

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
JANUARY 22, 2009, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Mike Gessner, President  
Clarence Corneil, Trustee (via teleconference)  
Kim Franz, Trustee  
Lowell Latimer, Vice President  
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  
Darlene Roppel, Administrative Assistant  
Shelly Schumacher, Retirement Program Manager

**OTHERS PRESENT:** Gary Rath, NDEA  
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, January 22, 2009, at the Bank of North Dakota, Executive Conference Room 301, 1200 Memorial Highway, Bismarck, ND.

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

**APPROVAL OF AGENDA:**

The Board considered the meeting agenda.

**TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE AGENDA AS PRESENTED.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**MINUTES:**

The Board considered the minutes of the November 20, 2008, board meeting.

MRS. FRANZ MOVED AND DR. LATIMER SECONDED TO APPROVE THE MINUTES OF THE NOVEMBER 20, 2008, BOARD MEETING.

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

NAYS: NONE

MOTION CARRIED.

**PENSION PLAN COMPARISONS:**

Mrs. Fay Kopp, Deputy Executive Director, presented a comparison of TFFR to the Public Fund Survey conducted by National Council on Teacher Retirement (NCTR) and National Association of State Retirement Administrators (NASRA) for fiscal year 2007. The survey provides information about funding levels, investments, membership changes, contribution rates, and actuarial assumptions. She commented that funding levels for most public pension systems are expected to decline due to investment losses recently experienced.

Mrs. Kopp also noted an Experience Study is scheduled to be done after the 2009 valuation report with the results presented early in 2010. Following the Experience Study, an Asset Liability Modeling (ALM) Study will be conducted. The results of both studies will then be considered as the Board develops funding improvement legislation for the 2011 legislative session.

The presentation and survey are on file at the Retirement and Investment Office (RIO).

Board discussion followed.

**ASSET ALLOCATION REVIEW, INVESTMENT EXPENSES COMPARISON, AND INVESTMENT UPDATE:**

Mr. Steve Cochrane, Executive Director, presented information on TFFR asset allocation. He explained the results of the 2005 ALM Study, reviewed capital market assumptions, and commented on current allocation.

Mr. Cochrane compared TFFR investment program costs with other pension plans, discussed investment expenses for fiscal year ended June 30, 2008, and commented on reasons for rising program costs. He also provided survey data from CEM Benchmarking.

Mr. Cochrane also gave an update on the TFFR investment program. TFFR's estimated net return from July 1, 2008, through January 21, 2009 is -27%. State Investment Board (SIB) meeting agenda items were also discussed.

Copies of investment reports and presentations are on file at RIO.

Board discussion and questions followed.

Treasurer Schmidt left the meeting at 3:15 p.m.

**FUNDING PROJECTIONS:**

Mrs. Kopp presented funding projections assuming variable investment returns for current and future years. Most scenarios indicate TFFR funding levels are expected to decline quickly and significantly due to investment losses. The Board discussed the probability of future contribution increases. At this time, predicting the magnitude of increased costs is difficult and will depend on factors unique to the TFFR plan, as well as performance of investment markets over the next few years. The presentation is on file at RIO.

**LEGISLATIVE UPDATE:**

Mrs. Kopp presented the TFFR Legislative Update as of January 22, 2009. HB 1022, RIO Budget, has been heard, but no Committee action taken to date. HB 1080, TFFR Administrative Changes, passed unanimously, and has been sent to the Senate. HB 1114, SIB Administrative Changes, passed unanimously, and has been sent to the Senate. SB 2277, Supplemental Retiree Benefit Payment, was submitted by Senator O'Connell on January 19, 2009. The bill provides for a one-time supplemental retiree benefit payment to TFFR retirees and beneficiaries. The cost of the supplemental payment is estimated to be about \$5.4 million, and would be funded through a transfer from the State's General Fund to TFFR. Committee hearing date has not yet been scheduled.

After discussion of current legislation, the Board discussed possible future legislation. The Board plans to study various funding improvement options and develop a comprehensive plan to submit to the Legislature in 2011.

**ANNUAL RETIREMENT TRENDS REPORT:**

Mrs. Kopp presented the 2009 Retirement Trends and Projections report. As of January 2009, there were 9,772 active members, of which 1,258 are eligible to retire. Based on ratios of 30% and 40% of actual retirements to eligible retirements, approximately 4,000 active members are projected to retire in the next ten years which is about 700 more than in the past decade. A copy of this presentation is on file at RIO.

**SUPT. SANSTEAD MOVED AND DR. LATIMER SECONDED TO ACCEPT THE 2009 RETIREMENT TRENDS REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED.**

Mr. Toso left the meeting at 4:05 p.m.

**CONSENT AGENDA:**

**SUPT. SANSTEAD MOVED AND MRS. FRANZ SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDED ONE TOTAL TEMPORARY DISABILITY.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**OTHER BUSINESS:**

Mrs. Kopp reported that Congress recently passed technical amendments to the federal Pension Protection Act. The Act includes necessary provisions permitting governmental retirement plans that credit a plan participant's account balance with a specified interest rate to use a rate that exceeds the "market rate of return," provided the governmental plans' interest rate was set by Federal, State, or local law.

The next regular board meeting will be held on March 26, 2009, at the Bank of North Dakota.

**ADJOURNMENT:**

With no further business to come before the Board, President Gessner adjourned the meeting at 4:10 p.m.

Respectfully Submitted:

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

  
\_\_\_\_\_  
Darlene Roppel  
Reporting Secretary