

North Dakota State Board of Higher Education Retirement Plan Oversight Committee

March 20, 2024

Time: 11:00 am CT



MEETING MINUTES

ATTENDEES

Committee		Non-voting/Advisory
SBHE Board Members <input checked="" type="checkbox"/> Kevin Black <input checked="" type="checkbox"/> Jeffry Volk	Admin. Affairs Council Rep. <input type="checkbox"/> Rebecca Collins	Legal Representative <input checked="" type="checkbox"/> Meredith Larson <input checked="" type="checkbox"/> John Godsoe
Faculty Representatives <input checked="" type="checkbox"/> Maren Furuseth <input checked="" type="checkbox"/> Brenda Tyre	HR Representative <input checked="" type="checkbox"/> Mark Genkinger	NDUS <input checked="" type="checkbox"/> Kristie Hetzler <input type="checkbox"/> Bethany Kadrmas
Staff Representatives <input checked="" type="checkbox"/> Andy Wakeford <input checked="" type="checkbox"/> Katie Douthit <input checked="" type="checkbox"/> Joseph Camisa	System Office Representatives <input type="checkbox"/> Mark Hagerott <input checked="" type="checkbox"/> David Krebsbach <input checked="" type="checkbox"/> Jane Grinde	HUB Advisors / TIAA <input checked="" type="checkbox"/> Angie Mirrione, HUB <input checked="" type="checkbox"/> Kirk Welch, HUB <input checked="" type="checkbox"/> Robyn Johnson, HUB <input checked="" type="checkbox"/> Brandi Wentz, HUB <input checked="" type="checkbox"/> Melissa Thorpe, TIAA

Call to Order

The North Dakota State Board of Higher Education (NDUS) Retirement Plan (the Plan) Oversight Committee meeting was called to order at 11:02 am (CT). Member Black welcomed members. Jane Grinde called roll.

Introductions

The Retirement Plan Oversight Committee was introduced, and the positions of each member were clarified.

Member Black – Board Member, Jane – HR, Member Furuseth – State College Educator, Member Tyre – Associate professor, Mr. Wakeford – Admissions, Ms. Douthit – Benefits Coordinator, Mr. Camisa – Continuing Education, Mr. Godsoe – employee benefits attorney, Ms. Meredith – system office attorney, Mr. Genkinger – Director of HR, Mr. Krebsbach – system office finance and budget, Member Volk – Board Member

HUB's Retirement Service Team was introduced with Kirk Welch being the named 3(21) Investment Fiduciary. It was noted that Fiduciary Training has been completed by each Committee member.

Approval of Agenda

Chair Volk asked for approval of today's agenda. Motion: Member Black. Second: Mr. Joseph Camisa. Volk, Furuseth, Tyre, Wakeford, Douthit, Genkinger, Krebsbach, and Grinde voted yes. Motion carried 10-0.

Progress and Timeline for Plan Document Updates (John Godsoe)

Committee members were updated on the process through Phase One. Mr. Godsoe reviewed the Committee's fiduciary responsibilities regarding Plan Documents. The Committee received updates on the four active Plan Documents and the one that is

North Dakota State Board of Higher Education

Retirement Plan Oversight Committee

March 20, 2024

Time: 11:00 am CT



frozen. They are transitioning to a Pre-Approved Document that is IRS compliant, ensuring that the administration aligns with the document's provisions. The process is nearly complete, pending the 7/1 - 6/30 Plan Year approval.

The Committee reviewed recent legislation from the SECURE 2.0 Act, which includes both optional and mandatory changes to the law. The Committee will decide on accepting optional provisions at a later date. The focus has been on cleaning up the documents and ensuring all amendments are included in the final drafts to begin the upcoming plan year with a clean document.

Member Volk inquired about the proposed amendments recently approved, which will be incorporated into the final versions. The five documents will be reviewed for compliance with current laws. The Committee aims for consistency within the five different Plans and their documents, with Mr. Godsoe working towards aligning them currently.

Goals and Objectives of Committee

Angie Mirrione presented the goals and objectives of HUB, TIAA, and Committee members. A formal Committee has been established, with each member completing Fiduciary Training. HUB was hired to conduct an initial assessment of the NDUS Plans. This Committee will review HUB's recommendations and, if approved upon, will take those recommendations to the Budget and Finance Committee before a final decision by the SBHE is made. The Committee was educated on their responsibilities, including investment due diligence, provider selection, service and fee benchmarking, plan design, strategy, operations, employee communication, and required disclosures. Kirk Welch outlined the partnership between HUB and NDUS.

Overview of Contract Changes/Fee Levelization Concept

Angie Mirrione has finished several crucial tasks in Phase One of HUB's assessment, such as authorizations, gathering information, conducting interviews with record keepers, providing fiduciary training to the Committee, and analyzing data. The upcoming steps involve concluding the Committee review, examining the Executive Summary of Phase I, and gearing up for Phase II implementation in the 2nd or 3rd quarter of 2024 fiscal plan year. Documentation will be presented during the next committee meeting.

HUB's findings and assessment indicate that the blended per-head record-keeping cost amounts to \$60 per employee, based on 13,159 participants. The following was discussed:

- Initial cost benchmarking data suggests that record-keeping costs are broadly in line with industry benchmarks, ranging from \$40 to \$60 per participant.
- Record-keeping costs are not uniform; each employee pays a different amount based on their selected investment options. This aspect will receive more attention in the plan investment section.
- Given NDUS's plan's size, it is recommended that record-keeping costs be structured as levelized, with a fixed per-head amount.
- Investment-level revenue sharing exceeds record-keeping costs by approximately 0.052% (5.2 basis points), resulting in an excess amount of approximately \$1.291 million going into the "Revenue Credit Account (RCA)" each year.

Member Volk asked about the 5 different Plans and the differences between each Plan Costs and purposes of those Plans. The way it's categorized today with TIAA is one Plan and one total number of assets.

Moving forward HUB would like to look at 13,159 unique users and a single per head cost, levelizing costs throughout. The Committee reviewed and discussed HUB's assessment of the agreements currently with TIAA and found that:

- TIAA has been very responsive and provided all the current agreements that apply to NDUS' five retirement plan contracts.
- All agreements are in good order.
- Older contracts could be updated to provide enhancements and cost savings.
- CREF R4 share class availability was discussed.

HUB's assessment for next steps includes:

- Identifying one area for update: NDUS is currently utilizing TIAA's legacy individual contracts.
- TIAA has made available a group/institutional contract that will allow better fiduciary oversight and give access to the R4 share class of the CREF Annuities.

North Dakota State Board of Higher Education

Retirement Plan Oversight Committee

March 20, 2024

Time: 11:00 am CT



- Transitioning to the institutional contract and utilizing the updated R4 share class could potentially save an additional 4 basis points of cost for faculty and staff.

Investment Options

The Committee reviewed HUB's findings regarding current investments in NDUS Plans. This review included: asset categories, management fees, share class, types of investments.

- A reasonable number of investments are offered to provide sufficient diversification opportunities for faculty and staff (30 investment options).
- TIAA does not act as a plan level fiduciary for investment advice.
- The weighted average expense ratio for the five retirement plan contracts is roughly 0.38% (38 basis points).
- 99.8% of plan assets are invested in proprietary TIAA investment offerings. This creates additional enterprise revenue to TIAA of just over \$7.35 million (.38%-.084% revenue sharing = .296% (99.8%) x \$2.483 billion).
- The proprietary target date options offered through TIAA underperformed their peer group during the fourth quarter of 2023. 3-, 5- and 10-year returns are mostly above peer group averages.
- Roughly 3.8% of plan assets are invested in passively managed indexes.
- 24.5% of the plan assets are invested in TIAA Traditional contracts.
- Current investment offering provides different levels of revenue sharing, making the fees employees pay toward record keeping expenses variable and unfair based upon the investments faculty and staff choose.
- Managed Account option available to participants that want to utilize it at 0.30% (30 basis points).

The Committee reviewed HUB's Assessment:

- Outside investment management should be incorporated more into the investment offering.
- An independent review/benchmark of the target date offering is needed.
- An investment policy statement (IPS) update is needed to provide a documented framework for making ongoing decisions.
- As much as possible, levelized or eliminate fund level revenue sharing.
- As much as possible, refund to individual employees the revenue sharing generated from the investments and assess a fair and equitable record keeping cost to each account.
- The weighted average of 38 basis points is in line with industry averages. This is largely a participant-by-participant decision. Our goal is to provide a well-balanced line-up of both passive and active investment management to allow for maximum risk management and diversification opportunities.

The Committee discussed the possibility of initiating an RFP sooner rather than later and what that process would entail. If the Committee is inclined to take the Plans to Market, this would be the first step before the next meeting. It would also give TIAA the opportunity to present their per-head costs. Kirk Welch described the potential administrative disruption of changing record keeping providers.

Discussion: 2024 Meeting Schedule

The Committee discussed allocating an hour and a half for the next meeting. Jane Grinde could conduct a survey among Committee members to determine the frequency of 2024 meetings. It may be necessary to meet more often than quarterly until decisions have been made and recommendations formulated for the Budget and Finance Committee (BFC).

Recommendation for either a Request for Proposal (RFP) or Request for Information (RFI) was discussed. However, Member Black, as a member of the BFC, believes that it would be inappropriate to bring the recommendation for an RFP due to more pressing matters at hand currently for that Committee. There was emphasis that just because there is consideration going to market, it doesn't necessarily mean the intention is to make a change. It is part of the Committee's due diligence to ensure that plan costs are appropriate for plan participants on a regular basis.

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North Dakota State Board of Higher Education Retirement Plan Oversight Committee

March 20, 2024

Time: 11:00 am CT



ACTION ITEMS	ASSIGNED TO	DEADLINE
Request for Information (RFI)	HUB	
Schedule Next Meeting After RFI Results	HUB, NDUS	
Continue to work through updating Plan Documents	Jon Godsoe	

HUB is prepared to do the work and present it to the Committee at the next meeting. Member Black suggests following HUB's laid-out plan, starting with the RFI. Once HUB has the necessary information, they will contact Ms. Grinde to schedule the next Committee meeting. There were no objections to these next steps from any members.

Adjourn

No other questions were asked, and the meeting was adjourned at 11:15 am.

Approved June 6, 2024.