



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

January 13, 2011

President John Nielsen called the regular meeting to order at 8:35 am Thursday, January 13, 2011. Roll call was taken with all seven members of the Board present; Ms. Halpin was participating via telephone. Board members and staff present were:

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

Other's present: Don Kinman, AFSCME; Mike O'Connor, MPERA; Ed Cleary, Rick Ryan, Dax Fraser, George Richards, Doug Neil and Jason Baker, members of the Montana State Firefighter's Association; Matt Rosendale, Rep. Elect HD 38; Beth Long and Linda Ulrich, GWRS; Jill Hindoi, MRPEC; Leon W. Elbert and Richard Capp, PERS; Diann Levandowski, Assistant Fiscal Services Bureau Chief; Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; and Kate Talley, Legal Counsel, joined the meeting.

OPEN MEETING

- I. Roll Call**
- II. Public/Member Comment** - No comments were given.
- III. Approval of Board Meeting Minutes**

The minutes of the open meeting of December 9, 2010 were presented.

Motion: Member Dianna Porter moved to approve the minutes of the December 9, 2010 PERB Regular Open Meeting with correction.

Second: Member Patrick McKittrick

No public comment.

Vote: 7/0

IV. EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

A. 2011 Legislative Session – Dianna Porter/Roxanne Minnehan

Ms. Minnehan noted that she, Mr. Mike O'Connor and Ms. Melanie Symons have been busy meeting with legislators, bill sponsors and providing introductory testimony. They met with Speaker Mike Milburn, Representative John Sesso, President Peterson, Minority Leader Senator Williams and Senator Lewis. Representative Sesso suggested that we line up some proponents to testify for the HB 122. It's not scheduled for hearing yet but it has been referred to the House State Administration Committee and Chairman Ingraham is trying to get those bills scheduled right away.

HB70 is going to be heard, as well as HB85 and HB119 on Friday. HB134 and HB135 is tentatively scheduled for Monday and HB 122 might also be heard that day. Ms. Minnehan mentioned that she spoke with Diane Fladmo with MEA-MFT and they are going to support our bill. Everyone is worried that if HB122 isn't supported that we could be faced with the DC Plan in the future. Representative Scott Reichner is interested in the Utah Hybrid Plan and there is also a new bill draft request from Senator Lewis for another Hybrid Plan (LC2049).

Director Ewer contacted Ms. Minnehan and asked what would have happened if we had not increased the GABA from 1.5% to 3%. Ms. Minnehan forwarded that question to the actuary and he performed a study that found that if we had not increased the GABA to 3% our amortization period would be 23.4 years and we would be 89.2% funded. Ms. Minnehan also asked what would the UAL need to be in order to amortize within 30 years and we were told \$30 million as opposed to \$1.3 billion.

Ms. Minnehan indicated that she contacted the Department of Correction's attorney to discuss our GWPORS funding bill because the Correction Officers are the largest portion of the membership in the Game Wardens and Peace Officer's System. They stated that they are tracking it but did not know where they stood on it at this time.

Ms. Symons is still working on a White Paper to address the Constitutional referendum. She explained that if it is in the Constitution that we can change the defined benefit, then it is no longer a qualified plan because the benefit has to be defined. Ms. Symons stated that it has been asked by teachers and MPERA that if there is no limit to changing your benefits, does that mean you don't have what is called a "definitely determinable benefit" which is required for qualified DB plans? Ms. Symons has asked this question of the NAPPA members and received feedback from many attorneys from different states, as well as from an attorney from the National Conference of Legislators.

SB120 - The Publishing of Appointed Members to all State Agency Boards – Sponsored by Representative John Brenden

Ms. Minnehan explained that this bill is an act requiring certain contact information about members of state agency boards, committees, commissions, and advisory councils be provided in official reports, publications and on websites. The act also requires publication of terms, effective dates, and expiration dates. Some of that information is already included in an agency reports and on the MPERA website, but we do not publish any personal contact information. Member Terry Smith asked if the Board members could have State email addresses set up specifically for this purpose. Ms. Minnehan said she would research this. In the meantime the Board advised the MPERA staff to track the bill and not take any action on it at this time, but advised that if it appears that the verbiage is going to change to require personal information then notify the Board so that they can take action on it at that time.

