



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

October 14, 2010

President John Nielsen called the regular meeting to order at 8:30 am Thursday, October 14, 2010. Roll call was taken with five members of the Board present; Mr. McKittrick only attended the closed meeting via the telephone and Ms. Porter was excused. Board members and staff present were:

John Nielsen, President
Terry Smith, Vice President
Darcy Halpin, Member
Scott Moore, Member
Timm Twardoski, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Ursula Hatfield, Executive Assistant

OPEN MEETING

Steve McElhaney and Margaret Tempkin, Cheiron; Beth Long, Great-West Retirement Services; Jill Hindoien, MRPEC; Mike O'Connor, AMRPE; Ed Cleary, Dax Fraser, Doug Neil, and George Richards members of the Montana State Firefighter's Association; Don Kinman, AFSCME Member; Tom Schneider, MPEA; Rachel Weiss, Legislative Services; and Jeff Bryce, MPERA IT Contractor; Patricia Davis, Member Services Bureau Chief; June Dosier, IT Manager; Diann Levandowski, Assistant Fiscal Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; and Kate Talley, Legal Counsel, 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 meeting of September 9, 2010 and the minutes of the special open meeting of September 29, 2010 were presented. Ms. Davis noted a correction to the September 29, 2010 minutes.

Motion: Ms. Darcy Halpin moved to approve the minutes of the September 9, 2010 PERB Regular Open Meeting.

Second: Mr. Scott Moore

No public comment.

Vote: 5/0

Motion: Vice President Terry Smith moved to approve the minutes of the September 29, 2010 PERB Special Open Meeting with correction.

Second: Mr. Timm Twardoski

No public comment.

Vote: 5/0

Actuarial Valuation – Steve McElhaney and Margaret Tempkin, Cheiron

Mr. McElhaney and Ms. Tempkin from Cheiron presented the Actuary Valuations Results.

They explained the general actuarial valuation process, the challenges for public pension plans, GASB preliminary views, PERS historical trends, 2010 actuarial valuations, and projections and stress testing. They explained the return on market value was between 12% and 13% for all systems. Due to smoothing of prior losses, return on actuarial value was about negative 1% for all systems, creating actuarial experience losses. All plans except for SRS and VFCA experienced actuarial losses, although for PERS the loss was only 0.2% of liabilities. The salary gains were experienced by PERS and SRS pay was less than expected. Salary losses were experienced by other systems.

Conclusion: Contributions need to be increased in PERS, GWPORS and SRS. HPORS will not amortize in 30 years or less at the next valuation, JRS is in good condition. MPORS may not amortize in 2012. FURS is in good shape – growth in membership and payroll has been helpful.

Human Resources Role – Jane McKinney, DOA HR Manager

Ms. McKinney explained the Department of Administration's Human Resource Office role is to provide on-going HR advice and support to MPERA management staff regarding all employment processes and issues.

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

System Replacement Project

MPERA's database systems have been in place for 25 years. They have been enhanced numerous times to meet Federal and State legislation, as well as to improve processes. However, these systems, their platforms and technology are becoming obsolete. In addition, MPERA has a number of manual processes and system "work-arounds". Staff is unable to meet member self-service expectations. Staff needs to address this issue now, before experienced staff is lost to retirement. Staff has been in contact with project managers, system vendors and other retirement plan administrators to determine what is available. Staff requested the Board's approval to continue forward with this project.

Business Case – Jeff Bryce

Mr. Bryce has worked many years with MPERA as a contracted IT Specialist. He explained the business case and the importance of this project to the Board. Mr. Bryce was also available to address the Board's questions and concerns regarding timing, cost, available LOB options.

Project Manager – June Dosier

Ms. Dosier is MPERA's IT Manager. She explained the work staff has completed to get a request for proposal (RFP) ready for this project. She explained to the Board the importance of hiring a project manager for the success of this project. A project manager would be available to answer any and all questions to this issue and would have knowledge of our system and the best way to update it. The Board questioned whether hiring a project manager would be the best for MPERA and asked to hear from Ms. Quinn in regards to funding before making a decision. The Board also voiced concern with updating the system; how long before this new system would be obsolete. They also asked would this eliminate jobs. Staff reassured the Board they do not intend to eliminate any jobs; some may need reclassified or changed to fit with the new system.

