

PENSION AND INSURANCE COMMITTEE
Monday, October 27, 2025 – 4:00 p.m.
Minutes

Present: Berg, Weigel, Schimke and Vatnsdal

Absent: Bochenski

Schimke called the meeting to order at 4:00 p.m.

Proposed Change to the Investment Policy for the Defined Benefit Pension Plan

Finance Director Maureen Storstad explained that the State, who manages the assets of the Defined Benefit Pension Plan, had contacted us as they are currently reviewing asset allocations of all the pension plans that they manage. They are utilizing the consultant NEPC for this review. During review, it was noted that the City of Grand Forks DB Plan is more mature than some others which they manage and recommended consideration of changes in the asset allocation to reflect that status. As this is a closed plan, past discussions have included consideration of when timing would be right to make changes in the asset allocation, to gradually move out of equities and increase holdings in more liquid and fixed asset classes and when to make these adjustments without giving up potential opportunities for earnings on the assets.

Scott Anderson, Chief Investment Officer, ND Retirement and Investment Office, and Joe Nankof, NEPC, reviewed information on the Defined Benefit Pension Plan assets with the committee, including a comparison of our allocation and other entities that are managed by the state. The current allocation by class is: Cash 1%, Equity 60%, Fixed Income 24% and Real Assets 15%. Based on the maturity of our plan, a recommendation is proposed to adjust the allocation to: Cash 1%, Equity 39.7%, Fixed Income 45.3% and Real Assets 14%. Based on the current markets, the expected rate of return is very close, but there is a decrease in the asset volatility with the shift to more fixed income.

If approved, the adjustment would be implemented through a “Glide Path”, where small adjustments are made over time based on the funding status of the plan, with the starting point of an allocation proposed for the 70-79% funding range. This would gradually decrease the expected earnings while increasing the liquidity of the assets so that they would be available to meet payments to retirees.

If the City approves the proposed change, the Investment Committee will review and forward to the North Dakota State Investment Board (NDSIB) for their meeting on November 21. Once approved by the NDSIB, a revised investment policy will be drafted for consideration and approval of the City Council. The official Investment Policy will then flow back through the State Investment Committee and NDSIB for final approval of the implementation. This timeline will put the city in the same path as other state managed plans.

Maureen informed the Committee, that while the Mayor was not able to connect today, he has been briefed on this proposal and is in support. As part of the analysis, Deloitte, our actuarial firm has been engaged to evaluate the proposal and any impact it would have on annual employer contributions to the plan.

Patrick Ecklund and Griffin Lothrop, Deloitte, shared information on employer contribution projections based on the proposed changes. Due to the city's policy of contributing more than the actuarially recommended contribution the last several years and the expected rate of return being very similar to that experienced with the current allocation, there is minimal impact on the projected employer contribution amount. Also provided was a projection if the city continued to contribute at the \$3.2 million annual employer contribution amount as they have been and would result in reaching 100% funded status a few years earlier.

Vatnsdal commented that in looking at market investment sources timing seems right to move forward with the change. Based on projections and the city's expressed intent to continue funding an employer contribution of \$3.2 million for the next 6 years, which is more than the projected recommended contribution, this looks to have no impact on the annual budgets.

The group discussed the impact if the market changed negatively, reversing the funding percent to a lower level how the glide path would handle it. Nankof responded that the glide path is a one direction path and would stay level until the plan status caught up again.

Schimke commented that while he had thought derisking would be further out, understands that given the current conditions and the city's plans to continue increased employer contributions, it seems to be the right time to move forward.

Berg commented that she also agreed and hearing that the plan the City has been looking at aligns with the current proposal without increased budget pressure makes the timing right.

Motion by Berg, second by Schimke to recommend approval of an adjustment to the asset allocation implementing a glide path asset allocation as proposed with the starting point of a 70-79% funding status, with implementation as soon as practical. Motion passed unanimously.

Motion to adjourn by Berg and seconded by Vatnsdal. Meeting adjourned at 4:55 p.m.

Respectfully submitted,

Sherie Lundmark, City Clerk