

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
OCTOBER 24, 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
Stephanie Starr, Ret Programs Spec
Dottie Thorsen, Internal Auditor
Denise Weeks, Ret Programs Spec

OTHERS PRESENT: Danelle Hopkins, Governor's Office
Kim Nicholl, Segal Consultants
Anders Odegaard, Attorney General's Office
Fern Pokorny, NDU - Retired
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, October 24, 2019, at the State Capitol, Peace Garden Room, Bismarck, ND.

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

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the October 24, 2019, meeting.

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

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

MINUTES:

The Board considered the minutes of the September 26, 2019, meeting.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO ACCEPT THE SEPTEMBER 26, 2019, MINUTES AS DISTRIBUTED.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

ACTUARIAL VALUATION REPORT:

Ms. Kim Nicholl and Mr. Matt Strom, Segal Consulting, described the annual actuarial valuation process, assumptions, methods and presented the Actuarial Valuation Report as of July 1, 2019. Highlights include the following:

- Market value of assets returned 5.4% for year ending 6/30/19 (Segal calculation). Gradual recognition of deferred losses resulted in 6.4% return on actuarial value of assets.
- Net impact on funded ratio was an increase from 65.4% (as of 7/1/2018) to 66.0% (as of 7/1/2019).
- Effective amortization period decreased from 26 years to 24 years.
- Net impact on actuarially determined contribution (ADC) was a decrease from 12.94% of payroll to 12.84% of payroll. Based on the employer contribution rate of 12.75%, the contribution deficiency has decreased from 0.19% of payroll to 0.09% of payroll.
- GASB Net Pension Liability increased from \$1.33 billion as of 6/30/18, to \$1.38 billion as of 6/30/19.

Board discussion followed on 2019 valuation results and future funding projections.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2019 ACTUARIAL VALUATION REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

BOARD EDUCATION - EXPERIENCE STUDY BASICS:

Ms. Nicholl and Mr. Strom presented information related to Experience Study planning and purpose. Each actuarial valuation involves a projection of benefits expected to be paid in the future to all members of TFFR. The projection of benefit payments is based on assumptions of future events and conditions.

Assumptions are grouped into two broad categories, demographic assumptions which are primarily selected based on recent experience and economic assumptions which rely more on a long-term outlook of expected future trends.

Gains and losses result from actual experience that differs from expected. Actuarial experience studies are undertaken periodically and serve as the basis for recommended changes in actuarial assumptions and methods.

The Plan Management Policy will be updated in November 2019 based on the results of the July 1, 2019 actuarial valuation. The experience study will be presented at the March 2020 Board meeting, then the Plan Management Policy will be updated based on the results of the experience study in 2020.

Board discussion followed on TFFR's current 7.75% investment return assumption, and implications of reducing the assumption.

PLAN MANAGEMENT POLICY - 2ND READING:

Ms. Kopp commented on the Plan Management Policy. No feedback has been received since the 1st reading, and no additional changes have been made.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE FOR FINAL APPROVAL OF THE TFFR PLAN MANAGEMENT POLICY.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

LEGISLATIVE UPDATE:

Ms. Kopp commented on the Legislative Employee Benefit Programs Committee meeting on October 23, 2019. Mr. Hunter presented an overview of the Retirement and Investment Office (RIO) and State Investment Board (SIB), including investment returns and programs. Ms. Kopp presented an overview of the TFFR program. Segal presented the 2019 actuarial valuation report.

The Board recessed at 2:00 p.m. and reconvened at 2:15 p.m.

BENEFIT APPEAL #2019-1A:

Pres. Lech stated that TFFR Benefit Appeal #2019-1A must be discussed in executive session. The purpose of the executive session is to consider the benefit appeal and review confidential information under NDCC 15-39.1-30. The legal authority for closing this portion of the meeting is NDCC section 44-04-19.2.

Executive session began at 2:17 p.m. and ended at 3:05 p.m. It was attended by the TFFR Board, RIO staff members, TFFR legal counsel, and the member.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO DENY BENEFIT APPEAL #2019-1A.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

The Board recessed at 3:07 and reconvened at 3:12 p.m.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO AUTHORIZE RIO STAFF TO RELEASE INFORMATION RELATED TO APPEAL #2019-1A, PURSUANT TO NDCC 15-39.1-30(12), CONFIDENTIALITY OF RECORDS WHICH ALLOWS DISCLOSURE OF INFORMATION TO ANY PERSON IF THE BOARD DETERMINES DISCLOSURE IS NECESSARY FOR TREATMENT, OPERATIONAL, OR PAYMENT PURPOSES, INCLUDING THE COMPLETION OF NECESSARY DOCUMENTS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

The Board recessed at 3:15 p.m. and reconvened at 3:26 p.m.

EMPLOYER REPORTING REVIEWS:

Ms. Kopp reviewed the new process for Employer Reporting Reviews. After Internal Audit (IA) completes their review of employer reporting, they issue a report to Retirement Services who is responsible for creating and issuing an official Employer Reporting Review report documenting errors, corrections, and recommendations to the Employer. All communications and follow up related to the review are handled by Retirement Services. The employer is also required to accept or reject the report and sign an acknowledgement letter providing an explanation of how the employer will comply with findings and recommendations. The TFFR Board will then approve the report at a regularly scheduled board meeting.

Ms. Kopp suggested that these reports could be approved on the consent agenda in the future.

Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE WARWICK AND NEW ENGLAND REPORTING REVIEWS.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

PENSION ADMINISTRATION SYSTEM (PAS) PROJECT UPDATE:

Ms. Kopp provided an update on the PAS project. In early October, Ms. Kopp sent a memo to the Governor's Office as a response to their request for information. The memo explained that the Board and staff are focused on the Board's fiduciary responsibility and the importance of making the most prudent decision for TFFR without regard to other State or outside interests. TFFR intends to follow all state procurement guidelines to ensure a fair and competitive bidding process is used.

RIO staff is currently working with ND Information Technology (NDIT) on the Project Charter, which is required for all large IT projects. The Charter will be presented to the Board for approval.

Board discussion followed.

GOVERNANCE & POLICY REVIEW (GPR) COMMITTEE UPDATE:

Mr. Mickelson and Ms. Kopp provided an update on the GPR Committee. The Committee has had initial discussions on the first draft of a revised TFFR Board Governance Policy Manual, Sections A-J. Ms. Kopp will be scheduling a meeting with TFFR's legal counsel to discuss governance related questions and ensure proper legal review of potential changes and additions to the policies and bylaws. The Committee plans to meet in November or early December for another review of changes made to Sections A-J and an initial review of Sections K-U.

Board discussion followed.

TRUSTEE EDUCATIONAL CONFERENCE REPORTS:

Ms. Gumeringer reported on the National Education Association (NEA) Pension Forum which she attended in July 2019 and the National Council on Teacher Retirement (NCTR) Annual Conference which she attended in October 2019. Mr. Olson and Mr. Burton also reported on the NCTR Annual

Conference which they attended in October 2019. Mr. Mickelson reported on the NCTR Trustee Workshop, which he attended in July 2019.

BOARD RETREAT PLANNING:

Ms. Kopp and Pres. Lech have started making plans for a TFFR Board retreat on January 23, 2020. The tentative plan is to meet at the Radisson Hotel, in Bismarck, at 1:00 p.m. for the regular Board business meeting followed by a retreat session, dinner and a second retreat session. Treasurer Schmidt mentioned the possibility of having the Board meeting in the morning, and retreat sessions in the afternoon as another alternative which will be considered.

Board discussion followed.

CHIEF RETIREMENT OFFICER (CRO) SUCCESSION PLANNING:

Mr. Hunter discussed the plans for filling the CRO position after Ms. Kopp's retirement. RIO management and TFFR leadership has met to discuss the best ways to fill this opening. They have also consulted with Human Resource Management Services for input. In order to identify any retirement leaders who may be interesting in pursuing the opportunity to become TFFR's next CRO and RIO's next Deputy Executive Director, RIO intends to post the position internally in the upcoming weeks and then will post it externally. They will provide a further update to the TFFR Board and SIB in November.

VISION STATEMENT APPROVAL:

At the September meeting, Pres. Lech led the Board in an exercise to develop a TFFR vision statement. Board members worked in small groups to identify TFFR's cause, actions, and outcomes which were used to draft possible vision statements. Pres. Lech sent the options to Board members and RIO staff to get feedback on these statements.

Using this feedback and after further discussion, the Board considered the following vision statement:

"TFFR's vision is to be a trusted leader in the administration of a financially sound retirement program for ND educators by providing exceptional customer service, professional plan management, and organizational effectiveness by adhering to the principles of good governance, transparency, and accountability."

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE NEW TFFR BOARD VISION STATEMENT.

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

NAYS: NONE

MOTION CARRIED
ABSENT: SUPT. BAESLER

CORE VALUES DEVELOPMENT:

Pres. Lech explained the process that will be used to establish core values of the TFFR Board. Pres. Lech created a survey with a vast selection of values, skills, and attributes related to investments, organizational performance, governance, and other outcomes to be ranked. Board members and RIO staff were asked to review the list and rank the Top 5 as it relates to the success of TFFR. There will be additional discussion on TFFR's core values at the January meeting.

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 4:13 p.m.

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary

