

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
APRIL 25, 2019, BOARD MEETING**

BOARD MEMBERS PRESENT: Rob Lech, President
Mike Burton, Vice President
Toni Gumeringer, Trustee
Cody Mickelson, Trustee
Mel Olson, Trustee
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

OTHERS PRESENT: Sandra DePountis, Attorney General's Office
Scott Miller, NDPERS
Kim Nicholl, Segal Consultants
Anders Odegaard, Attorney General's Office
Matt Strom, Segal Consultants

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, April 25, 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 April 25, 2019, meeting.

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

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MINUTES:

The Board considered the minutes of the March 21, 2019, meeting.

IT WAS MOVED BY MRS. GUMERINGER AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE MARCH 21, 2019, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

Treasurer Schmidt arrived after the vote on the minutes.

TFFR RISK ASSESSMENT AND STOCHASTIC MODELING RESULTS:

Ms. Kim Nicholl and Mr. Matt Strom, Segal Consulting, presented the results of the risk assessment and stochastic modeling project, phase 1. This includes the baseline liabilities, normal costs, and benefit payments projection, using an open group forecast and a combination of stochastic and deterministic projections to evaluate the financial health of TFFR.

Segal evaluated risks related to investment return, inflation, mortality, payroll/population growth, retirement, disability and termination rates. External risks include governance, regulatory, litigation, and political risks. Workforce demographic risk and plan maturity measures were also reviewed. Investment return risk has the largest potential impact to TFFR. The current 7.75% return assumption is below the 50th percentile return; a decrease in this assumption to 7.50% or 7.25% materially changes the landscape of the TFFR funded percentage projections.

Segal performed and presented deterministic and stochastic projections providing expected probabilities related to portfolio investment return, funded percentage, effective amortization period, unfunded actuarial accrued liability, and employer contribution rate. Scenarios modeled include baseline assuming 7.75% rate of return; one year of poor investment performance of 0% in 2019; lower assumed rate of return of both 7.50% and 7.25%; active population increase of 1% growth in active members for 10 years; accelerated retirement rate of 10%; increase of life expectancy by 1 year; and decrease of total contribution rate by 2%.

Mr. Scott Miller, Executive Director, ND Public Employees Retirement System (NDPERS), commented on recent changes made to the investment return assumption by the NDPERS Board. He also explained NDPERS funding and legislative issues.

Board discussion of Phase 1 project results followed. These results will be used in development of the plan management policy.

The Board recessed at 2:30 p.m. and reconvened at 2:38 p.m.

BOARD EDUCATION - OPEN RECORDS AND OPEN MEETINGS:

Ms. Sandra DePountis, ND Attorney General's Office, presented an overview of ND open meeting and record laws. Information covered included the definitions of public records and public business, examples of what items are exempt or confidential, and the basic rules of records requests. Also included was the definition of an open meeting, exceptions, how to properly post notice, executive sessions, and violations. Board discussion followed.

LEGISLATIVE UPDATE:

Ms. Kopp provided an update on the legislative bills currently being monitored by RIO staff that impact TFFR. HB 1044, which updates TFFR plan language to maintain IRS compliance, has been signed by the Governor. SB 2022, which contains the 2019-21 RIO budget and TFFR pension administration system upgrade project, passed both chambers and is awaiting the Governor's signature. Board discussion followed.

INVESTMENT UPDATE:

Mr. Hunter provided an interim investment update with preliminary return estimates as of March 31, 2019. TFFR fiscal year to date earnings were 5.13% for the six months ended December 31, 2018. Based on actual result through February 2019, plus index returns for March 31, 2019, TFFR fiscal year to date earnings are estimated at +2% for the 9 months ended March 31, 2019. Board discussion followed.

AUDIT UPDATE:

Ms. Sauter provided an update of audit activities for the third quarter, January 1, 2019 - March 31, 2019. As of March 31, 2019 there are three employer audits which have been completed and three are in progress. Audit services conducted the annual TFFR Refund and Purchase Audit. The fieldwork has been completed and a report will be issued in April 2019. The annual Salary Verification Audit is also in process.

Ms. Thorsen provided an update on the TFFR Benefit Payment Cost Efficiency Review. Audit Services found that benefits are being paid in a cost effective and timely basis. Audit Services made two recommendations to improve the presumptive retirement process.

BOARD POLICY AMMENDMENTS - 2ND READING:

Ms. Kopp reviewed TFFR Policies C-6, Disclosure to Membership; B-6, Membership Data and Contributions; and B-8, Account Claims, for the Board's second reading and final adoption.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE SECOND READING OF AMENDMENTS TO BOARD POLICIES C-6, DISCLOSURE TO MEMBERSHIP; B-6, MEMBERSHIP DATA AND CONTRIBUTIONS; AND B-8, ACCOUNT CLAIMS.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

BOARD GOVERNANCE POLICY:

Pres. Lech reviewed the recommendation for the Board to consider a full governance and policy review due to the unique governance structure of TFFR as part of RIO, staff succession planning, board membership changes, and the importance of effective governance policy on pension fund performance. Some areas that could be more clearly defined or revised in TFFR policies include the mission statement and strategic objectives; board member responsibilities, authorities, orientation, self-assessment and standards of conduct; TFFR expectations related to SIB/RIO responsibilities; and roles and responsibilities of TFFR staff. Pres. Lech suggested the establishment of a subcommittee to work with Ms. Kopp on the TFFR Board Governance Policies project. The Committee could conduct an initial assessment, review policies from other pension systems, establish expectations and a timeline.

Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO ESTABLISH A BOARD POLICY REVIEW SUBCOMMITTEE.

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

NAYS: NONE

MOTION CARRIED.

ABSENT: SUPT. BAESLER

Pres. Lech appointed the following members to the Policy Review Committee: Mr. Mickelson, Committee Chair; Mr. Burton, Board Vice President; and Mr. Lech, Board President.

BOARD EDUCATION PLAN:

Ms. Kopp presented a draft 2019-20 Board Calendar and Education plan. It includes annual and quarterly monitoring reports required by Board policies and requested by the Board. Also included are topics of interest including board governance, actuarial, investment, legal, and plan provisions. Additional agenda items may need to be added throughout the year.

Board discussion followed.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2019-20 BOARD EDUCATION PLAN AS PRESENTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

TRUSTEE EDUCATION:

Ms. Kopp provided the Board with dates and links to upcoming pension trustee educational opportunities. Board discussion followed.

TRUSTEE APPOINTMENT UPDATE:

Ms. Kopp updated the Board on the trustee appointment process. Mrs. Gumeringer's current term on the TFFR Board ends June 30, 2019. ND United has submitted three names to the Governor's office for appointment or reappointment to the TFFR Board. The Governor's office is reviewing candidates.

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 3:57 p.m.

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary

