

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
AUGUST 17, 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
Gary Vetter, Spvr of Information Technology

OTHERS PRESENT: Josh Askvig, NDEA
Greg Burns, NDEA
Erica Cermak, NDRTA
Paul Erlendson, Callan Associates, Inc.
Rep. Bette Grande
Jay Kloepfer, Callan Associates, Inc.
Rolland Larson, NDRTA
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 10:00 a.m. on Tuesday, August 17, 2010, at the State Capitol, Fort Totten 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.

President Gessner congratulated Mr. Bob Toso who was reappointed by Governor Hoeven to the TFFR Board for a five-year term effective July 1, 2010 - June 30, 2015.

APPROVAL OF AGENDA:

The Board considered the meeting agenda.

TREASURER SCHMIDT MOVED AND DR. LATIMER 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 May 20, 2010, board meeting.

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE MINUTES OF THE MAY 20, 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.

ELECTION OF 2010-11 OFFICERS:

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO KEEP THE SAME SLATE OF BOARD OFFICERS AND COMMITTEE MEMBERS FOR 2010-11 AS THE PREVIOUS YEAR.

President-Mr. Gessner; Vice President-Dr. Latimer; State Investment Board (SIB) representatives-Mr. Gessner, Mr. Toso, Mr. Corneil; SIB Audit Committee representative-Mr. Gessner; SIB alternate-Dr. Sanstead.

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

NAYS: NONE

MOTION CARRIED.

SIB UPDATE:

Mr. LeRoy Gilbertson, Interim Executive Director-Chief Investment Officer (ED-CIO), reported on the progress of the SIB in finding a permanent replacement. The executive search firm conducting the search, EFL Associates, has screened applications for the position and will be meeting with the SIB Search Committee in September to review and select candidates for interviews.

The independent audit firm, Clifton Gunderson, will present the performance audit report of the Retirement and Investment Office (RIO) at the next SIB meeting on August 27, 2010. Mr. Paul Erlendson, Senior Vice President, Denver Consulting Office, Callan Associates, will also present the results of the SIB investment fee analysis at that meeting.

ASSET LIABILITY STUDY:

Mr. Erlendson and Mr. Jay Kloepfer, Executive Vice President, Capital Markets Research, Callan Associates, presented the preliminary findings of the TFFR Asset Liability Study. Callan's initial findings include:

1. TFFR's asset allocation policy is like those of other large public pension funds.
2. While the current asset allocation policy is quite mainstream, the implementation of various asset classes is unusual in their use of investment strategies with risk profiles that are unlike the asset class benchmarks.
3. TFFR is presently severely underfunded. Investment results alone will not result in a meaningful improvement of TFFR's funded status.
4. Net cash flows are projected to rise which suggests that private market-illiquid-investments may need to be reduced through time so as not to impair the Fund's liquidity.
5. Asset liability model may need to be re-run to reflect potential legislative changes to either funding or benefits policies.

A copy of the "Asset-Liability Study: Preliminary Results" is on file at the Retirement and Investment Office (RIO).

Meeting recessed at 12:15 p.m. and reconvened at 1:00 p.m.

Mr. Gilbertson suggested that the TFFR and Public Employees Retirement System (PERS) Boards each appoint a subcommittee to review asset class descriptions. After board discussion,

DR. LATIMER MOVED AND DR. SANSTEAD SECONDED TO ESTABLISH AN INVESTMENT SUBCOMMITTEE CONSISTING OF MR. TOSO, MR. CORNEIL, TREASURER SCHMIDT AND PRESIDENT GESSNER.

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

NAYS: NONE

MOTION CARRIED.

LEGISLATIVE UPDATE:

Mrs. Fay Kopp, Deputy Executive Director, updated the board on legislative issues. The Legislative Employee Benefits Programs Committee (EBPC) met in July at which time Mr. Gilbertson gave a presentation on the investment program. The next EBPC meeting will be held September 21, 2010. At the September meeting, TFFR's actuary, Gabriel, Roeder and Smith, will present the technical comments on all TFFR related bills. There will also be an opportunity for public comment.

The second web presentation about the legislative proposals has been posted on the TFFR web site. The statewide informational meetings have been scheduled for September and have also been posted on the web. Other TFFR presentations have been made this summer at the ND Council of Educational Leaders (NDCEL), Pre-retirement seminars in Minot and Fargo, Invest ND, and Sheyenne Valley Special Ed. Upcoming presentations will be made this fall at the ND Retired Teacher Association (NDRTA), ND Education Association (NDEA), NDCEL, and ND School Board Association (NDSBA) annual conventions.

IRS DETERMINATION LETTER UPDATE:

Mrs. Kopp reported the request for an IRS determination letter for TFFR has been submitted. The IRS will now review the application which could take 6-12 months.

ANNUAL TFFR PROGRAM REVIEW:

President Gessner reviewed TFFR Board mission and goals. Mrs. Kopp commented on 2009-10 TFFR Board Accomplishments and TFFR Program Monitoring Summary. The Board reviewed TFFR program policies. The following policies will be brought back to a future board meeting for review and possible changes: B-5 "Investment Policy Statement", B-8 "Trust Fund Evaluation/Monitoring", C-2 "Actuarial Review", C-7 "Disclosure to Membership", and D-5 "Committees".

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO ACCEPT THE ANNUAL TFFR PROGRAM AND POLICIES REVIEW.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL CUSTOMER SATISFACTION REPORTS:

Mrs. Kopp reported on the annual TFFR Customer Satisfaction Surveys that were received from NDCEL, NDEA, NDRTA, and NDSBA. Mrs. Kopp also presented member and employer ratings and comments from benefits counseling sessions, pre-retirement seminars, business manager workshops, Retirement 101, and Invest North Dakota presentations. Overall the ratings were above average and excellent with very positive and encouraging remarks. These reports are on file at RIO.

MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL CUSTOMER SATISFACTION REPORTS.

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

NAYS: NONE

MOTION CARRIED.

President Gessner requested the Board's input for completion of the SIB annual Customer Satisfaction Survey. The Board rated the RIO staff and the services provided as excellent in all areas.

DR. LATIMER MOVED AND MR. TOSO SECONDED TO SUBMIT THE TFFR BOARD COMMENTS ON SIB'S ANNUAL CUSTOMER SATISFACTION SURVEY.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL TECHNOLOGY REPORT:

Mr. Gary Vetter, Supervisor of Information Technology, updated the Board on the technology accomplishments, status of online services for TFFR members and employers, and office software and hardware updates. A copy of the report is on file at RIO.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL TECHNOLOGY REPORT AND REQUESTED AN UPDATE IN SIX MONTHS ON THE MEMBER WEB SERVICES PROJECT.

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

NAYS: NONE

MOTION CARRIED.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDED TWO DISABILITY APPLICATIONS AND ONE QUALIFIED DOMESTIC RELATIONS ORDER (QDRO).

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

NAYS: NONE

MOTION CARRIED.

OTHER BUSINESS:

The National Council on Teacher Retirement (NCTR) National Convention will be held in San Antonio, Texas October 9-14, 2010. Dr. Latimer plans to attend.

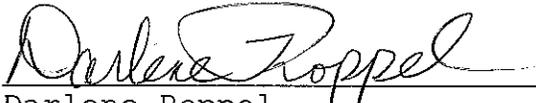
ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 2:50 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary