

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
NOVEMBER 19, 2009, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Clarence Corneil, Trustee
Kim Franz, Trustee
Lowell Latimer, Vice President
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer
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
Jerry Coleman, DPI
Gloria Lokken, NDEA-R
Bev Nielson, NDSBA
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, November 19, 2009, at the State Capitol, Peace Garden Room, 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 November 19, 2009, meeting agenda.

MRS. FRANZ MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE AGENDA AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

MINUTES:

The Board considered the minutes of the October 22, 2009, board meeting. After discussion,

TREASURER SCHMIDT MOVED AND DR. LATIMER SECONDED TO APPROVE THE MINUTES OF THE OCTOBER 22, 2009, BOARD MEETING AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

BOARD EDUCATION - CHANGING ND DEMOGRAPHICS:

Mr. Jerry Coleman, Director-School Finance, Department of Public Instruction (DPI), presented information entitled, "North Dakota Demographics--How Changing Demographics Will Impact K-12 Education." A copy of the presentation is on file at the Retirement and Investment Office (RIO).

DPI projections show that rural populations will continue to decrease. School enrollment has been increasing in the nine largest districts. Sixty percent of North Dakota students are served in the major cities, and this trend is expected to continue. Birth rates have been increasing by about 200 per year since they hit a low in 2001. Consequently, statewide projections indicate moderate student enrollment increases over the next decade.

There have been some small gains in the number of teachers in the last three years. This may be partly due to the following Legislative actions: approval of funding for full day kindergarten; strong interest in pre-school and early childhood learning programs; funding for career advisors beginning 2010-11; funding Regional Education Associations (REA's); lengthened school calendar by two days; expanded summer school funding for grades 5-9 and for kindergarten remediation; funding tutors and instructional coaches. State funding, along with Federal stimulus money, has increased significantly over the last two bienniums for schools.

Board discussion followed regarding TFFR's current assumption of 0.5% decline in active TFFR membership per year. Mrs. Fay Kopp, Deputy Executive Director, will share DPI information with the actuarial consultant. This topic will be revisited when the Experience Study is presented.

TFFR FUNDING IMPROVEMENT STUDY:

Mrs. Kopp provided feedback from fall member and employer conventions relating to the TFFR Funding Improvement Study. Presentations were given

at ND Retired Teachers Association (NDRTA), ND Council of Educational Leaders (NDCEL), ND School Board Association (NDSBA), and ND Education Association-Retired (NDEA-R). Board members and interest group representatives also provided input. Copies of convention presentations are on file at RIO.

The Board discussed the importance of member communications. In general, the Board emphasized that funding improvement measures will likely involve a multi-faceted approach and time will be needed to address declining funded levels. The Board cannot make any guarantees as they do not set pension benefit levels. While the Board can propose plan changes, only the State Legislature can approve changes. At this time, many options are under consideration. Options will likely require shared sacrifice from both members and employers.

Mrs. Kopp is tentatively scheduled to speak at the ND Association of School Administrators (NDASA) midwinter conference, NDEA Board meeting, NDEA Adhoc Pension Committee, and NDEA Representative Assembly. Mrs. Shelly Schumacher, Retirement Program Manager, is scheduled to present to new teachers and mentors in Bismarck and Fargo. Information will also be presented at the ND Association of School Business Managers spring workshops. Presentations are available on the RIO website. Member and employer newsletters will go out in January, with the possibility of a special member update in April.

Mrs. Kopp updated the Board on the October 26, 2009 Legislative Employee Benefits Programs Committee meeting and 2009 actuarial valuation report presentation to the Committee. Board members in attendance also commented on the meeting and presentations. The next meeting will probably be scheduled after April 1, 2010 when study bills have been filed.

The Board reviewed a draft request for actuarial information to be provided at the January 21, 2010 board meeting. After lengthy discussion, board members generally agreed to request cost information reflecting phased member and employer contribution increases of 1%, 2%, 3%, or 4% per biennium, possible benefit changes for new and existing employees, one-time state general fund appropriation, and other actuarial cost information. Board and stakeholder groups plan to have an indepth discussion of possible funding improvement legislative proposals after receiving actuarial information at the January meeting. The Board also discussed having the actuary conduct a defined contribution plan analysis during spring - summer 2010, after the experience study is completed and funding improvement legislation is submitted.

