

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MAY 20, 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: Connie Flanagan, Fiscal & Investment Officer
LeRoy Gilbertson, Interim Executive Director/CIO
Fay Kopp, Deputy Executive Director
Darlene Roppel, Retirement Assistant
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Greg Burns, NDEA
Dakota Draper, NDEA
Paul Erlendson, Callan Associates, Inc.
Jay Kloepfer, Callan Associates, Inc.
Gloria Lokken, 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, May 20, 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.

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

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 25, 2010, board meeting.

TREASURER SCHMIDT MOVED AND DR. LATIMER SECONDED TO APPROVE THE MINUTES OF THE MARCH 25, 2010, BOARD MEETING AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

SIB UPDATE:

President Gessner reported Lt. Governor Dalrymple, Chairman of the North Dakota State Investment Board (SIB), formed an Executive Committee which is representative of the clients of SIB. The role of the committee is to be available if immediate action is required between scheduled SIB meetings and to find an interim Executive Director - Chief Investment Officer. Treasurer Schmidt introduced Mr. LeRoy "Gil" Gilbertson, who began work May 10, 2010, as interim director. He retired as executive director of the Arizona Pension Fund. He will be here until a permanent executive director is hired.

Treasurer Schmidt and Mr. Toso reported on the activities of the SIB Search committee. A Request for Proposal (RFP) has been issued for executive recruitment services for filling the position of Executive Director/Chief Investment Officer (CIO). The goal is to have the new executive director in place by fall.

President Gessner reported on activities of the SIB Audit Committee. An RFP was issued for an external auditing firm to conduct a special purpose audit of the Retirement and Investment Office (RIO). The first RFP was rescinded, and a performance audit RFP will be issued which will include State Auditor's Office recommended changes. The goal is to receive the audit report at the July SIB meeting.

Mrs. Fay Kopp, Deputy Executive Director, shared a letter received from a retiree related to asset allocation.

Estimated year to date performance for TFFR from July 1, 2009, through May 19, 2010, is about 16.94% gross.

LEGISLATIVE UPDATE:

Mrs. Kopp provided copies of TFFR bills with assigned bill numbers, testimony presented at Employee Benefits Program Committee (EBPC), and

copies of three additional bills submitted to EBPC for study. Bill No. 2, introduced by Representative Wald, closes the existing TFFR defined benefit plan and creates a new defined contribution plan for new employees hired after August 1, 2011. Bill No. 39, introduced by Representative Drovdal, establishes a third tier for new hires that allows unreduced retirement at age 65 only, with reduced retirement at age 62. Bill No. 40, also introduced by Representative Drovdal, establishes a third tier for new hires that has a 1.88% multiplier. The bills have been sent to Gabriel, Roeder and Smith (GRS), TFFR's actuary, for technical and actuarial review.

Mrs. Kopp stated the regional meetings that were postponed in May will be re-scheduled for September to explain the legislative proposals. Presentations will also be given at member and employer interest group conventions in October. Mrs. Kopp and Mrs. Shelly Schumacher, Retirement Program Manager, will be presenting funding and legislative proposal information at the Pre-retirement Seminars held in July in Minot and Fargo. Mrs. Schumacher will also give a presentation at Invest ND in July in Bismarck.

The next EBPC meeting is scheduled for July 15. Public comment on any of the bills affecting the plans is scheduled for the September 21 EBPC meeting. The defined contribution actuarial analysis may also be available for presentation at that meeting. GRS will deliver the 2010 actuarial report and actuarial analysis of the bills at the October 26 EBPC meeting.

Mrs. Kopp reviewed the actuary's projected cost per biennium for the employer and employee contribution increases proposed in Study Bill No. 54.

All presentations, bills, summaries, and testimonies are available on the RIO website.

Mrs. Kopp updated the Board on the concerns raised at the Legislative Audit and Fiscal Review Committee meeting held on May 12, 2010.

2010-2011 BOARD MEETING SCHEDULE:

The draft of TFFR and SIB meeting schedules was reviewed. The Board agreed on October 25 for the October meeting. It was also suggested to combine the July and August TFFR meetings into one full day in early August. Mrs. Kopp will work on scheduling the meeting and notify board members as soon as possible.

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO ADOPT THE 2010-2011 TFFR MEETING SCHEDULE WITH CHANGES NOTED.

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

NAYS: NONE

MOTION CARRIED.

The meeting recessed at 2:32 p.m. and reconvened at 2:48 p.m.
Dr. Sanstead left the meeting.

ASSET LIABILITY STUDY:

The TFFR Board hired Callan Associates at the March 25, 2010, TFFR board meeting to conduct the 2010 Asset Liability Study which is required every five years. Mr. Paul Erlendson, Senior Vice President, Denver Consulting Office, and Mr. Jay Kloepfer, Executive Vice President, Capital Markets Research, presented an educational session to explain the principles of asset allocation; how Callan will conduct the study; discuss potential decision variables; and solicit the Board's preferences and priorities concerning the study. Asset allocation is a long-term, strategic process—not meant to be a reaction to short-term market fluctuations. The study will evaluate the impact of different interest rate and economic scenarios on TFFR's liabilities as well as on a variety of alternative asset allocation policies. Different investment policies can be compared to one another based on TFFR's priorities and objectives so that a prudent asset allocation policy can be selected that is consistent with TFFR's benefit and funding policies. Implementation of TFFR's investment policy is the responsibility of the SIB. Callan has received the necessary information from the actuary and is currently building the liability model. Callan will give a range of potential asset allocation options and help the TFFR board understand the implications of each one. The August meeting is the target date for the report.

TRUSTEE EDUCATION:

Mrs. Kopp informed the board of various educational conferences and workshops for public pension trustees: National Council on Teacher Retirement (NCTR) Trustee Workshop, NCTR Annual Convention, Callan Associates, and International Foundation of Employee Benefit Plans (IFEBP) conferences.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDED THREE DISABILITY APPLICATIONS.

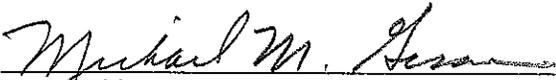
AYES: MRS. FRANZ, TREASURER SCHMIDT, MR. TOSO, DR. LATIMER, MR. CORNEIL, AND PRESIDENT GESSNER.

NAYS: NONE
MOTION CARRIED.
ABSENT: DR. SANSTEAD

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:25 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary

