

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JULY 24, 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
Richard Nagel, Sup. of Information Systems
Darlene Roppel, Retirement Assistant
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Janylyn Murtha, Attorney General's Office

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, July 24, 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, AND MR. OLSON.

APPROVAL OF AGENDA:

The Board considered the revised meeting agenda. This included the addition of information on a member's Qualified Domestic Relations Order (QDRO) litigation and the addition of the QDRO application to the Consent Agenda.

SUPT. BAESLER MOVED AND MR. CORNEIL SECONDED TO APPROVE THE REVISED AGENDA AS PRESENTED.

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

MINUTES:

The board considered the minutes of the regular TFFR board meeting held May 15, 2014.

MRS. FRANZ MOVED AND MR. OLSON SECONDED TO APPROVE THE MINUTES OF THE REGULAR TFFR BOARD MEETING HELD MAY 15, 2014.

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

NAYS: NONE

MOTION CARRIED.

TRUSTEE RE-APPOINTMENT:

President Gessner announced Governor Dalrymple has reappointed Mrs. Kim Franz to the TFFR Board for another five year term (July 1, 2014-June 30, 2019). Mrs. Franz represents active teachers on the TFFR Board.

ELECTION OF 2014-15 OFFICERS:

President Gessner opened the floor for nominations for President of the TFFR board.

MR. CORNEIL NOMINATED MR. GESSNER FOR PRESIDENT. MRS. FRANZ SECONDED THE NOMINATION.

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

NAYS: NONE

MOTION CARRIED.

President Gessner opened the floor for nominations for Vice President of the TFFR board.

MR. OLSON NOMINATED MR. CORNEIL FOR VICE PRESIDENT. SUPT. BAESLER SECONDED THE NOMINATION.

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

NAYS: NONE

MOTION CARRIED.

MRS. FRANZ MOVED AND MR. OLSON SECONDED TO REAPPOINT PRESIDENT GESSNER, ACTIVE TEACHER, MR. CORNEIL, RETIREE, AND MR. LECH, ACTIVE ADMINISTRATOR, TO REPRESENT TFFR ON THE STATE INVESTMENT BOARD (SIB).

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

NAYS: NONE

MOTION CARRIED.

Treasurer Schmidt arrived at the meeting at 1:10 p.m.

MR. LECH MOVED AND SUPT. BAESLER SECONDED TO REAPPOINT PRESIDENT GESSNER TO THE SIB AUDIT COMMITTEE AND TO APPOINT MR. OLSON AS ALTERNATE TO THE SIB.

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

NAYS: NONE

MOTION CARRIED.

LEGISLATIVE UPDATE:

Mrs. Shelly Schumacher, Retirement Program Manager, gave an update on the interim Legislative Committees. The Legislative Employee Benefits Programs Committee has taken jurisdiction over the bill that was submitted by TFFR (Bill No. 140). It has been sent to our actuary, Segal, for technical analysis. Future meetings of the Committee are scheduled for September 18 and October 29, 2014.

Mrs. Schumacher updated the board on the Legislative Government Finance Committee that met on July 1, 2014. Their next meeting is tentatively scheduled for August 4, 2014.

The last contribution increase to complete the implementation of the 2011 funding improvement legislation became effective July 1, 2014. The employer contribution rate increased from 10.75% to 12.75% and the employee contribution rate increased from 9.75% to 11.75%. Every TFFR employer is required to complete a new Employer Payment Plan form. To date, 214 of the 216 July 2014 Employer Payment Plan forms have been received by TFFR.

Defense of Marriage Act (DOMA) UPDATE:

Mrs. Schumacher updated the board on the process used to hire outside counsel to assist TFFR, the North Dakota Public Employees Retirement System (NDPERS), and the ND Attorney General's Office with the DOMA analysis. Ms. Mary Beth Braitman and three other attorneys from IceMiller Legal Counsel have been appointed as Special Assistant Attorney Generals. IceMiller staff is currently analyzing the pension plan's statutes, rules, policies, and procedures and will present their recommendations to the TFFR Board in August 2014.

GASB 67/68 IMPLEMENTATION UPDATE:

Mrs. Schumacher reported TFFR, PERS, and the State Auditor's Office have continued to meet to develop a collaborative plan to implement the new GASB pension reporting standards and to educate pension plan employers, auditors, and other stakeholder groups. A working group meeting was held June 26, 2014, in Bismarck. Mr. Eric Berman, the Eide Bailly consultant hired by the pension plans, led the working group meeting. About 40 representatives from the State, school districts, political subdivisions, auditors, and staff from PERS, TFFR, and the State Auditor's office attended. Feedback and suggestions from the

meeting will be incorporated into the full training session scheduled for later in 2014.

Mr. Berman's presentation is on file at the Retirement and Investment Office (RIO).

TFFR INVESTMENT UPDATE:

Mr. David Hunter, Executive Director/Chief Investment Officer, updated the board on TFFR investment performance, asset allocations, market returns, and the U.S. economy. He also reviewed the agenda for the July 25, 2014 State Investment Board (SIB) meeting.

FUNDING PROJECTIONS:

Mrs. Schumacher reported the estimated fiscal year end return for July 1, 2013 to June 30, 2014, is approximately 16%. Various funding projection scenarios assuming a 16% return for FY14 and 8% returns thereafter were reviewed.

SIB AUDIT COMMITTEE UPDATE:

President Gessner presented an update on the activities of the Audit Committee. The audit supervisor position has been reposted with a deadline of July 31, 2014, for submission of applications.

ANNUAL IT UPDATE AND TECHNOLOGY INITIATIVES DISCUSSION:

Mr. Rich Nagel, Supervisor of Information Services, gave the annual technology report. Since all 2011 legislative changes have been completed, implementing member web services is now the top priority. There was also discussion on future technology initiatives including the use of electronic documents for board meeting materials.

Mr. Nagel's report is on file at RIO.

MR. OLSON MOVED AND MR. LECH SECONDED TO ACCEPT THE ANNUAL TECHNOLOGY REPORT.

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

NAYS: NONE

MOTION CARRIED.

The board recessed at 2:40 p.m. and reconvened at 2:55 p.m.

Supt. Baesler left the meeting at 2:40 p.m.

ANNUAL TFFR PROGRAM REVIEW:

Mrs. Schumacher reviewed the 2013-14 program monitoring summary, the 2013-14 board accomplishments, 2014-15 board education plan, and the

TFFR Program Manual. The board requested discussion of the timing of the Experience Study be put on the agenda of the next board meeting. Based on the board's review of the program manual, staff will bring suggested policy changes for the board's consideration to the next TFFR Board meeting. The board members completed the Code of Conduct affirmation that is required annually.

After board discussion,

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL PROGRAM REVIEW.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL TFFR CUSTOMER SATISFACTION REPORTS:

Mrs. Schumacher reviewed responses to the Customer Satisfaction Surveys received from North Dakota Council of Educational Leaders (NDCEL), North Dakota Retired Teachers Association (NDRTA), North Dakota School Board Association (NDSBA), and North Dakota Association of School Business Managers (NDASBM).

Mrs. Schumacher expressed appreciation to the RIO staff for doing an excellent job as is evidenced by the comments and evaluations that were given by members and business managers.

MR. OLSON MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL CUSTOMER SATISFACTION REPORTS.

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

NAYS: NONE

MOTION CARRIED.

The SIB has requested that the TFFR Board complete a Customer Satisfaction Survey. After discussion, it was decided to table the survey until a future board meeting.

TRUSTEE EDUCATION:

Mrs. Schumacher highlighted upcoming pension trustee educational opportunities.

MEMBER QDRO LITIGATION:

Ms. Murtha informed the board that the member QDRO litigation naming TFFR as a party to the lawsuit has now been dismissed.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES DISABILITY APPLICATION # 2014-3D AND QDRO # 2014-2Q.

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

NAYS: NONE

MOTION CARRIED.

OTHER BUSINESS:

The next meeting will be held August 22, 2014, at 1:00 p.m., after the SIB meeting.

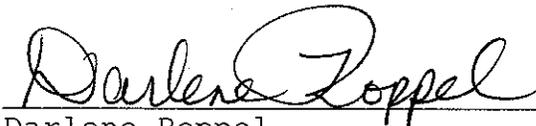
ADJOURNMENT:

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