

NDPERS INVESTMENT COMMITTEE
Meeting
May 24, 2022
MINUTES

* - Present

BOARD MEMBERS:

*Yvonne Smith
*Adam Miller
*Representative Pam Anderson
Kim Wassim

STAFF:

*Scott Miller
*Derrick Hohbein
*MaryJo Anderson
*Rebecca Fricke

Others Present: Alex Browning, *Paul Erlendson, *Perry Hopper, Ben Taylor- Callan;
*Scott Anderson, Eric Chin – RIO;
*Melissa Thorpe – TIAA; *Mark Morgan, *Jon Waite - SEI

Minutes

Scott Miller called the meeting to order at 8:30 a.m.

I. J.S. Asset Allocation – SEI

Mark Morgan from SEI gave an update as of 4/30/22 for both the RHIC and Job Service plan. RHIC is down 7.1% the last year, and Job Service is down 2.7%. At February's meeting, SEI discussed there is better value in Fixed Income and will be recommending some changes to the allocation on the Job Service Plan.

Jon Waite discussed the performance of the RHIC plan. SEI feels we don't need to take on more risk to get the return desired on the RHIC plan, and feels like the current portfolio is sufficient. For Job Service, SEI is recommending keeping the same 80/20 fixed income vs equity allocation, but moving to a fixed income strategy with lower volatility by reducing short term corporate income and reallocating that to core and limited duration fixed income.

Adam Miller made a motion to adopt a recommendation to the Board to adopt SEI's recommendation, which was seconded by Representative Anderson. The motion passed unanimously and will be brought forward to the Board at June's meeting.

II. DB Plans Performance Update – RIO

Scott Anderson gave an investment update on the PERS DB plans as of 3/31/2022. Overall rates on both stocks and bonds are down for the year to date. Overall, 10 year returns are strong. Inflation is currently at 8.3%, which is the highest since the 1980s. The expectation is that the Fed may hike rates up to 3%, and has been aggressively incrementally working towards that during 2022. Commodities and real estate are performing well, which is a decent thing for the PERS portfolio because PERS has a nice mix for an asset allocation.

Adam Miller asked a question on the Timber allocation and asked for Scott Anderson's thoughts on timber to see if we could make better use of those funds. It appears there is some interest on a couple of our timber properties, and the SIB is currently assessing those opportunities.

Year to date PERS has lost 3.64% compared to the benchmark of -2.85%. 1 Year is at 8.84% compared to the benchmark of 9.12%.

III. Market Update & Performance – Callan

Scott Miller introduced Callan to go over the market update. Paul Erlendson reiterated some of the same comments that Scott Anderson made. Interest rates rising, high rates of employment levels, and high inflation are causing the drop in the markets right now. Participants appear to have taken some action to move out of target date funds and move into more risk averse portfolios. Assets in the 457 plan have declined \$9 million over the last quarter with the drop in the markets. On the 401(a) plan, assets have declined \$1.2 million over the last quarter.

In reviewing the active managers, there were no new changes or concerns. Wells Fargo and Templeton will remain on fund review. There were no actionable concerns for the subcommittee to consider.

The subcommittee took a brief break from 10:15 to 10:20

IV. Plan Review – TIAA

Melissa Thorpe with TIAA went over the 457 and 401(a) engagement report. Representative Anderson provided some thoughts on low engagement. Participation is growing and both contributions and distributions are stable. Melissa also acknowledged Callan's observation of some participants moving outside of the Target Date Funds.

Melissa also mentioned that the small account distribution is scheduled for September 2022.

VIII. DC Plans Recordkeeper RFP - NDPERS

Scott Miller moved agenda topic VIII to this point in the meeting to have discussion while TIAA was on the phone. Topic VIII was asking for the committee's consideration of extending the TIAA contract for 1 year to get the contract expiration dates to be off-cycle from the health plan. Staff would like to bring the consideration forward for the full Board's consideration. TIAA has offered to do a 1 year extension at the current pricing.

Adam Miller made a motion to extend TIAA for one additional year. Yvonne seconded the motion. The motion passed unanimously. Staff will bring the consideration forward to the Board in June 2022.

V. Investment Structure – Callan

Paul Erlendson with Callan mentioned that from a fiduciary perspective, comprehensive options for participants to invest their funds in is one of the most important duties of the Board. Paul went into detail about the investment structure and suggested that the subcommittee should create a structure that is simpler and more comprehensive to meet participant objectives. Having too many funds that are similar may lead participants into thinking they have a diversified portfolio when they do not. Callan is recommending reviewing the investment structure and possibly moving to a different lineup when we do the record keeper search. Callan also suggested that revenue sharing be analyzed to ensure equality amongst the membership.

At the next meeting Callan will begin an analysis of our equity fund lineup and make recommendations on how to consider modifying the options our plans offer.

VI. 457 & 401(a) IPS – Callan

Callan representatives lead discussions on the draft modifications of the investment policy statement on the 401(a)/457 plans.

Adam Miller moved to accept Callan’s recommendation for the investment policy statement update, with a further consideration to remove letter A under the closed funds section for both the 401(a) and 457 plans, and bring the policy statements to the full Board in June 2022. This was seconded by Pam and unanimously approved by the subcommittee.

VII. DB Investment Policies – NDPERS

The subcommittee will review the other funds’ policies and we will have further consideration for updates at the next committee meeting.

VIII. DC Plans Recordkeeper RFP – NDPERS

This topic was addressed earlier in the meeting

Other Business

Scott Miller presented on Callan’s renewal; the current contract expires 12/31/2022. Callan is proposing a 3% annual increase to \$51,294 for 2023 and \$52,832 for 2024. The record keeper search would also increase 3% annually, so the cost of the record keeper search will be contingent depending what year we would work on that project.

Paul let the committee know he is planning his retirement at the end of this year. The

subcommittee's preference is to bring the recommendation to the full Board to renew with Callan. **A motion was made by Adam Miller to recommend to the Board that it renew with Callan for two years at the proposed costs, and seconded by Representative Anderson. The committee unanimously agreed to bring that to June's meeting.**

There was no other discussion.

The next meeting will be in August 2022.

The subcommittee adjourned at 11:44 a.m.

To: Cathy Carlson

From: Derrick Hohbein

Subject: NDPERS Investment Subcommittee Meeting

In accordance with the policy effective August 26, 1993 for compensating Board members for attendance at sub-committee meetings, the date of the investment sub-committee meeting and member attendance is as follows:

Date: May 24, 2022

Meeting Time: 8:30 AM – 11:44 AM

<u>Attendees</u>	<u>Meeting Length</u>
Yvonne Smith	3.25 hours
Adam Miller	3.25 hours
Pam Anderson	3.25 hours