

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, October 13, 2011

REGULAR MEETING

President John Nielsen called the regular PERB Meeting to order at 8:35 a.m. on Thursday, October 13, 2011. Roll call was taken with all seven Board members 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: Charlie Lambson, Florence Fire District; Phil Drake, Montana Watchdog; David Senn, TRS; Don Kinman and Jill Hindoen, MRPEC, Mike O'Connor, AMPRE, AFSCME; Beth Long, GWRS; Rick Ryan, Rick Hansen, Dax Fraser, Kevin Bentz, and Doug Neill, MSFA; Mike O'Connor, AMRPE; Tom Schneider, MPEA; Diane Fladmo, MEA-MFT; Rachel Weiss and Megan Moon, Legislative Services; Scott Grant, Provalient; Rende Mackay, DOA-HR; *MPERA staff*: Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; June Dosier, Information Systems Manager, Kate Talley, Legal Counsel; Diann Levandowski, Assistant Fiscal Services Bureau Chief, Jenny Weigand, Education Supervisor; and Renae Justice, Internal Auditor, joined the meeting.

OPEN MEETING

- I. Roll Call** – All seven PERB Board members were present
- II. Public/Member Comment** - No comments were given.

Action items

III. Approval of Meeting Minutes

A. September 7, 2011, Board Retreat

The minutes of the September 7, 2011, PERB Retreat were presented.

Motion: Member Darcy Halpin moved to approve the minutes of the September 8, 2011, PERB Retreat.

Second: Member Scott Moore

No public comment.

Vote: 6/0. Member Patrick McKittrick abstained due to his absence from the meeting.

B. September 8, 2011, PERB Regular Meeting

The minutes of the September 8, 2011, PERB Regular Meeting were presented.

Motion: Member Dianna Porter moved to approve the minutes of the September 8, 2011, PERB Regular Meeting.

Second: Member Darcy Halpin

No public comment.

Vote: 6/0. Member Patrick McKittrick abstained due to his absence from the meeting.

Presentation item

IV. FY 2011 Actuarial Valuation Results

Mr. Stephen McElhaney, FSA, and Margaret Tempkin, FSA, from Cheiron presented the results of the June 30, 2011, actuarial valuations. Cheiron performs the annual actuarial valuation on each of the retirement systems administered by the Board. The purpose of the valuation is to measure and disclose the financial condition of each system, indicate trends in the financial progress, determine the sufficiency of the statutory contributions rate paid by the employers, and provide specific information and documentation required by the Governmental Accounting Standards Board (GASB). Please see the attached handout for more information.

Action Items

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

A. Release Retiree Benefit Information – AG Opinion – Melanie Symons

In August 2010, the SAVA Committee requested the 100 highest annual retirement benefits paid by MPERA and TRS. After the meeting, MPERA received a request from Mr. Phil Drake of *Montana Watchdog* to provide the name, occupation and amount of the top 10 benefit recipients. TRS also received this request. We requested a release from each of the top 10 recipients, but no one provided consent. TRS requested an Attorney General (AG) Opinion. Based on that opinion, Mr. Drake is once again requesting this information. Mr. Drake was notified that the Board would discuss the request at this meeting. The top recipients were also notified of the agenda item. TRS entertained the agenda item at their September Board meeting. TRS postponed making a decision, requesting more time to consider. This item will be on their November 18, 2011, agenda.

Ms. Minnehan provided an update from an October 6, 2011, meeting with Phil Drake, Montana Watch Dog; Carl Graham, Montana Policy Institute (MPI); the executive directors and legal counsel of TRS and MPERA. The concerns of the systems'

director's were discussed, as well as the objectives of MPI. TRS and MPERA will determine if they can provide the amount of employer contributions attributed on behalf of each retiree. Mr. Drake affirmed that the request has been expanded to include all retirees.

Motion: President John Nielsen moved to uphold staff recommendation that the Board seek a Court Order prior to releasing information regarding specific members' retirement benefits.

Second: Member Scott Moore

No public comment.

Vote: 7/0

B. VFCA Administrative Rules – Kate Talley

The Board approved the VFCA administrative rule amendments and new rule proposals at the September Board Meeting. The notice was published and the hearing scheduled. No one attended the hearing and no comments were received. Staff recommends the Board adopt the proposed rules and amendments.

Motion: Vice President Terrence Smith moved to uphold staff recommendation to adopt the proposed rules and amendments and approve submittal to the Secretary of State's Office of the "Notice of Amendment".

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

C. Early Retirement Factors – PERS, SRS & HPORS – Kate Talley

2011 legislation replaced early retirement reduction factors with actuarially equivalent factors based on the most recent valuation of the system, making it necessary to publish the current factors. Actuarial factors should be included in the Actuarial Valuation Assumptions and Methods Board Policy (Admin 09) and adopted by reference in rule. Staff recommends approval of the proposed amendments to Board Policy Admin 09 to include current early retirement factors for PERS, SRS and HPORS and the subsequent proposed amendment of ARM 2.43.1306, which adopts that policy by reference.

Motion: Member Dianna Porter moved to uphold staff recommendation to approve the proposed amendment of (1) Board policy BOARD Admin 09 Actuarial Valuation Assumptions and Methods to include early retirement factors for PERS, SRS, and HPORS and (2) proposed amendment of Administrative Rule of Montana (ARM) 2.43.1306 pertaining to the adoption by reference of BOARD Admin 09.

Second: Member Scott Moore

No public comment.

Vote: 7/0

- D. *DCRP & 457 Investment Policy Statement – Proposed Rule Amendment – Kate Talley*
The Board made the decision to add Target Date Funds as an investment alternative in both the PERS-Defined Contribution Retirement Plan and the Deferred Compensation Plan. Changes to the Investment Policy Statements were approved by the Board to reflect this decision. Both Investment Policy Statements are adopted by reference in administrative rule. Accordingly, staff recommends that the Board approve the proposed rule amendments to adopt the revised policy statements.

Motion: Vice President Terrence Smith moved to uphold staff recommendation to approve the proposed amendment of Administrative Rules of Montana 2.43.3502 and 2.43.5102 pertaining to the adoption by reference of the Investment Policy Statements for the Defined Contribution Retirement Plan and the 457 Deferred Compensation Plan.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

- E. *VFCA Informal Considerations – Diann Levandowski*
1. *Birdseye VFD* – The Birdseye VFD is requesting the Board accept late filed Annual Certificates for FY 2007, 2008, 2009 and 2010. These certificates were filed on July 5, 2011.

Motion: Member Dianna Porter moved to uphold staff recommendation that the members who qualified for credit for FY2007 - 2010 be granted their credit.

Second: Member Patrick McKittrick

No public comment.

Vote: 7/0

2. *Florence VFD* – Florence FVD is requesting the Board accept a late filed Annual Certificate for FY 2010. The requested support documentation was received August 23, 2011.

Motion: Member Dianna Porter moved to uphold staff recommendation that the 17 members listed on the FY 2010 Annual Certificate and verified to receive credit for that fiscal year be granted the year of credited service.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

F. PERS Local Government Contract – Kate Talley

Columbus Rural Fire District #3 is requesting PERS coverage for their employees, effective November 14, 2011.

Motion: Member Patrick McKittrick moved to approve the contract to provide PERS coverage for Columbus Rural Fire District #3.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

Discussion Items

*G. MPERAtiv Program Update – June Dosier/Scott Grant, Provalient
Current Status*

- The MPERAtiv Project is moving ahead as scheduled.

Activities completed since last status report

- Line of Business – Conducted commitment gathering sessions. First draft of the LOB RFP was reviewed by MPERA, State procurement Bureau, and ITSD.
- Business Process Modification – This project is complete.
- Data Cleansing – Ventera began the review of MPERA data dictionary information. Hardware and software was ordered.
- Imaging – 9 responses to the RFP were received. 7 vendors were eliminated when they did not meet minimum pass/fail qualifications. Two vendors were scored and one was asked to the offeror interview/product demonstration.

Activities to be completed in next month

- Line of Business – Complete commitment gathering sessions, incorporate final changes into the RFP, and review and approve the LOB RFP. The LOB RFP is scheduled to be released in mid November.
- Data Cleansing – Complete hardware and software installation and configuration. Review and approve project initiation documentation, including project plan, project charter, and staffing plan.
- Imaging – Offeror interviews/product demonstration was October 12, 2011. Informatix is the selected vendor. The intended date for contract award is October 14, 2011.

H. Committee Reports – Committee Chairs

Legislative Committee – The Legislative Committee will hold a conference call during the week of October 24-28th.

Audit Committee – Nothing new to report. Next meeting is November 9, 2011.

Policy Committee – Nothing new to report.

Personnel Committee – A Union Negotiation meeting was held September 23, 2011, with MPEA and the Personnel Committee, along with personnel from the Department of Administration. The Union was presented with management's counter-offer and after caucusing they rejected it and counter-offered. The Personnel Committee and management rejected the Union's counter-proposal. Another meeting is scheduled for October 26, 2011.

I. Legislative Finance Committee Report – Melanie Symons

The Legislative Fiscal Committee, chaired by Representative Jon Sesso, has determined to address the funding of public pensions this interim. Background information was presented to the committee at its September 30, 2011 meeting. Presenters included Amy Carlson, Director Legislative Fiscal Division; Cindy Jorgenson, Deputy Legislative Auditor – Financial Compliance; Stephanie Morrison, Fiscal Analyst; Megan Moore, Legislative Services Research Analyst; and Carroll South, Board of Investments' Executive Director. Mr. South's report was included in the Board packet.

Jim Reno, Yellowstone County Commissioner; Dan Schwartz, Yellowstone County Chief Deputy Attorney; and Scott Turner, Yellowstone County Finance Director each stated that the last legislature did not do enough to address pension issues. Although MACO opposed increasing employer contributions, Yellowstone County fully supports increasing those contributions. They offered their services to the Legislative Finance Committee to assist in addressing the issue in the future.

Yellowstone County representatives also addressed a recent collective bargaining agreement entered into by Billings that allows health insurance premiums to be used as compensation for the purposes of increasing the employees' retirement benefit. They want this practice investigated and stopped as it spikes pensions and impacts the funds.

Dave Senn, TRS Executive Director, spoke on the draft GASB requirements, emphasizing that the requirement won't affect funding or change the 30 year amortization period. However, there is an issue on whether trust funds can be used to provide needed information to school districts and local governments. He then pointed out that we would not have a negative cash flow out of the retirement systems if the legislature would fund the ARC.

J. NAGDCA Conference Report – Melanie Symons, Patricia Davis, Roxanne Minnehan

The NAGDCA Conference was September 14th in Albuquerque, New Mexico. Items discussed at this conference were:

- The Washington Report – a presentation by Susan White, NAGDCA's Legislative Counsel and representative in Washington D.C.
- IRS Update – a presentation by Cheryl Press, an attorney with the IRS who focuses on DC and 457 plans.
- Target Date Funds – three presenters spoke about the nature of target date funds.

- Keeping Members in DC Plan after Retirement – this panel discussed the need to protect our members even after retirement.
- Reforming Public Retirement Plans – a presentation by Dr. Robert L. Clark, Professor, Department of Economics and Department of Management at North Carolina State University.
- Fiduciary Roles – a presentation by Barbara Healy, SST Benefits, and Gregory Settle, Hyas Group.

K. Northwest Pension Peer Conference Report – Patricia Davis, June Dosier, Renae Justice, Roxanne Minnehan

The Northwest Pension Peer Conference was September 28-30th in Seattle, Washington. This is a great opportunity for leadership from each organization to discuss different approaches to similar issues. Each state is assigned to lead a topic on current issues (i.e. policies, legal, communication, technology and employee growth and satisfaction). Staff appreciated the opportunity to attend.

L. Public Pension Financial Forum (P2F2) Conference Report – Barb Quinn

The Public Pension Financial Forum (P2F2) Conference was October 5th in Portland, Oregon. Items discussed at this conference were:

- GASB Education – discussion of GASB Standards had the typical flare but one comment was about confusion between “real” costs and funded status.
- Public Pension Systems and Threats – presentations by NASRA Executive Director, Linda Savitsky, and GRS Actuary, Paul Zorn.
- History and Ethical Lapses Do Repeat Themselves – presentation by Mary Ann Jennings, Professor at Arizona State University.
- Pension Fund Governance – presentation by Ken Kasper, New York TRS.
- GAAP Update on Pension Project – presentation by Scott Reeser, Project Manager at GASB.
- Crazy Good Customer Service – presentation by Mark Henson, Sparkspace
- Actuary Perspective on GASB ED – presentation by Brian Murphy, GRS
- GFOA Issues and Best Practices – presentation by Stephen Gauthier, GFOA
- Investigating Interviewing – presentation by Larry Rosipajla, Forensic Alliance
- Using Webinars – Mark Baker, Citrix
- Actuarial Returns Assumptions – Jim Voytko (RV Kuntz)
- IT Risks – what every Executive Needs to know – Stephen Gerschoffer and John Hanrahan, Rowe Horwath
- Social Media – Panel Discussion, MOSERS, OPERS
- Federal & State Legislative Updates – Leigh Snell (NCTRS)
- The state of the U.S. Public Pensions – Jean-Pierre Aubry (Center for Research at Boston College)
- Tax Update – Mary Beth Braitman & David Levine
- Economic Update – Geoffrey Somes, State Street Global Advisors
- Roll Call of the States

M. Executive Director Update – Roxanne Minnehan

- Interviews for the DB Accounting Clerk position will begin this week.
- Interviews for the DC Accountant position are scheduled for the week of October 17th.

- Interviews for the new IT position will begin this week. There are four candidates.
- The Pay Benefit Technician position was posted in-house and closes October 7th.

TRS Request to Work with Us

TRS is planning to work with stakeholders re: the funding of their retirement plan.

- They plan to discuss options
- Determine what the stakeholders can live with.
- Develop a plan
- Sell to the legislature

They want to know if would like to partner with them. They realize we have already made plan changes. So we would concentrate on the part that includes funding options.

N. IPad Update – Dave Swenson

Mr. Dave Swenson, IT Systems Supervisor, gave an update on his research into the use of e-readers. He gave a brief demonstration of an I-Pad application that he had purchased and discussed various options it has to make the Board packet material easy to read, simple to retrieve and annotate on the I-Pad.

O. Litigation Update – Melanie Symons/Kate Talley

Erene Briese – The Oral Argument on this case was held May 19th and we are still awaiting Order.

Ober Spear – The Brief and Spear's Response were in the July Board packet. Our Reply is in the August Packet. We are still awaiting Order from the Judge.

Center for Mental Health – A complaint was filed against MPERA and the State on September 13th. It was served on DOA on October 4th. We are in contact with RMTD for assistance.

Informational Items

- A. SAVA Meeting – October 20, January 27, April 19, June 12-13, August 8-9, and September 6
- B. LFC – December 8-9, March 8-9, and June 7-8
- C. Next Board Meeting – November 10 and December 8

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 2:00 p.m.

Closed Meeting Summary

Meeting Minutes

Motion: Member Dianna Porter moved to approve the minutes of the September 8, 2011, PERB Closed Meeting.

Second: Member Darcy Halpin

Vote: 6/0. Member Patrick McKittrick abstained due to his absence from the meeting.

Contested Cases

The Board considered one Informal Consideration regarding a firefighter retired under the VFCA. The member is requesting credit for five years of past service. The Board upheld staff recommendation and denied the request.

The Board considered one Informal Reconsideration regarding a disability claim. The Board determined the additional records submitted for this claim failed to demonstrate a disability and denied the application

Disability Report (*Patricia Davis*)

- *Initial Claims* – The Board approved one disability claim and denied one.
- *Disability Reviews* – The Board moved to continue two PERS disabilities with annual review and one PERS disability without annual review.

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

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

Second: President John Nielsen

Vote: 7/0

ADJOURNMENT

There being no further business before the Board, President John Nielsen adjourned the regular meeting at approximately 2:50 p.m. The next regular meeting will be Thursday, October 13, 2011, at 8:30 am.

John Nielsen, President

ATTEST:

Roxanne M. Minnehan, Executive Director