

North Dakota State Board of Higher Education Budget and Finance Committee Meeting Minutes

September 11, 2024

The State Board of Higher Education Budget and Finance Committee met on Wednesday, September 11th at 1:00 p.m. CT., via Teams.

SBHE Budget and Finance Committee members

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| <input type="checkbox"/> Mr. Kevin Black, Chair | <input checked="" type="checkbox"/> Mr. Jeffrey Volk |
| <input checked="" type="checkbox"/> Mr. Tim Mihalick, Acting Chair | <input checked="" type="checkbox"/> Mr. Michael Linnell, Staff Advisor |
| <input checked="" type="checkbox"/> Mr. Curtis Biller | |
| <input checked="" type="checkbox"/> Ms. Danita Bye | |

Institution Presidents/Representatives

BSC President Jensen, Ms. Rebecca Collins, Ms. Sonja Kolbe, **DCB** Dean Simone, **DSU** Mr. Leslie Wietstock, **LRSC** President Darling, Ms. Joanne Kitchens, **MaSU** President Van Horn, Ms. Amber Hill, **MISU** President Shirley, Ms. Krista Lambrecht, **NDSCS** President Flanigan, Mr. Keith Johnson, **NDSU** Mr. Bruce Bollinger, Mr. Michael Ellingson, Mr. Matt Larson, Dr. Greg Lardy, **UND** Ms. Odella Fuqua, Ms. Karla Stewart, Mr. Thomas Bures, Mr. Mark Johnson, **VCSU** President LaFave, Ms. Erica Buchholz, **WSC** President Hirning.

System Office/CTS/Guests

NDUS Chancellor Hagerott, VC David Krebsbach, Ms. Jamie Wilke, Mr. Corey Quirk, VC Jerry Rostad, Mr. Chris Pieske, Mr. Rick Tonder, Ms. Dina Cashman, Ms. Robin Putnam, **AG** Ms. Meredith Larson, **HUB** Mr. Welsh and Ms. Mirroine, **Bond, Schoeneck & King** - John Godsoe.

Chair Mihalick called the meeting to order at 1:00 p.m. CT.

1. **Agenda**

Member Volk requested two additional discussion items:

- a. Follow-up/Discuss August 22 and 23, 2024, Interim Legislative Budget Committee meeting
- b. Discuss financial reporting

Bye moved, Biller seconded, to approve the agenda, as amended.

Approved by consensus.

2. **Meeting Minutes**

Biller moved, Volk seconded, to approve the July 17, 2024, Meeting Minutes.

Approved by consensus.

3. **DSU Woods Hall and Ag Building Bond Increase**

Bye moved, Biller seconded, to recommend approval of [DSU Woods Hall and Ag Building Bond Increase request](#).

Biller, Volk, Bye, and Mihalick voted yes. Motion passed 4 - 0.

4. **WSC Tier II and Tier III Transfer of Capital Building Funds**

Biller moved, Bye seconded, to recommend approval of WSC Tier II and Tier III [Transfer of Capital Building Funds request](#).

Volk, Bye, Biller, and Mihalick voted yes. Motion passed 4 - 0.

5. **Ratify Chancellor's approval for MaSU transfer of Tier II and Tier III Capital Building Funds**

Volk moved, Bye seconded, to recommend approval to ratify Chancellor's approval for [MaSU transfer of Tier II and Tier III](#) Capital Building Funds.

Bye, Biller, Volk, and Mihalick voted yes. Motion passed 4 - 0.

6. **Ratify Chancellor's approval for DCB Transfer of Tier II Capital Building Funds**

Biller moved, Volk seconded, to recommend approval to ratify Chancellor's approval for [DCB Transfer of Tier II Capital Building Funds](#).

Bye, Biller, Volk, and Mihalick voted yes. Motion passed 4 - 0.

Executive Session 1:20 p.m. CT

Biller moved, Bye seconded, to enter Executive Session for attorney consultation pertaining to the North Dakota University System Retirement Plans and advice from Bond, Schoeneck & King. The executive session shall be limited to members of the Committee; the Chancellor and staff; representatives from Bond, Schoeneck & King; and Board counsel. The legal authority for closing this portion of the meeting is North Dakota Century Code sections 44-04-19.1 and 44-04-19.2.

Attendance:

SBHE Budget and Finance Committee members:

Chair Mihalick, Ms. Danita Bye, Mr. Curtis Biller, Mr. Jeffrey Volk, Mr. Tim Mihalick

System Office/Guests:

NDUS Office - Chancellor Hagerott, Ms. Jane Grinde, VC David Krebsbach, Mr. Chris Pieske, VC Jerry Rostad, Ms. Kristie Hetzler, Ms. Bethany Kadrmas, AG Office - Ms. Meredith Larson, Attorney from Bond, Schoeneck & King – Mr. John Godsoe

The executive session ended at 1:40 p.m. CT. and the open meeting reconvened.

7. **NDUS Retirement Plan Recommendations**

VC Krebsbach outlined the recommendation made by the Retirement Plan Oversight Committee regarding revenue credit distribution and disbursement from the NDUS retirement plans. The Retirement Plan Oversight Committee recommended a 95% distribution of the revenue credit balance to eligible participants, with the remaining 5% reserved for plan expenses; the revenue credit balance noted is as of August 7th, 2024. If approved, the revenue credit disbursements will go directly to participant accounts on a pro rata basis, with eligibility determined on the date of disbursement. Plan participants invested in revenue credit generating accounts and investments will be notified of their eligibility for a revenue credit on their next statement. The Retirement

Plan Oversight Committee also recommended moving individual contracts to institutional contracts; levelizing fees annually per user; and approving investment changes and asset classes as defined in the investment mapping document. This will also set pricing on products and services based on the size of the account and plan performance and the proposed classification reduces fund expenses for the plan. These proposed actions aim to improve plan performance and increase fairness in fee structures. The revenue credit account will only be used for direct payouts or reasonable and necessary expenses of the plans.

Mr. Godsoe thanked the committee and HUB representatives for their work and consideration to improve the retirement plan for all NDUS participants. Board committees working on the retirement plan have enhanced the transparency that allows plan participants to know exactly what type of fees are being charged to their accounts. He did note the complexity of the transition and the time it may take to fully implement.

He outlined a tentative timeline of actions required, if approved by the Board:

- Board approval on September 24, 2024.
- Converting the current contracts that are set forth in the plan from individual contracts to group contracts, starting Q1 of 2025. New money going into the plan would be in a group contract that gives the fiduciaries more flexibility as far as how the money can be moved, and which investments are included in the plan.
- Move the fee structure to fees that are levelized and transparent for every participant across the plans.
- Changes in the investment line up, resulting in diversification within asset classes; he noted the Board has already hired HUB International as the investment advisor to make and monitor changes in the investments. HUB will look into additional investment options/map current investment options to new options.

Mr. Godsoe stated the overall goal is to improve plan performance based on HUBS analysis and recommendations to the committee.

- a. [Revenue Credit Distribution](#)
- b. [Fees and Contracts](#)

Volk moved, Biller seconded, to recommend approval of the Retirement Plan Oversight Committee's four recommendations:

1. Move from individual contracts to institutional contracts.
2. Move to a fee structure in which fees are levelized annually per user
3. Move from an R3 to an R4 share class structure.
4. Approve investment changes and asset classes as defined in the investment mapping document.

Bye, Biller, Volk, and Mihalick voted yes. Motion passed 4 - 0.

SBHE Policy - VC Krebsbach reviewed the amendments to the following policies:

8. **HR Policy 12** [Overtime](#)
9. **HR Policy 21** [Leave Without Pay](#)
10. **Policy 701.1** [Leave Without Pay](#)
11. **Policy 840** [Contract Review](#)
12. **Policy 917** [Smoke-Free Facilities](#)
13. **Policy 1914** [Centers of Excellence](#)

Volk moved, Biller seconded, to recommend approval of amendments to policy HR12, HR 21, and Policies 701.1, 840, 917, and 1914, as presented.

Biller, Volk, Bye, and Mihalick voted yes. Motion passed 4 - 0.

Added agenda items for discussion

14. Follow up from Interim Legislative Budget Section Meeting

Member Volk explained that item 14 is to start discussion of NDUS items that legislators are already considering, reviewing, and/or already have bills drafted. During the most recent Interim Legislative Budget Section meeting, they discussed financial aid programs, the funding formula, and institutions' capital building funds. Member Volk raised concerns that the Board members are lacking all the information/discussions between the system and legislators, specifically on items that are the Board's fiduciary responsibility. He recommended the Board discuss and plan a process that ensures all communication aligns with the board's recommendations and prepares for potential legislative adjustments.

Interim Higher Education Meeting Follow-up:

- Financial aid programs/bill draft(s) related to financial aid programs, including changes to the career builders and student loan repayment guidelines.
- Funding formula adjustments/bill draft(s) were presented to modify the funding formula credit completion factor, aiming to benefit institutions by adjusting the reduction percentage for the next biennium.
- Capital building funds included potential changes to capital building funds, such as including bond payments and revisiting the inclusion of student housing in the funding.

15. Financial Reports and Budget Planning:

Member Volk requested the 2024 year-end financial reports and the detailed breakdown for the 2025-27 biennium budget for the system office and CTS, emphasizing the importance of transparency and planning. System office staff will resend the link to the year-end report.

The meeting adjourned at 2:30 p.m. CT.

Approved October 9, 2024.