

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JANUARY 23, 2020, BOARD MEETING & RETREAT**

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, Internal Audit Supvr
Shelly Schumacher, Retirement Program Mgr
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: Donna Fishbeck, DPI
Nici Meyer, Attorney General's Office
Matt Strom, Segal (Tlcf)

CALL TO ORDER:

Dr. Rob Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 8:30 a.m. on Thursday, January 23, 2020, at the Radisson Hotel, Renoir Russell 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 January 23, 2020, meeting.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A VOICE VOTE TO APPROVE 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 October 24, 2019, meeting.

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY MR. MICKELSON AND CARRIED BY A VOICE VOTE TO APPROVE THE OCTOBER 24, 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

2019 GASB 67 & 68 REPORT:

Mr. Matt Strom, Segal, reviewed the Governmental Accounting Standards Board (GASB) 67 and 68 report as of June 30, 2019. The GASB report is used by TFFR participating employers and their auditors to fulfill certain accounting and disclosure requirements for their financial statements.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2019 GASB 67 & 68 REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

2019 PLAN MANAGEMENT POLICY REPORT:

Mr. Strom reviewed the 2019 Plan Management Policy Report. The composite summary score is equal to 6 which means the Board should continue to monitor the plan. The summary score has not changed from last year's valuation results. However, the summary score will be updated based on the results of the experience study currently in progress.

The July 1, 2019 Policy Score is determined on the basis of the June 30, 2019 valuation and the Horizon Actuarial Services, LLC *Survey of Capital Market Assumptions (CMAs) (2019 Edition)*. Investment simulation based on CMAs show long-term geometric return slightly lower than the current assumption (7.5% versus 7.75%).

For the most part, the probabilities on which the scoring is based remained similar to the prior analysis.

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 PLAN MANAGEMENT POLICY REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

PLAN MANAGEMENT POLICY CORRECTION:

Ms. Kopp provided information on a correction to the Plan Management Policy (PMP). At the September 2019 meeting (1st reading), the Board reviewed a draft PMP which included Section VII, Outside Factors. For the October 2019 meeting (2nd reading and final approval), an earlier version was inadvertently used which did not include Section VII, Outside Factors. Ms. Kopp requested the policy, which was approved in October, be corrected.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CORRECTED PLAN MANAGEMENT POLICY.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

BENEFIT APPEAL #2019-1A:

Pres. Lech stated that Benefit Appeal 2019-1A must be discussed in Executive Session. The purpose of the Executive Session is to discuss confidential member information and for attorney consultation to review and approve a proposed order regarding the appeal. The legal authority for closing this portion of the meeting is NDCC 15-39.1-30, NDCC 44-04-19.1 and NDCC 44-04-19.2.

Executive Session began at 9:05 a.m. and ended at 9:22 a.m. It was attended by the TFFR Board, RIO staff members, and TFFR legal counsel Nici Meyer.

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. GUMERINGER AND CARRIED BY A ROLL CALL VOTE TO ADOPT THE AMENDED RECOMMENDED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER FOR TFFR BENEFIT APPEAL 2019-1A.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

INVESTMENT UPDATE:

Mr. Hunter provided an interim investment update for the periods ending September 30 and November 30, 2019. TFFR earned a net investment return

of 15.9% for the 11 months ended November 30, 2019, largely due to favorable capital market and economic conditions in 2019.

TFFR underperformed its Policy Benchmark in Fiscal 2019. Despite this, TFFR's net returns for the 3, 5, and 10-years ended June 30, 2019, generally exceeded its Policy Benchmark by over 0.50%.

Board discussion followed regarding ways to simplify investment presentations, communicate that TFFR is a long-term investor, and explain the difference between personal and institutional investment programs. The Board recessed at 10:40 a.m. and reconvened at 11:00 a.m.

BOARD EDUCATION - RETIREE REEMPLOYMENT:

Ms. Schumacher provided education on retiree reemployment, including the general rule, critical shortage, and benefit suspension and recalculation options. Board discussion followed.

2018-19 REEMPLOYED RETIREE REPORT:

Ms. Schumacher reviewed the 2018-19 Reemployed Retiree Report. The total number of reemployed retirees was 336 out of a total of 8,918 retirees or 4%. 132 of 213 employers employed TFFR retirees. Total salaries earned by reemployed retirees was \$8.6 million or about \$26,025 per retiree.

Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. MICKELSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2018-19 REEMPLOYED RETIREE REPORT.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

LEGISLATIVE PLANNING:

Ms. Kopp reviewed the 2021 legislative planning timeline, TFFR member statistics, tier membership, contribution rates, investment performance, and funding background information. The Plan Management Policy that is now in place will help the Board better determine if changes need to be made to the plan. Based on the current score, the Board should continue to closely monitor TFFR funding.

Ms. Kopp presented potential legislative topics for discussion including contribution changes, benefit changes, retiree benefit increase, retiree reemployment provisions, and other plan design or administrative changes. Ms. Kopp noted that no Internal Revenue Code compliance changes are required in 2021, however changes will be required in 2023 to comply with

a federal law change (SECURE Act approved in December 2019) that increases the required minimum distribution age from age 70.5 to age 72. Additional IRS guidance is expected to assist plans in complying with these new rules.

Board discussion followed. At this time, the Board does not intend to submit any proposed legislative changes for the 2021 legislative session.

PENSION ADMINISTRATION SYSTEM (PAS) PROJECT CHARTER:

Ms. Kopp provided an update on the PAS Executive Steering Committee (ESC) meeting held on January 21, 2020. During the meeting, the ESC discussed their roles and responsibilities and approved the project charter.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE PAS PROJECT CHARTER.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

CORE VALUES APPROVAL:

In October, a core values survey was sent to Board members and Retirement and Investment Office (RIO) staff to gather their perspective regarding the values that guide TFFR.

Using survey feedback, two variations of the core values were developed and considered by the Board. After discussion,

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE FOLLOWING TFFR CORE VALUES STATEMENT:

"Customer Satisfaction and Commitment to Excellence which is demonstrated by our trustworthiness, accountability, and respectfulness.

Strong Governance and Operational Effectiveness through our strategic leadership, fiduciary responsibility, ethical practices, and transparency."

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

NAYS: MS. GUMERINGER

MOTION CARRIED

ABSENT: SUPT. BAESLER

2019 CAFR, PPCC AWARD, & TFFR FAST FACTS:

Ms. Kopp informed the Board that the 2019 RIO Comprehensive Annual Financial Report (CAFR) has been completed. RIO has been awarded a Certificate of Achievement for Excellence in Financial Reporting for the past 21 years from the Government Finance Officers Association (GFOA).

Ms. Kopp noted that TFFR has also received the Public Pension Coordinating Council (PPCC) 2019 Public Pension Standards Award for administration. TFFR has received the award for administration and/or funding from PPCC since 1992.

The 2019 TFFR Fast Facts infographic has been updated and is available on the RIO website. The one-page summary provides key actuarial, financial, and investment details about the TFFR plan.

Ms. Kopp thanked Ms. Connie Flanagan, Ms. Schumacher and other staff for their efforts.

AUDIT SERVICES UPDATE:

Ms. Sauter provided an update of audit activities for the first quarter, July 1, 2019 - September 30, 2019. Internal Audit (IA) has completed the Executive Limitation Audit and Investment Due Diligence Audit. IA provided support to CliftonLarsonAllen (CLA) during the GASB 68 Census Data Audits. The Administrative Expense Audit is currently in progress. For the retirement program, there are three completed Employer audits with one in progress. The audit fieldwork for the File Maintenance Audit has been completed and a report will be issued.

RIO STAFFING UPDATE:

Mr. Hunter provided an update on staffing at RIO. Ms. Kopp previously announced her retirement effective on March 31, 2020. Ms. Schumacher, Retirement Program Manager, has announced her retirement effective February 29, 2020. RIO management and SIB and TFFR leadership met to discuss the best ways to move forward. The Deputy Executive Director/Chief Retirement Officer position was posted externally on January 9 and there have been several applications to this point. The Retirement Program Manager position was posted internally on January 10 and there was one applicant. An interview with that internal candidate will be conducted by January 30, 2020.

The new Investment and Compliance Officer will start on February 3, 2020. The vacant Investment Accountant position has been reposted. Board discussion followed.

2020-21 BOARD CALENDAR:

Ms. Kopp presented a draft board meeting schedule for 2020-21.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE 2020-21 BOARD CALENDAR.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

CONSENT AGENDA:

Pres. Lech declared that there was a possible conflict of interest for himself on the Jamestown Public Schools Employer Reporting Review.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO ALLOW PRES. LECH TO VOTE ON THE JAMESTOWN PUBLIC SCHOOL EMPLOYER REPORTING REVIEW REPORT.

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

NAYS: NONE

ABSTAIN: PRES. LECH

MOTION CARRIED

ABSENT: SUPT. BAESLER

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE CONSENT AGENDA WHICH INCLUDES EMPLOYER REPORTING REVIEWS (WILTON & JAMESTOWN), DISABILITY #2020-1 AND #2020-2 AND QDRO #2020-1 AND #2020-2.

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

NAYS: NONE

MOTION CARRIED

ABSENT: SUPT. BAESLER

The board recessed for lunch at 12:36 p.m. and reconvened at 1:34 p.m.

RETREAT INTRODUCTION AND PURPOSE:

Pres. Lech explained that the purpose for the retreat is to offer an opportunity for Board members to discuss ideas and better understand certain topics in a less formal setting.

REVIEW OF MISSION, VISION, AND VALUE STATEMENTS:

Pres. Lech informed the Board that this agenda item would be covered during the review of the revised governance manual.

PERSPECTIVES - DECISION-MAKING EXERCISE:

Pres. Lech presented information on examining multiple perspectives through the Four-Frame Model. The Four-Frame model provides a framework for decision-makers to reframe an issue to allow a better understanding of all perspectives. The Four Frames are: Structural, Human Resource, Political, and Symbolic. Board members and staff discussed the different frames and the need to be aware and respectful of all frames when making decisions.

REVISED BOARD GOVERNANCE MANUAL HIGHLIGHTS:

Mr. Mickelson, chair of the TFFR Governance and Policy Review Committee, presented highlights from the revised TFFR Board Governance Manual. Additional time will be scheduled for the March 26 Board meeting which will comprise the Introduction and 1st Reading of the Board policies. Prior to that time, the revised manual will be submitted to the Attorney General's Office for legal review. Board discussion followed.

BOARD EDUCATION COMPETENCIES:

Pres. Lech led the Board members through an exercise to examine the six Board education competencies: Contextual, Educational, Interpersonal, Analytical, Political, and Strategic. Board members discussed possible Board education topics within each competency area to consider for future Board meetings.

TFFR IMAGE - COMMUNICATION IDEAS:

Mr. Olson presented information about a way to change the image of the Fund. Mr. Olson shared that there is a common misconception that TFFR is a state funded retirement program, when in reality, the Fund is made up of a portion of educators' wage packages and investment earnings. Mr. Olson suggested using messaging to communicate this on different publications and other communications. Board discussion followed.

ADJOURNMENT:

With no further business to come before the Board, President Lech adjourned the meeting at 4:11 p.m.

Respectfully Submitted:



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



Missy Kopp
Reporting Secretary