

**NDPERS INVESTMENT SUBCOMMITTEE
MINUTES
Tuesday, May 30, 2023
8:30 A.M.**

Board Members Present via Teams: Chairperson Adam Miller
Yvonne Smith
Mona Rindy

Board Members Absent: Claire Ness

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

Others Present: Craig Chaikin, Perry Hopper - Callan
Scott Anderson – RIO
Mark Morgan, Jonathan Waite - SEI
Melissa Thorpe – TIAA

Minutes

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

Yvonne Smith moved to approve the agenda for the May 30, 2023, Investment Subcommittee meeting. The motion was seconded by Mona Rindy and carried by voice vote. The agenda was approved.

I. Minutes – Tuesday, February 21, 2023

Chairperson Miller called for questions or comments regarding the minutes of February 21, 2023.

Mona Rindy moved to approve the minutes of the February 21, 2023, Investment Subcommittee meeting. The motion was seconded by Yvonne Smith and carried by voice vote. The minutes were approved.

II. DB Plans Performance Q1 Update – RIO

Scott Anderson gave an investment update on the PERS DB plans as of March 31, 2023. Performance benchmark indices were reviewed. The annual inflation rate for April 2022 thru April 2023 was +4.9% based on the CPI. PERS actual and target asset allocations were reviewed. Total actual assets as of March 31, 2023, were \$3,691,267,000. Scott Anderson

reviewed the weighting of asset classes and changes based on the use of the corridor method. The year-to-date total PERS fund return of 3.7% less the policy benchmark return of 3.9% resulted in a total relative return of -0.2% as of March 31, 2023. The one-year total PERS fund return of -4.1% less the policy benchmark return of -4.6% resulted in a total relative return of .5%. Discussion took place on the timeline for the asset-liability study to be conducted in 2024 and the pooling of asset funds.

III. Market Update & Performance – Callan

Craig Chaikin and Perry Hopper presented a market update for the 1st quarter of 2023. The current and new investment structures for the 457 and 401(a) plans were reviewed. Both plans experienced positive net asset flows and investment gains in the first quarter. Passive U.S. and international equity Vanguard Funds were the largest beneficiary of participant flows in the first quarter (excluding TDF contributions) while fixed income experienced net withdrawals. Templeton Global Bond Plus and Allspring Growth remain on the watch list. Invesco Developing Markets had a strong quarter, outperforming the benchmark by over 7%. An analysis of the TIAA-CREF Lifecycle Retirement Funds glide path was reviewed. Craig Chaikin reviewed TIAA investment fees.

IV. J.S. Asset Allocation – SEI

Mark Morgan from SEI gave an update for both the RHIC and Job Service plan. The RHIC valuation as of 4/30/2023 was \$161,264,062 with a one-year return of 1.41%. The Job Service valuation as of 4/20/2023 was \$84,251,116 with a one-year return of 1.90%. 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 2.9%. 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 1.7%. The AAL/MVA surplus/ratio for the fund is \$22.1 M/122.2%. SEI does not recommend any changes to the current portfolio.

V. Plan Review – TIAA

Melissa Thorpe with TIAA presented the 1Q2023 plan review. Overall, there are 10,029 plan participants with total assets of approximately \$203.9 million. Contributions have increased 4.2%, plan assets have decreased 1.2%, and distributions have decreased 8.9% year-over-year. Enrollments decreased from 1236 in 1Q2022 to 1226 in 1Q2023. Participants, trends, demographics, and diversification were reviewed. Assets and contributions by investment were reviewed. Melisa also reviewed the default investment summary, investment/account utilization by assets, investment/account utilization by contributions, and assets and contributions by investment/account option category.

Melissa Thorpe reviewed the Retirement Plan Engagement report.

TIAA offers at least four webinars on a monthly basis. Webinars are recorded and can be accessed by registered participants at a later time.

VI. Administrative Fee Payment – Callan

Perry Hopper and Craig Chaikin provided an overview of different methods to pay investment management and administrative fees, the decision process and framework for structuring fees, and participant experience in terms of fee structures. Discussion took place. The committee prefers a fee structure that provides a fee holiday for participants with lower balances. The concept will be presented to the Board for approval.

Mona Rindy moved that the committee recommend to the Board that a per-participant fee structure be adopted with small accounts excluded. The small account threshold shall be determined by the full NDPERS Board of Trustees. Yvonne Smith seconded the motion.

Ayes: Yvonne Smith, Mona Rindy, and Chairperson Adam Miller

Nays: None

Absent: Claire Ness

MOTION PASSED

VII. DC Plans Recordkeeper RFP - NDPERS

Derrick Hohbein provided an update on the DC Plans Recordkeeper RFP. A final RFP will be presented to the Investment Subcommittee at the August meeting and then forwarded to the NDPERS Board of Trustees for final approval.

VIII. Other Business

a. SB2015 – Long-Term Rate of Return Requirement

Derrick Hohbein provided an informational update on the stipulation Representative Lefor added to the OMB Budget bill which states the PERS Board cannot reduce the long-term rate of return on the main PERS plan below 6.5% for the upcoming biennium. GRS was consulted on the legislative change and indicated that the current asset allocation in place for June 30, 2023, is sufficient to warrant a 6.5% return. They also expressed concern regarding the codification of the requirement.

The next meeting will be on August 10, 2023.

The subcommittee adjourned at 11:22 A.M.