

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
JULY 26, 2018, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Rob Lech, President  
Mike Burton, Vice President  
Kirsten Baesler, State Supt. DPI  
Toni Gumeringer, Trustee  
Cody Mickelson, Trustee  
Mel Olson, Trustee  
Kelly Schmidt, State Treasurer

**STAFF PRESENT:** 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:** Nici Meyer, Attorney General's Office  
Anders Odegaard, Attorney General's Office

**CALL TO ORDER:**

Mr. Rob Lech, Vice President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, July 26, 2018, at the Retirement and Investment Office, Bismarck, ND.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. BURTON, MR. MICKELSON, MRS. GUMERINGER, MR. LECH, MR. OLSON, TREASURER SCHMIDT.**

**AGENDA:**

The Board considered the agenda for the July 26, 2018 meeting. One additional disability application was added to the Consent Agenda.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA WITH THE CHANGE.**

**AYES: TREASURER SCHMIDT, MR. BURTON, MR. MICKELSON, MRS. GUMERINGER, MR. OLSON AND MR. LECH**

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: SUPT. BAESLER**

**MINUTES:**

The Board considered the minutes of the April 26, 2018, meeting and the June 14, 2018, special meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE APRIL 26, 2018, AND JUNE 14, 2018, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MR. OLSON, TREASURER SCHMIDT, MR. BURTON, MRS. GUMERINGER, AND MR. LECH

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

TRUSTEE APPOINTMENTS:

Mrs. Kopp informed the Board that Governor Burgum made two appointments:

Mr. Mel Olson has been reappointed for a 5-year term through June 30, 2023. Mr. Olson represents retired members.

Mr. Cody Mickelson has been appointed as an active member representative. He will complete the unexpired term of Mr. Mike Gessner through June 30, 2021.

ELECTION OF 2018-19 OFFICERS

Vice President Lech opened the floor for nominations for officers of the TFFR Board.

TREASURER SCHMIDT NOMINATED MR. LECH FOR PRESIDENT. THERE WERE NO FURTHER NOMINATIONS.

AYES: TREASURER SCHMIDT, MRS. GUMERINGER, MR. OLSON, MR. BURTON, AND MR. MICKELSON

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

TREASURER SCHMIDT NOMINATED MR. BURTON FOR VICE PRESIDENT. THERE WERE NO FURTHER NOMINATIONS.

AYES: MRS. GUMERINGER, MR. MICKELSON, MR. OLSON, TREASURER SCHMIDT AND PRESIDENT LECH

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

President Lech opened the floor for nominations for representatives to the SIB Board and SIB Audit Committee.

TREASURER SCHMIDT NOMINATED MRS. GUMERINGER AS A TFFR REPRESENTATIVE TO THE SIB BOARD. THERE WERE NO FURTHER NOMINATIONS.

AYES: MR. OLSON, MR. MICKELSON, TREASURER SCHMIDT, MR. BURTON, AND  
PRESIDENT LECH.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

MR. OLSON NOMINATED PRESIDENT LECH TO SERVE ON THE SIB AUDIT COMMITTEE.  
THERE WERE NO FURTHER NOMINATIONS.

AYES: MR. BURTON, MRS. GUMERINGER, MR OLSON, TREASURER SCHMIDT AND MR.  
MICKELSON.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

TREASURER SCHMIDT NOMINATED MR. BURTON TO SERVE AS THE TFFR ALTERNATE TO  
THE SIB BOARD. THERE WERE NO FURTHER NOMINATIONS.

AYES: MR. OLSON, MRS. GUMERINGER, MR. MICKELSON, TREASURER SCHMIDT AND  
PRESIDENT LECH.

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

**BENEFIT APPEAL - EXECUTIVE SESSION - ATTORNEY CONSULTATION:**

President Lech stated that the Board would need to enter into Executive  
Session for attorney consultation to discuss TFFR Benefit Appeal # 2018  
- 1A. The purpose of the executive session is for attorney consultation  
pursuant to NDCC section 44-04-19.1.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MRS. GUMERINGER AND  
CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION FOR ATTORNEY  
CONSULTATION.

AYES: MRS. GUMERINGER, MR. MICKELSON, TREASURER SCHMIDT, MR. BURTON, MR.  
OLSON AND PRESIDENT LECH.

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

The open session of the meeting ended at 1:10 P.M. Members of the public  
were asked to leave the room.

EXECUTIVE SESSION

Executive session began at 1:11 p.m.

Those in attendance at the executive session were Board members: Mr. Lech,  
Mr. Burton, Mrs. Gumeringer, Mr. Olson, Mr. Mickelson, Superintendent

Baesler (arrived to the meeting at 1:11 p.m.) and Treasurer Schmidt; RIO staff: Ms. Fay Kopp, Mr. Hunter, Ms. Schumacher, Ms. Missy Kopp, and Ms. Sauter; and from the Attorney General's Office: Ms. Meyer and Mr. Odegaard.

The executive session ended at 1:34 p.m.

OPEN SESSION

The meeting resumed in open session at 1:35 p.m.

**TFFR LEGISLATIVE UPDATE:**

The Legislative Employee Benefits Programs Committee (EBPC) has had two meetings in the past two months and has scheduled their fall meeting. They received bill drafts related to TFFR and PERS retirement and insurance plans.

There are two bill drafts which impact the TFFR retirement program. Bill Draft #126, which was submitted by the TFFR Board, makes technical corrections required by IRS favorable determination letter. Bill Draft #20, which was submitted by Rep. Streytle, changes the powers and duties of the EBPC. Legislators and legislative committees would no longer be required to submit proposed bills or amendments to this committee for review to ensure an actuarial study is done. The executive and judicial branch entities would need to continue doing so.

These two bill drafts have been sent to Segal for actuarial review. The Board will discuss the bill drafts in more detail once we receive their comments.

**TFFR QUARTERLY INVESTMENT UPDATE:**

Mr. Hunter presented the quarterly TFFR investment update for the period ending March 31, 2018. For the 5 years ended March 31, 2018, TFFR's total fund net return was 8.3%. TFFR investments have averaged over \$2 billion during the last 5-years and Excess Return has averaged over 0.50% per annum. Based on these conservative values, TFFR's use of active management has enhanced Net Investment Returns by \$50 million for the 5 years ended March 31, 2018. This Excess Return has been achieved while adhering to prescribed Risk limits. Board discussion followed.

**RIO BUDGET UPDATE**

Mr. Hunter presented the 2017-19 budget request which was submitted to OMB. The submitted budget followed Governor Burgum's guidelines asking for a 10% reduction in ongoing expenditures.

RIO management believes the agency has operated in a fiscally conservative manner for many years, while maintaining favorable client satisfaction survey scores despite a 38% increase in TFFR membership and 80% increase in assets under management since 2013.

Along with the base budget submission of \$4.8 million which includes a 10% cut in agency expenses, there were also three optional budget requests: to reinstate the 10% cuts, to replace or upgrade TFFR's pension administration system, and to add a new Investment Risk Officer position.

Mrs. Kopp provided additional information to the Board on the proposed TFFR Pension Administration System Modernization Project. The current system has been in operation for 13 years. The functionality and technical architecture of this client-server technology is at the end of its product release life cycle. RIO believes it is time to move toward a more technologically advanced, more secure web based system which would provide significant improvements in functionality for TFFR members, employers, and staff.

RIO staff has studied the potential risks, benefits and costs of upgrading or replacing the current application to improve and streamline TFFR pension administration processes, reporting capabilities, communications and services to members and employers. The potential cost for the IT project is approximately \$9.1 million which includes external vendor costs related to software licensure, implementation, maintenance and support; external consulting costs including procurement assistance, project management, business process improvement and reengineering; internal consulting for ITD project management, oversight, and other project costs and contingencies. If the Legislature approves the budget for this project, all related expenses will come directly from the TFFR trust fund. The selection of the vendor and associated project costs to either upgrade or replace the current software will be determined through the request for proposal process.

Board discussion followed.

**AUDIT SERVICES UPDATE:**

Ms. Sauter reviewed the Audit Division's activities for the period of July 1, 2017-June 30, 2018. Audit coverage was based on the work plan approved by the SIB Audit Committee. The audit activities undertaken were consistent with the Audit Services charter and goals, and the goals of the Retirement and Investment Office (RIO). Audit effort was directed towards the needs of RIO and the concerns of management and the SIB Audit Committee. Due to staff turnover, all goals were not met. Completed audits include 11 TFFR employer audits, annual benefit payments audit, quarterly file maintenance audits, annual salary verification project, and various agency administrative audits and surveys.

**BOARD EDUCATION: FIDUCIARY DUTIES AND ETHICS:**

Mr. Odegaard, 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, independence, prudence, administration, skill, delegation, exclusive benefit rule, and prudent investor rule. Mr. Odegaard 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.

**ANNUAL TFFR PROGRAM REVIEW:**

President Lech commented on the annual TFFR Program Review process. Mrs. Kopp reviewed the following - board responsibilities, 2017-18 TFFR Board accomplishments and program monitoring summary, 2018-19 board calendar and education plan, and the TFFR Code of Conduct. Mrs. Kopp also reviewed the mission statement and goals and encouraged board members to consider whether they still accurately represent the Board. Mrs. Kopp commented on other board policies that may need to be reviewed by the board in the upcoming year. Board discussion followed.

**IT WAS MOVED BY SUPT. BAESLER AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL TFFR PROGRAM REVIEW.**

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

**NAYS: NONE**

**MOTION CARRIED**

**TFFR CUSTOMER SATISFACTION REPORTS:**

Mrs. Kopp reviewed responses to the TFFR Customer Satisfaction Surveys received from ND Council of Educational Leaders, ND Retired Teacher Association, ND School Board Association, and ND Association of School Business Managers as well as member and employer responses from the Outreach Programs for 2017-18.

Mrs. Kopp and the Board thanked RIO personnel for their excellent efforts and positive results.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE TFFR CUSTOMER SATISFACTION REPORTS FOR THE PERIOD OF JULY 1, 2017 - JUNE 30, 2018.**

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

**NAYS: NONE**

**MOTION CARRIED**

**SIB CUSTOMER SATISFACTION REPORTS:**

President Lech outlined the process which will be used to collect TFFR Board input on the SIB customer satisfaction survey. The purpose of the survey is to determine how well the SIB, through the staff of RIO, is meeting the expectations of its clients. Ms. Sauter, Supervisor of Audit Services, will be sending an electronic satisfaction survey to President Lech to distribute to the board members. The compiled responses will be reviewed at the September 2018 meeting and sent to the SIB upon approval.

**CONSENT AGENDA:**

IT WAS MOVED BY MR. BURTON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA WHICH CONSISTED OF THREE DISABILITY APPLICATIONS (2018-3D, 2018-4D, 2018-5D).

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

NAYS: NONE

MOTION CARRIED.

**ADJOURNMENT:**

With no further business to come before the Board, President Lech adjourned the meeting at 3:56 p.m.

Respectfully Submitted:



Mr. Rob Lech, President  
Teachers' Fund for Retirement Board



Missy Kopp  
Reporting Secretary