

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 16, 2010, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Kim Franz, Trustee
Lowell Latimer, Vice President
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer
Bob Toso, Trustee

BOARD MEMBER ABSENT: Clarence Corneil, Trustee

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Darlene Roppel, Retirement Assistant
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Josh Askvig, NDEA
Greg Burns, NDEA
Erica Cermak, NDRTA
Sparb Collins, PERS
Dakota Draper, NDEA
Doug Johnson, NDCEL
Bev Nielson, NDSBA
Howard Sage, PERS Board Trustee
Ken Tupa, NDRTA
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 10:00 a.m. on Tuesday, March 16, 2010, at the State Capitol, Lewis and Clark Room, Bismarck, ND.

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

APPROVAL OF AGENDA:

The Board considered the meeting agenda.

DR. LATIMER MOVED AND MR. TOSO SECONDED TO APPROVE THE AGENDA AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

MINUTES:

The Board considered the minutes of the February 16, 2010, board meeting.

MRS. FRANZ MOVED AND MR. TOSO SECONDED TO APPROVE THE MINUTES OF THE FEBRUARY 16, 2010, BOARD MEETING WITH THE CORRECTION OF THE DATE OF THE NEXT MEETING, FROM WEDNESDAY, MARCH 10, 2010 TO TUESDAY, MARCH 16, 2010.

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

NAYS: NONE

MOTION CARRIED.

PERS UPDATE:

Mr. Sparb Collins, Executive Director of the North Dakota Public Employees Retirement System (NDPERS), gave a report on the funding challenges that are being faced by PERS to stabilize the pension plan and return it to 100% funded status over the long term. The PERS board looked at various benefit reductions and contribution increases. The PERS board is considering submitting three bills to the interim Employee Benefits Programs Committee (EBPC): 100% employer paid contribution increase of 8%, 100% employee paid contribution increase of 8%, and an 8% contribution increase split between the employer and employee. A copy of the report is on file at the Retirement and Investment Office (RIO).

Treasurer Schmidt arrived at 10:30 a.m.

LEGISLATIVE PROPOSALS:

Mrs. Fay Kopp, Deputy Executive Director, reviewed the legislative proposal and various options that were discussed at the last board meeting to improve TFFR funding levels. She reviewed tables and graphs from TFFR's actuary showing savings and projected funded ratios for various grandfathered group scenarios under variable market returns for FY 2010. Mr. Steve Cochrane, Executive Director, reported the estimated gross return for TFFR as of March 15, 2010, is 19.66%.

Treasurer Schmidt reported on a meeting with other state treasurers about their plans to improve pension funding levels in their states.

Mr. Aaron Webb, Assistant Attorney General, reviewed some of the potential legal impacts of proposing changes to retirement eligibility dates for some members while grandfathering other members.

The Board discussed issues relating to timing of benefit and contribution changes, impact on members and employers, financial, actuarial, legal, and administrative concerns.

Following discussion,

MR. TOSO MOVED AND DR. SANSTEAD SECONDED TO SUBMIT THE FOLLOWING LEGISLATIVE PROPOSAL: MEMBER AND EMPLOYER CONTRIBUTION INCREASE OF 8% TOTAL (4% EACH), SPLIT 50/50, PHASED 2% EACH SIDE FOR THE NEXT TWO BIENNIUMS; REQUIRE RE-EMPLOYED RETIREES TO PAY MEMBER CONTRIBUTION RATES; DISABILITY BENEFIT CHANGES AS DISCUSSED; RAISE RETIREMENT AGE TO 60 PLUS THE RULE OF 90, OR AGE OF 65 IF THEY DON'T HAVE THE RULE OF 90, AND CARVE OUT MEMBERS WITHIN 10 YEARS OF RETIREMENT.

After discussion on the motion,

DR. LATIMER MOVED AND MR. TOSO SECONDED TO AMEND THE MOTION BY REMOVING THE RETIREMENT AGE AND THE CARVE OUT FROM THE CURRENT MOTION.

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

NAYS: NONE

AMENDMENT TO MOTION PASSED.

ROLL CALL ON THE AMENDED MOTION:

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

NAYS: NONE

MOTION PASSED AS AMENDED.

Following additional board discussion on changing retirement eligibility age and grandfathered groups,

MR. TOSO MOVED AND TREASURER SCHMIDT SECONDED TO SUBMIT A PROPOSAL TO RAISE RETIREMENT ELIGIBILITY TO AGE 60 AND RULE OF 90 FOR TIERS 1 AND 2 WITH A 10 YEAR CARVE OUT.

AYES: MR. TOSO, TREASURER SCHMIDT

NAYS: DR. LATIMER, PRESIDENT GESSNER, MRS. FRANZ AND DR. SANSTEAD.

MOTION FAILED.

The meeting recessed at 12:05 p.m. and reconvened at 12:55 p.m.

The Board discussed the bill draft that includes proposed technical and administrative changes to TFFR statutes. The proposed changes would clarify the definition of eligible retirement salary, clearly allow the Board to determine on a case-by-case basis whether special payments are eligible or ineligible retirement salary, update beneficiary definition and death benefit provisions, and update Internal Revenue Service (IRS) compliance provisions as they relate to qualified governmental plans. No changes to the bill were requested. Final approval will be at the next meeting on March 25, 2010.

Discussion continued on changing retirement eligibility age for unreduced benefits. Mrs. Kopp reviewed issues relating to grandfathering criteria, service purchases, dual membership, Qualified Domestic Relations Orders

(QDRO), timing and complexity of TFFR plan provisions, and legal concerns. The Board considered feedback received from members, employers, and legislators about potential legislative proposals. Member and employer interest group representatives were also invited to provide additional input on options under consideration. After discussion,

DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO RECONSIDER THE PREVIOUS MOTION: SUBMIT A PROPOSAL TO RAISE THE RETIREMENT ELIGIBILITY TO AGE 60 AND RULE OF 90 FOR TIERS 1 AND 2 WITH A 10 YEAR CARVE OUT.

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

NAYS: NONE

MOTION CARRIED.

The Board directed Mr. Webb and Mrs. Kopp to draft one study bill which would include all contribution and benefit changes approved by both motions. They also asked staff to work out the dates that these changes could be incorporated and include in the bill drafts which would be considered for final approval at the March 25 meeting.

Mrs. Kopp reviewed other outstanding issues that needed to be decided so they can be incorporated into the bill draft. It was the consensus of the Board to make no change to the age 55 for reduced retirement benefits, but to apply a reduction in benefits of 8% per year from the earlier of age 60/Rule of 90 or age 65 for non-grandfathered members. They agreed the same grandfathering criteria should apply to active, inactive, and part-time employees. They also discussed how the grandfathering criteria would be applied to member and employer service purchases, dual members with PERS, and QDRO's. Mrs. Kopp indicated additional appropriations may be needed for temporary salary and programming changes to implement the legislative proposal.

The Board discussed the possibility of a second legislative proposal which would include a general fund appropriation of \$75 million.

DR. LATIMER MOVED AND MR. TOSO SECONDED TO DRAFT A SECOND STUDY BILL REQUESTING \$75 MILLION APPROPRIATION FROM THE GENERAL FUND.

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

NAYS: NONE

MOTION CARRIED.

COMMUNICATIONS PLAN:

Mrs. Kopp presented some additional methods for communicating information on TFFR funding issues and legislative proposals. Statewide regional meetings will be scheduled for teachers, administrators, school boards, legislators, media, and the general public. Video webcasts have also been

suggested and North Dakota Council of Educational Leaders (NDCEL) has offered to assist TFFR. A special TFFR newsletter will be sent to all TFFR members this spring. Treasurer Schmidt suggested that information also be sent to the media. Mrs. Kopp indicated she will work with staff and others to accomplish this in the next two months after finalizing bill drafts and getting updated actuarial information on the proposal.

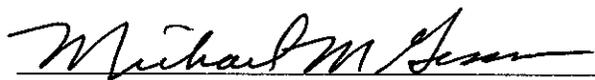
OTHER BUSINESS:

The next board meeting will be held Thursday, March 25, 2010, at 1:00 p.m., at the State Capitol, Peace Garden Room, Bismarck, ND.

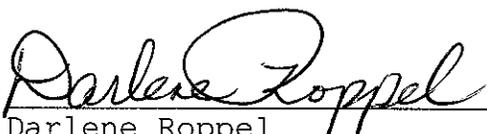
ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 2:55 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary