



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

September 9, 2010

President John Nielsen called the regular meeting to order at 8:30 am Thursday, September 9, 2010. Roll call was taken with all members of the Board present. Board members and staff present were:

John Nielsen, President
Terry Smith, Vice President
Darcy Halpin, Member (via telephone)
Patrick McKittrick, Member
Scott Moore, Member
Dianna Porter, Member
Timm Twardoski, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Ursula Hatfield, Executive Assistant

OPEN MEETING

Beth Long, and Linda Ulrich, Great-West Retirement Services; Jill Hindoien, MRPEC; Mike O'Connor, AMRPE; Jason Baker, Ed Cleary, Dax Fraser, Doug Neil, George Richards, and Rick Ryan members of the Montana State Firefighter's Association; Don Kinman, AFSCME Member; Tim Schofield, Physician; and Patricia Davis, Member Services Bureau Chief; Renae Justice, Internal Auditor; Diann Levandowski, Assistant Fiscal Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; and Ann Reber, Publication Specialist; joined the meeting.

Public Comment on any subject of interest not on the Board agenda. No comments were given.

MINUTES OF OPEN MEETING

The minutes of the open meetings of August 12, 2010 were presented.

Motion: Vice President Terry Smith moved to approve the minutes of the August 12, 2010 PERB Regular Open Meeting.

Second: Ms. Dianna Porter

No public comment.

Vote: 7/0

GFOA Award

President Nielsen presented the Certificate in Achievement and Excellence for Financial Reporting for the Comprehensive Annual Financial Report for year-end June 30, 2009 to staff. This marks the twelfth year in a row that MPERA has won this award. Ms. Minnehan thanked all those who took part in this endeavor.

Physician's Introduction – Dr. Schofield

Dr. Timothy Schofield graduated with honors from California State University at Long Beach with a Bachelor of Science degree in Zoology in 1979. He graduated in the top third of his class from Oral Roberts University Medical School, with honor of Surgery Student of the Year award, and lifetime membership in Alpha Omega Alpha medical academics honor society. He completed his internship in pediatrics in 1988 at Madigan Army Medical Center, Tacoma. In 1993, he completed his residency training in diagnostic radiology, also at Madigan Army Medical Center, and was awarded his Board Certification in diagnostic radiology the same year. Dr. Schofield has recently contracted with the Board as a medical consultant to review disability files.

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

Set Quarterly Board Meeting Schedule – Melanie Symons

The next quarter board meetings are the last quarter of the year. The November Board meeting would regularly be scheduled for November 11, 2010; this is a state holiday. Staff has discussed keeping the meeting the same week would allow any action on pending items. Staff asked the Board to consider Wednesday, November 10 or Friday, November 12.

Motion: Ms. Dianna Porter moved the Board approve the next quarter Board Meetings be scheduled as, Thursday, October 14, 2010; Wednesday, November 10, 2010 and Thursday, December 9, 2010.

Second: Mr. Timm Twardoski

No public comment.

Vote: 7/0

Governance Principles Amendments – Scott Moore

The Board Policy Committee recommended changes to the Montana Public Employees' Retirement Board's Statement of Governance Principles. The most significant change is to more clearly define the staffing responsibilities delegated to the Executive Director. The Board discussed including all supervisory positions as well as members of executive staff under their staffing responsibilities. They discussed these positions because they are not represented by the union which could increase liability. Staff informed the Board that Human Resources is involved to ensure the process maintains the rights of both management and staff. They also informed the Board that their involvement in staffing issues would greatly increase.

Motion: Ms. Dianna Porter moved to approve the amendments recommended by the Board Policy Committee.

Second: Ms. Darcy Halpin

No public comment.

Vote: 3/4, President Nielsen, Vice President Smith, Mr. McKittrick and Mr. Twardoski voted nay.

Motion: Mr. Pat McKittrick moved to remand to the Board Policy Committee for further discussion of including all non-union positions under the Board's staffing responsibility, and whether staffing issues should go before the Board Personnel Committee or the full Board.

Second: Mr. Timm Twardoski

No public comment.

Vote: 7/0

Securities and Exchange Commission (SEC) Settlement – Prudential Securities, Inc – Patricia Davis

MPERA received three settlement checks for three separate funds that were once in the State of Montana's Deferred Compensation Plan (457) lineup. The SEC order found these funds involved in marketing timing practices. The SEC distribution plan allows four alternatives: 1) allocate to current and former participants under the methodology specified by an independent distribution consultant. 2) Allocate the distribution pro rata (based on total account balance) among the accounts of all persons who are currently participants in the Plan. 3) Allocate the distribution per capita (each participant) among the accounts of all persons who are currently participants in the Plan. 4) To the extent that none of the three preceding alternatives is administratively feasible because of the costs of effecting the allocation exceed the amount of distribution, the amounts may be used to pay the reasonable expenses of administering the retirement plan.

Distributions are not required for members whose distribution is less than \$10. The distribution plans allows that any undistributed funds may be retained for administrative expenses.

Staff recommended the Board adopt distribution alternative #2. Great-West Retirement Services is unable to credit funds to 457 plan members who have closed accounts. MPERA would be required to find past members, issue distribution checks, and manually create 1099R documents.

Motion: Vice President Terry Smith moved the Board distribute the SEC Settlement funds to current 457 participants under alternative #2 and retain any undistributed funds for administrative expenses.

Second: Mr. Pat McKittrick

President Nielsen and Vice President Smith disclosed they have 457 plan accounts.

Vote: 7/0

Employee Investment Advisory Council (EIAC) Appointment – Patricia Davis

EIAC has been short one committee member since the resignation of local government representative, Lisa Smith. Mr. Paul Spengler has expressed interest in joining EIAC. Mr. Spengler is the Lewis and Clark Disaster and Emergency Services Coordinator.

Mr. Spengler is also serves as the county's safety director to prevent accidents to employees and the public in county facilities. He also the county floodplain administrator and manages the floodplains through a permit system in the county's identified floodplain.

Staff recommended the Board appoint Mr. Paul Spengler to the Employee Investment Advisory Council.

Motion: President John Nielsen moved the Board appoint Mr. Paul Spengler to the Employee Investment Advisory Council as one of the three local government representatives as required under EIAC by-laws.

Second: Vice President Terry Smith

No public comment.

Vote: 7/0

Proposed Bill Drafts - Management Team

State Administration and Veterans' Affairs (SAVA) Committee voted to sponsor the: 1) General Revisions Bills, 2) VFCA Rewrite and the 3) Working Retiree Bill. The funding bills do not currently have a sponsor. Management Team has discussed that it may be very difficult to obtain a sponsor due to the request for increased funding. Staff suggested the Board have an alternate proposal; else, SAVA could propose other legislation.

Ms. Minnehan, Ms. Quinn and Ms. Symons updated the Board on changes made to the bill drafts. The deadline is September 15, 2010, for completed bill drafts. Staff also discussed possible bill sponsors. The next SAVA meeting, Cheiron, will be present to report on the cost of the money purchase plan and the Board's plan amendments without increased funding.

No action was taken at this meeting.

SAVA Meeting – Legislative Committee Recommendations – Dianna Porter

At the August SAVA meeting, the Board's three funding bills were passed into the bill drafting process without increased funding. The Board's Legislative Committee met and decided to draft the bills as proposed by SAVA and to draft separate funding. Since then, Ms. Rachel Weiss, research analyst for SAVA, reported that SAVA will have to revisit their motions as they must vote on the proposals before them and not pick and choose provisions out of the proposals. The Board's Legislative Committee met again, Thursday, September 2 to discuss strategy for the September 13 SAVA meeting. The Committee discussed two possibilities; 1) keeping the bill proposals as is, three bills for plan changes including funding, and 2) writing six proposals, this would have the funding under separate bills. No action was taking at the Legislative Committee meeting. The Committee members decided to bring this before the full Board.

Motion: Ms. Dianna Porter moved the Board bring the complete bills as originally proposed including funding before SAVA.

Second: Mr. Scott Moore

Mr. O'Connor expressed agreement with separating the funding from the originally bills. He stated staff could get sponsors for all the bills.

Vote: 6/1, Vice President Terry Smith voted nay.

Public Relations Campaign – Jennifer Weigand

Ms. Weigand proposed the Board use other methods besides news paper and TV to educate the legislators and the public. She suggested the use of social media. Social media reaches a wide audience, is inexpensive and allows MPERA and the Board to tell our story in a quick and easy manner. Use of these applications will be ongoing after the legislative session in order to increase communications with our members and stakeholders. Ms. Weigand demonstrated how the process works using Montana Stockgrower's Association as an example.

Motion: Vice President Terry Smith moved the Board approve staff's recommendations on the use of social media services and increase use of press releases.

Second: Mr. Timm Twardoski

No public comment.

Vote: 7/0

The Board has requested information from staff in regards to a paid lobbyist. Having a paid lobbyist working the legislature body during session will assist MPERA staff in the distribution of information on the importance of public pension plans, the need to adequately fund our existing plans and the economic benefit the plans have to the State of Montana. The Board and staff asked Mr. O'Connor to consider being the Board's representative before the Legislature.

Motion: Ms. Dianna Porter moved the Board approve hiring a lobbyist for the 2011 legislative session.

Second: Mr. Pat McKittrick

No public comment.

Vote: 7/0

Education Topic - Demonstration Benefit Estimator – Sheri Mitchell

Ms. Mitchell presented some new features on the benefit estimator. This tool was presented once before explaining the benefits to the PERS Defined Benefit members. Staff has extended the calculator to include HPORS, MPORS and FURS members. It is located on the MPERA website homepage.

GASB Preliminary Views – Barbara Quinn

Staff compiled a response to the GASB's Preliminary Views on Proposed Changes to Pension Accounting Standards for Public Sector Employers. GASB usually moves forward with an Exposure Draft; however, this is an interim step to solicit comments knowing that responses will be sharply divided. Staff is sending a response and is encouraging our employers to respond. GASB's proposal would make significant changes to pension accounting standards for state and local governments; negatively impacting defined benefit retirement systems. Ms. Quinn asked the Board members to complete their comments to her before the close of the meeting. Responses are due to GASB September 17, 2010.

Conference Report – NASRA – Roxanne Minnehan

Ms. Minnehan attended the annual National Association of State Retirement Administrators in Seattle, WA. She stated the conference centered on the GASB Preliminary Views, an Executive Director and staff break-out sessions, and public relations.

Litigation Verbal Update – Melanie Symons

Ms. Symons updated the Board on the Garry Seaman case. Mr. Seaman Petitioned for Judicial Review of the Board's decision in Polson, MT. MPERA is preparing a motion to dismiss.

Ms. Symons updated the Board on the *Crossman and Butori et al vs. PERB* case. The petitioners' attorney had not appeared at the scheduling hearing. Ms. Symons filed a Motion for Summary Judgment, the hearing examiner then filed a scheduled order until March 2011. Mr. Dick, VFCA attorney, filed a Motion for Summary Judgment; Ms. Symons has until August 20, 2010, to reply. Staff is waiting for a decision or a start of discovery.

She also updated the Board on *Ober Spear*. Mr. Spear is filing a lawsuit against MPERA alleging malicious payment of retirement benefits. Mr. Spear contends he is still employed as a highway patrol officer.

Investment Update – Patrick McKittrick

Mr. McKittrick informed the Board that Mr. Sheets gave the same report at the BOI meeting he gave at the last PERB meeting. The PERS rate of return was 13.53%, higher than the total asset rate of return of 13.33%. They discussed SAVA's legislative proposal decisions. They voiced the same concerns as MPERA staff.

Board Committee Verbal Updates – Committee Chairs

No updates given at this time.

Executive Director Verbal Update – Roxanne Minnehan

PEPSCo

Mr. Tom Bilodeau, Research Director for MEA-MFT, invited Ms. Minnehan to attend the PEPSCo on Tuesday, September 2, 2010. MEA-MFT will be proposing a modified separate from SAVA's money purchase plan.

Staffing

The attorney position was re-advertised and closed September 3. Staff is currently reviewing applications.

The DC Payroll Technician was filled in-house. Ms. Jeanette Roberts will start half-time on Monday, September 13.

With Ms. Roberts accepting a new position, the File Clerk position is open. It was posted internally closing Friday, September 3; with no applications received. Staff has posted this position externally; it closes Monday, September 20.

Ms. Minnehan reported the DC Accountant position closed September 3.

Ms. Donna Coman, Retiree Database Manager, will retire as of December 1, 2010. Her position has been filled in-house with Mr. John Barbagello, allowing Mr. Barbagello to work along side Ms. Coman before she leaves.

With Mr. Barbagello accepting a new position, the DB Payroll Technician position is open.

The DCRP/457 Pay/Benefit Technician position has been filled in-house by Ms. Ursula Hatfield. This leaves the Executive Assistant position open.

Ms. Minnehan updated the Board on the imaging and re-engineering projects.

Next Board Meetings

Thursday, October 14, 2010
Wednesday, November 10, 2010
Thursday, December 9, 2010

EIAC Meeting

Monday, September 20, 2010

SAVA Committee Meetings

Monday, September 13, 2010

The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.

CLOSED MEETING

Reconvene of open meeting

Motion: Mr. Scott Moore moved to approve the minutes of the August 12, 2010 PERB Regular Closed Meeting.

Second: Ms. Dianna Porter

No public comment.

Vote: 7/0

Finalized Service Retirements Disability Benefit Payments – Patricia Davis

Motion: Vice President Terry Smith moved to approve the Finalized Service Retirement/Disability Benefit Payments with addendum.

Second: Mr. Pat McKittrick

No public comment.

Vote: 7/0

ADJOURNMENT

There being no further business before the Board, President Nielsen adjourned the meeting, at approximately 2:30 pm. Next regular meeting will be Thursday, October 14, 2010 at 8:30 am.

John Nielsen, President

ATTEST:

Roxanne M. Minnehan, Executive Director