

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
FEBRUARY 24, 2011, BOARD MEETING**

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

**BOARD MEMBERS ABSENT:** Clarence Corneil, Trustee  
Lowell Latimer, Vice President

**STAFF PRESENT:** John Geissinger, Executive Director/CIO  
Fay Kopp, Deputy Executive Director  
Darlene Roppel, Retirement Assistant  
Shelly Schumacher, Retirement Program Manager

**OTHERS PRESENT:** Erica Cermak, NDRTA  
Gloria Lokken, NDEA  
Janilyn Murtha, Attorney General's Office  
Matthew Sagsveen, Attorney General's Office

**TELECONFERENCE:** Chris Conradi, Gabriel, Roeder, Smith & Co.

**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, February 24, 2011, in the Conference room at the Workforce Safety & Insurance Office (WSI), 1600 E Century Ave, Bismarck, ND.

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

**APPROVAL OF AGENDA:**

The Board considered the meeting agenda.

**MRS. FRANZ MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE AGENDA AS PRESENTED.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**MINUTES:**

The Board considered the minutes of the January 18 and January 27, 2011, board meetings. A corrected copy of the minutes for the January 27, 2011,

meeting was given to the board members, replacing the one sent out in the board packet.

**MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE MINUTES OF THE JANUARY 18 AND JANUARY 27, 2011, BOARD MEETINGS AS PRESENTED (WITH CORRECTION).**

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

**NAYS: NONE**

**MOTION CARRIED.**

**LEGAL ASSISTANCE UPDATE:**

Mr. Matt Sagsveen, Assistant Attorney General, introduced Mrs. Janilyn Murtha, Assistant Attorney General, who will represent TFFR, State Investment Board (SIB), Department of Financial Institutions, and Public Employees Retirement System (PERS). Mrs. Murtha began employment February 22, 2011. President Gessner welcomed Mrs. Murtha to her new position.

Treasurer Schmidt arrived at 1:05 p.m.

**LEGISLATIVE UPDATE:**

Mrs. Fay Kopp, Deputy Executive Director, presented the TFFR legislative update as of February 24, 2011.

Mr. Chris Conradi, Gabriel, Roeder, Smith & Company (GRS), joined the meeting by teleconference to review the GRS letter dated February 14, 2011, which compared the analysis of HB 1134 alone, HB 1258 alone, and HB 1134 and HB 1258 combined. A copy of this letter is on file. The Board discussed the potential actuarial impact on TFFR under various scenarios. HB 1258 failed in the House by a vote of 38-56.

Mr. Sagsveen commented on the boards' fiduciary responsibilities and fulfilling obligations set forth by state law. The board should make all actuarial reports available to the legislature and appropriate committees. The board should also ensure the legislature and committees are educated on the ramifications of the bills. It is also the boards' responsibility to propose legislation to ensure a sustainable retirement system. He indicated that these practices are being followed by board and staff.

HB 1133 (technical changes) was approved by the House.

HB 1134 was approved by the House with an amendment that requires that the new employee contribution increases must be paid by the employee and cannot be negotiated to be paid by the employer. The amendment does not have any actuarial implications, but there could be some tax related issues. It was forwarded to Carol Calhoun, Calhoun Law Group, Washington, DC, who provides outside tax counsel to TFFR. In her letter dated February 28, 2011, she suggested an amendment which would still exclude the new employee contributions from being paid by the employer.

However, it would permit tax deferral of the new employee contributions under the salary reduction model. After discussion by the Board of the tax implications of the House amendment and advice by outside tax counsel,

**TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO PROPOSE THE AMENDMENT TO HB 1134 AS SUGGESTED BY CAROL CALHOUN.**

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

**NAYS: NONE**

**MOTION CARRIED.**

The Board also reviewed the actuarial implications if contribution increases in the second biennium are not approved under HB 1134.

HB 1398 relates to the calculation of final average salary for administrators who were previously teachers and then work as administrators for less than eight years. The House Government and Veterans Affairs (GVA) Committee amended the bill to remove the eight years of service requirement, and replaced it with five year final average salary calculation. It failed in the House by a vote of 42-51.

SB 2022 includes the budget authority and continuing appropriations for the Retirement and Investment Office (RIO) administrative expenses. The Senate passed the bill by a vote of 47-0.

SB 2302 was amended to include two senators and two representatives (nonvoting members), the governor, state treasurer, and insurance commissioner on a special SIB created to manage the legacy fund and budget stabilization fund. The Senate passed the amended bill by a vote of 29-17.

SB 2312, which required SIB to establish investment policy and asset allocation for the legacy fund and invest at least 15% in ND projects and investments, failed in the Senate.

SB 2344 was amended to remove the land commissioner, one TFFR representative, and one PERS representative from the SIB. They would be replaced by three members selected by the Governor of which one must be a member of the ND Bankers Association, and two must hold either series 7 or series 65 registrations from the financial services industry. The Senate passed the bill by a vote of 31-16. The board expressed concerns relating to reduction in pension trustee representation on the SIB, potential conflict of interest issues, and potential lack of accountability to TFFR members by industry representatives. The Board agreed to assume a neutral position at this time and monitor the bill as it moves through the legislative process.

**SIB UPDATE:**

Mr. John Geissinger, Executive Director/CIO, reported fiscal year performance from July 1, 2010, to December 31, 2010, was 17.5%. Fiscal year to January 30, 2011, is estimated at about 20%. Mr. Geissinger gave an overview of the last SIB meeting.

Mr. Geissinger left the meeting at 2:50 p.m.

**WEB SERVICES UPDATE:**

Mrs. Shelly Schumacher, Retirement Program Manager, gave an update on the progress of the member online services project as requested at the August 2010 board meeting. The project is about 70% complete. A demonstration of the employer and employee online services will be brought to a future TFFR board meeting. The plan is to begin rolling out the member online service by the end of 2011.

**CONSENT AGENDA:**

**MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDED ONE QUALIFIED DOMESTIC RELATIONS ORDER (QDRO) #2011-2Q AND ONE DISABILITY APPLICATION #2011-3D.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**OTHER BUSINESS:**

President Gessner stated special board meetings may be called if there are legislative issues that need to be discussed and acted on by the board.

The next regular meeting will be held Thursday, March 17, 2011, at WSI. The SIB meeting will be held Friday, March 18, 2011.

**ADJOURNMENT:**

With no further business to come before the Board, President Gessner adjourned the meeting at 3:10 p.m.

Respectfully Submitted:

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

  
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Darlene Roppel  
Reporting Secretary