

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
JANUARY 24, 2013, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Mike Gessner, President  
Kirsten Baesler, State Superintendent  
Clarence Corneil, Trustee (teleconference)  
Kim Franz, Trustee  
Lowell Latimer, Vice President  
Kelly Schmidt, State Treasurer  
Bob Toso, Trustee

**STAFF PRESENT:** Fay Kopp, Interim Executive Director  
Darlene Roppel, Retirement Assistant  
Darren Schulz, Interim CIO  
Shelly Schumacher, Retirement Program Manager

**OTHERS PRESENT:** Rolland Larson, NDRTA  
Janilyn Murtha, Attorney General's Office  
Kim Nicholl, Segal Company (teleconference)  
Matt Strom, Segal Company (teleconference)  
Armand Tiberio, NDEA

**CALL TO ORDER:**

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the board meeting to order at 1:00 p.m. on Thursday, January 24, 2013, at the Workforce Safety & Insurance Office (WSI), 1600 E Century Avenue, Bismarck, ND. Mr. Gessner welcomed State Superintendent Kirsten Baesler to her first TFFR meeting.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: PRESIDENT GESSNER, SUPT. BAESLER, MR. CORNEIL (TELECONFERENCE), MRS. FRANZ, DR. LATIMER, TREASURER SCHMIDT, AND MR. TOSO.**

**APPROVAL OF AGENDA:**

The Board considered the revised meeting agenda. The agenda includes the same items, but the order of business has been changed.

**TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE REVISED AGENDA AS PRESENTED.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: MR. CORNEIL**

**MINUTES:**

The Board considered the minutes of the regular board meeting held October 25, 2012.

**DR. LATIMER MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE MINUTES OF THE REGULAR TFFR BOARD MEETING HELD OCTOBER 25, 2012, AS PRESENTED.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: MR. CORNEIL**

Mr. Corneil joined the meeting by teleconference.

**TFFR FUNDING POLICY:**

Ms. Kim Nicholl and Mr. Matt Strom, Segal Company, joined the meeting by teleconference, to provide more information on the different funding policy components and how they relate to the new Governmental Accounting Standards Board (GASB) requirements. This is a follow up to funding policy discussions in July and October 2012.

Segal recommends that TFFR adopt a funding policy since new GASB standards eliminate the annual required contribution (ARC). There are three funding policy components:

Actuarial cost method allocates present value of member's future benefits to years of service. Segal recommends continued use of entry age normal, using the Traditional Normal Cost method which is based on each member's tier of benefits and required by GASB.

Asset smoothing method manages short term market volatility while tracking the market value of assets (MVA). Segal recommends continued use of the 5 year smoothing method and adding an 80%-120% corridor.

Amortization method sets contributions to systematically pay off the unfunded actuarial accrued liability (UAAL). Segal recommends keeping the level percentage of payroll amortization because contributions are collected as a percentage of payroll. They also recommend either a 30-year closed or a 20-year rolling amortization period.

The presentation is on file at the Retirement and Investment Office (RIO).

After board questions and discussion,

**MR. CORNEIL MOVED AND MR. TOSO SECONDED TO HAVE STAFF AND SEGAL DEVELOP A NEW FUNDING POLICY INCORPORATING SEGAL'S RECOMMENDATIONS: ENTRY AGE NORMAL COST METHOD BASED ON TRADITIONAL METHOD, ACTUARIAL ASSETS BASED ON 5-YEAR SMOOTHING WITH AN 80%/120% CORRIDOR, AND AMORTIZATION PERIOD**

OF 30-YEAR CLOSED WITH FLEXIBILITY TO MANAGE THE VOLATILITY AT 10-YEAR PERIOD OR AS DEEMED APPROPRIATE.

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

**NAYS: NONE**

**MOTION CARRIED.**

**BOARD EDUCATION: RETIREE RE-EMPLOYMENT PROVISIONS:**

Mrs. Shelly Schumacher, Retirement Program Manager, reviewed information in the "Working After Retirement" pamphlet as it relates to retirees who return to covered employment.

Mrs. Schumacher also gave a summary of the retiree re-employment statistics for 2011-12. To date, 252 retirees have been reported back to work in 2012-13, with a total of 300 or more expected by the end of the year.

The Board discussed current retiree re-employment provisions and statistics.

**LEGISLATIVE UPDATE:**

Mrs. Fay Kopp, Interim Executive Director, gave an update on 2013 legislative issues.

HB 1203 would remove the requirement for TFFR member contributions to be paid on salary earned by re-employed retirees. According to the actuary, this is expected to have a negative effect, reducing contributions into the plan by about \$780,000 in 2013-14, and up to \$1,000,000+ in future years. Mrs. Kopp asked the board for direction on this bill. After discussion,

**DR. LATIMER MOVED AND MRS. FRANZ SECONDED THAT TFFR IS IN OPPOSITION TO HB 1203.**

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

**NAYS: NONE**

**MOTION CARRIED.**

Supt. Baesler left the meeting at 3:15 p.m.

The board recessed at 3:15 p.m. and reconvened at 3:25 p.m.

Mrs. Kopp shared a letter from a retiree with questions about the 2% multiplier, and her response to the retiree.

Mrs. Kopp continued reviewing the 2013 Legislative Update, which is sent out every Friday during the legislative session.

SB 2061 - TFFR Administrative Changes - support.  
SB 2150 - Board member compensation - neutral.  
HB 1022 - RIO Budget - support.  
HB 1203 - Discontinue member contributions on re-employed retirees  
- oppose.  
HB 1230 - Reduce contributions at 100% funding - support.  
HB 1304 - Divestiture of state investment funds - board directive  
requested.  
HCR 3003- Public Employee's Retirement Stabilization Fund -  
monitor.

**INVESTMENT POLICY STATEMENT-SOCIAL INVESTMENTS:**

Mr. Darren Schulz, Interim CIO, reviewed the meaning of "social investing". It is defined in the TFFR Investment Policy Statement as "the investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries." Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

HB 1304 would require the SIB to identify, monitor, and restrict or divest from investments in companies that have scrutinized business operations subject or liable to sanctions under the Iran Sanctions Act of 1996. There would be an administrative burden and large cost that would impact TFFR as well as all the other SIB clients.

After board discussion of fiduciary, cost, and SIB implementation issues,

**MR. TOSO MOVED AND MRS. FRANZ SECONDED TO GO ON RECORD THAT TFFR IS OPPOSED TO HB 1304.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: SUPT. BAESLER**

**SIB UPDATE:**

Mr. Schulz reported the estimated total investment return fiscal year to January 22, 2013, is 9.28%. Mr. Schulz reviewed the agenda for the SIB meeting to be held January 25, 2013. Mr. Schulz also commented on a report of Asset Allocation Definitions for various asset classes included in the board mailing.

**ANNUAL PENSION PLAN COMPARISONS REPORT:**

Mrs. Kopp presented a comparison of TFFR to the 2011 Public Fund Survey conducted by National Council on Teacher Retirement (NCTR) and National

Association of State Retirement Administrators (NASRA). The survey provides information on key characteristics of most of the nation's largest public retirement systems. It does not include the recent legislative changes made to TFFR benefits and contributions.

The survey and report are on file at RIO.

**MR. TOSO MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE ANNUAL PENSION PLAN COMPARISON REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: SUPT. BAESLER**

**ANNUAL RETIREMENT TRENDS REPORT:**

Mrs. Schumacher presented the annual TFFR Retirement Trends Report. Of the 10,269 active TFFR members, 1,360 members (13%) are currently eligible to retire. This report is on file at RIO.

**DR. LATIMER MOVED AND MR. TOSO SECONDED TO APPROVE THE ANNUAL TFFR RETIREMENT TRENDS REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: SUPT. BAESLER**

**2012 CAFR AND PPCC AWARD:**

Mrs. Kopp referred the board to the 2012 Comprehensive Annual Financial Report (CAFR) which was included in the board mailing and is also available on the TFFR website. Mrs. Kopp reported that the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for the fourteenth consecutive year for its comprehensive annual financial report for the fiscal year ended June 30, 2012. TFFR also received the 2012 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council (PPCC), which has been received since 1992.

President Gessner expressed the board's appreciation for a job well done by the RIO-TFFR staff.

**MEMBER ANNUAL STATEMENTS:**

Mrs. Kopp provided information to the board as it relates to TFFR Policy C-5, Disclosure to Membership. Due to extenuating circumstances, exceptions to the policy were explained.

Annual statements are sent to all active TFFR members in August of every year. The statements include benefit estimates, but as a result of legislation passed in 2011, estimates will not be included in the 2011, 2012, and 2013 annual statements. Programming of the computer system has not been completed to reflect benefit eligibility for grandfathered and nongrandfathered members. Any member can contact the office for individual benefit estimates.

The retiree annual statement is typically mailed in late December and includes calendar year-to-date benefit totals as well as changes to monthly benefits due to new federal and state tax withholding tables each year. Due to delays by Congress in passing the "fiscal cliff" bill, new 2013 federal tax rates were not published until January 3, 2013, therefore the new tables will be put into effect with the February 1 retiree benefit payments. Consequently, annual statements were delayed until the end of January so the statements would reflect the tax changes.

**SIB SEARCH COMMITTEE UPDATE:**

Treasurer Schmidt and Mr. Toso updated the board on the progress in hiring the SIB Executive Director/Chief Investment Officer. The SIB Search Committee is being assisted by staff from the State Human Resource Management Division in advertising this position. There have been many applications, with the application closing date of January 31, 2013. Plans are to review applications in February, and conduct interviews in March.

Mr. Corneil left the meeting at 4:55 p.m.

**CONSENT AGENDA:**

**MR. TOSO MOVED AND DR. LATIMER SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES THREE DISABILITY APPLICATIONS - 2013-1D, 2013-2D, AND 2013-3D.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: SUPT. BAESLER AND MR. CORNEIL**

**OTHER BUSINESS:**

Mrs. Kopp reminded the board that 2013 is TFFR's 100<sup>th</sup> anniversary. Plans to commemorate this milestone will be discussed at a future meeting.

The next board meeting is scheduled for February 21. If there is no legislative business to be discussed, Mrs. Kopp will confer with the board president on cancelling that meeting.

Mr. Corneil will not be able to attend the TFFR and SIB meetings in February. The Board selected Mrs. Franz to attend the February 22, 2013, SIB meeting as the TFFR alternate.

Dr. Latimer announced that his term in office ends June 30, 2013, and he will not be accepting another term.

**ADJOURNMENT:**

With no further business to come before the Board, President Gessner adjourned the meeting at 5:09 p.m.

Respectfully Submitted:



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



Darlene Roppel  
Reporting Secretary