SB 150 (LC0608) – Provide for protection of rights through actions against public officials – Representative Art Wittich

This bill states that anytime a public employee, including Board members, are sued by the public for allegedly violating someone's rights that the public employee will not be covered by risk management and tort defense. They will have to defend themselves at their own cost.

Motion: Member Patrick McKittrick moved to oppose Senate Bill 150.

Second: Member Scott Moore

Public comment: Matt Rosendale, Rep. Elect HD 38, stated that Representative Art Wittich has been around for a long time and asked Board Member Patrick McKittrick if he had ever had any dealings with him before. Member McKittrick responded that he had not.

Vote: 7/0

B. System Replacement Project

1. Status Update (June Dossier and Melanie Symons)

Ms. Dossier referred to the "New System Project Status Report" that was included in the Board packets. She noted that the yellow "Y" in the box in the upper right hand corner of the report indicated that the project was on hold due to the protest of the evaluation process by L.R. Weschler. Ms. Dossier stated that the scope of services for the project manager contract has been drafted; however, we are waiting to see the outcome of the protest before taking further steps in negotiating the contract. In the meantime, we are finalizing the cubicle design and will order cubicle furniture by mid January and have them installed mid to late February. There is an issue with the electrical circuit in the room where the cubicles will be. We have discovered that there is only one circuit for the whole room, and it is questionable whether one circuit can handle eight employees with all of their electrical needs. We are also working on the core project team and back filling positions and hope to have that finalized in the very near future.

2. Project Manager RFP Protest (Melanie Symons)

Ms. Symons explained that there are two issues raised by L.R. Weschler: 1) We asked for one of the candidates, Provalient, to offer a second alternative project manager. We also asked that when they came to do their oral presentation to bring both of them for our consideration. L.R. Weschler contested that they should have also been given an opportunity to bring an alternative project manager. We did not do that because we didn't have any problems with their proposed candidate. L.R. Weschler did not meet the minimum score needed to move on to make the verbal presentation, so none of their protests are even an issue. 2) The cost factor. Cost was 20% of the points, which was 1000 points and we used a 2000 points system. The winning bid had the lowest of those 2000 points. Ms. Symons indicated the L.R. Weschler protest was filed at the end of December and we have 30 days to respond and then 14 days to appeal. It will be the middle of February before it is resolved; but, Ms. Symons noted that in our response we requested the ability to proceed with our contract with Provalient.

3. Cost Allocation (Barbara Quinn)

A large amount of time was spent deciding on how to distribute the cost of the new system and some of the supporting documentation that was provided to the Board packet is from the Business Case that was approved by the Board. Ms. Quinn reviewed the spreadsheets with the Board members that reflected how the new systems costs were allocated. There are multiple ways to address the allocation. Staff has chosen to use a mix of the methods: 40% evenly distributed across the plans, 30% based on plan similarities and complexities, and 30% based on plan membership. The Board felt it was a very fair and equitable plan.

4. FTE (Barbara Quinn)

Ms. Quinn explained that part of the Business Case included back filling positions so that we could assign core team members to concentrate on this project. There are three core position areas that need to be filled; 1) a retirement service area; 2) a member services area; and 3) an active member database area. These three positions will be our subject matter experts that will be working on the project. We will need to request position numbers from the Budget Office.

Motion: Vice President Terry Smith moved to approve three new full time employee positions for back fill positions for the system replacement project.

Second: Member Dianna Porter

No public comment.

Vote: 7/0

Ms. Minnehan noted that we need all of our IT Staff working on this project and that we currently have three contracted IT positions and that she is

requesting that we hire two FTE's and eliminate the contracted IT positions. She further explained that there would not be an increase in our budget for these positions, because we would be eliminating the contracted positions and replacing them with the FTE positions.

