

## **PUBLIC EMPLOYEES' RETIREMENT BOARD**

100 North Park Avenue, Room 201  
Helena MT 59601

### **AGENDA**

Thursday, August 11, 2011

### **REGULAR MEETING**

President John Nielsen called the regular PERB Meeting to order at 8:35 a.m. on Thursday, August 11, 2011. Roll call was taken and all seven members of the Board were present. 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

Others present: Julie Bonafede, Wilshire Consulting; Ed Cleary, Rick Hansen, Rick Ryan, Jason Baker, Kevin Bentz, and Doug Neal, MSFA; Linda Ulrich, GWRS; Mike O'Connor, AMRPE; Mariko Boswell and Brett Garman, PIMCO; Jerry Williams, Montana Police Protective Association; Scott Grant, Provaliant; Jill Hindoien, MRPEC; Kris Wilkinson and Steph Morrison, LFT; Diane Fladon, PERS; MPERA staff: Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; June Dosier, Information Systems Manager, Kate Talley, Legal Counsel; Jenny Weigand, Education Supervisor; and Renae Justice, Internal Auditor, joined the meeting.

### **OPEN MEETING**

**I. Roll Call** – Seven PERB Board members were present.

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

#### *Action items*

**III. Approval of Meeting Minutes – July 14, 2011**

The minutes of the July 14, 2011, PERB regular open meeting were presented.

***Motion: Vice President Terrence Smith moved to approve the minutes of the July 14, 2011, PERB Regular Open Meeting.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 7/0***

**Education items**

**IV. DCRP/457 Third-party Vendor Updates**

***A. AEGON Stable Value Solutions – via phone (Bradie Barr, Vice President)***

AEGON Stable Value Solutions is a Dutch-based insurance company that is based in the Netherlands. It is a \$444 billion dollar organization that has been in business since 1981. AEGON is the wrap provider and issuing insurance company for the PERS-DCRP and 457 plans. Their primary responsibility is to guarantee book value benefit payments for participant withdrawals, reset and/or report crediting rates and monitor investment portfolios for guideline compliance.

Stable value is an investment vehicle offered by defined contribution plans and used by participants in those plans. Stable value provides unique combinations of benefits, such as principal preservation, stability and steady growth in principal and earned interest, returns similar to intermediate bond funds and benefit-responsive liquidity, which means participants transact at contract value. Stable value funds are a core investment in defined contribution employee benefit plans.

A handout was provided. Please see attached for more information.

***B. PIMCO (Mariko Boswell, Account Manager, and Brett Garman, Vice President)***

PIMCO is MPERA's bond managers for our Stable Value Fund. They manage portfolios according to approved guidelines and report performance statistics. PIMCO's expertise spans all asset classes to provide effective solutions to meet investor needs. PIMCO manages two portfolios for Montana: the Stable Value Portfolio – comingling 457 and 401(a), and the Core Bond Portfolio – 457 plan.

*Stable Value Portfolio* – PIMCO manages \$238.5 million in a separate account investment. It is benchmarked to the Barclays Intermediate Government Credit Index and has customized guidelines to meet the stable value wrap provider's (AEGON) requirements.

*Core Bond Portfolio* – PIMCO manages \$7.8 million in a total return fund investment and is benchmarked to the Barclays Capital US Aggregate Index. It's managed with full discretion guidelines.

A handout was provided. Please see attached for more information.

**C. *Great-West Retirement Services (Linda Ulrich, Regional Director)***

Great-West Retirement Services has \$147B in assets under administration and 4.4 million participant accounts. G-WRS is the leading provider to state and local government employers and is the fourth largest record keeper in the country over all markets. The types of services offered include product and investment management, as well as enrollment services and communication materials. They offer a local walk-in office in Helena and have four staff members geographically located around the state to communicate the plan, rules and regulations of participation, and provide enrollment services. Staff provides plan reviews for both the PERS DCRP and 457 plans throughout a participant's employment and beyond.

**D. *Wilshire Associates (Julie Bonafede, President of Counseling)***

Wilshire Associates was founded in 1972 and is 100% owned by active key employees. It has more than 300 employees in ten offices worldwide. Wilshire Associates' mission is to provide innovative investment solutions and objective, independent investment advice to investors throughout the world. They provide client service through a team structure, where the client to consultant ratio is five to one. Each senior consultant averages nearly 12 years with Wilshire and has more than 15 years in the industry.

A handout was provided. Please see attached for more information.

**Action Items**

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

**A. *Proposed Rule Amendments***

**1. VFCA (Kate Talley)**

Ms. Kate Talley presented the proposed rule amendments for the Volunteer Firefighters' Compensation Act. Among other things, the proposed rules address when membership cards must be filed and state which month of each year pension benefit adjustments, as provided by 2011 legislation, will become effective. The proposed rules do not limit the period of time in which Fire Chiefs are required to submit annual certificates – the new three year limit from the original due date was implemented by House Bill 119. ARM 2.43.5002 as amended in the proposed rules clarifies the process and the information required to file annual certificates. Currently, volunteer fire companies do not receive an annual statement if their Fire Chief does not file an annual certificate. However, MPERA will start sending annual statements directly to the volunteer firefighters who have membership cards on file, even if annual certificates have not been submitted by the Fire Chief.

***Motion: Vice President Terrence Smith moved to approve the Proposed Rule Adoption and Amendment pertaining to the operation of Volunteer Firefighters' Compensation Act.***

***Second: Member Darcy Halpin***

*No public comment.*

*Vote: 7/0*

2. Working Retirees (Melanie Symons)

New information on this amendment was recently discovered. Therefore, Ms. Melanie Symons, Chief Legal Counsel, requested that the Board table the Working Retirees Rule Amendments until the September 8, 2011, Board meeting. The Board agreed.

3. Adoption of 2009/2011 Legislative Rules (Melanie Symons)

A hearing was held August 3, 2011; however, there were no attendees. Comments have been received from our legislative rule reviewer and addressed. The comment period closes August 12, 2011. If no additional comments are received MPERA would like to notice the rules for adoption in August, rather than waiting until after the September Board meeting. If additional comments are received the Notice of Adoption will not be filed until approved by the Board at its September meeting.

*Motion: Vice President Terrence Smith moved to approve the proposed rule amendments considered to bring the rules in compliance with 2009 and 2011 legislative changes.*

*Second: Member Scott Moore*

*No public comment.*

*Vote: 7/0*

***B. PERS-DCRP/Deferred Compensation Plan (Patricia Davis)***

The Employee Investment Advisory Council (EIAC) met Thursday, July 21, 2011. At that meeting they discussed the following:

1. EIAC Appointments

EIAC members have 3-year terms. The following EIAC member's terms expired July, 31, 2010. These members should have been officially reappointed August 2010 to continue three-year terms.

3-year terms: beginning August 1, 2010, expiring July 31, 2013:

- Jim Penner – retiree representative
- Pam Fleisner – school district employee representative
- Paula Stoll – state government representative

August 2011 Re-Appointments:

3-year terms: beginning August 1, 2011, expiring July 31, 2014

- Randi Muffick – BOI representative

- Barbara Wagner – ICCW & state employee representative
- Ron Alles – local government representative
- Diane Fladmo (replaced Tom Bilodeau 12/2010) – union representative

All members have agreed to continue serving on EIAC.

***Motion: Vice President Terrence Smith moved to approve recommended EIAC appointments.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 7/0***

2. Investment Policy Statements (IPS)

Offering Target Date Funds in the plans has been an on-going challenge. Most recently we realized the proposed IPSs language states the Board may consider target date funds “to” retirement. The target date funds proposed by Wilshire and recommended by EIAC are “through” retirement. We recognize that the IPS should provide the guidance and not be changed to meet our decisions; however, the Board and EIAC have expressed a strong desire to offer target date funds. At the time of the target date decision the IPS constraint wasn’t noticed. Staff recommends the Board amend the PERS-DCRP and the Deferred Compensation Plan IPS to allow target date funds “through” retirement.

***Motion: Vice President Terrence Smith moved to approve recommended changes to Board Admin Policies 11 and 12 with the understanding this will be discussed at the Board Retreat on September 7, 2011.***

***Second: President John Nielsen***

***No public comment.***

***Vote: 7/0***

3. Target Date Funds

Wilshire recommended adding T. Rowe Price Target Date Funds to the investment option line-up in the PERS-DCRP and Deferred Compensation Plans. EIAC recommends the addition of target date funds in order to assist plan members in reaching their retirement goals. Target Date funds can provide a solution to participants who are uncertain about how to create a balanced, diversified investment portfolio. Target-date funds are structured to allow a simple choice for employees based on their expected retirement.

***Motion: Vice President Terrence Smith moved to accept EIAC's recommendation to add T. Rowe Price to the DC and 457 plans and adding target date funds as the default investment option to the DCRP plan.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 7/0***

Ms. Davis presented the Board with a proposed motion to discontinue use of Asset Allocation funds in the 457 Plan. It was agreed this would be tabled until the September 8, 2011, Board meeting.

- C. PERS Local Government Contract – Liberty County Cemetery District (Kate Talley)***  
Liberty County Cemetery District is requesting PERS coverage for their employees.

***Motion: Member Darcy Halpin moved to approve the contract to provide PERS coverage for Liberty County Cemetery District.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 7/0***

- D. Set Board Meeting Dates – October, November, December (John Nielsen)***  
Regular Board meetings are usually scheduled for the second Thursday of each month.

***Motion: President John Nielsen moved that the next quarter Board Meetings be scheduled as follows:***

***Thursday, October 13, 2011***  
***Thursday, November 10, 2011***  
***Thursday, December 8, 2011***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 7/0***

**Discussion Items**

- E. FYE 2011 Budget Review (Barbara Quinn)***

Fiscal Year 2011 has come to a close and Ms. Quinn presented a final report. 89.88% of the budget was expended over all programs. Staff did very well in controlling costs while accomplishing many projects this fiscal year. Salaries are paid through June 30, 2011. Personal services were expended at 95.29%; other services 96.38%; supplies and materials 92.62%; communication 43.71%; travel 45.24%; rent 95.84%; repairs and maintenance 232.39%; and other expenses 71.24%.

***F. GASB Update (Barbara Quinn)***

The Governmental Accounting Standards Board (GASB) has issued Exposure Drafts relating to pension accounting and financial reporting. There are two Exposure Drafts, one which sets standards for *employers* and the sets standards for *plans*. These documents are the next step (following the Preliminary Views that were released last year) in issuing new accounting statements, potentially replacing Statements No. 25 and No. 27. The effective date for most plans is in Fiscal Year 2014. This will be discussed more in depth at the Audit Committee Meeting at the conclusion of the Board meeting.

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

Ms. June Dosier and Scott Grant (Provaliant) provided a status report on the MPERAtiv Program. Although the imaging RFP was delayed we continue with a GREEN status. Provaliant's contract was amended to reflect the delay. The delay was caused by ITSD pulling the RFP. We are meeting with ITSD on Tuesday, August 16 to discuss our needs as we continue with MPERAtiv.

***H. E-Readers Update (Dave Swenson)***

Mr. Dave Swenson, IT Systems Supervisor, reported that we are working through issues related to the transmission of sensitive information to E-Readers. Although there are available options that would provide adequate security, it would require a fair amount of work and infrastructure on the backend. Teachers' Retirement System (TRS) suggested a technology to ITSD, but it is not a State standard and ITSD would not approve it. So for now TRS has provided state logon IDs to their Board members and email the Board packet material to each member (public documents only). Mr. Swenson noted that there is still an argument to be made that going 'paperless' with just the public documents would be of benefit. By doing so, San Mateo County recouped their investment in the technology within one year due to the avoided cost of printing and distributing their board packets.

Mr. Swenson requested a volunteer from the Board to assist him in a Pilot Project to test using an E-Reader for a future Board packet. It was agreed that President John Nielsen would assist Mr. Swenson in this project. The Board had already approved the purchase of E-Readers and therefore instructed Mr. Swenson to purchase two to use in the Pilot Project.

**I. *IT Strategic Plan Update (June Dossier)***

Every biennium we are required to create and submit to ITSD our IT Strategic Plan. The plan was due July 27, 2011. The IT Strategic Plan helps us evaluate our business processes.

*MPERAtiv* – MPERAtiv is an overall customer service, business operations and technology improvement initiative. MPERA plans to replace our legacy applications with an all inclusive pension administration Line of Business (LOB) system tightly integrated with an imaging solution. The two projects will be appropriately managed to provide a cohesive and comprehensive solution that will address MPERA's business needs and goals.

*Security* – A user (MPERA or non-MPERA) must have security to log into any of our computer systems and access our data files. A user is only allowed three unsuccessful login attempts before their account is locked. To unlock their account, the user must contact an MPERA Security Officer directly. Once the user successfully logs in they must immediately change their password. A user is only given access to the appropriate application areas through the use of menu-based driven security. Each user must reset their password every 180 days. Our legacy systems can be accessed only by MPERA staff, are protected by CICS security, ACF2 rules, and IDMS security classes and are monitored quarterly. A user must have security to access the active, retiree or VFCA legacy system and within each of those systems, security to access specific data (security class codes). Each user must reset their password every 60 days. The datasets that are created on the mainframe can be accessed only by MPERA staff, have ACF2 rules written for them, and are monitored daily. A user will have no security and will only have view-only security or read/write security.

*Goals and Objectives*

- Maintain ITSD recommended standards and policies
- Ensure MPERA is in compliance with state policies
- Implement an Information Security Program
- Successfully implement MPERA's overall customer service, business operations and technology improvement initiative (MPERAtiv)
- Continue emphasis on support and maintenance of existing IT infrastructure
- Maintain accuracy and integrity of data
- Implement basic internet inquiry to provide members with basic member account information
- Implement function to allow members to inquire, download and print member statements from MPERA website.
- Implement basic internet update to allow members to maintain member account information.
- Implement new technology for critical MPERA processes, forms and documents.
- Implement an imaging system and basic workflow for critical MPERA forms and documents.
- Back file conversion of MPERA documents.

- Keep business continuity plan up to date for disaster recovery.
- Actively participate with the state Service Delivery Team for disaster recovery.
- Work with ITSD to be a part of Disaster Recovery tests.
- Review and update agency disaster recovery plan.

*Accomplishments* – Some of the items that have been completed in the past years are:

- Online retirement calculator
- Enhanced educational services
- New website

**J. Committee Reports (Committee Chairs)**

*Audit Committee* – The Audit Committee will have its quarterly meeting directly following this Board meeting.

*Personnel Committee* – The Personnel Committee will begin negotiations with the Union on Thursday, September 1, 2011.

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

*Staffing Update*

- Refund Clerk – Jane Burgess started Monday
- DB Accounting Tech – Position was reposted – doing a reference check on potential candidate
- Imaging Clerk – Posted externally and closes August 17, 2011
- IT Programmer – Job profile being written

*125 Plan Insurance Premium Issue* – Mr. Jim Reno, Yellowstone County Commissioner, emailed Vice President Terrence Smith regarding his concern over negotiated contracts allowing insurance premiums to be counted as compensation in order to augment retirement benefits. It was agreed this would be discussed further at the Board Retreat on September 7, 2011.

**L. Litigation Update (Melanie Symons)**

Oral Argument was held May 19, 2011, in the Briese case and. We are still awaiting the Order. Our Brief and Spear's Response were included in the July Board packet and our Reply was included in this month's packet.

**M. Board Retreat Agenda (Beki Brandborg)**

Ms. Beki Brandborg has been hired to facilitate the September Board Retreat. The Board was asked what they would like to see on the Retreat agenda. Suggested items were:

- Contract rights relating to changes in GABA
- Philosophical discussion of defined contribution and deferred contribution fees and the structure of our fees
- Legislative funding issues
- Preparing for the next Legislative Session

This year the Board evaluations are going to be completed via “Survey Monkey”. This will ensure anonymity and allow the feedback to be tallied. The survey will be completed within 1-2 weeks of the August Board meeting so that we can send the compiled results with the Retreat packet a week before September 7, 2011. Dress attire for the Retreat will be casual.

*N. Next Board Meeting – September 8, 2011*

*O. Board Retreat – September 7, 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 exceeded the merits of public disclosure. As such, this portion of the meeting was closed as of 1:30 p.m.

*Closed Meeting Summary*

**Meeting Minutes**

*Motion: Member Dianna Porter moved to approve the minutes of the July 14, 2011, PERB Closed Meeting with correction.*

*Second: Member Darcy Halpin*

*Vote: 7/0*

**Disability Report (Julie Reardon)**

- *Initial Claims* – The Board approved four disability claims.
- *Disability Reviews* – The Board moved to continue one PERS disability and one MPORS disability.
- *Disability Conversations* – Four PERS disabilities were converted to service retirement.

**Finalized Service Retirements/Death Benefits (Patricia Davis)**

*Motion: Vice President Terrence Smith moved to approve the finalized service retirements/death benefits with the addendum.*

*Second: Member Darcy Halpin*

*Vote: 7/0*

**ADJOURNMENT**

There being no further business before the Board, President John Nielsen adjourned the regular meeting at approximately 2:30 p.m. The next regular meeting will be Thursday, September 8, 2011, at 8:30 am.

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John Nielsen, President

ATTEST:

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Roxanne M. Minnehan, Executive Director