

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
SEPTEMBER 23, 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: 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
Erica Cermak, NDRTA
Levi Erdmann, NDPERS
Paul Erlendson, Callan Associates, Inc.
Doug Johnson, NDCEL
Jay Kloepfer, Callan Associates, Inc.
Bryan Reinhardt, NDPERS
Howard Sage, NDPERS
Mike Sandal, NDPERS
Tom Trenbeath, NDPERS

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, September 23, 2010, at the State Capitol, Fort Totten Room, Bismarck, ND. President Gessner recognized and welcomed the Public Employees Retirement System (PERS) investment subcommittee members.

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.

MR. TOSO MOVED AND DR. SANSTEAD 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 August 17, 2010, board meeting.

DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO APPROVE THE MINUTES OF THE AUGUST 17, 2010, BOARD MEETING AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

SIB/RIO UPDATE:

Mr. LeRoy Gilbertson, Interim Executive Director-Chief Investment Officer (ED-CIO), reported the Audit Committee has reviewed management's response to recommendations from the performance audit and will be making a report to the State Investment Board (SIB) September 24, 2010.

Mr. Gilbertson stated the annual financial audit of RIO has been completed. The final report will be available the middle of October.

Mr. Gilbertson also stated the Search Committee has met and reviewed fifteen applications for the ED-CIO position. This was narrowed down to six candidates who will be interviewed next week. Two or three will then be chosen for final interviews in October.

Mr. Gilbertson commented that he and Callan have been working on options for board discussion relating to asset class descriptions that would: (1) define where particular investment strategies would be placed in the overall asset allocation framework; (2) provide individual funds with the same flexibility they currently have in the establishment of their asset allocation models; (3) develop a broad asset allocation framework that encompasses the global markets; and (4) provide a broad asset allocation framework that will also give the SIB and CIO the flexibility to consider various investment strategies as new products are developed in the future.

Treasurer Schmidt arrived at the meeting.

ASSET LIABILITY STUDY:

Mr. Paul Erlendson, Senior Vice President, Callan Associates and Mr. Jay Kloepfer, Executive Vice President, Callan Associates, presented a report on "Asset-Liability Study: Implementation Considerations." They compared the current asset allocation framework with two other possible asset allocation frameworks. Version 1 includes expanded global alternatives; Version 2 includes explicit real asset category. The pros and cons of each were discussed, and additional information was requested

for further discussion by the Board. A copy of the report is on file at the Retirement and Investment Office (RIO).

The meeting recessed at 3:00 p.m. and reconvened at 3:15 p.m.

ANNUAL TFFR INVESTMENT REPORT:

Mr. Gilbertson presented the annual TFFR investment report. Mr. Gilbertson reported the net investment return for fiscal year ending June 30, 2010 was 13.87%. Over the last 30 years, TFFR's net investment performance has averaged 8.68%. Mr. Gilbertson also reviewed TFFR rankings over various time frames and illustrated how there has been value added over and above what would normally have been received with a more passive strategy. A copy of the report is on file at RIO.

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO ACCEPT THE ANNUAL TFFR INVESTMENT REVIEW.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL BUDGET AND EXPENSE REPORT:

Mrs. Connie Flanagan, Fiscal and Investment Officer, provided an overview of RIO's budget and expenses. A copy of the report is on file at RIO.

Mrs. Flanagan noted there is adequate budget remaining for the second year of the 2009-11 biennium. Expenses for the executive search firm will be paid out of the contingency line.

Mrs. Flanagan also gave a summary of the 2011-2013 budget request. As a result of a recommendation from the performance audit to add a Deputy Chief Investment Officer position, an optional package request was included with the base budget request. After discussion,

MR. TOSO MOVED AND MRS. FRANZ SECONDED TO ACCEPT THE ANNUAL BUDGET AND EXPENSE REPORT.

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

NAYS: NONE

MOTION CARRIED.

LEGISLATIVE UPDATE:

Mrs. Fay Kopp, Deputy Executive Director, reported on the statewide informational meetings which were held in September. About 285 members attended. She reviewed the questions and concerns voiced at the meetings.

Upcoming TFFR presentations include PERS Wellness Conference, ND Council of Educational Leaders (NDCEL), ND Education Association (NDEA), and ND School Board Association (NDSBA) annual conventions.

Mrs. Kopp reported the Legislative Employee Benefits Programs Committee (LEBPC) met September 21, 2010. TFFR's actuary, Mr. Chris Conradi of Gabriel, Roeder Smith & Company (GRS) presented technical comments on the TFFR related bills. NDEA, NDCEL, and NDSBA gave testimony in support of the bills submitted by TFFR.

TFFR's actuary also presented the analysis of Bill 2 which would close the current defined benefit plan and open a defined contribution plan for new employees. Strong opposition to this bill was voiced by the interest groups.

Mrs. Kopp outlined the provisions of a new bill submitted for interim study. Bill No. 217 would require an administrator who was previously employed as a teacher to complete eight years of service as an administrator before the salaries can be used to calculate retirement benefits.

Mrs. Kopp reviewed the technical comments and issues discussed at the LEBPC meeting.

GRS will present the 2010 TFFR Valuation Report and actuarial cost analysis of the study bills at the next TFFR meeting on October 25, 2010 and LEBPC meeting on October 26, 2010.

Dr. Sanstead left the meeting at 4:45 p.m.

POLICY CHANGES:

The Board reviewed proposed changes to TFFR program policies: combine B-8 "Trust Fund Evaluation/Monitoring" and C-2 "Actuarial Review"; rescind C-2; amend C-7 "Disclosure to Membership"; amend D-5 "Committees", and update Exhibit B-1. Policy B-5 "Investment Policy Statement" will be updated when the Asset Liability Study is completed.

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO APPROVE THE AMENDMENTS TO POLICIES B-8, C-2, C-7, D-5 AND EXHIBIT B-1, AND RESCIND C-2 AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

CONSENT AGENDA:

MRS. FRANZ MOVED AND DR. LATIMER SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES TWO DISABILITY APPLICATIONS.

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

NAYS: NONE

MOTION CARRIED.

OTHER BUSINESS:

Board members were invited to assist at the TFFR booth at the NDEA and NDCEL conventions.

The next TFFR board meeting will be held Monday, October 25, 2010.

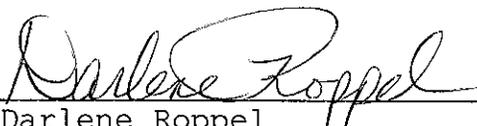
ADJOURNMENT:

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