

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
JANUARY 25, 2018, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Mike Gessner, President  
Rob Lech, Vice President  
Kirsten Baesler, State Supt. (TLCF)  
Mike Burton, Trustee  
Toni Gumeringer, Trustee  
Mel Olson, Trustee  
Kelly Schmidt, State Treasurer

**STAFF PRESENT:** Bonnie Heit, Admin Svs Supvr  
David Hunter, ED/CIO  
Fay Kopp, Deputy ED/CRO  
Missy Kopp, Retirement Assistant  
Sara Sauter, Audit Services Supvr  
Shelly Schumacher, Retirement Program Mgr

**OTHERS PRESENT:** Patrick Brooke, Attorney General's Office  
Kathy Kindschi, NDU-Retired

**CALL TO ORDER:**

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:15 p.m. on Thursday, January 25, 2018, at the Retirement and Investment Office, Bismarck, ND.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. BURTON, MR. GESSNER, MRS. GUMERINGER, MR. LECH, MR. OLSON, AND SUPT. BAESLER**

**ACCEPTANCE OF AGENDA:**

The Board considered the agenda for the January 25, 2018 meeting.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE AGENDA AS DISTRIBUTED.**

**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 October 26, 2017, meeting.

IT WAS MOVED BY MR. LECH AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE OCTOBER 26, 2017, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: TREASURER SCHMIDT

**BOARD EDUCATION:**

Mr. Hunter provided education to the Board on Environmental, Social and Governance (ESG) Investing and explained how these factors are considered in making investment decisions as part of the due diligence process. Mr. Hunter reviewed State Investment Board Policy E-7.1 on Proxy Voting which has been in place since 1995, and addresses ESG investing. Board discussion followed.

**INVESTMENT UPDATE:**

Mr. Hunter provided an investment update for periods ending September 30, 2017 and November 30, 2017. For the 1-year period ended September 30, 2017, TFFR earned a net return of 13% versus a policy benchmark of less than 12%. TFFR earned a net return of over 9% for the 5-years ended September 30, 2017, which exceeded the policy benchmark of 8% by approximately 1%.

Mr. Hunter informed the Board that RIO personnel are in the process of implementing standardized asset allocation guidelines for its SIB clients. These changes will not impact target allocations to Equity, Fixed Income or Real Assets which will remain at 58%, 23% and 18%, respectively. However sector allocation within each broad asset class will be simplified into public or private for Equity, investment grade or non-investment grade for Fixed Income and real estate or other for Real Assets. Mr. Hunter also reminded the Board that the TFFR (and PERS) Boards approved these recommendations for Fixed Income late last year in connection with the fixed income restructuring. Mr. Hunter requested the Board approve the TFFR Investment Policy Statement to reflect these changes. After discussion,

IT WAS MOVED BY MR. OLSON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT STAFF RECOMMENDATION ON CHANGES TO THE TFFR INVESTMENT POLICY STATEMENT.

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

NAYS: NONE

MOTION CARRIED.

IT WAS MOVED BY MR. LECH AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INVESTMENT REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2017.

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

The Board requested that future investment policy statement changes be reflected in a separate agenda item.

**AGENCY UPDATE:**

Mr. Hunter reported that RIO is fully staffed as of January 2, 2018. Ms. Denise Weeks rejoined RIO as a Retirement Benefits Counselor, Ms. Sara Sauter as Supervisor of Audit Services and Ms. Missy Kopp as Retirement Administrative Assistant.

Mr. Hunter reviewed the results of RIO's Employee Survey initiated by the Governor's Office in December 2017. Survey results gave RIO a favorable response on over 79% of the questions. Open-ended responses focused on improving employee communication, compensation and teamwork. Mr. Hunter stated he plans to meet with the State People Officer and work with RIO managers and staff to address concerns.

**TAX WITHHOLDING UPDATE:**

Ms. Kopp reviewed the 2018 Tax Withholding changes which were approved by Congress and signed into law on December 22, 2017. Since the IRS released new 2018 tables on January 11, 2018, Ms. Kopp stated TFFR plans to implement the 2018 federal tax withholding changes for the February 1, 2018 retiree payroll. However, since the ND state tax department has not yet issued new 2018 tables, it is possible that only the federal tax changes will be reflected in the February 1 retiree payments. Ms. Kopp stated that Annual Retirement Benefit Change Notices will be mailed to all 8,521 retirees in February, notifying them of any changes in their net monthly benefit as a result of the new tax withholding tables, and confirming their current monthly benefit amount. Board discussion followed.

**MEMBER ONLINE UPDATE:**

Ms. Kopp informed the Board that TFFR Member Online is scheduled to go live on February 1, 2018. Ms. Kopp reviewed the account information that will be available to active and retired members. TFFR retirees will receive the first notification that Member Online is available with their Retirement Benefit notices which will be distributed in February 2018. TFFR Member Online Services will be the feature story in the "Report Card" and "Retirement Today" member newsletters which are anticipated to be distributed to members in late February. After the initial rollout is conducted, staff will continue marketing Member Online in email blasts to members via employers, member outreach program materials, correspondence, and other phone and personal interactions with members.

