

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
NOVEMBER 17, 2022, BOARD MEETING**

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

BOARD MEMBERS ABSENT: Kirsten Baesler, State Supt. DPI

STAFF PRESENT: Jayme Heick, Retirement Programs Spec
Missy Kopp, Exec Assistant
Jan Murtha, Exec Dir
Chad Roberts, DED/CRO
Sara Sauter, Supvr of Internal Audit
Rachelle Smith, Retirement Assistant
Stephanie Schilling, Retirement Programs Spec
Dottie Thorsen, Internal Auditor
Tami Volkert, Employer Svs Coor
Denise Weeks, Retirement Program Mgr

OTHERS PRESENT: Matt Strom, Segal
Members of the Public

CALL TO ORDER:

Dr. Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:02 p.m. on Thursday, November 17, 2022. The meeting was held in the WSI Board Room, 1600 E Century Ave., Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the November 17, 2022, meeting.

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

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

Dr. Lech welcomed Jecca Geffre, the new Communications and Outreach Director.

MINUTES:

The Board considered the minutes of the September 22, 2022, TFFR Board meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE SEPTEMBER 22, 2022, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

EDUCATION:

Elements of an Actuarial Funding Policy:

Mr. Strom, Segal, provided education on the elements of an actuarial funding policy and the impact of revision to the Actuarial Standards of Practice (ASOP) 4. The actuarial valuation tells you where you are at the current place in time. Mr. Strom reviewed the parts and inputs of an actuarial valuation, A funding policy has three components which include an actuarial cost method, asset smoothing method, and unfunded actuarial accrued liability (UAAL) amortization policy. Mr. Strom presented funding policy components. Board discussion followed.

GOVERNANCE:

Segal Actuarial Valuation Report:

Mr. Strom, Segal, presented the annual Actuarial Valuation Report as of July 1, 2022. Highlights include the following:

- The return on the fair value of assets for the year ending June 30, 2022, was -6.1%
- Funded ratio increased from 68.6% (as of 7/1/2021) to 69.9% (as of 7/1/2022)
- Effective amortization period decreased from 21 years to 19 years
- Net impact on actuarially determined contribution was a decrease from 12.37% of payroll to 12.12% of payroll
 - Based on the employer contribution rate of 12.75%, the contribution margin has increased from 0.38% of payroll to 0.63% of payroll
- GASB Net Pension Liability increased from \$1.05 billion as of 6/30/2021 to \$1.46 billion as of 6/30/2022

Board discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TRESURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE ACTUARIAL VALUATION AS OF JULY 1, 2022.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

Governance & Policy Review (GPR) Committee Update:

Mr. Mickelson provided an update from the GPR Committee meeting on November 10, 2022. The Committee continued working through the TFFR manual according to the workplan approved by the Committee. The Committee gave feedback on the legislative presentation that staff will provide to the Board today.

Ms. Murtha reviewed the policy amendment and GPR Committee Charter which were brought before the Board for second reading and final adoption. Ms. Murtha also reviewed the SIB Governance Manual changes because TFFR shares governance with the SIB. The proposed changes allow for coordination with the new SIB Investment Committee and have been reviewed by the SIB GPR and Investment Committees, TFFR GPR Committee, and now the TFFR Board for feedback before going to the SIB for a first reading. Board discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO APPROVE THE SECOND READING AND FINAL ADOPTION OF THE POLICY AMENDMENT AND CHARTER FOR THE TFFR GPR COMMITTEE.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

The Board recessed at 2:35 p.m. and reconvened at 2:47 p.m.

Legislative Session Planning:

Ms. Murtha provided information about anticipated public policy issues that may arise and be impactful to the TFFR program during the 2023 legislative session. Ms. Murtha asked the Board for guidance as staff prepare testimony for each of the anticipated issues. Staff provided the same presentation to the TFFR GPR Committee, and their recommendations have been included in the current presentation for the Board. Ms. Murtha outlined the proposed process for keeping the Board informed throughout the legislative session. Staff will provide an informational legislation tracking matrix to the Board on a weekly basis. There will be a process established to communicate with the Board chair and the Board when changes occur based on the level of changes or impact. The Board was asked to provide feedback on staff testimony on the TFFR Technical bill, the military exemption bill, PERS plan closure, RIO internal investment opportunities, and the SIB composition bill. Board discussion followed.

IT WAS MOVED BY TRESURER BEADLE AND SECONDED BY MR. WILLGOHS AND CARRIED BY A ROLL CALL VOTE TO SUPPORT STAFF TO PROCEED WITH TESTIMONY AS DISCUSSED.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

Pioneer Project Update:

Mr. Roberts provided an update on the progress of the development of the new pension administration system. About 20% of the project has been completed and is scheduled to be completed in the fourth quarter of 2024. The project is within budget and on time. The communication and education plan for members and employers is in place. Staff plan to start educational sessions with employers one year before the project completion date. Staff have contacted the payroll software companies that work with the schools. Board discussion followed.

Outreach Update:

Ms. Weeks provided an update on outreach activities. Staff have led many in-person group benefit counseling sessions around the state which have been attended by over 150 members. Staff are also offering two state-wide virtual group benefit counseling sessions. Staff continue offering monthly Info Mixers for Business Managers with different topics each month and held a virtual New Business Managers Workshop in November. Staff participated in multiple conferences throughout the fall. Board discussion followed.

REPORTS:

Annual Reemployed Retirees Report:

Mr. Roberts presented the annual Reemployed Retirees Report. The report is for fiscal year (FY) 2022 and provides a breakdown of retirees returning to work by hours contracted, salaries, types of reemployment and subject areas. The report also covers employer information and an analysis of historical trends. In FY 2022 there were 273 reemployed retirees with 35 of those being in critical shortage areas. The average salary was \$29,665 and the median age was 63 years old. A statistic that stands out this year is the increase in administrator positions that were filled by reemployed retirees. The increase in retirees filling administrator positions also increased the average salary. Board discussion followed.

Annual Budget & Expense Report:

Mr. Skor provided the Annual Budget and Expense Report as of June 30, 2022. The quarterly budget and expense information for the quarter ended September 30, 2022, was also included. The operating expenditures line include the PAS project. Without that project included, the operating expenditures line is at about 57% for budget available. Much of the budget for the PAS project will carry over to the next biennium. Board discussion followed.

Quarterly TFFR Ends Report:

Mr. Roberts reviewed the TFFR Ends Report for the period ended September 30, 2022. The Communications and Outreach Director and Accounting Intern positions were posted. RIO's NDIT Business Analyst resigned, and Mr. Roberts participated with NDIT in the hiring process for that position. The TFFR GPR Committee established a workplan to complete a full review TFFR Policy Manual. Ms. Murtha provided testimony to the Retirement Committee regarding impacts to the TFFR plan relating to the proposal to close the PERS defined benefit plan. Board discussion followed.

Quarterly Investment Report:

Mr. Chin provided an investment update for the period ended September 30, 2022. Markets have been challenging in 2022 with rising inflation and geopolitical issues impacting markets. TFFR's performance is negative year-to-date but is in line with the policy benchmark. TFFR continues to be in the top quartile for performance when compared to peer plans. Mr. Chin reviewed the changes that have been made to the equity portfolio and the initiative to implement internal investment management for a portion of the portfolio. Board discussion followed.

Quarterly Internal Audit (IA) Report:

Ms. Seiler provided the Quarterly IA Report. The SIB Audit Committee met on November 15, 2022, and approved the first quarter IA Activities Report and received an update on current IA activities. CliftonLarsonAllen (CLA) presented the FY 2022 Financial Statement Audit which had an unmodified "clean" opinion. The GASB 68 Schedule Audit included testing of 12 employers and 137 employees. There was one employer finding which was immaterial. IA completed a payroll audit for the agency which resulted in one recommendation. The TFFR File Maintenance Audit was completed, and IA provided two recommendations. A Request for Proposals (RFP) was issued to evaluate internal audit and the agency's future needs in this area. The bid was awarded to Weaver & Tidwell, LLP and a kickoff has been scheduled for November 2022. Board discussion followed.

Mr. Willgohs left at 4:30 p.m.

Executive Limitations/Staff Relations Report:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. The reorganization of the TFFR Compliance Specialist and Retirement Accountant was the final phase of the reorganization of the Retirement Services Division. Two new investment staff started this week, and the new Risk Officer will start later this month. The Communications and Outreach Director started on November 7, 2022. A new Accounting Intern has been hired and will start in December 2022. An all-staff training is scheduled for December 6, 2022. Current projects include the Legacy Fund asset allocation study, Pioneer Project, Northern Trust initiative, and the audit consultant RFP. Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL REEMPLOYED RETIREE, ANNUAL BUDGET AND EXPENSE, QUARTERLY TFFR ENDS, QUARTERLY INVESTMENT, QUARTERLY INTERNAL AUDIT, AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

ABSENT: SUPT. BAESLER, MR. WILLGOHS

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the Board, Pres. Lech adjourned the meeting at 4:47 p.m.

Prepared by,

Missy Kopp
Assistant to the Board