

**NDPERS INVESTMENT SUBCOMMITTEE
MINUTES
Thursday, August 10, 2023
8:30 A.M.**

Board Members Present via Teams: Chairperson Adam Miller
Mona Rindy
Jeffry Volk

Board Members Absent: Rep. Greg Stemen
Sen. Shawn Veda

Staff Present: Scott Miller
Derrick Hohbein
Rebecca Fricke
MaryJo Anderson
Katheryne Korom
Dean DePountis

Others Present: Craig Chaikin, Perry Hopper, Alex Browning - Callan
Scott Anderson – RIO
Melissa Thorpe – TIAA

Minutes

Chairperson Adam Miller called the meeting to order at 8:32 A.M. A quorum was present.

Jeffry Volk moved to approve the agenda for the August 10, 2023, Investment Subcommittee meeting. The motion was seconded by Mona Rindy and carried by voice vote. The agenda was approved.

I. Minutes – Tuesday, May 30, 2023

Chairperson Miller called for questions or comments regarding the minutes of May 30, 2023.

Mona Rindy moved to approve the minutes of the May 30, 2023, Investment Subcommittee meeting. The motion was seconded by Jeffry Volk and carried by voice vote. The minutes were approved.

II. Conflict of Interest Disclosure Consideration

Katheryne Korom provided an update on subcommittee members' Conflict of Interest Disclosure Consideration forms. Chairperson Adam Miller, Mona Rindy, and Jeffry Volk returned acknowledgments indicating they did not have a conflict with any agenda items.

III. Defined Benefit Plans Performance Q2 Update – RIO

Scott Anderson gave an investment update on the PERS Defined Benefit plans as of May 31, 2023. Performance benchmark indices were reviewed. The annual inflation rate for June 2022 thru June 2023 was +3.0% based on the CPI. PERS actual and target asset allocations were reviewed. Total actual assets as of May 31, 2023, were \$3,810,262,000. The year-to-date total PERS fund return of 3.5% less the policy benchmark return of 3.7% resulted in a total relative return of -0.2% as of May 31, 2023. The one-year total PERS fund return of -0.4% less the policy benchmark return of -0.4% resulted in a total relative return of 0.0%. NDPERS' 10-year average return as of March 2023 was 7.4% compared to the policy return of 6.9%. Scott Anderson provided an overview of the Retirement and Investment Office organizational chart, team members, mission, objectives, and strategy.

IV. Market Update & Performance – Callan

Perry Hopper presented a market update for the 2nd quarter of 2023. Wage growth remains above long-term averages, but has slowed from its recent peak. Unemployment increased slightly to 3.5% in Q2. Credit card delinquency rates are trending higher, reflecting the diminishing excess savings in American households. The top 10 stocks in the S&P 500 now constitute approximately 32% of market cap as of June 30th.

Both the 457 and 401(a) plans experienced positive net asset flows and investment gains in the second quarter. In the 457 plan, equities generally saw outflows while money went into capital preservation funds and both asset allocation options (TDF series and balanced fund). In the 401(a) plan, only capital preservation saw net outflows. Templeton Global Bond Plus and Allspring Growth remain on the watch list. Plan investment fees were reviewed. Discussion took place.

The committee took a short break from 9:45 A.M. to 9:50 A.M.

V. Plan Review – TIAA

Melissa Thorpe with TIAA presented the 2Q2023 plan review. The NDPERS Companion plan has 10,024 participants and assets of \$193,252,150. The NDPERS 401(a) Defined Contribution plan has 197 members and assets of \$19,663,851. Overall, there are 10,152 plan participants with total assets of approximately \$212.9 million. Contributions have increased 3.2%, plan assets have increased 15.7%, and distributions have increased 31.1% year-over-year. Melissa Thorpe reviewed retirement readiness data for 401(a) participants. Participants, trends, demographics, and diversification were reviewed. Terminated participants with account balances less than \$1,000 will be swept out in September. Participant engagement was reviewed. NDPERS' dedicated TIAA communication consultant is Debbie Buckner. There are digital opportunities to engage participants. Data errors in TIAA reports were noted. Discussion took place.

VI. Investment Structure – Callan

i. Equity Analysis

Craig Chaikin reviewed the current investment structure for the 457 and 401(a) plans which include 25 investment options. Craig reviewed the newly consolidated investment structure

lineup which will be implemented after the completion of the Recordkeeper Request for Proposal (RFP) process. Discussion took place.

VII. Defined Contribution Plans Recordkeeper RFP – NDPERS

Katheryne Korom presented the Recordkeeper RFP. Discussion took place.

Mona Rindy moved that the committee approve the Recordkeeper RFP and the timeline for submission to the NDPERS' Board of Trustees. Jeffrey Volk seconded the motion.

Ayes: Mona Rindy, Jeffrey Volk, and Chairperson Adam Miller

Nays: None

Absent: Representative Greg Stemen, Senator Shawn Vedaa

MOTION PASSED

VIII. Other Business

Derrick Hohbein provided an update on funding received as part of House Bill 1040. NDPERS has received a lump sum deposit of \$135 million which has been deposited with the Retirement and Investment Office. The Highway Patrol plan has also received \$3 million. GRS will be updated on these deposits.

The next meeting will be on November 28, 2023.

The subcommittee adjourned at 10:45 A.M.