

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
July 17, 2008, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Clarence Corneil, Trustee
Kim Franz, Trustee
Lawrence Hopkins, Deputy State Treasurer
Lowell Latimer, Vice President
Wayne Sanstead, State Superintendent
Bob Toso, Trustee

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Les Mason, Internal Audit Supervisor
Darlene Roppel, Administrative Assistant
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Greg Burns, NDEA
Erica Cermak, NDRTA
Ruth Stefonowicz, NDEA-Retired
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, July 17, 2008, at the State Capitol, Ft. Union Room, Bismarck, ND. He welcomed Deputy State Treasurer Lawrence Hopkins, who filled in for State Treasurer Schmidt in her absence.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: PRESIDENT GESSNER, MR. CORNEIL, MRS. FRANZ, DEPUTY STATE TREASURER HOPKINS, DR. LATIMER, DR. SANSTEAD AND MR. TOSO.

MINUTES:

The Board considered the minutes of the May 15, 2008, board meeting.

MR. CORNEIL MOVED AND DR. LATIMER SECONDED TO APPROVE THE MINUTES OF THE MAY 15, 2008, BOARD MEETING.

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

NAYS: NONE

MOTION CARRIED.

ELECTION OF 2008-09 OFFICERS:

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

MR. CORNEIL NOMINATED MR. MIKE GESSNER FOR PRESIDENT. DR. LATIMER MOVED AND MR. TOSO SECONDED TO CEASE NOMINATIONS.

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

NAYS: NONE

MOTION CARRIED.

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

MR. CORNEIL NOMINATED DR. LOWELL LATIMER FOR VICE PRESIDENT. DR. SANSTEAD MOVED AND MRS. FRANZ SECONDED TO CEASE NOMINATIONS.

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

NAYS: NONE

MOTION CARRIED.

President Gessner reviewed current 2007-08 board member assignments to the State Investment Board (SIB). TFFR representatives on the SIB are President Gessner, Mr. Toso, Mr. Corneil and State Treasurer Schmidt. The TFFR alternate to the SIB is Dr. Sanstead. President Gessner is the TFFR representative on the SIB Audit Committee. Dr. Sanstead, Mrs. Franz and Dr. Latimer serve on the TFFR Benefits/Services Committee. After discussion,

MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO APPROVE ALL 2008-09 BOARD MEMBER ASSIGNMENTS THE SAME AS THEY WERE IN 2007-08.

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

NAYS: NONE

MOTION CARRIED.

BOARD EDUCATION:

Mrs. Fay Kopp, Deputy Executive Director, presented an overview of board member responsibilities. Topics included state statutes which govern the board composition, board authority, organization of board, vacancies, rulemaking power, compensation of members, and fiduciary duties. Mrs. Kopp also highlighted items the Board is NOT responsible for, and described SIB and TFFR board and staff relationship. Board discussion

followed. The presentation is on file at the Retirement and Investment Office (RIO).

ANNUAL TFFR PROGRAM REVIEW:

Mrs. Kopp reviewed the 2007-08 TFFR Program Monitoring Summary Report. The board discussed the mission, goals, policies, by-laws, and overall future of the TFFR program. Board members indicated they would like to have additional discussion on board goals at a future meeting. Mrs. Kopp indicated possible changes to the following program policies: Board Agenda, Deductions from Annuity Checks, IRS Levies, Level Income Option, Retirement Salary Exclusion, and Return to TFFR Covered Employment. Mrs. Kopp will present draft policy changes at the September board meeting.

The board recessed at 3:07 p.m. and reconvened at 3:17 p.m.

MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL TFFR PROGRAM AND POLICY REVIEW.

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

NAYS: NONE

ABSENT: DR. SANSTEAD

MOTION CARRIED.

Dr. Sanstead returned to the meeting.

ANNUAL TFFR PROGRAM REVIEW:

Mrs. Kopp reviewed the 2007-08 TFFR Board Accomplishments Report.

DR. SANSTEAD MOVED AND MR. CORNEIL SECONDED TO ACCEPT THE 2007-08 TFFR BOARD ACCOMPLISHMENT SUMMARY REPORT.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL CUSTOMER SATISFACTION REPORTS:

Mrs. Kopp reported on the annual TFFR Customer Satisfaction Surveys that were received from North Dakota Education Association (NDEA), North Dakota Council of Educational Leaders (NDCEL), North Dakota Retired Teachers Association (NDRTA), North Dakota School Boards Association (NDSBA), and the North Dakota School Business Managers Association (NDSBMA). She also presented member and employer ratings and comments from benefits counseling sessions, pre-retirement seminars, business manager workshops, retirement presentations, and other member and

employer communications. The overall ratings and comments were very positive and encouraging. Board members also acknowledged the positive comments they have received from TFFR members. Copies of the survey responses are on file at RIO. After discussion,

MR. CORNEIL MOVED AND DR. LATIMER SECONDED TO APPROVE THE TFFR ANNUAL CUSTOMER SATISFACTION REPORTS AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

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

MRS. FRANZ MOVED AND DR. SANSTEAD SECONDED TO SUBMIT THE TFFR BOARD COMMENTS ON THE SIB'S ANNUAL CUSTOMER SATISFACTION SURVEY.

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

NAYS: NONE

MOTION CARRIED.

INVESTMENT UPDATE:

Mr. Steve Cochrane, Executive Director, reported TFFR's estimated investment return for fiscal year ended June 30, 2008 is -7.58%. Mrs. Kopp presented scenarios using hypothetical numbers to show how funding levels are affected by the estimated negative investment return.

Mr. Cochrane also reviewed the agenda for the July 18, 2008, SIB meeting.

LEGISLATIVE UPDATE:

Mrs. Kopp reported the next meeting of the Legislative Council Employee Benefits Programs Committee (EBPC) is Tuesday, July 29, 2008, in the Harvest Room at the State Capitol. It will include a public hearing and testimony on two bills relating to TFFR. Mrs. Kopp will provide testimony on TFFR Bill No. 100. Mrs. Kopp has visited with Mr. Ken Tupa, NDRTA, to request clarifications and potential amendments to Bill No. 109. TFFR's actuary, Gabriel Roeder Smith & Company (GRS) is working on the technical comments for both bills which will be presented at the meeting.

FEDERAL ISSUES UPDATE:

Mrs. Kopp gave a brief summary on federal issues affecting public pension plans.

CONSENT AGENDA:

MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE A MEMBER'S DISABILITY BENEFIT APPLICATION.

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

NAYS: NONE

MOTION CARRIED.

OTHER BUSINESS:

The annual National Council on Teacher Retirement (NCTR) Convention in Washington DC is October 11-16, 2008. Trustees should let staff know by August 22 if they are interested in attending.

EXECUTIVE SESSION:

President Gessner advised the Board that it would go into Executive Session for attorney consultation relating to a potential litigation issue. 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 attorney consultation. President Gessner reminded the Board that Executive Session discussion must be limited to the attorney consultation topic only.

EXECUTIVE SESSION

Executive Session attendees included: Mr. Corneil, Mrs. Franz, President Gessner, Mr. Hopkins, Dr. Latimer, Dr. Sanstead, Mr. Toso, Mr. Webb and RIO staff.

Executive Session began at 4:21 p.m. and ended at 4:44 p.m.

OPEN SESSION

DR. LATIMER MOVED AND MR. CORNEIL SECONDED THAT BASED ON THE SPECIFIC NATURE OF THE FACTORS PRESENTED IN THIS SITUATION, TFFR'S LEGAL COUNSEL IS INSTRUCTED TO REISSUE NOTICE OF THE BOARD'S FINAL DECISION TO MEMBER ALONG WITH DOCUMENTATION PRESENTED TO THE BOARD.

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

NAYS: NONE

MOTION CARRIED.

The next regular board meeting will be held on September 25, 2008.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:47 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary