

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, January 12, 2012

REGULAR MEETING

President John Nielsen called the regular PERB Meeting to order at 8:35 a.m. on Thursday, January 12, 2012. Roll call was taken. Seven Board members present. Board members and staff present were:

John Nielsen, President
Terry Smith, Vice President
Bob Bugni, Member
Darcy Halpin, 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: Jerry Williams, MPPA; Don Kinman and Jill Hindoien, AFSCME; Mike O'Connor, AMPRE; Doug Neil, George Richards, Ed Cleary, Rick Hansen, MSFA; Tom Schneider, MPEA; *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; Renae Justice, Internal Auditor, and Diann Levandowski, Assistant Fiscal Services Bureau Chief joined the meeting.

OPEN MEETING

I. Introduction – New Board Member

Mr. Bugni is our newest Board member. He was appointed December 13, 2011, and his term expires April 1, 2014. Mr. Bugni worked at Board of Investments and is a PERS retiree. He will be the liaison to the Board of Investments

II. Seven PERB Board members were present.

III. Public/Member Comment – No public comment.

Action items

IV. Approval of Meeting Minutes

A. December 8, 2011, PERB Regular Meeting

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

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

Second: Member Darcy Halpin

No public comment.

Vote: 5/0 Member Bob Bugni abstained due to his absence at this meeting.

B. November 10, 2011, Board Audit Committee

The minutes of the November 10, 2011, Board Audit Committee Meeting were presented.

Motion: Vice President Terrence Smith moved to approve the minutes of the November 10, 2011, Board Audit Committee Meeting.

Second: Member Timm Twardoski

No public comment.

Vote: 2/0

C. November 28, 2011, Board Audit Committee

The minutes from the November 28, 2011, Board Audit Committee Meeting were presented.

Motion: Vice President Terrence Smith moved to approve the minutes of the November 28, 2011, Board Audit Committee Meeting.

Second: Member Timm Twardoski

No public comment.

Vote: 2/0

Action Items

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

A. Stakeholder Legislative Concept – MPORS Compensation Definition (Jerry Williams, Executive Director, MPPA)

Jerry Williams, Executive Director & Legislative Chair of the Montana Police Protective Association (MPPA) addressed the Board regarding MPPA members wish to modify the definition of compensation in MPORS to match some of the other systems. MPORS's compensation definition currently excludes overtime, holiday payments, shift differential payments, compensatory time payments, sick and annual leave. MPPA has proposed similar legislation in past sessions. Mr. Williams states his organization is willing to pay the cost to determine the actuarial impact to MPORS. Cheiron has estimated \$2,500 to perform the analysis. They will need historical breakout of compensation types by agency. Mr. Williams has agreed to obtain the required data.

Motion: Vice President Terry Smith moved to allow the MPPA to work with MPERA staff to have the Board's actuary, Cheiron, study the impact of modifying the

compensation definition in MPORS. MPPA agrees to pay the invoice for the cost of the study. Cheiron has provided a cost estimate of \$2,500. Furthermore, MPPA will provide the historical payroll data as required by Cheiron for its analysis.

Second: Member Scott Moore

No public comment.

Vote: 7/0

- B. Local Government Contract – Whitehall Public School Districts, Joint Reporting (Kate Talley)***

Whitehall Public Schools have two districts that contract for PERS coverage: School District 4 & 47 and School District 2. Although they have both separately contracted for PERS coverage now, they have previously reported jointly and would like approval to continue reporting jointly.

Motion: Member Scott Moore moved to uphold staff recommendation that the Board approve the contract for joint reporting of contributions from Whitehall Elementary School District Numbers 4 and 47 with Whitehall High School District Number 2.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

- C. 360 Degree Evaluation Software – Executive Director’s Evaluation (Darcy Halpin)***

The Personnel Committee recommends purchasing the Checkpoint 360 Professional Development Tool for assessing the Executive Director. An overview was presented at a prior Board meeting.

Motion: Member Darcy Halpin moved to uphold the Personnel Committee recommendation to purchase the 360 Degree Evaluation Software for the Executive Director’s evaluation.

Second: Member Dianna Porter

No public comment.

Vote: 7/0

- D. Out-of-State Travel Authorization (Roxanne Minnehan)***

- 1. NASRA Winter Administrators’ Meeting, March 4-5, Washington, DC***

The National Association of State Retirement Administrators (NASRA) Winter Meeting is March 4-5 in Washington, DC. The conference is adjacent to the National Institute on Retirement Security (NIRS) conference which is held March

5-6 in Washington, DC. Ms. Minnehan is requesting Board authorization to attend the NASRA Conference. This request is not included in the approved FY 2012 Budget.

Motion: Member Dianna Porter moved to uphold staff recommendation to approve the travel authorization for Roxanne Minnehan to attend the NASRA Winter Administrators' Meeting, March 4-5, 2012.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

2. ***NIRS Third Annual Policy Conference, March 5-6, Washington, DC***

Last month the Board voted to join the National Institute on Retirement Security (NIRS). NIRS membership includes registration at their Annual Policy Conference in Washington, DC. The Conference is adjacent to the National Association of State Retirement Administrators (NASRA) Winter Meeting also in Washington, DC. Ms. Minnehan is requesting Board authorization to attend the NIRS Conference. This request is not included in the approved FY 2012 Budget.

Motion: Member Dianna Porter moved to uphold staff recommendation to approve travel authorization for Roxanne Minnehan to attend the NIRS Third Annual Policy Conference, March 5-6, 2012.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

3. ***NIRS Third Annual Policy Conference, March 5-6, Washington, DC Board Members***

NIRS has stated the Annual Conference is intended for retirement administrators; however, they are not opposed to Board members attending. Registration fees would be included with our membership.

Member Dianna Porter stated that the Board should seek and attend education. However, this conference is only one day and doesn't appear to be the best use of Board member time and expenses.

Motion: President John Nielsen moved not to approve travel authorization for Board Member(s) to attend the NIRS Third Annual Policy Conference, March 5-6, 2012.

Second: Member Dianna Porter

No public comment.

Vote: 7/0

E. Schedule Joint EIAC/Board Meeting – April 12, 2012

In the past, we have discussed having the Board and EIAC meeting together. Staff is proposing a joint meeting in April. The regular Board meeting would be scheduled for the morning and the joint meeting for the afternoon. If April ends up being a busy meeting, we may need to have the Board meeting on a separate day.

1. Regular Board Meeting, April 12th in the morning
2. Joint Meeting, April 12th in the afternoon
3. Stakeholder Legislative Concepts Meeting, April 13th

Motion: *President John Nielsen moved to recommend the Board schedule a joint meeting on April 12, 2012, between the Employee Investment Advisory Council (EIAC) and the Public Employees' Retirement Board (PERB).*

Second: *Member Dianna Porter*

No public comment.

Vote: 7/0

Education/Presentation Item

F. Education Item – FY 2011 CAFR (Diann Levandowski)

Ms. Diann Levandowski, Assistant Fiscal Services Bureau Chief, gave a review of the FY 2011 CAFR. Please see attached copy.

Discussion Items

G. LFD Stakeholder Input Meeting Update (Roxanne Minnehan)

- The Legislative Fiscal Division Interim Committee held a meeting on Friday, January 6th addressing the funding of retirement systems, including the ARC. Rep Rob Cook was in attendance.
- Goal – Meet the Actuarial Required Contributions (ARC) Based on Current Actuarial Assumptions and Amortize Unfunded Liabilities Over 30 Years
- Try to stay high level to discuss scenarios
- Give Legislature sense of proportion
- Stakeholders input:
 - PERS cut benefits for new hires already
 - Discomfort in treating the systems in aggregate
 - Concentrate on systems with a problem – fix to most extent the same
 - Questioned if proposed solutions will go through SAVA
 - Yes, SAVA end game, LFC interested and engaged as well.
 - Comprehensive list of options at June combined LFC/SAVA meeting
 - Longer we wait, the bigger the hole
 - Solution doesn't have to fix everything today

