

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JULY 23, 2020 BOARD MEETING**

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

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

OTHERS PRESENT: Karen Askerooth, ND United, Retired
Dean DePountis, Atty. General's Office

CALL TO ORDER:

Dr. Rob Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, July 23, 2020. The meeting was held at the ND Retirement and Investment Office (RIO), Bismarck, ND, but most participants attended via video or teleconference.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the July 23, 2020, meeting.

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

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

MINUTES:

The Board considered the minutes of the June 25, 2020, meeting.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JUNE 25, 2020, MINUTES AS AMENDED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

GOVERNANCE:

Trustee Appointment:

Ms. Murtha informed the Board that Governor Burgum has reappointed Dr. Lech to the TFFR Board of Trustees, representing active school administrators for a 5-year term effective July 1, 2020, through June 30, 2025.

Election of 2020-21 Officers:

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

MR. OLSON NOMINATED DR. LECH FOR PRESIDENT. WITH NO FURTHER NOMINATIONS, TREASURER SCHMIDT MADE A MOTION FOR A UNANIMOUS BALLOT, MR. MICKELSON SECONDED. MOTION CARRIED BY A VOICE VOTE.

AYES: TREASURER SCHMIDT, MS. GUMERINGER, MR. OLSON, MR. BURTON, AND MR. MICKELSON.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

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

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

MOTION CARRIED

ABSENT: SUPT. BAESLER

TREASURER SCHMIDT NOMINATED PRES. LECH, MS. GUMERINGER, AND MR. OLSON AS REPRESENTATIVES TO THE STATE INVESTMENT BOARD (SIB) BOARD. WITH NO FURTHER NOMINATIONS, MR. BURTON MADE A MOTION FOR A UNANIMOUS BALLOT, MR. OLSON SECONDED. THE MOTION WAS CARRIED BY A VOICE VOTE.

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

MOTION CARRIED

ABSENT: SUPT. BAESLER

Pres. Lech will continue to serve as the Audit Committee representative and Mr. Burton will continue to be the alternate for SIB.

Annual SIB Customer Satisfaction Survey:

Pres. Lech outlined the process which will be used to collect TFFR Board input on the SIB customer satisfaction survey. The purpose of the survey is to determine how well the SIB, through the staff at RIO, is meeting the expectations of its clients. Ms. Sauter, Supervisor of Internal Audit, will send an electronic satisfaction survey to Pres. Lech to distribute to the Board members. The compiled responses will be reviewed at the September 2020 meeting and sent to the SIB upon approval.

Annual TFFR Program Review:

Ms. Murtha reviewed the following items as part of the Annual TFFR Program Review: program awards, program monitoring summary, customer satisfaction reports, code of conduct policy affirmations, and mission/policy/goals review. Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL PROGRAM REVIEW.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

REPORTS:

Investment Update:

Mr. Hunter provided an investment update for the periods ended March 31, 2020, and May 31, 2020. TFFR investments have exceeded \$2 billion the last 5-years and excess return have generally exceeded 0.40% per annum. TFFR's use of active management has enhanced Net Investment Returns by \$40 million for the 5-years ended December 31, 2019.

Markets faced unprecedented disruption in quarter one of 2020 because of the COVID-19 pandemic. U.S. and Global equities fell by over 30% in one month.

Asset allocation is the primary driver of investment returns. Although U.S. Fixed Income was the top performing asset class in the last year, U.S. Large Cap Equities were the top performing sector over the last 3,

5, and 10 year periods ended March 31, 2020, which supports TFFR's long term asset allocation policy.

TFFR's Actual Asset Allocations were within 3.5% of target as of March 31, 2020, but at the lower bounds of their ranges for Equities. As a result, the SIB approved an Equity Overlay strategy to rebalance the portfolio to target levels during the second quarter.

Investment volatility hit an all-time high in 2020 as the longest bull market in history was immediately followed by one of the fastest bear market corrections. TFFR returns gained 18% in 2019 before losing 12% in quarter one of 2020 as their diversified portfolios served to dampen roughly 40% of the equity market volatility. TFFR returns materially improved in April and May due to a strong equity market recovery with fiscal year to date net investment returns of approximately +1.5% as of May 31, 2020.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY INVESTMENT REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

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

Audit Report:

Ms. Sauter provided an update of audit activities for the second and third quarters of 2019-20. During this time the following audits activities were completed: Executive Limitation Audit, External Audit Support, Administrative Expense Audit, TFFR Employer Salary Reviews, Salary Verification Audit, File Maintenance, Benefit Payment Audit, Data Analytics, Cash Management and Rebalancing Audit, Internal Control Assessment, and Task List Project. Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO APPROVE THE QUARTERLY AUDIT REPORTS.

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

NAYS: NONE

MOTION CARRIED

File Maintenance Report:

Ms. Thorsen provided information on the TFFR File Maintenance Audit. The Internal Audit Division (IA) reviews system generated CPAS audit tables

on an annual basis to ensure transactions initiated by staff are expected and appropriate given a staff member's role within RIO. Board discussion followed.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO APPROVE THE ANNUAL FILE MAINTENANCE REPORT.

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

NAYS: NONE

MOTION CARRIED

Technology Report:

Mr. Nagel provided the annual technology report. As of July 1, 2020, about 5,100 members have successfully logged into the Member Online Portal. Over the past year the 1099R Form, Annual Statement, and Benefit Change Notices have been added to the portal. The Information Technology Division (IT) transitioned most RIO staff to remote work in response to the COVID-19 pandemic. IT has been working on a new website utilizing the new state website platform. Board discussion followed.

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

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

NAYS: NONE

MOTION CARRIED

OPERATIONS:

Member Outreach Update:

Ms. Weeks provided an update on TFFR member outreach programs. Due to the COVID-19 pandemic, face-to-face workshops (Retirement Education Workshops and Group Benefit Counseling) have been cancelled. Retirement Services and IT are working to determine the best way to present these workshops in an online format. Board discussion followed.

CONSENT AGENDA:

Pres. Lech and Mr. Mickelson declared that there was a possible conflict of interest for Disability 2020-5D because they both know the member through their place of employment.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ALLOW PRES. LECH AND MR. MICKELSON TO VOTE ON DISABILITY 2020-5D.

AYES: TREASURER SCHMIDT, MR. BURTON, MS. GUMERINGER, AND MR. OLSON

NAYS: NONE
MOTION CARRIED
ABSENT: SUPT. BAESLER

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA WHICH INCLUDES DISABILITY 2020-4D AND 2020-5D.

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

NAYS: NONE
MOTION CARRIED
ABSENT: SUPT. BAESLER

PENSION ADMINISTRATION SYSTEM (PAS) PROJECT RFP RESPONSE DISCUSSION:

Ms. Murtha stated that the PAS project Request for Proposal (RFP) response discussion must be discussed in Executive Session. The purpose of the Executive Session is to discuss responses to the RFP and contract negotiations. The legal authority for closing this portion of the meeting is N.D.C.C. 54-44.4-10, 44-04-17.1, 44-04-18.4, 44-04-19.1, and 44-04-19.2.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION.

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

NAYS: NONE
MOTION CARRIED
ABSENT: SUPT. BAESLER

Executive Session began at 3:05 p.m. and ended at 3:24 p.m. It was attended by the TFFR Board, RIO staff members, and TFFR legal counsel Dean DePountis.

RIO staff will act in a manner consistent with guidance given by the Board.


ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 3:26 p.m.

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary