

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

BOARD MEMBERS PRESENT: Rob Lech, President
Kirsten Baesler, State Supt. DPI
Mike Burton, Vice President
Toni Gumeringer, Trustee (Tlcf)
Cody Mickelson, Trustee
Mel Olson, Trustee

BOARD MEMBER ABSENT: Kelly Schmidt, State Treasurer

STAFF PRESENT: David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Missy Kopp, Retirement Assistant
Rich Nagel, IT Program Mgr
Shelly Schumacher, Retirement Program Mgr
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: 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, July 25, 2019, at the Retirement and Investment Office (RIO), Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the July 25, 2019, meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. BURTON 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 April 25, 2019, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. OLSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE APRIL 25, 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

TRUSTEE APPOINTMENT:

Ms. Kopp informed the Board that Governor Burgum has reappointed Mrs. Toni Gumeringer to the TFFR Board of Trustees, representing active members for a 5-year term effective July 1, 2019 through June 30, 2024.

ELECTION OF 2019-20 OFFICERS:

Pres. Lech opened the floor for nominations for officers of the TFFR Board.

MR. OLSON NOMINATED DR. LECH FOR PRESIDENT. WITH NO FURTHER NOMINATIONS, MR. OLSON MADE A MOTION FOR A UNANIMOUS BALLOT, MR. BURTON SECONDED. THE MOTION CARRIED BY A VOICE VOTE.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MR. MICKELSON NOMINATED MR. BURTON FOR VICE PRESIDENT. WITH NO FURTHER NOMINATIONS, MR. MICKELSON MADE A MOTION FOR A UNANIMOUS BALLOT, MR. OLSON SECONDED. THE MOTION WAS CARRIED BY A VOICE VOTE.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

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

MR. BURTON NOMINATED PRES. LECH, MR. OLSON, AND MRS. GUMERINGER AS REPRESENTATIVES TO THE SIB BOARD. WITH NO FURTHER NOMINATIONS, MR BURTON MADE A MOTION FOR A UNANIMOUS BALLOT, MR. MICKELSON SECONDED. THE MOTION WAS CARRIED BY A VOICE VOTE.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

MR. MICKELSON NOMINATED PRES. LECH TO SERVE ON THE SIB AUDIT COMMITTEE. WITH NO FURTHER NOMINATIONS, MR. MICKELSON MADE A MOTION FOR A UNANIMOUS BALLOT, MR. BURTON SECONDED. THE MOTION WAS CARRIED BY A VOICE VOTE.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

IT WAS MOVED BY MR. OLSON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO DESIGNATE MR. BURTON AS THE SIB ALTERNATE.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER AND TREASURER SCHMIDT

Supt. Baesler arrived at 1:13 p.m.

TFFR PLAN MANAGEMENT POLICY:

Ms. Kim Nicholl and Mr. Matt Strom, Segal Consulting, presented Phase 2 of the TFFR Plan Management Policy project. Phase 2 includes identifying policy metrics and establishing both ideal and problematic conditions; constructing a scoring system; and discussing and fine-tuning policy and scoring system.

RIO staff have worked with Segal on potential monitoring parameters and scoring criteria. There are five metrics which have been chosen for the plan management policy scoring system. They are: current funded ratio, downside funded ratio in 10 years, target funded ratio in 20 years, improvement in funded ratio over a 10-year period, and ability to recover from/withstand a market downturn.

The policy score will range from 0-14. A higher score equates to better overall fund health. The score will be recalculated initially on an annual basis and will provide context for the likelihood of future positive or negative events. Based on the 2018 valuation and stochastic modeling results, TFFR's composite score is 6, which means the plan should continue to be closely monitored.

Board discussion followed.

INVESTMENT UPDATE:

Mr. Hunter provided an investment update for the periods ended March 31 and May 31, 2019. 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 values, TFFR's use of active management has enhanced net investment returns by \$50 million for the 5-years ended March 31, 2019. This excess return has been achieved while adhering to prescribed risk limits. TFFR's actual asset allocations are within 3% of target. For the 11 months ended May 31, 2019, TFFR earned a net return of 0.98%, missing the policy target benchmark return. Board discussion followed.

ANNUAL SIB CUSTOMER SATISFACTION SURVEY:

Pres. 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 at RIO, is meeting the expectations of its clients. Ms. Sauter, Supervisor of Internal Audit, will send an electronic satisfaction survey to President Lech to distribute to the board members. The compiled responses will be reviewed at the September 2019 meeting and sent to the SIB upon approval.

LEGISLATIVE UPDATE:

Ms. Kopp described the duties of the interim Legislative Employee Benefits Programs Committee (LEBPC). The LEBPC receives the annual actuarial valuation report and reviews legislative proposals affecting TFFR and PERS. The LEBPC has tentatively scheduled its first meeting of the interim for October 23, 2019 to receive an overview of the TFFR retirement program from Ms. Kopp and the 2019 TFFR actuarial report from Segal.

The Board recessed at 2:45 p.m. and reconvened at 3:00 p.m.

TECHNOLOGY REPORT:

Mr. Nagel provided the annual technology report. As of July 16, 2019, 3,600 members have successfully logged into TFFR Member Online. Staff are in the process of creating more documents to store/display on the Member Online Portal. There have been many requests for 1099R, Retiree Annual Statements and Benefit Change Notices.

Mr. Nagel explained that all the data is secured and protected. RIO IT staff ensures that the latest security updates are applied, as well as continued communication with staff to stress the importance of security.

Staff are working on replacing the RIO website utilizing the new state website platform. This replacement will provide a more user-friendly experience as well as more security and functionality.

Staff will begin working with ITD to kick off the Pension Administration System upgrade or replacement project. This will be a major project in the next few years which will be very time consuming.

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

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

NAYS: NONE

MOTION CARRIED

ABSENT: MRS. GUMERINGER AND TREASURER SCHMIDT

GOVERNANCE & POLICY REVIEW (GPR) COMMITTEE UPDATE:

Mr. Mickelson provided an update on the TFFR Governance and Policy Review Committee. The Committee met on May 30 and July 2, 2019. The Committee reviewed the current TFFR program manual, and discussed board and staff roles and responsibilities. A new board governance manual with the necessary updates, clear expectation and standards, and citations is the desired outcome of this review.

The Committee reviewed manuals and policies from other state pension systems. Ms. Kopp drafted an outline for a new board governance manual, and incorporated current board policies and by-laws into the draft outline for the Committee's review and discussion.

The Committee also reviewed mission, vision, and core value statements from other state pension systems. Pres. Lech will lead the full TFFR Board in developing these statements.

Ms. Kopp and Mr. Mickelson will begin drafting new language and rewriting the governance manual in August. Another Committee meeting is expected to be scheduled prior to the September TFFR Board meeting.

ANNUAL PROGRAM REVIEW:

Ms. Kopp reviewed the following items as part of the Annual TFFR Program Review: board responsibilities, board accomplishments, program monitoring summary, TFFR customer satisfaction reports, and the TFFR Board Code of Conduct. Ms. Kopp also reviewed the very positive responses to surveys and evaluations from TFFR members, employers and interest groups. Overall Customer Satisfaction Score was 3.8 (based on 4-point scale).

Ms. Kopp noted a comprehensive review of all board governance policies will be conducted throughout the 2019-20 year as part of the Board Governance and Policy Review project.

Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO ACCEPT THE ANNUAL PROGRAM REVIEW.

AYES: MR. OLSON, MR BURTON, MR. MICKELSON, SUPT. BAESLER, AND PRES. LECH
NAYS: NONE
MOTION CARRIED
ABSENT: MRS. GUMERINGER AND TREASURER SCHMIDT

MISSION STATEMENT DEVELOPMENT:

Pres. Lech led the Board in an exercise to review and develop a new TFFR mission statement. Board members worked individually and in small groups to identify TFFR's cause, action, and impact which were used to draft a possible new mission statement. Pres. Lech will send the draft statements out in a survey to RIO staff and TFFR Board for feedback. Survey results will be brought to the September board meeting for further discussion.

CONSENT AGENDA:

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA, QDRO 2019-02.

AYES: MR. BURTON, SUPT. BAESLER, MR. MICKELSON, MR. OLSON, AND PRES. LECH.
NAYS: NONE
MOTION CARRIED
ABSENT: MRS. GUMERINGER AND TREASURER SCHMIDT

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 4:37 p.m.

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary