

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

BOARD MEMBERS PRESENT: Mike Gessner, President
Kirsten Baesler, State Superintendent
Mike Burton, Trustee
Toni Gumeringer, Trustee
Rob Lech, Trustee
Mel Olson, Trustee

ABSENT: Kelly Schmidt, State Treasurer

STAFF PRESENT: David Hunter, ED/CIO
Bradley Kasper, RIO Intern
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
Janilyn Murtha, Attorney General's Office
Nancy Peterson, NDU-Retired
Becky Pitkin, ESPB

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, July 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, MR. GESSNER, MRS. GUMERINGER, MR. LECH, AND MR. OLSON.

TREASURER SCHMIDT WAS ABSENT.

APPROVAL OF AGENDA:

The Board considered the meeting agenda.

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

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

MINUTES:

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

MR. LECH MOVED AND MR. BURTON SECONDED TO APPROVE THE MINUTES OF THE TFFR BOARD MEETING HELD APRIL 21, 2016.

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

NAYS: NONE

MRS. GUMERINGER ABSTAINED SINCE SHE WAS NOT AT THAT MEETING.

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

TRUSTEE APPOINTMENT:

President Gessner welcomed Mrs. Antonia (Toni) Gumeringer who was appointed by Governor Dalrymple to complete the unexpired term of Mrs. Kim Franz on the TFFR Board of Trustees through June 30, 2019. She represents active teachers.

ELECTION OF 2016-17 OFFICERS:

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

MR. LECH NOMINATED MR. GESSNER FOR PRESIDENT; SUPT. BAESLER SECONDED THE MOTION.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

MR. OLSON NOMINATED MR. LECH FOR VICE PRESIDENT; MR. BURTON SECONDED THE MOTION.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

MRS. GUMERINGER MOVED AND MR. OLSON SECONDED TO RETAIN ALL STATE INVESTMENT BOARD (SIB) MEMBERS AND AUDIT COMMITTEE MEMBER: PRESIDENT GESSNER, MR. LECH, AND MR. OLSON TO REPRESENT TFFR ON THE SIB AND PRESIDENT GESSNER ON THE SIB AUDIT COMMITTEE.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

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

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

ACTUARIAL AUDIT REPORT:

Mrs. Kopp introduced Mr. Brent Banister, Cavanaugh Macdonald Consulting (CavMac), who conducted an actuarial audit of Segal Consulting, the current TFFR actuary. The actuarial audit seeks to verify the actuarial work being performed. CavMac reviewed the reasonableness and accuracy of the actuarial assumptions, actuarial cost methods, valuation results, and funding projections in the July 1, 2015 actuarial valuation report and the recent experience study. CavMac concluded that Segal's work complies with the Actuarial Standards of Practice (ASOP). They generally found the actuarial valuation results to be reasonable and accurate based on the assumptions and methods used; and that Segal's work provides appropriate assessment of the health and funding requirements of the NDTFFR. A few issues were noted where there is opportunity for improvement.

Segal has reviewed the audit report and has provided comments. Segal will review their response with the board at the October board meeting.

After questions and discussion,

MR. OLSON MOVED AND MR. BURTON SECONDED TO ACCEPT THE ACTUARIAL AUDIT
REPORT PRESENTED BY CAVANAUGH MACDONALD CONSULTING.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

RETIREE SUBBING:

Mrs. Kopp reviewed challenges school districts are experiencing in hiring both regular and substitute teachers, and the return to covered employment in full and part-time positions by retired teachers and administrators. Some employers have asked TFFR to consider changing its

interpretation of "contracted" in-staff subbing as it pertains to re-employed retirees.

After discussion, the Board suggested reaching out to the professional organizations: North Dakota Council of Educational Leaders (NDCEL), ND United, North Dakota Association of School Business Managers (NDASBM), North Dakota School Board Association (NDSBA) and North Dakota Retired Teachers Association (NDRTA), for their input. Mrs. Kopp will contact these groups to set up a special work group meeting on this topic. Mrs. Kopp informed the Board that TFFR re-employed retiree information is currently being updated for 2015-16, and will be presented at the September board meeting. Staff will attempt to quantify available information to estimate the potential impact on the plan.

The meeting recessed at 2:58 p.m. and reconvened at 3:10 p.m.

QUARTERLY INVESTMENT UPDATE:

Mr. Hunter presented the quarterly TFFR investment update including asset allocation, investment performance and capital markets for the period ending March 31, 2016. The net total fund return as of March 31, 2016 is -0.35%.

QUARTERLY AUDIT SERVICES UPDATE:

Ms. Miller Bowley reported on the audit activities for January 1, 2016 - March 31, 2016. Fifteen employer audits were completed through March 31, 2016. As of June 30, 2016, twenty-two compliance audits were completed. Only 2 audits remain in the third audit cycle. The fourth audit cycle is underway. Ms. Miller Bowley introduced Mr. Bradley Kasper, a college intern working with the audit department this summer.

PENSION BENEFIT COMPARISONS:

Mrs. Kopp presented a comparison of the NDTFFR plan to the 2016 National Education Association (NEA) pension report. Topics covered include: plan administration, investment, retirement eligibility, COLA, contribution rates, benefit formulas, actuarial methods and funding, and retirement board membership. Over the past five years, most states have increased employee contribution rates, reduced benefits, or both. A few states have modified their plan design, moving from a defined benefit plan to a cash balance or defined contribution plan.

ANNUAL TFFR PROGRAM REVIEW:

Mrs. Kopp reviewed the 2015-16 TFFR board accomplishments, 2015-16 Program Monitoring Summary, 2016-17 board education plan, and the TFFR Program Manual. The Program Manual is now available on the Retirement and Investment Office (RIO) website. The board mission, goals, and policies were reviewed.

After discussion of potential policy changes, Mrs. Kopp will draft new policies relating to board communications and board appeals for consideration at the September board meeting.

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

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

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

ANNUAL TFFR CUSTOMER SATISFACTION REPORTS:

Mrs. Kopp reviewed responses to the Customer Satisfaction Surveys received from NDASBM, NDRTA, NDSBA, ND United, as well as member and employer comment cards and outreach program evaluations.

Mrs. Kopp expressed appreciation to the RIO staff for doing an excellent job working with members and employers which is evidenced in the positive comments and evaluations.

The Board extended their congratulations to the staff for the excellent feedback in the surveys.

The SIB has requested that the TFFR board complete a Customer Satisfaction Survey. Ms. Miller Bowley will email a survey to each TFFR 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 discussion and approval.

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

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

TFFR COMMUNICATION ENHANCEMENTS:

Mrs. Kopp updated the board on communication and technology related enhancements being developed to provide additional information about the TFFR program to members, employers, and the public. The #1 priority is to create member online services, which is expected to be available by the end of the year. The #2 priority is to update the RIO/TFFR website. In addition, webcasts are being created and added to the

website. New business manager training sessions are being scheduled and held in the TFFR office.

TRUSTEE EDUCATION:

Mrs. Kopp reviewed upcoming pension trustee educational opportunities. Mr. Hunter is working with Callan to set up an investment educational session in Bismarck in 2017.

CONSENT AGENDA:

MR. LECH MOVED AND MR. OLSON SECONDED TO APPROVE THE CONSENT AGENDA WHICH CONSISTED OF QDRO # 2016-04.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

OTHER BUSINESS:

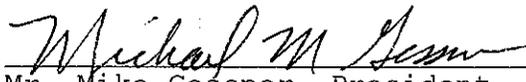
The next regular board meeting will be held September 22, 2016, in the Peace Garden Room at the State Capitol.

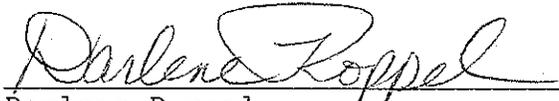
All presentations and reports from this meeting are on file at the RIO.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:50 p.m.

Respectfully Submitted:


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


Darlene Roppel
Reporting Secretary