

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, November 10, 2011

REGULAR MEETING

President John Nielsen called the regular PERB Meeting to order at 8:35 a.m. on Thursday, November 10, 2011. Roll call was taken. Six Board members present. Member Darcy Halpin was excused. Board members and staff present were:

John Nielsen, President
Terry Smith, Vice President
Patrick McKittrick, Member
Scott Moore, Member
Dianna Porter, Member
Timm Twardoski, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Tasha McCourt, File Clerk

Others present: Don Kinman and Jill Hindoien, AFSCME; Mike O'Connor, AMPRE; Beth Long, Linda Ulrich, Gary Whitney and Nancy Quirino, GWRS; Jason Baker, Ed Cleary, Rick Hansen, Dax Fraser, and Kevin Bentz, MSFA; Mark Murphy, MCAA; Tom Schneider, MPEA; Diane Fladmo, MEA-MFT; Perry Christie, GWL; *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 – Six PERB Board members were present. Member Darcy Halpin was excused.

II. Public/Member Comment

Mr. Gary Whitney from Great West Retirement Services was introduced to the Board. Mr. Whitney will be working from the Billings office, providing service to the eastern part of the state.

Vice President Terry Smith noted that Governor Schweitzer wrote each Board member a note, congratulating MPERA's accounting staff for receiving the GFOA award for our CAFR.

Action items

III. Approval of Meeting Minutes

A. *October 13, 2011, PERB Regular Meeting*

The minutes of the October 13, 2011, PERB Regular Meeting was presented.

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

Second: Member Timm Twardoski

No public comment.

Vote: 6/0

Action Items

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

A. 457 Investment Option – Replace Davis New York Venture A with Vanguard Equity Income Admiral (Patricia Davis)

Davis New York Venture, a current fund in the 457 plan, has been on probation since September 2010. Mr. Michael Schlachter, Managing Director for Wilshire, reported the results of a large value manager search to replace Davis New York Venture at the Employee Investment Advisory Council (EIAC) meeting in October. Davis ranked mid-point or better in comparison to other options. Mr. Schlachter recommended retaining Davis and deferring the search for a replacement. However, during the meeting he made an alternative suggestion to replace Davis with the Vanguard Equity Income Admiral fund since it is already available in the DCRP. This fund is a passively managed fund. EIAC is recommending the Board replace Davis New York Venture with Vanguard Equity Income Admiral.

Motion: Vice President Terry Smith moved to send this issue back to EIAC for further review and discussion.

Second: Member Scott Moore

No public comment.

Vote: 6/0

B. DCRP/457 Stable Value Structure & Contracts (Patricia Davis/Melanie Symons)

The Stable Value funding option in the DCRP and the Deferred Compensation Plan require the services of an insurer or wrap provider. At the July Board meeting the Board recommended issuing an RFP for stable value wrap services. PIMCO is willing to provide a Quality Professional Asset Management (QPAM) service to provide relationship management and contract negotiations for the wrap provider. Staff has had several discussions internally, with procurement and with PIMCO. Staff recommends the Board contract with PIMCO to add QPAM services to our existing contract at no additional service charge. If the Board agrees with this recommendation the July motion will need to be rescinded.

Motion: President John Nielsen moved to uphold staff recommendation to rescind the decision made on July 14, 2011, to issue an RFP for a Stable Value Wrap Provider.

Second: Vice President Terry Smith

No public comment.

Vote: 6/0

Motion: Vice President Terry Smith moved to uphold staff recommendation to contract with PIMCO for QPAM services.

Second: Member Dianna Porter

No public comment.

Vote: 6/0

C. Local Government Contracts (Kate Talley)

Local governments have the option of contracting for coverage under the PERS. Local governments may also contract to allow employee participation in the State's Deferred Compensation (457) Plan.

1. *Town of Denton* – The Town of Denton would like to contract for PERS coverage for its employees, effective January 1, 2012.

Motion: Member Dianna Porter moved to uphold staff recommendation to approve the contract to provide PERS coverage for the Town of Denton.

Second: Member Patrick McKittrick

No public comment.

Vote: 6/0

2. *Thompson Falls Public Library* – Thompson Falls Public Library wishes to contract for PERS coverage for its employees, effective December 25, 2011.

Motion: Member Dianna Porter moved to uphold staff recommendation to approve the contract to provide PERS coverage for the Thompson Falls Public Library.

Second: Member Scott Moore

No public comment.

Vote: 6/0

3. *City of Hardin* – has completed a 457 Plan Adoption Agreement and Resolution to make the 457 Plan available to its employees. The effective date is December 10, 2011.

Motion: Vice President Terry Smith moved to approve the 457 Plan Adoption Agreement with the City of Hardin.

Second: President John Nielsen

No public comment.

Vote: 6/0

D. Notice of Rule Adoption & Amendment – Working Retiree (Melanie Symons)

The Board approved the Working Retiree administrative rules at the September Board Meeting. The notice was posted and hearing scheduled. No one attended the hearing and no comments were received. Staff recommends the Board approve the proposed rules and amendments.

Motion: Member Dianna Porter moved to uphold staff recommendation to approve the proposed new rule and amendment to Administrative Rules of Montana 2.43.2608 in order to implement changes to PERS working retiree limitations enacted by the 2011 Legislature.

Second: Vice President Terry Smith

No public comment.

Vote: 6/0

E. Set Quarter Board Meetings – January, February and March (President John Nielsen)
Regular Board meetings are usually scheduled for the second Thursday of each month.

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

Thursday, January 12, 2012

Thursday, February 9, 2012

Thursday, March 8, 2012

Second: Member Scott Moore

No public comment.

Vote: 6/0

Education/Presentation Item

F. Education Item – DCRP/457 Fees (Patricia Davis/Barbara Quinn)

Ms. Patricia Davis and Ms. Barbara Quinn explained the revenues and expenses in the DCRP 401(a) and the Deferred Compensation Plan 457(b). They also showed assumptions for future revenues and expenses. Ms. Davis stated she would take the fee discussion to EIAC, and then EIAC will make recommendations to the Board.

Vice President Terry Smith suggested fees be reviewed after the next legislative session.

Discussion Items

G. 415 Limits (Barbara Quinn)

In order to maintain the qualified status of our plans we are required to test for 415 limits as contained in the Internal Revenue Code. This includes IRC 415(b) Defined Benefit testing of benefits, including lump sum payouts; IRC 415(c) Defined Contribution testing of contributions; and IRC 401(a)(17) Defined Benefit and Defined Contribution testing of compensation. The actuary is assisting in the testing for benefit payments of select PERS retirees and lump sum payouts all DROP members that have completed their DROP participation. Compensation limits have been tested by looking at all members of all plans that come within 90% of the IRS defined compensation limit for 2007 to 2011. Letters have been written to employers and the members to notify them of the potential problems of exceeding limits and the results. Our next steps are to test DC contribution limits; continue the testing on a set schedule; and ensure the new system has the tools to assist us in monitoring 415 limits.

H. MPERAtiv Program Updates(June Dossier/Scott Grant, Provaliant)

MPERAtiv is moving along as scheduled. Staff has recently spent a lot of time building the requirements for the scope of services in the line of business RFP. We are also working with the data cleansing vendor to export data and run queries. The imaging contract is near completion. We should have an imaging vendor on site soon.

I. FY 2012 Quarterly Budget Report (Barbara Quinn)

The first quarter of Fiscal Year 2012 has passed. Ms. Barbara Quinn provided an update of expenses to date in comparison to the budget. Overall, the budget is 12.09% expended. Please see attached handout for more information.

J. MPEA/MPERA Contract (Member Timm Twardoski)

Negotiation on the supplemental union contract with MPERA Union employees has been completed. The contract fixes salary disparities and increases flexibility for hiring. MPERA union employees vote to ratify the agreement on Wednesday, November 9, 2011. The Board will ratify the contract in a conference call Thursday, November 17, 2011, at 1:30 p.m. Please see attached draft of the contract for more information.

K. SAVA Update (Roxanne Minnehan/Member Dianna Porter)

The SAVA Committee Meeting was held on October 20, 2011. Ms. Megan Moore gave an over view of Study Plans, of which the Committee adopted. She also reviewed the Revised Work Plans, gave a presentation on Pension Primer and proposed alternatives for addressing stakeholder legislative concepts relating to retirements. Carroll South and Clifford Sheets gave a status report on investment of retirement system assets. Ms. Minnehan and David Senn gave their respective Actuarial Valuation Reports. David Niss talked about contract right litigation in Colorado and Minnesota.

L. Committee Reports (Committee Chairs)

Legislative – Chairwoman Dianna Porter stated that the Committee met on Oct 27, 2011 via conference call. They began working on a Strategic Plan for the next legislative session. They also outlined education campaigns, with our primary targets being legislators, employers and employees in our systems and the general public. They are going to begin developing MPERA legislation. It was agreed we should hire a lobbyist again for the next legislative session. The Committee discussed various aspects of uniting with TRS in our efforts. A motion was made and passed to have staff meet with Dave Senn to discuss what his future goals and strategic plans are for TRS and to see if both agencies can work together. There was discussion about examining the underlying funding issues in the three systems that do not currently amortize. It was moved and passed to request that the actuary perform projections on the three systems that do not amortize. Ms. Minnehan stated that we had received a letter from our actuary for the estimate for the study. The Board agreed that a Board Meeting conference call would be scheduled sometime next week to approve the actuary's fees for performing the study.

Personnel Committee – Member Timm Twardoski reported that the Personnel Committee met on October 26, 2011. MPERA staff has ratified the contract with MPEA and the Board will determine whether to ratify it during the conference call next week.

It was agreed a Board Meeting Conference Call would be scheduled for Thursday, November 17, 2011, at 1:30 p.m.

M. Executive Director Update (Roxanne Minnehan)

Staffing Update

1. The IT Programmer position was filled by Bill Hallinan. He started November 7th.
2. The DB Accounting Tech position was filled by Julieanna Malensek. She starts on November 14th.
3. The DC Accountant position was reposted. We were turned down by 2 people.
4. We are currently rewriting the job profile for the Pay Benefit Technician.
5. Our Paralegal, Dena Helman, has resigned. Her last day is November 23rd. The position was posted internally on November 7th and has a deadline of November 10th for those who are interested and wish to submit an application.

Economic Affairs Interim Committee

The Economic Affairs Interim Committee is investigating Workers' Comp coverage for volunteer firefighters. Mr. Harold Blattie from MACO is leading the effort. MPERA staff met with them to discuss MPERA's involvement. They only needed to get an idea of how many volunteer firefighters there are in our system. Other agencies at this meeting were State Fund, the Department of Labor and Industry, DNRC, and MMIA. The outcome of the meeting was that Workers' Comp is available; but the issue is funding. The work group will bring the issue to the Economic Affairs Interim Committee meeting on January 8-9, 2012.

N. iPad Update (Dave Swenson)

The iPads have been delivered to President John Nielsen and Member Dianna Porter. Mr. Dave Swenson gave a brief overview on how information will be downloaded onto the iPads using a wireless connection. Once the information is downloaded you do not need a wireless connection to view the material. It was agreed that President Nielsen and Member Porter will report back as to how the iPad worked for them at the next Board meeting.

O. Litigation Update (Melanie Symons/Kate Talley)

Erene Briese – We received an Order from the judge confirming the Board's Final Order, finding that the deceased member's retirement account was not subject to the temporary restraining order issued as part of a dissolution action. Mr. Briese was able to change his beneficiary. Therefore, we will continue to pay the benefits to the survivors he had designated on the card.

Informational Items

- A. SAVA Meeting – January 27, April 19, June 12-13, August 8-9, September 6
- B. LFC – December 5-6, March 8-9, and June 7-8, mid-September
- C. Next Board Meeting – 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 Scott Moore moved to approve the minutes of the October 13, 2011, PERB Closed Meeting.

Second: Member Dianna Porter

Vote: 6/0

Disability Report (*Patricia Davis*)

- *Initial Claims* – The Board approved two PERS disability claims and denied two PERS disability request claims.
- *Disability Reviews* – The Board moved to continue one FURS disability to be reviewed in May 2012, and one SRS disability with annual review.

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

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

Second: Member Scott Moore

Vote: 6/0

ADJOURNMENT

There being no further business before the Board, President John Nielsen adjourned the regular meeting at approximately 12:00 p.m. The next regular meeting will be Thursday, December 8, 2011, at 8:30 am.

John Nielsen, President

ATTEST:

Roxanne M. Minnehan, Executive Director