

## **PUBLIC EMPLOYEES' RETIREMENT BOARD**

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, December 8, 2011

### **REGULAR MEETING**

President John Nielsen called the regular PERB Meeting to order at 8:35 a.m. on Thursday, December 8, 2011. Roll call was taken. Five Board members present. Member Darcy Halpin participated via telephone. Board members and staff present were:

John Nielsen, President  
Terry Smith, Vice President  
Scott Moore, Member  
Dianna Porter, Member  
Timm Twardoski, Member  
Roxanne Minnehan, Executive Director  
Melanie Symons, Chief Legal Counsel  
Flora Sebens, Executive Assistant

Others present: Ron Arthun, Senator; Don Kinman and Jill Hindoien, AFSCME; Mike O'Connor, AMPRE; Beth Long, GWRS; Doug Neil, Rick Ryan, George Richards, Ed Cleary, Rick Hansen, Dax Fraser, and Kevin Bentz, MSFA; Mark Murphy, MCAA; Tom Schneider, MPEA; Jerry Williams, MPPA; *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** – Five PERB Board members were present. Member Darcy Halpin participated via telephone.
- II. Public/Member Comment** – No public comment.

#### *Action items*

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

#### *A. November 10, 2011, PERB Regular Meeting*

The minutes of the November 10, 2011, PERB Regular Meeting was presented.

***Motion: Member Dianna Porter moved to approve the minutes of the November 10, 2011, PERB Regular Meeting.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 5/0 Member Darcy Halpin abstained due to her absence at this meeting.***

*B. November 17, 2011, Special PERB Conference Call Meeting*

The minutes of the November 17, 2011, Special PERB Conference Call Meeting was presented.

***Motion: Member Scott Moore moved to approve the minutes of the November 17, 2011, Special PERB Conference Call Meeting.***

***Second: Member Dianna Porter***

***No public comment.***

***Vote: 5/0 Member Darcy Halpin abstained due to her absence at this meeting.***

*C. October 26, 2011, Personnel Committee Meeting*

The minutes from the October 26, 2011, Personnel Committee Meeting was presented.

***Motion: Member Scott Moore moved to approve the minutes of the October 26, 2011, Personnel Committee Meeting.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 2/0 Chairwoman Darcy Halpin abstained due to her absence at this meeting.***

*D. October 27, 2011, Legislative Committee Meeting*

The minutes from the October 27, 2011, Legislative Committee Meeting was presented.

***Motion: Chairwoman Dianna Porter moved to approve the minutes of the October 27, 2011, Legislative Committee Meeting.***

***Second: Member Terrence Smith***

***No public comment.***

***Vote: 3/0***

*Action Items*

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

*A. PIMCO Contract Addendum (Patricia Davis)*

Last month the Board approved amending the contract with PIMCO to provide Qualified Professional Asset Manager (QPAM) services at no additional charge. Ms. Melanie Symons and Ms. Patricia Davis have been in discussions with PIMCO. This addendum would make PIMCO our QPAM and give PIMCO's staff the authority to communicate with wrap providers and other Benefit Responsive Contractors on

behalf of the Board, including entering into Benefit Responsive Contracts or directing the Board to enter into such contracts on behalf of the plans. As a fiduciary of the plans, PIMCO would also exercise ongoing discretion concerning the Benefit Responsive Contracts, including negotiation, re-negotiation, termination, reallocation, rebalancing, deposits and withdrawals.

PIMCO would perform ongoing evaluation of, and adjustments to, crediting rates and crediting rate formulas, consolidate information to calculate each Benefit Responsive Contract's crediting rate, and provide such information to contract providers. They will also communicate reset crediting rates to the Board or any other party we direct and assist MPERA in any reconciliation of a Benefit Responsive Contract's book value.

PIMCO would provide quarterly reports to MPERA staff on the asset of the Fund, the total Fund contract value, market value, crediting rates, duration, and other relevant contract information.

PIMCO will also keep us advised of actions taken under this contract and work with us as necessary.

***Motion: Vice President Terry Smith moved to approve staff recommendation to amend the existing PIMCO contract.***

***Second: President John Nielsen***

***No public comment.***

***Vote: 6/0***

***B. MPERAtiv Internal Project Management (June Dosier)***

Provaliant has identified a risk with the internal project management of MPERAtiv. This is an intense position requiring more time than currently allotted in our resource management plan. The steering committee has discussed the risk and possible solutions. The solution we decided on is to move Ms. June Dosier, IT manager, to the core team, so that she may dedicate the majority of her time to her project management duties. Just as we did in the other work areas, we will move Mr. Dave Swenson into the lead IT Manager Role. The one difference is he will also be taking on the IT supervisory responsibilities. Steering committee then decided we should back-fill with a ½ time local area network (LAN) position to remove those duties from Mr. Swenson. Staff recommends the Board approve adding a part-time FTE to perform LAN administration.

***Motion: Member Dianna Porter moved to approve staff recommendation to add a part-time FTE to perform LAN administration.***

***Second: Member Scott Moore***

***No public comment.***

**Vote: 6/0**

**C. Notice of Rule Amendments (Melanie Symons)**

The Board recently amended the following rules. A notice of proposed amendment has been issued. No comments have been received to date. Staff recommends the Board adopt the proposed amendments for submission to the Secretary of State's office.

1. *Actuarial Rates, Assumptions & Methods* – The amendments address the early retirement factor tables for PERS, SRS and HPORS.

***Motion: Member Darcy Halpin moved to uphold staff recommendation to adopt the proposed amendments to ARM 2.43.1306, which adopts by reference BOARD Admin 09, recently amended to include early retirement factors for PERS, SRS and HPORS, and approve submittal to the Secretary of State's Office of the "Notice of Amendment".***

***Second: Vice President Terrence Smith***

***No public comment.***

**Vote: 6/0**

2. *Investment Policy Statements for the DCRP and the 457 Plan* – The Board amended the Investment Policy Statements for both defined contribution plans. The Investment Policy Statements are adopted by reference through rule.

***Motion: Member Darcy Halpin moved to uphold staff recommendation to adopt the proposed amendments to ARM 2.43.3502 and ARM 2.43.5102 and approve submittal to the Secretary of State's Office of the "Notice of Amendment".***

***Second: Member Timm Twardoski***

***No public comment.***

**Vote: 6/0**

**D. Employer 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. *Corvallis County Sewer District* – Corvallis County Sewer District 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 Corvallis County Sewer District.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 6/0***

2. *Cooperative Management Entity of the Flathead Indian Irrigation Project – Cooperative Management Entity of the Flathead Indian Irrigation Project (CME) wishes to contract for PERS coverage for its employees, effective January 1, 2012.*

***Motion: Vice President Terrence Smith moved to uphold staff recommendation to approve the contract to provide PERS coverage for Cooperative Management Entity of the Flathead Indian Irrigation Project (CME).***

***Second: Member Dianna Porter***

***No public comment.***

***Vote: 6/0***

3. *Madison Conservation District – Madison Conservation District wishes to contract for PERS coverage for its employees, effective January 1, 2012.*

***Motion: President John Nielsen moved to uphold staff recommendation to approve the contract to provide PERS coverage for Madison Conservation District.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 6/0***

4. *Sanders County – Sanders County has completed a 457 Plan Adoption Agreement and Resolution to make the 457 Plan available to its employees. The effective date is one month after Board approval.*

***Motion: Vice President Terrence Smith moved to approve the 457 Plan Adoption Agreement with Sanders County.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 6/0***

*E. National Institute on Retirement Security (NIRS) Membership (Roxanne Minnehan)*

Staff recommends joining NIRS. The cost is \$1,000 per year for an associate member with assets of less than \$5B. This is a fairly new organization that has done a lot to promote defined benefit plans. It is affiliated with NASRA and NCRS. This organization performed the study of the economic impact of state and local pension plans in each state.

***Motion: Member Dianna Porter moved to uphold staff recommendation to join NIRS Associate Members as an Associate Member.***

***Second: President John Nielsen***

***No public comment.***

***Vote: 6/0***

*F. Out-of-State Travel Authorization – Kate Talley, NAPPA Winter Seminar, February 8-10, Washington, DC (Roxanne Minnehan)*

The Fiscal Year 2012 Board Budget includes one attorney's attendance at the NAPPA Winter Seminar. However, the Board must approve any out-of-state travel. Staff recommends approval for Kate Talley to travel to, and attend, the NAPPA Winter Seminar.

***Motion: Member Dianna Porter moved to uphold staff recommendation to approve registration and travel authorization for Kate Talley to attend the February 8-9, 2012, NAPPA Conference in Washington, DC.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 6/0***

*G. Schedule Legislative Work Session (Dianna Porter)*

Because funding the retirement systems is critical, staff recommends the entire Board have a Work Session to discuss and determine the Board's goals, objectives and approach for the next Legislative Session. It is recommended the work session coincide with the January Board meeting.

***Motion: President John Nielsen moved to uphold staff recommendation to schedule a Board Legislative Work Session on January 13, 2012, at 8:30 a.m.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 6/0***

*H. Schedule Board Annual Retreat Date/Place (John Nielsen)*

The Board expressed interest in having the next retreat off-site. The Fish and Wildlife Division Communication/Education Center has been recommended. This site requires booking in advance. Ms. Flora Sebens, Executive Assistant, has tentatively scheduled a date of September 12, 2012, for Board approval.

***Motion: Member Dianna Porter moved to uphold staff recommendation to schedule the 2012 Board Annual Retreat on September 12, 2012, at the Fish and Wildlife Division Communication/Education Center.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 6/0***

*Education/Presentation Item*

*I. Education Item – Actuarial Funding (Roxanne Minnehan)*

Ms. Roxanne Minnehan gave an oral presentation on Actuarial Funding. Please see attached for more information.

*Discussion Items*

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

MPERAtiv is moving along as scheduled. *Line of Business* – The LOB RFP was approved by MPERA and sent to procurement on November 22, 2011. The release of the RFP was delayed by 2 weeks to allow MPERA to spend additional time reviewing and finalizing commitments and contractual language, but there was no impact to cost. The schedule was modified for this change by decreasing offerors time to respond to the LOB RFP by two weeks. *Data Cleansing* – The project initiation documents were reviewed and accepted by MPERA. The first risk identification session was held with the project team. The data extract/load processes are proceeding as planned.

*K. Committee Reports (Committee Chairs)*

*Legislative Committee* – It was agreed that the Legislative Committee will schedule a meeting after the Work Session on January 13, 2012.

*Audit Committee* – The Audit Committee met on November 10<sup>th</sup> and November 28<sup>th</sup>. Staff noted their main focus for the rest of the fiscal year on the internal audit to ensure compliance with the Legislative Audit Division's requirements. They also discussed the GASB and noted that it is moving forward and will be watch closely. At the November 28<sup>th</sup> meeting they reviewed the Legislative Audit Report. It was asked if a replacement will be appointed to the Audit Committee for Patrick McKittrick. President Nielsen is hopeful that a replacement Board member will be appointed prior to the next Audit Committee Meeting of February 9, 2012. That Board member will be placed on this committee.

*Personnel Committee* – Chairwoman Darcy Halpin expressed disappointment that Ms. Minnehan’s evaluation had not been on the last few agendas for Board approval to purchase the evaluation software that Ms. Rende Mackay from the Department of Administration Human Resource Division had presented at the October 13, 2011 Board Meeting. She requested that it be put on the January 12<sup>th</sup> agenda as an action item and noted that she will contact Ms. Mackay to get direction on how to purchase the evaluation software.

*L. iPad Update (Dave Swenson)*

Mr. Swenson asked for feedback from President John Nielsen and Member Dianna Porter regarding the iPads they were experimenting with at home. Member Porter indicated that she liked the iPad and felt it was going to be a very useful tool for future Board meetings and the dissemination of Board meeting material, as well. President Nielsen was also impressed with it and felt it was very user friendly and easy to use. Member Porter gave the iPad to Vice President Terrence Smith to experiment with for the next month. Mr. Swenson will proceed with ordering the rest of the iPads for everyone on the Board. H will schedule a training session in the future to instruct everyone on how to use it.

*M. Montana Watchdog Information Request (Kate Talley)*

On November 16, 2011, a teleconference was held with Mr. Carl Graham from Montana Policy Institute and Mr. Phil Drake from Montana Watchdog. An agreement was made to provide Montana Watchdog with the name of the retirees from 1992 forward, who the retiree was employed with at the time of retirement, their service credit, and the estimated employer contributions. Ms. Jenny Weigand, Education Supervisor, has written a press release, which is located on our website. We have not yet determined how much we will charge for this information because we have not completed all the calculations. Once that is done we will have a better idea of how long it takes us to process this information and then can determine the cost.

*N. Litigation Update (Melanie Symons)*

*Erene Briese* – The decision from the Briese case was heard in District Court and the Court upheld the Board’s decision. Ms. Briese is now appealing this decision.

*Center for Mental Health* – We received the Complaint that was filed against MPERA and the State on October 4<sup>th</sup>. An answer was due on November 14<sup>th</sup>. Please see attached copies of these documents for more information.

*O. Conference Reports - APFFA (Rena Justice)*

Ms. Rena Justice attended the Association of Public Pension Fund Auditors in Austin, Texas on November 6-9, 2011. There were a few investment sessions where it was stressed not to react to the market conditions and to remain calm. There was an upcoming trend in internal controls, which is called Governance Risk and Compliance (GRC). It is the research of the value created through the convergence of governance risk taking management and compliance. A strategic approach was recommended to integrate all of those factors to help with future business decisions. Mr. Keith Brainard spoke about current issues and trends affecting public retirement systems and how the plans are being

scrutinized more by certain venues. He also discussed the GASB revisions and the impact they will have on pension funds. There was a workshop for small internal audit departments that discussed best practices that will be of benefit to Ms. Justice.

*P. Executive Director Update (Roxanne Minnehan)*

Staffing Update

- DC Accountant – position was turned down by 2 people. It was reposted and we received 8 applications. We will screen them this week and schedule interviews during the week of December 12<sup>th</sup>.
- Pay Benefit Technician – the job profile was rewritten and is being reclassified.
- Paralegal – this position was posted externally and we received 11 applications. We will screen them this week and schedule interviews over the next 2 weeks and hope to have the position filled by mid-January.
- IT Lead – we are rewriting this job profile.

Legislative Finance Committee Meeting Update

- The Legislative Finance Interim Committee addressed retirement plan funding at their meeting last week.
- Stephanie Morrison, Fiscal Analyst, presented a paper entitled “Pensions: A State & Local Challenge.”
  - Identifying funding sources for ER contributions
  - Also identifying how much a percent it is in relation to total operating budgets
  - Long-term viability
  - Shifting liability to all plan ERs
- March
  - Compare to other states
  - Legal status of shifting liability to EEs/Retirees
  - Total debt perspective
- June
  - Review potential solutions
  - Joint meeting with SAVA
- Carroll South also gave a presentation on:
  - Asset allocation drives performance
  - Current Allocation – expected return is 7.96%
  - Take out illiquid returns – expected return drops to 6.98%
  - Move asset allocation to decrease risk, you decrease returns
  - 2055 TRS goes broke; however because benefits paid are greater than contributions earned; have to adjust asset allocation and cannot earn 7.3/4% - go broke earlier
  - Need to increase contributions or decrease benefits
  - Sen Lewis asked about the ROR; Mr. South responded it really doesn't matter what the rate of return is – what matters is the benefits due and the assets required to pay the benefits.
- David Niss – Litigation Report & Analysis, September 30, 2011 to SAVA
  - Concluded the Colorado and Minnesota trial courts that upheld no contract between the state and members of the retirement systems for a specific COLA are not particularly applicable in Montana because of Montana statutes and previous

decisions of the Montana Supreme Court, which clearly indicate that the right to a pension benefit is a contractual right in Montana.

### *Informational Items*

*Q. SAVA Meeting – January 27, April 19, June 12-13, August 8-9, September 6*

*R. LFC – December 5-6, March 8-9, June 7-8, mid-September*

*S. Next Board Meeting – January 12, February 9, March 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 11:35 a.m.

### *Closed Meeting Summary*

#### Meeting Minutes

***Motion: Member Dianna Porter moved to approve the minutes of the November 10, 2011, PERB Closed Meeting.***

***Second: Member Scott Moore***

***Vote: 5/0 Member Darcy Halpin abstained as she was not present at this meeting.***

***Motion: Member Scott Moore moved to approve the minutes of the November 17, 2011, Special PERB Conference Call Closed Meeting.***

***Second: Member Timm Twardoski***

***Vote: 5/0 Member Darcy Halpin abstained as she was not present at this meeting.***

#### Disability Report (*Patricia Davis*)

- *Initial Claims* – The Board approved one PERS disability claims and denied two PERS disability request claims.
- *Disability Reviews* – The Board moved to continue one PERS disability without further review and one PERS disability with review in two years.

#### Contested Cases (*Kate Talley*)

- *Informal Consideration – Working Retiree, PERS* – The Board moved to uphold staff's recommendation that a retiree be required to repay \$4,031.00 in ineligible retirement benefits.
- *Informal Reconsideration – Disability Denial, SRS* – The Board moved to uphold their June 9, 2011, determination denying an application for SRS disability benefits.

- *Informal Reconsideration – Disability Denial, PERS* – The Board moved to uphold their September 8, 2011, determination denying an application for PERS disability benefits.

Finalized Service Retirements/Death Benefits (Patricia Davis)

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

*Second: Member Timm Twardoski*

*Vote: 6/0*

## **ADJOURNMENT**

There being no further business before the Board, President John Nielsen adjourned the regular meeting at approximately 1:15 p.m. The next regular meeting will be Thursday, January 12, 2012, at 8:30 am.

---

John Nielsen, President

ATTEST:

---

Roxanne M. Minnehan, Executive Director