Mrs. Schumacher outlined how member contributions are paid in different school districts - either under salary reduction plan (Model 1) or in lieu of a salary increase (Model 2 or 3). Mrs. Kopp also briefly commented on the Public Employees Retirement System (PERS) 2009 actuarial valuation report and funding projections.

The meeting recessed at 3:35 p.m. and reconvened at 3:45 p.m.

IRS COMPLIANCE REVIEW:

Mrs. Kopp reviewed the November 10, 2009 letter from special tax counsel, Ms. Carol Calhoun, relating to an Internal Revenue Service (IRS) determination letter request. Ms. Calhoun has reviewed TFFR state statutes and administrative rules, and has only one recommendation relating to a beneficiary's right to a rollover. She will begin the process of putting together a filing package for TFFR for submission to the IRS after February 1, 2010.

ACTUARIAL CONTRACT AND FEES:

Mrs. Kopp reviewed the actuarial consulting services and fees provided to TFFR by Gabriel Roeder Smith and Company (GRS) for the past ten years. The Board considered whether to issue a Request for Proposal (RFP) for actuarial consulting services, or request a written proposal from GRS for two years. The Board discussed the length of time the current actuary has been with TFFR, experience of current actuary, due diligence and educational component of the RFP interview and selection process, timing of RFP due to interim legislative study and upcoming 2011 legislative session, possible transition process if new actuary is selected, and other related issues. After discussion,

MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO REQUEST A WRITTEN PROPOSAL FROM GRS FOR A TWO YEAR CONTRACT FOR THE PERIOD JULY 1, 2010 - JUNE 30, 2012.

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

NAYS: TREASURER SCHMIDT AND MR. TOSO
MOTION CARRIED.

2010 ASSET LIABILITY STUDY:

Mr. Steve Cochrane, Executive Director, commented on TFFR's upcoming 2010 Asset Liability Study which was tabled at the October 2009 board meeting. He indicated the State Investment Board (SIB) is in an education and information gathering phase to develop general ideas and explore methodology relating to asset liability modeling. He invited TFFR board members to attend future SIB meetings relating to this topic.

Mrs. Kopp stated the Board may wish to utilize an RFP process to solicit views and information from various actuarial and investment consulting firms. Board members agreed to table the asset liability study discussion until mid 2010, and to consider distributing an RFP at that time.

ANNUAL TFFR ENDS AND STATISTICS REPORT:

Mrs. Schumacher presented the annual TFFR Ends and Statistics report. A copy of the report is on file at RIO. After discussion,

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE 2009 TFFR ENDS REPORT.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL TFFR PROGRAM AUDIT REPORT:

Mr. Les Mason, Internal Audit Supervisor, presented the TFFR Audit Program annual report. Twenty-one school district audits were completed this year: three districts were not in compliance, six districts were generally in compliance, and twelve districts were in compliance. Other audits conducted include the compliance audit for retiree benefit payments, participants' data for the actuarial valuation, and file maintenance audit. No significant exceptions were noted. A copy of Mr. Mason's report is on file at RIO. After discussion,

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE 2009 ANNUAL TFFR AUDIT PROGRAM REPORT.

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

NAYS: NONE

MOTION CARRIED.

STATE INVESTMENT BOARD UPDATE:

Mr. Cochrane reported fiscal year performance from July 1, 2009, to November 18, 2009, is estimated at 16%. He reviewed the agenda items for the November 20, 2009 SIB meeting.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDED ONE DISABILITY APPLICATION.

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

NAYS: NONE

MOTION CARRIED.

OTHER BUSINESS:

The next meeting is scheduled for January 21, 2010 and will include a round table discussion with member and employer interest groups (NDEA, NDCEL, NDSBA, NDRTA). GRS is also tentatively scheduled to present the results of the Actuarial Experience Study. The board was in agreement to start the January meeting at 10:00 a.m.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 5:05 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary