

**NDPERS INVESTMENT SUBCOMMITTEE
MINUTES
Tuesday, May 28, 2024
8:30 A.M.**

Board Members Present via Teams: Chairperson Adam Miller
Tyler Erickson
Joe Morrissette
Rep. Greg Stemen
Jeffry Volk

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

Others Present: Craig Chaikin, Ben Taylor - Callan
Matthew Posch – RIO
Mark Morgan, Jonathan Waite, Astrid Rau - SEI
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, February 27, 2024**
- II. Minutes – Tuesday, March 26, 2024**

Chairperson Miller called for questions or comments regarding the minutes of February 27, 2024, and March 26, 2024.

Jeffry Volk moved to approve the minutes of the February 27, 2024, and March 26, 2024, Investment Subcommittee meetings. The motion was seconded by Joe Morrissette.

Ayes: Chairperson Adam Miller, Mr. Erickson, Mr. Morrissette, Representative Stemen, Mr. Volk
Nays: None
Absent: None

- III. Conflict of Interest Disclosure Consideration**

None reported.

IV. Defined Benefit Plans Performance Q1 2024 Update – RIO

Matthew Posch gave an investment update on the PERS Defined Benefit plans as of March 31, 2024. Performance benchmark indices were reviewed. The annual inflation rate for April 2023 thru April 2024 was +3.4% based on the CPI. NDPERS' 10-year average return as of March 31, 2024, was 7.2% compared to the policy return of 6.6%. PERS actual and target asset allocations were reviewed. The year-to-date total PERS fund return of 3.9% less the policy benchmark return of 3.7% resulted in a total relative return of 0.2% as of March 31, 2024. The one-year total PERS fund return of 11.2% less the policy benchmark return of 11.0% resulted in a total relative return of 0.2%. Total actual assets as of March 31, 2024, were \$4,302,807,000. Discussion took place.

V. Market Update & Performance – Callan

Craig Chaikin presented a market update for the 1st quarter of 2024. The new investment structure was reviewed.

Both the 457 and 401(a) plans experienced positive investment gains in the first quarter. From an asset flow perspective, participants in the 457 plan reallocated away from capital preservation and Small and Mid Cap U.S. Equity in favor of U.S. Large Cap and target date funds. In the 401a plan, participants also reallocated from U.S. Small Cap Equity to Large Cap options.

Assets for the 457 plan have increased from \$207,095,345 as of December 31, 2023, to \$221,326,441 as of March 31, 2024. Investment gain during this time period was \$12,245,102 and net new investment was \$1,985,993. For the 401(a) assets increased from \$21,039,236 as of December 31, 2023, to \$22,554,706 as of March 31, 2024. Investment gain during this time period was \$1,285,186 and net new investment was \$230,284. Plan performance monitoring was reviewed.

Callan will provide data for Q2 2024 under the previous fund lineup at the next Investment Subcommittee meeting. Craig Chaikin noted that the data may look unusual due to the recordkeeper transition, but Callan will try to provide comparable data for Q2 and review any unusual data points that may occur. Callan will gather input from Empower and TIAA to present flow. Per Mr. Erickson's request, Callan will try to quantify savings due to reducing investment options. Discussion took place.

VI. Job Service & RHIC Asset Allocation – SEI

Mark Morgan from SEI gave an update for both the RHIC and Job Service plan. The RHIC valuation as of 4/30/2024 was \$176,093,692 with a one-year return of 10.95%. The Job Service valuation as of 4/30/2024 was \$81,410,027 with a one-year return of 3.67%. Both plans are outpacing benchmarks.

Jon Waite reviewed the asset-liability analysis for the RHIC and Job Service funds. The net hurdle rate for the RHIC plan is 3.9%. The AAL/AVA deficit/ratio is \$92.8 M/65.4% as of 7/1/23. SEI believes we don't need to take on more risk to get the return desired on the RHIC plan. SEI does not recommend any changes to the current portfolio. The Job Service portfolio has been de-risked and has a hurdle rate of 1.8%. The AAL/MVA surplus/ratio for the fund is \$16.3 M/122.6% as of 7/1/23. SEI does not recommend any changes to the current portfolio. Discussion took place.

VII. Plan Review – TIAA

Melissa Thorpe with TIAA presented the 1Q2024 plan review. The NDPERS Companion plan has 10,475 participants and assets of \$221,356,486. The NDPERS 401(a) Defined Contribution plan has 201 members and assets of \$22,562,235. Overall, there are 10,610 plan participants with total assets of \$243,918,722. Contributions have increased 8.2%, plan assets have increased 19.6%, and distributions have increased 75.5% year-over-year. Participant engagement, demographics, active participants, distributions, contributions, and investment data were reviewed. Discussion took place.

VIII. Investment Policy Statement – Callan

Craig Chaikin provided an update on the revised Investment Policy statements for both the 401(a) Defined Contribution and 457(b) Deferred Compensation plans. Discussion took place on potentially combining the two documents into one document in the future, and the recommendation was made that Ice Miller review the documents prior to Board approval.

Jeffry Volk moved to accept Callan’s recommendations for the Investment Policy statements, with further consideration to remove the Appendix for both the 401(a) and 457(b) plans, and bring the policy statements to the full Board in June 2024. The motion was seconded by Tyler Erickson.

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

Nays: None

Absent: Representative Stemen

IX. In-Plan Annuity Education - Callan

Ben Taylor presented an overview on Retirement Income Solutions that help participants manage and facilitate the drawdown of their plan assets in the spending phase of their retirement lifecycle. Discussion took place.

X. Callan Renewal or Investment Consultant Services RFP - NDPERS

Rebecca Fricke presented on Callan’s renewal. Callan is currently under contract through 2024, and has one renewal opportunity left before we’d historically go out to bid. Callan is proposing a 3% increase to their existing fee for both 2025 and 2026.

Jeffry Volk moved to recommend to the Board that it renew with Callan for two years at the proposed costs outlined. The motion was seconded by Joe Morrissette.

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

Nays: None

Absent: Representative Stemen

XI. Other Business

None

The next regular meeting will be on August 27, 2024.

The subcommittee adjourned at 11:58 A.M.