

**NDPERS INVESTMENT COMMITTEE**  
**Quarterly Meeting**  
**November 24, 2020**  
**MINUTES**

\* - Present

**BOARD MEMBERS:**        \*Troy Siebel  
                                  \*Yvonne Smith  
                                  \*Adam Miller  
                                  \*Representative Jason Dockter  
                                  Kim Wassim

**STAFF:**                    \*Bryan Reinhardt  
                                  \*Scott Miller  
                                  \*Derrick Hohbein  
                                  \*MaryJo Anderson  
                                  \*Rebecca Fricke

**Others Present:**        \*David Hunter, \*Darren Schulz - RIO  
                                  \*Dave Croce, \*Lori Schausten, \*Chris Godwin, \*Melissa  
                                  Thorpe – TIAA  
                                  \*Paul Erlendson, \*Alex Browning, \*Julia Moriarty - Callan

Minutes

8:30 – The meeting was held by video/conference call. Bryan took roll and started the meeting. Bryan introduced Melissa at TIAA and Lori covered the investment review. The markets are coming back, but covid-19 and employment are still a concern. Templeton Bond fund is still underperforming. T. Rowe Price Equity Income was hurt by financials and stock picking. The group will continue to monitor this. DFA small cap was underperforming due to value stocks since the higher returns have been in growth stocks. Lori covered the Templeton Bond analysis for this quarter. It included hedged options and others. There are not a lot of funds doing well in this area. Only 24 passed the screening criteria out of 309 funds. The group discussed the world bond fund review. Jason felt it is important that global is the focus for this investment option. Yvonne agreed with diversity. The committee thought we should look at this another quarter, so Lori will bring back an updated analysis for next quarter.

9:15 – Melissa covered the plan review. Over 400 small accounts were cashed out and this will be reflected in the next quarterly report. Dave talked about in-person advice and covered the field activity report. Chris covered the administration expenses presentation. The plan is falling short of the 23 basis points required for recordkeeping services. This is currently done through revenue sharing from the funds, but some do not have any or an amount less than 23 bps. TIAA has waived the recent shortfalls. The plan needs to implement direct or indirect fees (or a combination) to adjust for the shortfall. NDPERS does have legislation upcoming to give authority for imposing fees and expenses for the plans. Scott suggested NDPERS and TIAA staff continue to work

on a recommendation for the investment subcommittee to review. TIAA proposes a fee leveling strategy where excess could be returned to accounts. A per capita fee could be an option and return the revenue sharing to accounts. Staff will continue to work on this.

9:45 – Bryan reviewed the quarterly investment report. The committee marked the T. Rowe Price Equity Income and Templeton Bond funds as underperforming.

9:50 – Bryan introduced Callan and reviewed that the investment subcommittee is to come up with a recommendation to the NDPERS Board for the Main and RHIC plans based on the Asset Liability Study. Alex, Julia, and Paul covered the Main ALS presentation. There is only a slight change in mixes 4 and 4A from the current target allocation. The recommended change has a larger allocation in illiquid assets like private equity. Bryan asked if a larger allocation with these slower drawdown longer term assets would be a problem for the State Investment Board. Dave didn't think so. The Callan analysis showed liquidity was manageable. The group discussed the affect of a market correction and how increased contributions are needed. Bryan noted that the study is looked at every 5 years and Callan noted the SIB reviews quarterly and reduces risk. Adam thought we should bring mix 4A to the Board. Yvonne liked the idea of lowering risk, but not returns. Troy questioned why move to 4A from the current allocation when there is no change in return assumption or risk. Adam noted Timber would be reduced to zero, which is a current goal. Callan noted that their projections are conservative and there is some change, although it goes out several decimal places. Paul noted manager selection is very important and historically the SIB has done well. There is more opportunity for this with a 4A allocation. Troy noted this would be less liquid and have higher fees. The group discussed bringing both to the NDPERS Board. The committee decided to maintain the current allocation with all voting yes.

10:55 – Bryan had to leave the meeting and Derrick took over. Callan covered the RHIC information. Adam recommended mix 4A be brought to the NDPERS Board. Yvonne 2<sup>nd</sup> and all were in favor. Derrick showed the Q3 investment report and there were no questions. Everyone confirmed they had the invites for the investment consultant presentations on Monday.

11:10 – Adjourn

The next scheduled meeting will be November 30, 2020.

To: Cathy Carlson

From: Bryan Reinhardt

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: November 24 2020

Meeting Time: 8:30am – 11:10am

| <u>Attendees</u> | <u>Meeting Length</u> |
|------------------|-----------------------|
| Yvonne Smith     | 2.67 hours            |
| Adam Miller      | 2.67 hours            |
| Jason Dockter    | 2.67 hours            |
| Troy Siebel      | 2.67 hours            |