

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 25, 2010, 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
Darlene Roppel, Retirement Assistant
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Josh Askvig, NDEA
Greg Burns, NDEA
Doug Johnson, NDCEL
Bev Nielson, NDSBA
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 1:00 p.m. on Thursday, March 25, 2010, 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 meeting agenda.

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE AGENDA AS PRESENTED WITH THE ADDITION OF A REPORT FROM MR. STEVE COCHRANE, EXECUTIVE DIRECTOR, ON THE INCREASING DEMAND AND COST OF ASSET LIABILITY STUDIES.

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

NAYS: NONE

MOTION CARRIED.

MINUTES:

The Board considered the minutes of the March 16, 2010, board meeting. A correction on the first motion made on the Legislative Proposals was corrected as follows:

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 biennium; 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. **Dr. Sanstead withdrew his second to the motion. Treasurer Schmidt seconded the motion.**

MRS. FRANZ MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE MINUTES OF THE MARCH 16, 2010, BOARD MEETING WITH THE CORRECTION AS INDICATED ABOVE.

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

NAYS: NONE

MOTION CARRIED.

LEGISLATIVE PROPOSALS:

Mrs. Fay Kopp, Deputy Executive Director, reviewed the three study bills requested by the TFFR Board and information from the actuary regarding the impact the funding bills have on the projected funded ratios over the next 30 years. The savings from the change to unreduced retirement eligibility from Rule of 85 (Tier 1) and Rule of 90 (Tier 2) to minimum Age 60 and the Rule of 90 with a ten year carve out is about 0.53%. This also includes the disability and re-employed retiree changes. A \$75 million appropriation from the state's general fund only (no other changes) is about equal to a 1% contribution increase but still leaves the fund at a 0% funded level in 30 years.

Funding Improvement Study Bill #1 creates new definitions and the criteria for grandfathered and non-grandfathered Tier 1 and Tier 2 members; amends definitions for Tier 1 and Tier 2 members to clarify that the membership categories include both grandfathered and non-grandfathered members; increases the employer and employee contribution rates by 8%, shared equally 4% each, phased in over two biennium (7/1/2012 & 7/1/2014); requires all re-employed retirees to pay employee contributions on the salary earned from the school district beginning 7/1/12; raises retirement eligibility for non-grandfathered members to minimum age 60 and the Rule of 90; increases reduced retirement factor from 6% per year to 8% per year from the earlier of age 60/Rule of 90 or age 65; increases the vesting requirement from 1 year to 5 years and changes the benefit calculation to using actual service credit earned

instead of the 20 year minimum when calculating disability benefits; and gives TFFR the authority to spend an additional \$25,000 for implementing this bill.

The Board discussed modifications to the bill regarding not grandfathering Tier 2 members since most Tier 2 members will not be eligible for grandfathering and only a very small number of Tier 2 members will be impacted by the reduced retirement change.

MR. CORNEIL MOVED AND MR. TOSO SECONDED TO REMOVE TIER 2 FROM THE GRANDFATHERED GROUP.

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

NAYS: NONE

MOTION CARRIED.

DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO INCLUDE THE APPROPRIATION SECTION FOR IMPLEMENTATION OF THE BILL, WITH THE AMOUNT TO BE DETERMINED LATER.

After discussion, Dr. Latimer withdrew the motion and Mrs. Franz withdrew the second.

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO REMOVE THE \$25,000 APPROPRIATION FROM THE BILL.

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

NAYS: NONE.

MOTION CARRIED.

MR. CORNEIL MOVED AND MR. TOSO SECONDED TO APPROVE THE BILL WITH THE FOLLOWING AMENDMENTS: REMOVAL OF TIER 2 FROM THE GRANDFATHERED GROUP AND REMOVAL OF THE \$25,000 APPROPRIATION SECTION. IT WILL BE FILED WITH THE LEGISLATIVE EMPLOYEE BENEFITS PROGRAMS COMMITTEE (LEBPC) BY APRIL 1, 2010.

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

NAYS: NONE.

MOTION CARRIED.

Funding Improvement Study Bill #2 requests a \$75 million dollar appropriation from the General Fund to help reduce TFFR's unfunded actuarial accrued liability. There was discussion on whether the \$75 million should be a standalone bill or combined with Study Bill #1.

MR. CORNEIL MOVED AND TREASURER SCHMIDT SECONDED TO FILE A SECOND BILL WHICH WILL COMBINE A \$75 MILLION APPROPRIATION ON JUNE 30, 2012, WITH THE FIRST BILL APPROVED.

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

NAYS: NONE

MOTION CARRIED.

Study Bill #3 makes a number of technical and administrative changes to the TFFR program that clarifies the definition of beneficiary; modifies the definition of TFFR eligible and ineligible salary; updates beneficiary and death benefit provisions; and incorporates federal tax law changes. Study Bill #3 is not expected to have an actuarial impact on TFFR.

The meeting recessed at 3:05 p.m. and reconvened at 3:20 p.m.

DR. LATIMER MOVED AND MR. TOSO SECONDED TO SUBMIT ANOTHER BILL DRAFT WITH THE \$75 MILLION GENERAL FUND APPROPRIATION ONLY. AFTER DISCUSSION, DR. LATIMER WITHDREW HIS MOTION, AND MR. TOSO WITHDREW HIS SECOND.

The board discussed the main points of the bill being submitted: to maintain and improve funding for current and future members; ten year carve out to protect those closest to retirement; sustaining the fund for current and future generations and restoring it to health; retirement security for North Dakota educators by maintaining the current defined benefit plan; shared responsibility between employers, employees, and state; and changes phased in over time.

A special newsletter will be sent out in April to notify members of the proposed bills and the condition of the Fund. TFFR will hold statewide regional meetings in May or June to explain the TFFR funding challenge, legislative proposals, information on investments, and answer questions. A webcast presentation will be put on the TFFR website explaining the funding challenge. Another webcast will be done this summer explaining the proposed bill drafts. School boards have also requested TFFR representatives to attend board meetings. Consensus of the board was to utilize the information on the TFFR website at this time.

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO FILE THE TECHNICAL CHANGES STUDY BILL #3 WITH THE LEBPC BY APRIL 1, 2010.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL RETIREMENT TRENDS REPORT:

Mrs. Shelly Schumacher, Retirement Program Manager, presented the annual Retirement Trends report. Based on past experience, the report estimates the number of retirements expected over the next 20 years. This report is on file at the Retirement and Investment Office (RIO).

MR. CORNEIL MOVED AND DR. SANSTEAD SECONDED TO ACCEPT THE ANNUAL RETIREMENT TRENDS REPORT.

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

NAYS: NONE

MOTION CARRIED.

INVESTMENT UPDATE:

Mr. Cochrane reported that the State Investment Board (SIB) meeting to be held March 26, 2010, will be educational. The TFFR estimated net return from July 1, 2009, through March 25, 2010, is 21.2%.

ASSET LIABILITY MODELING STUDY UPDATE:

Mr. Cochrane gave an overview of Callan Associates' asset liability modeling process and the cost of doing an asset liability study. Callan Associates has worked with very large, complex, retirement systems and is qualified to conduct this study. An asset liability study is required every five years and is due to be done in 2010.

MR. CORNEIL MOVED AND TREASURER SCHMIDT SECONDED TO HIRE CALLAN ASSOCIATES TO DO AN ASSET LIABILITY STUDY THIS SUMMER AT THE COST OF \$48,500.

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

NAYS: NONE

MOTION CARRIED.

INVESTMENT CONFERENCE REPORT:

Mr. Toso reported on the Callan Investment Conference he recently attended in San Francisco, CA.

CONSENT AGENDA:

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

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

NAYS: NONE

MOTION CARRIED.

OTHER BUSINESS:

The next board meeting will be held Thursday, May 20, 2010, at 1:00 p.m., at the State Capitol, Peace Garden Room, Bismarck, ND. The meetings scheduled for April 22, 2010, and June 24, 2010, will be cancelled.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:45 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary