

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
SEPTEMBER 27, 2018, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Rob Lech, President  
Mike Burton, Vice President  
Kirsten Baesler, State Supt. DPI (Teleconf)  
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  
Rich Nagel, IT Supvr

**OTHERS PRESENT:** Nici Meyer, Attorney General's Office  
Anders Odegaard, Attorney General's Office  
Kathy Stowe Kindschi - ND United - Retired  
Adam Tescher, Dept. of Public Instruction  
Mari Riehl, Education Standards & Practices Board

**CALL TO ORDER:**

Dr. Rob Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, September 27, 2018, at the Retirement and Investment Office, Bismarck, ND.

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

**AGENDA:**

The Board considered the revised agenda for the September 27, 2018 meeting.

**IT WAS MOVED BY MRS. GUMERINGER AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO ACCEPT THE REVISED AGENDA.**

**AYES: MR. MICKELSON, MR. OLSON, MR. BURTON, MRS. GUMERINGER, PRES. LECH**

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: SUPT. BAESLER & TREASURER SCHMIDT**

**MINUTES:**

The Board considered the minutes of the July 26, 2018, meeting and the July 27, 2018, special meeting.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 26, 2018, AND JULY 27, 2018, MINUTES AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: SUPT. BAESLER & TREASURER SCHMIDT**

Supt. Baesler joined the meeting via teleconference at 1:03 p.m.

**BENEFIT APPEAL #2018-1A - EXECUTIVE SESSION:**

Pres. Lech explained that the next item on the agenda is Benefit Appeal #2018-1A. This item may be discussed in Executive Session. The legal authority for closing this portion of the meeting is NDCC 15-39.1-30, NDCC 44-04-19.1 and NDCC 44-04-19.2. The purpose of the Executive Session is attorney consultation and approval of final order and salary determination regarding TFFR Benefit Appeal #2018-1A.

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION.**

**AYES: SUPT. BAESLER, MRS. GUMERINGER, MR. OLSON, MR. BURTON, MR. MICKELSON, AND PRES. LECH.**

**NAYS: NONE**

**MOTION CARRIED.**

**ABSENT: TREASURER SCHMIDT**

The open session of the meeting ended at 1:04 p.m. Members of the public were asked to leave the room.

**EXECUTIVE SESSION**

Executive session began at 1:04 p.m.

Those in attendance at the executive session were Board members: Pres. Lech, Mr. Burton, Mrs. Gumeringer, Mr. Mickelson, Mr. Olson, Supt. Baesler and Treasurer Schmidt (Treasurer Schmidt arrived at 1:07 p.m.); RIO staff: Ms. Fay Kopp, Mr. Hunter, Ms. Schumacher, Ms. Missy Kopp, Ms. Thorsen and Ms. Sauter; and Attorney General's Office: Ms. Meyer and Mr. Odegaard.

The executive session ended at 2:02 p.m.

**OPEN SESSION**

The meeting resumed in open session at 2:03 p.m. after members of the public were invited back into the meeting.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE DRAFT PROPOSED TFFR BOARD FINAL ORDER FOR BENEFIT APPEAL #2018-1A.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE DRAFT PROPOSED TFFR BOARD FINAL ELIGIBLE PENSIONABLE SALARY DETERMINATION FOR BENEFIT APPEAL #2018-1A.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**BOARD EDUCATION - ND EDUCATION DEMOGRAPHICS:**

Mr. Adam Tescher, Director of School Finance and Organization for the Department of Public Instruction, presented information about the student population in ND and teacher data including salary. The number of students is projected to continue to grow over the next couple of school years. Over the past 10 years, the number of licensed administrators and teachers has increased as has their average salaries. However, from 2017 to 2018, the number of licensed administrators and teachers slightly decreased, and average salaries slightly increased. TFFR looks at these numbers to project how many active members there will be paying into the fund in the coming years.

Board discussion followed.

**BOARD EDUCATION - EDUCATOR SHORTAGES:**

Ms. Mari Riehl, Assistant Director at the ND Education Standards and Practices Board (ESPB), presented information about teacher licensure and shortages. From 2006 to 2015, ESPB determined all areas except Elementary and Physical Education as shortage areas, and in 2015 - 2018, all areas were shortage areas. In the 2018-19 year, all areas except Physical Education are considered shortage areas. These shortage areas can be filled by teachers with an Alternative Access License or a Retiree can return to teach while still receiving their retirement benefits under certain statutory guidelines.

Ms. Riehl shared information about the different types of licenses that are issued to teachers in ND. Ms. Riehl concluded that ND is experiencing

teacher shortages similar to the rest of the nation. There is a need to encourage more young people to go into education, especially special education.

Board discussion followed.

The Board recessed at 2:49 p.m. and reconvened at 2:57 p.m.

### **LEGISLATIVE REPORT**

Ms. Kopp reviewed the technical comments made by Segal on the two bill drafts which impact the TFFR retirement program.

Bill Draft #126 makes technical corrections required by the Internal Revenue Service and will have no actuarial effect.

Bill Draft #20 changes the powers and duties of the Legislative Employee Benefits Programs Committee (LEBPC). 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. According to Segal, the bill itself has no actuarial cost impact, but could lead to a scenario that has a significant impact on the financial health of the TFFR and other ND retirement systems.

Board discussion followed. Board members expressed concerns about the proposed bill draft #20, however, no position was taken by the Board at this time.

### **ANNUAL INVESTMENT REPORT:**

Mr. Hunter presented the annual TFFR investment report including investment performance, asset allocation, and investment returns for the fiscal year ending June 30, 2018. The net investment return for the one-year ended June 30, 2018 was 9.11% versus a policy benchmark of less than 8%. The 5-year average was 8.31% which exceeded the performance benchmark of 7.5% (and long-term actuarial assumption of 7.75%). Asset allocation is the primary driver of returns. During the last 5 years, TFFR earned nearly \$850 million of net investment income including \$795 million (or 94%) from asset allocation decisions and \$55 million (or 6%) from the prudent use of active management. TFFR investment returns were ranked in the 26<sup>th</sup> percentile for the 5 years ended June 30, 2018 (and 2017), based on Callan's Public Fund Sponsor Database.

After discussion,

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL TFFR INVESTMENT REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

**ANNUAL TFFR EXPENSE REPORT:**

Ms. Flanagan reviewed the annual RIO budget and expense report for the fiscal year ending June 30, 2018. She explained that about 93% of expenditures go to member claims. She also reviewed continuing appropriations and budgeted expenditures. With 50% of the biennium remaining, about 54% of the budget is currently available. Ms. Flanagan discussed the budget request that was submitted for the 2019-2021 biennium which includes the required 10% cut to the base budget. RIO has also submitted three optional budget requests to reinstate the 10% base budget cuts, upgrade or replace current pension administration software, and add one additional investment position.

**IT WAS MOVED BY MRS. GUMERINGER AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL TFFR EXPENSE REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: SUPT. BAESLER**

Supt. Baesler returned to the meeting via teleconference at 3:58 p.m.

**ANNUAL INFORMATION TECHNOLOGY REPORT:**

Mr. Nagel reviewed the annual Information Technology report. About 1,900 members have logged onto the TFFR Member Online Portal since it went into production on January 31, 2018. TFFR's current Pension Administration Software (PAS) has reached the end of its product release lifecycle. RIO staff have studied the potential risks, benefits and costs of upgrading or replacing the current application in order to improve and streamline TFFR pension administration processes, reporting capabilities, communications and services to members and employers. This project has been included in RIO's information technology plan and optional budget request for 2019-21. Mr. Nagel has been working with RIO's Audit Supervisor to review current policies and procedures to ensure a high level of security. IT recently upgraded all user workstations to Windows 10 with Microsoft Office 2016 and Skype for Business. Mr. Nagel also reviewed future information technology initiatives.

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL TFFR INFORMATION TECHNOLOGY REPORT.**

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

**NAYS: NONE**

**MOTION CARRIED**

ANNUAL SIB CUSTOMER SATISFACTION SURVEY:

Five surveys were completed and turned in which were compiled by Pres. Lech. Mr. Mickelson did not complete the survey because he is new to the Board and didn't have enough background to respond to the survey questions.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO SUBMIT THE SIB CUSTOMER SATISFACTION SURVEY RESULTS.

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

NAYS: NONE

MOTION CARRIED

CONSENT AGENDA:

IT WAS MOVED BY MRS. GUMERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA (QDRO 2018-03).

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

NAYS: NONE

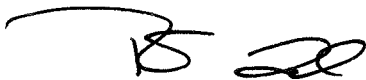
MOTION CARRIED.

ABSENT: SUPT. BAESLER

ADJOURNMENT:

With no further business to come before the Board, Pres. Lech adjourned the meeting at 4:20 p.m.

Respectfully Submitted:



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



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Missy Kopp  
Reporting Secretary