- Doesn't need to become actuarially sound in 2013 session – can make incremental changes over time
- Solution needs to be legally defensible
- People made choices based on contract right i.e. DB/DC choice; retired based on GABA
- Other states Contract right isn't in law
- Need to agree on definition of actuarially sound
- Need to have core value statements – Protect and maintain DB plans
- LFC needs to hire own actuary – objective and believable
- Can't separate policy from finances
- Legal Analysis of challenging contract right
 - Yes, staff has done legal analysis
 - 1st cut keep at higher level
 - Separate out systems later
 - Legal analysis
 - Number analysis
- Sheri Scurr
 - Educate in pieces first
 - Purpose of retirement systems
 - Legislative policy decision
 - Analysis to understand negative side of options
 - Structure/mechanics of how retirement system works
 - Causes of UAL – what has caused current UAL
 - What is Actuarially sound
 - Core Values/Sound Policy
 - ID/Understand problem
 - Analysis of solution
- Conclusions:
 - Mix & Match Scenarios (package everyone can live with)
 - EE Changes
 - New hires only
 - If all need to have less impact on those nearer retirement – avoid mass exodus
 - EE contribution Increases v. Benefit Decreases
 - General Fund or other Revenue Sources
 - GABA – reduce/eliminate
 - Not fix all at once – phased-in approach
 - Legislative Actuary
 - DC Option – cost prohibitive analysis – financial obligation to existing system
 - Triggers to bring back as system rebounds; ability to ratchet up/down more timely; tie to mark/demographic trends

H. MT Watchdog Request Update (Kate Talley)

Ms. Talley reported that staff is still working to produce the data that will be given to MT Watchdog. As previously discussed, the data will include the names of the defined benefit retirees who retired from January 1992 to December 2011, their retirement system name, employer name upon retirement, an estimate of employer contributions for each retiree and the retiree's total service credit.

I. *MPERAtiv Program Update (June Dossier)*

Current Status:

- The MPERAtiv Project is moving ahead as scheduled.

Activities completed since last status report:

- Line of Business – The pre-proposal conference was held on January 3, 2012. 13 vendors participated.
- Data Cleansing – Data extract and load processes are proceeding and data analysis has begun for retiree data. The project incurred a slight delay due to finalizing the data extra/load verification process which was resolved in late December. Resource allocation was reviewed and the remaining extra and load tasks streamlined to bring the project back on schedule.
- Imaging – Meet and greet session was held with Informatix. Informatix is developing the project plan, training classes and user training materials. The team is working to finalize the hardware and software licenses.

Activities to be completed in next month:

- Line of Business – Written questions are due on January 5, 2012, with written responses posted to the state's website on January 13, 2012. Responses to RFP are due on January 31, 2012.
- Data Cleansing – Full extracts will be completed and data loaded. Data analysis will continue and Data Analysis Results Report (DARR) reviews will begin. Dan Fite from Ventera plans to be on site in late January or early February.
- Imaging – Project initiation documents will be reviewed and approved including the project plan. The project kickoff meeting will be on site mid January.

Awareness Items

Staff changes – Scott Grant, oversight project manager, will be leaving the project. Bob Solheim will be replacing Scott. Scott's last day on site at MPERA will be 1/13/2012.

Scope/Schedule/Cost Updates

- Cost: No cost impacts
- Scope: All requirements within scope.
- Schedule: Offerors time to respond to LOB RFP was decreased by 2 weeks.

Issues/Risks

- An issue has arisen regarding the mandatory pre-conference. Procurement and MPERA are working on a possible resolution.

J. *Committee Reports (Committee Chairs)*

Audit – Bob Bugni was asked to serve on the Board Audit Committee. He agreed.

Personnel – Member Darcy Halpin mentioned that 15 names and emails will be given to Rende Mackay and the survey will be sent to them confidentially. Ms. Mackay will then give a presentation at the next Board meeting and explain the results.

Legislative Committee – A meeting will be scheduled after tomorrow's Work Session meeting.

K. iPad Update (Dave Swenson)

We ordered and received the additional iPads. Vice President Terry Smith mentioned it was very easy to use and it was very simple to download the Board packet. It was agreed that the Board members would purchase their own wireless routers, or go to places that offered free wireless internet. It is tentatively scheduled that a training class will take place at the next Board meeting for the Board members to learn to use the iPads.

L. Executive Director Report (Roxanne Minnehan)

Staffing Update

- Paralegal – Rebecca Price started January 3, 10 years as a paralegal, experience with rules and some experience with records management
- DC Accountant – Allison Petty to start January 23; Bachelor’s Degree in Business – Accounting from MSU.
- Retiree DB Support (backfill position) – posted in-house, closes Friday, January 13 for staff to express interest. If interest, application period closed January 19
- Pay Benefit Technician (Education Unit) – job profile rewritten; classified as a pay band four at lower salary range than before?
- IT Lead – to HR for classification

PEPSCO

- Attendees
 - MEA-MFT – Diane Fladmo, Eric Feaver
 - MTSBA – Bob Vogel
 - MPEA – Tom Schneider
 - TRS – Dave Senn, Will Harmon
 - MPPA – Jerry Williams
 - MSFE – Doug Neil
 - MPERA – Melanie Symons, Roxanne Minnehan
- Discussed the January 6th LFD meeting
- Discussed PERB’s Friday Work Session
- Eric Feaver –
 - Need to be on the same page in front of the Legislature
 - Show a good faith attempt to maintain and protect DB plans
 - Might be willing to increase EE contributions, but not decreasing GABA
 - If choose to increase contributions, need to make preparations
- Jerry Williams – inquired as to whether we have looked into new, dedicated, sources of continuous funding options to maintain retirements instead of “kicking” public employees
- Discussed other funding sources
- Discussed need to present a package where everyone shares in the pain, include triggers to return to current levels
- Will Harmon brought up pension envy issue and offering DB to private companies – governmental agency, qualification issue

M. Litigation Update (Melanie Symons/Kate Talley)

Ober Spear – still pending. He lost his law suit against DOJ – he’s filed many motions in that case. He also filed a notice of appeal in the Supreme Court.

Center for Mental Health – They filed discovery request right before the holidays so many of our staff are working on this case.

Informational Items

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

O. LFC –March 8-9, June 7-8, mid-September

P. Next Board Meeting – February 9, March 8

Q. Board Retreat – FWP Communication/Education Center, September 12, 2012

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: Vice President Terrence Smith moved to approve with corrections the minutes of the December 8, 2011, PERB Closed Meeting.

Second: Member Scott Moore

Vote: 6/0 Member Bob Bugni abstained as he was not present at this meeting.

Motion: Vice President Terrence Smith moved to approve the minutes of the November 28, 2011, Board Audit Committee Meeting.

Second: Member Timm Twardoski

Vote: 2/0

Disability Report (*Julie Reardon*)

- *Initial Claims* – The Board approved three disability claims without further annual reviews, and approved one disability request claim with annual review.
- *Disability Reviews* – The Board moved to continue four disabilities without further review and one disability was denied.

Contested Cases (*Patricia Davis*)

- *Informal Consideration – Retiree, PERS* – The Board moved to uphold staff's recommendation that a retiree be required to repay \$478.47 in ineligible retirement benefits.

Finalized Service Retirements/Death Benefits (Patricia Davis)

Motion: Member Darcy Halpin 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, February 12, 2012, at 8:30 am.

John Nielsen, President

ATTEST:

Roxanne M. Minnehan, Executive Director