 districts, cities, and counties
- 80% increase in state coverage of monitoring/alerting of user traffic by MSISAC SOC
- DNS lookup protections (MSISAC MDBR)

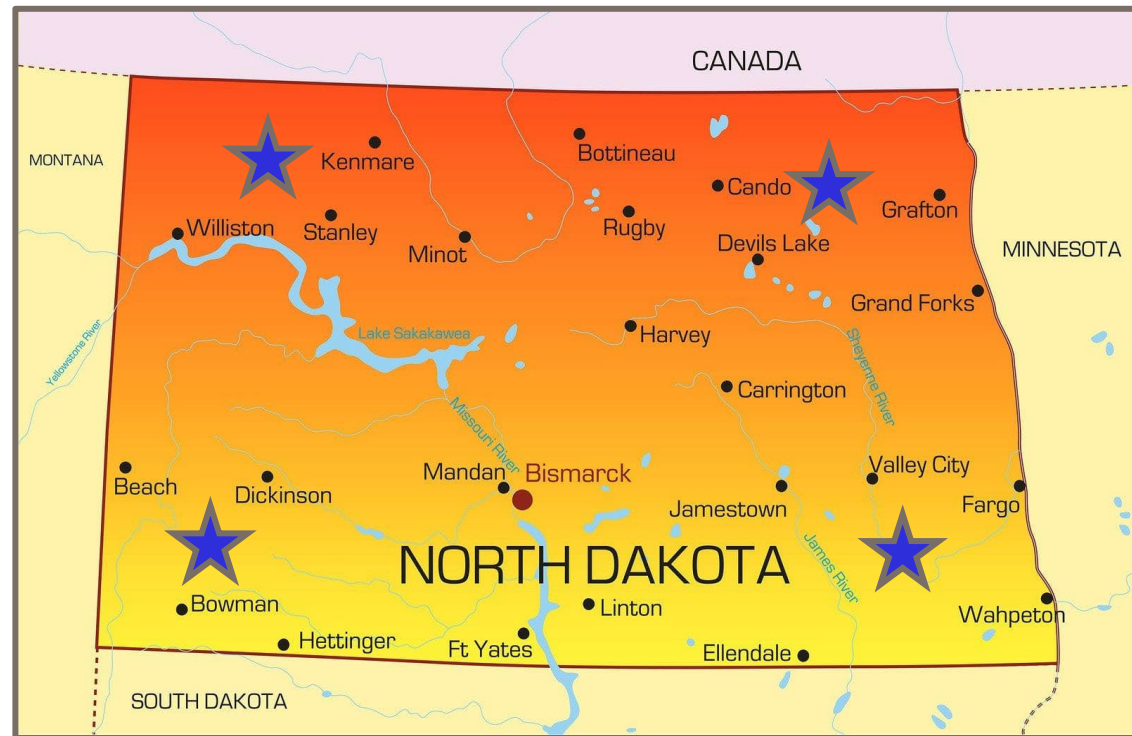


EDR Client installs
have increased 263%
in the last two years

GAINS IN EFFICIENCY - NEWS PROJECT

Deployment of vulnerability scanners – North/East/West/South (NEWS Project)

Reduces scanning time (**Over 50% faster**) / Allows rapid remediation



HOW WE TRACK OUR GAINS – METRICS

- **Key Goal Indicators (KGIs)**

- Look forward to a state that you want to achieve
 - *Example: Phishing Derby, Operation Limbo, & No Chromebook Left Undone 20K in 2021*

- **Key Performance Indicators (KPIs)**

- Backward looking and informs what has happened
 - *Example: Weekly/Monthly Metrics and Reports*



HOW WE TRACK OUR GAINS – METRICS

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 - *Example: Weekly/Monthly Metrics and Reports*



Security Q&A

Jessica Newby
Information Security Officer
Email: jnewby@nd.gov
Phone: 701-328-4395

CONTACT US

NORTH
Dakota
Be Legendary.™

Information Technology

MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha, Executive Director
DATE: March 18, 2022
RE: 2023 Legislative Planning

The attached document reflects a summary of the statutes discussed at the January TFFR Board meeting for which additional information was requested from RIO staff and TFFR’s actuary Segal.

Pursuant to N.D.C.C. 15-39.1-05.2(5), the TFFR Board of Trustees must:

“... submit to the legislative management's employee benefits programs committee any necessary or desirable changes in statutes relating to the administration of the fund.”

Any proposed changes must be submitted to the Employee Benefits Programs Committee no later than March 31, 2022.

Staff will present the statutes under review and feedback from Segal, to the Board at the March meeting. A representative from Segal will be available to answer questions.

Information from Segal is generally reflected in the attached document. The following table illustrates the information gathered by Segal (M.S. email 3/3/22) related to the question of service purchase options and is included for the Boards reference regarding why no reduction in service purchase options is recommended by staff.

Purchase of Service Option	NDTFFR	MN TRA	IL TRS	COPERA	PEERS Missouri	Nebraska Teachers	Montana TRS	OK TRS
Previous Public Service	x			x	x			x
Military Service	x	x	x	x	x	x*	x	x
Leave of Absence / Seasonal	x		x				x	
Legislative Service	x	x		x				
Generic Service	x			x				
Unusual Sick Leave	x						x	
Sabbatical Leave		x					x	x
Medical Leave		x					x	
Parental Leave		x	x		x		x	
Family Leave		x					x	x
Part-Time Teaching			x	x	x		x	x
Private-School Credit			x	x	x		x	
Public School not in Plan					x	x	x	x
Prior Service Refund	x		x	x	x	x	x	x
12 month Pre-Retirement						x		

ACTION REQUESTED: Motion to approve/ authorize staff to submit requested statutory changes to EBPC on behalf of the TFFR Board.

**CHAPTER 15-39.1
TEACHERS' FUND FOR RETIREMENT**

15-39.1-04. Definitions.

For purposes of this chapter, unless the context or subject matter otherwise requires:

1. "Actuarial equivalent" means the amount calculated to be of equal actuarial value to the benefit otherwise payable when computed on the basis of actuarial assumptions and methods adopted by the board.
2. "Beneficiary" means a person, estate, trust, or organization designated in writing by a participating member to receive benefits provided by this plan, in receipt of benefits, or otherwise provided under section 15-39.1-17.
3. "Board" means the board of trustees of the teachers' fund for retirement.
4. "Contract" means a written agreement with a school board or other governing body of a school district or special education unit of this state or a letter of appointment by a state institution, state agency, or other employer participating in the fund.
5. "Fund" means the teachers' fund for retirement.
6. "Interest" as applied to member assessments is an annual rate of six percent compounded monthly and as applied to the repurchase of credit for withdrawn years is six percent compounded annually.
7. "Normal retirement age" means the age at which a member becomes eligible for monthly lifetime normal unreduced retirement benefits as provided in subsection 1 of section 15-39.1-10.
8. "Retirement" means cessation of covered employment and acceptance of a benefit under former chapter 15-39, or chapter 15-39.1 or 15-39.2.
9. "Retirement annuity" means the payments made by the fund to a member after retirement, ~~these payments beginning on the first or fifteenth day of the month following eligibility for a benefit.~~
10. "Salary" means a member's earnings in eligible employment under this chapter for teaching, supervisory, administrative, and extracurricular services during a plan year reported as salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 132(f), 401(k), 403(b), 414(h), or 457, as amended. "Salary" includes amounts paid to members for performance of duties, unless amounts are conditioned on or made in anticipation of an individual member's retirement or termination. The annual salary of each member taken into account in determining benefit accruals and contributions may not exceed the annual compensation limits established under 26 U.S.C. 401(a)(17)(B), as amended, as adjusted for increases in the cost of living in accordance with 26 U.S.C. 401(a)(17)(B), as amended. A salary maximum is not applicable to members whose participation began before July 1, 1996. "Salary" does not include:
 - a. Fringe benefits or side, nonwage, benefits that accompany or are in addition to a member's employment, including insurance programs, annuities, transportation allowances, housing allowances, meals, lodging, or expense allowances, or other benefits provided by a member's employer.
 - b. Insurance programs, including medical, dental, vision, disability, life, long-term care, workforce safety and insurance, or other insurance premiums or benefits.
 - c. Payments for unused sick leave, personal leave, vacation leave, or other unused leave.
 - d. Early retirement incentive pay, severance pay, or other payments conditioned on or made in anticipation of retirement or termination.
 - e. Teacher's aide pay, referee pay, bus driver pay, or janitorial pay.
 - f. Amounts received by a member in lieu of previously employer-provided benefits or payments that are made on an individual selection basis.
 - g. Signing bonuses as defined under section 15.1-09-33.1.
 - h. Other benefits or payments not defined in this section which the board determines to be ineligible teachers' fund for retirement salary.

Commented [MJ1]: Segal provided peer information. At this time no change is recommended.

Commented [MJ2]: To provide clarity in the definition, limit to definition of payment only.

11. "State institution" includes North Dakota vision services - school for the blind, the school for the deaf, and the North Dakota youth correctional center.
12. "Teacher" means:
 - a. All persons licensed by the education standards and practices board who are contractually employed in teaching, supervisory, administrative, or extracurricular services by a state institution, multidistrict special education unit, area career and technology center, regional education association, school board, or other governing body of a school district of this state, including superintendents, assistant superintendents, business managers, principals, assistant principals, and special teachers. For purposes of this subdivision, "teacher" includes persons contractually employed by one of the above employers to provide teaching, supervisory, administrative, or extracurricular services to a separate state institution, state agency, multidistrict special education unit, area career and technology center, regional education association, school board, or other governing body of a school district of this state under a third-party contract.
 - b. The superintendent of public instruction, assistant superintendents of public instruction, county superintendents, assistant superintendents, supervisors of instruction, the professional staff of the department of career and technical education, the professional staff of the center for distance education, the executive director and professional staff of North Dakota united who are members of the fund on July 1, 1995, the professional staff of an interim school district, and the professional staff of the North Dakota high school activities association who are members of the fund on July 1, 1995.
 - c. The executive director and professional staff of the North Dakota council of school administrators who are members of the fund on July 1, 1995, and licensed staff of teachers centers, but only if the person was previously a member of and has credits in the fund.
 - d. Employees of institutions under the control and administration of the state board of higher education who are members of the fund on July 16, 1989.
13. "Tier one grandfathered member" for purposes of sections 15-39.1-10 and 15-39.1-12 means a tier one member who, as of June 30, 2013, is vested as a tier one member in accordance with section 15-39.1-11; and
 - a. Is at least fifty-five years of age; or
 - b. Has a combined total of years of service credit in the plan and years of age which equals or exceeds sixty-five.
14. "Tier one member" means a teacher who has credit in the system on July 1, 2008, and has not taken a refund pursuant to section 15-39.1-20 after June 30, 2008.
15. "Tier one nongrandfathered member" for purposes of sections 15-39.1-10 and 15-39.1-12 means a tier one member who does not qualify as a tier one grandfathered member.
16. "Tier two member" means a teacher who is not a tier one member.

15-39.1-05.2. Board authority - Continuing appropriation.

The board:

1. Has the powers and privileges of a corporation, including the right to sue and be sued in its own name. The venue of all actions to which the board is a party must be Burleigh County.
2. Shall establish investment policy for the trust fund under section 21-10-02.1. The investment policy must include:
 - a. Acceptable rates of return, liquidity, and levels of risk; and
 - b. Long-range asset allocation targets.
3. Shall arrange for actuarial and medical consultants. The board shall cause a qualified, competent actuary to be retained on a consulting basis. The actuary shall:
 - a. Make a valuation of the liabilities and reserves of the fund and a determination of the contributions required by the fund to discharge its liabilities and pay

- administrative costs;
 - b. Recommend to the board rates of employer and employee contributions required, based upon the entry age normal cost or other accepted actuarial method, to maintain the fund on an actuarial reserve basis;
 - c. Once every five years make a general investigation of the actuarial experience under the fund, including mortality, retirement, employment turnover, and other items required by the board;
 - d. Recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on the investigation provided for in subdivision c; and
 - e. Perform other duties assigned by the board.
4. May pay benefits and consultant fees as necessary which are hereby appropriated from the fund.
 5. Shall submit to the legislative management's employee benefits programs committee any necessary or desirable changes in statutes relating to the administration of the fund.
 6. Shall determine appropriate levels of service to be provided to members, including benefits counseling and preretirement programs.
 7. Shall, ~~through resolution, inform~~ the state investment board, which is the administrative board of the retirement and investment office, the levels of services, goals, and objectives expected to be provided through the retirement and investment office.

Commented [MJ3]: To provide flexibility in method of communication.

15-39.1-12.2. Benefit payments to alternate payee under domestic relations order.

1. The board shall pay retirement benefits in accordance with the applicable requirements of any qualified domestic relations order. The board shall review a domestic relations order submitted to it to determine if the domestic relations order is qualified under this section and under rules established by the board for determining the qualified status of domestic relations orders and administering distributions under the qualified orders. Upon determination that a domestic relations order is qualified, the board shall notify the teacher and the named alternate payee of its receipt of the qualified domestic relations order.
2. A "qualified domestic relations order" for purposes of this section means any judgment, decree, or order, including approval of a property settlement agreement, which relates to the provision of child support, spousal support, or marital property rights to a spouse, former spouse, child, or other dependent of the teacher, which is made pursuant to a North Dakota domestic relations law, and which creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a part of the benefits payable to the teacher. A qualified domestic relations order may not require the board to provide any type or form of benefit, or any option, not otherwise provided under the fund, or to provide increased benefits as determined on the basis of actuarial value. However, a qualified domestic relations order may require the payment of benefits at the early retirement date notwithstanding that the teacher has not terminated eligible employment. ~~A qualified domestic relations order must specify:~~
 - a. ~~The name and last known mailing address of the teacher and the name and mailing address of each alternate payee covered by the order;~~
 - b. ~~The amount or percentage of the teacher's benefits to be paid by the board to each alternate payee;~~
 - c. ~~The number of payments or period to which the order applies; and~~
 - d. ~~Each retirement plan to which the order applies;~~

Commented [MJ4]: Details/order requirements are found in administrative rule. Removing this language provides clarity of requirements.

15-39.1-15. Withdrawal from fund - Return to teaching.

A teacher who has withdrawn from the fund as set forth in this chapter may, by returning to teach in a public school or state institution of this state, regain service credit for prior teaching by making the required payment. ~~The required payment is, if made within five years of returning to teach in covered employment, is the amount that was withdrawn with interest. In all other cases, the purchase cost must be on an actuarial equivalent basis.~~ If the teacher returns to teach in covered employment after June 30, 2008, the teacher becomes a tier two member regardless of

Commented [MJ5]: Segal reviewed and found varying differences. Segal has no opinion on change though staff suggests change for consistency.

whether the teacher repurchases service credit earned while the teacher was a tier one member.

15-39.1-16. Option of teachers eligible to receive annuities.

The board shall adopt rules providing for the receipt of retirement benefits in the following optional forms:

Option one. Upon the death of the teacher, the reduced retirement allowance must be continued throughout the life of, and paid to, the teacher's designated beneficiary named at the time of retirement. If the person designated to receive the teacher's reduced retirement allowance predeceases the teacher, the reduced retirement allowance must be converted to a single life retirement annuity under which benefit payments, if the person designated died prior to July 1, 1989, must begin on July 1, 1989, or, if the person designated dies on or after July 1, 1989, must begin on the first day of the month following the death of the person designated.

Option two. Upon the death of the teacher, one-half of the reduced retirement allowance must be continued throughout the life of, and paid to, the teacher's designated beneficiary named at the time of retirement. If the person designated to receive the teacher's reduced retirement allowance predeceases the teacher, the reduced retirement allowance must be converted to a single life retirement annuity under which benefit payments, if the person designated died prior to July 1, 1989, must begin on July 1, 1989, or, if the designated beneficiary dies on or after July 1, 1989, must begin on the first day of the month following the death of the person designated.

Option three. Upon the death of the teacher within twenty years of the commencement of annuity payments, the payments must be continued for the remainder of the twenty-year period to the teacher's designated beneficiary. This payment option is available to teachers who retire after July 31, 2003.

Option four. Upon the death of the teacher within ten years of the commencement of annuity payments, the payments must be continued for the remainder of the ten-year period to the teacher's designated beneficiary.

Option five. Level retirement income with social security option, which is available to teachers retiring before social security is payable.

Commented [MJ6]: Remove rarely used option.

Option six. Partial lump sum distribution option. A member who is eligible for an unreduced service retirement annuity under section 15-39.1-10 and who retires after July 31, 2003, may make a one-time election to receive a portion of the retirement annuity paid in a lump sum distribution upon retirement, pursuant to rules adopted by the board.

1. The eligible member may select a standard service retirement annuity or an optional service retirement annuity described in this section, together with a partial lump sum distribution. The partial lump sum distribution option is not available to members who have selected option five, the level income retirement option. This option is not available to disabled members or beneficiaries of deceased members. The partial lump sum distribution option may be elected only once by a member and may not be elected by a retiree.
2. The amount of the partial lump sum distribution under this section is twelve months of a standard service retirement annuity computed under section 15-39.1-10 and payable at the same time that the first monthly payment of the annuity is paid.
3. The service retirement annuity selected by the member must be actuarially reduced to reflect the partial lump sum distribution option selected by the member.
4. Before a retiring member selects a partial lump sum distribution under this section, the fund shall provide a written notice to the member of the amount by which the member's annuity will be reduced because of the selection.

The amount of the reduced retirement allowance payable upon the exercise of any of these options must be computed upon an actuarial basis through the use of standard actuarial tables and based upon the ages of the teacher and the teacher's designated beneficiary. A member's spouse, if designated as beneficiary, must consent in writing to the member's choice of benefit payment option for any benefit payments commencing after June 30, 1999. The board may rely on the member's representations about that person's marital status in determining the member's marital status. The spouse's written consent must be witnessed by a notary or a plan representative. If the spouse does not consent, or cannot be located, the member's annuity benefit must be paid using option two, the fifty percent joint and survivor option.

15-39.1-19.1. Retired teachers return to active service - Annuities discontinued on resumption of teaching over annual hour limit.

1. a. Except as otherwise provided in section 15-39.1-19.2, a retired teacher who is receiving a retirement annuity under chapter 15-39, 15-39.1, or 15-39.2 may not return to covered employment until thirty calendar days have elapsed from the member's retirement date. A retired member may then return to covered employment under an annual hour limit and continue receiving a monthly retirement benefit. The annual hour limit is based on the length of the re-employed retiree's contract as follows:
 - (1) Retiree reemployment of nine months or less, annual limit is seven hundred hours;
 - (2) Retiree reemployment of ten months, annual limit is eight hundred hours;
 - (3) Retiree reemployment of eleven months, annual limit is nine hundred hours; or
 - (4) Retiree reemployment of twelve months, annual limit is one thousand hours.
 - b. Employment as a noncontracted substitute teacher, and does not apply to the annual hour limit. Professional development and extracurricular duties do not apply to the annual hour limit nor will contributions be collected by the fund for these activities.
 - c. The retired member and the retired member's employer must notify the fund office in writing within thirty days of the retired member's return to covered employment.
 - d. A retired member who returns to teaching shall pay the member contributions required by section 15-39.1-09 on the salary received by the retired member. The member contributions must be included in the retired member's account value and may not be refunded except as provided under subdivision a of subsection 2 of section 15-39.1-19.1 and section 15-39.1-17.
 - e. A participating employer who employs a retired member under this section shall pay the employer contributions required by section 15-39.1-09 on the salary of the retired member.
 - f. A retired teacher who returns to teaching and does not exceed the annual hour limit must be treated as retired for all other purposes under this chapter. A retired teacher may not earn any additional service during the period of re-employment. The retired teacher's benefits may not be adjusted to reflect changes in the retired teacher's age or final average monthly salary at the end of the period of re-employment, any optional form of payment elected under section 15-39.1-16 remains effective during and after the period of re-employment, and additional benefits normally available to an active member, such as disability benefits, are not available to a retired teacher re-employed under this section.
 - g. A retired teacher who returns to teaching and exceeds the annual hour limit must immediately notify the fund office in writing. Failure to notify the fund office results in the loss of one month's annuity benefit for the member. The retired member's monthly benefit must be discontinued the first of the month following the date the member reaches the annual hour limit.
2. Upon the retired teacher's subsequent retirement, the member's benefit must be resumed as follows:
 - a. If the teacher subsequently retires with less than two years of additional earned credited service, the teacher's contributions paid to the fund after the member's benefit was suspended must be refunded in accordance with section 15-39.1-20 and the teacher is entitled to receive the discontinued annuity, plus any postretirement benefit adjustments granted during the period of re-employment, the first day of the month following the teacher's re-retirement.
 - b. If the teacher subsequently retires with two or more but less than five years of additional earned credited service, the retired person's annuity is the greater of the sum of the discontinued annuity, plus an additional annuity computed according to this chapter based upon years of service and average salaries earned during the

Commented [MJ7]: Segal found DeMinimus impact of creating consistency between reporting of hours and contributions. Recommend proceeding with change to assist workforce needs.

Commented [MJ8]: Subsection 2 is being reviewed with Segal to discuss the impact to the fund if the plan was modified to allow for a recalculation of benefits for any retiree returning to work if their benefit is suspended and they subsequently re-retire. Option is similar to PERS, see language below. Additional information will be provided prior to the Board meeting.

period of re-employment plus any postretirement benefit adjustments granted during the period of re-employment, or a recalculated annuity computed according to this chapter based on total years of service credit earned during both employment periods offset by the actuarial value of payments already received. The new annuity is payable the first day of the month following the member's re-retirement.

- c. If the teacher subsequently retires with five or more years of additional earned credited service, the retired person's annuity is the greater of the sum of the discontinued annuity plus an additional annuity based upon years of service and average salaries earned during the period of re-employment plus any postretirement benefit adjustments granted during the period of re-employment, or a recalculated annuity based on all years of service computed under subsection 2 of section 15-39.1-10. The new annuity is payable the first day of the month following the member's re-retirement.

PERS Option for Discussion and Review

71-02-07-02. Return to service - Retired member. The benefits of a retired member who returns to permanent employment shall be suspended without interest accruing on the suspended account, except as provided in subsection 1 of North Dakota Century Code section 54-52-05. Upon subsequent termination and retirement, the member is required to select the same benefit option as the option selected at initial retirement. The member's total benefit upon subsequent retirement must equal the original benefit plus the calculated benefit for the return to work period. The member's benefit attributable to any return to work period shall be based upon service and earnings attributable to the return to work period only and be calculated as follows:

1. The member's calculated benefit shall be based on the benefit provisions in effect at subsequent retirement and shall include the member's and spouse's ages, salary earned during the period of reemployment, total service credits earned after reemployment, and actuarial factors in effect at subsequent retirement.
2. If a member dies during subsequent employment, the member's initial retirement benefit option election will apply and the date of death will be considered the subsequent retirement date.
3. If a member's spouse dies during the subsequent employment of the member, section 71-02-04-04 applies to the member's initial and subsequent retirement benefit calculation.

15-39.1-19.2. Retired teachers return to active service - Critical shortage areas and disciplines - Rules.

1. A retired teacher who is receiving a retirement annuity under chapter 15-39, 15-39.1, or 15-39.2 may elect to return to teaching without losing any benefits under the provisions of this section or elect to return to teaching under the provisions of section 15-39.1-19.1. To return to teaching under this section, a retired teacher must:
 - a. Return to teach in a critical shortage geographical area or subject discipline as determined by the education standards and practices board by rule;
 - b. If retired after January 1, 2001, have been receiving a retirement annuity for at least one year. A retired teacher may perform noncontracted substitute teaching duties but may not engage in full-time or part-time teaching duties during the one-year separation from service; and
 - c. Notify the fund office in writing within thirty days of the retired member's return to covered employment. The retired member's employer must also notify the fund office in writing within thirty days of the retired member's return to covered employment.
2. A retired teacher who returns to teaching under this section shall pay the member contributions required by section 15-39.1-09 on the salary of the retired member. The member contributions must be included in the retired member's account value and may not be refunded except as provided under section 15-39.1-17. A retired teacher who returns to teaching under the provisions of this section must be treated as retired for all other purposes under this chapter. A retired teacher may not earn any additional service

Commented [MJ9]: Clarified. Does not occur by rule.

during the period of re-employment. The retired teacher's benefits may not be adjusted to reflect changes in the retired teacher's age or final average monthly salary at the end of the period of re-employment, any optional form of payment elected under section 15-39.1-16 remains effective during and after the period of re-employment, and additional benefits normally available to an active member, such as disability benefits, are not available to a retired teacher re-employed under this section.

3. A participating employer who employs a retired member under this section shall pay the employer contributions required by section 15-39.1-09 on the salary of the retired member.

15-39.1-24. Purchase of additional credit.

Prior to retirement a teacher who provides proof of eligibility under rules adopted by the board may purchase additional credit for use toward retirement in the following instances and manner:

1. A teacher may purchase service credit for years of elementary or secondary teaching service at an accredited out-of-state public, private, or parochial school.
2. A teacher not qualified to receive military credit under the Uniformed Services Employment and Reemployment Rights Act of 1994 [Pub. L. 103-353; 108 Stat. 3150; 38 U.S.C. 4301-4307] or Veterans' Reemployment Rights Act of 1991 [Pub. L. 93-508; 88 Stat. 3150] who has received an honorable discharge from military service of the United States of America may purchase military credit for no more than four years of active service, upon filing application and proof with the board.
3. A teacher may purchase service credit for credit lost while on an approved leave of absence from teaching duties.
4. A teacher may purchase service credit for the time during each legislative session spent serving as a member of the legislative assembly while holding eligible employment under this chapter. As an alternative to a teacher purchasing service credit under this subsection, a teacher and the governmental body employing the teacher may enter into an agreement by which payment for service credit for time spent during each legislative session by the teacher serving as a member of the legislative assembly is made pursuant to section 15-39.1-09. The agreement must provide that contributions made pursuant to section 15-39.1-09 are calculated based on the teacher's annual salary without reduction for a leave of absence taken by the teacher during the legislative session.
5. A teacher may purchase credit for years of elementary or secondary teaching service if employed by an agency of the United States government.
6. A teacher who is elected president of a professional educational organization recognized by the board and who serves in a full-time capacity in lieu of teaching may purchase service credit for the time spent serving as president. As an alternative to purchasing service credit under this subsection, a teacher and the governmental body employing the teacher may enter into an agreement under which payment for service credit for the time spent as president of the professional educational organization is made pursuant to section 15-39.1-09. The agreement must provide that contributions made pursuant to section 15-39.1-09 are calculated based on the teacher's annual salary as president.
7. A teacher may purchase service credit for years of elementary or secondary teaching service in an accredited North Dakota private or parochial school.
8. A teacher who has at least five years of teaching service credit in the fund may purchase credit not based on service for use toward retirement eligibility and benefits. The purchase of service credit for such nonqualified service as defined under section 415(n) of the Internal Revenue Code, as amended, is limited to an aggregate of five years.
9. A teacher who had that person's North Dakota teaching service interrupted by military service in any branch of the United States armed forces and received an honorable discharge may receive credit for military service pursuant to applicable federal veterans' rights acts including the Uniformed Services Employment and Reemployment Rights Act of 1994 [Pub. L. 103-353; 108 Stat. 3150; 38 U.S.C.

Commented [MJ10]: Segal provided comparison with other peers. No change recommended.

4301-4307] or the Veterans' Reemployment Rights Act of 1991 [Pub. L. 93-508; 88 Stat. 3150].

10. With the exception of military service, purchased service credit is not eligible for credit if the years claimed also qualify for retirement benefits from another retirement system.
11. The fund may accept eligible rollovers, direct rollovers, and trustee-to-trustee transfers from eligible retirement plans specified under Internal Revenue Code section 402(c)(8)(B), as amended, to purchase refunded service credit under section 15-39.1-15 and to purchase additional service credit under section 15-39.1-24. The board shall adopt rules to ensure that the rollovers and transfers comply with the requirements of the Internal Revenue Code and internal revenue service regulations. The total amount rolled over or transferred into the fund may not exceed the amount due to purchase service credit.
12. The amount of additional service eligible to be purchased under this section must be credited to the teacher when the teacher has made the required payment. Except as provided in subsections 4, 6, and 9, the purchase cost must be on an actuarial equivalent basis.

15-39.1-27. Computation of years of service.

In computing the terms of service of a member under this chapter, ~~for a member employed full time, a year is deemed to be one who receive compensation for seven hundred seventy five days of compensation—hours or more in a fiscal year earn one year of service. Employment~~ Members who receive compensation for less than one seven hundred seventy five days of compensation is not deemed to be a full year but only as the proportion of a year as the number of hours of service earn fractional credit equal to the number of compensated hours employed worked in each a fiscal year of service bears to divided by seven hundred hours. A member cannot earn more than one year of service in a fiscal year.

Commented [MJ11]: Phrasing under review by Segal

MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha, Executive Director
DATE: March 18, 2022
RE: PAS Project Update

The following summarizes the efforts of RIO agency staff to complete Phase 2 and initiate Phase 3 of the project through the current date.

- All Phase 1 Deliverables have been accepted by Staff.
- Phase 2 has been completed, staff is coordinating with procurement collaboration and project management team to windup Phase 2 and accept any outstanding deliverables.
- The ESC approved contracting with Segal for assistance through Phase 3 of the PAS Project.
- The ESC awarded the vendor solution contract to Sagitec. The contract is expected to be signed by all parties by the end of March. The parties are collaborating on the agenda and scheduling of a kick-off meeting for Phase 3. A verbal update on the status of the kick-off will be provided to the TFFR Board at its March meeting.
- 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 continue to meet weekly to discuss PAS project status and review progress on interim recommendations.

BOARD INFORMATION ONLY. No board action requested.

STRATEGY REVIEW

North Dakota Retirement and Investment



LOOKING AHEAD TO #BELEGENDARY

Jan Murtha

Monday, March 7, 2022

NORTH
Dakota
Be Legendary.

CURIOSITY



WE CHOSE TO LEARN

- Spring 2020: Top 2 Managers in Retirement Program left within 60 days (Including Deputy Executive Director)
- Summer 2021: Top 2 Managers in Investment Program left within 60 days (including Executive Director)
- Fall 2021: additional retirements resulted in a significant staff reduction to a low of 13 filled FTE's to support both programs – contributing to significant operational risk

“Kites rise highest against the wind - not with it.”

- Winston Churchill

Courtesy of www.brainyquote.com

WE CHOSE TO LISTEN

- Fall 2021 Gallup Results - Increase in team member engagement over the prior year despite strain on agency resources
- Significant Increase in Mission/Purpose

Gallup Q¹² Items

Questions	Total N	Current Mean	Last Mean	Change	Mean Percentile Rank - Gallup Overall	Company Overall Current Mean
Q00: Overall Satisfaction	12	4.00	3.69	▲+0.31	46	3.69
Q01: Know What's Expected	12	4.08	4.06	+0.02	18	4.19
Q02: Materials and Equipment	12	4.33	4.31	+0.02	58	4.03
Q03: Opportunity to do Best	12	3.92	4.00	-0.08	31	3.89
Q04: Recognition	12	4.17	4.06	+0.11	68	3.41
Q05: Cares About Me	12	4.58	4.19	▲+0.39	68	4.07
Q06: Development	12	4.17	4.00	+0.17	55	3.75
Q07: Opinions Count	12	4.00	3.69	▲+0.31	54	3.52
Q08: Mission/Purpose	12	4.92	4.19	▲+0.73	93	3.91
Q09: Committed to Quality	12	4.42	4.50	-0.08	66	3.95
Q10: Best Friend	11	3.55	3.63	-0.08	39	3.28
Q11: Progress	12	4.08	3.94	+0.14	49	3.69
Q12: Learn and Grow	12	4.42	4.13	▲+0.29	65	3.88

Not shown if n < 4 for Mean, Top Box, Verbatim Responses, and Sentiment, n < 10 for Frequency, or data is unavailable.
 Scores are not available due to data suppression. Respondents can select multiple responses for multi-select questions.
 Percentile Rank in Gallup Overall Database: ■ < 25th Percentile ■ 25-49th Percentile ■ 50-74th Percentile ■ 75-89th Percentile ■ >= 90th Percentile

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GALLUP

AGENCY VISION: Seeking our Future State



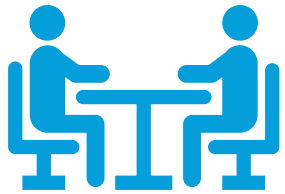
FACTORS REQUIRING TRANSFORMATION

- Operating in reaction mode
- Future uncertainty to North Dakota's budget as the oil industry experience changes
- The evolving mission of the Legacy Fund
- Landscape of the K-12 Education Environment Changes: plan changes to support meeting teacher shortage demand
- Request for portability of retirement plan options

Retirement and Investments Core Priorities



BIG IDEAS FOR THE FUTURE



- **Communication**

- Internal and external communication is purposeful and measured for effectiveness towards continual improvement



- **Technology Enable Processes**

- Opportunities implemented to reduce manual intervention allowing seamless transactions with enhanced efficiencies

BIG IDEAS FOR THE FUTURE

■ **Organizational Culture**

- Our organizational culture provides alignment connecting team members to work collaboratively together internally and with partner agencies to achieve a mission that inspires and drives our work



■ **Talent Management**

- Implementation of a growth centered mindset within the agency allowing purposeful coaching, career development, and staff retention



BIG IDEAS FOR THE FUTURE



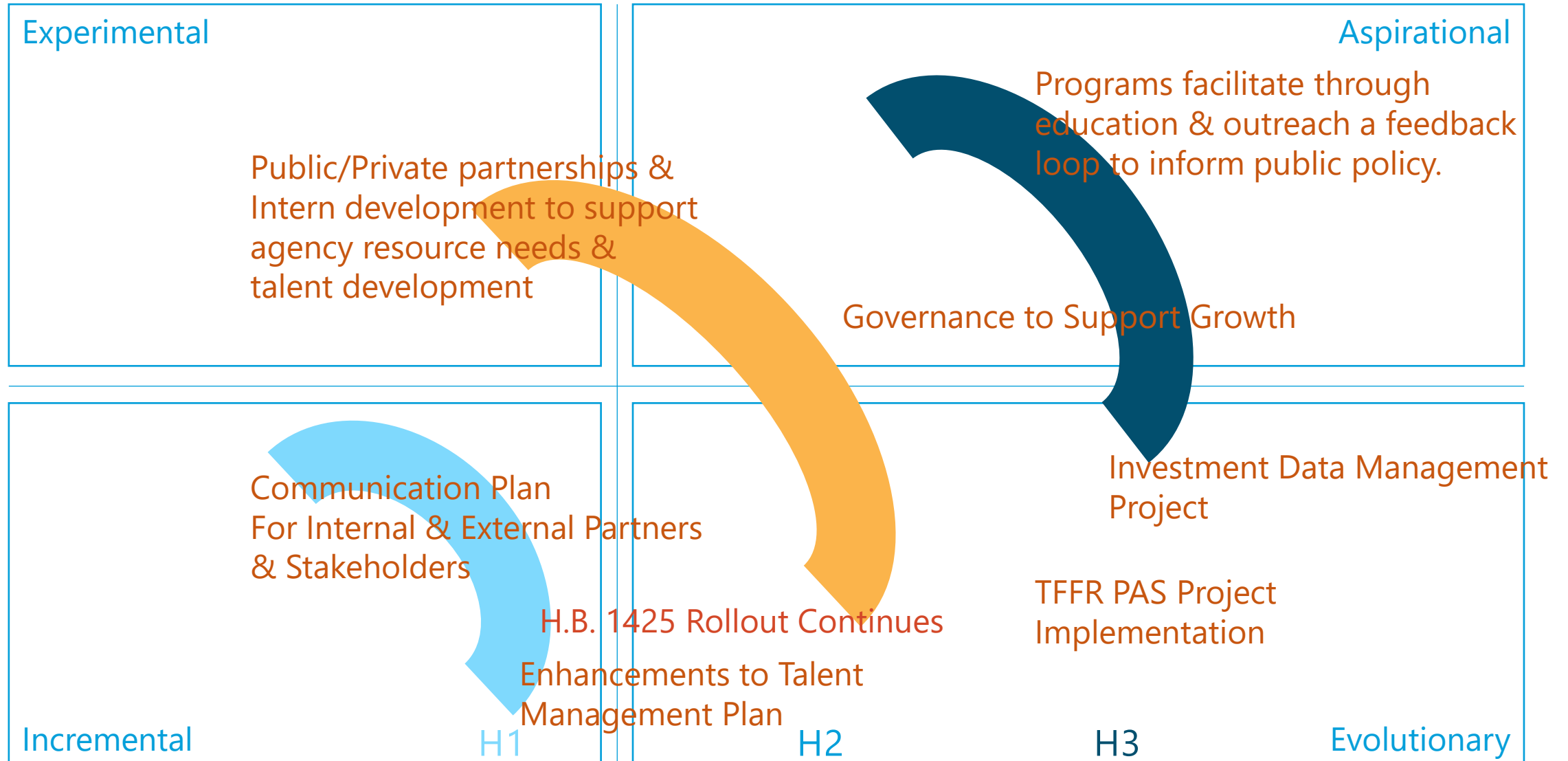
- **Infrastructure**

- A technology plan created identifying the tools needed to create the foundation for future agency growth, data management and synchronization on a full-scale plan in place of short-term implementations that may not enable future connections utilizing the most efficient spending model

ACTION PLAN



HORIZON-BASED TRANSFORMATION



CONSIDERATIONS FOR RESOURCES REQUIRED

Talent

- Recognition of limits on talent recruitment and building an organizational culture that supports talent acquisition where possible
- Agency Reorganization is ongoing
- Succession planning and professional development of team members

Systems

- TFFR Pension Administration System Modernization Project to overhaul interactions between the agency, plan members, and plan employers
- Investment Data Management Project to improve data flow and leverage operational efficiencies

Partnerships

- Attorney General
- NDIT
- OMB - Fiscal
- OMB – HRMS
- OMB – Procurement
- WSI
- External Agency Partners

Budget & Policy

- Budget Priorities
- PAS Project Infrastructure
- Investment Data Infrastructure
- Organizational structure of Both Agency & Governance
- Talent Management
- Legislative Priorities
- TFFR technical corrections to support PAS implementation
- Governance & Organization Structure

2022 RETIREMENT AND INVESTMENT WORKFORCE PLAN

Retirement and Investment Mission: Provide the Best Possible Customer Service to our Clients & Members

Internal and External Trends Impacting our Workforce Needs:

- Future uncertainty to North Dakota's budget as the oil industry changes
- Citizen perspectives due to lack of consensus with Legacy Fund utilization
- Rate of retirement of current teachers
- Demand for portability of retirement plan options

Prioritized Workforce Competencies:

- Communicate Effectively and Build Collaborative Relationships
- Cultivate Innovation and Strategic Mindset
- Action-Oriented, Resourceful, Flexible and Adaptable

Top Workforce Initiatives		Timeline
Talent	Successfully and expeditiously recruit new talent for investment, retirement, and internal divisions	Q2-Q4
	Stand-up agency LinkedIn page to highlight the work of the agency and contributions and impact of team members	Q2
	Build on Crucial Conversations learning to enhance interactions with internal/external stakeholders	Q2-Q4
Leadership	Manager participation in targeted Boss to Coach sessions and utilization of 5 coaching conversations in team member interactions/engagement in alignment with agency mission and strategy	Q2-Q4
Organizational	Technology enhancements to allow seamless transactions with enhanced efficiencies	In-progress
	Reorganization of divisions to optimize existing staff and business processes and build a better structure for future growth	In-progress

Authorized FTE	Full-Time	Temporary	Contractor
2021-2023 Biennium	25	4	2
2023-2025 Biennium <i>(Proposed)</i>	31	5	Will determine

Success Measures	Current State 2022	End State 2022
Successful acquisition of new talent	In-progress	8 positions filled
Sustain team member engagement	4.22 mean	4.25
Increase customer service/success scores	3.60 out of 4.00	3.75 out of 4.00
Implementation of technology enhancements and systems	In-progress	In-progress
Investment performance	TBD by Board	TBD by Board

Talent Acquisition Priorities/Key Positions To Fill	Approx Timing to Fill
Deputy Director/Chief Retirement Officer	Q2
Senior Investment Officer (Alpha & Funds Mgmt)	Q2-Q3
Investment Officer (Alpha & Funds Mgmt)	Q2-Q3
Senior Investment Officer (Private Equity)	Q2-Q3
Senior Investment Officer (Private Equity In-State)	Q2-Q3
Accounting Manager	Q2-Q3
Programs Outreach Coordinator	Q2-Q3
Retirement Program Compliance Specialist	Q4

N O R T H
Dakota

Be Legendary.™

MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha, Executive Director
DATE: March 23, 2022
RE: Actuarial Audit Discussion

TFFR Governance Manual Policy K states in part:

The Board utilizes a request for proposal (RFP) process to periodically select and approve the plan's consulting actuary. It is the Board's intent to issue RFP's every 6 to 10 years, however the timing may be adjusted at the Board's discretion.

The Board monitors actuarial costs and services, and may extend the actuarial consulting service contract for 2 year terms, as approved by the TFFR Board.

The Board also hires an independent actuary to periodically perform an actuarial audit of the plan's consulting actuary. The Board utilizes an RFP process to select and approve the plan's actuarial audit.

[teachersprogrammanual.pdf \(nd.gov\)](#)

An actuarial audit was last conducted in 2016, and previously in 2006. It is the recommendation of the Internal Audit Division that such an audit occur every 5 years. Staff requests the Board authorize staff to initiate a procurement process to retain a consultant to perform an actuarial audit.

BOARD ACTION REQUESTED: Move to approve RIO staff to initiate procurement process for actuarial audit.

MEMORANDUM

TO: TFFR Board
FROM: Denise Weeks
DATE: March 18, 2022
SUBJECT: Outreach Programs Update

Events completed

- Individual Benefit Counseling Sessions - Virtual
 - Different dates in July - December
 - 64 members
- Group Benefit Counseling Sessions – Virtual
 - 14 School and 2 Statewide in September through December
 - 229 members
- New Business Manager TFFR Workshop - Virtual
 - Multiple Employers in March
 - 51 attendees
- Employer Info-Mixer (45-minute sessions – new program) – Virtual
 - Multiple Employers on February 23rd and 24th
 - 42 attendees

Upcoming events

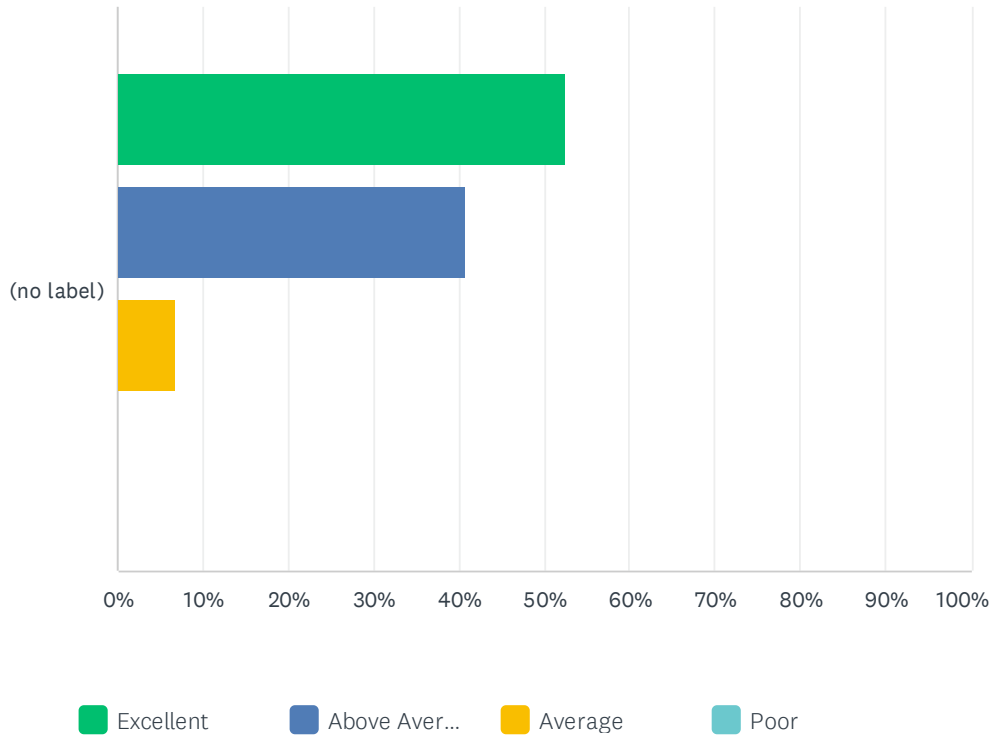
- New Business Manager Workshop – Virtual
 - Date TBD in June
- Employer Info-Mixer – Virtual
 - March 29th and 30th
- TFFR Retirement Education Workshops
 - July 20, 2022 - Bismarck
- TFFR Individual and Group Counseling Sessions
 - Dates TBD in Fall 2022

Evaluation Surveys – attached

- Group Benefit Counseling evaluation survey

Q1 Please rate the overall program.

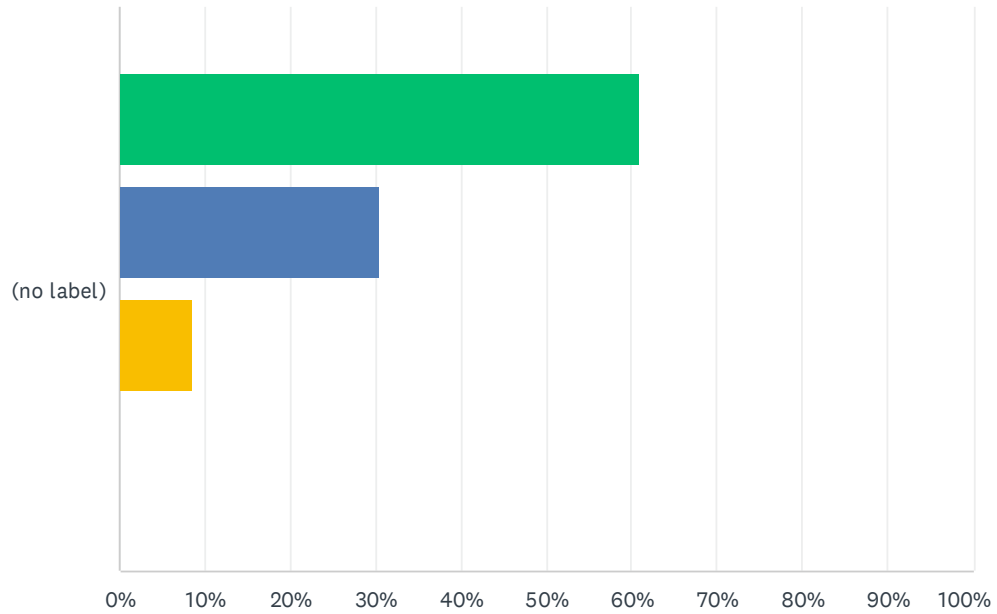
Answered: 59 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	52.54% 31	40.68% 24	6.78% 4	0.00% 0	59	3.46

Q2 Was the material relevant to your needs?

Answered: 59 Skipped: 0

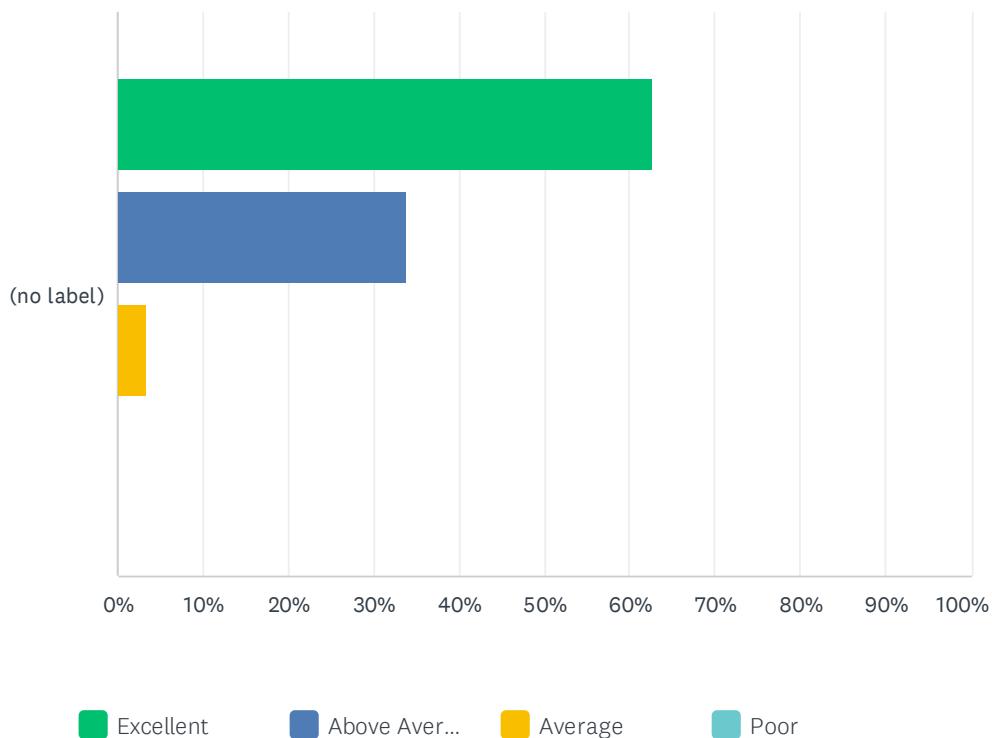


■ Excellent
 ■ Above Aver...
 ■ Average
 ■ Poor

	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	61.02% 36	30.51% 18	8.47% 5	0.00% 0	59	3.53

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

Answered: 59 Skipped: 0



	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR	TOTAL	WEIGHTED AVERAGE
(no label)	62.71% 37	33.90% 20	3.39% 2	0.00% 0	59	3.59

Q4 Do you have suggestions for future webinars?

Answered: 30 Skipped: 29

#	RESPONSES	DATE
1	I thought the presentation was excellent. The presenter was knowledgeable, well-prepared and engaging. Thank you!!	1/13/2022 2:53 PM
2	No, I think it is helpful to know that we can call with personal questions as everyone's situation for retirement is different.	1/12/2022 11:11 AM
3	I am still old school and wish we were in person.	1/11/2022 9:32 PM
4	Have important info. in handouts as I had to screen shot some of the slides.	1/11/2022 2:59 PM
5	This was exactly what I needed. Thanks!!	1/11/2022 2:04 PM
6	I think that if they can send the Powerpoint out in advance or after the session that could help with the understanding.	1/11/2022 1:56 PM
7	No	1/11/2022 12:22 PM
8	More advice!	1/11/2022 10:38 AM
9	Great job!	1/11/2022 10:34 AM
10	I'm one that with my age and background do not remember things presented months ago so after I get a copy of my retirement letter to my board at the January board meeting I will need to either work through what I was told at the presentation or inquire on things I can't remember being told to do. It was a great presentation though.	1/11/2022 9:55 AM
11	Continue the excellent work. Include as many examples as time allows.	1/11/2022 9:02 AM
12	it would be great if during the seminar if the speaker were to exactly say how payouts worked during retirement. Is there a cost of living raise? Do state and federal taxes get taken out of the checks before they are distributed? I feel like these topics are danced around when the presentation is given and people mistakenly believe that they will get the check presented without taxes being taken out. Also, more clarification on what one can take for a payout and how it will affect the actual check you get. Thank you for your time.	1/11/2022 8:18 AM
13	too much time spent explaining the forms online (info I can get online) and raced through the important, difficult to understand info on the retirement options and their implications- (assumed we knew more than we do). Would have liked more info on what taking the different options will mean to me and my spouse financially.	1/11/2022 7:49 AM
14	No	1/10/2022 8:23 PM
15	Hope they are offered again this fall since I decided to teach another year.	1/10/2022 8:07 PM
16	Tell the participants what time zone your webinar is using. At least one person thought it was Mountain time zone. Very minor detail.	1/10/2022 8:06 PM
17	NOT AT THIS TIME	1/10/2022 5:42 PM
18	It was well organized and covered all of my questions.	1/10/2022 5:14 PM
19	No, I think it was well done. I like that the presentation was provided before hand, so one could do a preview. I also like how it is available now, so one doesn't miss the steps.	1/10/2022 4:41 PM
20	I liked how this workshop was done. Great job.	1/10/2022 4:37 PM
21	Taxes	1/10/2022 4:22 PM
22	None	1/10/2022 4:13 PM
23	Not at this time	1/10/2022 4:00 PM

TFFR Group Benefit Counseling Evaluation

24	I thought it was fine.	1/10/2022 3:51 PM
25	I thought the webinar was really easy to follow.	1/10/2022 3:43 PM
26	Put together a real world or occassion that may happen in a realistic situation for an individual.	1/10/2022 3:37 PM
27	The in person sessions, of course, were so much better!	1/10/2022 3:37 PM
28	Have access to the zoom recording to review it, as there is a lot of information to digest.	1/10/2022 3:33 PM
29	Keep up the good work!! Thanks.....	1/10/2022 3:23 PM
30	Happy Hour topics	1/7/2022 12:03 PM

TFFR INVESTMENT AND PERFORMANCE UPDATE

MATT POSCH, CFA
AS OF JANUARY 31, 2022



PERFORMANCE UPDATE – TFFR

AS OF JANUARY 31, 2022

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.

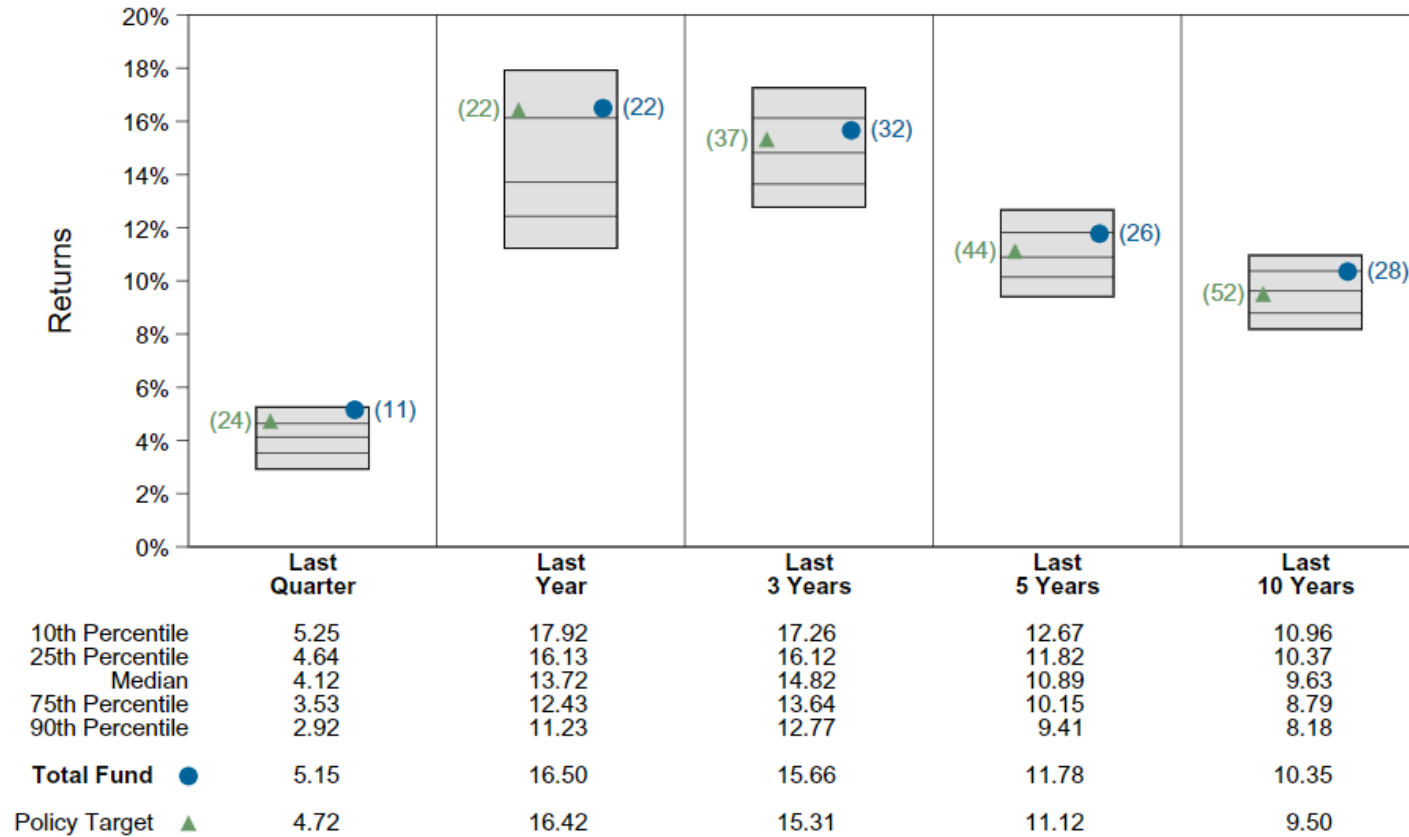
	Current				Risk
	FYTD	1 Yr Ended	3 Yrs Ended	5 Yrs Ended	5 Yrs Ended
	1/31/2022	1/31/2022	1/31/2022	1/31/2022	1/31/2022
TFFR \$3.3 billion					
Total Fund Return - Net	2.46%	12.75%	12.53%	10.53%	8.6%
Policy Benchmark Return	2.87%	13.34%	12.50%	10.17%	8.5%
Total Relative Return	-0.40%	-0.59%	0.04%	0.36%	

- TFFR outperformed the policy benchmark in the 3-year and 5-year periods ending January 31, 2022
- Active management has enhanced net investment returns by roughly \$35 million for the 5-years ended January 31, 2022 *(Excess dollar returns are calculated as the sum of the monthly excess net returns x beginning market value for each month of the five-year period)*

TFFR FUND RANKING

AS OF DECEMBER 31, 2021

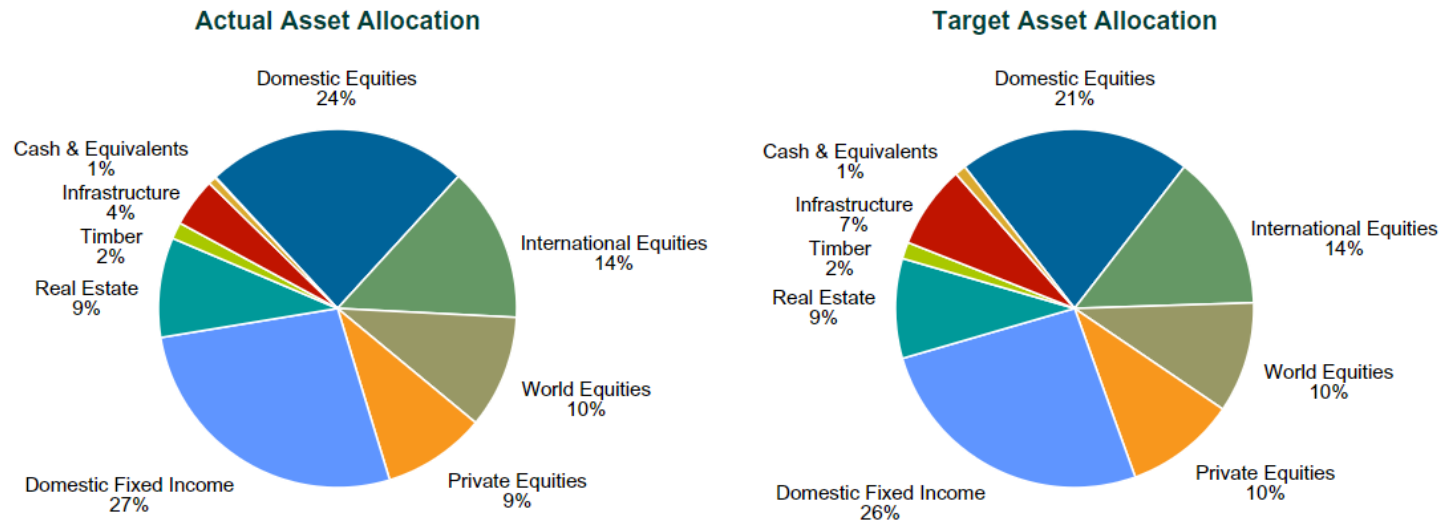
Callan Public Fund Sponsor Database



Solid performance across multiple time frames relative to peers

TFFR ASSET ALLOCATION

AS OF DECEMBER 31, 2021



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	799,606	23.7%	21.0%	2.7%	90,827
International Equities	473,174	14.0%	14.0%	0.0%	654
World Equities	344,324	10.2%	10.0%	0.2%	6,810
Private Equities	313,231	9.3%	10.0%	(0.7%)	(24,283)
Domestic Fixed Income	915,204	27.1%	26.0%	1.1%	37,667
Real Estate	304,346	9.0%	9.0%	0.0%	583
Timber	51,447	1.5%	1.5%	0.0%	0
Infrastructure	150,087	4.4%	7.5%	(3.0%)	(102,229)
Cash & Equivalents	23,722	0.7%	1.0%	(0.3%)	(10,029)
Total	3,375,141	100.0%	100.0%		

- Private Equities allocation has increased from 7.6% in June 2021 to 9.3% in Dec. 2021
- During the third quarter of 2021, a new commitment to Adams Street’s 2021 Global Fund was made
- Infrastructure underweight has been addressed with commitments to Macquarie Fund V, I Squared Fund III, and GCM III during 2021

TFFR ATTRIBUTION

AS OF DECEMBER 31, 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%	27.86%	24.15%	0.82%	0.09%	0.91%
World Equities	12%	10%	20.60%	21.82%	(0.07%)	0.09%	0.01%
International Equities	15%	14%	9.58%	8.74%	0.14%	(0.09%)	0.05%
Private Equities	7%	10%	57.26%	57.26%	0.00%	(1.24%)	(1.24%)
Domestic Fixed Income	27%	26%	1.93%	0.52%	0.43%	(0.19%)	0.24%
Real Estate	9%	9%	19.15%	17.70%	0.13%	0.00%	0.13%
Timber	2%	2%	5.66%	9.17%	(0.06%)	(0.00%)	(0.06%)
Infrastructure	4%	7%	11.51%	13.37%	(0.07%)	0.08%	0.01%
Cash & Equivalents	1%	1%	0.06%	0.05%	0.00%	0.03%	0.03%
Total			16.50%	= 16.42%	+ 1.31%	+ (1.23%)	0.08%

- Domestic Equities and Domestic Fixed Income were contributors to the positive relative return manager effect during the one-year period
- Portfolio underweight to Private Equities has negatively contributed to the asset allocation relative performance
- Small Cap managers have outperformed their target index by over 6% during the current fiscal year

TFFR ATTRIBUTION

AS OF DECEMBER 31, 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%	18.82%	17.08%	0.37%	0.04%	0.41%
World Equities	15%	15%	12.55%	15.03%	(0.34%)	(0.01%)	(0.35%)
International Equities	15%	14%	12.24%	9.60%	0.41%	(0.00%)	0.40%
Private Equities	5%	7%	16.44%	16.44%	0.00%	(0.31%)	(0.31%)
Domestic Fixed Income	23%	22%	5.69%	4.37%	0.30%	(0.07%)	0.23%
International Fixed Inc.	1%	1%	-	-	0.02%	0.02%	0.04%
Real Estate	10%	10%	8.65%	7.75%	0.09%	(0.05%)	0.04%
Timber	2%	2%	1.97%	3.58%	(0.04%)	(0.01%)	(0.06%)
Infrastructure	5%	6%	8.49%	4.85%	0.18%	0.05%	0.24%
Cash & Equivalents	1%	1%	1.17%	1.14%	0.00%	0.01%	0.01%
Total			11.78%	= 11.12%	+ 0.99%	+ (0.33%)	0.66%

- Domestic Equities, International Equities, and Domestic Fixed Income were contributors to the positive relative return manager effect during the five-year period
- Staff is evaluating the long-term underperformance of the World Equities allocation

TFFR ATTRIBUTION

AS OF DECEMBER 31, 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	23%	22%	17.10%	15.88%	0.26%	0.06%	0.32%
World Equities	15%	14%	11.28%	12.70%	(0.16%)	(0.03%)	(0.20%)
International Equities	16%	15%	9.67%	7.60%	0.32%	(0.02%)	0.30%
Private Equities	5%	6%	8.97%	8.97%	0.00%	(0.15%)	(0.15%)
Domestic Fixed Income	20%	20%	5.82%	4.01%	0.35%	(0.03%)	0.32%
International Fixed Inc.	3%	3%	-	-	0.07%	0.01%	0.08%
Real Estate	10%	10%	10.75%	9.32%	0.14%	(0.03%)	0.11%
Timber	3%	4%	1.08%	5.30%	(0.19%)	(0.02%)	(0.21%)
Infrastructure	4%	5%	7.31%	2.99%	0.19%	0.06%	0.26%
Cash & Equivalents	1%	1%	0.66%	0.63%	0.00%	0.01%	0.01%
Total			10.35%	= 9.50%	+ 0.99%	+ (0.13%)	0.86%

- Domestic Equities, International Equities, and Domestic Fixed Income were contributors to the positive relative return manager effect during the ten-year period
- Staff is evaluating the long-term underperformance of the World Equities allocation

RETIREMENT TRENDS AND PROJECTIONS

March 2022

NORTH
Dakota Be Legendary.

Teachers' Fund For Retirement
RETIREMENT & INVESTMENT

RETIREMENT: NOW OR LATER?

The decision to retire is prompted by both financial and non-financial reasons.

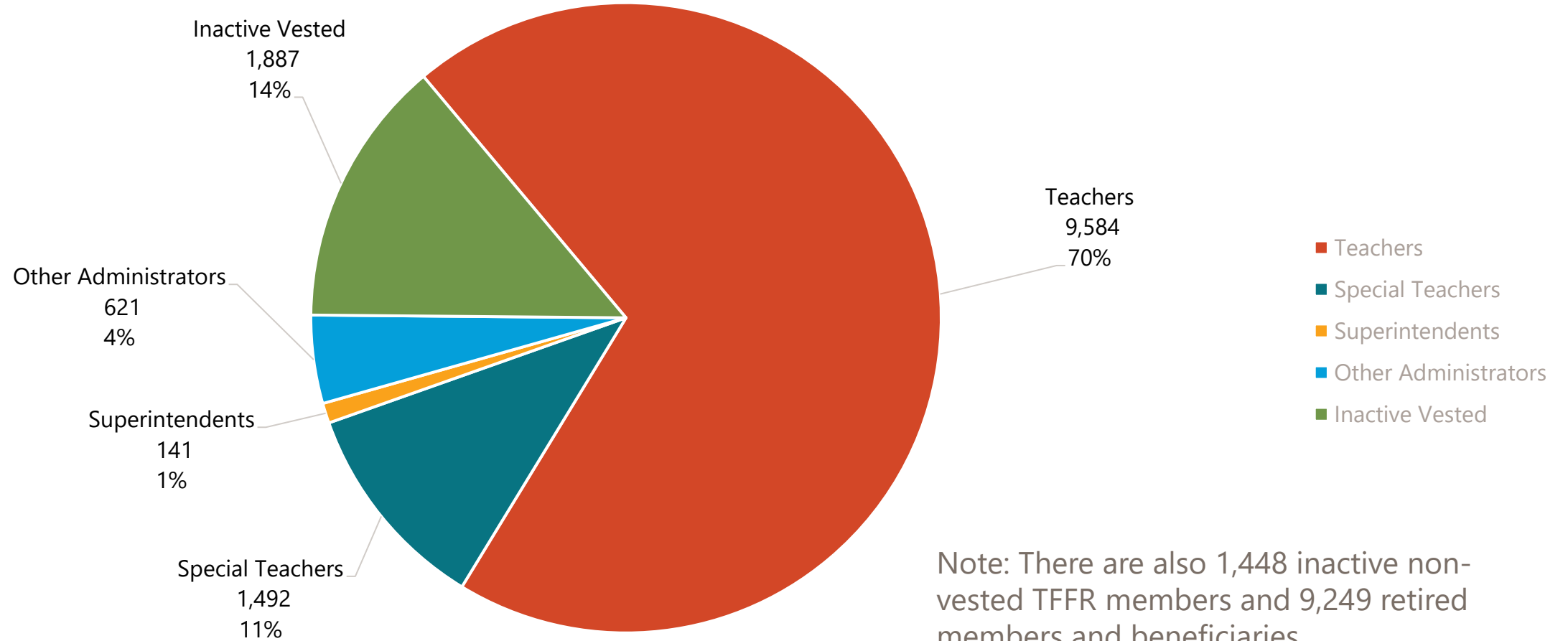
- Financial considerations:
 - Salary vs. Retirement benefits
 - Health insurance benefits – rising cost of medical care
 - Employment in retirement
 - Inflation
- Non-financial considerations:
 - Health of teacher (and spouse)
 - Family matters (spouse, children, parents)
 - Personal reasons (job satisfaction vs. job stress)
 - Federal regulations
 - State and local issues (school closings/consolidations)

TFFR MEMBER CATEGORIES

TFFR member categories are based on DPI title codes and presented according to teacher and administrator categories defined in NDCC 15.1-02.13.6.

- Teachers
- Special Teachers
 - Special Ed Teachers
 - Guidance & School Counselors
 - Speech Language Pathologists
 - Social Workers
 - School Psychologists
 - Library Media Specialists
 - Technology Coordinators
- Superintendents
- Other Administrators
 - Assistant Superintendent
 - Assistant Director
 - Principal
 - Assistant Principal
 - County Superintendent
 - Other administrative positions

CURRENT TFFR MEMBERSHIP



Note: There are also 1,448 inactive non-vested TFFR members and 9,249 retired members and beneficiaries.

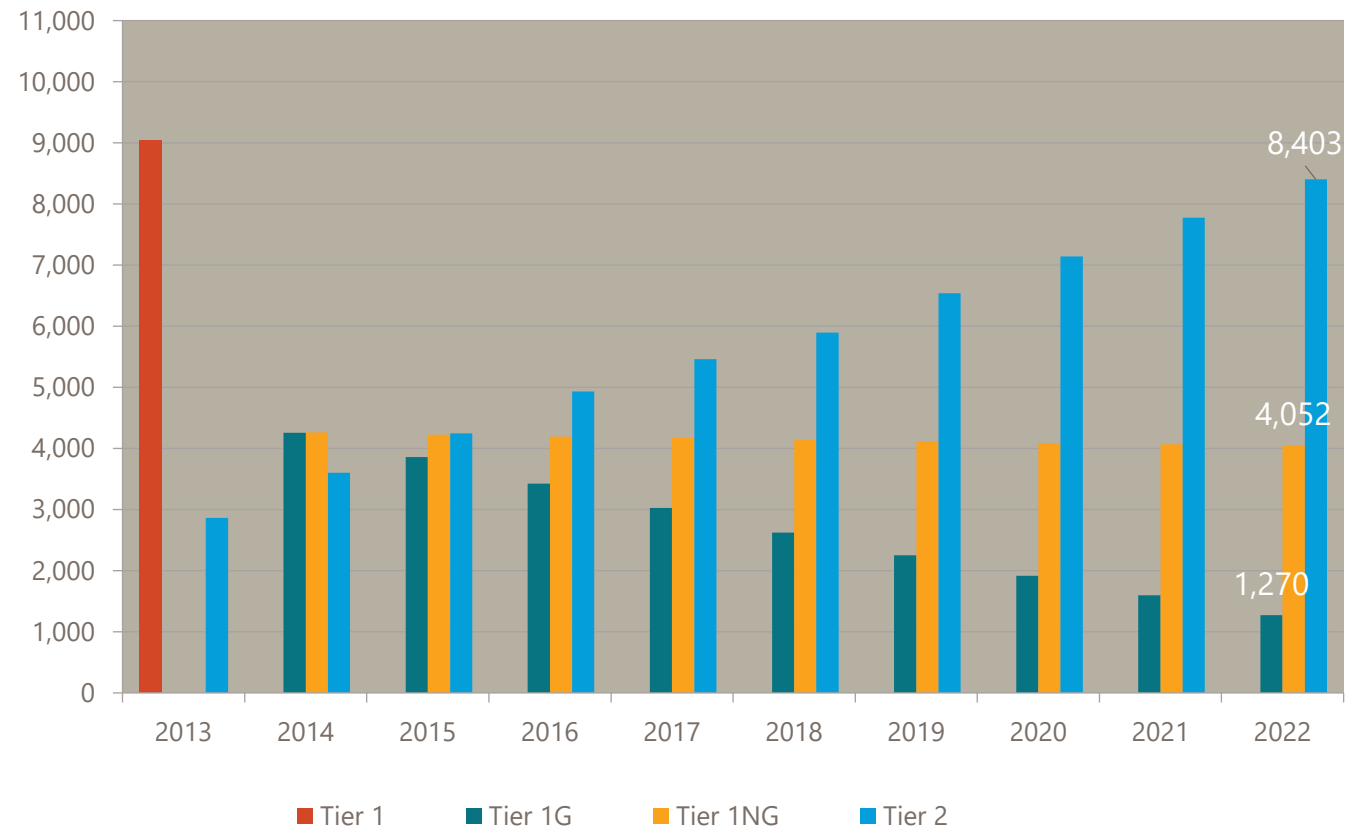
TODAY

TFFR TIER MEMBERSHIP

Active and inactive vested Tier membership in January 2022

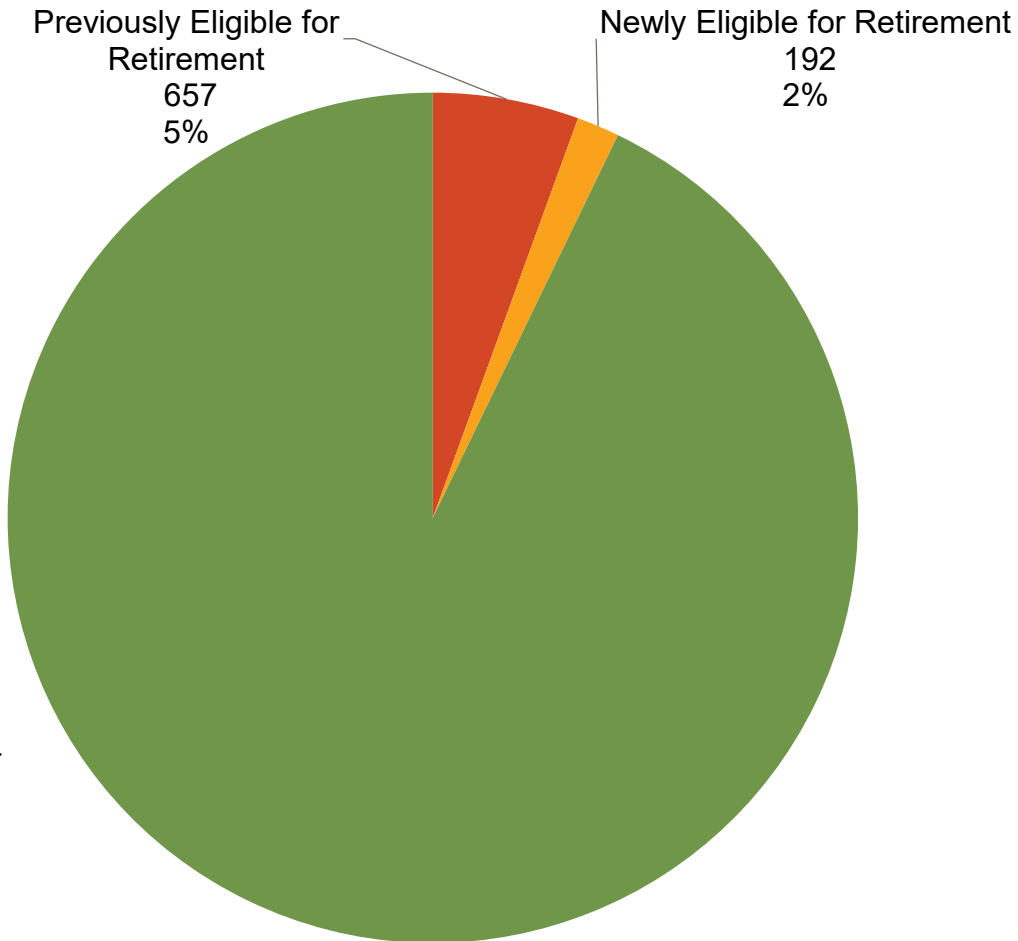
TFFR Members	Tier 1G	Tier 1NG	Tier 2	Total
Teachers	797	2,311	6,476	9,584
Special Teachers	122	378	992	1,492
Superintendents	31	53	57	141
Other Administrators	77	288	256	621
Inactive Vested	243	1,022	622	1,887
Total	1,270	4,052	8,403	13,725

TFFR Tier Membership History



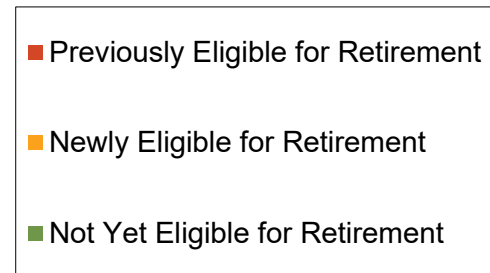
TODAY

CURRENT ACTIVE TFFR MEMBERSHIP ELIGIBLE FOR RETIREMENT



Of the 11,838 active TFFR members, 849 members are currently eligible to retire (7%) either under the Rule of 85, Rule of 90/Min age 60, or age 65.

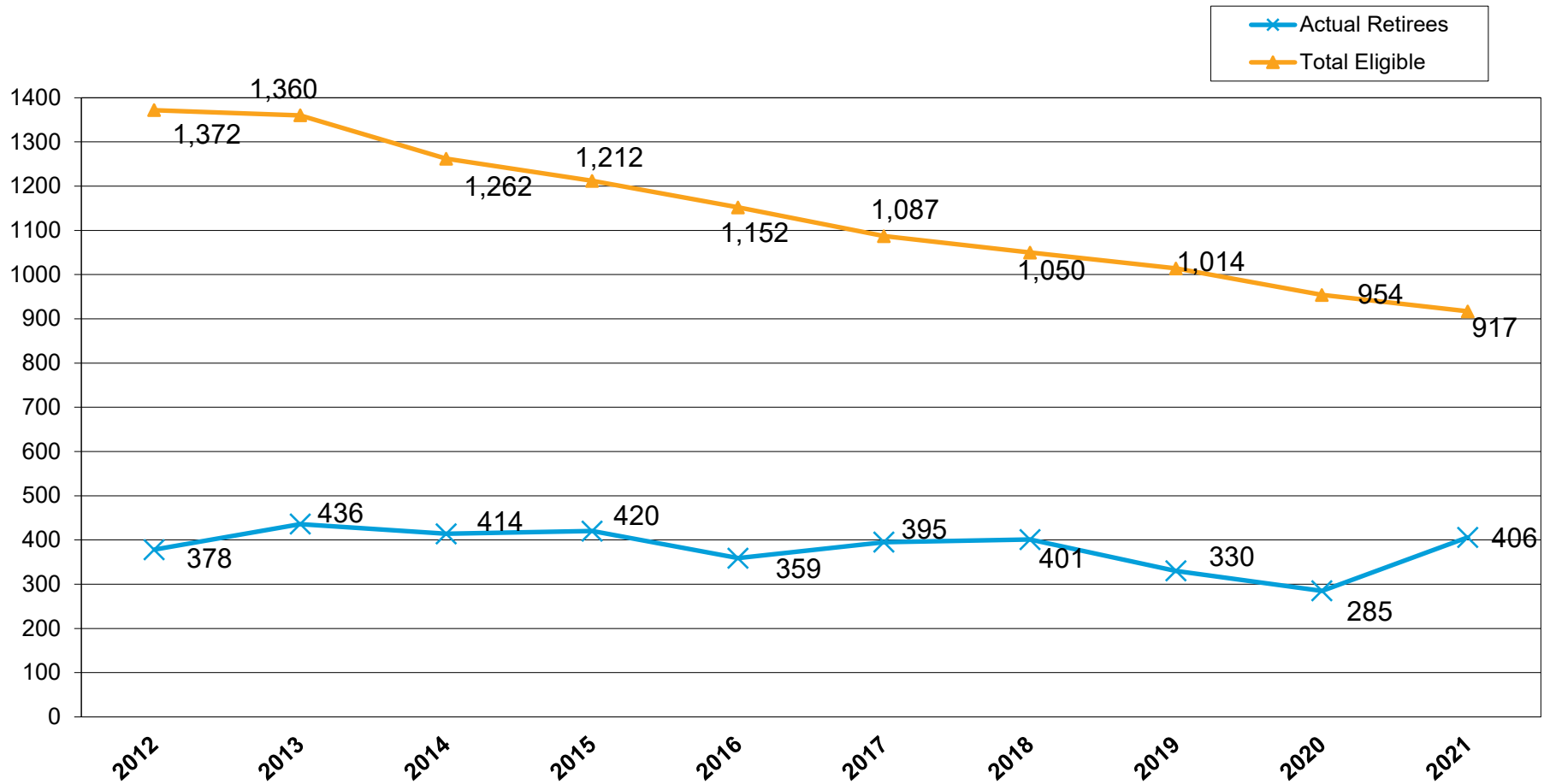
Of the 849 active TFFR members eligible to retire, 77% are previously eligible and 23% are newly eligible in 2021-22.



Not Yet Eligible for Retirement
10,989
93%

YESTERDAY

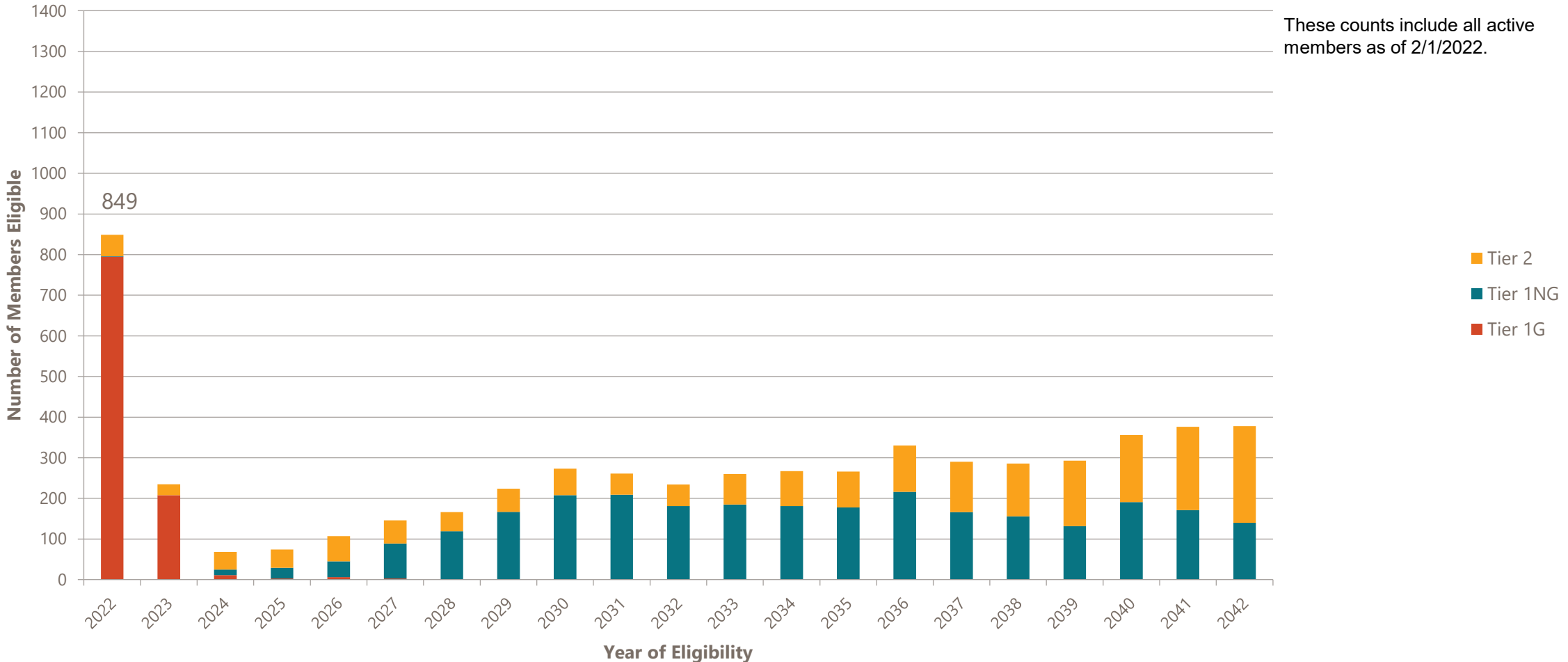
ACTUAL RETIREES & TOTAL ELIGIBLE



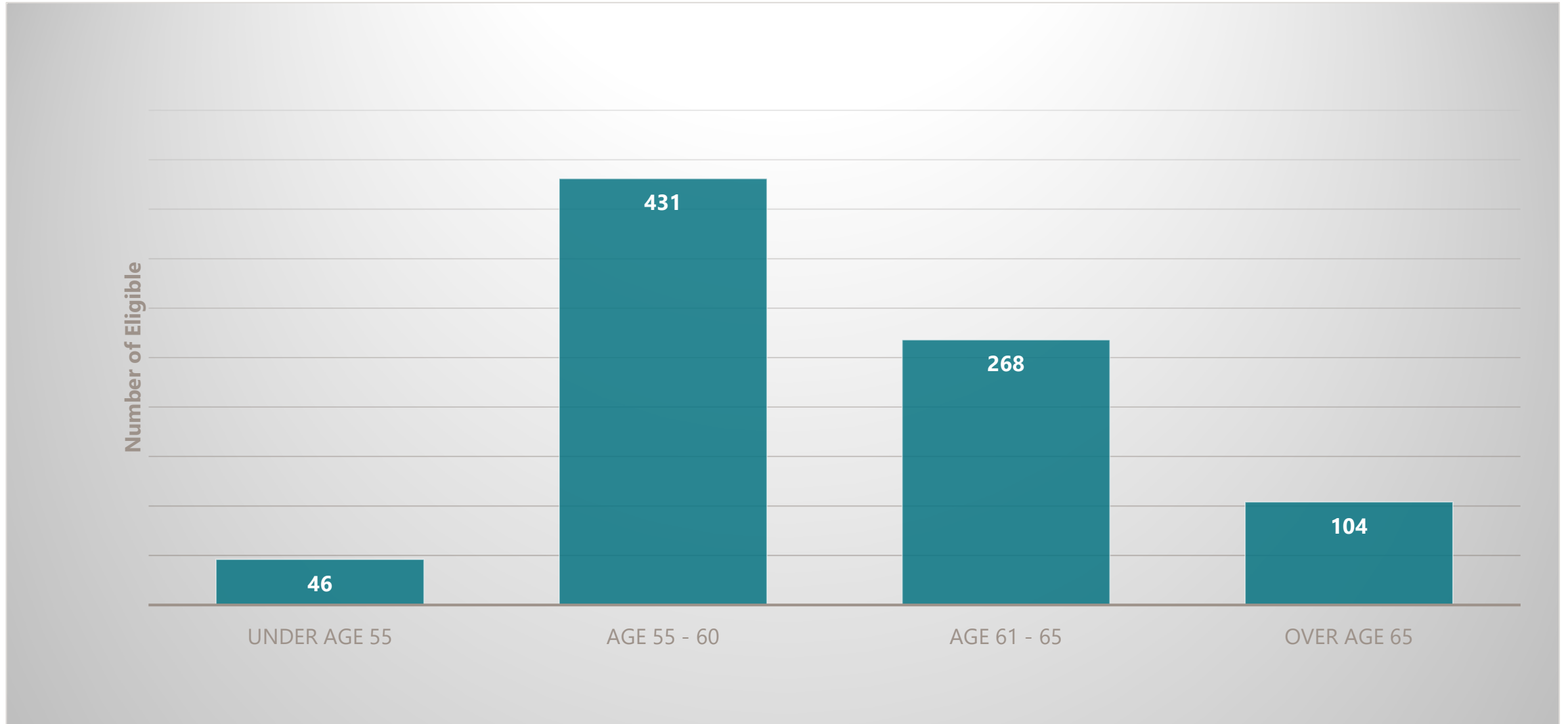
10 Year History 2012-2021

- ◆ On average, 1,140 teachers have been eligible to retire each year over the last 10 years.
- ◆ On average, 382 teachers actually retired each year, or total of almost 3,824 for 10-year period.
- ◆ Approximately 34% of eligible members actually retired over the past 10 years.

TFFR ACTIVE MEMBERSHIP RETIREMENT ELIGIBILITY PROFILE – 20-YEAR PROJECTION



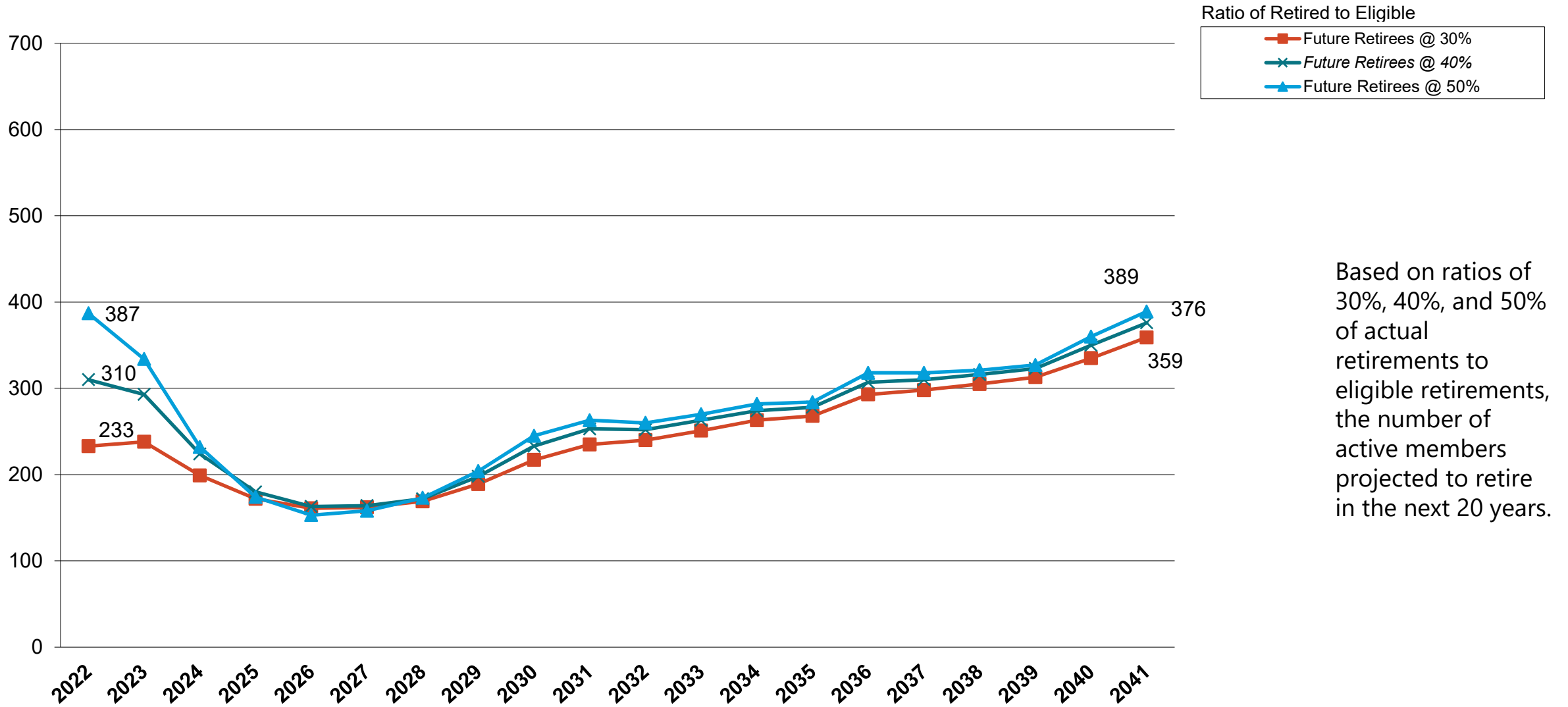
CURRENT ELIGIBLE IN 2022 BY AGE



Note: Of the 849 total eligible, the youngest is age 52 and the oldest is age 81

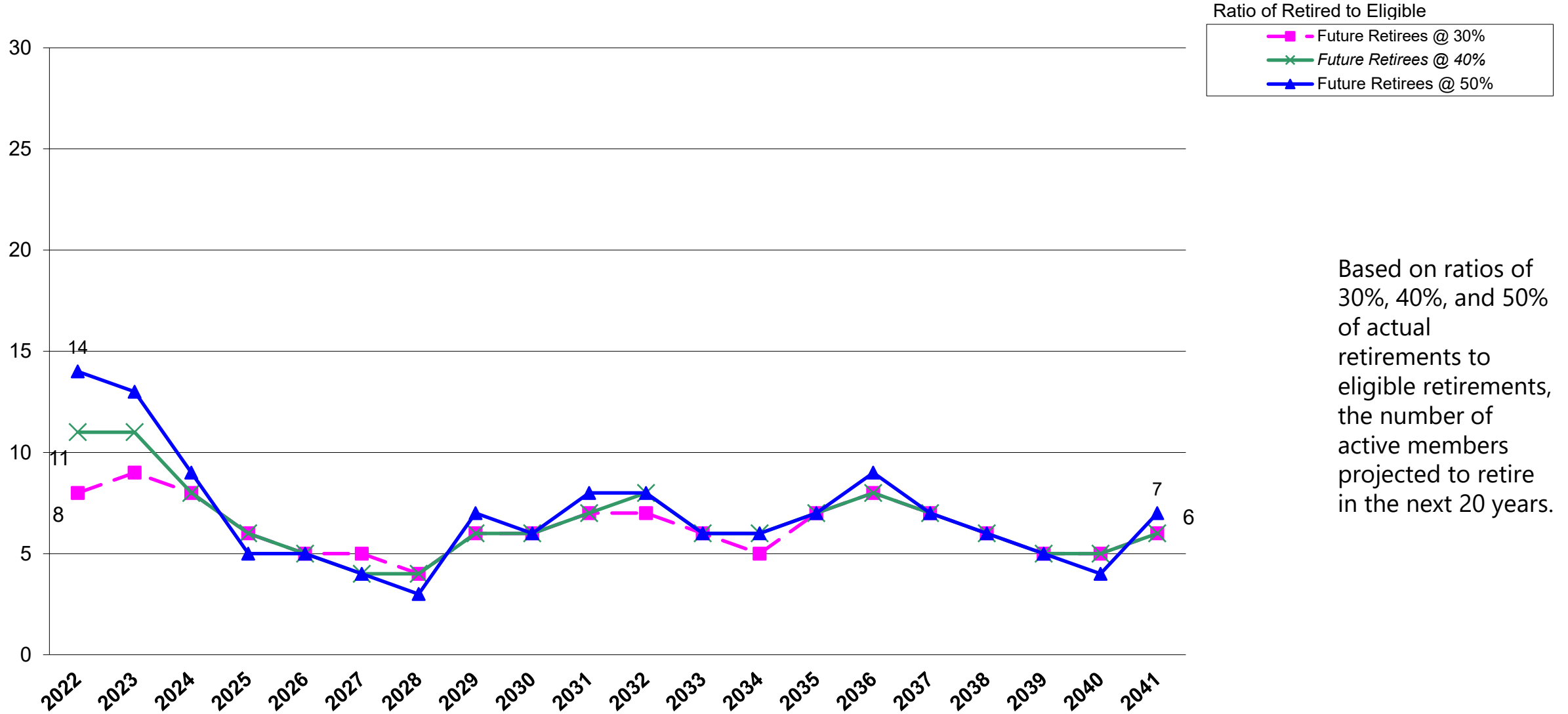
TOMORROW

PROJECTED RETIREES – TEACHERS



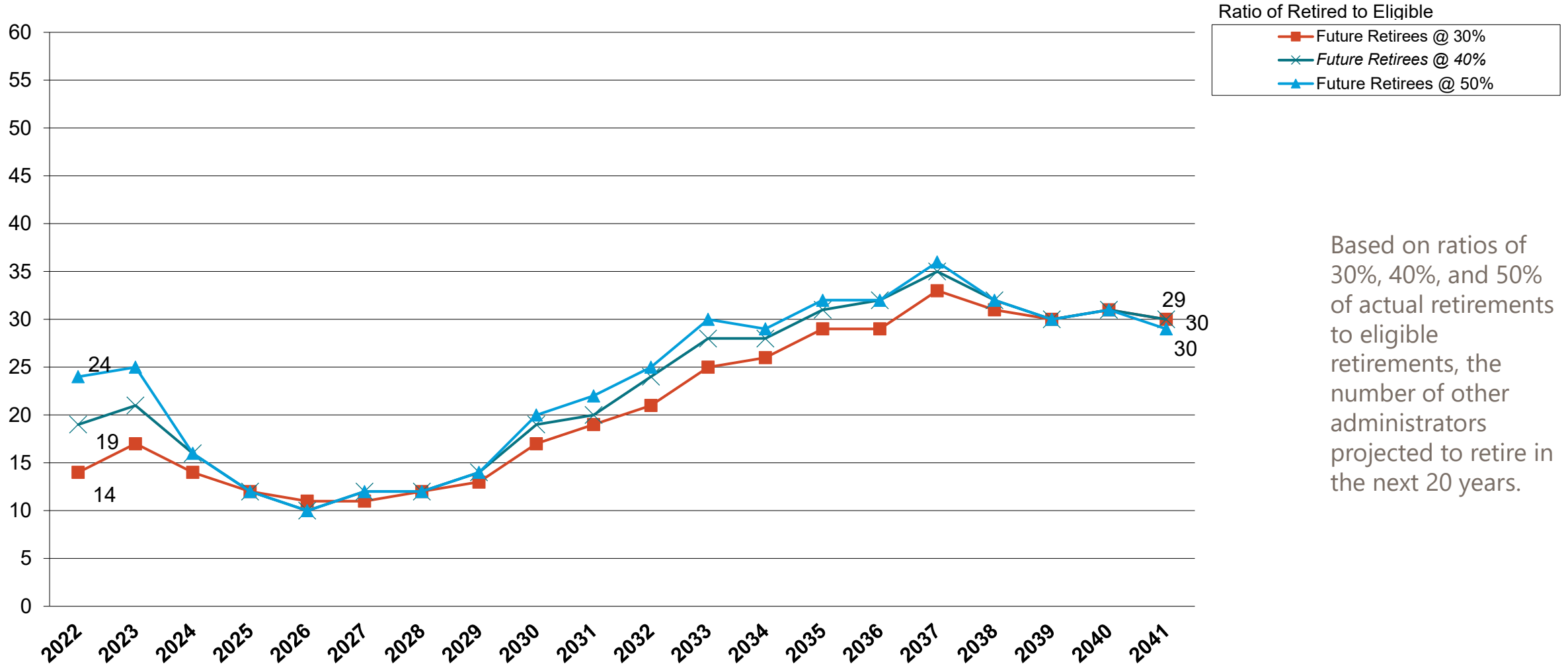
TOMORROW

PROJECTED RETIREES – SUPERINTENDENTS



TOMORROW

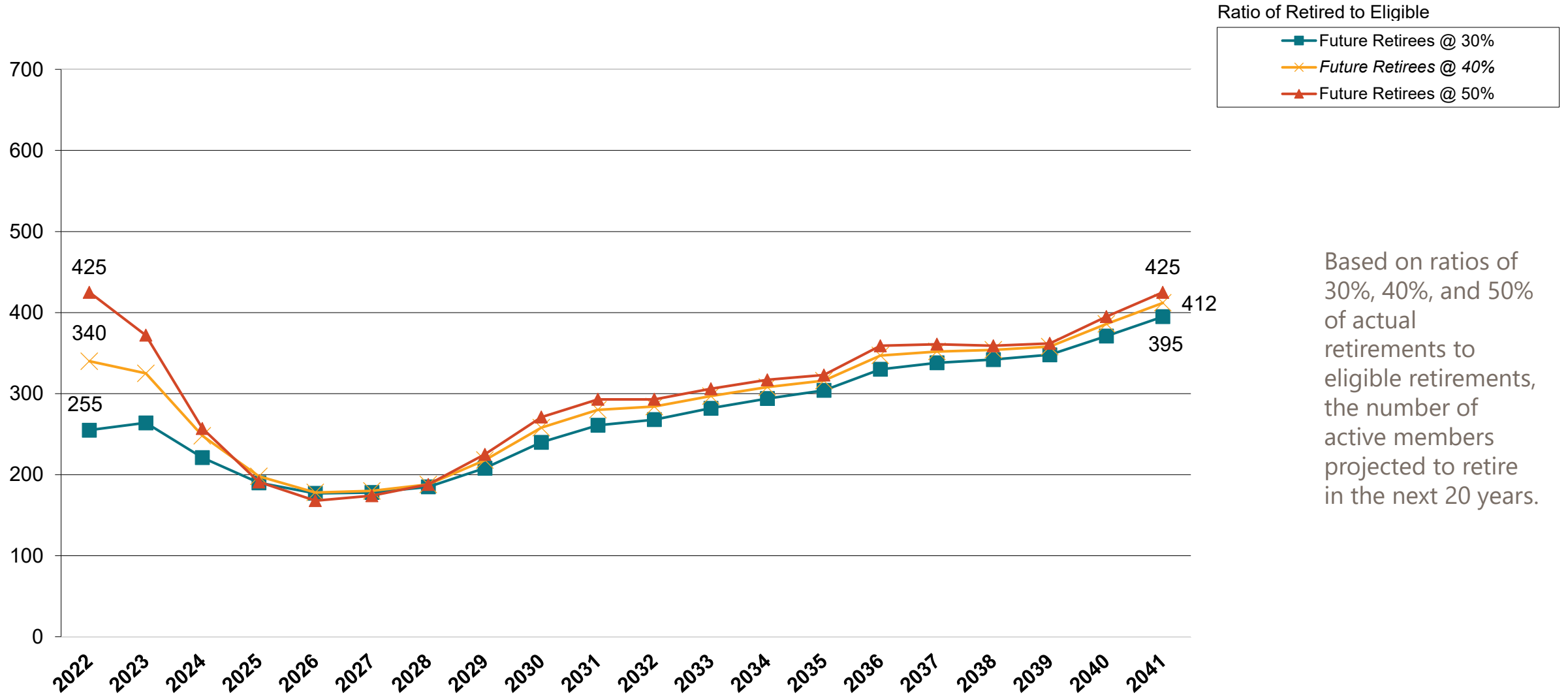
PROJECTED RETIREES – OTHER ADMINISTRATORS



Based on ratios of 30%, 40%, and 50% of actual retirements to eligible retirements, the number of other administrators projected to retire in the next 20 years.

TOMORROW

PROJECTED RETIREES – ALL ACTIVE



Based on ratios of 30%, 40%, and 50% of actual retirements to eligible retirements, the number of active members projected to retire in the next 20 years.

SUMMARY

Based on ratios of 30% and 40% of actual retirements to eligible retirement, approximately 2,200 to 2,400 active members are projected to retire in the next 10 years which averages about 230 per year.

	Members	# Retire		Avg/Yr	
		30%	40%	30%	40%
Teachers	11,076	1,975	2,190	198	219
Superintendents	141	64	68	6	7
Other Admins	621	140	155	14	16
Total Active Members	11,838	2,179	2,413	218	241

Note: All retirement projections are estimates only.

Quarterly Monitoring Report on TFFR Ends Quarter Ended December 31, 2021

Retirement Program

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

- The TFFR Board heard a presentation from Segal on the Society of Actuaries (SOA)/Retirement Plans Experience Committee (RPEC) Public Plans Mortality Study. TFFR is participating and will submit data from July 1, 2013-June 30, 2020. The goals of this study are to update the PUB-2010 process, analyze how certain factors affect public pension mortality and to compare recent mortality experience to previously published mortality tables.
- Segal presented the annual Actuarial Valuation Report as of July 1, 2021. The return on the market value of assets was 26.1% resulting in the funded ratio increasing from 65.7% to 68.6%. Based on the valuation report, TFFR is predicted to reach fully funded status by 2036.
- Ms. Murtha presented testimony on bills impacting RIO to the special legislative session that had an impact on RIO. HB 1506 authorized RIO's six Full Time Equivalent (FTE) request and additional budget adjustments. This includes a Program Outreach Coordinator position that will support both the investment and retirement program.
- Second quarter activities on the PAS project include contract negotiations in the procurement process.
- After retirements/resignations of staff members, Internal Audit began work on a succession planning audit.
- One of the highlights from the second quarter was the facility move to the Century Center building! RIO staff are enjoying their new offices and all the advantages that come with its own facility management staff.
- The other highlight of the second quarter was the promotion of Ms. Murtha to Executive Director of the RIO agency. With that position change, there is now a vacancy for the DED/CRO position. Ms. Murtha will continue to fill the CRO role until the vacancy is filled.
- Staff recommended, and the TFFR Board approved posting the Deputy Executive Director (DED)/Chief Retirement Office (CRO) position in collaboration with HRMS. In the last search, this method produced sufficiently qualified candidates and expedited the interim period.

MEMORANDUM

TO: TFFR Board

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: March 15, 2022

SUBJECT: Audit Activities Quarterly Update

The SIB Audit Committee met February 16, 2022. The SIB Audit Committee reviewed and approved the second quarter audit activities and update on current audit activities.

The following audits were presented and approved:

1. Succession Planning – Phase I
 - a. Review of vacant positions to ensure proper documentation of responsibilities and risks facing the investment program.
 - b. Recommendations
 - i. Document succession planning for all executive staff identifying the key responsibilities for each.
 - ii. Document a plan for the agency and each program if the top two positions were to leave the organization simultaneously.
 - iii. Evaluate the purpose and duties of positions as they become vacant.
 - iv. Review the agency's staffing needs on a biannual basis to ensure that there is adequate staff to keep pace with the agency's growth.
2. Executive Limitations
 - a. Review of Executive Directors' compliance with the Executive Limitations within the SIB Governance Manual.
 - b. Internal Audit is sufficiently satisfied that the Executive Director was in compliance with SIB Governance Manual Executive Limitation Policies A-1 through A-11 during calendar year 2021.

The following link has the committee materials that were presented for your reference:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/SIB%20Audit/Board/Materials/sibauditmat20220216.pdf>

MEMORANDUM

TO: State Investment Board
FROM: Jan Murtha, Executive Director
DATE: March 23, 2022
RE: Executive Limitations/Staff Relations

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

1. Retirements/Resignations/FTE's/Temporary Assistance:

Ms. Connie Flanagan (CFO) has announced her retirement effective June 30, 2022. An update regarding succession planning will be provided to the Board at the meeting.

Employee Title	Status
Deputy ED – Chief Retirement Officer	Posted February 2022, currently set to close 4/4/22.
Chief Fiscal Officer	Anticipate Posting in April, Filling by June. Reclassification request to include Chief Operating Officer duties (CFO/COO) is currently pending review with HRMS.
Legal Intern	Interviews Conducted March 2022. Anticipated to fill May-August as part of UND Law School Externship Program.
Membership Specialist Temp	Filled 3/7/22
Employer Reporting Intern	Started 2/7/22
Investment #1	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Investment #2	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Investment #3	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Investment #4	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Accounting #1	Authorized by HB 1506 in 2021 Legislative Special Session: JDQ created, classification request pending HRMS.
Programs Coordinator	Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ.

2. Current Procurement Activities including:

- **PAS Project** – The ESC awarded the vendor solution contract to Sagitec. The parties are working on scheduling project kick-off activities.

3. Strategic Planning Implementation

As part of the strategic planning implementation process additional topics will be tracked and included as part of this report beginning April 2022. Such topics will include: public presentation and outreach requests and events, media requests and articles, other information requests.

BOARD ACTION REQUESTED: Board Acceptance.

Board Reading to follow