

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, February 9, 2012

REGULAR MEETING

President John Nielsen called the regular PERB Meeting to order at 8:35 a.m. on Thursday, February 9, 2012. Roll call was taken. Seven Board members present. Board members and staff present were:

John Nielsen, President
Terry Smith, Vice President
Bob Bugni, Member
Darcy Halpin, Member
Scott Moore, Member
Dianna Porter, Member
Timm Twardoski, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Flora Sebens, Executive Assistant

Others present: Jerry Williams, MPPA; Don Kinman and Jill Hindoien, AFSCME; Mike O'Connor, AMPRE; Doug Neil, George Richards, Ed Cleary, Rick Hansen, MSFA; Tom Schneider, MPEA; *MPERA staff*: Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; June Dosier, Information Systems Manager, Kate Talley, Legal Counsel; Jenny Weigand, Education Supervisor; Renae Justice, Internal Auditor, and Diann Levandowski, Assistant Fiscal Services Bureau Chief joined the meeting.

OPEN MEETING

I. Roll Call

II. Public/Member Comment – No public comment.

Action items

III. Approval of Meeting Minutes

A. January 12, 2012, PERB Regular Meeting

The minutes of the January 12, 2012, PERB Regular Meeting were presented.

Motion: Member Dianna Porter moved to approve the minutes of the January 12, 2012, PERB Regular Meeting with corrections.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

Action Items

IV. Executive Director's Report – Roxanne Minnehan, Executive Director

A. *Informal Consideration – Late Annual Certificate, VFCA, Opportunity VFD (Diann Levandowski)*

The Opportunity VFD is requesting the Board accept the late filed Certificate for FY 2008. The certificate was filed on April 22, 2011. The supporting training documentation has been reviewed.

Motion: Member Scott Moore moved to uphold staff recommendation that the 18 members listed on the FY2007-2008 Annual Certificate and be granted the year of credited service.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

B. *Out-of-State Travel Authorization – (Roxanne Minnehan)*

The Board must approve all out-of-state travel requests. The following conferences are included in the FY 2012 Board Approved Budget.

1. PRISM Conference, May 6-9, Long Beach, CA. The Public Retirement Information System Management (PRISM) is an organization of retirement system IT managers. It is a great opportunity for our IT staff to meet, network with and acquire information from their counter-parts in other states. This year's theme is all about project management – a timely topic for our MPERATIV program. Staff is recommending June Dosier and Dave Swenson attend this conference.

Motion: Member Dianna Porter moved to approve the travel authorization for June Dosier and Dave Swenson to attend the PRISM Conference, May 6-9, 2012 in Long Beach, California.

Second: Member Scott Moore

No public comment.

Vote: 7/0

2. GFOA Annual Conference, June 10-12, Chicago, IL. The Government Finance Officers' Association annual conference provides professional development training for government financial management. It provides guidance on the latest strategies, tools and techniques. The fiscal services bureau chief and her assistant have consistently attended. This year we are proposing to send Diann Levandowski. Barbara Quinn attended the P2F2 in October.

Motion: Member Dianna Porter moved to approve the travel authorization for Diann Levandowski to attend the GFOA Annual Conference June 10-12, 2012 in Chicago, Illinois.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

- C. ***457 Plan Adoption Agreement & Resolution – City of Thompson Falls (Jenny Weigand)***
Local government entities may choose to participate in the State's Deferred Compensation Plan. Thompson Falls has completed a resolution and adoption agreement to offer the deferred compensation plan to their employees. The effective date is March 1, 2012 or one month after Board approval.

Motion: Member Scott Moore moved to approve the 457 Plan Adoption Agreement with the City of Thompson Falls.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

- D. ***457 Plan/DCRP (Patricia Davis)***

The Employee Investment Advisory Council (EIAC) met on January 19, 2012.

1. We have a new appointment for a Local Government representative fulfilling the remaining term vacated by Ron Alles.

Motion: Vice President Terrence Smith moved to approve the recommended EIAC appointment of Mr. Steve Johnson.

Second: President John Nielsen

Vote: 7/0

2. ***457 Plan – Replace Dodge & Cox Balanced Fund with the Vanguard Balanced Index Fund. Dodge & Cox is not meeting the standards set forth in the Board's Investment Policy Statement (IPS). Dodge & Cox has been on probation since September 2010.***

Motion: Vice President Terrence Smith moved to accept EIAC's recommendation to replace the Dodge & Cox with Vanguard Balanced Index Fund in the 457(b) plan.

Second: Member Dianna Porter

Vote: 7/0

3. DCRP – Replace American Funds Growth Fund with Alger Capital Appreciation Z. American Funds Growth Fund of America is not meeting the standards set forth in the Board's IPS. American Funds Growth Fund has been on probation since June 2011.

Motion: Vice President Terrence Smith moved to accept EIAC's recommendation to replace the American Funds Growth Fund with Alger Capital Appreciation Z in the 401(a) plan investment options.

Second: Member Dianna Porter

No public comment.

Vote: 7/0

E. Options for Addressing the UAL (Roxanne Minnehan/Melanie Symons)

1. Fiduciary Responsibility
A refresher presentation was given to the Board.
2. Actuary Estimate to Cost Plan Revisions
The cost to provide a study of the impact of the various changes was made available at the Board meeting for review.
3. Contract Right Issue
It is understood that the Board consensus is to not impair contract rights. Ms. Minnehan wanted to ensure that is the Board's intention; therefore, a Board motion was drafted.
4. Conclusion/Direction to Staff
The legislative 2013 session is quickly approaching. Staff inquired where the Board would like staff to concentrate their efforts.

Motion: Member Dianna Porter moved to that the Board continue to maintain and protect the contract right for current members and retirees, seeking increased employer contributions and/or other funding sources.

Second: Member Bob Bugni

No public comment.

Vote: 7/0

F. Set Quarterly Board Meeting Dates – April, May, June (John Nielsen)

The Board sets its meeting dates a quarter at a time. The Board's regular meetings have been held the second Thursday of the month. Consistency is important for members, stakeholders and staff. At its January Meeting, the Board scheduled April 12, 2012 to have a joint ½ day meeting with the Employee Investment Advisory Council (EIAC).

Motion: President John Nielsen moved to schedule the next quarter Board meetings as follows:

Thursday, April 12, 2012

Thursday, May 10, 2012

Thursday, June 14, 2012

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

G. iPad Use Policy (Dave Swenson)

All Board members will have an iPad for Open Board Packet information. Dave Swenson presented the "Workstation, Portable Computer and PDA (Personal Digital Assistant) Security" policy and the highlights of how it pertains to the Board and the use of the iPads. Each Board member signed the acknowledgment form stating they understood and will comply with the policy.

Education Items

H. Board Education

1. iPad Use (Dave Swenson)

Dave Swenson handed out iPads to the remaining board members. He provided an overview on how to download Board packet information, annotate and navigate using the iPad.

2. Disclosures/Recusals (Melanie Symons)

Melanie Symons provided a refresher on when and how to invoke disclosures and recusals during Board topics that may have a real or perceived conflict for Board members.

Discussion Items

I. DCRP/457 Plan (Patricia Davis/Barbara Quinn)

1. 457 Annual Fees

2. DCRP Basis Points Fees

J. FY 2012 Quarterly Budget Review (Barbara Quinn)

The second quarter of Fiscal Year 2012 has passed. Ms. Barbara Quinn provided an update of expenses to date in comparison to the budget. Overall, the budget is 29.20% expended. Please see attached handout for more information.

K. *SAVA Meeting Update (Roxanne Minnehan)*

SAVA – January 27, 2012

- Adopted Principles & Guidelines
 - With addition of Legislation they now require an independent review of investment returns every 5 years.
 - Continue to encourage rural fire departments to join FURS
- Dave Senn provided a review of his annual report
 - Also, discussed shortfall (3.53%)
 - Outreach program
- Employees seem to be willing to share the cost by increasing employee contributions, retirement age
- Oppose changing GABA or the multiplier
 - Reiterated don't have to do everything all at once, can be incremental
 - Cash flow issue needs to be addressed – require a increase over a number of years instead of a lump sum
- Rep Ingraham stated we need a redesign for very long-term
- Diane Fladmo, MEA-MFT – committed to preserving a quality DB plan for recruitment/retention. Willing to work with SAVA to craft a sound resolution, thinking long-term, incremental changes over time, healthful to economy.
- David Niss Discussed Constitutionality
 - Colorado/Minnesota courts ruled no contract to impair
 - Contract Clause in MT appears to be absolute
 - Limited number of circumstances may be impaired by State Legislature
 - Must be reasonable and necessary to serve an important public purpose
 - Must consider non-impinging alternatives prior to considering impinging alternatives***
 - “If decide to cross that Rubicon” – Must document reasons for considering alternatives
 - Senator Lewis was encouraged by the report
 - Representative Bennett appreciated looking at other options than burdening new hires who will retire later with less
 - Senator Arthun weighed in with South Carolina example
 - Leo Barry – stated that it would be a substantial impairment of Contract, if state hadn't explored all other alternatives. It takes only one employee to challenge and it will go to federal court. Can't do a knee-jerk reaction where we will end up worse than today
 - Senator Jent responded it was an “iffy” deal – ending in a class action suit
 - Niss responded Montana Supreme court analysis is different when state impairs its own contract – will not defer to the Legislature – must choose non-impinging alternative first
- Amy Carlson -
 - Gave an overview of the LFD meeting that she provided at the Board work session.

- Options to Fund UAL – ER contributions, split between ER contributions, EE (benefit changes and increased contributions, General Fund, GABA, DC Plan or combination of above.
- Joint SAVA/LFC meeting 6/12/12
- Policy - Megan Moore
- Legal – David Niss
- Funding/Financial Risk – Amy Carlson
- Senator Arthun expressed concern about shock of GASB impacts
- Amy responded its complicated; but, not forcing changes in funding

L. *MPERAtiv Program Update (June Dossier)*

Current Status

- The MPERAtiv Project is moving ahead as scheduled.

Activities completed since last status report

- Line of Business – Written responses to questions were posted to the state website.
- Data Cleansing – Full extracts were completed and data loaded. Initial Data Candidate List (IDCL) sessions were completed and Data Analysis Results Report (DARR) reviews began. The Knowledge Transfer Plan was submitted for MPERA review.
- Imaging – Project initiation documents were delivered for MPERA review and approval including the project plan and project charter. Hardware was installed.

Activities to be completed in next month

- Line of Business – RFP responses will be received on February 7, 2012 and the RFP evaluations will begin. Woo Hoo! Tentative schedule
 - **Selection Group Consensus Meeting – Minimum Qualifications**.02/13/12*
 - **Selection Group Consensus Meeting - Finalists**..... 03/05/12*
 - **Notification of Offeror Interviews/Product Demonstrations (Optional)**. 03/06/12*
 - **Offeror Interviews/Product Demonstrations (Optional)**..... 03/19/12 – 03/21/12*
 - **Selection Group Consensus Meeting - Winner**..... 03/27/12*
 - **Intended Date for Contract Award (Optional)**..... 03/27/12*
 - **Estimated Project Start Date**..... 04/09/12*
- Data Cleansing – Data Analysis Results Report (DARR) reviews will continue. Dan Fite from Ventera will be on site in mid February.
- Imaging – The project kickoff meeting is scheduled for the first week of February. Informatix will be on site the first two weeks of February to install the Laserfiche software and conduct work sessions.

Awareness Items

Staff changes – Bob Solheim made a smooth transition in replacing Scott Grant.

Scope/Schedule/Cost Updates

- Cost: No cost impacts.
- Scope: All requirements within scope.

- Schedule: No changes.

M. *MT Watchdog Request Update (Barbara Quinn)*

An agreement was reached between the Montana Public Employee Retirement Administration (MPERA) and the Montana Watchdog regarding information for retirees with benefits administered by MPERA. Ms. Roxanne Minnehan and the Teacher's Retirement System's Executive Director, Mr. David Senn, met with the Montana Watchdog to negotiate an agreement for the type of information that will be released. MPERA has agreed to release retiree names listed with their last employer, years of service credits, and the estimated amount that their employer contributed throughout their employment.

N. *Committee Reports (Committee Chairs)*

There were no updates from the Committee Chairs.

O. *Executive Director Report (Roxanne Minnehan)*

Staffing Update

1. Paralegal – Last month Ms. Minnehan reported that Ms. Rebecca Price started January 3rd a paralegal. She terminated immediately. The job profile is now being reclassified.
2. Retiree DB Support (backfill position) – filled in-house. Ms. Alvina Davis vacates the Retiree Audit Position.
3. Retiree Audit Position – posted externally and closes February 21st.
4. Refund Position – filled in-house. Ms. Tasha McCourt vacates the File Clerk position.
5. File Clerk position – posted externally and closes Friday, February 10th.
6. Pay Benefit Technician (Education Unit) – job profile being classified by the Department of Administration's Human Resource Department.
7. IT Lead – this has been forwarded to the Department of Administration's Human Resource Department for classification.
8. Part-time LAN Administrator – posted internally. Interested employees must express interest by close of business today. It officially closes Tuesday, February 14th.

P. *Litigation Update (Melanie Symons/Kate Talley)*

Ober Spear – still awaiting an Order from the judge. He lost his wrongful discharge law suit against DOJ but is filing motions and appealing now to the Supreme Court.

Center for Mental Health – CMH filed a Complaint against MPERA and the State on September 13, 2011. It was served on DOA October 4th. An Answer was filed on November 14th. 1st Discovery was received on December 20th. Staff is currently working on Discovery responses and production of records.

Informational Items

Q. SAVA Meeting –April 19, June 12-13, August 8-9, September 6

R. LFC –March 8-9, June 7-8, mid-September

- S. Next Board Meeting –March 8
- T. Next Joint EIAC Meeting – April 12
- U. Next Stakeholder Meeting – April 13
- V. Board Retreat – FWP Communication/Education Center, *September 12, 2012*

CLOSED MEETING

The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceeded the merits of public disclosure. As such, this portion of the meeting was closed as of 12:45 p.m.

Closed Meeting Summary

Meeting Minutes

Motion: Member Dianna Porter moved to approve the minutes of the January 12, 2011, PERB Closed Meeting with corrections.

Second: Member Timm Twardoski

Vote: 7/0

Disability Report (*Julie Reardon*)

- *Initial Claims* – The Board approved three disability claims without further annual reviews, and approved one disability request claim with annual review.
- *Disability Reviews* – The Board moved to continue four disabilities without further review and one disability was denied.

Contested Cases (*Patricia Davis*)

- *Informal Consideration – Retiree, PERS* – The Board moved to uphold staff's recommendation that a retiree be required to repay \$753.81 in ineligible retirement benefits.
- *Informal Consideration – Disability, PERS* – The Board moved to approve a disability benefit claim.
- *Informal Consideration – Disability, PERS* – The Board moved to postpone a disability benefit claim until we are able to subpoena the Department of Labor and Industry regarding an EEOC settlement agreement.

Finalized Service Retirements/Death Benefits (Patricia Davis)

Motion: Vice President Terrence Smith moved to approve the finalized service retirements/death benefits.

Second: Member Darcy Halpin

Vote: 7/0

ADJOURNMENT

There being no further business before the Board, President John Nielsen adjourned the regular meeting at approximately 1:30 p.m. The next regular meeting will be Thursday, March 8, 2012, at 8:30 am.

John Nielsen, President

ATTEST:

Roxanne M. Minnehan, Executive Director