

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
September 20, 2007, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Mike Gessner, President  
Clarence Corneil, Trustee  
Kim Franz, Trustee  
Lowell Latimer, Vice President  
Bob Toso, Trustee  
Kelly Schmidt, State Treasurer

**BOARD MEMBER ABSENT:** Wayne Sanstead, State Superintendent

**STAFF PRESENT:** Steve Cochrane, Executive Director  
Fay Kopp, Deputy Executive Director  
Bonnie Heit, Office Manager  
Darlene Roppel, Administrative Assistant  
Shelly Schumacher, Retirement Program Manager  
Dottie Thorsen, Internal Auditor  
Connie Flanagan, Fiscal & Investment Officer

**OTHERS PRESENT:** Erica Cermak, NDRTA  
Chris Conradi, GRS, via teleconference  
Ruth Stefonowicz, NDEA-Retired  
Nick Whitman, NDEA  
Aaron Webb, Attorney General's Office

**CALL TO ORDER:**

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, September 20, 2007, at the State Capitol, Ft. Union Room, Bismarck, ND. President Gessner welcomed the newest board member appointed by Governor Hoeven, Mr. Bob Toso, who represents the active school administrators. Mr. Toso's term was effective August 15, 2007 and extends to June 30, 2010.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: PRESIDENT GESSNER, MR. CORNEIL, MRS. FRANZ, MR. TOSO, AND DR. LATIMER.**

**MINUTES:**

The Board considered the minutes of the July 19, 2007, board meeting.

**MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO APPROVE THE MINUTES OF THE JULY 19, 2007, BOARD MEETING.**

**AYES: MRS. FRANZ, MR. TOSO, PRESIDENT GESSNER, MR. CORNEIL, AND DR. LATIMER.**

**NAYS: NONE**

**MOTION CARRIED.**

**ANNUAL TFFR INVESTMENT REVIEW:**

Mr. Steve Cochrane, Executive Director, reviewed the suggested changes to the TFFR Investment Policy Statement. Mrs. Franz noted an error in wording in the third paragraph under section 1 on page B-5. It should read that the employer will pay contributions of 8.25% of salaries for both Tier 1 and Tier 2 members beginning July 1, 2008.

**DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO ADOPT THE TFFR REVISED INVESTMENT POLICY STATEMENT WITH THE CORRECTION AS STATED ABOVE.**

**AYES: PRESIDENT GESSNER, MR. TOSO, DR. LATIMER, MR. CORNEIL AND MRS. FRANZ.**

**NAYS: NONE**

**MOTION CARRIED.**

Treasurer Schmidt arrived at the meeting.

Mr. Cochrane highlighted items on the agenda for the State Investment Board (SIB) meeting on September 21, 2007.

Mr. Cochrane presented the annual TFFR investment review for the fiscal year ended June 30, 2007. He reviewed asset allocation, performance, and comparisons with other funds. The year end net return for TFFR was 20.05%. TFFR has ranked in the top 2% of all pension plans in the Callan data base for the past one, three, and five year periods. The Board commended Mr. Cochrane for the excellent job he has done with the investment program.

After discussion and questions,

**TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL TFFR INVESTMENT REPORT.**

**AYES: MR. CORNEIL, DR. LATIMER, PRESIDENT GESSNER, TREASURER SCHMIDT, MR. TOSO AND MRS. FRANZ.**

**NAYS: NONE**

**MOTION CARRIED.**

**ANNUAL RETIREMENT AND INVESTMENT OFFICE (RIO) BUDGET REPORT:**

Mrs. Connie Flanagan, Fiscal and Investment Officer, provided an overview of the 2007-2009 RIO budget approved by the Legislature. She stated approximately 90% of last biennium's budget was spent. She also noted

that funds are budgeted for two trips per biennium for board members for educational purposes. Those who are members of both the TFFR Board and SIB are budgeted for three trips per biennium.

Mrs. Flanagan reported that Brady, Martz and Associates will soon be done with the 2007 external audit. She stated that none of the new GASB accounting standards will directly affect RIO this year. However, there are several new auditing standards which Brady, Martz and Associates have reviewed with the SIB Audit Committee, and will be implemented beginning with the 2008 audit report.

After discussion,

**MR. CORNEIL MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE ANNUAL BUDGET SUMMARY REPORT.**

**AYES: MRS. FRANZ, TREASURER SCHMIDT, PRESIDENT GESSNER, DR. LATIMER, MR. CORNEIL AND MR. TOSO.**

**NAYS: NONE**

**MOTION CARRIED.**

The meeting recessed at 1:55 p.m. and reconvened at 2:00 pm.

**SERVICE PURCHASE PROJECT:**

Mr. Chris Conradi, TFFR's actuarial consultant, Gabriel Roeder Smith & Company (GRS) joined the meeting via teleconference. Mrs. Fay Kopp, Deputy Executive Director, reviewed background information from the last meeting about the current methodology and factors used for calculating the actuarial equivalent cost to purchase service credit. Mr. Conradi presented a comparison of current and proposed service purchase costs for hypothetical members, and reviewed the reasons for proposing a new methodology and factors.

Mr. Aaron Webb, Attorney General's Office, reported that the TFFR Board has the legal authority to retain an actuary who will recommend methods of determining the appropriate purchase price for additional service credit. Therefore, the Board has the authority to adopt the recommended methodology and factor change proposed by the actuary. Mr. Webb also stated there is no legal requirement for TFFR to inform the membership of an increase in the cost of purchasing additional service credit; the issue is a policy decision to be made by the Board.

The Board discussed the impact of this change on the Fund and the members. After discussion,

**MR. CORNEIL MOVED AND MR. TOSO SECONDED TO ADOPT THE NEW SERVICE PURCHASE METHODOLOGY AND FACTORS RECOMMENDED BY GRS.**

**AYES: DR. LATIMER, MRS. FRANZ, MR. TOSO, MR. CORNEIL, TREASURER SCHMIDT AND PRESIDENT GESSNER.**

**NAYS: NONE.**

**MOTION CARRIED.**

The Board discussed how and when TFFR members should be notified of the change, possible effective dates, and implementation requirements of staff and actuary. The Board also reviewed a draft newsletter article, and considered various options for communicating to the members.

After discussion,

**MR. TOSO MOVED AND TREASURER SCHMIDT SECONDED THAT THE SERVICE PURCHASE ACTUARIAL COST CHANGE TAKE EFFECT JULY 1, 2008, AND THAT THE MEMBERSHIP BE NOTIFIED IN THE NEXT MEMBER NEWSLETTER WHICH WILL BE SENT OUT IN JANUARY 2008.**

**AYES: MR. TOSO, MR. CORNEIL, MRS. FRANZ, TREASURER SCHMIDT, PRESIDENT GESSNER, AND DR. LATIMER.**

**NAYS: NONE.**

**MOTION CARRIED.**

Mr. Toso left the meeting.

#### **2007 LEGISLATIVE IMPLEMENTATION:**

Mrs. Shelly Schumacher, Retirement Program Manager, reported on the progress of implementing approved 2007 legislation. All forms and publications have been updated with changes. Members and employers have been notified of legislative changes in newsletters, website, workshops and presentations.

SB 2046 - Employers began paying employer contributions of 7.75% on the salary of re-employed retirees. To date, 192 TFFR Retiree Employment Notification forms have been processed. The new employer contribution rate of 8.25% and Tier 2 TFFR benefits for new teachers will go into effect July 1, 2008. Programming changes will be done this winter to implement this change. To clarify certain issues relating to 2007 legislation, changes to administrative rules and board policies have been drafted and will be submitted later in this meeting.

HB 1078 - All sixteen Department of Career and Technical Education (CTE) members made the election to transfer to Public Employees Retirement System (PERS). Approximately \$3.1 million will be transferred from TFFR to PERS on September 28, 2007 to complete the transfer.

Mrs. Kopp notified all Regional Education Association (REAs) lead administrators and coordinators of TFFR membership requirements for REA active and retired employees.

Mrs. Kopp updated the Board on the August 21, 2007 Legislative Employee Benefits Programs Committee (EBPC) meeting. A copy of the presentation made to the committee is on file at the administrative office. The next EPBC meeting is scheduled for November 14, 2007. Mrs. Kopp was commended for a job well done on the presentation.

Mrs. Kopp also highlighted the TFFR Legislative Work Plan for 2007-2008.

**RETIREE STATISTICS:**

Mrs. Kopp presented a TFFR Retiree Statistics Report. This report was developed to respond to requests from retired members and other interested parties for information on average TFFR monthly benefit, annual salary, service credit, retirement age, current age, and number of retirees, based on fiscal year of retirement, retirement formula, and retirement type. The report is on file at the administrative office. Board discussion followed.

Mr. Cochrane left the meeting.

**ADMINISTRATIVE RULE CHANGES:**

Mrs. Schumacher outlined proposed changes to ND Administrative Rules resulting from 2007 legislation and other clarifications or updates. These changes will be sent to actuarial and legal counsel for their review, and then brought back to the Board at the November meeting for final approval. Board discussion followed.

**BOARD POLICY CHANGES:**

Mrs. Kopp reviewed proposed changes to the following Board policies resulting from 2007 legislation and other clarifications or updates: B-3 Plan Beneficiaries; B-4 Membership Data; B-6 Member Services; C-3 Automatic Refunds (Rescind); C-8 Disclosure to Membership; C-9 PERS Retirement Plan Election; C-12 Employer Reporting Errors; C-13 Employer Reports; C-20 Payment of Benefits; D-4, Meetings.

**TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE PROPOSED POLICY CHANGES AS PRESENTED.**

**AYES: TREASURER SCHMIDT, DR. LATIMER, PRESIDENT GESSNER, MRS. FRANZ AND MR. CORNEIL.**

**NAYS: NONE**

**MOTION CARRIED.**

**ANNUAL TFFR ENDS REPORT:**

Mrs. Schumacher presented the annual TFFR Ends report. A copy of the report is on file at the administrative office.

Following board discussion,

**TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL TFFR ENDS REPORT AS PRESENTED.**

**AYES: DR. LATIMER, MRS. FRANZ, TREASURER SCHMIDT, PRESIDENT GESSNER AND MR. CORNEIL.**

**NAYS: NONE.**

**MOTION CARRIED.**

**CONSENT AGENDA:**

**TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE CONSENT AGENDA AND APPROVE TWO MEMBERS ELIGIBLE FOR PERMANENT DISABILITY BENEFITS.**

**AYES: MR. CORNEIL, PRESIDENT GESSNER, DR. LATIMER, MRS. FRANZ AND TREASURER SCHMIDT.**

**NAYS: NONE**

**MOTION CARRIED.**

**OTHER:**

Mrs. Kopp reported that board members who are attending the NCTR Annual Convention in Scottsdale, Arizona, should have received their travel packets. She also noted an updated board calendar and education plan is included in the board materials.

**EXECUTIVE SESSION - MEMBER SALARY ISSUE UPDATE:**

President Gessner advised the Board that it would go into Executive Session to discuss a member's retirement salary and retirement benefit details. President Gessner reminded the Board that Executive Session discussion must be limited to the announced topic 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 member information.

**EXECUTIVE SESSION**

**EXECUTIVE SESSION ATTENDEES INCLUDED: MR. CORNEIL, DR. LATIMER, MRS. FRANZ, PRESIDENT GESSNER, TREASURER SCHMIDT, MR. WEBB, AND RIO STAFF.**

Executive Session began at 4:26 p.m. and ended at 4:35 p.m.

**OPEN SESSION**

The next board meeting will be held November 15, 2007.

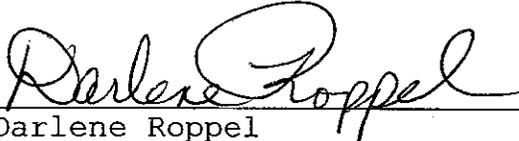
**ADJOURNMENT:**

With no further business to come before the Board, President Gessner adjourned the meeting at 4:36 p.m.

Respectfully Submitted:



Mr. Mike Gessner, President  
Teachers' Fund for Retirement Board



Darlene Roppel  
Reporting Secretary