Funding Options – Barbara Quinn

Ms. Quinn presented five options for the Board's consideration: 1) status quo with our current cap and budget. 2) INTER CAP Loan, 3) Vendor Payment Plan, 4) request the legislature to temporarily increase our CAP, and 5) assign the budget excess. Staff recommended status quo with the current cap and budget.

Motion: Vice President Terry Smith moved staff moves forward with the system replacement project recommended in the Business Case by Jeff Bryce including a project manager to oversee the entire project.

Second: Ms. Darcy Halpin

No public comment.

Vote: 5/0

Motion: Vice President Terry Smith moved the Board approve staff's recommendation remain status quo with our current cap and budget to cover the expenses on database system replacement project.

Second: Mr. Scott Moore

No public comment.

Vote: 5/0

Employee Investment Advisory Council Appointment – Patricia Davis

Mr. Tom Bilodeau, MEA-MFT Director of Research, has been a long standing EIAC member. He currently represents one of the two labor organization representatives required by the EIAC by-laws. Mr. Bilodeau will be retiring from MEA-MFT in December 2010. The Board received a memo from Mr. Eric Feaver, President MEA-MFT, recommending Ms. Diane Fladmo as Mr. Bilodeau's replacement.

Mr. Twardoski recommended looking to other union's for a representation. This would give other unions the opportunity to participate.

Motion: Mr. Timm Twardoski moved the Board consider a new council member from either MEA-MFT or other labor unions working on behalf of the state and local government employees to decide at a future time.

Second: Vice President Terry Smith

Ms. Minnehan informed the Board Mr. Schneider is the MPEA representative.

Vote: 5/0

Public Relations Campaign Budget – Jennifer Weigand

It is the goal of the PERB to create an ongoing communication and public relations campaign to promote our public image, educate members and educate stakeholders on the value of pension plans. The Board would like the reduce misconceptions about the pension system and inform legislators of the importance of addressing the unfunded liabilities in our pension plans.

MPERA staff will work with Mr. Ralph Ponnichoski to develop approximately ten news articles addressing pension issues in Montana. Staff will develop a variety of social media campaigns designed to raise awareness of pension issues using Facebook, Twitter and blogging. Staff will create a one-page "talking points" paper to assist the Board and staff when discussing issues with the legislative and executive branch.

Staff proposed a budget of \$4,560.00 to cover the cost of PR related issues through FY 2011.

Motion: Ms. Darcy Halpin moved the Board accept staffs public relations budget proposal amending the budgeted amount to \$5,000.

Second: President John Nielsen

No public comment.

Vote: 5/0

Rules – Notice of Adoption – Melanie Symons

PERS-DCRP and Deferred Compensation Plan Investment Policy Statements

The Board amended the 457 and the 401(a) DC Investment Policy Statements (IPS) to permit the Board's investment consultant to include a search for replacement funds when determining whether to recommend termination of a particular fund.

Since the IPSs are adopted by reference through ARM 2.43.3502 and 2.43.5102, those rules need to be amended to reference the most recent IPSs.

A Notice of Proposed amendment was issued August 26, 2010. Comments regarding the proposed rule amendment were due September 23, 2010. No comments were received.

Staff recommended the Board approve the proposed rule amendment to ARM 2.43.3502 and ARM 2.43.5102 and approve submittal to the Secretary of State's office of the Notice of Amendment.

Motion: Vice President Terry Smith moved to uphold staff's recommendation and approve the proposed rule amendment to ARM 2.43.3502 and ARM 2.43.5102 and submit to the Secretary of State's office.

Second: Mr. Timm Twardoski

No public comment.

Vote: 5/0

PERS-DCRP and Deferred Compensation Plan Group Trust

The IRS recommended that our Pooled Trust be amended for IRS compliance purposes. Specifically, the Service requested the document clarify that participation in the pooled trust is limited to employer and pension sharing trusts, and eligible governmental plan trusts or custodial accounts. The Board agreed and amended the Pooled Trust accordingly. Because the Pooled Trust is adopted by reference through ARM 2.43.5104, that rule must be amended to reference the latest Pooled Trust document.

A Notice of Proposed Adoption was issued September 9, 2010, amending ARM 2.43.5104. Comments regarding the proposed rule were due by October 8, 2010. No comments were received.

Staff recommended the Board approve the proposed adoption to ARM 2.43.5104 and approve submittal to the Secretary of State's office of the Notice to Amend.

Motion: President John Nielsen moved to uphold staff's recommendation and approve the proposed rule amendment to ARM 2.43.5104 and submit to the Secretary of State's office.

Second: Ms. Darcy Halpin

No public comment.

Vote: 5/0

Proposed Bill Drafts - Management Team

SAVA Meeting Update – Roxanne Minnehan

Ms. Minnehan updated the Board on the SAVA meeting held Monday, September 13, 2010. SAVA passed all of the Board's bills. SAVA recommended a due pass on the General Revisions bill and the VFCA Rewrite bill. They recommended a due not pass on the Working Retiree bill, due to it failing on a tie vote. They recommended splitting the funding from the plan provision bills. All of the Board's bills have been assigned a bill draft number.

GWPORS Funding – Roxanne Minnehan

This bill changes the highest average compensation from 36 to 60 months for all new hires. It also increases employer contributions to obtain the actuarial required rate to ensure the unfunded liability amortizes over 30 years. The contribution increase is the FY 2010 contribution rate shortfall; it will need to be increased to include the requirement over the next biennium. Because these increases are larger than anticipated, the Board may consider phasing in the increase over time. This bill is currently numbered LC405.

Vice President Smith recommended mirroring the PERS funding bill draft and proposed an increase of 1%.

Motion: Vice President Terry Smith moved to amend the GWPORS Funding bill draft proposing an increase of 1% each year of the next biennium.

Second: President John Nielsen

No public comment.

Vote: 5/0

Motion: Vice President Terry Smith moved to adopt the GWPORS Funding bill draft as amended.

Second: President John Nielsen

No public comment.

Vote: 5/0

SRS Funding – Roxanne Minnehan

This bill changes the highest average compensation from 36 to 60 months for all new hires. It also increases employer contributions to obtain the actuarial required rate to ensure the unfunded actuarial liability amortizes over 30 years. The contribution increase is the FY 2010 contribution rate shortfall; it will need to be increased to include the requirement over the next biennium. Because these increases are larger than anticipated, the Board may consider phasing in the increase over time. This bill is currently numbered LC406.

Vice President Smith recommended amending the bill draft to reflect a 1% increase in July 1, 2011 and July 1, 2012. He proposed making a consistent 1% increase on all the plan increases. He also suggested striking an increase to the state share. The State Contribution was discussed and dropped because it wasn't proposed to SAVA.

Motion: Vice President Terry Smith moved to amend the SRS Funding bill draft proposing from the 14.145% to adding a 1% increase in July, 2011 and July, 2012; and proposed adding a separate paragraph for staff to review the state portion.

Second: Ms. Darcy Halpin

Mr. Schneider stated there are state employees in SRS, so the Board can't say it is only for local governments.

Vote: 5/0

PERS Funding – Roxanne Minnehan

This bill proposes to: 1) increases the highest average compensation from 36 to 60 months; 2) increase the normal retirement age from 60 with 5 years of service is 65 with five years of service; 3) phase in the multiplier: 1.5% per year if service is less than 10 years, 1.75% per year if service is greater than or equal to 10 years but less than 30 years, 2% per year if service is greater than or equal to 30 years; 4) increase employer contributions 1% each year of the biennium and 5) increase employee (new hires) contribution 1% each year of the biennium. This bill is currently numbered LC407.

Motion: Vice President Terry Smith moved the Board approve the PERS Funding bill draft dated 10/8/2010, 2:06 pm and staff can make any non-substantive changes needed; striking the last sentence of section 3.

Second: Mr. Timm Twardoski

No public comment.

Vote: 5/0

Working Retirees – Roxanne Minnehan

This bill requests employer contributions on all working retirees (PERS, SRS, and FURS). Working retirees strain the system. If these needed positions were filled with new hires, the system would be receiving employer contributions. This bill is currently numbered LC162.

Motion: Vice President Terry Smith moved the Board approve the Working Retiree bill draft dated 10/8/2010, 2:20 pm.

Second: Ms. Darcy Halpin

No public comment.

Vote: 5/0

General Revisions Bill – Melanie Symons

The General Revisions bill is a housekeeping bill to clarify and clean up statutes. It is currently numbered LC160.

Motion: Vice President Terry Smith moved the Board uphold staff recommendation and approve the General Revisions bill draft.

Second: Ms. Darcy Halpin

No public comment.

Vote: 5/0

VFCA Rewrite – Barbara Quinn

This is a housekeeping concentrating solely on the volunteer firefighters' compensation act statutes. These statutes have not kept up with society and business process requirements. This bill is currently numbered LC161.

Motion: Vice President Terry Smith moved the Board approve the VFCA Rewrite bill draft dated 10/7/2010, 1:17 pm with staff making determined necessary changes.

Second: Mr. Scott Moore

No public comment.

Vote: 5/0

TRS Info Sharing

This is related to the General Revisions bill. This would allow us to enter into a MOU with TRS to share information for cross matches. TRS has a whole bill with more languages and wants to work with us to get comparable language. Denise Pizzini, legal counsel at TRS did not attend the meeting.

Conference Report - NAGDCA

Ms. Patricia Davis, Ms. Darcy Halpin and Ms. Melanie Symons attended the National Association of Government Defined Contribution Administrators, Inc in Philadelphia, September 11-15.

Each gave an update of the sessions they attended and thanked the Board for the opportunity to attend.

Ms. Halpin discussed the goals to educate young people in the importance of retirement and that social networking is becoming popular in the retirement world.

Ms. Symons attended the investment advice, social networking, request for proposal, security, target date funds, fiduciary duties and stable value sessions.

Ms. Davis attended a 457 Hardship Withdrawal presented by the IRS. They gave the rules and regulations but stressed some situations require using your best judgment.

Litigation Verbal Update – Melanie Symons

Ms. Symons updated the Board on *Ober Spear*. Mr. Spear has amended his original filing; the amendment includes MPERA for malicious payment of retirement benefits.

Investment Update – Patrick McKittrick

Mr. McKittrick was unable to attend the open meeting. President Nielsen referenced the Board and staff to a letter in the Board packet from Mr. Clifford Sheets, MBOI.

Board Committee Verbal Updates – Committee Chairs

Personnel Committee: Ms. Halpin noted Ms. Minnehan's annual review was due.

Legislative Committee: They met September 24, 2010. They discussed getting sponsors for the bills after the election. Ms. Porter is planning a meeting after the November 2 elections.

Executive Director Verbal Update – Roxanne Minnehan

Staffing

The attorney position was filled. Ms. Katherine (Kate) Talley started Tuesday, October 12, 2010.

The File Clerk position was filled. Ms. Kristine (Kris) Vladic started Tuesday, October 12, 2010.

Ms. Minnehan reported the DC Accountant position was reposted; it closed Monday, October 11, 2010.

The DB Payroll Technician position was filled in-house by Ms. Kimberly (Kim) Moore. Ms. Moore was our Retiree Database Support. The job profile is being revisited before it is posted.

The Executive Assistant position closed Monday, September 27, 2010. They chose five applicants to interview; one had accepted another job, they interviewed four applicants earlier this week.

Other Updates

National Save for Retirement week is October 18-22. This is our first time participating.

Next Board Meetings

Wednesday, November 10, 2010

Thursday, December 9, 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: Ms. Darcy Halpin moved to approve the minutes of the September 9, 2010 PERB Regular Closed Meeting.

Second: Vice President Terry Smith

No public comment.

Vote: 5/0

Finalized Service Retirements Disability Benefit Payments – Patricia Davis

Motion: President John Nielsen moved to approve the Finalized Service Retirement/Disability Benefit Payments with addendum.

Second: Ms. Darcy Halpin

No public comment.

Vote: 5/0

ADJOURNMENT

There being no further business before the Board, President Nielsen adjourned the meeting, at approximately 3:50 pm. Next regular meeting will be Thursday, November 10, 2010 at 8:30 am.