

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JANUARY 22, 2015, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Kirsten Baesler, State Superintendent
Mike Burton, Trustee
Kim Franz, Trustee
Rob Lech, Trustee
Mel Olson, Trustee
Kelly Schmidt, State Treasurer

STAFF PRESENT: Terra Miller Bowley, Audit Services Supervisor
Bonnie Heit, Admin Services Supervisor
David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Erica Cermak, NDRTA
Dick Lokken, Guest
Gloria Lokken, NDU-Retired
Janilyn 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, January 22, 2015, at Workforce Safety & Insurance Office (WSI), 1600 E Century Avenue, Bismarck, ND.

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

APPROVAL OF AGENDA:

The Board considered the meeting agenda.

MR. LECH MOVED AND MR. OLSON SECONDED TO APPROVE THE AGENDA AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MINUTES:

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

MRS. FRANZ MOVED AND MR. OLSON SECONDED TO APPROVE THE MINUTES OF THE TFFR BOARD MEETING HELD OCTOBER 23, 2014.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

NEW TRUSTEE INTRODUCTION:

President Gessner welcomed Mr. Mike Burton, who was appointed by Governor Dalrymple to complete the unexpired term of Mr. Clarence Corneil on the TFFR Board of Trustees through June 30, 2017.

SELECTON OF TFFR REPRESENTATIVE TO SIB:

MR. LECH MOVED AND MRS. FRANZ SECONDED TO APPOINT MR. MEL OLSON AS TFFR REPRESENTATIVE ON THE STATE INVESTMENT BOARD (SIB).

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MR. OLSON MOVED AND MR. BURTON SECONDED TO APPOINT MRS. FRANZ AS ALTERNATE TO THE SIB.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MRS. FRANZ NOMINATED MR. LECH FOR VICE PRESIDENT. MR. OLSON SECONDED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

Treasurer Schmidt arrived at 1:15 p.m. and Supt. Baesler arrived at 1:18 p.m.

2015 LEGISLATIVE UPDATE:

Mrs. Fay Kopp, Deputy Executive Director/Chief Retirement Officer, provided an update on the TFFR technical corrections bill (HB1064), as well as other legislative proposals which could potentially affect

TFFR. Mrs. Kopp gave testimony on HB1064 January 8, 2015, and commented on follow-up questions posed by the House Government and Veterans Affairs (GVA) Committee. Mrs. Kopp reviewed the additional information from TFFR's legal counsel and outside tax counsel with respect to the legality of adopting future amendments to the IRC "as amended," the process of incorporating the IRS tax code references to reflect when each of the provisions were amended under federal law, and the potential implications of the Windsor court decision on current TFFR statutes. The House GVA Committee gave a "do pass" recommendation. The House passed the bill, 90-3, and it will now go to the Senate for consideration.

The RIO budget bill, SB2022, includes the budget authority and continuing appropriations for the Retirement and Investment Office (RIO) administrative expenses for operating the retirement program for the TFFR Board and the investment program for the SIB. No action has been taken by the Senate Appropriations Committee.

Other bills being monitored include: HB1080-PERS Funding-Contribution Increases; HB1250-Board Minutes on Governor's Website; HB1329-SIB Membership; HB1339-Income Tax Exclusion for Government Pensions; SB2013-DPI Budget; SB2031-School District Foundation Aid; SB2038-PERS DC Plan for New State Employees; SB2039-Public Employee Retirement Stabilization Fund; and SCR4003-Foundation Aid Stabilization Fund.

Board discussion followed.

TFFR INVESTMENT UPDATE:

Mr. David Hunter, Executive Director/Chief Investment Officer, reviewed his presentation on TFFR investment performance, capital market updates, labor market conditions, and asset class performance. Board discussion followed.

GASB UPDATE:

Mrs. Kopp reviewed the status of Government Accounting Standards Board (GASB) training and implementation efforts. She commented on the GASB schedules and required information that has been developed by Segal. About 110 individuals attended the GASB training held December 11, 2014. A video of the training, along with other GASB resources, is available on the RIO website. Mrs. Kopp also noted that employer census data audits are being conducted by the plan's external auditor, CliftonLarsonAllen, and an audit opinion on the schedules is expected soon.

Mrs. Shelly Schumacher, Retirement Program Manager, reviewed the Segal GASB 67 and 68 report and also the template note disclosure sample.

Board discussion followed. Mrs. Kopp will develop GASB talking points, and assist the State Treasurer and State Superintendent as requested with communications related to the new GASB pension standards.

ACTUARIAL CONTRACT:

Mrs. Kopp provided background information on the current actuarial contract with Segal Consulting. Over the last ten years actuarial fees paid have averaged about \$131,000 per year. Actuarial costs are largely impacted by legislative proposals, special studies, compliance issues, and board initiatives. Studies or projects that are planned for the future include an experience study, asset liability study, actuarial audit, and IRS determination letter. Segal has been TFFR's actuary for four years. After board discussion,

MR. OLSON MOVED AND MRS. FRANZ SECONDED TO REQUEST A COST PROPOSAL FOR ANOTHER TWO YEAR TERM FROM SEGAL FOR BOARD REVIEW AT A FUTURE MEETING.

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

NAYS: NONE

MOTION CARRIED.

ANNUAL RETIREMENT STATISTICS REPORT:

Mrs. Schumacher presented the annual retirement ends and statistics report for the year ended June 30, 2014. She provided information on employers and members, collections and payments of contributions, employer and member outreach programs participation, service purchases, tier membership, service retirement, disability retirement, option usage, retiree statistics, re-employed retirees, and employer payment plan models. A copy of the report is on file at RIO. After discussion,

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE ANNUAL TFFR ENDS AND STATISTICS REPORT.

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

NAYS: NONE

MOTION CARRIED.

The board recessed at 3:22 p.m. and reconvened at 3:37 p.m.

Treasurer Schmidt and Supt. Baesler left the meeting at 3:22 p.m.

ANNUAL RETIREMENT TRENDS REPORT:

Mrs. Schumacher presented the annual retirement trends and projections report. Of the 10,630 active TFFR members, 1,212 members are currently eligible to retire. On average, 383 teachers actually retired each year, or a total of over 3,830 for the 10 year period. The report is on file at RIO. After discussion,

MRS. FRANZ MOVED AND MR. OLSON SECONDED TO ACCEPT THE 2014 RETIREMENT TRENDS REPORT.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

2014 CAFR AND PPCC AWARD:

Mrs. Kopp reported the 2014 Comprehensive Annual Financial Report (CAFR) is available on the RIO website. RIO has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the 2014 CAFR. This award has been received for 15 years. The Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council (PPCC) was also received. This award has been received since 1992.

MR. OLSON MOVED AND MR. BURTON SECONDED TO CONGRATULATE THE RIO STAFF ON A JOB WELL DONE ON RECEIVING THE GFOA AND PPCC AWARDS.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

RETIREMENT JOB VACANCY UPDATE:

Mrs. Kopp reported interviews have been held for the retirement program specialist job opening.

2015-16 BOARD MEETING SCHEDULE:

Mrs. Kopp presented the proposed board meeting schedule for 2015-16.

MR. LECH MOVED AND MRS. FRANZ SECONDED TO APPROVE THE 2015-16 TFFR MEETING SCHEDULE.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

TRUSTEE EDUCATION:

Mrs. Kopp provided the board with dates and information on trustee education and conferences that are available in 2015.

CONSENT AGENDA:

MR. LECH MOVED AND MR. OLSON SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES TWO DISABILITY APPLICATIONS - 2015-1D AND 2015-2D.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

OTHER BUSINESS:

The next board meeting will be held February 26, 2015.

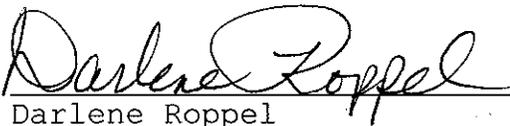
ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:05 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary