

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JULY 14, 2005, BOARD MEETING

BOARD MEMBERS PRESENT: Mark Sanford, President
Barb Evanson, Vice President
Clarence Corneil, Trustee
Michael Gessner, Trustee
Lowell Latimer, Trustee
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Connie Flanagan, Fiscal & Investment
Officer
Vida Keller, Administrative Assistant
Les Mason, Internal Audit Supervisor
Shelly Schumacher, Retirement Program
Supervisor
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: Scott Miller, Attorney General's Office
Howard Snortland, NDRTA
Tami Wahl, NDRTA

CALL TO ORDER:

Dr. Mark Sanford, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, July 14, 2005, at the State Capitol, Sakakawea Room, Bismarck, North Dakota.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM:
TREASURER SCHMIDT, MRS. EVANSON, PRESIDENT SANFORD, DR. SANSTEAD, MR. GESSNER, MR. CORNEIL, AND DR. LATIMER.

MINUTES:

The Board considered the minutes of the June 16, 2005, meeting.

MRS. EVANSON MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE MINUTES OF THE JUNE 16, 2005, MEETING AS PRESENTED.

AYES: TREASURER SCHMIDT, MRS. EVANSON, PRESIDENT SANFORD, DR. SANSTEAD, MR. GESSNER, MR. CORNEIL, AND DR. LATIMER.

NAYS: NONE

MOTION PASSED

EXECUTIVE SESSION:

President Sanford announced the Board would go into Executive Session to discuss confidential member information relating to eligible TFFR salary. President Sanford reminded the Board Executive Session discussion must be limited to the confidential issue only. Under North Dakota Century Code (NDCC) 44-04-19.1(2), the Board has the legal authority to meet in Executive Session for the purpose of discussing confidential retirement information.

EXECUTIVE SESSION

Executive Session attendees included: Treasurer Schmidt, Mrs. Evanson, President Sanford, Dr. Latimer, Mr. Corneil, Dr. Sanstead, Mr. Gessner, RIO staff, member, and member's witness.

Executive Session began at 1:04 p.m. and ended at 1:57 p.m.

OPEN SESSION

IT WAS MOVED BY MRS. EVANSON AND SECONDED BY TREASURER SCHMIDT TO UPHOLD NDCC SECTION 15-39.1-04(9) AS WRITTEN, AND NOT INCLUDE THE QUESTIONED AMOUNT AS ELIGIBLE TFFR RETIREMENT SALARY.

A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MR. CORNEIL, MRS. EVANSON, DR. LATIMER, DR. SANSTEAD, TREASURER SCHMIDT, PRESIDENT SANFORD, AND MR. GESSNER.

NAYS: NONE

MOTION PASSED

ELECTION OF OFFICERS:

President Sanford opened the floor for nominations for the position of President of the TFFR Board.

MR. CORNEIL MOVED AND MR. GESSNER SECONDED TO NOMINATE DR. SANFORD AS PRESIDENT. TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO CEASE NOMINATIONS AND TO CAST A UNANIMOUS BALLOT FOR DR. SANFORD AS PRESIDENT.

AYES: MR. CORNEIL, MRS. EVANSON, DR. LATIMER, DR. SANSTEAD, TREASURER SCHMIDT, DR. SANFORD, AND MR. GESSNER.

NAYS: NONE

MOTION PASSED

President Sanford opened the floor for nominations for the position of Vice President of the TFFR Board.

DR. LATIMER MOVED AND MR. CORNEIL SECONDED TO NOMINATE MRS. EVANSON AS VICE PRESIDENT.

AYES: TREASURER SCHMIDT, PRESIDENT SANFORD, DR. LATIMER, MR. GESSNER, MR. CORNEIL, MRS. EVANSON, AND DR. SANSTEAD.

NAYS: NONE

MOTION PASSED

President Sanford reviewed board member assignments to the State Investment Board (SIB). Membership on the SIB consists of one active administrator, one active teacher, one retired member, and the State Treasurer. The Board also discussed the TFFR alternate to the SIB, and the TFFR representative on the SIB Audit Committee. After discussion,

DR. LATIMER MOVED AND TREASURER SCHMIDT SECONDED THAT PRESIDENT SANFORD, MRS. EVANSON, AND MR. CORNEIL CONTINUE TO SERVE ON THE SIB; MRS. EVANSON REPRESENT TFFR ON THE SIB AUDIT COMMITTEE; AND DR. SANSTEAD SERVE AS AN ALTERNATE TO THE SIB.

AYES: DR. SANSTEAD, MRS. EVANSON, MR. CORNEIL, TREASURER SCHMIDT, MR. GESSNER, DR. LATIMER, AND PRESIDENT SANFORD.

NAYS: NONE

MOTION PASSED

President Sanford reviewed board member assignments to the TFFR Benefits/Services Committee. Membership includes one active teacher, one retired member, and the State Superintendent.

MR. CORNEIL MOVED AND TREASURER SCHMIDT SECONDED THAT MR. GESSNER, DR. LATIMER, AND DR. SANSTEAD CONTINUE TO SERVE ON THE TFFR BENEFITS/SERVICES COMMITTEE.

AYES: DR. LATIMER, MRS. EVANSON, PRESIDENT SANFORD, TREASURER SCHMIDT, MR. GESSNER, MR. CORNEIL, AND DR. SANSTEAD.

NAYS: NONE

MOTION PASSED

TFFR BOARD ACCOMPLISHMENTS:

Mrs. Fay Kopp, Deputy Executive Director, reviewed the 2004-05 TFFR Board accomplishments and TFFR Program Monitoring Summary. Board discussion followed.

ANNUAL TFFR PROGRAM REVIEW:

President Sanford led the Board in a review of the TFFR Program Ends and Policies.

Mission and Goals

After discussion, the Board asked staff to provide information on the current goals, and develop suggested changes for the next Board meeting.

Actuarial Margin

President Sanford asked staff to consider this policy as part of the TFFR goals review.

Actuarial Review

Mrs. Kopp stated this is the last year of the actuarial consulting contract with the current actuary, and indicated the Board will have to decide if they want to extend the current contract, or distribute Request for Proposals (RFP). This topic will be on the work plan this winter.

Disclosure to Membership

Mrs. Kopp distributed updated TFFR publications. She stated the 2005 Member Handbook will not be mailed to all TFFR members as in prior years since there were minimal legislative changes. However, an updated handbook will still be sent to all new members and will also be available on the Retirement and Investment Office (RIO) website.

Employer Reporting Errors

Mrs. Kopp provided the Board with draft policy changes which would 1) require employers found not in compliance to respond in writing to the audit findings within 30 days of the audit report; and 2) require RIO to conduct follow-up reviews on employers found not in compliance within one year of the report.

MRS. EVANSON MOVED AND MR. CORNEIL SECONDED TO ACCEPT AND IMPLEMENT THE DRAFT POLICY AS PRESENTED.

AYES: TREASURER SCHMIDT, MRS. EVANSON, DR. LATIMER, DR. SANSTEAD, MR. GESSNER, MR. CORNEIL, AND PRESIDENT SANFORD.

NAYS: NONE

MOTION PASSED

Board Members' Code of Conduct

Mrs. Kopp distributed a draft TFFR Board policy on Board Members' Code of Conduct modeled after an existing SIB policy. Mr. Scott Miller, TFFR legal counsel, recommended discussion of this draft policy be tabled since he will be providing additional information on board ethics and code of conduct issues at the September meeting.

Military Service Credit

Mr. Miller inquired whether the policy is affected by the Uniformed Services Employment and Reemployment Rights Act (USERRA). The Board asked Mr. Miller to meet with RIO staff to discuss in further detail and bring back any policy recommendations at the September meeting.

The Board recessed at 3:05 p.m. and reconvened at 3:20 p.m.

ANNUAL CUSTOMER SATISFACTION SURVEY:

Mrs. Kopp presented the annual TFFR Customer Satisfaction Surveys that were sent to the North Dakota Retired Teachers Association (NDRTA), the North Dakota Education Association (NDEA), the North Dakota Council of Educational Leaders (NDCEL), the North Dakota School Boards Association (NDSBA), and the North Dakota School Business Managers Association (NDSBMA). She also presented member and employer outreach program evaluation responses. Mrs. Kopp noted the overall ratings and comments were very positive. Copies of the survey responses are on file at RIO.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL TFFR CUSTOMER SATISFACTION REPORT.

AYES: MR. GESSNER, MRS. EVANSON, DR. LATIMER, DR. SANSTEAD, PRESIDENT SANFORD, MR. CORNEIL, AND TREASURER SCHMIDT.

NAYS: NONE

MOTION PASSED

President Sanford requested the Board's input for completion of the SIB Annual Customer Satisfaction Survey. The Board rated RIO staff and services as excellent in all areas.

MR. CORNEIL MOVED AND DR. LATIMER SECONDED TO APPROVE SIB ANNUAL CUSTOMER SATISFACTION SURVEY.

AYES: MRS. EVANSON, TREASURER SCHMIDT, PRESIDENT SANFORD, DR. LATIMER, MR. GESSNER, MR. CORNEIL, AND DR. SANSTEAD.

NAYS: NONE

MOTION PASSED

ANNUAL BUDGET SUMMARY:

Mrs. Connie Flanagan, Fiscal and Investment Officer, reviewed RIO's budgeting and financial condition as of June 30, 2005, and summarized the 2005-07 approved budget. Mrs. Flanagan stated the remaining balance of the pension software project was transferred to the 2005-07 biennium. Mrs. Flanagan also reviewed

the travel budget guidelines with the board members. A copy of the budget report is on file at RIO.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL BUDGET SUMMARY AS PRESENTED.

AYES: PRESIDENT SANFORD, MRS. EVANSON, DR. LATIMER, DR. SANSTEAD, MR. GESSNER, MR. CORNEIL, AND TREASURER SCHMIDT.

NAYS: NONE

MOTION PASSED

TFFR INVESTMENT GUIDELINES AND SIB UPDATE:

Mrs. Flanagan presented a draft of TFFR's investment policy statement for Board consideration. This draft incorporated the asset allocation changes approved by the Board in the Asset/Liability Study, updated the name of the actuary, and clarified SIB internal controls and responsibilities.

Mr. Cochran stated TFFR's estimated investment return through June 30, 2005, was 10.91%. Mr. Cochran then reviewed the July 15, 2005, SIB meeting agenda with the Board.

DR. SANSTEAD MOVED AND MRS. EVANSON SECONDED TO APPROVE AND IMPLEMENT THE REVISED TFFR INVESTMENT POLICY STATEMENT AS PRESENTED.

AYES: DR. SANSTEAD, MRS. EVANSON, MR. CORNEIL, TREASURER SCHMIDT, MR. GESSNER, DR. LATIMER, AND PRESIDENT SANFORD.

NAYS: NONE

MOTION PASSED

Dr. Sanstead left the meeting.

LEGISLATIVE WORK PLAN:

Mrs. Kopp presented a draft TFFR Board legislative work plan for the 2005-06. Mrs. Kopp provided the Board with the interim Legislative Employee Benefits Programs Committee (EBPC) membership and stated the first meeting is tentatively scheduled for August 30, 2005.

Mr. Corneil recommended revisiting the retiree return to teach issue in September and recommended the full Board meet with the interest groups.

TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO APPROVE THE LEGISLATIVE WORK PLAN AS DISCUSSED.

AYES: DR. LATIMER, MRS. EVANSON, PRESIDENT SANFORD, TREASURER SCHMIDT, MR. GESSNER, AND MR. CORNEIL.

NAYS: NONE

MOTION PASSED

CPAS PENSION SOFTWARE IMPLEMENTATION UPDATE:

Mrs. Kopp provided the Board with the CPAS Quarterly Project Status Report as of July 12, 2005. The project is slightly behind the revised schedule with about 80% of the tasks completed. The RIO team is currently conducting user acceptance testing, identifying business configuration anomalies, and implementing fixes. Data conversion, image conversion, and system performance issues have delayed report development and testing, and impacted the overall project plan. The project remains under budget.

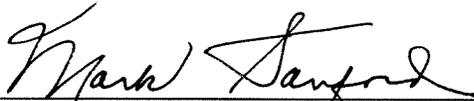
RETIREMENT OFFICER'S REPORT:

Mrs. Kopp reviewed the Retirement Officer's report. She suggested that no changes will need to be made to the administrative rules during the 2005-06 interim.

ADJOURNMENT:

With no further business to come before the Board, President Sanford adjourned the meeting at 4:13 p.m.

Respectfully Submitted:



Dr. Mark Sanford, President
Teachers' Fund for Retirement Board



Vida Keller, Reporting Secretary