

## **North Dakota State Board of Higher Education** Retirement Plan Oversight Committee

The State Board of Higher Education Retirement Plan Oversight Committee met on August 21, 2024, at 10:00 a.m. CT.

### **1. Call to Order**

Chair Volk called the meeting to order at 10:00 a.m. CT.

#### SBHE Retirement Plan Oversight Committee members

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Mr. Jeffry Volk, Chair | <input checked="" type="checkbox"/> Ms. Sonya Koble (proxy for Ms. Rebecca Collins) |
| <input checked="" type="checkbox"/> Mr. Kevin Black        | <input checked="" type="checkbox"/> Mr. Mark Genkinger                              |
| <input checked="" type="checkbox"/> Ms. Maren Furuseeth    | <input type="checkbox"/> Chancellor Mark Hagerott                                   |
| <input type="checkbox"/> Ms. Brenda Tyre                   | <input checked="" type="checkbox"/> VC. David Krebsbach                             |
| <input checked="" type="checkbox"/> Ms. Katie Douthit      | <input checked="" type="checkbox"/> Ms. Jane Grinde                                 |
| <input checked="" type="checkbox"/> Mr. Joseph Camisa      |   |

#### System Office/Legal Counsel/HUB Advisors

**NDUS** Mr. Mark Gorenflo, Ms. Caitlin Magilke, Ms. Bethany Kadrmas **Legal Counsel** Attorney John Godsoe, **HUB Advisors** Ms. Angie Mirrione, Mr. Kirk Welch

### **2. Approval of Agenda**

- a. Member Black moved, VC. Krebsbach seconded, to approve the agenda, as presented.  
Black, Furuseeth, Douthit, Koble, Genkinger, Krebsbach, Grinde, and Volk voted yes. Motion passed 8-0.

### **3. Approval of [June 6, 2024, Meeting Minutes](#)**

- a. VC. Krebsbach moved, Member Black seconded, to approve the June 6, 2024, meeting minutes, as presented.  
Black, Furuseeth, Douthit, Koble, Genkinger, Krebsbach, Grinde, and Volk voted yes. Motion passed 8-0.

### **4. Update on Plan Document Restatements – Attorney Godsoe**

- a. Attorney Godsoe provided a summary of the plan document restatements that were modified during the previous committee meeting and approved by the Budget and Finance Committees as well as the North Dakota State Board of Higher Education. The approvals were executed by the Chancellor on June 25, 2024, with an effective date of July 1, 2024. Currently, the corresponding TIAA standardized summary plan documents (SPD), which are written in participant friendly language, are being updated through.
- b. Chair Volk asked how those updates are being shared with participants whether it be by electronic means or not. Attorney Godsoe stated that because this is a

governmental plan, it is not subject to the strict distribution rules and a mailing to participants is not required and can be shared via electronic means (e.g. email, web search)

## **5. Review Draft Investment Policy Statement (IPS) and Recommend Approval to BFC/SBHE**

- a. Ms. Angie Mirrione shared information regarding the IPS, which outlines the roles and responsibilities of all partners of the retirement plans. The Chancellor, as the CEO of the NDUS, acts as a plan administrator and a fiduciary and appoints the Retirement Oversight Committee to monitor the plan and its investments and make recommendations to the SBHE Budget and Finance Committee.
- b. HUB is responsible for providing investment advice on a non-discretionary basis to the committee. HUB will run quarterly monitoring reports for the Retirement Oversight Committee. From there, the committee must decide which recommendations should be passed on for approval. Additionally, the committee can decide which investment categories to offer to participants.
- c. Attorney Godsoe shared that there is no requirement to have an investment policy statement, but it is good fiduciary practice.
  - i. Attorney Godsoe asked HUB for an overview of what the process looks like once they have completed their research. Ms. Mirrione shared that HUB uses quarterly monitoring reports or scorecards as the baseline for their investment due diligence and monitoring. Those scorecards are put into a fiduciary vault that is included in all pre-meeting emails to committee members. The committee will focus on the investments that don't meet baseline criteria. HUB's investment research team will provide documentation on whether or not there is a strong conviction to maintain a specific investment option within the plan or if it should be removed.
  - ii. Chair Volk asked what the means of distribution of those plan documents to committee members is. Mr. Kirk Welch shared that typically a week in advance a link is placed in the fiduciary vault that committee members can easily access.
- d. Attorney Godsoe recommends listing out the entire legal plan names within the document instead of the shorthand names as it may be helpful when moving to the Budget and Finance Committee. Mr. Welch stated that HUB would support changing those names within the document. Additionally, Attorney Godsoe recommends removing statements regarding employer stock because as a governmental entity that does not apply.
  - i. Member Black moved, VC. Krebsbach seconded, to recommend to the Budget and Finance Committee the adoption of the ISP with the additional non-substantive edits forthcoming. Black, Camisa, Furuseth, Douthit, Koble, Genkinger, Krebsbach, Grinde, and Volk voted yes. Motion passed 9-0.

## **6. Review Revenue Credit Balance and Discuss Disbursement Options**

- a. As of August 7, 2024, the NDUS Retirement Plan Revenue Credit Balance is \$2,464,442.84.
  - i. Chair Volk requested clarification as to the method of reallocation. Ms. Mirrione stated there are multiple ways in which excess funds can be relocated. Historically, the NDUS has redistributed back to participants that generated revenue due to investment choices. Currently, not every investment option is participating in planned costs, so not every

participant would receive reallocated funds; only participants that were in the investment option created the revenue. Ms. Jane Grinde shared that within that reserve, 10% of the funds are retained for administrative costs. Due to expense records, Mr. Welch suggested that retaining 5% would suffice to cover the administrative costs and redistributing 95% back to participants.

1. VC. Krebsbach moved, Mr. Camisa seconded, to recommend to the Budget and Finance Committee that 95% of the revenue credit balance be redistributed to participants and 5% be retained. Black, Camisa, Furusest, Douthit, Koble, Genkinger, Krebsbach, Grinde, and Volk voted yes. Motion passed 9-0.

## 7. [Hub](#)

### a. Investment Considerations

- i. Remove or Rebate all Excess Revenue Built into the Investment Expense Ratios
- ii. 3(21) Investment Advisory Recommendations (elimination or addition to the plans)
- iii. Plan Default/QDIA: Target Date Fund Selection
- iv. Fee levelization and contracts
- v. Investment menu discussion
  1. HUB recommends expanding categories including index, mid-cap, small cap growth, small cap value in U.S. equity, and international equity. Within the fixed income category, currently the NDUS offers core bonds and HUB would like the NDUS to also offer core plus bonds.
  2. The second round of changes are share class changes for all of the CREF annuity options. Today, the NDUS is in the R3 share class that has 10 basis points of revenue sharing that contributes to the revenue credit balance account. It is allowed to use the R4 share class, which lowers the expense ratio for participants.
  3. One fund is on HUB's watchlist but was not discussed at today's meeting as there is still some conviction for keeping it in the lineup.

### b. Ms. Mirrione shared an [investment mapping](#) that shows fund A to fund B with the idea of removing revenue sharing and what planned fees would look like, etc.

- i. Mr. Welch shared that when a plan is moved from an individual contract to a group or institutional contract, anything outlined in R3 share class through CREF is part of the individual contract that cannot be automatically mapped or moved. TIAA is responsible for moving people from the R3 to the R4 class because the R4 class allows for liquidity and a lower expense ratio which means higher returns over time.
- ii. Chair Volk asked if participants choose to keep their money in the R3 class, will the Retirement Oversight Committee be responsible for making the decision on reallocating the funds that come in through revenue sharing. Mr. Welch stated that going forward, once transitioned to the new contract, there's a way for HUB to automate the revenue credit disbursement process, however the initial change from R3 to R4 would be a participant decision.
- iii. Mr. Camisa asked in terms of the changes from R3 to R4, are there any sector allocation differences or equity holding differences between the

two. Mr. Welch stated that it's purely a reduction in fees, so it takes away the 10 basis points of revenue sharing that is eliminated. From R3 to R4 there's 4-5 basis point reduction in what TIAA is willing to offer back to plan participants.

c. Plan Default/QDIA: Target Date Fund Selection

- i. The role of the Retirement Plan Oversight Committee will be to re-select current choice or recommend a change and review every 3 years in the future.
- ii. Currently, NDUS's target date funds are managed by Nuveen (TIAA) and the management expense ratio is between .37% and .45% which is typical for actively managed target dates. Vanguard uses an index/passive based version which has an expense ratio of .08% for all vintages. Nuveen uses a target date fund that is mostly indexed at .1. American Funds is an active choice (considered one of the best target date funds) with expense ratios of .29% to .39% varying on the vintages. Principle Lifetime is a hybrid choice which is a blend of active and passive and has an expense ratio of .29%.
- iii. TIAA offers a new option called Retire Plus Pro or HUB My Track. This service would replace target dates with models that act like target dates. TIAA has developed a program in which it takes into consideration all participants' accounts and redirects future contributions not to certain overweight or underweight allocations to keep the participant on their targeted glide path for investment allocation.
  1. Mr. Joe Camisa moved, VC. Krebsbach seconded, to approve HUB's recommendations for the SBHE Budget and Finance Committee to include moving from individual contracts to the new group or institutional contract; move to a fee structure in which fees are levelized and transparent and add an asset fee of 3 basis points to cover the cost of TIAA (calculated annually from \$48 per unique user); move all investments to a share class in which it removes all excess revenue (CREF R3 to R4) or rebate back all excess revenue that can't be done through a share class change immediately to participants invested in those investments (TIAA Traditional or TIAA Real Estate); approve the investment changes and additional asset classes that HUB 3(21) Investment Advisor has recommended.  
Camisa, Furuseth, Douthit, Koble, Genkinger, Krebsbach, Grinde, and Volk voted yes. Motion passed 8-0.

**8. Plan Quarterly Meeting Dates for Remainder of 2024 and 2025**

- a. Chair Volk recommends that the Retirement Oversight Committee meet one week prior to the Budget and Finance Committee meetings on a quarterly basis. Committee members agreed to meet on November 4, 2024, at 11:00 a.m. CT.

**9. Adjourn**

Chair Volk adjourned the meeting at 11:34 a.m. CT.