

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
SEPTEMBER 27, 2012, 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  
Fay Kopp, Interim Executive Director  
Darlene Roppel, Retirement Assistant  
Darren Schulz, Interim CIO  
Shelly Schumacher, Retirement Program Manager

**OTHERS PRESENT:** Greg Burns, NDEA  
Erica Cermak, NDRTA  
Edward Erickson, Attorney General's Office  
Doug Johnson, NDCEL  
Janilyn Murtha, Attorney General's Office

**CALL TO ORDER:**

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the board meeting to order at 12:30 p.m. on Thursday, September 27, 2012, 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. LATIMER SECONDED TO APPROVE THE AGENDA AS PRESENTED.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**MINUTES:**

The Board considered the minutes of the regular board meeting held July 18, 2012.

MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE MINUTES OF THE REGULAR TFFR BOARD MEETING HELD JULY 18, 2012, AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

**EXECUTIVE SESSION:**

Ms. Jan Murtha, Attorney General's office (AGO), introduced Mr. Edward Erickson, also from the AGO, and outlined the general structure of the appeal and explained the individual roles of legal counsel.

President Gessner advised the Board that it would go into Executive Session to discuss Member Appeal 2012-2A due to the confidentiality of the retirement records being discussed under NDCC 15-39.1-30. The legal authority under which the Board is moving into Executive Session is NDCC 44-04-19.2. The topic to be discussed in the Executive Session is a benefit appeal. President Gessner reminded board members to limit their discussion during the executive session to the announced topic.

**EXECUTIVE SESSION - CONFIDENTIAL MEMBER INFORMATION**

Executive session attendees included: Mr. Corneil, Mrs. Franz, President Gessner, Dr. Latimer, Dr. Sanstead, Treasurer Schmidt, Mr. Toso, Ms. Murtha, Mr. Erickson, Mrs. Kopp, Mrs. Schumacher, Mrs. Roppel, and deceased member's spouse.

The executive session began at 12:35 p.m. and ended at 1:59 p.m.

**OPEN SESSION**

MR. TOSO MOVED AND MR. CORNEIL SECONDED TO DENY APPEAL # 2012-2A.

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

NAYS: NONE

MOTION CARRIED.

The Board directed staff to provide the deceased member's spouse written notification explaining the reasons for the denial.

The meeting recessed at 2:00 p.m. and reconvened at 2:10 p.m.

**ANNUAL INVESTMENT REVIEW:**

Mr. Darren Schulz, Interim Chief Investment Officer (CIO), presented the annual review of the investment performance for TFFR. Mr. Schulz provided information on fiscal year highlights, investment climate, asset class historical returns, TFFR investment performance and attribution, TFFR asset allocation, and fiscal year activity.

TFFR's actual net return for fiscal year ending June 30, 2012 was -0.96%.

Investment activities during the fiscal year included:

1. New target allocation and asset allocation framework adopted by TFFR.
2. Fixed income allocation restructured to deliver enhanced risk-adjusted returns via reduced credit exposure.
3. Global equity mandate structure is currently being reviewed and a phased restructuring is pending.
4. Seeking to reduce investment management fees, emphasize current income, adopt a more global perspective with less emphasis on "style boxes", and dampen the sensitivity to equity market volatility.

A copy of the report is on file at the Retirement and Investment Office (RIO).

**DR. SANSTEAD MOVED AND MR. TOSO SECONDED TO APPROVE THE ANNUAL INVESTMENT PERFORMANCE REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ANNUAL RIO BUDGET AND EXPENSE REPORT:**

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

Mrs. Flanagan reported more than 50% of the budget remains after the first half of the biennium. Mrs. Flanagan also gave a summary of the investment and administrative expenses. After discussion,

**DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL BUDGET AND EXPENSE REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**LEGISLATIVE UPDATE:**

Mrs. Kopp, Interim Executive Director and Chief Retirement Officer, reported on the interim Legislative Employee Benefits Programs Committee (EBPC) meeting which was held September 25, 2012. The draft technical comments on the bills were reviewed at the meeting. The next meeting will be held October 30, 2012, at which time all of the

technical comments will be finalized. The 2012 Valuation report will also be presented by the actuary, Segal Company.

Mrs. Kopp reviewed the draft technical comments on bill 99 which was submitted by the TFFR Board. Upon Segal's recommendation, Mrs. Kopp requested the board approve an amendment to bill 99 which would incorporate Internal Revenue Code language to clarify that increases in maximum benefit limits under section 415 would apply to former employees as well as current employees.

**TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE PROPOSED AMENDMENT TO BILL NO. 13.0099.02000.**

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

**NAYS: NONE**

**MOTION CARRIED.**

Mrs. Kopp reviewed the draft technical comments on bill 43, which was introduced by Representative Louser. The bill would modify the expiration of the increase in required contributions for both employers and members of TFFR until the fund reaches 100% funded ratio, not 90% as provided in current law. After discussion,

**DR. LATIMER MOVED AND DR. SANSTEAD SECONDED TO SUPPORT THE BILL.**

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

**NAYS: MR. TOSO**

**MOTION CARRIED.**

**STRUCTURE OF RETIREMENT AND INVESTMENT OFFICE:**

President Gessner opened discussion on the structure of the Retirement and Investment office. The State Investment Board (SIB) is requesting input on the organizational structure of RIO. Mrs. Kopp reviewed the North Dakota Century Code (NDCC) statutes that govern the RIO, TFFR and SIB. The Board discussed the interim agency organizational structure, Executive Director/CIO position, board governance, and potential future changes in the TFFR and SIB programs.

After a lengthy discussion, **MR. TOSO MOVED** and **TREASURER SCHMIDT SECONDED** the following substitute motion:

**TFFR SUPPORTS DISCUSSION RELATING TO THE POSITION OF EXECUTIVE DIRECTOR-CIO IN ITS CURRENT INTERIM FORM.**

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

**NAYS: NONE**

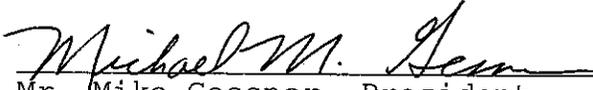
**MOTION CARRIED.**

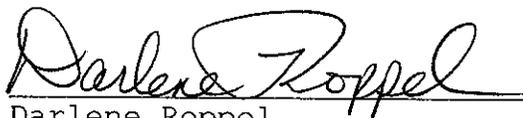
**ADJOURNMENT:**

The next regular TFFR board meeting is scheduled for October 25, 2012.

With no further business to come before the Board, President Gessner adjourned the meeting at 4:20 p.m.

Respectfully Submitted:

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

  
\_\_\_\_\_  
Darlene Roppel  
Reporting Secretary