

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 21, 2013, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Kirsten Baesler, State Superintendent
Clarence Corneil, Trustee
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)

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, March 21, 2013, at the Workforce Safety & Insurance Office (WSI), 1600 E Century Avenue, Bismarck, ND.

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

APPROVAL OF AGENDA:

The Board considered the meeting agenda. President Gessner requested discussion of the Deputy Executive Director's position be added to Agenda Item 7.

**MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE AGENDA WITH
THE ADDITION.**

**AYES: MR. CORNEIL, TREASURER SCHMIDT, SUPT. BAESLER, 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 January 24, 2013.

DR. LATIMER MOVED AND MR. CORNEIL SECONDED TO APPROVE THE MINUTES OF THE REGULAR TFFR BOARD MEETING HELD JANUARY 24, 2013, AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

TFFR FUNDING POLICY:

Ms. Kim Nicholl and Mr. Matt Strom, Segal Company, joined the meeting by teleconference, to review the Statement of Actuarial Funding Policy drafted by Segal Company and staff. This statement incorporates Segal's recommendations approved at the January 2013, TFFR board meeting: 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 as deemed appropriate. This funding policy complies with the Government Finance Officers Association (GFOA) best practices for development of funding policies.

After discussion,

MR. CORNEIL MOVED AND MR. TOSO SECONDED TO APPROVE THE FUNDING POLICY TO BE EFFECTIVE FOR THE JULY 1, 2013, ACTUARIAL VALUATION.

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

NAYS: NONE

MOTION CARRIED.

ACTUARIAL CONTRACT:

Mrs. Fay Kopp, Interim Executive Director, reviewed a proposal dated March 5, 2013, from Segal Company to extend their actuarial consulting contract with TFFR for the two year period from July 1, 2013 - June 30, 2015. Mrs. Kopp distributed a graph showing actuarial consulting fees paid from 2003 - 2012. She explained that actuarial costs are largely impacted by legislative proposals, special studies, compliance issues, and board initiatives.

After board questions and discussion,

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO EXTEND THE CONTRACT WITH SEGAL COMPANY FOR THE 2013-2015 YEARS.

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

NAYS: NONE

MOTION CARRIED.

LEGISLATIVE UPDATE:

Mrs. Kopp gave an update on 2013 legislative issues.

HB 1022, the Retirement and Investment Office (RIO) budget, had a hearing on March 14, 2013, in the Senate Appropriations Committee. No action has been taken.

HB 1230, which maintains TFFR member and employer contribution rates approved by the 2011 Legislature until the fund reaches 100% funded ratio rather than 90%, has been approved and sent to the Governor for signature.

HB 1304, divestiture of state investment funds, had a hearing earlier in March at which Mr. Darren Schulz, Interim CIO, Mrs. Kopp and Treasurer Schmidt, representing their individual organizations, each testified against the bill. No committee action has been taken at this time.

HCR 3003, state retirement stabilization fund, could affect TFFR in the future. If passed, it will be on the ballot in 2014. Mrs. Kopp will continue to monitor.

SB 2059, PERS funding recovery, is being monitored. It has been amended in the House to include an interim study of state retirement plans, which could include TFFR. The Committee has not taken any action.

SB 2061, TFFR administrative changes, was passed and signed by the Governor.

SIB UPDATE:

Mr. Schulz reported there have been many positive developments in the investment environment. The estimated total investment return fiscal year to March 20, 2013, is about 12% for TFFR.

Mr. Schulz reviewed the agenda for the SIB meeting to be held March 22, 2013. Mr. Schulz provided information on the Bank of North Dakota and watch list discussion.

SIB SEARCH COMMITTEE UPDATE:

Treasurer Schmidt and Mr. Toso updated the board on the progress in hiring the SIB Executive Director/Chief Investment Officer. Two hundred applications were received. The top 30 were reviewed by Treasurer Schmidt, Mr. Schulz, Mrs. Connie Flanagan, Fiscal and Investment Officer, and Mr. Mike Sandal, PERS board. The Search Committee decided that it was necessary to expand the search and enlist the services of an executive recruitment service. A Request for Proposal (RFP) has been issued.

Mr. Toso informed the Board he will be resigning from the Search Committee after the search firm is hired due to his retirement. President Gessner volunteered to replace him.

There was some board discussion on TFFR's role or possible future input in the evaluation and hiring of the Deputy Executive Director - Chief Retirement Officer position. This will be placed on the agenda of the May 16, 2013, meeting for further discussion and information to be provided by Mrs. Kopp.

The board recessed at 2:50 p.m. and reconvened at 3:00 p.m.

TFFR CENTENNIAL:

TFFR is 100 years old this year. There was discussion on ways of observing this occasion. Mrs. Kopp will discuss with the North Dakota Education Association (NDEA), North Dakota Council of Educational Leaders (NDCEL) and North Dakota Retired Teachers Association (NDRTA) and bring information back to the May 2013, meeting.

2013-14 BOARD MEETING SCHEDULE:

Mrs. Kopp reviewed the proposed 2013-14 TFFR-SIB meeting schedule. The Board agreed to schedule an April 24, 2014, meeting and no meeting in May 2014, unless it is necessary. Mrs. Kopp will bring the 2013-14 board calendar and education plan back to the May 2013, meeting for approval.

The next regular TFFR board meeting will be held May 16, 2013.

CONSENT AGENDA:

MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES TWO DISABILITY APPLICATIONS - 2013-4D AND 2013-5D.

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

NAYS: NONE

MOTION CARRIED.

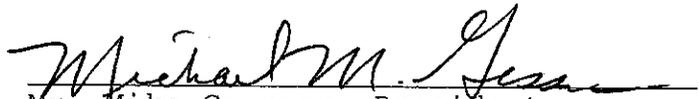
OTHER BUSINESS:

Mrs. Kopp referenced the presentation that was given at the North Dakota School Board Association (NDSBA) Negotiations Seminar by Mrs. Kopp and Mrs. Shelly Schumacher, Retirement Program Manager.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 3:35 p.m.

Respectfully Submitted:


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


Darlene Roppel
Reporting Secretary