

NDPERS INVESTMENT COMMITTEE

May 26, 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
*Stephanie Mishak, *Lori Schausten, *Melissa Thorpe-TIAA
*Mona Rindy – NDPERS Board Chair

Minutes

8:30 – The meeting was held by video/conference call. Bryan started the meeting and introduced TIAA. Melissa introduced the TIAA team. Melissa Thorpe will be replaced Paul Krajcir as the TIAA relationship manager. Lori covered the investment review. The recent market downturn due to the Coronavirus took over the headlines. It has caused a major disruption in all global markets. The impact from the rise in unemployment was a major factor. The Templeton bond fund is under formal fund review. It had an average quarter when compared to its investment style, but is underperforming for all periods. It's bet against US duration had a negative effect. The lifecycle funds have underperformed. Results were mixed for this quarter. Most target-date funds did poorly unless they held treasury bonds in their fixed income portfolio. The T.Rowe Price Equity Income fund (PRFDX) was hurt by its allocation toward financials and value stocks. Virtus mid cap value (SMVTX) was hurt by holding cruise ships and airline stocks. Brown small cap growth had a negative quarter, but the fund still beat its benchmarks by 10% points. The DFA small cap fund (DSFTX) is underperforming due to stock picking. It has a real estate allocation and a bit of a value bias. Lori thought we should continue to monitor this fund. Note that it is performing as a small cap index fund and there are few choices in that area. Lori talked about the glide path of the target date funds. Bryan sent out a target date fund allocation graphic with the meeting invite. Lori explained that the TIAA funds are a little more aggressive. This may be helpful in the long run as they feel their membership tends to have a longer life expectancy.

9:20 – Lori covered the small/mid cap analysis. The six core investment options are doing what they are supposed to do. The analysis showed there is nothing dramatic to report or any funds that are out-of-line with expectations.

9:30 – Stephanie covered the TIAA activity report. All member meetings are virtual and online now. This actually created more options for members to meet with a representative since onsite at a specific date/time might not have worked well for everyone. TIAA noted a big increase in appointments.

9:45 – Melissa covered the plan report. Contributions and members are up for the 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. Engagement is also up for the quarter. The small account distribution for terminated member was put on hold until fall. Melissa talked about the TIAA voluntary separation package offered to their employees. TIAA is in a position to do this and is still committed to providing the same level of service to its clients.

10:00 – Scott talked about the Governor's town hall meeting that just started and the direction that state government would start opening up, but there will be an emphasis on testing and telecommuting. NDPERS will need to continue to monitor & evaluate the situation for direction on how to proceed with the NDPERS office/staff.

10:05 – Bryan covered the internal investment analysis and explained the monthly process along with the investment reports. The committee marked the Templeton bond fund (TGBAX) as underperforming for the quarter.

10:15 – Bryan discussed the investment policies for the DC plans. There are the latest fund changes and an annual review is a good practice. They were emailed out to the group earlier and there were no comments or recommendations received. Bryan will go ahead and bring them forward to the full NDPERS Board.

10:20 – Scott gave an overview of the investment consultant RFP. NDPERS is looking for unbiased investment advice and a continuation of the current investment monitoring process. The RFP also includes the upcoming bid process for the two DC plans. There were no changes or recommendations and Bryan will bring the RFP forward to the full NDPERS Board.

10:30 Callan representatives joined the meeting. Julia covered the asset liability study presentation. The study will take place this summer. Bryan asked if the recent market returns will be reflected in the asset balances and Julia noted they will use the most recent data. Paul noted that Callan will also coordinate with the SIB to make sure the results can be implemented. The results will be in draft to the investment committee in July and presented to the full NDPERS Board August/September. Paul talked about how the Board's goals and risk tolerance could affect the study. Bryan noted that we do have an investment policy for the two plans (Main and RHIC). Bryan will send those to Callan and bring them to the NDPERS Board in June. Scott asked if the study could show the effect of the retirement plan being closed. Julia said that they can include this information in an appendix to the final report.

10:50 - Dave covered his presentation on performance for the defined benefit plans. 2019 was an excellent year across all the plans, but the recent quarter was a big setback. While the PERS plan had a loss of 12.08% for the first quarter, the fiscal year to date was at about -6.73%. Dave noted that the return is at about zero as of the date of this meeting. The PERS main plan had .39% in added value for the 5-year period. We hope for .50% for active management. Last quarter is was at .55%, so this performance is usually good. Dave noted that most active management underperformed unless they were holding a big allocation of treasury bills. The SIB is using an overlay strategy to keep the recommended asset allocation w/o a lot of buying/selling of investments. The SIB will continue to hold the NDPERS asset allocation.

The next regularly scheduled meeting will be August 27, 2020.

11:15 - 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: May 26 2020

Meeting Time: 8:30am – 11:15am

| <u>Attendees</u> | <u>Meeting Length</u> |
|------------------|-----------------------|
| Yvonne Smith | 2.75 hours |
| Adam Miller | 2.75 hours |
| Jason Dockter | 2.75 hours |
| Troy Siebel | 2.75 hours |