Ms. Kopp thanked Mr. Rich Nagel, Ms. Shelly Schumacher, Mr. Len Wall and other RIO, ITD and CPAS staff who were involved in getting Member Online into production.

**GASB 67 & 68:**

Ms. Schumacher reviewed the GASB 67 & 68 report for the year ending June 30, 2017. The report was prepared by TFFR's actuary, Segal Company, and audited by the plan's auditor, CliftonLarsonAllen. The report will be posted on the TFFR website for all employers to use in their 2018 financial statements.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE GASB 67 & 68 REPORT FOR THE PERIOD ENDING JUNE 30, 2017.**

**AYES: MR. OLSON, MR. LECH, SUPT. BAESLER, MRS. GUMERINGER, TREASURER SCHMIDT, MR. BURTON, PRESIDENT GESSNER**

**NAYS: NONE**

**MOTION CARRIED.**

**BOARD POLICY:**

Ms. Kopp reviewed TFFR Board Policy C-7, Employer Payment Plan Models, for the Board's second reading and final adoption.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE SECOND READING AND FINAL ADOPTION TO TFFR BOARD POLICY C-7 EMPLOYER PAYMENT PLAN MODELS.**

**AYES: MR. BURTON, MRS. GUMERINGER, MR. OLSON, TREASURER SCHMIDT, MR. LECH, SUPT. BAESLER, PRESIDENT GESSNER**

**NAYS: NONE**

**MOTION CARRIED.**

The Board recessed at 2:43 p.m. and reconvened at 2:55 p.m.

**LEGISLATIVE PLANNING:**

Ms. Kopp reviewed 2019 legislative planning timeline and TFFR plan benefits, contributions, investment, and funding background information. Based on 2017 actuarial projections, TFFR's funded status is expected to improve over the next 30 years, therefore additional contribution or benefit changes are not required for funding purposes at this time. However, events which could affect TFFR funding levels in the future will be closely monitored including investment performance, actuarial experience, actuarial assumption changes, and legislative actions. Ms. Kopp informed the Board that a bill will need to be drafted to address Internal Revenue Code compliance updates. She also outlined various possible plan design and administrative changes for board consideration. Board discussion followed.

The Board requested that two bills be drafted for additional discussion at the March 22 meeting regarding IRS technical corrections and retiree substitute teaching. Bill drafts will need to be submitted to the Legislative Employee Benefits Programs Committee for study by April 1, 2018.

**ENDS-STATISTICS REPORT:**

Ms. Schumacher reviewed the TFFR Ends and Retirement Statistics for the year ending June 30, 2017. The information provided validates that TFFR Ends policies formally adopted by the TFFR Board and accepted by the SIB, are being implemented. Board discussion followed.

**IT WAS MOVED BY MR. LECH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ANNUAL TFFR ENDS REVIEW FOR THE YEAR ENDING JUNE 30, 2017.**

**AYES: MRS. GUMERINGER, MR. LECH, TREASURER SCHMIDT, SUPT. BAESLER, MR. BURTON, MR. OLSON, PRESIDENT GESSNER**

**NAYS: NONE**

**MOTION CARRIED.**

**AUDIT SERVICES:**

Ms. Sauter reviewed Audit Services second quarter activities report for the period of October 1, 2017 - December 31, 2017.

**CAFR AND PPCC AWARDS:**

Ms. Kopp informed the Board that the 2017 RIO Comprehensive Annual Financial Report (CAFR) has been completed. RIO has been awarded a Certificate of Achievement for Excellence in Financial Reporting for the past 20 years from the Government Finance Officers Association (GFOA).

Ms. Kopp noted that TFFR has also received the Public Pension Coordinating Council (PPCC) 2017 Public Pension Standards Award for administration. TFFR has received the award for administration and/or funding from PPCC since 1992.

Ms. Kopp thanked Ms. Connie Flanagan, Ms. Schumacher and other staff, for their efforts.

**OTHER:**

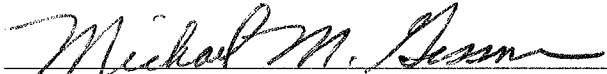
The Board requested feedback from the Devils Lake meeting held on November 21, 2017 with Mr. Hunter and Ms. Kopp. This item will be on the agenda for the March 2018 board meeting.


Mr. Gessner informed the Board that he will be retiring at the end of the 2017-18 school year. Mr. Gessner's 47-year teaching career was with the Minot Public School District as a Math instructor. Mr. Gessner has been representing the active teachers on the board since June 16, 2005.

**ADJOURNMENT:**

With no further business to come before the Board, President Gessner adjourned the meeting at 4:31 p.m.

Respectfully Submitted:

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

  
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Bonnie Heit  
Reporting Secretary