

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 21, 2019, BOARD MEETING

BOARD MEMBERS PRESENT: Rob Lech, President
Mike Burton, Vice President
Toni Gumeringer, Trustee
Cody Mickelson, Trustee
Mel Olson, Trustee (VDCF)
Kelly Schmidt, State Treasurer

BOARD MEMBER ABSENT: Kirsten Baesler, State Supt. DPI

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
Dottie Thorsen, Internal Auditor
Tami Volkert, Employer Services Coor

OTHERS PRESENT: 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, March 21, 2019, at the Retirement and Investment Office (RIO), Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the March 21, 2019, meeting.

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

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

MINUTES:

The Board considered the minutes of the January 24, 2019, meeting.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE January 24, 2019, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

LEGISLATIVE UPDATE:

Ms. Kopp provided an update on the legislative bills currently being monitored by RIO staff that impact the TFFR program. HB 1044, which updates TFFR plan language to maintain IRS compliance, has passed both chambers and is waiting for the Governor's signature. SB 2022, which contains the 2019-21 RIO budget and TFFR pension administration system upgrade project, had a hearing with the House Appropriations - Government Operations Division on March 6th. No action has been taken on the bill to date.

INVESTMENT UPDATE:

Mr. Hunter provided the investment update for periods ending on December 31, 2018. The last quarter of 2018 was challenging. TFFR earned a net investment return of -7.41% for the quarter, -4.05% for the 1-year, and 5.1% for the 5-years ending December 31, 2018. TFFR investments have averaged nearly \$2.2 billion during the last 5-years and excess return has averaged over 0.50% per annum. Based on these values, TFFR's use of active management has enhanced net investment returns by \$55 million for the 5-years ended December 31, 2018. This excess return has been achieved while adhering to prescribed risk limits (e.g. 108% versus a policy limit of 115%). TFFR's actual asset allocations are within 3% of target.

PENSION PLAN COMPARISON REPORT:

Ms. Kopp presented the annual Public Pension Plan Comparison Report, comparing TFFR to the FY 2017 Public Fund Survey (PFS) conducted by the National Association of State Retirement Administrators (NASRA). This survey provides information on key characteristics of most of the nations' largest public retirement systems including actuarial funding levels, membership, cash flow, contribution rates, investment returns, actuarial assumptions, and asset allocation.

Ms. Kopp also commented on the Certificate of Transparency TFFR received from the National Council of Public Employee Retirement Systems (NCPERS) for TFFR's participation in the 2018 NCPERS Public Retirement Systems Study, which seeks to further open disclosure, data collection, and encourage the public's understanding of public retirement systems.

Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE ANNUAL PENSION PLAN COMPARISON REPORT.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

RETIREMENT TRENDS REPORT:

Ms. Schumacher presented the annual Retirement Trends and Projections report as of January 2019. Of the 11,194 active members, 1,014 are currently eligible to retire. On average, 1,244 teachers have been eligible to retire, and 387 members actually retired each year, or a total of almost 3,871 for the 10-year period. Approximately 2,600 to 2,800 active members are projected to retire in the next 10 years which averages about 268 per year.

Board discussion followed.

IT WAS MOVED BY MRS. GUMERINGER AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE ANNUAL RETIREMENT TRENDS REPORT.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

The Board recessed at 2:36 p.m. and reconvened at 2:45 p.m.

BOARD POLICY AMMENDMENTS - 1ST READING:

Ms. Kopp provided information to the Board about the need to make changes to three Board policies. RIO staff have been working on transitioning from paper communications to electronic in order to save money and staff time. There are still some items that will be sent through the mail to members, but as much as possible, electronic communications will be used. Once a new or updated pension administration system with electronic

communication capabilities is implemented, staff can consider expanding electronic communications further.

In order to continue this transition to more electronic communications, staff has proposed amendments to the following Board policies: TFFR Program Policy C-6, Disclosure to Membership; TFFR Ends Policy B-6, Membership Data and Contributions; and TFFR Ends Policy B-8, Account Claims. The proposed amendments include changes to distribution method from paper to electronic for certain mailings, as well as updates and clarifications which Ms. Kopp reviewed with the Board. TFFR Legal Counsel has reviewed the proposed amendments to the Board policies and has no suggested changes.

Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FIRST READING OF TFFR POLICY C-6: DISCLOSURE TO MEMBERSHIP.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FIRST READING OF TFFR POLICY B-6: MEMBERSHIP DATA AND CONTRIBUTIONS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

IT WAS MOVED BY MR. BURTON AND SECONDED BY MRS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FIRST READING OF TFFR POLICY B-8: ACCOUNT CLAIMS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

BOARD EDUCATION - EMPLOYER REPORTING:

Ms. Schumacher and Ms. Tami Volkert presented an overview of TFFR Employer Reporting. Topics included: Employer responsibilities, eligible and

ineligible salary reporting, employer models, and employer reporting requirements.

Board discussion followed.

BOARD CALENDAR:

Ms. Kopp presented a draft board meeting schedule for 2019-20. Examples of board education topics from the past few years were also included, with a request for suggestions from board members for topics of interest to them.

Board discussion followed.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2019-20 BOARD CALENDAR AS PRESENTED

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 4:10 p.m.

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary