

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
SEPTEMBER 23, 2021, BOARD MEETING**

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

STAFF PRESENT: Eric Chin, Interim CIO
Jayme Heick, Retirement Programs Spec
Missy Kopp, Executive Assistant
Jan Murtha, Interim ED/CRO
Sara Sauter, Supvr of Internal Audit
Dottie Thorsen, Internal Auditor
Denise Weeks, Retirement Program Mgr

OTHERS PRESENT: Dean DePountis, Atty. General's Office

CALL TO ORDER:

Mr. Mike Burton, Vice President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:10 p.m. on Thursday, September 23, 2021. The meeting was held at Workforce Safety and Insurance, Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the September 23, 2021, meeting.

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

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

NAYS: NONE

MOTION CARRIED

ABSENT: DR. LECH

MINUTES:

The Board considered the minutes of the July 22, 2021 TFFR Board meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JULY 22, 2021, MINUTES AS DISTRIBUTED.

AYES: TREASURER BEADLE, SUPT. BAESLER, MR. WILLGOHS, MR. OLSON, MR. BURTON, AND MR. MICKELSON
NAYS: NONE
MOTION CARRIED
ABSENT: PRES. LECH

Dr. Lech arrived at 1:20 p.m.

BOARD EDUCATION:

Trustee Fiduciary Responsibility:

Mr. DePountis, Attorney General's office, presented board education on the fiduciary duties of TFFR Board members which are set forth in North Dakota Century Code. Fiduciary duties include loyalty, prudence and the duty to follow the law and plan documents. Mr. DePountis also discussed fiduciary liability, conflicts of interest, and ways to mitigate fiduciary risk. Board discussion followed.

GOVERNANCE:

Public Pension Mortality Study Participation:

Ms. Murtha discussed a request for TFFR to participate in data collection for the next public sector plans mortality study conducted by the Society of Actuaries. Staff is requesting authorization for TFFR to participate and to request assistance from our actuarial consultant to assist with the data compilation and dissemination. Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE PARTICIPATION IN THE MORTALITY STUDY AND TO AUTHORIZE STAFF TO CONTRACT WITH SEGAL TO ASSIST WITH THE FILE SUBMISSION.

AYES: MR. OLSON, MR. MICKELSON, MR. WILLGOHS, TREASURER BEADLE, MR. BURTON, AND PRES. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: SUPT. BAESLER

Pension Administration System (PAS) Project Update:

Ms. Murtha provided an update of activities related to the PAS project. The Request for Proposals (RFP) was issued and staff have reviewed proposals and took part in demonstrations from three vendors. The Executive Steering Committee (ESC) has reviewed the best and final offers from vendors and is engaged in negotiations. The vendor information is confidential at this point in the process. Staff hope to make an award in November with a kick-off meeting in December. The project is on schedule and within the budget. Board discussion followed.

Administrative Rules Implementation Update:

Ms. Murtha provided an update on the implementation of the new administrative rules which were changed because of updates to the actuarial assumption changes. Changes must be made in the pension system to process requests in accordance with the assumption changes. This process takes time due to the limited functionality of

our current system and staff resource limitations. TFFR active members were notified that staff cannot process purchase of service requests until after the system updates are completed and tested. The goal is to resume processing these requests by October 1, 2021. Board discussion followed.

Member Outreach Update:

Ms. Weeks provided an update on outreach activities. IT staff provided an online tool to allow members to schedule virtual individual counseling sessions with the Retirement Specialists. Staff attended the ND Career & Technical Education (CTE) Conference where TFFR had an informational booth and offered retirement benefit estimates and other TFFR information. Staff also provided model analysis and education to one employer. The Retirement Specialists are offering Group Counseling Sessions via Microsoft Teams for 15 school districts and two statewide events September through December. Staff will present at the ND School Board Association Conference on October 29, 2021. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided an update on agency activities. RIO is still moving to the WSI building but to a different space within the building which does not require any remodeling and reduces the number of months RIO will pay rent at its current and future locations. The exact move date is not yet finalized. Current procurement activities include the PAS project, automated death audit services, executive search, temporary assistance for additional investment personnel, and automated conflict monitoring services. IT unification efforts continue to progress with staff participating in internal and external progress meetings. Ms. Murtha provided an update on staff and agency reorganization. Board discussion followed.

Treasurer Beadle left at 2:20 p.m.

REPORTS:

Annual Investment Report:

Mr. Chin provided the annual investment report as of June 30, 2021. TFFR outperformed the policy benchmark in the 1 and 5-year periods ended June 30, 2021. Active management has enhanced net investment returns by roughly \$55 million for the 5-years ended June 30, 2021. TFFR's private equities allocation has increased from 5.2 percent in June 2020 to 7.6% in June 2021, and the infrastructure underweight has been addressed with recent commitments. Risk has increased as a result of the global pandemic. The increase in risk is driven by an increase in market risk, not by changes in the portfolio. Staff monitors portfolio allocations and rigorously rebalances to ensure exposures and allocations remain within targets. Board discussion followed.

Annual Budget and Expense Report:

Ms. Flanagan reviewed the annual TFFR budget and expense report for the fiscal year ending June 30, 2021. She explained that the largest portion of TFFR's expenditures are for member benefit claims with the second largest going to investment expenditures. The available budget for the PAS project was carried over into the current biennium. The RIO budget for the 2021-23 biennium is just over \$15 million, including the PAS project. Board discussion followed.

Supt. Baesler left the meeting at 3:43 p.m.

Annual Internal Audit (IA) Report:

Ms. Sauter reviewed the fiscal year end Audit Committee activities. One TFFR Employer Reporting review was completed. The review tested the accuracy of retirement salaries and contributions reported by the employer. IA worked with IT, Retirement Services, and ND Procurement to develop and review the RFP for a new death audit service. IT reviewed all one on one Direct Deposit Authorization form changes to ensure the new forms and procedures were followed by staff. The TFFR Salary Verification – Participant Data audit was completed on May 11, 2021. A TFFR Task List Project was completed to assist with the PAS project. The project tracked retirement program activities to document the flow of work and help find efficiencies. IA participated in meetings for the PAS project. Board discussion followed.

Treasurer Beadle returned to the meeting at 3:58 p.m.

Quarterly TFFR Ends:

Ms. Weeks shared the TFFR Ends monitoring report for the quarter ended June 30, 2021. The report highlights exceptions to normal business operations. The TFFR Board Retreat was held on June 17, 2021 to discuss recommendations from the PAS process, fund policies, and Board focus for 2023. Segal presented TFFR's updated plan management policy score to reflect recent assumption changes. Changes to Administrative Rules went into effect on July 1, 2021. Staff continued to work on retirement set up for TFFR members with over 200 in June and July. Board discussion followed.

IT WAS MOVED BY MR. WILLGOHS AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL INVESTMENT, BUDGET AND EXPENSE, AND INTERNAL AUDIT REPORTS AND THE QUARTERLY TFFR ENDS REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

ADJOURNMENT:

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

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary