

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
SEPTEMBER 25, 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: Michael DeWitt, Data Processing Coordinator
Connie Flanagan, Fiscal & Invest Op Mgr
Bonnie Heit, Office Manager
David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Rich Nagel, Information Systems Supervisor
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Jerry Coleman, DPI
Karee Magee, Bismarck Tribune
Janilyn Murtha, Attorney General's Office
Dennis Nathan, NDRTA
Janet Welk, ESPB

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, September 25, 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 MR. LECH SECONDED TO APPROVE THE AGENDA AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

MINUTES:

The board considered the minutes of the special TFFR board meeting held August 22, 2014.

MR. OLSON MOVED AND MRS. FRANZ SECONDED TO APPROVE THE MINUTES OF THE SPECIAL TFFR BOARD MEETING HELD AUGUST 22, 2014.

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

NAYS: NONE

MOTION CARRIED.

BOARD EDUCATION: ND EDUCATION DEMOGRAPHICS:

Mrs. Fay Kopp, Deputy Executive Director/Chief Retirement Officer, introduced Mr. Jerry Coleman, Director of School Finance and Organization with the Department of Public Instruction (DPI).

Mr. Coleman presented information on past, present, and future teacher and student demographic changes in North Dakota (ND). Statewide projections show moderate enrollment increases over the next decade, with expected enrollments to increase by 3,500 annually. Increases in the number of students, teachers, and salary growth will all have an effect on TFFR.

Discussion and questions followed. The presentation is on file at RIO.

BOARD EDUCATION: ND TEACHER SHORTAGE:

Mrs. Kopp introduced Ms. Janet Welk, Executive Director of the Education Standards and Practices Board (ESPB). Ms. Welk presented information on ND teacher shortages and what is being done to address the situation. ESPB has designated all subject areas as critical shortage areas for the 2014-15 year.

Board discussion followed. Ms. Welk's presentation is on file at RIO.

TFFR LEGISLATIVE UPDATE:

Mrs. Kopp reported on the Legislative Government Finance Committee (LGFC) meeting held September 10, 2014. The Committee is continuing to discuss a bill draft that would close the Public Employees Retirement System (PERS) defined benefit plan on January 1, 2016, and require all new state employees to participate in the PERS defined contribution plan. The Committee is also discussing a draft resolution which would transfer certain funds from the foundation aid stabilization fund for the purposes of addressing unfunded benefit obligations of state retirement funds.

The Legislative Employee Benefits Programs Committee (LEBPC) met on September 18, 2014. Mrs. Kopp gave testimony on Bill No. 140 at the meeting. The proposed amendment, recommended by outside tax counsel, IceMiller, was submitted to the Committee. Segal will give TFFR's 2014 actuarial valuation report at the next LEBPC meeting to be held October 29, 2014.

Board discussion followed.

The board recessed at 2:56 p.m. and reconvened at 3:07 p.m.

ANNUAL TFFR INVESTMENT REPORT:

Mr. David Hunter, ED/CIO, presented the annual TFFR investment report. TFFR generated a net return of 16.5% for the year ended June 30, 2014, and a 9% return over the last 30 years. During the last 5 years, pension risk has declined, and investment management fees and expenses have also declined. Mr. Hunter explained that due to the enhanced performance reporting for TFFR, net investment returns have been restated to reflect the recognition of intra-month cash flows during the last four years. He also noted an audit supervisor is scheduled to join the RIO staff on October 13, 2014.

Board discussion and questions followed. The report is on file at RIO.

MR. CORNEIL MOVED AND MR. LECH SECONDED TO ACCEPT THE 2014 ANNUAL INVESTMENT REPORT.

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

NAYS: NONE

MOTION CARRIED.

Mr. Hunter reported no changes have been made to the Investment Policy Statement in the last year. Mr. Hunter requested the board accept the policy without amendment.

TREASURER SCHMIDT MOVED AND MR. LECH SECONDED TO ACCEPT THE TFFR INVESTMENT POLICY STATEMENT WITHOUT AMENDMENT.

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

NAYS: NONE

MOTION CARRIED.

Board members discussed how to respond to media requests. The TFFR board does not have a specific policy on who should address media inquiries. The Board generally agreed that as has been done in the past, requests for TFFR pension funding and benefits information can be referred to Mrs. Kopp, and requests for SIB investment information can

be referred to Mr. Hunter. The Board president may speak on behalf of the Board if the President has the necessary information to address the request, however most requests should be referred to RIO staff. Mrs. Kopp will draft a policy and bring to a future meeting.

ANNUAL RIO BUDGET AND EXPENSE REPORT:

Mrs. Connie Flanagan, Fiscal and Investment Operations Manager, reviewed the annual RIO budget and expense report for the fiscal year ending June 30, 2014. She explained total expenditures (both continuing appropriations and budgeted expenditures), consultant expenses, and investment expenses.

Board discussion and questions followed. The report is on file at RIO.

TREASURER SCHMIDT MOVED AND MR. OLSON SECONDED TO ACCEPT THE ANNUAL RIO BUDGET AND EXPENSE REPORT.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED.

Supt. Baesler left the meeting at 3:43 p.m.

SIB CUSTOMER SATISFACTION SURVEY:

President Gessner provided a summary of the board members' responses to the SIB customer satisfaction survey. The summary will be submitted to the SIB.

MR. LECH MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE SIB CUSTOMER SATISFACTION SURVEY AS PRESENTED.

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

NAYS: NONE

ABSENT: SUPT. BAESLER

MOTION CARRIED.

Treasurer Schmidt left the meeting at 3:55 p.m.

SIB AUDIT COMMITTEE UPDATE:

President Gessner updated the Board on the SIB audit committee activities. The next audit committee meeting has been moved to October 24, 2014. The annual audit report will be given to the TFFR board at the October 23, 2014, meeting.

TFFR POLICY CHANGES:

Mrs. Kopp reviewed proposed amendments to Policy C-2 - Board Meetings.

MR. LECH MOVED AND MR. OLSON SECONDED TO ACCEPT THE AMENDMENTS TO POLICY C-2.

AYES: MRS. FRANZ, MR. CORNEIL, MR. LECH, MR. OLSON, AND PRESIDENT GESSNER.

NAYS: NONE

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MOTION CARRIED.

Mrs. Kopp reviewed the proposed new policy, Disclosure of Confidential Information for Treatment, Operational, or Payment Purposes.

MR. OLSON MOVED AND MRS. FRANZ SECONDED TO ADOPT THE NEW POLICY-DISCLOSURE OF CONFIDENTIAL INFORMATION FOR TREATMENT, OPERATIONAL, OR PAYMENT PURPOSES.

AYES: MR. CORNEIL, MR. LECH, MRS. FRANZ, MR. OLSON, AND PRESIDENT GESSNER.

NAYS: NONE

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MOTION CARRIED.

ELECTRONIC BOARD DOCUMENTS:

Mrs. Kopp and Mr. Rich Nagel, Information Systems Supervisor, provided information on accessing board materials from the RIO Reference Library and using a personal device at board meetings. No confidential material will be posted in the Reference Library. Board members will indicate the method they want to receive board material (paper, electronic, or both). The chosen method will be used for the October board packet. Mr. Nagel also reported on video conferencing of board meetings. Workforce Safety and Insurance (WSI) and North Dakota Association of Counties (NDACO) have the necessary equipment. Video conferencing will be tested when holding meetings at WSI in January-April 2015. The top priority at this time is implementing member web services. Other future IT projects include software to use in counseling members, outreach programs and presentations by video and audio conferencing, and redesign of RIO website. Board discussion and questions followed.

OTHER BUSINESS:

Mrs. Franz and Mr. Olson will be attending the National Council on Teacher Retirement (NCTR) Conference October 11-15, 2014, in Indianapolis, Indiana. Mr. Lech will be attending the Callan College and President Gessner will attend Callan's annual conference.

The next board meeting will be held October 23, 2014. Segal will be presenting the results of the 2014 valuation.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:50 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary