

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 17, 2016, 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: David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Terra Miller Bowley, Audit Services Supervisor
Darlene Roppel, Retirement Assistant
Shelly Schumacher, Retirement Program Manager

OTHERS PRESENT: Brent Banister, Cavanaugh Macdonald Consulting
Patrice Beckham, Cavanaugh Macdonald Consulting
Ryan Falls, Gabriel Roeder Smith & Co.
Kathy Kindschi, NDU-Retired
Janilyn Murtha, Attorney General's Office
Joe Newton, Gabriel Roeder Smith & Co.
Mark Wagner, NDCTE

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, March 17, 2016, in the Peace Garden Room at the State Capitol in 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. OLSON MOVED AND MRS. FRANZ SECONDED TO APPROVE THE AGENDA AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

MINUTES:

The board considered the minutes of the TFFR board meeting held January 21, 2016.

TREASURER SCHMIDT MOVED AND MR. LECH SECONDED TO APPROVE THE MINUTES OF THE TFFR BOARD MEETING HELD JANUARY 21, 2016.

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

ACTUARIAL AUDIT CONSULTANT PRESENTATIONS:

Gabriel, Roeder, Smith & Co. (GRS) and Cavanaugh Macdonald Consulting (CavMac) are the two finalists for conducting the actuarial audit of the current actuary, Segal Company.

MR. LECH MOVED AND MR. BURTON SECONDED TO SEQUESTER COMPETITORS DURING FINALIST PRESENTATIONS PER NDCC 44.04.19.2(6).

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

Mrs. Kopp introduced Mr. Ryan Falls and Mr. Joe Newton from GRS. Mr. Falls and Mr. Newton presented information on their qualifications and experience, approach to the project, and method of communication. Discussion and questions followed. Mr. Falls and Mr. Newton left the meeting after completion of their presentation.

Mrs. Kopp introduced Ms. Patrice Beckham and Mr. Brent Banister, representing CavMac. They reviewed their approach to the actuarial audit process, experience and qualifications, and how they would work with the current actuary. Discussion and questions followed. Ms. Beckham and Mr. Banister left the meeting after completion of their presentation.

Supt. Baesler left the meeting at 1:45 p.m.

The board recessed at 2:27 p.m. and reconvened at 2:45 p.m.

ACTUARIAL AUDIT CONSULTANT SELECTION:

Mrs. Kopp reviewed the process of issuing the Request for Proposal (RFP) for Actuarial Audit Services. Proposals were received from Bolton Partners, CavMac, Cheiron, GRS, Gallagher Benefit Services, and Pension Trustee Advisors (partnered with KMS Actuaries). The proposals were reviewed by the Proposal Evaluation Committee (Mr. Hunter, Mrs. Kopp, and Mrs. Schumacher), and scored. In general, the proposals were of excellent quality. GRS and CavMac were ranked the highest with the greatest number of total points in both technical and cost proposals. Based on the rankings, the Proposal Evaluation Committee selected GRS and CavMac as finalists, and invited them for oral presentations. Mrs. Kopp called additional references on GRS and CavMac and received very positive comments.

After board discussion of the finalists' proposals, experience, qualifications, cost, references, oral presentations, and communication skills,

MR. LECH MOVED AND MR. OLSON SECONDED TO SELECT CAVANAUGH MACDONALD CONSULTING TO CONDUCT AN ACTUARIAL AUDIT OF THE CURRENT ACTUARY, SEGAL COMPANY.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

ELIGIBLE SALARY DETERMINATION:

Mrs. Kopp reviewed the issue of whether or not payments for certain duties performed by employees licensed by ESPB and contracted to provide teaching, supervisory, administrative, or extracurricular services by a TFFR participating employer are eligible compensation for TFFR purposes. These duties include equipment, machinery and computer maintenance and repair, and jobsite prep or finish work for building construction.

To review this issue, Mrs. Kopp and Mrs. Schumacher met with Mr. Wayne Kutzer and Mr. Mark Wagner, North Dakota Career and Technology Education (NDCTE). A small working group of state and local directors of CTE's also met with TFFR staff to provide input regarding the work duties, employment structures and payments made for these duties. NDCC 15-39.1-04(10)(h) allows the board to make determinations regarding eligible salary. Based on CTE input and RIO audit and retirement staff review, the staff recommends the following: additional payments made by a TFFR participating employer to a TFFR member for equipment maintenance and repair, jobsite prep and finish work, and similar types of nonteaching duties are not eligible salary for TFFR purposes IF the duties are not included on the member's regular teaching contract(s).

Mrs. Jan Murtha, TFFR legal counsel, also reviewed staff's recommendation and had no concerns. After discussion,

MR. OLSON MOVED AND MR. LECH SECONDED TO APPROVE THE STAFF RECOMMENDATION AND TO AUTHORIZE STAFF TO DRAFT BOARD POLICY THAT PROVIDES: ADDITIONAL PAYMENTS MADE BY A TFFR PARTICIPATING EMPLOYER TO A TFFR MEMBER FOR EQUIPMENT MAINTENANCE AND REPAIR, JOBSITE PREP AND FINISH WORK, AND SIMILAR TYPES OF NONTEACHING DUTIES ARE NOT ELIGIBLE SALARY FOR TFFR PURPOSES IF THE DUTIES ARE NOT INCLUDED ON THE MEMBER'S REGULAR TEACHING CONTRACT(S).

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

TFFR QUARTERLY INVESTMENT UPDATE:

Mr. Hunter provided the investment update for the periods ended December 31, 2015. For the one year ended December 31, 2015, TFFR generated a net investment return of 0.64% versus a policy benchmark of 0.15%. TFFR generated a net return of 6.9% for the 5-years ended December 31, 2015, which exceeded the policy benchmark by 0.69%. TFFR's returns have consistently ranked in the 1st or 2nd quartile of the Callan Public Fund database over the last 1-, 3-, and 5-year periods. These returns have been achieved using less risk than peers during the last 1- and 3-year periods. Board discussion followed.

AUDIT SERVICES QUARTERLY UPDATE:

Ms. Miller-Bowley presented the quarterly audit activities report for October 1, 2015 - December 31, 2015. A total of fifteen employer audits have been completed year to date including fourteen TFFR Compliance Audits and one Not in Compliance Review. Eight audits are currently in progress and represent the end of the third audit cycle. The TFFR file maintenance audit was completed with no exceptions noted. The executive limitation audit for calendar year 2015 commenced in November 2015. The Executive Director/CIO requested Audit Services review the reasonableness of the Investment Performance Summary table in RIO's CAFR for the last five fiscal years ended June 30, 2015, and annualized returns for the 3, 5, 10, and 20-year periods ended June 15, 2015. Audit Services will focus on completing the review by the end of the current fiscal year.

President Gessner thanked Ms. Miller-Bowley for the wonderful job she has done since assuming her position.

2016-17 BOARD CALENDAR AND EDUCATION PLAN:

Mrs. Kopp presented the 2016-17 board calendar and education plan. Six board meetings have been scheduled as required by the TFFR board policy C-2, for the day preceding the State Investment Board (SIB) meetings beginning in July 2016. Suggestions are welcome for topics to be covered in Board Education that would assist board members in carrying out their responsibilities. Mr. Lech suggested providing information on other states' teachers' retirement plans.

MR. LECH MOVED AND MR. OLSON SECONDED TO APPROVE THE 2016-17 BOARD MEETING SCHEDULE AND BOARD EDUCATION PLAN AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

TRUSTEE EDUCATIONAL CONFERENCES:

Mrs. Kopp presented information on various 2016 pension trustee educational opportunities. Please contact Mrs. Kopp, Ms. Bonnie Heit or Mrs. Roppel if interested in attending one.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE CONSENT AGENDA WHICH CONSISTED OF QDRO'S # 2016-01 AND 2016-02 AND DISABILITY # 2016-2D.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

OTHER BUSINESS:

The next regular board meeting will be held April 21, 2016, in the Peace Garden Room at the State Capitol.

All presentations and reports from this meeting are on file at RIO.

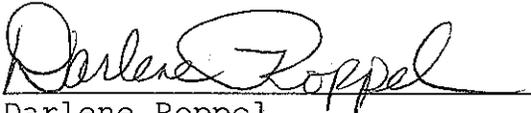
ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 3:45 p.m.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary