

NDPERS INVESTMENT COMMITTEE

February 27, 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 - RIO
*Paul Krajcir, *Lori Schausten, *Melissa Thorpe-TIAA (phone)
*Mark Morgan, *Jon Waite – SEI (phone)

Minutes

8:30 – The meeting was held in the Sakakawea room. Bryan started the meeting and introduced TIAA. Paul introduced the TIAA team. Melissa Thorpe will be replacing Paul as the TIAA relationship manager. Lori covered the investment review. There is a lot of volatility in the markets. 2019 was a great year for investment returns, but the recent market downturn due to the Coronavirus is taking over the headlines. The Templeton bond fund is under formal fund review. It had a good quarter, but is underperforming for all the yearly periods. The committee felt we should look at it for another quarter. Lori will look at the Templeton fund and alternative funds for the next quarterly meeting. The lifecycle funds have underperformed. The 5% allocation to Real Estate and Large Cap Value underperformance were the major reasons for the overall fund performance not beating their benchmarks. Lori noted that other target date funds are also having a difficult time beating benchmarks. Fund fees also dampen performance. Vanguard Dividend Growth had a disappointing quarter, but looks OK for the 3-year and 5-year periods. The AMG fund is officially closed out of the plan. The Prudential mid cap growth fund is underperforming. This is mainly due to the weak returns in the mid cap growth sector. The risk/reward for the fund still looks good. Brown small cap growth had a poor quarter, but the fund still remains on of the best in the core lineup. The DFA small cap isn't doing very well due to having a real estate allocation and a bit of a value bias. Lori will analyze the mid cap and small cap areas for the next quarterly meeting.

The PIMCO Total Return had a fee increase to 96bps. The fund is on 'Formal Fund Review'. There is a 25bps revenue sharing on this fund, but it is still high. 30bps of this is due to interest expense, but the performance is not reflecting the higher fees. Lori brought forward other funds for analysis. The group focused on the Baird Core Plus Bond – BCOSX and the Pioneer Bond Y – PICYX from the 10 other fund candidates. Both have lower expense fees at .55% and .63%, respectively. The Baird fund has 28 bps revenue sharing and the Pioneer has 25 bps. Both have similar historical returns and allocations. The Baird fund is much larger at about 8 times the Pioneer fund. The investment subcommittee recommends replacing the PIMCO Total Return fund – PTRAX with the Baird Core Plus Bond fund – BCOSX. Bryan will bring this forward to the NDPERS Board at the March meeting.

9:40 - Paul covered the consultant activity report and the fund statistics. Contributions and assets are up for both plans. The 457 plan continues with rapid participation growth. This is likely due to the expedited and active enrollment during last open enrollment last fall. The 401(a) plan is actually decreasing in participants due to the limited number of employees that are eligible for the plan. Paul covered the plan review. As mentioned above there were only 2 new participants in the 401(a) plan in 2019. Paul noted the cash out of small accounts for terminated members is almost complete for this period.

10:15 – Dave covered his presentation on 2019 year end performance for the defined benefit plans. 2019 was an excellent year across all the plans. The PERS main plan had .55% in added value for the 5-year period. We hope for .50% for active management, so this performance is good. The group discussed the plan returns and the expected/assumed return along with the benchmark returns.

10:30 – SEI joined the meeting. Mark and Jon covered their presentation on the RHIC and Job Service plans. The SEI analysis included alternative portfolios, but there is no recommendation for changing the allocation at this time. The RHIC plan continues to increase its funded status and is projected to be at 84% in 10 years (about 63% funded now). The Job Service plan is about 150% funded and has a 20/80 asset allocation. Both plans had good performance in 2019.

11:15 – Bryan discussed the funds and benchmarks for the 4th quarter. The committee agreed to mark the Templeton Global Bond – TGBAX, Prudential Mid Cap – PEGZX and the TIAA Target Date funds 2025-2060 as underperforming for the quarter.

11:20 – Scott discussed NDPERS retaining an investment consultant. The topic was addressed with the committee and full NDPERS Board before. The costs could be anywhere in the \$35k-\$90k range depending on the scope of duties. The group agreed defining the scope would be important. The subcommittee felt it should be brought before the NDPERS Board again at the next meeting to get direction to proceed with an RFP and to help define the scope and budget. Scott will draft a memo for the NDPERS Board. Discussion followed on funds to pay for a consultant. NDPERS is submitting legislation to give the NDPERS Board authority to impose fees on the 457 plan. The group thought Dave should be available for the NDPERS Board meeting.

The next meeting will be May 26, 2020.

11:40 - Adjourn

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: February 27 2020

Meeting Time: 8:30am – 11:40am

<u>Attendees</u>	<u>Meeting Length</u>
Yvonne Smith	3.2 hours
Adam Miller	3.2 hours
Jason Dockter	3.2 hours