

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
NOVEMBER 18, 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: Connie Flanagan, CFO
Jayme Heick, Retirement Programs Spec
Missy Kopp, Executive Assistant
Jan Murtha, Interim ED/CRO
Matt Posch, Investment/Compliance Officer
Sara Sauter, Supvr of Internal Audit
Rachelle Smith, Retirement Assistant
Stephanie Starr, Retirement Programs Spec
Dottie Thorsen, Internal Auditor
Tami Volkert, Employer Svs Coordinator
Denise Weeks, Retirement Program Mgr

OTHERS PRESENT: Dean DePountis, Atty. General's Office
Tatsiana Dybal, Segal
Kim Nicholl, 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, November 18, 2021. The meeting was held in the Peace Garden Room, State Capitol, 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 November 18, 2021, meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE 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 September 23, 2021, TFFR Board meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. WILLGOHS AND CARRIED BY A VOICE VOTE TO APPROVE THE SEPTEMBER 23, 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:

Segal Mortality Tables:

Ms. Kim Nichols, Segal, presented information on the valuation process. Mr. Matt Strom, Segal, discussed 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. Mr. Strom also provided information on Club Vita, an international longevity analytics firm.

GOVERNANCE:

Actuarial Valuation:

Ms. Nicholl, Ms. Dybal, and Mr. Strom, Segal, presented the annual Actuarial Valuation Report as of July 1, 2021. Highlights include the following:

- The return on the market value of assets for the year ending June 30, 2021 was 26.1% (Segal calculation)
- Funded ratio increased from 65.7% (as of 7/1/2020) to 68.6% (as of 7/1/2021)
- Effective amortization period decreased from 24 years to 21 years
- Net impact on actuarially determined contribution (ADC) was a decrease from 13.19% of payroll to 12.37% of payroll
 - Based on the employer contribution rate of 12.75%, the contribution deficiency has decreased from 0.44% of payroll to a margin of 0.38% of payroll
- GASB Net Pension Liability decreased from \$1.53 billion as of 6/30/2020, to \$1.05 billion as of 6/30/2021

Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE 2021 TFFR ACTUARIAL VALUATION REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

Employee Benefits Programs Committee (EBPC) Update:

Ms. Murtha provided an update from the EBPC meeting held on October 27, 2021. The TFFR valuation report was presented by Segal. Mr. Chin and Ms. Murtha presented information about the RIO agency and its operations, including an investment program performance update.

Legislative Special Session Update:

Ms. Murtha shared an update on bills from 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. HB 1512 expanded the membership of the Legacy and Budget Stabilization Fund Advisory Board. SB 2345 expanded the list of funds that the SIB is required to invest by statute to include the Water Projects Stabilization Fund.

Outreach Update:

Ms. Weeks provided an update on outreach activities. RIO's Retirement Program Specialists continue to offer virtual individual counseling sessions for TFFR members. Virtual Group Benefit Counseling sessions have been offered to TFFR members with 15 sessions scheduled throughout the fall. RIO has updated its phone system to allow for more efficient voicemail options and a quicker response time to member calls. Staff is planning to offer 30-minute lunch and learn sessions and other education opportunities for TFFR Employers. Staff are also planning to offer 60-minute retirement education opportunities for TFFR members.

Pension Administration System (PAS) Project Update:

Ms. Murtha provided an update on the PAS project. The project is currently in the contract negotiation phase of the procurement process, prior to award. The activities during this portion are confidential.

The Board recessed at 3:02 p.m. and reconvened at 3:16 p.m.

REPORTS:

Quarterly Investment Report:

Mr. Posch provided the quarterly investment and performance update as of September 30, 2021. TFFR outperformed the policy benchmark in the 5-year period ended September 30, 2021. Underperformance for the quarter was driven by the strong performance of the real asset benchmarks. Reporting for private markets fund (including real assets) lag; some funds' performance for the quarter is held at 0. Active management has enhanced net investment returns by roughly \$25 million for the 5-years ended September 30, 2021. The private equities allocation has increase from 7.6% in June 2021, to 8.2% in September 2021. Infrastructure underweight has been addressed with recent commitments. Risk has increased because of the pandemic. Increased risk is not driven by changes in the portfolio, but by an increase in market risk. Staff monitors the portfolio allocations and thoroughly rebalances to ensure exposures and allocations remain within targets.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE QUARTERLY INVESTMENT REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

Quarterly TFFR Ends:

Ms. Weeks reviewed the Quarterly TFFR Ends Report. Staff continues to work on the Salary Verification Audit that was issued by Internal Audit. Follow up with employers was needed on 19 of the 65 accounts that were looked at. Errors included reporting errors and model non-compliance. There was an increase in members who have logged into their TFFR online accounts with over 7,000 users as of October 31, 2021.

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

Quarterly Internal Audit (IA) Report:

Ms. Sauter provided the quarterly IA report. After the retirement/resignation of staff members, IA has begun work on succession planning. During the first quarter IA reviewed and analyzed the responsibilities for three of the vacant positions to ensure that current requirements and deadlines continue to be met. The responsibilities were classified by function and forwarded to RIO management to assign to the newly organized positions. The annual Employer Participant Data/Salary Verification Review report on fiscal year 2018-19 was issued on May 11, 2021 and was presented to the SIB Audit Committee. IA had three recommendations in the report and has been working with Retirement Services on their response. Work on the TFFR File Maintenance Audit began in June 2021 and continued into August 2021. Due to the Succession Planning review the fieldwork was suspended, and the audit has not been completed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. WILLGOHS AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY AUDIT REPORT.

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

NAYS: NONE

MOTION CARRIED

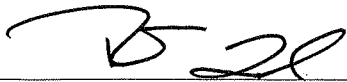
Executive Limitations/Staff Relations:

Ms. Murtha provided an update on the RIO facility move which will occur on November 23, 2021. A staff engagement survey was conducted in October and results were provided to the Board. Ms. Murtha provided a summary of staffing changes that have occurred and the work happening to fill openings. Current procurement activities include the Pension Administration System (PAS) project which is in the pre-award, contract negotiation stage and an RFP for temporary assistance firms that can provide contract services for additional investment personnel.

ADJOURNMENT:

With no further business to come before the Board, Pres. Lech adjourned the meeting at 4:01 p.m.

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary