

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
September 25, 2008, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Clarence Corneil, Trustee
Kim Franz, Trustee
Lowell Latimer, Vice Pres. (via teleconference)
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer
Bob Toso, Trustee

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

OTHERS PRESENT: Douglas Anderson, Attorney General's Office
Marc Bluestone, New Town Public School
Erica Cermak, NDRTA
Dr. Warren Henke, Retired
Gary Rath, NDEA
Ruth Stefonowicz, NDEA-Retired

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 25, 2008, at the State Capitol, Ft. Union Room, Bismarck, ND.

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

APPROVAL OF AGENDA:

The Board considered the meeting agenda.

MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO APPROVE THE AGENDA AS PRESENTED.

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

NAYS: NONE
MOTION CARRIED.

MINUTES:

The Board considered the minutes of the July 17, 2008, board meeting.

DR. SANSTEAD MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE MINUTES OF THE JULY 17, 2008, BOARD MEETING.

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

NAYS: NONE
MOTION CARRIED.

Dr. Latimer joined the meeting via teleconference.

EXECUTIVE SESSION - ATTORNEY CONSULTATION:

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 announced topic only.

EXECUTIVE SESSION

EXECUTIVE SESSION ATTENDEES INCLUDED: MR. DOUGLAS ANDERSON, MR. CORNEIL, MRS. FRANZ, PRESIDENT GESSNER, DR. LATIMER, DR. SANSTEAD, TREASURER SCHMIDT, MR. TOSO, AND RETIREMENT AND INVESTMENT OFFICE (RIO) STAFF.

Executive Session began at 1:06 p.m. and ended at 1:23 p.m.

OPEN SESSION

ANNUAL TFFR INVESTMENT REVIEW:

Mr. Steve Cochrane, Executive Director, reviewed the TFFR Investment Policy guidelines. Mr. Cochrane also presented the annual investment review for the fiscal year ended June 30, 2008. He reviewed asset allocation, performance, and the current economic issues. A copy of this report is on file at the administrative office. Mr. Cochrane also highlighted items on the agenda for the State Investment Board (SIB) meeting on September 26, 2008.

Mr. Cochrane reported the net return through July 31, 2008, for TFFR was -1.11%. The estimated fiscal year-to-date return through September 25,

2008, is -6.24%. This is evidence of the volatility of the markets that is being experienced world-wide. After discussion,

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL TFFR INVESTMENT REPORT.

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

NAYS: NONE

MOTION CARRIED.

Treasurer Schmidt left the meeting at 1:55 p.m. and returned at 2:30 p.m.

ANNUAL RETIREMENT AND INVESTMENT OFFICE BUDGET REPORT:

Mrs. Connie Flanagan, Fiscal and Investment Officer, provided an overview of RIO's current budget as of June 30, 2008 and indicated over half of the budget for this biennium is still available. Mrs. Flanagan also gave a summary of the 2009-11 budget request. After discussion,

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

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

NAYS: NONE

MOTION CARRIED.

The meeting recessed at 2:52 p.m. and reconvened at 3:02 p.m.

ANNUAL TFFR ENDS REPORT:

Mrs. Shelly Schumacher, Retirement Program Manager, presented the annual TFFR Ends report. The board requested a report at the next meeting of the number of teachers who purchased service this past year and retired. After board discussion,

MR. TOSO MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE ANNUAL TFFR ENDS REPORT AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

2009 LEGISLATION:

Mrs. Fay Kopp, Deputy Executive Director, reported on the status of implementing the 2007 legislation.

Mrs. Kopp also reviewed the actuarial and technical comments from Gabriel Roeder Smith & Company (GRS) relating to the 2009 legislative proposals affecting TFFR. Bill No. 100 was submitted by the TFFR Board. It incorporates federal tax law changes as they relate to qualified governmental plans, and includes other minor technical and administrative changes. The changes have no financial impact on the Fund. Bill No. 109 was submitted by Senator O'Connell on behalf of the North Dakota Retired Teachers Association (NDRTA). As currently written, the bill provides for a one time supplemental payment to each retiree which would cost over \$11 million, and would be paid from the State's general fund. According to the actuary, there are some clarifications that need to be made, and issues relating to Internal Revenue Service (IRS) restrictions on supplemental payments. NDRTA is working with the bill sponsor and TFFR staff to find a formula and language that will address the administrative and legal concerns.

BOARD POLICY CHANGES:

Mrs. Kopp reviewed the board policy and by-law changes discussed at the July meeting: C-3 Board Agenda; C-6 Deductions from Annuity Checks; D-3 By-laws - Officers and Duties; D-4 By-laws - Meetings; and D-6 By-laws - Rules of Order. The Board also discussed rescinding: C-14 IRS Levies; C-21 Retirement Salary Exclusion; and C-22 Return to TFFR Employment.

MR. CORNEIL MOVED AND MR. TOSO SECONDED TO APPROVE THE BOARD POLICY CHANGES AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

ELIGIBLE TFFR SALARY:

Mrs. Kopp reviewed issues relating to special payments made to teachers and administrators. The reasons school districts make special payments are many and varied, and it is a challenge to address the TFFR aspect without delving into each individual situation. TFFR usually finds the special payments when a member applies for retirement and a salary review is conducted, during a year end account review process, or during a school district audit. Once identified, TFFR must determine whether such payments are eligible salary for TFFR purposes, subject to employer and employee contributions, and ultimately used to calculate pension benefits at retirement. Mr. Marc Bluestone, Superintendent of the New Town Public

School, shared problems schools face in determining what is eligible salary for TFFR purposes. After discussion, the board asked TFFR staff to develop criteria to clarify eligible salary with input from member and employer interest groups, and the Attorney General's Office. The Board would then review at a future meeting.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE TWO MEMBERS' APPLICATIONS FOR PERMANENT DISABILITY BENEFITS.

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

NAYS: NONE

MOTION CARRIED.

NCTR TRUSTEE WORKSHOP:

Dr. Latimer reported the National Council on Teacher Retirement (NCTR) Trustee Workshop he attended July 27-31, 2008, at Universal City, CA was excellent.

Mr. Corneil and Mrs. Kopp are scheduled to attend the annual NCTR Convention in Washington DC on October 11-16, 2008.

OTHER BUSINESS:

Mrs. Kopp presented at the NDRTA convention in Grand Forks, September 17, 2008. The presentation is on file at the administrative office.

Mrs. Kopp asked that another executive session be added to the agenda which is a continuation of the first executive session (item #3).

EXECUTIVE SESSION - MEMBER SALARY ISSUE:

President Gessner advised the Board that it would go into Executive Session to discuss a member's salary issue. President Gessner reminded the Board that Executive Session discussion must be limited to the announced topic only. The legal authority for closing this portion of the meeting is NDCC 44-04-19.2.

EXECUTIVE SESSION

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

The Executive Session began at 4:34 p.m. and ended at 4:59 p.m.

OPEN SESSION

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO RULE THAT THE PAYMENT DISCUSSED IN THE EXECUTIVE SESSION IS NOT DEEMED ELIGIBLE TFFR SALARY.

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

NAYS: NONE

MOTION CARRIED.

EXECUTIVE SESSION - ATTORNEY CONSULTATION:

President Gessner advised the Board that it would go into Executive Session to discuss further information received on the potential litigation issue that was discussed in agenda item number 3. Under NDCC 44-04-19.1(2), the Board has the legal authority to meet in Executive Session for the purpose of attorney consultation.

EXECUTIVE SESSION

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

Executive Session began at 5:01 p.m. and ended at 5:10 p.m.

OPEN SESSION

The next board meeting will be held at 1:00 p.m. November 20, 2008, at the State Capitol, Ft. Union room, Bismarck ND.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 5:11 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary