NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JANUARY 23, 2014, BOARD MEETING

BOARD MEMBERS PRESENT:	Mike Gessner, President Clarence Corneil, Vice Chair (Teleconference) Kirsten Baesler, State Superintendent Kim Franz, Trustee Rob Lech, Trustee Mel Olson, Trustee Kelly Schmidt, State Treasurer
STAFF PRESENT:	David Hunter, ED/CIO Fay Kopp, Deputy ED/CRO Darlene Roppel, Retirement Assistant Shelly Schumacher, Retirement Program Manager Darren Schulz, Deputy CIO
OTHERS PRESENT:	Erica Cermak, NDRTA Janilyn Murtha, Attorney General's Office

CALL TO ORDER:

Mr. Clarence Corneil, Vice Chairman of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the board meeting to order at 1:20 p.m. on Thursday, January 23, 2014, at the State Capitol, Peace Garden Room, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. CORNEIL (TELECONFERENCE), MRS. FRANZ, MR. LECH, MR. OLSON, SUPT. BAESLER, AND TREASURER SCHMIDT.

Mr. Corneil called for a motion to appoint a temporary chairman in President Gessner's absence.

SUPT. BAESLER MOVED AND MRS. FRANZ SECONDED TO APPOINT MR. OLSON AS TEMPORARY CHAIRMAN UNTIL PRESIDENT GESSNER ARRIVES.

AYES: TREASURER SCHMIDT, MR. OLSON, MR. CORNEIL, MR. LECH, MRS. FRANZ, AND SUPT. BAESLER.
NAYS: NONE
MOTION CARRIED.

APPROVAL OF AGENDA AND MINUTES:

The Board considered the meeting agenda and the minutes of the October 24, 2013, board meeting.

MR. LECH MOVED AND SUPT. BAESLER SECONDED TO APPROVE THE AGENDA FOR THIS MEETING AND THE MINUTES OF THE REGULAR TFFR BOARD MEETING HELD OCTOBER 24, 2013, AS PRESENTED.

AYES: MR. CORNEIL, TREASURER SCHMIDT, SUPT. BAESLER, MRS. FRANZ, MR. OLSON, AND MR. LECH.
NAYS: NONE
MOTION CARRIED.

Mr. Gessner arrived at 1:30 p.m. Mr. Gessner presided over the remainder of the meeting.

BOARD EDUCATION - OPEN RECORDS/OPEN MEETINGS:

Ms. Jan Murtha, Attorney General's Office, presented information relating to state laws and Attorney General's Office (AGO) guidance on open records and open meetings. All public entities in the state of North Dakota are subject to open record and meeting laws.

Open meetings are a quorum of a governing body of a public entity discussing public business. Ms. Murtha summarized the basic rules regarding open meetings, exceptions, precautions, notice requirements, types of meetings, executive sessions, and minute's requirements.

Open records are all records in possession of a public entity regarding public business. Ms. Murtha described the basic rules relating to open records, exempt vs. confidential records, reasonable time period, basics of charging, electronic records, and violations. She also provided details on TFFR statutes and policies relating to confidentiality of TFFR member records.

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

Ms. Murtha also reviewed the December 12, 2013, Attorney General's opinion on the Defense of Marriage Act (DOMA) relating to same-sex marriages which would not be recognized in ND.

The board recessed at 3:00 p.m. and reconvened at 3:13 p.m.

ANNUAL PENSION PLAN COMPARISONS REPORT:

Mrs. Fay Kopp, Deputy Executive Director/Chief Retirement Officer, presented the annual Pension Plan Comparison report, comparing TFFR to the 2012 Public Fund Survey (PFS) conducted by the National Association of State Retirement Administrators (NASRA) and the National Council on Teacher Retirement (NCTR). It includes about 85% of the entire state and local government retirement system community. The survey provides information about funding levels, investments, membership changes, contribution rates, pension and retirement security, and actuarial assumptions. Mrs. Kopp stated once the 2008-09 investment losses have been factored into actuarial calculations (2013), and contribution

changes completely implemented (2014), TFFR's funding level is expected to improve.

The report and presentation are on file at RIO.

After discussion,

MRS. FRANZ MOVED AND MR. OLSON SECONDED TO APPROVE THE ANNUAL PENSION PLAN COMPARISONS REPORT.

AYES: TREASURER SCHMIDT, SUPT. BAESLER, MR. CORNEIL, MR. OLSON, MR. LECH, MRS. FRANZ, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

ANNUAL RETIREMENT TRENDS REPORT:

Mrs. Shelly Schumacher, Retirement Program Manager, presented the annual retirement trends and projections report. There are currently 1,262 active members eligible to retire. It is projected that 350-400 active members will retire each year for the next ten years. The report is on file at RIO.

After discussion,

MR. OLSON MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL RETIREMENT TRENDS REPORT.

AYES: MRS. FRANZ, MR. CORNEIL, TREASURER SCHMIDT, SUPT. BAESLER, MR. LECH, MR. OLSON, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

2015 LEGISLATIVE PLANNING:

Mrs. Kopp reviewed the timelines for planning for the 2015 legislative session. Proposed legislation must be finalized at the March board meeting as the deadline for submission to the Legislative Employee Benefits Programs Committee (LEBPC) is April 1, 2014. Based on 2013 actuarial funding projections from Segal, no additional contribution or benefit changes are needed for funding purposes at this time. Technical corrections and administrative changes to statutes will be needed for Internal Revenue Code (IRC) compliance purposes. A draft bill will be prepared with these changes and will be presented at the March 2014 TFFR board meeting for approval.

Board discussion followed regarding current plan design, funding and projections; defined contribution, hybrid and other alternative plan designs; retiree re-employment, salary spiking, etc. It was the consensus of the board to give the contribution and benefit changes approved in the 2011 legislative session time to take effect and improve TFFR's funding level.

Ms. Kopp updated the Board on the interim LEBPC and Government Finance Committee studies and meetings.

Ms. Kopp will continue to provide further education and legislative updates as deemed necessary.

SIB UPDATE:

Mr. Dave Hunter, Executive Director/Chief Investment Officer (ED/CIO) introduced himself to the board and expressed his appreciation for the opportunity to serve in this position. Mr. Hunter reviewed public pension plan peer group investment returns as of September 30, 2013. TFFR was in the first quartile for the 12 months ended September 30, 2013; top third in the last three years, and 28th percentile for the last 10 years, the time period which included the Great Recession. TFFR has averaged a 9.32% return over the past 30 years. Mr. Hunter also reviewed TFFR's asset allocation as of September 30, 2013. The estimated fiscal year to date (July 1, 2013-January 22, 2014) return is 10.36%.

RIO STAFFING UPDATE:

Mr. Hunter presented a staffing update. Mr. Hunter began as ED/CIO on December 2, 2013; Mr. Cody Schmidt joined RIO December 9, 2013, as Compliance Officer; Mrs. Connie Flanagan rejoined RIO as Fiscal and Investment Operations Manager January 21, 2014; and Mr. Rich Nagel has been promoted to Supervisor of Information Technology replacing Mr. Gary Vetter, who is retiring March 31, 2014. The Audit Supervisor position has been posted. The Investment Analyst position will be posted once an organizational review of investment and fiscal division duties are reviewed. A copy of the updated RIO organizational chart was also reviewed.

GASB IMPLEMENTATION PLAN:

Mrs. Kopp reported on actions being taken to implement the new pension reporting standards, Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68, in the state of North Dakota. The State Auditor's Office (SAO), Public Employees Retirement System (PERS) and TFFR are working with the plan's actuaries, auditors, and other interested parties to develop an implementation plan. The entities also plan to facilitate training for participating employers later this year.

IRS PLAN QUALIFICATION REVIEW:

Mrs. Kopp reviewed plans for the next Internal Revenue Service (IRS) plan qualification review. The TFFR plan will be submitted in Cycle E, during the February 1, 2015 - January 31, 2016 time frame. Prior to that time, a compliance review will be conducted by the plan's actuary to identify whether any other statutory changes need to be made.

2013 CAFR AND PPCC AWARD:

Mrs. Kopp reported the 2013 Comprehensive Annual Financial Report (CAFR) is available on the RIO website. The CAFR provides a detailed look at investment, financial, actuarial and statistical information about the TFFR and State Investment Board (SIB) programs. RIO has received the Certificate of Achievement for Excellence in Financial Reporting for 15 years. TFFR has also received the 2013 Public Pension Standards Award from the Public Pension Coordinating Council (PPCC). TFFR has received a PPCC award since 1992.

TRUSTEE EDUCATION:

Mrs. Kopp provided the board with dates and information on trustee education and conferences that are available in 2014.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES ONE DISABILITY APPLICATION - 2014-1D.

AYES: MR. OLSON, MR. LECH, MRS. FRANZ, MR. CORNEIL, TREASURER SCHMIDT, SUPT. BAESLER, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

OTHER BUSINESS:

The next board meeting will be held on March 27, 2014.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 5:03 p.m.

Respectfully Submitted:

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

Darlene Roppel
Reporting Secretary