



## REGULAR MEETING

### PUBLIC EMPLOYEES' RETIREMENT BOARD

February 10, 2011

President John Nielsen called the regular meeting to order at 8:35 am Thursday, February 10, 2011. Roll call was taken with all seven members of the Board present; Ms. Halpin and Mr. Moore participated via telephone. Board members and staff present were:

John Nielsen, President  
Terry Smith, Vice President  
Patrick McKittrick, 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. Consulting Physician Introduction** – Dr. Dean Gregg

The Board approved a contract for consulting services with Dr. Dean Gregg last month. Dr. Gregg introduced himself and gave a brief description of his personal and professional background.

**IV. Approval of Board Meeting Minutes**

The minutes of the open meeting of January 13, 2011, were presented.

*Motion: Member Dianna Porter moved to approve the minutes of the January 13, 2011 PERB Regular Open Meeting.*

*Second: Member Timm Twardoski*

*No public comment.*

*Vote: 7/0*

**V. Approval of Policy Committee Meeting Minutes – January 27, 2011**

***Motion: Member Scott Moore moved to approve the minutes of the January 13, 2011 PERB Regular Open Meeting with changes.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 3/0***

**VI. Executive Director's Report – Roxanne Minnehan, Executive Director**

***A. 2011 Legislative Session (Dianna Porter/Roxanne Minnehan)***

Ms. Minnehan reported there has not been a lot of activity on the bills recently. The House State Administration is taking executive action on the General Revisions Bill (HB70) this morning. Ms. Melanie Symons, MPERA Chief Legal Counsel, is attending this hearing. The Working Retiree Bill (HB85) and the PERS Funding Bill (HB122) have not been scheduled for executive action yet. The Game Wardens Funding Bill (HB134) and Peace Officers Funding Bill (HB135) have both been scheduled for executive action tomorrow. The House State Administration will be taking executive action on the Revising of the Membership of the Public Employees' Retirement Board bill (HB238) on Thursday, February 10, 2011.

Yesterday, during the House State Administration meeting, Ms. Sheri Scurr gave a presentation on all of the retirement bills that are before the Legislature and questions were answered about our retirement bills. On February 8, 2011, Mr. Carroll South gave a presentation on the Board of Investments and how they invest retirement funds. Ms. Minnehan noted that there were not really many questions asked at these sessions.

***Motions made by the Board Legislative Committee***

Member Dianna Porter mentioned there have been a number of motions made by the Legislative Committee and it was decided that the Committee Members wanted to seek the entire Board's approval of their decisions. Ms. Porter gave a brief overview of each of the motions. Mr. Mike O'Connor mentioned that on the bill to Revise the Volunteer Firefighter Pensions (LC1076) he had discussed an amendment with Senator Zinke that stated if the pensions do not amortize over a certain length of time then the extra benefit proposed in this bill will be eliminated. The Board agreed that with the amendment they would be an informational witness, versus an opponent.

***Motion: Member Dianna Porter moved to accept the motions made by the Legislative Committee and the Legislative Committee will re-visit LC1076 at their next meeting on February 15, 2011.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 7/0***

**White Paper**

Member Patrick McKittrick asked about the status of the White Paper that Ms. Symons was drafting to present to the Legislature for the Constitutional Amendment Bill. Ms. Minnehan stated that it was not complete yet, but once it was it would be made available to the Board as a privileged working document and Ms. Symons would also create a public information document that contained bulleted items from the White Paper.

***B. Remedy for Retiree Work Unit (Barbara Quinn)***

Ms. Barbara Quinn, Fiscal Services Bureau Chief, explained there were two long-term employees who retired that had a great impact on the retiree area. The retiree database was managed by one person who coordinated her schedule around her work, had been with the system since inception and knew all the quirks and work-arounds. As the years passed the area got busier and the retiree unit staff just worked harder, resulting in taking work home and falling behind in the less critical tasks. Ms. Quinn further explained that although we have a new retiree database manager that is doing an impressive job there is a steep learning curve and also a heavy, varied workload. By approving a second database assistant position to be hired there will be adequate training on balancing and processing payroll. The retiree database manager and the database assistant will work together on daily tasks to ensure that work does not fall behind. Currently the position filled by the working retiree is our Core Team Member for MPERAtiv. This backfill position will change its look in six to nine months, at which time the database manager will transition to the MPERAtiv Core Team and in the place of the working retiree we would backfill a data entry/support position to assist with daily duties. Chairman John Nielsen stated he was concerned that the Board had just approved five new full time employee positions and now they were being asked to consider another one. He also questioned how this new position would affect the budget. Ms. Minnehan responded that the Retiree Database Manager is currently working over-time and that by applying those over-time funds to the new position, combined with vacancy savings, this position will not be a strain on the budget. She also pointed out that we run the risk of burning staff out when they are continually working excessive hours to ensure that work is completed.

***Motion: Member Patrick McKittrick moved to approve adding a new position to staff that will support the retiree work unit.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 7/0***

**C. *Governance Principles Amendments (Scott Moore)***

*Section IV. Board/Chief Legal Counsel Relationship*

Member Scott Moore mentioned that due to the fact that the Chief Legal Counsel position was such a vitally important position to the Board, the Policy Committee decided to revisit the Board's relationship with that position. Ms. Minnehan noted that the history in regards to this relationship was that the Board used to give the performance evaluations of both legal positions and after Mr. Scott Miller left he suggested to the Board that we change this relationship and have both of these positions report to the Executive Director. It was discussed that the Board did not want to have sole responsibility in hiring, firing and evaluating the legal positions, but that they did want the Executive Director to seek the Board's advice and consent in regards to these functions. Member Patrick McKittrick voiced concern over having read an article in the newspaper about MPERA's former Legal Counsel and felt the Board should have been given an advance notice that this article was being released. Based upon that Member McKittrick stated he would have a problem supporting the suggested amendments to this principle. A copy of the newspaper article was given to the Board and it was agreed that this section of the Governance Principles discussion would be tabled until after Executive Session.

*Section V. Board/Internal Auditor Relationship*

The Board accepted adding this section to the Governance Principles.

*Section VI. Executive Director Authority*

It was agreed that this section would also be tabled for Executive Session.

*Section VII. Board President Authority*

The Board accepted the suggested changes to this section.

*Section VIII. Board Vice President Authority*

The Board accepted the suggested changes to this section.

*Section IX. Committees, Committee Chairs*

The Board accepted the suggested changes to this section.

***Motion: Member Scott Moore moved to uphold the Policy Committee's recommendation on all sections except IV. and VI. pending Executive Session.***

***Second: Member Dianna Porter***

***No public comment.***

***Vote: 7/0***

**D. *Interest Rates Policy No. BOARD Admin 03 Revisions (Scott Moore)***

Member Scott Moore explained that experienced staff knew how interest rates are applied to a member's account, but newer staff members did not. It was felt that a policy needed to be written for new staff members to refer to.

***Motion: Member Dianna Porter moved to uphold the Policy Committee's recommendation to add Administration 03 Policy explaining how interest rates are applied to a member's account.***

***Second: Member Scott Moore***

***No public comment.***

***Vote: 7/0***

***E. Informal Consideration – VFCA, Brady VFD (Diann Levandowski)***

Ms. Diann Levandowski, the Assistant Fiscal Services Bureau Chief, explained that the Brady Volunteer Fire Department was requesting that the Board accept the late filed Annual Certified filed on December 18, 2002, for the fiscal year 2001-2002 and filed on August 30, 2004, for the fiscal year 2002-2003. The Annual Certificate was signed by the Fire Chief and notarized and included was the training documentation by fiscal year, as is required. Ms. Levandowski recommended the Board approve the credited year of service to the 10 members listed on the FY2001-2002 Annual Certificate and the 16 members listed on the FY2002-2003 Annual Certificate.

***Motion: Member Terrence Smith moved to uphold staff recommendation.***

***Second: Member Patrick McKittrick***

***No public comment.***

***Vote: 7/0***

***F. 457 Plan Adoption Agreement and Resolution – Baker SD#12 (Patricia Davis)***

Ms. Patricia Davis, Member Services Bureau Chief, explained that the Baker School District #12 was interested in joining the 457 Plan. They currently do not have a 457 Plan in place and Ms. Davis asked the Board to approve the Adoption Agreement and Resolution.

***Motion: Chairman John Nielsen moved to approve the 457 Plan Adoption Agreement and Resolution with the Baker School District #12.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 7/0***

***G. Out of State Travel Authorizations – PRISM Conference, April 10-13, 2011, Jacksonville, FL (Roxanne Minnehan)***

Ms. Minnehan noted that this conference is in Jacksonville, Florida this year and it is a good chance for our IT staff to intermingle with other IT staff and make contacts for future IT issues. Ms. Minnehan felt it was a very beneficial conference and stated that June Dosier, Information Systems Manager, and Dave Swenson, Computer Systems Developer would be attending.

***Motion: Member Dianna Porter moved to authorize up to \$2,000 each for two staff to attend the April, 2011 Annual Public Retirement Information Systems Management (PRISM) conference in Jacksonville, Florida April 10-13.***

***Second: Member Patrick McKittrick***

***No public comment.***

***Vote: 7/0***

***H. Set Board Meetings (John Nielsen)***

***Motion: Member Dianna Porter moved that the next quarter Board Meetings be scheduled as follows:***

***Thursday, April 14, 2011***

***Thursday, May 12, 2011***

***Thursday, June 9, 2011***

***Second: Chairman John Nielsen***

***No public comment.***

***Vote: 7/0***

**BREAK**

***Educational items (10:15 – 10:30)***

***I. Responding to the Public (Kate Talley)***

Ms. Kate Talley, Legal Counsel, stated to the Board that at the January 13, 2011, in light of the on-going Legislature, Ms. Minnehan requested her to address some of the ways in which Board should be prepared to respond to questions from the public. Ms. Talley gave a short power point presentation. There was no discussion.

***Discussion items (10:30 – 11:30)***

***J. FY 2011 Budget Update (Barbara Quinn)***

Ms. Barbara Quinn, Fiscal Services Bureau Chief, gave a brief overview of the second quarter of the current fiscal year budget. Expenses are paid as of December 31, 2010. Half of the year has gone by and things are on target as planned and budgeted. Of the five positions that were approved to be filled one position has been hired. Furniture has also been ordered for the area that the work for System Replacement Project is going to take place in. There was also some electrical work done that had to be done in that room which was \$1,600.

**K. System Replacement Project Update (June Dosier)**

Ms. June Dosier, Information Systems Manager, had included a status update document in the Board packet. Ms. Dosier mentioned that the protest issues raised by L.R. Weschler have been resolved and we are moving ahead with the project.

**L. NAPPA Conference Report (Kate Talley)**

Ms. Kate Talley, Legal Counsel, mentioned that she had attended the Institutional Investors Conference where Madeline Albright spoke. The first day was about global risk management and asset allocation. The focus was how the financial crisis occurred and what plans need to recover. Following that conference she then attended the NAPPA Conference and there they discussed actuarial assumptions, how the assumed rate of return impacts plans and risk profiles. Overall the sessions were very informational and well worth Ms. Talley's time to attend them.

**M. Committee Reports (Committee Chairs)**

*Policy Committee* – Member Scott Moore did not have anything to report.

*Audit Committee* – Member Terrence Smith apologized for not being able to be present for the scheduled Audit Committee meeting this month and mentioned that it had to be postponed for next month.

*Legislative Committee* – Member Dianna Porter noted that they were going to approve last week's Legislative Committee Meeting minutes at today's Board meeting, but due to the fact that she and Chairman John Nielsen were not available to review them she suggested waiting until Tuesday's Legislative Committee Meeting to approve them. Ms. Melanie Symons reported that she had just attended the hearing for our General Revisions Bill (HB70) and the House State Administration Committee took executive action and passed the bill unanimously. She mentioned the Teacher's General Revisions Bill also passed. The Board composition bill had two amendments. The first amendment was intended to replace one at-large member with another retired member from PERS but the firefighters testified at the hearing and requested that it be broadened to reflect that it could be any retiree from any retirement system. This amendment passed with the suggested changes by the firefighters. The other amendment was almost identical to the first amendment but during the discussion of this amendment Representative Betsy Hands asked to have the bill tabled. It was voted on and unanimously passed and the bill was tabled.

**N. BOI Update (Patrick McKittrick)**

Member Patrick McKittrick reported that the Board of Investors had a meeting on February 8 and 9. He mentioned that even though the unemployment rate is still high and the real estate market is down, the Board of Investors saw an increase of \$4 million dollars into the fund for the last quarter, and as of two days ago it increased to \$7.6 million. Mr. Carroll South gave a presentation to the Legislature. A copy of it was in the Board packets. Mr. McKittrick suggested inviting Mr. South to a future Board meeting to give a brief presentation. He felt it was very informative and that it would be very helpful to

the Board.

**O. Executive Director Verbal Update (Roxanne Minnehan)**

*New Staff Update*

Ms. Minnehan reported there have been several new hires recently. Ms. Alvina Davis was working in the Member Services Administrative Support position, but was hired into the Retiree Database Support position. She started her new position on February 7, 2011. Her old position is now vacant. Flora Sebens has been working as the Executive Assistant as a temp for the past month and was offered the permanent position, which officially started on February 7, 2011. Ms. Angela Fiskum was hired as a Benefit Analyst and starts February 14, 2011. Mr. Armando Oropeza was hired as the Education & Training Specialist and also starts February 14, 2011. Ms. Ashley Fregoso was hired as the DC Accountant and starts February 21, 2011.

**P. Verbal Update – Litigation (Melanie Symons)**

Ms. Symons reported that she was meeting at the Attorney General's Office today with the Colonel of the Highway Patrol to work out a resolution regarding Mr. Spears. A second Amendment Complaint has been served on us and our response is due by no later than February 28, 2011.

*Informational items*

**Q. Next Board Meetings – March 10**

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

**EXECUTIVE SESSION**

President Nielsen adjourned the open meeting and the Board went into Executive Session.

**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.**

**RECONVENE OPEN MEETING**

Chairman John Nielsen re-opened the meeting at 1:00 p.m.

**A. Governance Principles Amendments (Scott Moore) - CONTINUED**

*Section IV. Board/Chief Legal Counsel Relationship*

Discussion continued on the Governance Principles Amendments, sections four and six. It was agreed that in section IV. that the word "chief" would be removed, along with the already suggested removal of the words "whether part of staff or outside advisor". This section will now read as follows: "*Board/Legal Counsel Relationship. Legal counsel will be hired, fired, and evaluated by the Executive Director with the advice and consent of the Board. At the request of the Board or if otherwise necessary, legal counsel may report directly to the Board and/or receive direction from the Board.*" It was agreed that all other amendments to the Governance Principles were acceptable by the Board. Chairman John Nielsen asked that similar language such as what was in Section IV. be added to Section V.

that states there will be a direct relationship between the Board and the Internal Auditor. It was unanimously agreed this language would be inserted into this section.

*Motion: Member Terrence Smith moved to accept the amendments to the Governance Principles with noted changes in Section IV.*

*Second: Member Scott Moore*

*No public comment.*

*Vote: 6/1*

## ADJOURNMENT

There being no further business before the Board, President Nielsen adjourned the meeting, at approximately 1:30 pm. Next regular meeting will be Thursday, February 10, 2011 at 8:30 am.

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John Nielsen, President

ATTEST:

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Roxanne M. Minnehan, Executive Director