

## **PUBLIC EMPLOYEES' RETIREMENT BOARD**

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, June 9, 2011

### **REGULAR MEETING**

President John Nielsen called the regular meeting to order at 8:35 am Thursday, June 9, 2011. Roll call was taken and five members of the Board were present. Member Scott Moore participated via telephone. Member Timm Twardoski was excused. Board members and staff present were:

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

Other's present: Rick Ryan, Dax Fraser, Doug Neil, and Jason Baker, members of the Montana State Firemen's Association; Scott Grant, Provaliant; Tom Schneider, MPEA; Sharon McKittrick; Stephanie Flint, GWRS; Liz Danielson, FURS; Don Kinman, AFSCME; Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; Kate Talley, Legal Counsel; June Dosier, Information Systems Manager; Diann Levandowski, Assistant Fiscal Services Bureau Chief; Dave Swenson, IT Systems Supervisor; and Renae Justice, Internal Auditor, joined the meeting.

### **OPEN MEETING**

- I. Roll Call**
- II. Public/Member Comment** - No comments were given.

*Action items*

### **III. Approval of Meeting Minutes**

#### **A. Regular Board Meeting – May 12, 2011**

The minutes of the open meeting of May 12, 2011, were presented.

***Motion: Vice President Terrence Smith moved to approve the minutes of the May 12, 2011, PERB Regular Open Meeting.***

***Second: Member Patrick McKittrick***

***No public comment.***

***Vote: 6/0***

**B. Personnel Committee Meeting – April 14, 2011**

The minutes of the Personnel Committee meeting of April 14, 2011, were presented.

*Motion: Member Darcy Halpin moved to approve the minutes of the April 14, 2011, Personnel Committee Meeting.*

*Second: Member Scott Moore*

*No public comment.*

*Vote: 2/0*

**C. Audit Committee Meeting – March 10, 2011**

Due to the absence of Member Timm Twardoski, a Board member on the Audit Committee, it was agreed the minutes from the March 10, 2011, meeting would be presented at the next Board meeting.

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

**A. Rules (Melanie Symons, Kate Talley)**

Ms. Melanie Symons, Chief Legal Counsel, noted that proposed new rules, as well as rule changes, have been drafted to implement Legislative changes. The Board has previously approved the proposed amendments implementing 2009 Legislation. Since significant time has passed since that approval, those proposed amendments are being resubmitted with the proposed amendments implementing 2011 legislation. If approved, the proposed rules will be submitted to the Secretary of State in one rule notice.

*Motion: President John Nielsen moved to uphold staff recommendation to approve the proposed rule amendments considered to bring the rules in compliance with 2009 and 2011 legislative changes.*

*Second: Member Darcy Halpin*

*No public comment.*

*Vote: 6/0*

**B. FY 2011 Administrative Contracts (Melanie Symons, Kate Talley)**

Ms. Roxanne Minnehan stated that since the new fiscal year starts July 1, 2011, we have several administrative contracts that need to be renewed.

1. Agency Legal Services. We have an interagency agreement with the Department of Justices' Agency Legal Services Bureau for legal advice and representation when we need to augment legal services (i.e. hearings officers in contested cases, conflicts of interest). The rates remain the same as Fiscal Year 2011 (\$93 per hour for attorneys and \$53 per hour for investigators and paralegals).

*Motion: Vice President Terrence Smith moved to approve the Interagency Agreement between the Board and the Agency Legal Services Bureau, Legal*

***Services Division of the Montana Department of Justice for the period from July 1, 2011 through June 30, 2012.***

***Second: Member Patrick McKittrick***

***No public comment.***

***Vote: 6/0***

2. ICE Miller Legal Tax Consultants. ICE Miller provides invaluable service to us enabling us to maintain our plan qualification status. Outside legal counsel must be approved through the Legal Services Review Committee. ICE Miller's rates have increased this year between 2.8 and 4%, depending on position.

***Motion: Member Darcy Halpin moved to uphold staff recommendation to approve the proposed addendum to the Ice Miller contract extending the termination date until June 30, 2012.***

***Second: Member Dianna Porter***

***No public comment.***

***Vote: 6/0***

3. Physician. Robert Bateen, PHD, has provided medical consultation services for the Board for a number of years. Staff recommends renewing his contract for the biennium. The rate remains the same.

***Motion: Member Dianna Porter moved to uphold staff recommendation to renew the contract with Dr. Robert Bateen, Ph.D., to provide medical consultation services for the period of July 1, 2011 through June 30, 2013.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 6/0***

**C. FY 2011 Reserve – MPERAtiv Program (Barbara Quinn)**

For Fiscal Year 2011, the PERB budget is estimated to come in under the allowable statutory cap of 1.5% of benefits paid. The Board has discussed earmarking money for system replacement. It is intended that the future spending of this amount will not impact PERB's future budget or budget cap. According to accounting standards any money set aside must be done so before fiscal year end (June 30). However, we will not know the exact amount we will be under the budget cap until late July. Therefore, staff is recommending that we determine the amount by projecting remaining expenses, deduct \$100,000 from the balance and "assign" the amount remaining.

***Motion: Vice President Terrence Smith moved to uphold the staff's recommendation to take the following actions regarding the FY2011 dollars remaining under the statutory CAP:***

- ***At a minimum, a balance of \$100,000 rounded to the nearest one hundred dollars will remain in the FY2011 budget; and***
- ***The maximum amount as allowed by governmental accounting standards and state policy will be set aside and earmarked for the purposes of funding the MPERAtiv program in FY2012. It is intended that the future spending of this amount will not impact PERB's future budget or budget cap.***

***Second: President John Nielsen***

***No public comment.***

***Vote: 6/0***

#### **D. FY 2012 Proposed Budget (Barbara Quinn)**

The Board creates, approves and monitors its budget on an annual basis. Ms. Barbara Quinn noted that it is time to approve the Fiscal Year 2012 Board Budget. Each year the allocation process is reviewed to ensure we are equitably charging expenses across all programs. No retirement plan can subsidize another. This year's budget includes costs associated with the MPERAtiv Program, imaging active member files and increased webinars. All of these expenditures will help us to improve processes and services.

The total budget is \$7,160,887 – 80% DB plans, 8% DC, 7% 457, 4% DB Ed and 0.7% DC Ed. In the DB plans, the anticipated expenses are projected to be \$325,700 under the cap (1.5% of the cap of projected benefits).

Ms. Quinn noted that money was built into the budget for union and non-union employee pay raise in the event that the pay freeze is lifted. Member Patrick McKittrick asked if any of the staff who have left MPERA's employment, or anyone who has been offered a position but turned it down, did so because they were able to make more money elsewhere. It was acknowledged that we *have* lost a few employees who took positions where they were offered more money and that during the interview process we have also had people turn us down because the offered salary was not high enough.

At the last PERB Board meeting a discussion was held on purchasing E-Readers for the Board and management team. Ms. June Dosier had reported at this meeting that the Teachers Retirement System (TRS) was also looking into this for their board. It was agreed that we would wait to see what transpired with TRS before proceeding with purchasing E-Readers. Vice President Smith stated that he felt that purchasing E-Readers would save money by reducing staff time in preparing the packets, plus mailing expenses. It would also be easier for the Board Members in transporting the Board meeting documents to and from meetings. Member Patrick McKittrick concurred. Ms. Minnehan noted that they still need to resolve security issues involved with the use of E-Readers and asked Ms. Dosier to check to see how far along TRS is in their process of researching these devices including the security issues. Vice President Smith suggested putting E-Readers in the 2012 budget in the event that we decide to move forward with purchasing them.

E-Readers

*Motion: Vice President Terrence Smith moved to add twelve (12) E-Readers to the Fiscal Year 2012 budget as a line item.*

*Second: Member Patrick McKittrick*

*No public comment.*

*Vote: 5/1*

2012 Budget

*Motion: Vice President Terrence Smith moved to approve the Fiscal Year 2012 budget as amended.*

*Second: Member Dianna Porter*

*No public comment.*

*Vote: 6/0*

**E. DCRP/457 Plan – Target Date Funds Implementation (Patricia Davis)**

The implementation date to add the JP Morgan SmartRetirement Fund family to the DCRP and 457 Plan investment options needs to be delayed. Great-West Retirement Services needs time to complete their agreement with JP Morgan. It is expected that the JP Morgan SmartRetirement Fund will be added to the DC and 457 investment options by August 1, 2011.

*Motion: Vice President Terrence Smith moved make a change in the investment policy statement under the target date funds specifying that the funds are co-mingled investment trusts and that to move the implementation of JP Morgan SmartRetirement funds to the DC and 457 plans from July 1, 2011, to August 1, 2011.*

*Second: Member Dianna Porter*

*No public comment.*

*Vote: 6/0*

**F. PERS Local Government Contract – Whitehall High School Dist. #2 (Kate Talley)**

Local government entities may elect PERS coverage for their employees. Whitehall High School District No. 2 has been reporting under District No. 4 and District No. 47. Because District No. 2 has their own tax identification number they have been asked to contract separately with the Board for Public Employees' Retirement System Coverage for its non-professional staff.

*Motion: Vice President Terrence Smith moved to approve the contract for PERS coverage for Whitehall High School District No. 2.*

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 6/0***

**G. Out of State Travel Authorization – Northwest Peers Pension Conference, Seattle, WA, September 28-30, 2011 (Roxanne Minnehan)**

The Northwest Peer Pension Conference is made up of retirement systems in our region of the country. Members include Idaho, Montana, Nevada, Oregon, Washington and new this year, British Columbia. Every other year we meet in the fall to discuss issues and share insights. Hosting duties rotate. Montana hosted in 2009. This year the conference is in Seattle, WA, September 28-30, 2011. This provides executive staff an opportunity to meet our counterparts, discuss and share issues and solutions and provides valuable contacts for future inquiries.

***Motion: Member Darcy Halpin moved to approve the travel authorizations for Roxanne Minnehan, Barbara Quinn, Patricia Davis, June Dosier and Renae Justice to attend the Northwest Pension Peer Conference in Seattle, Washington on September 28-30, 2011.***

***Second: Member Dianna Porter***

***No public comment.***

***Vote: 6/0***

***Educational Item***

**H. Survey Says....DCRP/457 Plan Survey Results (Patricia Davis)**

Staff surveyed random state employees regarding their knowledge, needs and plans for retirement. The employees were members of the PERS-DBRP, PERS-DCRP or 457 Plan. The responses were previously tallied and provided to the Board. The Department of Labor and Industry tallied the responses and provided the results to the Board. Ms. Davis presented the analysis in a Power Point presentation, which will be posted to the MPERA website for public review.

The survey results indicated that members are confused about their retirement plans and need further education on the 457 plan, general investment education and how to use the Great West website tools.

***Discussion Items***

**I. MPERAtiv Program Update (June Dosier, Scott Grant, Provaliant)**

June Dosier, Information Systems Manager, reported that the MPERAtiv Program is moving ahead as scheduled.

Activities completed since the last status report are:

- Business Process Modification – completed research on MPERA business processes and side-by-side observations of MPERA processes.
- Data Cleansing – Approved the Data Cleansing RFP and submitted the RFP to the State Procurement Bureau.
- Imaging – Held the project kick off meeting on May 18, 2011, and clarified the application of ITSD standards to the MPERAtiv program.

Activities to be completed next month:

- Develop strategy to mitigate organization change risk. The new LOB solution as well as the BPM efforts may not provide benefit to MPERA if the organization changes recommended aren't implemented.
- Provaliant will provide strategic planning ideas to MPERA to assist us in developing a MPERA strategic plan.
- Data Cleansing – The Data Cleansing RFP is scheduled for release on June 15, 2011; deadline for receipt of written questions is June 27, 2011; deadline to post our responses is July 6, 2011; RFP responses are due to the State Procurement Bureau on July 18, 2011.
- BPM scheduled for completion by July 15<sup>th</sup>
- Imaging RFP development and submission to State Procurement.

## **J. Conference Reports**

### Tech Ed (Dave Swenson)

Dave Swenson, IT Systems Supervisor, attended the Microsoft Tech-Ed Conference in Atlanta, Georgia, on May 16-19, 2011. This conference is an annual event attended by over 10,000 people that highlights many of Microsoft's technology solutions and products. Each year Microsoft provides education for both IT professionals, as well as developers. This year there was a heavy emphasis on cloud computing. There were over 1000 break-out sessions, hands-on-labs, and foundational sessions to choose from for this event. Mr. Swenson reported that he tried to split the types of sessions he attended between emerging development technologies and those that had solutions for system developments and troubleshooting methodologies.

### GFOA (Barbara Quinn)

Barbara Quinn and Diann Levandowski attended the Government Finance Officers Association (GFOA) Annual Conference in San Antonio, Texas, on May 22-25, 2011. Some of the classes attended include OPEB, Collective Bargaining Strategies, Issues involved with returning to work, GASB 54 Fund Balance, Pension Accounting, Retirement Benefit Changes, eBudgets, and Accounting for Intangibles. Ms. Quinn stated that she was particularly interested in the classes that discussed the fiscal health of pensions. She listed several of them in a handout provided to the Board. Ms. Levandowski focused on attending the classes that centered on the GASB statement changes that had been presented this past year and will go into effect after the beginning of this fiscal year. She also attended a class on the new GASB exposure draft on Pension Accounting and Financial Reporting Standards. This GASB statement may be effective for fiscal years beginning after June 15, 2012, or periods beginning after June 15, 2013.

With the new changes in reporting requirements and the auditing that will take place for those requirements, the GFOA Conference was very informative and applicable to the situation that MPERA is in at this time with the MPERAtiv program and with the pension accounting and financial reporting standards.

**K. Committee Reports (Committee Chairs)**

There were no committee updates.

**L. Executive Director Update (Roxanne Minnehan)**

Staffing Update:

Refund Clerk – we are interviewing the last candidate.

Retiree Database Support – we are scoring applications and will schedule interviews next week.

Active Database Support – position was filled on May 31, 2011, by Ms. Mary Snyder.

Software Specialist – position was offered to a candidate. We are now awaiting union approval on the salary request.

Document Scanner Technician – in the process of drafting a job profile.

SAVA Committee:

The SAVA Committee will meet Friday, June 24, 2011. Ms. Megan Moore is the new staff person. Dave Lewis will chair this meeting, but Ms. Minnehan thought that the committee would choose a chairman at this meeting.

Committee members are as follows:

- Representative Bryce Bennet (D) – Missoula
- Representative Joanne Blyton (R) – Joliet
- Representative Pat Ingraham (R) – Thompson Falls
- Representative Kathy Swanson (D) – Anaconda
- Senator Ron Arthun (R) – Wilsall
- Senator Anders Blewett (D) – Great Falls
- Senator Larry Jent (D) – Bozeman
- Senator Dave Lewis (R) – Helena

**M. Litigation Update (Melanie Symons, Kate Talley)**

*Ober Spear* – A motion and brief to dismiss this case is due June 10, 2011. Mr. Spear's response is due July 8<sup>th</sup> and our reply will then be due July 22<sup>nd</sup>.

*Center for Mental Health* – Most of the impacted employees have hired legal counsel, Joe Cosgrove of Hoyt and Blewett in Great Falls, to represent them. Mr. Cosgrove recently filed an administrative claim with Risk Management and Tort Defense. We are assisting with their investigation. A response is due in August 2011.

*Erene Briese* – Ms. Kate Talley gave an oral argument in the Erene Briese case on May 19, 2011. We are now waiting to receive the Order.

*Information Items*

**N. MOU between MPERA/TRS (Kate Talley)**

There were conversations between MPERA & TRS over the last several years about sharing information to make sure that appropriate reporting is occurring when our members are in more than one plan. Ms. Talley explained that we did not have any statutory authority to share confidential information with them, so as part of House Bill 70, we proposed amendment to section 19-2-403, governing the powers and duties of the Board. The amended section will allow us to share confidential information with TRS as provided in a Memorandum of Understanding (MOU). The MOU has been finalized and will provide three different levels of information sharing between the systems based on need.

**O. CEM Contract (Melanie Symons)**

Ms. Melanie Symons noted that despite the rules and statutes, we have been informed by Procurement that a Sole Source Procurement Justification is not necessary since the contract is under \$25,000. Ms. Symons is working with CEM to finalize the contract.

**P. GFOA Award (Roxanne Minnehan)**

We have once again received the Certificate of achievement in Excellence in Financial Reporting from the Government Finance Officers' Association. This certificate was received for the Comprehensive Annual Financial Reporting (CAFR) for the year ended June 30, 2010. This is the 13<sup>th</sup> consecutive year we have received this prestigious award. Ms. Diann Levandowski and Donna Bley were acknowledged for all of the hard work they put into this project.

**Q. Next Board Meetings**

The next PERB Board meetings are scheduled for July 14, 2011, August 11, 2011, and September 8, 2011.

**R. Board Retreat**

The PERB Board Retreat is scheduled for all day Wednesday, September 7, 2011, and Thursday afternoon, September 8, 2011.

**S. Volunteer Firefighters' Conference – June 9-11, Glasgow**

The Volunteer Firefighters' Conference is in Glasgow on June 9-11, 2011.

**T. Montana State Firemen's Association (MSFA) Convention – July 13-15, Butte**

The Montana State Firemen's Association (MSFA) Convention is in Butte on July 13-15, 2011.

**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 exceed the merits of public disclosure. As such, this portion of the meeting will be closed as of 12:10 p.m.

**RECONVENE OF OPEN MEETING**

President Nielsen called the open meeting back to order at 1:50 p.m.

**ADJOURNMENT**

There being no further business before the Board, President Nielsen adjourned the open meeting at approximately 1:50 p.m. The next regular meeting will be Thursday, July 14, 2011, at 8:30 am.

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John Nielsen, President

ATTEST:

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Roxanne M. Minnehan, Executive Director