

**NDPERS INVESTMENT SUBCOMMITTEE
MINUTES
Tuesday, February 21, 2023
8:30 A.M.**

Board Members Present via Teams: Chairperson Adam Miller
Claire Ness
Mona Rindy

Board Members Absent: Yvonne Smith

Staff Present: Scott Miller
Derrick Hohbein
Rebecca Fricke
MaryJo Anderson
Katheryne Korom

Others Present: Alex Browning, Craig Chaikin, Perry Hopper - Callan
Scott Anderson - RIO
Melissa Thorpe - TIAA

Minutes

Chairperson Adam Miller called the meeting to order at 8:35 A.M. A quorum was present.

I. Minutes – Tuesday, November 15, 2022

Chairperson Miller called for questions or comments regarding the minutes of November 15, 2022.

Claire Ness moved to approve the minutes of the November 15, 2022, Investment Subcommittee meeting. The motion was seconded by Mona Rindy and carried by voice vote. The minutes were approved.

II. DB Plans Performance Q4 Update – RIO

Scott Anderson gave an investment update on the PERS DB plans as of 11/30/22. Returns for stocks, bonds, and 50/50 portfolios were reviewed. The annual inflation rate for January 2022 thru January 2023 was +6.4% based on the CPI. NDPERS ten-year average fund return thru June 2022 was 8.2%. The year-to-date total PERS fund return of -8.8% less the policy benchmark return of -8.6% resulted in a total relative return of -0.2% as of November 30, 2022. The one-year total PERS fund return of -6.4% less the policy benchmark return of -6.0% resulted in a total relative return of -0.4%. RIO is implementing consistent investment grade and equity allocations across the three pools. Scott reviewed the benefits of internal investment with RIO.

III. Market Update & Performance – Callan

Perry Hopper presented a market update for the 4th quarter of 2022. Following an increase of 3.2% in Q3, the Advance Estimate of Q4 GDP came in at 2.9% (annualized). Headline inflation softened to 6.5% year-over-year in Q4, down from 8.2% in Q3. The Federal Reserve made its fourth consecutive 75 basis point rate hike on November 2, followed by a 50 basis point rate hike on December 14 (to a target range of 4.25-4.50%). The labor market continues to be a source of strength with unemployment remaining at 3.5% in December.

A performance overview was presented by Perry Hopper. Perry reviewed performance for the 457 and 401(a) plans. Assets for the 457 plan have declined from \$196.9 million as of December 31, 2021, to \$174.7 million as of December 31, 2022. Investment loss during this time period was \$30.9 million and net new investment was approximately \$8.6 million. For the 401(a) plan, investments dropped during the prior year from \$20.3 to \$17.4 million. Investment loss was \$3.5 million and net new investment was \$558,574. U.S. equity active manager performance was reviewed. Allspring Growth and Templeton Global Bond remain on the watch list. Discussion took place regarding the watch list.

IV. Plan Review – TIAA

Melissa Thorpe with TIAA presented the 4Q2022 plan review. Overall, there are 9,785 plan participants with total assets of approximately \$192.1 million. Contributions have increased 5.9%, plan assets have decreased 11.6%, and distributions have decreased 4.0% year-over-year. Enrollments increased from 1183 in 2021 to 1236 in 2022. 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.

V. Revenue Shortfall – TIAA

Derrick Hohbein provided an update on the revenue shortfall with TIAA. For the 401(a) plan, the revenue shortfall is \$2,421.45 for 2022. TIAA has indicated this amount is below their threshold, and the fee will be waived due to the minimal value of the shortfall. The 457 plan has a revenue shortfall of \$24,185.95 for 2022 that will need to be paid to TIAA. The shortfall for the 457 plan will be pulled equally from each participant's account within the next 60 days.

VI. Investment Structure – Callan

Alex Browning gave an overview of the NDPERS DC plans' current investment structure line-up and recommended changes. Alex reviewed the new investment structure under Tier I: Asset Allocation, Tier II: Passive Core, Tier II: Active Core, and Tier III: Specialty. The proposed line-up changes would decrease active investment options from 20 to seven. Fee models to address revenue shortfalls will be discussed in a future meeting. Discussion took place.

VII. Recordkeeper Search – Callan

Craig Chaikin presented a sample timeline for the DC Plans Recordkeeper RFP. The Recordkeeper RFP process has been started by NDPERS for an effective date of July 1, 2024. Discussion took place on the timeline and an RFP release date of September 15, 2023. Further discussion on the timeline will take place at the May Investment Subcommittee meeting.

VIII. Other Business

Discussion took place on having Ben Taylor present information to the legislators.

The next meeting will be on May 30, 2023.

The subcommittee adjourned at 10:35 A.M.