Motion: President John Nielsen moved to approve two full time IT positions without eliminating the contract positions at this time.

Second: Member Scott Moore

No public comment.

Vote: 7/0

C. Out of State Travel Authorizations (Roxanne Minnehan)

1. Board Member Training – Stanford University Fiduciary College, 3/24-25

Ms. Minnehan explained that this was a conference for Board members to attend. Member Dianna Porter mentioned that she had attended this conference two years ago and encouraged Board members to attend it. Several Board members had prior conflicting commitments and are unable to attend, and requested that staff research if the conference will be held at another time so that they could possibly attend it at a later date. President Nielsen indicated he would be agreeable to going, but he needed to check his schedule first. He will get back to Ms. Minnehan at a later date as to whether or not he will be able to attend this conference.

Motion: Member Dianna Porter moved to approve one Board member attend the Fiduciary College at Stanford Law School, "The Future of Retirement" Conference on March 24-25, 2011.

Second: Member Patrick McKittrick

No public comment.

Vote: 6/0 – Member Timm Twardoski was absent from the room at the time of the vote.

2. GFOA Annual Conference, San Antonio, TX, 5/22-25 – Barbara Quinn and Diann Levandowski

Ms. Minnehan explained she is requesting that Ms. Barbara Quinn, Fiscal Services Bureau Chief, and Diann Levandowski, Accounting Supervisor, attend this conference.

Motion: Vice President Terry Smith moved to authorize for two staff to attend the May 2011 Conference of the Government Finance Officers' Association in San Antonio, TX.

Second: Member Scott Moore

No public comment.

Vote: 6/0 – Member Timm Twardoski abstained.

D. Medical Consultant Contract – Dr. Dean Gregg, PHD (Patricia Davis)

We currently have a contract with Dr. Robert Bateen, our Psychiatric Consultant of disability cases. Dr. Bateen is planning on retiring in the near future. He has recommended Dr. Dean Gregg as his replacement to review some of the cases.

Motion: Member Scott Moore moved to accept the agreement between the Montana Public Employee's Retirement Administration Board and Dr. Dean Gregg, Ph.D.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

E. PERS ER Contract/FURS Resolution – Sourdough RFD (Kate Talley)

Legal Counsel, Kate Talley, explained that Sourdough wants to join PERS. They have 4 employees; a full-time administrative employee, a part-time bookkeeper and two full-time firefighters. By joining PERS they are eligible under our statute to then elect for their full-time members to enroll in FURS. They have submitted a contract and a resolution for two of their full-time employees to join FURS. Member Scott Moore had concerns about Sourdough being a Fire District. Rae Fire District, who is also a part of this request, is a Fire Service Area, which means employees of Rae Fire District cannot join FURS. Kate explained that originally they were hired by Sourdough Rae, but that they have since changed and they are now employed entirely by the Sourdough Rural Fire District. They receive in excess of \$400K in excess in tax revenue from the county and they have submitted pay stubs to show that their two firefighters are paid from the SRFD.

Motion: Member Scott Moore moved that the Board approve Sourdough Rural Fire District's contract for PERS Coverage and acknowledge the resolution to participate in FURS.

Second: Member Patrick McKittrick

No public comment.

Vote: 6/1

BREAK – 10:15 a.m.

F. FY 2010 CAFR Presentation (Diann Levandowski)

Ms. Diann Levandowski, the Assistant Fiscal Services Bureau Chief, gave a presentation on the FY 2010 Comprehensive Annual Financial Report. The CAFR has been published and the picture theme this year is "Small Montana Towns". The accounting staff is responsible for creating the statements, charts, schedules and notes. All staff contributes to the report through the daily operations. Management reviews the final publication. The 2010 CAFR has been submitted for the Governmental Finance Officers' Certificate of Excellence. MPERA has received this award 12 consecutive years.

The CAFR consists of five sections: 1) Introductory Section, 2) Financial Section, 3) Investment Section, 4) Actuarial Section and 5) Statistical Section.

The Introductory Section has a letter to the Governor from Board President John Nielsen and Executive Director Roxanne Minnehan. It also has awards and achievements, the Board picture, and MPERA Organizational Chart.

The Financial Section has the Financial Statements for each system and the Management Discussion and Analysis which provides an overview of the financials and each plans performance. It also has the auditor's opinion letter.

The Investment Section has investment goals and objectives, investment management results and the total rates of return by asset class.

The Actuarial Section has the valuation results provided by Cheiron, a certification letter, the summary of actuarial assumptions and methods, and actuarial schedules.

The Statistical Section has numerous historical schedules, such as; history of actuarial accrued liabilities, the changes in net assets for the last ten fiscal years, the average benefit payments, history of contributions rates and members. Ms. Levandowski was commended for doing a good job on this report.

G. Committee Reports

Audit Committee – Ms. Minnehan indicated that Renae Justice, our Internal Auditor, has been out of the office on medical leave and she is also taking a class. Ms. Minnehan will follow up with her once she returns to get an update on the status of when the next meeting will be.

Policy Committee – Member Scott Moore indicated that their last Policy Committee Meeting was cancelled due to the preparation for Legislative Session and needs to be rescheduled.

Personnel Committee – Member Darcy Halpin stated that there was nothing new to report and requested that the committee members agree to meet sometime in April in order to begin union negotiations.

Legislative Committee – Member Dianna Porter reported that they are continuing to have weekly conference calls every Tuesday. She encouraged other Board members to participate. Vice President Smith noted that there was a document

provided to the Board on various PBS interviews and he felt there was a lot of valuable information in these interviews about how to make a precise and detailed presentation to the Legislature. He encouraged Board members and staff to take the time to read the interviews.

Joint Resolutions Committee – President John Nielsen indicated there was nothing new to report at this time.

H. Board Of Investments Update (Patrick McKittrick)

Member Patrick McKittrick noted that the Board of Investments has not met since Clifford Sheets last made his presentation to the Board. The BOI Chairman has retired and that the Governor has not yet assigned a new person.

I. Executive Director Verbal Update (Roxanne Minnehan)

1. MPERA Staffing

Ms. Minnehan reported that the DC Accounting position has been vacant for quite a while now. We have received several qualified applications and we will begin reviewing them next week. The Retiree Database Support position has been offered to a candidate and they are now in the process of performing reference checks. We received thirteen applications for the Benefit Analyst Position and interviews will begin at the end of next week. The Executive Assistant position closed on January 5, 2011, and interviews are expected to begin next Wednesday. There were eighteen applications received for the Training Specialist and it is expected that interviews will begin next week for this position, as well.

Ms. Minnehan noted that Board Member Timm Twardoski has been reappointed by the Governor effective April 1, 2011 with his term ending April 1, 2016.

2. BOI TRS Asset/Liability Study

This study stated, in several ways, exactly what the actuaries are telling us; more funding needs to be provided to make the systems actuarially sound.

J. Verbal Update – Litigation (Melanie Symons)

No verbal update for the open meeting.

K. Medical Consultant Remuneration Addendum – Dr. Robert Bateen, PHD

Ms. Minnehan explained that this was just an addendum to Dr. Bateen's contract to make his rate comparable to the agreement that was discussed earlier. No further discussion ensued.

L. Next Board Meeting – February 10, 2011 and March 10, 2011

President Nielsen reminded everyone of the next meetings. No further discussion ensued.

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

ADJOURNMENT

There being no further business before the Board, President Nielsen adjourned the meeting, at approximately 12:13 pm. Next regular meeting will be Thursday, March 10, 2011 at 8:30 am.

John Nielsen, President

ATTEST:

Roxanne M. Minnehan, Executive Director