

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
APRIL 27, 2023, 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: Scott Anderson, CIO
Derek Dukart, Investment Officer
Jayme Heick, Retirement Programs Spec.
Missy Kopp, Exec. Assistant
Denise Leingang-Sargeant, Member Specialist
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Director
Matt Posch, Sr. Investment Officer
Emmalee Riegler, Contracts/Records Coor.
Chad Roberts, DED/CRO
Sara Seiler, Supvr. of Internal Audit
Ryan Skor, CFO/COO
Rachelle Smith, Retirement Assistant
Dottie Thorsen, Internal Auditor
Tami Volkert, Compliance Specialist
Denise Weeks, Retirement Program Mgr.

OTHERS PRESENT: Dean DePountis, Atty. General's Office
Catharine Hamrick, Segal Benz
Gabe Hoggarth, State Procurement
Brad Ramirez, Segal
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 1:00 p.m. on Thursday, April 27, 2023. The meeting was held in the WSI Board Room, 1600 E Century Avenue, Bismarck.

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 April 27, 2023, meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. WILLGOHS 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

MINUTES:

The Board considered the minutes of the March 23, 2023, TFFR Board meeting.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. WILLGOHS AND CARRIED BY A VOICE VOTE TO APPROVE THE MARCH 23, 2023, MINUTES AS DISTRIBUTED.

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

ACTUARIAL SERVICES PRESENTATIONS:

Dr. Lech reviewed the process for the actuarial services presentations. There will be three executive sessions for the presentations from the vendors, then another executive session to discuss the bids.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. WILLGOHS AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6), 44-04-18.4(6), AND 55-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

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

The executive session started at 1:05 p.m. and ended at 1:31 p.m. The executive session was attended by Board members, staff, Mr. Hoggarth, Mr. DePountis, and representatives from Cheiron.

IT WAS MOVED BY MR. WILLGOHS AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6), 44-04-18.4(6), AND 55-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

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

The executive session started at 1:36 p.m. and ended at 2:01 p.m. The executive session was attended by Board members, staff, Mr. Hoggarth, Mr. DePountis, and representatives from GRS.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6), 44-04-18.4(6), AND 55-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

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

The executive session started at 2:04 p.m. and ended at 2:27 p.m. The executive session was attended by Board members, staff, Mr. Hoggarth, Mr. DePountis, and representatives from Segal.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. WILLGOHS AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(6), 44-04-18.4(6), AND 55-44.4-10(2) TO SEQUESTER COMPETITORS DURING A COMPETITIVE BIDDING PROCESS AND TO RECEIVE AND DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

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

The executive session started at 2:29 p.m. and ended at 3:14 p.m. The executive session was attended by Board members, staff, Mr. Hoggarth, and Mr. DePountis.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO AWARD TO THE FIRM MOST SUSEPTABLE TO AWARD BASED ON THE SCORING METRIC PROVIDED.

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

MOTION CARRIED

The Board recessed at 3:15 p.m. and reconvened at 3:26 p.m.

GOVERNANCE:

Plan Management Policy Score:

Mr. Strom and Mr. Ramirez, Segal, discussed the updated plan management policy score. The score has been updated following the most recent actuarial valuation. The composite score is 6 which is down based on last year's valuation results and poor returns for fiscal year (FY) 2022. The score is in the orange range which indicates that the fund should continue to be monitored. The TFFR plan management policy score provides context for the likelihood of future positive or negative events. Notable differences from the previous score update include the market value return for the plan year ended June 30, 2022, which was -6.1% compared to the assumed rate of 7.25%. This resulted in a significantly lower July 1, 2022, funded ratio than projected the prior year. The net result is that the probabilities on which the scoring is based worsened for criteria 1, 2, and 3 compared to the prior analysis. Factors outside of TFFR that could influence the directional trend of future policy scores include projected economic conditions, typical market cycles, and the ND economy. Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. WILLGOHS AND CARRIED BY A VOICE VOTE TO ACCEPT THE PLAN MANAGEMENT POLICY SCORE UPDATE.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

TFFR Member Communications Survey:

Ms. Hamrick, Segal Benz, provided information about an upcoming survey of active TFFR members. Staff hope to collect feedback from members to learn what they understand about their benefits, how much they value their benefits, and their communication preferences. The survey results will be used to determine if demographic differences impact the responses. The tool that will be used is called Remesh which is an online format that allows the participants to use a computer, tablet, or mobile device. They answer questions in their own words and vote on other respondents' answers. The responses are anonymous but can be segmented. There will be a live session then the survey will be open for a week allowing additional participants to respond to each question at their own pace. Ms. Hamrick reviewed sample questions and the project timeline. Board discussion followed.

2023 Legislative Session Update:

Ms. Murtha provided an update on the legislative session and reviewed RIO's strategic plan. Many of the goals in the strategic plan required legislative changes to achieve. With the session almost over, we have achieved the goals we set in our strategic plan. Ms. Murtha reviewed the bills that were passed that allowed our initiatives to be realized. Board discussion followed.

TFFR Benchmark Discussion:

Mr. Posch and Mr. Anderson presented information on and recommended changes to the private market benchmark weights for the TFFR plan. The current weight method uses static weights which reflect the full weight of the asset allocation target. With this method active return performance becomes distorted and non-discretionary. Mr. Posch reviewed the proposed weight method using dynamic weights. Staff recommend changing to portfolio weight equal to benchmark weight where private equity rebalances through public equity and real asset rebalances through half fixed income and half equity. Client funds would continue to define asset target weights and rebalance corridors in policy. Staff would restate FY2022 based on this performance method and keep a performance measurement with the old system for comparison. When a benchmark consultant is hired, an appropriate benchmark for the private markets will be chosen rather than benchmarking it against its own performance. Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO CHANGE BENCHMARK TARGET WEIGHT METHODOLOGY TO ONE WHERE BENCHMARK TARGET WEIGHTS ARE ADJUSTED MONTHLY TO REFLECT THE ACTUAL EXPOSURE TO PRIVATE MARKETS WITH OFFSETTING ADJUSTMENTS MADE TO PUBLIC EQUITIES AND PUBLIC FIXED INCOME.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

2023-24 Board Calendar and Education Plan:

Ms. Murtha presented the proposed TFFR Board calendar and education plan for 2023-24.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE BOARD CALENDAR AND EDUCATION PLAN FOR 2023-24.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

Pioneer Project Update:

Mr. Roberts provided an update on the Pioneer Project. The project is currently on schedule. After discussions with the vendor and NDIT, it was determined that purchase of Microsoft SharePoint licenses and servers to maintain documents is not needed as the existing state license for SharePoint is sufficient. This will result in a savings of \$92,000.00 which will be allocated to the contingency/management reserve fund. This savings will fully offset the \$23,800.00 additional cost for image migration reported on at the March 2023 meeting. Board discussion followed.

Outreach Update:

Mr. Roberts provided an update on member outreach programming and customer service contacts for the quarter ending March 31, 2023. There was a surge of customer service contacts in January 2023 due mostly to a change in federal and state tax withholding forms to comply with IRS regulations. RIO will be using GovDelivery to create a streamlined and efficient system to distribute messaging, newsletter, updates, and other communication from the agency. Mr. Roberts shared completed and upcoming outreach events.

REPORTS:

Annual Public Pension Plan Comparison Report:

Mr. Roberts presented the annual Public Pension Plan Comparison Report comparing TFFR to the FY 2021 Public Fund Survey conducted by the National Association of State Retirement Administrators (NASRA). This survey provides information on key characteristics of most of the nation's largest public retirement systems including actuarial funding levels, membership, cash flow, contribution rates, investment returns, actuarial assumptions, and asset allocation. Board discussion followed.

Executive Limitations/Staff Relations:

The Executive Limitation/Staff Relations was provided for the Board.

IT WAS MOVED BY MR. BURTON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL PUBLIC PENSION PLAN COMPARISON AND EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the Board, Pres. Lech adjourned the meeting at 5:01 p.m.

Prepared by,

Missy Kopp, Assistant to the Board