

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JULY 23, 2015, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Mike Burton, Trustee
Kim Franz, Trustee
Rob Lech, Trustee
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: Jay Kloepfer, Callan
Julia Moriarty, Callan
Janilyn Murtha, Attorney General's Office
Kim Nicholl, Segal
David Palmerino, Segal Rogerscasey
Nancy Peterson, NDU-Retired
Daniel Wassim, Intern, Att. General's Office
Daniel Westerheide, Segal Rogerscasey

CALL TO ORDER:

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the board meeting to order at 10:00 a.m. on Thursday, July 23, 2015, in the Peace Garden Room at the State Capitol in 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 attending a conference out of town.

APPROVAL OF AGENDA:

The Board considered the meeting agenda. Ms. Murtha requested agenda items #9 and #11 be moved to follow agenda item #2.

TREASURER SCHMIDT MOVED AND MR. OLSON SECONDED TO APPROVE THE REVISED AGENDA.

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 April 30, 2015.

MRS. FRANZ MOVED AND MR. LECH SECONDED TO APPROVE THE MINUTES OF THE TFFR BOARD MEETING HELD APRIL 30, 2015.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

RIO BUDGET:

Ms. Murtha gave an overview of the Attorney General's opinion dated June 4, 2015 on whether and to what extent the North Dakota Public Employees Retirement System (PERS) and the North Dakota Retirement and Investment Office (RIO) are authorized to make expenditures during the 2015-2017 biennium, without a biennial appropriation approved by the Legislature. The Opinion states that the express continuing appropriation authority granted these particular agencies, governed by boards which have fiduciary responsibilities over funds held in trust, carries with it the implied authority to expend funds for the salaries and associated operating expenses of the individuals needed to effectuate those appropriations, to the extent the implied authority is not prohibited under state law. Therefore, RIO and PERS are authorized to make expenditures without a biennial appropriation by the Legislature.

The 64th Legislative Assembly did reconvene on June 16, 2015, and approved SB 2022 which included the biennial appropriation for RIO and PERS. The bill was signed by the Governor.

U.S. SUPREME COURT RULING - SAME SEX MARRIAGE:

Ms. Murtha updated the board on the U.S. Supreme Court decision issued on June 26, 2015 in Obergefell v. Hodges relating to same gender marriages and the impact on the TFFR plan. Ms. Murtha explained that this decision requires every state to license same-gender marriages and recognize same-gender marriages licensed in other states. As a result, TFFR must recognize and accord same-gender spouses the same rights and benefits as opposite-gender spouses under the plan. TFFR will request active and retired members to notify the administrative office of any change in marital status or to update their designation of beneficiary.

ASSET LIABILITY STUDY - ORAL PRESENTATIONS:

Mrs. Kopp explained that state statutes (NDCC 21-10-02.1) require the governing body of TFFR to use the staff and consultants of RIO in developing asset allocation and investment policies. Cost proposals and presentations were requested from Segal (TFFR/RIO actuarial consultant) and Callan (SIB/RIO investment consultant) to conduct TFFR's Asset Liability Study. Oral presentations were conducted at the meeting.

Segal Rogerscasey was represented by Ms. Kim Nicholl, Mr. Dan Westerheide, and Mr. Dave Palmerino. The Segal Rogerscasey presentation and proposal is on file at RIO.

Callan Associates was represented by Mr. Jay Kloepfer and Ms. Julia Moriarty. The Callan presentation and proposal is on file at RIO.

TRUSTEE RE-APPOINTMENT:

President Gessner congratulated Mr. Rob Lech on his re-appointment by Governor Dalrymple to the TFFR board for another five year term (July 1, 2015 - June 30, 2020). Mr. Lech represents active school administrators.

ELECTION OF 2015-16 OFFICERS:

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

MR. LECH NOMINATED MR. GESSNER FOR PRESIDENT AND MOVED THAT NOMINATIONS CEASE AND A UNANIMOUS BALLOT BE CAST. MR. OLSON SECONDED THE MOTION.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

TREASURER SCHMIDT MOVED AND MR. LECH SECONDED TO RETAIN ALL OTHER OFFICERS AND APPOINTMENTS FROM THE PREVIOUS YEAR: MR. LECH AS VICE PRESIDENT; PRESIDENT GESSNER, MR. LECH, AND MR. OLSON TO REPRESENT TFFR ON THE STATE INVESTMENT BOARD (SIB); PRESIDENT GESSNER TO SIB AUDIT COMMITTEE; AND MRS. FRANZ AS ALTERNATE TO SIB.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

The board recessed at 12:22 p.m. for lunch and reconvened at 1:03 p.m.

QUARTERLY INVESTMENT UPDATE:

Mr. Hunter presented a quarterly TFFR Investment Update including asset allocation, investment performance and capital markets for the period ending March 31, 2015. Board discussion followed.

The report is on file at RIO.

ASSET LIABILITY STUDY DISCUSSION:

Mrs. Kopp informed the Board that she and Mr. Hunter have reviewed Segal Rogerscasey and Callan Associates proposals to conduct the Asset Liability Study. According to the proposals and references contacted, both consultants are well qualified, experienced, and respected in the

public pension environment and have performed similar studies. Mr. Hunter also commented on the proposals. After board discussion of the proposals, cost, references, and other factors,

MR. LECH MOVED AND TREASURER SCHMIDT SECONDED TO SELECT CALLAN ASSOCIATES TO PERFORM THE TFFR ASSET LIABILITY STUDY.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

SIB PENSION GOVERNANCE PRESENTATION:

The SIB board invited the TFFR board to attend the pension governance presentation to be held at the SIB meeting on July 24, 2015. This has been noticed as a special TFFR board meeting since a quorum will be present.

EXPERIENCE STUDY IMPLEMENTATION:

Mrs. Kopp and Mrs. Schumacher reviewed the plan for implementing the actuarial assumptions that were approved as a result of the 5-year Experience Review conducted by Segal. The revised assumptions will be used by Segal in the July 1, 2015 valuation report. The ND Administrative Code (NDAC) will need to be updated. The revised interest rate and mortality assumptions must be incorporated into the CPAS pension administration computer system and plan calculations. The revised interest rate assumption must also be incorporated into late employer reporting and prior fiscal year corrections. Changes will be communicated to members and employers in upcoming newsletters. Board discussion of the plan and tentative time frames followed. Another update will be presented at the September board meeting.

QUARTERLY AUDIT SERVICES UPDATE:

Ms. Miller Bowley updated the Board on the audit activities completed during the fiscal year including: 22 TFFR compliance audits; two not in compliance reviews; four TFFR file maintenance audits; one benefit payment audit; annual salary verification project; TFFR benefit payment cost efficiency review; executive limitations audit; and assisted external auditors with GASB 68 census data audits and confirmation of TFFR contributions for FY 2014. Ms. Miller Bowley reviewed the TFFR Benefit Payment Cost Efficiency report which found that benefits are being paid in a cost effective and timely manner. Board discussion followed.

The report is on file at RIO.

ANNUAL TFFR PROGRAM REVIEW:

Mrs. Kopp reviewed the 2014-15 Program Monitoring Summary, the 2014-15 Board Accomplishments, the revised 2015-16 board calendar and education plan, and the TFFR Program Manual including mission, goals, policies, and by-laws.

Ends Policy B-4, Actuarial Funding Policy Statement, will be reviewed next year when the actuarial audit is done.

Ends Policy B-5, Investment Policy Statement, will be updated after the Asset Liability Study is completed.

Ends Policy B-9, Trust Fund Evaluation/Monitoring, will be brought to the September meeting for further discussion relating to the frequency of actuarial audits or reviews currently conducted every 5 years.

The board members completed the Code of Conduct affirmation that is required annually.

Board discussion followed.

MRS. FRANZ MOVED AND MR. LECH SECONDED TO APPROVE THE ANNUAL PROGRAM REVIEW.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

ANNUAL TFFR CUSTOMER SATISFACTION REPORTS:

Mrs. Kopp 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), North Dakota Association of School Business Managers (NDASBM), and North Dakota United (NDU).

Mrs. Kopp expressed appreciation to the RIO staff for doing an excellent job as is evidenced by the positive comments and evaluations received from members and business managers.

The SIB has requested that the TFFR board complete a Customer Satisfaction Survey. After discussion, it was decided that Ms. Miller Bowley will email a survey to each board trustee who will then forward their completed survey to President Gessner. President Gessner will compile the results and bring to the September board meeting for approval.

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

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

TRUSTEE EDUCATION:

Mrs. Kopp commented on trustee educational opportunities and urged members to attend.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES ONE QUALIFIED DOMESTIC RELATIONS ORDER (QDRO): 2015-3Q.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

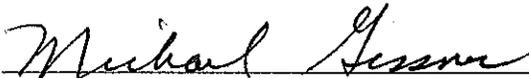
OTHER BUSINESS:

The next regular board meeting will be held September 24, 2015, at the State Capitol. A special TFFR meeting to attend the SIB meeting on pension fund governance will be held July 24, 2015.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 3:04 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary