

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
APRIL 21, 2016, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Kirsten Baesler, State Superintendent
(teleconference)
Mike Burton, Trustee
Kim Franz, Trustee
Rob Lech, Trustee
Mel Olson, Trustee

ABSENT: 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: Kathy Kindschi, 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, April 21, 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, AND MR. OLSON.

APPROVAL OF AGENDA:

The Board considered the meeting agenda. Mrs. Kopp requested that agenda item 3 follow item 4 to accommodate Ms. Murtha's schedule.

MR. OLSON MOVED AND MRS. FRANZ SECONDED TO APPROVE THE AGENDA AS AMENDED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

MINUTES:

The board considered the minutes of the TFFR board meeting held March 17, 2016.

MRS. FRANZ MOVED AND MR. BURTON SECONDED TO APPROVE THE MINUTES OF THE TFFR BOARD MEETING HELD MARCH 17, 2016.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

ANNUAL PENSION PLAN COMPARISONS REPORT:

Mrs. Kopp presented the annual Public Pension Plan Comparisons report, comparing TFFR to the 2014 Public Fund Survey (PFS) conducted by the National Association of State Retirement Administrators (NASRA). It includes 126 large public retirement plans which represent about 85% of the entire state and local government retirement system community. Most plans, including TFFR, have taken steps of different degrees to improve funding. The report contains information about funding levels, assets and liabilities, membership changes, investment earnings, contribution rates, and actuarial assumptions. Mrs. Kopp also commented on other public pension data bases, reports, and studies available. Board discussion followed.

MR. LECH MOVED AND MR. OLSON SECONDED TO ACCEPT THE ANNUAL PUBLIC PENSION PLAN COMPARISON REPORT.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

BOARD EDUCATION: FIDUCIARY DUTIES/ETHICS:

Ms. Janilyn Murtha, Attorney General's office, presented board education on the fiduciary duties of TFFR board members which are set forth in the North Dakota Century Code (NDCC)15-39.1-05.1. Fiduciary duties include loyalty, impartiality, prudence, administration, skill, delegation, and prudent investor rule. Ms. Murtha also discussed application of fiduciary duties related to administration of the plan, maintaining the confidentiality of member records, monitoring and suggesting improvements to the plan, conflicts of interest, code of conduct, breach of fiduciary duties, and board member liability. Board discussion followed.

The board recessed at 2:52 p.m. and reconvened at 3:00 p.m.

INELIGIBLE TFFR SALARY POLICY:

Mrs. Kopp presented a draft board policy on Ineligible TFFR Salary, which reflects the board's determination at the March 2016 board meeting. The draft policy provides that effective July 1, 2016, additional payments made by a TFFR participating employer to a licensed 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 in the member's regular teaching contract(s).

MR. LECH MOVED AND MRS. FRANZ SECONDED TO APPROVE THE DRAFT BOARD POLICY ON "INELIGIBLE TFFR SALARY".

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

EXPERIENCE STUDY ASSUMPTION CHANGES UPDATE:

Mrs. Schumacher highlighted the implementation that was recently completed to incorporate the assumption changes that resulted from the Experience Study. The ND Administrative Code was updated with revised actuarial factors and became effective April 1, 2016. The revised interest rate and mortality assumptions were incorporated into the CPAS pension administration computer system effective April 1, 2016. The revised interest rate assumption was incorporated into late employer reporting and prior fiscal year corrections effective July 1, 2015. Changes were communicated to members and employers in the July and August 2015 newsletters. The TFFR Member Handbook and the Purchase of Service brochure have been updated to reflect the changes.

ASSET ALLOCATION IMPLEMENTATION UPDATE:

Mr. Hunter reviewed the changes to the TFFR Investment Policy Statement recently approved by the Board. TFFR's new asset allocation in the public markets is expected to be totally implemented by June 30, 2016, with equity increasing from 57% to 58%; fixed income increasing from 22% to 23%; and real assets decreasing from 20% to 18%.

ACTUARIAL AUDIT UPDATE:

Mrs. Kopp reported that the contract between Cavanaugh-Macdonald Consulting and TFFR has been negotiated and signed. The actuarial audit project is on schedule and proceeding as planned. The Actuarial Audit report is scheduled to be delivered at the July 21, 2016, board meeting.

FEDERAL ISSUES:

Mrs. Kopp reviewed some federal issues that could potentially have an impact on public pension plans. She highlighted provisions of: 1) Public Employee Pension Transparency Act (PEPTA), H.R. 4822; 2) Secure Annuities for Employees (SAFE) Retirement Act; 3) Other state based secure retirement proposals to expand private sector retirement coverage.

CONSENT AGENDA:

MRS. FRANZ MOVED AND MR. OLSON SECONDED TO APPROVE THE CONSENT AGENDA WHICH CONSISTED OF QDRO # 2016-03 AND DISABILITY # 2016-3D.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

BENEFIT OVERPAYMENT:

President Gessner explained that this item must be discussed in Executive Session due to confidential member information under North Dakota Century Code (NDCC) 44-04-19.2(1) and 15-39.1-30. The topic to be discussed in the Executive Session is an overpayment of retirement benefits to a deceased retiree and to consider whether the overpayment should be written off. President Gessner reminded the board to limit discussion to the announced topic.

EXECUTIVE SESSION

Executive session attendees included: Ms. Murtha, Supt. Baesler, Mr. Burton, Mrs. Franz, Mr. Lech, Mr. Olson, President Gessner, Mr. Hunter, Mrs. Kopp, Ms. Miller-Bowley, Mrs. Schumacher and Mrs. Roppel.

Executive session began at 3:25 p.m. and ended at 3:36 p.m.

OPEN SESSION

MR. LECH MOVED AND MR. BURTON SECONDED TO WRITE OFF THE OVERPAYMENT OF BENEFITS IN THE AMOUNT OF \$2,150.72 AND CLOSE THE MEMBER'S ACCOUNT.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

BOARD VACANCY AND RESOLUTION:

Mrs. Kopp reported that Mrs. Franz has resigned from the board effective June 30, 2016. President Gessner's term also ends on June 30, 2016, therefore his position is up for reappointment. As required by state law, names have been submitted by ND United to the Governor's office for consideration on the TFFR Board.

President Gessner recognized Mrs. Franz for her 10 years of distinguished service representing active members on the TFFR board from 2006 to 2016. He read the following resolution:

**ND TFFR Board Resolution in
Appreciation of
Kim Franz**

WHEREAS, Kim Franz served as trustee of the ND Teachers' Fund for Retirement Board representing active members with distinction for 10 years, from 2006 to 2016; and

WHEREAS, Mrs. Franz has dedicated 32 years to teaching elementary students and continues to serve the Mandan community as a caring, respected, and outstanding teacher; and

WHEREAS, Mrs. Franz has been a strong voice for both active and retired teachers, and has unequivocally supported initiatives that have been in the best interests of TFFR members; and

WHEREAS, Mrs. Franz has been committed to preserving the defined benefit structure of the retirement plan; to safeguarding the assets TFFR holds in trust to provide lifetime retirement security for ND educators and their beneficiaries; and to protecting the interests of education professionals; and

WHEREAS, Mrs. Franz has provided thoughtful guidance and tremendous insight on educators' pension issues, supported efforts to strengthen TFFR's funding structure and safeguard the financial integrity of the fund, and

WHEREAS, Mrs. Franz has distinguished herself as a knowledgeable and experienced trustee whose commitment to integrity and excellence have earned her the respect of those who have worked with her; now therefore, be it

RESOLVED, that the TFFR Board express its heartfelt thanks to Mrs. Franz for her dedicated and compassionate service to the Board, and for her steadfast commitment to excellence in pension administration; and be it further

RESOLVED, that the Board wishes Kim Franz, and her husband, Mike, good health and happiness; and be it further

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

DATED this 21st day of April, 2016

MR. OLSON MOVED AND MR. LECH SECONDED TO APPROVE THE BOARD RESOLUTION HONORING MRS. FRANZ.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

OTHER BUSINESS:

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

All presentations and reports from this meeting are on file at the Retirement and Investment Office (RIO).

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 3:45 p.m. Cake and coffee were served in Mrs. Franz's honor.

Respectfully Submitted:



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



Darlene Roppel
Reporting Secretary