

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
MARCH 27, 2014, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Mike Gessner, President  
Clarence Corneil, Vice Chair  
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  
Darren Schulz, Deputy CIO  
Shelly Schumacher, Retirement Program Manager  
Tami Volkert, Employer Services Coordinator

**OTHERS PRESENT:** Janilyn Murtha, Attorney General's Office  
Stuart Savelkoul, ND United

**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 27, 2014, at the State Capitol, Peace Garden Room, Bismarck, ND.

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

**APPROVAL OF AGENDA:**

The Board considered the meeting agenda.

**TREASURER SCHMIDT MOVED AND SUPT. BAESLER SECONDED TO APPROVE THE AGENDA AS PRESENTED.**

**AYES: MR. CORNEIL, TREASURER SCHMIDT, SUPT. BAESLER, PRESIDENT GESSNER, MRS. FRANZ, MR. OLSON, AND MR. LECH.**

**NAYS: NONE**

**MOTION CARRIED.**

**MINUTES:**

The board considered the minutes of the regular TFFR board meeting held January 23, 2014.

MR. LECH MOVED AND MR. OLSON SECONDED TO APPROVE THE MINUTES OF THE REGULAR TFFR BOARD MEETING HELD JANUARY 23, 2014.

AYES: MR. LECH, SUPT. BAESLER, MR. OLSON, MRS. FRANZ, TREASURER SCHMIDT, MR. CORNEIL, AND PRESIDENT GESSNER.

NAYS: NONE

MOTION CARRIED.

**BOARD EDUCATION - TFFR EMPLOYER REPORTING:**

Mrs. Shelly Schumacher, Retirement Program Manager, and Mrs. Tami Volkert, Employer Services Coordinator, presented an overview of TFFR Employer Reporting. Topics included: employer responsibilities, employer model descriptions, and reporting requirements. Guidance is provided to employers through the TFFR website, publications, newsletters, workshops, and telephone and written communications. Board discussion and questions followed.

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

**2015 LEGISLATIVE PLANNING:**

Mrs. Fay Kopp, Deputy Executive Director/Chief Retirement Officer, reviewed provisions of the bill drafted by Mrs. Jan Murtha, Attorney General's office. The bill includes technical changes to the TFFR plan. These changes update TFFR statutes for Internal Revenue Service (IRS) compliance purposes by changing applicable dates from August 1, 2013, to August 1, 2015.

MR. CORNEIL MOVED AND MRS. FRANZ SECONDED TO APPROVE SUBMISSION OF TFFR BILL DRAFT FOR INTERIM STUDY BY THE LEGISLATIVE EMPLOYEE BENEFITS PROGRAMS COMMITTEE (LEBPC).

AYES: TREASURER SCHMIDT, MR. OLSON, SUPT. BAESLER, MR. LECH, MR. CORNEIL, MRS. FRANZ, AND PRESIDENT GESSNER.

NAYS: NONE

MOTION CARRIED.

Mrs. Kopp updated the Board on various interim studies and committee meetings.

The LEBPC last met in November 2013 when they received TFFR's 2013 valuation report from Segal. The Committee is expected to meet after the April 1, 2014, deadline for submitting bill drafts. Once they take jurisdiction over the TFFR bill draft, the bill will be submitted to the actuary for analysis and technical review.

The Legislative Audit and Fiscal Review Committee (LAFRC) met on January 21, 2014. RIO's external auditors, CliftonLarsonAllen, presented the audit report for the agency for the two fiscal years ended June 30, 2012, and June 30, 2013. Mrs. Kopp and Mr. Dave Hunter,

ED/CIO, responded to questions and submitted information to the committee about the changes in TFFR's unfunded liability from 2007 to 2013.

The Legislative Government Finance Committee (LGFC) has been meeting regularly during the interim. One of the studies the Committee has been assigned is a study of the feasibility and desirability of the existing state retirement plans, including an analysis of both a defined benefit and defined contribution plan, with considerations and possible consequences for transitioning to a defined contribution plan. At their March 13, 2014, meeting, the Committee reviewed actuarial costs relating to the Public Employees Retirement System (PERS) defined benefit plan if state employees hired after January 1, 2016, would be required to participate in a defined contribution plan. The Committee discussed options for requesting a third-party actuary to conduct a review of the actuarially calculated costs.

**GASB 67 AND 68 PLANNING:**

Mrs. Kopp gave a brief update on the implementation of GASB 67 and 68. TFFR, PERS, and the State Auditor's Office (SAO) continue to have discussions relating to implementing the new pension reporting standards. Implementation guides for both standards have been issued, although questions remain primarily relating to coordination of effort between plan auditors and employer auditors. More audit guidance is needed and expected. It is anticipated that actuarial and audit costs will increase significantly, particularly in the first few years of implementation. Different avenues of training are being considered. TFFR, PERS, and State Auditor's Office have contacted a potential consultant to facilitate the training. A small group planning session is tentatively scheduled to be held in June 2014, and full employer training in November 2014, which will be recorded or webcast.

Mrs. Kopp has met with representatives of North Dakota United (NDU), North Dakota Council of Educational Leaders (NDCEL), and North Dakota School Board Association (NDSBA) regarding the new standards and potential implications on school district financial statements.

**SIB UPDATE:**

Mr. Hunter updated the board on recent TFFR investment performance, risk update, watch list, and current investment initiatives and projects. The estimated fiscal year to date (July 1, 2013-March 20, 2014) net return is 11.36%.

**RIO STAFFING UPDATE:**

Mr. Hunter presented a staffing update. Candidates for the IT Coordinator position have been interviewed. The Audit Supervisor position has not been filled and applications are being reviewed. Staff annual performance reviews will begin in April.

**AUDIT COMMITTEE UPDATE:**

President Gessner reported on the last Audit Committee meeting held February 28, 2014. Due to the audit department being short staffed, the goal this year is to review 24 school districts rather than 52. As of February 28, 2014, 14 audits have been completed, two audits are in progress and two not in compliance reviews have been completed.

**2014-15 BOARD MEETING SCHEDULE:**

Mrs. Kopp reviewed the proposed 2014-15 TFFR meeting schedule. The April 24, 2014, meeting may be a very brief meeting, which could be handled by teleconference or delayed until the next meeting. The Committee agreed the April meeting should be kept on the schedule until a decision is made. Meetings in 2014-15 are scheduled in July, September, and October 2014, January, February, March, and April 2015. An actuarial experience study will be done after the 2014 valuation report is completed, and should be delivered to TFFR in 2015. State statute requires an experience study every five years.

**MR. CORNEIL MOVED AND MR. LECH SECONDED TO APPROVE THE 2014-15 BOARD MEETING SCHEDULE.**

**AYES: MRS. FRANZ, TREASURER SCHMIDT, MR. CORNEIL, SUPT. BAESLER, MR. LECH, MR. OLSON AND PRESIDENT GESSNER.**

**NAYS: NONE**

**MOTION CARRIED.**

**CONSENT AGENDA:**

**TREASURER SCHMIDT MOVED AND SUPT. BAESLER SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES ONE DISABILITY APPLICATION # 2014-2D AND ONE QUALIFIED DOMESTIC RELATIONS ORDER (QDRO) # 2014-1Q.**

**AYES: MR. OLSON, MR. CORNEIL, MR. LECH, TREASURER SCHMIDT, MRS. FRANZ, SUPT. BAESLER, AND PRESIDENT GESSNER.**

**NAYS: NONE**

**MOTION CARRIED.**

**LEGAL UPDATES:**

President Gessner explained that this item must be held in Executive Session due to attorney consultation and discussion of confidential member information under NDCC 44-04-19.1, 44-04-19.2, and 15-39.1-30. The topic to be discussed in the Executive Session is a member QDRO litigation. President Gessner reminded the board to limit discussion to the announced topic.

**TREASURER SCHMIDT MOVED AND SUPT. BAESLER SECONDED TO GO INTO EXECUTIVE SESSION FOR ATTORNEY CONSULTATION.**

AYES: SUPT. BAESLER, MR. LECH, MRS. FRANZ, MR. CORNEIL, MR. OLSON,  
TREASURER SCHMIDT, AND PRESIDENT GESSNER.

NAYS: NONE

MOTION CARRIED.

**EXECUTIVE SESSION**

Executive session attendees included: Mrs. Murtha, Supt. Baesler, Mr. Corneil, Mrs. Franz, President Gessner, Mr. Lech, Mr. Olson, Treasurer Schmidt, Mrs. Kopp, Mrs. Schumacher, Mr. Hunter, And Mrs. Roppel.

Executive session began at 3:15 p.m. and ended at 3:25 p.m.

**OPEN SESSION**

Mr. Lech left the meeting at 3:26 p.m.

Mrs. Murtha gave a brief explanation of the Halliburton amicus brief and how it relates to TFFR.

**OTHER BUSINESS:**

The reading material contains information about what is happening in other states, contribution rates, and DB and DC plans.

**ADJOURNMENT:**

With no further business to come before the Board, President Gessner adjourned the meeting at 3:43 p.m.

Respectfully Submitted:

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

  
Darlene Roppel  
Reporting Secretary