

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
SEPTEMBER 26, 2024, BOARD MEETING**

BOARD MEMBERS PRESENT: Dr. Rob Lech, President
Mike Burton, Vice President
Kirsten Baesler, State Supt. DPI
Thomas Beadle, State Treasurer
Scott Evanoff, Trustee
Cody Mickelson, Trustee
Alexis Rasset, Trustee

STAFF PRESENT: Scott Anderson, CIO
Jayme Heick, Retirement Spec.
Rachel Kmetz, Fiscal/Investment Operations Mgr.
Missy Kopp, Exec. Assistant
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Director
Matt Posch, Portfolio Manager
Chad Roberts, DED/CRO
Ryan Skor, CFO/COO
Dottie Thorsen, Internal Auditor
Tami Volkert, Retirement Compliance Spec.
Denise Weeks, Retirement Program Mgr.

OTHERS PRESENT: Dean DePountis, Atty. General's Office
Michele Blumhagen, NDIT
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, September 26, 2024. 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, MR. EVANOFF, DR. LECH, MR. MICKELSON, AND
MS. RASSET.**

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the September 26, 2024, meeting.

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

**AYES: TREASURER BEADLE, MR. BURTON, MS. RASSET, MR. MICKELSON, MR.
WILLGOHS, MR. EVANOFF, AND PRES. LECH**

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

Ms. Murtha introduced the new TFFR Board Member, Alexis Rasset.

ACCEPTANCE OF MINUTES:

The Board considered the minutes for the July 25, 2024, TFFR Board meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. EVANOFF AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 25, 2024, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MS. RASSET, MR. EVANOFF, TREASURER BEADLE, MR. BURTON, AND PRES. LECH

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

Annual Internal Audit Activities Report:

Ms. Thorsen provided the Annual Audit Committee Activities report for the fiscal year (FY) ended June 30, 2024. The report provided an overview of all IA activities including the IA Maturity Development Process Review and the TFFR Pioneer Project. Ms. Thorsen reviewed completed audits and administrative activities of the IA staff. Board discussion followed.

EDUCATION:

AI State Policy and Practices:

Ms. Kim Weis, NDIT, provided education on the state's policies and use of artificial intelligence (AI) to enhance government services. Ms. Weis highlighted that AI tools, such as chatbots and large language models, can aid in tasks like coding assistance, program development, and data search, offering responses in natural language. However, she emphasized the need for users to verify AI-generated information and avoid inputting sensitive data, especially when using non-secure, free tools. Ms. Weis discussed the project undertaken by NDIT to pilot a ND chat bot. This project has underscored the need for clean, well-organized data across state agencies to ensure that AI responses are accurate. Board discussion followed.

Supt. Baesler joined the meeting at 1:20 p.m.

AI Application in Retirement Services:

Mr. Roberts provided an overview of the uses of AI in pension administration. AI can be used for data processing and management, communications, investment optimization and compliance monitoring. AI can provide automation of routine tasks, enhanced decision making, fraud detection and predictive analytics. Mr. Roberts discussed the risks and risk mitigation for the use of AI. Board discussion followed.

GOVERNANCE:

Governance & Policy Review (GPR) Committee Update:

Mr. Mickelson provided an update from the September 10, 2024, TFFR GPR Committee meeting. The Committee approved a workplan for the upcoming fiscal year and did a final review of the changes in the governance manual ahead of the second reading and final adoption of the changes to the manual. Mr. Roberts reviewed one new change the GPR made to the policy that addresses SIB membership. Board discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. RASSET AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE SECOND READING AND FINAL ADOPTION OF TFFR GOVERNANCE MANUAL POLICIES: SECTION 1, SUBSECTIONS A, B, C, D, E, G, H, J, K, M, O, Q, R AND SECTION 2, SUBSECTIONS D, E, F, AND G.

AYES: TREASURER BEADLE, SUPT. BAESLER, MS. RASSET, MR. EVANOFF, MR. BURTON, MR. MICKELSON, AND PRES. LECH

NAYS: NONE

MOTION CARRIED

Legislative Planning:

Ms. Murtha reviewed proposed legislation position recommendations from the GPR Committee and retirement education initiative planning updates. A bill has been submitted to the Employee Benefits Programs Committee (EBPC) by a legislator that would authorize a one-time payment from a general fund transfer to TFFR retirees. The amount that comes from the general fund would come from state employee compensation increases. The GPR Committee concurred that this would be positive for retirees, and it does not have an actuarial impact on the TFFR fund. Concerns were expressed about how the calculation would be done and also the impact to state employees.

Ms. Murtha provided a timeline, factors, and current timing for the retirement education plan initiative for TFFR members. Pres. Lech participated in the Teacher Retention and Recruitment Taskforce which has completed its recommendations. The report is not yet public, but Pres. Lech provided some highlights from the recommendations. Board discussion followed.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MS. RASSET TO TAKE A POSITION OF SUPPORT OF A ONE TIME PAYMENT TO RETIRED TFFR MEMBERS AND TAKE A NEUTRAL POSITION ON THE AMOUNT AND THAT THE DOLLARS WOULD COME FROM STATE EMPLOYEE COMPENSATION.

AYES: MS. RASSET, MR. BURTON, MR. MICKELSON, SUPT. BAESLER, MR. EVANOFF, TREASURER BEADLE, AND PRES. LECH

NAYS: NONE

MOTION CARRIED

Audit Committee Update:

Treasurer Beadle provided an update from the August 14, 2024, meeting. The Committee reviewed and approved the year-end audit activities and audit charters, which had been developed in consultation with Weaver. Weaver also provided updates on the internal audit maturity process, focusing on enhancing staff capabilities for effective auditing. A key discussion point was the current staffing limitations in the internal audit team, which consists of only two FTEs. The committee is considering using external consulting to address these

gaps and may propose additional staffing in the next legislative session to strengthen internal audit capacity. Board discussion followed.

Pioneer Project Update:

Mr. Roberts provided an update on the Pioneer Project. Staff completed phase three of user acceptance testing. The vendors that provide employer software have finalized their integration designs. Phase four began in September and will continue for the next few weeks. Staff are working with PERS to complete an interface with their system for the processing of dual members. Data migration is nearly complete. Testing of scanning functions is underway, and no issues have been found. Staff are planning the cutover tasks including communications with employers. Some savings was found that will offset the additional hosting cost for the delayed launch date and the return-to-work calculator. The vendor has been ambiguous about whether they can deliver certain functional modules of the project by the planned launch date. Discussions are ongoing. Board discussion followed.

The Board recessed at 2:56 p.m. and reconvened at 3:10 p.m.

REPORTS:

Annual/Quarterly Investment Report:

Mr. Posch provided the investment performance update as of June 30, 2024. Over the past decade, the fund's policy allocation returned 6.8%, surpassing both a 60/40 equity-bond passive benchmark (5.4%) and the fund's policy benchmark (6.3%). This outperformance equates to a substantial \$491 million benefit over 10 years. The fund's allocations closely match target weights across asset classes. The one-year total return stands at 8.1%, slightly underperforming the policy benchmark of 8.4%. This gap is largely due to underperformance in the real estate sector. Compared to similar pension funds, the fund's recent quarterly performance was around the median. However, due to the real estate allocation and underperformance in small caps, the one-year performance fell below the bottom quartile. Over the long term, however, the fund's 10-year returns remain around or above the median. Board discussion followed.

Annual Technology Report:

Ms. Blumhagen provided an update on information technology (IT) activities for RIO over the past year. The review included agency collaboration activities, large IT project updates, and security incidents statewide and training activities completed by RIO staff. Board discussion followed.

Quarterly TFFR Ends Report:

Mr. Roberts provided the TFFR Ends Report for the quarter ended June 30, 2024. The update included Pioneer Project activities, staff training in Power BI, and communication with business partners about the pension administration system. Board discussion followed.

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. Ms. Murtha reviewed the status of current staffing activities and current projects and initiatives. RIO staff attended

an all-staff training on Monday September 23, 2024, which focused on building engagement and addressing work-life balance to prevent burnout, as identified in the strategic planning process. The team received "Working Genius" training, which helped them understand how to structure meetings more effectively and the need to identify the purpose and goals of those meetings to reduce frustration. Additionally, the team participated in creating self-care kits, funded by a wellness grant from PERS. Ms. Murtha provided an update on the Attorney General opinion from earlier this year. The request is still pending; however, it has sparked further inquiries from some legislators, prompting outreach to RIO and the Governor's Office. Lt. Gov. Miller and staff from the Governor's Office have been instrumental in coordinating discussions. Ms. Murtha and Mr. Roberts will attend the National Council on Teacher Retirement (NCTR) Annual Conference in October. Ms. Murtha has agreed to moderate a panel on securities litigation at the conference. Board discussion followed.

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

AYES: MR. EVANOFF, MR. MICKELSON, MS. RASSET, TREASURER BEADLE, MR. BURTON, AND PRES. LECH

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

CONSENT AGENDA:

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE DISABILITY APPLICATION 2024-7D.

AYES: MR. BURTON, MS. RASSET, MR. EVANOFF, TREASURER BEADLE, MR. MICKELSON, AND PRES. LECH

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the Board, Mr. Burton adjourned the meeting at 4:26 p.m.

Prepared by,

Missy Kopp, Assistant to the Board