

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
APRIL 30, 2015, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Mike Burton, Trustee
Kim Franz, Trustee
Rob Lech, Trustee (video conference)
Mel Olson, Trustee
Kelly Schmidt, State Treasurer

ABSENT: Kirsten Baesler, State Superintendent

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

OTHERS PRESENT: Clarence Corneil
Jan Corneil
Tanya Dybal, Segal
Janilyn Murtha, Attorney General's Office
Kim Nicholl, Segal
Matthew Strom, Segal
Ken Tupa, NDRTA

CALL TO ORDER:

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the board meeting to order at 1:30 p.m. on Thursday, April 30, 2015, at Workforce Safety & Insurance Office (WSI), 1600 E Century Avenue, Bismarck, ND.

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

Supt. Baesler was absent.

APPROVAL OF AGENDA:

The Board considered the meeting agenda.

MRS. FRANZ MOVED AND MR. BURTON SECONDED TO APPROVE THE AGENDA AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

MINUTES:

The board considered the minutes of the TFFR board meeting held March 26, 2015.

MRS. FRANZ MOVED AND MR. BURTON SECONDED TO APPROVE THE MINUTES OF THE TFFR BOARD MEETING HELD MARCH 26, 2015.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

ACTUARIAL EXPERIENCE STUDY:

Ms. Kim Nicholl, Mr. Matt Strom and Ms. Tanya Dybal, Segal Consulting, presented the TFFR Actuarial Experience Study which covers the period July 1, 2009 to June 30, 2014. A copy of the report is on file at the Retirement and Investment Office (RIO).

An experience study is done every five years as required by North Dakota state statutes. Economic and demographic information from past experience ("actual") and assumptions ("expected") is compared. It also includes recommendations for modifying certain actuarial assumptions and the actuarial impact of those recommendations on TFFR. Based on the experience study results, the actuary made the following recommendations:

1. Inflation-lower from 3.00% to 2.75%.
2. Productivity-leave at 1.50%.
3. Payroll growth-leave at 3.25% and maintain the conservative approach.
4. Salary scale-No change to merit rates. Total rates decreased by 0.25% due to lower recommended inflation.
5. Investment return-Reduce from 8.00% to 7.75%.
6. Administrative expense-explicit load to normal cost equal to prior year administrative expenses plus inflation.
7. Turnover-lower rates for members with less than 15 years of service and for males with 20 or more years of service.
8. Disability-No change.
9. Active retirement-Unisex, increased rates for members retiring early with reduced benefits; lower rates at younger ages for members retiring with unreduced benefits; increased rates for females around age 65. No change to the 10% rate increase in the first year that members become eligible for unreduced benefits.
10. Inactive retirements-5% at early retirement ages and 100% at normal retirement age.
11. Healthy mortality -- RP-2014 Healthy Annuitant table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80. The MP-2014 improvement scale is applied.

12. Disabled mortality -- RP-2014 Disabled Mortality table set forward four years.
13. Active mortality -- RP-2014 Employee Mortality table with generational mortality improvement using scale MP-2014.
14. Spouse information-No changes.

The cost impact the recommended assumption changes would have on the fund was reviewed. Based on the July 1, 2014 actuarial valuation, the actuarial accrued liability would increase by \$155.7 million from \$3,138.8 million to \$3,294.5 million. The unfunded actuarial accrued liability would also increase by \$155.7 million from \$1,198.3 million to \$1,354.0 million. TFFR's funded ratio would decrease by 2.9% from 61.8% to 58.9%. The plan's normal cost would increase by \$5.0 million from \$63.0 million to \$68.0 million. The actuarial determined contribution rate would increase by 2.18% from 11.57% to 13.75%. The effective amortization period would increase by 10 years from 24 years to 34 years. Projections of future funding levels were also reviewed comparing current assumptions with recommended demographic assumptions only, and all recommended demographic and economic assumptions.

After lengthy board discussion of the inflation, payroll growth, salary increase, investment return and mortality assumptions, as well as other findings, recommendations, and concerns,

MR. OLSON MOVED AND MR. BURTON SECONDED TO ADOPT THE SEGAL RECOMMENDATIONS AS DESCRIBED IN THE 2014 ACTUARIAL EXPERIENCE STUDY REPORT.

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

NAYS: TREASURER SCHMIDT AND MR. LECH

MOTION CARRIED.

ABSENT: SUPT. BAESLER

RESOLUTION FOR CLARENCE CORNEIL:

President Gessner recognized Mr. Corneil for his 12 years of distinguished service on the TFFR board from 2002 to 2014, and also on the State Investment Board (SIB). He read the following resolution:

**ND TFFR Board Resolution
in Appreciation of
Clarence Corneil**

WHEREAS, Mr. Clarence Corneil served as trustee of the ND Teachers' Fund for Retirement Board representing retired members with distinction for 12 years, from 2002 to 2014; and

WHEREAS, Mr. Corneil also honorably served as trustee and parliamentarian of the ND State Investment Board representing TFFR members during his tenure; and

WHEREAS, Mr. Corneil dedicated his professional career to the ND education community in a career spanning nearly four decades having worked as a teacher and principal in Dickinson and Dickinson area schools until his retirement in 1997; and

WHEREAS, Mr. Corneil has been actively involved in numerous professional, civic, community, church, and state activities and associations; and

WHEREAS, Mr. Corneil has been a passionate defender of defined benefit plans and their ability to provide retirement security, and has been dedicated to protecting the interests of the pension system and its active and retired members; and

WHEREAS, Mr. Corneil provided steadfast leadership on pension issues, and supported efforts to strengthen TFFR's funding structure, prudently invest fund assets, and safeguard its financial integrity; and

WHEREAS, Mr. Corneil has distinguished himself as a knowledgeable and experienced trustee whose commitment to integrity and excellence have earned him the respect of those who have worked with him; now therefore, be it

RESOLVED, that the TFFR Board express its heartfelt thanks to Mr. Corneil for his dedicated and compassionate service to the Board, and for his positive leadership and unwavering support of educators, students, and citizens of North Dakota leaving a legacy of trust and caring for others; and be it further

RESOLVED, that the Board wishes Clarence Corneil, and his wife, Jan, good health and happiness in their retirement; and be it further

RESOLVED, that a copy of this Resolution be presented to Mr. Corneil, printed in the official TFFR Board minutes, and submitted to the National Council on Teacher Retirement, on behalf of the many lives he has so positively touched.

DATED this 30th day of April, 2015

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE RESOLUTION HONORING MR. CORNEIL.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

On behalf of the board and staff, President Gessner presented Mr. Corneil with a retirement gift. Mr. Corneil commented on his tenure with the board.

The board recessed at 3:15 p.m. for cake and coffee in Mr. Corneil's honor.

The board reconvened at 3:35 p.m.

2015 LEGISLATIVE REPORT:

Mrs. Fay Kopp, Deputy Executive Director/Chief Retirement Officer, gave an overview of the Legislative session as it applied to TFFR. As reported earlier, TFFR's technical corrections bill, HB 1064, was approved and signed by the Governor. RIO's budget bill, SB 2022, was not approved before the 2015 Legislature adjourned. Therefore, RIO and PERS are consulting with the Attorney General's Office on how this may affect agency operations and what actions need to be taken.

ASSET LIABILITY STUDY PLANNING:

Mrs. Kopp explained the next study the TFFR Board will be conducting is the Asset Liability Study (ALS). The purpose of the study is to identify the optimal distribution of TFFR funds among the various asset classes that offers the highest probability of consistently achieving investment objectives within the confines of a predetermined level of risk. This study must be done every five years. Callan and Associates conducted the last study. After discussion of several options,

MRS. FRANZ MOVED AND TREASURER SCHMIDT SECONDED TO REQUEST PRESENTATIONS AND COST PROPOSALS FOR AN ASSET LIABILITY STUDY FROM CALLAN AND SEGAL ROGERSCASEY TO BE PRESENTED AT THE JULY 23, 2015, TFFR BOARD MEETING WITH THE BOARD MAKING THE SELECTION BASED ON THE PRESENTATIONS AND PROPOSALS.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

GASB UPDATE:

Mrs. Shelly Schumacher, Retirement Program Manager, reported CliftonLarsonAllen (CLA) completed the audit of the GASB schedules, and has finalized their Independent Audit Report dated April 10, 2015, on the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer. These will now be published on the RIO website so they are available to employers.

Mrs. Schumacher will also be attending four business manager workshops throughout the state May 5-8, 2015, where she will present training on the GASB requirements.

GASB talking points will also be added to the RIO website to assist TFFR staff, employers, and others in communicating the pension standards.

2015-16 BOARD CALENDAR AND EDUCATION PLAN:

Mrs. Kopp reviewed the proposed 2015-16 board calendar and education plan. Six meetings have been scheduled for the year, but additional board meetings may be called if needed.

TREASURER SCHMIDT MOVED AND MR. OLSON SECONDED TO APPROVE THE 2015-16 BOARD CALENDAR AND EDUCATION PLAN.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

CONSENT AGENDA:

MRS. FRANZ MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES ONE QUALIFIED DOMESTIC RELATIONS ORDER (QDRO): 2015-2Q.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

OTHER BUSINESS:

The next board meeting will be held July 23, 2015, at the State Capitol. The meeting may be scheduled to begin at 10 am for asset liability study presentations.

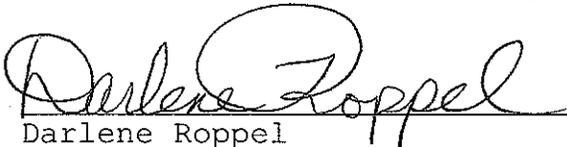
ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:12 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary