

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT  
MINUTES OF THE  
OCTOBER 25, 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:** Paula Brown, Retirement Programs Spec  
David Hunter, ED/CIO  
Fay Kopp, Deputy ED/CRO  
Missy Kopp, Retirement Assistant  
Sara Sauter, Audit Services Supvr  
Shelly Schumacher, Retirement Program Mgr  
Denise Weeks, Retirement Programs Spec

**OTHERS PRESENT:** Brian Barnett - APT  
Tanya Dybal - Segal Consulting  
Kathy Kindschi - ND United - Retired  
Kim Nicholl - Segal Consulting  
Anders Odegaard, Attorney General's Office

**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, October 25, 2018, in the Peace Garden Room at the State Capitol in Bismarck, N.D.

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

**AGENDA:**

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

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

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

**NAYS: NONE**

**MOTION CARRIED.**

**MINUTES:**

The Board considered the minutes of the September 24, 2018, special meeting and the September 27, 2018, regular meeting.

**IT WAS MOVED BY SUPT. BAESLER AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE SEPTEMBER 24, 2018, AND SEPTEMBER 27, 2018, MINUTES AS DISTRIBUTED.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**2018 ACTUARIAL VALUATION REPORT:**

Ms. Kim Nichol and Ms. Tanya Dybal, Segal Consulting, presented the Actuarial Valuation Report as of July 1, 2018. Highlights included the following:

- Market value of assets returned 9.0% for year ending 6/30/18 (Segal calculation). Gradual recognition of deferred losses resulted in 7.9% return on actuarial value of assets.
- Net impact on funded ratio was an increase from 63.7% (as of 7/1/2017) to 65.4% (as of 7/1/2018).
- Effective amortization period decreased from 27 years to 26 years.
- Net impact on actuarially determined contribution (ADC) was a decrease from 12.99% of payroll to 12.94% of payroll. Based on the employer contribution rate of 12.75%, the contribution deficiency has decreased from 0.24% of payroll to 0.19% of payroll.
- GASB Net Pension Liability decreased from \$1.37 billion as of 6/30/17, to \$1.33 billion as of 6/30/18.

After board discussion of the 2018 valuation report and funding projections,

**IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2018 ACTUARIAL VALUATION REPORT FROM SEGAL.**

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

**NAYS: NONE**

**MOTION CARRIED.**

**ACTUARIAL ISSUES:**

Ms. Nichol and Ms. Dybal, presented information related to recent actuarial issues and how they might affect the TFFR plan in the future. 1) Society of Actuaries' Public Sector Mortality Table Analysis; 2) Actuarial Standards of Practice (ASOP) 4 - Measuring pension obligations and determining pension plan costs or contributions; ASOP 51 - Assessment

and disclosure of risk associated with measuring pension obligations and determining pension plan contributions; and 3) Pension plan risk analysis and stress testing. Segal reviewed the different types of pension plan risks including investment return, plan maturity, contribution, longevity, and retirement risk. They also described tests to measure risk including sensitivity tests, stress tests, scenario tests, and stochastic projections.

Segal recommended that TFFR consider developing a plan management policy to better identify and establish criteria to evaluate the ongoing financial health and sustainability of the plan. A plan management policy would illustrate market volatility and contribution inadequacy risks through stochastic modeling and allow the Board to evaluate pension plan changes for effectiveness.

Board discussion followed. Staff will work with Segal to develop a proposal outlining a suggested project plan, timeline, deliverables, and cost for Board consideration at a future meeting.

**BOARD EDUCATION - DB/DC/HYBRID/CASH BALANCE PLANS:**

Ms. Nichol discussed the implications of the teacher protests on public pension plans and employees in Kentucky, Colorado, and Arizona.

Ms. Nichol compared the risks and features of different types of pension plan designs including defined benefit, defined contribution, hybrid, and cash balance plans.

**ACTUARIAL REVIEW OF PROPOSED LEGISLATION:**

Ms. Nichol commented on Segal's actuarial review of Bill Draft #20 and Bill Draft #126, as detailed in their September 4, 2018 letters.

**LEGISLATIVE UPDATE:**

Mrs. Kopp informed the Board that Segal presented the 2018 actuarial valuation report to the Legislative Employee Benefits Programs Committee (LEBPC), and there were requests for additional TFFR information.

Mrs. Kopp reported the LEBPC gave a favorable recommendation on Bill Draft #126 which relates to IRS compliance updates submitted by the TFFR Board. The Committee gave an unfavorable recommendation on Bill Draft #20 which revises the duties of the LEBPC.

Mr. Hunter also met with the LEBPC and provided them with an update on how the current financial markets are impacting the state's funds.

**2017-18 RETIREE REEMPLOYMENT REPORT:**

Ms. Schumacher reviewed the 2017-18 Reemployed Retiree Report. The total number of reemployed retirees was 347 out of a total of 8,743 retirees or 4%. 139 of 214 employers employed TFFR Retirees. Total salaries earned by reemployed retirees was \$8.9 million or about \$25,900 per retiree.

**QUARTERLY AUDIT SERVICES UPDATE:**

Ms. Sauter provided the September 20, 2018 quarterly Audit Services update. The Audit Services Division conducted a Risk Assessment of the ND Retirement and Investment Office (NDRIO). Audit Services also has a Cost Effective Benefit Payment Audit that is in progress and worked with the external auditor on the GASB 68 census data audit.

TFFR Employer audits include: One employer audit was completed; two employer audits were in progress and three employer audits were pending but not yet started.

Based on the results of the risk assessment, Audit Services will be splitting their time more evenly between TFFR and the State Investment Board (SIB). Historically, Audit Services has spent the majority of their time on TFFR Employer Compliance audits.

**TRUSTEE EDUCATIONAL CONFERENCE REPORTS:**

Mr. Olson and Mr. Mickelson reported on the National Council on Teacher Retirement (NCTR) Annual Conference which they attended in October 2018. Mr. Burton and Mrs. Gumeringer reported on the National Education Association Pension Forum which they attended in June 2018. Mrs. Gumeringer also reported on Callan College which she attended in July 2018.

**Executive Session - Attorney Consultation, Benefit Appeal #2018-1A:**

Pres. Lech asked the Board if they would like to enter into Executive Session for attorney consultation on Benefit Appeal #2018-1A. He also informed the Board that there have been no updates since the last meeting. No motion was made, so the Board did not go into Executive Session.

**OTHER BUSINESS:**

Mrs. Kopp informed the Board she received two requests from the LEBPC at their meeting on October 25, 2018. The first request is related to the actuarial valuation report. The Committee requested projections of TFFR's future funding level assuming active member population growth in the future. The Committee Chair asked that the Actuary conduct an actuarial study and provide information on this topic at the LEBPC December 2018 meeting.

The Board discussed their fiduciary responsibilities and the additional costs to the TFFR trust fund. After discussion,

**IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE AN ACTUARIAL STUDY RELATED TO PROJECTED ACTIVE MEMBER POPULATION GROWTH BASED ON THE REQUEST FROM THE LEBPC.**

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

**NAYS: NONE**

**MOTION CARRIED**

The Board discussed a second request made by a LEBPC member to determine the actuarial impact on the fund if TFFR plan provisions were modified to change the current 5-year final average salary calculation to 10-year final average salary or career average salary calculation for a new tier of members. There is no bill draft currently connected to this request. Board members discussed the additional cost involved and the precedence this could set. The Board decided if a bill that outlines the proposed changes is drafted and accepted by the LEBPC for study, the Board will then request an actuarial study as is done with other bill drafts.

Mrs. Kopp will inform the LEBPC of the Board's response to their requests for additional actuarial information.

**ADJOURNMENT:**

With no further business to come before the Board, Pres. Lech adjourned the meeting at 4:26 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