

**NDPERS INVESTMENT SUBCOMMITTEE
MINUTES
Tuesday, February 27, 2024
8:30 A.M.**

Board Members Present: Chairperson Adam Miller
Board members Present via Teams: Tyler Erickson
Joe Morrissette
Jeffry Volk

Board Members Absent: Rep. Greg Stemen

Staff Present: Rebecca Fricke
Derrick Hohbein
Marcy Aldinger
MaryJo Anderson
Katheryne Korom
Dean DePountis

Others Present: Craig Chaikin, Perry Hopper - Callan
Matthew Posch - RIO
Melissa Thorpe - TIAA
Dave Ramirez - Empower

Minutes

Chairperson Adam Miller called the meeting to order at 8:30 A.M. A quorum was present.

Agenda was approved by voice vote.

I. Minutes – Tuesday, November 28, 2023

Chairperson Miller called for questions or comments regarding the minutes of November 28, 2023.

Tyler Erickson moved to approve the minutes of the November 28, 2023, Investment Subcommittee meeting. The motion was seconded by Jeffry Volk.

Ayes: Chairperson Adam Miller, Mr. Erickson, Mr. Volk

Nays: None

Absent: Representative Stemen, Mr. Morrissette

II. Conflict of Interest Disclosure Consideration

None reported.

III. Defined Benefit Plans Performance Q4 Update – Retirement & Investment

Matthew Posch gave an investment update on the NDPERS Defined Benefit plans as of December 31, 2023. Performance benchmark indices were reviewed. The annual inflation rate for January 2023 thru January 2024 was +3.1% based on the CPI. NDPERS' 10-year average return as of December 31 was 7.0% compared to the policy return of 6.5%. NDPERS actual and target asset allocations were reviewed. The year-to-date total NDPERS fund return of 11.0% less the policy benchmark return of 10.7% resulted in a total relative return of 0.3% as of December 31, 2023. The one-year total NDPERS fund return of 11.0% less the policy benchmark return of 10.7% resulted in a total relative return of 0.3%. Total actual assets as of December 31, 2023, were \$4,157,792,000. Investment Policies were reviewed at the end of 2022. Discussion took place.

IV. Market Update & Performance – Callan

Craig Chaikin presented a market update for the 4th quarter of 2023. The investment policy statement will need to be updated after fund selection. The transition to Empower and the new line-up is scheduled for July 1, 2024. The current and proposed 457 and 401(a) Investment Structures were reviewed. A mapping strategy will be presented in March and then forwarded to the Board for approval. Plan Investment Fees were reviewed. Discussion took place.

Both the 457 and 401(a) plans experienced positive investment gains in the fourth quarter. From an asset flow perspective, participants in both plans increased allocations to target date funds and capital preservation, while decreasing assets in domestic equity. Templeton Global Bond Plus and Allspring Growth remain on the watch list.

Assets for the 457 plan have increased from \$189,049,561 as of September 30, 2023, to \$207,095,345 as of December 31, 2023. Investment gain during this time period was \$17,301,311 and net new investment was \$744,473. For the 401(a) assets increased from \$19,228,754 as of September 30, 2023, to \$21,039,236 as of December 31, 2023. Investment gain during this time period was \$1,812,984 and net new investment decreased by \$2,502.

V. Plan Review – TIAA

Melissa Thorpe with TIAA presented the 4Q2023 plan review. The NDPERS Companion plan has 10,195 participants and assets of \$207,095,346. The NDPERS 401(a) Defined Contribution plan has 200 members and assets of \$21,039,236. Overall, there are 10,328 plan participants with total assets of \$228,134,582. Contributions have increased 6.3%, plan assets have increased 18.8%, and distributions have increased 59.1% year-over-year. Participant engagement, retirement readiness, demographics, education opportunities, distributions, contributions, and investment data were reviewed. Discussion took place.

VI. Revenue Shortfall – NDPERS

Derrick Hohbein provided background and an update on the revenue shortfall with TIAA. Revenue shortfalls are expected in Q1 2024 and Q2 2024. Callan provided guidance on a recommended philosophy of addressing revenue shortfalls. Discussion took place.

Jeffry Volk moved to adopt a philosophy directing staff to work with TIAA on estimating the total revenue shortfall to pull from participant accounts. The motion was seconded by Tyler Erickson.

Ayes: Chairperson Adam Miller, Mr. Erickson, Mr. Volk

Nays: None

Absent: Representative Stemen, Mr. Morrissette

VII. New Recordkeeper Fund Line-up/Mapping - Callan

Craig Chaikin provided an update. Tentative mapping has been developed. A Smid cap active option still needs to be selected. This agenda item will be an action item at the Special meeting in March when the two new investment choices are made.

VIII. Special Investment Subcommittee Meeting Dates - NDPERS

Derrick Hohbein stated a Special Investment Subcommittee meeting will need to be held in March. The fund line-up and proposal will be reviewed at this time by the Subcommittee for full recommendation to the Board. Based on the Empower transition these items will need to be approved by the full Board at their meeting on April 9, 2024. Discussion took place.

IX. Asset Liability & Asset Allocation Study - NDPERS

Derrick Hohbein provided an update on the Asset Liability & Asset Allocation Study Request for Proposal (RFP). This RFP must be conducted by one of RIO's consultants.

Jeffry Volk moved to recommend the Asset Liability & Asset Allocation Study RFP move forward to the full NDPERS Board. The motion was seconded by Tyler Erickson.

Ayes: Chairperson Adam Miller, Mr. Erickson, Mr. Volk

Nays: None

Absent: Representative Stemen, Mr. Morrissette

X. Long Term Rate of Return - NDPERS

Derrick Hohbein stated that in the original OMB bill and then subsequently during Special session a clause was passed that restricts the Board's ability to reduce NDPERS long term rate of return below 6.5%. Staff monitors in comparison to the actuary report. In February GRS confirmed the current allocation will justify a 6.5% return into the future. Discussion took place.

XI. Other Business

Derrick Hohbein introduced Dave Ramirez with Empower. Following the recordkeeper transition, Dave will be the Empower service team leader.

The next regular meeting will be on May 28, 2024. A special meeting will be held on March 26, 2024.

The subcommittee adjourned at 10:19 A.M.